PORSCHE AUTOMOBIL HOLDING SE

Six-month report as of 31 January 2010

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Interim group management report

The six-month report of Porsche Automobil Holding SE ("Porsche SE") depicts the course of business of the Porsche SE group (Porsche SE and its subsidiaries) over the first six months of the 2009/10 fiscal year and includes information about the period from 1 August 2009 to 15 March 2010. Volkswagen Aktiengesellschaft, Wolfsburg, ("Volkswagen AG", "Volkswagen" or "VW") and its subsidiaries ("Volkswagen group") have been included in the interim condensed consolidated financial statements with the figures for the period from 1 July to 31 December 2009. The effects of the amortization of hidden reserves and liabilities identified in the course of the purchase price allocation for the Volkswagen group as well as the unit sales and production figures of the Volkswagen group published in this six-month report also refer to this period.

Recent developments

Enlargement of the executive board of Porsche SE
Prof. Dr. Martin Winterkorn, chairman of the executive board of Volkswagen AG, and Hans Dieter Pötsch, CFO of Volkswagen AG, joined Porsche SE's executive board as of 25 November 2009, while maintaining their responsibilities at Volkswagen, thus enlarging the executive board, of which Michael Macht, CEO of Dr. Ing. h.c. F. Porsche Aktiengesellschaft ("Porsche AG") and Thomas Edig, labor director at Porsche AG, where he is also responsible for HR and social issues are also members. Prof. Winterkorn now chairs the board and Mr. Pötsch is the CFO.

Basic agreement for an integrated automotive group
At the end of November/beginning of December 2009, Porsche SE and Volkswagen AG took the first steps towards creating an integrated automotive group between Porsche and Volkswagen pursuant to the basic agreement.

Porsche's operating business was ultimately contributed to a (new) Porsche AG, in which Volkswagen acquired a 49.9 percent shareholding through a newly formed intermediate holding company (Porsche Zwischenholding GmbH) following a capital increase at Porsche Zwischenholding GmbH based on an enterprise value of 12.4 billion euro. In connection with the capital increase, Porsche SE received cash of approximately 3.9 billion euro, which was mainly used to repay debts. Porsche SE and Volkswagen AG granted each other put and call options for the remaining 50.1 percent share of Porsche Zwischenholding GmbH, which is held in trust on behalf of Porsche SE. These options can be exercised within fixed time frames over the period from 15 November 2012 to 31 January 2015 in the event that the merger of Porsche SE and Volkswagen AG does not take place.

The basic agreement not only provided for the blocking minority of 20 percent stipulated by the articles of association of Volkswagen AG and the insertion into the articles of association of Volkswagen AG a right of the State of Lower Saxony to appoint supervisory board members but also granted authorization to issue up to 135 million new preference shares with subscription rights for all shareholders of Volkswagen AG. The creation of authorized capital forms the basis of a sound financing structure of the integrated automotive group. The right of the State of Lower Saxony to appoint two members to the supervisory board of Volkswagen AG is granted as long as it directly or indirectly holds 15 percent or more of the ordinary shares in Volkswagen AG.

Finally, on 24 November 2009, Volkswagen AG granted the largest family shareholders of Porsche Holding Salzburg (Porsche Holding GmbH and Porsche Gesellschaft m.b.H, both with registered offices in Salzburg) the right to transfer the operative sales and distribution business to Volkswagen. This right can be exercised until 31 December 2013 but not before 1 January 2011. The plan is for the larger portion of the income from the transfer to be contributed to Porsche SE as part of a capital increase, thus contributing to remedying its indebtedness. This will form the basis for the merger of Porsche SE and Volkswagen AG.

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

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

The combination of Volkswagen and Porsche in a group with ten strong brands has compelling strategic, industrial and financial logic. The integrated group is expected to be able to realize considerable additional growth potential in future.

Strategic investor Qatar
Porsche SE already satisfied another condition for the integrated automotive group on 14 August 2009, by selling a significant portion of the cash settled options for shares in Volkswagen AG to Qatar Holding LLC. The transaction provided Porsche SE with more than 1 billion euro in cash, which had been used as collateral for the option arrangement until this date. At the same time, Qatar Holding LLC acquired 10 percent of the ordinary shares in Porsche SE and, in September 2009, participated with an amount of 265 million euro in Porsche SE's syndicated loan, which was replaced in November 2009 by a new financing arrangement. Qatar Holding LLC also participated in this loan.

There are plans for Porsche SE to sell its remaining cash settled options for less than three percent of VW's ordinary shares.

Conclusion of negotiations with syndicate banks
While the first steps were being taken to implement the basic agreement, stand-alone financing arrangements were made for Porsche SE and Porsche AG in November 2009, replacing the previous loans and concluding two new syndicated loans.

The total credit line available to Porsche SE now amounts to 8.5 billion euro, split into a tranche of 2.5 billion euro expiring on 30 June 2011 and two further tranches expiring on 31 December 2012.

Porsche AG secured a new operating line of credit with a banking syndicate at the end of November 2009. This revolving credit line of up to 2.5 billion euro will be used to replace the existing credit lines of Porsche AG. It ensures that there is sufficient financial headroom at customary market conditions for the development of the operating business through 31 December 2012.

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

Deconsolidation of the Porsche and Volkswagen subgroups
The resolution to include in Volkswagen AG's articles of association the right of the State of Lower Saxony to appoint two members of the supervisory board of Volkswagen AG prevents Porsche SE from continuing to fully consolidate the Volkswagen group. For the purpose of group accounting according to International Financial Reporting Standards (IFRSs), Porsche SE no longer has the possibility to appoint the shareholder representatives on the supervisory board of Volkswagen AG alone.

The deconsolidation of the Volkswagen group consequently performed on 3 December 2009 did not have any impact on the liquidity situation of Porsche SE, but had a sustained effect on the net assets, financial position and results of operations of the Porsche SE group. As Porsche SE will continue to have significant influence as defined by IFRS on Volkswagen AG in the future, the company will be included in the consolidated financial statements of Porsche SE as an associate accounted for at equity as of this date.

The deconsolidation of the Volkswagen group gave rise to a considerable loss that was partially offset by the positive result from the inclusion of Volkswagen AG as an associate for the first time.

A further positive contribution to the result arose from the deconsolidation of the Porsche Zwischenholding GmbH group (Porsche Zwischenholding GmbH and Porsche AG and its subsidiaries). Deconsolidation became necessary as of 7 December 2009 after Volkswagen AG assumed a 49.9 percent shareholding in Porsche Zwischenholding GmbH in the course of a capital increase at Porsche Zwischenholding GmbH performed on this date. The taking of this shareholding meant that Porsche SE lost control, as defined by IFRS, of this company, which, since then, has been a joint venture of Porsche SE and Volkswagen AG that is likewise included in the consolidated financial statements of Porsche SE at equity.

The first-time inclusion of Porsche Zwischenholding GmbH as a joint venture and Volkswagen AG as an associate means that a purchase price allocation has to be performed for the Porsche Zwischenholding GmbH group and the Volkswagen group.

A purchase price allocation involves the comprehensive revaluation of all assets and liabilities of both groups and comparing their values with the respective purchase price in order to determine goodwill or a negative goodwill. The purchase price allocation performed when the Volkswagen group was initially consolidated as of 5 January 2009 was completed in November 2009. No restatements were made to the figures contained in the consolidated financial statements of Porsche SE as of 31 July 2009.

The purchase price allocations performed for the Porsche Zwischenholding GmbH group as of 7 December 2009 and the Volkswagen group as of 3 December 2009 were still in progress as of the date of publication of this six-month report. Consequently, the effects arising from the amortization of hidden reserves and liabilities identified are preliminary.

Well-attended annual general meeting
Around 5,700 people attended the annual general meeting of Porsche Automobil Holding SE held on 29 January 2010 at the Porsche Arena in Stuttgart. The annual general meeting approved a dividend for the fiscal year 2008/09 of 0.044 euro per ordinary share and 0.050 euro per preference share. In the previous year, the dividend had come to 0.694 euro plus a special dividend of 2.00 euro per ordinary share and 0.70 euro plus a special dividend of 2.00 euro per preference share. The total net profit available for distribution according to the statement of financial position was thus distributed to the shareholders. After the withdrawal of 1 billion euro from retained earnings, this amounts to 8.23 million euro. The amount distributed has therefore fallen from 471.9 million euro in the prior year to 8.23 million euro.

Representative of Qatar Holding elected
The annual general meeting of Porsche SE elected, as representative of Qatar Holding LLC, Doha, Qatar, His Excellency Sheik Yassim bin Abdulaziz bin Yassim Al-Thani to the supervisory board of the company. He replaces the former member of the supervisory board, Mr. Hans-Peter Porsche, who retired from office effective the end of the annual general meeting on 29 January 2010. Sheik Yassim bin Abdulaziz bin Yassim Al-Thani has been appointed for the remaining four-year period of Hans-Peter Porsche's appointment. Qatar Holding LLC holds ten percent of the ordinary shares of Porsche SE through a wholly owned subsidiary Qatar Holding Germany GmbH, Frankfurt am Main.

Sheik Yassim bin Abdulaziz bin Yassim Al-Thani is the chairman of the board of Qatar Foundation International, USA, and is also a member of the boards of Qatar National Bank, InvestCorp Bank and Qatar Foundation Endowment Fund.

Exoneration of former members of the executive board postponed

There are investigations by the public prosecutor against the former members of the executive board Dr. Wendelin Wiedeking and Holger P. Härter in connection with allegations of share price manipulations, delayed publication of an ad hoc announcement and distribution of insider information in one case. Porsche SE examined these matters in detail and commissioned expert reports from two university professors with special expertise in the field of capital market law. The examination and the expert reports come to the conclusion that there was no infringement of the law. Nevertheless, the executive board and supervisory board were, and still are, of the opinion that the resolution to exonerate the two former members of the executive board should not be taken until the investigations have been completed. The annual general meeting on 29 January 2010 followed this proposal and postponed the resolution on exoneration of the former members of the executive board for the 2008/09 fiscal year.

Declaration of compliance with the German Corporate Governance Code

Porsche SE will comply with the recommendations of the German Corporate Governance Code with one exception. The recommendations to be complied with in future include disclosure of the total remuneration of each individual member of the executive board. Accordingly, the resolutions of the annual general meeting on exemption from individual disclosure of executive board remuneration dating from 2006 and 2007 were revoked by the annual general meeting of Porsche SE on 29 January 2010. Furthermore, the supervisory board had already established an audit and a nomination committee, as required by the Code.

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

Change in the fiscal year at Porsche

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

New authorized capital

As of the date of the annual general meeting on 29 January 2010, no use had been made of the authorization to increase the company's share capital, once or several times, by a maximum amount of 22.75 million euro until 25 January 2012 by issuing new bearer shares (ordinary shares) or non-voting preference shares for contributions in cash or in kind. The meeting at the Porsche Arena in Stuttgart passed a resolution to replace this authorization with a new authorization relating to 87.5 million euro expiring on 28 January 2015. The respective amendment to the articles of association has also been entered in the commercial register, rendering it effective.

The authorization may only be exercised in such a way that the share of non-voting preference shares in total share capital never exceeds the share of ordinary shares in share capital at any time. The authorization includes the right to issue non-voting preference shares which are placed on a par with any non-voting preference shares issued in the past when the profits or assets of the company are distributed. The shareholders will be granted subscription rights. The shares could also be taken over by a bank with the obligation to offer them to the company's shareholders for subscription (indirect subscription rights).

However, in the event that ordinary shares and non-voting preference shares are issued at the same time in proportion to their respective shares in total share capital, the executive board has been authorized, subject to the approval from the supervisory board, to preclude the holders of shares of one class from subscribing to shares of the other class ("crossed exclusion of subscription rights"). Moreover, the executive board has been authorized, subject to approval of the supervisory board, to preclude the subscription rights of shareholders if new ordinary bearer shares are issued in return for a contribution in kind to effect the acquisition of other entities, operations of other entities, equity investments in other entities or other assets. Further, the executive board has been authorized, subject to supervisory board approval, to preclude any fractional amounts from the shareholders' subscription rights.

Repurchase of hybrid bond
In the fiscal year 2008/09 Porsche SE decided to repurchase, at attractive conditions, a part of the hybrid bond that was issued in December 2007 under a private placement with a total nominal amount of 1.0 billion euro. The repurchase, which was executed on 31 August 2009, led to a cash outflow of 0.5 billion euro.

Significant events at the Volkswagen group
The Volkswagen group holds a 50 percent indirect interest in the joint venture LeasePlan Corporation N.V., Amsterdam, via its 50 percent stake in the joint venture Global Mobility Holding B.V., Amsterdam, the Netherlands. On 22 December 2008, the co-investors exercised the put option granted to them by Volkswagen AG. In the meantime, Volkswagen has come to an agreement with Fleet Investments B.V., Amsterdam, the Netherlands, an investment company belonging to the von Metzler family, that Fleet Investments will become the new co-investor for an initial period of two years. On the basis of an agreement entered into in September 2009, the previous co-investors were instructed by Volkswagen AG to transfer their shares to Fleet Investments B.V. on 1 February 2010 for the same purchase price of 1.4 billion euro. Volkswagen AG will grant the new co-investor a put option on its shares. If this option is exercised, Volkswagen must pay the original purchase price plus accumulated pro rata preference dividends or the higher fair value. The put option is accounted for at fair value.

In addition, Volkswagen will pledge claims under certificates of deposit with Bankhaus Metzler in the amount of 1.4 billion euro to secure a loan granted to Fleet Investments B.V. by Bankhaus Metzler. This pledge does not increase the Volkswagen group's risk arising from the aforementioned short position.

On 9 December 2009, Volkswagen AG and Suzuki Motor Corporation signed a master agreement to begin a long-term strategic partnership. Effective as of 15 January 2010, Volkswagen acquired 19.89 percent of Suzuki shares for 1.7 billion euro. The relevant authorities have approved the transaction.

Volkswagen Retail GmbH acquired the MAHAG group, headquartered in Munich, and 30 operating establishments, on 31 December 2009, effective as of 1 January 2010. Measured in terms of new car sales, it is Germany's largest Volkswagen, Audi and Porsche dealer.

The newly formed company, Volkswagen Osnabrück GmbH, a direct subsidiary of Volkswagen AG, will purchase equipment and machinery from Wilhelm Karmann GmbH & Co KG. A new vehicle project is to be launched in 2011 with the new company.

Business development

The following statements do not take into consideration the deconsolidation of the Porsche Zwischenholding GmbH group and the Volkswagen group as of 7 December 2009 and 3 December 2009, respectively.

Stable development

The Porsche AG group (Porsche AG and its subsidiaries) and the Volkswagen group remained competitive in the first six months of the current 2009/10 fiscal year.

Unit sales of the Porsche AG group fell 1.7 percent to 33,670 vehicles compared to the same period in the prior year. With regard to the individual model series, sales of the Panamera came to 8,326 units. It should be noted that this new Porsche model series did not go on sale until September 2009, in some regions the market launch was not until December 2009. The Cayenne remained the best selling model series with a 13,454 units sold, reflecting a fall in unit sales of 19.8 percent. In the period from 1 August 2009 to 31 January 2010, the 911 achieved sales of 7,493 units, a 44.7 percent drop on the prior year. Unit sales of vehicles from the Boxster model series, including the Cayman models, increased 11.3 percent to 4,397 vehicles.

In the first half of the 2009/10 fiscal year, the Volkswagen group sold 1,808,766 Volkswagen brand passenger cars. The Golf was the mainstay of sales. Demand for the Fox, Polo, Gol, Tiguan and Passat CC models also developed favorably.

Unit sales of the Audi brand in the period stood at 615,769. Sales figures were particularly pleasing for the models from the Audi A3 Sportback series and the Audi A6 sedan.

The Škoda brand sold 289,244 vehicles in the first half of 2009/10. The Fabia and Superb models saw increased demand. The new Škoda Yeti was well received by the market. In the first half of 2009/10, unit sales of the SEAT brand came to 161,118 vehicles. Units sales of the Bentley brand in the reporting period came to 2,316 vehicles. The Chinese joint venture boosted unit sales by 779,183 vehicles.

Volkswagen commercial vehicles sold 140,099 units in the first half of 2009/10. Scania's sales totaled 22,776 vehicles. The unit sales of the Volkswagen group must be adjusted by 517,127 vehicles essentially due to the elimination of deliveries within the group.

Regional differences

In Europe, unit sales of the Porsche AG group fell by 5.6 percent to 10,301 units between 1 August 2009 and 31 January 2010, while in North America the 11,113 vehicles sold represented a drop of 15.5 percent. In the other regions of the world, the Porsche AG group even succeeded in returning to growth in the first six months of the current fiscal year. Sales in these regions amounted to 12,256 units, up 20.1 percent on the prior year.

The Volkswagen group sold 1,730,018 vehicles in the first half of 2009/10 in the Europe/other markets region. In North America, unit sales amounted to 238,595 vehicles. Unit sales in South America in the first half of 2009/10 came to 434,245 vehicles, a figure positively impacted by the Brazilian government's support package. Including the joint ventures in China, the Volkswagen group sold 899,286 vehicles on the passenger car markets in the Asia Pacific region in the first six months of the 2009/10 fiscal year.

Production adjusted

In the reporting period, 40,685 vehicles were produced in the Porsche AG group, a drop of 2.4 percent in comparison to the prior year. Over the period from 1 August 2009 to 31 January 2010, 16,904 units of the Cayenne model series left the Leipzig factory, 16.2 percent fewer vehicles than in the same period of the prior fiscal year. Production of the new Panamera came to 9,786 vehicles. The 8,764 units of the 911 series produced at the Zuffenhausen plant represented a drop of 41.1 percent. Production of the Boxster series decreased 19.0 percent to 5,231 units. In Finland, the number of vehicles produced fell by 42.3 percent to 3,725 units. Here it should be considered that some Boxster models have been manufactured in Zuffenhausen since February 2009.

In the first half of the 2009/10 fiscal year, the Volkswagen group produced 3,232,180 vehicles worldwide. Production volume was adjusted to the ongoing critical market situation.

At the Zuffenhausen plant of Porsche AG, reduced working hours were imposed in the period from September to December 2009 for a total of 18 days; this is to be continued. Around 2,300 employees in the sports car production will not work on a further 16 days in the period from January to the end of March 2010. Flexible working time models had allowed Porsche AG to manage sales fluctuations in the production in recent years. In the fall of 2009, however, the flex-time accounts had reached rock bottom and the executive board and works council decided to apply for reduced working hours.

Jobs created once again

As of 31 January 2010, the Porsche SE group had 41 employees (as of 31 July 2009, prior to deconsolidation of Porsche Zwischenholding GmbH and the Volkswagen group: 375,959 employees).

As of 31 January 2010, the headcount at the Porsche Zwischenholding GmbH group of 12,654 employees was up 0.4 percent on the figure seen as of 31 July 2009 (12,602).

As of 31 December 2009, the Volkswagen group had 351,584 active employees. In addition to this figure, 7,070 employees were in the passive phase of the German special phased retirement scheme and 9,846 young people were employed as apprentices and trainees. All in all, the total headcount of the Volkswagen group came to 368,500 (363,307 employees as of 30 June 2009). There were 172,624 employees in Germany (+ 0.6 percent). The number of employees in other countries totaled 195,876 (+2.2 percent).

Related parties

With regard to significant transactions with related parties, reference is made to the note [24] of this six-month report.

Attractive new models

The reporting period saw the launch of the new Panamera*. Porsche put the Gran Turismo on the market on 12 September 2009, initially as an eight-cylinder with outputs of 400 and 500 hp as well as rear-wheel and all-wheel drive; in May 2010 the offering will be rounded off by the six-cylinder gasoline engine and later a hybrid version.

Like no other vehicle in its class, the Panamera combines sportiness with comfort. Despite its flat silhouette, the 4.97 meter long and just 1.42 meter high vehicle offers a generous feeling of space in all four seats. A number of technical innovations celebrated their world debut in the premium segment in the Panamera. These included the first automated start/stop function in conjunction with an automatic transmission, air suspension with additional volume at the push of a button in each spring and active aerodynamics with an adjustable, multi-dimensional, deployable rear spoiler in the case of the Panamera Turbo model.

All models have direct fuel injection (DFI) and VarioCam Plus, the variable camshaft adjuster with valve-lift switching system on the inlet side. The Panamera 4S and Panamera Turbo come with the Porsche double-clutch gearbox (PDK) as standard. The combination of performance and low consumption is also enabled by the intelligent, light-weight construction. The axles, doors, hood, wings and trunk lid are all made of aluminum. Based on the NEDC (New European Driving Cycle), the Panamera S needs 12.5 liters of fuel per 100 kilometers, which even drops to 10.8 liters with PDK. Despite its outstanding performance, the Panamera Turbo needs just 12.2 liters per 100 kilometers.

* Consumption and emission data can be found on page 13 of this report.

At the Frankfurt international motor show (IAA) in September 2009, Porsche presented three new models of the successful 911 sports car series. All key features of the high-performance 911 Turbo* sports car were significantly improved. The vehicle is not only more powerful, faster and even more dynamic, it is now significantly more economical and lighter. The new top 911 model thus sets itself even further apart from the competition in its segment, particularly in terms of consumption and acceleration.

The new engine with a displacement of 3.8 liters and 500 hp (368 kW) has direct fuel injection and Porsche's exclusive turbocharger with variable turbine geometry for gasoline engines. Optionally, the six-cylinder turbocharged engine can be combined with Porsche's seven-gear double-clutch gearbox. Compared to its predecessor, CO_2 emissions have been cut by up to just under 18 percent. Depending on the vehicle configuration, the new top of the range model only needs 11.4 to 11.7 liters per 100 kilometers in the NEDC. Equipped with the Sport-Chrono Turbo Package and PDK, the 911 Turbo accelerates from 0 to 100 km/h in 3.4 seconds. Its top speed is 312 km/h.

For a limited number of enthusiasts, Porsche has launched the 911 Sport Classic. The exclusive small series has been limited to 250 vehicles. The unique character of this 911 model is instantly recognizable by its newly developed dual-domed roof. The striking SportDesign apron with its own front spoiler lip and the fixed rear spoiler shaped like the legendary "duck tail" of the Carrera RS 2.7 from 1973 round off the unmistakable appearance of the 911 Sport Classic. The 3.8 liter engine with direct fuel injection generates 408 hp.

The third 911 model which Porsche presented at the international motor show is the new 911 GT3 RS. At the rear, a suction engine revs up faster and delivers more power than the 911 GT3; it now delivers 450 hp, 15 hp more than its 911 GT3 counterpart. The six-cylinder achieves a specific output of more than 118 hp per liter – for suction engines an extremely high value by world standards. Unlike many other high-performance engines, the power unit of the new 911 GT3 RS remains fully suitable for everyday use.

In the mid-engined range of Porsche sports cars, the Boxster Spyder* was launched in February 2010. It is instantly distinguishable from the other Boxster models because this vehicle was primarily designed to be driven with the roof down. The flat light-weight textile roof that extends far to the back acts merely as a sunshade and protection from the elements. The 3.4 liter six-cylinder engine with direct fuel injection generates 320 hp. With the optional PDK, fuel consumption is around 9.3 liters of fuel per 100 kilometers in the NEDC.

Porsche presented the completely newly designed generation of the sporty Cayenne off-roader at the Geneva International Motor Show at the beginning of March. The new model's wheelbase was lengthened by 40 millimeters with regard to improved interior space and increased flexibility. All in all, the vehicle has grown by 48 millimeters. Nevertheless, the new generation of Cayennes seem much more compact and dynamic than the predecessor model.

European sales of the Cayenne begin in May 2010. The range starts with the Cayenne with a 3.6 liter V6 engine. Despite the rise in output to 300 hp, fuel consumption in the NEDC in combination with the optional sight-gear Tiptronic S has fallen by 20 percent in comparison to its predecessor to 9.9 liters per 100 km. Similarly, the Cayenne diesel burns 20 percent less fuel, i.e., 7.4 liters per 100 km instead of 9.3. Its three-liter V6 diesel engine generates 240 hp (176 kW) and produces a maximum torque of 550 Newton meters.

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

* Consumption and emission data can be found on page 13 of this report.

23 percent less fuel in the NEDC than its predecessor (14.9 liters per 100 km).

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

The smart interaction between the three-liter V6 turbocharged engine and the electric motor puts the Cayenne S Hybrid's focus squarely on the highest possible efficiency of the overall system. Depending on the driving conditions, this goal is achieved with either one of the two drives or both running together. The 34 kW (47 hp) electric motor is the ideal partner to the 333 hp turbocharged engine with its high torque at low revs. Together, the two drives generate a maximum system output of 380 hp and maximum torque of 580 Nm from 1,000 rpm upwards, performance that stands comparison to the Cayenne S with its V8 engine.

The sensation at the Porsche stand at the Geneva show was the debut of the 918 Spyder. The concept study combines racing high-tech and electromobility to form a fascinating range of features. On the one hand the emissions of a microcar of 70 grams of CO_2 per kilometer and a fuel consumption of three liters per 100 kilometers, on the other hand the performance of a top-end sports car with an acceleration of 0 to 100 km/h in just under 3.2 seconds and a top speed in excess of 320 km/h.

The Porsche 918 Spyder with a plug-in hybrid drive is propelled by a high-revving V8 engine putting out more than 500 hp and maximum rpm of 9,200/min as well as electric motors on the front and rear axles with a total mechanical output of 218 hp (160 kW). The V8 is a refinement of the successful 3.4 liter engine from the RS Spyder racing car mounted in mid-engine position in front of the rear axle. This well-balanced vehicle architecture guarantees highest performance on the racetrack. Power transmission is effected by a seven-gear Porsche double-clutch gearbox that also brings in the power of the electric drive on the rear axle. The front electric drive powers the wheels though a fixed transmission.

Energy storage is provided by a fluid-cooled lithium-ion battery pack located behind the passenger cell. With a plug-in hybrid, the battery pack can be charged with mains electricity. In addition, the vehicle's kinetic energy is transformed into electrical energy when braking, which is then fed into the battery. This provides additional energy for accelerating.

The 911 GT3 R Hybrid was another vehicle presented at the Geneva show by the Zuffenhausen brand that has a hybrid system developed for racecars. In this vehicle, an electric front-axle drive with two 60 kW electric motors augment the 480 hp four-liter Boxer engine of the 911 GT3 R Hybrid. In the place of batteries, an electric flywheel storage system located in the interior space next to the driver provides the energy for the electric motors. The 911 GT3 R Hybrid will be tested in endurance racing on the Nürburgring.

One of the other head-turners at the Geneva show was the 911 Turbo S with 530 hp (390 kW) being presented for the first time. The maximum torque of the new top of the range model is some 700 Newton meters. Despite the significant increase in power and dynamics, it consumes exactly the same amount as the 911 Turbo, 11.4 liters per 100 kilometers. This makes it by far the most efficient sports car in its performance class. The Turbo S is exclusively available with PDK, which transmits the drive torque to the Porsche Traction Management (PTM) four-wheel drive. In combination with the launch control, which is also part of the standard Sport Chrono package, the Turbo S gets off to a sprinting start, 0 to 100 km/h in 3.3 seconds and 0 to 200 km/h in 10.8 seconds. Its top speed is 315 km/h. The market launch will be in May 2010.

At the IAA in Frankfurt in September 2009, the Volkswagen group presented a number of new models and concepts to the world for the first time.

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

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

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

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

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

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

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

* Consumption and emission data can be found on page 13 of this report.

** No binding consumption and emissions data are currently available for this model.

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

Emission and consumption data

Model	Output kW (hp)	Fuel consumption urban (l/100 km)	Fuel consumption extra urban (l/100 km)	Fuel consumption combined (l/100 km)	CO_2 emissions combined (g/km)
Audi A4 3.0 TDI quattro clean diesel	176 (240)	8.7	5.5	6.7	175
Audi S5 Sportback 3.0 TFSI	245 (333)	13.8	7.3	9.7	224
SEAT Altea ECOMOTIVE	77 (105)	5.2	4.1	4.5	119
SEAT Leon CUPRA R	195 (265)	10.7	6.6	8.1	190
SEAT Leon ECOMOTIVE	77 (105)	4.6	3.2	3.8	99
Škoda Octavia LPG (LPG)	72 (98)	12.7	7.3	9.2	149
Škoda Octavia LPG (gasoline)	72 (98)	9.8	5.6	7.1	169
VW Golf Limousine BlueMotion	77 (105)	4.7	3.4	3.8	99
VW Golf R (6 gear DSG)	199 (270)	11.2	6.8	8.4	195
VW Golf R (6 gear manual)	199 (270)	11.8	6.7	8.5	199
VW Passat BlueMotion	77 (105)	5.4	3.8	4.4	114
VW Polo BlueMotion	55 (75)	4.0	2.9	3.3	87
Porsche Panamera S	294 (400)	18.8	8.9	12.5	293
Porsche Panamera S PDK	294 (400)	16.0	7.9	10.8	253
Porsche Panamera 4 S	294 (400)	16.4	8.1	11.1	260
Porsche Panamera Turbo	368 (500)	18.0	8.9	12.2	286
Porsche 911 Turbo	368 (500)	17.3	8.3	11.6	272
Porsche 911 Turbo PDK	368 (500)	17.0	8.1	11.4	268
Porsche 911 Turbo convertible	368 (500)	17.5	8.3	11.7	275
Porsche 911 Turbo PDK convertible	368 (500)	17.2	8.2	11.5	270
Porsche Boxster Spyder	235 (320)	14.2	7.1	9.7	228
Porsche Boxster Spyder PDK	235 (320)	14.0	6.6	9.3	218

Net assets, financial position and results of operations

Due to the resolution passed by the extraordinary annual general meeting of Volkswagen AG held on 3 December 2009 granting the State of Lower Saxony the right to appoint two members to the supervisory board of the company, the Volkswagen group can no longer be fully consolidated in the group financial statements of Porsche SE and was consequently deconsolidated. For the purpose of group accounting according to IFRS, Porsche SE no longer has the possibility to appoint the shareholder representatives on the supervisory board of Volkswagen AG alone from this date on. As Porsche SE will continue to exert a significant influence as defined by IFRS on Volkswagen AG after deconsolidation, the company will be included in the consolidated financial statements of Porsche SE as an associate accounted for at equity as of this date.

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

These structural changes had considerable effects on the net assets, financial position and results of operations of the Porsche SE group in the first half of the current fiscal year.

Net assets and financial position

In comparison to 31 July 2009, the total assets of the Porsche SE group fell by 184,835 million euro to 28,730 million euro due to deconsolidation of the Porsche Zwischenholding GmbH and the Volkswagen group.

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

The remaining non-current assets of the Porsche SE group totaling 27,857 million euro (31 July 2009: 125,606 million euro) essentially pertain to the shares in Porsche Zwischenholding GmbH (3,695 million euro) and Volkswagen AG (19,867 million euro) accounted for at equity. Other receivables and assets as of the end of the reporting period of 4,028 million euro (31 July 2009: 3,495 million euro) relate primarily to other receivables due from Porsche Zwischenholding GmbH and Porsche AG.

Current assets fell by 87,086 million euro in comparison to 31 July 2009 to 873 million euro. This figure relates almost exclusively to the cash and cash equivalents of Porsche SE and its subsidiaries.

As of 31 January 2010, the equity of the Porsche SE group amounted to 16,130 million euro (as of 31 July 2009: 48,479 million euro). This significant drop is attributable in particular to the complete derecognition of the non-controlling interests due to the deconsolidation of the Volkswagen group and the Porsche Zwischenholding GmbH group.

Provisions have fallen from 39,342 million euro at the end of the 2008/09 fiscal year to 1,488 million euro due to deconsolidation of the two groups. The provisions relate primarily to income tax provisions.

Financial liabilities fell from 93,621 million euro as of 31 July 2009 to 10,803 million euro on the balance sheet date of the six-month report. This figure includes liabilities to companies belonging to the Porsche Zwischenholding GmbH group of 3,878 million euro. Other liabilities also fell significantly on account of the restructurings.

The financial position of the Porsche SE group was significantly impacted by the structural changes in the first half of the 2009/10 in comparison to the prior-year period. On account of the necessary deconsolidation of the groups, cash funds fell from 22,025 million euro to 824 million euro in comparison to 31 July 2009.

The net liquidity, i.e. cash and cash equivalents less liabilities to banks, of the Porsche SE group, thus not taking into consideration the Porsche Zwischenholding group and the Volkswagen group, improved considerably, amounting to minus 6.1 billion euro as of 31 January 2010. The positive development is primarily attributable to the cash received in connection with Volkswagen AG's investment in Porsche Zwischenholding GmbH amounting to 3.9 billion euro that was mainly used to redeem liabilities to banks.

Results of operations

For the first six months of the 2009/10 fiscal year the Porsche SE group reported a profit after tax of 871 million euro. In the corresponding prior-year period the group generated a profit of 5,575 million euro, taking into consideration the earnings adjustment due to the findings of the purchase price allocation for the Volkswagen group which were concluded on 5 January 2009. While the prior-year result was influenced in particular by the positive effects of the cash settled options on Volkswagen AG shares, earnings in the first six months of the 2009/10 fiscal year were impacted by the aforementioned structural changes. The deconsolidation of the two groups also has a considerable impact on the structure of the income statement of the Porsche SE group.

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

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

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

The result from deconsolidation of the two groups is the difference between the respective fair value of the investment and the net assets including the shares of other comprehensive income attributable to the Volkswagen group and the Porsche Zwischenholding GmbH group and the non-controlling interests. The stock market price of the shareholding in Volkswagen AG on the date of deconsolidation was used to determine the fair value. The fair value of the Porsche Zwischenholding GmbH group is calculated using a business value of 12.4 billion euro determined using an income capitalization approach. This business value was also used as a basis for Volkswagen AG's investment in Porsche Zwischenholding GmbH in the context of a capital increase. The loss arising from the deconsolidation of the Volkswagen group of 15,926 million euro was partially offset by the positive contribution to profit/loss from the deconsolidation of the Porsche Zwischenholding GmbH group of 9,042 million euro. The deconsolidation of the two groups consequently gives rise to loss of 6,884 million euro, which means that profit/loss after taxes from discontinued operations comes to a total of minus 6,204 million euro. The positive effect from the derecognition of other comprehensive income of 890 million euro after tax was also attributable to the deconsolidation of the two groups but recognized in the current income from discontinued operations.

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

Other operating income fell over the period from 1 August 2009 to 31 January 2010 from 45,032 million euro to 200 million euro in comparison to the corresponding prior-year period. Other operating expenses decreased from 38,191 million euro to 379 million euro. The significant drop in income and expenses was mainly caused by the sale of a significant portion of the cash settled options for Volkswagen AG shares to Qatar Holding LLC at the beginning of the current fiscal year.

After deconsolidation of the two groups, personnel expenses came to 6 million euro (first half of 2008/09: 32 million euro).

The profit/loss from investments accounted for at equity comes to 7,740 million euro (first half year of 2008/09: 400 million euro) and primarily includes the income determined on a preliminary basis from the first-time inclusion of the investment in Volkswagen accounted for at equity of 7,869 million euro. This income arises from the difference between the pro rata revalued equity and the carrying amount of the investment used as a basis for determining the income from deconsolidation and which is calculated from the stock market price of Volkswagen on the date of first-time consolidation (3 December 2009) in accordance with IFRS. As the purchase price allocation has not yet been completed, the value of the revalued equity is preliminary.

In addition, this item includes a current loss of the Porsche Zwischenholding GmbH group of 65 million euro and of the Volkswagen group of 64 million euro generated since first-time inclusion at equity and attributable to Porsche SE. These profit contributions also include effects of amortization of the purchase price allocations begun at the time of inclusion of Porsche Zwischenholding GmbH as a joint venture and the Volkswagen group as an associate but which had not been completed by the date of publication of this six-month report. The profit contributions are consequently preliminary as well.

Over the reporting period, the financial result dropped from minus 103 million euro to minus 467 million euro. The change is essentially due to an increase in interest payments.

At 7,088 million euro, profit before tax is roughly at the prior-year level (first half of 2008/09: 7,106 million euro). The significant drop in tax expenses from 1,588 million euro to 13 million euro is essentially attributable to the drop in taxable income.

Profit after tax from continuing operations increased on the prior-year period from 5,518 million euro to 7,075 million euro. With a loss after tax from discontinued operations of 6,204 million euro, the total profit of the Porsche SE group in the first six months of the 2009/10 fiscal year came to 871 million euro.

The aforementioned restructurings carried out in the first half of 2009/10 had a material influence on the result of operations of the Porsche SE group. The preliminary overall effect on profit after tax totals 1,875 million euro.

Operating result of significant investments

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

In the first six months of the 2009/10 fiscal year, the Porsche Zwischenholding GmbH group sold 33,670 vehicles. Revenue increased by 3.7 percent to 3,158 million euro. The operating result of the Porsche Zwischenholding GmbH group for the first six months of the current fiscal year 2009/10 comes to 329 million euro, still a two-digit return on sales.

The Volkswagen group sold 3,302,144 vehicles in the first half of the 2009/10 fiscal year. With revenue of 53,985 million euro, the operating result comes to 615 million euro. One of the main effects negatively impacting the operating result was the shift in volume to smaller vehicles, especially in Germany. Exchange rates also had a negative influence on earnings.

Opportunities and risks of future development

Opportunities and risks at Porsche SE

Porsche SE monitors its risks on an ongoing basis and furthermore consolidates the findings of the risk early warning systems at the level of the Porsche Zwischenholding GmbH and the Volkswagen group even after deconsolidation of Volkswagen AG and Porsche Zwischenholding GmbH. The risks previously directly attributable under full consolidation become indirect risks for Porsche SE as of the date of deconsolidation as it continues to hold significant shareholdings in Porsche Zwischenholding GmbH and Volkswagen AG.

The design of information channels and decision-making bodies continues to ensure that the executive board of Porsche SE is always informed of significant risk drivers and the potential impact of the identified risks on the group and its significant equity investments so as to be able to take suitable countermeasures.

Material changes to the opportunity and risk situation over the reporting period are summarized below.

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

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

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

The implementation of the financing strategy also includes the fundamental desire to largely reduce interest risks at conditions that are economically reasonable. In the process, potential risks inherent in the interest components of the debt capital carried by Porsche SE are analyzed in terms of the expected development of interest rates and transferred to third parties if appropriate.

Liquidity risks
The liquidity situation has improved vastly since 31 July 2009. There were primarily three decisive factors in this respect: Firstly, the transfer of a significant portion of the cash settled options on Volkswagen AG shares to Qatar Holding LLC shortly after the end of the 2008/09 fiscal year. This led to the revocation of the restrictions on the power to dispose of the existing sight and fixed term deposits. In sum, the sale led to an increase of more than 1 billion euro in available liquidity.

Secondly, the cash contribution of some 3.9 billion euro in connection with Volkswagen AG's investment in Porsche Zwischenholding GmbH was mainly used to reduce Porsche SE's debt. Thirdly, an agreement was reached with the banks in December 2009 on replacing the line of credit of some 10.8 billion euro agreed in March 2009 with a new, significantly smaller loan of 8.5 billion euro. Of this 8.5 billion euro, only 7 billion euro has currently been utilized, which means that Porsche SE still has an unused line of 1.5 billion euro. All of Porsche SE's shares in Volkswagen AG are used as collateral for the loan.

The cash held by Porsche SE, excluding the cash and cash equivalents subject to restrictions on use, totaled 824 million euro as of 31 January 2010. In principle, Porsche SE additionally has at its disposal the aforementioned, currently unused line of 1.5 billion euro.

To secure liquidity beyond 30 June 2011 it will be necessary for a volume of at least 2.5 billion euro of the capital increase scheduled for the first half of 2011 to be performed by this date. According to the provisions of the new syndicated loan for 8.5 billion euro, the first tranche of 2.5 billion euro is due for repayment on 30 June 2011. The syndicated loan agreement stipulates that the funds used for repayment may not stem from the sale of assets, in particular Volkswagen AG shares. The Porsche and Piëch families have entered into a commitment towards Porsche SE within the framework of the overall concept of the basic agreement to subscribe to the new ordinary shares from this capital increase for a total purchase price of an estimated 2.5 billion euro assuming specific conditions are met. A large portion of the estimated contribution of 2.5 billion euro by the Porsche and Piëch families could be financed by the proceeds generated by the families transferring their sales operations. In this context, we also refer to our comments on page 3 of this interim group management report.

Following the repayment of the aforementioned first tranche, Porsche SE might be left with residual debt that may have to be reduced by the sale of Volkswagen AG shares unless the steps involved in the merger of Porsche SE and Volkswagen AG take place as planned. However, the executive board of Porsche SE is convinced that the merger with Volkswagen AG will come about.

Risks from stock options
In the summer of 2009, a significant portion of options held by Porsche SE were sold to Qatar Holding LLC at their carrying amount by contract dated 14 August 2009.

Some of the cash settled stock options held in addition were terminated in the current fiscal year, which meant that the portfolio had fallen below three percent of the ordinary shares of Volkswagen AG by 31 January 2010. There is a liquidity risk extending beyond the recognized other liability in the event that these cash settled stock options can only be sold below the strike price used to measure them.

Risks originating from financial indicators
Porsche SE and various banks agreed on covenants that are customary for the market in connection with the syndicated loan renegotiated in the current fiscal year. Should the covenants be breached in the future, this would have an adverse effect on liquidity. The executive board is convinced, however, that there will not be any breach of covenants allowing the banks to terminate, which means that the line of credit is secured for the term of the contract.

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

Litigation risks
On 25 January 2010, 17 plaintiffs filed a complaint for damages in the USA against Porsche SE and former members of its executive board Dr. Wendelin Wiedeking and Holger Härter in the United States District Court for the Southern District of New York. The complaint alleges that Porsche's activities in connection with its acquisition of a stake in Volkswagen AG during the year 2008 constituted market manipulation and securities fraud in violation of the U.S. Securities Exchange Act. Porsche believes that the complaint is without merit and will seek dismissal of the claims. The company deems that adequate provision has been made for the anticipated lawyers' fees and litigation expenses.

Tax risks

The company considers some of the stock option transactions it has entered into as an avenue to generate tax-free profits and tax-deductible losses. A dispute has developed between the company and the tax authorities with regard to the tax treatment of the stock option transactions. The tax authorities did not accept the opinion held by the company. Porsche SE has filed an appeal against the tax authorities' decisions. Upon request, the tax authorities have granted a stay of execution on the subsequent tax payments until the final ruling on tax treatment has been handed down. The company believes the risk is fully covered by existing provisions.

Opportunities and risks in the Porsche Zwischenholding GmbH group

There were no material changes to the opportunity and risk situation of Porsche Zwischenholding GmbH as well as Porsche AG and its subsidiaries detailed in the section "Opportunities and risks of the Porsche subgroup" contained in Porsche SE's 2008/09 annual report.

Opportunities and risks in the Volkswagen group

There were similarly no material changes to the opportunity and risk situation of Volkswagen AG and its subsidiaries detailed in the section "Opportunities and risks of the Volkswagen subgroup" contained in Porsche SE's 2008/09 annual report.

Outlook

As the effects of the global financial and economic crisis persist, the economic conditions will remain difficult on the whole. Although forecasts suggest that the world economy has bottomed out and the economic trend in 2010 will be upward again, the recovery is expected to be at a low level.

The automotive markets in particular give little cause for optimism. Consumer uncertainty is likely to be noticeable for a long time on the world’s largest sales markets, with the exception of China. In Germany, the discontinuation of the state environmental bonus will have a negative impact on the market in 2010. The association of the German automobile industry (VDA) forecasts that the world market will grow one to three percent in 2010. For the US, the VDA forecasts sales growth of ten percent, and for China twelve percent.

The Porsche AG group expects sales to pick up in the course of 2010. The automotive manufacturer is basing this forecast on its attractive product portfolio and on the new model Panamera in particular. This fourth series from Porsche will ensure that the sales figures of Porsche will not only stabilize but will overall rise slightly again in the fiscal year 2009/10.

The sales trend in the first half of the fiscal year is a clear sign of a return to growth. Following a 39.6 percent decline in the unit sales of the Porsche AG group in the first quarter in comparison with the corresponding prior-year figures, this figure was only 25 percent after four months and a mere 1.7 percent after six months. By 31 January 2010, sales of the new Panamera had already reached 8,326 units. Here it should be considered that the new Porsche model series had only been on sale since September 2009. In some regions the market launch was not until December 2009.

The Volkswagen group's presence in all key regions around the world, its multi-brand strategy and technological expertise and, as a result, the most up-to-date, most environmentally friendly and broadest vehicle range are key advantages. In 2010, the nine brands of the Volkswagen group will unveil a large number of new models, thus systematically extending the Volkswagen group’s position in the global markets. The Volkswagen group therefore anticipates that the deliveries to customers will be higher than in 2009.

The revenue and operating profit of the Volkswagen group in 2010 are expected to exceed the prior-year figures despite a shift in volumes between the markets. Interest and exchange rate volatility will remain a drag on profit. Volkswagen will continue to focus on disciplined cost and investment management and the continuous optimization of its processes. Ecological relevance and the return on vehicle projects are the core elements of the “18 plus” strategy that it consistently pursues.

In the first half of the 2009/10 fiscal year, the results of the Porsche SE group were strongly impacted by the deconsolidation of the Porsche Zwischenholding GmbH group and the Volkswagen group and from the first-time inclusion of Volkswagen AG as an associate, which seen as a whole were positive effects. Following the resolutions of the extraordinary annual general meeting of Volkswagen AG held on 3 December 2009 to create authorized capital and to issue up to 135 million new preference shares, Volkswagen plans to carry out a capital increase in the first half of 2010. This will dilute Porsche SE’s capital share in Volkswagen AG as it will not participate in this capital increase. This is expected to have a significant impact on results. The exact figure will depend on the number of new VW preference shares and their issue price. Assuming Volkswagen AG performs the capital increase before 31 July 2010 as planned, forecasts are for an overall negative result of a low single-digit billion-euro figure to be incurred as of the end of the fiscal year even taking into account the positive effects from the structural changes in the Porsche SE group already made.

Interim condensed consolidated financial statements as of 31 January 2010

Consolidated income statement of the Porsche group for the period from 1 August 2009 to 31 January 2010

€ million	Note	1st half of 2009/10	1st half of 2008/09[1]
Other operating income	[3]	**200**	45,032
Personnel expenses	[5]	**–6**	–32
Amortization of intangible assets and depreciation of property, plant and equipment, leased assets and investment property		**0**	0
Other operating expenses	[6]	**–379**	–38,191
Profit/loss from investments accounted for at equity	[7]	**7,740**	400[2]
Profit/loss before financial result		**7,555[3]**	7,209[3]
Finance costs	[8]	**–494**	–245
Other financial result	[9]	**27**	142
Financial result		**–467**	–103
Profit/loss before tax		**7,088**	7,106
Income tax expense	[10]	**–13**	–1,588
Profit/loss after tax (continuing operations)		**7,075**	5,518
Profit/loss after tax (discontinued operations)	[11]	**–6,204**	57
Profit/loss for the year		**871**	5,575
thereof profit/loss attributable to non-controlling interests – hybrid capital investors	[12]	**28**	59
thereof profit/loss attributable to other non-controlling interests	[12]	**–114**	7
thereof profit/loss attributable to shareholders of Porsche SE	[12]	**957**	5,509
Earnings per ordinary share (basic)	[12]	**40.36**	31.36
Earnings per preference share (basic)	[12]	**40.36**	31.36
Earnings per ordinary share (diluted)	[12]	**40.36**	31.36
Earnings per preference share (diluted)	[12]	**40.36**	31.36
Earnings per ordinary share from discontinued operations (basic and diluted)	[12]	**–34.89**	0.12
Earnings per preference share from discontinued operations (basic and diluted)	[12]	**–34.89**	0.12

1 adjusted due to the reclassification of discontinued operations

2 adjusted; figure in the six-month report 2008/09 was determined provisionally

3 adjusted; please refer to the explanations in the section “Basis of presentation”

Consolidated statement of comprehensive income of the Porsche group for the period from 1 August 2009 to 31 January 2010

€ million	1st half of 2009/10	1st half of 2008/09
Profit/loss for the year	**871**	5,575
Securities marked to market	**–22**	16
Cash flow hedges	**365**	–809
Currency translation	**–310**	35
Revaluation reserve	**0**	3,508
Other comprehensive income from investments accounted for at equity (after taxes)	**–104**	–215
Taxes	**–74**	252
Other comprehensive income	**–145**	2,787
Total comprehensive income	**726**	8,362
thereof attributable to		
shareholders of Porsche SE	**441**	8,291
non-controlling interests – hybrid capital investors	**31**	67
other non-controlling interests	**254**	4

Consolidated balance sheet of the Porsche group as of 31 January 2010

	€ million	Note	31/1/2010	31/7/2009
Assets	Intangible assets	[13]	**0**	32,666
	Property, plant and equipment	[13]	**0**	32,136
	Investments accounted for at equity	[13]	**23,571**	8,153
	Other financial assets	[13]	**0**	680
	Leased assets	[13]	**0**	11,040
	Investment property	[13]	**0**	391
	Receivables from financial services		**0**	34,520
	Other receivables and assets	[14]	**4,028**	3,495
	Income tax assets		**147**	848
	Securities		**0**	34
	Deferred tax assets		**111**	1,643
	Non-current assets		**27,857**	125,606
	Inventories		**0**	16,265
	Trade receivables		**0**	6,715
	Receivables from financial services		**0**	27,632
	Other receivables and assets	[14]	**3**	7,819
	Income tax assets		**0**	1,089
	Securities		**0**	3,403
	Cash and cash equivalents		**870**	25,036
	Current assets		**873**	87,959
			28,730	213,565
Equity and liabilities	Subscribed capital	[15]	**175**	175
	Capital reserves	[15]	**122**	122
	Retained earnings	[15]	**15,482**	15,048
	Equity before non-controlling interests	[15]	**15,779**	15,345
	Non-controlling interests – hybrid capital	[15]	**351**	1,173
	Other non-controlling interests	[15]	**0**	31,961
	Equity		**16,130**	48,479
	Provisions for pensions and similar obligations		**8**	13,843
	Income tax provisions	[16]	**1,389**	3,778
	Other provisions	[16]	**23**	9,698
	Deferred tax liabilities		**0**	6,836
	Financial liabilities	[17]	**6,925**	49,904
	Other liabilities	[18]	**0**	3,074
	Non-current liabilities		**8,345**	87,133
	Income tax provisions	[16]	**31**	2,280
	Other provisions	[16]	**37**	9,743
	Trade payables		**21**	11,225
	Financial liabilities	[17]	**3,878**	43,717
	Income tax liabilities		**2**	127
	Other liabilities	[18]	**286**	10,861
	Current liabilities		**4,255**	77,953
			28,730	213,565

Consolidated statement of cash flows of the Porsche group for the period from 1 August 2009 to 31 January 2010

	€ million	**1st half of 2009/10**	1st half of 2008/09
1. Operating activities	Profit/loss for the year	**871**	5,575[1]
	Amortization and depreciation	**4,642**	302
	Change in provisions for pensions and similar obligations	**84**	61
	Change in other provisions	**656**	–423[2]
	Income tax expense	**680**	2,473[2]
	Change in deferred taxes	**–439**	–750
	Income taxes paid	**–278**	–314[2]
	Income taxes received	**349**	10[2]
	Gain/loss from disposal of intangible assets, property, plant and equipment and investment property	**10**	–19
	Gains/losses from the disposal of stock options	**93**	–7,308[3]
	Non-cash expenses from market valuation of stock options	**1**	468[3]
	Other non-cash expenses and income	**–1,675**	–1,001[1,3]
	Change in leased assets	**–1,107**	–138[4]
	Change in receivables from financial services	**–326**	–1[4]
	Change in inventories, trade receivables and other assets	**–3,784**	199[3,4]
	Change in trade payables and other liabilities (without tax provisions and other provisions)	**4,978**	41[3]
	Cash flow from operating activities	**4,755**	–825
2. Investing activities	Cash received from disposal of intangible assets, property, plant and equipment and investment property	**132**	35[4]
	Cash funds disposed of due to deconsolidations	**–23,244**	0
	Cash paid for investments in intangible assets, property, plant and equipment and investment property	**–3,636**	–467[4]
	Cash paid for the acquisition of subsidiaries less cash funds received	**–3**	–6,264
	Changes in stock options	**762**	11,451[3]
	Cash flow from investing activities before investments in securities and loans	**–25,989**	4,755
	Change in investments in securities and loans	**564**	4,079
	Cash flow from investing activities	**–25,425**	8,834

€ million		1st half of 2009/10	1st half of 2008/09
3. Financing activities	Cash paid to non-controlling interests – hybrid capital	**−28**	−59
	Cash paid to other non-controlling interests	**0**	−2
	Capital contributions from non-controlling interests	**3**	0
	Cash paid for repayment of bonds	**−3,616**	0
	Cash paid / cash received for repayment / borrowing of loans	**−2,661**	−529
	Cash received from the issue of bonds	**1,893**	0
	Cash received from other financial liabilities	**3,906**	0
	Cash paid for other financial liabilities	**−7**	25
	Cash flow from financing activities	**−510**	−565[3]
4. Cash funds	Change in cash funds (subtotal of 1 to 3)	**−21,180**	7,444
	Exchange-rate related change in cash funds	**−21**	32
	Cash funds as of 1 August 2009 and 1 August 2008	**22,025**	4,423[5]
	Cash funds as of 31 January 2010 and 31 January 2009	**824**	11,899

[1] adjusted; in the 2008/09 six-month report these figures were determined provisionally

[2] adjusted due to the changed presentation of tax payments

[3] restated; adjusted presentation of the cash flows from stock options

[4] adjusted due to the implementation of changes from the annual improvements project from May 2008

[5] adjusted due to the changed presentation of cash and cash equivalents that are not available for use by the group

Note [19] contains further explanations on the statement of cash flows.

Statement of changes in equity of the Porsche group for the period from 1 August 2009 to 31 January 2010

€ million	Subscribed capital	Capital reserves	Retained earnings: Accumulated profit	Retained earnings: Other comprehensive income	Equity before non-controlling interests	Non-controlling interests – hybrid capital	Other non-controlling interests	Group equity
As of 31 July 2008	175	122	14,049[3]	720[3]	15,066	1,780	0	16,846
Total comprehensive income			5,509	2,782[4,5]	8,291	67	4	8,362
Dividends[1]			−472		−472	−60	−2	−534
Effects from first-time consolidation							33,472[4]	33,472
Other changes			5	1	6		−2	4
As of 31 January 2009	175	122	19,091	3,503	22,891	1,787	33,472	58,150
As of 31 July 2009	**175**	**122**	**11,133**	**3,915**	**15,345**	**1,173**	**31,961**	**48,479**
Total comprehensive income			**957**	**−516**	**441**	**31**	**254**	**726**
Dividends[2]			**−8**		**−8**	**−28**		**−36**
Other changes			**10**		**10**		**−28**	**−18**
Effects from deconsolidation			**3,499**	**−3,508**	**−9**	**−825**	**−32,187**	**−33,021**
As of 31 January 2010	**175**	**122**	**15,591**	**−109**	**15,779**	**351**	**0**	**16,130**

[1] Resolution to distribute a dividend of €0.694 + €2.00 per ordinary share; total €235,725,000
Resolution to distribute a dividend of €0.70 + €2.00 per preference share; total €236,250,000

[2] Resolution to distribute a dividend of €0.044 per ordinary share; total €3,850,000
Resolution to distribute a dividend of €0.05 per preference share; total €4,375,000

[3] Presentation adjusted to match that used in the consolidated financial statements as of 31 July 2009

[4] adjusted; in the 2008/09 six-month report these figures were determined provisionally

[5] adjusted due to the first-time adoption of IAS 1 (revised 2007); please refer to the explanations in the section “New accounting standards”.

Notes to the interim condensed consolidated financial statements as of 31 January 2010

Basis of presentation

Porsche Automobil Holding SE ("Porsche SE") is a European Company (Societas Europaea) and is headquartered in Stuttgart, Germany. The business objective of Porsche SE is the management of companies or the administration of interests 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, consisting of financing, banking, leasing and insurance services particularly for customers and dealers.

The interim condensed consolidated financial statements of Porsche SE for the first six months of the 2009/10 fiscal year were prepared in accordance with IAS 34 "Interim Financial Reporting". In accordance with IAS 34, the interim condensed consolidated financial statements do not contain all the information and disclosures required for consolidated financial statements.

The consolidated financial statements of Porsche SE as of 31 July 2009 were prepared in accordance with International Financial Reporting Standards (IFRS) applicable as endorsed by the European Union at the end of the reporting period. The accounting policies applied in preparing the interim condensed consolidated financial statements are largely the same as those applied in the consolidated financial statements as of 31 July 2009. Changes in accounting policies are explained in the corresponding notes affected by the adjustment. For further information about the accounting policies applied, please refer to the consolidated financial statements of Porsche SE as of 31 July 2009. The group's presentation currency is the euro. Unless otherwise stated, all figures are presented in millions of euro (€million).

The 2008/09 six-month financial report contained some figures that were determined provisionally because the purchase price allocation for the Volkswagen group had not yet been completed at that time. To the extent that figures determined provisionally differ from those determined when the purchase price allocation was completed, the figures for the comparative period have been adjusted accordingly. Furthermore, due to the changes in the structure of the group described in the section "Consolidated group", the profit/loss from investments accounted for at equity is presented within the profit/loss before financial result. The comparative information has been adjusted accordingly.

The responsibility statement has been made in accordance with German Accounting Standard No. 16 (GAS 16) Interim Financial Reporting of the German Accounting Standards Committee (GASC).

The interim condensed consolidated financial statements are neither audited nor reviewed by the auditor of the consolidated financial statements, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart.

The interim condensed consolidated financial statements and the interim group management report of Porsche SE for the first six months of 2009/2010 were discussed before publication with the supervisory board's audit committee.

Consolidated group

The interim condensed consolidated financial statements of Porsche SE for the first six months of 2009/10 include all material 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 cessation of control.

The common goal of the basic agreement for the creation of an integrated automotive group of Porsche and Volkswagen describing the stages of creating an integrated automotive group is the merger of Porsche SE with Volkswagen AG, Wolfsburg, during 2011, provided the legal prerequisites for the merger are fulfilled. The first steps were taken by Porsche SE and Volkswagen AG at the end of November/beginning of December 2009 in that Volkswagen AG acquired a 49.9 percent interest in Porsche Zwischenholding GmbH, Stuttgart, by means of a capital increase.

The basic agreement provides, among other things, for an amendment of the articles of association of Volkswagen AG which prescribes that the State of Lower Saxony has a right to appoint two members of the supervisory board of Volkswagen AG. In addition, the regulation included in the articles of association is to be confirmed that requires an 80 % majority on resolutions for which German stock corporation law requires at least a three-quarters majority of the share capital represented. At the extraordinary annual general meeting of Volkswagen AG on 3 December 2009, the shareholders of Volkswagen AG approved the corresponding amendments to the articles of association.

The resolution to include the right of the State of Lower Saxony to appoint two members of the supervisory board of Volkswagen AG and the resulting composition of the supervisory board prevents Porsche SE from continuing to fully consolidate the Volkswagen group (Volkswagen AG and its subsidiaries) in the consolidated financial statements of Porsche SE. For the purpose of group accounting in accordance with IFRS, Porsche as of this date no longer has the power to appoint the shareholder representatives on the supervisory board of Volkswagen AG alone. The Volkswagen group was therefore deconsolidated with effect as of 3 December 2009. Since this point in time, the investment in Volkswagen AG is accounted for in the consolidated financial statements of Porsche SE at equity.

When the reporting date of a subsidiary is different from that of the parent company, IAS 27.22 et seq. (rev. 2008) and IAS 28.24 et seq. (rev. 2008), respectively, allow the use of financial statements of the subsidiary as of a different reporting date in the preparation of consolidated financial statements if it is impracticable for the subsidiary or the associate to prepare interim financial statements as of the reporting date of the parent company. Applying this rule, the Volkswagen group has been consolidated in the interim condensed consolidated financial statements of Porsche SE as a subsidiary and, as of the date of deconsolidation, as an associate on the basis of the figures for the period from 1 July 2009 to 31 December 2009. Due to the extensive volume of work at the Volkswagen subgroup dedicated to preparing its own financial statements, the data basis necessary for external reporting for the month of January 2010 was not available. There were no significant transactions or events between 1 January 2010 and 31 January 2010 which would have resulted in any further adjustment of the at equity accounting.

The basic agreement also provides for Volkswagen AG to make an investment in Dr. Ing. h.c. F. Porsche Aktiengesellschaft (“Porsche AG”). In the course of restructuring, Porsche Zwischenholding GmbH was established as a subsidiary of Porsche SE, which holds 100 percent of the shares in the (new) Porsche AG. Before this establishment, Porsche's operating business was transferred to this (new) Porsche AG. On 7 December 2009, Volkswagen AG assumed a 49.9 percent shareholding in Porsche Zwischenholding GmbH in the course of a capital increase. The basis for the cash contribution of €3.9 billion made by Volkswagen AG was an enterprise value of €12.4 billion. For the purpose of group accounting, Porsche SE ceases to control this company alone due to the rulings established in the implementation contracts and in the articles of association of Porsche Zwischenholding GmbH. From this point in time, Porsche Zwischenholding GmbH represents a joint venture of Porsche SE and Volkswagen AG. As a result, the Porsche Zwischenholding GmbH group (Porsche Zwischenholding GmbH and its subsidiaries) was deconsolidated as of 7 December 2009. Since deconsolidation, the investment of Porsche SE in Porsche Zwischenholding GmbH was also accounted for at equity.

Both the Volkswagen group and the Porsche Zwischenholding GmbH group represent discontinued operations from the perspective of Porsche SE. In accordance with IFRS 5 the expenses and income of both groups are reclassified in a separate line.

The income statement of these discontinued operations until deconsolidation before reclassification is as follows:

€ million	Note	Discontinued operations **1st half of 2009/10**	 1st half of 2008/09
Revenue	[1]	**46,349**	3,043
Changes in inventories and own work capitalized	[2]	**1,314**	282
Total operating performance		**47,663**	3,325
Other operating income	[3]	**5,138**	1,318
Cost of materials	[4]	**–26,489**	–1,900
Personnel expenses	[5]	**–7,128**	–629
Amortization of intangible assets and depreciation of property, plant and equipment, leased assets and investment property		**–4,642**	–302
Other operating expenses	[6]	**–13,649**	–1,441
Profit/loss before financial result		**893**	371
Profit/loss from investments accounted for at equity	[7]	**371**	0
Finance costs	[8]	**–1,023**	–140
Other financial result	[9]	**656**	–39
Financial result		**4**	–179
Profit/loss before tax from discontinued operations		**897**	192
Income tax expense	[10]	**–217**	–135
Profit/loss after tax from discontinued operations		**680**	57
Profit/loss after tax arising from the deconsolidation of operations		**–6,884**	0
Profit/loss after tax (discontinued operations)		**–6,204**	57
thereof profit/loss attributable to non-controlling interests – hybrid capital investors	[12]	**16**	29
thereof profit/loss attributable to other non-controlling interests	[12]	**–114**	7
thereof profit/loss attributable to shareholders of Porsche SE	[12]	**–6,106**	21

The profit/loss before tax from discontinued operations contains effects from the disposal of other comprehensive income due to the deconsolidation of €1,223 million (prior year: €0 million). The income taxes thereon of €333 million (prior year: €0 million) are recognized in income tax expense.

The profit/loss after tax arising from the deconsolidation of operations is made up of an expense of €15,926 million from the deconsolidation of the Volkswagen group and income of €9,042 million from the deconsolidation of the Porsche Zwischenholding GmbH group.

The discontinued operations influenced the cash inflows and outflows in the cash flow statement as follows:

€ million	**1st half of 2009/10**	1st half of 2008/09
Cash flow from operating activities	**4,607**	–734
Cash flow from investing activities	**–2,643**	1,147
Cash flow from financing activities	**–17**	–539

New accounting standards

The group has adopted the following new and revised IFRSs and interpretations during the fiscal year for the first time

Revision of IAS 1 “Presentation of Financial Statements”
A revised version of IAS 1 was published in September 2007. The main changes relate to the separate presentation of equity changes resulting from transactions with owners and other changes. In addition, the titles of some of the components of the financial statements have been changed. The revision also led to the first-time preparation of a statement of comprehensive income as a separate component of the financial statements. Moreover, the revaluation reserve of €3,508 million resulting from the first-time consolidation of the Volkswagen group was reclassified to other comprehensive income. The figures of the comparative period were adjusted accordingly. Due to the deconsolidation of the Volkswagen group, the revaluation reserve was reclassified to accumulated profits in the reporting period.

IFRS 3 “Business Combinations” and IAS 27 “Consolidated and Separate Financial Statements”
IAS 27 (rev. 2008) provides that the acquisition or sale of minorities without loss of control is taken to other comprehensive income. This change does not have any effect as this accounting policy is already applied in the Porsche group. IAS 27 (rev. 2008) also contains rulings on deconsolidation. For the effects of applying this change in the 2009/10 fiscal year, please refer to the section “Consolidated group” and note [13].

Annual improvements project
In the course of the annual improvements project, a series of clarifications to the various standards were enacted on 22 May 2008. The effects of these improvements on the 2009/10 six-month interim financial statements are presented in note [19].

The following new or revised standards and interpretations which were adopted for first time in the fiscal year had no material effect on the interim condensed consolidated financial statements

IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
IFRIC 14 deals with the interaction between an obligation existing at the end of the reporting period to pay in additional amounts to a pension plan (minimum funding requirement) and the regulations set forth in IAS 19 on the upper limit of a positive balance between plan assets and the defined benefit obligation (asset ceiling).

IFRIC 15 "Agreements for the Construction of Real Estate"
IFRIC 15 regulates the accounting of real estate sales where a contract is concluded with the purchaser before the construction work is completed. The interpretation first clarifies the prerequisites for applying IAS 11 and IAS 18. The recognition of revenues is also regulated as are the disclosures in the notes.

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

IFRIC 17 "Distributions of Non-Cash Assets to Owners"
IFRIC 17 clarifies that when an entity settles the dividend payable, it must recognize the difference, if any, between the carrying amounts of the assets distributed and the fair value in profit or loss. The obligations and any changes in the fair value of the asset concerned should be recognized in equity.

IFRIC 18 "Transfers of Assets from Customers"
IFRIC 18 regulates agreements in which an entity receives an asset from a customer that the entity must use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. The interpretation addresses in particular the recognition criteria of customer contributions, the timing and the amount of revenue recognition from such business transactions.

Amendments to IFRS 2 "Share-based Payment"
The amendment clarifies that only service and performance conditions constitute vesting conditions. The amendment also provides that the rulings on premature termination apply regardless of whether the share-based payment plan is terminated by the company or another party.

Amendments to IFRS 7 "Financial Instruments: Disclosures"
The amendments provide for extended disclosures on the fair value measurement of financial instruments and liquidity risks and concern, among other things, the introduction of a three-stage fair value hierarchy. This differentiates fair values by the type of input parameters included in the valuation and shows to what extent observable market data are available when determining the fair value. In addition, the disclosures on the liquidity risk are to be improved by clarifying the scope of the liabilities to be included in the reconciliation of opening and closing balances.

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

Amendment to IFRS 7 “Financial Instruments: Disclosures”, IAS 39, “Financial Instruments: Recognition and Measurement” and IFRS 4 “Insurance Contracts”
The amendment provides modified transitional rulings relating to the possibility of reclassifying financial assets.

Amendment to IAS 32 “Financial Instruments: Presentation” and IAS 1 “Presentation of Financial Statements”
The change mainly refers to the conditions for the classification of cancellable instruments as equity or debt capital.

Amendments to IFRIC 9 “Reassessment of Embedded Derivatives” and IAS 39 “Financial Instruments: Recognition and Measurement”
An entity has to check whether a derivative embedded in a host contract can be separated if the whole hybrid instrument has been reclassified from the category at fair value through profit and loss in accordance with the amendments to IAS 39 from October 2008. If the derivative has to be accounted for separately but its fair value cannot be reliably determined or an entity cannot perform the necessary assessment, the entire hybrid instrument has to remain in the category financial instruments at fair value through profit and loss.

Notes to the consolidated income statement

Due to the deconsolidation of the Volkswagen group and the Porsche Zwischenholding GmbH group in the reporting period, the two groups are classified as discontinued operations. Consequently, in the notes to the consolidated income statement, the contributions to profit/loss of the two groups are disclosed in the “Discontinued operations” column until the dates on which the groups were deconsolidated. The column “Continuing operations”, contains the contributions to profit/loss of Porsche SE and its remaining subsidiaries as well as the result from accounting for the investments in Porsche Zwischenholding GmbH and Volkswagen AG at equity. In the comparative period, the contributions to profit/loss of the Porsche Zwischenholding GmbH group are presented in discontinued operations. The column “Reclassifications pursuant to IFRS 5” contains the reclassification of the contributions to profit/loss of the discontinued operations to “Profit/loss after tax from discontinued operations” in the income statement.

[1] Revenue

Revenue of the discontinued operations breaks down by type of product as follows:

€ million	**1st half of 2009/10 discontinued operations**	1st half of 2008/09 discontinued operations
Type of product		
Vehicles	**35,996**	2,430
Parts and accessories	**3,913**	253
Interest and similar income from financial services business	**1,894**	19
Rental and leasing business	**2,853**	185
Other revenue	**1,693**	156
	46,349	3,043

[2] Changes in inventories and own work capitalized

Own work capitalized contained in the discontinued operations is principally a result of the capitalization of vehicles and development costs.

[3] Other operating income

Other operating income breaks down as follows:

€ million	Continuing operations	Discontinued operations	Reclassification acc. to IFRS 5	Total
1st half of 2009/10				
Income from reversal of valuation allowances on receivables and other assets	**0**	**12**	**–12**	**0**
Income from stock price hedging derivatives	**197**	**2,170**	**–2,170**	**197**
Income from reversal of provisions and accruals	**0**	**194**	**–194**	**0**
Income from foreign exchange gains	**0**	**351**	**–351**	**0**
Income from cost allocations	**0**	**490**	**–490**	**0**
Income from rental assets and investment property	**0**	**38**	**–38**	**0**
Sundry operating income	**3**	**1,883**	**–1,883**	**3**
	200	**5,138**	**–5,138**	**200**
1st half of 2008/09				
Income from reversal of valuation allowances on receivables and other assets	0	1	–1	0
Income from stock price hedging derivatives	45,023	695	–695	45,023
Income from reversal of provisions and accruals	1	22	–22	1
Income from foreign exchange gains	0	220	–220	0
Income from rental assets and investment property	0	7	–7	0
Sundry operating income	8	373	–373	8
	45,032	1,318	–1,318	45,032

Income from stock price hedging derivatives results from cash-settled stock options. In the comparative period, this position also contains income from forwards.

[4] Cost of materials

Cost of materials of the discontinued operations breaks down as follows:

€ million	**1st half of 2009/10 discontinued operations**	1st half of 2008/09 discontinued operations
Cost of raw materials, consumables and supplies and of purchased goods	**25,299**	1,637
Cost of purchased services	**1,190**	263
	26,489	1,900

[5] Personnel expenses

€ million	Continuing operations	Discontinued operations	Reclassification acc. to IFRS 5	Total
1st half of 2009/10				
Wages and salaries	**5**	**5,836**	**–5,836**	**5**
Social security contributions, pension and other benefit costs	**1**	**1,292**	**–1,292**	**1**
	6	**7,128**	**–7,128**	**6**
1st half of 2008/09				
Wages and salaries	30	529	–529	30
Social security contributions, pension and other benefit costs	2	100	–100	2
	32	629	–629	32

[6] Other operating expenses
Other operating expenses consist of:

€ million	Continuing operations	Discontinued operations	Reclassification acc. to IFRS 5	Total
1st half of 2009/10				
Expenses from stock price hedging derivatives	**290**	**28**	**–28**	**290**
Expenses from stock options marked to market	**1**	**0**	**0**	**1**
Valuation allowances on receivables and other assets	**0**	**510**	**–510**	**0**
Foreign exchange losses	**0**	**489**	**–489**	**0**
Advertising	**0**	**1,347**	**–1,347**	**0**
Selling and general administrative expenses	**0**	**1,433**	**–1,433**	**0**
Repairs and maintenance	**0**	**669**	**–669**	**0**
Sundry operating expenses	**88**	**9,173**	**–9,173**	**88**
	379	**13,649**	**–13,649**	**379**
1st half of 2008/09				
Expenses from stock price hedging derivatives	37,716	694	–694	37,716
Expenses from stock options marked to market	468	0	0	468
Valuation allowances on receivables and other assets	0	6	–6	0
Foreign exchange losses	0	6	–6	0
Advertising	0	127	–127	0
Selling and general administrative expenses	0	78	–78	0
Repairs and maintenance	0	33	–33	0
Sundry operating expenses	7	497	–497	7
	38,191	1,441	–1,441	38,191

The expenses from stock price hedging result from cash-settled stock options. The recognition of financial liabilities in connection with the stock options are disclosed as expense from stock options marked to market.

[7] Profit/loss from investments accounted for at equity

In the first half year 2009/10, the profit/loss from investments accounted for at equity contains the profit/loss from Porsche SE's investments in Volkswagen AG and Porsche Zwischenholding GmbH from the respective dates of deconsolidation. As the purchase price allocations to be performed for the Porsche Zwischenholding GmbH group and the Volkswagen group as a result of accounting for these investments at equity were not yet completed when the six-month report was being finalized, the profit/loss from the investments in these companies that is attributable to Porsche SE was determined provisionally.

The amount disclosed in continuing operations in the comparative period, relates to the profit/loss from the investment in Volkswagen AG for the period from 1 July 2008 to the date of the first-time consolidation by means of full consolidation on 5 January 2009. The six month report 2008/09 only contained a preliminary result due to the fact that the purchase price allocation for the Volkswagen group had only just started at that point in time. In the meantime, the purchase price allocation has been completed. The profit/loss from investments accounted for at equity therefore now contains the final figures from the purchase price allocation.

The profit and loss from investments accounted for at equity breaks down as follows:

€ million	Continuing operations	Discontinued operations	Reclassification acc. to IFRS 5	Total
1st half of 2009/10				
Income from initial accounting for at equity	**7,869**	**0**	**0**	**7,869**
Profit/loss from ongoing equity accounting (before purchase price allocation)	**44**	**371**	**–371**	**44**
Effects from purchase price allocation	**–173**	**0**	**0**	**–173**
Profit/loss from ongoing equity accounting	**–129**	**371**	**–371**	**–129**
	7,740	**371**	**–371**	**7,740**
1st half of 2008/09				
Profit/loss from ongoing equity accounting (before purchase price allocation)	448	0	0	448
Effects from purchase price allocation	–48	0	0	–48
Profit/loss from ongoing equity accounting	400	0	0	400
	400	0	0	400

The income from the initial accounting for at equity results from the difference between the pro rata revalued equity of the Volkswagen group taking into account the purchase price allocation that has been performed again and the lower investment carrying amount.

The profit/loss from investments accounted for at equity consists of the profit/loss contribution from the investment in Porsche Zwischenholding GmbH of minus €64 million and in Volkswagen AG of €7,804 million.

[8] Finance costs

€ million	Continuing operations	Discontinued operations	Reclassification acc. to IFRS 5	Total
1st half of 2009/10				
Interest expenses for unwinding the discount on pension provisions	**0**	**383**	**−383**	**0**
Interest arising from unwinding the discount on other provisions	**0**	**111**	**−111**	**0**
Unwinding the discount on provisions	**0**	**494**	**−494**	**0**
Other interest and similar expenses	**494**	**529**	**−529**	**494**
	494	**1,023**	**−1,023**	**494**
1st half of 2008/09				
Interest expenses for unwinding the discount on pension provisions	0	22	−22	0
Interest arising from unwinding the discount on other provisions	0	23	−23	0
Unwinding the discount on provisions	0	45	−45	0
Other interest and similar expenses	245	95	−95	245
	245	140	−140	245

Other interest and similar expenses contain interest expenses in connection with the liabilities to banks in particular.

[9] Other financial result

€ million	Continuing operations	Discontinued operations	Reclassification acc. to IFRS 5	Total
1st half of 2009/10				
Expenses from profit and loss transfer agreements	**0**	**−19**	**19**	**0**
Other income from investments	**0**	**−6**	**6**	**0**
Income and expenses from securities and loans	**0**	**300**	**−300**	**0**
Other interest and similar income	**27**	**381**	**−381**	**27**
	27	**656**	**−656**	**27**
1st half of 2008/09				
Income and expenses from securities and loans	0	−76	76	0
Other interest and similar income	142	37	−37	142
	142	−39	39	142

Other interest and similar income is mainly attributable to fixed-interest securities and time deposits.

[10] Income tax expense

The income tax expense disclosed breaks down into:

€ million	Continuing operations	Discontinued operations	Reclassification acc. to IFRS 5	Total
1st half of 2009/10				
Current taxes	**13**	**667**	**–667**	**13**
Deferred taxes	**0**	**–450**	**450**	**0**
	13	**217**	**–217**	**13**
1st half of 2008/09				
Current taxes	1,784	689	–689	1,784
Deferred taxes	–196	–554	554	–196
	1,588	135	–135	1,588

[11] Profit/loss after tax (discontinued operations)

The profit/loss after tax from discontinued operations contains contributions to profit/loss from the ordinary operations of the Volkswagen group and of the Porsche Zwischenholding GmbH group until the respective dates of deconsolidation and their deconsolidation profit/loss. Please refer to the section “Consolidated group” for additional information.

[12] Earnings per share

		1st half of 2009/10	1st half of 2008/09
Profit/loss after tax (continuing operations)	€ million	**7,075**	5,518
Profit/loss attributable to non-controlling interests – hybrid capital investors	€ million	**12**	30
Profit/loss attributable to other non-controlling interests	€ million	**0**	0
Profit/loss attributable to shareholders of Porsche SE	**€ million**	**7,063**	5,488
Profit/loss attributable to ordinary shares (basic)	€ million	**3,531**	2,744
Profit/loss attributable to preference shares (basic)	€ million	**3,532**	2,744
Profit/loss attributable to ordinary shares (diluted)	€ million	**3,531**	2,744
Profit/loss attributable to preference shares (diluted)	€ million	**3,532**	2,744
Average number of ordinary shares outstanding	Number	**87,500,000**	87,500,000
Average number of preference shares outstanding	Number	**87,500,000**	87,500,000
Earnings per ordinary share (basic)	€	**40.36**	31.36
Earnings per preference share (basic)	€	**40.36**	31.36
Earnings per ordinary share (diluted)	€	**40.36**	31.36
Earnings per preference share (diluted)	€	**40.36**	31.36
Profit/loss after tax (discontinued operations)	€ million	**–6,204**	57
Profit/loss attributable to non-controlling interests – hybrid capital investors	€ million	**16**	29
Profit/loss attributable to other non-controlling interests	€ million	**–114**	7
Profit/loss attributable to shareholders of Porsche SE	**€ million**	**–6,106**	21
Profit/loss attributable to ordinary shares (basic and diluted)	€ million	**–3,053**	10
Profit/loss attributable to preference shares (basic and diluted)	€ million	**–3,053**	11
Earnings per ordinary share from discontinued operations (basic and diluted)	€	**–34.89**	0.12
Earnings per preference share from discontinued operations (basic and diluted)	€	**–34.89**	0.12

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 first half year. There were no dilutive effects.

The calculation of the prior year was adjusted due to the finalized purchase price allocation for the Volkswagen group and due to reclassifications in accordance with IFRS 5.

Notes to the consolidated balance sheet

[13] Non-current assets

The main components of non-current assets developed as follows in the period from 1 August 2009 to 31 January 2010:

€ million	Net carrying amount 1/8/2009	Additions	Changes to consolidated group	Amortization and depreciation	Disposals / Other	**Net carrying amount 31/1/2010**
Intangible assets	32,666	1,051	–32,634	–1,100	17	**0**
Property, plant and equipment	32,136	2,516	–32,036	–2,527	–89	**0**
Investments accounted for at equity	8,153	23,811	–8,318	0	–75	**23,571**
Other financial assets	680	30	–561	–1	–148	**0**
Leased assets	11,040	2,354	–10,830	–1,005	–1,559	**0**
Investment property	391	69	–450	–10	0	**0**

Amortization and depreciation contains impairment losses on customer relationships in the financial service sector of the Volkswagen group of €66 million. The impairment was required due to the increase in risk costs compared to the previous period.

The additions to the investments accounted for at equity mainly result from the investments in Volkswagen AG and Porsche Zwischenholding GmbH. The market price of the investment on the deconsolidation date was used to calculate the investment carrying amount for the initial inclusion of the investment in Volkswagen AG using the equity method. The investment carrying amount for the initial inclusion of the investment in Porsche Zwischenholding GmbH using the equity method is derived from an enterprise value determined in connection with the capital increase by Volkswagen AG at Porsche Zwischenholding GmbH. This was determined using a discounted earnings method. The investment in Porsche Zwischenholding GmbH is held by a trustee. Porsche SE remains beneficial owner. The investment accounted for at equity for the investment in Volkswagen AG amounts to €19,876 million and for that in Porsche Zwischenholding GmbH to €3,695 million.

All shares of Porsche SE in Volkswagen AG were pledged for liabilities of Porsche SE.

In the comparative period, the main components of non-current assets developed as follows:

€ million	Net carrying amount 1/8/2008	Additions	Changes to consolidated group	Amortization and depreciation	Disposals / Other	**Net carrying amount 1/1/2009**
Intangible assets	359	160	32,425[1]	–38	0	**32,906**
Property, plant and equipment	1,668	308	29,994[1]	–130	–22	**31,818**
Investments accounted for at equity	8,130	14,462[1]	8,261[1]	0	–22,592[1]	**8,261**
Other financial assets	64	0	583[1]	0	–18	**629**
Leased assets	947	298	9,942[1]	–134	12	**11,065**
Investment property	0	0	400[1]	0	0	**400**

[1] adjusted; in the 2008/09 six-month report these figures were determined provisionally

Expenditures for research and development i.e. research and non-capitalized development costs as well as capitalized development costs, developed as follows:

€ million	**1st half of 2009/10 discontinued operations**	1st half of 2008/09 discontinued operations
Research and non-capitalized development costs (including amortization)	**2,166**	320
Amortization of development costs	**–725**	–22
Research and development costs recognized in the income statement	**1,441**	298
Investment in capitalized development costs	**924**	51
	2,365	349

[14] Other receivables and assets

€ million	**31/1/2010**	31/7/2009
Derivative financial instruments	**12**	4,567
Other receivables and assets		
from associates	**0**	183
from joint ventures	**4,016**	1,704
Recoverable income taxes	**1**	1,187
Sundry receivables and assets	**0**	3,498
Prepaid expenses	**2**	351
Valuation allowance	**0**	–176
	4,031	11,314
thereof non-current	**4,028**	3,495
thereof current	**3**	7,819

Receivables from joint ventures are due from companies in the Porsche Zwischenholding GmbH group. These receivables are counterbalanced by other financial liabilities of €3,878 million.

As of 31 January 2010, the position derivative financial instruments includes stock options and interest hedges in particular. As of 31 July 2009, there were also currency forwards, currency options and compounders.

[15] Equity and non-controlling interests

The development of equity and non-controlling interests is presented in the statement of changes in equity and the statement of comprehensive income.

By a resolution of the annual general meeting of Porsche SE to change the articles of association, the executive board was authorized until 28 January 2015, subject to the approval of the supervisory board, to increase the share capital of the company by a total of €87.5 million by the issue, once or several times, of new bearer shares (ordinary shares) or non-voting preference shares for contributions in cash or kind. The respective amendment to the articles of association has also been entered in the commercial register, rendering it effective.

Non-controlling interests – hybrid capital

The disposals in hybrid capital relate to the hybrid capital issued in the Porsche Zwischenholding GmbH group.

Other non-controlling interests

The disposals in other non-controlling interests mainly concern the minority shareholders of Volkswagen AG, Scania AB, Södertälje, Sweden and AUDI AG, Ingolstadt.

Dividends paid

In the first half year, the annual general meeting of Porsche SE passed a resolution for the fiscal year 2008/09 to distribute a dividend per ordinary share of €0.044 (prior year: €0.694 plus €2.00 special dividend) as well as per preference share €0.05 (prior year: €0.70 plus €2.00 special dividend). The total dividend to be paid for ordinary shares thus amounts to €3.85 million (prior year: €235.7 million) and for preference shares €4.38 million (prior year: €236.2 million).

[16] Other provisions and income tax provisions

As of the end of the reporting period, other provisions mainly contain personnel-related obligations. As of 31 July 2009, this position also contains provisions for warranty obligations, bonuses and rebates. As of 31 January 2010 other provisions came to €60 million (31 July 2009: €19,441 million), of which €37 million (31 July 2009: €9,743 million) is due within a year. Of the tax provisions totaling €1,420 million (31 July 2009: €6,058 million), an amount of €31 million (31 July 2009: €2,280 million) is due in less than one year.

[17] Financial liabilities

All liabilities which can be allocated to financing activities are shown in the financial liabilities:

€ million	Total	Current	Non-current
31/1/2010			
Bonds	**0**	**0**	**0**
Commercial paper and notes	**0**	**0**	**0**
Liabilities to banks	**6,925**	**0**	**6,925**
Other financial liabilities	**3,878**	**3,878**	**0**
	10,803	**3,878**	**6,925**
31/7/2009			
Bonds	36,211	9,334	26,877
Commercial paper and notes	10,426	5,555	4,871
Liabilities to banks	44,565	27,818	16,747
Other financial liabilities	2,419	1,010	1,409
	93,621	43,717	49,904

The decrease in liabilities to banks resulted mainly – apart from the deconsolidation effects – from the cash contribution of Volkswagen AG in connection with its investment in Porsche Zwischenholding GmbH as of 7 December 2009 which was passed through to Porsche SE to repay the loan liabilities of Porsche SE due to banks. Other financial liabilities relate to liabilities due from companies in the Porsche Zwischenholding GmbH group. These are counterbalanced by other receivables and assets of €4,016 million.

[18] Other liabilities

As of the end of the reporting period, other liabilities break down as follows:

€ million	**31/1/2010**	31/7/2009
Advance payments received on account of orders	**0**	1,146
Other tax liabilities	**0**	1,760
Liabilities relating to social security	**0**	283
Personnel liabilities	**0**	1,911
Derivative financial instruments marked to market	**270**	3,788
Sundry liabilities	**16**	3,985
Deferred income	**0**	1,062
	286	13,935
thereof non-current	**0**	3,074
thereof current	**286**	10,861

The fair values of other liabilities generally correspond to the carrying amounts.

Other notes

[19] Consolidated statement of cash flows
The cash flow from operating activities includes:

€ million	**1st half of 2009/10**	1st half of 2008/09
Interest paid	**1,234**	344
Interest received	**1,053**	273
Dividends received	**1**	0

IAS 7, which was changed as a result of the annual improvements project enacted in May 2008, requires the allocation of cash inflows and outflows from the change in leased assets to the cash flows from operating activities. In this respect, the presentation of cash flows from changes in receivables from financial services was also reclassified to the cash flows from operating activities in order to ensure the uniform presentation of the financing and leasing transactions in the group statement of cash flows. The figures of the comparative period were adjusted.

Since the fiscal year 2008/09, income taxes paid and received are disclosed separately in the statement of cash flows in the cash flows from operating activities. The comparative period was therefore adjusted for this purpose.

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 have been presented in separate line items in the cash flows from operating activities since the fiscal year 2008/09. The figures of the comparative period were adjusted accordingly. Since the consolidated financial statements for the fiscal year 2008/09, the cash flows from investing activities also contain cash received from and paid for the acquisition and disposal of cash-settled stock options used to secure stock prices and for other purposes. In the previous six-month report, these had been disclosed in the cash flows from operating activities or financing activities. The figures of the comparative period were restated accordingly.

Cash and cash equivalents that are not available for use by the group were deposited as collateral in connection with the cash-settled stock option transactions used to secure stock prices and for other purposes and are therefore not included in cash and cash equivalents reported in the cash flow statement. The changes in cash and cash equivalents that are not available for use by the group are presented in the statement of cash flows, as are the cash flows from these stock options, in the cash flows from investing activities. The figures of the comparative period were adjusted accordingly. The cash and cash equivalents reported in the statement of cash flows at the beginning of the comparative period were therefore reduced by €2,567 million to €4,423 million.

The changes in presentation made in the fiscal year 2008/09 resulted in a decrease in cash outflows from operating activities compared to the presentation in the six-month report for 2008/09 of €9,326 million. The cash outflows from investing activities increased by €11,590 million. This contains a change in cash and cash equivalents which are not available for use in connection with stock option transactions. For the same reason, the cash outflows from financing activities increased compared to the presentation in the six-month report for 2008/09 by €303 million.

[20] Segment reporting

For details regarding the previous segmentation by business division, we refer to the consolidated financial statements of Porsche SE as of 31 July 2009.

Before the deconsolidation of the Volkswagen group and the Porsche Zwischenholding GmbH group, the segmentation by division – based on the internal reporting and organizational structure – split the activities of the group in the business segments Porsche and Volkswagen. After deconsolidation, the internal organizational and reporting structure was changed. The central decision-maker, i.e. the executive board of Porsche SE, manages the remaining investments uniformly on the basis of the respective at-equity result. Since the deconsolidations, a segmentation of the group as defined by IFRS is no longer appropriate.

Based on the internal reporting and organizational structure that existed at the beginning of the fiscal year, the segment information is as follows:

	Porsche		Volkswagen	
€ million	**1st half of 2009/10**	1st half of 2008/09	**1st half of 2009/10**	1st half of 2008/09
Sales to third parties	**1,753**	3,043	**44,596**	0
Intersegment sales revenue	**23**	0	**310**	0
Total segment sales	**1,776**	3,043	**44,906**	0
Segment result	**51**	6,809	**–332**	0

	Consolidation / Reclassification acc. to IFRS 5		Porsche group	
€ million	**1st half of 2009/10**	1st half of 2008/09	**1st half of 2009/10**	1st half of 2008/09
Sales to third parties	**–46,349**	–3,043	**0**	0
Intersegment sales revenue	**–333**	0	**0**	0
Total segment sales	**–46,682**	–3,043	**0**	0
Segment result	**96**	0	**–185**	6,809

Due to the deconsolidations, the segment assets still presented in the consolidated financial statements of Porsche SE as of 31 July 2009 for the Porsche and Volkswagen segments dropped from €9,029 million and €163,330 million respectively to zero in each case.

The figures for the segments are reconciled to the corresponding group values as follows:

€ million	**1st half of 2009/10**	1st half of 2008/09
Segment result (operating profit/loss)		
Segment total	**–281**	6,809
Consolidation / Reclassification acc. to IFRS 5	**96**	0
Profit/loss from investments accounted for at equity	**7,740**	400
Profit/loss before financial result and tax (continuing operations)	**7,555**	7,209
Financial result	**–467**	–103
Profit/loss before tax (continuing operations)	**7,088**	7,106

[21] German Corporate Governance Code
The current declaration of the executive board and supervisory board of Porsche SE pursuant to Sec. 161 AktG on the German Corporate Governance Code is accessible on the internet at www. porsche-se.com.

[22] Contingent liabilities

€ million	**31/1/2010**	31/7/2009
Guarantees	**0**	174
Warranties	**0**	51
Collateral for third-party liabilities	**0**	232
Other contingent liabilities	**0**	796

Porsche SE is liable for claims of third parties to the trustee to whom the investment in Porsche Zwischenholding GmbH is transferred, from or in connection with the trust relationship.

On 25 January 2010, 17 plaintiffs filed a complaint for damages in the USA against Porsche SE and former members of its executive board Dr. Wendelin Wiedeking and Holger Härter in the United States District Court for the Southern District of New York. The complaint alleges that Porsche's activities in connection with its acquisition of a stake in Volkswagen AG during the year 2008 constituted market manipulation and securities fraud in violation of the U.S. Securities Exchange Act. Porsche believes that the complaint is without merit and will seek dismissal of the claims. The company deems that adequate provision has been made for the anticipated lawyers' fees and litigation expenses.

[23] Purchase obligations
As of 31 January 2010 there are no purchase obligations within the group. As of 31 July 2009, the purchase obligations from investment projects already commenced amount to €2.792 million in property, plant and equipment, €358 million in intangible assets and €2 million in investment property.

[24] Related parties
In accordance with IAS 24, persons or entities which are in control of or controlled by Porsche SE must be disclosed. Pursuant to a consortium agreement, the Porsche and Piëch families have direct and indirect control respectively of Porsche SE.

The disclosure requirements under IAS 24 also extend to persons who have the power to exercise significant influence over the entity, i.e. who have the power to participate in the financial and operating policies of the entity, but do not control it, including close family members. In the first half year 2009/10, this concerns members of the supervisory board and the executive board of Porsche SE as well as their close family members.

Before the deconsolidation of the Volkswagen group and the Porsche Zwischenholding GmbH group, there were business relations in the course of ordinary business operations relating to deliveries of vehicles and spare parts of €1,568 million (prior year: €80 million) with the Porsche and Piëch families. Trade in the design business totaled €375 thousand (prior year: €795 thousand).

No financial services were rendered to members of the executive board and supervisory board (prior year: €4 thousand). An amount of €6 thousand (prior year: €4 thousand) was charged for supplies of goods and services and €24 thousand (prior year: €47 thousand) for other services. They were charged at arm's length conditions. Other than that, no transactions requiring disclosure were conducted by entities of the Porsche group with members of the supervisory board or executive board as key management personnel or with any other entities having these persons on their executive or supervisory board. The same applies for close family members of these persons.

The disclosure requirements in the consolidated financial statements of Porsche SE as of 31 January 2010 pursuant to IAS 24 also include persons and entities on which the Porsche group can exert a significant influence or joint control.

In the comparative period, before reaching the majority of voting rights in Volkswagen AG, i.e. between 1 August 2008 and 5 January 2009, Porsche SE was able to exercise a significant influence on the Volkswagen group. In this period, the trade relations with the Volkswagen group mainly pertained to the vehicle and parts business. In addition, consulting and development services were provided. The transactions were charged at arm's length conditions.

In the reporting period, only trade relations to subsidiaries that are not fully consolidated, joint ventures and associated companies of the Volkswagen and Porsche Zwischenholding groups are presented until their respective deconsolidations. In this period, the trade relations mainly pertained to the vehicle and parts business. In addition, consulting and development services as well as financial services were provided. Without exception, they were charged at arm's length conditions.

Since the dates of the respective deconsolidations, Porsche SE exercises a significant influence on the Volkswagen group and joint management of the Porsche Zwischenholding GmbH group. There are relations which belong to the financing sector. Without exception, these too were charged at arm's length conditions.

In the period before the respective deconsolidations, only relationships to subsidiaries that are not fully consolidated, joint ventures and associated companies of the Volkswagen and Porsche Zwischenholding groups are presented until their respective deconsolidations. In this period, the trade relations mainly pertained to the vehicle and parts business. In addition, consulting and development services as well as financial services were provided. Without exception, these too were charged at arm's length conditions.

Related parties

€ million	Supplies and services rendered		Supplies and services received	
	1st half of 2009/10	1st half of 2008/09	**1st half of 2009/10**	1st half of 2008/09
Porsche and Piëch families	**1,568**	80	**52**	2
Volkswagen AG – group (after deconsolidation; prior year: before initial consolidation)	**0**	46	**57**	529
Porsche Zwischenholding GmbH – group (after deconsolidation)	**23**	0	**0**	0
Non-consolidated subsidiaries (before deconsolidation)	**833**	0	**386**	0
Other associates (before deconsolidation)	**1,325**	2	**42**	0
Other joint ventures (before deconsolidation)	**1,829**	1	**223**	3
Other	**1**	0	**0**	0
	5,579	129	**760**	534

€ million	Receivables		Liabilities	
	31/1/2010	31/7/2009	**31/1/2010**	31/7/2009
Porsche and Piëch families	**0**	217	**0**	12
Non-consolidated subsidiaries	**0**	659	**0**	206
Associates	**0**	20	**0**	12
Joint ventures	**4,016**	1,941	**3,878**	41
Other	**0**	1	**0**	0
	4,016	2,838	**3,878**	271

Stuttgart, 15 March 2010

Porsche Automobil Holding SE

The executive board

Prof. Dr. Martin Winterkorn   Hans Dieter Pötsch   Michael Macht   Thomas Edig

Responsibility statement

We assure to the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim condensed consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Stuttgart, 15 March 2010

Porsche Automobil Holding SE

The executive board

Prof. Dr. Martin Winterkorn Hans Dieter Pötsch Michael Macht Thomas Edig