Porsche Automobil Holding SE
company accounts 2008/09


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Group management report and management report of Porsche Automobil Holding SE

Recent developments

Michael Macht and Thomas Edig's appointment to the helm of Porsche AG marks the beginning of a new era for the Stuttgart-based automobile manufacturer. Michael Macht, who for many years served as head of production and logistics, has been made a member of the executive board of Porsche SE, and CEO of Porsche AG. Thomas Edig has been made board member at Porsche SE and Mr. Macht’s deputy at Porsche AG, where he is also responsible for HR and social issues and functions as labor director. Macht’s successor as head of production is Wolfgang Leimgruber, who was previously responsible for the body shell and paint shops. At Porsche SE, Michael Macht is responsible for technology and products, while Thomas Edig heads the commercial and administrative side.

On 23 July 2009, the supervisory board of Porsche Automobil Holding SE (“Porsche SE”) reached an agreement on the departure of the long-term executive board members Dr. Wendelin Wiedeking and Holger P. Härter. Both men also resigned from their posts on the supervisory boards of Volkswagen AG and AUDI AG.

Prof. Dr. Martin Winterkorn will be made the new CEO of Porsche SE following the approval of the supervisory boards of Porsche SE and Volkswagen AG. The CEO of Volkswagen AG will assume this position as soon as the specifics of the implementing agreements governing the individual steps of the combination of Porsche SE and Volkswagen AG have been clarified. On the same day, Hans Dieter Pötsch, CFO of Volkswagen AG, will be made a member of Porsche SE’s executive board. Both men will perform their new functions in addition to their current roles on the executive board of Volkswagen. Prof. Dr. Winterkorn has been the CEO of Volkswagen AG’s executive board since 2007, while Hans Dieter Pötsch has been CFO of the Wolfsburg-based automotive group since 2003.

By making these appointments, the supervisory board of Porsche SE has paved the way for the conclusion of a basic agreement that signals the creation of an integrated automotive group with Volkswagen AG. The agreement, which was negotiated between the board members of Porsche SE and Volkswagen AG, the workforce representatives of both companies and the ordinary shareholders of Porsche SE, was ratified by the supervisory boards at their meetings on 13 August 2009 and 11 September 2009, and still requires notarization among other things in order to become effective.

The basic agreement contains the following concrete steps: First, Volkswagen AG acquires a 42 percent share in Porsche AG, a wholly-owned subsidiary of Porsche SE. The investment takes the form of a cash contribution to capital via a newly created holding company with total income of up to 3.3 billion Euro on the basis of a valuation of Porsche AG that places its value at 12.4 billion Euro. This holding serves on the one hand to safeguard Porsche AG as an independent stock corporation based in Stuttgart-Zuffenhausen. On the other hand, it allows Volkswagen AG to take a share in the company.

In the next step, a capital increase will be effected at Volkswagen AG in the first half of 2010 by means of the issuance of new preference shares, with the consent of Porsche SE. This is then to be followed by a capital increase at Porsche SE, planned for the first half of 2011. The common objective i.e. the merger between Porsche SE and Volkswagen AG will then be implemented in the further course of 2011. The legal requirements must of course be in place by this time.

In the event that the merger does not take place, the basic agreement provides that Porsche SE has a put option for the remaining 58 percent share in the newly formed holding company, and Volkswagen AG a call option for this share. As a modification to the basic agreement, it is planned in a first step for Volkswagen AG to take a 49.9 percent share in the new holding company (instead of 42 percent) by means of a cash capital increase in return for a capital contribution of 3.9 billion Euro (instead of 3.3 billion Euro). This reduces the put and call options accordingly.

The conclusion of the basic agreement is also necessary for the completion of the ongoing negotiations between Porsche SE and the financing banks on the termination of the previous syndicated loan. Porsche SE is seeking to improve its loan conditions. This concerns both a prolongation of the loan and a reduction of the borrowing costs.

In addition to this timeline, the basic agreement also provides for a number of other points. These include the right of the shareholders of Porsche Gesellschaft m.b.H., Salzburg to sell that company's sales operations to Volkswagen AG. Moreover, the following resolutions on the articles of association will be submitted to the next general meeting of Volkswagen AG, which is scheduled for 3 December 2009 (and 4 December 2009 if necessary) for voting: Firstly, the German Federal State of Lower Saxony is to be granted the right, as a Volkswagen shareholder, to appoint two members of the Volkswagen supervisory board provided the state's share of Volkswagen AG's ordinary shares is at least 15 percent. The planned amendment to the articles of association of Volkswagen AG with regard to this right would prevent the inclusion by way of full consolidation of the Volkswagen subgroup (Volkswagen AG and its subsidiaries) in the consolidated financial statements of Porsche SE. The resulting deconsolidation would not affect liquidity, but would still have a lasting impact on Porsche SE's consolidated financial statements. Secondly, the general meeting of Volkswagen AG will vote on the ratification of a provision requiring a majority of more than 80 percent of the capital stock of the company represented at the meeting for resolutions requiring a majority of 75 percent in accordance with the German Stock Corporation Act.

The basic agreement also contains the provision that no profit and loss transfer and domination agreement may be concluded between Porsche SE and Volkswagen AG until 2020. The requirements for the enforcement of the basic agreement include the consent of the financing syndicate of banks at Porsche SE, as well as decisions on outstanding structural issues.

As a further step on the path to an integrated automotive group, Porsche Automobil Holding SE for the first time has an investor holding ordinary shares that is not associated with either the Porsche or Piëch families, namely Qatar Holding LLC. On 14 August 2009, the chairman of the supervisory board of Porsche SE, Dr. Wolfgang Porsche, received a prominent delegation from Qatar led by the emirate’s Prime Minister, Sheikh Hamad bin Jassim bin Jaber Al Thani, in Stuttgart, for the signature of two contracts. The Prime Minister signed a purchase agreement giving Qatar Holding LLC ten percent of the ordinary shares in Porsche SE. Dr. Wolfgang Porsche and Dr. Hans Michel Piëch signed the document on behalf of the shareholding families. The second contract, prescribing the acquisition by the emirate of a significant portion of the cash-settled stock options for VW shares, was signed by both Ahmad Al-Sayed, CEO of Qatar Holding LLC, and the executive board members of Porsche SE Michael Macht and Thomas Edig. In this context, Qatar Holding LLC further undertook to contribute 265 million Euro to the existing syndicated loan. The impact of the sale of stock options on Porsche SE’s liquidity is described in the chapter "Opportunities and risks of future development" on page 55 of this management report.

Previously, Porsche SE had already conducted write-offs as a preparatory measure for the sale of the options. This brought about a significant non-cash reduction in the result for fiscal year 2008/09 (1 August 2008 to 31 July 2009). At the same time, the sale of options improved Porsche SE's liquidity. It released cash amounting to more than one billion Euro, which had been deposited as collateral for the options.

Further events occurring after the balance sheet date are summarized on page 74 of this management report.

Business development

Initial consolidation of Volkswagen
Once Porsche SE had increased its share in Volkswagen AG, Wolfsburg, Europe's largest automotive manufacturer, to 50.76 percent of ordinary shares on 5 January 2009, the Volkswagen group became subject to inclusion in the consolidated financial statements of Porsche SE by way of full consolidation for the first time in the past fiscal year.

The assets and liabilities of the new Volkswagen subgroup were included in the consolidated financial statements of Porsche SE using the attributed market values at that point in time.

The market values were determined by purchase price allocation. A purchase price allocation involves the comprehensive revaluation of all of Volkswagen's assets and liabilities, and comparing their values with the purchase price in order to determine goodwill. The purchase price allocation had largely been completed by 31 July 2009. The final values were then included in the consolidated financial statements of Porsche SE as of 31 July 2009 with retrospective application as of 5 January 2009.

Due to the volume of work at the Volkswagen subgroup dedicated to preparing its own six-month financial report as of 30 June 2009, the data necessary for external reporting for the month of July could not be made available on time. The Volkswagen subgroup is therefore included in the consolidated financial statements of Porsche SE with accounting values as of 30 June 2009. As a result, the Volkswagen group's income statement for July 2009 was not taken into account in Porsche SE's consolidated income statement. The effects from purchase price allocation and the sales and production figures for Volkswagen published in this report also refer to the period from 5 January to 30 June 2009. The amortization of the differences between the carrying amounts and market values of the assets held by the Volkswagen subgroup, discovered in connection with the purchase price allocation as of 5 January 2009, resulted in a loss of around 3 billion Euro for the Porsche group (Porsche SE and its subsidiaries).

Global economic environment

The global economy underwent a dramatic decline in the reporting year. After economic growth in the US slowed sharply on account of the crisis on the real estate and financial markets, a growing number of countries were drawn into the maelstrom in the course of 2008. Not only in America, but also in Europe, many banks were dependent on subsidies. At the end of 2008, the recession intensified in the US, Japan and the European Union. Even the Chinese economy slowed, following five successive years of strong growth.

Around the world, central banks and governments saw themselves forced to act. They attempted to combat the decline using sweeping economic rescue programs. In the US, EU, Japan and China alone, state spending in support of the economy amounted to more than 2 trillion Euro. Although this could result in dramatically growing state deficits in the years to come, these measures were successful in helping stop the decline in the global economy. In China, Brazil and the US, for example, signs of recovery are multiplying. In Germany, the recession is over on paper, with GDP in Q2 2009 increasing 0.3 percent on the first quarter.

In the automotive markets, economic rescue programs in Germany and also in China and Brazil led to an increase in new registrations in the first half of 2009. The state environmental bonus in Germany particularly benefited the manufacturers of small cars. Luxury car manufacturers, on the other hand, saw no benefit. Total sales figures for new vehicles in the first half of 2009 were below prior-year levels in western Europe. The fact that this was no different in the major automotive markets of the US, Japan, eastern Europe and Russia shows the challenging environment in which the Porsche group was operating in fiscal 2008/09.

General downward trend

Unit sales at the Porsche group in fiscal 2008/09 were up significantly on the prior year due to the inclusion of the Volkswagen subgroup as of 5 January 2009, coming to a grand total of 3,082,837 vehicles.

At the Porsche subgroup (Porsche AG and its subsidiaries), the dramatic decline of the global economy in fiscal 2008/09 naturally had a tangible impact on the development of sales. Unit sales fell 24 percent to 75,238 vehicles. The Volkswagen subgroup achieved global unit sales of 3,007,599 vehicles in the fully consolidated period from January to June 2009.

Of Porsche AG's individual model series, the 911 performed the best with a 14 percent fall in sales to 27,070 vehicles in fiscal 2008/09. This reflects the success of the new sports car with consumption-reducing direct fuel injection and state-of-the-art Porsche Doppelkupplungsgetriebe (double-clutch gearbox) on the market. Porsche sold 34,265 units of the Cayenne, 25 percent fewer than in the prior fiscal year, which had seen a record number of the sporty off-roaders sold. Sales of the Cayenne in the reporting period consist of 13,151 units of the basic variant with V6 cylinder engine, 15,318 with V8 cylinder engine, and 5,796 with diesel engine, which Porsche has offered for the Cayenne since February 2009. The fact that sales of the Boxster series fell 40 percent was mainly due to the generation change in the mid-engined sports car, which was also effected in February 2009. Of the total 13,140 vehicles sold, 6,737 were Boxster units and 6,403 Cayman. Porsche's sales also already include 763 units of the new, four-door Gran Turismo Panamera.

The Volkswagen subgroup was also affected by the general economic environment, which impacted its overall sales figures in the first half of 2009. Around 1.7 million of the 3,007,599 vehicles sold across the globe were from the Volkswagen passenger car brand. The Gol and Tiguan models were the subject of increased demand. The new Scirocco and Passat CC models also achieved pleasing unit sales.

The Audi brand achieved sales of 567,185 vehicles in the reporting period. Demand for the Audi A3 Sportback, Audi A5 Coupé and Audi A5 Cabriolet developed favorably. The new Audi Q5 was also well-received by customers, contributing materially to the success of the Audi brand within a short period of time. Audi's sales figures include the numbers for the Lamborghini brand. The Škoda brand sold 262,360 vehicles from January to June 2009. Demand for the Fabia and Superb models developed favorably. Sales of the SEAT brand were impacted by the critical situation on the Spanish passenger car market. 158,063 SEAT vehicles were sold in the reporting period. Demand for the Ibiza model developed favorably.

Volkswagen commercial vehicles saw sales of 134,501 vehicles. Scania sold 20,667 vehicles in the first six months of 2009.

Regional differences

The development of the Porsche subgroup's unit sales varies between the different regions of the world. Sales in the German market fell just nine percent to 12,291 vehicles. Porsche was more severely affected by the dramatic economic crisis in North America, where sales fell 30 percent to 22,659 units. The automobile manufacturer sold 40,288 units in the rest of the world, 23 percent fewer than the year before.

The Volkswagen subgroup sold 1.7 million vehicles in the period from January to June 2009 in the Europe / other markets region. 212,780 units were sold in North America. In the South American markets, Volkswagen sold a total of 406,401 vehicles in the reporting period. The Volkswagen subgroup's sales in markets in the Asia-Pacific region (including the Chinese joint ventures) remained unaffected by prevailing economic conditions at 704,898 units.

Falling production volumes

Production output at the Porsche group in fiscal 2008/09 came to 2,899,388 units.

At the Porsche subgroup, production fell even more rapidly than sales. Porsche AG reduced the number of vehicles manufactured by 27 percent to 76,739 units. In the period from January to June 2009, the Volkswagen subgroup produced exactly 2,822,649 vehicles due to falling demand in many regions of the world. Inventories were scaled back throughout the group.

Financial services in demand
The Porsche subgroup offers a range of financial services via its Porsche financial services subsidiaries. The comprehensive range of services meets all of the customer's needs with leasing, financing, Porsche insurance services and the Porsche Card.

Porsche financial services companies have been established in all major markets. With around 35,000 new contracts, the individual companies managed more than 81,000 financial services agreements throughout the world in fiscal 2008/09. In addition to this, around 12,600 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 confidence of more than 20,000 satisfied Porsche drivers.

Volkswagen financial services division combated a difficult market environment characterized by increasing pressure on margins in the period from January to June 2009 with new products, boosting sales for the Volkswagen subgroup.

The most recent innovation from Financial Services is the loan guarantee certificate issued by Volkswagen Bank. This offers private and corporate customers security for their financing and their car insurance and guarantee insurance premiums, for example in the event that they are suddenly unable to work or become unemployed through no fault of their own. The loan guarantee certificate, with a monthly premium based on the monthly mobility premium and the term of the contract, provides a financial guarantee of the customer's personal mobility in difficult economic times.

For the fourth time in a row, Volkswagen Leasing GmbH has won the fleet award of the industry magazine "Autoflotte" in the category "Leasing and Fleet Management". The majority of around 4,700 readers voted for the subsidiary of Volkswagen Financial Services AG, from a field of 51 competitors. In particular, the financial services provider impressed industry experts with its flexible leasing products and the “Fleet Competence eCO_2” program, which makes an active contribution towards a CO_2-optimized vehicle fleet.

In the period from January to June 2009, the number of new contracts concluded in the financing, leasing and insurance business came to 1.6 million.

As of 30 June 2009, Volkswagen Bank *direct* maintained 1,391,750 accounts. As of the same date, the LeasePlan joint venture managed around 1.4 million vehicles.

New jobs

As of 31 July 2009, the Porsche group had a total of 375,959 employees. In fiscal 2008/09, Porsche (excluding the Volkswagen subgroup) was once again able to create jobs, with an increase of 450 bringing the total to 12,652. Additional positions were mainly focused on the Leipzig plant and the service companies. The Porsche group (excluding Volkswagen) employed 10,861 people in Germany, or 85.8 percent of the total workforce.

As of 30 June 2009, the Volkswagen subgroup had 363,307 employees. The number of employees in Germany came to 171,616, or 47.2 percent of the total workforce.

Change in the composition of the supervisory board

The supervisory board of Porsche SE reconstituted itself at Porsche’s annual general meeting on 30 January 2009. The body unanimously reelected Dr. Wolfgang Porsche as its chairman and Uwe Hück as his deputy. Previously, the annual general meeting of Porsche SE had unanimously reelected the shareholder representatives on the supervisory board for a full tenure of five years. In addition to Dr. Wolfgang Porsche, these are Dr. Ferdinand Oliver Porsche, Hans-Peter Porsche, Dr. Ferdinand K. Piëch, Dr. Hans Michel Piëch and Prof. Dr. Ulrich Lehner.

There were three changes among the employee representatives on Porsche SE’s supervisory board. The board was joined by Bernd Osterloh, chairman of Volkswagen AG’s general and group works councils and chairman of Porsche SE's works council, Peter Mosch, chairman of AUDI AG's general works council, and Berthold Huber, chairman of the IG Metall trade union. The mandates to serve on the supervisory board were confirmed for Uwe Hück, chairman of Porsche AG’s group works council and deputy chairman of Porsche SE’s works council, Werner Weresch, member of Porsche AG’s works council, and Hans Baur, principal authorized representative of the Stuttgart division of the IG Metall trade union.

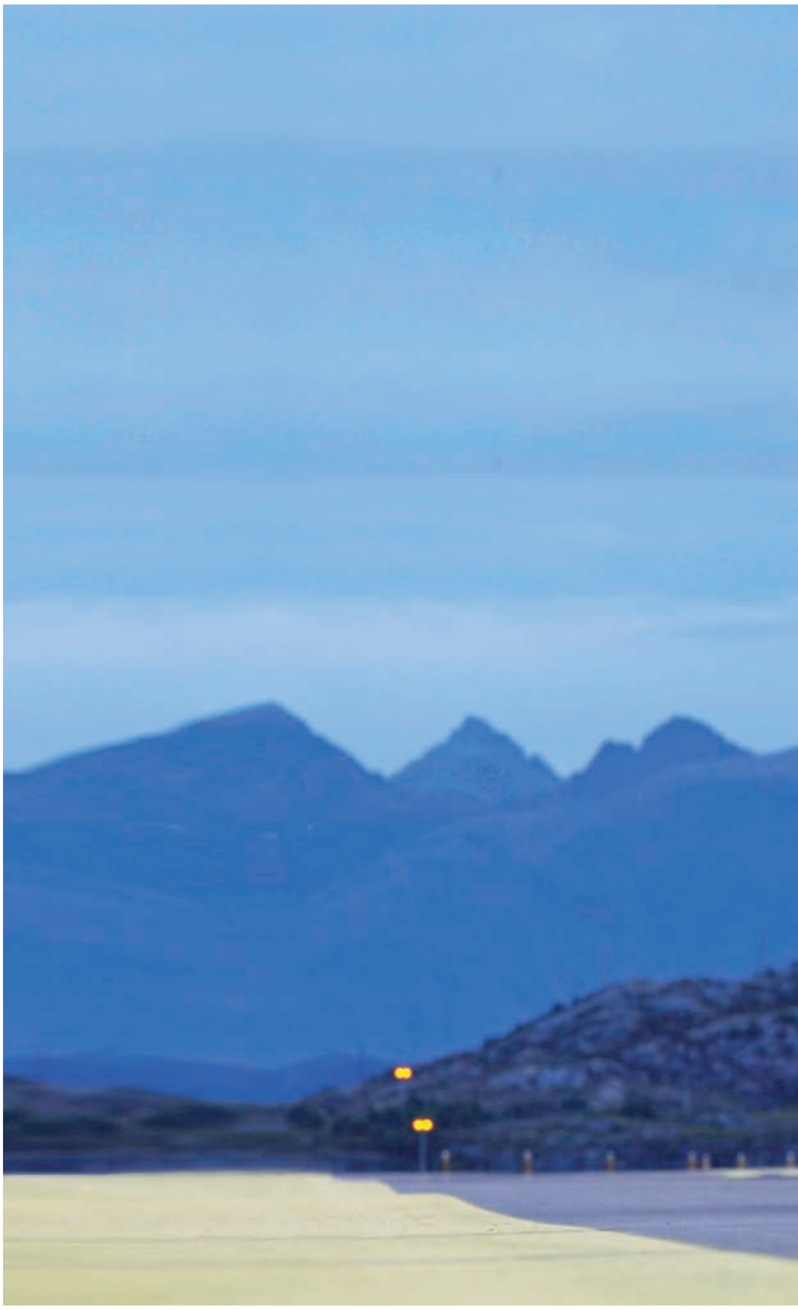
In addition to Dr. Wolfgang Porsche and Uwe Hück, the oversight body also elected Dr. Hans Michel Piëch representing shareholders and Bernd Osterloh representing the employees onto the executive committee of Porsche SE’s supervisory board.

Mandatory offers for Audi and Scania shares

Porsche SE was required by German takeover law to submit a mandatory offer for AUDI AG as a subsidiary of Volkswagen. This was because at 35.14 percent of the total voting rights, Porsche SE's share in Volkswagen AG as of 16 September 2008 gave it a lasting majority at the VW annual general meeting. The minimum price required by law was offered for the Audi shares. The period for accepting the mandatory offer started on 29 September 2008 and ended on 27 October 2008. 176,547 or 0.4 percent of the shares in Audi were offered to Porsche for purchase. The acquired Audi shares were sold to Volkswagen AG without a premium.

Having exceeded the 50 percent threshold of Volkswagen's ordinary shares, Porsche SE indirectly gained control over Scania AB, Södertälje, Sweden, and was therefore required by Swedish law to submit a mandatory offer for the truck manufacturer. The period for accepting the offer made to Scania's minority shareholders to tender their shares lasted from 21 January 2009 to 10 February 2009. 4,398,139 A-shares and 59,037,822 B-shares were tendered to Porsche SE, i.e. the value of the shares tendered amounted to 395 million Euro. Porsche sold the acquired Scania shares to Volkswagen without a premium.

Please find further information on the mandatory offers for Scania and Audi shares on pages 2 and 3 of the six-month report of Porsche SE as of 31 January 2009.

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Capital market

The mood on the international stock exchanges continued to deteriorate in the course of the reporting year. The US-American leading share index Dow Jones fell to its lowest level in ten years, while the Japanese Nikkei slumped to a level not seen since October 1982. The German Dax, which stood at 6,396 points on 1 August 2008 and therefore the first day of fiscal 2008/09, had already fallen to 4,300 points in October 2008, and by March 2009 had dipped below 3,700 points. This was its lowest level in five years.

Even though the indexes had to some extent recovered by the end of the reporting period, the Dax still fell 17 percent on the end of the prior fiscal year, closing on 31 July 2009 at 5,332 points. The Composite Dax (C-Dax), on the other hand, remained stable. Porsche SE's preference shares were trading at 91.50 Euro at the beginning of fiscal 2008/09, falling to 45.74 Euro by the end of the fiscal year.

Impressive long-term performance
Despite the current state of Porsche SE's share price, a look at the long-term development of Porsche's shares illustrates their value. If one considers the past 15 fiscal years, namely the period from 1 August 1994 to 31 July 2009 (the last day of the reporting year), the price rose – adjusted for the split and converted into euro – from 4.19 Euro to 45.74 Euro. This growth of 991 percent compares to the increase in the value of the Dax of just 148 percent.

A share portfolio with Porsche shares has increased in value accordingly over this 15-year period. For every 10,000 Euro invested in shares of the sports car manufacturer on 1 August 1994, the portfolio would have increased to 133,000 Euro by 31 July 2009 (including dividends).

Conversion into new shares of Porsche SE
In fiscal 2008/09, Porsche converted the old share certificates of Dr. Ing. h.c. F. Porsche Aktiengesellschaft (ISIN DE0006937733) into the new certificates of Porsche Automobil Holding SE with the international securities number ISIN DE000PAH0038. For shareholders who kept their shares in a securities portfolio at the bank, the bank concerned initiated the necessary steps. The code number of the Porsche dividend papers changed on their portfolio statement on 1 September 2008.

Those shareholders who managed their shares themselves were able to file these securities with the custodian bank for conversion between 1 September and 5 December 2008. In these cases, the propriety of the shares that had been submitted was examined and the shareholders now hold new no par value shares made out to "Porsche Automobil Holding SE" with a coupon sheet containing the profit participation certificates numbers 1 to 20 and the renewal coupon. There were certificates for single no par value shares and global certificates for ten or a hundred no par value shares each.

The conversion of shares was not only made necessary by the new legal structure as a Societas Europaea (SE) and the renaming of the company as "Porsche Automobil Holding SE". The share split effected by Porsche in March 2009 also necessitated the conversion. The split was implemented at a ratio of 1:10.

Annual document pursuant to Sec. 10 WpPG
The annual document containing the disclosures required by Sec. 10 (1) WpPG ("Wertpapierprospektgesetz": German Securities Prospectus Act) can be viewed at www.porsche-se.com/pho/de/investorrelations.

Intensive investor relations

The great interest in the Porsche group shown by the financial markets participants, which had already been given a boost by the investment in Volkswagen AG, continued to grow in the reporting year following the acquisition of more than 50 percent of the ordinary shares in Volkswagen with voting rights. The Investor Relations and Financial Press department of Porsche SE, part of the Public Relations division, has shifted up another gear in order to meet investors' and financial analysts' appetite for information.

In several one-on-one meetings, at road shows around the world and investment conferences, at driving demonstrations and trade fairs, analysts and investors were given current figures and information on the company's strategy. At various share forums organized by shareholder associations and banks, Porsche SE not only presented itself to private investors; it was also available to answer questions and to engage in discussion. The 2007/08 annual financial statements were also presented at the press briefing on the annual results and analysts conference in November 2008 in Stuttgart.

Well-attended annual general meeting

The annual general meeting for the 2007/08 fiscal year took place in January 2009, again at the headquarters of Porsche in Stuttgart. With some 8,500 shareholders and guests attending, the event was the most popular it has ever been since Porsche AG went public in 1984. In addition to giving its opinion on the direction of the company, the executive board was also able to submit a dividend for a vote that was higher than in the prior year.

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 reporting year, the ordinary shares had been held exclusively by members of the Porsche and Piëch families.

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 mainly held by private investors from Germany. The ordinary shareholders of Porsche SE also own preference shares.

Please refer to page 74 of this report for information on changes to the shareholder composition after the end of the fiscal year at Porsche SE.

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

Having obtained 50.76 percent of the ordinary shares of Volkswagen AG on 5 January 2009, Porsche SE has consolidated the Volkswagen group in its consolidated financial statements for the first time. As the quality of data needed for external reporting purposes was not available in time, owing to its own extensive closing activities, the Volkswagen subgroup has been considered in the financial statements of Porsche SE for the fiscal year 2008/09 on the basis of the figures for the period from 5 January to 30 June 2009.

Necessitated by the initial consolidation of the Volkswagen group a purchase price allocation was conducted as of the date of initial consolidation, 5 January 2009. During that process, the fair values of the acquired assets and liabilities included in the consolidated financial statements of Porsche SE were determined. Developing further the hidden reserves and losses identified in the course of the purchase price allocation had a major impact on the results of operations of the Porsche group. To aid comparison with the prior year, some of the figures are presented and explained below for the Porsche group without considering the Volkswagen group.

More information on the composition and development of the various line items of the balance sheet, income statement and the statement of cash flows of the Porsche group can be found in the notes to the consolidated financial statements of Porsche SE as of 31 July 2009 on pages 141 to 251.

Net assets
Due to the acquisition, the total assets of the Porsche group rose by 168.0 billion Euro to 213.6 billion Euro. The large increase is primarily due to the initial consolidation of the shares in Volkswagen AG which had been accounted for using the equity method in the prior fiscal year. Without considering this effect, total assets would have fallen in comparison to the fiscal year 2007/08.

Non-current assets rose considerably from 111.2 billion Euro to 125.6 billion Euro. The share of non-current assets in relation to total assets rose by 31.5 percent to 58.8 percent at the end of the fiscal year. The additions from the initial consolidation of the Volkswagen group relate mostly to intangible assets, property, plant and equipment and receivables from financial services.

As of the balance sheet date, the fixed assets of the Porsche group – in other words, the intangible assets, property, plant and equipment, leased assets, investment property and investments accounted for at equity as well as other financial assets – rose from 11.2 billion Euro at the close of the prior fiscal period to 85.1 billion Euro. The share of fixed assets in relation to total assets amounted to 39.8 percent (prior year: 24.5 percent). The group's fixed assets were fully covered by equity in the prior year. The corresponding ratio for the current fiscal period has fallen to 57.0 percent.

Particularly due to the initial consolidation of the Volkswagen subgroup the intangible assets of the group increased from 0.4 billion Euro as of 31 July 2008 to 32.7 billion Euro as of the balance sheet date. This item includes intangible assets are carried by the Porsche subgroup and the Volkswagen subgroup as well as assets that were identified in the course of the purchase price allocation as of 5 January 2009. These assets relate primarily to brands (10.9 billion Euro), development costs (9.0 billion Euro) and goodwill in the amount of 10.4 billion Euro. The intangible assets of the Porsche group excluding Volkswagen increased by 0.3 billion Euro in comparison to the prior year to 0.7 billion Euro. The increase is mostly due to development costs and licenses.

Property, plant and equipment carried by the Porsche group also rose to 32.1 billion Euro mostly as a consequence of the consolidation of the Volkswagen subgroup (prior year: 1.7 billion Euro). Hidden reserves of 6.9 billion Euro were determined and recognized in property, plant and equipment as a result of the purchase price allocation in connection with the initial consolidation of the Volkswagen group.

Disregarding the Volkswagen subgroup, property, plant and equipment rose to 2.1 billion Euro, primarily due to the addition of tools.

Financial assets totaling 8.8 billion Euro include investments accounted for at equity of 8.1 billion Euro. These relate to investments held in Shanghai-Volkswagen Automotive Company Ltd., Shanghai, China, in FAW-Volkswagen Automotive Company Ltd., Changchun, China, MAN Aktiengesellschaft, Munich, and Global Mobility Holding B.V., Amsterdam, Netherlands, the parent of LeasePlan Corporation N.V., Amsterdam, Netherlands. The increase in the shareholding in Volkswagen AG to 50.76 percent of the voting right shares in January 2009 has resulted in the investment in Volkswagen AG no longer being accounted for using the equity method in the consolidated financial statements of the Porsche group. As a result, the carrying amount of this investment accounted for at equity, which rose by 17.1 billion Euro in the course of the reporting year due to the acquisition of further shares in Volkswagen AG, was removed from the balance sheet on 5 January 2009.

Leased assets increased by 10.1 billion Euro on the prior year to 11.0 billion Euro. This balance sheet item includes vehicles leased out under operating leases.

Deferred tax assets amounted to 1.6 billion Euro compared to 0.1 billion Euro in the previous year.

The share of current assets in relation to total assets fell from 68.5 percent in the prior year to 41.2 percent as of 31 July 2009. This decline is related to the significant increase in non-current assets. The hidden reserves determined and recognized as a result of the purchase price allocation relate primarily to non-current assets. Furthermore, goodwill was capitalized.

Inventories increased from 0.8 billion Euro in the prior year to 16.3 billion Euro at the end of the reporting period. Without considering the Volkswagen subgroup, inventories fell to 0.6 billion Euro. Trade receivables amount to 6.7 billion Euro (prior year: 0.3 billion Euro). Without considering the Volkswagen subgroup, trade receivables would amount to 0.4 billion Euro. Current and non-current receivables from financial services increased from 1.8 billion Euro in the prior year to 62.2 billion Euro as of 31 July 2009 mostly resulting from the acquisition. They generally consist of receivables from customer and dealer financing as well as from finance leases. Current and non-current income tax assets increased to 1.9 billion Euro (prior year: 0.1 billion Euro).

As of balance sheet date, other receivables and assets have fallen by 8.7 billion Euro on the prior year to 11.3 billion Euro, especially because of the valuation of the cash-settled stock options at their purchase price.

The carrying amount of securities has dropped from 4.4 billion Euro in the prior year to 3.4 billion Euro. In the Porsche group (excluding the Volkswagen subgroup) the carrying amount of securities decreased significantly to just 0.1 billion Euro due to sales in connection with the acquisition of shares in Volkswagen AG.

Cash and cash equivalents increased from 7.0 billion Euro on 31 July 2008 to 25.0 billion Euro as of 31 July 2009. In the course of increasing its shareholding in Volkswagen AG, cash and cash equivalents carried by the Porsche group, excluding the Volkswagen subgroup, dropped to 2.7 billion Euro.

Compared to the closing balance of the prior year, equity increased by 31.6 billion Euro to 48.5 billion Euro as of 31 July 2009. Equity before minority interests has risen by 0.3 billion Euro to 15.3 billion Euro in spite of the loss for the year allocable to the Porsche shareholders. This is due to effects resulting from consolidating the Volkswagen group for the first time. Subsequent to initial consolidation, equity contains minority interests of 32.0 billion Euro. The decrease in hybrid capital is due to the partial repurchase of a hybrid bond at the beginning of the following fiscal year. The corresponding amount was reclassified to current financial liabilities as of 31 July 2009. Because the balance sheet total rose considerably, the equity ratio (taking account of the remaining hybrid capital) fell from 37.0 percent to 22.7 percent as of 31 July 2009.

Non-current provisions and liabilities particularly consist of pension provisions, other provisions and financial liabilities. They rose by 81.2 billion Euro on the prior year to 87.1 billion Euro. Most of this increase is attributable to the initial consolidation of the Volkswagen group. Current liabilities rose from 22.8 billion Euro to 78.0 billion Euro at the end of the reporting period, also on account of the initial consolidation. The share of current liabilities in the balance sheet total has fallen from 49.9 percent in the reporting year 2007/08 to 36.5 percent in the reporting year 2008/09.

Without considering the Volkswagen subgroup, current financial liabilities in the Porsche group have fallen by 6.6 billion Euro. At the same time, non-current financial liabilities rose by the same amount in connection with the acquisition of the investment in Volkswagen AG.

Pension provisions, non-current and current other provisions and income tax provisions were measured at 39.3 billion Euro at the end of the reporting year (prior year: 4.6 billion Euro). Deferred tax liabilities amounted to 6.8 billion Euro compared to 1.0 billion Euro in the previous year. Trade payables rose significantly to 11.2 billion Euro compared to 0.6 billion Euro the year before. Other liabilities amounted to 13.9 billion Euro (prior year: 6.1 billion Euro). Due to the valuation of the cash-settled stock options at their purchase price, other liabilities of the Porsche group, excluding the Volkswagen subgroup, have fallen by 60.7 percent to 2.4 billion Euro on balance sheet date.

The financial liabilities reported for the year amount to 93.6 billion Euro compared to 16.4 billion Euro in the prior year. This rise is primarily due to the increase in bonds, commercial paper and notes and deposits from the direct banking business of the Volkswagen subgroup.

Financial position
The financial position of the Porsche group in the fiscal year 2008/09 is strongly influenced by the positive impact of consolidating the Volkswagen group for the first time. This precludes comparisons with the prior year.

Cash flow from operating activities totaled 6.9 billion Euro in the fiscal year 2008/09 (prior year: minus 0.7 billion Euro).

Cash inflow from investing activities totaled 5.8 billion Euro in the fiscal year 2008/09 compared to a cash outflow of 6.9 billion Euro in the prior year. This development is largely due to cash-effective changes in options entered into for stock price hedging purposes in connection with the acquisition of shares in Volkswagen AG and the associated reduction of securities holdings. This was partly offset by the actual net cash outflows from the acquisition of shares in Volkswagen AG in the current fiscal year and the rise in investments in fixed assets in comparison to the prior year as a result of the initial consolidation of the Volkswagen group. Investments in intangible assets and property, plant and equipment amounted to 4.6 billion Euro (prior year: 0.8 billion Euro), while investments in leased assets and investment property totaled 3.1 billion Euro compared with 0.6 billion Euro in the prior year. As in the previous fiscal year 0.6 billion Euro of this amount relates to vehicles leased out by the financial services companies of the Porsche subgroup. Excluding the Volkswagen subgroup, in the fiscal year 2008/09 the Porsche group invested primarily in future models, such as the four-door Gran Turismo Panamera that was launched in September 2009.

Cash flow from financing activities resulted in total inflows of 4.8 billion Euro in the reporting year (prior year: 10.5 billion Euro). Whereas the cash inflow in the prior year was primarily due to new loans taken up by the group, the cash inflow in the reporting year was primarily due to changes in the bond portfolio of the Volkswagen subgroup.

Including exchange rate effects, cash funds have risen by 17.6 billion Euro since 31 July 2008 to 22.0 billion Euro particularly as a result of the initial consolidation of the Volkswagen subgroup.

Gross liquidity, which is defined as the sum of cash and cash equivalents (including an amount of just under 1.8 billion Euro that is not available for use by the group), securities and loans, rose to 28.5 billion Euro compared to 11.4 billion Euro in the prior year. On the other hand liabilities from bonds, commercial paper and notes and liabilities to banks increased to 72.1 billion Euro, compared to 14.5 billion Euro in the prior year.

The net liquidity of the Porsche group, which is defined as gross liquidity less financial liabilities, excluding the financial services business and the effects from the Volkswagen subgroup, dropped from minus 3.1 billion Euro in the prior year to minus 11.4 billion Euro as of 31 July 2009. Net liquidity was negatively impacted mainly by the fall in cash and cash equivalents and the portfolio of securities. In addition, the obligation entered into prior to the balance sheet date to repurchase portions of the hybrid capital issued in the fiscal year 2007/08 led to a further reduction of net liquidity of 0.5 billion Euro. The repurchase of the bonds will lead to cash outflows of 0.5 billion Euro in the fiscal year 2009/10. However, this will not impact net liquidity.

Results of operations
The Porsche group reports a net loss of 3.6 billion Euro in the fiscal year 2008/09 compared to a net profit of 6.4 billion Euro in the prior year. The net profit in the prior year was materially influenced by special effects related to the stock options.

The results of operations of the Porsche group were negatively impacted in the fiscal year 2008/09 by the adverse conditions prevailing in the economic environment. In addition, the earnings of the Porsche group were negatively affected by the market valuation of the cash-settled stock options related to the planned sale to Qatar Holding LLC, the development of the hidden reserves and losses identified in the course of the purchase price allocation and the rise in interest expenses due to the deterioration in refinancing alternatives. Developing further the hidden reserves and losses identified in the course of the purchase price allocation burdened the results of the Porsche group by a total of 3.0 billion Euro.

Revenues of the Porsche group amount to 57.1 billion Euro in the fiscal year 2008/09. Without considering the Volkswagen subgroup, the Porsche group recorded a fall in revenue from 7.5 billion Euro in the prior fiscal year to 6.6 billion Euro in the fiscal year 2008/09. The 12.1 percent drop in revenue at the Porsche subgroup is significantly below the drop in unit sales. This discrepancy is primarily due to a change in the model mix. Whereas the premium 911 models enjoyed a higher share of total sales, the share accounted for by the Boxster range fell significantly. In the past fiscal year the Porsche subgroup sold 75,238 vehicles, which corresponds to a fall of 23.7 percent on the prior year.

At 5.9 billion Euro, most of the Porsche subgroup’s revenue was once again generated in the automobile business (prior year: 7.1 billion Euro). The financial services companies, which generate revenue in the leasing, credit and credit card business, provided revenue of 0.7 billion Euro (prior year: 0.4 billion Euro).

Other operating income of the Porsche group increased to 60.2 billion Euro, compared to 19.8 billion Euro in the prior year. On the other hand, other operating expenses increased from 13.7 billion Euro in the prior year to 70.9 billion Euro in the fiscal year 2008/09. This extraordinary rise in income and expenses is essentially due to the effects from stock price hedge derivatives at Porsche SE. Net expenses from stock options in the fiscal year 2008/09 amount to 2.5 billion Euro.

The cost of materials rose to 33.8 billion Euro (prior year: 4.2 billion Euro), and now accounts for 60.4 percent of the total operating performance compared to 53.6 percent in the previous year. Excluding the Volkswagen subgroup, the cost of materials declined by 17.5 percent to 3.4 billion Euro.

The personnel expenses of the Porsche group have increased from 1.4 billion Euro to 9.0 billion Euro. Excluding the Volkswagen subgroup, personnel expenses decreased by 14.4 percent to 1.2 billion Euro on account of the economy measures introduced. The ratio of personnel expenses to total operating performance stands at 16.1 percent compared to 17.5 percent in the prior year.

Amortization and depreciation within the group increased to 6.2 billion Euro, compared to 0.6 billion Euro in the prior year. This significant increase is mainly attributable to the initial consolidation of the Volkswagen group. Of this, an amount of 2.3 billion Euro is due to developing further the hidden reserves identified and recognized during the purchase price allocation. Porsche group recognizes a loss before financial result in the amount of 3.7 billion Euro, a fall of 11.4 billion Euro on the prior year.

The financial result dropped from income of 0.9 billion Euro in the prior year to a loss of 0.7 billion Euro in the fiscal year 2008/09. In addition to the inclusion of the Volkswagen group, this change is primarily due to higher interest expenses.

In the prior fiscal year, the Porsche group was able to increase its profit before tax to 8.6 billion Euro. The fiscal year 2008/09 closed with a loss before tax of 4.4 billion Euro due to the factors described above.

The income from taxes of 0.8 billion Euro is primarily a result of deferred taxes overcompensating the actual tax expense of the fiscal year.

Taking account of the result from discontinued operations of 15.1 million Euro, the loss after tax for the fiscal year 2008/09 amounts to 3.6 billion Euro.

Porsche Automobil Holding SE (summary pursuant to German Commercial Code)

Net profit for the period

The results of Porsche Automobil Holding SE are strongly influenced by the market valuation of cash-settled stock options. This market valuation became necessary as the valuation of the stock options was based on the value underlying the sale of stock options to Qatar, negotiations for which had largely been concluded by the balance sheet date.

The stock options had a 2,736 million Euro negative effect (prior year: plus 4,722 million Euro) on the company's results determined in accordance with the German Commercial Code.

Income from investments rose 1,097 million Euro to 2,992 million Euro, mainly due to an increased profit transfer from Porsche AG. At the same time, the interest result fell 457 million Euro to minus 746 million Euro. Income from ordinary activities therefore fell from 6,217 million Euro in the prior year to minus 443 million Euro. Despite this negative result, tax expenses of 553 million Euro (prior year: 1,837 million Euro) were deducted. The current year's expense covers the risk of differing legal opinions on the taxability of stock option transactions. After taxes, Porsche Automobil Holding SE therefore reports a net loss of 996 million Euro for the year (prior year: net profit of 4,380 million Euro).

Income statement of Porsche Automobil Holding SE

Million Euro	2008/2009	2007/2008
Revenue	**5**	0
Other operating income	**52,790**	8,345
Personnel expenses	**-77**	-52
Other operating expenses	**-55,407**	-3,682
Income from investments	**2,992**	1,895
Interest result	**-746**	-289
Income from ordinary activities	**-443**	6,217
Taxes	**-553**	-1,837
Profit/loss after tax	**-996**	4,380
Withdrawals from retained earnings	**1,004**	0
Transfer to retained earnings	**0**	-2,190
Net profit available for distribution	**8**	2,190

Balance sheet of Porsche Automobil Holding SE as of 31 July 2009

Million Euro	31/7/2009	31/7/2008
Financial assets	**24,838**	9,104
Trade receivables	**2,703**	0
Other assets	**1,202**	12,639
Securities	**0**	2,500
Cash and cash equivalents	**2,164**	6,030
Prepaid expenses	**263**	0
Assets	**31,170**	30,273
Equity	**7,993**	9,461
Provisions	**3,371**	2,117
Liabilities to banks	**10,561**	9,873
Sundry liabilities	**9,245**	8,822
Equity and liabilities	**31,170**	30,273

Net assets and financial position
In the reporting year, total assets rose 897 million Euro to 31,170 million Euro. Financial assets increased from 9.104 million Euro to 24,838 million Euro as a result of the further increase in the stake in Volkswagen AG. Current assets decreased from 15,100 million Euro to 6,069 million Euro as of 31 July 2009. The drop was mainly caused by the depreciation of stock options and a reduction in cash and cash equivalents and securities in connection with the increase in the stake in Volkswagen AG. This was offset by an increase in current assets resulting from receivables from Porsche AG totaling 2,703 million Euro in connection with the profit transfer arrangement. In the prior year, receivables from the profit transfer arrangement amounted to 1,734 million Euro, and were offset against liabilities to affiliated companies.

Liabilities to banks rose from 9,873 million Euro to 10,561 million Euro as of 31 July 2009.

Risks to business development
The risks to the development of Porsche Automobil Holding SE's business as the parent company of the Porsche group are closely connected to the risks faced by the Porsche and Volkswagen subgroups. Acting as a holding company also entails additional risks. Please refer to the report on the opportunities and risks of future development in pages 55 to 73 of this management report for a description of the risks.

Risks arising from financial instruments
Porsche Automobil Holding SE is exposed to particular risks on account of its management function within the Porsche group. These are described in the report on the opportunities and risks of future development in pages 55 to 73 of this management report, along with the risks faced by the subgroups.

Proposed dividend
The statutory financial statements of Porsche SE as of 31 July 2009 report a distributable profit of 8,225,000 Euro. The executive board and the supervisory board of Porsche SE will propose the distribution of the entire distributable profit to the annual general meeting, which equals a dividend of 0.044 Euro per ordinary share (prior year: 0.694 Euro plus 2.00 Euro special dividend) and 0.050 Euro per preference share (prior year: 0.700 Euro plus 2.00 Euro special dividend).

Dependent company report drawn up
As in previous years, in accordance with Sec. 312 German Stock Corporation Act (AktG) Porsche has been advised by its legal counsel to draw 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. There were no reportable measures in accordance with Sec. 312 (1) Sentence 2 AktG in the year under review".

Value-enhancing factors

In addition to the significant financial performance indicators presented in the section on net assets, financial position and results of operations, we will also report in the following on the Porsche group's main non-financial performance indicators, which help raise the value of the company in the long term. These include newly developed products, processes in the fields of research & development, procurement, production, sales & marketing and the environment, and the behavior of company management towards its employees.

Research and development

New concepts for the Porsche subgroup
All of the Porsche subgroup's model series were developed further in fiscal 2008/09. The new-generation 911 was further upgraded with the introduction of all-wheel drive versions of the Carrera models and Targa variants, as well as the GT3 and, at the beginning of fiscal 2009/10, the Turbo. Porsche introduced a new generation of the Boxster and Cayman mid-engined sports cars in the reporting period. The first diesel variant of the Cayenne was launched onto the market. But the highlight of the reporting year was the international debut of the new Panamera.

The fourth model series in the Porsche brand combines sportiness with comfort and the spaciousness of a luxury sedan like no other model. The Panamera embodies a unique concept developed by the engineers at the Research and Development Center in Weissach. The Gran Turismo has a long wheel-base with short overhangs, low seat positions giving impressive headroom even in the back, and a highly flexible spatial concept with a large trunk. The proportions rely heavily on traditional Porsche design themes, which distinguish it from other vehicles in its class. The connection with Porsche's sports cars is immediately apparent from the frontal view. The striking rear wings in combination with the large wheels make the Panamera a more substantial presence on the road. A diffuser has been harmoniously integrated into the rear of the vehicle to improve its aerodynamic properties. The distinctive LED rear lights include adaptive brake lights that brighten as the car brakes harder. The interior is also a treat for the eyes, realizing as it does the concept of a "car cockpit" for all four occupants. The center console runs from the front to the back. It rises to meet the dashboard, and the high placement of the gear stick is reminiscent of the Carrera GT high-performance sports car.

The engines for the Panamera are based on the eight-cylinder arrangements of the Cayenne. However, they have been comprehensively overhauled for the Panamera. The modified air manifold and optimized engine control system have given the output and torque of the V8 engines an extra boost. The suction engine now has 400 hp of output and 500 Nm of torque, while the turbo engine has 500 hp and 700 Nm.

All Panamera models have direct fuel injection (DFI) and Vario-Cam Plus, the variable camshaft adjuster with valve-lift switching system on the inlet side.

The focus of the overhaul was also on reducing weight, as well as dynamic and inertial mass. The engineers successfully took more than ten kilograms off the weight of the Cayenne engine.

The Panamera 4S and Panamera Turbo come with the Porsche Doppelkupplungsgetriebe (double-clutch gearbox) as standard. The function is based on the tried-and-tested principles of the PDK in the 911. The transmission itself, however, was developed for use in front-engined vehicles, and adapted to a higher range of output. The PDK has seven gears, the first six of which have a sporty tuning. Maximum speed can be reached in the sixth gear.

The combination of performance and low consumption is also enabled by the intelligent, light-weight construction. The axles, doors, hood, wings and trunk lid are all made of aluminum. The Panamera is also the first vehicle in its class with an automated start/stop function in conjunction with an automatic transmission. If the vehicle is standing at traffic lights or in congestion, for example, depressing the brake pedal cuts the engine.

Based on the EU cycle, the Panamera S needs 12.5 liters of fuel per 100 kilometers, which even drops to 10.8 liters with PDK. Despite its outstanding performance, the Turbo needs just 12.2 liters per 100 kilometers.

All Panamera models come with Porsche Active Suspension Management (PASM) as standard, which seamlessly adjusts the suspension to different road surfaces and driving styles. Drivers can choose from three different suspension configurations. The Panamera Turbo comes with adaptive air suspension and PASM as standard. In addition to ride-height adjusting capability to compensate for load distribution, this has a three-step leveling system and the ability to increase the amount of air to change the spring rate. This allows for a high degree of variation in driving styles, from relaxed to sporty.

In conjunction with the adaptive air suspension, Porsche also offers the option of the Porsche Dynamic Chassis Control (PDCC) system, including electronically controlled rear differential lock. PDCC is an active anti-roll system that anticipates and reduces lateral body movement when cornering depending on the chassis mode selected. This system allows utmost agility at any speed, optimal steering response and stable load transfer characteristics.

For the Panamera, the engineers also made refinements to the Porsche Stability Management (PSM) system, which ensures safety at the extremes of lateral and longitudinal forces. In addition to improved safety functions such as the precharging of the brake system, autonomous cruise control and idling management systems have also been developed. The latter aids the driver by preventing the car from rolling away against the direction of travel on sloped surfaces. The active aerodynamics is a world first for a vehicle in this class. A rear spoiler maintains the ideal balance between drag coefficient and downforce depending on the speed. A double spoiler is deployed by the Panamera S and 4S at speeds of 90 km/h and above. This is initially set at an angle of minus three degrees. At speeds of 160 km/h and above, an angle of plus five degrees increases downforce, and at speeds in excess of 205 km/h, the spoiler is at its most angled, plus 14 degrees.

With the top-of-the-range Panamera Turbo, additional flaps fold out to increase surface area, and therefore the downforce on the rear axle. This quadruple spoiler is also deployed at speeds of 90 km/h and above at an angle of minus three degrees, switching to high-performance configuration at a speed of 205 km/h. This puts it at an angle of plus ten degrees.

With the most fuel-efficient and powerful 911 Turbo of all time, Porsche is once again raising the bar in the high-performance sports car segment. Compared to its predecessor, the new premium model consumes 16 percent less fuel, offers 20 hp more output, has reduced acceleration times by eight percent and weighs 25 kilograms less. The heart of the 911 Turbo is the six-cylinder twin-turbo boxer engine with a displacement of 3.8 liters, increased from 3.6. The fully reengineered engine has direct fuel injection, a performance-improving expansion intake manifold, and Porsche's exclusive turbocharger with variable turbine geometry for gasoline engines. This not only raises output to 500 hp, it also boosts maximum torque to 650 Nm, an increase of 30 on its predecessor, with the Sport Chrono Package Turbo even achieving torque of 700 Nm.

Even with the standard manual transmission, the new turbo goes from 0 to 100 km/h in just 3.7 seconds (3.8 seconds for the Cabriolet). This sprint is cut by one-tenth of a second with the PDK, a refinement of the PDK from the 911 Carrera S with reinforced components. The optional Sport Chrono Package Turbo, which includes the new dynamic engine mountings, further adds to the top sporty performance of the 911 Turbo. The integrated "Overboost" function increases maximum torque by 50 to 700 Nm. This allows for even shorter acceleration times, even with manual transmission. This enables acceleration from 0 to 100 km/h in 3.6 seconds with the 'Sport' button pressed (Cabriolet: 3.7 seconds), or even 3.4 seconds in combination with the PDK and activated 'Launch Control' (Cabriolet: 3.5 seconds). In this mode, it only takes 11.3 seconds to accelerate from 0 to 200 km/h (Cabriolet: 11.8 seconds). The Launch Control function aids the best possible acceleration from a standing start in combination with the PDK and Sport Chrono Package Turbo. The PDK's 'Sport Plus' button activates the motorsport-derived gearshift strategy, which minimizes shift times and optimizes shift points for maximum acceleration and performance when accelerating or braking.

In order to further improve both handling and comfort, the optional Sport Chrono Package Turbo also includes dynamic engine mountings. These adjust their stiffness and damping depending on the situation. This considerably reduces the transfer of oscillation and vibration from the entire drive train and in particular the engine to the chassis. The improved performance of the new 911 Turbo goes hand in hand with yet more excellent handling. The refinement of the PTM controlled all-wheel drive system and Porsche Stability Management (PSM) is supported by the new, optional Porsche Torque Vectoring (PTV) system. This is combined with a rear axle differential lock, and increases agility by selectively applying the brake to the rear wheel on the inside of the corner while reducing the tendency to understeer. In this way, PTV improves steering precision and cornering stability, allowing corners to be taken faster.

In the new 911 Turbo, the PTM communicates with the Porsche Stability Management, which also comes as standard. Porsche Active Suspension Management (PASM) gives the high-performance sports car a further, active control system that ensures the best possible handling as standard. The computer-controlled suspension system benefits from the control that responds to the driving situation that comes from the integration of PTM and PSM. The driver can choose between the normal and sporty modes. Depending on this selection, the continuous damping regulation reacts either with comfort in mind or more stiff for performance. In this way, the handling of the new 911 Turbo reacts to the driver's individual preferences.

Porsche has succeeded in reducing the standard consumption of the 911 Turbo with PDK by 2.2 liters in comparison to the predecessor model with Tiptronic S, to 11.4 liters per 100 kilometers. In interurban traffic, consumption has been reduced to ten liters per 100 kilometers thanks to the optimal shifting of the PDK and the low-loss translation of power. The value for interurban traffic according to the Euro 5 standard is 8.1 liters per 100 kilometers. Overall CO_2 emissions have improved even more, falling just under 18 percent thanks to the transition from a torque-converter automatic transmission to a double-clutch gearbox.

The 911 GT3 is another sporty highlight in the new generation of the 911 series. A lot of know-how from motorsport went into its design. This is why the new GT3 cuts a good figure not only on the street, but also on the racetrack. The output of the six-cylinder suction engine is now 435 hp, an improvement of 20 hp on its predecessor model. This is mainly the result of increasing the displacement to 3.8 liters, as well as improving the exchange of gases. Both the inlet and outlet camshafts are now adjustable using the VarioCam system. The 911 GT3 accelerates from 0 to 100 km/h in 4.1 seconds, with 160 km/h reached from a standing start in 8.2 seconds. Top speed is 312 km/h.

The model is the first to receive a particularly sporty variant of the Porsche Stability Management System (PSM). The lateral Stability Control (SC) and Traction Control (TC) systems can be deactivated to varying degrees. Even in extreme situations, the functions must be reactivated manually in order to guarantee the driver unimpeded personal control over the handling of the GT3. The new GT3 offers even more road holding and stability at high speeds. Detailed aerodynamic modifications increase downforce on both the front and rear axles in such a way as to double the downward pressure in comparison to the predecessor model.

The active PASM chassis of the 911 GT3 allowed Porsche's engineers to stiffen the suspension and stabilizers, facilitating yet more precise handling in the sport mode of the PASM system. On the other hand, the day-to-day roll comfort has been retained in the normal mode. New, lighter wheels with a racing design, central locking and ultra-high performance tires, now with tire pressure monitoring system, complete the functional and optical refinement of the GT3.

Since the fall of 2009, Porsche has offered one other option for the new GT3 that makes it even more of a racing vehicle: the new dynamic engine mounting PADM (Porsche Active Drivetrain Mount). This recognizes racing driving patterns and stiffens the normally elastic engine mounting. This means that the GT3 provides a comfortable ride on a day-to-day basis, while eliminating disruptive momentum from the engine when cornering at speed. One further advantage is improved traction when accelerating from a standing start. Another innovation is the optional lift system for the front axle, which raises ground clearance by 30 millimeters at the push of a button in order to tackle uneven road surfaces or steep ramps.

The engineers were able to make significant improvements to all aspects of the Boxster models, from performance and fuel-efficiency to comfort and user-friendliness. The mid-engined sports car received an entirely new generation of engines. Depending on the model, ten to 25 hp has been added as well as 17 to 30 Nm of torque.

The efficiency of the S models has been improved thanks to the direct fuel injection seen in the new 911. In contrast to indirect injection, fuel is injected directly into the combustion chamber. This is carried out by electromagnetically operated vents under pressure of up to 120 bar, and timed to the exact millisecond. The fuel is very finely atomized, and the mixture of fuel and air very evenly distributed throughout the combustion chamber. This highly complex combustion process increases the overall performance of the engine.

All Boxster and Cayman models come with six-gear manual transmission as standard. The Porsche Doppelkupplungsgetriebe (double-clutch gearbox) is also offered as an option. With consumption values of between 9.1 and 9.8 liters per 100 kilometers in the standard Euro 5 cycle, the new models have outstanding consumption values for their performance categories.

Porsche continued its drive to reduce fuel consumption in February 2009 with the launch of the Cayenne Diesel. The Cayenne comes equipped with a three-liter V6 turbo diesel engine with 240 hp, supplied by Audi. The engine has been further refined by Porsche engineers in cooperation with their colleagues at VW and Audi in order to ensure the best possible integration between the engine and the vehicle. This related in particular to the injection process and volume. The air conditioning compressor switches itself off for a maximum of five seconds when setting off in order to improve handling for the driver. Average consumption in a standard cycle is 9.3 liters per 100 kilometers. The Cayenne Diesel emits 244g of CO_2 per km.

New concepts for the Volkswagen subgroup
The Geneva International Motor Show in March 2009 saw the Volkswagen subgroup present a number of vehicles for the first time.

The highlight at the Volkswagen passenger car stand was the international debut of the new Polo. The fifth generation of the popular model has been revamped in terms of image and technology, while also convincing customers with its high quality. Its clean and fuel-efficient engines and its intelligent design not only meet state-of-the-art automotive requirements, they also raise the bar in the small car segment.

The Audi brand presented the Audi A4 allroad Quattro in Geneva. The model, based on the Audi A4, is also a winner off the beaten track thanks to its permanent all-wheel drive and increased ground clearance, while offering a range of innovative technologies and economical engines. At the same time, Audi presented the coupe version of its high-performance Audi TT RS* to the public.

The highlight of Škoda's trade fair stand was the Yeti, the first SUV from the Czech brand. The vehicle cuts an imposing figure and boasts high standards of safety despite its compact dimensions, and constitutes the fifth model series of the Škoda brand. Škoda has also added the Octavia GreenLine* to its environmentally friendly range.

The SEAT brand mainly drew the attention of visitors to the Geneva International Motor Show with the debut of the new Exeo ST. The station wagon variant of the new mid-class sedan from the Spanish company is characterized by a high level of quality, comfort and safety combined with fuel-efficiency and dynamic handling. All of the Exeo ST's engines are also already compliant with the future Euro 5 emissions standard. With the second generation of the Leon ECOMOTIVE*, SEAT presented the world's first glimpse of one of the cleanest and most fuel-efficient cars in the Golf class. Thanks to more advanced technology and aerodynamic refinement, the compact model boasts average fuel consumption of 3.8 liters per 100 kilometers, and CO_2 emissions of 99 grams per kilometer.

Volkswagen's commercial vehicles division presented the Caddy 4Motion in Geneva, the all-wheel drive version of its successful Caddy series. The Multivan Comfortline also impressed visitors with its long wheel base and above-average interior comfort and luxury.

The Bentley and Lamborghini brands presented high-performance new vehicles based on existing models in the form of the Bentley Continental Supersports*, the first Bentley model fitted for biofuel and the Lamborghini Murcielago LP 670-4 SuperVeloce*.

Visitors to the Bugatti brand's trade fair stand were fascinated by a unique Bugatti Veyron. The Veyron Bleu Centenaire was given a distinctive blue paint job to mark the brand's centenary.

At the end of March 2009, the Volkswagen passenger car brand presented the Golf GTD, an extremely fuel-efficient and at the same time sporty variant of the new Golf, for the first time at the AMI show in Leipzig, Germany. The model, which comes with sports chassis and light-alloy

* Consumption and emission data can be found on page 35 of this report.

hubcaps as standard, reveals its connection with the GTI on the one hand through its highly agile handling characteristics and on the other through parallels in terms of appearance and fittings.

At the April 2009 Auto China show in Shanghai, the Volkswagen subgroup presented the new Passat Lingyu for the first time. The model, conceived especially for the Chinese market and produced locally, is designed to meet the specific needs of Chinese consumers. The classically designed sedan stands out particularly on account of the elegance of its interior, as well as its low-consumption and low-emission engines. The trade fair presence was completed by a presentation of the popular BlueMotion technology. Volkswagen will use this environmental label to increase its efforts to offer low-consumption and low-emissions vehicles in China.

In Shanghai, the Audi brand presented the new generation of the Audi Q7* for the first time. Thanks to the new "clean diesel" technology and other measures such as LED technology and recapturing braking energy, the SUV consumes less than nine liters of fuel per 100 kilometers. It already meets the strict Euro 6 emissions standards, that do not enter into force until 2014. The understated modifications to the front, side and rear design give the new Audi Q7 an even more elegant appearance.

Three SEAT models celebrated their international debut at the same time at the Barcelona Motor Show in May 2009. The exclusively equipped Ibiza Bocanegra and markedly sporty Ibiza FR* were released right on time to mark the 25-year anniversary of the series. Special design elements in both the interior and exterior, a chunky rear spoiler and 17-inch light-alloy wheels make the Ibiza Bocanegra a real looker. The latest version of the Ibiza FR oozes motorsport flair. This is down to the vehicle's dynamic arrow design, flanking double end pipes, bucket seats and rocker switches on the steering wheel. The combination of a 1.4-liter TSI engine and seven-gear double-clutch gearbox also offers an intense driving experience hand in hand with reduced consumption and emissions values. The third global debut in Barcelona was the new SEAT Leon CUPRA*. The most powerful and sporty SEAT model borrows heavily from the successful Leon racing models of the World Touring Car Championships. This is apparent in the honeycomb air intakes in the brawny front fender and the oval end pipe at the rear, as well as its low ground clearance and large 18-inch wheels. The 2.0-liter engine with 177 kW (240 hp) accelerates from 0 to 100 km/h in 6.4 seconds.

At the IAA trade fair in Frankfurt in September 2009, the Volkswagen subgroup presented a number of new models and concepts for the first time.

The Volkswagen passenger car brand gave an impressive demonstration of its competence in the field of developing sustainable mobility. The international debuts of the E-Up! electric car and the L1 full hybrid in particular caught the attention of trade fair visitors and the industry press. The zero-emissions concept E-Up!, based on the New Small Family, is powered by an electric engine with a maximum output of 60 kW, and has a top speed of 135 km/h. The lithium ion battery has a capacity of 18 kWh, which allows journeys of up to 130 kilometers between recharging depending on driving style. The E-Up! is also remarkable for its clear yet emotive design, and the car fits in well with the other models of the New Small Family.

The brand's L1 concept represents the most economical hybrid vehicle in the world. Powered by both a newly-developed common rail turbo diesel engine and an electric engine, the L1 consumes a mere 1.38 liters of fuel per 100 kilometers. It has a top speed of 160 km/h while emitting just 36g of CO_2 per kilometer. Thanks to its carbon fiber-reinforced plastic body, the car only weighs 380 kg. Aligned seats also ensure that the L1 is extremely aerodynamic, with a drag coefficient of just 0.195.

* Consumption and emission data can be found on page 35 of this report.

Volkswagen passenger cars also produced a number of new launches of its series-production vehicles. In addition to the new three-door Polo, the new BlueMotion generations of the Polo**, Golf* and Passat sedan** impressed visitors, setting as they do completely new standards in their respective segments in terms of consumption, emissions and costs. The successor to the Golf R32, the Golf R*, completed the brand's premium series. Despite its high performance, the most powerful Golf ever is significantly more economical than its predecessors. This is made possible by the new, charged, high-tech TSI, which requires 21 percent less fuel than its predecessors.

Audi impressed the public with its e-tron, a concept for a high-performance, purely electric-powered sports car. Four engines with a combined output of 230 kW propel the e-tron up to a top speed of 200 km/h, with the lithium ion battery allowing for a range of up to 248 kilometers. No less impressive was the presentation of the Audi R8 Spyder, which combines exceptional performance and handling with a feeling of freedom. The brand also presented the Audi S5 Sportback 3.0 TFSI*, the Audi A4 3.0 TDI quattro clean diesel* and the Audi A3 sedan and sportback with newly developed 1.2-liter TFSI engine.

In Frankfurt, Škoda celebrated two world debuts with its Superb Combi and the Octavia LPG*. With its above-average levels of comfort and space, the Škoda Superb Combi sets new standards in the executive segment. It stands out in particular on account of its many clever detailed solutions and stylish design. The Škoda Octavia LPG can run on gasoline or the more cost-effective LPG. CO_2 emissions have been reduced around twelve percent to 149 g/km.

The highlight of SEAT's trade fair stand was the presentation of the IBZ concept, which provided a glimpse of the SEAT Ibiza station wagon planned for 2010. The multifunctional vehicle with an appealing design combines comfort and spaciousness with the sportiness that is typical for SEAT. The ECOMOTIVE variants of the Leon* and Altea* models, which increased SEAT's range of low-emissions, economical cars to five, and the Leon CUPRA R* as the most powerful SEAT ever were other highlights from the Spanish brand.

* Consumption and emission data can be found on page 35 of this report.

** No binding consumption and emission data is currently available for these models.

Bentley presented its new flagship, the Mulsanne**. A sedan with a spacious and elegant interior filled with hand-crafted luxury, coupled with the high performance one would expect from a Bentley. Lamborghini revealed the Reventón Roadster for the first time. The open-top two-seater is one of the most superlative and exclusive sports cars in the world. With less than 20 units built, the Reventón Roadster will be a collector's item.

The international debut of the new generation of the Multivan and California drew the attention of visitors to Volkswagen's commercial vehicles stand. The chassis was designed in accordance with Volkswagen's design philosophy. The front in particular has been made even more confident. The bestseller has also made great technological advances. Thanks to common rail engines, seven-gear DSG and a range of support systems, it is more economical, comfortable and produces fewer emissions than ever before.

In addition to the number of new series production vehicles, the Volkswagen subgroup is causing a stir with a large number of innovative concept cars and studies.

The Golf twinDRIVE introduced an innovative propulsion concept as a plug-in variant, proof that mobility using electricity from the mains socket can work in combination with the long-distance mobility of a combustion engine. A fleet trial of the twinDRIVE is being prepared for the period from 2010 to 2012.

At the North American International Auto Show in Detroit in January 2009, the Volkswagen subgroup kicked off the automotive year with the world premiere of the Concept BlueSport, a compact mid-engined roadster that sparks enthusiasm with its high performance and low consumption. Powered by a 132 kW (180 hp) Clean Diesel (TDI) engine with common rail injection, the nimble two-seater needs an average of 4.3 liters of diesel per 100 kilometers, while only emitting 113g of CO_2 per kilometer. The Concept BlueSport reflects modern automotive manufacturing, and generated a great deal of interest among customers by being both fun to drive and kind to the environment.

The brand presented the concept for the new Polo Blue Motion** for the first time alongside the new Polo at the March 2009 International Motor Show in Geneva. Its 1.2-liter TDI engine needs only 3.3 liters of diesel for every 100 kilometers driven, while emitting a mere 87 grams of CO_2 per kilometer. These outstanding values are achieved in part using an automated start/stop function and a system for reusing the energy generated by the brakes. The most economical five-seater in the world will be launched in 2010. The Volkswagen passenger car brand also introduced a range of other environmentally friendly models in Geneva. In addition to the BlueMotion versions of the Golf* and Golf Plus**, the Touran TSI EcoFuel with natural gas engine and 110 kW (150 hp) made a particular impression. With average consumption of 5.2 liters per 100 kilometers, the Passat CC Blue TDI showed that sporty sedans do not necessarily harm the environment.

Joining forces through strategic alliances
Collaborations with other vehicle manufacturers are becoming increasingly important in order to gain access to new market segments. By combining skills and know-how, development costs are kept down, and investment shared between several partners. In addition to collaborations between the Porsche and Volkswagen subgroups on the development and production of the Volkswagen Touareg, Audi Q7 and Porsche Cayenne, the Volkswagen subgroup in particular has worked with Daimler AG on the production of the Volkswagen Crafter and Mercedes-Benz Sprinter, as well as with the Chrysler group on the production of the Routan, an MPV for the US market.

* Consumption and emission data can be found on page 35 of this report.
** No binding consumption and emission data is currently available for these models.

In the interest of a swift market launch of SunFuel, a second-generation biofuel, the Volkswagen subgroup also seeks to form collaborations with and directly invest in companies involved in the production of these fuels. The decision to promote and pursue the development of new fuels together with CHOREN Industries was already made in 2002. This led to the Volkswagen subgroup purchasing a share in CHOREN in 2007. In the long term, the plan is for SunDiesel to be produced in Germany, applying sustainable minimum standards.

Volkswagen has also long collaborated with IOGEN, with the intention of producing cellulosic ethanol in Germany. IOGEN is a world leader in the production of cellulosic ethanol, a fully renewable, second-generation biofuel.

On 12 February 2009, Volkswagen and Toshiba Corporation signed a letter of intent for the joint development of electric drives and the related power electronics for future vehicle projects. Another aspect of the cooperation is the development of high energy-density battery systems for the next generation of electric vehicles. The Volkswagen subgroup aims to be the first automotive manufacturer to offer an emission-free, affordable and safe electric vehicle in volume production. To make the necessary progress in research and development, in particular in the field of lithium ion battery technology, Volkswagen is working with other potential technology partners in addition to Toshiba.

As part of the subgroup’s 2018 strategy, Volkswagen will reinforce its operations in South East Asia in the future. In order to be able to tap into the markets of this region in the long term with locally manufactured vehicles, an agreement was reached in May 2009 with the Indonesian partner firm “Indomobil” to begin the assembly of partially knocked-down Volkswagen passenger car models from summer 2009. The first model is the Touran compact van, with an initial capacity of several hundred units. In the future, vehicles from more of the subgroup's brands will be added.

In May 2009, Prof. Dr. Winterkorn, CEO of Volkswagen AG, and the CEO of the Chinese automobile manufacturer BYD also signed a memorandum of understanding. The aim of this memorandum is to assess opportunities for collaboration in the field of lithium-battery-powered hybrid and electric vehicles.

Increase in capitalized development costs

In fiscal 2008/09, research costs and non-capitalized development costs rose to 2.7 billion Euro on account of the inclusion of the Volkswagen subgroup (prior year: 0.9 billion Euro). Development costs totaling 1.2 billion Euro were capitalized compared with 0.1 billion Euro in the prior year.

In the first half of 2009, research and non-capitalized development costs at the Volkswagen subgroup amounted to 2.1 billion Euro. The capitalization rate for the Volkswagen subgroup was 30.6 percent, mainly due to an increase in new products on account of the model campaign.

Industrial property rights and licenses

The volume of patent applications submitted by the Porsche subgroup rose in order to effectively protect the results of its research and development activities. A particular focus was on the innovations in the new Panamera. In light of the increasing international competition for industrial property rights, Porsche conducts comprehensive patent monitoring for development projects.

The Volkswagen subgroup obtains many patents in Germany and abroad each year. These mainly concern innovations in electronic support systems and emissions-cutting measures for propulsion systems. 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 (PS)	Fuel consumption urban (l/100km)	Fuel consumption extra-urban (l/100km)	Fuel consumption combined (l/100km)	CO_2 emissions combined (g/km)
Audi A4 3.0 TDI quattro clean diesel	176 (240)	8.7	5.5	6.7	175
Audi Q7 3,0 TDI clean diesel quattro	176 (240)	11.2	7.6	8.9	234
Audi S5 Sportback 3.0 TFSI	245 (333)	13.8	7.3	9.7	224
Audi TT RS Coupé	250 (340)	13.1	6.9	9.2	214
Bentley Continental Supersports	463 (630)	25.0	11.4	16.3	388
Lamborghini Murciélago LP 670-4 SV	493 (670)	32.0	13.7	20.6	480
SEAT Altea ECOMOTIVE	77 (105)	5.2	4.1	4.5	119
SEAT Ibiza FR	110 (150)	8.1	5.3	6.3	146
SEAT Leon CUPRA	177 (240)	11.4	6.5	8.3	199
SEAT Leon CUPRA R	195 (265)	10.7	6.6	8.1	190
SEAT Leon ECOMOTIVE	77 (105)	4.6	3.2	3.8	99
Škoda Octavia GreenLine	77 (105)	5.5	3.7	4.4	114
Škoda Octavia LPG (autogas)	72 (98)	12.7	7.3	9.2	149
Škoda Octavia LPG (petrol)	72 (98)	9.8	5.6	7.1	169
VW Golf Limousine BlueMotion	77 (105)	4.7	3.4	3.8	99
VW Golf R (6-speed DSG)	199 (270)	11.2	6.8	8.4	195
VW Golf R (6-speed manual)	199 (270)	11.8	6.7	8.5	199

Procurement

The cost of materials at the Porsche group came to 33.8 billion Euro in fiscal 2008/09, up from 4.2 billion Euro in the prior year. This increase is primarily due to the inclusion of the Volkswagen subgroup for the first time. Taking into account consolidation effects from the Volkswagen subgroup, the cost of materials at the Porsche subgroup fell 17.5 percent to 3.4 billion Euro.

Cost of materials and development of prices for raw materials
In the reporting period, the price situation improved considerably following the previous record levels for key commodities. In addition to oil prices, prices for precious metals saw drastic decreases following historic highs in the prior fiscal year. The prices of steel and aluminum also fell considerably, which led to the fall in prices for raw materials having a positive effect on the overall cost of materials.

The Porsche subgroup continued to mitigate fluctuations in prices for raw materials by means of targeted hedging measures as well as compensatory measures with regard to other cost elements of production materials. Porsche adjusted its vehicle manufacturing volumes to the slump in global demand for luxury vehicles at an early stage. Requirements for production materials therefore declined in the reporting period due to economic circumstances.

The Volkswagen subgroup began employing targeted strategies to combat the difficult situation on the commodities market at an early stage, a method which is being consistently followed. In the future, the focus will be on the strategic alignment of the supplier portfolio. Local involvement in India, Russia and the US plays a particularly important role.

Successful product start-ups
The start-ups of the Cayenne Diesel, the new 911 GT3 and the fourth Panamera model series constitute significant milestones in the Porsche subgroup's procurement processes. As with previous models, Porsche was able to implement the start-up of the Panamera within a brief period of time. Close cooperation between multidisciplinary teams and the suppliers selected for the new model series ensured that the assembly lines at the production facilities recently set up in Leipzig were kept fully supplied. All partners involved went to great lengths to start series production of the Panamera with its numerous technical innovations on time and with a high standard of quality.

The innovations introduced with the Panamera in addition to the Porsche Doppelkupplungsgetriebe (double-clutch gearbox) and the first automated start/stop function in conjunction with an automatic transmission include the new adaptive air suspension with additional volume at the push of a button in each spring and an adjustable, deployable rear spoiler in the case of the top Panamera Turbo model.

Please refer to our comments in the section on research and development for new product start-ups at the Volkswagen subgroup.

High performance from suppliers
The high proportion of value added by third parties at the Porsche subgroup is the reason why the performance and stability of the supplier base are so highly valued. This is why Porsche's supplier management function has worked hard on developing the performance of suppliers in the course of the reporting period. As in prior years, these activities include supporting suppliers with securing the start-up of new vehicle projects, implementing preventive measures to safeguard trouble-free series development, as well as on-site assignments to secure series supply.

The results of the regular performance assessment of Porsche's suppliers improved once again on the prior year's level. Performance in the vehicle development process stabilized at a high level. The results with regard to quality, punctuality and cost discipline for ongoing series production improved still further in the reporting period. The same positive development was seen for the supply of spare parts.

In the course of the ongoing crisis in the automotive sector, Porsche also found itself exposed to considerable supply-side risks. A greatly increased number of critical and insolvent suppliers required support in the reporting year in comparison to the prior year. As a result, the earnings and liquidity risks for individual suppliers as well as the insolvency cases could be dealt without any disruption to supply.

This shows once again that the risk management system in place for some years now to monitor the financial stability of suppliers is an effective tool for the 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, along with the evaluation of supplier performance.

Procurement of non-production materials
The focus of the Porsche subgroup's procurement activities in the field of non-production materials in fiscal 2008/09 was on the construction of the Porsche Museum, the enlargement of the spare parts warehouse in Sachsenheim, and the awarding of contracts for the new paint shop at the headquarters in Zuffenhausen.

The procurement of non-production materials and services also saw volumes fall below the record levels of the prior year due to the crisis in the industry. Despite the challenging economic environment, the targets set for the cost of materials for the individual model series were met by introducing corresponding product and process optimization measures.

Activities in connection with the introduction of the standardized procurement of non-production materials at the Porsche subgroup proceeded according to plan, with additional group companies being integrated.

Purchased parts at the Volkswagen subgroup
The Volkswagen subgroup has established new planning and decision-making processes with regard to purchased parts, as well as new, group-wide systems to plan and maintain capacity. This reduced the number of parts on the critical supply path. This approach will be rolled out to all sites, both existing and under construction.

Consistent penetration of new markets
The new manufacturing facilities in India, Russia and the US represent a twofold opportunity for group procurement at the Volkswagen subgroup. On the one hand, local procurement activities can identify potential cost benefits and reduce costs, as well as meeting statutory requirements (including local content requirements). On the other, local suppliers may also provide cost-effective sources for procurement in other regions. Both opportunities are being carefully assessed in the course of procurement activities for the new plants. Extensive use is being made of local markets for production in order to optimize the cost of materials for products in new growth markets. It is important to assess the extent to which specifications can be adjusted to meet local requirements. The Volkswagen subgroup also increases its value added in these markets through the localization of manufacturing, for example striving to find cost-effective sources for the procurement of raw materials in the respective regions at an early stage.

The C3 sourcing program (Cost Competitive Countries sourcing) makes full use of these factors. The aim is to take advantage of the cost benefits of competitive procurement markets for European vehicle projects. While maintaining standards of quality, this creates and builds on synergies with local production for export. The purchased-parts management of the regions throughout the world forms an integral part of this program. It supports suppliers at the various group sites both with the localization of manufacturing in the respective country, as well as with the export of components to other countries and manufacturing facilities. In this way, the C3 sourcing program plays an important role in achieving target costs for new vehicle projects at the start of series production.

Production

The start of production of the Gran Turismo Panamera was the greatest challenge faced by the production division of the Porsche subgroup in fiscal 2008/09. From series start-up in April 2009 until the end of the reporting year on 31 July 2009, the Leipzig plant produced 1,920 units of the Panamera. A total of 76,739 vehicles rolled off the line in the reporting period, a decrease of 27 percent on the prior year. Porsche was unable to escape the global slump in demand, and was forced to adjust its production. The floating concept with the contract manufacturer Valmet once again proved its worth. The Boxster was reintegrated in order to ensure full utilization of capacity at the main plant in Zuffenhausen.

Production of the 911 series came to 27,776 units at Stuttgart-Zuffenhausen, while the team at Porsche's main plant also assembled 2,146 units from the Boxster series. 12,257 further units of the mid-engined Boxster and Cayman vehicles were produced by Valmet in Finland. 32,640 Cayennes were built in Leipzig.

The Volkswagen subgroup produced 2,822,649 vehicles in the first half of the year. Production in Germany made up 32.7 percent. The critical situation on the market meant that production volume had to be adjusted, which also reduced inventories and improved working capital.

Leipzig as a high-performance facility
In April 2009, the series start-up of Porsche's fourth model series at the Leipzig plant marked the beginning of a new era. The most advanced automobile factory in the world uses the latest manufacturing methods to produce the Panamera and the Cayenne off-roader. Led by Michael Macht, executive board member for production and logistics at the time and new CEO of Porsche AG, the principles of streamlined manufacturing have been implemented at the plant in Saxony in a way that is unrivalled anywhere in the world.

The facility had to be expanded in order to integrate the Panamera. Porsche invested around 150 million Euro in a new 25,000 square meter assembly hall, a logistics center, a pilot testing and analysis center and a training facility.

The production of the sporty Cayenne off-roader, which began in 2002, already made the Leipzig plant a success story for Porsche AG. The prerequisites for the equally successful assembly of the Panamera were therefore given. The Porsche subgroup developed a new logistics concept for the production of the Panamera that brought about groundbreaking improvements. An exact timeline and process description, involving all suppliers, now allows parts to be delivered in rapid succession prior to further processing on the line. This makes expensive storage facilities superfluous for all intents and purposes – a first in this form in the global automotive industry. As the suppliers are mainly German companies, the domestic contribution to value added for the Panamera comes to more than 70 percent. The Gran Turismo Panamera therefore represents the "Made in Germany" seal of quality, fully in keeping with Porsche's glorious tradition as a manufacturer of sports cars.

The construction of both the Cayenne and the Panamera on a single assembly line also constitutes a logistical tour de force. Almost all of the engines for both models are delivered to Leipzig from Porsche's main plant in Zuffenhausen. The partially fitted Cayenne bodies are transported by rail from Bratislava, while the painted Panamera bodies are delivered by train from the plant of the group company Volkswagen commercial vehicles in Hannover. The interior of the Panamera is first assembled on a single line. When both bodies have reached the same stage of production, they are assembled on the same line until completion, despite unlimited possibilities for the equipment and personalization of both models.

Even when constructing the plant in Leipzig, which went into operation in August 2002, Porsche consistently applied the principles of a streamlined factory. At the time, the project benefited from experience gained at the Zuffenhausen plant in the early nineties, when Porsche had restructured its main plant according to the Japanese model and in so doing got back on the road to success. The Leipzig plant also has a highly modern visitors' center, a test track, and a six-kilometer off-road circuit. And that's not all. 70 aurochs and a herd of wild horses live peacefully in the plant's nature reserve.

Highest quality standards

Efforts to improve quality at the Porsche subgroup were once again acknowledged in the reporting period. In the US, the vehicle manufacturer's largest export market, the well-known market research institute J.D. Power confirmed Porsche's achievement of its quality goals. In its latest survey entitled "Initial Quality Study", J.D. Power not only found that Porsche came in second (behind Lexus) in the overall rankings, this result puts it ahead of all other European manufacturers, and near the top of the prestigious brand survey for the fourth time in a row. The automobile manufacturer from Stuttgart claimed first place in the surveys from 2006 to 2008. J.D. Power assesses the satisfaction of new vehicle customers in the first 90 days following delivery. Using a catalog of no less than 228 criteria, just over 81,000 customers were asked for their opinion on quality and workmanship.

These successes are the fruit of relentless quality work and customer orientation in development, production and sales. The challenge is not to reach a high standard of quality within a short space of time, but rather to maintain it for many years.

The key to the satisfaction and loyalty of the Volkswagen subgroup's customers is to exceed their expectations of the products. The perceived quality of the product is particularly important. This mainly involves reliability and associated quality, as well as service. Only when customers are positively surprised and impressed in all of these areas can Volkswagen claim to provide exceptional quality for all brands and vehicle segments, and that is the Volkswagen subgroup's objective.

Concerted efforts undertaken throughout the group to achieve this goal have had a significant effect. The number of claims for damages has fallen sharply since January 2006. The group's vehicles are among the front-runners in the long-term quality tests conducted by ADAC and TÜV. In addition, new models received consistently high ratings.

In order to win over customers, a vehicle from the Volkswagen subgroup must be a competent all-rounder. Both the exterior and the interior of the vehicle should convey quality and value, as well as precision and attention to detail. All of the group's brands are focusing more on this associated quality, which is largely determined by the use of innovative and high-quality materials. This is also where standards will be set in the future. The sixth-generation Golf is the latest model to be defined by this quality standard. As the most luxurious vehicle in its class, it sets the standard for quality in the compact segment, due in part to its outstanding acoustic qualities.

Flexible utilization of production facilities

The Volkswagen subgroup has 61 production sites spread across Europe, America, Africa and Asia. Vehicles are assembled at 41 of these locations. The main objective is to manufacture products that have been designed with production in mind while keeping a strict eye on added value, with short throughput times. This is particularly aimed at making efficient use of resources. Significant advantages in terms of market-compliant production are gained, for example, by means of the turntable concept, which allows the flexible utilization of capacities at plants in response to demand. In the future, the ability to produce several models on one assembly line will be an important factor for success.

Productivity must be increased in light of the difficult market situation. The global implementation and refinement of Volkswagen's production system, with standardized methods and standards for all of the subgroup's brands and facilities, will boost progress in this regard.

The modular building block concepts which accelerate the development of new vehicle models and variants allow the use of the same modules and assemblies in different vehicles. These concepts will help Volkswagen achieve the level of flexibility required to respond to fluctuations in demand.

The Scania brand's building block system stands for profitability, growth and competitiveness, while also allowing highly flexible production. A truck is viewed as the combination of a driver's cab, engine, drive train and chassis. The building block system allows a wide range of models to be produced using a small number of different components. This enables vehicles to be equipped in accordance with customers' individual wishes. The system rests on the brand's core competencies, and has now been rolled out to all manufacturing facilities. This has created a uniform production environment which allows manufacturing volume to be flexibly reassigned among locations. The building block system also allows uniform environmental standards to be kept at all manufacturing sites.

Sales and distribution

Sales and distribution network at the Porsche subgroup

The Porsche subgroup's sales and distribution network was mainly involved in preparations for the new Panamera in the reporting year. In addition to opening a number of Porsche centers at new locations, the quality of existing retail facilities was improved. A total of just under 700 dealerships in 107 countries were taking care of Porsche customers as of the end of fiscal 2008/09.

The "Road to Panamera" initiative enabled Porsche to prepare dealers for the launch of the new Gran Turismo by means of individual plans of action. The new, fourth model series from the automobile manufacturer based in Stuttgart went on sale in Germany on 12 September 2009. Since then, demonstration vehicles have stood at licensed German dealers for test drives, and purchase agreements containing delivery commitments and deadlines can be signed. The Panamera then went on sale across Europe, South America and parts of Asia in September. This was followed by North America and Australia in October. Sales begin in China in early 2010.

The enormous construction efforts throughout the entire dealership network underscore continued faith in the Porsche brand. In the reporting period, dealers and importers completed an average of two construction or reconstruction projects per week. The partners are able to rely on the long-term continuity of the Porsche brand architecture. Since being introduced in 2000, the architectural concept has remained modern, with only details adjusted to meet new market or product requirements. The continuity of the concept safeguards the investment made by the dealers, giving them reliable payback periods. This is just one reason for the high degree of stability in the dealership network, even in difficult economic times. On the other hand, the long-term nature of Porsche's brand architecture leads to a level of penetration throughout the network that is unique within the automotive sector. Customers and interested parties are now given a brand-specific presentation of the vehicles in 95 percent of all showrooms.

Construction activities have been and continue to be supported by a range of professionalization initiatives within the sales and distribution organization. The aim is always to give customers the best possible support and improve market exploitation. They include activities such as “mystery shopping” programs, training on product, process and management issues, the sharing of best business practices and process optimization. With all these activities, Porsche reinforces its premium position within the sales and distribution organization.

Highest level of customer satisfaction
Porsche’s appeal to automobile fans around the world is revealed each year in the results of many surveys. The string of opinion polls by the renowned US market research institute J.D. Power in which Porsche has come out on top is particularly impressive. It is a striking indicator of the high level of US customers’ satisfaction with the Porsche brand. In fiscal 2008/09 Porsche claimed first place for the fifth time in succession in J.D. Power's “Automotive Performance, Execution and Layout Study (APEAL)” survey. The study, in which 81,000 people evaluated their vehicles in the period between November 2008 and February 2009, reflects the satisfaction of new-vehicle owners in the first 90 days following their purchase. The catalog of criteria examined by the “Apeal” study covers areas such as handling, performance, design, comfort and practicality.

Sales and distribution structure at the Volkswagen subgroup
Constant changes in customers’ expectations and economic conditions also make it necessary for the Volkswagen subgroup to actively manage sales and distribution channels while constantly optimizing structures and processes. This improves profitability along the entire distribution chain. The strategic goal pursued by the subgroup is to continue to develop flexible multichannel management that opens up innovative distribution channels, strengthens brands and improves both the appeal of the brand and customer satisfaction. The multi-channel strategy is structured differently for each brand depending on that brand's specific target groups and market segments. However, it always stays within the group objectives set by Volkswagen.

The sales and distribution business processes are constantly undergoing optimization and reorganization. This has the main aim of improving sales performance and reducing costs at all levels of distribution. The capacity freed up by the standardization and reduction of IT systems at wholesale and retail level therefore benefits processes that add value.

Market-specific and cross-brand projects aimed at optimizing business processes have been initiated at the non-German sales companies. The focus is on better utilizing synergies at all levels of the company, improving efficiency and optimizing costs. This could result, for example, in the centralization and standardization of cross-brand service agreements. In addition, concepts have been drawn up for optimizing warehousing and logistics. The resulting reduction in overheads and improved productivity serve to increase overall profitability and the appeal of the Volkswagen subgroup’s sales and distribution system.

Loyal customers
The satisfaction of customers with the group’s brands is gauged on a regular basis in a number of countries using targeted surveys, mainly concentrating on the fields of product and service. The results are analyzed and evaluated with regard to their contribution to achieving targets, before corresponding measures for improvement are drawn up. In the core European markets, the Audi and Škoda brands came top of the field with regard to satisfaction with product and service. The other group brands also have overall satisfaction figures that are either equal to or ahead of the competition.

Customer satisfaction is the basis for customer loyalty. Loyal customers demonstrate their faith in the Volkswagen subgroup's brands, as the loyalty rates clearly show. Volkswagen was able to maintain a high level of brand loyalty in the core European markets. Škoda is also among the front-runners in terms of brand loyalty, as it has been for years.

Fleet customer business expanded
The "Volkswagen Group Fleet International" division, established as a central point of contact for the international fleet business with the group's vehicles, has continued to make a name for itself. A processing system for the national fleet customer business was created in recent months and rolled out to all importers on a step-by-step basis, beginning in the UK. This system will in future allow the integration of national fleet customer activities, creating an international platform for this increasingly important sector. The Volkswagen subgroup's international network has incorporated countries from global growth regions in the interest of group strategy.

Service processes at the subgroups improved further
The quality assurance organization and processes were made more compatible with the customers' needs where necessary, thus further improving service quality. This is shown among other things by the reduced number of repeat repairs and corresponding increase in customer satisfaction. Because the service provided by the dealerships has such a significant impact on customer satisfaction, Volkswagen will continue to improve its repair and service activities in the future.

The Porsche subgroup acknowledges the great importance of service quality for the satisfaction and loyalty of its customers by continuously refining its service processes and the technical quality of its repair activities. Porsche Service focuses on training service consultants and technicians at dealerships, carrying out service audits, avoiding repeat repairs and optimizing the service tools provided to the retail organization. These steps help the continued professionalization of service processes, while also securing customers for the brand and the Porsche retail organization in the long term. This is reflected in an outstanding result for Porsche Service in the AutoMarxX study carried out by ADAC in June 2009, in which Porsche was named best German manufacturer in the "workshop satisfaction" category.

Employees

Even in challenging economic times, Porsche can rely on a highly-motivated and dedicated workforce. This is a significant factor that has enabled Porsche to continue competing in an increasingly tough market environment in the reporting year. At all of Porsche's facilities, the employees identify strongly with the company, and are committed to ensuring Porsche's future success. As of 31 July 2009, the Porsche group employed a total of 375,959 people. Porsche excluding Volkswagen accounts for 12,652 of these employees. This means that the Porsche subgroup employed 450 more people than twelve months before. New jobs were mainly created in the reporting period at the Leipzig plant, as well as at the service companies such as Porsche Consulting GmbH, Porsche Logistik Gesellschaft and Porsche Engineering Services. The importer Porsche China also created new jobs in connection with its expansion. As of the balance sheet date, 225 employees were in the passive phase of phased early retirement, while 314 were in training.

As of 30 June 2009, the Volkswagen subgroup had 347,013 active employees, with an additional 8,308 in the inactive stage of phased early retirement. 7,986 people were in training. Overall, the Volkswagen subgroup had 363,307 employees at the end of the first half of the year. This was a reduction of 1.8 percent from 31 December 2008. The number of employees in Germany came to 171,616 (minus 1.6 percent). The German share of the workforce rose from 47.1 percent at the end of 2008 to 47.2 percent.

Personnel development initiatives are constantly ongoing in order to continue to boost the performance and enhance the skills of the workforce. The focus is particularly on professional training procedures, improved developmental paths for professionals and graduates, and building on expert know-how.

Realignment of the Porsche subgroup

The HR division of the Porsche subgroup implemented a project aimed at optimizing business processes in fiscal 2008/09. The objective was to make Porsche's HR processes more efficient, minimize the number of interfaces and conduct HR work at the highest professional level.

The structure is based on a Porsche-specific HR business model with three roles:

– HR Centers of Competence assume the central management of general issues such as management and personnel development concepts, fundamental personnel issues, remuneration policy and personnel marketing for Porsche AG and its subsidiaries. These centers of competence are responsible for the entire group, and are authorized to make decisions and produce guidelines for the drafting of HR concepts and fundamental issues.

– The first point of contact for all managers and employees are the HR business partners, who are organized by target group. Their task is to manage the core HR processes for the respective areas for which they are responsible. This includes target group-specific planning, documenting requirements, recruiting, support and development of employees and exit support. The HR business partners will in future be organized geared to the needs of the entire group by involving the HR functions of the subsidiaries.

– Advisory services and the implementation and administration of recurring tasks such as the payroll and the processing of the company pension are combined in one efficient service center. Today, this primarily serves Porsche AG and the German subsidiaries, but in the future it will increasingly take on activities for the international subsidiaries.

The realignment of the HR division brought about significant process improvements. The HR business partners are one single point of contact both for the departments of Porsche AG and for the subsidiaries for all HR issues (concept of one face to the customer). The HR business partners manage all process stages from a group point of view, from employee selection to support for overseas assignments and successful reintegration. They are supported by the HR centers of competence that create the most efficient parameters for HR work and supply professional know-how. This know-how is now available to all subsidiaries in Germany and elsewhere thanks to the new group-wide alignment, so that even new subsidiaries in growth markets are guaranteed HR support of a uniformly high standard and a high degree of process stability.

Effective data security

In December 2008, the Porsche subgroup removed data security from the financial planning and information management division and incorporated it into the corporate security division. This combines the conventional security mandate with its digital counterpart, allowing "single-source security".

In this context, the executive board of Porsche AG approved the concept of an information security management system (ISMS) based on the ISO/IEC 27002 international standard and best practices. The ISMS is a further component of the company-wide risk management system pursuant to Sec. 91 (2) and Sec. 93 AktG ("Aktiengesetz": German Stock Corporation Act). The necessary decision-making bodies and reporting and escalation structures commenced their duties. With the expansion of the range of corporate security tasks and the development of the necessary security processes, Porsche is in a position to implement and maintain a level of security throughout the world that is tailored to business processes.

Professional training

The new course of training as an automotive industrial engineer began in September 2008. Over a period of three and a half years, highly qualified employees will be trained for production (more specifically engine construction and vehicle assembly) in accordance with this new job profile at the Porsche subgroup. At the same time, the training of automotive mechatronic technicians was tailored even more to the requirements of the development workshops and after-sales functions. A comprehensive basic course of training that is offered by the training center and based on the state of the art ensures that automotive mechatronic technicians have a good grasp on the increasing complexity of electrics and mechanical assemblies.

At the project workshop of the training center, trainees from a range of professions learned to work even closer together. The young employees carried out a number of tasks under the leadership of the trainer. Among other things, they converted two Cayennes into vehicles for emergency doctor call-outs for the Stuttgart fire department. The trainees also made a scale model of the Panamera, and in the process were able to familiarize themselves with all of the new car's technical features.

In fiscal 2009/10, professional training at the Porsche subgroup will focus on expanding panel-beating skills, in order to ideally prepare future employees for the increased use of aluminum in addition to steel, and the new manufacturing procedures.

P-ERA introduced

With the introduction of the P-ERA pay framework on 1 March 2009, Porsche AG has created a uniform model for the remuneration of all employees governed by collective bargaining. P-ERA is based on the collective remuneration agreement (ERA) concluded between the negotiating parties in the metalworking and electrical industry. This agreement was adapted to the specific requirements of Porsche's labor organization in the course of negotiations between the executive board and the group works council, with the consent of the negotiators in the collective bargaining process.

Company collective agreements concluded

In the reporting year, company-specific collective agreements were concluded with the IG Metall trade union for Porsche Logistik GmbH (PLoG) and Porsche Dienstleistungsgesellschaft mbH (PDLG), both subsidiaries of Porsche AG. The focus was on creating a company-specific system of remuneration that does justice both to Porsche's high quality standards and industry-specific issues. The provisions of the collective agreement also govern tools for flexible working. The objectives were implemented by mutual agreement with the employee representatives and IG Metall.

Constructive idea management

In fiscal 2008/09, the Porsche subgroup was once again able to benefit from numerous suggestions for improvement. This was supported by idea management, an indispensable tool for the targeted promotion and utilization of innovative potential. An entrepreneurial mindset and high level of motivation among the workforce will remain vital to the future success of the company.

A preferred employer

The most significant German surveys of employer appeal confirmed Porsche's position as one of the most popular employers of choice for students and graduates in the fields of engineering and business studies. This outstanding image is a fundamental requirement for attracting high-potential candidates in the future.

Young professionals and management trainees at the Volkswagen subgroup
The Volkswagen subgroup has vertical and horizontal development paths that lead all the way to management. Both young professionals and management trainees are handpicked and given support.

The management selection procedure was revised in the course of the realignment of personnel development at the Volkswagen subgroup. Emphasis is given to professional management tasks and the skills these require. In addition to professional skills, the focus of personnel development is increasingly on management functions. Managers are to receive even more intensive preparation and support for their work in the future.

Personnel planning, the filling of vacancies and the promotion of young talents, particularly those with expert knowledge, are based on uniform standards across HR systems, such as brief biographies of all managers and management trainees. This gives an overview of the potential in the Volkswagen subgroup in the form of a systematic planning process.

Country-specific knowledge on the part of local management is crucial to the development of and operation in growth markets. This is why increasing support is being given to local management. To this end, the Volkswagen subgroup also promotes the assignment of young talents from its international companies to Germany for a limited period of time. This gives employees the opportunity to continue their professional development, build on their intercultural skills and establish professional networks. And when management vacancies are to be filled, international assignments between group companies play an important role.

Occupational health and safety at Volkswagen
One of the Volkswagen subgroup's most important objectives is to maintain and improve its employees' health, performance and satisfaction at the workplace. In order to achieve this, aspects of occupational health and safety have been incorporated into all relevant group processes, applying international standards. This not only enables the Volkswagen subgroup to fulfill its social obligations, but also makes a lasting contribution to the success of the company. The issue of occupational health and safety is addressed throughout the group, and is therefore increasingly dealt with and communicated by the various corporate divisions. For example, employees at the international locations of all group brands exchange knowledge and experience, and together draw up new concepts for continuously improving occupational health and safety.

Employees' ideas recognized
The employees of the Volkswagen subgroup once again submitted a great many ideas for improvements in the past fiscal year. These helped enhance the quality of products and the efficiency of processes. The implementation of the proposals reduced costs at the group. The employees received bonuses for their creativity and active participation in the development of the company.

Environment

Environmental management in the Porsche subgroup

Management at a high level
At the Porsche subgroup, accountability for actions and economic success are inextricably intertwined. Protecting the environment is anchored in the principles of the company and is an integral component of corporate policy. This ensures that environmental goals and efforts in this direction are implemented throughout the entire group.

The express intention of Porsche is to minimize the detrimental consequences of all of its activities on the environment, while also supporting international efforts to solve global environmental problems.

Environmental management has established itself as an effective instrument for improving the environmental performance of the company's locations. Porsche uses this management system to steer its projects and actions thereby promoting sustained improvements to environmental protection at the company. The environmental documentation, the internal controls in the form of environmental audits, the management of continuous improvement projects aligned to environmental goals and employee training are just some of the instruments used to promote this long-term corporate strategy. In sum, Porsche AG is able to efficiently translate the responsibility which the company has taken on to protect the environment to practice.

In the reporting period the environmental management system in place at out locations in Zuffenhausen, Weissach, Leipzig and Sachsenheim was further fine-tuned. Future potential is identified during regular audits of the system and processes and realized accordingly.

The audit involves input from a consultant qualified as an environmental auditor. This ensures the high quality of environmental management in future.

Other controls include the European-wide Eco-Management and Audit Scheme ("EMAS") and the international DIN EN ISO 14001 standard. The environmental management system is evaluated by environmental auditors from TÜV accordingly. Once again, the audits closed with pleasing results in the fiscal year 2008/09.

Actively involved in environmental protection
As one of the most innovative automobile manufacturers in the world, environmental protection and conservation count among the most important goals of the company. For example, Porsche AG actively participates in the current discussions on environmental protection and climate change and constantly endeavors to improve the environmental protection measures at its manufacturing sites.

The corresponding measures, which are spread over all manufacturing sites, have helped to reduce key environmental indicators such as CO_2 emissions and waste levels, and therefore to meet the strict targets and regulations imposed by the legislators.

The company developed a concept to reduce the consumption of energy and resources which defines both short-term and long-term measures at various levels. The short-term plans are precisely defined in the specific local target agreement process within the Porsche subgroup and are implemented on this basis. The long-term goals are integrated in the working groups and corporate activities and therefore secure the long-term alignment of the subgroup with these goals.

Drives for the future

It was always a tradition at Porsche to build the company and all its vehicles on the twin pillars of perfectionism and a passion for development. This will not change in future. With the current developments in the field of combustion motors and hybrid drives, the Porsche subgroup is making its contribution towards reducing emissions by the transport sector.

Porsche AG is convinced that both petrol and diesel combustion engines will remain the main power source for passenger vehicles in the coming years. Correspondingly, the company is striving to improve the environmental specifications of its vehicle engines, the most important source of vehicle emissions. With high expenditures, the other technology used in automobiles is also becoming progressively more environmentally friendly. The new Porsche Doppelkupplungsgetriebe (double-clutch gearbox) used in the sports cars and the Panamera model reduce CO_2 emissions significantly. Measures to reduce weight and improve aerodynamics complete the program. The continuous improvements in the environmental performance of all Porsche vehicles coupled with the simultaneous increase in their customer appeal convey a clear message.

For example, the Cayenne Diesel introduced in February 2009 offers sports handling and a high degree of control, the typical features that make a Porsche such fun to drive. Nevertheless, the diesel engine displays a fuel consumption of just 9.3 liters per 100 kilometers with CO_2 emissions of 244 g/km. The introduction of the diesel signals the start of Porsche's drive to reduce fuel consumption consistently in future. In the spring of 2007 Porsche had already equipped the new generation of Cayennes with direct fuel injection engines that result in fuel savings of up to 15 percent in normal driving conditions.

In future the Porsche subgroup will continue this policy of constantly reducing fuel consumption and making all related improvements to the other features of its models, thereby improving its competitiveness also in terms of efficiency gains.

Currently the focus is on developing a fully-hybrid power train. The Cayenne Hybrid, which will be launched on the market in 2010, and the planned Panamera hybrid are the best examples that innovative technology and the art of engineering can be combined to reconcile sports cars with the need for environmental protection.

Environmental management in the Volkswagen subgroup
In order to secure the future of the company, the Volkswagen subgroup has committed itself to integrated environmental protection which involves assessing and considering in advance the impact of its manufacturing processes and products on the environment.

Consequently, the Volkswagen environmental management system defines all responsibilities and processes related to environmental protection worldwide and subjects the environmental aspects of the production facilities in the Volkswagen subgroup to a continuous improvement process. In the process the environmental requirements of the EMAS (Eco-Management and Audit Scheme) issued by the European Union are met, for example, in the form of the international DIN ISO 14001 standard, a fact certified in regular reviews by internal auditors and external audit firms.

In addition, regular workshops on the latest environmental issues are held at the foreign locations of the subgroup to ensure knowledge transfer.

The cross-border continuous improvement process is supported by group-wide environmental principles that contain strategic guidelines and technical standards. This ensures that comparable environmental standards apply to all the manufacturing processes throughout the company.

Greater use of renewable energy
In light of the current discussion on CO_2 and energy policies, Volkswagen has initiated a number of measures to reduce fuel consumption at its manufacturing sites. These measures are designed to curb rising energy costs and ensure compliance with the legal requirements. For example, the proven network of local plant energy officers will be expanded and knowledge transfer intensified at group level. In addition, benchmark studies and analyses of potential will be conducted with the assistance of experts. Moreover, the existing internal communication portals such as "e-room" and "massnahmen@web" will be used more intensively for the sharing of technical and organizational innovations and standards will be defined on energy-efficient techniques and processes.

The Volkswagen subgroup places increasing value on using energy from renewable sources and generating this energy itself. The use of this energy is a contribution towards the responsible use of resources and simultaneously towards the reduction of CO_2 emissions at the plants.

Fuel and propulsion strategy
With its exemplary fuel and propulsion strategy, the Volkswagen subgroup is blazing the trail towards sustainable mobility and making a contribution to reducing global CO_2 emissions at the same time. Moreover, the subgroup is reducing its local nitrate and particle emissions as well as making itself less dependent on crude oil.

The strategic considerations behind these moves are firstly oriented towards the use of carbon neutral regenerative energy sources and secondly on optimizing use of conventional non-renewable fuels based on crude oil and reducing their emissions.

Within the framework of its propulsion strategy Volkswagen is exploiting its TSI technology, a turbo or supercharged direct fuel injection system that forms the heart of the successful TDI engine. In comparison to other direct fuel injection engines, the TSI engines display up to 20 percent lower consumption without any loss in vehicle performance. The DSG double-clutch gearbox is another example of a highly efficient powertrain technology. In comparison to conventional automatic transmissions it features significantly greater efficiency with approximately 15 percent lower fuel consumption. The natural gas model produced by the Volkswagen subgroup, which can be optionally operated

with gasoline, emits up to 25 percent less CO_2 and is almost completely free of sulfate, soot and other particulate emissions.

In the mid-term, the propulsion strategy of the Volkswagen subgroup is focusing on hybrid technologies in addition to gasoline and diesel engines. Strategic partnerships have been entered in order to realize hybrid power trains in serial production in future.

In terms of engine development, diesel and gasoline engines are becoming increasingly comparable. After the introduction of direct fuel injection to gasoline engines, which represents a milestone in engine development, further developments in combustion methods are evolving which will result in the two technologies converging over time. For diesel engines, an attempt is underway to homogenize the mix, along the lines of gasoline engines. By contrast, an attempt is being made to make spark plugs redundant for gasoline engines by means of a homogenous mix and compression ignition, at least in certain areas of the ignition map. At Volkswagen a new combustion method is being developed on the basis of the current diesel engines for this purpose. This allows a reduction of hazardous emissions limited by the law such as nitrates and particulates while simultaneously providing significantly higher efficiency and therefore much lower fuel consumption.

In the long-term, the main focus with regard to propulsion is on zero-emission electric drives. The greatest importance has been placed on this solution for future car-based mobility. Electric vehicles display the best figures in terms of an energy budget. However, due to their lower range, they have not yet met customers' expectations. State-of-the-art battery technology currently only allows a maximum range of 100 kilometers. A purely electric drive will therefore only be possible after significant advances have been made in the basic research into battery technology. For this purpose, the Volkswagen subgroup intensified its cooperation with battery manufacturers in the fiscal year 2008. With the Golf twinDRIVE, which is participating in the electric mobility fleet experiment initiated by the federal government, a model was presented that features one solution for daily zero-emission mobility. In addition to the innovative concepts for plug-in hybrids, such as the twinDRIVE, Volkswagen is also dedicated to power generation concepts that address the need for the coming electric-powered mobility based on power generated from renewable resources.

A focus of the fuel strategy of the Volkswagen subgroup is on researching biogenic fuels. The second generation of biogenic fuels going under the name of “SunFuel” has already won great significance. In terms of CO_2 reduction, they possess a great deal of potential as they do not compete with food production and are compatible with existing infrastructure. For example, SunEthanol, which is a fuel that has been optimized for gasoline-powered engines, is extracted from straw by means of a biochemical process owned by the company, IOGEN. The corresponding synthetic fuels for diesel engines, SunDiesel, can be generated from various primary energy sources, such as biomass or biogenic waste. The quality and chemical composition of the end product is independent of the qualities of the primary energy source used. Both current and future combustion engines can run on synthetic fuels. Moreover, SunFuel can be better harmonized with the requirements of advanced engine technology than customary fuels. Due to its purity and the ability to control its qualities, it offers great potential for further reduction of unwanted emissions. Moreover, it can be perfectly harmonized with new combustion methods, which will offer additional benefits with regard to consumption and exhaust emissions.

In the long-term, the Volkswagen subgroup expects that local zero-emission mobility solutions will grow in significance. This could take the form of a battery-powered electric vehicle or a vehicle powered by a fuel cell. Currently, vehicles with a hydrogen-powered fuel cell offer the only possibility to achieve zero-emission mobility for an acceptable range. In the Volkswagen subgroup a high-temperature fuel cell that is unique in this form has been developed that, thanks to the use of electrodes, allows a higher operating temperature for fuel cells, making them more efficient, smaller, and cheaper than the fuel cells known to date.


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Opportunities and risks of future development

According to Sec. 91 Paragraph (2) German Stock Corporation Act (AktG), Porsche 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 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.

Porsche SE bears the responsibility for monitoring the risks it is exposed to and, moreover, draws together all the findings from the risk early warning systems installed at the level of the Porsche and Volkswagen subgroups. Consequently, it ensures that risks are aggregated, consolidated, monitored and managed for the entire group.

Based on the assessment of the independent auditor, the risk early warning system established by Porsche SE for the Porsche group meets the legal requirements of Sec. 91 Paragraph (2) AktG at the level of Porsche AG and Volkswagen AG for the Porsche and Volkswagen subgroups respectively.

In addition, the financial services segment in the Volkswagen subgroup is subject to regular special audits by the Federal Financial Supervisory Authority pursuant to Sec. 44 of the KWG ("Kreditwesengesetz": German Banking Act) and other controls by the auditors of the association.

The design of information flows and decision-making bodies at group and subgroup level ensure 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.

Opportunities and risks at Porsche SE

The strategic alignment of Porsche SE requires comprehensive cash and financial management that together constitute the central components of the integrated early warning system for the integration 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 capital and credit 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.

Currently, the main tasks of liquidity management at Porsche SE are the steering of cash flows, the management of the maturities of key capital and credit market instruments and of refinancing instruments.

Relevant changes on the spot markets and futures markets are analyzed. Depending on the issues or market structures involved, various scenarios are analyzed or proven market and liquidity risk management methods applied.

The implementation of the financing strategy also includes the fundamental desire to transfer interest risks 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 risks

The liquidity situation at Porsche SE was critical on balance sheet date. The cash held by the Porsche group, excluding the Volkswagen subgroup and the cash and cash equivalents not available for use by the group, amounted to approximately 1.0 billion Euro as of 31 July 2009. In the fiscal year 2008/09, Porsche SE was not able to increase the syndicated loan to the originally intended sum of 12.5 billion Euro. An agreement was made in the second half of the reporting period to pay back a portion of the hybrid bond which has a total nominal value of 1.0 billion Euro, in August 2009. Cash outflows amounted to 0.5 billion Euro.

The transfer of a significant portion of the cash settled options in shares in Volkswagen AG to Qatar Holding LLC shortly after balance sheet date led to revocation of the restrictions on the power to dispose of the existing sight deposits and fixed-term deposits connected with the sold options. In sum, the sale led to an increase of more than 1 billion Euro in available liquidity. In return, at the request of Porsche SE, Qatar Holding LLC invested 265 million Euro in the syndicated loan in place at this time.

Porsche SE assumes that the conclusion of the basic agreement, with Volkswagen and the ordinary shareholders of Porsche SE in particular, and the implementation of the individual steps for the merger of the companies Porsche SE and Volkswagen AG will be effected quickly as a prerequisite for achieving a significant improvement in liquidity. The basic agreement is also a prerequisite for the successful outcome of current talks with the lending banks. In these negotiations, Porsche SE is seeking not only to adjust

to the structures provided for in the basic agreement, but also to improve its borrowing conditions. This concerns both a prolongation of the loan and a reduction of the borrowing costs.

If the steps involved in the merger of the two companies and thus the debt relief of Porsche SE do not take place as planned, this could once again lead Porsche SE into a critical liquidity situation by the end of 2009 which could put the ability of the company and the group to continue as a going concern at risk. However, the executive board of Porsche SE is convinced on the basis of the current negotiations that this risk will not eventuate.

Risks from stock options
The strategy to invest in Volkswagen was realized to some extent by means of cash settled options for Volkswagen shares. Due to the changes in the conditions prevailing on the capital markets and the resulting consequences for the investment strategy, a large portion of these options held by Porsche SE were sold to Qatar Holding LLC at their carrying amount by contract dated 14 August 2009. As these options were measured at sales price, the stock options held for sale were no longer exposed to risk at the end of the fiscal year 2008/09 from the perspective of Porsche SE.

There is a liquidity risk with regard to the remaining cash settled options still held for approximately 3 percent of the ordinary shares in Volkswagen AG, i.e. that the stock options can only be sold below the strike price used to measure them. Given the current share price of ordinary shares in Volkswagen AG this risk is currently considered to be low.

Risks originating from financial indicators
Porsche SE and various banks agreed on covenants that are customary for the market in connection with the existing syndicated loan. As of 31 July 2009 Porsche SE complied with the financial covenants. Should the covenants be breached in the future, this would have an adverse effect on liquidity. However, the executive board is confident that these covenants will be met in the future.

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

Litigation risks
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 and it makes economic sense, 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.

Tax risks
The company considers some of the stock option transactions it has entered into as an avenue to generate tax-free profits and tax-deductible losses.

A dispute has developed between the company and the tax office with regard to the tax treatment of the stock option transactions. As far as the company is aware, the tax office will initially not accept the opinion of Porsche SE. The provision for income taxes has been increased accordingly to cover the full amount of the risk. Porsche SE intends to appeal against a negative decision of the tax office. Porsche SE assumes that the tax office will agree to a stay of execution until the final ruling on the tax treatment is handed down.

Opportunities from potential synergies
The cooperation between the Porsche and Volkswagen subgroups can lead to additional synergies within the Porsche group in future. The two subgroups have cooperated for ten years already 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 auto-electrics and electronics. By avoiding duplicate investment, the annual depreciation charge of the Porsche group could be reduced. Moreover, the earnings of the Porsche group can also be improved by combining purchasing functions and sharing existing sales channels.

Opportunities and risks at the Porsche subgroup

All shares in Porsche AG are held by Porsche SE. A domination and profit and loss transfer agreement is in place between the companies that requires Porsche SE as the controlling company to absorb any loss. This is why risks of Porsche AG can also constitute risks for Porsche SE. The risks and risk early warning system of the Porsche subgroup are described in more detail below.

The opportunities and risks in the subgroup 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 introduced in the event of negative developments. In addition, the risk management and internal audit departments monitor and document the risks and early warning systems. If new or changed risks are discovered, these departments report immediately to the executive board and propose solutions. This procedure allows negative trends to be identified promptly and immediate countermeasures to be taken.

Macroeconomic risks

The main risk for the global economy in the mid-term lies in a continuation of the recession caused by the crisis on the global financial markets. Significant risks remain in the continuing high prices for energy and commodities, ongoing liquidity shortages, increasing protectionism and a sustained imbalance in foreign trade. Changes in the law with regard to taxes and customs duties as well as a greater degree of state intervention could also have a significant negative impact on the international activities of the Porsche subgroup.

Continuous monitoring of business processes

Risks can never be completely eliminated. Incidents such as fires or explosions can severely disrupt operating processes. Regular safety checks and protective measures integrated into buildings and processes offer preventive protection. Moreover, business interruptions and damage to property are covered by insurance. Natural disasters, terrorist activities, pandemics and changes in the law are risks that can be difficult to predict but have a sizeable economic impact if they come to pass.

The statistics show that natural perils such as storm, hail, or earthquakes are becoming more frequent. At the end of the fiscal year, the main Porsche facility in Zuffenhausen was struck by a torrential downpour and suffered serious flooding as a result. In order to mitigate such risks and the resulting interruption to production, the Porsche subgroup has set up an emergency team that can take quick action in a coordinated manner to minimize the loss. Each loss leads to new findings. If these findings reveal a need to optimize the existing processes, the risk mitigation organization makes a detailed assessment and, if need be, takes quick action.

The current debate over CO_2 levels and public pressure to minimize fuel consumption could impact sales. Porsche AG has responded to these challenges by developing drive systems with reduced emissions such as the hybrid drive, that will be incorporated into the Cayenne and Panamera series.

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 Porsche 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 country-specific sales promotion packages. Moreover, the trade organization has been 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 risks

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.

Financial risks

In order to protect the Porsche subgroup from financial risks, the treasury department hedges against currency risks on the basis of the planned sales figures using currency hedging. The company makes use of major international partners for forward transactions and options, whereby the cooperation is subject to standardized regulations and ongoing monitoring. Porsche also pursues a policy of maximum financial security with regard to the assurance of liquidity. Bond issues have been undertaken, but have been held in reserve and currently earn interest since there is adequate liquidity available from the operative business. In order to combat risks associated with money and capital markets, Porsche AG has set up a risk management system together with professional asset managers in order to calculate the statistical probability of a loss of capital at an early stage. At the same time, the company aims to achieve an adequate return. In addition to the absolute development of investment prices, there is also a risk that it may be impossible or possible only to a limited extent to sell investments in securities due to market irregularities. This risk is hedged by spreading investments which are monitored continuously by the central treasury department. In individual cases, the focus is on liquidity rather than profitability.

Interest instruments such as interest rate swaps or options are used to hedge against interest risks. Default risks are also reduced by means of an intensive receivables management system.

For the Porsche subgroup, the leasing business entails the risk 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 creating appropriate provisions. In order to minimize the default risk associated with the vehicle financing program for the benefit of the dealers, those dealers taking part in the program are thoroughly assessed in order to ensure that the level of financing, the collateral required and the term are appropriate. The receivables balance is regularly monitored, and security measures are applied in cases of irregularities. In spite of the crisis on the financial markets, loan defaults have only risen to a moderate degree as the Porsche subgroup traditionally pursues a well-founded hire purchase policy that is supported by a sound scoring model that is constantly refined.

Development risks

The Porsche subgroup 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, the subgroup conducts trend studies and market surveys before making decisions on new vehicle projects. The Porsche subgroup 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 risks

The failure of IT systems can lead to considerable damages if, for example, the production of vehicles is interrupted. Although the likelihood of the IT system failing is low, the Porsche subgroup 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 Porsche subgroup 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 Porsche subgroup 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 risks

A positive image is crucial to any company. The communication strategy of the Porsche subgroup 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 Porsche subgroup 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 risks

Like any other company, Porsche AG or its subsidiaries 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 Porsche subgroup.

Extensive quality assurance measures

High-quality products are crucial to the company's image. The development department works closely together with suppliers in order to achieve this. In addition to economic benefits, this collaboration also creates dependencies. Delayed deliveries or even failure to deliver can quickly lead to a standstill in production due to the “just-in-time” nature of parts deliveries. The risk management system of the Porsche subgroup therefore prescribes the careful selection and monitoring of suppliers. A technical and business profile is created, and the supplier’s creditworthiness is continuously monitored. The credit check enables the early recognition of companies running the risk of insolvency. Short development times and pressure on costs place high demands on suppliers. Parts deliveries are regularly subjected to quality and punctuality checks.

The financial crisis has also affected the automotive supply industry and will in isolated cases lead to the risk of insolvency or actual insolvency of suppliers. The Porsche subgroup 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 Porsche subgroup 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 Porsche subgroup 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 in L’Aquila, Italy, have for the first time recognized the 2-degree goal for reducing global warming, which is continuing apace. 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 until 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 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 Porsche subgroup 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 Porsche subgroup 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. This marks the first time that a law has been introduced for car manufacturers and importers who want to sell their vehicles in the European Union.

However, the future CO_2 limit for the fleet is not a uniform target for every manufacturer. Rather it is to be understood as the mean weighting of the vehicles that a manufacturer sells in Europe.

This method is designed to ensure that the manufacturers positioned in different market segments have a chance of meeting the requirement.

Moreover, companies like the Porsche subgroup, which has 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 per annum. The calculation is based on the figures for the vehicles manufactured in the year 2007.

High penalties will ensure compliance. If a company does not manage to meet its individual target, it must pay 5 Euro for the first gram in excess of the limit, 20 Euro for the second gram, 45 Euro for the third and, starting from the fourth, 95 Euro each gram. The fleet value will be calculated annually. In other words, penalties could be incurred annually.

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. 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 will have a major impact on the variety of products, the distribution among the segments and the earnings on the European market.

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

Opportunities and risks at the Volkswagen subgroup

Update of the risk documentation
Standardized surveys are directed to both the risk managers of the individual divisions and the managing directors of investees on an annual basis. In answering the questions, they update the overall picture of the potential risk situation in their area of responsibility. At the same time, the qualitative likelihood of occurrence and the relative extent of any loss are allocated to each risk identified, and appropriate measures are specified in the shape of guidelines and organizational instructions to counter the respective risk. 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.

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.

Goals and functioning of the risk management system

The Volkswagen subgroup'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 subgroup'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 associates. Countermeasures are introduced immediately, their effects are assessed and the information is incorporated into the plans in a timely manner. This means that the executive board of the Volkswagen subgroup always has access to an overall picture of the current risk situation through the documented reporting channels.

Transparent risks that are proportionate to the benefits expected from the business are taken.

Macroeconomic risks

Like at the Porsche subgroup, the main risk to the economic development of the Volkswagen subgroup over the medium term lies in the risk that the recessionary tendencies caused by the global financial crisis could last for a longer period.

Industry risks

The markets in Asia, South America, central Europe and eastern Europe were the main growth drivers for global demand for passenger cars. However, in some countries in these regions, there are high customs barriers or minimum local content requirements for domestic production. These factors make it difficult to achieve a larger increase in sales volumes. The substantial market coverage in the most important markets entails risks that relate mainly to price levels. Massive discounts, used mainly 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 subgroup would be particularly affected if competing manufacturers were to further step up their sales incentives. Loans to finance vehicle purchases are still issued applying the customary principles of prudence taking account of banking supervisory regulations in the meaning of Sec. 25a (1) KWG.

Most of the vehicles produced by the Volkswagen subgroup are sold in western Europe. Consequently, a sustained drop in demand or in prices in this region would have a particularly strong impact on the subgroup. The Volkswagen subgroup 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/South Africa, Asia Pacific, and central and eastern Europe. In addition, the Volkswagen subgroup enjoys, or is aiming to attain, a leading position in a number of established and emerging markets. Moreover, strategic partnerships provide an opportunity to cater to regional requirements.

Current developments on the financial markets have substantially increased the cost to the dealerships and sales companies of financing their business through bank loans. The Volkswagen subgroup minimizes the risk of their insolvency by offering automotive dealers and outlets financing on attractive terms via its own financial services companies, as part of a dedicated group support system.

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

Research and development risks
The Volkswagen subgroup counters the risk that customers may not accept new products by conducting extensive trend analyses, customer surveys and scouting activities. These measures ensure that trends can be 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 in accordance with the specified deadlines, costs, or quality standards. To avoid this risk, the progress of all projects is monitored continuously and systematically and compared with the original targets. This means that countermeasures can be initiated in good time in the case of deviations. The project organization supports all areas involved in the process, ensuring that they work together effectively. This enables specific requirements to be presented at the earliest possible stage and their implementation planned in good time.

Risks are not concentrated on particular patents or licenses due to the wide variety of research and development activities at the Volkswagen subgroup.

Procurement risks
Prices on the commodity markets remain volatile. It is not certain whether the oil price will stagnate in future or whether, for example, the trend will reverse again, for instance as a result of an artificially created shortage. The Volkswagen subgroup is taking suitable steps to counter the risks of rising commodity prices. As well as strategically aligning the portfolio of suppliers, procurement cooperates closely with the internal development department in order to continuously optimize the use of materials and increase utilization rates. Substituting traditional materials with alternatives that have been optimized for a specific usage is another core element of this strategy.

Against the background of the latest developments on international markets, group procurement has reoriented its risk management activities. It is now focusing on expanding the early-warning system for supplier crises. The aim is to be able to initiate suitable measures in good time to safeguard production in the event of individual suppliers becoming insolvent.

Production risks relating to demand
The global recession and the related shifts in global demand for passenger cars led to fluctuations in the production volumes of specific models. Furthermore, changes in demand for special features or components lead to an increased risk of delivery bottlenecks. The Volkswagen subgroup counters this risk using flexible capacity management at its vehicle and component factories, and especially with the aid of its turntable concept, and through timely support by external suppliers. Flexible working time models provide additional opportunities to adjust production in line with current market demand.

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. A combination of higher fuel prices and the uncertainty surrounding future CO_2 emission taxation may lead to unexpected consumer reluctance to purchase vehicles, which may be further exacerbated by media reports. The current financial crisis is also having significant effects on global economic development and, accordingly, on the whole automotive sector. After a certain time lag, all the world's automotive markets are now seeing what is in some cases a dramatic downward trend – a development that has also affected the Volkswagen subgroup. This is particularly the case in saturated markets such as North America and western Europe, where demand has plummeted as a result of owners keeping their vehicles for longer periods. The Volkswagen subgroup is attempting to counter this consumer reluctance to purchase vehicles by offering attractive new models and by maintaining an intense customer focus. Nevertheless, it is not possible at this time to know how long this crisis will last nor how extensive it will be. This applies all the more since state incentives (for instance, incentives for replacing old cars with more fuel-efficient ones) are in place in some countries, which will have a positive impact on the demand for cars.

Moreover, the implementation of a CO_2-based vehicle tax in the European countries and a renewed rise in oil prices could lead to a switch in demand towards smaller segments and smaller engines, with a resulting detrimental effect on the group's financial results.

The Volkswagen subgroup is countering these risks by developing fuel-efficient vehicles and alternative fuels as part of its fuel and drivetrain strategy.

In the rapidly expanding markets of Asia and eastern Europe, risks can also arise due to government intervention in the form of lending restrictions and tax increases having an adverse effect on private consumption.

Dependence on fleet customer business
As in the past, the fleet customer business is experiencing increasing concentration and internationalization. Owing to its extensive product range and target group-oriented customer care, the Volkswagen subgroup succeeded in extending its market leadership in Europe. Default risks are not concentrated on individual corporate customers.

At cost-driven fleet operators, the CO_2 issue could have a disproportionate effect on the fleet customer business because of the shorter fleet ownership period. A trend towards downsizing is evident that parallels the trend in the private customer business.

Quality risks
Customers' perceptions of a product's quality are becoming more and more important in the face of growing competitive pressure. In addition, the ever-increasing complexity of the vehicles and the introduction of new environmentally friendly technologies such as hybrid drives present new challenges for the quality assurance function. New skills sets and other preventive mechanisms are being developed to avoid the possible risks of quality defects before they eventuate. This is being done in close cooperation with all the divisions and suppliers.

Personnel risks
The knowledge and individual skills of the Volkswagen subgroup's employees are a major factor contributing to the subgroup's success. The aim of becoming the preferred employer improves the subgroup's chances of recruiting and retaining talented new employees. Of equal importance is strategic, end-to-end personnel development. For this reason, the Volkswagen subgroup is offering attractive career and development opportunities for committed employees. In addition to management careers, non-managerial

specialists will also be offered attractive career paths. The risk of losing expertise due to employee resignations and retirements is minimized by intensive knowledge management. By offering dual track vocational training involving a combination of university study and practical experience the Volkswagen subgroup is securing an adequate supply of highly qualified talent from its own workforce.

Environmental protection regulations
On 1 July 2002, the Altfahrzeuggesetz (German End-of-Life Vehicles Act) transposed the European End-of-Life Vehicles Directive into German law. The Act guarantees that end-of-life vehicles will be disposed of free of charge through the collection points designated by manufacturers and importers. This initially applied only to vehicles registered after the law came into force, but as of January 2007, it was extended to all end-of-life vehicles. At present, it is impossible to conclusively assess the impact of the EU's eastward enlargement on the collection of end-of-life vehicles. As a result, no clear forecast can be made regarding the likely financial burden on the Volkswagen subgroup in individual EU member states. The existing provisions have been reviewed in this regard. In addition, the systems and cooperation arrangements for disposing of end-of-life vehicles offer an opportunity to manage this risk.

As regards emissions legislation, the EU decided on a wide range of stricter requirements, primarily affecting diesel technology. However, in the case of light and medium passenger cars, these requirements will be met by upgrading

and optimizing current technology. In the case of heavy passenger vehicles, the rules as they currently stand require that an after-treatment system for nitrogen oxide be introduced. The cost difference compared with petrol engines will increase further. In future, petrol and diesel engines will also have to reposition themselves with regard to the obligation to add biofuels to fossil fuels, since diesel particulate filter technology does not permit any significant increase in the amount of biofuels added.

The G8 member states aim to reduce global greenhouse gases by 50 percent in the period up to 2050 in order to keep global warming at a manageable level. According to analyses by the International Energy Agency and the UN's Intergovernmental Panel on Climate Change (IPCC), this goal can only be achieved by a reduction in greenhouse gases in all sectors – power generation, industry, households, agriculture and transport. Some countries are already in the process of introducing the necessary policies. It can be assumed that these will be significantly tightened in future throughout the world. Both the Volkswagen subgroup's production facilities and its products are affected: the former in particular through provisions on energy efficiency, a general increase in the price of energy and the system of greenhouse gas emissions trading. This last mechanism involves companies being issued with a limited number of emission certificates; they will then have to demonstrate that they have sufficient certificates if they cause CO_2 emissions. The Volkswagen subgroup has been participating directly in the relevant EU system since 2005 with its heating and power plants. The second trading period is currently underway and expires in 2012. The EU has resolved substantial changes that are due to take effect in the third trading period that follows. In particular, emission certificates will no longer – as has largely been the case to date – be allocated free of charge but will increasingly be auctioned. In addition, the scope of application has been extended significantly, so that more locations than before are covered by the trading system. Along with higher costs for internally generated power, administrative and monitoring expenses will also increase sharply in the near future. Higher prices for energy and emissions rights do not only apply to the subgroup's own facilities but will also lead to a rise in the price of materials, especially in the case of steel and aluminum. The Volkswagen subgroup is using an energy management system and energy conservation programs to counteract the possible financial repercussions and risks to its image. In addition, the Volkswagen subgroup operates its own highly efficient power plants for generating power and heat, and is therefore able to secure part of its energy supplies itself.

The EU Regulation capping CO_2 emissions from passenger cars is one of the first product-related CO_2 regulations in the EU for the period from 2012 to 2020. As a result, it is extremely significant both in terms of future trends in greenhouse gas emissions in the EU and of the economic and technological repercussions on vehicle manufacturers and their suppliers, and the European economy as a whole, particularly in view of the radically changed economic environment.

The EU Regulation sets targets for carmakers selling passenger cars in the European market (the EU 27). The aim is to reduce average CO_2 emissions in European fleets to 130g/km starting in 2012/2015 by means of drive train and other vehicle technology. A further reduction of 10 g/km is to be achieved by flanking measures such as gear-change indicators, low-resistance tires and the use of biofuels.

There are risks involved in the amount of the penalties, which may be up to 95 Euro per g/km, to be imposed if the manufacturer fails to meet the target for its vehicles sold by an average of more than 3 g/km.

In addition to the minimum reduction targets being introduced from 2012/2015, the long-term goal of 95 g/km for 2020 will have considerable effects on the number of products, the breakdown across specific segments and the results of operations in the European market. The basis for measurement will be energy efficiency, which will help to maintain the diversity of the European product offering.

The political decision-making process has led to further improvements in the proposed bills tabled to the European Commission, in particular with regard to product and development cycles in the automobile industry by allowing a suitable phase in between 2012 and 2015. Moreover, there is a possibility of credits for innovative technologies, such as “Eco-innovations”. Innovative measures such as intelligent vehicle communications and navigation systems enable additional reductions to be achieved over and above the vehicle and drive technology measures. This links innovations to climate protection in a particularly effective way.

The Volkswagen subgroup intends to make intensive use of these opportunities. With its leading technologies and products, the group is excellently prepared for the challenges of the future.

In 2007, the federal government launched an ambitious bundle of measures for achieving national and international targets on climate protection in the form of its integrated energy and climate program. A major component of the program is improving energy efficiency and expanding the use of renewable forms of energy. The statutory measures that have already been introduced will impact key areas in which the Volkswagen subgroup is involved in a number of ways:

As of 1 January 2009, the EEWärmeG (“Erneuerbare-EnergienWärmegesetz”: German Act on the Promotion of Renewable Energies in the Heating Sector) entered into force. The aim of this Act is to enable the sustainable development of energy supplies and to promote the further development of technologies for generating heat from renewable energies. Depending on the type of energy supply system concerned, this Act may have consequences for the way Volkswagen subgroup’s industrial buildings are constructed.

One element in the federal government’s integrated energy and climate program is the intention to introduce a legally binding energy management system for medium-sized and large operating plants. The objective is to realize the potential for improving efficiency in industry and to link the agreement on reductions in energy and electricity taxes with the introduction of an energy management system.

The Volkswagen subgroup is taking a variety of measures to actively prepare for the future challenges presented by the shortage of primary energy sources. For instance, the subgroup is expanding its centralized energy management at its production facilities and integrating it with its environmental management, so as to reinforce the effect of the energy savings measures being taken by the various areas of production. In addition, the use of renewable sources of energy is being driven forward on a worldwide basis.

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 action may have to be taken and substantial compensation or punitive damages paid.

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.

Risks arising from financial instruments
The executive committee for liquidity and foreign currency approves risk limits, authorized financial instruments, and hedging methods and horizons. Risk management is the responsibility of the treasury of the Volkswagen subgroup. The group's executive board is informed of the current risk situation on a regular basis.

The subgroup's business activities entail financial risks that may arise from changes in interest rates, exchange rates, commodity prices and fund prices. The Volkswagen subgroup manages these risks by employing primary and derivative financial instruments. Internal limits are set on the volume of business per counterparty, when entering into financial transactions, in order to limit the default risk by means of diversification. In setting these limits, various rating criteria are taken into account, including the ratings awarded by independent agencies and the equity base of potential counterparties. Interest rates and currencies are mainly managed centrally by the treasury of the Volkswagen subgroup. The subgroup hedges its 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 subgroup.

The Volkswagen subgroup reduces its foreign currency risk primarily through natural hedging, i.e. by flexibly adapting its production capacity at its locations around the world and establishing new production facilities in the most important currency regions, currently for instance in India, Russia and the USA. The residual foreign currency risk is mitigated 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 intercompany financing in currencies other than the respective functional currency. These contracts may have terms of up to five years. They are primarily used to hedge the euro against the US dollar, pound sterling, the Mexican peso, the Russian rouble, the Swedish krone, the Czech koruna, the Swiss franc and the Japanese yen. These eight currencies are responsible for most of the foreign currency risk from forecasted cash flows. The purchasing of raw materials gives rise to risks relating to availability and price trends. These risks are limited primarily by entering into forward transactions. Appropriate contracts are used to hedge some of the commodities needed, such as aluminum, copper, platinum, rhodium and palladium, over a period of up to five years. Other hedging transactions are also used, such as for CO_2 certificates and coal.

Liquidity risks

The solvency of the Volkswagen subgroup 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 have risen significantly since the beginning of the financial crisis. However, in view of the broadly diversified structure of its refinancing sources, the subgroup will continue to be able to raise sufficient liquidity in the various markets.

Credit lines from banks are generally only ever used within the Volkswagen subgroup 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 Kreditanstalt für Wiederaufbau (KfW) or the Brazilian National Economic and Social Development Bank (BNDES). This extensive range of options means that any liquidity risk to the Volkswagen subgroup is extremely low.

Standard & Poor's have updated their ratings for Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH. The rating agency confirmed its short-term and long-term ratings for Volkswagen AG and Volkswagen Financial Services AG at A–2 and A– respectively. The outlook was changed from "stable" to "negative" for both companies. The ratings of Volkswagen Bank GmbH were lowered by one grade to A–2 and A– respectively for Volkswagen Bank GmbH with the outlook likewise being negative.

Moody's Investors Service has also updated its ratings for Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH. The short-term and long-term ratings for Volkswagen AG and Volkswagen Financial Services AG were set at P–2 and A3 respectively. The outlook for both companies was lowered to "stable". The short and long-term ratings for Volkswagen Bank GmbH, which currently stand at P–1 and A2 and therefore one grade higher than Volkswagen AG and Volkswagen Financial Services AG, are currently being monitored with regard to a possible downgrade.

The treasury department of Volkswagen Financial Services AG safeguards the liquidity of the financial services division as well as managing credit, default and market risks. Risk controlling is responsible for measuring, analyzing and monitoring market risk positions.

Residual value risk in the financial services business

In the financial services business, the Volkswagen subgroup 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 in the event of 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 design of the processes ensures not only professional management of residual risks but also that the handling of residual value risks is systematically improved.

As part of its risk management, the Volkswagen subgroup uses residual value forecasts to regularly assess the appropriateness of the provisions for risks and the potential for residual value risk. In so doing, 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.

IT risks
Redundant firewalls and intrusion prevention systems safeguard the IT systems against unauthorized access. Additional protection is achieved with virus scanners as well as restricted physical and data access rights. The systems used for safeguarding information are constantly checked and continuously updated. In addition, all databases are backed up daily. Thanks to the measures taken, the likelihood of a threat to the information systems and security of the subgroup's data is very low.

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 subgroup. These factors include natural disasters, epidemics and terror attacks.

Overall statement on the risks faced by the Porsche group

The overall risk exposure of the Porsche group is made up of the individual risks confronting the Porsche subgroup and the Volkswagen subgroup presented above and the specific risks of Porsche SE. The risk management system ensures that these risks can be controlled. With the exception of the liquidity risks at the level of Porsche SE, there are, on the basis of the information currently available, no risks that could endanger the ability of the Porsche group to continue as a going concern.

Subsequent events

The section on “current developments” (pages 4 to 6 of this management report) already contains the comments on significant events that occurred after the close of the fiscal year 2008/09. Other subsequent events are summarized as follows:

On 18 August 2009 Porsche SE signed a hold harmless agreement in favor of the Association of German Banks (Bundesverband deutscher Banken e.V.) for any losses which the Association might suffer from measures pursuant to Art. 2 (2) of the statutes of the deposit guarantee fund agency in favor of Volkswagen Bank GmbH. For internal purposes, Volkswagen AG in turn has agreed to hold Porsche SE harmless from any obligations resulting therefrom.

In the course of criminal investigations by the state prosecutor into alleged market manipulation and infringement of publication duties by former members of the executive board and (with regard to alleged manipulation of the market) another officer of Porsche SE, the business premises of Porsche SE and Porsche AG at their headquarters in Zuffenhausen were investigated on 20 August 2009. Both companies deny the public prosecutor’s allegations while cooperating with investigations and providing their full support to the investigating officers in order to clarify the matter as soon as possible.

Talks with the syndicate of banks commenced at the end of August 2009. The aim of these talks is to renegotiate the existing syndicated loan at more favorable terms after finalization of the basic agreement. This concerns both a prolongation of the loan as well as a reduction of the costs of capital.

In the fiscal year 2008/09 the Porsche group agreed to repurchase a part of the hybrid bond issued to institutional investors in December 2007 at a total notional amount of 1.0 billion Euro. The repurchase, which was executed on 31 August 2009, led to a cash outflow of 0.5 billion Euro.

In the course of the acquisition of all shares in LeasePlan Corporation N.V., Amsterdam and the subsequent sale of 50 percent of the shares to two co-investors, Volkswagen AG reached an agreement with the co-investors on put options which entitle the latter to sell their shares to Volkswagen AG. On 22 December 2008, the co-investors announced that they would make use of their put options. In September 2009, Volkswagen agreed with the co-investors to acquire shares in the fiscal year 2009/10 for a purchase price of approx. 1.3 billion Euro. The planned simultaneous transfer of the shares to a new co-investor requires the approval of the oversight authorities.

Subsequent to balance sheet date Porsche SE began negotiations for the sale of the stock options that were not intended for sale on 31 July 2009.

Remuneration report

The remuneration of the executive board contains fixed components as well as a variable component that is based on the results of the Porsche group’s ordinary activities. Pension guarantees are also given. In addition to fixed compensation, the members of the supervisory board are also entitled to performance-based compensation which is also measured based on the result of the Porsche group’s ordinary activities. Further details are provided in note [38] to the consolidated financial statements “Remuneration of the supervisory board and executive board”.

Forecast report and outlook

Overall economic development
The freefall of the global economy that began in the fall of 2008 appears to have come to an end. An increasing number of forecasts indicate that the global economy has bottomed out and is currently stabilizing. However, this situation is largely thanks to the billion-dollar aid programs from a number of state governments. For this reason, there is still a lot of uncertainty everywhere about the future development of the global economy. On the bottom line, most economic research institutes expect global economic output to continue sliding in 2009 with a slow recovery setting in again in 2010.

There are pleasing signs of recovery among Germany's most important trading partners. In some countries, including France, Japan and Brazil, economic output picked up slightly in the second quarter of 2009, with increases in China and India being particularly strong. On the other hand, other countries, such as the USA, Russia and the United Kingdom are still displaying negative figures. The export-oriented German industry was able to generate a three-point gain in their order intake in June and July 2009 in the wake of the slight upturn that was generally evident. Nevertheless, the order intake was still approximately 20 percent below the level of the prior year. This implies that the recovery is still at an extremely low level.

Furthermore, it cannot be completely ruled out that this slight recovery is merely a "flash in the pan" created by the various economic stimulus programs. In addition, the rise in public indebtedness in many countries could constitute a risk to the growth of the global economy. Thus, a true recovery of the global economy may not set in until 2011.

Exchange rate developments
The strong recovery of the euro at the beginning of the reporting period is based primarily on the assumption that the euro zone will emerge from the financial crisis more rapidly than the USA. However, the prevailing trend is already well established and it can therefore be assumed that a correction will occur in the second half of the fiscal year 2009/10 with the result that exchange rates once again reflect the true balance of economic strengths more realistically. However, the Porsche group is well hedged in the event that the trend should continue.

Interest rate developments
During the fiscal year 2009/10 the central banks are likely to retain their low-interest policies on all important money markets. There are currently no signs that interest rates will be adjusted further downwards. On the other hand, it can be assumed that the capital markets will signal a shift in the interest rate trend at a much earlier stage.

Commodity price developments
After overshooting the mark in the summer of 2008 and the dramatic downwards correction at the end of the year 2008, commodity prices have started trending upwards again over the


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course of 2009. It can be expected that this adverse trend will continue in the near future, without, however, reaching the same peaks recorded in the past.

Prospects on the automobile markets
Consumer uncertainty is likely to be noticeable for a long time on the world's largest automobile markets, with the exception of China. In Germany, the discontinuation of the state environmental bonus will have a negative impact on the market in 2010. Those manufacturers who profited from the bonus in 2009, with a massive rise in unit sales in some cases, will have to prepare for harder times. The same applies to countries like France, the United Kingdom, Italy and the USA. In these countries state support for the automobile industry in terms of environmental bonuses are also reaching their end, after boosting unit sales in the meantime.

Altogether, due to the end of the economic stimulus programs, the automobile markets in western Europe and North America cannot expect any upwards trend. The markets in eastern Europe are unlikely to fare any better.

In contrast, the largest automobile markets in Asia are developing positively overall. This applies particularly to China, but the signs in India are also encouraging. Moreover, the Brazilian market is providing a bright spot on the Latin American market.

Overall statement on the expected development of the Porsche group
In spite of the numerous adversities facing business, the Porsche subgroup expects sales to pick up over the year 2010. The company is basing this forecast on its attractive product portfolio and on the new model Panamera in particular. This fourth series from Porsche will ensure that the sales figures of Porsche will not only stabilize but will overall rise slightly again in the fiscal year 2009/10.

With its nine brands and young model range, the Volkswagen subgroup is well prepared for the difficult conditions prevailing around the globe. The Volkswagen subgroup is likely to perform better than the market as a whole by the end of 2009 and will be able to gain additional market share.

The planned amendment of the articles of association with respect to the right of the State of Lower Saxony to appoint two members of the supervisory board of Volkswagen AG, Porsche SE would no longer be able to consolidate Volkswagen as a subgroup in its group financial statements. Due to the deconsolidation of the subgroup required in this case, it is not possible at present to make any reliable forecast on the prospective revenues and results of the Porsche group in the fiscal year 2009/10. Based on the latest stock exchange prices for shares in Volkswagen AG deconsolidation would result in a significant loss. Porsche SE assumes that the basic agreement, which lays the groundwork for an integrated car manufacturing group, will become effective as planned and that the individual steps required to combine Porsche SE and Volkswagen AG will be effected swiftly as a prerequisite for achieving a significant improvement in liquidity. In this context, Volkswagen AG will acquire an indirect 49.9 percent share in Porsche AG in fiscal 2009/10. The basic agreement is also a prerequisite for the successful outcome of current talks with the lending banks.

Stuttgart, 19 October 2009

Porsche Automobil Holding SE
The executive board


PORSCHE
S GO 2156

Porsche Automobil Holding SE
company accounts 2008/09

Balance sheet of Porsche Automobil Holding SE as of 31 July 2009

	EUR000	Note	31/7/2009	31/7/2008
Assets	Fixed assets	[1]		
	Intangible assets		**5**	0
	Property, plant and equipment		**341**	0
	Financial assets		**24,838,034**	9,104,066
			24,838,380	9,104,066
	Current assets			
	Trade receivables	[2]	**2,702,869**	0
	Other receivables and assets	[3]	**1,202,134**	12,639,380
	Securities		**0**	2,500,000
	Cash and cash equivalents	[4]	**2,163,563**	6,029,864
			6,068,566	21,169,244
	Prepaid expenses	[5]	**263,203**	1
			31,170,149	30,273,311
Equity and liabilities	Equity			
	Subscribed capital	[6]	**175,000**	175,000
	Capital reserves	[7]	**121,969**	121,969
	Retained earnings	[8]	**7,688,293**	6,974,003
	Net profit available for distribution		**8,225**	2,190,000
			7,993,487	9,460,972
	Provisions	[9]		
	Provisions for pensions and similar obligations		**6,331**	5,655
	Sundry provisions		**3,365,087**	2,110,801
			3,371,418	2,116,456
	Liabilities			
	Liabilities to banks	[10]	**10,560,687**	9,873,436
	Trade payables	[11]	**4,310**	19
	Sundry liabilities	[12]	**9,240,247**	8,822,428
			19,805,244	18,695,883
			31,170,149	30,273,311

Income statement of Porsche Automobil Holding SE for the period from 1 August 2008 to 31 July 2009

EUR000	Note	2008/09	2007/08
Revenue	[13]	**5,299**	128
Other operating income	[14]	**52,789,968**	8,344,835
Cost of materials	[15]	**0**	-3
Personnel expenses	[16]	**–76,884**	–51,486
Amortization and depreciation		**–42**	0
Other operating expenses	[17]	**–55,406,530**	–3,682,304
Income from investments	[18]	**2,991,698**	1,894,727
Interest result	[19]	**–746,509**	–288,897
Income from ordinary activities		**–443,000**	6,217,000
Taxes	[20]	**–552,510**	–1,837,000
Net loss (prior year: Net profit)		**–995,510**	4,380,000
Withdrawals from retained earnings		**1,003,735**	0
Transfer to retained earnings		**0**	–2,190,000
Net profit available for distribution		**8,225**	2,190,000

Notes to the financial statements of Porsche Automobil Holding SE as of 31 July 2009

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 presented 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 cost-summary method.

Accounting and valuation principles

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.

Securities classified as current assets are recorded at the lower of acquisition cost or net realizable value.

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 five percent.

Other provisions account for all discernable risks.

Liabilities are recorded at the amount repayable.

Foreign currency obligations are generally translated at the historical rate or the rate on the balance sheet date, whichever is higher. Financial assets are stated at their historical rate.

[1] Fixed assets

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

The increase in shares in affiliated companies pertains mainly to the increase in the equity investment in Volkswagen Aktiengesellschaft, Wolfsburg.

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

Analysis of fixed assets

EUR000	Cost		
	1 August 2008	Additions	Disposals
Intangible assets			
Franchises, industrial and similar rights and assets and licenses in such rights and assets	0	6	0
Total intangible assets	0	6	0
Property, plant and equipment			
Other equipment, furniture and fixtures	0	382	0
Total property, plant and equipment	0	382	0
Financial assets			
Shares in affiliated companies	3,283,425	1,185	0
Equity investments	5,820,641	15,732,783	0
Total financial assets	9,104,066	15,733,968	0
Total fixed assets	9,104,066	15,734,356	0

		Amortization and depreciation		Carrying amounts	
Reclassifications	**31/7/2009**	accumulated	in the fiscal year	**31/7/2009**	31/7/2008
0	**6**	1	1	**5**	0
0	**6**	1	1	**5**	0
0	**382**	41	41	**341**	0
0	**382**	41	41	**341**	0
21,553,424	**24,838,034**	0	0	**24,838,034**	3,283,425
−21,553,424	**0**	0	0	**0**	5,820,641
0	**24,838,034**	0	0	**24,838,034**	9,104,066
0	**24,838,422**	42	42	**24,838,380**	9,104,066

[2] Receivables

All receivables stem from affiliated companies and are due within one year. They mainly include receivables of EUR 2,702,648 thousand due from Dr. Ing. h.c. F. Porsche AG based on the profit and loss transfer agreement. In the prior year, the receivable from the profit and loss transfer agreement came to EUR 1,734,316 thousand and was offset against liabilities to affiliated companies.

[3] Other assets

Other assets include premiums from options, tax refunds due and receivables not allocated to other items. All other assets are due within one year.

[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 1,450,200 thousand.

[5] Prepaid expenses

This item mainly comprises a debt discount of 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.

The executive board is authorized to increase the company's capital stock by up to EUR 22,750,000 by 25 January 2012 with the consent of the supervisory board by issuing new bearer shares and / or non-voting preference shares in return for cash contributions and / or contributions in kind. The number of shares must increase in line with the increase in capital stock. This power may only be used in a way that ensures that non-voting preference shares do not exceed ordinary shares as a portion of the capital stock at any time. The power includes the authorization to issue non-voting preference shares that are equivalent to the non-voting preference shares previously issued with regard to the distribution of profit or company assets.

[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, EUR 1,003,735 thousand was drawn from the other revenue reserves. In accordance with a resolution passed by the annual general meeting of 30 January 2009, EUR 1,718,025 thousand of the EUR 2,190,000 thousand of profit available for distribution in the prior year was added to retained earnings and EUR 471,975 thousand was paid out as a dividend.

[9] Provisions

EUR000	**31/7/2009**	31/7/2008
Provisions for pensions and similar obligations	**6,331**	5,655
Tax provisions	**1,396,318**	2,022,550
Other provisions	**1,968,769**	88,251
	3,371,418	2,116,456

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

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

Other provisions predominantly relate to potential losses from stock options of EUR 1,867 million. Other provisions also include liability and litigation risks, open invoices with suppliers, contingent liabilities as well as personnel and social obligations. Adequate provision was made for all recognizable risks.

[10] Liabilities to banks

EUR000	2008/09	2007/08
Liabilities to banks	**10,560,687**	9,873,436
thereof due within one year	**(4,098,687)**	(9,873,436)

Liabilities to banks comprise loans amounting to EUR 10,537,187 thousand. Shares have been pledged as collateral on the loans.

[11] Trade payables and

[12] Other liabilities

	31/7/2009		31/7/2008	
EUR000	Total	thereof due within one year	Total	thereof due within one year
Trade payables	**4,310**	**0**	19	19
Liabilities to affiliated companies	**9,210,659**	**7,967,039**	8,272,560	6,503,939
Other liabilities	**29,588**	**29,588**	549,868	549,868
thereof from taxes	**(547)**	**(547)**	(62)	(62)
Sundry liabilities	**9,240,247**	**7,996,627**	8,822,428	7,053,807

Liabilities to affiliated companies of EUR 433,000 thousand (prior year: EUR 958,000 thousand) are due in more than five years.

[13] Revenue

EUR000	2008/09	2007/08
Divisions		
Other revenue	**5,299**	128

in %	2008/09	2007/08
Geographical regions		
Germany	**99.6**	100.0
European Union without Germany	**0.4**	0.0
	100.0	100.0

Other revenue includes income from consulting activities and other services.

[14] Other operating income

EUR000	2008/09	2007/08
Income from stock price hedging derivatives	**52,637,082**	8,344,831
Income from reversal of provisions	**3,929**	0
Income from foreign exchange gains	**148,903**	0
Sundry operating income	**54**	4
	52,789,968	8,344,835

[15] Cost of materials

EUR000	2008/09	2007/08
Cost of raw materials, consumables and supplies and of purchased goods	**0**	3

[16] Personnel expenses

EUR000	2008/09	2007/08
Wages and salaries	**74,514**	50,487
Social security, pension and other benefit costs	**2,370**	999
thereof for pension expenses	**(1,949)**	(991)
	76,884	51,486

Shares	2008/09	2007/08
Annual average no. of employees pursuant to Sec. 285 No. 7 HGB		
Salaried employees	**38**	1
Vocational trainees and interns	**3**	0
	41	1

The headcount as of the balance sheet date was 42 employees.

[17] Other operating expenses

EUR000	2008/09	2007/08
Expenses for hedge derivatives	**55,366,840**	3,628,941
Foreign exchange losses	**824**	33,175
Legal and consulting fees	**28,267**	6,381
Advertising	**136**	0
Sundry operating expenses	**10,463**	13,807
	55,406,530	3,682,304

[18] Income from investments

EUR000	2008/09	2007/08
Income from Investments	**289,050**	160,411
thereof from affiliated companies	**(289,050)**	(0)
Income from profit and loss transfer agreements	**2,702,648**	1,734,316
	2,991,698	1,894,727

Income from the profit and loss transfer agreement in place between Porsche Automobil Holding SE and Porsche AG also includes tax allocations (including subsequent recognition for the prior year).

[19] Interest income

EUR000	2008/09	2007/08
Interest and similar income	**154,570**	283,403
thereof from affiliated companies	**(5,116)**	(4,552)
Interest and similar expenses	**–901,079**	–572,300
thereof to affiliated companies	**(–378,779)**	(–289,197)
	–746,509	–288,897

Interest income mainly relates to fixed-term deposits. It also includes income and expenses for loans.

[20] Taxes

The taxes item exclusively records income taxes.

[21] Contingent liabilities

Porsche guarantees the payment of interest and repayment of loans totaling EUR 2,607.3 million to the bond creditors of Porsche International Finance plc., Dublin. Porsche SE also guarantees the payment of interest and repayment of loans totaling EUR 1,000 million to the bond creditors of Porsche Holding Finance plc., Dublin. Porsche SE has issued a guarantee of EUR 442.0 million to the investors of the US private placement. Furthermore, Porsche SE issued a letter of comfort in favor of Porsche Financial Services GmbH & Co. KG 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. 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 undertakes to reimburse all expenses of Porsche Zweite Vermögensverwaltung GmbH, Stuttgart, arising in connection with holding and managing the stock options.

[22] Other financial obligations

There are no other financial obligations as of the balance sheet date.

[23] Derivative financial instruments

EUR000	Nominal volume	
	Assets	Equity and liabilities
Stock price hedging	61,695	1,551,072

In addition, the company had stock options with a nominal volume of EUR 8,793 million, which were disposed of shortly after the balance sheet date.

The stock options had a negative fair value of EUR 1,119 million as of the balance sheet date. This is recognized in other assets (EUR 770 million) and provisions and liabilities (EUR 1.889 million).

Fair values have been determined using available market information or suitable valuation methods.

[24] Key indicators of significant investments

		Kapitalanteil zum 31.7.2009 in %	
Verbundene Unternehmen – Inland	**Porsche**		
	Dr. Ing. h.c. F. Porsche AG, Stuttgart	100,00	
	Porsche Consulting GmbH, Bietigheim-Bissingen	100,00	[1]
	Porsche Deutschland GmbH, Bietigheim-Bissingen	100,00	[1]
	Porsche Leipzig GmbH, Leipzig	100,00	[1]
	Porsche Engineering Group GmbH, Weissach	100,00	[1]
	Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Bietigheim-Bissingen	65,00	[1]
	Mieschke Hofmann und Partner Gesellschaft für Management- und IT-Beratung mbH, Freiberg am Neckar	74,80	[1]
	Porsche Financial Services GmbH & Co. KG, Bietigheim-Bissingen	100,00	[1]
	Volkswagen		
	VOLKSWAGEN AG, Wolfsburg	37,42	[2]
	Volkswagen Sachsen GmbH, Zwickau	100,00	[1]
	SITECH Sitztechnik GmbH, Wolfsburg	100,00	[1]
	Volkswagen Original Teile Logistik GmbH & Co. KG, Baunatal	52,96	[1]
	Automobilmanufaktur Dresden GmbH, Dresden	100,00	[1]
	Auto 5000 GmbH, Wolfsburg	100,00	[1]
	AUDI AG, Ingolstadt	99,55	[1]
	quattro GmbH, Neckarsulm	100,00	[1]
	SEAT Deutschland GmbH, Mörfelden-Walldorf	100,00	[1]
	ŠkodaAuto Deutschland GmbH, Weiterstadt	100,00	[1]
	Scania Deutschland Holding GmbH, Koblenz	100,00	[1]
	VOLKSWAGEN FINANCIAL SERVICES AG, Braunschweig	100,00	[1]
	Volkswagen Leasing GmbH, Braunschweig	100,00	[1]
	Volkswagen Bank GmbH, Braunschweig	100,00	[1]
	Volkswagen Reinsurance AG, Braunschweig	100,00	[1]
	Volkswagen-Versicherungsdienst GmbH, Braunschweig	100,00	[1]
Verbundene Unternehmen – Ausland	**Porsche**		
	Porsche Ibérica S.A., Madrid, Spanien	100,00	[1]
	Porsche Italia S.p.A., Padua, Italien	100,00	[1]
	Porsche International Financing plc., Dublin, Irland	100,00	[1]
	Porsche France S.A., Boulogne-Billancourt, Frankreich	100,00	[1]
	Porsche Distribution S.A.S., Levallois-Perret, Frankreich	100,00	[1]
	Porsche Cars Great Britain Ltd., Reading, Großbritannien	100,00	[1]
	Porsche Retail Group Ltd., Reading, Großbritannien	100,00	[1]
	Porsche Schweiz AG, Zug/Steinhausen, Schweiz	100,00	[1]
	Porsche Enterprises Inc., Wilmington, Delaware, USA	100,00	[1]
	Porsche Cars North America Inc., Wilmington, Delaware, USA	100,00	[1]
	Porsche Cars Canada Ltd., Toronto, Ontario, Kanada	100,00	[1]
	Porsche Japan K.K., Tokio, Japan	100,00	[1]

		Share of capital as of 31 July 2009 %	
Affiliated companies – Foreign	**Porsche**		
	Porsche Cars Australia Pty. Ltd., Collingwood, Australia	100.00	[1)]
	Porsche Retail Group Australia Pty. Ltd., Collingwood, Australia	100.00	[1)]
	Porsche Middle East FZE, Dubai, United Arab Emirates	100.00	[1)]
	Porsche Russland OOO, Moscow, Russia	100.00	[1)]
	Porsche Center Moscow OOO, Moscow, Russia	100.00	[1)]
	Porsche (China) Motors Limited, Guangzhou, China	75.00	[1)]
	Porsche Financial Services Italia S.p.A., Padua, Italy	100.00	[1)]
	Porsche Financial Services Great Britain Ltd., Reading, UK	100.00	[1)]
	Porsche Liquidity LLC, Wilmington, Delaware, USA	100.00	[1)]
	Porsche Capital LLC, Wilmington, Delaware, USA	100.00	[1)]
	Porsche Financial Services Japan K.K., Tokyo, Japan	100.00	[1)]
Affiliated companies – Foreign	**Volkswagen**		
	VOLKSWAGEN SLOVAKIA, a.s., Bratislava, Slovak Republic	100.00	[1)]
	Volkswagen Navarra, S.A., Arazuri (Navarra), Spain	100.00	[1)]
	AUTOEUROPA-AUTOMÓVEIS LDA., Palmela, Portugal	100.00	[1)]
	Volkswagen Motor Polska Sp.z o.o., Polkowice, Poland	100.00	[1)]
	Volkswagen-Audi España, S.A., El Prat de Llobregat, Spain	100.00	[1)]
	VOLKSWAGEN Group United Kingdom Ltd., Milton Keynes, UK	100.00	[1)]
	Groupe VOLKSWAGEN France s.a., Villers-Cotterêts, France	100.00	[1)]
	Volkswagen Poznan Sp.z o.o., Poznan, Poland	100.00	[1)]
	Volkswagen Group Sverige Aktiebolag, Södertälje, Sweden	100.00	[1)]
	Volkswagen Group of America, Inc., Herndon, Virginia, USA	100.00	[1)]
	Volkswagen Group Canada, Inc., Ajax, Ontario, Canada	100.00	[1)]
	VOLKSWAGEN Group Japan K.K., Toyohashi, Japan	100.00	[1)]
	VOLKSWAGEN Group Rus OOO, Kaluga, Russia	93.78	[1)]
	AUDI BRUSSELS S.A./N.V., Brussels, Belgium	100.00	[1)]
	AUDI HUNGARIA MOTOR Kft., Györ, Hungary	100.00	[1)]
	Audi of America, LLC, Herndon, Virginia, USA	100.00	[1)]
	Audi Volkswagen Korea Ltd., Seoul, Korea	100.00	[1)]
	Audi Volkswagen Middle East FZE, Dubai, United Arab Emirates	100.00	[1)]
	Automobili Lamborghini Holding S.p.A., Sant' Agata Bolognese, Italy	100.00	[1)]
	VOLKSWAGEN GROUP ITALIA S.P.A., Verona, Italy	100.00	[1)]
	SEAT, S.A., Martorell, Spain	100.00	[1)]
	Gearbox del Prat, S.A., El Prat de Llobregat, Spain	100.00	[1)]
	ŠKODA AUTO a.s., Mladá Boleslav, Czech Republic	100.00	[1)]
	ŠKODA AUTO Slovensko, s.r.o., Bratislava, Slovak Republic	100.00	[1)]
	ŠKODA AUTO POLSKA, S.A., Poznan, Poland	51.00	[1)]
	Bentley Motors Ltd., Crewe, UK	100.00	[1)]

		Share of capital as of 31 July 2009 %	
Affiliated companies – Foreign	**Volkswagen**		
	Volkswagen de Mexico, S.A. de C.V., Puebla, Mexico	100.00	1)
	Volkswagen do Brasil Ltda., São Bernardo do Campo, Brazil	100.00	1)
	Volkswagen Argentina S.A., Buenos Aires, Argentina	100.00	1)
	Volkswagen of South Africa (Pty.) Ltd., Uitenhage, South Africa	100.00	1)
	Scania AB, Södertälje, Sweden	49.29	1) 3)
	S.A.S. Scania Holding France, Angers, France	100.00	1)
	Scania Europe Holding B.V., Zwolle, Netherlands	100.00	1)
	Scania CV AB, Södertälje, Sweden	100.00	1)
	Volkswagen (China) Investment Company Ltd., Peking, China	100.00	1)
	Volkswagen Group Services S.A., Brussels, Belgium	100.00	1)
	Volkswagen International Finance N.V., Amsterdam, Netherlands	100.00	1)
	VOLKSWAGEN FINANCE, S.A., Madrid, Spain	100.00	1)
	Volkswagen Financial Services (UK) Ltd., Milton Keynes, UK	100.00	1)
	Volkswagen Financial Services N.V., Amsterdam, Netherlands	100.00	1)
	Volkswagen Financial Services Japan Ltd., Tokyo, Japan	100.00	1)
	ŠkoFIN s.r.o., Prague, Czech Republic	100.00	1)
	Volkswagen Pon Financial Services B.V., Amersfoort, Netherlands	60.00	1)
	VW CREDIT, INC., Wilmington, Delaware, USA	100.00	1)
	VOLKSWAGEN LEASING SA DE CV, Puebla, Mexico	100.00	1)
	VOLKSWAGEN BANK SA INSTITUCION DE BANCA MULTIPLE, Puebla, Mexico	100.00	1)
	Finanzdienstleistungsgesellschaften Brasilien, São Paulo, Brazil	100.00	1)
	Finanzdienstleistungsgesellschaften Argentinien, Buenos Aires, Argentina	100.00	1)
Companies in which an equity investment is held	Shanghai-Volkswagen Automotive Company Ltd., Shanghai, China	50.00	1) 4)
	FAW-Volkswagen Automotive Company, Ltd., Changchun, China	40.00	1) 4)
	MAN Aktiengesellschaft, Munich	28.67	1) 5)
	Global Mobility Holding B.V., Amsterdam, Netherlands	50.00	1) 4) 6)
	LeasePlan Corporation N.V., Amsterdam, Netherlands	-	1)

1 Indirect equity investment.
2 Diverging from the capital share, the voting rights share is 50.76%.
3 Diverging from the capital share, the voting rights share is 71.81%.
4 Joint venture.
5 Diverging from the capital share, the voting rights share is 29.90%.
6 Global Mobility Holding B.V., Amsterdam, holds all shares in LeasePlan Corporation N.V., Amsterdam.

[25] Disclosure pursuant to Sec. 160 (1) No. 8 German Stock Corporation Act (AktG)

On 5 August 2008, Ferdinand Karl Alpha Privatstiftung, Vienna, Austria made the following announcement:

"The voting share of Ferdinand Karl Alpha Privatstiftung in Porsche Automobil Holding SE, 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 allocable to Ferdinand Karl Alpha Privatstiftung in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG ["Wertpapiergesetz": Securities Trading Act]. The voting rights allocable 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 and the business address Sonnleitenweg 12, 5020 Salzburg; Ferdinand Piëch GmbH, HRB 163967 of the Munich local court, with the registered office in Grünwald and business address Karl-Valentin-Strasse 23, DE-82031 Grünwald.

Moreover, 86.84% of the voting rights (75,982,700 voting rights of a total of 87,500,000 voting rights) of shareholders whose voting share in Porsche Automobil Holding SE amounts to 3% or more are allocable to Ferdinand Karl Alpha Privatstiftung in accordance with Sec. 22 (2) WpHG because as a subsidiary of Ferdinand Karl Alpha Privatstiftung Ferdinand Piëch GmbH coordinates its actions regarding Porsche Automobil Holding SE on account of the existing consortium agreement with these shareholders. The voting rights allocable to 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."

On 6 August 2008, Ferdinand Karl Alpha Privatstiftung, 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 at this point in time amounted to 100% of the voting rights.

Of these, 13.16% of the voting rights (11,517,300 of a total of 87,500,000 voting rights) are allocable to Ferdinand Karl Alpha Privatstiftung in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG. The voting rights allocable to Ferdinand Karl Alpha Privatstiftung pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG 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 allocable to Ferdinand Karl Alpha Privatstiftung in accordance with Sec. 22 (2) WpHG because, as a subsidiary of Ferdinand Karl Alpha Privatstiftung, Ferdinand Piëch GmbH coordinates its actions regarding Porsche Automobil Holding SE on account of the existing consortium agreement with these shareholders. The voting rights allocable to 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."

On 19 December 2008, Dr. Oliver Porsche 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 the 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.

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 allocable 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:

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

The allocable 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 allocable 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:

Notifiying party and address	**Allocation pursuant to Sec. 22 (1) Satz 1 No. 1 WpHG**	**Allocation pursuant to Sec. 22 (2) WpHG**
Mag. Josef Ahorner, Austria	25.67% (224,611,000 voting rights)	74.33% (650,389,000 voting rights)
Mag. Louise Kiesling, Austria	25.67% (224,611,000 voting rights)	74.33% (650,389,000 voting rights)
Dr. Oliver Porsche, Austria	25.67% (224,611,000 voting rights)	74.33% (650,389,000 voting rights)
Kai Alexander Porsche, Austria	25.67% (224,611,000 voting rights)	74.33% (650,389,000 voting rights)
Mark Philipp Porsche, Austria	25.67% (224,611,000 voting rights)	74.33% (650,389,000 voting rights)
Peter Daniell Porsche, Austria	24.43% (223,792,000 voting rights)	75.57% (661,208,000 voting rights)

As of today, the allocable 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, Austria	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.

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 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 the 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 time (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.'

On 1 September 2009, we were notified of the following by a representative of the State of Qatar:

”(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 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“

[26] Declaration of compliance with the German Corporate Governance Code

The executive board and supervisory board of Porsche AG have issued the declaration required by Sec. 161 AktG in the annual report 2008/09. It is made permanently accessible to the shareholders on the homepage www.porsche-se.com.

[27] Fees

EUR000	31/7/2009	31/7/2008
Audit of financial statements	**380**	170
Other assurance services	**670**	0
Tax advisory services	**264**	0
Other services	**1,193**	111
	2,507	281

The audits item contains the entire fee for the audit of the annual financial statements as well as for the audit of the consolidated financial statements of Porsche SE.

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

The remuneration of the executive board consists of a fixed basic salary and a profit-based variable component. The remuneration of the executive board for the fiscal year 2008/09 totaled EUR 62.5 million and comprised severance payments only. The new executive board members appointed for the fiscal year 2008/09 on 23 July 2009 have not received any remuneration. The total remuneration of the supervisory board for the fiscal year 2008/09 amounts to EUR 1.5 million.

Stuttgart, 19 October 2009

Porsche Automobil Holding SE

The executive board

Michael Macht Thomas Edig

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 2008 to 31 July 2009. 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.

Without qualifying this opinion, we refer to the discussion in the management report in the section on opportunities and risks relating to future development. There, the following comments were made:

If the steps involved in the merger of Porsche Automobil Holding SE and Volkswagen AG and thus the debt relief of Porsche Automobil Holding SE do not take place as planned, this could once again lead Porsche Automobil Holding SE into a critical liquidity situation by the end of 2009 which could put the ability of the company to continue as a going concern at risk.

Stuttgart, 19 October 2009

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Benzinger	Strähle
Wirtschaftsprüfer	Wirtschaftsprüfer

Company boards of Porsche Automobil Holding SE

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*
(from 30 January 2009)
1st Chairman of IG-Metall

Prof. Dr. Ulrich Lehner
Member of the shareholders' committee
of Henkel AG & Co. KGaA

Peter Mosch*
(from 30 January. 2009)
Member of the
Porsche Automobil Holding SE
works council
Chairman of the AUDI AG
general works council

Bernd Osterloh*
(from 30 January 2009)
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
Engineer

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

Wolfgang Leimgruber*
(until 30 January 2009)
Head of body shell and paint shop

Hansjörg Schmierer*
(until 30 January 2009)
Trade union secretary

Walter Uhl*
(until 30 January 2009)
Member of the
Porsche Automobil Holding SE
works council
Chairman of the Weissach
works council

* Employee representative

As of: 31 July 2009 or as of the day on which the member left
the supervisory board of Porsche Automobil Holding SE

Members of the executive board

Michael Macht (from 23 July 2009)
Diplom-Ingenieur
General technical product issues
Chief Executive Officer of
Dr. Ing. h.c. F. Porsche AG
(since 23 July 2009)

Thomas Edig (since 23 July 2009)
Diplom-Betriebswirt (BA)
Commercial and administrative issues
Deputy chairman of
the executive board of
Dr. Ing. h.c. F. Porsche AG
(since 23 July 2009)

Dr.-Ing. Wendelin Wiedeking
(until 23 July 2009)
Chairman
Chief Executive Officer of
Dr. Ing. h.c. F. Porsche AG
(until 23 July 2009)

Holger P. Härter
(until 23 July 2009)
Diplom-Volkswirt
Finance
Deputy chairman
Deputy chairman of
the executive board of
Dr. Ing. h.c. F. Porsche AG
(until 23 July 2009)

As of: 31 July 2009 or as of the day on which the member left
the supervisory board of Porsche Automobil Holding SE

Membership in other statutory supervisory boards and comparable domestic and foreign control bodies

Members of the supervisory board of Porsche Automobil Holding SE

Dr. Wolfgang Porsche

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

Uwe Hück

1) Dr. Ing. h.c. F. Porsche AG, Stuttgart

Hans Baur

1) Dr. Ing. h.c. F. Porsche AG, Stuttgart (deputy chairman)
   Berthold Leibinger GmbH, Ditzingen

Berthold Huber (from 30 January 2009)

1) Audi AG, Ingolstadt (deputy chairman)
   Siemens AG, Munich (deputy chairman)

Prof. Dr. Ulrich Lehner

1) Dr. Ing. h.c. F. Porsche AG, Stuttgart
   HSBC Trinkaus & Burkhardt AG, Düsseldorf
   E.ON AG, Düsseldorf
   ThyssenKrupp AG, Düsseldorf
   Henkel Management AG, Düsseldorf
   Deutsche Telekom AG, Bonn (chairman)
2) Dr. August Oetker KG, Bielefeld
   Henkel AG & Co. KGaA, Düsseldorf
   Novartis AG, Basle

Peter Mosch (from 30 January 2009)

1) Volkswagen AG, Wolfsburg
   Audi AG, Ingolstadt

Bernd Osterloh (from 30 January 2009)

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

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

1) Dr. Ing. h.c. F. Porsche AG, Stuttgart
   Volkswagen AG, Wolfsburg (chairman)
   MAN AG, Munich (chairman)
   AUDI AG, Ingolstadt
2) Porsche Holding GmbH, Salzburg
   Porsche Ges.m.b.H., Salzburg

Dr. Hans Michel Piëch

1) Dr. Ing. h.c. F. Porsche AG, Stuttgart
2) Porsche Bank AG, Salzburg
   Porsche Holding GmbH, Salzburg (deputy chairman)
   Porsche Cars North America Inc., Wilmington
   Porsche Cars Great Britain Ltd., Reading
   Porsche Italia S.p.A., Padua
   Porsche Ibérica S.A., Madrid
   Porsche Ges.m.b.H., Salzburg (deputy chairman)
   Volksoper Wien GmbH, Vienna
   Schmittenhöhebahnen AG, Zell am See

Dr. Ferdinand Oliver Porsche

1) Dr. Ing. h.c. F. Porsche AG, Stuttgart
   Voith AG, Heidenheim
2) Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Bietigheim-Bissingen
   PGA S.A., Paris
   Eterna S.A., Grenchen

Hans-Peter Porsche

1) Dr. Ing. h.c. F. Porsche AG, Stuttgart
2) Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Bietigheim-Bissingen
   Familie Porsche AG Beteiligungsgesellschaft, Salzburg (deputy chairman)
   Porsche Holding GmbH, Salzburg
   Porsche Ges.m.b.H., Salzburg
   FAP Beteiligungen AG, Salzburg (chairman)

Werner Weresch

1) Dr. Ing. h.c. F. Porsche AG, Stuttgart

Wolfgang Leimgruber (until 30 January 2009)

1) Dr. Ing. h.c. F. Porsche AG, Stuttgart
2) Porsche France S.A., Boulogne-Billancourt

Hansjörg Schmierer (until 30 January 2009)

1) Dr. Ing. h.c. F. Porsche AG, Stuttgart
Berthold Leibinger GmbH, Ditzingen
Mahle GmbH, Stuttgart

Walter Uhl (until 30 January 2009)

1) Dr. Ing. h.c. F. Porsche AG, Stuttgart

Members of the executive board of Porsche Automobil Holding SE

Michael Macht (from 23 July 2009)

2) Porsche Consulting GmbH, Bietigheim-Bissingen (chairman)
Porsche Consulting Italia S.r.l., Milan
Porsche Leipzig GmbH, Leipzig (chairman)
PIKS Porsche-Information-Kommunikation-Services GmbH, Stuttgart
Advisory Board KS ATAG

Thomas Edig (from 23 July 2009)

2) Porsche Consulting GmbH, Bietigheim-Bissingen
Porsche Consulting Italia S.r.l., Milan
Porsche Leipzig GmbH, Leipzig
Mieschke Hofmann und Partner Gesellschaft für Management- und IT-Beratung mbH, Freiberg/N.
Porsche Logistik GmbH, Stuttgart

Dr. Wendelin Wiedeking (until 23 July 2009)

1) Volkswagen AG, Wolfsburg*
AUDI AG, Ingolstadt*

2) Porsche Cars North America Inc., Wilmington*
Porsche Cars Great Britain Ltd., Reading*
Porsche Italia S.p.A., Padua*
Porsche Ibérica S.A., Madrid*
Porsche Japan K.K., Tokyo*
Porsche Enterprises Inc., Wilmington*
Novartis AG, Basle

Holger P. Härter (until 23 July 2009)

1) EUWAX AG, Stuttgart (chairman)
Volkswagen AG, Wolfsburg*
AUDI AG, Ingolstadt*
boerse-stuttgart AG, Stuttgart (chairman)

2) Porsche Cars North America Inc., Wilmington*
Porsche Enterprises Inc., Wilmington (chairman)*
Porsche Financial Services Inc., Wilmington (chairman)*
Porsche Cars Great Britain Ltd., Reading*
Porsche Italia S.p.A., Padua*
Porsche Ibérica S.A., Madrid*
Porsche Japan K.K., Tokyo*
Porsche Deutschland GmbH, Bietigheim-Bissingen*
Porsche Financial Services GmbH, Bietigheim-Bissingen (chairman)*
PIKS Porsche-Information-Kommunikation-Services GmbH, Stuttgart (chairman)
Mieschke Hofmann und Partner Gesellschaft für Management- und IT-Beratung mbH, Freiberg/N. (chairman)

(Disclosures pursuant to Sec. 285 No. 10 HGB)
As of 31 July 2009 or the date on which members left the supervisory board or executive board of Porsche Automobil Holding SE.
1) Membership in German statutory supervisory boards
2) Comparable offices in Germany and abroad

* Until 23 July 2009