PORSCHE SE

Annual Report 2011


PORSCHE

2011

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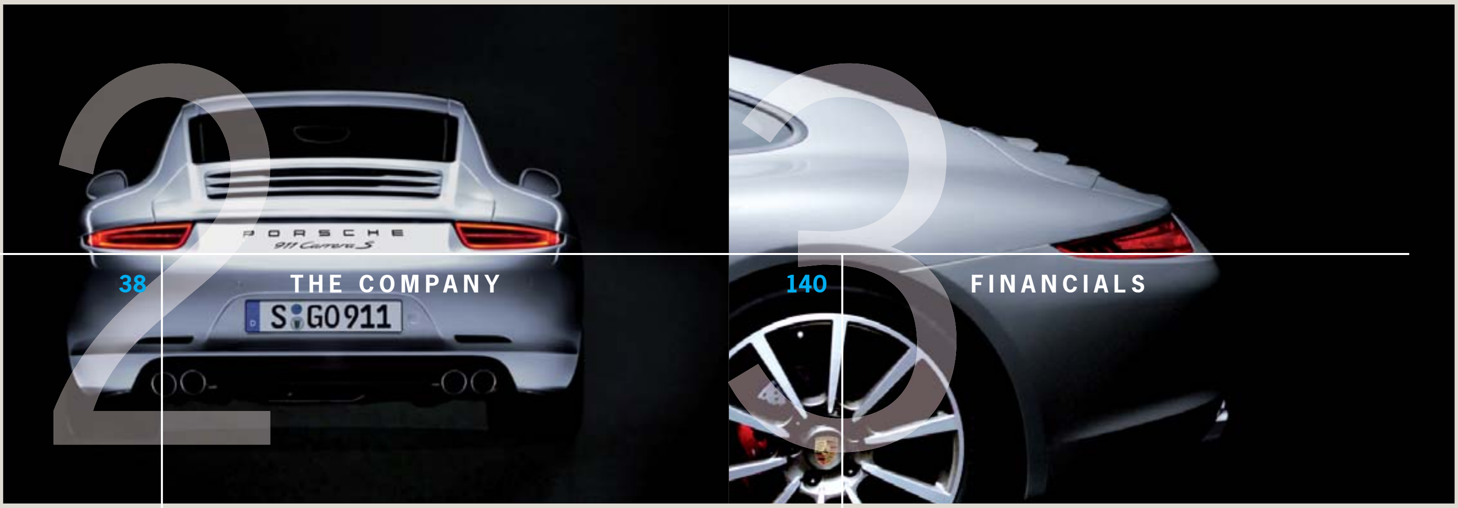
6 TO OUR SHAREHOLDERS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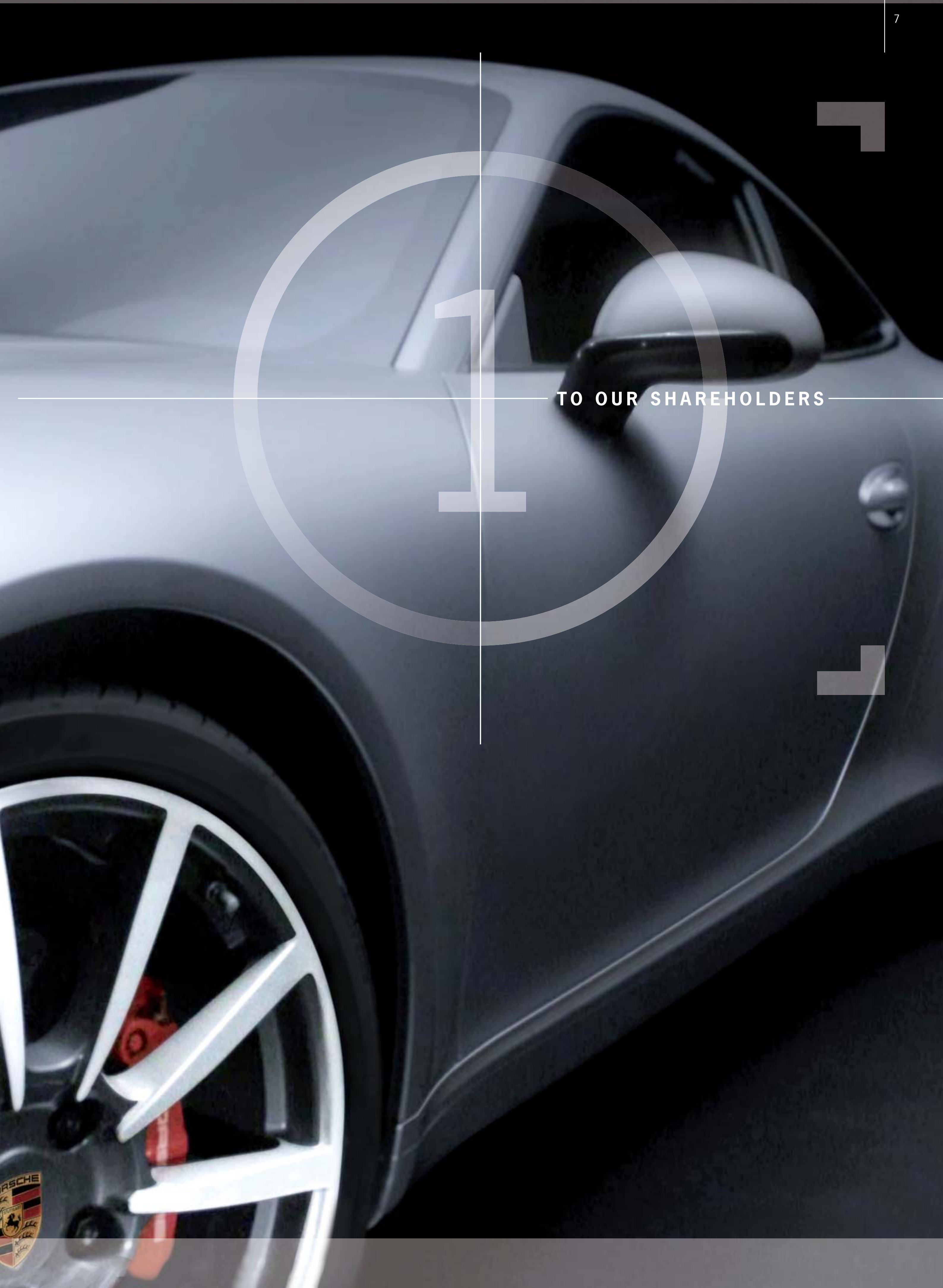

1 TO OUR SHAREHOLDERS

LETTER TO OUR SHAREHOLDERS

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Dear shareholders,

Porsche Automobil Holding SE is on course for success and completed the fiscal year 2011 on an absolutely solid footing. The group's financial position has improved significantly compared to the prior year. The capital increase carried out by the company in April 2011 resulted in net issue proceeds of some 4.9 billion euro. We used the entire amount plus additional available liquidity to repay bank loans totaling 5.0 billion euro. As a result, net liquidity, i.e., cash and cash equivalents less liabilities to banks, came to just 1.5 billion euro as of 31 December 2011. One year earlier, the corresponding figure had still been minus 6.3 billion euro.

To sum up: the Porsche SE group has not only discharged most of its debts; as a result of the dividend income from our two equity investments, the Volkswagen AG group and Porsche Zwischenholding GmbH, the company's liquidity situation is also very encouraging.

Porsche SE benefits from the strengths of Volkswagen and Porsche. In 2011, the Volkswagen group for the first time sold more than eight million vehicles in a fiscal year. The total of 8.3 million units delivered represents an increase of around 15 percent. What is remarkable about this is that delivery figures were higher in all twelve months of the reporting period than in the same months of the prior year. When it came to the operating result, the Volkswagen group improved its record prior-year figure by almost 60 percent to 11.3 billion euro.

For Porsche AG, too, the past year was the most successful in the company's history. The Stuttgart-based sports car manufacturer for the first time sold more 100,000 vehicles in a fiscal year: the approximately 117,000 units delivered are equivalent to a 21-percent increase. Moreover, the operating result increased to more than two billion euro for the first time. This means that Porsche AG achieved year-on-year growth of 22 percent to 2.05 billion euro.

Management and staff at both companies want to achieve even more. With their respective Strategy 2018, Volkswagen and Porsche are striving to occupy top positions: Volkswagen aims to be number one in the global automotive industry by 2018. Porsche intends to establish itself as the most successful manufacturer of exclusive sports cars worldwide.

These are ambitious goals, it's true. But they can be achieved. Both companies have all the prerequisites required to put their visions into practice: exciting vehicles, such as the new Porsche 911, the Audi A3 and the Volkswagen up!, fascinating brands, efficient manufacturing structures – and last but not least, highly motivated and skilled employees who live the values or perfection, creative innovation and responsible action each and every day.

Porsche and Volkswagen are continuing to strive toward the next major step: the creation of the integrated automotive group, which will benefit customers, employees and shareholders alike.

The merger within the framework and timeframe of the basic agreement concluded in 2009 had to be canceled by Porsche SE and Volkswagen AG in September 2011. Following this decision, an examination was initiated into whether, in addition to the put/call options contained in the basic agreement, other approaches are available that can be implemented by all the parties involved in order to achieve the goal of the integrated automotive group on economically viable terms.

No matter which approach to the shared future we ultimately take, one thing is certain: with the integrated automotive group, Volkswagen and Porsche can link their operating business even more closely, exploit existing resources and capacities together, and systematically pool the extensive experience and skills that both partners contribute. In this way, they will gain decisive competitive advantages and will be able once again to significantly improve their opportunities for the future. As shareholders of Porsche SE, you will participate in this development.

Prof. Dr. Martin Winterkorn

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

His Excellency Sheik Jassim Bin Abdulaziz Bin Jassim Al-Thani
Chairman of the board of Qatar Foundation International, USA
Member of the boards of Qatar National Bank, of InvestCorp and of Qatar Foundation Endowment Fund

Hans Baur (until 31 December 2011)*
Diplom-Ingenieur
Trade union secretary

Hansjörg Schmierer (since 23 January 2012)
Manager of IG Metall trade union administration, Stuttgart

Berthold Huber*
1st chairman of IG-Metall trade union

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

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

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

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

Dr. Hans Michel Piëch
Attorney at law

Dr. Ferdinand Oliver Porsche
Investment management

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

* Employee representative
(As of 31 December 2011)

Members of the executive board

Prof. Dr. rer. nat. Dr.-Ing. E.h. Martin Winterkorn
Diplom-Ingenieur

Chairman of the executive board of
Porsche Automobil Holding SE
Chief Executive Officer of Volkswagen AG and
member of the board of management
of Volkswagen AG
Corporate research and development

Matthias Müller
Diplom-Informatiker

General technical product issues
Chairman of the executive board of
Dr. Ing. h.c. F. Porsche AG

Hans Dieter Pötsch
Diplom-Wirtschaftsingenieur

Chief Financial Officer of
Porsche Automobil Holding SE
Member of the board of management
of Volkswagen AG
Finance and controlling

Thomas Edig (until 29 February 2012)
Diplom-Betriebswirt (BA)

Commercial and administrative issues
Deputy chairman of the executive board of
Dr. Ing. h.c. F. Porsche AG

Philipp von Hagen (since 1 March 2012)
B.Sc. (Economics), M.Phil. (Economics)

REPORT OF THE SUPERVISORY BOARD

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Ladies and gentlemen,

Despite difficult conditions on the capital markets Porsche SE succeeded in April 2011 in implementing the increase of the share capital which has been approved by the annual general meeting on 30 November 2010. The cash proceeds in the amount of approximately 4.9 billion euro were used to significantly reduce bank liabilities of Porsche SE. Besides, the fiscal year 2011 was mainly driven by the proposed creation of the integrated automotive group with Volkswagen AG. According to the basic agreement, the resolutions required for the merger of the company into Volkswagen AG as envisaged in the basic agreement were scheduled to be adopted in extraordinary general meetings of Porsche SE and Volkswagen AG in December 2011. On 8 September 2011, the preparations for the merger were terminated, because in the merger negotiations the companies could not agree on the exchange ratio. Consequently, in the opinion of both companies, the merger could no longer be achieved within the framework and timeframe of the basic agreement. However, both companies remain fully committed to the common goal of the creation of an integrated automotive group. They are examining whether alternatives to the measures provided for in the basic agreement are available.

Throughout the fiscal year the supervisory board also discussed the economic situation, financial position and results of operations including in particular the liquidity situation of Porsche SE and its affiliated companies pursuant to Sec. 15 German Stock Corporation Act (AktG), and complied with advisory and oversight functions imposed on it by the law and the articles of association.

During the last fiscal year, the supervisory board held four ordinary meetings and one extraordinary meeting. If unable to attend meetings, the supervisory board members sometimes participated in resolutions by casting votes in writing. His Excellency Sheik Yassim bin Abdulaziz bin Yassim Al-Thani attended less than half of the supervisory board meetings.

Cooperation between the supervisory board and the executive board

As part of its advisory and oversight functions, the supervisory board was kept informed throughout the fiscal year by means of written and verbal reports from the executive board and in joint meetings. The reporting dealt in particular with the situation of the company, business development and business policy, as well as its development of the financial position, results of operations, net assets and liquidity. The supervisory board examined the main planning and reporting documents submitted to it and satisfied itself that these were correct and adequate. It reviewed and discussed all the reports and documents presented to the extent required and subjected them to a critical review. Between the individual meetings of the supervisory board, various members of the supervisory board held talks with members of the executive board. In the reporting year, the chairman of the supervisory board was also continually in contact with the executive board.

The supervisory board examined the planned creation of the integrated automotive group and other fundamental issues of corporate planning, in particular financial, liquidity, investment and human resources planning. After a thorough examination, the supervisory board approved all matters presented to it by the executive board for approval or passed resolutions in accordance with the co-determination agreement, the articles of association or the rules of procedure of the executive board. Such matters included, in particular, the voting behaviour at the annual general meeting of Dr. Ing. h.c. F. Porsche Aktiengesellschaft as regards the exoneration of the management of the fiscal year 2010, the approval of the (re-)acquisition of the 50.1 percent of the shares in Porsche Zwischenholding GmbH, which had been transferred to an escrow holder in 2009, as well as the approval of the resolution of the executive board regarding the exchange of a ordinary share certificate and the conclusion of an agreement with the owners of the ordinary share certificate regarding the exchange of a share certificate following the capital increase.

The supervisory board satisfied itself that the executive board is duly conducting the company's business. The monitoring included the appropriate risk provisioning and compliance. The supervisory board monitored whether the executive board took the measures for which it is responsible pursuant to Sec. 91 (2) AktG and that the risk monitoring system prescribed therein works effectively.

Significant issues addressed by the supervisory board in the fiscal year 2011

At the meeting on 15 March 2011 the supervisory board discussed, in particular, the financial statements for the short fiscal year 2010. Besides, the supervisory board discussed the agenda for the annual general meeting held on 17 June 2011 and resolved on proposals for the shareholders' resolutions to the annual general meeting. Finally, in this meeting, the supervisory board was informed comprehensively about the status of the preparation and implementation of the capital increase as approved by the annual general meeting of Porsche SE on 30 November 2010.

In the following meeting on 9 June 2011 the executive board reported on the successful implementation of the capital increase of Porsche SE at the end of March/beginning of April 2011. In addition, the supervisory board discussed the voting behavior at the annual general meeting of the Dr. Ing. h.c. F. Porsche Aktiengesellschaft as regards the exoneration of the executive and the supervisory board. Furthermore, the supervisory board resolved upon the establishment of a merger committee which should adopt any resolutions which are required by law, or else appropriate, in connection with the proposed merger of the company into Volkswagen AG.

At the third meeting of the fiscal year 2011 which took place on 5 October 2011 the supervisory board was informed comprehensively about the status of activities regarding the creation of an integrated automotive group with Porsche and Volkswagen. The meeting focused on the reasons for terminating the merger preparations. The status of the ongoing litigation concerning damage claims against Porsche SE and the investigations against former members of the executive board was discussed as well. The supervisory board also examined the profit-effective but liquidity-neutral adjustment of the valuation of the put/call options regarding the remaining shares of Porsche SE in Porsche Zwischenholding GmbH. In addition, the supervisory board adopted the declaration of compliance pursuant to Sec. 161 (1) AktG. Furthermore, the supervisory board approved the executive board resolution regarding the exchange of one ordinary share certificate against eight new ordinary share certificates following the capital increase and the conclusion of an agreement with the owners of the ordinary share certificate regarding the exchange of the share certificate.

At its meeting on 25 November 2011 the supervisory board was informed about the new syndicated loan as agreed upon at the end of October 2011 in the amount of up to 3.5 billion euro and the ongoing investigation regarding alternatives to the measures provided for in the basic agreement regarding the completion of the integrated automotive group.

At the extraordinary supervisory board meeting on 16 December 2011 the executive board reported on the status of the investigations of alternatives to the measures provided for in the basic agreement. Furthermore, the supervisory board approved the acquisition by Porsche SE of the 50.1 percent of the shares in Porsche Zwischenholding GmbH which had been transferred to an escrow holder as security in 2009.

Efficient work of the supervisory board committees

The supervisory board has set up a total of 5 committees to support the work of the whole supervisory board and enhance efficiency. On the one hand, the committees comprise the executive committee, the audit committee and the nomination committee as permanent committees. On the other hand, in the fiscal year 2011 the supervisory board established temporary committees, namely the capital increase committee which was dissolved on 30 August 2011, as well as the merger committee which, following the termination of the merger preparations, has been renamed in "committee integrated automotive group" and the competencies of which have been expanded.

The committees prepare resolutions of the supervisory board as well as topics to be discussed in the plenum. In addition, within a scope legally permissible, certain decision rights of the supervisory board were transferred to the capital increase committee as well as to the merger committee which, following the termination of the merger preparations, is being continued as "committee integrated automotive group".

Executive committee

The executive committee decides in urgent cases about transactions requiring the approval of the supervisory board and about concluding, amending and cancelling employment agreements of the executive board members as well as decisions on remuneration levels and their reduction.

The executive board comprises the chairman of the supervisory board, his deputy, a shareholder representative and an employee representative both elected from the supervisory board. Besides supervisory board chairman Dr. Wolfgang Porsche and his deputy Mr. Uwe Hück, the members of the executive committee are Dr. Hans Michel Piëch as shareholder representative and Mr. Bernd Osterloh as employee representative. The executive committee met four times in the fiscal year 2011, namely in each case immediately prior to the ordinary supervisory board meetings. In these meetings the respective agenda items of the subsequent supervisory board meetings were discussed.

It was not necessary to convene the mediation committee. The full supervisory board was regularly informed of the work of the executive committee.

Audit committee

The audit committee provides the supervisory board with support for monitoring the company management with special focus on the accounting process, the effectiveness of the systems of internal control, compliance, risk management and the internal audit function and the audit of the financial statements.

The audit committee has four members, Prof. Dr. Ulrich Lehner (chairman) and Messrs. Uwe Hück, Bernd Osterloh and Dr. Ferdinand Oliver Porsche. It held four meetings and reported to the full supervisory board regularly on its work.

At its meeting on 7 March 2011 the audit committee focused on the financial statements for the short fiscal year 2010, the current risk report and the business planning for the fiscal year 2011. Furthermore, the audit committee issued its recommendation regarding the election of the auditor for the fiscal year 2011. At the consecutive meeting on 29 April 2011 the audit committee discussed the interim report for the first quarter 2011 and the current risk report and has been informed about the successfully completed capital increase. The meeting on 27 July 2011 focused on the half-year financial report 2011, the evaluation of the put and call options regarding the remaining shares of Porsche SE in Porsche Zwischenholding GmbH as well as the audit assignment, the key areas of the audit and the fees arrangement with the auditor for the fiscal year 2011. At its last meeting in the fiscal year 2011 on 26 October 2011 the audit committee discussed in particular the interim report for the third quarter 2011 and the current risk report. The audit committee also examined the liquidity-neutral adjustment of the valuation of the put and call options agreed between Porsche SE and Volkswagen AG regarding the remaining 50.1% of the shares of Porsche SE in Porsche Zwischenholding GmbH. The adjustment was required because, in their merger negotiations, Porsche SE and Volkswagen AG could not agree on the exchange ratio and the preparations for the merger had been terminated on 8 September 2011.

Nomination committee

The nomination committee provides the supervisory board with recommendations for the supervisory board's proposal to the annual general meeting concerning the election of supervisory board members. The nomination committee consists of the supervisory board chairman, who is at the same time the chairman of the nomination committee, and three other shareholder representatives. The current members of the nomination committee are Dr. Wolfgang Porsche, who chairs the committee and Prof. Dr. Ferdinand K. Piëch, Dr. Hans Michel Piëch and Dr. Ferdinand Oliver Porsche.

The nomination committee did not hold any meetings during the reporting period.

Capital increase committee

By way of circular resolutions initiated on 23 February 2011 the supervisory board established the capital increase committee. The task of capital increase committee was to decide, in lieu of the plenum of the supervisory board, about the approval of the individual measures for the capital increase proposed by the executive board pursuant to the capital increase resolution of the annual general meeting of Porsche SE on 30 November 2011 and the adjustment of the wording of Sec. 4 (1) of the articles of association of Porsche SE (share capital) in accordance with the amount of the implementation of the capital increase.

The capital increase committee was established for the time period ending 30 August 2011. At the end of that date the capital increase committee was dissolved. The capital increase committee consisted of six members in total, Messrs. Dr. Wolfgang Porsche, Uwe Hück, Prof. Dr. Ulrich Lehner, Hans Baur, Bernd Osterloh and Dr. Hans Michel Piëch. Dr. Wolfgang Porsche was nominated as chairman of the capital increase committee and Mr. Uwe Hück as deputy chairman.

In the fiscal year 2011 the capital increase committee held three meetings. At its first meeting on 21 March 2011 the capital increase committee approved the resolution of the executive board regarding the determination of a price span within which the subscription price for the shares of Porsche SE to be newly issued in connection with the capital increase were to be determined. At the following meeting on 27 March 2011 the committee approved the resolution of the executive board regarding the determination of the specific subscription price for the newly issued shares and the further details and conditions regarding the capital increase. At its last meeting on 13 April 2011 the capital increase committee approved the resolution of the executive board regarding the determination of the final amount of the implementation of the capital increase and resolved upon an adaption of the wording of Sec. 4 (1) of the articles of association of the company (share capital) according to the implementation of the capital increase.

Merger committee and committee integrated automotive group, respectively

On 9 June 2011 the supervisory board established the merger committee which was proposed to pass any resolutions required by law, or otherwise adequate, in connection with the proposed merger of the company into Volkswagen AG, to the extent that such resolutions are not mandatorily reserved for the plenum of the supervisory board pursuant to Sec. 107 (3) (3) AktG. The merger committee consisted of four members, Messrs. Dr. Wolfgang Porsche, Uwe Hück, Prof. Dr. Ulrich Lehner and Werner Weresch. At its only meeting on 8 September 2011, the merger committee was informed about the status of the ongoing litigation concerning damage claims against Porsche SE, the investigations, the merger valuation and the negotiations with Volkswagen AG.

By way of circular resolutions initiated on 20 October 2011 the supervisory board decided to expand the authority of the merger committee, to increase its number to six members and to change the name of the committee to "committee integrated automotive group". In addition to its previous tasks the committee obtained the competence to pass, in lieu of the plenum of the supervisory board, any resolutions required by law or otherwise adequate in connection with the creation of the integrated automotive group. This transfer of competences was limited, in each case, to the extent that resolutions are not mandatorily reserved for the plenum of the supervisory board pursuant to Sec. 107 (3) (3) AktG. Following the terms of the supervisory board's resolution, resolutions in the committee integrated automotive group shall be passed unanimously. The committee was formed until 31 December 2012.

In addition to the four members mentioned above, Messrs. Dr. Hans Michel Piëch and Hans Baur have been elected members of the committee integrated automotive group. Mr. Bauer's office in the supervisory board and, thus, his office in the committee integrated automotive group ended on 31 December 2011. The supervisory board nominated Mr. Hansjörg Schmierer as Mr. Baur's successor in the committee, subject to Mr. Schmierer's appointment as a member of the supervisory board by the local Court of Stuttgart which has taken place subsequently on 23 January 2012.

The committee held two meetings in the fiscal year 2011. At its first meeting on 25 November 2011 the committee integrated automotive group has been informed about the ongoing investigation of alternatives to the measures provided for in the basic agreement regarding the creation of the integrated automotive group.

At the second meeting of the committee integrated automotive group which took place on 16 December 2011 the executive board again reported on the status of the investigations regarding alternatives to the measures set forth in the basic agreement.

Corporate governance

The supervisory board and executive board have repeatedly and intensively discussed the recommendations and suggestions of the German Corporate Governance Code, submitted the declaration of compliance in accordance with Sec. 161 AktG in October 2011 and made it permanently accessible to shareholders on the website www.porsche-se.com. The current declaration of compliance is published in full in the corporate governance report as part of the 2011 annual report. The supervisory board reviewed the efficiency of its activities as part of its self-assessment.

Due to the influence of individual members of the supervisory board of Porsche SE on ordinary shareholders of Porsche SE or the dual mandates of individual supervisory board members in the supervisory boards of Porsche SE and Volkswagen AG, interest of conflict of such supervisory board members may arise.

Against this background, in the course of the implementation of the resolution of the annual general meeting of Porsche SE dated 30 November 2010 regarding the capital increase a capital increase committee has been established. With regard to four of the six members of the committee conflicts of interest are excluded as a matter of structure. This selection of the members of the committee was aimed at further reducing the results of potential conflicts of interest with regard to the committee chairman Dr. Wolfgang Porsche and the committee member Dr. Hans Michael Piëch.

To the extent that concrete conflicts of interests existed such conflict of interest was disclosed to the committee deciding on the matter or to the plenum of the supervisory board. In the fiscal year 2011 this was the case regarding resolutions of the capital increase committee on the determination of the subscription price span and the determination of the specific description price for all newly issued shares of Porsche SE. The individuals subject to the interests of conflict, Dr. Wolfgang Porsche and Dr. Hans Michael Piëch, have participated in such resolutions. While doing so, they have been exclusively guided by the interest of Porsche SE.

The four members of the supervisory board Dr. Wolfgang Porsche, Dr. Ferdinand Oliver Porsche, Prof. Dr. Ferdinand K. Piëch and Dr. Hans Michael Piëch, who exert a controlling influence on the five immediate family ordinary shareholders of Porsche SE, have abstained from voting with regard to the circular resolution regarding the amendment of the capital increase commitment agreed among Porsche SE and the five immediate family ordinary shareholders of Porsche SE.

Audit of the separate financial statements and consolidated financial statements for the fiscal year 2011

The separate financial statements prepared by the executive board of Porsche SE and the consolidated financial statements for the fiscal year 2011, together with the bookkeeping system and the combined management and group management report, have been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart. The auditors have not raised any objections and have confirmed this by rendering an unqualified audit opinion.

The earnings before tax of Porsche SE group came to 28 million euro in the fiscal year 2011. Profit after tax was 59 million euro. The financial statements of Porsche SE disclosed a net income for the year of 146 million euro and a net profit available for distribution of 232 million euro.

The key areas of the audit of the financial statements specified by the supervisory board in conjunction with the audit committee included the accounting of the capital increase of Porsche SE in April 2011 as well as the valuation of the put and call options regarding the remaining shares of Porsche SE in Porsche Zwischenholding GmbH.

In accordance with Sec. 313 AktG, the audit of financial statements included a review of the executive board's report on relations with affiliated companies (Sec. 312 AktG).

Based on the findings of the audit, the independent auditor came to the conclusion that the consolidated financial statements comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) German Commercial Code (HGB), and that the separate financial statements comply with requirements of German commercial law respectively, and that both sets of financial statements give a true and fair view of the net assets, financial position and results of operations of the group, and the company, respectively, in accordance with these requirements. Moreover, the auditor found that the combined management and group management report is consistent with the consolidated financial statements and separate financial statements and as a whole provides a suitable view of the position of the group and the company and suitably presents the opportunities and risks of future developments. Based on the assessment of the independent auditor, Porsche SE's early warning system for the detection of risks satisfies the legal requirements of Sec. 91 (2) AktG.

The separate financial statements of Porsche SE, the consolidated financial statements and the combined management and group management report, on which Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, has rendered an unqualified audit opinion, as well as the audit reports of the auditors of the financial statements and the proposal of the executive board on the appropriation of net profit available for distribution were made available in a timely manner to the supervisory board for review.

At its meeting on 1 March 2012, the audit committee had a discussion with the independent auditor on the separate financial statements, the consolidated financial statements and the combined management and group management report as well as the proposal for the appropriation of net profit available for distribution. Other significant audit topics included the accounting of the capital increase of Porsche SE implemented in April 2011 as well as the valuation of the put and call options of the remaining shares of Porsche SE in Porsche Zwischenholding GmbH. It was the task of the audit committee to check the appropriateness of the accounting and whether the legal requirements for the preparation of the consolidated and separate financial statements and the combined management and group management report had been complied with and also whether the representations give a true and fair view of the net assets, financial positions and results of operations of the company and of the group. Representatives of the auditor attended the meeting of the audit committee on the relevant agenda item and reported on the significant results of the audit of the separate and consolidated financial statements. In particular, the representatives of the auditors commented on the net assets, financial position and results of operations of Porsche SE and were available to the committee to provide any additional information.

The audit committee decided to recommend to the supervisory board to approve the separate and consolidated financial statements. A declaration of independence was attained from the auditor in accordance with No. 7.2.1 of the German Corporate Governance Code. The audit committee also decided to recommend to the supervisory board to propose to the annual general meeting on 25 June 2012 to elect Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as auditors.

At its meeting on 9 March 2012, the supervisory board conducted a detailed review and discussion of the documents presented pursuant to Art. 9 (1) c (ii) Council Regulation (EC) No. 2157/2010 and Sec. 170 (1) and (2) AktG as well as the audit reports of the auditors of the financial statements. The chairman of the audit committee gave a detailed report on the review of the separate financial statements, the consolidated financial statements and the group management report as integrated in the management report in the audit committee. The supervisory board's review related in particular to the accounting of the capital increase implemented in April 2011 as well as the valuation of the put and call options of the remaining shares of Porsche SE in Porsche Zwischenholding GmbH. Representatives of the auditor attended the meeting of the supervisory board on the relevant agenda item and reported on the significant results of their audit of the separate and consolidated financial statements. In particular the representatives of the auditors commented on the net assets, financial position and results of operations of Porsche SE and were available to the supervisory board to provide any additional information.

The supervisory board agrees with the audit findings of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart. Subsequent to its own reviews, the supervisory board has found that no objections can be raised. In accordance with the recommendation of the audit committee, the supervisory board has approved the separate financial statements and the consolidated financial statements for the fiscal year 2011. The separate financial statements are therewith ratified. The supervisory board has declared that it agrees with the combined management and group management report of the executive board. Subsequent to its review, the supervisory board agreed to the proposal of the executive board on the appropriation of net profit available for distribution.

In accordance with Art. 9 (1) c (ii) Council Regulation (EC) No. 2157/2010 and Sec. 312 AktG the executive board has prepared a report on related companies (dependent company report) for the fiscal year 2011. The auditors have audited the dependent company report and have rendered the following audit opinion:

"Based on our audit and assessment in accordance with professional standards we confirm that

(1) the actual disclosures contained in the report are correct,

(2) the payments made by the company in connection with transactions detailed in the report were not unreasonably high."

The dependent company report together with the audit report of the auditor of the financial statements were provided to the supervisory board in a timely manner. Both were discussed in detail at the meetings of the audit committee and the supervisory board on 1 March and 9 March 2011, respectively and checked in particular for completeness and correctness. Representatives of the auditors participated in these meetings, reported on the significant findings of the dependent company report's audit and were available to the audit committee and the supervisory board to provide additional information. The supervisory board concurred with the results of the auditors' review of the dependent company report. According to the concluding results of its own review, there were no objections with respect to the closing declaration of the executive board in the dependent company report.

At its meeting on 9 March 2012 the supervisory board dealt with the judgment handed down by the Stuttgart Higher Regional Court on 29 February 2012, that is still appealable, which declared the resolution of the annual general meeting of 29 January 2010 on the exoneration of the members of the supervisory board for the fiscal year 2008/09 to be null and void. The Stuttgart Higher Regional Court denied the right to appeal its judgment. The company will nevertheless file an appeal against the denial of leave to appeal with Germany’s Federal Supreme Court.

Composition of the executive board and the supervisory board

As a matter of mutual consent Mr. Thomas Edig has resigned from his office as member of the executive board with effect as of 29 February 2012. He was replaced by Mr. Philipp Alexander Edward von Hagen on 1 March 2012 as member of the executive board of Porsche SE. The supervisory board wishes to thank Mr. Edig for his dedicated commitment to the company.

Mr. Hans Baur has resigned from his office as member of the supervisory board of Porsche SE with effect as of 31 December 2012. He was replaced by Mr. Hansjörg Schmierer on 23 January 2012 as member of the supervisory board by way of court order. The supervisory board wishes to cordially thank Mr. Baur for the great and trustful cooperation.

Thank you

The supervisory board expresses its deepest gratitude to the executive board and all employees in acknowledgement for their outstanding work and relentless efforts in the past fiscal year.

Stuttgart, 9 March 2012

Wolfgang Porsche

Supervisory board
Dr. Wolfgang Porsche
Chairman

CORPORATE GOVERNANCE REPORT

Responsible, transparent and efficient corporate governance is an integral part of Porsche's corporate culture.

Declaration of compliance required by Sec. 289a German Commercial Code (HGB)

You can find the declaration of compliance required by Sec. 289a German Commercial Code (HGB) on our website at www.porsche-se.com/pho/de/investorrelations/erklaerung/.

Corporate statutes of Porsche Automobil Holding SE

The main legal basis for the corporate statutes of Porsche SE is formed by the European SE provisions and the German SE Implementation Act as well as the German Stock Corporations Act (AktG). The differences this leads to compared to the statutes of a stock corporation mainly pertain to the formation and composition of the supervisory board. The dual management system with a strict separation of executive board and supervisory board, the principle of parity co-determination in the supervisory board, as well as the co-administration and control rights of the shareholders in the annual general meeting are also core elements of the company statutes of Porsche SE.

Corporate management by the executive board

The executive board has sole responsibility for the management of Porsche SE and the Porsche group and represents the company in transactions with third parties. Its main tasks pertain to the strategy and management of the Porsche group as well as the implementation and monitoring of an efficient risk management system. The activity of the executive board is regulated in more detail in rules of procedure issued by the supervisory board.

The executive board informs the supervisory board regularly, without delay and comprehensively about the planning, business development and the risk management of the company and consults with the supervisory board on the strategy of the Porsche group. Certain transactions stipulated in the articles of association of Porsche SE and the executive board's rules of procedure may only be carried out by the executive board subject to the prior approval of the supervisory board. These include, among others, the acquisition and sale of companies of a certain size, the establishment and closure of plants, the introduction or discontinuation of business divisions as well as transactions with holders of ordinary shares or supervisory board members of Porsche SE.

Corporate governance takes into consideration conflicts of interest that can arise from membership of two executive boards (at Porsche SE on the one hand, and at Volkswagen AG or Porsche AG on the other) and addresses these in the company's interest. For example, members of the executive board who are also members of the Volkswagen AG board of management do not participate in any resolutions concerning issues relating to Volkswagen AG.

In accordance with the provisions of the German Corporate Governance Code, the executive board ensures compliance with legal provisions and internal policies, and works towards ensuring they are taken into account. The task of Porsche SE's Chief Compliance Officer is to advise the executive board on all questions relating to compliance, to introduce preventive measures, manage these and monitor compliance with regulations. Compliance activities are based on a strategy aimed at prevention. The Chief Compliance Officer of Porsche SE reports directly to the chairman of the executive board.

Monitoring of management by the supervisory board

The supervisory board appoints the members of the executive board, and also advises and monitors the executive board in their managerial activities. The structure already ensures the fundamental independence of the supervisory board in its control of the executive board since a member of the supervisory board may not at the same time belong to the executive board and the competencies of the two bodies are strictly segregated.

The supervisory board is composed of twelve members. The size and composition of the supervisory board are governed by the European SE provisions. These are supplemented by the co-determination agreement entered into with representatives of the European Porsche employees. This defines the competencies of the employees in the works council of Porsche SE, the procedure for the election of the Porsche SE works council and the representation of the employees in the Porsche SE supervisory board as well as the relevant rulings in the articles of association. Shareholder and employee representatives are equally represented on the supervisory board of Porsche SE, following the basic principles of German co-determination law. None of the current members of the supervisory board is a former member of the executive board of Porsche SE or Porsche AG. The supervisory board is of the opinion that it has a sufficient number of independent members.

The supervisory board takes its decisions with a simple majority of votes cast by the participating supervisory board members. In the event of a tie, the supervisory board chairman, who always has to be a member of the supervisory board elected by the shareholders, casts a deciding vote.

The supervisory board currently has four committees. Three of these are permanent: an executive committee, an audit committee and a nomination committee. In addition, the supervisory board set up temporary committees in the 2011 reporting period. These were the capital increase committee, which was dissolved again on 30 August 2011, and the merger committee, which was renamed “integrated automotive group committee” once the preparation for the merger had been completed.

The executive committee functions as the personnel committee and decides in urgent cases on transactions requiring approval. The audit committee supports the supervisory board in monitoring the company's management and reviews the accounting process, the effectiveness of the internal control system, compliance system, risk management system and internal audit system, and the independent audit of the financial statements. The nomination committee provides the supervisory board with recommendations for the supervisory board's proposals to the annual general meeting concerning the election of supervisory board members.

The tasks relating to the capital increase which by law, the articles of association and the resolution of the annual general meeting are the duty of the supervisory board, were transferred to the capital increase committee. In particular, the committee was authorized to take decisions in the place of the supervisory board with regard to approving decisions of the executive board relating to the definition of further details of the capital increase and its implementation, including but not limited to deciding on the subscription price, the maximum number of shares to be offered for subscription and the resulting subscription ratio, as well as the other conditions for the issue of the new shares. Moreover, the capital increase committee was authorized to take decisions in the place of the supervisory board concerning the amendment of Art. 4 (1) of the company's articles of association (share capital) in accordance with the capital increase performed.

The merger committee was established by the supervisory board on 9 June 2011 to pass the resolutions required by law or otherwise conducive to the intended merger with Volkswagen AG in cases where resolutions were not required to be adopted by the supervisory board as a whole in accordance with Sec. 107 (3) Sentence 3 German Stock Corporation Act (AktG).

By circularization initiated on 20 October 2011, the supervisory board adopted a resolution to expand the merger committee's competencies, to enlarge it to six members and rename it "integrated automotive group committee". In addition to the aforementioned tasks, the committee was authorized to adopt resolutions on behalf of the supervisory board as a whole where required by law or otherwise conducive to the creation of an integrated automotive group. These competencies were transferred only to the extent that the resolution is not required by Sec. 107 (3) Sentence 3 AktG to be passed by the supervisory board as a whole.

Rights of the shareholders

Porsche SE's share capital is equally divided into ordinary shares and preference shares without voting rights. The shareholders exercise their rights in the annual general meeting. When passing resolutions, each ordinary share of Porsche SE grants one vote. There are no shares with multiple or preferential voting rights, nor are there maximum voting rights. Every shareholder is entitled to take part in the annual general meeting, to express an opinion on items on the agenda, to table motions and to demand information about company matters if this is needed to properly judge an item on the agenda.

Among other things, the annual general meeting adopts resolutions on the exoneration of the executive board and the supervisory board, the appropriation of profits, capital measures and amendments to the articles of association.

The representatives of the shareholders on the supervisory board are elected by the annual general meeting. The following applies to the election of employee representatives on the supervisory board: The articles of association of Porsche SE provide for the appointment of employee representatives to the supervisory board by the annual general meeting, unless an agreement reached in accordance with the German Act on Employee Involvement in SEs (SEBG) provides for any other procedure for the appointment of employee representatives to the supervisory board. The latter is currently the case. The agreement on the involvement of employees at Porsche SE contains the provision that employee representatives are directly appointed to office following their election by the Porsche SE works council. Even if no such agreement had been made, the annual general meeting would be bound by the nominations of the employees when electing employee representatives.

Financial reporting and annual audit

The Porsche group's financial reporting is based on the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as adapted by the European Union, and the additional requirements of German commercial law pursuant to Sec. 315a (1) German Commercial Code (HGB). The financial statements of Porsche SE as parent company of the Porsche group are based on the accounting provisions of the German Commercial Code. Both sets of financial statements are audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as independent auditor. In addition, the underlying facts of the declaration of compliance in accordance with Sec. 161 German Stock Corporation Act (AktG) are audited during the annual audit.

Risk management

The Porsche group has a group-wide risk management system which helps management to recognize major risks at an early stage, thus enabling them to initiate countermeasures in good time. The risk management system at the Porsche group is continuously tested for efficiency and continually optimized to reflect changed conditions. For details, please refer to pages 97 ff. of this annual report.

Communication and transparency

Porsche attaches great importance to transparent communication and regularly keeps shareholders, financial analysts, shareholder associations, the media and the general public informed about the situation of the company and its business development. This information can be sourced at the website www.porsche-se.com, which contains all press releases and financial reports as well as the articles of association of Porsche SE and information about the annual general meeting. Interested visitors to the homepage of Porsche SE can subscribe to a newsletter that regularly informs them of developments at the Porsche group.

Besides the regular reporting, Porsche announces details of circumstances that are not in the public domain in accordance with Sec. 15 German Securities Trading Act (WpHG) which, when they become known, could significantly impact on the share prices of the Porsche share. These ad hoc announcements are also presented on the homepage of Porsche Automobil Holding SE.

Directors' dealings

Pursuant to Sec. 15a German Securities Trading Act (WpHG), members of the executive board and supervisory board as well as other management personnel and persons closely related to them must disclose the purchase and sale of Porsche shares and related financial instruments. Porsche SE publishes such announcements about transactions of this kind on the Porsche homepage.

Declaration of compliance with the German Corporate Governance Code

The background

On 26 February 2002 the Federal German Government Commission on the Corporate Governance Code introduced a standard of good and responsible corporate governance for companies listed on the stock exchange. Pursuant to Sec. 161 (1) German Stock Corporation Act (AktG), the executive and supervisory boards of listed companies are obliged to make an annual declaration of whether they have complied and currently comply with the code, or which of the recommendations contained in the code have not been or are not applied, and why.

The declaration below refers to the version of the code amended on 26 May 2010, which was published in the elektronischer Bundesanzeiger (German Electronic Federal Gazette) on 2 July 2010.

Corporate statutes of Porsche Automobil Holding SE of October 2011

The executive board and supervisory board of Porsche Automobil Holding SE declare in accordance with Sec. 161 (1) German Stock Corporations Act (AktG) that since issuing the previous declaration of compliance the company has complied and currently complies with the recommendations of the Government Commission of the German Corporate Governance Code as announced by the Federal Ministry of Justice in the official part of the elektronischer Bundesanzeiger (German Electronic Federal Gazette), with the following exceptions:

“The Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, an age limit to be specified for the members of the Supervisory Board and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation.

Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account. The concrete objectives of the Supervisory Board and the status of the implementation shall be published in the Corporate Governance Report.” (No. 5.4.1 (2) and (3) of the German Corporate Governance Code as amended on 26 May 2010).

The supervisory board welcomes the intention of the code to define rules for the composition of supervisory boards and is committed to this goal. This notwithstanding, the specification of concrete goals would not be appropriate at the current time as the integrated automotive group is to be created with Volkswagen AG before the next planned new elections of shareholder representatives to the supervisory board are due, if possible. In this case, questions regarding the composition of the supervisory board of the company could arise that are of a quite different character than at present.

“Beyond the statutory obligation to report and disclose dealings in shares of the company without delay, the ownership of shares in the company or related financial instruments by Management Board and Supervisory Board members shall be reported if these directly or indirectly exceed 1 percent of the shares issued by the company. If the entire holdings of all members of the Management Board and Supervisory Board exceed 1 percent of the shares issued by the company, these shall be reported separately according to Management Board and Supervisory Board. The aforesaid disclosures shall be included in the Corporate Governance Report.” (No. 6.6 German Corporate Governance Code).

Porsche Automobil Holding SE publishes voting rights notifications by our shareholders in accordance with the German Securities Trading Act (WpHG) as required by this law. Notifications concerning the purchase and sale of Porsche preference shares by members of the executive board and supervisory board in accordance with Sec. 15a German Securities Trading Act (WpHG) are published insofar as this is required by Sec. 15a German Securities Trading Act (WpHG). The shares in the company and related financial instruments held by members of the company’s governing bodies have not been published in the past and will not be published in future as we believe complete compliance by us with statutory publishing requirements provides the capital markets and our shareholders in particular with sufficient information.

Corporate governance in the Volkswagen group

Volkswagen AG

The board of management and supervisory board of Volkswagen AG issued the declaration of compliance with the German Corporate Governance Code on 3 December 2010. In this document, they declared that the recommendations of the Government Commission on the German Corporate Governance Code in the version dated 26 May 2010 will be fully complied with, with the exception of no. 4.2.3 (4) (severance payment cap). A severance payment cap has been agreed when entering into new board of management contracts, although this does not apply to contracts with members of the board for their third term of office and beyond. Existing rights are protected in such cases.

The board of management and supervisory board of Volkswagen AG also declared on 3 December 2010 that the recommendations of the German Corporate Governance Code as of 18 June 2009 were complied with in the period from 20 November 2009 to 2 July 2010, with the exception of No. 3.8 (2) (deductible in D&O insurance), No. 4.2.3 (3) sentences 2 and 3 (comparison parameters for variable compensation) and No. 4.2.3 (4) (severance payment cap). As of 1 January 2010 No. 3.8 (2) (deductible in

D&O insurance) is complied with by conclusion of new D&O insurance policies at regular intervals and No. 4.2.3 (3) sentences 2 and 3 (comparison parameters for variable compensation) by introducing a long-term incentive plan. Due to the above-mentioned protection of existing rights, the recommendation set forth in No. 4.2.3 (4) (severance payment cap) has been complied with only when entering into new contracts with members of the board of management.

Finally, the board of management and supervisory board of Volkswagen AG declared on 3 December 2010 that the recommendations of the German Corporate Governance Code as of 26 May 2010 were complied with in the period from 2 July 2010 to 3 December 2010, with the following two exceptions: Due to the protection of rights in existing contracts, the severance payment cap (No. 4.2.3 (4)) is not included in contracts with members of the board of management concluded prior to 20 November 2009. No. 5.4.1 (2) (specification of concrete objectives for the composition of the supervisory board) has been added to the code; following a discussion and the determination of concrete objectives by the supervisory board on 19 November 2010, this recommendation has only been complied with as of that date.

The declaration of compliance can be found on the website www.volkswagenag.com/ir, under the header Corporate Governance, and the menu item declaration of compliance.

AUDI AG

The board of management and supervisory board of AUDI AG issued the declaration of compliance with the German Corporate Governance Code on 29 November 2010. In this document, they declared that the recommendations of the German Corporate Governance Code in the version dated 18 June 2009 was complied with until publication of the new version dated 2 July 2010. However, there were qualifications: the supervisory board had not formed a nomination committee (No. 5.3.3) and members were not elected to the supervisory board on an individual basis (No. 5.4.3, sentence 1). Since 23 November 2009, a cap on severance payments has been agreed when entering into new board of management contracts, which means that No. 4.2.3 (3) and (4) has been complied with for new contracts since that date. Because of the grandfathering arrangements, contracts entered into before that date remain unaffected by this new rule. Effective as of 1 January 2010, a deductible was included in the D&O insurance policy in accordance with the recommendation set forth in No. 3.8 (2) Sentence 2 such that this recommendation is also complied with as of that date. The recommendation contained in No. 4.2.3 (3) sentences 2 and 3 (high, relevant comparison parameters for variable compensation and no subsequent amendment of targets) has been complied with as of 22 February 2010 following adoption of new remuneration system for members of the management board on that date.

The executive board and supervisory board of AUDI AG also declared on 29 November 2010 that after publication of the current version of the code on 2 July 2010, the recommendations of the German Corporate Governance Code as of 26 May 2010 were and are complied with, with the exception of No. 5.4.1 (composition of the supervisory board), No. 5.3.3 (nomination committee) and No. 5.4.3 sentence 1 (elections to the supervisory board on an individual basis). The supervisory board believes that a nomination committee would merely increase the number of committees without noticeably improving the supervisory board's work. List-based elections are quite common in democratic voting processes. The recommendations introduced in 5.4.1 are new. Following deliberations, the supervisory board on 29 November 2010 specified concrete objectives for its composition, and the recommendations of No. 5.4.1 have therefore been complied with as of that date.

The declaration of compliance of AUDI AG can be found on the internet at www.audi.de/cgk-erklaerung.

Stuttgart, 9 March 2012

The supervisory board   The executive board

Remuneration report

(Part of the management report)

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

Remuneration of the executive board

Remuneration principles at Porsche SE

At regular intervals the supervisory board takes a look at remuneration matters concerning the executive board, examining the structure and amount of remuneration of the executive board in the process. At the beginning of the fiscal year 2009/10, Porsche SE's supervisory board decided to extensively revise the remuneration system for members of the company's executive board in order to reflect the measures implemented in accordance with the basic agreement as well as the company's new role.

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

As compensation for their service at Porsche SE, the four executive board members receive a fixed basic component only.

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

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

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

Remuneration of the executive board in the fiscal year 2011

Prof. Dr. Martin Winterkorn (CEO), Thomas Edig (commercial and administrative issues), Hans Dieter Pötsch (finance and controlling), and Matthias Müller (general technical product issues) were members of Porsche SE's executive board throughout the fiscal year 2011.

Remuneration of members of the executive board according to Sec. 314 (1) No. 6a HGB for the fiscal year 2011

	Non-performance-related components
Prof. Dr. Martin Winterkorn	767,167
Thomas Edig	500,000
Matthias Müller	500,000
Hans Dieter Pötsch	515,991
Total	**2,283,158**

Remuneration of the executive board in the short fiscal year 2010

Prof. Dr. Martin Winterkorn (CEO), Thomas Edig (commercial and administrative issues) and Hans Dieter Pötsch (finance and controlling) were members of Porsche SE's executive board throughout the short fiscal year 2010. Dr. Michael Macht, who was still a member of the executive board of Porsche SE at the beginning of the short fiscal year 2010, stepped down from the executive board effective as of 30 September 2010. His successor, Matthias Müller, took up his appointment on the executive board of Porsche SE effective as of 13 October 2010.

Remuneration of the members of the executive board according to Sec. 314 (1) No. 6a HGB for the short fiscal year 2010

	Non-performance-related components
Prof. Dr. Martin Winterkorn	323,945
Thomas Edig	208,333
Matthias Müller (since 13 October 2010)	109,722
Hans Dieter Pötsch	218,995
Dr. Michael Macht (until 30 September 2010)	83,333
Total	**944,328**

Post-employment benefits

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

As of the end of the fiscal year 2011, just like at the end of the comparative period, Porsche SE did not have any pension obligations due to former members of the executive board and their surviving dependants.

Remuneration of the supervisory board

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

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

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

Remuneration of the supervisory board in the fiscal year 2011

In accordance with Art. 14 of Porsche SE's articles of association, the supervisory board received remuneration totaling 1.0 million euro for its service at Porsche SE in the fiscal year 2011. This amount includes fixed components of 0.7 million euro and variable components of 0.3 million euro.

Beyond this, the supervisory board members did not receive any other remuneration or benefits in the past fiscal year 2011 for any services they provided personally, such as consultancy and referral services.

The remuneration for fiscal 2011 presented below for the individual members of Porsche SE's supervisory board comprises the remuneration paid for their work on the supervisory board of Porsche SE.

Supervisory board remuneration according to Sec. 314 (1) No. 6a HGB for the fiscal year 2011

in €	Non-performance-related components	Performance-related components	Total
Dr. Wolfgang Porsche	98,000	37,280	135,280
Uwe Hück [1]	97,500	27,960	125,460
Hans Baur [1]	49,000	18,640	67,640
Berthold Huber [1]	34,000	18,640	52,640
Prof. Dr. Ulrich Lehner	92,000	37,280	129,280
Peter Mosch [1]	40,000	18,640	58,640
Bernd Osterloh [1]	79,500	27,960	107,460
Hon.-Prof. Dr. techn. h.c. Dipl. Ing. ETH Ferdinand K. Piëch	40,000	18,640	58,640
Dr. Hans Michel Piëch	70,000	18,640	88,640
Dr. Ferdinand Oliver Porsche	64,500	27,960	92,460
His Excellency Sheik Yassim Bin Abdulaziz Bin Yassim Al-Thani	31,000	18,640	49,640
Werner Weresch [1]	49,000	18,640	67,640
Total	**744,500**	**288,920**	**1,033,420**

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

Remuneration of the supervisory board in the short fiscal year 2010

In accordance with Art. 14 of Porsche SE's articles of association, the remuneration of the supervisory board for its service at Porsche SE in the short fiscal year 2010 totaled 0.6 million euro. This amount includes fixed components of 0.3 million euro and variable components of 0.3 million euro.

Beyond this, the supervisory board members did not receive any other remuneration or benefits in the short fiscal year 2010 for any services they provided personally, such as consultancy and referral services.

The remuneration presented below for the individual members of Porsche SE's supervisory board for the short fiscal year 2010 comprises the remuneration paid for their work on the supervisory board of Porsche SE.

Supervisory board remuneration according to Sec. 314 (1) No. 6a HGB for the short fiscal year 2010

	Non-performance-related components	Performance-related components	Total
Dr. Wolfgang Porsche	35,833	44,327	80,160
Uwe Hück [1]	36,625	33,245	69,870
Hans Baur [1]	16,417	22,163	38,580
Berthold Huber [1]	16,417	22,163	38,580
Prof. Dr. Ulrich Lehner	35,833	44,327	80,160
Peter Mosch [1]	13,417	22,163	35,580
Bernd Osterloh [1]	33,625	33,245	66,870
Hon.-Prof. Dr. techn. h.c. Dipl. Ing. ETH Ferdinand K. Piëch	19,417	22,163	41,580
Dr. Hans Michel Piëch	25,417	22,163	47,580
Dr. Ferdinand Oliver Porsche	30,625	33,245	63,870
His Excellency Sheik Yassim Bin Abdulaziz Bin Yassim Al-Thani	13,417	22,163	35,580
Werner Weresch [1]	19,417	22,163	41,580
Total	**296,460**	**343,530**	**639,990**

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

Supplementary disclosures in accordance with the German Corporate Governance Code

Remuneration of the executive board

General principles

Notwithstanding the deconsolidation for the purpose of group reporting in accordance with IFRSs in the fiscal year 2009/10, Porsche Zwischenholding GmbH, Stuttgart (and thus also Dr. Ing. h.c. F. Porsche Aktiengesellschaft ("Porsche AG")) as well as Volkswagen Aktiengesellschaft, Wolfsburg, ("Volkswagen AG") were group entities of Porsche SE as defined by Sec. 18 German Stock Corporations Act (AktG) in the fiscal year 2011. Therefore, the total remuneration required to be published according to the German Corporate Governance Code for Porsche SE's executive board members also includes any remuneration that these members of the executive board received on account of their service on the boards of the group entities Porsche AG and/or Volkswagen AG as well as of their subsidiaries.

Prof. Dr. Martin Winterkorn and Hans Dieter Pötsch are also members of the board of management of Volkswagen AG, while Thomas Edig and Matthias Müller are also members of the executive board of Porsche AG, the subsidiary of Porsche Zwischenholding GmbH.

The total remuneration of the members of Porsche SE's executive board for fiscal 2011 presented below therefore includes not only remuneration for their service as a member of Porsche SE's executive board, but for Thomas Edig and Matthias Müller additionally remuneration for their service on the executive boards of the Porsche Zwischenholding GmbH group (Porsche Zwischenholding GmbH and its subsidiaries) for fiscal 2011 and for Prof. Dr. Martin Winterkorn and Hans Dieter Pötsch additionally remuneration for the their service on the executive board of the Volkswagen group (Volkswagen AG and its subsidiaries) and their service on the supervisory board of Porsche AG in the fiscal year 2011.

Remuneration principles at Volkswagen AG

The remuneration of the executive board members Prof. Dr. Martin Winterkorn and Hans Dieter Pötsch for their service to the Volkswagen group and obtained from the Volkswagen group comprises a fixed basic salary, including other benefits in kind, and a variable component based on the business development of the previous two years. No remuneration was granted from conversion rights under the stock option plan in effect until the end of 2009.

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

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

Remuneration principles at Porsche AG

In addition to their membership of Porsche SE's executive board, Thomas Edig and Matthias Müller were members of the executive board of Porsche AG in the fiscal year 2011 and received remuneration for their service. The management of Porsche Zwischenholding GmbH, which comprises the same individuals as the executive board of Porsche AG, does not receive any remuneration for the assumption of its duties at Porsche Zwischenholding GmbH.

The remuneration system for Porsche AG's executive board was adjusted accordingly by the supervisory board when the German Act on the Adequacy of Management Board Compensation (VorstAG) was introduced and the service agreements of the executive board members were changed accordingly in the course of spin-off of operations to (the new) Porsche AG in the fiscal year 2009/10.

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

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

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

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

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

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

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

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

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

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

Remuneration of the executive board in the fiscal year 2011

The table below presents the remuneration of the executive board of Porsche SE for its service at Porsche SE and group companies in accordance with Sec. 18 German Stock Corporation Act (AktG). The total remuneration of the members of Porsche SE's executive board presented in the table below therefore includes not only remuneration for their service as a member of the company's executive board, but for Thomas Edig and Matthias Müller additionally remuneration for their service on the executive board of the Porsche Zwischenholding GmbH group for fiscal 2011 and for Prof. Dr. Martin Winterkorn and Hans Dieter Pötsch additionally remuneration for their service on the executive board of the Volkswagen group and their service on the supervisory board of Porsche AG in the fiscal year 2011. Neither the Porsche Zwischenholding GmbH group nor the Volkswagen group qualify as group companies of Porsche SE within the meaning of IFRSs.

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

in €	Non-performance-related components	Performance-related components	thereof long-term incentive	Total
Prof. Dr. Martin Winterkorn				
Porsche SE group	2,751,373	15,589,353	4,530,000	18,340,726
thereof Porsche SE	767,167	–	–	767,167
Thomas Edig				
Porsche SE group	1,343,988	2,581,040	1,530,000	3,925,028
thereof Porsche SE	500,000	–	–	500,000
Matthias Müller				
Porsche SE group	1,420,433	3,235,780	1,912,500	4,656,213
thereof Porsche SE	500,000	–	–	500,000
Hans Dieter Pötsch				
Porsche SE group	1,580,604	7,129,353	2,010,000	8,709,957
thereof Porsche SE	515,991	–	–	515,991
Total				
Porsche SE group	**7,096,398**	**28,535,526**	**9,982,500**	**35,631,924**
thereof Porsche SE	**2,283,158**	**–**	**–**	**2,283,158**

1 The figures in the table above **take into account** the remuneration in the Porsche Zwischenholding GmbH group and in the Volkswagen group that are no longer group companies of Porsche SE as defined by IFRSs.

Post-employment benefits

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

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

Thomas Edig and Matthias Müller were members of the executive board of Porsche SE and the executive board of Porsche AG in the fiscal year 2011. The members of the executive board of Porsche AG are entitled to future benefits from this company which as a rule range between 25 percent and 40 percent of the most recent basic salary depending on their years of service.

The expense recognized for the current addition to pension provisions at Porsche AG amounts to 230,308 euro for Thomas Edig and to 1,014,340 euro for Matthias Müller. The expense recognized at Volkswagen AG for the addition to pension provisions amounts to 875,002 euro for Prof. Dr. Martin Winterkorn and 1,460,569 euro for Hans Dieter Pötsch.

Remuneration of the supervisory board

As described above, Porsche Zwischenholding GmbH (and thus also Porsche AG) as well as Volkswagen AG were still group entities of Porsche SE as defined by Sec. 18 German Stock Corporations Act (AktG) in the fiscal year 2011. Therefore, the total remuneration required to be published according to the German Corporate Governance Code for Porsche SE's supervisory board members also includes any remuneration that the members of the supervisory board received on account of their service on the boards of Porsche SE group entities.

The remuneration of the members of Porsche SE's supervisory board presented below therefore includes not only remuneration for their service on the company's supervisory board but additionally remuneration for their membership in the supervisory boards and other control bodies within the meaning of Sec. 125 (1), Sentence 3 AktG of the Porsche Zwischenholding GmbH group and of the Volkswagen group. The remuneration of Porsche AG's supervisory board is governed by Art. 13 of the Porsche AG's articles of association. Art. 17 of the articles of association of Volkswagen AG contains the rules governing the remuneration of the supervisory board of Volkswagen AG. The remuneration of the members of the supervisory board of AUDI Aktiengesellschaft, Ingolstadt (AUDI AG) is governed by the rules in Art. 16 of the articles of association of AUDI AG.

In accordance with Art. 13 (2) of Porsche AG's articles of association, members of Porsche AG's supervisory board who are also on Porsche SE's supervisory board do not receive performance-related remuneration from Porsche AG in order to avoid duplicate payment.

Beyond this, the supervisory board members did not receive any other remuneration or benefits in the past fiscal year 2011 for any services they provided personally, such as consultancy and referral services.

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

in €	Non-performance-related components	Performance-related components	Total
Dr. Wolfgang Porsche	185,000	393,530	578,530
Uwe Hück [2]	159,000	27,960	186,960
Hans Baur [2]	98,000	18,640	116,640
Berthold Huber [2]	72,000	569,640	641,640
Prof. Dr. Ulrich Lehner	92,000	37,280	129,280
Peter Mosch [2]	67,500	313,140	380,640
Bernd Osterloh [2]	94,500	384,210	478,710
Hon.-Prof. Dr. techn. h.c. Dipl. Ing. ETH Ferdinand K. Piëch	137,500	808,362	945,862
Dr. Hans Michel Piëch	142,000	294,140	436,140
Dr. Ferdinand Oliver Porsche	135,000	559,960	694,960
His Excellency Sheik Yassim Bin Abdulaziz Bin Yassim Al-Thani	31,000	18,640	49,640
Werner Weresch [2]	98,000	18,640	116,640
Total	**1,311,500**	**3,444,142**	**4,755,642**

1 The figures in the table above **take into account** the remuneration in the Porsche Zwischenholding GmbH group and in the Volkswagen group that are no longer group companies of Porsche SE as defined by IFRSs.

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


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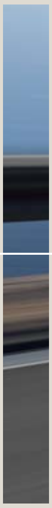
2 THE COMPANY



GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT OF PORSCHE AUTOMOBIL HOLDING SE

Significant events

No merger of Porsche SE into Volkswagen AG within the framework and timeframe of the basic agreement – aim to achieve integrated automotive group with Volkswagen unchanged

The basic agreement on the creation of an integrated automotive group between Porsche and Volkswagen, which was agreed in 2009 and which contains the concept of such creation, provides for the merger of Porsche Automobil Holding SE, Stuttgart ("Porsche SE") into Volkswagen Aktiengesellschaft, Wolfsburg ("Volkswagen AG") as the final step. On 8 September 2011, both companies announced that, during the negotiations of the merger, they had not been able to agree on the valuation of Porsche SE required for calculating the exchange ratio. Therefore, in the opinion of both companies, it was no longer possible to achieve the merger within the framework and timeframe of the basic agreement, i.e., to adopt the required merger resolutions by 31 December 2011. The preparations for Porsche SE's shareholders' meeting on the merger scheduled for December 2011 were therefore terminated.

The companies could not agree on how to valuate, for purposes of the merger, those risks that might arise for Porsche SE out of damages claims asserted in the United States and in Germany, also in light of the ongoing investigations conducted by the the Public Prosecutor's Office, inter alia regarding alleged market manipulation. Porsche SE continues to hold the view that the allegations raised in the investigation as well as the damages claims asserted in Germany are without merit and that the damages claims asserted in the United States are legally insufficient and without merit (for more information on this point, and on the status of all legal proceedings, please see "Litigation risks" in the risk report of Porsche SE in this management report).

Porsche SE and Volkswagen AG have granted each other reciprocal put and call options, in case the required merger resolutions from the annual general meetings of Porsche SE and Volkswagen AG were not adopted by 31 December 2011 ("failure of the merger within the framework and timeframe defined by the basic agreement"). These options relate to the remaining 50.1 percent shareholding in Porsche Zwischenholding GmbH, Stuttgart, and can theoretically be exercised at defined times within the period from 15 November 2012 to 31 January 2015. In the executive board's view, the probability of the failure of the merger within the framework and timeframe defined by the basic agreement, and thus the theoretical probability that the put and call options will be exercised, was still 50 percent as of 30 June 2011. On 8 September 2011, both companies announced that a merger within the framework and timeframe of the basic agreement was no longer possible. As the required merger resolutions had not been adopted by 31 December 2011, the merger within the framework and timeframe of the basic agreement failed, and thus the theoretical probability of the exercise of the options has increased to 100 percent (for more information on the significant effects on the results of operations of the Porsche SE group, please see the section "Results of operations, net assets, financial position" in this management report).

Porsche SE's and Volkswagen AG's aim to achieve the integrated automotive group remains unchanged. Both companies are therefore examining whether alternatives to the measures provided for in the basic agreement are available.

Capital increase at Porsche SE

In April 2011, Porsche SE successfully completed its capital increase in return for cash contributions resolved at the annual general meeting on 30 November 2010. With the entry of the implementation of the capital increase in the commercial register of the Stuttgart district court on 13 April 2011, the company's share capital was increased by 131,250,000.00 euro from 175,000,000.00 euro to 306,250,000.00 euro through the issuance of 65,625,000 new ordinary shares (no-par-value shares) and 65,625,000 new preference shares (no-par-value shares), with each no-par-value share representing a notional share of one euro in the share capital. Since then, Porsche SE's subscribed capital has comprised 153,125,000 ordinary shares and 153,125,000 preference shares.

The new ordinary shares and the new preference shares are each entitled to dividends as of 1 August 2010. Taking into account transaction costs of 95 million euro, there were net issue proceeds of 4,893 million euro. The company used the proceeds to repay liabilities to banks.

Repayment of debt and refinancing of the previous syndicated loan

The liabilities to banks of Porsche SE, which still amounted to a nominal amount of 7.0 billion euro as of 31 December 2010, were significantly reduced, mainly as a result of the capital increase performed in April 2011. The proceeds were used to repay in full and ahead of schedule the first tranche of the previous syndicated loan totaling 2.5 billion euro, which would have been due on 30 June 2011. The proceeds exceeding this figure were used to further reduce liabilities to banks. As a result of the partial repayment of the previous syndicated loan, the unutilized revolving credit line increased from 1.5 billion euro to 1.9 billion euro pursuant to the loan terms agreed with the banking syndicate, according to which the overall credit line was not to exceed 8.5 billion euro. Following the partial repayment of the previous syndicated loan and an additional repayment from available liquidity, Porsche SE's liabilities to banks amounted to a nominal amount of 2.0 billion euro as of 30 September 2011. The collateral for the remaining loan was provided partly by pledging all of Porsche SE's shares in Volkswagen AG.

In October 2011, Porsche SE concluded a new syndicated loan agreement that replaces the previous syndicated loan. The refinancing was executed on 31 October 2011. It was completed with a view to securing the company's long-term liquidity and at more favorable conditions from Porsche SE's perspective. These conditions take into account the significantly improved net assets and financial position of the company compared to the time when the previous syndicated loan agreement was concluded in 2009 and, particularly, the reduction of debt. The new syndicated loan has a volume of up to 3.5 billion euro and comprises a loan tranche of 2.0 billion euro as well as a revolving credit line of up to 1.5 billion euro that was unutilized as of the publishing date of this combined group management report and management report of Porsche SE. The loan matures on 30 November 2013, however, the company has two options to extend it such that under certain circumstances the maturity date may be prolonged until 30 June 2015 in two steps.

In connection with the refinancing of the syndicated loan, the collateral provided by Porsche SE was also restructured. In particular, the number of pledged shares in Volkswagen AG held by Porsche SE was significantly reduced to 70 million VW ordinary shares. The additional lien granted to the banks as part of the previous syndicated loan on the 50.1 percent share in Porsche Zwischenholding GmbH was canceled in the course of refinancing, as was the previous lien on claims accruing to Porsche SE in the event that the call or put option on the 50.1 percent share in Porsche Zwischenholding GmbH is exercised. The assignment of the exercise right for the put option in favor of the banks, within the scope of the previous syndicated loan, was also canceled. In addition, the assignment of the 50.1 percent share in Porsche Zwischenholding GmbH to the trustee was terminated effective as of 31 December 2011.

Further damages claims asserted

Two claims for damages were filed with a New York state court on 18 February 2011 and 15 March 2011. In their complaints, the plaintiffs assert claims for common law fraud and unjust enrichment on the basis of allegations similar to those made in their complaints before the United States District Court for the Southern District of New York. The plaintiffs claim to have lost at least 1.4 billion US dollars. Porsche SE considers these actions to be legally insufficient and without merit.

In 2009 and 2010, institutional investors in Germany applied for conciliatory proceedings against Porsche SE with regard to the assertion of claims for damages on the basis of alleged breaches of statutory capital market regulations in connection with the acquisition of a shareholding in Volkswagen AG. Various investors have filed further applications for conciliatory proceedings against Porsche SE based on the same claims; the company received these applications in April, August and December 2011 and in January and February 2012. All of the alleged claims relate to alleged lost profits or alleged losses incurred, estimated by the investors to total approximately 3.3 billion euro. Porsche SE considers the alleged claims to be without merit and has not taken part in the conciliatory proceedings.

In October 2011, ARFB Anlegerschutz UG (a limited liability undertaking), Berlin, brought an action before the Regional Court of Braunschweig against Porsche SE and Volkswagen AG based on claims for damages allegedly assigned to it by 41 investment funds, insurance companies and other companies in the amount of approximately 1.1 billion euro. Some of the 41 investors are also applicants in the aforementioned conciliatory proceedings. Four of the investors are hedge funds that have also filed claims against Porsche SE before a US federal court that were dismissed in a first instance. In December 2011, this claim was extended to include the alleged claims for damages filed by ARFB Anlegerschutz UG (a limited liability undertaking) on behalf of another 24 entities for an allegedly assigned right in the amount of approximately 700 million euro. Two of these other investors are hedge funds that have also filed claims against Porsche SE before a US federal court that were dismissed in first instance. In connection with the extension of the claim in December 2011, ARFB Anlegerschutz UG (a limited liability undertaking) also partly withdrew its original action to the extent that alleged claims for damages of an investment fund in the amount of approximately 4.5 million euro arising from an allegedly assigned right are no longer upheld. In addition, ARFB Anlegerschutz UG (a limited liability undertaking) filed another action against the company at the Regional Court of Braunschweig in December 2011, asserting alleged claims for damages on behalf of another five companies, again from alleged assigned right, for a total of approximately 351 million euro. The plaintiff alleges that, in 2008, on the basis of inaccurate information and the omission of information as well as market manipulation by Porsche SE, the companies behind the complaints either failed to participate in price increases of shares in Volkswagen AG and, hence, lost profits or entered into options relating to shares in Volkswagen AG and incurred losses from these options due to the share price development in the amount claimed. Porsche SE considers the alleged claims to be without merit and will defend itself against them.

In December 2011, a total of seven plaintiffs filed a complaint against Porsche SE at the Stuttgart Regional Court and asserted claims for damages against the company totaling some 2 billion euro, based on allegations of market manipulation and inaccurate information in connection with the acquisition of a shareholding in Volkswagen AG in 2008. Six of the plaintiffs are hedge funds that have also filed claims against Porsche SE before a US federal court that were dismissed in first instance. Porsche SE considers the alleged claims to be without merit and will defend itself against them.

For further explanations of the litigation described above and of other damage claims asserted, we refer to the section “Litigation risk” in the risk report of Porsche SE this management report. Porsche SE considers all the damages claims asserted in the USA to be legally insufficient and without merit and all the damages claims asserted in Germany to be without merit and will defend itself against them.

Changes to the executive board and supervisory board of Porsche SE

Mr. Thomas Edig, member of the executive board of Porsche SE, responsible for commercial and administrative issues, will leave this board of his own volition and in agreement with the supervisory board on 29 February 2012 in order to focus on his tasks on the board of Dr. Ing. h.c. F. Porsche Aktiengesellschaft, Stuttgart ("Porsche AG") and vigorously drive forward Strategy 2018. The supervisory board of Porsche SE approved the premature termination of his appointment to the executive board in its meeting on 27 February 2012. In June 2011, the Porsche AG supervisory board had appointed Mr. Thomas Edig deputy chairman, board member for human resources and social issues, and labor director for a further five years, effective as of 1 May 2012.

The control body appointed Mr. Philipp Alexander Edward von Hagen, who is currently Director Global Financial Advisory at Bankhaus Rothschild, to the executive board of Porsche SE, effective as of 1 March 2012.

Effective 23 January 2012, Mr. Hansjörg Schmierer was appointed to the supervisory board by the court as an employee representative. He took over this function at Porsche SE from Mr. Hans Baur, who laid down his office effective as of 31 December 2011.

Significant events at the Porsche Zwischenholding GmbH group

Changes in the corporate boards and in the supervisory board

Mr. Wolfgang Hatz was appointed to the executive board of Porsche AG on 1 February 2011 and was also appointed general manager of Porsche Zwischenholding GmbH by shareholder resolution, effective as of 2 February 2011. Alongside his function as Head of Engines and Transmission Development for the Volkswagen group, he assumed responsibility for research and development. Mr. Hatz replaced the previous member of the Porsche board responsible for Porsche development Mr. Wolfgang Dürheimer, who became chairman of the executive board at Bentley Motors and president and managing director of Bugatti S.A. as of 1 February 2011.

At its meeting on 15 March 2011, the supervisory board of Porsche AG appointed Mr. Uwe-Karsten Städter to the executive board of Porsche AG, effective as of 1 April 2011. He is responsible for the newly created procurement function. In addition, Mr. Städter was appointed to the management of Porsche Zwischenholding GmbH. Uwe-Karsten Städter had been head of group procurement for electrics/electronics at Volkswagen AG since 2007, after heading up group procurement there for exteriors from 2002.

Mr. Rolf Frech laid down his office as a member of the Porsche AG supervisory board on 26 September 2011. As his successor, Mr. Peter Schulz was appointed by the courts as a member of the supervisory board on 4 October 2011. Mr. Hans Baur laid down his office as a member of the supervisory board as of 31 December 2011. Mr. Bernd Kruppa was appointed as his successor by the Stuttgart local court on 15 February 2012.

Strategy 2018 approved

During the reporting year, the executive board of Porsche AG developed Strategy 2018 as a guideline for its entrepreneurial activities. Four corporate goals were derived from the declared long-term vision of positioning Porsche as the world's most successful manufacturer of exclusive sports cars:

It is planned to increase unit sales to around 200,000 by 2018. To this end, Porsche is leveraging its innovative strength and vigorously promoting development efforts.

Porsche intends to maintain its position as the most profitable carmaker in the world, with a return on sales of at least 15 percent and a return on capital of at least 21 percent.

In order to achieve this, is it planned to spark Porsche customers' enthusiasm with a unique purchasing and ownership experience. This includes offering them outstanding products that fully satisfy their expectations of an exclusive sportscar.

Moreover, Porsche aims to be an excellent employer, ensuring employee motivation and commitment, and to be a fair and reliable partner for all its stakeholders – investors, suppliers and dealers alike.

Large-scale construction work at various locations

Already at its meeting on 15 March 2011, the supervisory board of Porsche AG had approved the decision of Porsche AG's executive board to develop the Leipzig plant into a fully fledged production location, including body shell production and paint shop, for the production of the new Macan model. On 18 October 2011, the chairman of the supervisory board of Porsche AG, Dr. Wolfgang Porsche, and the CEO, Matthias Müller, laid the foundation stone for the extension of the Leipzig plant. Some 500 million euro is being invested in the manufacturing facilities for the Macan.

In July 2011, work began on expanding the Weissach development center, where a design studio, wind tunnel and electronics integration center are under construction. The investment in the project will total around 150 million euro.

In September 2011, Porsche AG put into operation a new paint shop at the company's headquarters in Stuttgart-Zuffenhausen. Total investment in the innovative and environmentally compatible facility came to about 200 million euro.

During the reporting period, Porsche AG also purchased land in Stuttgart-Zuffenhausen at suitable locations for an eight-digit sum in order to expand its plant.

Porsche centers acquired

Since 25 November 2010, Porsche Niederlassung Hamburg GmbH, Hamburg, which was acquired as a shell company, has been included in the consolidated financial statements of Porsche AG. All the respective Hamburg dealerships were acquired effective 1 February 2011.

As of 1 September 2011, Porsche Deutschland GmbH took over Porsche-Zentrum Leipzig through Porsche Niederlassung Leipzig GmbH.

New loan agreements

In early February 2011, a bond of one billion euro fell due. The bond was directly refinanced via a syndicated loan of one billion euro. This bridge financing has a term to maturity until the end of 2012, following the exercise of the option to prolong the financing in November 2011.

To ensure its liquidity, in early June 2011 Porsche AG renegotiated a syndicated line of credit of up to 2.5 billion euro with a banking syndicate which matures at the end of June 2013, or, if Porsche AG exercises a unilateral option to prolong it, at the end of June 2014 or the end of March 2015.

In June and July 2011, Porsche Zwischenholding GmbH executed two financing transactions through its subsidiaries: Porsche Financial Services GmbH, Bietigheim-Bissingen, issued a debenture bond for 500 million euro in Germany, while Porsche Financial Services Inc., Lisle, Illinois, USA, issued an ABS in the United States for 519 million US dollars. An additional ABS for 661 million US dollars was issued by Porsche Financial Services Inc. in the USA in November 2011. The ABS transactions were privately placed. Through the above transactions, Porsche Zwischenholding GmbH has restructured its refinancing portfolio in the interest of risk diversification and also secured its growth.

Significant events at the Volkswagen group

Material changes in equity investments

The Volkswagen group took another significant step towards forming an integrated automotive group with Porsche by acquiring Porsche Holding Salzburg's trading business. The trading company was transferred on 1 March 2011 at a price of 3.3 billion euro. Porsche Holding Salzburg is one of the most successful and profitable automobile trading companies in the world, with a strong presence particularly in Austria, the rest of western Europe and southeast Europe, as well as in China.

Over the course of the reporting year, Volkswagen acquired 9.75 percent of the voting rights of SGL Carbon SE, Wiesbaden. The SGL group is one of the world's leading producers of carbon, an extremely lightweight but very strong material that can be used to reduce vehicle weights.

On 9 November 2011, Volkswagen AG increased its interest in MAN SE, Munich, to 55.90 percent of the voting rights and 53.71 percent of the share capital after making a mandatory public offer to the shareholders. Closer cooperation between MAN, Scania and Volkswagen is expected to lead to substantial synergies in the future in the areas of procurement, development and production.

Investment planning of the Volkswagen group

Based on its current planning, the Volkswagen group will invest a total of 62.4 billion euro in the Automotive Division in the period from 2012 to 2016. Besides investments in property, plant and equipment, this amount includes additions to capitalized development costs of 11.6 billion euro and investments in financial assets of 1.0 billion euro, net of proceeds from asset disposals. Investments in property, plant and equipment will account for 49.8 billion euro, more than half of which (57 percent) will be invested in Germany alone. The ratio of capital expenditure to sales revenue in the period from 2012 to 2016 will be at a competitive level of around 6 percent on average.

At 32.7 billion euro (roughly 66 percent), the Volkswagen group will spend a large proportion of the total amount to be invested in property, plant and equipment in the Automotive Division on modernizing and extending the product range for all its brands. The main focus will be on new vehicles, derivatives and successor models in almost all vehicle classes, which will be based on the modular toolkit technology and related components. This will allow the Volkswagen group to systematically continue its model rollout with a view to tapping new markets and segments. In the area of powertrain production, the group will launch new generations of engines offering further improvements in performance, fuel consumption and emission levels. In particular, the group is pressing ahead with the development of hybrid and electric motors.

In addition, the Volkswagen group will make cross-product investments of 17.1 billion euro over the next five years. Due to the group's high quality targets and the continuous improvement of its production processes, the new products also require changes to, and additional capacity in, the press shops, paint shops and assembly facilities. Outside the production area, investments are mainly planned for the areas of development, quality assurance, sales, genuine parts supply and information technology.

Planned investment activities will also include expenditure on wind, solar and hydroelectric power, in order to supply the group's factories with renewable energies.

The Volkswagen group's objective is to finance its investments in the Automotive Division using internally generated funds. The group expects cash flows from operating activities to amount to 90.7 billion euro over the planning period. As a result, the funds generated are expected to exceed the Automotive Division's investment requirements by 28.3 billion euro, further improving the group's liquidity position. The group expects net cash flow in the Automotive Division to develop positively in 2012 and 2013.

Planning is based on the structure of the Volkswagen group at the date when the planning was prepared (September 2011) and already includes Porsche Holding Salzburg. The investments in the MAN group and in Porsche Zwischenholding GmbH are still accounted for in group planning using the equity method. The cash outflow for the purchase of the remaining 50.1 percent interest in Porsche Zwischenholding GmbH is not included in the group planning.

The joint ventures in China are not consolidated and are therefore also not included in the above figures. These companies will invest a total of 14.0 billion euro in new production facilities and products in the period from 2012 to 2016. These investments will be financed from the joint ventures' own funds.

In the Financial Services Division, the Volkswagen group is planning investments of 2.2 billion euro in the period from 2012 to 2016. The group expects the rise in leasing and rental assets and in receivables from customer and dealer financing to lead to funds tied up in working capital of 65.8 billion euro. Roughly 40 percent of the total capital requirements of 68.0 billion euro will be financed from gross cash flow. The remaining funds needed will be met – as is common in the sector – primarily through established money and capital market debt issuance programs and customer deposits from the direct banking business.

Business development

Significant growth

The global economy continued to grow in the reporting year 2011. However, according to calculations of the International Monetary Fund (IMF), at 3.8 percent, growth was not only below the prior-year figure of five percent; the generally positive economic situation drew attention away from the deteriorating conditions in Europe in 2011. While the region's economy grew strongly in the first half of the year, it was increasingly caught up in the debt crisis, which slowed development in the euro zone considerably. The consequences were obvious: even in Germany, the growth driver of the European economy, gross domestic product decreased slightly – compared to the preceding quarter – in Q4 of 2011 for the first time since the crisis year 2009. Germany achieved total economic growth of three percent during the reporting year. Although China still saw growth of 9.2 percent in 2011, the upswing slowed down in the Far East as a whole. Japan was additionally shaken by the natural disaster in spring 2011 and experienced a decrease of 0.9 percent in the year as a whole. Finally, development in the USA also remained unstable. The US economy achieved total economic growth of 1.8 percent in 2011.

The global automobile market benefited from the positive global economy and grew by 6 percent to 65.4 million new registrations in the reporting year. As in the prior year, the BRIC states of Brazil, Russia, India and China contributed to the upwards trend. According to the German Association of the Automobile Industry (VDA), sales in China rose by 8 percent to 12.2 million vehicles. In India, the increase was 6 percent to 2.5 million units; in Russia, 39 percent to 2.7 million vehicles; and in Brazil, 3 percent to 3.4 million units. The US market also achieved significant growth. 12.7 million new passenger cars and light trucks were sold in the USA in 2011, 10 percent more than in the prior year.

Sales in western Europe were slightly below the prior-year figure: 12.8 million new vehicles were sold, down just 1 percent. However, only the good performance of the large German market prevented a greater decrease on the continent. In Germany, a total of 3.2 million new passenger vehicles were sold in 2011. This represents a 9 percent increase on the prior year.

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

Considerable increase in sales at significant investments

The Porsche Zwischenholding GmbH group increased its unit sales – in comparison to the period from 1 January to 31 December 2010 – by 21.3 percent to 116,978 vehicles in the fiscal year 2011. This strong growth underscores the great market success of the new Cayenne and the Panamera, as sales of the 911 and Boxster/Cayman sports car model series decreased due to the product life cycle.

The Cayenne sporty off-roader achieved total sales of 59,873 units in the reporting period. This corresponds to growth of 48.8 percent in comparison to the prior year. Sales of the new Cayenne generation break down into 21,698 vehicles with six-cylinder gasoline engines, 4,236 vehicles with hybrid drive and 16,417 vehicles with diesel engines. The Cayenne with eight-cylinder engines accounted for 17,522 vehicles. In the fiscal year, Porsche sold 28,218 Panameras, an increase of 20.2 percent on the comparable prior-year period. The six-cylinder model accounted for 19,392 vehicles, 3,498 of these had a diesel engine and 952 were hybrid models. The eight-cylinder model accounted for 8,826 units.

Sales of the 911 model series were adversely affected by the model change which began in December 2011. Sales of the model series decreased by 13.7 percent to 17,607 vehicles in the fiscal year 2011. Sales of the Boxster model series, including the Cayman models, decreased by 8.6 percent to 11,280 units. Of these, 6,092 vehicles were Boxsters and 5,188 Caymans. The market launch of the new Boxster generation will kick off in April 2012.

The Volkswagen group also increased its unit sales. 4,450,270 of the 8,361,294 vehicles sold around the globe in the period until 31 December 2011 were from the Volkswagen passenger car brand (prior year: 3,862,632 out of a total of 7,278,440 vehicles sold). There was particularly strong demand for the Golf, Polo, Tiguan, Touareg, Jetta, Passat Variant, Touran and Sharan models. The up!, the new Golf Cabriolet and the new Beetle were well received in the market.

The Audi brand achieved sales of 1,543,497 vehicles in the period from 1 January to 31 December 2011 (prior year: 1,321,063 vehicles). The Audi A1, Audi A6, Audi A8 and the Audi A7 Sportback model series reported the highest growth rates. The renewed increase in demand for Audi Q5 and Audi Q7 SUV models also had a positive impact. Audi's sales figures include the numbers for the Lamborghini brand. The ŠKODA brand sold 690,350 vehicles in the reporting period, an increase of 18.1 percent on the prior year. All of the brand's model series contributed to this success. The Fabia, Octavia, Yeti and Superb models were in particularly high demand. In the fiscal year 2011, unit sales of the SEAT brand came to 361,518 vehicles (up 3.6 percent). Unit sales of the Bentley brand increased by 54.1 percent to 7,402 vehicles over this period. The Continental GT and Mulsanne saw the highest growth. The Chinese joint venture entities boosted unit sales by 2,200,715 vehicles (prior year: 1,871,336 units).

Over the period from 1 January to 31 December 2011, Volkswagen commercial vehicles sold 440,556 units (up 26.1 percent). Scania's unit sales came to 80,108 vehicles, which is equivalent to an increase of 25.7 percent in comparison to the prior year.

On 9 November 2011, Volkswagen increased its share in MAN SE to 55.9 percent of the voting rights and 53.71 percent of the share capital. MAN has therefore been consolidated as a further brand in the Volkswagen group since this date. In the period from 9 November to 31 December 2011, MAN sold 24,750 vehicles.

Regional differences

The Porsche Zwischenholding GmbH group achieved growth in all key sales regions in the reporting period. Sales increased most sharply in China, seeing 67.2 percent growth on the prior-year period to 24,594 vehicles. In the entire region Asia/Rest of the world, sales grew by 46.7 percent to 43,875 units. In the Americas region, unit sales rose by 7.6 percent to 32,605 vehicles in the reporting period; 29,331 of these vehicles were attributable to North America (up 5.9 percent). In the German market, Porsche achieved an increase of 3.7 percent to 13,918 units. In the European market as a whole, Porsche's unit sales increased by 11.7 percent to 40,498 vehicles.

Over the period from 1 January to 31 December 2011, the Volkswagen group sold 4,065,952 vehicles in the Europe/Other markets region, 12.4 up on the level of the corresponding prior-year period in which 3,616,728 vehicles were sold. In North America, unit sales increased by 22.2 percent to 677,821 units. Unit sales in South America increased by 2.3 percent in comparison to the prior year, coming to 943,415 vehicles. In the Asia-Pacific region, demand for the group's models remained consistently high. Including the joint ventures in China, the Volkswagen group sold 2,674,106 vehicles over the period from 1 January to 31 December 2011, up 22.4 percent on fiscal year 2010.

Production expanded

In the reporting period, 127,793 vehicles were produced in the Porsche Zwischenholding GmbH group, an increase of 33.7 percent in comparison to the prior-year period. 62,004 units of the Cayenne model series rolled from line at the Leipzig plant, 57.3 percent more vehicles than in the comparable prior-year period. 31,834 Panamera vehicles were produced, 32.1 percent more than in the prior year. At the plant in Zuffenhausen, an 8.9 percent increase in production of the 911 model series resulted in 21,748 units being produced. Production of the Boxster series (including the Cayman models) increased 1.2 percent to 12,207 units. In Finland, the number of vehicles produced fell by 68.4 percent to 2,015 units. Boxster production has been gradually being moved to Zuffenhausen since February 2009. The service agreement with the Finnish partner Valmet ended on 31 January 2012.

The Volkswagen group produced 8,494,280 vehicles over the period from 1 January to 31 December 2011, after 7,357,505 vehicles in the prior year. As of 31 December 2011, vehicle inventories at group companies and in the retail organization around the world were up on the prior year.

Financial services in demand

The international financial services provider Porsche Financial Services group offers financial services for Porsche vehicles via the Porsche retail organization. In addition to the core leasing and financing products, the portfolio includes dealer financing, insurance and credit cards. Since 2011, financial services have been offered for the exclusive Bentley, Lamborghini and Bugatti brands of the Volkswagen group in the German, Italian and Swiss markets. An offering for the US, Canadian and French markets is in preparation. Porsche Financial Services companies are represented in 12 countries and thus in virtually all the key automobile markets of the Porsche Zwischenholding GmbH group. In the core markets of Germany, North America, Italy, the UK and Japan, the financial services provider manages all its operating activities itself. In all other countries, the company utilizes cooperation partners.

The latest financial services company was founded in Singapore in 2011 and planning commenced for the start of business for the growing Chinese market. With around 140 employees worldwide, Porsche Financial Services concluded some 35,000 new contracts in 2011 and managed a total of around 87,000 financial services contracts with a total value of 3.6 billion euro. In addition to this, around 13,000 customers took advantage of Porsche's credit card service. The financial services companies have continued to optimize their processes and methods for risk management in line with the applicable statutory requirements.

Volkswagen Financial Services' portfolio of services covers dealer and customer financing, leasing, banking and insurance activities, and fleet management. The global financial services' activities of the Volkswagen group, with the exception of the Scania and MAN brands and the financial services business of Porsche Holding Salzburg, are coordinated by Volkswagen Financial Services AG. The principal companies in this division are Volkswagen Bank GmbH, Braunschweig, Volkswagen Leasing GmbH, Braunschweig, and Volkswagen Versicherungsdienst GmbH, Braunschweig, in Europe, and in North America VW CREDIT, INC., Libertyville, Illinois, USA.

As of 1 January 2012, Volkswagen Leasing GmbH is set to acquire dealer-owned rental car company Euromobil, thereby strengthening Volkswagen Financial Services AG's own mobility business and closing a gap in its mobility concept. The long-term plan is to integrate Euromobil into the "New Mobility" strategic business area.

With its innovative products along the automotive value chain, Volkswagen Financial Services once again contributed to the Volkswagen group's good earnings and sales situation in fiscal year 2011. The number of new finance, leasing and insurance contracts signed in fiscal year 2011 amounted to 3.1 million, 16.2 percent more than in the prior-year period. The total number of contracts in the Service/Insurance area rose to 2.7 million, up 19.8 percent on the prior-year period. Overall, the number of contracts reached a new record of 8.2 million. Volkswagen Bank direkt continued its positive performance in the direct banking business and was managing 1,442,002 accounts at the end of the reporting period (plus 4.5 percent). In the fleet management business, our joint venture LeasePlan Corporation N.V. recorded a total of 1.3 million vehicle contracts at the end of 2011, surpassing the prior-year figure by 2.7 percent.

New jobs

As of 31 December 2011, the Porsche SE group had 31 employees (31 December 2010: 36 employees). As of 31 December 2011, the headcount at the Porsche Zwischenholding GmbH group of 15,307 employees was up 16.3 percent on the figure seen as of 31 December 2010. In Germany, the Porsche Zwischenholding GmbH group employed 13,249. This means that Germany accounts for 86.6 percent of the total workforce.

The Volkswagen group employed 501,956 people as of 31 December 2011. This was 25.7 percent more than as of 31 December 2010 (399,381). There were 224,851 employees in Germany. This is equivalent to 44.8 percent of the total headcount.

Capital market

2011 was not a good year for the international stock exchanges. The German stock exchange index (Dax), which opened at 6,990 points on 3 January 2011 and therefore on the first trading day in the reporting year 2010, closed at 5,898 points on 30 December 2011, recording a loss of around 16 percent compared to the end of the prior fiscal year. The Composite Dax (C-Dax) fell from 877 to 688 points in 2011, a decrease of around 22 percent. Porsche SE's preference shares, which were trading at 59 euro at the beginning of the reporting year, closed at 41 euro at the end of the fiscal year.

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.

Implementation of the requirements of the German Corporate Governance Code

In accordance with the declaration of compliance from October 2011, Porsche SE complies with the recommendations of the German Corporate Governance Code with two exceptions. The shares in the company and related financial instruments held by members of the company's governing bodies (No. 6.6 of the German Corporate Governance Code) have not been published and will still not be published in the future as complete compliance with statutory publishing requirements provides the capital markets and Porsche SE's shareholders in particular with sufficient information.

Concrete objectives regarding the composition of the supervisory board which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, an age limit to be specified for the members of the supervisory board and diversity (No. 5.4.1 (2 and 3), version dated 26 May 2010) will, as in the past, not be specified in the future. The specification of concrete goals would not be appropriate at the current time as the integrated automotive group is to be created with Volkswagen AG before the next planned new elections of shareholder representatives to the supervisory board are due, if possible. In this case, questions regarding the composition of the supervisory board of the company could arise that are of a quite different character than at present.

Publication of the declaration of compliance

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

Annual general meeting of Porsche SE

At the annual general meeting of Porsche SE held on 17 June 2011, a dividend of 50 cents per old and new preference share for the short fiscal year (SFY) 2010 was approved. For the fiscal year 2009/10, the dividend had been 9.4 cents per ordinary share and 10 cents per preference share. The significant increase in the dividend distribution to the holders of preference shares was made possible by the ordinary shareholders stating that they would not participate in the dividend distribution for the short fiscal year 2010 and that the dividend should be distributed exclusively to the holders of preference shares.

Shareholder composition

In April 2011, Porsche SE successfully completed its capital increase in return for cash contributions. With the entry of the implementation of the capital increase in the commercial register of the Stuttgart district court on 13 April 2011, the company‘s share capital was increased by 131,250,000 euro from 175,000,000 euro to 306,250,000 euro through the issuance of 65,625,000 new ordinary shares (no-par-value shares) and 65,625,000 new preference shares (no-par-value shares), with each no-par-value share representing a notional share of one euro in the share capital. Since then, Porsche SE's subscribed capital has comprised 153,125,000 ordinary shares and 153,125,000 preference shares. Until the end of the 2008/09 fiscal year, the ordinary shares had been held indirectly exclusively by members of the Porsche and Piëch families. Since August 2009, Qatar Holding LLC has indirectly held ten percent of the ordinary shares of Porsche SE.

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

Indices

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

Results of operations, financial position and net assets

Porsche SE functions as a holding company for its investments in the operating companies Porsche Zwischenholding GmbH and Volkswagen AG. Following the change of the fiscal year at Porsche SE in 2010, the fiscal year now runs concurrently with the calendar year. The present consolidated financial statements of Porsche SE therefore cover the period from 1 January to 31 December 2011. The comparative period, the short fiscal year 2010, ran from 1 August to 31 December 2010, covering a five-month period. Due to the different durations of the two fiscal years, the financial position and results of operations of the fiscal year 2011 are not fully comparable to the financial position and results of operations of the comparative period.

Results of operations

In the period from 1 January to 31 December 2011, the Porsche SE group generated a profit for the year of 59 million euro, following a profit for the year of 1,286 million euro recorded in SFY 2010. The company presents a positive result from investments accounted for at equity of 4,660 million euro (SFY 2010: 1,075 million euro). However, this was largely compensated by a non-cash special effect recognized in income from the adjustment of the valuation of the put and call options for the shares in Porsche Zwischenholding GmbH remaining with Porsche SE totaling minus 4,372 million euro (SFY 2010: minus 389 million euro). The main parameters for the valuation of the put and call options in the fiscal year 2011 were above all the theoretical probability of exercise of the options as well as the enterprise value of Porsche Zwischenholding GmbH. The enterprise value of Porsche Zwischenholding GmbH in turn depends to a large extent on the underlying planning and the cost of capital derived as of the respective valuation date.

As the merger was not achieved within the framework and timeframe of the basic agreement, the valuation of the put and call options as of 31 December 2011 was to be based on a theoretical probability of 100 percent that the options will be exercised. Since the theoretical probability was still 50 percent as of 31 December 2010, the increase to 100 percent placed a considerable burden on earnings (we refer to our statements under “No merger of Porsche SE into Volkswagen AG within the framework and timeframe of the basic agreement – aim to achieve integrated automotive group with Volkswagen unchanged” in the “Significant events” section of this management report). Furthermore, an update of the corporate planning of Porsche Zwischenholding GmbH and the additional model series planned in the sporty off-roader segment (Macan) resulted in an increase in the enterprise value and in a negative impact on earnings due to the valuation of the put and call options at fair value.

The increase in the cost of capital used for valuation purposes compared to the prior fiscal year end had an opposite effect on the valuation of the put and call options. However, this increase only partially compensated for the increase in the enterprise value and the theoretical probability of the exercise of the options and, in turn, the net valuation result.

Other operating income for the fiscal year 2011 of 12 million euro (SFY 2010: 269 million euro) chiefly comprises income from the reversal of provisions. In the comparative period, other operating income contained in particular income from stock price hedging (102 million euro) and income from the valuation of the put option for the remaining shares held by Porsche SE in Porsche Zwischenholding GmbH (158 million euro).

The Porsche SE group’s other operating expenses of 4,445 million euro (SFY 2010: 590 million euro) essentially contain the effect described from the valuation of the put and call options for the shares in Porsche Zwischenholding GmbH remaining with Porsche SE at fair value totaling minus 4,372 million euro (SFY 2010: expenses from the valuation of the call option of 547 million euro).

Personnel expenses in the period from 1 January to 31 December 2011 came to 14 million euro in the Porsche SE group (SFY 2010: 11 million euro).

Profit from investments accounted for at equity comes to 4,660 million euro (SFY 2010: 1,075 million euro). 395 million euro (SFY 2010: 106 million euro) is attributable to the Porsche Zwischenholding GmbH group and 4,265 million euro (SFY 2010: 969 million euro) to the Volkswagen group. Porsche SE benefited from the increased profits of its significant investments. In addition to the original profit contributions of both investments, the profit of investments accounted for at equity includes effects of amortization of the purchase price allocations performed at the time of inclusion of Porsche Zwischenholding GmbH as a joint venture and Volkswagen AG as an associate. The profit/loss from investments accounted for at equity – and therefore the Porsche SE group's profit for the year – was reduced by 165 million euro in total (SFY 2010: 206 million euro) by the effects of the subsequent measurement of the purchase price allocations for the Porsche Zwischenholding GmbH group and the Volkswagen group, i.e., the amortization of hidden reserves and burdens identified in the process.

In the reporting period, the financial result, which essentially contains income and expenses from loans, came to minus 185 million euro (SFY 2010: 104 million euro).

In the fiscal year 2011, the Porsche SE group achieved a profit before tax of 28 million euro (SFY 2010: 639 million euro). Taking into consideration income from income taxes of 31 million euro (SFY 2010: income of 647 million euro), the profit for the year of the Porsche SE group comes to 59 million euro (SFY 2010: 1,286 million euro).

Financial position

The cash flow from operating activities of the Porsche SE group came to 43 million euro in the fiscal year 2011 (SFY 2010: minus 325 million euro). This comprises, on the one hand, the positive effect from dividends received from Volkswagen AG of 243 million euro (SFY 2010: 0 million euro) and from Porsche Zwischenholding GmbH of 128 million euro (SFY 2010: 198 million euro). In addition, there was an inflow from income tax refunds of 176 million euro (SFY 2010: 7 million euro) in the fiscal year 2011. On the other hand, there was a cash outflow from income taxes paid of 278 million euro (SFY 2010: 370 million euro) in the fiscal year 2011. Interest paid in the fiscal year 2011 came to 366 million euro (SFY 2010: 205 million euro); interest received came to 191 million euro (SFY 2010: 77 million euro).

There was a cash inflow from investment activities of 115 million euro (SFY 2010: 222 million euro) in the fiscal year 2011. This cash inflow pertains to released time deposits with an original term of more than three months (SFY 2010: 100 million euro). In SFY 2010, the cash flow from investing activities also contained changes in the cash-settled options relating to shares in Volkswagen AG, which were disposed of in full during SFY 2010, as well as the associated effect of the originally restricted cash being released.

There was a cash outflow from financing activities of 196 million euro (SFY 2010: 28 million euro) in the fiscal year 2011. The cash flow from financing activities in the fiscal year 2011 contains in particular the gross issue proceeds of 4,988 million euro from the capital increase in April 2011, less all related transaction costs of 85 million euro incurred in 2011. Transaction costs of 10 million euro were already paid in SFY 2010. In addition, the cash flow from financing activities includes the cash paid for the repayment of the bank liabilities totaling 7,000 million euro, cash received from taking out liabilities to banks incurred in connection with the refinancing performed in October 2011 in the amount of 2,000 million euro as well as the dividend payments to the shareholders of Porsche SE and its hybrid capital investors. In SFY 2010, the cash flow from financing activities contained only dividends paid to the shareholders of Porsche SE and its hybrid capital investors.

Compared to 31 December 2010, cash funds decreased by 38 million euro to 368 million euro.

Gross liquidity, i.e., cash, cash equivalents and time deposits of the Porsche SE group, decreased from 622 million euro in the prior year to 469 million euro. Liabilities to banks fell due to the capital increase in April 2011 and the associated partial repayment from 6,964 million euro as of 31 December 2010 to 1,991 million euro as of 31 December 2011.

The net liquidity of the Porsche SE group, i.e., cash, cash equivalents and time deposits less liabilities to banks, thus came to minus 1,522 million euro as of 31 December 2011 (31 December 2010: minus 6,342 million euro).

Net assets

The total assets of Porsche SE group increased by 3,299 million euro compared to 31 December 2010 to 32,965 million euro as of 31 December 2011.

The non-current assets of the Porsche SE group totaling 32,261 million euro (31 December 2010: 28,733 million euro) essentially pertain to the shares in Porsche Zwischenholding GmbH and Volkswagen AG accounted for at equity. The investments accounted for at equity have increased by a total of 3,750 million euro to 28,008 million euro, mainly due to the positive business development of both investments. While the carrying amount of the investment in Volkswagen AG accounted for at equity increased by 3,563 million euro to 24,272 million euro, the carrying amount of the investment in Porsche Zwischenholding GmbH accounted for at equity rose by 187 million euro to 3,736 million euro. Other non-current receivables and assets as of the end of the reporting period of 4,253 million euro (31 December 2010: 4,475 million euro) relate primarily to receivables from loans granted to Porsche Zwischenholding GmbH and Porsche AG. In addition, the other non-current receivables and assets contain a positive fair value totaling 232 million euro (31 December 2010: 459 million euro) for the put option Porsche SE received from Volkswagen under the basic agreement for the remaining shares that it holds in Porsche Zwischenholding GmbH. It is calculated based on a 100 percent theoretical probability of exercise of the options; in other words, there is a 100 percent probability that the merger will fail within the framework and timeframe of the basic agreement (31 December 2010: 50 percent).

Non-current assets expressed as a percentage of total assets increased from 96.9 percent at the end of the comparative period to 97.9 percent at the end of the fiscal year 2011.

Current assets fell to 704 million euro in comparison to the end of the last reporting date (31 December 2010: 933 million euro). This figure mainly contains cash and cash equivalents of Porsche SE and its subsidiaries as well as income tax receivables that primarily relate to reimbursement claims for tax on investment income from dividends received. As a percentage of total assets, current assets fell from 3.1 percent in the prior year to 2.1 percent as of 31 December 2011.

As of 31 December 2011, the equity of the Porsche SE group increased, mostly on account of the capital increase performed in April 2011, to 21,645 million euro (as of 31 December 2010: 17,214 million euro). The equity ratio (taking hybrid capital into account) increased from 58.0 percent in the prior year to 65.7 percent as of 31 December 2011, with total assets rising.

Current and non-current provisions decreased from 247 million euro at the end of SFY 2010 to 195 million euro as of 31 December 2011. This decrease is mainly driven by the decrease in income tax provisions.

Compared to 31 December 2010, non-current and current financial liabilities decreased by a total of 4,973 million euro to 5,871 million euro as of the reporting date. This decrease is attributable to the partial repayment of the liabilities to banks presented in current financial liabilities in a nominal total amount of 5,000 million euro, which was undertaken using the issue proceeds from the capital increase in April 2011 as well as using other available liquidity. In October 2011, the remaining liability to banks in a nominal amount of 2,000 million euro was refinanced by a new syndicated loan. As at the end of the comparative period, the non-current financial liabilities contain liabilities to companies belonging to the Porsche Zwischenholding GmbH group totaling 3,880 million euro. Other non-current and current liabilities increased from 1,093 million euro at the end of the prior fiscal year to 5,237 million euro as of the reporting date. Non-current other liabilities contain a negative fair value of 5,087 million euro (31 December 2010: 942 million euro) for Volkswagen AG's call option pursuant to the basic agreement for the remaining shares held by Porsche SE in Porsche Zwischenholding GmbH. The change in the value of the call option, like the change in the value of the put option presented under non-current assets, is attributable to updated assumptions underlying their valuations. This concerns above all the increase in the theoretical probability of exercise of the options to 100 percent and the increase in the enterprise value of Porsche Zwischenholding GmbH.

Operating result of significant investments

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

The Porsche Zwischenholding GmbH group sold 116,978 vehicles in the fiscal year 2011. Revenue came to 10,928 million euro. The operating result of the Porsche Zwischenholding GmbH group amounted to 2,045 million euro. The Porsche Zwischenholding GmbH group reports a healthy double-digit return on sales.

The Volkswagen group sold 8,361,294 vehicles in the period from 1 January 2011 to 31 December 2011. With revenue of 159,337 million euro, the operating result came to 11,271 million euro in that period.

Overall statement on the economic situation of the Porsche SE group

Since the corporate restructuring performed in the 2009/10 fiscal year, Porsche SE has functioned as a holding company for its investments in the operating companies Porsche Zwischenholding GmbH and Volkswagen AG.

The Porsche SE group's results of operations are therefore impacted most by the profit contributions of the investments accounted for at equity in Porsche Zwischenholding GmbH and Volkswagen AG. In addition, the valuation of the put and call options relating to the remaining shares held by Porsche SE in Porsche Zwischenholding GmbH can have a significant effect on the results of operations in the event of changes in the underlying assumptions, in particular the enterprise value of Porsche Zwischenholding GmbH.

The material factors determining net assets remain the development of the carrying amounts of the investments held in Porsche Zwischenholding GmbH and Volkswagen AG accounted for at equity, the development of financial liabilities as well as the status of liabilities to banks.

The financial position is determined, on the one hand, by the cash inflows from dividends paid by Porsche Zwischenholding GmbH and Volkswagen AG. On the other, there are cash outflows especially from interest and principal payments as well as taxes paid.

The executive board considers the economic situation of Porsche SE and its significant investments to be positive. The global economy grew significantly in 2011. In the past fiscal year, Porsche SE benefited from the positive economic development and the significantly increased revenue in comparison to the prior year as well as the increased profits of these investments. Moreover, Porsche SE's interest burden was reduced by repaying debt and by the refinancing performed in 2011.

Additional information on the composition and development of the items in the balance sheet, the income statement and the statement of cash flows of the Porsche SE group is included in the notes to the consolidated financial statements of the Porsche SE group as of 31 December 2011.

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

These separate financial statements of Porsche SE for the fiscal year 2011 cover the reporting period from 1 January to 31 December 2011. Due to the conversion of the fiscal year to the calendar year effective as of 1 January 2011, the short fiscal year 2010, covering a period of five months from 1 August to 31 December 2010, is presented as comparative period. Due to the different number of months covered by the two fiscal years, the financial position and results of operations of the fiscal year 2011 in particular are not fully comparable to the financial position and results of operations of the SFY 2010.

Net profit for the period

Porsche SE's net profit for the fiscal year 2011 is determined mainly by the income from investments, the interest result and expenses for the capital increase performed in April 2011. Porsche SE also received dividends of 155 million euro from Porsche Zwischenholding GmbH and 330 million euro from Volkswagen AG in the fiscal year 2011. In the comparative period, dividend income from Porsche Zwischenholding GmbH of 282 million euro and income of 71 million euro from the profit transfer by Porsche Zweite Vermögensverwaltung GmbH was presented.

The interest result for fiscal year 2011 essentially consists of income and expenses from loans. Interest expenses (409 million euro) increased disproportionately in the 12-month fiscal year 2011 compared to the five-month SFY 2010 (244 million euro). Porsche SE benefited in particular from the reduction of liabilities to banks in the reporting period as well as from more favorable conditions agreed upon as part of the refinancing performed in October 2011. Interest income increased from 131 million euro in SFY 2010 to 190 million euro. The interest result for the comparative period includes income from the reversal of provisions of 51 million euro for interest on suspended payments and tax payments in arrears that had been recognized in connection with the tax treatment of stock option transactions.

Other operating expenses for the fiscal year 2011 contain expenses in connection with the capital increase in April 2011 of 85 million euro. The accounting profit for the comparative period includes effects from stock options totaling 21 million euro. An amount of 23 million euro thereof is attributable to other operating income and 2 million euro to other operating expenses. Income from ordinary activities fell from 217 million euro in the comparative period to 136 million euro in the fiscal year 2011.

The extraordinary expenses of 2 million euro in SFY 2010 are a result of the first-time adoption of all requirements of the German Accounting Law Modernization Act (BilMoG) in the separate financial statements pursuant to the German Commercial Code (HGB).

The taxes totaling 10 million euro contain income from the reversal of income tax provisions of 41 million euro and expenses from the addition to the provision for other taxes of 30 million euro. In SFY 2010, the taxes totaling 664 million euro included income of 666 million euro arising from the reversal of provisions set up in prior years relating to the tax treatment of stock option transactions.

The net profit comes to 146 million euro (SFY 2010: 879 million euro).

Income statement of Porsche Automobil Holding SE

€ million	**2011**	SFY 2010
Other operating income	12	32
Personnel expenses	–14	–11
Other operating expenses	–128	–44
Income from investments	485	353
Interest result	–219	–113
Income from ordinary activities	**136**	**217**
Extraordinary expenses	0	–2
Income taxes	41	664
Other taxes	–31	0
Net profit	**146**	**879**
Withdrawals from retained earnings	86	0
Transfer to retained earnings	0	–439
Net retained profit available for distribution	**232**	**440**

Net assets and financial position

The financial assets of Porsche SE mainly comprise the investments held in Porsche Zwischenholding GmbH and Volkswagen AG, which are recognized at cost in the separate financial statements. Porsche SE's receivables primarily contain loan receivables from Porsche Zwischenholding GmbH (2,703 million euro) and from Porsche AG (1,313 million euro) that are due in more than one year.

Other assets principally relate to tax refunds based on the reimbursement claims against the tax authorities relating to dividends received. In addition, other assets still contain amortized costs of 13 million euro for the put option with Volkswagen AG for the remaining shares in Porsche Zwischenholding GmbH held by Porsche SE.

Prepaid expenses of 5 million euro mainly contains prepayments for insurance premiums.

Provisions contain provisions for pensions and similar obligations, tax provisions for prior-year taxes that have not been assessed yet as well as other provisions.

Liabilities to banks decreased from 7,000 million euro as of 31 December 2010 to 2,000 million euro. This decrease is attributable to the partial repayment of the liabilities to banks presented in current financial liabilities totaling 5,000 million euro, which was undertaken using the issue proceeds from the capital increase in April 2011 as well as using other available liquidity. In October 2011, the remaining liability to banks of 2,000 million euro was refinanced by a new syndicated loan. At 4,393 million euro, sundry liabilities decreased in comparison to the end of the comparative period (4,653 million euro). They mostly relate to liabilities due to Porsche Zwischenholding GmbH and Porsche AG. Other liabilities include (unchanged) 10 million euro for Volkswagen AG's call option for the remaining shares in Porsche Zwischenholding GmbH held by Porsche SE.

Balance sheet of Porsche Automobil Holding SE as of 31 December 2011

€ million	**31/12/2011**	31/12/2010
Assets		
Financial assets	24,771	24,771
Receivables	4,030	4,027
Other receivables and assets	228	302
Cash and cash equivalents	460	622
Prepaid expenses	5	35
	29,494	**29,757**
Equity and liabilities		
Equity	22,897	17,839
Provisions	204	265
Liabilities to banks	2,000	7,000
Sundry liabilities	4,393	4,653
	29,494	**29,757**

Risks relating to the business development

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

Risks arising from financial instruments

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

Proposed dividend

The statutory financial statements of Porsche SE as of 31 December 2011 report a net retained profit available for distribution of 231,831,250 euro. The executive board proposes deciding upon the distribution of a dividend of 0.754 euro per ordinary share and 0.760 euro per preference share, i.e., a total distribution of 231,831,250.00 euro. The dividend approved for SFY 2010 was 0.500 euro per preference share. The ordinary shareholders of Porsche SE had stated that they would not participate in the dividend distribution for SFY 2010 and that the dividend should be distributed exclusively to the holders of preference shares.

Dependent company report drawn up

As in previous years, in accordance with Sec. 312 German Stock Corporation Act (AktG), Porsche SE has drawn up a report on relations with companies affiliated with holders of its ordinary shares (a dependent company report). The conclusion of this report is as follows: "In accordance with the circumstances known to it when the transactions stated in the report were conducted, Porsche Automobil Holding SE has rendered or, as the case may be, received reasonable payment. The company was not disadvantaged by these transactions. There were no reportable measures in accordance with Sec. 312 (1) Sentence 2 German Stock Corporation Act (AktG) in the fiscal year 2011".

Value-enhancing factors

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

For better comparability, the disclosures of comparable prior-year figures of the Porsche Zwischenholding GmbH group presented in the following relate to the 12-month period from 1 January 2010 to 31 December 2010, unless otherwise stated. The comparable prior-year figures were determined using simplified assumptions for the cut-off and measurement as of the end of the period.

Research and development

New launches by the Porsche Zwischenholding GmbH group

Porsche's development activities in the reporting period centered on both the development of new vehicle generations of the 911 and Boxster model series as well as on additional derivatives for expanding the product range. In fiscal year 2011, the development center in Weissach was also already working on the development of the fifth model series Macan, which is scheduled to go into production at the end of 2013. In addition, the engineers in Weissach were busy working on joint projects for the development of modules and modular systems in cooperation with partners as well as on projects in the field of e-mobility.

The Panamera S Hybrid* was the main attraction on Porsche's stand at the Geneva International Motor Show in March 2011. With a best-case consumption of 6.8 liters per 100 km in the NEDC (New European Driving Cycle), the parallel full hybrid model emits only 159 g of CO_2 per km. The Panamera S Hybrid achieves these figures with the optional all-season low-rolling-resistance tires from Michelin. The vehicle is powered by a three-liter supercharged V6 engine delivering 333 hp (245 kW), which is supported by a 47-hp (34 kW) electric motor. Both machines are capable of powering the Panamera S Hybrid either alone or in combination. The electric motor is connected to a nickel metal hydride battery that stores the electrical energy recovered from braking and driving. Depending on driving conditions, speeds of up to 85 km/h can be reached in electric drive alone. Its top speed is 270 km/h. The market launch was in June 2011.

* We refer to the corresponding tables in this section for details of consumption and emissions.

The Panamera Turbo S* has also been on sale since June 2011. The new top-of-the-range model, with a twin-turbocharged 4.8-liter V8 engine delivering 550 hp (404 kW) and enabling a top speed of 306 km/h, has moderate fuel consumption of 11.5 liters per 100 km. With rolling resistance-optimized tires, this figure drops to 11.3 liters.

The third new Panamera model is the Panamera Diesel*. The vehicle is an ideal gran turismo, with a range of over 1,200 km from an 80-liter tank, and fuel consumption of just 6.3 liters of diesel per 100 km with the optional low-friction tires. This is equivalent to CO_2 emissions of 167 g/km. The smooth-running 250-hp (184-kW) three-liter V6 engine represents the state of the art in diesel technology. Auto start/stop functionality is included as standard. The Panamera with the lettering “diesel” on its front doors went on sale in August 2011.

Another Panamera model was unveiled in November at the Los Angeles Auto Show in 2011: the Panamera GTS. Its modified V8 suction engine with 4.8-liter capacity generates 430 hp (316 kW). The chassis has particularly sporty specifications; the body rides 10 millimeters lower. The GTS hits 100 km/h in 4.5 seconds, with a high speed of 288 km/h and fuel consumption of 10.9 liters per 100 km – with optional low-rolling-resistance tires, 10.7 liters. It was launched on the market in February 2012.

The 911 GT3 RS 4.0* was limited to 600 vehicles. The 500-hp (368 kW) four-liter engine enables it to reach 100 km/h in 3.9 seconds from a standing start. The 911 GT3 RS 4.0 with its wide track, low vehicle position, large rear wing and central twin tailpipe was launched in the market in July 2011.

In September 2011, the IAA in Frankfurt am Main saw the worldwide unveiling of the new generation of the 911 Carrera*. Compared to the predecessor generation, the fuel consumption and emissions of the new coupés have been cut by up to 16 percent. Equipped with a 350-hp 3.4-liter Boxer engine and the optional Porsche double-clutch gearbox (PDK), the 911 Carrera consumes 8.2 liters per 100 km based on the NEDC, or 1.6 liters less per 100 km than its predecessor model. The 911 Carrera is also the first sports car from the Porsche stable to deliver carbon emissions below the 200 g per km mark (194 g per km). Even the more powerful 911 Carrera S featuring a 3.8-liter Boxer engine and 400 hp delivers a cut in fuel consumption compared to its predecessor when coupled with the optional PDK of 15 percent or 1.5 liters per 100 km, which means that it consumes 8.7 liters per 100 km despite a 15 hp power increase and emits 205 g of CO_2 per km. The new lightweight body featuring aluminum and steel construction plays a major role in the 45 kilogram weight reduction of the new 911 Carrera. New active control systems increase handling to unprecedented levels. Moreover, the world's first seven-speed manual gearbox is included as standard. Functions like the start-stop system increase the 911 Carrera’s efficiency further.

The new 911 design versions of the convertible models 911 Carrera* and 911 Carrera S* follow as early as March 2012. The new models feature a completely new top that is true to the characteristic 911 roof silhouette for the first time. The two new convertibles are equipped with the same drive as the Carrera coupé.

* We refer to the corresponding tables in this section for details of consumption and emissions.

Only a month later, in April 2012, the new Boxster will be launched. The open-top two-seater will roll out with an entirely new lightweight body and a completely reworked chassis. Significant lower weight, a longer wheelbase, a wider track and bigger wheels combine to further ratchet up the handling of the mid-engined sports car noticeably. The new Boxsters deliver better performance and are also as much as 15 percent more efficient. Depending on the model, they are content with less than 8 liters of fuel per 100 km.

The Boxster* and Boxster S* are powered by six-cylinder boxer gasoline engines with direct fuel injection and improved efficiency based on electrical system recuperation, thermal management and start/stop function. The new 2.7-liter engine of the entry model provides 265 hp (195 kW) – that's 10 hp more than its larger predecessor. Its technology is based on the 3.4-liter engine of the Boxster S. It now delivers 315 hp (232 kW), an increase of 5 hp.

New launches by the Volkswagen group

The Volkswagen group selectively expanded its model portfolio in key segments in the reporting period: It comprises around 240 passenger car and commercial vehicle models and their derivatives. The group covers almost all key segments and body types, with offerings from small cars to super sports cars in the passenger car sector, and from small pickups to heavy trucks in the commercial vehicles sector. The Volkswagen group will gradually move into open market segments that offer profitable opportunities.

The Volkswagen passenger cars brand premiered a large number of new vehicles in 2011. Highlights were the new Golf Cabriolet, the new Beetle – the successor to a motoring icon – and the up!, which supplemented the brand's model portfolio with a small car. This compact runabout offers an impressive combination of maximum room within minimum dimensions, safety features such as ESP and the city emergency braking function, and compelling quality. Other key models launched included the new Passat for the Chinese market and the Passat for the US market, whose proportions and features were specially designed with local customers' needs in mind. Added to this were enhancements to the successful Tiguan model and new versions such as the Polo BiFuel* and the Passat BlueMotion*, which expand Volkswagen passenger cars' range of environmentally friendly vehicles.

The Audi brand again met its own high standards in 2011. Sporty, technically superior vehicles were launched in the form of the Audi RS 3 Sportback,* the Q5 hybrid quattro* (the brand's first hybrid model), the new-generation A6 saloon and Avant, the R8 GT Spyder* and the A8 L W12* 12-cylinder derivative. Another noteworthy addition was the Q3, which marks the brand's entry into the compact SUV segment. Its coupé-esque lines give the model a sporty, progressive design.

The Czech brand ŠKODA also presented a new small car, the Citigo, a derivative of the Volkswagen up!, which has the standard ŠKODA look on the outside and is full of smart ideas on the inside. An additional highlight was the Rapid, which was initially launched in the Indian market and which will also fill the gap between the Fabia and Octavia models in other markets in future as the new entry-level notchback saloon in the compact class.

The Mii – another sister model to the Volkswagen up! – was introduced in the reporting period and designed specifically for the SEAT brand, expanding the Spanish brand's product offering to include a new small car. A further high point was the revamped Exeo, in which the model's dynamic character is highlighted using state-of-the-art LED technology.

The group's luxury brands also introduced fascinating new models and derivatives in the market in 2011. Bentley debuted the successors to the Continental GT* and to the Continental GT convertible*. Lamborghini premiered the lightweight version of the Gallardo Spyder: the Gallardo Spyder Performante LP 570-4. The market launch of the Aventador Coupé LP 700-4*, the first product in the new model range that is succeeding the Murciélago, was a particular highlight. Bugatti confirmed its unique position by launching the Veyron L'or Blanc, which uses exquisite porcelain elements in its internal and external design thanks to a collaboration with Königliche Porzellan-Manufaktur Berlin. The result is a work of art on four wheels.

* We refer to the corresponding tables in this section for details of consumption and emissions.

Volkswagen commercial vehicles presented the Multivan BlueMotion* – a fuel economy giant in the van segment. At 6.4 liters of diesel/100 km, its fuel economy rating is uniquely low for this vehicle class. Derivatives of the Caddy* and the Caddy Maxi* with BiFuel engines round off the offering of fuel-efficient commercial vehicles. In the pickup segment, the Amarok range was expanded to include a single-cab version with a larger loading space. The revised Crafter offers a compelling mix of high-torque, extremely efficient engines, a higher payload and modern interior and exterior design.

Following the introduction of the V8 series in 2010, Scania now has the technical solutions and the engine platform required to meet the Euro 6 emissions standard that will enter into force at the end of 2013. Scania presented the 324 kW (440 hp) and 353 kW (480 hp) Euro 6 engines in fiscal year 2011. MAN is systematically expanding its offering of specification packages that contribute to greater transport efficiency.

Pooling strengths with strategic alliances

Cooperative development arrangements with other vehicle producers are especially well-suited for tapping new market segments in a cost-effective way. In a strategic collaboration, investment expenditures can be distributed among the partners and development costs can be kept low thanks to the concentration of expertise and competencies. In this context, Volkswagen continued the existing cooperation arrangements in 2011 with Porsche AG, Daimler AG and the Chrysler group.

The Volkswagen group has also continued and intensified cooperation with a number of expert battery manufacturers in 2011. This allows Volkswagen to support the development of high-voltage battery systems for hybrid drives and electric vehicles. In 2010, Volkswagen and its partner VARTA Microbattery GmbH in Ellwangen established VOLKSWAGEN VARTA Microbattery Forschungsgesellschaft mbH & Co. KG. Its purpose is to research and develop battery cells suitable for cars as well as the associated production technology. The Volkswagen group is also continuing to expand its expertise in the field of electric traction in cooperation with many universities such as the Institute of Physical Chemistry at the University of Münster.

High-end synthesis of successful hybrid concepts

At the Detroit Auto Show 2011, Porsche presented the 918 RSR – a high-end synthesis of the successful hybrid concepts of 2010. The mid-engined 918 RSR coupé combines the technology of the 911 GT3 R hybrid and the design of the 918 Spyder in a leading-edge super sports car. The V8 engine is a further development of the direct-injection engine used in the successful RS Spyder racing car and delivers an output of 563 hp in the 918 RSR. The electric motors on the two front wheels each contribute 75 kW to the peak drive power of 767 hp.

The integrated flywheel accumulator is an electrical motor, with a rotator that spins at up to 36,000 rpm to store rotation energy. Charging occurs when the two electric motors on the front axle reverse their function during braking processes and operate as generators. At the push of a button, the driver is able to call up the energy stored in the charged flywheel accumulator and use it during acceleration or overtaking maneuvers. The flywheel is braked electromagnetically in this case in order to additionally supply up to 150 kW from its kinetic energy to the two electric motors on the front axle. At the Auto Show in Detroit, the 918 RSR received the Best in Show – AutoWeek Editors' Choice Award 2011. This means that the AutoWeek jury selected the Porsche 918 RSR as the best new vehicle at the show.

Research and development costs

In the fiscal year 2011, research costs and non-capitalized development costs (excluding amortization and depreciation) in the Porsche Zwischenholding GmbH group came to 342 million euro (calendar year 2010: 174 million euro). Development costs totaling 704 million euro were capitalized (calendar year 2010: 498 million euro). In the fiscal year 2011, the capitalization rate was 67 percent (calendar year 2010: 74 percent).

In the fiscal year 2011, research costs and non-capitalized development costs in the Volkswagen group totaled 5,537 million euro; in the fiscal year 2010, they came to 4,589 million euro. Development costs totaling 1,666 million euro were capitalized (comparative period: 1,667 million euro). The capitalization rate for the Volkswagen group was 23.1 percent in the period from 1 January to 31 December 2011, compared to 26.6 percent in the prior year.

Integration of external know-how

To support an efficient development and expansion of the model range, Porsche AG cooperates with partners to jointly develop modules and modular systems. An example of this approach is the common hybrid drivetrain used in the Porsche Panamera, Cayenne and VW Touareg. Furthermore, Porsche AG draws on the specialist knowledge of external service providers to cover any capacity peaks in the course of the planned growth. These are especially used in fields beyond Porsche AG's core competencies. In addition, suppliers are involved in the development process in order to develop highly innovative components on time.

In addition to its internal development capacity, the Volkswagen group uses the expertise of its suppliers and development service providers in the development process so that it can systematically advance its new model rollout in the coming years. Thanks to the early and close collaboration of internal and external resources, it was possible to successfully complete projects with the quality expect within reduced development times. Creative processes and the intensive use of virtual technologies are central to the integration of external expertise.

In meeting the challenges of the coming megatrends, the structure of the necessary core competencies plays an important role.

The Volkswagen group already uses the expertise of subsequent suppliers in the development phase of modules and components. Using external capacity also makes sense with support services and downstream processes such as series production management, as well as activities that do not face the customer but generate improvements. Volkswagen will therefore continue to build and expand its cooperation strategy for the benefit of the group and its suppliers.

Industrial property rights and licenses

The number of patent applications for innovations and designs is still at a high level at the Porsche Zwischenholding GmbH group. In the fiscal year 2011, the focus was on the new generation of sports cars as well as the development projects in the fields of hybrid technology and e-mobility. When it comes to the patent applications outside Germany, the focus was on the USA and Asia, although the importance of India, Russia and Brazil is also increasing. The licensing business is stable and royalties remains high.

The Volkswagen group also obtained many patents in Germany and abroad during the reporting period. The main focus of these innovations was on the areas of infotainment, driver assistance systems, electric drive technology and lightweight steel design. The large number and the technological quality of the applications showed once again that the employees of the Volkswagen group have exceptional innovative strength.

Consumption and emissions

Modell	Output kW (hp)	Fuel consumption urban (l/100km)	Fuel consumption extra-urban (l/100km)	Fuel consumption combined (l/100km)	CO_2-Emissions combined (g/km)
Audi A8 L W12	368 (500)	16,6	9,1	11,9	277
Audi Q5 hybrid quattro	180 (245)	6,6	7,1	6,9	159
Audi R 8 GT Spyder	412 (560)	21,5	10,2	14,2	332
Audi RS3 Sportback	250 (340)	13,1	6,8	9,1	212
Bentley Continental GT	423 (575)	26,2	11,9	17,1	384
Bentley Continental GTC	423 (575)	25,4	11,4	16,5	384
Lamborghini Aventador Coupé LP 700-4	515 (700)	27,3	11,3	17,2	398
Volkswagen Caddy Maxi BiFuel (LPG)	72 (98)	13,7	8,6	10,5	171
Volkswagen Caddy Maxi BiFuel (petrol)	75 (102)	10,7	6,8	8,2	191
Volkswagen Caddy BiFuel (LPG)	72 (98)	13,6	8,5	10,4	169
Volkswagen Caddy BiFuel (petrol)	75 (102)	10,6	6,7	8,1	189
Volkswagen Multivan BlueMotion	84 (115)	7,6	5,7	6,4	169
Volkswagen Passat BlueMotion	77 (105)	5,2	3,6	4,1	109
Volkswagen Polo BiFuel (LPG)	60 (82)	10,4	6,0	7,6	123
Volkswagen Polo BiFuel (petrol)	60 (82)	8,1	4,8	6,0	139
Porsche Panamera Diesel	184 (250)	8,1	5,6	6,5	172
Porsche Panamera Diesel*	184 (250)	7,8	5,5	6,3	167
Porsche Panamera S Hybrid	279 (380)**	7,6	6,8	7,1	167
Porsche Panamera S Hybrid*	279 (380)**	7,4	6,6	6,8	159
Porsche Panamera GTS	316 (430)	16,1	8,0	10,9	256
Porsche Panamera GTS*	316 (430)	15,8	7,8	10,7	251
Porsche Panamera Turbo S	405 (550)	17,0	8,4	11,5	270
Porsche Panamera Turbo S*	405 (550)	16,7	8,3	11,3	265
Porsche 911 GT3 RS 4.0	368 (500)	20,4	9,9	13,8	326
Porsche 911 Carrera	257 (350)	12,8	6,8	9,0	212
Porsche 911 Carrera PDK	257 (350)	11,2	6,5	8,2	194
Porsche 911 Carrera Cabriolet	257 (350)	13,1	7,0	9,2	217
Porsche 911 Carrera Cabriolet PDK	257 (350)	11,4	6,7	8,4	198
Porsche 911 Carrera S	294 (400)	13,8	7,1	9,5	224
Porsche 911 Carrera S PDK	294 (400)	12,2	6,7	8,7	205
Porsche 911 Carrera S Cabriolet	294 (400)	14,1	7,2	9,7	229
Porsche 911 Carrera S Cabriolet PDK	294 (400)	12,4	6,9	8,9	210
Porsche Boxster	195 (265)	11,4	6,3	8,2	192
Porsche Boxster PDK	195 (265)	10,6	5,9	7,7	180
Porsche Boxster S	232 (315)	12,2	6,9	8,8	206
Porsche Boxster S PDK	232 (315)	11,2	6,2	8,0	188

* Optional low-rolling-resistance tires.

** Total operating performance

Procurement

Sustainable optimization of cost of materials at Porsche

The cost of materials at the Porsche Zwischenholding GmbH group came to 6,822 million euro in the fiscal year 2011 (calendar year 2010: 5,016 million euro). As a result of numerous measures aimed at optimizing products and processes and developed jointly with suppliers, it was again possible to reduce the cost of materials in 2011.

Procurement of non-production materials and services

Thanks to a large number of infrastructure projects at the facilities in Zuffenhausen, Weissach and Leipzig, the procurement volume for non-production materials and services totaled 806 million euro in 2011, significantly above the level of the prior-year period (610 million euro). Through close cooperation between consumers and suppliers, Porsche also achieved cost savings in this area.

High demand covered

The sustained upswing in 2011 led to capacity bottlenecks at the Porsche Zwischenholding GmbH group's suppliers as a result of high demand for premium vehicles. This situation was exacerbated at the start of the year by the tragic natural disaster in Japan.

In both cases, through joint efforts with our suppliers we were able to master these challenges and avoid negatively impacting Porsche Zwischenholding GmbH group's vehicle production as far as possible.

Successful start-up of the new 911

Fiscal year 2011 was decisively shaped by the start-up of the new 911. Demands as regards quality in general and procured components in particular were therefore correspondingly high.

The new 911 was successfully brought to the streets thanks to intensive support for the suppliers involved from procurement and particularly from procurement component management.

The familiar customizing offering was introduced for the new 911 allowing the vehicle to be tailored to customers' specific needs.

Cooperation between Porsche and Volkswagen

Newly created structures and processes in procurement at Porsche were further consolidated in 2011 based on the master cooperation agreement with Volkswagen regarding joint procurement in the areas of production and non-production materials. Due to the possibility of using the Volkswagen group's global procurement organization and the systematic pooling of procurement volumes, the cooperation with Volkswagen again contributed considerably to the cost savings achieved in 2011. This will also positively impact the profitability of future projects.

Stable supply situation for procured components and raw materials in the Volkswagen group

Rising vehicle sales and numerous product start-ups shaped the supply situation in 2011. Vehicles from the Volkswagen group's Chinese production facilities recorded particularly strong demand. At the same time, the trend observed in 2010 towards vehicles with luxury equipment features continued. Because of this, the need for procured components grew and changed. Procurement nevertheless assured the supply of procured components for all production and component plants.

The natural disasters in Japan and Thailand created special challenges for procurement. In cooperation with suppliers and with the help of a promptly assembled task force that drew from across the brands and business fields, it was possible to prevent any negative impact on the supply situation. Volkswagen was recently even able to increase its maximum production volumes versus its original annual plan. Contributing to this first and foremost is the ongoing process optimization in requirements, capacity and procured components management, as well as closer, continuously improved integration with all participating business fields.

The commodity markets in 2011 were once again shaped by high demand, accompanied by a simultaneous and significant rise in prices for input and raw materials. Prices were also highly volatile.

These effects were especially evident for rare earths due to several production and export restrictions, mostly in Asia. Because American and Australian companies intensified their efforts to develop additional sources of rare earths, the situation improved somewhat near the end of the reporting period. However, the market remains very unstable.

As in 2010, the prices for crude oil-based materials also rose in the first half of 2011, although the market stabilized later in the year at a high level.

Procurement reacted to these challenges with long-term contracts and other measures, with the result that effects on business activities were largely avoided.

Volkswagen has adapted to the situation in the commodities markets and has taken effective measures, such as establishing a supplier portfolio, structuring contractual periods strategically and continually optimizing the use of materials, for example for steel and with regard to material substitution, especially for rare earths.

Localization and radical localization in new markets

The Volkswagen group can cut costs at new production facilities by localizing, meaning the use of local procurement markets. Moreover, radical localization allows Volkswagen to increase the share of value added generated by locally procured components. This is done by identifying cost-effective supply sources for raw materials in the respective region at an early stage. Material costs are thus reduced in close cooperation with Technical Engineering and Quality Assurance.

Based on the strategies of localization and radical localization, the established C3 Sourcing (Cost-Competitive Country Sourcing) program has the task of applying cost advantages from competitive procurement markets to vehicle production worldwide. In this way, synergies from local production are conveyed to components that are exported and used in plants in other countries without having to lower quality standards. Suppliers are supported by the group's own regional offices, both in radical localization in the country in question and when exporting their components to group production facilities in other countries. The C3 Sourcing program makes a significant contribution to achieving cost targets for new vehicle projects at the start of series production and to ensuring that efficient use can be made of new cost-effective procurement markets.

Production

Customers attest top quality of Porsche

In the fiscal year 2011, Porsche produced a total of 127,793 vehicles, 33.7 percent up on the comparable prior-year period. 21,748 units of the 911 model series and 10,192 units of the Boxster series were manufactured at the main plant in Stuttgart-Zuffenhausen. 2,015 units of the Cayman were produced at our Finnish partner Valmet. In Leipzig, 62,004 vehicles of the new Cayenne series were assembled during the reporting period. And 31,834 units of the Gran Turismo Panamera rolled off the Leipzig assembly line.

The Porsche brand's image is characterized by superlative quality and reliability. This was yet again confirmed by the many prizes and awards in the reporting period. These are lasting testimony to the company’s commitment to producing vehicles tailored to customers' needs that feature innovative technology, outstanding handling characteristics, and unique comfort and design.

In the USA, the Initial Quality Study conducted by respected market research institute J.D. Power bears impressive witness to this fact. The Porsche 911 emerged as the best vehicle produced by a European manufacturer. The study analyzes customers’ satisfaction in the first three months following delivery of their vehicles. The second-best European vehicle is also a Porsche: the Gran Turismo Panamera.

The 911 was named the most reliable vehicle in another survey, the Vehicle Dependability Study 2011. At the same time, the main plant in Stuttgart-Zuffenhausen was rated the best car factory in the world in terms of the long-term quality of the vehicles manufactured there. These results clearly confirm the consistent commitment to outstanding quality throughout the entire process chain.

In Germany, too, Porsche vehicles also took top honors in surveys. In the Autobild TÜV Report, which evaluates long-term quality after seven, nine and eleven years, the 911 was again the model with the fewest defects of all vehicles in the respective age categories. The 911, Boxster and Cayman models were placed in the top ten of all age categories a total of five times.

Production of the Macan in Leipzig

Following the resolution of the supervisory board in March 2011 to produce the planned sporty off-roader Macan in Leipzig, the plant will be developed into a full-fledged production facility including body shell production and paint shop. The site in Saxony will be expanded to a total area of 17 hectares with investments of around 500 million euro. More than 1,000 new jobs will be created in Leipzig alone. Other additional jobs will be created in Zuffenhausen and Weissach. The decision in favor of Leipzig is not only a token of trust for the plant which, with the Cayenne and Panamera, has shown that it can produce premium vehicles of the very highest quality, but also a significant contribution to the economic development of the region. Production of the Macan is scheduled to start at the end of 2013.

Daily production of the Cayenne sporty off-roader was stepped up repeatedly during the reporting period due to the high international demand and has reached a maximum. In January 2012, at the beginning of the new fiscal year, a third shift was introduced in order to increase daily capacity. The highly motivated and extremely flexible workforce made a major contribution to mastering the many and varied challenges. These included integrating a hybrid drive into the sporty off-roader Cayenne, as this forward-looking technology places entirely new demands on production. The conversion did not affect the high efficiency of assembly.

Porsche's Leipzig plant is regarded as one of the most advanced car factories in the world. Lean production principles are systematically applied at the facility. The innovative assembly of an off-roader and a luxury premium sedan in highly individual configurations on a single production line is internationally unique.

New 911: strong start in Stuttgart

The main plant in Zuffenhausen demonstrated its efficiency yet again in the fiscal year 2011: the integration of the new 911 into ongoing production was a milestone. This once more expanded the comprehensive mix of models produced on one line. In addition to the complex production of numerous derivatives of existing 911 models and the Boxster/Cayman model series, Porsche has integrated its new sports car into regular production at an early stage. New production techniques and revised processes called for by the vehicle concept and the new, intelligent aluminum-steel lightweight construction were simultaneously implemented within existing structures. Solid planning and preparation, thorough employee training, precise coordination, a reliable logistics concept and systematic realization ensured that production of the new 911 got off to a successful start.

Continuous improvement process

As part of the continuous improvement process, Porsche is constantly working to further optimize its efficient, high-quality production and guide it into a successful future. The company receives guiding impetus of great operational benefit directly from the workforce: the teamwork concept involves all employees in actively shaping production processes and leverages their expertise. Innovative ideas built on practical experience can be rapidly evaluated via short lines of communication and realized quickly as well. This increases employees' influence and prevents errors while promoting their identification with the brand and with Porsche as an employer.

New paint shop

The new paint shop is another milestone in the drive to modernize the Stuttgart-Zuffenhausen site and ensure long-term job security at the company's headquarters. The facility was completed right on schedule for the start of production of the new 911. The cutting-edge environmentally friendly technology not only means that Porsche is significantly below statutory emissions thresholds, it also makes the company a pioneer in the use of innovative technologies.

The 192-meter long and 58-meter wide paint shop building is where the body shells of the Porsche 911 and Boxster/Cayman model series receive their anti-corrosion protection, are painted and surface-sealed in a multistage process. This is performed precisely in sync with the sports car production process as a whole. This makes Porsche even more efficient, as the new paint shop increases the company's flexibility on the one hand and is the basis for even better fulfillment of the high quality standards on the other.

The large-scale project, in which 200 million euro was invested, replaces the 25-year-old former facility. Internationally recognized companies delivered the most up-to-date technology. For example, a completely new electrostatic paint shop droplet removal system has been deployed for the first time. But Porsche also contributed innovative expertise. A wetchemical exhaust air purification system developed jointly with suppliers is being used for the first time in the automobile industry. Another joint development is a suction/blowing device designed to clean bodywork for which a patent application has been filed.

High product quality in the Volkswagen group

The Volkswagen group produced 8,494,280 vehicles in the period from 1 January to 31 December 2011. In the prior year, 7,357,505 vehicles were built.

Customers are satisfied and loyal when their expectations of a product or service are met or even exceeded. Crucial to this is the quality perceived by the customer over the entire product experience; this includes in particular reliability, appeal and service. Only when the Volkswagen group surprises and excites its customers in all these areas does it win them over with outstanding quality.

In spite of the large number of production start-ups, it was possible to maintain the high quality level of the previous year in 2011 across all group brands and locations, and keep the number of repairs at a consistently low level.

In addition to preventive process stability and product reliability, customer satisfaction is the main theme in quality assurance at Volkswagen. The primary focus in 2011 was to refine the program for raising customer satisfaction, which is already established across business areas. Its goals include incorporating insights from product usage into the planning for future products. This way it is ensured that customer requirements are taken into account at this early and important phase. The knowledge gained is not only factored into the development of new vehicles, but also permanently reflected on series production for established models. The necessary information for this is primarily acquired through studies and customer surveys.

The Volkswagen group's production locations

The production network of the Volkswagen group expanded by 31 facilities as a result of the acquisition of the majority stake in MAN SE. At the end of the reporting period it consisted of 94 sites, of which 54 produce vehicles. The sites are spread out over the continents of Europe, North and South America, Africa and Asia.

The Volkswagen group's efficient production network is composed of vehicle and component plants that form an integrated group and cover predominantly regional needs. The effects of external factors such as currency fluctuations and customs duties can thus be kept to a minimum. Assembly partners in Indonesia, Russia and Malaysia are also part of this global production network. These partners assemble vehicles on behalf of the Volkswagen group and are part of the concept for extending production capacity.

The Volkswagen group produced more than 8 million vehicles for the first time in 2011. Volkswagen has created additional capacity in order to satisfy rising customer demand in the individual markets and to achieve its growth targets. Expansion into new markets is a significant element of the Volkswagen group's growth strategy and also benefits the component plants in Germany and the existing vehicle plants that deliver the components for local assembly of vehicles in these markets.

The Chinese market has developed into the largest automobile market in the world and it will continue to grow strongly. Together with its joint ventures, Volkswagen wants to participate in this dynamic growth over the long term. The Volkswagen group has responded to trends in the market with the expansion of production capacity at its plants in Changchun, Nanjing and Chengdu, as well as the construction of the new vehicle sites in Yizheng, Foshan and Ningbo. The plant in Yizheng is projected to start production in 2012, and production in Foshan will start just a year later. The plant in Ningbo will start manufacturing vehicles in 2014.

The automobile market in North America is equally important. In the largest market of this region, the USA, the Volkswagen group put its new vehicle plant in Chattanooga into operation in 2011. It is one of the most modern automotive plants in the group as it meets the highest standards for sustainable and environmentally friendly production. At the same time it is a significant element of the overall strategy in the region, based on which Volkswagen intends to achieve its long-term volume and profitability goals there. The factory requires about 35 percent less energy than comparable standard industry buildings. When completed, about 150,000 cars will be built each year in Chattanooga with about 2,500 employees.

A new engine plant is being built in the Mexican city of Silao with an annual capacity of 330,000 engines of the latest generation. Upon completion of the plant in 2013, it will form a regional production network together with the production sites in Puebla and Chattanooga, which will significantly strengthen the Volkswagen group's market position in North America. Volkswagen will be able to increase its regional value added, while reducing cost and exchange rate risk.

The automotive market in India is one of the most important growth markets in the world. Volkswagen has been present there with local production since 1999 at the ŠKODA assembly plant in Aurangabad; Volkswagen thus entered the market prepared for the long-term. Vehicles for Volkswagen passenger cars, Audi and ŠKODA are currently assembled in this plant. In addition, the modern vehicle plant in Pune, which came into operation in 2009, produces vehicles for the growing compact saloon segment. These two production sites form the basis from which it will be possible to profit from strong future growth in the Indian market.

The Volkswagen group began local assembly of vehicles in Malaysia under a partnership-based business model in October 2011. The production volume over the next few years will grow steadily to about 30,000 vehicles per year. In addition to the production volume, Volkswagen will also continue to raise the share of local value added in the near term.

Volkswagen is continuing to expand its presence in the important Russian growth market. In order to increase its local production capacity there in the short term, the Volkswagen group's Russian partner, the GAZ group, has been producing the first vehicles under contract to the Volkswagen group since November 2011. The production volume there will increase to 100,000 vehicles per annum by 2013.

The Volkswagen group’s production system

As part of the “Volkswagen Way”, the group is continuing to optimize the processes and structures at all Volkswagen sites in Germany. In its first step, the “Learn to See” program calls for employees to identify any kind of waste, eliminate it in a lasting manner, and introduce new, more efficient processes to be established as standard. In the second stage, there were events which help improve internal department and cross-departmental cooperation. This system, which has a standard methodology and approach helps Volkswagen make even further progress towards its goal of being a value driven, synchronous business. Another focus of work on production processes and structure was the implementation of workshops that improve both productivity and ergonomics at the workstation in the areas of new product engineering, design and implementation.

In parallel with this, and as part of a new logistics plan, the Volkswagen group is working to optimize the supply of components across the entire process chain – from the supplier to the assembly line. As a result of these efforts, processes were standardized across plants and brands, allowing greater synergies to be leveraged in the group.

Thanks to systematic standardization, the modular toolkits developed by the group create the opportunity to implement a wide variety of vehicle and drive concepts with a minimum of effort using a uniform vehicle architecture. At the same time, the unit costs, one-time expenses as well as the production time for a new vehicle model can be significantly reduced.

In order to meet rising worldwide demand for vehicles, the Volkswagen group is increasingly committed to production that can cover multiple vehicle classes and brands. This production approach – in conjunction with the use of modular toolkits – ensures that Volkswagen can cost-effectively support the growing complexity of its model portfolio. Product standards, state-of-the-art production processes as well as integrated factory concepts create the conditions for this.

In the coming years, the MQB will form the basis for many of the Volkswagen group's vehicles. The Modular Production Toolkit (MPB) was developed for this reason. The core element of the MPB is far-reaching standardization: from operating equipment through facilities and production areas, down to the entire factory. Standardized elements are combined to form a growing number of new systems, achieving high levels of flexibility for the facilities. Production will thus be in a position in the future to produce different models of different brands in varying quantities at one plant, in one and the same facility. This allows the capacity of all plants in the group to be optimally utilized.

One of the Volkswagen group's most important goals is to continually increase efficiency. The intention is to raise productivity by an average of 10 percent in both direct and indirect areas by systematically using the methods and instruments of the group-wide production system.

Training centers are being established worldwide in order to train employees of the group brands in the field of production processes. For example, Volkswagen Slovakia opened a new Center for Logistics in 2011. This training facility offers customized education in the logistics function for the first time in the group. Additional training centers have been established at the Osnabrück plant and the Wolfsburg site.

Sales

Porsche dealership network extended

Porsche’s dealership network has grown steadily in recent years. More than 200 million euro has been invested each year to offer customers a purchasing and service experience that is appropriate for the brand. At the end of the fiscal year 2011, a total of 730 dealerships served Porsche customers worldwide. The foundation for the future development of the dealership network was laid in the fiscal year with the launch of Strategy 2018. Going forward, Porsche intends to continue growing profitably together with its dealership partners and to tap all available market potential.

Porsche reaches highest level of customer satisfaction

Many Porsche owners stay loyal to the Porsche brand time and time again: they do not just buy one Porsche car; they find themselves returning to Porsche with enthusiasm and buying several cars or owning more than one Porsche. That is the clearest proof of the extremely high level of satisfaction and identification with the Porsche brand. This marked loyalty of drivers is anchored in the high level of product quality and the premium customer service throughout the entire customer life cycle. Here too, Porsche does not leave anything to chance in order to ensure the best possible customer support at all times. The dedicated and highly professional partners at the Porsche centers play a key role in delivering and ensuring these high support standards. Customer satisfaction with the Porsche's products and services is monitored around the globe and end-to-end, creating the information base needed for measures that customers can perceive directly and that establish a high level of satisfaction with Porsche. The system encompassing the monitoring of customer satisfaction coupled with direct customer care processes received the Best Practice Award for best enhancement of customer relationship management at CRM Expo 2011.

The success of the unique customer orientation at Porsche is manifested in the numerous pole positions Porsche has taken in a wide variety of international studies. For instance, the reputable US market research firm, J. D. Power and Associates ranks Porsche as the most attractive brand in one of its studies. Porsche came first in the Automotive Performance, Execution and Layout (APEAL) study for the seventh consecutive time. In the vehicle rankings, the study identified the Porsche 911 and Porsche Cayenne as the best cars in their respective segments. The annual market research study is based on a survey of about 73,000 new vehicle buyers on a total of 234 different models registered in the period from November 2010 through February 2011. The overall rating aggregates the results from ten different categories, including handling and design, but also the suitability for everyday use and comfort of cars. In a study conducted by the US automotive consulting firm Autopacific, the Porsche 911 took first place, claiming the Vehicle Satisfaction Award. The study surveyed 42,000 vehicle owners who judged their new vehicles in 48 categories, including acceleration, design and comfort.

And Porsche's models lead the popularity rankings of sports car drivers in particular. In Sportauto magazine's survey of readers, Porsche was rated first in 7 out of 15 vehicle categories. Indeed, the 911 Carrera GTS convertible, the Turbo S convertible as well as the GT3 and GT3 RS coupés received up to three times as many votes as the runner-up in each case. The models Cayman R, Boxster S and Panamera Turbo also received top marks.

In addition to providing outstanding care for existing customers, Porsche has been very successful in acquiring new customers and sparking their enthusiasm for the Porsche brand. In-house studies confirm in detail that Porsche boasts an excellent customer perception that has improved again in the past year, not only in established markets like the USA or Germany, but also in the markets of the future such as China or the United Arab Emirates.

Sales structure of the Volkswagen group

The independence of the brands is backed by the Volkswagen group’s multibrand structure. Volkswagen reorganized the board of management sales function with the aim of optimizing the group’s cross-brand sales activities. This is a fundamental precondition for steadily increasing volume and market share, for lifting earnings contributions and sales efficiency, and for optimizing costs at the same time.

In 2011, Volkswagen pressed forward with the integration of dealers into its IT system in order to leverage synergies and improve the exchange of information between them and with the group's wholesale operations. A close working relationship with dealers and their profitability are a focus of the distribution network strategy. The Volkswagen group directs its wholesale business in over 20 markets through companies belonging to the group. This is supported by a new central department that directs the national sales companies. It is tasked with increasing the transparency of sales activities, improving cost management and integrating the activities of the brands more closely, in order to better leverage synergies. This enables the best practice approaches of individual companies to be transferred to the other wholesale companies quickly and efficiently. The central department will be instrumental in helping the Volkswagen group achieve the goals laid down in its Strategy 2018.

Sales capability in the group was further expanded with the acquisition of the trading business of Porsche Holding Salzburg on 1 March 2011. As an international trading business, the company operates in twelve countries as a wholesaler and in 20 countries as a retailer. It is characterized by outstanding professionalism along with an impressive track record of earnings and growth. Volkswagen plans to leverage these core competencies more intensively in the future with the goal of making its own trading activities more efficient and powerful, and maximizing synergies. It will also help Volkswagen better integrate the needs of the dealers and its customers into its strategy and align its activities with them. Porsche Holding Salzburg also has outstanding IT capability in the area of trading. The intention is to use this to advance the establishment of an integrated systems environment from the manufacturer through wholesalers down to retail dealers.

Customer satisfaction and customer loyalty in the Volkswagen group

The satisfaction of its customers has the highest priority for the Volkswagen group. That’s why Volkswagen's sales activities are always driven by the goal of increasing customer satisfaction. With this claim in mind, the Volkswagen group once again implemented measures and introduced processes in 2011 that further increased the satisfaction of its vehicle buyers and customers in the after-sales area, as well as that of its dealership partners.

The individual brands of the Volkswagen group regularly measure the satisfaction of their customers in their respective markets. Special survey techniques focus above all on product quality and service. From the results they gather, the brands derive measures to further increase customer satisfaction.

In terms of customer satisfaction with product quality, the Audi brand occupies a leading position in the core European markets in comparison to both other group brands and its competition. However, the other brands in the group also stand out with overall satisfaction scores just as high or higher than competing brands.

The Volkswagen group's customers are loyal to its brands because they are satisfied with its products and services. The extent of customer loyalty in the Volkswagen group's brands is impressively illustrated in the loyalty figures: the Volkswagen passenger car brand, for example, has maintained a high level of customer loyalty in its core European market for several years in a row. The loyalty of ŠKODA customers has likewise kept that brand in the upper rankings in a competitive comparison for several years.

Professional service

The programs for continually improving service processes at Porsche Centers led to excellent results again in 2011. Porsche ranked best German manufacturer in ADAC automobile club's 2011 customer satisfaction survey in the workshop, brand and vehicle categories. Service and maintenance packages are being introduced in selected markets to maintain the high degree of customer satisfaction with service work, while improving customers' perception of maintenance cost. Sales of the new service product were highly satisfactory almost immediately upon its introduction. Preparations for the introduction of the revised Porsche program for parts logistics in China were completed for the most part in 2011. This places Porsche Service in a good position to secure and further improve customer satisfaction in the future in the fast-growing Chinese market.

Customer satisfaction is not created by product appeal and reliability alone; it is also determined by the Volkswagen group's activities in the area of service. Raising service quality worldwide is therefore another goal of the Volkswagen group's customer satisfaction program. As the direct interface with the customer, the starting point in customer satisfaction is the dealership operation, as it is with after-sales business. Quality Assurance maintains close contact with the dealers in order to improve customers' perception of service. Deficiencies that may be revealed in the emotional moment of vehicle handover can be recognized early and corrected systematically.

The main task for Quality Assurance in the area of service in 2011 was to standardize the processes between market and manufacturer. Here, the goal was to anchor the optimizations achieved individually to a common structure in order to offer the best service to customers anywhere in the world. Close integration with the dealer partners is a central element in this. It improves the ability to meet market-specific customer requirements in the future. Its scope reaches from optimal market and dealer support for repairs down to customer-oriented solutions for warranty-related issues.

Employees

Employment situation at Porsche

In the past fiscal year 2011, Porsche's employees clearly demonstrated their outstanding capacity to perform, their enthusiasm and endless energy. An excellent reporting year came to an end. The company is growing in all areas. For instance, the number of employees reached a new peak. As of the reporting date (31 December 2011), the Porsche Zwischenholding GmbH group employed 15,307 people – an increase of 16.3 percent on the figure twelve months earlier. The Porsche SE group had 31 employees as of the reporting date (31 December 2011: 36 employees); one employee was in the passive phase of the German special phased retirement scheme.

Employer appeal and personnel recruitment

Again in the fiscal year 2011, reputable studies have confirmed Porsche's excellent image as an employer. Porsche got top honors in the target group students of engineering, business and economics nearing the end of their studies, but also in the target group experienced engineers as well as business and economics graduates.

Over 1,000 new recruits in 2011 testify to the fast pace at which Strategy 2018 is being driven forward, also, and indeed, especially in Porsche's personnel management. The significant increase in the number of applications from 28,500 in 2010 to well over 47,000 in the fiscal year 2011 is evidence of Porsche's powerful appeal as an employer.

Ten years of the Ferry Porsche Prize

Porsche AG together with the Baden-Württemberg Ministry for Culture, Youth and Sport presented the Ferry Porsche Prize for the tenth time. In 2011, prizes went to the 241 best-of-class school graduates majoring in mathematics and physics/technology. The Ferry Porsche Prize has set itself the objective of increasing the appeal of mathematics and the natural sciences. It is also intended to motivate university entrants to study engineering subjects.

Personal development and training measures for employees and management staff continued at Porsche

A significant focal point of personnel and management staff development at Porsche in 2011 was again on interdisciplinary training and the target-group-specific development of personnel and management staff.

Porsche's management assessment process was also pursued consistently. The results of this process are decisive for placement decisions and succession planning.

Again in the fiscal year 2011, the induction program for new employees, Porsche Warm Up was key for the optimal integration of the large number of new employees who have assumed their new responsibilities at Porsche. The program conveys extensive company knowledge on processes, structures and values; in 2011, it was even rolled out for the first time to new employees from international subsidiaries.

Programs for nurturing new talent and management training

The objective of Porsche's program for nurturing new talent is to identify, foster and retain young high potentials in the group with a view to assigning them more demanding tasks. Preparations for the next wave of Porsche's talent nurturing program have been completed and the program is ready to start again in 2012.

The fifth round of Porsche Management Training (PMT) for experienced, high-performing managers kicked off in 2011. With this program, Porsche wants to build up networks, create a mutual understanding of management and strengthen entrepreneurial and cross-group mindsets and actions.

Equal opportunities and work/life balance at Porsche

A key success factor for Porsche is the diversity of its employees. In the fiscal year 2011, a project was started to ensure, in a first step, that men and women have equal opportunities. This encompasses numerous activities in the area of employee recruitment and training.

The intent is to further improve the frame conditions for striking a balance between work and private life. To this end, cooperation agreements with external service providers have been prepared, for instance, aimed at supporting and unburdening employees with regard to their private and family obligations. The first cooperation agreements are scheduled to be concluded in 2012.

New occupational pension scheme at Porsche

In 2011, the executive board and the group works council agreed to restructure and improve the occupational pension scheme by introducing a profit-based component.

As of 1 January 2012, the former system, which was pegged to the final salary, will be converted to a defined contribution system comprising a fixed component and a profit-based variable component. Under the new system, the fixed contributions cover employees' pensions at the current level. In addition to this, Porsche will in future pay in further contributions to the company pension scheme depending on the development of the company's business.

This amendment allows Porsche employees to additionally benefit from the company's business development through their occupational pension scheme. Supplementary to this, Porsche will continue to offer employees the possibility of converting a portion of their remuneration into an employer's pension commitment under the Porsche VarioRente scheme. Again in the fiscal year 2011, the majority of Porsche employees took advantage of this option.

Employment pact for subsidiaries of Porsche AG

The executive board and the central works council together with management and the local works councils of subsidiaries have entered into employment pacts for some of the German subsidiaries.

Having already concluded an employment pact for Porsche AG last year, Porsche establishes with this agreement the preconditions for further raising productivity and flexibility and the basis for a positive development of business in the long term also at its subsidiaries.

In return, the subsidiaries will make investments in infrastructure and innovation projects in the coming years. The measures aimed at securing investment and employment are balanced in terms of social impact and strike a balance between the company's needs and the interests of employees.

Industrial safety at Porsche

In the course of building the new paint shop and performing the conversion measures at the chassis plant for the new generation of vehicles, Porsche has faced new challenges in industrial safety. Throughout the construction process from design to plant operation, the Porsche Zwischenholding GmbH group partnered with its suppliers to come up with efficient solutions that not only ensure industrial safety but also enable its operators in charge to comply with their legal duties.

The automation technology and the requirement on smart safeguards for machines make this overarching collaboration essential in order to ensure uninterrupted operation. We also combine in this context the objective of ensuring and improving the health and safety of our employees through this integrative process – supplemented by measures for promoting health in the workplace.

Other elements of our safety philosophy encompass our management's role model function, the systematic assessment of risk relating to workflows and individual activities as well as increasing our employees' awareness for safety based on regular workplace safety instructions, seminars and training.

Employment situation in the Volkswagen group

As of 31 December 2011, the Volkswagen group had 482,447 active employees; 4,488 were in the passive phase of phased early retirement. 15,021 people were in vocational traineeships. At the end of the fiscal year 2011, the Volkswagen group employed 501,956 people. The number of employees has thus increased by 25.7 percent compared to the figure as of 31 December 2010. A total of 224,851 people were employed in Germany (plus 24.0 percent). The German share of the workforce fell from 45.4 percent as of 31 December 2010 to 44.8 percent as of 31 December 2011.

Starting a career at Volkswagen

A key factor in the development of Volkswagen's outstanding team is vocational training. Volkswagen has stepped up its commitment to dual education and training and has introduced vocational training at new sites. At the end of 2011, the group had 15,021 employees in vocational training worldwide. As of 31 December 2011, Volkswagen AG was training approximately 4,667 vocational trainees and students in 33 professions and 20 degree courses at its six German locations under the StIP integrated study and traineeship scheme. In response to the accelerated course of study leading to the university entrance exam in Germany, and the resulting doubling of the number of students finishing school in 2011, Volkswagen AG established an additional 66 vocational training positions. New vocational training positions were also created at Volkswagen Osnabrück GmbH in the reporting period. In 2010, this site had already made it possible for the vocational trainees and students in the StIP integrated study and traineeship scheme who had been terminated by the insolvent Wilhelm Karmann GmbH to continue their training. An additional 29 vocational trainees and students in the StIP scheme were hired in 2011; 11 of them are women in industrial and technical fields.

The focus of Volkswagen's vocational training is on the professional development of the participants. They also benefit from a series of supplementary programs and opportunities. These include the cooperation between Volkswagen vocational training and the "Youth Start-Ups" high-tech and business start-up competition and organization of the "ProTalent" and "ProMechanic" competitions.

Volkswagen vocational trainees have a more than twenty-year tradition of involvement with the Auschwitz memorial site, which is run in cooperation with the International Auschwitz Council. Four times a year, the trainees from Volkswagen and Polish young people travel to Auschwitz for two weeks in each case in order to work on maintaining the memorial. Nearly 2,000 young people from Germany and Poland have participated in the program so far.

Since 2006, on completion of their training, young people at the start of their career have had the opportunity to take part in the "Wanderjahre" (Years Abroad) program, spending twelve months at one of the group's international locations. So far, over 270 young employees of the Volkswagen group have taken this opportunity. Today, 23 group companies in 16 different countries participate in this program.

Every year, the group board of management and the world works council present the "Best Apprentice Award" to the company's best trainees. This year's prize for the best apprentice was awarded for the eleventh time at the end of November 2011 in Stuttgart. 27 vocational trainees from twelve countries accepted the honor.

Training programs at the Volkswagen group's international locations

Training and qualification opportunities for employees also continue to expand at the Volkswagen group's international locations. Dual vocational training and education now exists at 35 sites abroad and is in development at an additional 23 sites. In the Kaluga plant at Volkswagen Group Rus, for example, the second year of vocational training began in 2011 and three additional training professions have been introduced. Likewise, the "Volkswagen India Academy" in Pune, opened at the end of 2010, was able to expand in the past year. A three-year vocational training program for mechatronics in accordance with the dual system has been introduced there. In the future, more than 100 vocational trainees who have been trained at state Industrial Training Institutes as welders, painters, fitters, electricians, tool and machine mechanics, vehicle mechanics, or automation specialists will be guided through a year-long practical training each year. The training academy opened in 2010 at the US site in Chattanooga has expanded its capacity to coincide with the start of operations at the factory there in May 2011. Proven personal development instruments of the Volkswagen group such as the Management Assessment Center and basic leadership qualification training have been transferred to Chattanooga. In addition to the existing training center in Nanjing, Shanghai Volkswagen in China began construction of a training center in spring 2011 for the plant in Yizheng. The new site in Foshan is currently also being equipped with a training center.

Prospects for university graduates

Volkswagen offers the StartUp Direct trainee program to young university graduates who have recently joined the company. Over a two-year period, participants in the program not only work in their own department and familiarize themselves with the company, but also attend supplementary training seminars. The program additionally includes multiple-week placements in production and sales as well as an optional foreign placement. University graduates with an international focus can alternatively enter the StartUp Cross program. This program includes a three-month international placement during its 18-month period. Over 1,400 trainees gained their first Volkswagen experience in one of these two programs since their launch in 2008.

Advancement of women, family-friendly HR policies at Volkswagen

Volkswagen's corporate culture places a very high value on both job and family. For Volkswagen, family-friendly human resources policies are therefore one of the key success factors in becoming the top employer. This commitment has tradition behind it: in 1989, Volkswagen was the first major German corporation to establish guidelines for the advancement of women and to support them with targeted programs. Volkswagen AG first set concrete targets for raising the proportion of women in the company in 2007.

In spring 2011, the Volkswagen group proposed individual goals to raise the proportion of women at Volkswagen in Germany as part of a voluntary commitment. Volkswagen follows a system for this that defines detailed requirements for all relevant levels of the hierarchy as to when a certain proportion of women must be reached. An important instrument for achieving the goal is the quota for the university graduates hired. Volkswagen is guided in this by the proportion of female graduates in each field of study. Consequently, approximately 10 percent of graduate engineer recruits have to be women. For electrical engineering, the ratio is also 10 percent, for information technology 15 percent, and for business and economics 50 percent. Averaged across all fields of study relevant to Volkswagen, the individual ratios produce an overall goal of at least a 30 percent ratio of women among graduates hired.

This increasing proportion of qualified women joining the company enables the Volkswagen group to steadily lift the proportion of female executives at the various management levels in the coming years. The goal for the Volkswagen group in Germany is an 11 percent ratio of women in top management, a 12 percent ratio in senior management and a 15 percent ratio in other management levels by 2020.

In the reporting period, the proportion of women in the management ranks for the Volkswagen group in Germany already increased to 4.9 percent in top management, 6.4 percent in senior management, and 10.1 percent in other management levels (at year-end, excluding Scania and MAN). 45 women at Volkswagen AG participated in a mentoring program in 2011, giving them support on their path into management.

The company also has the goal of raising the proportion of women among skilled workers and master-level workers to at least 10 percent by 2020. The current proportion of women among workers at the master level is just below 4 percent. In 2011, 25 women were helped in their effort to become master craftswomen through a targeted mentoring program. Personal development programs for women, an improved work/family balance and flexible working time models accompany the system used by Volkswagen to achieve the individual quotas.

Volkswagen specifically recruits female talent. These efforts encompass special "Information Days" for industrial and technical vocational training at Volkswagen and "Career Experience Days" for young women. The company has participated for many years in the national "Girls' Day" in Germany and in 2011 offered over 2,000 young women a behind-the-scenes look into careers in the automotive industry.

Preventive healthcare and occupational safety

Maintaining the health and occupational capability of its employees is one of the most important goals of Volkswagen's human resource policy. The “CheckUp”, a free, comprehensive medical examination, was made available to all employees at Audi in 2006 and at Volkswagen in 2010. Each Volkswagen AG facility now offers this regular check-up using state-of-the-art examination procedures with a view to keeping their employees healthy and fit. The high level of diagnostic quality of the check-ups is generally acknowledged by the employees. So far more than 28,000 Volkswagen employees have taken advantage of this voluntary offering, whose quality is being improved continuously. At the German plants, the focus in 2011 was on expanding the internal and external prevention offerings that are connected to the Volkswagen Checkup. The Volkswagen Checkup also started to be rolled out on a large scale at group locations abroad.

Parallel to this, efforts continued to improve ergonomics at all work stations. The deployment of occupational therapists to the production lines enabled the ergonomic optimization of these work stations at many locations. Additionally, employees were able to receive advice and guidance directly at their workplace about improving the ergonomic implementation of their workflows.

In the course of management development programs, line supervisors were taught to give stronger consideration in their leadership practices to the link between leadership and employee health. A basic seminar was designed for this purpose. Volkswagen also developed compulsory training modules on occupational safety and introduced them for all prospective managers. Based on the group occupational safety management system implemented in 2010, all group brands and companies conducted a comprehensive analysis in 2011 of their current occupational safety organization and the processes associated with it. Examples of good practice identified group-wide will be used systematically for process improvements in occupational safety in the future.

Company pension plan at Volkswagen

To secure the retirement income of former employees, Volkswagen AG along with its brands and subsidiaries operates a number of occupational pension systems. In Germany, this is based on a direct pension commitment. In addition to an employer-funded pension plan, employees have an opportunity to provide for their own retirement income through deferred compensation. Since 2001, funds for the Volkswagen AG company pension plan have been invested in the capital markets by the internal pension fund administered in trust by Volkswagen Pension Trust e.V. At the end of 2011, an additional 21 group companies in Germany made use of this option. A total of 2,589 euro million had been contributed to the company pension fund by the end of 2011 for employee retirement and disability pensions, and for benefits in the event of death.

Since 1998, Volkswagen AG’s Time Asset has given staff an opportunity to retire earlier. Employees can make contributions from their gross salary and time credits, which are invested in the capital markets by the Time Asset investment fund administered in trust by Volkswagen Pension Trust e. V. The accumulated Time Asset credits can be used for paid early retirement. At the end of the reporting period, the assets in the Time Asset investment fund amounted to 1,132 euro million.

Sustainability

Porsche assumes responsibility

In the fiscal year 2011, the Porsche Zwischenholding GmbH group began placing activities aimed at fulfilling its social responsibility on a considerably broader footing. By setting up a new Corporate Social Responsibility (CSR) department, assigned to the board member for human resources and social issues, the Porsche Zwischenholding GmbH group is giving a clear signal in this area.

The CSR strategy, which for the first time has been comprehensively and officially formulated for the company, provides that all future measures for the Porsche Zwischenholding GmbH group be performed with a focus on the key issue of sustainability, and against the backdrop of Strategy 2018.

The company's social commitment comprises the five pillars of sport, culture, the environment, education/science and social issues (five-pillar approach). During the fiscal year, the Porsche Zwischenholding GmbH group defined projects in all these areas, which will be implemented as of 2012.

These include measures that have been successfully implemented in the past and that will be continued – and in some cases stepped up – in the future, as well as lighthouse projects.

The main traditional CSR projects include the Porsche Tennis Grand Prix, Porsche Music Night and the annual Porsche Award, which the company has presented jointly with the Filmakademie Baden-Württemberg to the world's best advertising film students every year since 2004.

As regards the new planned projects, those in the field of sport mainly relate to the cooperation with the German Tennis Federation (DTB) in connection with the German women's national tennis team (Porsche Team Germany), as well as to broad promotion of youth sport in Baden-Württemberg and Saxony.

The highlights of the company's commitment to culture are on the one hand Porsche AG's premium partnership with the Gewandhaus Orchestra Leipzig, which had already officially commenced at the end of the fiscal year, and, on the other hand, cooperation with the Stuttgart Ballet as of fiscal year 2012.

The Porsche Zwischenholding GmbH group's relevant, large-scale environmental projects include significant expansion of the existing grazing areas at the Leipzig location, which are to be given a sustainable character through the addition of an on-site information center and scientific supervision. Moreover, the company will intensively examine where and in what form it can support and itself drive the development of alternative energies in a way that benefits the company. The focus will be on alternative drives and supplying alternative energy for the population.

Education and equal opportunities at Porsche

The Porsche Zwischenholding GmbH group's already extensive promotion of education for children, young people and students focuses not only on kindling the enthusiasm of these groups for mathematics, engineering sciences, natural sciences and technology, but also on strengthening and supporting those from disadvantaged backgrounds, in the spirit of equal opportunities. Porsche's aim is not only to train potential new employees for its own company, but also to generally ensure there are new employees who can take on tasks that serve the interests of society as a whole.

Furthermore, the Porsche Zwischenholding GmbH group will strive to significantly expand cooperation with universities in the field of education and science – with the aim of winning qualified new employees for the future, and of making findings with practical relevance for its own product developments. One example of support for students is the high number of scholarships that the Porsche Zwischenholding GmbH group is awarding at more than ten selected universities throughout Germany as of 2012 ("Deutschlandstipendien").

For many years, Porsche has also been known for undertaking a significant number of much smaller-scale sponsoring and support efforts, above all in the cities where the company has locations. These initiatives particularly benefit social, sporting and cultural institutions and projects.

All of these activities – whether on a large or small scale – are intended to help ensure that Porsche is perceived by the public as a company that fulfills its social responsibility.

This is why Porsche will in future give its CSR activities even greater priority, both in Germany and in its international markets.

Corporate social responsibility and sustainability at the Volkswagen group

Nine billion people will live on our planet in the year 2050. All of them will need energy and food, a place to live and clothing, education and healthcare – and they will want to be mobile. For industry that’s both a challenge and an opportunity. Only their capacity for technological progress will create the necessary productivity gains and innovations, and bring about resource-conserving structural changes. The quality principles are sustainability and responsibility – the core values of business activity at Volkswagen.

At Volkswagen, corporate social responsibility (CSR) is viewed as the contribution the company makes to sustainable development on our planet. In line with the Volkswagen group's vision of sustainability, its way of doing business and its consumption of resources may not compromise opportunities for future generations. The Volkswagen group pursues ecological, economic and social goals in the same measure and are thus an integral part of international efforts to create a sustainable economic order on a global level.

Sustainability is the foundation of corporate policy at Volkswagen. This means that sustainability is integrated along the entire value chain of the company. Corporate responsibility at Volkswagen means always considering the impact on society and the environment. Sustainability also safeguards the company’s long-term future. In order to make an effective contribution to sustainable mobility, and as a company with global responsibility, Volkswagen is working hard to develop technologies for the cleanest, most fuel-efficient automobiles and efficient mobility concepts. Aligning job security and profitability always matters at Volkswagen.

The Volkswagen group's corporate policy is designed so that core economic processes are strategically tied to environmental and social concerns. CSR involves voluntarily taking social responsibility at a level beyond mere compliance with legal requirements. The Volkswagen group's integrated CSR concept is aimed at avoiding risks, identifying opportunities for development early on and improving the group's reputation. CSR therefore makes an important contribution to increasing the value of the company and safeguarding it in the long term. As a good corporate citizen, Volkswagen takes its social involvement seriously; it is part of its corporate culture of sustainability. At its locations worldwide, the Volkswagen group supports social development, culture and education. Volkswagen also initiates projects for the development of regional infrastructure, health promotion, sport and nature conservation.

Global Compact at Volkswagen

Since 2002, Volkswagen has been committed to the largest and most important CSR initiative in the world, the Global Compact. The 7,000 participating companies from over 135 countries work together to shape a more sustainable and equitable world economy. Volkswagen makes a significant contribution to this initiative. It reports on its diverse international CSR projects in this regard in an annual progress report. In 2011, Volkswagen achieved the “Global Compact Advanced Level”.

Ten principles governing human rights, labor standards, environmental protection and the fight against corruption describe the values of the Global Compact. At all locations of our company, Volkswagen again guided its business activities by these principles in 2011. With its expertise, the Volkswagen group also helps other companies in the Global Compact to embrace their global responsibility. An example of this is the active participation on the advisory board for the “Sustainable Supplier Chain” project.

Environment

Environmental management in the Porsche Zwischenholding GmbH group

The automobile industry is facing major challenges in the area of environmental technology. In light of this, the National Development Plan for Electromobility was launched in 2009 as the result of constructive cooperation with the German federal government. The aim of the initiative is to make Germany the leading supplier of and market for electromobility by 2020. In May 2010, as part of the National Platform for Electromobility, German Chancellor Angela Merkel convened a group of representatives of industry, politics, science, trade unions, and society, who have since been working on joint proposals aimed at a climate-friendly transformation of mobility. Since 2010, Porsche has been participating in the joint Stuttgart Electric Mobility Pilot Region Initiative with the Boxster E.

The Second Report of the National Platform for Electromobility was completed in May 2011 and forms the basis of the Government Electromobility Program. This program ushered in the second phase of the National Development Plan for Electromobility, which is to be visible on the streets from 2013 as part of the Electromobility Showcase project. The "showcases" will be divided into three to five regions across Germany. These are the successors to the pilot regions and are intended to demonstrate electromobility to society as a whole. The German federal government is supporting the showcases with subsidies totaling 200 million euro.

Moreover, interdisciplinary and cross-industry research and development lighthouse projects focusing on specific key topics will be launched. Following investments of 500 million euro in R&D projects, including the electromobility pilot regions, as part of its Economic Stimulus Package II, the federal government will invest a further 800 million euro between now and 2015.

The Porsche Zwischenholding GmbH group is tackling the associated technological challenges and will participate in the second phase of the National Development Plan for Electromobility within the scope of the “showcases” and lighthouse projects.

Porsche Intelligent Performance

Sporty performance and environmentally sound reduction of consumption and emissions are not irreconcilable opposites. Following the 2010 launch of the Cayenne S Hybrid, with technically sophisticated parallel full-hybrid drive, Porsche opened another chapter in Porsche Intelligent Performance in the 2011 fiscal year, with the Panamera S Hybrid. With output of 380 hp, the gran turismo boasts fuel consumption of just 6.8 liters per 100 km in a best case scenario, which is equivalent to CO_2 emissions of just 159 g/km. But the completely newly designed 911 Carrera, which celebrated its world premiere at IAA in Frankfurt in September 2011, also delivers carbon emissions below the 200g/km mark. Fuel consumption and emissions are down 16 percent on the predecessor model. This means that the coupés require considerably less than ten liters of fuel per 100 km. This is due to a significant reduction in weight thanks to a new lightweight body featuring intelligent aluminum and steel construction.

In addition, the 918 Spyder with plug-in-hybrid drive has been available for order since March 2011. Porsche is working flat out to bring the model to series production. The first vehicles are slated for delivery from November 2013. Thanks to the hybrid technology, the high-performance sports car is expected to consume just three liters of fuel per 100 km in the NEDC (New European Driving Cycle). The 500-hp V8 engine is supported by two electric motors with a total of at least 218 hp.

Sustainable use of resources at Porsche

Today more than ever, global challenges such as resource shortages and climate change demand future-oriented solutions from Porsche that transcend national borders and industry boundaries. The environmental impact of all operating activities – from development to production to sales – has to be considered as a whole and integrated into Porsche group's entrepreneurial activities. Porsche has introduced the group environmental management guideline, which is applicable worldwide.

The primary goals of the Porsche Zwischenholding GmbH group include saving natural resources, using energy efficiently and ensuring the environmental compatibility of all activities and products. Porsche has now been mastering this challenge for years. Porsche has had an environmental system validated to EMAS at its Stuttgart-Zuffenhausen location since 1996, which has additionally been certified to ISO 14001 since 1999. Further milestones in the company's environmental protection included certification to ISO 14001 at the Leipzig, Weissach and Sachsenheim locations as well as the integration of Porsche's resource and energy management into the existing environmental management system.

In the fiscal year 2011, the Porsche Zwischenholding GmbH group's environmental efforts reached a new level with the first-time certification of the energy management system. Porsche's production in Zuffenhausen is the first automotive plant in the world to meet the new ISO 50001 standard "Energy management systems – requirements with guidance for use". Porsche Leipzig GmbH and the central spare parts warehouse in Sachsenheim have also successfully qualified for ISO 50001 certification.

Porsche assumes responsibility for environmental protection and sustainable use of resources. This is repeatedly demonstrated not only by foresighted action and the continuously setting of new environmental goals, such as "2.5 percent resource or energy savings per project", but also through effective monitoring measures.

With the commissioning of its new paint shop Porsche has set its new standards worldwide. Innovative technologies ensure that the progressive concept achieves its goals of reducing emissions and lowering energy and resource consumption while increasing quality.

At the engine plant in Stuttgart-Zuffenhausen, the standardized hot tests have been reduced to around one to two percent through the introduction of cold tests. This decreases energy and fuel consumption, as well as emissions.

The new plant technology at the central Stuttgart-Zuffenhausen power plant contributes to greater energy efficiency. The construction and start-up of the new boilers and a combined heating and power plant reduce resource consumption and emission considerably.

In the central logistics department, costs, time and quality are the key factors, with environmental protection as the fourth decisive factor. An ecological orientation saves resources and thus reduces costs for the long term. This is why Porsche specifies packaging standards for new parts before they are delivered. The aim is to keep packaging to a minimum while maintaining defined quality levels, avoid single-use packaging and use recyclable materials instead. As a result of these measures, more than 95 percent of supplied parts are now provided in returnable containers.

The many activities relating to the environment at the Zuffenhausen location are presented in the environmental declaration for 2011, which is published on the internet at http://www.porsche.com/

germany/aboutporsche/porscheandenvironment/. The validated environmental declaration is evidence that Porsche is equipped with an effective environmental and energy management system in line with future requirements, enhances innovativeness and reduces the environmental impact of the location.

Porsche also fulfills its responsibility for environmental protection at other group sites. At the Weissach facility, work on extending plant development and planning for the expansion of the central power plant began during the fiscal year. In Leipzig, planning for the expansion of the production facility to create a full-fledged production plant with body construction and paint shop was in full swing. The approval documents under emission-protection law for the assembly, body shell, paint shop and infrastructure areas were submitted by the end of 2011, in line with the relevant deadline. In addition to compensatory measures within the plant, compensatory measures for nature conservation will be ensured in the new site close to the Leipzig plant. Furthermore, Porsche will plan an additional nature conservation grazing concept within the scope of the existing grazing concept.

Porsche Logistik GmbH operates the new central spare parts warehouse in Sachsenheim. Here Porsche is making a major contribution to the utilization of renewable energies. 8,500 photovoltaic modules, spread over 40,000 square meters of roof space generate around two million kilowatt hours of electricity per year.

Environmental management in the Volkswagen group

Protecting the environment and managing the company in an environmentally friendly way is part of the Volkswagen group's corporate culture. Taking into account social, economic and ecological aspects, Volkswagen operates sustainably, supports environmentally responsible practices and safeguards employment for the long term. Two core principles characterize environmental policy at Volkswagen. First, production processes are continuously improved in order to ensure that products are made in a resource-friendly manner. Since 2010, Volkswagen's efforts have been supported by an efficient energy management system. Second, Volkswagen continually improves the environmental compatibility of its products across their lifecycle. Environmentally relevant considerations are identified early and integrated into the development process of products. Policies for an environmentally oriented approach are adhered to over the entire product life cycle. By 2018, the Volkswagen group intends to be the number one in the automotive industry in ecological terms.

The Volkswagen and Audi locations in Germany have voluntarily participated in the EU Eco-Management and Audit Scheme since 1995. As part of this, the environmental performance is continuously audited and adjustments made where necessary. Worldwide, concrete environmental protection measures are implemented in accordance with environmental certification processes under the international standard EN ISO 14001. Since 1996, this standard has also been applied to the environmental management system used by Volkswagen’s Technical Development area, which has additionally been certified in accordance with DIN ISO/TR 14062 since 2009. With the recertifications, Volkswagen has confirmed its role as a trailblazer.

Environmentally friendly production processes at Volkswagen

Active climate protection and the efficient use of raw materials that are becoming increasingly scarce play an important role at Volkswagen. In addition to the emphasis the Volkswagen group places on environmentally compatible products, it also focuses on resource-conserving and environmentally friendly production. In 2011, Volkswagen once again achieved improvements to its key environmental indicators in production compared to the prior year. Based on the requirements of internal rules and process standards, the environmental data of group production sites are compiled, validated and analyzed. Using continually updated data, it is possible to determine the group's environmental pollution trends. The data captured currently covers 59 locations.

As part of the measures to protect the environment, an objective is to continuously optimize resource efficiency. Volkswagen not only understands this as the relationship between resource input and product output for a particular process, but also views it in a broader sense – from product development all the way down to recycling. Resource efficiency is clearly at the forefront in product development.

For example, the applicability of material flow management in choosing innovative production processes from the vehicle and component production areas was tested and material flow management was introduced. The concrete effects of these measures can be seen, among other areas, in the paint shop, where material waste is being reduced by up to 85 percent with the help of a newly developed paint change system. Volkswagen is also reducing energy and material consumption in the components area. An important topic here is reducing the base load for electrical consumption, for example with procedures for lowering the consumption of equipment in standby operation. The focus of material efficiency is on processes with minimum lubrication or dry machining. These include what is known as orbital cold forming, an innovative forming method that replaces the machine processing previously used: by using blanks that are similar in shape to the final part, we are able to significantly reduce the amount of waste.

Volkswagen has developed and implemented many processes and procedures to ensure that new vehicles are 85 percent recyclable and 95 percent recoverable overall. These percentages are confirmed regularly by the German Federal Motor Transport Authority. Thanks to the reprocessing of residue with the Volkswagen SiCon process, recycling end-of-life vehicles is both environmentally and economically feasible. Volkswagen generally takes its own end-of-life vehicles back without cost within the EU. Volkswagen taps into an extensive network of mid-size business partners for their recycling. Many worn components – around 13,000 items – are processed by Volkswagen, tested and reconditioned as replacement parts. In terms of quality and warranty, these are equivalent to new parts. The recycling activities are gradually being expanded to markets outside Europe. For instance, engines are also reprocessed in China since 2011.

One of the central goals is to reduce the use of primary raw materials. The use of quality-assured recycled materials in almost all vehicle components is not only permitted, but explicitly required in both the group-wide recycling standard and Volkswagen's cross-project environmental specifications. The recycled share of all materials in the current series Golf, Polo and Sharan models amounts to around 40 percent of the vehicle weight. Plastics are recovered in addition to many metals. One example is the underbody shells, which are made up of 100 percent recycled plastics in some vehicles. Certification by the German inspection organization TÜV NORD confirms these high values.

Fuel and powertrain strategy

As in the past, the Volkswagen group’s fuel and powertrain strategy follows the approach of coexisting electric drive and conventional combustion engines.

On the way to the carbon-neutral mobility of the future, Volkswagen sees both of these drive concepts coexisting in the next decades with a clear trend toward the electrification of the drivetrain. This coexistence of drive concepts will be accompanied by a steady increase in the share of carbon-neutral energy sources, either in the form of power for electric vehicles generated from renewable sources or in the form of carbon-neutral biofuels, for example from waste materials, for use in combustion engines that are becoming ever more efficient. The group’s successful TSI, TFSI and TDI engines, ideally combined with our innovative direct shift gearbox, form the foundation of this strategy.

The enhancement of conventional combustion engines reached a milestone at the Volkswagen group in 2011. Development work on the completely new generation of three- and four-cylinder petrol and diesel engines made tremendous progress and achieved its latest success with the market introduction of the up!. The company believes that combustion engines will continue to provide the basis for a responsible approach to offering sustainable, forward-looking mobility in the medium term. This applies in particular to the cost-sensitive growth markets in Russia, India and the Far East.

The market introduction of the 1.0 liter three-cylinder engine, which has been available with 44 kW (60 hp) or 55 kW (75 hp) in the up! since September 2011, and the 1.8 liter TFSI engine, available in the Audi A5 since October 2011, launched the first derivatives of the new generation of petrol engines. Additional members of this engine family will gradually follow in the coming months, with the rollout of the MQB. These will set new standards for efficiency and economy in petrol engines, with innovations such as camshaft needle bearings, combined direct and manifold fuel injection, and integrated exhaust manifolds.

The cylinder shutoff system, which will be used in petrol engines at both Volkswagen and Audi in 2012, demonstrates innovative strength especially well. This allows the respective four- and eight-cylinder engines to optimize fuel consumption by shutting down unneeded cylinders in certain driving situations, based on requirements. On the 1.4-liter TSI engine, as an example, this technology saves up to 0.7 liters of fuel per 100 km and represents a world first in the field of four-cylinder engines in this performance and capacity class.

With the Modular Diesel System (MDB), Volkswagen is also nearing the introduction of a completely new generation of three- and four-cylinder diesel engines. These will debut in 2012 in the new Audi A3 and set new benchmarks for driving pleasure, cleanliness and efficiency. The Volkswagen group has also continued to write the success story of the diesel engine in other areas. Steadily rising market shares in the North American market, which has a critical attitude towards diesel engines, and recognition in Europe in the form of five stars in the ADAC ecoTest for the 1.6-liter TDI Passat BlueMotion, are examples of this. The Volkswagen group has also successfully advanced the diesel engine in the higher engine capacity classes. After introducing the 3.0-liter V6 TDI engine with 150 kW (204 hp), which is designed as the efficiency version in the Audi A7 in 2010, Audi expanded its range of engines for the A7 in 2011 with a high-performance version of this engine, the BiTurbo. With 230 kW (313 hp) and a torque of 650 Nm, this engine delivers superior driving performance and gives the A7 the ability to accelerate from 0 to 100 km/h in just 5.1 seconds. Impressive fuel consumption of 6.4 liters per 100 km and CO_2 emissions of 169 g/km set new standards in the field of six-cylinder diesel engines.

To further improve efficiency in conventional combustion engines, Volkswagen also pressed forward with its activities surrounding the gradual electrification of the drivetrain in 2011. Technologies such as the start-stop system and regenerative braking are already used in many of our production vehicles. And new technologies such as engine coasting increasingly contribute to reductions in the group's fleet CO_2 emissions. With this system, the wheels and the drivetrain are decoupled during continuous driving – on a motorway, for example – allowing a fuel consumption advantage of up to 0.5 liters per 100 km to be achieved.

Volkswagen gave an insight into what is possible using innovative drive technology in a state-of-the-art, forward-looking vehicle concept with the XL1 study at the Qatar Motor Show at the end of January 2011. Designed as a plug-in hybrid and equipped with a 0.8-liter two-cylinder TDI engine (35 kW) in combination with an electric motor (20 kW), the XL1 represents the peak of what is feasible today, with fuel consumption of only 0.9 liters of diesel per 100 km. The XL1 can cover a distance of about 35 km running solely on electric power, and thus completely emission-free.

Following the market introduction of the Touareg Hybrid in 2010, Audi also impressively demonstrated its hybrid capability in 2011 with the Q5 Hybrid quattro. This combination of a highly efficient 2.0-liter TFSI engine and an electric motor delivers a notably low consumption of just 6.9 liters of fuel per 100 km; emissions are 159 g of CO_2 per km. The vehicle, which is configured as a single-shaft parallel hybrid, offers an impressive performance of 180 kW (245 hp) and a torque of 480 Nm, thanks to the interaction between the combustion engine and electric motor. With an extra boost from the electric motor, the car can accelerate from 0 to 100 km/h in 7.1 seconds. More hybrid vehicles will follow soon, for example in the shape of the Golf, Jetta, Audi A6 and Audi A8.

Other milestones on the road to pure e-mobility were also achieved in 2011. When the Audi A1 e-tron and Golf Blue-e-Motion successfully participated in the Silvretta Classic in July 2011 and we delivered the first 80 Golf fleet vehicles to customers, the Volkswagen group proved that customers need not make sacrifices in terms of safety, comfort and suitability for everyday use when they opt for e-mobility. The fleet trials that started this year in Germany will be expanded to Austria, France, Belgium and the USA in 2012 in order to make electrified drive technology market-ready with uniform quality standards worldwide. The integration of e-mobility into the modular toolkit strategy underscores its significance for Volkswagen, and affirms that it has a place in the group's long-term product strategy. This will see us manufacturing not only the body, but also the electric heart of the electric vehicle. The plant in Kassel is now sharply increasing its capabilities in the area of electric motors. The Braunschweig plant will specialize in battery and power electronics. We will lift the electric car out of its niche and ring in the era of e-mobility. In mid-2013, Volkswagen will initially bring the e-up! to the market, followed shortly thereafter by the Golf Blue-e-motion.

Volkswagen commercial vehicles is also breaking into the electric age with the recent start of fleet tests of the Caddy Blue-e-Motion, and other group brands will follow.

Opportunities and risks of future development

Risk report of Porsche SE

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

Organization and responsibilities

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

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

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

In the fiscal year 2011, Porsche SE also established a compliance organization that is specifically tasked with preventing breaches of laws, other legal provisions and company-internal guidelines and rules, and is integrated into the internal risk management system as a control system. In particular, a compliance council was set up, which comprises executives from the key departments. The compliance council held a total of six meetings in the fiscal year 2011. The meetings focused in particular on the creation of guidelines and other compliance-relevant regulations.

Key features

For the purpose of group accounting, Porsche SE lost control as defined by the IFRSs of the Volkswagen group on 3 December 2009 and of the Porsche Zwischenholding GmbH group on 7 December 2009. Since then, the investments in Volkswagen AG and Porsche Zwischenholding GmbH have been included at equity in the consolidated financial statements of Porsche SE.

The reporting packages of the Porsche Zwischenholding GmbH group and the Volkswagen group as well as the related adjustments to the carrying amounts of these two investments accounted for at equity and the inclusion and consolidation of the Porsche SE subsidiaries' reporting packages are processed at group level.

The group accounting manual of Porsche SE and formal instructions ensure uniform recognition and measurement based on the accounting policies applicable at Porsche SE, also after deconsolidation of the Porsche Zwischenholding GmbH group and the Volkswagen group in the fiscal year 2009/10. The components of the formal reporting packages required to be prepared for Porsche SE are set out in detail and updated regularly. The reporting dates that are relevant for the reporting units are set out in a reporting calendar.

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

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

Testing for reasonableness, the clear delineation of areas of responsibility and the application of the dual control principle are control mechanisms applied during the preparation of the financial statements of Porsche SE. At Porsche SE, provisions as well as accruals and deferrals are set up, and the recoverability of the company's equity investments included in the balance sheet are checked in cooperation with the departments. These figures are accounted for only after internal approval. The accounting processes implemented at Porsche SE ensure that matters arising from agreements that are relevant in terms of accounting and subject to disclosure requirements are identified in full and presented appropriately in the financial statements. There are authorization and access rules for the IT systems of relevance for the financial reporting process.

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

Risk management and early risk warning

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

Porsche SE functions as a holding company for its investments in the operating companies Porsche Zwischenholding GmbH and Volkswagen AG. The income of Porsche SE consists mainly of the dividend payments of these two equity investments. The risks from investments only have an indirect effect on Porsche SE in the form of valuation, consolidation, dividend and liability effects. In addition, there are risks from the basic agreement and the associated corporate restructuring as well as from the investment held by Volkswagen AG in Porsche Zwischenholding GmbH.

The Porsche SE group's risk management takes into account the structure of the group. It consists of three autonomous, but nevertheless integrated risk management subsystems. Two of these subsystems are located at the level of Porsche Zwischenholding GmbH and Volkswagen AG respectively (we refer to the section “Opportunities and risks of significant investments”). The risks of relevance at the level of Porsche Zwischenholding GmbH are covered by Porsche AG’s early risk warning system which this company has established pursuant to Sec. 91 (2) AktG for the Porsche AG group. The subsystems are intended to identify, manage and monitor the risks resulting from the operating activities of the two investments that could jeopardize the investments’ ability to continue as a going concern. Thus, the two investments are themselves responsible for their local risk management, but are required at the same time to inform Porsche SE as the holding company at an early stage of any risks jeopardizing the investment’s ability to continue as a going concern.

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

The indirect effect of risks from investments in the operating companies is taken into account by integrating the three subsystems in one group risk management system. Regular communication, for example, in management talks and by forwarding risk reports to Porsche SE, ensures that Porsche SE is informed directly of any risks to the company’s ability to continue as a going concern should any such risks arise at the investments.

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

The implementation and general effectiveness of the early warning system for the detection of risk was checked during the audit of Porsche SE’s consolidated financial statements

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

Specific risks faced by Porsche SE

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

Risks originating from the capital and credit markets

Continuous monitoring ensures that the executive board is informed at an early stage about changes in the conditions on the credit and capital markets allowing it to develop and decide on suitable methods of handling and transferring the risk. The main focus here is primarily on the situation on the financial markets. The relationship to creditors is another key aspect of the strategic considerations and risk analyses.

Following the capital increase performed in April 2011, the partial repayment of the syndicated loan which existed at that time, and following refinancing in October 2011 within the scope of the new syndicated loan, the total loan facility available to Porsche SE now amounts to 3.5 billion euro, of which 2.0 billion euro has currently been drawn. The implementation of the financing strategy also includes ongoing checks to determine the extent to which hedges of exposure to changes in interest rates are beneficial from the company's point of view. 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 issue proceeds from the capital increase performed in April 2011 led to a cash inflow of around 4.9 billion euro. Other significant cash inflows resulted from dividends paid by Volkswagen AG and Porsche Zwischenholding GmbH as well as from income tax refunds. The early partial repayment of the syndicated loan from the issue proceeds and from available liquidity led to a cash outflow of 5.0 billion euro. Other cash outflows were attributable in particular to the tax and interest payments that remained following the decision by the tax authorities concerning the tax treatment of stock option transactions in November 2010, other interest payments from loan liabilities, and the distribution of the dividend approved by the annual general meeting for the short fiscal year 2010 of 0.50 euro per preference share. This resulted in a total decrease in the Porsche SE group's gross liquidity compared to 31 December 2010 with a simultaneous significant improvement in net liquidity.

In October 2011, Porsche SE concluded a new syndicated loan agreement that replaced the previous syndicated loan. The refinancing was executed on 31 October 2011 with a view to securing the company’s long-term liquidity and at more favorable conditions from Porsche SE’s perspective. These conditions reflect the significantly improved net assets and financial position of the company compared to the time when the previous syndicated loan agreement was concluded in 2009 and, particularly, the repayment of debt. The new syndicated loan has a volume of up to 3.5 billion euro and comprises a loan tranche amounting to 2.0 billion euro as well as a revolving line of credit of up to 1.5 billion euro that is currently unutilized. The loan matures on 30 November 2013, however, the company has two options to extend it such that under certain circumstances the maturity date may be prolonged until 30 June 2015 in two steps (on this point, see also the section "Repayment of debt and refinancing of the previous syndicated loan" under "Significant events" in this management report).

The cash and cash equivalents of the Porsche SE group totaled 0.5 billion euro as of 31 December 2011. In principle, Porsche SE additionally has at its disposal the aforementioned, currently undrawn, line of credit of 1.5 billion euro. This secures Porsche SE's liquidity beyond 31 December 2012.

Risks originating from financial covenants

Porsche SE and various banks agreed on financial covenants that must be complied with in connection with the new syndicated loan concluded in October 2011. They relate to earnings and share indicators of Volkswagen AG and therefore cannot be directly influenced by Porsche SE. During the fiscal year 2011 and as of 31 December 2011, the financial covenants were complied with. They are reviewed on a monthly or quarterly basis. The loan agreement is deemed to have been infringed only if all financial covenants are breached at the same time. In that case, the banking syndicate is entitled to terminate the syndicated loan. This would give rise to a short-term refinancing requirement at Porsche SE. The executive board currently does not see any indication that these covenants will not be met in the future.

Valuation risks

In addition, Porsche SE is exposed to potential risks from the recoverability of its investments in Volkswagen AG and Porsche Zwischenholding GmbH. If the financial position and results of operations of the Porsche Zwischenholding GmbH group and the Volkswagen group were to deteriorate materially, this could lead to an impairment loss recognized on the significant investments in Porsche Zwischenholding GmbH and Volkswagen AG recognized in Porsche SE's consolidated financial statements and could reduce the profit reported by the Porsche SE group. In order to ascertain any need to record an impairment, the company's own evaluations are prepared regularly and the assessments made by analysts are also monitored with regard to the investment in Volkswagen AG. Moreover, Porsche SE would carry out further impairment testing if there were an indication that an asset may be impaired. Porsche SE's measurement is based on a discounted cash flow method and takes into consideration the most recent five-year plan approved by the management of the significant equity investments. Cash flows are discounted using a weighted cost of capital derived from a peer group for each equity investment. There were no indications of a need to record an impairment as of 31 December 2011.

Due to the hedges recognized in the separate financial statements of Porsche SE pertaining to the investment in Porsche Zwischenholding GmbH and the put and call options that Porsche SE and Volkswagen AG granted each other for the remaining 50.1 percent share held by Porsche SE in Porsche Zwischenholding GmbH, changes in the value of this equity investment have no impact on the Porsche SE's separate financial statements.

Risk arising from the use of financial instruments

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

The principles and responsibilities for managing and controlling these risks are defined by the executive board and monitored by the supervisory board. The risk controlling processes implemented in particular govern the ongoing monitoring of the liquidity situation in the Porsche SE group, the development of interest levels on the capital markets and monitoring of the financial indicators. Porsche SE's risk controlling ensures that risks are identified, analyzed and monitored using suitable information systems. Moreover, transactions may only be concluded in permitted financial instruments, only with approved counterparties and to the admissible extent.

Derivative financial instruments used by Porsche SE were entered into mainly to manage interest rate risks as well as in relation to the sale of the remaining shares in Porsche Zwischenholding GmbH.

Any default on Porsche SE's receivables, most of which are due to companies of the Porsche Zwischenholding GmbH group, could have a negative impact on Porsche SE's liquidity situation. In addition, the investment of cash also gives rise to counterparty risks. Regarding the term and call money investments at Porsche SE, however, they are hedged using hedging systems customary in the banking business. Cash investments are also exposed to interest rate risks.

Under the basic agreement Porsche SE and Volkswagen AG granted each other put and call options for the remaining 50.1 percent share held by Porsche SE in Porsche Zwischenholding GmbH. Regarding valuation of these options there is a risk of future changes in value that could have a negative impact on the Porsche SE group's results of operations. Following the failure of the merger of Porsche SE into Volkswagen AG within the framework and timeframe of the basic agreement, the options can now theoretically be exercised. The theoretical probability of exercise of the put and call options, on which the evaluation is based, is therefore 100 percent. Changes in value can primarily arise from changes in the valuation of the underlying enterprise value of Porsche Zwischenholding GmbH, which in turn depends to a large extent on the underlying planning and the cost of capital derived as of the respective valuation date. The exercise price for the options is 3,883 million euro in each case and is subject to certain adjustments. In order to secure any remaining claims of Volkswagen AG from the agreement between Porsche SE and Volkswagen AG on the investment held by Volkswagen AG in Porsche Zwischenholding GmbH, a retention mechanism was agreed in favor of Volkswagen AG for the purchase price payable in the event of the put or call options being exercised. If any retained amount has not been used to fulfill claims of Volkswagen AG, the retained amount must be paid to Porsche SE on 30 June 2016, unless it is likely that claims for indemnity will be made against the company as of that date.

Due to the hedges recognized in the separate financial statements of Porsche SE pertaining to the investment in Porsche Zwischenholding GmbH and the put and call options that Porsche SE and Volkswagen AG granted each other for the remaining 50.1 percent share held by Porsche SE in Porsche Zwischenholding GmbH, changes in the value of these options have no impact on the Porsche SE's separate financial statements.

A portion of Porsche SE's financial liabilities is subject to floating interest rates and, as a result, interest payments are exposed to fluctuation over time that cannot be foreseen. Should interest rates rise, this would have an adverse effect on the company's liquidity situation. Porsche SE partially limited this risk until the end of the past fiscal year by using interest rate hedges (cap structures). Porsche SE will continue to permanently monitor the development of interest rates and enter into economically feasible hedges of exposure to changes in interest rates on a case-by-case basis.

For the risks from financial covenant rules regarding the new syndicated loan concluded in October 2011, please refer to "Risks originating from financial covenants" in this section of the management report.

Overall, Porsche SE's executive board considers the risks arising from the use of financial instruments – with the exception of the possible effects on profit or loss relating to the put and call options for the 50.1 percent share held by Porsche SE in Porsche Zwischenholding GmbH – to be low.

For further information on financial risk management, financial instruments used and the associated risks, please also refer to note [21] of the consolidated financial statements of Porsche SE as of 31 December 2011.

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

As part of the basic agreement and the associated agreements implementing it, Porsche SE entered into a number of agreements with Volkswagen AG and entities of the Porsche Zwischenholding GmbH group. For further details, we refer to our disclosures on related parties in note [26] of the consolidated financial statements of Porsche SE as of 31 December 2011. The company's executive board considers the risk that the agreements made could have a significant adverse effect on the net assets, financial position and results of operations of the Porsche SE group to be low.

Litigation 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, adequate provisions are created in order to account for any ensuing risks. The company does not believe, therefore, that these risks will have a sustained effect 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 very serious losses may eventuate that are not covered by the provisions already created.

To the knowledge of Porsche SE – which is not a party to the investigations and therefore has only limited knowledge of the subject matter and status of investigations – the Stuttgart public prosecutor has initiated investigations against the former members of the executive board Dr. Wendelin Wiedeking and Holger P. Härter in connection with allegations of information-based manipulation of the market in Volkswagen shares. According to the public prosecutor, the allegations involve public statements made by representatives of Porsche SE and the failure to make certain required statements regarding the acquisition of the shareholding in Volkswagen AG between 2006 and 2009. In addition, the public prosecutor is investigating the two former members of the executive board in connection with allegations of breach of fiduciary duty to the detriment of Porsche SE. According to the public prosecutor, there is reason to suspect that the two former members of the executive board may have taken risks jeopardizing the company's ability to continue as a going concern by entering into share price hedging transactions in the course of acquiring the shareholding in Volkswagen AG. Furthermore, the public prosecutor has launched investigations against Holger P. Härter and two employees of Porsche SE on suspicion of obtaining credit by deception in connection with a loan that has already been repaid. The Stuttgart public prosecutor announced in February 2011 that the investigations would take longer than anticipated and are not expected to be concluded before the start of 2012. The Stuttgart public prosecutor has to date not issued a statement on the current status of proceedings. Porsche SE considers the allegations made to be without merit.

In 2010, 46 plaintiffs filed six actions for damages against Porsche SE in the United States District Court for the Southern District of New York. The plaintiffs alleged damages of more than USD 2.5 billion. In three of the six actions, the former members of the executive board Dr. Wendelin Wiedeking and Holger P. Härter are also named as defendants. Plaintiffs alleged in their complaints that, in connection with its acquisition of a stake in Volkswagen AG during the year 2008, Porsche SE issued false and misleading statements and engaged in market manipulation in violation of the US Securities Exchange Act as well as in common law fraud. Porsche SE considers the complaints to be without merit and filed a motion to dismiss. On 30 December 2010, the US court granted the motion to dismiss the complaints in their entirety. Thirty-two of the original 46 plaintiffs have appealed this decision with the United States Court of Appeals for the Second Circuit.

Moreover, on 18 February 2011, three of the plaintiffs, and on 15 March 2011 a further 23 of the plaintiffs, filed two actions in New York state court. In their complaints, they assert claims for common law fraud and unjust enrichment on the basis of allegations similar to those made in their complaints in the actions referred to above. The plaintiffs claim to have lost at least USD 1.4 billion. Porsche SE considers these actions to be legally insufficient and without merit.

In 2009 and 2010, institutional investors in Germany applied for conciliatory proceedings against Porsche SE with regard to the assertion of claims for damages on the basis of alleged breaches of statutory capital market regulations in connection with the acquisition of a shareholding in Volkswagen AG. Various investors have filed further applications for conciliatory proceedings against Porsche SE based on the same claims; the company received these applications in April, August and December 2011 and in January and February 2012. Some of the new applications are also directed against Volkswagen AG. All of the alleged claims relate to alleged lost profits or alleged losses incurred estimated by the investors to total approximately 3.3 billion euro. Porsche SE considers the alleged claims to be without merit and has not taken part in the conciliatory proceedings.

In January 2011, a private investor filed a claim for damages against Porsche SE and another defendant in the amount of approximately 3 million euro. The plaintiff claims to have entered into options relating to shares in Volkswagen AG in 2008 on the basis of inaccurate information and the omission of information as well as market manipulation by Porsche SE and to have incurred losses from these options due to the share price development in 2008 in the amount claimed. The action was referred by the Regional Court of Stuttgart to the Regional Court of Braunschweig. Porsche SE considers the alleged claim to be without merit and has responded by filing a motion to dismiss.

In October 2011, ARFB Anlegerschutz UG (haftungsbeschränkt), Berlin, brought an action before the Regional Court of Braunschweig against Porsche SE and Volkswagen AG based on claims for damages allegedly assigned to it by 41 investment funds, insurance companies and other companies in the amount of approximately 1.1 billion euro. Some of the 41 investors are also applicants in the aforementioned conciliatory proceedings. Four of the investors are hedge funds that have also filed claims against Porsche SE before a US federal court that were dismissed in first instance. In December 2011, this claim was extended to include the alleged claims for damages filed by ARFB Anlegerschutz UG (haftungsbeschränkt) on behalf of another 24 entities for an allegedly assigned right in the amount of approximately 700 million euro. Two of these other investors are hedge funds that have also filed claims against Porsche SE before a US federal court that were dismissed in first instance. In connection with the extension of the claim in December 2011, ARFB Anlegerschutz UG (haftungsbeschränkt) also partly withdrew its original action to the extent that alleged claims for damages of an investment fund in the amount of approximately 4.5 million euro arising from an allegedly assigned right are no longer upheld. In addition, ARFB Anlegerschutz UG (haftungsbeschränkt) filed another action against the company at the Regional Court of Braunschweig in December 2011, asserting alleged claims for damages on behalf of another five companies, again from the alleged assigned right, for a total of approximately 351 million euro. The plaintiff alleges that, in 2008, on the basis of inaccurate information and the omission of information as well as market manipulation by Porsche SE, the companies behind the complaints either failed to participate in price increases of shares in Volkswagen AG and, hence, lost profits or entered into options relating to shares in Volkswagen AG and incurred losses from these options due to the share price development in the amount claimed. Porsche SE considers the alleged claims to be without merit and will defend itself against them.

In December 2011, a total of seven plaintiffs filed a complaint against Porsche SE at the Stuttgart Regional Court and asserted claims for damages against the company in the total amount of some 2 billion euro, based on allegations of market manipulation and inaccurate information in connection with the acquisition of a shareholding in Volkswagen AG in 2008. Six of the plaintiffs are hedge funds that have also filed claims against Porsche SE before a US federal court that were dismissed in first instance. Porsche SE considers the alleged claims to be without merit and will defend itself against them.

In addition, an investor filed an action against Porsche SE at the Regional Court of Braunschweig in December 2011 and asserted claims for damages against the company in the total amount of some 1.5 million euro, based on allegations of market manipulation in connection with the acquisition of a shareholding in Volkswagen AG in 2008. Porsche SE considers the alleged claims to be without merit and will defend itself against them.

A total of four reminder notices were served on the company in December 2011 and January 2012, asserting alleged claims for damages based on allegations of market manipulation and of inaccurate information or the omission of information, for a total of approximately 31 million euro. Porsche SE considers the alleged claims to be without merit and has filed an objection against the reminder notices.

In 2010, the appointment of a special auditor was applied for before the Regional Court of Stuttgart. The application related to the examination of the management activities of the company's executive board and supervisory board in connection with hedging transactions relating to shares in Volkswagen AG that were aimed at creating the conditions to enable the company to purchase Volkswagen AG shares at economically secured conditions, if it later decided to purchase them, as well as payment agreements with, and severance payments to, former members of Porsche SE's executive board. All the applicants withdrew their applications in May 2011, thereby ending the proceedings.

The company believes that adequate provisions have been recognized for the anticipated attorneys' fees and litigation expenses arising from the above cases.

Opportunities and risks of cooperation projects

Cooperation projects include opportunities and risks, particularly in the areas of development and production.

The cooperation between the Porsche Zwischenholding GmbH group and its main cooperation partner Volkswagen can lead to additional synergies within the Porsche Zwischenholding GmbH group in future. The two groups have already cooperated for many years on the Colorado project, in which a platform was developed for the Porsche Cayenne, the VW Touareg and the Audi Q7. In another cooperation project, the Porsche Zwischenholding GmbH group is using various modules and components from the Volkswagen group to develop an additional vehicle for the sporty off-roader segment. 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 can be reduced. Moreover, the earnings of the Porsche Zwischenholding GmbH group can also be improved by combining purchasing functions and sharing existing sales channels.

The main risks relating to cooperation concern changes desired by a cooperation partner, for example to a platform and/or parts. As a result, achieving the planned development and production goals (in particular, start of production) may involve delays, and additional expenses. Production at two locations (as, for example, in the case of the Cayenne, which is produced in Leipzig and Bratislava) is the cause of potential interface problems, particularly in the later production phase, which can result in interruption to production. Where the cooperation partner procures parts for prototypes and series production, this can also present a risk as it creates a dependency that the Porsche Zwischenholding GmbH group cannot counter by direct influence, for example on Volkswagen's suppliers. To promote cooperation and avoid risks of this kind, Porsche and its partner are equally represented in the organization for cooperation projects. The ultimate decision-making body, with representatives of both companies, has sole responsibility for key topics such as project strategy, key figures, technology, quality, deadlines, finances and model updates, and meets several times a year.

Opportunities and risks of significant investments

Risk report of the Porsche Zwischenholding GmbH group

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

An internal control system is understood as the combination of all principles, procedures and measures in place at Porsche Zwischenholding GmbH and the Porsche Zwischenholding GmbH group with the objective of implementing management's decisions in the organization

- to ensure the effectiveness and the efficiency of business activities (which encompasses protecting the asset value, including the detection and avoidance of any pecuniary damages);
- on the compliance and reliability of the accounting records;
- on compliance with the legal regulations of relevance to the company.

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

With regard to the financial reporting system and the group financial reporting system we view as significant the aspects of the internal control and risk management system that can materially affect the preparation of the consolidated financial statements including the group management report. This concerns the following elements in particular:

- Identifying the main risk categories and control areas of relevance to the group-wide financial reporting process;
- Controls for monitoring the group-wide financial reporting process and its results at the level of the group's executive board and at subsidiary level;
- Preventative control measures in the finance and financial reporting of the group and the subsidiaries included in the consolidated financial statements as well as the operational business processes which generate significant information for the consolidated financial statements together with the group management report, including a segregation of functions and of predefined approval processes in relevant areas;
- Measures that ensure compliant IT-supported processing of accounting-related matters and data.

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

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

Testing for reasonableness, the clear delineation of areas of responsibility and the application of the dual control principle are control mechanisms applied during the preparation of the financial statements. Provisions and accruals/deferrals recognized are tested for plausibility at Porsche Zwischenholding GmbH by the finance department and only recognized in the balance sheet following internal approval. The department with central responsibility for certain global risks (processes, warranty, etc.) ensures that these are completely documented and consistently measured. Moreover, material movement data from feeder systems is automatically compared with the movements presented in financial accounting, and errors immediately rectified. Matters arising from agreements that are relevant in terms of accounting and subject to disclosure requirements are identified in full and presented appropriately as part of the accounting process. In addition, there are authorization and access rules that apply to IT systems of relevance for the financial reporting process.

Risk management in line with the KonTraG

The group is required by Sec. 91 (2) German Stock Corporation Act (AktG) to maintain an early warning system for the detection of risk. The group's risk situation and risk management is reviewed and documented annually in accordance with the requirements of the German Act on Control and Transparency in Business (KonTraG). Risk management, which forms an operational component of the business processes, is designed to identify risks in a timely manner, assess their extent and, where appropriate, take countermeasures.

Updating the risk documentation

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

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

Adherence to process organization rules, guidelines, instructions and descriptions is ensured by internal controls performed by the risk officers appointed in this area and by the internal audit function.

The risk management system – goals and operation

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

The risk management system is an integral part of the group's structure and process organization and is embedded in all of its daily business processes. The opportunities and risks in the group are identified and assessed during the annual planning. The established reporting system is used to monitor the risks identified. Deviations are analyzed, recorded, and countermeasures initiated in the event of negative developments. In addition, the risk management and internal audit departments monitor and document the risks and early warning systems. If new or changed risks are discovered, these departments report immediately to the company's management and propose solutions. This procedure allows negative trends to be identified promptly and immediate countermeasures to be taken. The documented reporting channels mean that management always has access to an overall picture of the current risk situation.

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

Continuous enhancement

The internal control system and risk management system are constantly optimized as part of Porsche's improvement process. Equal importance is attached to both internal and external requirements – such as the provisions of the German Accounting Law Modernization Act (BilMoG). The main objective of the improvements made to the risk management system is to increase the efficiency of the processes for identifying, managing and monitoring risks.

Specific risks

Macroeconomic risk

While the growth of the global economy continued in the first months of 2011, prospects worsened markedly as the year progressed. Economic growth prospects were mainly dampened by the strained debt situation faced by many countries, the persisting debate about the stability of the European Monetary Union and the increase in inflationary tendencies. This is especially true of the European Monetary Union and the USA. Indeed, the intensifying sovereign debt crisis in parts of Europe, the related consolidation measures taken and the weakening global economy are increasingly burdening the economic development of western Europe. The US economy saw a perceptible loss of momentum in the course of the year, mainly due to the persistently high jobless rate, the continued weakness of the real estate market and a comparatively low level of consumption. The development of economic conditions in China and India was again the main source of growth impetus of the global economy in 2011. On aggregate, the economic growth of these countries in 2011 was robust and accompanied by a continued high inflationary pressure, although growth in China consistently lost pace during the year. The German economy also cooled down progressively, despite starting with very healthy growth, although domestic demand is still a pivotal factor. The outlook for 2012 is becoming increasingly pessimistic.

In view of the volatility of financial markets and the nervousness of investors and consumers, there is an increasing risk of a long-term weakening of the economy, which could adversely impact Porsche's business activities. Changes in the legislation, taxes and customs duties as well as a greater degree of permanent state intervention could also have a negative impact on international activities of the group.

Sector-specific risk

In 2011, demand for passenger vehicles worldwide was up on the prior-year level, despite the expiry of the economic stimulus packages introduced by governments. However, the pace of growth slowed somewhat during the year. Particularly in western Europe, demand for passenger vehicles was actually slightly below the prior-year level. By contrast, the US passenger vehicle market gained momentum again in 2011. Growth rates were declining in China and India at the end of 2011. The possible slowdown of the global economy could pose a significant risk to demand for new vehicles in 2012. The situation of the economy as a whole may make potential Porsche customers reluctant to buy a vehicle.

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

Risks related to demand

Levels of demand and sales are also influenced by the changing economic landscape. The key markets for the group's products are western Europe and North America, and, in recent years, China. However, growth in China could be jeopardized if major cities such as Beijing wish to dramatically reduce the volume of new vehicles registered annually by introducing corresponding regulations. Intensive monitoring of local markets and early warning signs enable the group to quickly spot a potential fall in sales.

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

Procurement risk

The prices of raw materials and oil were again marked by massive volatility in the reporting period and influenced by greater demand. This led in some cases to significant increases in prices for raw materials and supplies. These effects were especially evident for rare earth metals, where various mining and export limitations in Asia drove up prices considerably. Conditions eased slightly toward the end of the reporting period, although the market remains very unstable. In the case of primary materials derived from oil, the price increase seen in 2010 initially continued into the reporting period. Prices stabilized at a high level in the second half of the year. Thanks to the permanent monitoring and analysis of commodities markets combined with long-term supplier agreements it was possible to largely avoid adverse effects on the operating activities.

The global financial crisis weakened the financial position of the supplier industry. This resulted in a large number of financially unstable companies in the reporting period. A comprehensive supplier risk management system, however, permits the early detection of potentially critical suppliers and the timely adoption of appropriate measures for mitigating supply risks. This systematic approach has prevented supply bottlenecks.

The reporting period also saw the earthquake and the resulting tsunami catastrophe in Japan, which entailed substantial supply risks. To avoid production outages, a working group was established tasked with identifying risks along the supply chain, assessing these and taking appropriate measures in cooperation with suppliers. The impact on the group was limited.

Liquidity risk

The Porsche Zwischenholding GmbH group is reliant on adequate refinancing to meet its capital requirements. The terms of the refinancing depend not only on general market conditions, but also on the assessment of Porsche's credit rating. If the general market conditions were to deteriorate, or if the banks rated the credit-worthiness lower, this could negatively impact refinancing options and thus liquidity.

When it comes to safeguarding liquidity, Porsche pursues a policy of maximum financial security. To secure its credit rating and liquidity, Porsche AG renegotiated its existing syndicated line of credit of 2.5 billion euro with a syndicate of banks in June 2011. The maximum term, including two unilateral prolongation options of Porsche AG, expires in March 2015. The line of credit had not been used as of 31 December 2011.

In November 2011, the option was exercised to prolong the bridge financing that had been obtained in the prior year to refinance an expiring bond of 1 billion euro. The line of credit had been used in full as of 31 December 2011. It expires at the end of 2012 (we refer to our explanations in the section "New loan agreements" under Porsche Zwischenholding GmbH group's "Significant events" in this management report).

In conjunction with the loan agreements, it was arranged with the banks involved that the group will deliver and comply with two financial covenants. The group satisfied these covenants in the fiscal year. The first covenant relates to a rolling 12-month EBITDA (earnings before tax, financial result, depreciation and amortization) in relation to the net debt of the group's automotive division, the second to the financial service division's total assets, adjusted to eliminate intangible assets, in relation to its overall financial liabilities. The covenants are reviewed internally in the group on a monthly basis and reported to the banking syndicate on a quarterly basis. The loan agreements are deemed to have been infringed if either of the covenants is breached. In that case, the banking syndicate is entitled to terminate and immediately call the syndicated loans. The risk of non-compliance is deemed by Porsche Zwischenholding GmbH's management to be low.

To further secure future growth, a debenture bond of 500 billion euro was issued through Porsche

Financial Services GmbH in July 2011. The tranches have terms maturing in four and six years and most have fixed yields. The debenture bond grants the lender an extraordinary right of redemption only in the event that other financial liabilities of significant entities of the Porsche Zwischenholding GmbH group fall due on account of a breach of contract. The financial services business of the Porsche Zwischenholding GmbH group is financed primarily via securitization of loan and leasing receivables (asset-backed securities programs), sales and leaseback programs, bonds and bank loans. In addition, two ABS backed by lease and loan receivables were privately placed for the first time in the US market (under SEC Rule 144a).

Risks arising from financial instruments

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

The financial instruments entered into for hedging purposes lead to accounting risks in addition to counterparty default risks. This risk of effects on the presentation of results of operations in the income statement is limited by way of hedge accounting.

Default risks in receivables are reduced by means of a strict receivables management system.

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

Interest rate risks arising from the refinancing of the financial services business of Porsche Financial Services are largely hedged through the use of suitable derivatives (e.g., interest swaps). In the case of fixed-rate bonds of the Porsche Zwischenholding GmbH group, there is no interest risk. For the syndicated two lines of credit that fall due at the end of 2012 or optionally in March 2015, variable interest, which is not hedged against increasing short-term interest, is paid on the basis of a one to six-month Euribor.

The currency risk from future sales revenue denominated in foreign currencies is hedged through the use of exchange rate hedging instruments for a period of up to five years. The main hedging instruments used are forward exchange transactions, currency options, repayment of foreign currency liabilities, and currency swaps. The volume of exchange rate hedges is determined on the basis of the planned sales figures in the respective foreign currency. The counterparties for the exchange rate hedges are major international financing partners. Cooperation is subject to standard regulations and continuous monitoring.

Residual value and credit risk in the financial services business

The risk inherent in the leasing business results from a negative deviation between the residual value calculated when the agreement is concluded and the market value of the leased vehicle when it is sold following expiry of the agreed lease period.

In some markets, the Porsche Zwischenholding GmbH group bears this residual value risk. Operational risk management is provided via ongoing monitoring of the development of pre-owned car prices by means of data available within and outside the company. Residual value forecasts are used to check the appropriateness of risk provisioning and the residual value risk potential.

The default risk quantifies the unexpected loss which arises if a borrower cannot fulfill the contractually agreed payment obligations within the scope of the loan agreement. To monitor the default risks that exist for customers and dealers in financing arrangements as well as leasing business, rating procedures are used with dealers and commercial fleet customers, and scoring procedures for business and private customers. Due to the type of financing activity, the collateral for the outstanding financing volumes is mainly the financed vehicles. Conservative risk provisioning has been set up to cover the default risk.

Development risk

Porsche is constantly developing new products in pursuit of its strategic sales planning. Misjudging customers' needs in individual markets can result in lower sales in the short term and, if such misjudgments recur, to loss of customers and investment errors in the long term. In order to avoid developing products that do not meet the needs of consumers, Porsche conducts trend studies and market surveys before making decisions on new vehicle projects. Porsche hedges against potential breaches of industrial property rights, which could lead to considerable compensation claims, market-specific export barriers or cost-intensive redevelopments, by conducting research into worldwide industrial property rights when developing new vehicles. In this way, it is possible to quickly identify whether the industrial property rights of third parties are affected.

IT risk

The failure of IT systems can cause considerable losses if, for example, the production of vehicles is interrupted. Apart from a systematic analysis and monitoring of potential risks relating to information and information systems based on the IT blueprint coupled with the associated information systems, an emergency and disaster contingency program is in place encompassing backups of key data and redundant systems. The emergency and disaster contingency program is continuously adapted to meet operating requirements.

Sensitive data can also be misused due to unauthorized access to data. In order to guard against this, the group has detailed access authorization concepts, as well as binding instructions for the handling of sensitive data. There are also technical countermeasures such as virus scanners and firewall systems in place.

Personnel risk

A factor underpinning Porsche's success is the knowledge, the individual competencies and the high qualifications of its workforce. Porsche's positive image as an employer, as revealed by surveys, enables the company to find and keep qualified personnel. The group combats the risk of qualified specialists and management leaving the company taking their experience and knowledge with them by offering attractive employment conditions and training programs. The five-year agreement to safeguard company locations concluded at Porsche AG in July 2010 precludes dismissals for operational reasons.

Litigation risk

Like any other company, group entities may become involved in court or arbitration proceedings. At present there are no proceedings which could have a material impact on the economic position of the Porsche Zwischenholding GmbH group.

Quality risk

High-quality products are crucial to the company's image. The development department works closely with suppliers in order to achieve this. In addition to economic benefits, this collaboration also creates dependencies. Delayed deliveries or even failure to deliver can quickly lead to a standstill in production due to the “just-in-time” nature of parts deliveries. The group’s risk management system therefore prescribes the careful selection and monitoring of suppliers. A technical and business profile is created, and the supplier’s financial stability is continuously monitored. The aim of monitoring the financial position of suppliers is to identify financially unstable suppliers at an early stage and take appropriate steps for managing risks. Short development times and pressure on costs place high demands on suppliers. Parts deliveries are regularly subjected to quality and punctuality checks.

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

If product defects are extant after the start of production despite these risk avoidance measures, these defects are recorded and assessed in the sales markets. The aim is to determine and remedy the cause. To this end, Porsche AG has set up an interdisciplinary working group that introduces remedial measures to the production process either at Porsche or the supplier. Provisions are recognized to provide for the risk from warranty claims and recalls. Coverage for product liability claims is provided by the company's business liability insurance.

Environmental protection regulations

In the last few years, numerous environmental protection regulations were introduced in Germany and at an international level regarding fuel consumption and greenhouse gas emissions. Goals to dramatically reduce greenhouse gas emissions by 2030 and almost completely avoid the use of fossil fuels by 2050 are already the subject of public and political debate. It can be expected that regulations will become tighter across the globe in future. The group is affected by this development, both in terms of its manufacturing facilities and in terms of its products, particularly with regard to energy efficiency and rising prices for energy in general. The group is countering the possible consequences by managing its resources and energy as part of its environmental management system as well as devoting special working committees to energy management.

In the regulation of 23 April 2009 on CO_2 emission performance standards, the EU Commission set an upper limit of 130 g/km for the mean emissions of the entire European fleet of new vehicles from 2012. A further ten grams should be attained by supplementary measures, such as the use of bio-fuels, low-friction tires, effective air conditioners and other technical improvements.

The regulation sets European manufacturers the target of average emissions of 95 g/km from 2020, to be achieved through phased reductions. As of 2012, the Commission will impose an annual excess emissions premium on any manufacturer that exceeds its emission target. The regulation has a major impact on the variety of products, the distribution among the segments and the earnings on the European market.

Companies like Porsche and its subsidiaries, which have a very special product portfolio and small production runs, have the possibility of applying for a special ruling so as to avoid losing their economic foundation. Alternatively, they can form an emissions pool together with other manufacturers and be considered as one manufacturer with regard to the regulation. Emission and CO_2 levels are also being reduced in the USA. As a small series manufacturer, Porsche has been granted an exemption until 2016, according to which Porsche vehicles may have a 25 percent higher fuel consumption compared to products of other (mass) producers.

Compliance with the environmental protection regulations is technologically demanding and cost intensive. However, as a result of its leading technologies and products, the group sees itself in a position to master most of these future challenges.

Other risks

A positive image is crucial to any company. The communication strategy of the group ensures that communication and actions are decisive and professional in the event of crisis scenarios or events that could tarnish the company's image.

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

The statistics show that natural perils such as storm, hail, or earthquakes (property risks) are becoming more frequent. In order to reduce such risks and the resulting interruption to production, the group has set up an emergency team that can take quick concerted action to minimize the loss. Each case of loss leads to new findings. If these findings reveal a need to optimize the existing processes, the findings are evaluated in detail and, if need be, implemented in the risk mitigation organization. In addition, property risks are insured on the basis of a commercial cost-benefit analysis, taking insurance methods into account. However, it is not possible to guarantee full insurance cover for all claims.

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

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

Risk report of the Volkswagen group

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

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

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

The Volkswagen group's accounting is organized along decentralized lines. For the most part, accounting duties are performed by the consolidated companies themselves or transferred to the group's centralized shared-service centers. The financial statements of Volkswagen AG and the subsidiaries prepared in accordance with IFRSs and the Volkswagen group accounting manual and reported on by the auditors are transmitted to the group in encrypted form. A standard market product is used for encryption.

The group accounting manual ensures the application of uniform accounting policies based on the requirements applicable to the parent. In particular, these include more detailed guidance on the application of legal requirements and industry-specific issues. Components of the reporting packages required to be prepared by the group companies are also set out in detail and requirements established regarding the presentation and settlement of intra-group transactions and the balance reconciliation process that builds on that.

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

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

Integrated consolidation and planning system

The Volkswagen consolidation and corporate management system (VoKUs) is a system that can be used in the Volkswagen group to consolidate and analyze both Financial Reporting's backward-looking data and Controlling's forward-looking data. It offers centralized master data management, uniform reporting and maximum flexibility with regard to changes to the legal environment, thus providing a future-proof technical platform that benefits Group Financial Reporting and Group Controlling in equal measure. To verify data consistency, VoKUs has a multi-level validation system that primarily carries out content plausibility checks between the balance sheet, the income statement and the notes.

Risk early warning system in line with the KonTraG

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

Porsche Holding Salzburg and MAN SE, which were consolidated in 2011, have already implemented mature structures for risk early warning systems. Starting in 2012, these will gradually be integrated into the Volkswagen group's existing systems.

Updating the risk documentation

Standardized risk position surveys of both the risk managers of the individual divisions and the members of the boards of management and managing directors of significant investees are performed annually. Their responses are used to update the overall picture of the potential risk situation. In the process, the expected likelihood of occurrence and the expected loss are assigned to each significant risk identified and the measures taken are documented. The annual updating of the risk documentation is coordinated centrally by the Governance, Risk and Compliance function. Under the guidance of the auditors, the plausibility and adequacy of the risk reports are examined on a test basis in detailed interviews with the divisions and companies concerned. The auditors assessed the effectiveness of the risk early warning system based on this information and established both that the risks identified were presented in a suitable manner and that measures and rules have been assigned to the risks adequately and in full. The Volkswagen group therefore meets the requirements of the KonTraG. In addition, the Financial Services Division is subject to regular special audits by the German Federal Financial Supervisory Authority (BaFin) in accordance with Sec. 44 German Banking Act (KWG) and controls by association auditors.

Workflow rules, guidelines, instructions and descriptions are systematically recorded and can for the most part be accessed online. Adherence to these rules is assured by internal controls performed by the heads of the Group Internal Audit, Quality Assurance, Group Treasury, Brand Controlling and Group Controlling organizational units.

The risk management system – goals and operation

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

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

At the same time, the results of risk mitigation measures that have already been taken are incorporated into the monthly forecasts on further business development in a timely manner. This means that the board of management has access to an overall picture of the current risk situation through the documented reporting channels during the year as well.

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

Continuous enhancement

The Volkswagen group constantly optimizes its internal control system and risk management system as part of its continuous improvement processes. In doing so, equal consideration is given to both internal and external requirements – such as the provisions of the German Accounting Law Modernization Act (BilMoG). The objective of the improvements made to the systems is to ensure regular monitoring of the relevant risk areas in the organizational units responsible. The focus is on reviewing the effectiveness of the key management and monitoring instruments identified. This concept culminates in both regular and event-driven reporting to the board of management and supervisory board of Volkswagen AG, into which the reporting in accordance with the KonTraG is integrated.

Specific risks faced by the Volkswagen group

The following section explains the individual risks arising from the business activities of the Volkswagen group.

Macroeconomic risk

The Volkswagen group believes the main risks to the global economy are high energy and commodity prices, increasing international trade restrictions, persistent imbalances in foreign trade and the escalation of political conflicts.

The mounting debt problems in many industrialized nations have led to greater instability in the financial and currency markets and the international banking system. Together with the growing uncertainty among market participants and the difficult situation in the refinancing markets, this may have a severe impact on the Volkswagen group's risk position. Although Volkswagen currently considers the risk of renewed global recession to be relatively low, the above-mentioned developments could result in a prolonged period of below-average growth for the global economy.

Likewise, changes in legislation, taxes, or customs duties in individual countries may have a severe adverse effect on international trade and present significant risks to the Volkswagen group.

Sector-specific risk

The growth markets of Asia, South America, and central and eastern Europe are particularly important in terms of the global trend in demand for passenger cars. Although these markets harbor the greatest potential, the overall environment in some of the countries in these regions makes it difficult to increase unit sales figures there; some have high customs barriers or minimum local content requirements for domestic production, for example. In China, the reduction in the number of new vehicles allowed to be registered in Beijing could be followed by further restrictions on registrations in other metropolitan areas. Furthermore, consumer confidence in some of these countries is being depressed by the global economic slowdown.

Likewise, the risk of transported freight in particular being shifted from commercial vehicles to other means of transport cannot be entirely ruled out.

Price pressure in established automotive markets as a result of the high level of market coverage is a particular challenge for the Volkswagen group as a supplier of volume and premium models. In the automotive markets of western Europe, the USA and China in particular, manufacturers are using price discounts to promote sales of their own vehicles, thereby putting the entire sector under pressure.

Western Europe is one of Volkswagen's main sales markets. A drop in prices due to the economic climate and a resulting fall in demand in this region would have a particularly strong impact on the company's earnings. Volkswagen counters this risk with a clear, customer-oriented and innovative product and pricing policy. Outside western Europe, its overall delivery volume is broadly diversified across the markets of North America, South America, Asia-Pacific, and central and eastern Europe, with the Chinese market accounting for an increasing share of the volume. Furthermore, the Volkswagen group is already market leader in numerous existing and developing markets or is working resolutely to become market leader. Meanwhile, strategic partnerships afford the group the opportunity to increase its presence in the relevant countries and regions and cater to regional requirements.

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

In many markets, the economy continued to recover during the fiscal year 2011. However, the Volkswagen group's trading and sales companies continue to feel the effects of the financial and economic crisis: it remains difficult to raise bank loans to finance business operations. During the economic crisis, Volkswagen offered dealers financing on attractive terms via its financial services companies with the aim of reducing the risk of their insolvency. The Volkswagen group also established a risk management system so that it can promptly counteract liquidity bottlenecks that could hinder smooth business operations.

The provisions of the new Block Exemption Regulation, which have been in force for after-sales service since June 2010, as well as the amendments included in EU Regulation 566/2011 dated 8 June 2011 expanding independent market participants' access to technical information, mean that Volkswagen may be exposed to increased competition in the aftermarkets.

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

Research and development risk

The Volkswagen group combats the risk of failing to give its customers' requirements adequate consideration during the development process by conducting extensive trend analyses, customer surveys and scouting activities. Taking these measures ensures trends can be recognized at an early stage and their relevance for customers verified in good time.

There is also a risk that it may not be possible to develop products or modules within the specified timeframe, to the required quality standards, or in line with cost specifications. To avoid this risk, the progress of all projects is monitored continuously and systematically and regularly compared with the original targets. In the event of deviations, appropriate control measures are initiated in good time. In addition, the end-to-end project organization supports effective cooperation among all areas involved in the process. It incorporates specific requirements into the development process as early as possible and plans their implementation in good time.

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

Procurement risk

Because unit sales figures in the automotive industry have been rising worldwide, there has been a significant recovery overall in the economic situation of suppliers. Thanks to the above-average increases in unit sales recorded by the group brands, the Volkswagen group's suppliers have also benefited from this trend. Nevertheless, procurement risk management focuses its work on prevention. In addition, Volkswagen continuously monitors suppliers' economic stability. If there is evidence of negative developments, appropriate measures are taken to reduce risks and ensure supplies. To date, this has enabled supply risks due to supplier defaults to be effectively avoided.

Not only the high demand for group vehicles presented challenges in the reporting period, but also the trend toward models with higher-quality equipment features in combination with sometimes significant changes in installation rates. Many suppliers increased volumes above and beyond what was originally agreed and worked to the limit of their capacity in order to meet the Volkswagen group's requirements. Increased and changing material requirements were met and the group succeeded in supplying procured components to all component and vehicle plants.

Production risk

The natural disasters that struck Japan in March 2011 also had an impact on the automotive industry. The damage to infrastructure and the large-scale or complete destruction of production facilities affected production systems and supply chains worldwide. The Volkswagen group responded to the events immediately: an international task force was set up, comprising employees from all the company's divisions and brands. On a daily basis, it coordinated measures that maintained the group's global deliveries and thus ensured its production supplies, enabling negative effects on manufacturing operations to be avoided almost entirely.

In 2011, the Volkswagen group expanded production at its international locations significantly. In order to ensure the necessary capacity, suppliers also increased their deliveries above and beyond what was originally agreed. Volkswagen expects demand to remain high in 2012 and possibly cause fluctuations, particularly in installation rates of features and components. Volkswagen has various tools with which to limit the risk that it will be unable to meet spikes in demand and to optimally adapt the programs at its vehicle and component plants to current market conditions. These include the turntable concept as well as extensive flexibility in logistics and within the existing working time models.

Special risks may arise during large projects. These result in particular from contracting deficiencies, miscosting, post-contracting changes in economic and technical conditions, and poor performance on the part of subcontractors. Appropriate project control throughout all project phases helps to counter this risk.

Risks arising from changes in demand

Consumer demand is shaped not only by real factors such as disposable income, but also by psychological factors that are impossible to plan for.

Increased fuel and energy prices could lead to unexpected buyer reluctance, which could be further exacerbated by media reports. This is particularly the case in saturated automotive markets such as western Europe, where demand could drop as a result of owners then holding on to their vehicles for longer.

In 2011, the effects of these psychological factors that cannot be planned for were again exacerbated by the impact of the financial and economic crisis on the global economic trend and the entire automotive industry. Some automotive markets were in a downward spiral, which in some cases assumed dramatic proportions, while others were supported through government intervention. The Volkswagen group was able to effectively counter the risk of buyer reluctance with its attractive range of models and in-depth customer orientation.

In addition to buyer reluctance as a result of the crisis, a combination of vehicle taxes based on CO_2 emissions – like those already structured in some European countries – and high oil and energy prices is causing a shift in demand toward smaller segments and engines in individual markets. The Volkswagen group is working to counter the risk that such a shift will negatively impact its financial result by constantly developing new, fuel-efficient vehicles and alternative fuels on the basis of its fuel and drivetrain strategy. In the rapidly expanding markets of Asia and eastern Europe, risks may also arise due to government intervention in the form of restrictive lending or tax increases, for example, which could reduce private consumption.

Dependence on fleet customer business

The fleet customer business continues to be marked by increasing concentration and internationalization. Thanks to its broad product portfolio, the group is well positioned in view of the growing importance of the issue of CO_2 and the trend toward downsizing. No default risk concentrations exist for individual corporate customers.

Quality risk

Sustained high demand in the Volkswagen group's key markets poses new challenges for quality assurance. Particularly in the growing automotive markets of Brazil, Russia, India and China, for which dedicated vehicles are developed and which have local manufacturing operations and suppliers, quality assurance is of fundamental importance. Volkswagen analyzes the conditions specific to each market and thus ensures growth in these regions. In cooperation with the central quality assurance function, knowledge of local risks is continuously translated into effective measures, thereby minimizing the possible risks arising from quality defects from the outset.

As production volumes grow and vehicles become increasingly complex, including in light of new drive technologies, demand for high-grade supplier components of impeccable quality is rising rapidly. To ensure production and thus fulfill customer expectations, it is extremely important that our own plants and our suppliers deliver on time. The introduction of an internally-tested risk management system at the suppliers' end is an important step toward ensuring long-term quality and supply capability right from the beginning of the supply chain. Quality assurance thus helps to fulfill customer expectations and consequently boost the company's reputation, sales figures and earnings.

Personnel risk

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

The strategic, end-to-end personnel development gives all employees attractive training and development opportunities, with particular emphasis placed on increasing technical expertise in the company's different vocational groups. As a result of continuously expanding its recruitment tools and increasing training programs, particularly at international locations, the Volkswagen group is able to adequately address the challenges posed by growth on the human resources side too.

In addition to the standard twin-track vocational training, programs such as the StIP integrated degree and traineeship scheme ensure the advancement of highly qualified and motivated employees. Volkswagen counters the risk that knowledge will be lost as a result of employee fluctuation and retirement with intensive, department-specific training. Volkswagen has also expanded its base of senior experts in the group to ensure that the valuable knowledge of specialists retiring from Volkswagen is transferred to other employees.

IT risk

At Volkswagen, a global company geared toward further growth, the information technology (IT) used in all divisions group-wide is assuming an increasingly important role. IT risks include unauthorized access to sensitive electronic corporate data and information as well as limited availability as a consequence of systems failure or natural disasters. The Volkswagen group addresses the risk of unauthorized access to corporate data by using virus scanners and firewall and intrusion prevention systems. In addition, protection is increased by restricting the allocation of access rights to systems and information and by keeping backup copies of critical data resources. For this, the Volkswagen group uses technical resources that have been tried and tested in the market, adhering to standards applicable throughout the company. By implementing redundant IT infrastructures, the Volkswagen group protects itself against risks that occur in the event of a systems failure or natural disaster.

In the reporting period, Volkswagen put a new group data center into operation at the Wolfsburg site, which in terms of security, performance and energy efficiency sets high standards across the automotive industry.

As the Volkswagen group's international profile grows, so do the intensity and sophistication of the attacks on its IT systems and data resources. This is why Volkswagen continuously takes measures against identified and anticipated risks during the software development process, when protecting the IT infrastructure and also in the allocation of access rights to systems and data resources.

Rapid technological advancement creates a residual risk in relation to IT security that cannot be managed completely.

Environmental protection regulations

The EU regulations governing CO_2 emissions from passenger cars (443/2009/EC) and light commercial vehicles of up to 3.5 tonnes (510/2011/EU), in effect since April 2009 and June 2011 respectively, set the specific emission limits for all new passenger car and light commercial vehicle models and the fleet targets calculated from the individual vehicle data of brands and groups in the 27 EU member states until 2019. They form the basis of European climate protection regulations for passenger cars and light commercial vehicles and therefore the key regulatory framework for product design and marketing by all vehicle manufacturers operating in the European markets.

From 2012 onwards, the average CO_2 emissions of Europe's new passenger car fleet may not exceed 130 g CO_2/km, with this target being reached in four stages. From 2012 onwards, 65 percent of the fleet must meet this requirement; in 2015, the entire fleet must remain below the limit.

A further significant reduction in European passenger car fleet emissions to 95 g CO_2/km from 2020 onwards is already legally effective. The details as to how the target will be reached have yet to be put in place, however, and are scheduled to be set out during the 2012/2013 review. Politicians are already discussing reduction targets for the transport sector for the period to 2050, such as the 60 percent reduction in greenhouse gases from 1990 levels cited in the EU white paper on transport published in March 2011. It will only be possible to meet these goals by also using significant proportions of non-fossil sources of energy, in particular renewable e-mobility.

At the same time, CO_2 or fuel consumption regulations are being developed or introduced outside Europe, in Japan, China, India and Brazil, for example. In the USA, it is expected that a new consumption regulation will impose further uniform fuel consumption and greenhouse gas rules on all federal states, in this case to cover the period 2017 to 2025. The bill has been released for a political decision.

The increasing global convergence of approaches and targets in the area of automotive regulations means that the reduction in trade restrictions called for by the automotive industry is also being addressed. Nevertheless, there is a risk that regulations will be formulated to benefit a nation's domestic industry.

It remains unclear what direction climate protection regulations will take in the course of efforts to update the Kyoto Protocol. At the World Climate Conference held in Durban, South Africa in December 2011, delegates once again failed to achieve a breakthrough toward a uniform global framework for climate protection. As no agreement was reached to establish minimum targets, there is no long-term prospect of stringent climate protection requirements. On a positive note, however, all member states recognize the goal of limiting global warming to 2°C, creating a viable basis for the necessary further negotiation process.

In order to be best prepared for the third emissions trading period in 2013, the Volkswagen group calculated and reported the CO_2 emissions to be reported for its German plants in accordance with the German Data Collection Regulation (DEV 2020). Its other plants in the European Union were also checked in accordance with the national laws in force at those locations. The changes to the emissions trading regulations for the third trading period and their transposition into German law have been completed. From a current perspective, there will be only an insignificant increase in the number of installations included in the European emissions trading system from 2013 onwards and the amount of CO_2 emissions required to be traded.

The allocation of the necessary emissions certificates will change significantly as of 2013. These will no longer be allocated mostly free of charge through national allocation plans. Instead, a steadily falling number of certificates, for direct production emissions for example, will be allocated free of charge. Companies will have to purchase any additional certificates they require at auction. Unlike before, CO_2 emissions certificates for power generation will have to be purchased in full. Estimates to date indicate that the energy costs incurred by the Volkswagen group's European sites will increase mainly as a result of purchasing the emission allowances required for the operation of their own installations such as power stations and heating facilities.

Litigation

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, employees or investors. For the companies involved, these may result in payment or other obligations. Particularly in cases where US customers assert claims for vehicle defects, individually or by way of a class action, highly cost-intensive measures may have to be taken and substantial compensation or punitive damages paid. Corresponding risks also result from US patent infringement proceedings.

Where transparent and economically viable, adequate insurance cover is taken out for these risks and appropriate provisions recognized for the remaining identifiable risks. The Volkswagen group 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.

In 2011, two actions for disclosure filed by the German Protection Agency for Investors (VzfK) with regard to the general meetings on 3 December 2009 and 22 April 2010 were dismissed by a non-appealable decision. The Hanover Regional Court and the Celle Higher Regional Court also dismissed two actions for avoidance filed by the same plaintiff against the approval of the actions of the general meetings on 23 April 2009 and 22 April 2010.

ARFB Anlegerschutz UG (haftungsbeschränkt), Berlin, brought an action against Porsche SE and Volkswagen AG for damages allegedly assigned to it in the amount of approximately 1.8 billion euro. These claims are based on alleged breaches by the defendants of legislation to protect the capital markets in connection with Porsche's acquisition of Volkswagen shares in 2008. Investors initiated conciliation proceedings for other alleged damages – including claims against Volkswagen AG – that amount to approximately 2.6 billion euro in total and also relate to transactions at that time. Volkswagen AG has rejected all claims and refused to participate in any conciliation proceedings.

In the fiscal years 2010/2011, antitrust authorities launched investigations at truck and engine manufacturers including MAN and Scania. Such investigations normally take several years. It is still too early to judge whether these investigations pose any risk to Scania or MAN.

MAN has also launched an investigation into the extent to which irregularities in the course of the handover of four-stroke marine diesel engines, in particular whether technically calculated fuel consumption figures were externally manipulated. MAN has informed the Munich Public Prosecution Office (I) about the ongoing investigation and has handed the matter to the Augsburg Public Prosecution Office. It is also still too early to judge the outcome of this matter.

Suzuki Motor Corporation has filed an action against Volkswagen AG at a London court of arbitration for retransfer of the 19.9 percent interest held in Suzuki, and for damages. Volkswagen considers the claims to be unfounded and has filed counterclaims. A decision will not be made until 2013 at the earliest.

Strategies for hedging financial risks

In the course of the Volkswagen group's business activities, financial risks may arise from changes in interest rates, exchange rates, commodity prices, and share and fund prices. Management of financial and liquidity risks is the responsibility of the central group treasury department, which minimizes these risks using non-derivative and derivative financial instruments. The Volkswagen group board of management is informed of the current risk situation on a regular basis.

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

The Volkswagen group reduces foreign currency risk in particular through natural hedging, i.e. by flexibly adapting production capacity at its locations around the world, establishing new production facilities in the most important currency regions and also procuring a large percentage of components locally, currently for instance in India, Russia and the USA. Volkswagen hedges the residual foreign currency risk using hedging instruments. These include currency forwards, currency options and cross-currency swaps. The Volkswagen group uses these transactions to limit the currency risk associated with forecasted cash flows from operating activities and intra-group financing in currencies other than the respective functional currency. The currency forwards and currency options can have a term of up to six years. The Volkswagen group thus hedges its principal foreign currency risks associated with forecasted cash flows, primarily in sterling, US dollars, Chinese renminbi, Swiss francs, Japanese yen, Swedish krona, Russian ruble and Australian dollars – mostly against the euro.

The purchasing of raw materials gives rise to risks relating to availability and price trends. The risks are limited mainly by entering into forward transactions and swaps. The Volkswagen group uses appropriate contracts to hedge some of its requirements for commodities such as aluminum, copper, lead, platinum, rhodium, palladium and coal over a period of up to seven years. Similar transactions have been entered into for the purpose of supplementing and improving allocations of CO_2 emission certificates.

The solvency of the Volkswagen group is ensured at all times by holding sufficient liquidity reserves, through confirmed credit lines and through the tried-and-tested money market and capital market programs. Volkswagen covers the capital requirements of the growing financial services business mainly through borrowings at matching maturities raised in the national and international financial markets as well as through customer deposits from the direct banking business. Financing conditions in the reporting period were almost unchanged compared with 2010. For this reason and thanks to the broadly diversified structure of its refinancing sources, the Volkswagen group was always able to raise sufficient liquidity in the various markets.

Credit lines from banks are generally only ever used within the Volkswagen group to cover short-term working capital requirements. Projects are financed by, among other things, loans provided to Volkswagen at favorable interest rates by development banks such as the European Investment Bank and the European Bank for Reconstruction and Development (EBRD), or by national development banks such as Kreditanstalt für Wiederaufbau (KfW) and Banco Nacional de Desenvolvimento Econômico e Social (BNDES). This extensive range of options means that the liquidity risk to the Volkswagen group is extremely low.

Risks arising from financial instruments

Channeling excess liquidity into investments gives rise to counterparty risk. Partial or complete failure by a counterparty to perform its obligation to pay interest and repay principal would have a negative impact on the Volkswagen group's earnings and liquidity. Volkswagen counters this risk through its counterparty risk management. In addition to counterparty risk, the financial instruments held for hedging purposes hedge balance sheet risks, which are limited by applying hedge accounting.

By diversifying when it invests excess liquidity and by entering into financial instruments for hedging purposes, the Volkswagen group ensures that it remains solvent at all times, even in the event of a default by individual counterparties.

Liquidity risk

A downgrade of the company's rating could adversely affect the terms attached to the Volkswagen group's borrowings. In the reporting period, the acquisition of the automobile trading operations of Porsche Holding Gesellschaft m.b.H. (Porsche Holding Salzburg) and a majority interest in MAN SE resulted in a large outflow of liquidity. However, the strong performance from the company's operating business more than offset the impact of these transactions on its liquidity position, as a result of which Volkswagen's financial stability and flexibility were strengthened overall and the Volkswagen group's existing rating was not only affirmed, but also assigned a positive outlook by Moody's Investors Service. Creating the integrated automotive group with Porsche will result in a further significant outflow of liquidity in the coming years. In light of the current liquidity, this is not expected to give rise to any risks.

Residual value risk in the financial services business

In the financial services business, the Volkswagen group agrees to buy back selected vehicles at a residual value that is fixed at inception of the contract. Residual values are set realistically so that market opportunities can be leveraged. Volkswagen evaluates the underlying lease contracts at regular intervals and recognizes any necessary provisions if any potential risks are identified.

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

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

Other factors

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

Summary of the risk situation of the Volkswagen group

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

Overall statement on the risks faced by the Porsche SE group

The overall risk exposure of the Porsche SE group is made up of the individual risks relating to the significant investments held in Porsche Zwischenholding GmbH and Volkswagen AG presented above and the specific risks of Porsche SE. The risk management system ensures that these risks can be controlled. Based on of the information currently available to us, the executive board has not identified any risks which could endanger the ability of the Porsche SE group to continue as a going concern.

Subsequent events

Mr. Thomas Edig, member of the executive board of Porsche SE, responsible for commercial and administrative issues, will leave this board of his own volition and in agreement with the supervisory board on 29 February 2012 in order to concentrate on his tasks on the board of Porsche AG and vigorously drive forward Strategy 2018. The supervisory board of Porsche SE approved the premature termination of his appointment to the executive board in its meeting on 27 February 2012. In June 2011, the Porsche AG supervisory board appointed Mr. Thomas Edig deputy chairman, board member for human resources and social issues, and labor director for a further five years, effective as of 1 May 2012.

The control body appointed Mr. Philipp Alexander Edward von Hagen, currently Director Global Financial Advisory at Bankhaus Rothschild, to the executive board of Porsche SE, effective as of 1 March 2012.

Effective 23 January 2012, Mr. Hansjörg Schmierer was appointed to the supervisory board of Porsche SE by the court as an employee representative. He took over this function from Mr. Hans Baur, who retired from office effective as of 31 December 2011. Mr. Hans Baur also laid down his office as a member of the supervisory board of Porsche AG on 31 December 2011. The Stuttgart local court appointed Mr. Bernd Kruppa as his successor on 15 February 2012.

Forecast report and outlook

Overall economic development

The growth rate of the global economy can be expected to continue to slow in 2012. According to economists, the continuing debt crisis in the euro zone and the associated pressure to consolidate European national budgets will see western Europe as a whole slide into a mild recession. Although massive liquidity assistance from the European Central Bank is successfully supporting the banking sector, uncertainty regarding the success of reform efforts is weighing heavily on growth prospects. The International Monetary Fund (IMF) forecasts that economic performance in the euro zone will decrease by 0.5 percent in 2012. In 2012, momentum for the global economy will continue to come from Asia and the BRIC countries. According to forecasts, Brazil, Russia, India and China are together expected to grow by some 7 percent. The IMF expects growth of 8.2 percent for China alone. But the economic recovery is also expected to continue in the USA, where the economy is forecast to grow by 1.8 percent in 2012. All in all, the IMF forecasts solid global economic growth of 3.3 percent overall for the current year.

Despite the tense situation in Europe, Germany should be able to avoid recession. Buoyed by low unemployment and increasing domestic demand, coupled with stable demand from non-European countries, 2012 should be a year of moderate growth.

Exchange rate developments

The continuing sovereign debt crisis in the euro zone is weighing heavily on the European currency. It can be expected that the euro will continue to be under pressure. While the USA is seeing a similar development, the current economic data seem to suggest a slight improvement. The slight upwards trend of the Chinese yuan is likely to continue for political reasons. The Swiss National Bank endeavored to assert itself against the market by exercising its authority and making corresponding interventions: the aim is to prevent the exchange rate of the Swiss franc from falling below 1.20 euro again. It remains to be seen whether this can be sustained.

Interest rate developments

The turnaround in the interest rate, initiated in April 2011 with the increase of the base rate in the euro zone, had to be revoked in November 2011. The debt crisis is setting the course for the European Central Bank. It is therefore highly unlikely that interest rates will rise in the foreseeable future. As long as inflation is within the desired range and there are no signs of an acceleration, interest rates will remain at their historic low.

Commodity price developments

Commodity prices correlate strongly with growth expectations, and these are cautious for 2012. However, in the particular case of commodities, there are additional influencing factors. Aluminum provides a good example of the balancing act involved in pricing. On the one hand, inventories were at a record high at the end of 2011. On the other hand, the market price at 2,000 US dollars per metric ton was lower than the manufacturing cost. This resulted in a reduction of production in order to create a shortage of supply. If there really was a marked slump in growth now, this would result in price pressure.

Prospects on the automotive markets

Overall, the global automobile market will continue to grow slightly in 2012. However, growth is likely to be mainly in Asia and in the USA – and even there, with moderate growth rates. Russia and Brazil are also likely to demonstrate a positive trend with a slight increase in sales. The western European market, however, will continue to be influenced by the debt crisis, in particular of the southern member countries of the euro zone. In the best case scenario, new vehicle registrations in western Europe may experience only a slight decrease overall in 2012. The German Association of the Automobile Industry (VDA) expects the market volume in the most important individual market, Germany, to be on a par with the prior year, when around 3.1 million vehicles were registered.

Anticipated development of significant investments

The Porsche Zwischenholding GmbH group expects that sales and revenue will continue to grow in the fiscal year 2012 and 2013 in comparison to the reporting year 2011. However, the decreasing growth rate in the global economy and the continuing debt crisis in the euro zone could restrict growth and the high planned growth rates, in particular for the fiscal year 2012. Nevertheless, on the basis of the above-average level of orders on hand, the Porsche Zwischenholding GmbH group expects higher sales and revenue in the fiscal year 2012 than in the fiscal year 2011. On the one hand, this growth is likely to be fueled by continued high demand for Porsche vehicles in China and other emerging markets. On the other hand, the Porsche Zwischenholding GmbH group expects its attractive product range to fuel further growth in demand in the main markets of Europe and North America.

In the next two fiscal years, this development and the high competitiveness of the Porsche Zwischenholding GmbH group and the Porsche brand should have a positive impact on revenue and on income from ordinary activities, as well as on cash flow from operating activities. The group plans to further increase sales and revenue for the coming two years and to maintain the return on sales of at least 15 percent.

Porsche and Volkswagen are working flat out on optimizing cooperation between the two companies. On the basis of clearly defined processes, cooperation between the two companies is being driven forward at all levels. In all areas, joint project teams are now well on the way to leveraging the potential synergies that have been identified.

With Strategy 2018, Porsche is pursuing the long-term goal of positioning itself as the most successful manufacturer of exclusive sports cars. In this context, value-generating growth is at the heart of the company's goals. The management of Porsche Zwischenholding GmbH has derived four further goals from this: Porsche aims to further increase customer enthusiasm by means of a unique purchasing and ownership experience. In the long term, it is intended to increase sales to more than 200,000 vehicles per year with Porsche's typical price premium. Return on sales should be at least 15 percent and the return on capital at least 21 percent in the long term. Porsche wants to be recognized as an excellent employer and business partner.

The Volkswagen group is well positioned thanks to its multibrand strategy, attractive range of models, growing presence in all major regions of the world and wide range of financial services. The Volkswagen group therefore expects its sales to customers to exceed the previous years' levels overall in 2012 and 2013. The Chinese joint venture companies, as well as the new production facilities in Russia, the USA and India, will make a significant contribution to this development.

The Volkswagen group is anticipating increasingly intense competition in a challenging market environment, particularly in certain European countries. Interest and exchange rate volatility, as well as rising commodities, prices will represent challenges.

The Volkswagen group expects sales revenue in the automotive and financial services divisions to increase in 2012 and 2013 as against 2011. The goal for operating profit is to match the 2011 level in 2012, and to exceed it in 2013. The Volkswagen group believes that this will be the case for the passenger cars and light commercial vehicles business area and is also being forecast by the trucks and buses, power engineering business area – which remains affected by high depreciation and amortization expenses from purchase price allocation, among other things – as well as the financial services division.

In the medium term, Volkswagen aims to achieve a sustainable return on sales before tax at group level of at least 8 percent. The average ratio of capital expenditure to sales revenue in the automotive division will fluctuate around the competitive level of 6 percent. The goal of the Volkswagen group is also to maintain its positive rating compared with the industry as a whole and to continue its solid liquidity policy.

In order to master the challenges of the automotive future and to achieve the Strategy 2018 targets, the decisive advantages for the Volkswagen group lie in its unique brand portfolio, the young, innovative and environmentally friendly model range, the broad international presence with local value added in many key regions, the significant synergy potential in the group-wide development of technologies and models, and finally in its financial strength. With the construction of new plants, the development of technologies and platforms, and agreements on strategic partnerships, Volkswagen is working on more selectively utilizing the strengths of its multibrand group. Disciplined cost and investment management remains an integral part of the Volkswagen group's Strategy 2018.

Anticipated development of the Porsche SE group

The Porsche SE group's profit/loss continues to be largely dependent on the results of operations and the profit/loss of the significant investments in Porsche Zwischenholding GmbH and Volkswagen AG, which are accounted for at equity, that is attributable to Porsche SE. Porsche SE records investment income in the form of dividends in its separate financial statements prepared in accordance with the German Commercial Code (HGB).

In view of the positive expectations of its significant investments regarding future developments, Porsche SE expects the profit/loss attributable to it from investments accounted for at equity to develop positively in the fiscal years 2012 and 2013. The profit/loss attributable to it from investments accounted for at equity will, however, continue to include the effects resulting from amortization of the purchase price allocations performed at the time of inclusion of Porsche Zwischenholding GmbH as a joint venture and Volkswagen AG as an associate. The partial repayment of the previous syndicated loan in the first half of the fiscal year 2011 and the refinancing performed in October 2011 will reduce interest expenses. Therefore, Porsche SE expects to generate a significant profit before special effects at group level in the fiscal years 2012 and 2013.

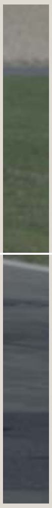
In the fiscal year 2012, too, a special effect on the group's profit will arise from an adjustment through profit or loss, but without effect on cash, of the valuation of the put and call options for the shares in Porsche Zwischenholding GmbH remaining with Porsche SE. At the time of publishing this management report it is not possible to assess conclusively the amount of the adjustment of the valuation of the put and call options nor, in turn, the amount of the special effect in the fiscal year 2012. The factors underlying the valuation are not within the control of Porsche SE and may change over time. This concerns in particular the actual enterprise value of Porsche Zwischenholding GmbH, which in turn depends to a large extent on the underlying planning and the cost of capital derived as of the respective valuation date. If the enterprise value of Porsche Zwischenholding GmbH were to fall in the future, this would have a positive impact on the net valuation result from the point of view of Porsche SE; by contrast, an increase in the enterprise value would negatively affect the net valuation result.

Overall, and taking into consideration the special effect described, Porsche SE considers a profit after tax in the fiscal year 2012 to be highly probable.

Even though it is no longer possible to achieve the merger of Porsche SE and Volkswagen AG within the framework and timeframe of the basic agreement, both companies still aim to achieve the integrated automotive group (we refer to our statements under "No merger of Porsche SE into Volkswagen AG within the framework and timeframe of the basic agreement – aim to achieve integrated automotive group with Volkswagen unchanged" in the "Significant events" section of this management report). Both companies will continue to examine whether alternatives to the measures provided for in the basic agreement are available.

Stuttgart, 27 February 2012

Porsche Automobil Holding SE
The executive board



MARKETS

Significantly higher deliveries

With 118,868 deliveries, the fiscal year 2011 marks another highlight in the company's history. For the first time, Porsche delivered more than 100,000 units in the international market in one fiscal year. This represents an increase of 22 percent on 2010. Double-digit growth rates compared to the prior-year period were achieved in virtually all regions.

This positive development is partly attributable to the great success of the new Cayenne. In the first full fiscal year since its market launch, 59,898 units were delivered to customers. This meant that the new generation of the sporty off-roader exceeded its prior-year figure significantly by 46 percent. The most successful model was the Cayenne V6 with 21,236 units, closely followed by the sporty V8 derivatives, of which a total of 18,182 units were delivered. The Panamera Gran Turismo also notched up increases. 26,840 units of the fourth model series were delivered to customers. This corresponds to an increase of 19 percent compared to the prior-year period. In the second half of the year, impetus was also provided by the newly launched Panamera Hybrid and Panamera Diesel models.

The 911 and Boxster/Cayman model series completed the reporting year successfully: in the last fiscal year before the introduction of the new models, 32,130 units were delivered, virtually on a par with the prior-year figure. Major contributions were made by the sporty 911 GTS derivatives (4,450 units) and the Black Editions of the 911 and Boxster/Cayman model series (3,092 units). A total of 19,377 units of the 911 model series and 12,753 units of the Boxster/Cayman model series were delivered to customers. One highlight of the past fiscal year was the top 911 GT3 RS 4.0 model, which has already sold out and yet again underscored Porsche's expertise in sports car development. With the unveiling of the new 911 at the International Motor Show (IAA) in Frankfurt am Main and its successful market launch in December 2011, Porsche ushered in another successful chapter in the history of the iconic sports car. 618 units of the new generation were already delivered in the fiscal year 2011.

Americas

USA: high demand for Cayenne and sports cars

The automobile market in the USA continued to recover in 2011. Porsche was able to benefit from this development and increase deliveries by almost 15 percent in comparison to the comparable prior-year period to 29,023 units. The continuing very high demand for the new Cayenne resulted in a significant increase in deliveries of this model series by 56 percent to 12,978 units (prior-year period: 8,343 units). With 6,879 deliveries in the reporting year, the Panamera model series is now firmly established in the segment. Development in the area of sports cars was very encouraging. Sales of the 911 and Boxster/Cayman series totaled 9,166, confirming the prior-year result. With very low inventories, Porsche in the USA is ideally prepared for the upcoming new model changes in 2012.

Canada: new record for customer deliveries

Porsche delivered 2,214 vehicles to customers in Canada, 9 percent up on the comparable prior-year figure of 2,036 units. This was Porsche's best ever result in Canada. The Cayenne was again particularly successful, with 1,105 units delivered. The Panamera accounted for 359 deliveries – almost matching the high level of the prior year. The number of 911s sold was 475, and a total of 275 mid-engined sports cars were delivered. Additional investments in the dealer network, which now comprises 14 dealers, were a key factor in the growth in Canada.

Latin America: a success story

In the eleventh year following its establishment, Porsche Latin America continued its success story. Today, dealers in 30 countries in Central and South America are supported. Deliveries in the fiscal year 2011 totaled 3,113 units, a 21 percent increase on the prior-year figure. The most successful model series was the Cayenne with 2,080 deliveries, followed by the mid-engined sports cars with 507 units. The number of 911 vehicles delivered to customers came to 272. The Gran Turismo Panamera accounted for 254 units. Brazil, the region's growth driver, remained the largest individual market, followed by Mexico, Chile and Puerto Rico.

Europe

Germany: still in the fast lane

With growth of more than 13 percent to 14,959 units delivered, Porsche Germany looks back on an extraordinarily successful fiscal year 2011. Despite the premiere of the new 911 at the IAA fair in September 2011 and the forthcoming model change for the Boxster, the 911, Cayman and Boxster sports car were able to almost maintain their traditionally high share of the sports car market. The number of Porsche 911s delivered was 4,772, an increase of 4 percent, representing a consistently high segment share. The mid-engined Boxster and Cayman sports cars achieved 1,106 deliveries (down 11 percent) and 570 units (up 18 percent) respectively. The segment share of the Cayenne was increased significantly. 5,754 units of the sporty off-roader were delivered to customers, an increase of 23 percent on the prior year. In the growing gran turismo segment, Porsche delivered 2,757 units to customers, exceeding the prior-year figure by 26 percent.

United Kingdom: successful model changeover

The share of sports cars in total sales in the UK continues to exceed 50 percent. As a result, the market remains one of the most important for Porsche's two-door sports cars. The successful transition to the seventh generation of the 911 is therefore particularly noteworthy. With 766 orders, the new 911 has been very well received in the market. A total of 1,648 units of the 911 model series were delivered in the reporting year.

Porsche Cars Great Britain is very well prepared for the market launch of the new Boxster, which is slated for spring 2012. The results achieved in this segment were also good, with 1,613 Boxster and Cayman vehicles delivered. Despite intense local competition, deliveries of the Cayenne rose by 31 percent to 2,452 units in 2011. The Panamera confirmed the prior-year result. The Panamera Diesel is expected to provide additional growth impetus in 2012. Overall, deliveries to customers in the reporting year totaled 6,472 units, 5 percent down on the prior-year figure.

Italy: growth in a still unstable environment

Economic and political uncertainty led generally to a significant fall in demand for passenger vehicles. Porsche bucked this market trend, delivering 4,580 vehicles, a 16-percent increase on the prior-year figure. The models of the Cayenne series were in particularly high demand with 2,881 deliveries, up 66 percent on the prior year, as was the Panamera with 830 units, up 17 percent. Due to the product life cycle, the sports cars (869 deliveries) were unable to match the prior-year level. This figure includes 49 units of the new 911, which got off to an excellent start.

France: more than 3,000 Porsches sold

In France, Porsche again exceeded the strong result of 2010, for the first time delivering more than 3,000 vehicles (3,078 units), despite the difficult European market environment. Notwithstanding the upcoming model change, the 911 was in particularly high demand and saw an increase of 13 percent (710 units). The Boxster, Panamera and Cayenne maintained their high prior-year levels. Yet again, the highlight of the many marketing activities was the Festival Porsche in Le Mans, with 2,725 existing and potential Porsche customers participating.

Spain and Portugal: the Cayenne boosts growth

Porsche increased its deliveries in the Spanish and Portuguese market by 18 percent to a total of 2,244 vehicles in the fiscal year 2011, despite the economic problems in these countries. In the individual model series, the Cayenne took the lead with 1,477 units. The second strongest model series was the new Panamera, with 451 vehicles delivered. In an advanced state of their life cycles, the rear- and mid-engined model series were not quite able to match prior-year figures. A total of 198 vehicles of the 911 model series, and 118 units of the Boxster and Cayman were delivered.

Swiss and Austria: growth in the heart of Europe

Porsche Switzerland made 1,801 deliveries to customers, an increase of 18 percent on the prior year. The Cayenne was particularly popular: the new generation of the sporty off-roader accounted for 836 units. But the other model series also saw increases. Despite the model change, more units of the 911 and Boxster/Cayman were delivered in comparison to the prior year (3 percent and 8 percent respectively). With 284 vehicles delivered, the Panamera matched its prior-year result exactly.

In Austria, 929 vehicles were delivered to customers, an increase of 17 percent on the prior-year figure (792 vehicles). Deliveries of the Cayenne saw a rise of 135 units to 487 vehicles. Despite the introduction of the new model, the number of 911s delivered was 203, almost matching the prior-year result.

Belgium/Netherlands/Luxembourg: high demand

With deliveries of 1,241 units of the Cayenne and 676 of the Panamera, Porsche's four-door sports cars significantly increased their market share. A large share of this success was due to the Cayenne Diesel, which plays an important role in western Europe, and to the Panamera Diesel, which was introduced at the end of the reporting year. With very low inventories, the Benelux markets are also ideally prepared for the market launch of the new sports cars.

The total number of vehicles delivered to customers in Belgium rose by 28 percent on the prior year to 1,427 units. In the Netherlands, Porsche also saw significant growth to 929 units (up 11 percent). The number of vehicles delivered to customers in Luxembourg came to 260 (up 16 percent).

Northern Europe: stable growth through network expansion

Thanks to the expansion of the dealership network, which is making good progress, deliveries to customers came to 1,388 units in the reporting period, corresponding to an 11 percent increase on the prior year. This is also attributable to the success of the Cayenne model series, which notched up 743 deliveries, up 37 percent on the prior-year result. 311 units of the Panamera model series were delivered, an increase of 2 percent. Due to the generation change initiated for the sports cars, these figures were 19 percent down on the prior-year level.

Southern and eastern Europe: a mixed picture

Thanks to the Ukraine, Poland and Turkey, which are continuing to grow, 3,440 units were delivered in a heterogeneous market environment. This is a significant increase of 17 percent on the prior year. Growth was driven by the Cayenne model series, which achieved deliveries of 2,041 units, up 24 percent on the already strong prior year. The other model series also contributed to the very positive result. With 932 deliveries, the Panamera surpassed its prior-year result by 167 units. The 911 and Boxster/Cayman sports cars accounted for 467 units in total, almost matching the prior-year level. Thanks to the addition of Georgia and a change of investor in Greece, the sales network was expanded to encompass 23 markets.

Russia: considerable growth thanks to front-engined sports cars

The reporting year saw the celebrations for 10 years of Porsche in Russia. It was fitting that Porsche in Russia was able to increase deliveries by 40 percent to 2,202 units in its anniversary year. The strongest model series was again the Cayenne, with sales up 45 percent to 1,725 units. With an increase of 38 percent or 344 units, the Panamera, too, again surpassed the already very good prior year. The Panamera 4S, Turbo and Turbo S were particularly in demand. Overall, the 911, Boxster and Cayman sports car models were slightly up on the prior-year result with 133 deliveries.

Middle East and Africa: continued growth

With 7,945 vehicles delivered in the reporting period, Porsche Middle East & Africa exceeded the prior-year figure (6,841 units) by 16 percent. The most successful model series was the Cayenne with 4,846 deliveries. With 1,869 units, the Panamera maintained its high prior-year level. 576 vehicles of the mid-engined Boxster and Cayman sports cars were delivered to customers, representing a 20 percent increase on the prior-year period. Future growth will focus on Africa and India. A total of 21 importers are supported from Dubai.

Australia/New Zealand: the success story continues

In the year it celebrated its 60th anniversary, Porsche Cars Australia increased deliveries by 9 percent to 1,514 units. 899 vehicles from the Cayenne model series were delivered in Australia and New Zealand – a marked increase on the comparable prior-year period (up 36 percent). The Cayenne Diesel (574 units) and Cayenne S (171 units) played a particular part in this growth. Boxster and Cayman totaled 250 units together, more or less replicating the prior-year figures. With 114 deliveries, the Panamera also matched the prior-year level.

Asia

Japan: success despite difficult conditions

With 3,041 units, Porsche Japan exceeded the prior-year result by 2 percent, despite the difficult conditions in the past year. This result was primarily fueled by the Cayenne models (1,294 deliveries). The Boxster and Cayman maintained their strong position in a contracting market segment and, with 687 deliveries, nearly matched the prior-year result. 544 units of the Panamera were delivered and 516 of the 911, despite the model change.

China: largest growth market

In 2011, Porsche China celebrated 10 years of Porsche in China. China was also Porsche's second-largest sales market in 2011 and continued its growth trajectory with 24,340 deliveries (up 65 percent). With 13,283 vehicles delivered, the Cayenne was again the best-selling model. With 7,726 Panamera deliveries, China developed into the largest sales market for this model series in 2011. Despite the model changes, the 911 also saw continued growth. The iconic sports car from Zuffenhausen was delivered to 929 customers. Sales of the Boxster and Cayman increased even more significantly. With a total of 2,402 mid-engined sports cars delivered, Porsche made an impressive mark in the competitive environment.

Porsche's growth trajectory in China is supported by the systematic expansion of the dealership network. Seven new Porsche centers commenced operations in 2011, with the result that a total of 40 dealers were operating at the end of the year. Most recently, the Porsche centers in Changchun and Wuhan were opened. Opened in September 2010, the company's own Porsche center in Shanghai Pudong is already one of the largest Porsche dealers in the world, with more than 1,100 cars sold.

Asia-Pacific: a burgeoning economic area

The importance of the Asia-Pacific region continues to grow significantly. 3,930 vehicles were delivered to customers in the fiscal year 2011. This corresponds to growth of 74 percent. The Cayenne model series was particularly successful, with 2,300 deliveries. The diesel and hybrid variants generated particular customer interest. With 990 vehicles delivered, the Panamera also further consolidated its position in the market. In the reporting period, Porsche was represented by 21 dealers in 13 countries in the Asia-Pacific region.

Volkswagen group deliveries worldwide

The Volkswagen group delivered 8,265,012 vehicles to customers worldwide in 2011, 1,061,828 or 14.7 percent more than in the prior year. Delivery figures were higher in all twelve months of the reporting period than in the same months of the prior year. Deliveries of passenger cars and light commercial vehicles as well as deliveries of trucks and buses are discussed separately in the following.

Passenger car and light commercial vehicle deliveries worldwide

With its brands, the Volkswagen group has a presence in all key automotive markets around the world. Western Europe, China, Brazil, the USA, Russia, Argentina and Mexico are currently the key sales markets for the group. The group continued to extend its strong competitive position in 2011 thanks to its attractive and environmentally friendly model offering. We have increased our market share in key core markets and again recorded an encouraging global increase in demand.

The Volkswagen group delivered 8,160,154 passenger cars and light commercial vehicles to customers across the world in the reporting period, beating the prior year's record amount by 14.3 percent. With the exception of Bugatti, all group brands increased their prior-year sales figures. In particular, the Volkswagen passenger cars, Audi, ŠKODA, Bentley, Lamborghini and Volkswagen commercial vehicles brands recorded impressive growth rates for the period. In the fiscal year 2011, demand for Volkswagen group models was higher than in the prior-year period in virtually all markets. The following sections explain demand trends for group models in the individual markets.

Deliveries in Europe/Remaining markets

In the fiscal year 2011, deliveries to customers in western Europe were up on the prior year's level, in spite of the slight decline in passenger car markets in several countries. Passenger cars and light commercial vehicles sold in western Europe accounted for 38.4 percent (prior year: 40.3 percent) of the group's delivery volume. All volume brands increased sales in the reporting period as against the prior year. The Touran, Passat saloon, Passat estate, ŠKODA Fabia estate, ŠKODA Yeti, ŠKODA Octavia estate and Caddy generated the highest growth rates. Demand for the new Jetta, Sharan, Audi A1, Audi A7 Sportback, SEAT Ibiza ST and SEAT Alhambra models was also very encouraging. The Volkswagen group's share of the total passenger car market in western Europe increased from 21.0 percent to 23.0 percent. In central and eastern Europe, the Volkswagen group delivered 547,582 units, up 29.4 percent year-on-year. Sales in Russia and Ukraine recorded the highest increases. Volkswagen sold 74.4 percent more vehicles in the reporting period (228,977 units) than in the prior year in the Russian passenger car market. In central and eastern Europe, almost all models from Volkswagen passenger cars, the A6 and A8 from Audi, all ŠKODA models, the SEAT Altea, Multivan/Transporter and the Caddy saw higher demand than in the prior year. The new Sharan, Polo notchback, Audi A1, Audi A7 Sportback, SEAT Ibiza ST, SEAT Alhambra and Amarok models were also highly popular.

In South Africa, the Volkswagen group benefited from the boom in the automotive sector, increasing its sales figures by 39.4 percent to 99,407 units. The entry-level models were particularly sought-after. The market share held by the group in South Africa increased to 22.7 percent (prior year: 19.9 percent).

The Volkswagen group recorded a rise of 20.8 percent in deliveries in the Middle East region.

Deliveries in Germany

Deliveries to Volkswagen group customers in the German passenger car market rose by 11.4 percent in the reporting period to 1,153,070 units. Delivery volumes in the prior year were adversely affected by the end of the government scrapping premium. The Touran, Tiguan, Passat saloon, Passat estate, Audi TT, ŠKODA Fabia hatchback, ŠKODA Yeti, ŠKODA Octavia estate, SEAT Altea and Caddy models recorded the highest growth rates. The new Jetta, Sharan, Audi Q3, Audi A7 Sportback, SEAT Ibiza ST and SEAT Alhambra models were also received positively. At the end of 2011, six Volkswagen group models led the German Federal Motor Transport Authority's (KBA) registration statistics in their respective segments. The Golf continued to top the list of the most frequently registered passenger cars in Germany. In 2011, Volkswagen increased the high level of the group’s market share in the German passenger car market to 35.9 percent (prior year: 35.1 percent), further cementing its market leadership.

Deliveries in North America

In the reporting period, deliveries to Volkswagen group customers in the US market were up 23.3 percent to 444,331 units. Demand for the Jetta, Tiguan, Touareg, Audi TT, Audi Q5, Audi Q7 and Audi A8 models was encouraging. Sales figures for the Canadian market rose by 16.3 percent year-on-year to 69,500 units. The Jetta, Touareg, Audi A4, Audi Q5 and Audi Q7 models recorded the highest growth rates here. The Volkswagen group delivered 18.4 percent more vehicles in Mexico (153,016 units) than in the prior year. Demand for the Jetta and SEAT Ibiza models was particularly strong.

Deliveries in South America

In 2011, demand in the South American markets grew by 5.1 percent year-on-year to 933,259 units. Sales figures in the Brazilian market declined slightly (minus 1.0 percent to 704,706 units). The main reason for this was customer uncertainty due to the increased taxes on import vehicles at the end of the year together with the high intensity of competition in this market. The Space Fox and Voyage models were very popular. The sales figures for the Saveiro and T2 light commercial vehicles increased by 7.6 percent. The number of Volkswagen group vehicles sold in Argentina climbed by 33.0 percent year-on-year to 178,170 units. High demand for the Fox, Gol, Voyage and Bora models was the main driver. The group extended its leadership position in the Argentinian market with a passenger car market share of 25.1 percent (prior year: 24.2 percent).

Deliveries in the Asia-Pacific region

As a result of several government subsidy programs expiring, demand for passenger cars in 2011 grew only slightly in the Asia-Pacific region, which had been the strongest-growing region in 2010 in terms of passenger car sales. Nevertheless, the Volkswagen group sold 2,569,765 units in this region, 20.0 percent more vehicles than in the prior year. In the Chinese passenger car market, the group sold 17.4 percent more passenger cars and light commercial vehicles (2,258,614 units) year-on-year. Almost all models contributed to this positive result. The Volkswagen group extended its leadership of the Chinese market with a market share of 18.2 percent (previous year: 16.8 percent). In the Japanese market, Volkswagen increased sales by 12.1 percent year-on-year to 71,729 units. Demand increased for the Touran, Passat estate and Audi Q7 models. Deliveries to customers continued to develop positively in the other markets in the Asia-Pacific region. Once again, the group more than doubled its sales as against the previous year in the Indian passenger car market, with 111,637 units sold. The Polo hatchback, Polo notchback and ŠKODA Fabia hatchback models demonstrated the highest growth rates.

Deliveries of trucks and buses

In the fiscal year 2011, the Volkswagen group delivered 104,858 trucks and buses to customers worldwide (up 64.6 percent), with trucks accounting for 93,778 units. Sales figures for the MAN brand are included for the period from 9 November to 31 December 2011. Scania increased deliveries to customers to 80,108 units, up 25.7 percent year-on-year.

In western Europe, we sold 38,073 vehicles, of which 35,466 were trucks. In this market, the group benefited more than average from replacement purchases of heavy trucks in the course of the economic recovery. The Volkswagen group sold a total of 15,194 vehicles in the markets of central and eastern Europe, more than twice as many in comparison with the prior year. Trucks accounted for 14,920 of that figure. In the remaining European markets, the Volkswagen group delivered 14,259 vehicles (up 30.4 percent) to customers, 12,382 of which were trucks.

The Volkswagen group sold 813 units in the North American markets (including 73 trucks) in the reporting period due to the positive trend in the relevant economic sectors.

In South America, demand for Volkswagen group trucks and buses amounted to 29,709 vehicles (up 49.9 percent), 25,309 of which were trucks. 20,222 trucks and 3,275 buses were delivered in the Brazilian market.

In the markets of the Asia-Pacific region, sales to customers comprised 6,810 units (up 33.8 percent), 5,628 of which were trucks. 1,579 trucks and 93 buses were delivered in China.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Consolidated income statement of Porsche SE for the period from 1 January to 31 December 2011

€ million	Note	**2011**	SFY 2010
Other operating income	[1]	12	269
Personnel expenses	[2]	– 14	– 11
Other operating expenses	[3]	– 4,445	– 590
Profit/loss from investments accounted for at equity	[4]	4,660	1,075
Profit/loss before financial result		213	743
Finance costs	[5]	– 374	– 185
Financial revenue	[6]	189	81
Financial result		**– 185**	**– 104**
Profit/loss before tax		**28**	**639**
Income tax	[7]	31	647
Profit/loss for the year		**59**	**1,286**
thereof attributable to			
shareholders of Porsche Automobil Holding SE		37	1,275
non-controlling interests	[8]	22	11
Earnings per ordinary share (basic)	[9]	0.13	6.57
Earnings per preference share (basic)	[9]	0.14	6.58
Earnings per ordinary share (diluted)	[9]	0.13	6.57
Earnings per preference share (diluted)	[9]	0.14	6.58

Consolidated statement of comprehensive income of Porsche SE for the period from 1 January to 31 December 2011

€ million	**2011**	SFY 2010
Profit/loss for the year	**59**	**1,286**
Other comprehensive income from investments accounted for at equity (after tax)	– 327	758
Other income after taxes	**– 327**	**758**
Total comprehensive income	**– 268**	**2,044**
thereof attributable to		
shareholders of Porsche Automobil Holding SE	– 290	2,033
non-controlling interests	22	11

Consolidated balance sheet of Porsche SE as of 31 December 2011

€ million	Note	**31/12/2011**	31/12/2010
Assets			
Investments accounted for at equity	[11]	28,008	24,258
Other receivables and assets	[12]	4,253	4,475
Non-current assets		**32,261**	**28,733**
Other receivables and assets	[12]	21	25
Income tax assets	[13]	214	286
Cash, cash equivalents and time deposits	[14]	469	622
Current assets		**704**	**933**
		32,965	**29,666**

€ million	Note	**31/12/2011**	31/12/2010
Equity and liabilities			
Subscribed capital	[15]	306	175
Capital reserves	[15]	4,884	122
Retained earnings	[15]	16,110	16,572
Equity before non-controlling interests	**[15]**	**21,300**	**16,869**
Non-controlling interests – hybrid capital investors	[15]	345	345
Equity		**21,645**	**17,214**
Provisions for pensions and similar obligations	[16]	7	7
Other provisions	[17]	17	17
Deferred tax liabilities	[7]	8	0
Financial liabilities	[19]	5,871	3,880
Other liabilities	[20]	5,087	1,088
Non-current liabilities		**10,990**	**4,992**
Income tax provisions	[17]	79	148
Other provisions	[17]	92	75
Trade payables	[18]	9	33
Financial liabilities	[19]	0	6,964
Income tax liabilities	[13]	0	235
Other liabilities	[20]	150	5
Current liabilities		**330**	**7,460**
		32,965	**29,666**

Consolidated statement of cash flows of Porsche SE for the period from 1 January to 31 December 2011

€ million	**2011**	SFY 2010
1. Operating activities		
Profit/loss for the year	59	1,286
Change in other provisions	17	– 53
Income taxes	– 39	– 647
Change in deferred taxes	8	0
Income taxes paid	– 278	– 370
Income taxes received	176	7
Income from disposal of stock options	0	– 92
Non-cash expenses and income	– 245	– 667
Dividends received from investments accounted for at equity	371	198
Change in other receivables and other assets	11	– 8
Change in trade payables and other liabilities (excluding tax provisions and other provisions)	– 37	21
Cash flow from operating activities	**43**	**– 325**
2. Investing activities		
Changes in stock options	0	122
Cash flow from investing activities before investments in time deposits	**0**	**122**
Change in investments in time deposits	115	100
Cash flow from investing activities	**115**	**222**
3. Financing activities		
Dividends paid to shareholders of Porsche SE	– 77	– 17
Dividends paid to non-controlling interests - hybrid capital investors	– 22	– 11
Cash paid for the settlement of loans	– 7,000	0
Cash received for loans borrowed	2,000	0
Cash received from capital increase	4,903	0
Cash flow from financing activities	**– 196**	**– 28**
4. Cash funds		
Change in cash funds (subtotal of 1 to 3)	– 38	– 131
Cash funds as of 1 January 2011 and 1 August 2010	406	537
Cash funds as of 31 December 2011 and 31 December 2010	**368**	**406**
Presentation of gross liquidity		
Cash, cash equivalents and time deposits	469	622
Gross liquidity	**469**	**622**

Note [10] contains further explanations on the statement of cash flows.

Consolidated statement of changes in equity of Porsche SE for the period from 1 January to 31 December 2011

€ million	Subscribed capital	Capital reserves	Retained earnings: Accumulated profit	Retained earnings: Investments accounted for at equity[3]	Equity before non-controlling interests	Non-controlling interests hybrid capital	Group equity
As of 31 July 2010	**175**	**122**	**14,254**	**301**	**14,852**	**345**	**15,197**
Profit/loss for the year			1,275		1,275	11	1,286
Other comprehensive income after taxes				758	758		758
Total comprehensive income for the period	0	0	1,275	758	2,033	11	2,044
Dividends paid[1]			– 17		– 17	– 11	– 28
Other changes			1		1		1
As of 31 December 2010	**175**	**122**	**15,513**	**1,059**	**16,869**	**345**	**17,214**
As of 1 January 2011	**175**	**122**	**15,513**	**1,059**	**16,869**	**345**	**17,214**
Profit/loss for the year			37		37	22	59
Other comprehensive income after taxes				– 327	– 327		– 327
Total comprehensive income for the period	0	0	37	– 327	– 290	22	– 268
Capital increase in exchange for cash contributions	131	4,857			4,988		4,988
Transaction costs		– 95			– 95		– 95
Dividends paid[2]			– 77		– 77	– 22	– 99
Change in non-controlling interests at the level of investments accounted for at equity			– 98		– 98		– 98
Other changes			3		3		3
As of 31 December 2011	**306**	**4,884**	**15,378**	**732**	**21,300**	**345**	**21,645**

1 Distribution of a dividend of €0.094 per ordinary share; total €8,225,000
Distribution of a dividend of €0.10 per preference share; total €8,750,000
2 Distribution of a dividend of €0.50 per preference share; total €76,562,500
3 Accumulated other comprehensive income of investments accounted for at equity

Equity is explained in note [15]

Notes to the consolidated financial statements of Porsche SE for the fiscal year 2011

Basis of presentation

Porsche Automobil Holding SE (“Porsche SE”) is a European Company (Societas Europaea) and is headquartered at Porscheplatz 1 in 70435 Stuttgart, Germany. It is registered at the Stuttgart local court under HRB 724512. The business objective of Porsche SE is the management of companies and the administration of investments in companies, in particular companies active in the following business fields: the development, design, manufacture and distribution of vehicles, engines of all kinds and other technical products as well as of parts and components thereof. The company may engage in all kinds of business and take all measures that are related to the business purpose or that it deems directly or indirectly useful for achieving that purpose. This also includes financial services.

The consolidated financial statements of Porsche SE as of 31 December 2011 were prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union. The standards published by the International Accounting Standards Board (IASB), London, that have been endorsed as part of the comitology procedure and are applicable as of the reporting date as well as the interpretations issued by the IFRS Interpretations Committee (IFRS IC) that are valid for the fiscal year have been taken into account. The requirements of the standards and interpretations applied were satisfied in full. The financial statements thus give a true and fair view of the net assets, financial position and results of operations and cash flows of the Porsche SE group (Porsche SE and its subsidiaries).

These consolidated financial statements comply with the requirements of Sec. 315a HGB [“Handelsgesetzbuch”: German Commercial Code]. This clause represents the legal basis for group accounting according to International Financial Reporting Standards in Germany in conjunction with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

The fiscal year of the Porsche SE group (Porsche SE and its subsidiaries) covers the period from 1 January to 31 December of a year.

Due to the conversion of the fiscal year to the calendar year effective as of 1 January 2011, the short fiscal year 2010 (SFY 2010) covering a period of 5 months from 1 August to 31 December 2010 is presented as comparative period. As a result, the figures presented for the reporting period and the comparative period are not fully comparable.

The group’s presentation currency is the euro. Unless otherwise stated, all figures are presented in millions of euro (€ million).

The income statement has been prepared using the nature of expense method.

The business activities of the Porsche SE group are limited to holding and managing the investments in Porsche Zwischenholding GmbH, Stuttgart, and Volkswagen AG, Wolfsburg. As separate assets the investments do not meet the definition of operating segments, and segment reporting in accordance with IFRS 8 is therefore not necessary.

The consolidated financial statements and group management report of Porsche SE were authorized for issue to the supervisory board by the executive board by resolution dated 27 February 2012.

Consolidated group

The consolidated financial statements of Porsche SE include all companies in which Porsche SE has the power to govern the financial and operating policy, either directly or indirectly, so as to obtain benefits from its activities (control concept). Initial consolidation is performed as of the date on which the acquirer obtains the possibility of control. A company is no longer consolidated upon loss of control. Subsidiaries in which Porsche SE has the power to govern the financial and operating policy, either directly or indirectly, and that are immaterial on a stand-alone basis and in total for a true and fair presentation of the net assets, financial position and results of operations are accounted for at cost in the consolidated financial statements.

Material companies where Porsche SE is able, directly or indirectly, to significantly influence financial and operating policy decisions (associates), or where Porsche SE shares joint control together with another party (joint ventures), are accounted for at equity.

Joint ventures and associates also include companies in which the Porsche SE group holds the majority of voting rights, but whose articles of association or partnership agreements stipulate that important decisions may not be made without the approval of the other entity or where Porsche SE does not have control as defined by IFRSs for other reasons.

The articles of association of Volkswagen AG prescribe that the State of Lower Saxony has a right to appoint two members of the supervisory board, provided that it holds at least 15% of the ordinary shares in Volkswagen AG. On account of the interest held by the State of Lower Saxony in Volkswagen AG, this delegation right prevents Porsche SE from including the Volkswagen group in the consolidated financial statements of Porsche SE by way of full consolidation because Porsche SE cannot determine the majority on the supervisory board and it consequently does not have control as defined by IFRSs. Due to the significant influence exercised by Porsche SE, however, its investment in Volkswagen AG is accounted for in the consolidated financial statements of Porsche SE at equity.

On 7 December 2009, Volkswagen AG assumed a 49.9% shareholding in Porsche Zwischenholding GmbH in the course of a capital increase. Due to the rulings established in the implementing agreements and in the articles of association of Porsche Zwischenholding GmbH, Porsche SE lost control of this company under IFRSs despite the fact that it holds the majority of voting rights of 50.1%. Since this point in time, Porsche Zwischenholding GmbH has been a joint venture of Porsche SE and Volkswagen AG and has accordingly been accounted for at equity. The number of companies included in the consolidated financial statements of Porsche SE as of the reporting date is shown in the following table:

	31/12/2011	31/12/2010
Fully consolidated subsidiaries		
Germany	0	1
International	1	1
Subsidiaries accounted for at cost		
Germany	1	1
Associates and joint ventures		
Germany	2	2
Joint ventures accounted for at cost		
Germany	1	0
	5	**5**

List of shareholdings of the group

	Share in capital as of 31/12/2011	Equity	Profit/loss
	%	EUR000	EUR000
Fully consolidated entities			
International			
Porsche Holding Finance plc, Dublin, Ireland	100.0	6,883	982
Subsidiaries accounted for at cost			
Porsche Erste Vermögensverwaltung GmbH, Stuttgart	100.0	19	– 4
Joint ventures accounted for at equity			
Porsche Zwischenholding GmbH, Stuttgart	50.1	7,606,979	581,499
Associates accounted for at equity			
Volkswagen AG, Wolfsburg	32.2[1]	19,459,423	3,417,823
Joint ventures accounted for at cost			
Porsche Sechste Vermögensverwaltung GmbH, Stuttgart[2]	50.1	19	– 5

[1] Diverging from the capital share, the share in voting rights is 50.73% as of the reporting date.
[2] Short fiscal year for the period from 21 November to 30 November 2011.

Porsche Zweite Vermögensverwaltung GmbH, Stuttgart, was merged into Porsche SE effective as of 1 October 2011. The merger was entered in the commercial register on 6 February 2012.

The consolidated financial statements and group management report prepared as of 31 December 2011 can be downloaded from the electronic German business register at www.unternehmensregister.de.

Investments in associates

Volkswagen AG is included in the consolidated financial statements of Porsche SE as an associate. As of 31 December 2011, the market value of the investment in Volkswagen AG amounted to €15,524 million (31 December 2010: €15,861 million).

The Volkswagen group reported the following key figures for the fiscal year 2011:

€ million	**2011**	SFY 2010
Non-current assets	147,986	113,457
Current assets	105,640	85,936
Non-current liabilities	89,216	73,781
Current liabilities	101,057	76,900
Revenue	159,337	65,066
Profit	15,409	5,161

The figures presented above have not been adjusted for the purpose of accounting for the investment at equity at the level of Porsche SE.

Interests in joint ventures

Porsche Zwischenholding GmbH is included in the consolidated financial statements of Porsche SE as a joint venture.

Based on the proportionate interest in joint ventures, the figures summarized below are attributable to the Porsche SE group.

€ million	**2011**	SFY 2010
Non-current assets	11,511	10,871
Current assets	3,399	2,934
Non-current liabilities	10,953	9,887
Current liabilities	5,211	5,764
Income	12,800	4,499
Expenses	11,630	4,120

The figures presented above have not been adjusted for the purpose of accounting for the investment at equity at the level of Porsche SE.

Consolidation principles

Since the contributions to profit or loss made by the investments accounted for at equity have a significant influence on the net assets and results of operations of the Porsche SE group, the consolidation principles applicable only within the Porsche Zwischenholding GmbH group and the Volkswagen group are also included in the explanations below.

In the reporting period, the financial statements of all subsidiaries and investments accounted for at equity were prepared as of the reporting date of the consolidated financial statements, which is the reporting date of Porsche SE. Where necessary, adjustments are made to the uniform group accounting policies.

Business combinations are accounted for by applying the acquisition method pursuant to IFRS 3 (rev. 2008).

The cost of a business combination is measured in accordance with IFRS 3 (rev. 2008) as the aggregate of the consideration transferred at fair value as of the acquisition date, measured at acquisition-date fair value, and the non-controlling interests in the entity. The non-controlling interests can be measured either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed and therefore do not constitute a component of cost.

If the business combination is achieved in stages, the acquisition-date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value as of the acquisition date and the gain or loss resulting from remeasurement recognized in profit or loss.

Where the cost of a business combination exceeds the fair value of identifiable assets acquired net of liabilities assumed as of the acquisition date, the excess is recognized as goodwill. In contrast, where the cost of a business combination is less than the fair value of identifiable assets acquired net of liabilities assumed as of the acquisition date, the difference is recognized in the income statement after reassessing the fair values.

Any difference arising upon acquisition of additional shares or sale of shares after initial consolidation without loss of control in a subsidiary that has already been fully consolidated is recognized within equity.

Intragroup expenses and income as well as receivables, liabilities and provisions are eliminated. Intercompany profits from the sale of assets within the group which have not yet been resold to third parties are eliminated. Deferred taxes are recognized for intragroup transactions that affect income taxes. In addition, guarantees and warranties assumed by Porsche SE or one of its consolidated subsidiaries in favor of other consolidated subsidiaries are eliminated.

In the event that control is lost and the parent company continues to hold shares in the previous subsidiary, such shares are measured at fair value on the date of loss of control. If the shares are listed on the stock exchange, the fair value of the shares on the date when control is lost is the product of the number of shares retained and the quoted market price of the shares as of that date.

When deconsolidating a previous subsidiary, the difference between the consideration received (upon disposal) or the fair value of the investment retained (upon partial sales or loss of control for other reasons) and the net assets disposed of at the date when control is lost (including any goodwill from acquisition accounting disposed of) and the carrying amount of the non-controlling interests disposed of as of the date of loss of control is recognized in profit or loss. Income and expenses recognized directly in the previous subsidiary's equity for foreign currency effects, securities marked to market, cash flow hedges and investments accounted for at equity are also derecognized through profit or loss at the date of loss of control. Any revaluation reserve recognized in accordance with IFRS 3 (rev. 2004) is not derecognized through profit or loss at the date of deconsolidation but reclassified to accumulated profits within equity.

Equity accounting

When investments accounted for at equity are acquired, they are recognized at cost as of the date of initial recognition at equity. In the event of partial sale or loss of control of previously fully consolidated subsidiaries for other reasons, they are recognized at fair value as of the date when control is lost. The consolidation procedures generally apply by analogy to investments accounted for at equity. Any goodwill that arises as part of the investment carrying amount is not amortized or tested for impairment separately. Any negative goodwill is reassessed and recognized through profit or loss at the date when the investment is initially accounted for at equity.

In subsequent periods, the carrying amount is changed to reflect the Porsche SE group's share of changes in net assets of the associate or joint venture. The group's share in profit/loss after tax and after non-controlling interests is recognized in the income statement within the item "profit/loss from investments accounted for at equity". This item also includes dilutive effects reducing the investment carrying amount that arise from capital increases at the level of the investment without participation or with disproportionately low participation of the Porsche SE group and which do not lead to any changes in the status of the investment as an associate or joint venture.

Changes in income and expenses recognized directly in equity at the level of the associate or joint venture are recognized in a separate item within Porsche SE's group equity. Distributions received lead to a reduction of the investment's carrying amount. Changes in non-controlling interests at the level of investments accounted for at equity include the proportionate changes in the non-controlling interests within the respective group of investments accounted for at equity attributable to Porsche SE which do not lead to a change in control and are therefore recognized in other comprehensive income in their consolidated financial statements.

An impairment test is carried out whenever there is any indication in accordance with IAS 39 that the entire carrying amount of the investment is impaired. Where the carrying amount of the investment exceeds its recoverable amount determined in accordance with IAS 36, an impairment loss is recognized in profit or loss to account for the difference. Value in use is determined on the basis of the estimated future cash flows expected to be generated by the investment accounted for at equity in accordance with IAS 28.33a. Where an impairment loss was recognized in prior periods, it is assessed at least once a year whether there is any indication that the reason for a previously recognized impairment loss no longer exists or has decreased. If this is the case, the recoverable amount is recalculated and an impairment previously recognized that no longer exists is reversed.

An impairment test was carried out in the reporting period for both the investment in Volkswagen AG and the investment in Porsche Zwischenholding GmbH. The recoverable amount was determined for both investments using the discounted cash flow method. The most recent five-year corporate planning approved by the management of the equity investments was used as a basis in each case. One integral component of the corporate planning for the Porsche Zwischenholding GmbH group is the increase in the annual sales volume to around 200,000 vehicles by 2018 and a return on sales of 15%. The corporate planning of the Volkswagen group includes reaching a sustainable return on sales before taxes of 8% or more in the medium term. A growth rate of 1% was used to extrapolate the cash flow beyond the detailed planning phase. The sustainable EBIT margin was determined conservatively, taking into account the EBIT margins generated in the past and used for detailed planning purposes. A weighted average cost of capital of 7.0% or 7.7% (prior year: 6.6% or 7.2%) was used to discount cash flows. This was derived from a peer group for each equity investment to reflect a return on capital that is appropriate for the risks involved in the respective business operations. When selecting the two peer groups, the special aspects of the multi-brand strategy pursued by the Volkswagen group (Volkswagen AG and its subsidiaries) as well as of those of the sports car business of the Porsche Zwischenholding GmbH group (Porsche Zwischenholding GmbH and its subsidiaries) were taken into consideration.

Even an isolated decrease in the sustainable EBIT margin by 20% or a growth rate of 0%, or an isolated increase in the weighted average cost of capital by 20% would not lead to an impairment of the carrying amounts of either equity investment.

Currency translation

Foreign currency items in the financial statements of the entities included in the consolidated financial statements are measured at the spot exchange rates on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing rate. Non-monetary items denominated in a foreign currency measured at historical cost are translated using the exchange rate on the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate prevailing on the date when the fair value was determined. Exchange rate gains and losses as of the reporting date are recorded in profit or loss.

Goodwill and adjustments to recognize assets and liabilities arising from business combinations at their fair value are expressed in the functional currency of the subsidiary.

Financial statements prepared in a foreign currency are translated to the euro in accordance with IAS 21. The functional currency of the company included in consolidation is the currency of the primary economic environment in which it operates.

Assets, liabilities and contingent liabilities are translated at the closing rate as of the reporting date, while equity is translated at historical rates with the exception of income and expenses recognized directly in equity. The income statement is translated using average exchange rates. Exchange rate differences resulting from the translation of financial statements are recognized as a separate component directly in equity until the disposal of the subsidiary. Upon disposal the separate item is reclassified to profit or loss.

The foreign currency rates applied for translating transactions to the euro are presented in the following table.

		Balance sheet Closing rate			
		Porsche SE group and Porsche Zwischenholding GmbH group[1]	VW group[1]	Porsche SE group and Porsche Zwischenholding GmbH group[1]	VW group[1]
	1€=	**31/12/2011**	**31/12/2011**	31/12/2010	31/12/2010
Argentina	ARS	N/A	5.5744	N/A	5.3086
Australia	AUD	1.2725	1.2723	1.3157	1.3136
Brazil	BRL	2.4145	2.4159	2.2212	2.2177
Canada	CAD	1.3217	1.3215	1.3355	1.3322
China	CNY	8.1444	8.1588	8.8212	8.8220
Czech Republic	CZK	25.7840	25.7870	25.0958	25.0610
India	INR	N/A	68.7130	N/A	59.7580
Japan	JPY	100.1802	100.2000	108.8600	108.6500
Mexico	MXN	18.0502	18.0512	16.5663	16.5475
Poland	PLN	N/A	4.4580	N/A	3.9750
Republic of Korea	KRW	1,500.1100	1,498.6900	1,501.5100	1,499.0600
Russia	RUB	41.7640	41.7650	40.9449	40.8200
South Africa	ZAR	10.4887	10.4830	8.8753	8.8625
Sweden	SEK	8.9118	8.9120	8.9776	8.9655
United Kingdom	GBP	0.8353	0.8353	0.8623	0.8608
USA	USD	1.2940	1.2939	1.3388	1.3362

[1] Accounted for at equity

		Income statement Average rate			
		Porsche SE group and Porsche Zwischenholding GmbH group[1]	VW group[1]	Porsche SE group and Porsche Zwischenholding GmbH group[1]	VW group[1]
	1€=	**2011**	**2011**	SFY 2010	SFY 2010
Argentina	ARS	N/A	5.7449	N/A	5.2420
Australia	AUD	1.3475	1.3484	1.3900	1.4024
Brazil	BRL	2.3253	2.3265	N/A	2.2821
Canada	CAD	1.3758	1.3761	1.3643	1.3593
China	CNY	8.9978	8.9960	N/A	8.8933
Czech Republic	CZK	24.5586	24.5898	24.7331	24.8538
India	INR	N/A	64.8859	N/A	60.4644
Japan	JPY	111.0040	110.9586	111.4699	111.4154
Mexico	MXN	17.2770	17.2877	N/A	16.6777
Poland	PLN	N/A	4.1206	N/A	3.9873
Republic of Korea	KRW	1,539.7686	1,541.2341	N/A	1,532.7589
Russia	RUB	40.8725	40.8846	40.9063	40.6333
South Africa	ZAR	10.0814	10.0970	N/A	9.4235
Sweden	SEK	N/A	9.0298	N/A	9.2988
United Kingdom	GBP	0.8677	0.8679	0.8484	0.8465
USA	USD	1.3921	1.3920	1.3350	1.3252

1 Accounted for at equity

Accounting policies

The assets and liabilities of Porsche SE and the fully consolidated German and foreign subsidiaries included are accounted for using uniform accounting policies applicable within the Porsche SE group. The same accounting policies are also used at the level of the associates and joint ventures of Porsche SE. Where necessary, adjustments are made. Generally, the comparative information for the fiscal year 2011 is based on the same accounting policies as for SFY 2010.

Since the contributions to profit or loss made by the investments accounted for at equity have a significant impact on the net assets and results of operations of the Porsche SE group, those accounting policies applicable at the Porsche SE group only within the Porsche Zwischenholding GmbH group and the Volkswagen group are also included in the explanations below.

With the exception of certain items, such as investments accounted for at equity or derivative financial instruments, the consolidated financial statements are prepared using the historical cost principle. The measurement principles used are described below in detail.

Intangible assets

Purchased intangible assets that are not acquired in a business combination are initially recognized at cost in accordance with IAS 38. The cost of intangible assets acquired as part of a business combination is their fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Purchased intangible assets with a finite useful life are amortized on a straight-line basis over their useful life, taking any impairments into account. Useful lives generally range from three to five years. Useful lives, residual values and methods of amortization are reviewed, and adjusted if appropriate, at least at the end of the reporting year. If adjustments are made, these are accounted for as changes in estimates.

Intangible assets with indefinite useful lives are not amortized. These include goodwill and brand names from business combinations. The useful lives of brands are considered indefinite based on the assessment that the inflow of economic benefits from these assets cannot be attributed to a specific period. Each asset or cash-generating unit is tested at least once a year for impairment. Intangible assets with indefinite useful lives are reviewed once a year to determine whether the indefinite life assessment continues to be supportable. If this is no longer the case, the change in the useful life assessment from indefinite to finite is made prospectively.

With the exception of their capitalizable portion, development costs are not capitalized, but recognized in profit or loss in the period in which they are incurred. The portion of development expenditure that can be measured reliably and meets all other recognition criteria of IAS 38 is capitalized. The capitalized development costs include all costs and overhead expenditure directly attributable to the development process incurred after the point in time at which all recognition criteria are met. Capitalized development costs are amortized beginning at the start of production using the straight-line method over the expected useful life of the product, taking any impairments into account. The useful life is usually five to ten years. Research costs are expensed as incurred.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation over the useful life of the assets and any accumulated impairment losses. The cost of items of property, plant and equipment acquired as part of a business combination is the fair value as of the date of acquisition. Self-constructed items of property, plant and equipment are recognized at cost. Cost is determined on the basis of the direct and the proportionate indirect production-related costs. Grants are generally deducted from cost. Costs for repairs and maintenance are recognized as an expense.

Depreciation, which is generally charged on a straight-line basis, reflects the pattern of the assets' expected utility to the company. Higher depreciation rates are applied for some equipment used in shift operations.

Depreciation is based on the following useful lives:

	Years
Buildings	25 to 50
Site improvements	9 to 20
Technical equipment and machinery	6 to 20
Other equipment, furniture and fixtures (including special tools)	3 to 15

Residual values, depreciation methods and useful lives are reviewed, and adjusted prospectively as changes in estimates if appropriate, at each reporting date.

Property, plant and equipment are either derecognized upon disposal or when no future economic benefits are expected from the continued use or sale of a recognized asset. The gain or loss arising from the derecognition of the asset, determined as the difference between net disposal proceeds and the asset's carrying amount as of the date of disposal, is included in profit or loss for the period when the asset is derecognized.

Leases

Whether an arrangement is, or contains a lease, is determined on the basis of the economic substance of the arrangement at its inception date and requires an assessment whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment after the inception of the lease is only performed under the prerequisites set forth in IFRIC 4.

Operating leases

Leases under which substantially all the risks and rewards incidental to ownership of the asset are not transferred to the lessee are classified as operating leases.

Most of the assets leased to third parties under operating leases are vehicles leased from the group's leasing companies and are presented in non-current assets. Leased vehicles are recognized at cost and depreciated on a straight-line basis over the term of the lease to the lower of estimated residual value and fair value.

Where group companies are the lessee in operating leases, i.e. when not all significant risks and rewards incidental to ownership are transferred to the group entities, lease or rental payments are recognized as an expense in the income statement.

Finance leases

A lease is classified as a finance lease if substantially all risks and rewards incidental to ownership are transferred to the lessee.

Where items of property, plant and equipment are used under a finance lease, the lessee recognizes the individual assets and liabilities resulting from the lease at fair value or, if lower, the present value of the minimum lease payments. Items of property, plant and equipment are depreciated on a straight-line basis over the economic useful life or the term of the lease, if shorter.

Where group companies act as the lessor under finance leases, receivables relating to the leases are initially recognized at an amount equal to the net investment.

Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are recognized as part of the cost of that asset. The Porsche SE group did not capitalize any borrowing costs either in the 2011 reporting period or in SFY 2010.

Impairment test

At the end of each reporting period, the group assesses whether there is any indication of impairment. An impairment test is performed at least once a year for goodwill, capitalized costs for products under development and intangible assets with an indefinite useful live. For intangible assets with finite useful lives, property, plant and equipment as well as investments accounted for at equity an impairment test is performed when there is an indication that the asset may be impaired. With respect to the latter, please also refer to the section “Equity accounting” under “Consolidation principles” above.

The recoverable amount is determined in the course of impairment testing. The recoverable amount is the higher of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less any costs to sell. Costs to sell are incremental costs incurred to sell the asset or cash-generating unit. Value in use is determined using the discounted cash flow method or capitalized earnings method on the basis of the estimated future cash flows expected to arise from the continuing use of the asset and its disposal.

The recoverable amount is generally determined separately for each asset. If it is not possible to determine the recoverable amount for an individual asset because it does not generate cash inflows that are largely independent of the cash inflows from other assets, it is determined on the basis of a group of assets that constitutes a cash-generating unit.

If the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognized to account for the difference. Any impairment losses are recognized through profit or loss in the item amortization of intangible assets and depreciation of property, plant and equipment, leased assets and investment property.

It is reviewed on an annual basis whether the reasons for a previously recognized impairment loss still exist. If the reasons for impairments recognized in prior years no longer exist, the impairments are reversed through profit or loss (with the exception of goodwill). The amount reversed cannot exceed the amount that would have been determined as the carrying amount, net of any depreciation and amortization, had no impairment loss been recognized for the asset in prior years.

Investment property

Investment property held to generate rental income is accounted for at depreciated cost. The underlying useful lives and depreciation methods used in subsequent measurement correspond to those applied for items of property, plant and equipment used by the group.

Other receivables and financial assets

Other receivables and financial assets (excluding derivative financial instruments) are accounted for at amortized cost. Appropriate allowance is made for known individual risks and general credit risks.

Inventories

Inventories are stated at the lower of cost or net realizable value as of the reporting date.

The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. In addition to costs directly attributable, the costs of conversion of the internally produced goods include an appropriate portion of incurred materials and production overheads as well as production-related depreciation and other directly attributable costs.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

If the carrying amounts are no longer realizable due to a decrease in prices in the sales market, inventories are written down accordingly.

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

Long-term development contracts

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

Financial instruments

According to IAS 39, a financial instrument is any contract that gives rise to a financial asset at one entity and a financial liability or equity instrument at another entity. If the trade date of a financial asset differs from the settlement date, it is initially accounted for at the settlement date. Initial recognition of a financial instrument is at fair value. Transaction costs are included for financial instruments not designated as at fair value through profit or loss. Subsequent measurement of financial instruments is either at fair value or amortized cost depending on their category. Each financial instrument is allocated to a category upon initial recognition.

With respect to measurement, IAS 39 distinguishes between the following categories of financial assets:
- Financial assets at fair value through profit or loss (FVtPL) and held for trading (HfT)
- Held-to-maturity investments (HtM)
- Available-for-sale financial assets (AfS)
- Loans and receivables (LaR)

Financial liabilities are divided into the two categories:
- Financial liabilities at fair value through profit or loss (FVtPL) and held for trading (HfT)
- Financial liabilities measured at amortized cost (FLAC)

Depending on the category, measurement of financial instruments is either at fair value or amortized cost.

Fair value corresponds to the market price provided the financial instruments measured are traded on an active market. If there is no active market for a financial instrument, fair value is calculated using appropriate valuation techniques such as generally accepted option price models or discounting future cash flows with the market interest rate, or by referring to the most recent business transactions between knowledgeable, willing and independent business partners for one and the same financial instrument, if necessary confirmed by the banks processing the transactions.

Amortized cost corresponds to the original cost less redemption, impairment losses and the release of any difference between costs and the amount repayable upon maturity calculated by applying the effective interest method. Financial instruments are recognized as soon as the Porsche SE group becomes a party to the contractual provisions of the financial instrument. Financial assets are generally derecognized when the contractual right to the cash flows expires or this right is transferred to a third party. Financial liabilities are derecognized when the obligation underlying the liability has been canceled or extinguished.

Non-derivative financial instruments

Financial instruments accounted for at fair value include financial instruments held for trading and financial assets classified as at fair value through profit or loss upon initial recognition. Gains and losses from subsequent measurement are recognized in profit or loss. In the Porsche SE group, financial instruments in the category held for trading include derivative financial instruments only. No financial assets or liabilities were classified as at fair value through profit or loss upon initial recognition in the 2011 reporting period or in the comparative period.

Any financial instruments held to maturity are accounted for at amortized cost. Gains and losses from subsequent measurement are recognized in profit or loss. The Porsche SE group did not hold any financial instruments in this category as of the reporting date.

Any available-for-sale financial instruments are measured at fair value. Non-derivative financial assets that are classified as available for sale and that cannot be allocated to any other category are included in this category. Unrealized gains and losses from subsequent measurement are recognized in equity taking into account deferred taxes until the financial instruments are derecognized or there is objective evidence of impairment. Investments presented as non-current financial assets that are not accounted for at equity also constitute available-for-sale financial instruments and are generally measured at fair value. If no active market exists and fair value cannot be reliably estimated, they are measured at cost.

Loans and receivables, held-to-maturity financial instruments and financial liabilities are measured at amortized cost unless they are related to hedging instruments. In particular, these include other financial receivables, financial guarantees, trade payables, financial liabilities and other financial liabilities.

With regard to financial guarantees, the Porsche SE group is required to make specified payments if a debtor fails to make payment when due. Financial guarantees are presented on a net basis. The compensation paid for assumption of the liability is not recognized before it is due. It is presented as other receivables and assets or other liabilities. Liabilities are not recognized until the utilization of a financial guarantee becomes probable. No liability had to be recognized in the current fiscal year or in the comparative period.

Financial assets are subject to an impairment test if there is objective evidence that the asset is permanently impaired. An impairment loss is immediately recorded as an expense.

Specific valuation allowances are recognized for individually significant receivables by applying uniform guidelines and are measured at the amount of incurred losses. Indicators of a potential impairment include delayed payments over a certain period of time, the institution of enforcement measures, the threat of insolvency or overindebtedness, application for or the opening of insolvency proceedings or the failure of financial reorganization measures.

Valuation allowances are generally recognized in separate allowance accounts and give rise to impairment losses that are recognized in profit or loss.

An impairment test is performed on the carrying amount of available-for-sale financial assets if there is objective evidence of permanent impairment. In the case of equity instruments, evidence of impairment is considered to exist, among other things, if the fair value decreases significantly below cost and the decrease in fair value is prolonged. Where there is evidence of impairment, the cumulative loss of available-for-sale financial instruments – measured as the difference between cost and their current fair value, less any impairment loss previously recognized on that financial instrument in the income statement – is derecognized from equity and recognized in the income statement. Any increase in the value of debt securities at a later date is accounted as a reversal of the impairment loss recognized in profit or loss. In the case of equity instruments, reversals of impairment losses are recognized directly in equity.

Derivative financial instruments

The derivative financial instruments recognized in the consolidated financial statements of Porsche SE relate to an interest derivative that expired at the end of the 2011 reporting period and had been used to hedge interest rate risks arising from existing liabilities. In addition, there is a put option for Porsche SE and a call option for Volkswagen AG to Porsche SE's remaining 50.1% of shares in Porsche Zwischenholding GmbH.

Derivative financial instruments are generally recognized at fair value through profit or loss and remeasured at fair value in subsequent periods.

As soon as the criteria of IAS 39 for hedge accounting are fulfilled, the derivative financial instruments are designated either as fair value or cash flow hedges. Otherwise, they are allocated to the category financial assets or liabilities held for trading.

A fair value hedge hedges the exposure to changes in fair value of a recognized asset, a recognized liability or an unrecognized firm commitment. Gains or losses arising from marking hedging instruments to market and the secured portion of the risk of the hedged transaction are recognized in profit or loss. If the fair value hedge ends, the adjustment of the carrying amount arising from fair value hedge accounting for financial instruments measured at amortized cost as hedged transaction is released to profit or loss over the remaining term of the hedged transaction.

In the case of portfolio-based fair value hedges, the accounting for changes in fair value corresponds to the accounting for fair value hedges. Gains or losses from changes in measurement are recognized through profit or loss.

A cash flow hedge is used to hedge exposures from highly probable future cash flows. Hedges are only included in hedge accounting to the extent that they offset changes in the value of the cash flows of the hedged transaction. The ineffective portion is immediately recognized in profit or loss. When included in cash flow hedge accounting, changes in value are recorded directly in other comprehensive income, taking deferred taxes into account. When the hedged transaction occurs, the change in value is reclassified from other comprehensive income to profit or loss. If the forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognized in equity is reclassified to profit or loss. Gains or losses from cash flow hedge accounting are presented under other operating income or expenses in the income statement.

The options held by the Porsche SE group as of the reporting date generally are not traded on a public market. In such cases, IAS 39.48 et seq. requires that a suitable valuation technique or recent transaction be used for measurement purposes. Measurement was performed using generally accepted valuation techniques based on observable market data and historical values.

Offsetting of financial instruments

Financial assets and liabilities are presented net in the balance sheet only if the group has a present contractual right to settle net and if it intends to settle net or by realizing the liability together with the asset.

Cash, cash equivalents and time deposits

The cash, cash equivalents and time deposits include checks, cash on hand and at banks. This item may also include cash and cash equivalents that are not freely available for use by the Porsche SE group. There was no restricted cash as of the reporting date or as of 31 December 2010.

Deferred taxes

Deferred tax assets are generally recognized for deductible temporary differences between the tax base and carrying amounts in the consolidated balance sheet (taking into account temporary differences arising from consolidation) as well as on unused tax losses and tax credits if it is probable that they will be used. Deferred tax liabilities are generally recognized for all taxable temporary differences between the tax base and the carrying amounts in the consolidated balance sheet (temporary concept). Deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures are not recognized if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Valuation allowances are recognized on deferred tax assets that are unlikely to be realized in a manageable period. A previously unrecognized deferred tax asset is reassessed and recognized to the extent that it has become probable that future taxable profit will allow it to be recovered.

Deferred taxes are measured on the basis of the tax rates that apply or that are expected to apply based on the current legislation in the individual countries at the time of realization. Deferred taxes are not discounted.

Deferred taxes referring to items recognized directly in equity are presented in equity. Deferred tax assets and deferred tax liabilities are offset if the group entities have a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be refunded by or paid to the taxation authorities. The tax rates and tax laws applied for measurement are those that are enacted or substantively enacted by the reporting date. Adequate provisions were recognized for future probable tax liabilities, considering a large number of factors such as interpretations, commentaries and jurisdiction on the pertinent tax legislation as well as past experience.

Current tax relating to items recognized directly in equity is also recognized directly in equity.

Discontinued operations and non-current assets held for sale

Discontinued operations are components of an entity that have either been disposed of or are classified as held for sale and which
- represent a separate major line of business or geographical area of operations,
- are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- are a subsidiary acquired exclusively with a view to resale.

Discontinued operations are presented separately in accordance with IFRS 5. The income and expenses associated with discontinued operations and any gain or loss arising from discontinuation are disclosed separately in the income statement as profit from discontinued operations below the profit from continuing operations. The prior-year information in the income statement is restated.

Under IFRS 5, non-current assets or groups of assets and liabilities are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such assets are carried at the lower of their carrying amount and fair value less costs to sell, and are presented separately in current assets and liabilities in the balance sheet.

Hybrid capital

Provided the bond conditions of the hybrid capital issued satisfy the corresponding criteria, hybrid capital is accounted for as an equity instrument of the group in accordance with IAS 32. If the hybrid capital is classified as equity, the deductible interest is not presented as interest expenses but accounted for corresponding to the accounting for dividends to the shareholders. Any transaction costs are deducted from the hybrid capital, taking tax effects into account.

If classified as a debt instrument, hybrid capital is presented under bonds. Interest is included in other interest and similar expenses.

Provisions for pensions and similar obligations

In accordance with IAS 19, the actuarial measurement of pension obligations arising from defined benefit plans is based on the projected unit credit method. This method considers not only the pension payments and the future claims known on the reporting date but also future anticipated increases in salaries and pensions. The calculation of pension obligations is based on actuarial expert opinions taking into account biometric assumptions. The interest rate used to discount provisions is determined on the basis of the return on long-term high-quality corporate bonds at the reporting date.

If pension obligations are funded by plan assets, the obligation and the assets are offset. The company applies the corridor method to measure the pension obligations and determine the pension cost. Actuarial gains and losses from a pension plan are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses of the plan exceed 10% of the defined benefit obligation or 10% of the fair value of existing plan assets of the prior year (corridor method). The amount exceeding the corridor is recognized by allocation to the average remaining working lives of the employees. Past service cost is recognized on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately in profit or loss. Service cost is presented as personnel expense while the interest expense of the obligation and return on plan assets are presented in finance costs.

Other provisions

Other provisions are recognized if a past event has led to a current legal or constructive obligation to third parties which is expected to lead to a future outflow of resources that can be estimated reliably. Provisions are generally measured at the expected settlement amount taking into account all identifiable risks. The settlement amount is calculated using best estimates, including estimated cost increases.

Non-current provisions are stated at their present value at the reporting date. The interest rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The interest expense resulting from the unwinding of the discount is presented in finance costs.

Provisions are not offset against reimbursement claims from third parties. Reimbursement claims are recognized separately in other assets if it is virtually certain that the Porsche SE group will receive the reimbursement when it settles the obligation.

Accruals are not presented under provisions, but under trade payables or other liabilities, depending on their nature.

Liabilities

Non-current liabilities are recognized at amortized cost. Differences between their historical cost and their repayment amount are accounted for using the effective interest method. Current liabilities are recognized at their repayment or settlement value.

Revenue and expenses

Revenue is generally recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

Revenue from the sale of products is generally not recognized until the point in time when the significant opportunities and risks associated with ownership of the goods and products being sold are transferred to the buyer. Revenue is reported net of discounts, customer bonuses and rebates.

Income from assets for which a group entity has a buy-back obligation cannot be realized until the assets have definitely left the group. If a fixed repurchase price was agreed when the contract was concluded, the difference between the selling and repurchase price is recognized as income ratably over the term of the contract. Prior to that time, the assets are accounted for as inventories.

Revenue from receivables from financial services is realized using the effective interest method.

Revenue is generally recorded separately for each business transaction. If two or more transactions are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole, the criteria for revenue recognition are applied to these transactions as a whole. If, for example, loans in the financial services sector are issued at below market interest rates to promote sales of new vehicles, revenue is reduced by the incentive arising from the loan.

Revenue from long-term development contracts is recognized in accordance with the percentage of completion method.

Interest income and expenses are determined using the effective interest method for financial instruments measured at amortized cost and interest-bearing securities held for sale.

Dividend income is recognized when the group's right to receive the payment is established.

Production-related expenses are recognized upon delivery or utilization of the service, while all other expenses are recognized as an expense as incurred. The same applies for development costs not eligible for recognition as part of the cost of an asset.

Contingent liabilities

A contingent liability is a possible obligation to third parties that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Porsche SE group. A contingent liability may also be a present obligation that arises from past events but is not recognized because an outflow of resources is not probable or the amount of the obligation cannot be measured with sufficient reliability. The amount of contingent liabilities is only stated in cases where the probability of an outflow of resources is not classified as remote by management.

Significant accounting judgments and estimates

The preparation of consolidated financial statements requires certain judgments and estimates that have an effect on recognition, measurement, presentation and disclosure of assets, liabilities, income and expenses as well as contingent assets and contingent liabilities. These judgments and estimates reflect the current information available. Key sources of estimations are the parameters influencing the profit or loss from investments accounted for at equity such as the fair value from purchase price allocations, the useful lives and amortization or depreciation methods as well as the measurement of provisions at the level of the investees, the measurement of impairment losses and reversals of impairment losses recognized on the carrying amounts of associates and joint ventures (see the section "Equity accounting" under "Consolidation principles"), the measurement of derivative financial instruments (see section 4.2.2 in note [21]), the measurement of provisions and contingent liabilities (see note [22] on litigation in particular) and the recoverability of receivables. In individual cases, amounts realized may differ from the estimates. The carrying amounts of the assets and liabilities affected by estimates can be seen in the breakdowns of the individual balance sheet items.

Key sources of judgment are the classification of financial instruments as well as determining the parameters underlying their measurement (see section 4.2.2 in note [21]), deciding which indicators are indicative of an impairment of associates and joint ventures (see the section “Equity accounting” under “Consolidation principles”) as well as the recognition of provisions and contingent liabilities (see note [22] on litigation in particular). At the level of the investees, further key sources of judgment include determining the starting point for the recognition of development costs as an asset, the classification of leases as operating or finance leases and deciding which indicators are indicative of an impairment of items of property, plant and equipment and leased assets.

The judgments and estimates are based on assumptions that are derived from the current information available. In particular, the circumstances given when preparing the consolidated financial statements and assumptions as to the expected future development of the global and industry environment were used to estimate the company’s future business performance.

The estimates on which accounting is based are associated with uncertainties. This applies above all to forecasted cash flows and discount rates. Other factors which may cause variances from expectations are the development of enterprise values, a change in the estimate of likelihood of certain option conditions occurring, and the outcome of litigation. Factors which may cause variances from judgments and estimates at the level of associates and joint ventures include new information about the buying behavior on the sales markets and in response to this changes in planning, dependency on suppliers, in particular exclusive suppliers, developments in exchange rates, interest rates and the price of raw materials as well as environmental and other legal provisions.

In such cases, the assumptions, and if necessary the carrying amounts of the assets and liabilities concerned, are adjusted accordingly. Prior to the date of authorization of the financial statements by the executive board for issue to the supervisory board, there were no indications that the carrying amounts of the assets and liabilities presented in the consolidated balance sheet would require any significant adjustment in the following reporting period other than as described under subsequent events. Judgments and estimates by management included assumptions that are described in the forecast report as part of Porsche SE’s group management report for the 2011 reporting period.

New accounting standards

a) The following new or revised standards and interpretations which were adopted for first time in the fiscal year had no material effect on the consolidated financial statements

IAS 24 “Related Party Disclosures”

The revised IAS 24 contains revised definitions of related parties and eliminates any associated inconsistencies. In addition, it introduces new regulations with regard to disclosure requirements for entities that are controlled or significantly influenced by a government in their relationship to other entities controlled or significantly influenced by the same government.

Annual Improvements Project III

The IASB published the “Improvements to IFRSs 2008-2010” (Annual Improvements) on 6 May 2010. This contains changes to six International Financial Reporting Standards (IFRSs) and one interpretation (IFRIC).

Amendments to IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”

The amendments to IFRIC 14 are relevant in the rare event that an entity is subject to minimum funding requirements and makes prepayments to satisfy these minimum funding requirements. The amendment allows entities to recognize the economic benefit from such prepayment as an asset.

None of the amendments had an effect on the consolidated financial statements.

b) The following standards and interpretations, which have been published but whose adoption is not yet mandatory or which are not yet applicable in the EU, have not yet been applied

New and amended standards with respect to business combinations

On 12 May 2011, the IASB published the following standards with respect to business combinations.

- IFRS 10 “Consolidated Financial Statements” focuses on the introduction of a uniform consolidation model for all companies that is based on the parent company's control over subsidiaries. The control concept is thus applicable to both parent-subsidiary relationships that are based on voting rights as well as parent-subsidiary relationships resulting from contractual arrangements. Consequently, the control concept is in future applicable to special purpose entities that are currently consolidated based on the risks and rewards concept. The control concept pursuant to IFRS 10 comprises three elements: (1) power over the investee, (2) variable returns and

(3) the ability to use power over the investee to affect the amount of the investor's returns. All three elements of the control concept have to be fulfilled. IFRS 10 replaces the requirements from IAS 27 “Consolidated and Separate Financial Statements” in relation to consolidation and SIC 12 “Consolidation – Special Purpose Entities”. The requirements in IAS 27 related to single entity financial statements are not affected and the standard was renamed “Separate Financial Statements”.

- Pursuant to IFRS 11 “Joint Arrangements”, the accounting treatment of joint arrangements is oriented at the rights and duties of the parties concerned rather than the legal form (substance over form). Proportionate consolidation is no longer permitted for joint ventures. The new standard replaces IAS 31 “Interests in Joint Ventures”. As a consequence, IAS 28 “Investments in Associates” was supplemented accordingly and renamed “Investments in Associates and Joint Ventures”.
- IFRS 12 “Disclosure of Interests in Other Entities” is a new and comprehensive standard governing disclosure requirements for all forms of interests in other companies, including joint arrangements, associates, special purpose entities and other off-balance sheet vehicles. Requirements in other standards governing such interests are being removed.

The new and amended standards are applicable for fiscal years beginning on or after 1 January 2013.

IFRS 13 “Fair Value Measurement”

IFRS 13 “Fair Value Measurement” will improve consistency and reduce complexity by providing a precise definition of fair value for the first time, serving as a single source for fair value measurement and prescribing disclosure requirements applicable for all IFRSs.

IFRS 13 is applicable prospectively for reporting periods beginning on or after 1 January 2013.

Amendments to IAS 1 “Financial Instruments: Presentation”

Amendments to IAS 1 “Financial Statement Presentation” require that the items of other comprehensive income are broken down into those that are reclassified through the income statement and those items that are not. A similar treatment is intended for income tax where the pre-tax presentation method is used. These should also be separated into items that can and items that cannot be reclassified. The amendments to IAS 1 are mandatory for fiscal years beginning on or after 1 July 2012.

Amendments to IAS 19 “Employee Benefits”

The amendments concern
- the elimination of the deferred recording of actuarial gains and losses (corridor method); in future actuarial gains and losses must be recognized in other comprehensive income
- the presentation/allocation of changes in the net liabilities/assets from defined benefit plans
- additional disclosures on characteristics of and risks relating to such defined benefit plans

The amended IAS 19 is mandatory for fiscal years beginning on or after 1 January 2013. In connection with the elimination of what is referred to as the corridor method, pension provisions have to be reduced or increased by an amount equivalent to the unrecognized actuarial gains or losses and a corresponding counter-adjustment has to be made in equity. The effects on pension provisions reported in the consolidated financial statements of Porsche SE will be immaterial. In addition, this will give rise to effects on Porsche SE’s accounting for its investments in Volkswagen AG and Porsche Zwischenholding GmbH at equity and on Porsche SE’s group equity. These quantitative effects are still being analyzed.

Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures”

The IASB published an amendment to IFRS 9 “Financial Instruments”. This encompasses additions to IFRS 7 “Financial Instruments”. It prescribes that IFRS 9 is not mandatory until fiscal years beginning on or after 1 January 2015. Earlier adoption is permitted.

Amendments to IAS 32 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures”

The IASB published amendments to IAS 32 and IFRS 7. With these amendments the IASB clarifies some details relating to the netting of financial assets against financial liabilities and requires additional disclosures. The IASB does not intend this to alter the existing netting principle in IAS 32. The clarification of the criteria “simultaneous settlement” and “legally enforceable right to set off the amounts” can only result in a change in the accounting treatment if IAS 32 had been interpreted differently thus far. As a supplementary mandatory disclosure, the gross and net amounts from offsetting as well as amounts related to existing offsetting rights that do not satisfy the criteria for offsetting in the balance sheet will in future have to be presented in a table. These amendments are applicable respectively for fiscal years beginning on and after 1 January 2013 (additional disclosures) or 2014 (clarifications).

In addition, the consolidated financial statements for SFY 2010 already presented amendments that have still not been applied in the fiscal year 2011. Porsche SE will analyze the impact of the new standards and the amendments on the presentation of its net assets, financial position and results of operations as well as the cash flows.

Voluntary early adoption of the changes before they become mandatory under the transitional provisions of IASB is not planned.

Notes to the consolidated income statement and consolidated statement of cash flows

The reporting period presented in these consolidated financial statements is the fiscal year 2011 covering a period of twelve months, while SFY 2010 presented as comparative period comprises a period of five months. As a result, the figures presented for the reporting period and the comparative period are not fully comparable.

[1] Other operating income

Other operating income breaks down as follows:

€ million	**2011**	SFY 2010
Income from reversal of provisions and accruals	11	8
Income from stock price hedging derivatives	0	102
Income from valuation of options on non-stock company shares	0	158
Sundry operating income	1	1
	12	**269**

The income from stock price hedging derivatives in the comparative period resulted from cash-settled stock option transactions relating to Volkswagen AG shares, which in the past served to hedge the increase in the investment in Volkswagen AG.

The income from valuation of options on non-stock company shares reported for the comparative period contains the change in the fair value of the put option of Porsche SE relating to the remaining shares held by Porsche SE in Porsche Zwischenholding GmbH.

[2] Personnel expenses

€ million	**2011**	SFY 2010
Wages and salaries	13	11
Social security contribution, pension and other benefit costs	1	0
	14	**11**
Employees (annual average)		
Salaried staff	32	37
Employees acc. to Sec. 314 (1) No. 4 HGB	**32**	**37**
Other	5	7
Total	**37**	**44**

[3] Other operating expenses

Other operating expenses consist of:

€ million	**2011**	SFY 2010
Expenses from valuation of options on non-stock company shares	4,372	547
Legal and consulting fees	24	17
Other taxes	30	0
Expenses from stock price hedging derivatives	0	10
Sundry operating expenses	19	16
	4,445	**590**

Expenses from valuation of options on non-stock company shares contain the change in the fair value of the call option of Volkswagen AG relating to the remaining shares held by Porsche SE in Porsche Zwischenholding GmbH. On the one hand, the increase in fiscal year 2011 in the expense from valuation is attributable to the adjustment of the theoretical probability that the options will be exercised from 50% as of 31 December 2010 to 100% as of 31 December 2011 after the merger of Porsche SE into Volkswagen AG was not performed within the framework and timeframe defined by the basic agreement. On the other hand, the increase in the expense is due to an update of the corporate planning of Porsche Zwischenholding GmbH and the additional model series planned in the sporty offroader segment (Macan), which resulted in an increase in the enterprise value. An opposite effect arose from the increase in the market risk premium, which however only partially compensated for these developments. In addition, in fiscal year 2011, this item also comprises the expenses from reducing the fair value of Porsche SE's put option to the remaining shares held by Porsche SE in Porsche Zwischenholding GmbH.

Other taxes relate to additions to the tax provisions.

The expenses from stock price hedging derivatives in the comparative period resulted from cash-settled stock option transactions relating to Volkswagen AG shares, which in the past served to hedge the increase in the investment in Volkswagen AG.

Sundry other operating expenses contain expenses of €1 million (prior year: €0 million) for other fees which were not considered in the calculation made according to the effective interest method.

[4] Profit/loss from investments accounted for at equity

The profit or loss from investments accounted for at equity breaks down as follows:

€ million	2011	SFY 2010
Profit/loss from ongoing equity accounting (before purchase price allocation)	4,827	1,281
Effects from purchase price allocation	– 165	– 206
Profit/loss from ongoing equity accounting	4,662	1,075
Effects from dilution of share in capital	– 2	0
	4,660	**1,075**

The profit or loss from investments accounted for at equity consists of the profit or loss contribution from the investments in Porsche Zwischenholding GmbH of €395 million (prior year: €106 million) and Volkswagen AG of €4,265 million (prior year: €969 million).

[5] Finance costs

€ million	2011	SFY 2010
Interest expenses from loans issued by joint ventures	175	73
Loan interest from banks	135	111
Interest from using the effective interest method	36	22
Interest on deferred payments	6	– 30
Other interest and similar expenses	22	9
	374	**185**

The interest from using the effective interest method relates to the total interest expenses from financing activities determined using the effective interest method. In the comparative period, the interest on deferred payments included the effect from the reversal of provisions that had been recognized in connection with the disputed tax treatment of stock option transactions in the past. The finance costs contain interest expenses of €367 million (prior year: €215 million) from financial instruments that are not measured at fair value through profit or loss.

[6] Finance revenue

€ million	2011	SFY 2010
Interest income on loans issued by joint ventures	181	75
Other interest and similar income	8	6
	189	**81**

Finance revenue contains interest income of €189 million (prior year: €80 million) from financial instruments that are not measured at fair value through profit or loss.

[7] Income tax

The income tax expense (+) and income (–) disclosed breaks down into:

€ million	2011	SFY 2010
Current tax income/expense, Germany	– 42	– 648
Current tax income/expense, other countries	3	1
Current tax income/expense	– 39	– 647
thereof income/expenses relating to other periods	– 42	– 648
Deferred tax income/expense, Germany	8	0
Deferred tax income/expense, other countries	0	0
Deferred taxes	8	0
Income tax	**– 31**	**– 647**

The overall income tax rate for the German entities is 30% (prior year: 30%). The tax rate applied for the foreign subsidiary is 12.5% (prior year: 12.5%). There were no changes to the tax rates in either reporting period.

Previously unused tax losses on which no deferred tax assets were recognized amount to €2,293 million (prior year: €2,110 million) and are unforfeitable.

Deductible temporary differences on which no deferred taxes were recognized amount to €1 million in the reporting period (prior year: €30 million).

The following reconciliation shows the differences between the expected income tax expense calculated at the theoretical group tax rate of 30% (prior year: 30%) and the actual reported income tax expense:

€ million	**2011**	SFY 2010
Profit before tax	28	639
Group tax rate	30 %	30 %
Expected income tax expense	**8**	**192**
Tax rate related differences	– 4	– 2
Difference in tax base	– 12	– 206
Recognition and measurement of deferred taxes	19	28
Taxes relating to other periods	– 42	– 659
Reported income tax expense	**– 31**	**– 647**

The reconciliation item “Recognition and measurement of deferred taxes” mainly contains deferred taxes not recognized on unused tax losses and deductible temporary differences. In the reporting period the item “Difference in tax base” mainly pertains to the tax exemption of profit/loss from investments accounted for at equity. The taxes relating to other periods are essentially due to the reversal of tax provisions.

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

	Deferred tax assets		Deferred tax liabilities	
€ million	**31/12/2011**	31/12/2010	**31/12/2011**	31/12/2010
Investments accounted for at equity	0	0	54	0
Other receivables and assets	0	0	0	0
Unused tax losses	46	0	0	0
Provisions for pensions and similar obligations	1	0	0	0
Other provisions	3	0	0	0
Other liabilities	0	0	4	0
Valuation allowances on deferred tax assets	0	0	0	0
Reversal of valuation allowances on deferred tax assets	0	0	0	0
Gross value	50	0	58	0
Offsetting	– 50	0	– 50	0
Balance according to consolidated balance sheet	0	0	8	0

[8] Profit/loss attributable to non-controlling interests

The profit/loss attributable to non-controlling interests, which is allocable to the investors in hybrid capital, amounts to €22 million (prior year: €11 million).

[9] Earnings per share

		2011	SFY 2010
Profit/loss for the year	€ million	59	1,286
Profit/loss attributable to non-controlling interests – hybrid capital investors	€ million	22	11
Profit/loss attributable to shareholders of Porsche SE	€ million	37	1,275
Profit/loss attributable to ordinary shares (basic)	€ million	17.7	636.9
Profit/loss attributable to preference shares (basic)	€ million	19.3	638.1
Profit/loss attributable to ordinary shares (diluted)	€ million	17.7	636.9
Profit/loss attributable to preference shares (diluted)	€ million	19.3	638.1
Average number of ordinary shares outstanding	Number	137,524,543	96,901,572
Average number of preference shares outstanding	Number	137,524,543	96,901,572
Earnings per ordinary share (basic)	€	0.13	6.57
Earnings per preference share (basic)	€	0.14	6.58
Earnings per ordinary share (diluted)	€	0.13	6.57
Earnings per preference share (diluted)	€	0.14	6.58

Earnings per share are calculated by dividing the profit or loss attributable to the shareholders of Porsche SE by the total number of shares outstanding in the fiscal year. The additional dividend of 0.6 cents per share to which the preference shares are entitled was deducted when calculating earnings per share for ordinary shares. This gave rise to the difference in earnings per share between ordinary and preference shares.

The new ordinary and preference shares with retroactive profit participation as of 1 August 2010 that were issued within the scope of the capital increase performed in April 2011 were included pro rata in the calculation of the earnings per share. As the subscription price of these new ordinary and preference shares was below their fair value on the date of issue of the subscription rights, it was necessary to adjust the average number of shares for the reporting period and the comparative period.

There were no dilutive effects.

[10] Notes to the consolidated statement of cash flows

The statement of cash flows shows how the cash funds of Porsche SE group have changed during the reporting year as a result of cash inflows and outflows. For this purpose the cash flows in the statement of cash flows are categorized into operating activities, investing activities (including investments in time deposits), and financing activities.

Cash inflows and outflows from investing and financing activities are presented using the direct method. The cash flows from investing activities comprise changes in investments in time deposits and, in the comparative period, cash received from the disposal of cash-settled stock options.

The cash flows from financing activities contain cash paid for dividends, for the settlement of loans and for distributions to hybrid capital investors as well as cash received from loans borrowed and the capital increase performed in April 2011. The cash received from the capital increase contains the gross cash inflow of €4,988 million less the entire associated transaction costs totaling €95 million, of which €10 million was already paid in SFY 2010.

The cash flow from operating activities, on the other hand, is derived indirectly from profit/loss after tax. This involves eliminating all non-cash expenses – mainly changes in provisions as well as other non-cash income and expenses – and adjusting them for changes in operating assets and liabilities. Non-cash expenses and income mainly relate to expenses and income from rolling forward the investments accounted for at equity as well as from the valuation of the put and call options for the remaining shares in Porsche Zwischenholding GmbH held by Porsche SE.

In addition, to improve transparency, gains and losses on the disposal of stock options as well as non-cash expenses and income from marking stock options to market were presented in separate line items in the cash flow from operating activities in the comparative period.

The cash flow from operating activities includes:

€ million	2011	SFY 2010
Interest paid	– 366	– 205
Interest received	191	77

The table below reconciles the cash, cash equivalents and time deposits as reported in the balance sheet to cash funds reported in the statement of cash flows:

€ million	31/12/2011	31/12/2010
Cash, cash equivalents and time deposits	469	622
– time deposits	– 101	– 216
Cash funds according to statement of cash flows	**368**	**406**

Cash funds according to the statement of cash flows basically comprise cash and cash equivalents with a remaining term to maturity of up to three months. In the comparative period there was also restricted cash. It had been deposited as collateral in connection with the cash-settled stock option transactions used to secure stock prices in the comparative period and for other purposes and was therefore not included in cash funds reported in the statement of cash flows. As a result of the disposal of all of these stock options in SFY 2010, the remaining amount of restricted cash was reversed in full in the comparative period. This change in restricted cash and cash equivalents was presented in the statement of cash flows in the cash flow from investing activities, as were the cash flows from these stock options.

The time deposits represent current investments with an original term of more than three months.

Notes to the consolidated balance sheet

[11] Development of investments accounted for at equity

The investments accounted for at equity comprise a carrying amount of the investment in Volkswagen AG of €24,272 million (prior year: €20,709 million) and a carrying amount for the investment in Porsche Zwischenholding GmbH of €3,736 million (prior year: €3,549 million).

Upon conclusion of a new syndicated loan agreement on 26 October 2011, the collateral provided for the investment in Volkswagen AG and Porsche Zwischenholding GmbH was restructured. 70 million of the ordinary shares held by Porsche SE in Volkswagen AG have been pledged as collateral for liabilities and other obligations until they are settled or canceled in some other way. However, Porsche SE can still exercise its voting rights and is also entitled to dividends from the ordinary shares subject to the creditors' right to issue instructions otherwise in restrictively defined, exceptional cases. Prior to the conclusion of the new syndicated loan agreement, all of the ordinary and preference shares in Volkswagen AG held by Porsche SE had been pledged as collateral on liabilities and other obligations of Porsche SE until settled or canceled in some other way. All of the pledged ordinary and - with respect to the syndicated loan - preference shares could not and cannot be sold without the prior written approval of a trustee of the collateral before the liabilities with first-rank security had been partly repaid. However, Porsche SE even at that time was able to exercise its voting rights and was also entitled to dividends from the ordinary and preference shares subject to the creditors' right to issue instructions otherwise in restrictively defined, exceptional cases. In addition, Porsche SE was entitled to sell subscription rights associated with the shares.

The investment in Porsche Zwischenholding GmbH was assigned as collateral to a trustee. The trustee held the investment in trust for Porsche SE and as collateral for the financing banks of Porsche SE. Porsche SE remained the economic owner, exercised voting rights and received the profit distributions. In addition the investment in Porsche Zwischenholding GmbH was pledged as collateral for financial liabilities. The right of lien could not be exercised before Volkswagen AG had the opportunity to acquire the investment for €3.9 billion arranged as consideration in connection with the put option. Upon conclusion of the new syndicated loan agreement, the pledge of the investment in Porsche Zwischenholding GmbH was reversed and the trustee structure was terminated effective as of 31 December 2011 and the investment was transferred back to Porsche SE.

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

€ million	**31/12/2011**	31/12/2010
Derivative financial instruments	232	459
Other receivables and assets		
from joint ventures	4,030	4,027
Sundry receivables and assets	12	14
	4,274	**4,500**
thereof non-current	4,253	4,475
thereof current	21	25

Receivables from joint ventures are due from companies in the Porsche Zwischenholding GmbH group. These receivables are counterbalanced by financial liabilities to these companies of €3,880 million (prior year: €3,880 million).

Porsche Zwischenholding GmbH has a lien on a loan due from itself amounting to €2,703 million (prior year: €2,703 million). This lien serves as collateral on a liability of the same amount due from Porsche SE to Porsche Zwischenholding GmbH and is presented within financial liabilities to joint ventures. Porsche Zwischenholding GmbH may exercise its right of lien if Porsche SE is in arrears with payments as they fall due for the secured liability due to Porsche Zwischenholding GmbH.

Offsetting is not permitted during the term of the loan unless any mandatory or optional grounds for insolvency have arisen at Porsche SE. Permission to offset the loan can be given when it falls due for repayment. Volkswagen AG will assume the loan obligations of this company due to Porsche SE in the event of insolvency of Porsche Zwischenholding GmbH provided it would have been possible to offset the obligations against claims against Porsche SE had the company not become insolvent.

Volkswagen AG has a corresponding obligation to settle a loan receivable due from Porsche AG of €1,313 million (prior year: €1,313 million) in the case of insolvency of Porsche AG. The loan agreement contains a premature repayment clause in the event of Porsche AG's insolvency. Offsetting with the liability to Porsche AG amounting to €1,177 million (prior year: €1,177 million) is not permitted unless any mandatory or optional grounds for insolvency have arisen at Porsche AG.

The loan receivables from the Porsche Zwischenholding GmbH group thus exceed the corresponding financial liabilities by a total of €136 million (prior year: €136 million). There is neither a guarantee by Volkswagen AG for the partial amount nor can it be offset.

Compensation of €1 million (prior year: €2 million) for the assumption of liability from financial guarantees has been recognized under other receivables and assets.

Collateral is generally accounted for when the contract is concluded and derecognized when the contract expires.

Valuation allowances are recognized to take account of default risks. The maximum default risk corresponds to the carrying amounts of the other receivables and assets. The current other receivables and assets are non-interest-bearing. The non-current other receivables and assets contain derivative financial instruments totaling €232 million (prior year: €459 million).

Other receivables and assets excluding derivative financial instruments have a carrying amount of €4,042 million (prior year: €4,041 million). This value comprises other financial receivables with a carrying amount of €4,029 million (prior year: €4,027 million), financial guarantees with a carrying amount of €1 million (prior year: €2 million) and non-financial other receivables and assets with a carrying amount of €12 million (prior year: €12 million). The non-financial other receivables and assets mainly contain prepaid expenses.

The positive fair values of derivative financial instruments relate to the following items:

€ million	**31/12/2011**	31/12/2010
Fair values of:		
Options on non-stock company shares	232	459
Assets from derivatives without hedging relationship	232	459

The options on non-stock company shares contain the positive fair value of the put option relating to the remaining shares held by Porsche SE in Porsche Zwischenholding GmbH. Prior to conclusion of the new syndicated loan agreement, the right to exercise the put option had been assigned as collateral for financial liabilities to banks. The claims from Volkswagen AG arising if the put option is exercised were pledged as collateral for financial liabilities to banks. Upon conclusion of a new syndicated loan agreement on 26 October 2011, the provision of collateral was renegotiated. The assignment of the exercise right and the pledging of claims from the put option were canceled.

Further details on derivative financial instruments are given in note [21].

[13] Income tax assets and liabilities

The income tax assets are mainly reimbursement claims for tax on investment income (including solidarity surcharge) which relate to profit distributions or dividends received.

In the comparative period, the income tax liabilities mainly comprised amounts reclassified from provisions for upcoming trade tax payments.

[14] Cash, cash equivalents and time deposits

Bank balances are held at various banks in different currencies. The maximum default risk is equivalent to the carrying amount of cash, cash equivalents and time deposits.

[15] Equity

The development of equity is presented in the Porsche SE group's consolidated statement of changes in equity.

Subscribed capital

Porsche SE's subscribed capital totals €306.25 million (prior year: €175 million) and has been fully paid in. It is divided into 153,125,000 ordinary shares and 153,125,000 non-voting preference shares (prior year: 87,500,000 ordinary shares and 87,500,000 non-voting preference shares), which each represent a notional share of the share capital of €1. The preference shares carry an additional dividend of 0.6 cents per share in the event of there being net profit available for distribution and a corresponding resolution on a distribution.

On 30 November 2010, the annual general meeting of Porsche SE adopted resolutions on a capital increase in return for cash contributions, on the authorization to issue convertible bonds, participation rights, participating bonds or a combination of these instruments, and on the creation of contingent capital and new authorized capital. The resolutions were to prepare for a capital increase which was part of the concept agreed in the basic agreement for the creation of an integrated automotive group of Porsche and Volkswagen.

The capital increase in return for cash contributions was performed in the period between 27 March and 13 April 2011. With the entry of the implementation of the capital increase in the commercial register of the Stuttgart district court on 13 April 2011, the company's share capital was increased by €131,250,000.00 from €175,000,000.00 to €306,250,000.00 through the issuance of 65,625,000 new ordinary shares (no-par-value shares) and 65,625,000 new preference shares (no-par-value shares), with each no-par-value share representing a notional share of €1.00 in the share capital. Since then, Porsche SE's subscribed capital has comprised 153,125,000 ordinary shares and 153,125,000 preference shares.

A subscription price of €38.00 was set for each new ordinary or preference share. The new ordinary shares and the new preference shares are each entitled to dividends as of 1 August 2010. The new preference shares were admitted to stock exchange trading on 13 April 2011. Taking into account transaction costs of €95 million, the net issue proceeds came to €4,893 million.

The annual general meeting on 17 June 2011 passed a resolution to cancel the authorization for the issue of convertible bonds, participation rights, participating bonds or a combination of these instruments which had been resolved at the annual general meeting on 30 November 2010, as well as the existing contingent capital and the existing authorized capital. The cancellation of the contingent capital and authorized capital became effective with the corresponding amendment of the articles of association on 20 July 2011.

Capital reserves

The capital reserves increased by €4,762 million from €122 million to €4,884 million in fiscal year 2011 following the capital increase performed in return for cash contributions. The increase arose from the share premiums of €4,857 million paid by the shareholders. It was reduced by transaction costs of €95 million for costs directly associated with the capital increase, e.g., for banks, lawyers and auditors.

Retained earnings

The retained earnings include the reserve for accumulated profits and reserves for investments accounted for at equity.

The reserve for accumulated profits includes the profits of Porsche SE and its consolidated subsidiaries earned in prior years and the reporting year and not yet distributed. These also include the reclassified revaluation reserves from deconsolidated subsidiaries. This item also recognizes tax effects from accounting for hybrid capital that is presented within non-controlling interests.

The changes in non-controlling interests at the level of investments accounted for at equity presented under equity include the proportionate changes in the non-controlling interests within the VW group attributable to Porsche SE which do not lead to a change in control and are therefore recognized directly in equity with no effect on the consolidated income statement in the VW group's consolidated financial statements.

The statutory financial statements of Porsche SE as of 31 December 2011 report a net retained profit available for distribution of €232 million (prior year: €440 million). The executive board will propose the distribution of a dividend of €0.754 per ordinary share and €0.760 per preference share, i.e., a total distribution of €231,831,250.00. The dividend approved for SFY 2010 was €0.500 per preference share. The ordinary shareholders of Porsche SE had stated that they would not participate in the dividend distribution for SFY 2010 and that the dividend should be distributed exclusively to the holders of preference shares.

The clauses of the syndicated loan agreement concluded in October 2011 provide for restrictions of the distributable dividends per fiscal year to the total of distributions received from Volkswagen AG and Porsche Zwischenholding GmbH in the fiscal year.

Expenses and income from investments accounted for at equity recognized directly in equity are presented in the separate reserve for investments accounted for at equity. The Porsche SE group does not have any other income and expenses recognized directly in equity. The changes in income and expenses recognized directly in equity are therefore presented in the statement of changes in equity as changes in the reserve for investments accounted for at equity.

The income and expenses recognized directly in equity from investments accounted for at equity include the following amounts: income before tax from currency translation of €1,360 million (prior year: €1,176 million), income before tax from marking securities to market of €98 million (prior year: €35 million), expenses before tax from cash flow hedges of €1,088 million (prior year: €455 million), income after tax recognized directly in equity arising from investments accounted for at equity of €14 million (prior year: income of €133 million) and tax income of €348 million (prior year: €170 million).

Non-controlling interests

The hybrid capital disclosed as of the reporting date has a nominal volume of €360 million (prior year: €360 million). It has an indefinite term to maturity. According to IAS 32, it represents equity of the group.

Capital management

The target of capital management at Porsche SE is the continuous increase in the enterprise value, securing its liquidity and a return on investment that is commensurate with the risk involved. These goals aim to protect the interests of the shareholders and employees and other stakeholders in the long term. By means of a systematic investment and financial management system, Porsche SE ensures that cost of capital as well as capital structure are optimized.

The Porsche SE group's total capital, defined for capital management purposes as the sum of equity and financial liabilities, is as follows as of the reporting date:

€ million	**31/12/2011**	31/12/2010
Equity	21,645	17,214
Share of total capital	79%	61%
Non-current financial liabilities	5,871	3,880
Current financial liabilities	0	6,964
Total financial liabilities	5,871	10,844
Share of total capital	21%	39%
Total capital	**27,516**	**28,058**

[16] Provisions for pensions and similar obligations

The Porsche SE group provides both defined contribution and defined benefit plans.

In the case of defined contribution plans, the company makes contributions to state or private pension schemes based on legal or contractual requirements, or on a voluntary basis. Once the contributions have been paid, there are no further obligations for the company. Contributions are recognized as expenses of the period concerned and were immaterial.

The Porsche SE group's pension plans are unfunded defined benefit plans. The obligations for defined benefit plans are measured using the projected unit credit method in accordance with IAS 19. The defined benefit obligations are recognized at the present value of vested benefits as of the measurement date taking probable future increases in pensions and salaries into account. The defined benefit obligation for active employees increases annually by the interest cost plus the present value of the new benefit entitlements earned in the current period. Actuarial gains or losses result from changes in the composition of the plan and deviations of actual parameters (for example, increases in income and pensions or changes in interest rates) compared to the assumptions made in the valuation.

Provisions for pensions and similar obligations are recognized for benefits in the form of retirement, invalidity and dependents' benefits payable under pension plans. The benefits generally depend on the length of service, remuneration and working hours arrangements of the employees. The direct and indirect obligations include both current pension obligations and future pension and retirement benefit obligations. In addition, personal retirement capital is accumulated in Germany by way of employee contributions to Porsche VarioRente.

Actuarial assumptions

The defined benefit obligations are calculated using actuarial methods. These include assumptions concerning future wage and salary developments and pension increases. The measurement is based on the following assumptions:

	Germany	
%	**2011**	SFY 2010
Discount rate	5.00	4.80
Increase in wages and salaries	3.00	3.00
Career progress	0.50	0.50
Increase in pensions	1.50	1.50

Changes in the present value of pension obligations:

€ million	**2011**	SFY 2010
As of 1 January and 1 August	8	8
Current service cost	1	0
Interest expenses	0	0
Actuarial gains (–) and losses (+)	0	– 1
Benefits paid	0	0
Past service cost	0	0
Other changes	– 1	1
As of 31 December	**8**	**8**

The amounts recognized through profit or loss relate to current service cost of €1 million (prior year: €0 million).

The following amounts were recognized in the balance sheet for defined benefit obligations:

€ million	**2011**	SFY 2010
Present value of unfunded benefit obligations	8	8
Net obligations	8	8
Unrecognized net actuarial gains (+) and losses (–)	– 1	– 1
Carrying amount on 31 December	7	7
thereof pension provisions	7	7
thereof other asset	0	0

The table below presents experience adjustments, meaning differences between changes in assets and obligations expected on the basis of actuarial assumptions and actual changes in those assets and obligations.

€ million	**2011**	SFY 2010	2009/10	2008/09	2007/08
Defined benefit obligation	8	8	8	17,222	760
Plan assets	0	0	0	– 3,510	– 41
Deficit (+)/Surplus (–)	8	8	8	13,712	719
Experience adjustments on pension obligation	2.7%	– 8.8%	1.7%	– 0.7%	13.1%
Experience adjustments on plan assets	-	-	-	– 0.5%	– 1.7%

[17] Non-current and current income tax provisions and other provisions

€ million	**31/12/2011**	thereof due within one year	31/12/2010	thereof due within one year
Income tax provisions	79	79	148	148
Other provisions	109	92	92	75
Provisions for employee expenses	7	7	10	10
Sundry other provisions	102	85	82	65

Provisions for employee expenses are recognized for bonuses, long-service awards, time credits, the phased retirement scheme, severance payments and similar obligations, among other things.

Sundry other provisions mainly comprise provisions for other taxes, interest on suspended tax payments and litigation costs from pending legal disputes.

84% of the other provisions are expected to result in cash outflows in the following year and 16% in between one and five years.

Other provisions developed as follows:

€ million	As of 1/1/2011	Additions	Utilization	Reversal	**As of 31/12/2011**
Provisions for employee expenses	10	7	6	4	7
Sundry other provisions	82	53	30	3	102
	92	**60**	**36**	**7**	**109**

The effects of unwinding the discount on provisions were immaterial in the fiscal year 2011 and in SFY 2010.

[18] Trade payables

The trade payables disclosed, amounting to €9 million (prior year: €33 million), were mainly liabilities for legal and consulting services.

[19] Non-current and current financial liabilities

Financial liabilities break down as follows:

€ million	Total	Current	Non-current
31/12/2011			
Liabilities to banks	1,991	0	1,991
Financial liabilities to joint ventures	3,880	0	3,880
	5,871	**0**	**5,871**
31/12/2010			
Liabilities to banks	6,964	6,964	0
Financial liabilities to joint ventures	3,880	0	3,880
	10,844	**6,964**	**3,880**

Liabilities to banks are recognized at amortized cost. The cash inflow from the capital increase performed in spring 2011 in return for cash contributions and additional available cash were used to repay liabilities to banks in a nominal amount of €5,000 million.

In October 2011, Porsche SE concluded a new syndicated loan agreement that replaces the previous syndicated loan. The refinancing was executed on 31 October 2011. The new syndicated loan has a volume of up to €3.5 billion and comprises a loan tranche of €2.0 billion as well as a revolving credit line of up to €1.5 billion that was unutilized as of the reporting date. The loan matures on 30 November 2013, however, the company has two options to extend it such that under certain circumstances the maturity date may be prolonged until 30 June 2015 in two steps. In connection with the refinancing of the syndicated loan, the collateral provided by Porsche SE was also restructured. In particular, the number of pledged shares in Volkswagen AG held by Porsche SE was reduced to 70 million VW ordinary shares. For further changes in collateral, please refer to notes [11] and [12].

Financial liabilities to joint ventures are due to companies in the Porsche Zwischenholding GmbH group. These are counterbalanced by other loan receivables of €4,016 million (prior year: €4,016 million) and other receivables of €14 million (prior year: €11 million) disclosed under other receivables and assets. Please refer to note [12] for details of offsetting permitted.

[20] Non-current and current other liabilities

As of the reporting date, other liabilities break down as follows:

€ million	**31/12/2011**	31/12/2010
Derivative financial instruments	5,087	942
Sundry liabilities	150	151
	5,237	**1,093**
thereof non-current	5,087	1,088
thereof current	150	5

The item derivative financial instruments includes Volkswagen AG's call option for the remaining shares in Porsche Zwischenholding GmbH held by Porsche SE. In the comparative period, this item also contained interest hedges.

The non-current other liabilities contain derivative financial instruments totaling €5,087 million (prior year: €942 million). On the one hand, the increase is attributable to the adjustment of the theoretical probability that the options will be exercised from 50% as of 31 December 2010 to 100% as of 31 December 2011 after the merger of Porsche SE into Volkswagen AG was not performed within the framework and timeframe defined by the basic agreement. On the other hand, the increase in the carrying amount is due to an update of the corporate planning of Porsche Zwischenholding GmbH and the additional model series planned in the sporty offroader segment (Macan), which resulted in an increase in the enterprise value. An opposite effect arose from the increase in the market risk premium, which however only partially compensated for these developments.

Other liabilities excluding derivative financial instruments have a carrying amount of €150 million (prior year: €151 million). This total breaks down into other financial liabilities with a carrying amount of €149 million (prior year: €149 million) and other non-financial liabilities with a carrying amount of €1 million (prior year: €2 million). Non-financial other liabilities relate to other tax liabilities.

The negative fair values of derivative financial instruments relate to the following items:

€ million	**31/12/2011**	31/12/2010
Options on non-stock company shares	5,087	942
Liabilities from derivatives without hedging relationship	5,087	942

The options on non-stock company shares contain the fair value of Volkswagen AG's call option relating to the remaining shares held by Porsche SE in Porsche Zwischenholding GmbH. Prior to conclusion of the new syndicated loan agreement, the claims arising at the level of Porsche SE if the call option is exercised were pledged as collateral for financial liabilities to banks. Upon conclusion of the new syndicated loan agreement on 26 October 2011, the provision of collateral was renegotiated. The assignment of the claims from the call option was canceled.

Further details on derivative financial instruments are given in note [21].

Other notes

[21] Financial risk management and financial instruments

1 Hedging guidelines and financial risk management principles

The principles and responsibilities for managing and controlling the risks that could arise from financial instruments are defined by the executive board and monitored by the supervisory board. The risk management processes are clearly defined in the Porsche SE group. The processes govern in particular the ongoing monitoring of the liquidity situation in the Porsche SE group, the monitoring of the enterprise value of Porsche Zwischenholding GmbH and Volkswagen AG, the development of interest levels on the capital markets and monitoring of the financial ratios. Any concentrations of risk within the Porsche SE group are also analyzed using these processes. The processes are based on statutory requirements. The risks are identified, analyzed and monitored using suitable information systems.

The guidelines and the supporting systems are checked regularly and brought into line with current market development. The Porsche SE group manages and monitors these risks primarily via its business operations and financing activities and, where necessary, by using derivative financial instruments. The derivative financial instruments used were mainly entered into to manage interest rate risks. Without using such instruments, the group would have been exposed to higher financial risks. In addition, the group entered into derivative financial instruments for the sale of the remaining shares in Porsche Zwischenholding GmbH held by Porsche SE.

For further details on risks relating to financial instruments, reference is made to the “Opportunities and risks of future development” section in Porsche SE’s group management report.

2 Credit and default risk

The credit and default risk arising from financial assets involves the risk of default by counterparties, and therefore comprises at a maximum the amount of the positive fair values of claims against them. In addition, there is a credit and default risk at the amount of financial guarantees issued. The default risk of financial assets is generally taken into account through adequate valuation allowances considering collateral that has already been provided. Various measures are taken into account to reduce the default risk for non-derivative financial instruments, such as requesting hold harmless agreements or remuneration for the assumption of liability. The contracting partners for monetary investments, capital investments and derivative financial instruments are German and, to a lesser extent, international counterparties. Derivative financial instruments are entered into in accordance with standardized guidelines, and are continuously monitored.

There are no significant concentrations of risk that are not evident from the notes to the financial statements and management report.

The table below shows the credit and default risk of financial assets by gross carrying amount:

€ million	Neither past due nor impaired
31/12/2011	
Other financial receivables	4,029
Financial guarantees	1
Derivative financial instruments	232
Cash, cash equivalents and time deposits	469
	4,731
31/12/2010	
Other financial receivables	4,027
Financial guarantees	2
Derivative financial instruments	459
Cash, cash equivalents and time deposits	622
	5,110

There are no past due or impaired financial assets in the Porsche SE group.

The credit ratings of the gross carrying amounts of financial assets that are neither past due nor impaired were as follows:

€ million	Risk class 1	Risk class 2	Total
31/12/2011			
Other financial receivables	4,029	0	4,029
Financial guarantees	1	0	1
Derivative financial instruments	232	0	232
Cash, cash equivalents and time deposits	469	0	469
	4,731	**0**	**4,731**
31/12/2010			
Other financial receivables	4,027	0	4,027
Financial guarantees	2	0	2
Derivative financial instruments	459	0	459
Cash, cash equivalents and time deposits	622	0	622
	5,110	**0**	**5,110**

The receivables rated as good are allocated to risk class 1. Receivables from customers whose credit rating is not good, but have not yet defaulted, are allocated to risk class 2. Allocation to the risk classes is based on the borrower's external rating or liquidity planning, which documents their solvency. In the latter case, compliance with any existing covenants from other loan agreements is checked as of the reporting date.

3 Liquidity risk

The solvency and liquidity of the Porsche SE group is continuously monitored by means of liquidity planning. Solvency and liquidity are additionally secured by a cash liquidity reserve and guaranteed credit lines. The total credit line available to Porsche SE amounts to €3,500 million as of the reporting date (prior year: €8,500 million), of which €2,000 million (prior year: €7,000 million) had been drawn as of the reporting date, which means that Porsche SE still has an unused line of €1,500 million (prior year: €1,500 million). Reference is made to explanations on the management of liquidity risks in the Porsche SE group and risks originating from financial covenants presented in the risk report as part of the group management report. Liquid funds comprise the cash, cash equivalents and time deposits reported in the balance sheet.

The following overview shows the contractual undiscounted cash outflows from financial liabilities and financial guarantees:

	Remaining contractual maturities			
€ million	within one year	in 1 to 5 years	in more than five years	Total
31/12/2011				
Financial liabilities	382	6,247	0	6,629
Trade payables	9	0	0	9
Other financial liabilities	150	0	0	150
Financial guarantees	2,152	0	0	2,152
	2,693	**6,247**	**0**	**8,940**
31/12/2010				
Financial liabilities	7,351	4,331	0	11,682
Trade payables	33	0	0	33
Other financial liabilities	2	149	0	151
Financial guarantees	3,298	0	0	3,298
	10,684	**4,480**	**0**	**15,164**

The financial guarantees mostly relate to financial liabilities of the Porsche Zwischenholding GmbH group. Volkswagen AG has issued a hold harmless agreement for 49.9% of these financial guarantees; this is equivalent to a hold harmless agreement of €1,074 million (prior year: €1,646 million).

There are no significant concentrations of risk that are not evident from the notes to the financial statements and management report.

4 Market risk

4.1 Hedging policy and financial derivatives

In the reporting period, the Porsche SE group was exposed to interest rate risks as well as risks from put and call options for the remaining shares held by Porsche SE in Porsche Zwischenholding GmbH. The risks arise from fluctuations in the general interest rate risks, from fluctuation in the enterprise value of Porsche Zwischenholding GmbH and to a small extent from cash investments. It is company policy to exclude or limit some of these risks by entering into hedge transactions. All necessary hedging activities are coordinated by Porsche SE's finance department.

The nature and volume of hedging transactions is generally chosen with regard to the hedged item. Hedging transactions may only be concluded to hedge existing underlyings or forecast transactions. Only financial instruments approved by type and volume may be entered into.

There are no significant concentrations of risk that are not evident from the notes to the financial statements and management report.

The market price risk from the general interest rate risk and from the put and call option relating to the shares in Porsche Zwischenholding GmbH remaining with Porsche SE is calculated using a sensitivity analysis. The sensitivity analysis calculates the effect on equity and profit or loss by modifying risk variables within the respective market risk.

4.2 Market price risks

4.2.1 Interest rate risk

The interest rate risk results from changes in market interest rates. This affects the current interest result for short-term deposits and medium- and long-term variable-rate liabilities, but can equally impact on the market value recognized for fixed-interest receivables and liabilities. Interest contracts were entered into until the end of the fiscal year 2011 to hedge the floating-rate liabilities. Porsche SE will continue to permanently monitor the development of interest rates and enter into economically feasible hedges of exposure to changes in interest rates on a case-by-case basis.

Interest rate risks within the meaning of IFRS 7 are determined using sensitivity analyses. These analyses illustrate the effects on the financial result and on equity arising from market interest rates as risk variables. An increase in the market interest rates by 50 base points as of 31 December 2011 would not have affected equity, in the same way as in the comparative period an increase of 100 base points would not have affected equity. Likewise, a decrease in the market interest rates by 100 base points as of 31 December 2011 would not have affected equity, as in the prior year. If market interest rates had been 100 base points higher as of 31 December 2011, profit would have been €35 million lower (prior year: €33 million lower). If market interest rates had been 100 base points lower as of 31 December 2011, profit would have been €35 million higher (prior year: €30 million higher).

4.2.2 Risk from put and call options relating to the shares in Porsche Zwischenholding GmbH remaining at Porsche SE

The market price risk is due in particular to changes in the enterprise value of Porsche Zwischenholding GmbH. It affects the measurement of the put and call option and consequently their measurement in the balance sheet as well as the profit or loss reported in the income statement. The enterprise value is determined on the basis of the key measurement parameters used in impairment testing of the investments accounted for at equity (for the description of these parameters, please refer to the section "Consolidated group"). The risk due to changes in the enterprise value is determined by means of a sensitivity analysis.

If the enterprise value of Porsche Zwischenholding GmbH as of 31 December 2011 had been 10% higher, the group's profit would have been €931 million (prior year: €264 million) lower. If the enterprise value as of 31 December 2011 had been 10% lower, the group's profit would have been €932 million (prior year: €265 million) higher.

Since the options are subject to the condition that the merger fails in terms of the framework and timeframe defined by the basic agreement, their valuation was based on the theoretical probability to exercise the options. All other measurement parameters remaining equal, a change in the assessment of probability of exercise would have increased/reduced the carrying amount on a straight-line basis; any resulting change in the balance sheet items was recognized in profit or loss and impacted the Porsche SE group's results of operations accordingly. Since the merger was not performed by the reporting date within the framework and the timeframe defined by the basic agreement, the theoretical probability of exercise of the options as of 31 December 2011 was 100% (assessment as of 31 December 2010: 50%). The merger is deemed to have failed within the framework and the timeframe defined by the basic agreement if, among other things, the merger resolutions of annual general meetings of Porsche SE and of Volkswagen AG were not adopted by 31 December 2011. It is no longer necessary to take the theoretical probability of exercise of the options into account in the valuation. The options are accounted for at their fair value.

Accordingly, it was no longer necessary to prepare a sensitivity analysis as of the reporting date of the probability of the merger failing in terms of the framework and timeframe defined by the basic agreement. If the theoretical probability of exercise of the options had been 70% as of 31 December 2010 instead of 50%, the group's profit in SFY 2010 would have been €193 million lower. If the theoretical probability of exercise of the options had been 30% as of 31 December 2010 instead of 50%, the group's profit in SFY 2010 would have been €193 million higher.

A partly offsetting effect results from the accounting for the investment in Volkswagen AG at equity, as the accounting for the options at the level of Volkswagen AG has the opposite effect on the pro rata profit/loss attributable to Porsche SE in accordance with its share in capital held in Volkswagen AG.

5 Measurement of financial instruments

The table below contains the notional amounts of the derivative financial instruments both on the assets and the liabilities side.

€ million	Notional amount: Due within one year	Notional amount: Due in 1 to 5 years	Notional amount: Due in more than five years	Total notional amount
31/12/2011				
Options on non-stock company shares	0	7,886	0	7,886
	0	**7,886**	**0**	**7,886**
31/12/2010				
Interest derivatives	7,000	0	0	7,000
Options on non-stock company shares	0	7,886	0	7,886
	7,000	**7,886**	**0**	**14,886**

Hedge accounting is not applied for derivative financial instruments. The notional amounts of options on non-stock company shares contain the put option relating to the remaining shares held by Porsche SE in Porsche Zwischenholding GmbH amounting to €3,943 million and the call option of the same amount, as in the prior year.

Market values of the derivatives were determined using market data as of the reporting date and, where no market data are available, also using suitable valuation techniques.

The market value of financial instruments is determined by reference to stock market listings, reference prices or generally accepted valuation techniques such as the discounted cash flow method. The underlying interest and discount rates were determined based on the EURIBOR. The following table shows the reconciliation of the items of the balance sheet to the classes of financial instruments, as well as the comparison of carrying amount and fair value:

€ million	Measurement category under IAS 39	**31/12/2011** Carrying amount	**31/12/2011** Fair value	31/12/2010 Carrying amount	31/12/2010 Fair value
Assets					
Derivative financial instruments	HfT	232	232	459	459
Other financial receivables	LaR	4,029	4,249	4,027	4,027
Financial guarantees	LaR	1	1	2	2
Cash, cash equivalents and time deposits	LaR	469	469	622	622
Equity and liabilities					
Financial liabilities	FLAC	5,871	6,097	10,844	10,880
Trade payables	FLAC	9	9	33	33
Other financial liabilities	FLAC	149	149	149	149
Derivative financial instruments	HfT	5,087	5,087	942	942

For materiality reasons, the fair value of current items of the balance sheet is assumed to equal the amount recognized in the balance sheet.

The fair value of the financial derivatives is presented in the balance sheet under other receivables and assets or other liabilities respectively.

Financial assets and liabilities measured at fair value can be broken down as follows according to the measurement hierarchy:

€ million	**31/12/2011**	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Derivative financial instruments	232	0	0	232
Financial assets accounted for at fair value	232	0	0	232
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	5,087	0	0	5,087
Financial liabilities accounted for at fair value	5,087	0	0	5,087

€ million	31/12/2010	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Derivative financial instruments	459	0	0	459
Financial assets accounted for at fair value	459	0	0	459
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	942	0	0	942
Financial liabilities accounted for at fair value	942	0	0	942

The allocation of fair value is based on the availability of observable market data on an active market. Level 1 shows the fair values of financial instruments, such as securities, where a quoted price is directly available on active markets for identical financial instruments. The fair value of financial instruments in level 2, such as derivatives, is derived from market data such as exchange rates or interest rate curves using market valuation techniques. The fair value of financial instruments in level 3 is calculated using valuation techniques with inputs that are not based on observable market data. These include options for equity instruments of non-listed companies. The put and call options relating to the shares in Porsche Zwischenholding GmbH remaining at Porsche SE were therefore allocated to level 3.

The changes in fair values that were allocable to level 3 in the fiscal year 2011 and SFY 2010 are shown in the table below.

€ million	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
As of 1 January 2011	**459**	**– 942**
Additions (acquisitions)	0	0
Reclassification from level 2 to level 3	0	0
Total comprehensive income	0	0
with effect on profit/loss	– 227	– 4,145
recognized directly in equity	0	0
Disposal (sales)	0	0
As of 31 December 2011	**232**	**– 5,087**
Result recognized in profit or loss fiscal year 2011		
Other operating profit/loss	– 227	– 4,145
thereof attributable to assets/liabilities held on reporting date	– 227	– 4,145

€ million	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
As of 1 August 2010	**309**	**– 417**
Additions (acquisitions)	74	– 24
Reclassification from level 2 to level 3	0	0
Total comprehensive income	0	0
with effect on profit/loss	228	– 525
recognized directly in equity	0	0
Disposal (sales)	152	24
As of 31 December 2010	**459**	**– 942**
Result recognized in profit or loss SFY 2010		
Other operating profit/loss	228	– 525
thereof attributable to assets/liabilities held on reporting date	158	– 547

The principal risk variables for measurement of the options held by Porsche SE for the remaining shares in Porsche Zwischenholding GmbH is the enterprise value in each case and, in SFY 2010, additionally the executive board's assessment of the theoretical probability of exercise. Since the merger had failed as of the end of the reporting period within the framework and the timeframe defined by the basic agreement, no assessment of the theoretical probability of exercise of the options was required by the executive board or included in the measurement. Effects on profit or loss arising from a change in the risk variables are presented in section 4.2.2.

The carrying amounts of financial assets and liabilities are allocated to the measurement categories in accordance with IAS 39 as follows:

€ million	**31/12/2011**	31/12/2010
Financial assets at fair value through profit or loss	232	459
Held for trading (HfT)	232	459
Loans and receivables (LaR)	4,499	4,651
Financial liabilities at fair value through profit or loss	5,087	942
Held for trading (HfT)	5,087	942
Financial liabilities measured at amortized cost (FLAC)	6,029	11,026

The net gains or losses of the respective measurement categories are as follows:

€ million	**2011**	SFY 2010
Financial instruments at fair value through profit or loss	– 4,372	– 298
Held for trading (HfT)	– 4,372	– 298
Loans and receivables (LaR)	189	75
Financial liabilities measured at amortized cost (FLAC)	– 367	– 213

The net gains or losses from financial instruments at fair value through profit or loss are derived from the fair value measurement including interest.

The net gains or losses from the loans and receivables category include interest income.

The net gains or losses from financial liabilities at amortized cost essentially comprise interest expenses.

[22] Contingent liabilities

€ million	**31/12/2011**	31/12/2010
Guarantees	0	0
Warranties	0	0
Collateral for third-party liabilities	0	0
Other contingent liabilities	0	0

Litigation

To the knowledge of Porsche SE – which is not a party to the investigations and therefore has only limited knowledge of the subject matter and status of investigations – the Stuttgart public prosecutor has initiated investigations against the former members of the executive board Dr. Wendelin Wiedeking and Holger P. Härter in connection with allegations of information-based manipulation of the market in Volkswagen shares. According to the public prosecutor, the allegations involve public statements made by representatives of Porsche SE and the failure to make certain required statements regarding the acquisition of the shareholding in Volkswagen AG between 2006 and 2009. In addition, the public prosecutor is investigating the two former members of the executive board in connection with allegations of breach of fiduciary duty to the detriment of Porsche SE. According to the public prosecutor, there is reason to suspect that the two former members of the executive board may have taken risks jeopardizing the company's ability to continue as a going concern by entering into share price hedging transactions in the course of acquiring the shareholding in Volkswagen AG. Furthermore, the public prosecutor has launched investigations against Holger P. Härter and two employees of Porsche SE on suspicion of obtaining credit by deception in connection with a loan that has already been repaid. The Stuttgart public prosecutor announced in February 2011 that the investigations would take longer than anticipated and are not expected to be concluded before the start of 2012. The Stuttgart public prosecutor has to date not issued a statement on the current status of proceedings. Porsche SE considers the allegations made to be without merit.

In 2010, 46 plaintiffs filed six actions for damages against Porsche SE in the United States District Court for the Southern District of New York. The plaintiffs alleged damages of more than USD 2.5 billion. In three of the six actions, the former members of the executive board Dr. Wendelin Wiedeking and Holger P. Härter are also named as defendants. Plaintiffs alleged in their complaints that, in connection with its acquisition of a stake in Volkswagen AG during the year 2008, Porsche SE issued false and misleading statements and engaged in market manipulation in violation of the US Securities Exchange Act as well as in common law fraud. Porsche SE considers the complaints to be without merit and filed a motion to dismiss. On 30 December 2010, the US court granted the motion to dismiss the complaints in their entirety. Thirty-two of the original 46 plaintiffs have appealed this decision with the United States Court of Appeals for the Second Circuit.

Moreover, on 18 February 2011, three of the plaintiffs, and on 15 March 2011 a further 23 of the plaintiffs, filed two actions in New York state court. In their complaints, they assert claims for common law fraud and unjust enrichment on the basis of allegations similar to those made in their complaints in the actions referred to above. The plaintiffs claim to have lost at least USD 1.4 billion. Porsche SE considers these actions to be legally insufficient and without merit.

In 2009 and 2010, institutional investors in Germany applied for conciliatory proceedings against Porsche SE with regard to the assertion of claims for damages on the basis of alleged breaches of statutory capital market regulations in connection with the acquisition of a shareholding in Volkswagen AG. Various investors have filed further applications for conciliatory proceedings against Porsche SE based on the same claims; the company received these applications in April, August and December 2011 and in January and February 2012. Some of the new applications are also directed against Volkswagen AG. All of the alleged claims relate to alleged lost profits or alleged losses incurred estimated by the investors to total approximately €3.3 billion. Porsche SE considers the alleged claims to be without merit and has not taken part in the conciliatory proceedings.

In January 2011, a private investor filed a claim for damages against Porsche SE and another defendant in the amount of approximately €3 million. The plaintiff claims to have entered into options relating to shares in Volkswagen AG in 2008 on the basis of inaccurate information and the omission of information as well as market manipulation by Porsche SE and to have incurred losses from these options due to the share price development in 2008 in the amount claimed. The action was referred by the Regional Court of Stuttgart to the Regional Court of Braunschweig. Porsche SE considers the alleged claim to be without merit and has responded by filing a motion to dismiss.

In October 2011, ARFB Anlegerschutz UG (haftungsbeschränkt), Berlin, brought an action before the Regional Court of Braunschweig against Porsche SE and Volkswagen AG based on claims for damages allegedly assigned to it by 41 investment funds, insurance companies and other companies in the amount of approximately €1.1 billion. Some of the 41 investors are also applicants in the aforementioned conciliatory proceedings. Four of the investors are hedge funds that have filed claims against Porsche SE before a US federal court that were dismissed in first instance. In December 2011, this claim was extended to include the alleged claims for damages filed by ARFB Anlegerschutz UG (haftungsbeschränkt) on behalf of another 24 entities for an allegedly assigned right in the amount of approximately €700 million. Two of these other investors are hedge funds that have filed claims against Porsche SE before a US federal court that were dismissed in first instance. In connection with the extension of the claim in December 2011, ARFB Anlegerschutz UG (haftungsbeschränkt) also partly withdrew its original action to the extent that alleged claims for damages of an investment fund in the amount of approximately €4.5 million arising from an allegedly assigned right are no longer upheld. In addition, ARFB Anlegerschutz UG (haftungsbeschränkt) filed another action against the company at the Regional Court of Braunschweig in December 2011, asserting alleged claims for damages on behalf of another five companies, again from alleged assigned right, for a total of approximately €351 million. The plaintiff alleges that, in 2008, on the basis of inaccurate information and the omission of information as well as market manipulation by Porsche SE, the companies behind the complaints either failed to participate in price increases of shares in Volkswagen AG and, hence, lost profits or entered into options relating to shares in Volkswagen AG and incurred losses from these options due to the share price development in the amount claimed. Porsche SE considers the alleged claims to be without merit and will defend itself against them.

In December 2011, a total of seven plaintiffs filed a complaint against Porsche SE at the Stuttgart Regional Court and asserted claims for damages against the company in the total amount of some €2 billion, based on allegations of market manipulation and inaccurate information in connection with the acquisition of a shareholding in Volkswagen AG in 2008. Six of the plaintiffs are hedge funds that have filed claims against Porsche SE before a US federal court which were dismissed in first instance. Porsche SE considers the alleged claims to be without merit and will defend itself against them.

In addition, an investor filed an action against Porsche SE at the Regional Court of Braunschweig in December 2011 and asserted claims for damages against the company in the total amount of some €1.5 million, based on allegations of market manipulation in connection with the acquisition of a shareholding in Volkswagen AG in 2008. Porsche SE considers the alleged claims to be without merit and will defend itself against them.

A total of four reminder notices were served on the company in December 2011 and January 2012, asserting alleged claims for damages based on allegations of market manipulation and of inaccurate information or the omission of information, for a total of approximately €31 million. Porsche SE considers the alleged claims to be without merit and has filed an objection against the reminder notices.

In 2010, the appointment of a special auditor was applied for before the Regional Court of Stuttgart. The application related to the examination of the management activities of the company's executive board and supervisory board in connection with hedging transactions relating to shares in Volkswagen AG that were aimed at creating the conditions to enable the company to purchase Volkswagen AG shares at economically secured conditions, if it later decided to purchase them, as well as payment agreements with, and severance payments to, former members of Porsche SE's executive board. All the applicants withdrew their applications in May 2011, thereby ending the proceedings.

The company believes that adequate provisions have been recognized for the anticipated attorneys' fees and litigation expenses arising from the above cases.

[23] Other financial obligations

As of the reporting date, other financial obligations break down as follows:

	Payable			Total
€ million	1 year	in 1 to 5 years	> 5 years	
31/12/2011				
Sundry other financial obligations	1	3	0	4
31/12/2010				
Sundry other financial obligations	1	4	0	5

Sundry other financial obligations result from warranties. In the prior year, there were also sundry other financial obligations from trust relationships.

[24] Subsequent events

Mr. Thomas Edig, member of the executive board of Porsche SE, responsible for commercial and administrative issues, will leave this board of his own volition and in agreement with the supervisory board on 29 February 2012 in order to concentrate on his tasks on the board of Porsche AG and vigorously drive forward Strategy 2018. The supervisory board of Porsche SE approved the premature termination of his appointment to the executive board in its meeting on 27 February 2012. In June 2011, the Porsche AG supervisory board appointed Mr. Thomas Edig deputy chairman, board member for human resources and social issues, and labor director for a further five years, effective as of 1 May 2012.

The control body appointed Mr. Philipp Alexander Edward von Hagen, currently Director Global Financial Advisory at Bankhaus Rothschild, to the executive board of Porsche SE, effective as of 1 March 2012.

Effective 23 January 2012, Mr. Hansjörg Schmierer was appointed to the supervisory board of Porsche SE by the court as an employee representative. He took over this function from Mr. Hans Baur, who retired from office effective as of 31 December 2011. Mr. Hans Baur also laid down his office as a member of the supervisory board of Porsche AG on 31 December 2011. The Stuttgart local court appointed Mr. Bernd Kruppa as his successor on 15 February 2012.

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

Notification on 29 January 2008:

Prof. Dr. Ing. h.c. Ferdinand Porsche and others, Austria, notified us of the following on 29 January 2008 in accordance with Sec. 21 (1) Sentence 1 WpHG [“Wertpapierhandelsgesetz”: German Stock Corporation Act]:

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

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

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

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

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

The share in voting rights of Porsche GmbH, Salzburg, allocated to the notifying parties pursuant to Sec. 22 (1) No. 2 WpHG, old version, or Sec. 22 (1) No. 1 WpHG, new version, were actually held via Porsche GmbH, Stuttgart. The share in voting rights of Porsche Holding KG allocated to the notifying parties pursuant to Sec. 22 (1) No. 2 WpHG, old version, or Sec. 22 (1) No. 1 WpHG, new version, were actually held via Porsche GmbH, Salzburg and Porsche GmbH, Stuttgart. In both cases, the share in voting rights held in Porsche GmbH, Stuttgart, allocated to the notifying parties pursuant to Sec. 22 (1) No. 2 WpHG, old version, or Sec. 22 (1) No. 1 WpHG, new version, amounted to 3% or more.

The share in voting rights allocated to the other notifying parties pursuant to Sec. 22 (1) No. 3 WpHG, old version, or Sec. 22 (2) WpHG, new version, amounted to 3% or more: Prof. Ferdinand Alexander Porsche, Hans-Peter Porsche, Dr. Wolfgang Porsche, Louise Daxer-Piëch, Dr. h.c. Ferdinand Piëch, Dr. Hans-Michel Piëch, Porsche GmbH, Stuttgart.

Dr. Wolfgang Hils

– representing the notifying parties Kommerzialrat Louise Piëch, Dr. techn. h. c. Ferdinand Piëch and Dr. Hans Michel Piëch –

Dr. Oliver Porsche

– representing the other notifying parties – ”

Notification on 1 September 2009:

We were notified of the following on 1 September 2009:

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

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

Frankfurt am Main, 1 September 2009"

Notification on 18 December 2009:

We were notified of the following on 18 December 2009:

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

Frankfurt am Main, 18 December 2009"

Notification on 30 May 2011:

On 30 May 2011, we were informed of the following pursuant to Sec. 21 (1) WpHG:

"The percentage of voting rights held by the following notifying parties in Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart ("Porsche SE"), fell below the voting rights threshold of 75% on 24 May 2011 and, including the allocations in accordance with Sec. 22 WpHG, amounts to 57.88% (88,627,458 voting rights) as of that date in each case.

1. Dipl.-Ing. Prof. Dr. h.c. Ferdinand Piëch, Salzburg, Austria
2. Ferdinand Karl Alpha Privatstiftung, Vienna, Austria
3. Dr. Hans Michel Piëch, Salzburg, Austria
4. Dipl.-Ing. Dr. h.c. Ferdinand Piëch GmbH, Salzburg, Austria
5. Dr. Hans Michel Piëch GmbH, Salzburg, Austria
6. Ferdinand Piëch GmbH, Grünwald, Germany
7. Hans Michel Piëch GmbH, Grünwald, Germany

A share of 13.97% of the voting rights (21,394,758 voting rights) is allocable to the notifying parties 1 through 5 in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG and 43.91% (67,232,700 voting rights) is allocable in accordance with Sec. 22 (2) WpHG.

A share of 43.91% of the voting rights (67,232,700 voting rights) is allocable to the notifying parties 6 and 7 in accordance with Sec. 22 (2) WpHG.

The voting rights allocable to the notifying parties listed in the investment chain below are actually held by the controlled entities listed in the investment chain below, whose voting share in Porsche SE amounts to 3% or more in each case:

Investment chain Dipl.-Ing. Dr. h.c. Ferdinand Piëch, Salzburg
1. Dipl.-Ing. Prof. Dr. h.c. Ferdinand Piëch, Salzburg (notifying party)
2. Ferdinand Karl Alpha Privatstiftung, Vienna (notifying party and controlled entity)
3. Dipl.-Ing. Dr. h.c. Ferdinand Piëch GmbH, Salzburg (notifying party and controlled entity)
4. Ferdinand Piëch GmbH, Grünwald (notifying party and controlled entity)

Investment chain Dr. Hans Michel Piëch, Salzburg, Austria
1. Dr. Hans Michel Piëch, Salzburg (notifying party)
2. Dr. Hans Michel Piëch GmbH, Salzburg (notifying party and controlled entity)
3. Hans Michel Piëch GmbH, Grünwald (notifying party and controlled entity)

3% or more of the voting rights arising from the shares of the following shareholders were allocated to the other notifying parties in accordance with 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. 22 (1) No. 1 WpHG): Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald, Familie Porsche Beteiligung GmbH, Grünwald, Porsche GmbH, Stuttgart, Ferdinand Piëch GmbH, Grünwald, Hans Michel Piëch GmbH, Grünwald."

Notification on 30 May 2011:

On 30 May 2011, we were informed of the following pursuant to Sec. 21 (1) Sentence 1 WpHG:

I.

1. The percentage of voting rights held by the following notifying parties in Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, fell below the voting rights threshold of 75% on 24 May 2011 and amounts to 64.20% (98,310,794 voting rights) as of that date.

a) Mag. Josef Ahorner, Vienna, Austria
b) Mag. Louise Kiesling, Vienna, Austria
c) Prof. Ferdinand Alexander Porsche, Gries/Pinzgau, Austria
d) Dr. Ferdinand Oliver Porsche, Salzburg, Austria
e) Kai Alexander Porsche, Innsbruck, Austria
f) Mag. Mark Philipp Porsche, Salzburg, Austria
g) Gerhard Anton Porsche, Mondsee, Austria
h) Ferdinand Porsche Privatstiftung, Salzburg, Austria
i) Ferdinand Porsche Holding GmbH, Salzburg, Austria
j) Louise Daxer-Piëch GmbH, Salzburg, Austria
k) Louise Daxer-Piech GmbH, Grünwald, Germany
l) Prof. Ferdinand Alexander Porsche GmbH, Salzburg, Austria
m) Ferdinand Alexander Porsche GmbH, Grünwald, Germany
n) Gerhard Anton Porsche GmbH, Salzburg, Austria
o) Gerhard Porsche GmbH, Grünwald, Germany
p) Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald, Germany

2. A share of 27.44% of the voting rights in the issuer (42,021,894 voting rights) is allocable to the notifying parties 1.a) through 1.o) of this section I in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG and 36.76% (56,288,900 voting rights) is allocable on account of an existing consortium agreement in accordance with Sec. 22 (2) WpHG.

3. A share of 36.76% of the voting rights in the issuer (56,288,900 voting rights) is allocable to Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald, as listed under no. 1.p) of this section I on account of an existing consortium agreement in accordance with Sec. 22 (2) WpHG.

4. The voting rights allocated to Mag. Josef Ahorner, Vienna, Mag. Louise Kiesling, Vienna, Prof. Ferdinand Alexander Porsche, Gries/Pinzgau, Dr. Ferdinand Oliver Porsche, Salzburg, Kai Alexander Porsche, Innsbruck, Mark Philipp Porsche, Salzburg, and Gerhard Anton Porsche, Mondsee, are actually held via the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

Ferdinand Porsche Privatstiftung, Salzburg, Ferdinand Porsche Holding GmbH, Salzburg, Louise Daxer-Piëch GmbH, Salzburg, Louise Daxer-Piech 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-Piech Beteiligung GmbH, Grünwald

5. The voting rights allocable to Ferdinand Porsche Privatstiftung, Salzburg, are actually held by the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

Ferdinand Porsche Holding GmbH, Salzburg, Louise Daxer-Piëch GmbH, Salzburg, Louise Daxer-Piech 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-Piech Beteiligung GmbH, Grünwald

6. The voting rights allocable to Ferdinand Porsche Holding GmbH, Salzburg, are actually held by the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

Louise Daxer-Piëch GmbH, Salzburg, Louise Daxer-Piech 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-Piech Beteiligung GmbH, Grünwald

7. The voting rights allocable to Louise Daxer-Piëch GmbH, Salzburg, are actually held by the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

Louise Daxer-Piech GmbH, Grünwald, Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald

8. The voting rights allocable to Prof. Ferdinand Alexander Porsche GmbH, Salzburg, are actually held by the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

Ferdinand Alexander Porsche GmbH, Grünwald, Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald

9. The voting rights allocable to Gerhard Anton Porsche GmbH, Salzburg, are actually held by the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

Gerhard Porsche GmbH, Grünwald, Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald

10. The voting rights allocable to Louise Daxer-Piech GmbH, Grünwald, Ferdinand Alexander Porsche GmbH, Grünwald, and Gerhard Porsche GmbH, Grünwald, are actually held by the following controlled entity, whose voting share in Porsche SE amounts to 3% or more:

Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald

11. 3% or more of the voting rights arising from the shares of the following shareholders were allocated to the notifying parties listed under no. 1.a) through 1.p) of this section I in accordance with Sec. 22 (2) WpHG: Familie Porsche Beteiligung GmbH, Grünwald, Porsche Gesellschaft mit beschränkter Haftung, Stuttgart, Ferdinand Piech GmbH, Grünwald, Hans Michel Piech GmbH, Grünwald.

II.

1. The percentage of voting rights held by the following individuals and legal entities in Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, fell below the voting rights threshold of 75% on 24 May 2011 and amounts to 63.21% (96,784,524 voting rights) as of that date:

a) Ing. Hans-Peter Porsche, Salzburg, Austria
b) Peter Daniell Porsche, Salzburg, Austria
c) Dr. Wolfgang Porsche, Salzburg, Austria
d) Familie Porsche Privatstiftung, Salzburg, Austria
e) Familie Porsche Holding GmbH, Salzburg, Austria
f) Ing. Hans-Peter Porsche GmbH, Salzburg, Austria
g) Hans-Peter Porsche GmbH, Grünwald, Germany
h) Porsche Wolfgang 1. Beteiligungs GmbH & Co. KG, Stuttgart, Germany
i) Wolfgang Porsche GmbH, Stuttgart, Germany
j) Familie Porsche Beteiligung GmbH, Grünwald, Germany

2. A share of 25.74% of the voting rights in the issuer (39,413,724 voting rights) is allocable to the notifying parties 1a) through i) in this section II in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG and 37.47% (57,370,800 voting rights) is allocable in accordance with Sec. 22 (2) WpHG.

3. A share of 37.47% of the voting rights in the issuer (57,370,800 voting rights) is allocable to Familie Porsche Beteiligung GmbH, Grünwald, as listed under no. 2 j) of this section II in accordance with Sec. 22 (2) WpHG.

4. The voting rights allocable to Ing. Hans-Peter Porsche, Salzburg, and Peter Daniell Porsche, Salzburg/Aigen, are actually held by the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

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

5. The voting rights allocable to Dr. Wolfgang Porsche, Salzburg, are actually held by the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

Familie Porsche Privatstiftung, Salzburg, Familie Porsche Holding GmbH, Salzburg, Ing. Hans-Peter Porsche GmbH, Salzburg, Hans-Peter Porsche GmbH, Grünwald, Porsche Wolfgang 1. Beteiligungs GmbH & Co. KG, Stuttgart, Wolfgang Porsche GmbH, Stuttgart, Familie Porsche Beteiligung GmbH, Grünwald

6. The voting rights allocable to Familie Porsche Privatstiftung, Salzburg, are actually held by the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

Familie Porsche Holding GmbH, Salzburg, Ing. Hans-Peter Porsche GmbH, Salzburg, Hans-Peter Porsche GmbH, Grünwald, Familie Porsche Beteiligung GmbH, Grünwald

7. The voting rights allocable to Familie Porsche Holding GmbH, Salzburg, are actually held by the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

Ing. Hans-Peter Porsche GmbH, Salzburg, Hans-Peter Porsche GmbH, Grünwald, Familie Porsche Beteiligung GmbH, Grünwald

8. The voting rights allocable to Ing. Hans-Peter Porsche GmbH, Salzburg, are actually held by the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

Hans-Peter Porsche GmbH, Grünwald, Familie Porsche Beteiligung GmbH, Grünwald

9. The voting rights allocable to Porsche Wolfgang 1. Beteiligungs GmbH & Co. KG, Stuttgart, are actually held by the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

Wolfgang Porsche GmbH, Stuttgart, Familie Porsche Beteiligung GmbH, Grünwald

10. The voting rights allocable to Hans-Peter Porsche GmbH, Grünwald, and Wolfgang Porsche GmbH, Stuttgart, are actually held by the following controlled entity, whose voting share in Porsche SE amounts to 3% or more:

Familie Porsche Beteiligung GmbH, Grünwald

11. 3% or more of the voting rights arising from the shares of the following shareholders were allocated to the notifying parties listed under no. 1.a) through 1.j) of this section II in accordance with Sec. 22 (2) WpHG: Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald, Porsche Gesellschaft mit beschränkter Haftung, Stuttgart, Ferdinand Piech GmbH, Grünwald, Hans Michel Piech GmbH, Grünwald.

III.

1. The percentage of voting rights held by Porsche Gesellschaft mit beschränkter Haftung, Stuttgart, in Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, fell below the voting rights threshold of 75% on 24 May 2011 and amounts to 52.55% (80,462,267 voting rights) as of that date.

2. A share of 43.67% of the voting rights in the issuer (66,874,900 voting rights) is allocable to Porsche Gesellschaft mit beschränkter Haftung, Stuttgart, in accordance with Sec. 22 (2) WpHG.

3. 3% or more of the voting rights arising from the shares of the following shareholders were allocated to Porsche Gesellschaft mit beschränkter Haftung, Stuttgart, in accordance with Sec. 22 (2) WpHG: Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald, Familie Porsche Beteiligung GmbH, Grünwald, Ferdinand Piech GmbH, Grünwald, Hans Michel Piech GmbH, Grünwald.

IV.

1. The percentage of voting rights held by Porsche Familienholding GmbH, Salzburg, Austria, and Porsche Gesellschaft m.b.H., Salzburg, Austria, in Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, fell below the voting rights threshold of 75% on 24 May 2011 and amounts to 73.28% (112,205,710 voting rights) as of that date.

2. A share of 8.87% of the voting rights in the issuer (13,587,367 voting rights) is allocable to Porsche Familienholding GmbH, Salzburg, and Porsche Gesellschaft m.b.H., Salzburg, in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG (in conjunction with Sec. 22 (1) Sentence 2 WpHG), 20.73% of the voting rights in the issuer (31,743,443 voting rights) in accordance with Sec. 22 (1) Sentence 1 No. 2 WpHG and 43.67% (66,874,900 voting rights) is allocable on account of an existing consortium agreement in accordance with Sec. 22 (2) WpHG.

3. The voting rights allocated to Porsche Familienholding GmbH, Salzburg, in accordance with Sec. 22 (1) Sentence 1 No. 1 group WpHG are actually held via the following controlled entities, whose voting share in Porsche Automobil Holding SE amounts to 3% or more in each case:

Porsche Gesellschaft m.b.H., Salzburg, Porsche Gesellschaft mit beschränkter Haftung, Stuttgart

4. The voting rights allocated to Porsche Gesellschaft m.b.H., Salzburg, in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG are actually held via the following controlled entity whose voting share in Porsche SE amounts to 3% or more:

Porsche Gesellschaft mit beschränkter Haftung, Stuttgart

5. 3% or more of the voting rights arising from the shares of the following shareholders are allocated to Porsche Familienholding GmbH, Salzburg, and Porsche Gesellschaft m.b.H., Salzburg, in accordance with Sec. 22 (1) Sentence 1 No. 2 WpHG (in conjunction with Sec. 22 (1) Sentence 2 WpHG):

Familie Porsche Beteiligung GmbH, Stuttgart, Familien Porsche-Daxer-Piech Beteiligung GmbH, Stuttgart

6. 3% or more of the voting rights arising from the shares of the following shareholders are allocated to Porsche Familienholding GmbH, Salzburg, and Porsche Gesellschaft m.b.H., Salzburg, in accordance with Sec. 22 (2) WpHG: Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald, Familie Porsche Beteiligung GmbH, Grünwald, Ferdinand Piech GmbH, Grünwald, Hans Michel Piech GmbH, Grünwald

Notification on 30 May 2011:

On 30 May 2011, we were informed of the following pursuant to Sec. 21 (1) Sentence 1 WpHG:

“1. The percentage of voting rights held by ESP 1520 GmbH, PP 1320 GmbH, ESP 1530 GmbH and PP 1330 GmbH, all based in Grünwald, Germany, in Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, exceeded the voting rights threshold of 3% on 24 May 2011 and amounts to 4.89% in each case (7,481,664 voting rights) as of that date. All of these voting rights are allocated to ESP 1520 GmbH and ESP 1530 GmbH and PP 1320 GmbH and PP 1330 GmbH each in accordance with Sec. 22 (1) Sentence 1 No. 2 WpHG (the latter in conjunction with Sec. 22 (1) Sentence 2 WpHG). 3% or more of the shares held by Familie Porsche Beteiligung GmbH, Stuttgart, are allocated to ESP 1520 GmbH, PP 1320 GmbH, ESP 1530 GmbH and PP 1330 GmbH in each case.

2. The percentage of voting rights held by PP 1480 GmbH and PP 1420 GmbH, both based in Grünwald, Germany, in Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, exceeded the voting rights threshold of 3% on 24 May 2011 and amounts to 4.91% in each case (7,514,342 voting rights) as of that date. All of these voting rights are allocated to PP 1480 GmbH and PP 1420 GmbH each in accordance with Sec. 22 (1) Sentence 1 No. 2 WpHG (the latter in conjunction with Sec. 22 (1) Sentence 2 WpHG). 3% or more of the shares held by Familien Porsche-Daxer-Piech Beteiligung GmbH, Stuttgart, are allocated to PP 1480 GmbH and PP 1420 GmbH in each case.

3. The percentage of voting rights held by Porsche Verwaltungs GmbH, Salzburg, Austria, in Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, exceeded the voting rights threshold of 20% on 24 May 2011 and amounts to 20.73% (31,743,443 voting rights) as of that date. All of these voting rights are allocated to Porsche Verwaltungs GmbH in accordance with Sec. 22 (1) Sentence 1 No. 2 WpHG (in conjunction with Sec. 22 (1) Sentence 2 WpHG). 3% or more of the voting rights arising from the shares of the following shareholders were allocated to Porsche Verwaltungs GmbH: Familie Porsche Beteiligung GmbH, Stuttgart, Familien Porsche-Daxer-Piech Beteiligung GmbH, Stuttgart. These voting rights were not obtained by exercise of purchase rights resulting from financial instruments according to Sec. 25 (1) Sentence 1 WpHG.”

Notification on 21 June 2011:

With reference to its voting rights notification dated 30 May 2011, Porsche Verwaltungs GmbH, Salzburg, Austria, informed Porsche Automobil Holding SE, Stuttgart, Germany, on 21 June 2011 in accordance with Sec. 21 (1) WpHG of the following:

“Correcting the voting rights notification by Porsche Verwaltungs GmbH dated 30 May 2011, we hereby inform you that the percentage of voting rights held by Porsche Verwaltungs GmbH, Salzburg, Austria, in Porsche Automobil Holding SE, Stuttgart, Germany, exceeded the voting rights threshold of 3%, 5%, 10%, 15% and 20% on 24 May 2011 and amounts to 20.73% as of that date (31,743,443 voting rights). All of these voting rights are allocated to Porsche Verwaltungs GmbH in accordance with Sec. 22 (1) Sentence 1 No. 2 WpHG (in conjunction with Sec. 22 (1) Sentence 2 WpHG). 3% or more of the voting rights arising from the shares of the following shareholders were allocated to Porsche Verwaltungs GmbH: Familie Porsche Beteiligung GmbH, Stuttgart, Familien Porsche-Daxer-Piech Beteiligung GmbH, Stuttgart. These voting rights were not obtained by exercise of purchase rights resulting from financial instruments according to Sec. 25 (1) Sentence 1 WpHG.”

Notification on 21 June 2011:

With reference to its voting rights notification dated 30 May 2011, Porsche Verwaltungs GmbH, Salzburg, Austria, informed Porsche Automobil Holding SE, Stuttgart, Germany, on 21 June 2011 in accordance with Sec. 27a (1) WpHG of the following:

"The voting rights threshold is exceeded through allocation in accordance with Sec. 22 (1) Sentence 1 No. 2 WpHG in conjunction with Sec. 22 (1) Sentence 2 WpHG of voting rights arising from shares in the issuer belonging to third parties that are held in trust by the latter for the account of subsidiaries of Porsche Verwaltungs GmbH, not through acquisition of shares by Porsche Verwaltungs GmbH.

1) Objective pursued with the acquisition of voting rights (Sec. 27a (1) Sentence 3 WpHG)

a) The matter underlying the allocation of voting rights does not serve either to implement strategic aims or to generate trading profits at Porsche Verwaltungs GmbH.

b) Porsche Verwaltungs GmbH does not intend to obtain further voting rights in the issuer within the next 12 months by acquisition or any other way.

c) Porsche Verwaltungs GmbH does not aim to gain influence over the composition of administrative, management or supervisory bodies at the issuer.

d) Porsche Verwaltungs GmbH does not aim to make any material changes to the issuer's capital structure, including but not limited to the proportion of equity and liabilities and the dividend policy.

2) Origin of the funds used (Sec. 27a (1) Sentence 4 WpHG)

These voting rights are acquired merely by way of allocation of the voting rights in accordance with Sec. 22 (1) Sentence 1 No. 2 WpHG in conjunction with Sec. 22 (1) Sentence 2 WpHG. No equity or liabilities of Porsche Verwaltungs GmbH were used to finance the acquisition of the voting rights."

Notification on 5 October 2011:

Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, Germany, was informed of the following on 5 October 2011 pursuant to Sec. 21 (1) Sentence 1 WpHG:

I.

1. The percentage of voting rights held by the following notifying party in Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, exceeded the voting rights threshold of 75% on 4 October 2011 and amounts to 80.23% (122,849,172 voting rights) as of that date.

a) Mag. Josef Ahorner, Vienna, Austria
b) Mag. Louise Kiesling, Vienna, Austria
c) Prof. Ferdinand Alexander Porsche, Gries/Pinzgau, Austria
d) Dr. Ferdinand Oliver Porsche, Salzburg, Austria
e) Kai Alexander Porsche, Innsbruck, Austria
f) Mag. Mark Philipp Porsche, Salzburg, Austria
g) Gerhard Anton Porsche, Mondsee, Austria
h) Ferdinand Porsche Privatstiftung, Salzburg, Austria
i) Ferdinand Porsche Holding GmbH, Salzburg, Austria
j) Louise Daxer-Piech GmbH, Salzburg, Austria
k) Louise Daxer-Piech GmbH, Grünwald, Germany
l) Prof. Ferdinand Alexander Porsche GmbH, Salzburg, Austria
m) Ferdinand Alexander Porsche GmbH, Grünwald, Germany
n) Gerhard Anton Porsche GmbH, Salzburg, Austria
o) Gerhard Porsche GmbH, Grünwald, Germany
p) Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald, Germany

2. A share of 27.44% of the voting rights in the issuer (42,021,894 voting rights) is allocable to the notifying parties 1.a) through 1.o) of this section I in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG and 52.79% (80,827,278 voting rights) is allocable on account of a consortium agreement in accordance with Sec. 22 (2) WpHG.

3. A share of 52.79% of the voting rights in the issuer (80,827,278 voting rights) is allocable to Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald, as listed under no. 1.p) of this section I on account of a consortium agreement in accordance with Sec. 22 (2) WpHG.

4. The voting rights allocated to Mag. Josef Ahorner, Vienna, Mag. Louise Kiesling, Vienna, Prof. Ferdinand Alexander Porsche, Gries/Pinzgau, Dr. Ferdinand Oliver Porsche, Salzburg, Kai Alexander Porsche, Innsbruck, Mark Philipp Porsche, Salzburg, and Gerhard Anton Porsche, Mondsee, are actually held via the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

Ferdinand Porsche Privatstiftung, Salzburg, Ferdinand Porsche Holding GmbH, Salzburg, Louise Daxer-Piech GmbH, Salzburg, Louise Daxer-Piech 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-Piech Beteiligung GmbH, Grünwald

5. The voting rights allocable to Ferdinand Porsche Privatstiftung, Salzburg, are actually held by the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

Ferdinand Porsche Holding GmbH, Salzburg, Louise Daxer-Piech GmbH, Salzburg, Louise Daxer-Piech 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-Piech Beteiligung GmbH, Grünwald

6. The voting rights allocable to Ferdinand Porsche Holding GmbH, Salzburg, are actually held by the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

Louise Daxer-Piech GmbH, Salzburg, Louise Daxer-Piech 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-Piech Beteiligung GmbH, Grünwald

7. The voti group ng rights allocable to Louise Daxer-Piech GmbH, Salzburg, are actually held by the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

Louise Daxer-Piech GmbH, Grünwald, Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald

8. The voting rights allocable to Prof. Ferdinand Alexander Porsche GmbH, Salzburg, are actually held by the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

Ferdinand Alexander Porsche GmbH, Grünwald, Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald

9. The voting rights allocable to Gerhard Anton Porsche GmbH, Salzburg, are actually held by the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

Gerhard Porsche GmbH, Grünwald, Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald

10. The voting rights allocable to Louise Daxer-Piech GmbH, Grünwald, Ferdinand Alexander Porsche GmbH, Grünwald, and Gerhard Porsche GmbH, Grünwald, are actually held by the following controlled entity, whose voting share in Porsche SE amounts to 3% or more:

Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald

11. 3% or more of the voting rights arising from the shares of the following shareholders were allocated to the notifying parties listed under no. 1.a) through 1.p) of this section I in accordance with Sec. 22 (2) WpHG: Familie Porsche Beteiligung GmbH, Grünwald, Porsche Gesellschaft mit beschränkter Haftung, Stuttgart, Ferdinand Piëch GmbH, Grünwald, Hans Michel Piëch GmbH, Grünwald.

II.

1. The percentage of voting rights held by the following individuals and legal entities in Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, exceeded the voting rights threshold of 75% on 4 October 2011 and amounts to 79.33% (121,478,320 voting rights) as of that date:

a) Ing. Hans-Peter Porsche, Salzburg, Austria
b) Peter Daniell Porsche, Salzburg, Austria
c) Dr. Wolfgang Porsche, Salzburg, Austria
d) Familie Porsche Privatstiftung, Salzburg, Austria
e) Familie Porsche Holding GmbH, Salzburg, Austria
f) Ing. Hans-Peter Porsche GmbH, Salzburg, Austria
g) Hans-Peter Porsche GmbH, Grünwald, Germany
h) Porsche Wolfgang 1. Beteiligungs GmbH & Co. KG, Stuttgart, Germany
i) Wolfgang Porsche GmbH, Stuttgart, Germany
j) Familie Porsche Beteiligung GmbH, Grünwald, Germany

2. A share of 25.74% of the voting rights in the issuer (39,413,724 voting rights) is allocable to the notifying parties 1.a) through i) in this section II in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG and 53.59% (82,064,596 voting rights) is allocable in accordance with Sec. 22 (2) WpHG.

3. A share of 53.59% of the voting rights in the issuer (82,064,596 voting rights) is allocable to Familie Porsche Beteiligung GmbH, Grünwald, as listed under no. 2 j) of this section II in accordance with Sec. 22 (2) WpHG.

4. The voting rights allocable to Ing. Hans-Peter Porsche, Salzburg, and Peter Daniell Porsche, Salzburg, are actually held by the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

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

5. The voting rights allocable to Dr. Wolfgang Porsche, Salzburg, are actually held by the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

Familie Porsche Privatstiftung, Salzburg, Familie Porsche Holding GmbH, Salzburg, Ing. Hans-Peter Porsche GmbH, Salzburg, Hans-Peter Porsche GmbH, Grünwald, Porsche Wolfgang 1. Beteiligungs GmbH & Co. KG, Stuttgart, Wolfgang Porsche GmbH, Stuttgart, Familie Porsche Beteiligung GmbH, Grünwald

6. The voting rights allocable to Familie Porsche Privatstiftung, Salzburg, are actually held by the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

Familie Porsche Holding GmbH, Salzburg, Ing. Hans-Peter Porsche GmbH, Salzburg, Hans-Peter Porsche GmbH, Grünwald, Familie Porsche Beteiligung GmbH, Grünwald

7. The voting rights allocable to Familie Porsche Holding GmbH, Salzburg, are actually held by the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

Ing. Hans-Peter Porsche GmbH, Salzburg, Hans-Peter Porsche GmbH, Grünwald, Familie Porsche Beteiligung GmbH, Grünwald

8. The voting rights allocable to Ing. Hans-Peter Porsche GmbH, Salzburg, are actually held by the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

Hans-Peter Porsche GmbH, Grünwald, Familie Porsche Beteiligung GmbH, Grünwald

9. The voting rights allocable to Porsche Wolfgang 1. Beteiligungs GmbH & Co. KG, Stuttgart, are actually held by the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

Wolfgang Porsche GmbH, Stuttgart, Familie Porsche Beteiligung GmbH, Grünwald

10. The voting rights allocable to Hans-Peter Porsche GmbH, Grünwald, and Wolfgang Porsche GmbH, Stuttgart, are actually held by the following controlled entity, whose voting share in Porsche SE amounts to 3% or more:

Familie Porsche Beteiligung GmbH, Grünwald

11. 3% or more of the voting rights arising from the shares of the following shareholders were allocated to the notifying parties listed under no. 1.a) through 1.j) of this section II in accordance with Sec. 22 (2) WpHG: Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald, Porsche Gesellschaft mit beschränkter Haftung, Stuttgart, Ferdinand Piëch GmbH, Grünwald, Hans Michel Piëch GmbH, Grünwald.

III.

1. The percentage of voting rights held by Porsche Piech Holding GmbH, Salzburg, in Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, exceeded the voting rights threshold of 75% on 4 October 2011 and amounts to 90.00% (137,812,500 voting rights) as of that date.

2. A share of 8.87% of the voting rights in the issuer (13,587,367 voting rights) is allocable to Porsche Piech Holding GmbH, Salzburg, in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG, 20.44% of the voting rights in the issuer (31,297,508 voting rights) is allocable in accordance with Sec. 22 (1) Sentence 1 No. 2 WpHG (in conjunction with Sec. 22 (1) Sentence 2 WpHG) and 60.69% of the voting rights in the issuer (92,927,625 voting rights) is allocable on account of a consortium agreement in accordance with Sec. 22 (2) WpHG.

3. The voting rights allocated to Porsche Piech Holding GmbH, Salzburg, in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG are actually held via the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case:

Porsche Gesellschaft m.b.H., Salzburg, Porsche Gesellschaft mit beschränkter Haftung, Stuttgart

4. 3% or more of the voting rights arising from the shares of the following shareholders are allocated to Porsche Piech Holding GmbH, Salzburg, in accordance with Sec. 22 (1) Sentence 1 No. 2 WpHG (in conjunction with Sec. 22 (1) Sentence 2 WpHG):

Familie Porsche Beteiligung GmbH, Grünwald, Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald

5. 3% or more of the voting rights arising from the shares of the following shareholders were allocated to Porsche Piech Holding GmbH, Salzburg, in accordance with Sec. 22 (2) WpHG:

Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald, Familie Porsche Beteiligung GmbH, Grünwald, Ferdinand Piëch GmbH, Grünwald, Hans Michel Piëch GmbH, Grünwald

The voting rights pursuant to sections I to III were not obtained by exercise of rights resulting from financial instruments according to Sec. 25 (1) Sentence 1 WpHG to acquire shares in the issuer."

Notification on 5 October 2011:

Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, Germany, was informed of the following on 5 October 2011 pursuant to Sec. 21 (1) Sentence 1 WpHG:

"1. The percentage of voting rights held by Porsche Piech Holding GmbH, Salzburg, Austria, in Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, fell below the voting rights threshold of 75% on 5 October 2011 and amounts to 69.56% (106,514,992 voting rights) as of that date. A share of 8.87% of the voting rights (13,587,367 voting rights) is allocable to Porsche Piech Holding GmbH in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG and 60.69% of the voting rights in the issuer (92,927,625 voting rights) is allocable on account of an existing consortium agreement in accordance with Sec. 22 (2) WpHG. The voting rights allocated to Porsche Piech Holding GmbH in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG are actually held via the following controlled entities, whose voting share in Porsche SE amounts to 3% or more: Porsche Gesellschaft m.b.H., Salzburg, Porsche Gesellschaft mit beschränkter Haftung, Stuttgart.

3% or more of the voting rights arising from the shares of the following shareholders were allocated to Porsche Piech Holding GmbH in accordance with Sec. 22 (2) WpHG: Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald, Germany, Familie Porsche Beteiligung GmbH, Grünwald, Germany, Ferdinand Piëch GmbH, Grünwald, Germany, Hans Michel Piëch GmbH, Grünwald, Germany.

2. The percentage of voting rights held by Porsche Piech Zweite Familienholding Neu GmbH, Salzburg, Austria, in Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, exceeded the voting rights thresholds of 3%, 5%, 10%, 15% and 20% on 5 October 2011 and amounts to 20.44% (31,297,508 voting rights) as of that date. All of these voting rights are allocated to Porsche Piech Zweite Familienholding Neu GmbH in accordance with Sec. 22 (1) Sentence 1 No. 2 WpHG (in conjunction with Sec. 22 (1) Sentence 2 WpHG). 3% or more of the voting rights arising from the shares of the following shareholders were allocated to Porsche Piech Zweite Familienholding Neu GmbH:

Familie Porsche Beteiligung GmbH, Grünwald, Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald.

These voting rights were not obtained by exercise of purchase rights resulting from financial instruments according to Sec. 25 (1) Sentence 1 WpHG."

Notification on 3 November 2011:

Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, Germany, was informed of the following on 3 November 2011 pursuant to Sec. 21 (1) Sentence 1 WpHG:

“1. The percentage of voting rights held by ZH 1320 GmbH, Salzburg, Austria, in Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, exceeded the voting rights threshold of 3% on 28 October 2011 and amounts to 4.89% (7,481,664 voting rights) as of that date. All of these voting rights are allocated to ZH 1320 GmbH in accordance with Sec. 22 (1) Sentence 1 No. 2 WpHG in conjunction with Sec. 22 (1) Sentence 2 WpHG. 3% or more of the voting rights arising from the shares of the following shareholder were allocated to ZH 1320 GmbH: Familie Porsche Beteiligung GmbH, Grünwald, Germany.

2. The percentage of voting rights held by ZH 1330 GmbH, Salzburg, Austria, in Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, exceeded the voting rights threshold of 3% on 28 October 2011 and amounts to 4.89% (7,481,664 voting rights) as of that date. All of these voting rights are allocated to ZH 1330 GmbH in accordance with Sec. 22 (1) Sentence 1 No. 2 WpHG in conjunction with Sec. 22 (1) Sentence 2 WpHG. 3% or more of the voting rights arising from the shares of the following shareholder were allocated to ZH 1330 GmbH: Familie Porsche Beteiligung GmbH, Grünwald, Germany.

3. The percentage of voting rights held by ZH 1420 GmbH, Salzburg, Austria, in Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, exceeded the voting rights threshold of 3% on 28 October 2011 and amounts to 4.91% (7,514,342 voting rights) as of that date. All of these voting rights are allocated to ZH 1420 GmbH in accordance with Sec. 22 (1) Sentence 1 No. 2 WpHG in conjunction with Sec. 22 (1) Sentence 2 WpHG. 3% or more of the voting rights arising from the shares of the following shareholder were allocated to ZH 1420 GmbH: Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald, Germany. These voting rights were not obtained by exercise of purchase rights resulting from financial instruments according to Sec. 25 (1) Sentence 1 WpHG.”

In addition, Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, Germany, was informed that:

“4. Porsche Verwaltungs GmbH, Salzburg, Austria, has been dissolved through merger.

5. Porsche Piech Zweite Familienholding Neu GmbH, Salzburg, Austria, has been dissolved through spin-off.”

Notification on 3 November 2011:

Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, Germany, was informed by Porsche Wolfgang 2. Beteiligungs GmbH & Co. KG, Stuttgart, Germany, on 3 November 2011 pursuant to Sec. 21 (1) Sentence 1 WpHG that the voting share held by this entity in Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, exceeded the voting rights threshold of 3% on 28 October 2011 and amounted to 4.89% of the voting rights in the issuer (7,481,664 voting rights) as of that date.

All of these voting rights are allocated to Porsche Wolfgang 2. Beteiligungs GmbH & Co. KG in accordance with Sec. 22 (1) Sentence 1 No. 2 WpHG in conjunction with Sec. 22 (1) Sentence 2 WpHG.

3% or more of the voting rights arising from the shares of the following shareholder were allocated to Porsche Wolfgang 2. Beteiligungs GmbH & Co. KG:

Familie Porsche Beteiligung GmbH, Grünwald, Germany.

These voting rights were not obtained by exercise of purchase rights resulting from financial instruments according to Sec. 25 (1) Sentence 1 WpHG.

Notification on 3 November 2011:

Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, Germany, was informed on 3 November 2011 pursuant to Sec. 27a (1) WpHG with reference to the voting rights notifications of the following individuals and entities (the “notifying parties”) dated 5 October 2011

1. Mag. Josef Ahorner, Vienna, Austria
2. Mag. Louise Kiesling, Vienna, Austria
3. Prof. Ferdinand Alexander Porsche, Gries/Pinzgau, Austria
4. Dr. Ferdinand Oliver Porsche, Salzburg, Austria
5. Kai Alexander Porsche, Innsbruck, Austria
6. Mag. Mark Philipp Porsche, Salzburg, Austria
7. Gerhard Anton Porsche, Mondsee, Austria
8. Ferdinand Porsche Privatstiftung, Salzburg, Austria
9. Ferdinand Porsche Holding GmbH, Salzburg, Austria
10. Louise Daxer-Piech GmbH, Salzburg, Austria
11. Louise Daxer-Piech GmbH, Grünwald, Germany
12. Prof. Ferdinand Alexander Porsche GmbH, Salzburg, Austria
13. Ferdinand Alexander Porsche GmbH, Grünwald, Germany
14. Gerhard Anton Porsche GmbH, Salzburg, Austria
15. Gerhard Porsche GmbH, Grünwald, Germany
16. Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald, Germany
17. Ing. Hans-Peter Porsche, Salzburg, Austria
18. Peter Daniell Porsche, Gaisberg 34, Salzburg, Austria
19. Dr. Wolfgang Porsche, Salzburg, Austria
20. Familie Porsche Privatstiftung, Salzburg, Austria
21. Familie Porsche Holding GmbH, Salzburg, Austria
22. Ing. Hans-Peter Porsche GmbH, Salzburg, Austria
23. Hans-Peter Porsche GmbH, Grünwald, Germany
24. Porsche Wolfgang 1. Beteiligungs GmbH & Co. KG, Stuttgart, Germany
25. Wolfgang Porsche GmbH, Stuttgart, Germany
26. Familie Porsche Beteiligung GmbH, Grünwald, Germany
27. Porsche Piech Holding AG (formerly: Porsche Piech Holding GmbH), Salzburg, Austria,

whose voting share in the issuer exceeded the voting rights threshold of 75% on 4 October 2011 in each case, of the following:

"The voting rights thresholds are exceeded through allocation of further voting rights arising from shares in the issuer on account of a consortium agreement in accordance with Sec. 22 (2) WpHG, not through acquisition of shares by the notifying parties.

1) Objective pursued with the acquisition of voting rights (Sec. 27a (1) Sentence 3 WpHG)

a) The matter underlying the allocation of voting rights does not serve either to implement strategic aims or to generate trading profits at the notifying parties.

b) The notifying parties intend to obtain further voting rights within the next 12 months by allocation following internal restructuring within the family.

c) Apart from exercising voting rights at the issuer's annual general meeting in supervisory board elections, the notifying parties do not aim to gain influence over the composition of administrative, management or supervisory bodies at the issuer.

d) The notifying parties do not aim to make any material changes to the issuer's capital structure, including but not limited to the proportion of equity and liabilities and the dividend policy.

2) Origin of the funds used (Sec. 27a (1) Sentence 4 WpHG)

These voting rights are acquired merely by way of allocation of further voting rights in accordance with Sec. 22 (2) WpHG. No equity or liabilities of the notifying parties were used to finance the acquisition of the voting rights."

Notification on 7 December 2011:

Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, Germany, was informed of the following on 7 December 2011 pursuant to Sec. 21 (1) WpHG:

"The percentage of voting rights held by each of the following individuals and legal entities ("notifying parties") in Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, Germany, exceeded the voting rights threshold of 75% on 5 December 2011 and amounts to 78.63% (120,395,572 of a total of 153,125,000 voting rights in Porsche Automobil Holding SE) as of that date:

1. Prof. Dipl.-Ing. Dr. h.c. Ferdinand Karl Piëch, Salzburg, Austria;
2. Ferdinand Karl Alpha Privatstiftung, Vienna, Austria;
3. Dipl.-Ing. Dr. h.c. Ferdinand Piëch GmbH, Salzburg, Austria;
4. Dr. Hans Michel Piëch, Vienna, Austria;
5. Dr. Hans Michel Piech GmbH, Salzburg, Austria;
6. Ferdinand Piëch GmbH, Grünwald, Germany;
7. Hans-Michel Piëch GmbH, Grünwald, Germany.

A share of 13.97% of the voting rights (21,394,758 voting rights) is allocable to the notifying parties 1 through 3 in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG and 64.65% (99,000,814 voting rights) is allocable in accordance with Sec. 22 (2) WpHG.

A share of 13.97% of the voting rights (21,394,757 voting rights) is allocable to the notifying parties 4 and 5 in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG and 64.65% (99,000,815 voting rights) is allocable in accordance with Sec. 22 (2) WpHG.

A share of 64.65% of the voting rights (99,000,814 voting rights) is allocable to the notifying party 6 in accordance with Sec. 22 (2) WpHG.

A share of 64.65% of the voting rights (99,000,815 voting rights) is allocable to the notifying party 7 in accordance with Sec. 22 (2) WpHG.

The voting rights allocated to the notifying parties 1 through 5 in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG were allocated to each notifying party via the following subsidiaries as defined by Sec. 22 (3) WpHG:

1. Notifying party: Prof. Dipl.-Ing. Dr. h.c. Ferdinand Karl Piëch, Salzburg, Austria
Subsidiaries as defined by Sec. 22 (1) Sentence 1 No. 1, (3) WpHG:*
* Ferdinand Karl Alpha Privatstiftung, Vienna, Austria;
* Dipl.-Ing. Dr. h.c. Ferdinand Piech GmbH, Salzburg, Austria;
* Ferdinand Piëch GmbH, Grünwald, Germany;

2. Notifying party: Ferdinand Karl Alpha Privatstiftung, Vienna, Austria
Subsidiaries as defined by Sec. 22 (1) Sentence 1 No. 1, (3) WpHG:
* Dipl.-Ing. Dr. h.c. Ferdinand Piech GmbH, Salzburg, Austria;
* Ferdinand Piëch GmbH, Grünwald, Germany;

3. Notifying party: Dipl.-Ing. Dr. h.c. Ferdinand Piech GmbH, Salzburg, Austria
Subsidiaries as defined by Sec. 22 (1) Sentence 1 No. 1, (3) WpHG:
* Ferdinand Piëch GmbH, Grünwald, Germany;

4. Notifying party: Dr. Hans Michel Piëch, Vienna, Austria
Subsidiaries as defined by Sec. 22 (1) Sentence 1 No. 1, (3) WpHG:
* Dr. Hans Michel Piech GmbH, Salzburg, Austria;
* Hans-Michel Piëch GmbH, Grünwald, Germany;

5. Notifying party: Dr. Hans Michel Piech GmbH, Salzburg, Austria
Subsidiaries as defined by Sec. 22 (1) Sentence 1 No. 1, (3) WpHG:
* Hans-Michel Piëch GmbH, Grünwald, Germany.

3% or more of the voting rights arising from the shares of the following shareholders were allocated to the other notifying parties in accordance with 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. 22 (1) Sentence 1 No. 1 WpHG):
* Ferdinand Piëch GmbH, Grünwald, Germany;
* Hans-Michel Piëch GmbH, Grünwald, Germany;
* Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald, Germany;
* Porsche Gesellschaft mit beschränkter Haftung, Stuttgart, Germany;
* Familie Porsche Beteiligung GmbH, Grünwald, Germany."

Notification on 7 December 2011:

Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, Germany, was informed of the following on 7 December 2011 pursuant to Sec. 21 (1) WpHG:

"The percentage of voting rights held by ZH 1420 GmbH, Salzburg, Austria, and PP 1420 GmbH, Grünwald, Germany, in Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, fell below the voting rights threshold of 3% on 5 December 2011 and amounts to 0.00% of voting rights in the issuer in each case (0 voting rights) as of that date.

PP 1480 GmbH, Grünwald, Germany, has been dissolved through merger."

Notification on 7 December 2011:

Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, Germany, was informed of the following on 7 December 2011 pursuant to Sec. 21 (1) WpHG:

"1. The percentage of voting rights held by Porsche Piech Holding AG, Salzburg, Austria, in Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, exceeded the voting rights threshold of 75% on 5 December 2011 and amounts to 78.63% (120,395,572 voting rights) as of that date. A share of 8.87% of the voting rights (13,587,367 voting rights) is allocable to Porsche Piech Holding AG in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG and 69.75% (106,808,205 voting rights) is allocable on account of an existing consortium agreement in accordance with Sec. 22 (2) WpHG. The voting rights allocated to Porsche Piech Holding AG in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG are actually held via the following controlled entities, whose voting share in Porsche SE amounts to 3% or more in each case: Porsche Gesellschaft m.b.H., Salzburg, Austria, Porsche Gesellschaft mit beschränkter Haftung, Stuttgart, Germany. 3% or more of the voting rights arising from the shares of the following shareholders were allocated to Porsche Piech Holding AG in accordance with Sec. 22 (2) WpHG: Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald, Germany, Familie Porsche Beteiligung GmbH, Grünwald, Germany, Ferdinand Piëch GmbH, Grünwald, Germany, Hans Michel Piëch GmbH, Grünwald, Germany.

2. The percentage of voting rights held by Porsche Gesellschaft m.b.H., Salzburg, Austria, in Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, exceeded the voting rights threshold of 75% on 5 December 2011 and amounts to 78.63% (120,395,572 voting rights) as of that date. A share of 8.87% of the voting rights (13,587,367 voting rights) is allocable to Porsche Gesellschaft m.b.H., Salzburg, Austria, in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG and 69.75% (106,808,205 voting rights) is allocable on account of an existing consortium agreement in accordance with Sec. 22 (2) WpHG. The voting rights allocated to Porsche Gesellschaft m.b.H., Salzburg, Austria, in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG are actually held via the following controlled entity, whose voting share in Porsche SE amounts to 3% or more: Porsche Gesellschaft mit beschränkter Haftung, Stuttgart, Germany. 3% or more of the voting rights arising from the shares of the following shareholders were allocated to Porsche Gesellschaft m.b.H., Salzburg, Austria, in accordance with Sec. 22 (2) WpHG: Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald, Germany, Familie Porsche Beteiligung GmbH, Grünwald, Germany, Ferdinand Piëch GmbH, Grünwald, Germany, Hans Michel Piëch GmbH, Grünwald, Germany.

3. The percentage of voting rights held by Porsche Gesellschaft mit beschränkter Haftung, Stuttgart, Germany, in Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, exceeded the voting rights threshold of 75% on 5 December 2011 and amounts to 78.63% (120,395,572 voting rights) as of that date. A share of 69.75% of the voting rights (106,808,205 voting rights) is allocable to Porsche Gesellschaft mit beschränkter Haftung, Stuttgart, Germany, on account of an existing consortium agreement in accordance with Sec. 22 (2) WpHG. 3% or more of the voting rights arising from the shares of the following shareholders were allocated to Porsche Gesellschaft mit beschränkter Haftung, Stuttgart, in accordance with Sec. 22 (2) WpHG: Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald, Germany, Familie Porsche Beteiligung GmbH, Grünwald, Germany, Ferdinand Piëch GmbH, Grünwald, Germany, Hans Michel Piëch GmbH, Grünwald, Germany.

These voting rights were not obtained by exercise of purchase rights resulting from financial instruments according to Sec. 25 (1) Sentence 1 WpHG."

Notification on 24 January 2012:

Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, Germany, was informed of the following on 24 January 2012 pursuant to Sec. 21 (1) Sentence 1 WpHG: "The percentage of voting rights held by
* Porsche Wolfgang 2. Beteiligungs GmbH & Co. KG, Stuttgart, Germany
* ZH 1320 GmbH, Salzburg, Austria
* PP 1320 GmbH, Grünwald, Germany
* ZH 1330 GmbH, Salzburg, Austria
* PP 1330 GmbH, Grünwald, Germany,

in Porsche Automobil Holding SE, Porscheplatz 1, 70435 Stuttgart, fell below the voting rights threshold of 3% on 23 January 2012 and amounts to 0.00% of voting rights in the issuer in each case (0 voting rights) as of that date."

In addition, Porsche Automobil Holding SE, Stuttgart, Germany, was , informed that PP 1520 GmbH (formerly: ESP 1520 GmbH), Grünwald, Germany, and PP 1530 GmbH (formerly: ESP 1530 GmbH), Grünwald, Germany, have both been dissolved by merger.

[26] Related parties

In accordance with IAS 24, persons or entities which are in control of or controlled by Porsche SE must be disclosed. Pursuant to a consortium agreement, the Porsche and Piëch families have direct and indirect control respectively of the parent company Porsche SE.

The Porsche and Piëch families, in their capacity as holders of ordinary shares in Porsche SE provided €2,245 million to Porsche SE by subscribing to new ordinary shares in the course of the capital increase. This contribution is presented under supplies and services rendered. Apart from that, there were only immaterial trade transactions between the Porsche SE group and the Porsche and Piëch families and their affiliates. The disclosure requirements under IAS 24 also extend to persons, and their close family members, who have the power to exercise significant influence over the entity, i.e. who have the power to participate in the financial and operating policies of the entity, but do not control it. In the 2011 reporting period, this concerns members of the supervisory board and the executive board of Porsche SE as well as their close family members.

The disclosure requirements pursuant to IAS 24 also include persons and entities over which the Porsche SE group can exert a significant influence or joint control.

Porsche SE exercises a significant influence on the Volkswagen group (associate) and jointly controls the Porsche Zwischenholding GmbH group (joint venture). Relations to all subsidiaries of these two former subgroups are presented. Supplies and services rendered include dividends and profit distributions totaling €485 million received from these groups (prior year: €282 million).

There are relations to the Porsche Zwischenholding GmbH group in the form of receivables and liabilities subject to market interest rates (please refer to notes [12] and [19]). Financial services were rendered to entities in that group, giving rise to finance revenue totaling €183 million (prior year: €78 million) and cost of purchased services of €175 million (prior year: €73 million). In addition, financial and other guarantees with a total volume of €2,152 million (prior year: €3,428 million) were issued to entities of that group. The probability of claims being made on the guarantees is considered very low and Volkswagen AG has signed a hold harmless agreement for a share of 49.9% (for further details, please refer to note [21]).

As part of the basic agreement and the associated agreements implementing it, Porsche SE additionally entered into agreements with Volkswagen AG and entities of the Porsche Zwischenholding GmbH group including the following:

- Porsche SE holds Volkswagen AG as well as Porsche Zwischenholding GmbH and Porsche AG harmless from obligations resulting from certain litigation, tax liabilities (plus interest) and for certain major losses.
- In addition, Porsche SE has granted Volkswagen AG various guarantees regarding Porsche Zwischenholding GmbH and Porsche AG. These relate, among other things, to the proper issue and full payment of the shares in Porsche AG, to the ownership of shares in Porsche Zwischenholding GmbH and Porsche AG as well as to the licenses, permits and industrial property rights required for Porsche AG's operations.
- Volkswagen AG will hold Porsche SE harmless from certain financial guarantees issued by Porsche SE to the creditors of entities in the Porsche Zwischenholding GmbH group for the amount of its share in Porsche Zwischenholding GmbH's capital (please refer to note [21]).
- Should loan obligations of Porsche Zwischenholding GmbH or Porsche AG due to Porsche SE fall due and be uncollectible in the event of insolvency of Porsche Zwischenholding GmbH or Porsche AG, Volkswagen AG will assume these obligations provided it would have been possible when they fell due to offset the obligations against claims against Porsche SE had the companies not become insolvent (please refer to note [12]).
- Porsche SE has pledged a loan receivable due from Porsche Zwischenholding GmbH and 70 million of the ordinary shares that it holds in Volkswagen AG as collateral for two loan liabilities to entities of the Porsche Zwischenholding GmbH group (please refer to notes [12] and [19]).
- In addition, Porsche SE will under certain circumstances hold Porsche Zwischenholding GmbH, Porsche AG and their legal predecessors harmless from tax burdens that go beyond the obligations from periods up until and including 31 July 2009 accounted for at the level of these entities.

Porsche SE and Volkswagen AG granted each other put and call options relating to the remaining 50.1% share held by Porsche SE in Porsche Zwischenholding GmbH, which was held in trust on behalf of Porsche SE until 31 December 2011. Porsche SE can exercise the put option from 15 November 2012 until the end of the day on 14 January 2013 and again from 1 December 2014 until the end of the day on 31 January 2015. Volkswagen AG can exercise the call option as of 1 March 2013 until the end of the day on 30 April 2013 and again from 1 August 2014 until the end of the day on 30 September 2014. The exercise price for the two options is €3,883 million and subject to certain adjustments (for the carrying amounts of these options and collateral provided, reference is made to notes [12] and [20]). Volkswagen AG (in the event that it exercises its call option) as well as Porsche SE (in the event that it exercises its put option) have both agreed to bear any tax expenses arising from exercising the options and from any downstream measures with respect to the investments in Porsche Zwischenholding GmbH (e.g., from back taxes on the 2007 and/or 2009 spin-off). Should Volkswagen AG, Porsche Zwischenholding GmbH, Porsche AG or their respective subsidiaries enjoy tax advantages as a result of subsequent taxation of the 2007 and/or 2009 spin-off, the purchase price payable by Volkswagen AG for transfer of the remaining 50.1% share in Porsche Zwischenholding GmbH will be increased by the present value of the tax advantages in the event that Porsche SE exercises its put options.

In order to secure any remaining claims of Volkswagen AG from the agreement between Porsche SE and Volkswagen AG on the investment held by Volkswagen AG in Porsche Zwischenholding GmbH, a retention mechanism was agreed in favor of Volkswagen AG for the purchase price payable in the event of the put or call option being exercised. If any retained amount has not been used to fulfill claims of Volkswagen AG, the retained amount must be paid to Porsche SE on 30 June 2016, unless it is likely that claims for indemnity will be made against the company as of that date.

Volkswagen AG has agreed to hold Porsche SE harmless for internal purposes from any claims of the deposit guarantee fund agency after Porsche SE issued a hold harmless declaration to the deposit guarantee fund agency as required by the Association of German Banks in August 2009. In addition, Volkswagen AG has undertaken to hold the deposit guarantee fund agency harmless from any losses incurred as a result of its measures in favor of a bank in which it holds the majority.

The table below shows the supplies and services rendered and received between the Porsche SE group and its related parties as well as existing receivables and liabilities.

	Supplies and services rendered		Supplies and services received	
€ million	**2011**	SFY 2010	**2011**	SFY 2010
Porsche and Piëch families	2,245	0	0	0
Joint ventures	340	360	176	73
Associates	330	158	4,373	547
	2,915	**518**	**4,549**	**620**

	Receivables		Liabilities	
€ million	**31/12/2011**	31/12/2010	**31/12/2011**	31/12/2010
Joint ventures	4,030	4,027	3,880	3,881
Associates	232	459	5,087	942
	4,262	**4,486**	**8,967**	**4,823**

For members of the executive board and of the supervisory board, short-term employee benefits of €3.3 million were paid out in the fiscal year 2011 (prior year: €1.6 million). No post-employment benefits were paid out either in the fiscal year 2011 or in SFY 2010.

The members of Porsche SE's executive board do not receive any pension benefits from the company. Accordingly, there were no post-employment benefits for active or former members of the executive board of Porsche SE in fiscal year 2011 or SFY 2010.

As of the end of the fiscal year, the outstanding balances for remuneration of members of Porsche SE's executive board and supervisory board amounted to €0.7 million (prior year: €0.3 million).

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

The total remuneration of members of Porsche SE's executive board amounted to €2.3 million in fiscal year 2011 (prior year: €0.9 million). It comprises the remuneration paid by Porsche SE. The members of Porsche SE's executive board receive a fixed basic salary only.

The total remuneration of the supervisory board for fiscal year 2011 amounts to €1.0 million (prior year: €0.6 million). The remuneration consists of short-term benefits only.

There are no further obligations towards members of the supervisory board or the executive board.

The individualized remuneration of the members of the executive board and supervisory board is presented in the remuneration report as part of the management report.

[28] Auditor's fees

The auditor's fees charged by the auditor Ernst & Young GmbH, Stuttgart, for the fiscal year in accordance with Sec. 314 (1) No. 9 HGB break down as follows:

EUR000	**2011**	SFY 2010
Audit of financial statements	250	345
Other assurance services	3,525	0
Tax advisory services	2,264	1,000
Other services	1,095	787
	7,134	2,132

The tax advisory services contain services for the prior year of €537 thousand.

The increase in auditor's fees are mostly attributable to services rendered in connection with the planned creation of the integrated automotive group between Porsche and Volkswagen.

[29] Declaration on the German Corporate Governance Code

The executive board and supervisory board of Porsche SE issued the declaration required by Sec. 161 AktG on 5 October 2011 and made it permanently accessible to the shareholders of Porsche SE on the website www.porsche-se.com.

Stuttgart, 27 February 2012

Porsche Automobil Holding SE

The executive board

Prof. Dr. Martin Winterkorn   Thomas Edig   Hans Dieter Pötsch   Matthias Müller

Responsibility statement

We assure to the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report, which has been combined with the management report of Porsche SE, includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Stuttgart, 27 February 2012

Porsche Automobil Holding SE

The executive board

Prof. Dr. Martin Winterkorn Thomas Edig Hans Dieter Pötsch Matthias Müller

Auditors' report of the group auditor

"We have audited the consolidated financial statements prepared by Porsche Automobil Holding SE, Stuttgart, comprising the income statement, the statement of comprehensive income, the balance sheet, the statement of cash flows, the statement of changes in equity as well as the notes to the financial statements, together with the combined management report for the fiscal year from 1 January to 31 December 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development."

Stuttgart, 27 February 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Wollmert	Matischiok
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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

Members of the supervisory board of Porsche Automobil Holding SE

Dr. Wolfgang Porsche
(chairman)

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart (chairman)
Volkswagen AG, Wolfsburg

B) Porsche Holding Gesellschaft m.b.H., Salzburg
Porsche Gesellschaft m.b.H., 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
Porsche Piech Holding AG, Salzburg (deputy chairman)
Schmittenhöhebahn AG, Zell am See

Uwe Hück
(deputy chairman)

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

Berthold Huber

A) Volkswagen AG, Wolfsburg (deputy chairman)
AUDI AG, Ingolstadt (deputy chairman)
Siemens AG, Munich (deputy chairman)

His Excellency Sheik Yassim Bin Abdulaziz Bin Yassim Al-Thani

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

Prof. Dr. Ulrich Lehner

A) Deutsche Telekom AG, Bonn (chairman)
E.ON AG, Düsseldorf
ThyssenKrupp AG, Düsseldorf
Henkel Management AG, Düsseldorf

B) Dr. August Oetker KG, Bielefeld
Henkel AG & Co. KGaA, Düsseldorf
Novartis AG, Basle

Peter Mosch

A) Volkswagen AG, Wolfsburg
AUDI AG, Ingolstadt

Bernd Osterloh

A) Autostadt GmbH, Wolfsburg
Volkswagen AG, Wolfsburg
Wolfsburg AG, Wolfsburg

B) Porsche Holding Gesellschaft m.b.H., Salzburg
Projekt Region Braunschweig GmbH, Braunschweig
Volkswagen Coaching GmbH, Wolfsburg
VfL Wolfsburg Fussball GmbH, Wolfsburg

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

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

B) Porsche Gesellschaft m.b.H., Salzburg
Porsche Holding Gesellschaft m.b.H., Salzburg
Porsche Piech Holding AG, Salzburg

Dr. Hans Michel Piëch

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart
Volkswagen AG, Wolfsburg
AUDI AG, Ingolstadt

B) Porsche Holding Gesellschaft m.b.H., Salzburg
Porsche Gesellschaft m.b.H., 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
Porsche Piech Holding AG, Salzburg (chairman)
Volksoper Wien GmbH, Vienna
Schmittenhöhebahn AG, Zell am See

Dr. Ferdinand Oliver Porsche

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart
Volkswagen AG, Wolfsburg
AUDI AG, Ingolstadt

B) Voith GmbH, Heidenheim
Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Bietigheim-Bissingen
Porsche Holding Gesellschaft m.b.H., Salzburg
PGA S.A., Paris

Werner Weresch

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

Hans Baur (until 31 December 2011)

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

Hansjörg Schmierer (since 23 January 2012)

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart
Mahle GmbH, Stuttgart

Members of the executive board of Porsche Automobil Holding SE

Prof. Dr. rer. nat. Dr.-Ing. E.h. Martin Winterkorn (chairman)

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart
AUDI AG, Ingolstadt (chairman)
Salzgitter AG, Salzgitter
FC Bayern München AG, Munich

B) Scania AB, Södertälje (chairman)
ŠKODA AUTO a.s., Mladá Boleslav (chairman)
Porsche Holding Gesellschaft m.b.H., Salzburg
Bentley Motors Ltd., Crewe
Volkswagen (China) Investment Company Ltd., Beijing (chairman)
Volkswagen Group of America, Inc., Herndon, Virginia (chairman)
Porsche Austria Gesellschaft m.b.H., Salzburg
Porsche Retail GmbH, Salzburg
Italdesign-Giugiaro S.p.A., Turin (chairman)

Hans Dieter Pötsch

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart
AUDI AG, Ingolstadt
Volkswagen Financial Services AG, Braunschweig (chairman)
Autostadt GmbH, Wolfsburg (chairman)
Bertelsmann AG, Gütersloh

B) Bentley Motors Ltd., Crewe
Volkswagen (China) Investment Company Ltd., Beijing (deputy chairman)
Volkswagen Group of America, Inc., Herndon, Virginia
Scania AB, Södertälje
Porsche Holding Gesellschaft m.b.H., Salzburg (deputy chairman)
Porsche Austria Gesellschaft m.b.H., Salzburg (deputy chairman)
Porsche Retail GmbH, Salzburg (deputy chairman)
VfL Wolfsburg Fussball GmbH, Wolfsburg (deputy chairman)

Thomas Edig

A) DEKRA Automobil GmbH, Stuttgart

B) Porsche Consulting GmbH, Bietigheim-Bissingen
Porsche Logistik GmbH, Stuttgart
Porsche Leipzig GmbH, Leipzig
Mieschke Hofmann und Partner Gesellschaft für Management- und IT-Beratung mbH, Freiberg/N.

Matthias Müller

A) Porsche Deutschland GmbH, Bietigheim-Bissingen

B) Porsche Cars North America Inc., Wilmington
Porsche Cars Great Britain Ltd., Reading
Porsche Italia S.p.A., Padua
Porsche Ibérica S.A., Madrid
Porsche Hong Kong Ltd., Hong Kong
Porsche (China) Motors Ltd., Guangzhou
Porsche Enterprises Inc., Wilmington SEAT S.A., Martorell

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

As of 31 December 2011

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

Balance sheet of Porsche Automobil Holding SE as of 31 December 2011[1]

€ million	**31/12/2011**	31/12/2010
Assets		
Non-current assets		
Financial assets	24,771	24,771
	24,771	24,771
Current assets		
Trade receivables	4,030	4,027
Other receivables and assets	228	302
Cash and cash equivalents	460	622
	4,718	4,951
Prepaid expenses	5	35
	29,494	**29,757**
Equity and liabilities		
Equity		
Subscribed capital	306	175
Capital reserves	4,980	122
Retained earnings	17,379	17,102
Net retained profit available for distribution	232	440
	22,897	17,839
Provisions		
Provisions for pensions and similar obligations	8	7
Sundry provisions	196	258
	204	265
Liabilities		
Liabilities to banks	2,000	7,000
Trade payables	1	18
Sundry liabilities	4,392	4,635
	6,393	11,653
	29,494	**29,757**

[1] The financial statements of Porsche SE have been prepared in accordance with German accounting standards (HGB) and are published in the elektronischer Bundesanzeiger (German Electronic Federal Gazette). They can be obtained from Porsche SE, Financial Press and Investor Relations, Porscheplatz 1, 70435 Stuttgart, Germany.

Income statement of Porsche Automobil Holding SE for the period from 1 January to 31 December 2011

€ million	**2011**	SFY 2010
Other operating income	12	32
Personnel expenses	– 14	– 11
Other operating expenses	– 128	– 44
Income from investments	485	353
Interest result	– 219	– 113
Income from ordinary activities	**136**	**217**
Extraordinary expenses	0	– 2
Income taxes	41	664
Other taxes	– 31	0
Net profit	**146**	**879**
Withdrawals from retained earnings	86	0
Transfer to retained earnings	0	– 439
Net retained profit available for distribution	**232**	**440**