

## Interim report

Report on the first four months of the 2008/09 fiscal year  
from 1 August 2008 to 30 November 2008

In the first four months of the current 2008/09 fiscal year (1 August 2008 to 30 November 2008), Porsche Automobil Holding SE came closer to creating an automotive alliance with Volkswagen. The shareholding in Volkswagen AG, Wolfsburg, was increased from 30.3 percent to 42.6 percent of VW's ordinary shares in the period under review. As at 30 November 2008, the cash settled options held by Porsche for VW ordinary shares amounted to approximately 28.1 percent of the VW ordinary shares.

In October 2008, it became obvious that considerably more short positions must exist on the market in relation to VW ordinary shares than the executive board of Porsche SE had expected. As a result, on 26 October 2008, the executive board of Porsche became convinced that the immediate disclosure of Porsche's stake in the amount of 42.6 percent of the VWs ordinary shares, as well as the cash settled options for VW ordinary shares, which at that time amounted to 31.5 percent of VW's ordinary shares, was necessary in order to give the apparently numerous short sellers the opportunity to settle their positions without rush and without facing major risks. The executive board of Porsche SE also considered it proper at that time to determine and communicate its intentions with regard to at the further increase of the stake in Volkswagen and the conclusion of a domination and profit transfer agreement with VW. The executive board then decided to strive to increase Porsche SE's share in VW to 75 percent of the ordinary shares in 2009 as a basic prerequisite for a domination agreement, and to communicate this intention on the occasion of the disclosure of the holding in VW ordinary shares and the cash settled options relating to ordinary shares in VW.

The development of the share price of the VW ordinary shares in the days following the disclosure on 26 October 2008 came as a complete surprise to Porsche and made it appear necessary to settle, depending on the state of the market, up to five percent of the hedging positions in VW ordinary shares. This was intended to avoid further erratic movements in the price of VW's ordinary shares, and the resulting negative consequences for those involved. Porsche SE will decide on future changes in the amount of cash settled options after careful consideration and taking into account the interests of the company. Regular disclosure of the amount of options held is neither planned nor currently required by law.

Porsche SE remains committed to its goal of initially increasing its stake in VW's ordinary shares to above 50 percent as soon as possible and further increasing it to 75 percent in 2009. However, this is dependent on the right economic conditions. These include the share price of the VW ordinary share at any given time. However, as ultimately the average acquisition price of all VW ordinary shares held by Porsche is decisive from the point of view of Porsche SE, such acquisitions can also take place at prices above the valuation range of EUR 200 to EUR 250 that can in principle be considered reasonable. Porsche SE is therefore keeping all of its options open with regard to the extent, timing and implementation of the further increase of its stake.

## **Conversion into new shares of Porsche SE**

In the 2008/09 fiscal year, Porsche also commenced with the conversion of the old share certificates made out to "Dr. Ing. h.c. F. Porsche Aktiengesellschaft" into the corresponding new certificates of Porsche Automobil Holding SE. For shareholders who keep their shares in a securities deposit account of a bank, the bank concerned initiated the necessary steps. The identification number of the Porsche dividend papers changed on their portfolio statement on 1 September 2008. Those shareholders who keep their shares themselves were able to file these securities with the custodian bank for conversion between 1 September and 5 December 2008. In these cases, the propriety of the certificates that had been submitted was examined and the shareholders received new no par value shares made out to Porsche Automobil Holding SE with a coupon sheet containing the profit participation certificates numbers 1 to 20 and the renewal coupon. There were certificates for single no par value shares and global certificates for ten or a hundred no par value shares each. Conversion was necessary as the old share certificates had become incorrect following the redistribution of capital stock (share split at a ratio of ten for one) which was completed in March 2008, the change of the corporate form into a Societas Europaea (SE) and its renaming as "Porsche Automobil Holding SE". On 9 December 2008, the old share certificates of Dr. Ing. h.c. F. Porsche Aktiengesellschaft were declared invalid.

## **Mandatory offer submitted for Audi shares**

Porsche was required to make a mandatory offer for Audi as a subsidiary of Volkswagen in the period under review. This was because at 35.14 percent of the total voting rights, Porsche SE's share in Volkswagen AG as of 16 September 2008 gave it a lasting majority at the VW shareholders' meeting, and therefore gained de facto control over the Wolfsburg-based group. At the same time, it was not Porsche's intention to acquire shares in Audi. This is why the company only offered Audi shareholders the minimum legally permissible price, which was calculated at EUR 485.83 per share. Volkswagen AG had previously announced that the offer would not be accepted for its approx. 99.14 percent share in Audi. The mandatory offer therefore concerned only the approx. 0.86 percent of shares in free float, which corresponds to about 370,000 Audi shares. The period for accepting the mandatory offer was limited to the shortest legally permissible period of four weeks. This started on 29 September 2008 and ended on 27 October 2008. 176,547 or 0.4 percent of the shares in Audi were offered to Porsche for purchase. Porsche SE used existing liquidity to finance the purchase of these shares, to the value of EUR 86 million. The acquired Audi shares have now been sold to Volkswagen AG.

## **SE works council formed**

Upon gaining de facto control of Volkswagen AG, the SE works council was asked to reconstitute itself to include the workforce of the VW Group. The founding meeting of the SE works council took place on 15 December 2008. The 40 members of this body – 20 each from the two companies – elected the chairman of the Volkswagen AG group works council, Bernd Osterloh, as chairman and the chairman of the Porsche AG group works council, Uwe Hück, as deputy chairman. Members of the executive committee and the nomination committee were also elected. The latter drafts a list of candidates for the supervisory board of Porsche SE. Six employee representatives also sit on the supervisory board of Porsche SE, which consists of an equal number of employee and shareholder representatives.

## **EU commission takes steps against VW law**

Porsche SE received support in November 2008 from the EU commission, which intends to take steps against the amendment to the VW law introduced by the German federal government. This entered into force on 11 December 2008 after being passed by both chambers of the German parliament. The new law also lowers the blocking minority for certain resolutions of the shareholders' meeting to 20 percent instead of the 25 percent of the capital stock represented as originally stipulated by the German Stock Corporation Act (AktG). The European Commission had objected to fundamental parts of the old VW law as contrary to European law, including the 20 percent minority blocking clause.

Porsche is currently appealing against the rejection of its motion at the shareholders' meeting of VW on 24 April 2008 to adapt VW's articles of association in full to the VW ruling of the European Court of Justice of 23 October 2007. On 27 November 2008, the Hanover local court rejected Porsche's suit. The company has already filed an appeal against the ruling with the higher regional court in Celle. The background: At the shareholders' meeting of Volkswagen, Porsche SE tabled a motion to adapt VW's articles of association in response to the VW ruling of the European Court of Justice. The motion involved the deletion of the following three points from VW's articles of association: Firstly the right of appointment, i.e. the right of the Federal Republic of Germany and the State of Lower Saxony to appoint two members of VW's supervisory board irrespective of their level of investment, secondly the limitation of voting rights to a maximum of 20 percent of total voting rights per shareholder, and thirdly the special provision requiring a majority of more than 80 percent for resolutions of the shareholders' meeting where generally applicable stock corporation law only requires a three-quarters majority of voting rights represented. The latter provision of the articles of association reduces the blocking minority from 25 to 20 percent for the benefit of the state of Lower Saxony.

## **Porsche caught in general downward trend**

Porsche was unable to continue bucking the general negative trend in the global automotive industry in the first four months of the current 2008/09 fiscal year. In the period from 1 August 2008 to 30 November 2008, sales fell 9.7 percent compared to the same period in the prior year to EUR 2.15 billion. Unit sales fell 18.7 percent to a total of 25,016 vehicles. The 911 was the least affected model series, with a drop in unit sales of 6.9 percent to 10,084 units. This is the reflection of the success of the new 911 Carrera models with economical direct fuel injection and the new Porsche double clutch transmission (PDK). The Cayenne also fared well with a fall of just 8.8 percent and 12,259 vehicles sold. However, unit sales of the Boxster series including the Cayman models fell 58.9 percent to 2,673 units. These sales figures reflected in particular the approaching model revamp.

## **Global drop in unit sales**

The global spread of unit sales illustrates the fact that no region of the world remained untouched by the abrupt halt in automotive markets brought about by the financial crisis in the US. In Germany, unit sales for the period under review fell 18.6 percent to 3,218 units, while unit sales in North America decreased 18.2 percent to 8,814 vehicles. In the rest of the world, Porsche sold 12,984 units in the first four months of the ongoing fiscal year, 19.1 percent less than in the prior year.

## **Further increase in number of Cayennes manufactured**

Porsche scaled down production by 13.0 percent in response to the difficult sales environment. A total of 30,780 vehicles rolled off the line in the period from 1 August 2008 to 30 November 2008. In Leipzig, 16,468 units of the Cayenne series were built, 6.7 percent more vehicles than in the comparable period in the prior fiscal year. The 11,132 vehicles of the 911 series produced at the Zuffenhausen plant, represented a drop of 8.5 percent. Production of the Boxster series dropped 60.3 percent to 3,092 units.

## **More jobs created**

Despite clearly cautious spending on the part of customers in the international sales markets, Porsche was able to create further jobs in the first four months of the 2008/09 fiscal year. At 12,445 employees, the Group's headcount has risen 4.8 percent since 30 November 2007. Most new hires were needed in the service and sales functions. The first 88 units of the new Gran Turismo Panamera have already been produced in Leipzig. Porsche's fourth model series will be on sale from the coming 2009/10 fiscal year.

## **Result within expectations**

Similar to sales revenue and unit sales, the Group's operating result also fell below the prior year in the period under review. On the other hand, the result from share option transactions designed for cash settlement rose. This is due to in particular the high market rate of Volkswagen shares as of 30 November 2008. Volkswagen's profits that are attributable to Porsche in accordance with what is now a 31.4 percent share in the capital stock of Volkswagen almost reached prior-year values. The overall result continues to be influenced by the development costs for the fourth model series, the four-door Gran Turismo Panamera, and the hybrid drive for the Cayenne.

## **Financial position and net assets**

There has been no significant change in total assets since the end of the prior fiscal year. Investments in the Gran Turismo Panamera and the increase in voting shares in Volkswagen AG to 42.6 percent in particular have resulted in a strong increase in fixed assets compared to 31 July 2008. The build up of the investment in Volkswagen also reduced net liquidity within the Group.

## **New logistics subsidiary established**

Porsche is constantly improving its processes. The wholly-owned subsidiary Porsche Logistik GmbH was established in Stuttgart in the period under review. Its tasks include planning and implementing logistical services. The new Logistics Center is based in Sachsenheim near Ludwigsburg. Once it had become fully operational, Porsche withdrew from five sites that the company had leased in the Stuttgart area. The current spare parts warehouses in Ludwigsburg and Waiblingen will also be abandoned once the second stage of construction has been completed in Sachsenheim. Porsche Logistik GmbH employees 17 employees.

## **New-generation Boxster on the starting line**

Porsche's extensive product portfolio will become even more attractive with the market launch of the second-generation mid-engined sports car. Porsche introduced its new Boxster and Cayman models for the first time at the Los Angeles Auto Show in November 2008. The focus of the transition is on the newly developed boxer engines that are not only more powerful but also more economical than the engines of preceding models. Porsche's double clutch transmission (PDK) also allows further improvement with regard to consumption, emissions and handling. The consumption figures of vehicles equipped with PDK are up to sixteen percent lower than those of the first generation Boxster. The new models will be on sale from February 2009. The market launch in North America is scheduled for March 2009.

In February, the sports car manufacturer will also be introducing a Cayenne model with a diesel engine. The decision for the diesel was made in response to a change in the legal situation. This resulted in the favorable tax treatment of diesel engines, particularly in Europe. In addition, Porsche's shareholding in the Volkswagen Group, the largest manufacturer of modern diesel engines for passenger cars in the world, offered new opportunities for sourcing these components.

The Cayenne S Transsyberia represents a homage to sporting rally triumphs, and will be available at dealerships from the beginning of 2009. Like the tough vehicles that took part in the Transsyberia Rally from Moscow to the Mongolian capital of Ulan Bator, the road-going version is also based on the Cayenne S with 4.8 liter V8 suction engine and economical direct fuel injection.

## **Outlook**

Porsche Automobil Holding SE anticipates a tangible fall in unit sales figures for the current 2008/09 fiscal year. Throughout the world, the portents of a severe breakdown in demand in the automotive industry are unmistakable. The future trend is difficult to calculate, particularly in the US, Porsche's largest single market.

Despite the fall in unit sales, Porsche stands by its policy of not granting ex works discounts. Instead, production is to be adjusted to suit demand. The Zuffenhausen plant will be on shutdown for eight days between now and the end of January 2009. Porsche expects its next boost in the coming fiscal year with the launch of the four-door, four-seater Gran Turismo Panamera.

## The Porsche Group in Figures

		2008/09 (Aug. - Nov.)	2007/08 (Aug. - Nov.)	Change in percent
Turnover	Billion Euros	2.15	2.38	- 9.7
Sales (new cars)	units	25,016	30,778	- 18.7
911		10,084	10,827	- 6.9
Boxster/Cayman		2,673	6,509	- 58.9
Cayenne		12,259	13,441	- 8.8
RS Spyder		0	1	
Regions	units	25,016	30,778	- 18.7
Germany		3,218	3,951	- 18.6
North America		8,814	10,781	- 18.2
Rest of the World		12,984	16,046	- 19.1
Production	units	30,780	35,391	- 13.0
911		11,132	12,170	- 8.5
Boxster/Cayman		3,092	7,785	- 60.3
Cayenne		16,468	15,435	+ 6.7
Panamera		88	0	
RS Spyder		0	1	
Workforce	on November 30	12,445	11,873	+ 4.8

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