Porsche Automobil Holding SE

Fiscal year
2009/10

2009/10

Holding company managing investments

Since December 2009, Porsche Automobil Holding SE (Porsche SE) has been acting as a holding company for its investments in the Porsche Zwischenholding GmbH group and in the Volkswagen group. Effective 3 December 2009, the Volkswagen group was deconsolidated, effective 7 December 2009 the Porsche Zwischenholding GmbH group. Since then, Porsche SE has accounted for Volkswagen AG as an associate and Porsche Zwischenholding GmbH as a joint venture of Porsche SE and Volkswagen AG at equity. Porsche SE's profit/loss will in future be highly dependent on the results of operations and the profit/loss accounted for at equity of Porsche Zwischenholding GmbH and Volkswagen AG attributable to the Porsche SE group. Porsche SE records investment income in the form of dividends in its separate financial statements prepared in accordance with the German Commercial Code.

Since March of this year, Porsche SE has held a 32.2 percent share in the total capital of Volkswagen AG. At this point in time, Volkswagen AG increased its capital stock by a nominal amount of around 166.2 million euro by issuing around 65 million new preference shares. Porsche SE did not participate in this capital increase. This diluted Porsche SE's share of Volkswagen AG's total capital from 37.4 percent to 32.2 percent. Porsche SE's approximately 50.7 percent share in Volkswagen AG's ordinary shares remained unchanged. Porsche SE holds a 50.1 percent share in the total capital of Porsche Zwischenholding GmbH.

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1 To our shareholders

Dear shareholders,

In the fiscal year 2009/10, Porsche Automobil Holding SE made significant progress towards creating an integrated automotive group comprising Volkswagen and Porsche. Two key achievements in this connection are the basic agreement and Volkswagen's investment in Porsche Zwischenholding GmbH, which have also enabled us to reduce the liabilities of Porsche SE considerably.

It is planned to further reduce these liabilities with the capital increase intended for the first half of 2011. The planned issue volume is five billion euro, which is to be raised through the issue of an equal number of ordinary and preference shares. As part of the overarching concept of the basic agreement, the ordinary shareholders from the Porsche and Piëch families have made a commitment to approve the resolution and to subscribe to the new ordinary shares under certain circumstances.

All the stakeholders – Volkswagen, Porsche, the Porsche and Piëch families, and the employee representatives of both companies – are working hand in hand to create the integrated automotive group.

Following completion of the capital increase, Porsche SE is to be merged into Volkswagen AG in accordance with the basic agreement. From today's perspective, we cannot rule out that the timetable for the merger in the basic agreement may not be met. The legal and tax review of the transaction required by the basic agreement is not yet complete. This is due to external factors, including the fact that the tax framework conditions of the merger still have to be finalized. In addition, the effects that the claims for damages brought against Porsche SE in the USA and by various fund companies in Germany will have on the merger cannot be conclusively assessed given the current status of litigation. The executive board of Porsche SE currently assumes that the existing uncertainties can be clarified and that the merger will therefore succeed, albeit possibly not within the ambitious time frame set out in the basic agreement.

Porsche and Volkswagen are also working flat out to lay the organizational foundations for the merger. On the basis of clearly defined processes, we are promoting cooperation between the two companies at all levels. In all areas, joint project teams are now well on the way to leveraging the potential synergies identified. The greatest savings can be achieved through joint purchasing activities and increased collaboration on the development of vehicles, modules, drives and electronics. In addition, it will be possible to jointly use many resources

such as development centers and testing facilities in the future. Moreover, there are opportunities for promising cooperation in the areas of financial services and sales.

The speed and targeted approach of Porsche and Volkswagen's integration are also evident from the key individuals involved: Matthias Müller, new CEO at Porsche AG, is the ideal man for the job. Not only does he bring to the table considerable expertise in the interplay of independent brands, as he demonstrated as product strategist in Wolfsburg; to ensure the success of the integration, Porsche also needs someone who knows Volkswagen from the inside – and Matthias Müller is just the person. On the other hand, his predecessor Michael Macht has joined the board of management of Volkswagen AG, where he is leveraging his proven experience and exceptional commitment to quality to head up the group's worldwide production and logistics. Michael Macht had taken the reins at Porsche AG during a decisive phase for the company. Through his outstanding efforts and skills, he further increased sales and profitability, and enhanced Porsche's positive brand image.

From a strategic perspective, the merger of Porsche and Volkswagen is a logical step as the automobile industry is currently facing major technological challenges. Every manufacturer now has to invest in all of the relevant drive types simultaneously. And the development of hybrid and electric drives is highly demanding, both financially and technologically. Sharing costs, time and effort, and last but not least expertise is now a must if we are to steer a course to profitable long-term growth.

With its outstanding expertise in the field of sports cars, Porsche will play a key role in the integrated group. Porsche AG is still the most profitable carmaker in the world. And Porsche is and remains one of the strongest and most appealing brands. Porsche will continue to develop and build sporty exclusive vehicles that share the distinctive Porsche "genes" – in ways that can be seen, felt and, of course, experienced. The association with the Volkswagen group and with its development and production resources will enable Porsche to remain true to itself and its brand values without having to enter into any compromises. The synergies generated will benefit Porsche and Volkswagen equally. And when it comes to the Porsche brand, they will be apparent in new, fascinating models, additional model series, cutting-edge technology, and innovative vehicle concepts.

Today, Volkswagen is the world's leading multi-brand group. And the considerable competitive advantages of this multi-brand strategy were again strikingly apparent during the economic crisis of the past year. Now more than ever, the Volkswagen group is pursuing its goal of becoming the world's leading automaker in many respects by 2018 and generating an eight-percent return on sales before tax. In conjunction with Porsche, an even stronger, more powerful multi-brand group with an excellent worldwide presence, which will be equipped for all future challenges, is now taking shape. I am convinced that this company will decisively influence the future of automaking in crucial areas.

All of this shows that, even today, the shareholders of Porsche SE are playing a key role in two of the companies best placed to master the challenges of tomorrow's automotive industry. And they too stand to benefit significantly from the new, integrated automotive group.

Prof. Dr. Martin Winterkorn

Company boards of Porsche Automobil Holding SE

Members of the supervisory board

Dr. Wolfgang Porsche
Diplom-Kaufmann
Chairman

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

Hans Baur*
Diplom-Ingenieur
Trade union secretary

Berthold Huber*
1st chairman of IG-Metall

His Excellency Sheik Yassim Bin Abdulaziz Bin Yassim Al-Thani (since 29 January 2010)
Minister of business and trade

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

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

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

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

Dr. Hans Michel Piëch
Attorney at law

Dr. Ferdinand Oliver Porsche
Investment management

Hans-Peter Porsche
Engineer

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

* Employee representatives
As of 31 July 2010

Members of the executive board

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

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

Hans Dieter Pötsch
(since 25 November 2009)
Diplom-Wirtschaftsingenieur

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

Michael Macht
(until 30 September 2010)
Diplom-Ingenieur

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

Thomas Edig
Diplom-Betriebswirt (BA)

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

Ladies and gentlemen,

For Porsche Automobil Holding SE, the agreed creation of an integrated automotive group with Volkswagen AG dominated fiscal year 2009/10.

The supervisory board approved the conclusion of a basic agreement which sets forth the steps necessary for the creation of the integrated automotive group between Porsche and Volkswagen. In early December 2009, Volkswagen AG – as provided for in the basic agreement – indirectly acquired a 49.9 percent interest in Dr. Ing. h.c. F. Porsche Aktiengesellschaft by means of a capital increase. Porsche Automobil Holding SE used the cash of approximately 3.9 billion euro that it received in connection with the capital increase to reduce its bank liabilities. The basic agreement also provides for a capital increase at Volkswagen AG which was successfully carried out in the spring of 2010 and a capital increase at Porsche Automobil Holding SE in the first half of 2011 (however not before 28 February 2011) and the subsequent merger of Porsche Automobil Holding SE with Volkswagen AG.

In parallel to the indirect investment of Volkswagen AG in Dr. Ing. h.c. F. Porsche Aktiengesellschaft, a new loan agreement was entered into with an international banking syndicate to repay the syndicated loan that had existed since March 2009.

In August 2009, Porsche Automobil Holding SE already sold a significant portion of the cash-settled options relating to VW shares to Qatar Holding LLC, Qatar. In connection with this, Qatar Holding LLC as strategic investor acquired ten percent of the ordinary shares in Porsche Automobil Holding SE from holders of ordinary shares in Porsche Automobil Holding SE.

At all four meetings of the supervisory board which took place between the beginning of the reporting period, 1 August 2009, and the conclusion of the new loan agreement at the end of November 2009 and the indirect investment of Volkswagen AG in Dr. Ing. h.c. F. Porsche Aktiengesellschaft at the beginning of December 2009, the executive board informed the supervisory board in detail about the status of negotiations with both Volkswagen AG and the syndicate banks. The supervisory board paid special attention to the financial position, results of operations and liquidity of Porsche Automobil Holding SE. The points disputed in the negotiations were discussed at length with the executive board. Beyond the individual meetings of the supervisory board, various members of the supervisory board held talks with members of the executive board on numerous occasions about the status and content of the negotiations. At its five meetings the executive committee of the supervisory board also dealt with the current status of negotiations on the conclusion and implementation of the basic agreement.

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

During the fiscal year, the supervisory board held four ordinary and six extraordinary meetings. There was full attendance at three of the meetings of the supervisory board. His Excellency Sheik Yassim Bin Abdulaziz Bin Yassim Al-Thani, who was appointed member of the supervisory board by the annual general meeting on 29 January 2010, attended less than half of the supervisory board meetings. If unable to attend meetings, the supervisory board members sometimes participated in the resolutions by casting votes in writing. For urgent business events, resolutions were sometimes taken in writing by circularization.

Cooperation between the supervisory board and the executive board

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

The supervisory board examined the creation of the integrated automotive group and other fundamental issues of corporate planning, in particular financial, liquidity, investment and human resources planning. After a thorough examination, the supervisory board approved all matters presented to it by the executive board for approval or passed resolutions in accordance with the co-determination agreement, the articles of association or the rules of procedure of the executive board. Such matters included in particular the conclusion of the basic agreement and the related implemented agreements, the conclusion of the domination and profit and loss transfer agreement with Porsche Zweite Vermögensverwaltung GmbH (approved by the annual general meeting on 29 January 2010), the voting behavior of Porsche Automobil Holding SE (i) at the extraordinary general meeting of Volkswagen AG on 3 December 2009 in the elections for the supervisory board and for the creation of rights to appoint members of the supervisory board, (ii) at the annual general meeting of Volkswagen AG on 22 April 2010 for the exoneration of members of management, the supervisory board elections and the approval of the conclusion of corporate agreements and (iii) at the annual general meeting for the fiscal year 2008/09 of Dr. Ing. h.c. F. Porsche Aktiengesellschaft for the exoneration of management members.

The supervisory board satisfied itself that the executive board is duly conducting the company's business and has taken all the necessary measures in good time. This also applies to appropriate risk provisioning and compliance. In addition, the supervisory board monitored whether the executive board took the measures for which it is responsible pursuant to Sec. 91 (2) AktG and that the risk monitoring system prescribed therein works effectively.

Significant issues addressed by the supervisory board in the fiscal year 2009/10

At the first meeting in the 2009/10 fiscal year, which was held on 13 August 2009, the supervisory board examined the cornerstones of the investment agreement with Qatar Holding LLC and approved its conclusion. This agreement, which was signed the next day, regulates the sale of a significant portion of the cash-settled options relating to VW shares to Qatar Holding LLC. The supervisory board also dealt with the basic agreement on the creation of an integrated automotive group between Porsche and Volkswagen and approved its conclusion in the draft version at that point in time. Special attention was paid to the strategic logic of the basic agreement and the multiple-stage transaction concept underlying it. The supervisory board focused on the effects of the transaction on the financial position, results of operations and liquidity of Porsche Automobil Holding SE. Regarding the agreed indirect investment of Volkswagen AG in Dr. Ing. h.c. F. Porsche Aktiengesellschaft, the enterprise value was tested for plausibility. Potential risks of the transaction, tax issues relating to the transaction and points still open at that time were also discussed.

At this meeting, the supervisory board also appointed Prof. Dr. Martin Winterkorn as a member of the executive board and nominated him chairman of the executive board of Porsche Automobil Holding SE. Mr. Hans Dieter Pötsch was also appointed member of the executive board.

Both took up their offices after the end of negotiations on the agreements for the implementation of the basic agreement effective 25 November 2009.

At a further extraordinary meeting of the supervisory board on 11 September 2009, the status of negotiations on the basic agreement and its implementation that were still ongoing at that time were dealt with by the supervisory board. The supervisory board was also informed in detail about the status and content of the refinancing talks and the liquidity development of Porsche Automobil Holding SE. In addition, the supervisory board examined the investigations initiated by Stuttgart's public prosecutor in August 2009 and the allegations underlying it against the former members of the executive board Dr. Wendelin Wiedeking and Mr. Holger P. Härter in particular.

At the first ordinary supervisory board meeting of the 2009/10 fiscal year on 12 November 2009, the supervisory board once again examined the investigations of the public prosecutor. An expert in criminal law pertaining specifically to capital markets commissioned by Porsche Automobil Holding SE presented his main results. His examination showed that there was no breach of the law. The supervisory board also approved the internal restructuring of Dr. Ing. h.c. F. Porsche Aktiengesellschaft which prepared the indirect investment of Volkswagen AG provided for in the basic agreement. In connection with this, the supervisory board also examined the implementation agreements for the basic agreement which, among other things, regulate the direct investment by Volkswagen AG in Porsche Zwischenholding GmbH as part of the capital increase and thus the indirect investment in Dr. Ing. h.c. F. Porsche Aktiengesellschaft.

At its extraordinary meeting on 20 November 2009, the supervisory board agreed, after in-depth discussion and debate, not only to a change in the basic agreement but also to the conclusion and implementation of all the agreements regulating the implementation of the basic agreement. In addition, the supervisory board approved the agreement on a commitment to a capital increase with holders of ordinary shares of Porsche Automobil Holding SE. As part of the overall concept of the basic agreement, they make a commitment to Porsche Automobil Holding SE to subscribe – under certain circumstances – to new ordinary shares from the capital increase planned for the first half of 2011 in exchange for a total subscription price of an anticipated 2.5 billion euro. The supervisory board also obtained information on the main cornerstones of the new loan agreement. Moreover, the supervisory board examined the separate and consolidated financial statements of Porsche Automobil Holding SE as of 31 October 2009 and the current business and financial situation.

At its ordinary meeting on 15 December 2009, the supervisory board decided on the resolutions proposed to the annual general meeting on 29 January 2010 and inquired about the status of the implementation of the transaction steps defined in the basic agreement and the financial situation of Porsche Automobil Holding SE after the successfully concluded redemption in early December 2009 of the syndicated loan agreed in March 2009.

On 23 March 2010, the supervisory board discussed the approach Porsche Automobil Holding SE was to take with respect to the planned increase in preference capital at Volkswagen AG

as provided for in the basic agreement. At the meeting on 12 April 2010, the audit committee reported on its discussion of the six-monthly financial report of Porsche Automobil Holding SE as of 31 January 2010. The supervisory board also obtained information about the status of the complaint for damages pending in the USA against Porsche Automobil Holding SE and its former executive board members Dr. Wendelin Wiedeking and Mr. Holger P. Härter due to alleged breaches of capital market regulations. On 16 June 2010, the supervisory board had another extraordinary meeting to discuss the status of the complaints for damages pending in the USA and the steps taken to coordinate the defense.

At the last meeting of the fiscal year 2009/10, the supervisory board focused on the business planning for the short fiscal year 2010 and received reports about the schedule and project status of the capital increase of Porsche Automobil Holding SE planned for the first half of the 2011 fiscal year. Mr. Michael Macht retired from his office as executive board member of Porsche Automobil Holding SE effective 30 September 2010 since he joined the board of management of Volkswagen AG at the beginning of October. The supervisory board approved Mr. Michael Macht's retirement from office.

Efficient work of the supervisory board committees

The supervisory board has set up a total of three committees to support the work of the whole supervisory board and enhance efficiency. The three committees are the executive committee, the audit committee and the nomination committee. The committees prepare supervisory board resolutions as well as topics for discussion by the whole supervisory board. In some instances, the decision-making authority of the supervisory board has been transferred to the committees to the extent permitted by law.

Executive committee

The executive committee decides in urgent cases about transactions requiring the approval of the supervisory board and about concluding, amending and canceling employment agreements of members of the executive board as long as decisions on remuneration levels or their reduction are not concerned.

The executive committee comprises the chairman of the supervisory board, his deputy and a shareholder representative and employee representative elected from the supervisory board. Besides supervisory board chairman Dr. Wolfgang Porsche and his deputy Mr. Uwe Hück, the members of the executive committee are Dr. Hans Michel Piëch as shareholder representative and Mr. Bernd Osterloh as employee representative. The executive committee met ten times during the fiscal year.

At the first five meetings in the 2009/10 fiscal year, the executive committee paid special attention to the status of the negotiations with Volkswagen AG and the investigations of the public prosecutor and the accusations being investigated. The meetings in the second half of the fiscal year 2009/10 focused on the planned approach of Porsche Automobil Holding SE in connection with the increase of preference capital at Volkswagen AG provided for in the basic agreement, the annual general meeting of Volkswagen AG on 22 April 2010 and the status of the investigations of the public prosecutor and the US complaints for damages.

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

Audit committee

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

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

At its meeting on 15 December 2009, the audit committee recommended that the supervisory board propose to the annual general meeting on 29 January 2010 to elect Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as auditors for the 2009/10 fiscal year. On 28 January 2010, the audit committee examined the balance sheet and the income statement in the group and at the level of Porsche Automobil Holding SE as of 31 December 2009. The audit committee inquired in particular about the effects from an accounting law perspective of the changed group structure on the financial reporting and the resulting balance sheet and profit/loss effects. Finally, it addressed the internal control system of Porsche Automobil Holding SE and the status of the remaining cash-settled options relating to Volkswagen ordinary shares. In the next two meetings, the audit committee looked at the six-monthly financial report as of 31 January 2010 and the interim report for the period from 1 August 2009 to 30 April 2010 and the current risk reports as of those dates. At the last meeting of the fiscal year 2009/10, the audit committee mainly discussed the engagement of the auditor and the key audit areas to be set. The audit committee also obtained information about the status of the preparations for the capital increase of Porsche Automobil Holding SE which is scheduled for the first half of the fiscal year 2011.

Nomination committee

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

At the only meeting of the nomination committee on 15 December 2009, the committee decided to recommend to the supervisory board to propose to the annual general meeting on 29 January 2010 to elect His Excellency Sheik Yassim bin Abdulaziz bin Yassim Al-Thani to the supervisory board of Porsche Automobil Holding SE.

Corporate governance

The supervisory board and executive board have repeatedly and intensively discussed the recommendations and suggestions of the German Corporate Governance Code, submitted the declaration of compliance in accordance with Sec. 161 German Stock Corporation Act (AktG) and made it permanently accessible to shareholders on the website www.porsche-se.com. The declaration of compliance is published in full in the corporate governance report as part of the 2009/10 annual report. The supervisory board reviews the efficiency of its activities as part of its self-assessment.

In the course of voting relating to the creation of the integrated automotive group, potential conflicts of interest arose. During these votes, the members of the supervisory board Dr. Wolfgang Porsche, Dr. Ferdinand Oliver Porsche, Dr. Hans Michel Piëch und Prof. Dr. Ferdinand K. Piëch abstained from voting. These supervisory board members are also indirect owners of holders of ordinary shares in the company who are also party to the basic agreement. In light of their participation in corresponding votes in the supervisory board of Volkswagen AG, Messrs. Bernd Osterloh and Peter Mosch did not participate in the votes in the supervisory board of Porsche Automobil Holding SE relating to the formation of an integrated automotive group. The supervisory board members who are also indirect owners of holders of ordinary shares of the company and Messrs. Bernd Osterloh and Peter Mosch did not participate in the supervisory board's resolution on the agreement on a commitment to a capital increase with holders of ordinary shares in Porsche Automobil Holding SE.

Nor did Messrs. Bernd Osterloh and Peter Mosch participate in the supervisory board resolution concerning the conclusion of an investment agreement regarding the selling of a significant portion of the cash-settled options relating to shares in Volkswagen AG to Qatar Holding LLC, Qatar.

Bernd Osterloh and Peter Mosch, who are members of the Volkswagen AG supervisory board, did not take part in the resolution on Porsche Automobil Holding SE's voting behavior at the annual general meeting of Volkswagen AG on 22 April 2010 regarding the exoneration of the supervisory board and potential motions for the appointment of a special auditor in connection with the creation of the integrated automotive group. Dr. Wolfgang Porsche, Dr. Ferdinand Oliver Porsche, Dr. Hans Michel Piëch and Prof. Dr. Ferdinand K. Piëch, who are also members of the Volkswagen AG supervisory board, abstained from voting.

Audit of the separate financial statements and consolidated financial statements for the fiscal year 2009/10

The separate financial statements prepared by the executive board of Porsche Automobil Holding SE and the consolidated financial statements for fiscal 2009/10, together with the bookkeeping system, and the combined management report, have been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart. The auditors have not raised any objections and have confirmed this by rendering an unqualified audit opinion.

The profit/loss before tax from continuing operations of the Porsche SE group came to 5.9 billion euro in the fiscal year 2009/10. Profit after tax from continuing operations was 5.7 billion euro. The contributions to profit/loss of the discontinued operations (including their deconsolidation profit/loss after tax) was minus 6.2 billion euro so that the Porsche SE group's profit/loss after tax was minus 0.5 billion euro. The financial statements of Porsche Automobil Holding SE disclose net income for the year of 9.0 billion euro and a net profit available for distribution of 4.5 billion euro.

The key audit areas of the financial statements specified by the supervisory board in consultation with the audit committee were: the changes in the consolidated group; the accounting effects of the increase in Volkswagen AG's preference capital at the level of Porsche Automobil Holding SE; the effects of selling a significant portion of the cash-settled options relating to shares in Volkswagen AG to Qatar Holding LLC; and Porsche Automobil Holding SE's risk management. Important topics concerning the change to the consolidated group included the deconsolidation of the Porsche subgroup and the Volkswagen subgroup and initial accounting for the investments at equity. Among other things, the audit verified the impairment test performed for the investments accounted for at equity and the measurement of the put and call options that Porsche Automobil Holding SE and Volkswagen AG granted each other with regard to the remaining 50.1 percent share in Porsche Zwischenholding GmbH held by Porsche Automobil Holding SE. In accordance with Sec. 313 German Stock Corporation Act (AktG), the audit of financial statements included a review of the executive board's report on relations with affiliated companies (Sec. 312 German Stock Corporation Act).

Based on the findings of the audit, the independent auditor came to the conclusion that the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements

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

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

At its meeting on 12 October 2010, the audit committee discussed with the independent auditor the separate financial statements on which an unqualified audit opinion had been issued, the consolidated financial statements on which an unqualified audit opinion had been issued and the combined management report and group management report as well as the proposal for the appropriation of net profit available for distribution and significant audit topics including the necessary deconsolidations and the measurement of the put and call options granted reciprocally by Porsche Automobil Holding SE and Volkswagen AG relating to Porsche Automobil Holding SE's remaining 50.1 percent share in Porsche Zwischenholding GmbH. It was the task of the audit committee to check the appropriateness of the accounting and whether the legal requirements for the preparation of the consolidated and separate financial statements and the combined management report had been complied with and also whether the representations give a true and fair view of the net assets, financial position and results of operations of the company and of the group. Representatives of the auditor attended the meeting of the audit committee on the relevant point of the agenda and reported on the significant results of their audit of the separate and consolidated financial statements. In particular, the representatives of the auditors commented on the net assets, financial position and results of operations of Porsche Automobil Holding SE and were available to the supervisory board to provide any additional information.

The audit committee decided to recommend to the supervisory board to approve the separate and consolidated financial statements. The audit committee also decided to recommend to the supervisory board to propose to the annual general meeting on 30 November 2010 to elect Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as auditors. A declaration of independence was obtained from the auditor in accordance with No. 7.2.1 of the German Corporate Governance Code.

In its meeting of 13 October 2010, the supervisory board conducted a detailed review and discussion of the documents presented pursuant to Art. 9 (1) c (ii) Council Regulation (EC) No. 2157/2001 and Sec. 170 (1) and (2) German Stock Corporation Act (AktG) as well as the audit reports of the auditors of the financial statements. The chairman of the audit committee gave a detailed report on the review of the separate financial statements and the consolidated financial statements in the audit committee. The supervisory board's review related in particular to the changes in consolidated group, the effects of the increase in preference capital by Volkswagen AG on the accounting at the level of Porsche Automobil Holding SE, the sale of a significant portion of the cash-settled options relating to VW shares to Qatar Holding LLC, the risk management of Porsche Automobil Holding SE and the valuation of the put and call options granted to each other by Porsche Automobil Holding SE and Volkswagen AG for the 50.1 percent share remaining with Porsche Automobil Holding SE in Porsche Zwischenholding GmbH. Representatives of the auditor attended the meeting of the supervisory board on the relevant point of the agenda and reported on the significant results of their audit of the separate and consolidated financial statements. In particular, the representatives of the auditors commented on the net assets, financial position and results of operations of Porsche Automobil Holding SE and were available to the supervisory board to provide any additional information.

The supervisory board agrees with the audit findings of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart. Subsequent to its own reviews, the supervisory board has found that no objections can be raised. In accordance with the recommendation of the audit committee, the supervisory board has approved the separate financial statements and the consolidated financial statements for the fiscal year 2009/10. The separate financial statements are therewith ratified. The supervisory board has declared that it agrees with the combined management report of the executive board. The supervisory board agrees to the proposal of the executive board on the appropriation of net profit available for distribution.

In accordance with, Art. 9 (1) c (ii) Council Regulation (EC) No. 2157/2009 and Sec. 312 German Stock Corporation Act (AktG) the executive board has prepared a report on relations with affiliated companies (dependent company report) for the fiscal year 2009/10. The auditors have audited the dependent company report and have rendered the following audit opinion:

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

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

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

The dependent company report together with the audit report of the auditor of the financial statements were provided to the supervisory board in a timely manner. Both were discussed in detail at the meetings of the audit committee and the supervisory board on 12 and 13 October 2010

respectively and checked in particular for completeness and correctness. Representatives of the auditors participated in these meetings, reported on the significant findings of the audit and were available to the audit committee and the supervisory board to provide additional information. The supervisory board concurred with the result of the auditors' review of the dependent company report. According to the concluding results of its own review, there were no objections with respect to the closing declaration of the executive board in the dependent company report.

Performance-related remuneration of the supervisory board as set forth in article 14 (1) c) (1st bullet point) of the articles of association of Porsche Automobil Holding SE for the past fiscal year is calculated on the basis of the pre-tax result from ordinary activities from continuing operations recognized in the company's consolidated financial statements.

The supervisory board considers this ruling of the articles of association on performance-related remuneration, and the rules on remuneration as a whole, to be appropriate. However, in light of the significant non-recurring accounting effects in the past fiscal year, which affect remuneration as set forth in article 14 (1) c) (1st bullet point) of the articles of association, the members of the supervisory board do not consider this remuneration component to be appropriate. The pre-tax result from ordinary activities from continuing operations recognized in the consolidated financial statements for the fiscal year 2009/2010 is very positive. This is due, in particular, to the first-time inclusion of Volkswagen AG at equity. On the other hand, the overall high negative contribution to profit from discontinued operations due to the deconsolidation of the Volkswagen group and the Porsche Zwischenholding GmbH group is not included in the calculation of the performance-related remuneration.

At the supervisory board meeting of 13 October 2010, the members of the supervisory board therefore declared that they would waive the performance-related remuneration due to them as set forth in article 14 (1) c) (1st bullet point) of the articles of association of Porsche Automobil Holding SE.

Composition of the supervisory board and executive board

The annual general meeting on 29 January 2010 elected 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.

Prof. Dr. Martin Winterkorn, chairman of the board of management of Volkswagen AG, and Mr. Hans Dieter Pötsch, CFO of Volkswagen AG, joined Porsche Automobil Holding SE's executive board as of 25 November 2009, while maintaining their responsibilities at Volkswagen. Prof. Winterkorn now chairs the board and Mr. Pötsch is the CFO.

Their joining has enlarged the executive board, which also comprises Mr. Thomas Edig, board member for HR and social issues and labor director at Dr. Ing. h.c. F. Porsche Aktiengesellschaft, and since 13 October 2010 Matthias Müller, who is also CEO at Dr. Ing. h.c. F. Porsche Aktiengesellschaft.

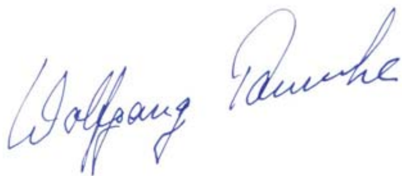
Mr. Michael Macht was a member of Porsche Automobil Holding SE's executive board until 30 September 2010 and also held the position of CEO at Dr. Ing. h.c. F. Porsche Aktiengesellschaft until that date. From 1 October 2010 onwards Mr. Macht is now member of Volkswagen AG's board of management (Group Production).

Thank you

We would like to thank Mr. Hans-Peter Porsche for his work on the supervisory board of Porsche Automobil Holding SE; he remains member of the supervisory board of Dr. Ing. h.c. F. Porsche Aktiengesellschaft. We also thank Mr. Macht for many years of successful work at Porsche and wish him every success in his new position on the board of management of Volkswagen AG.

The supervisory board expresses its gratitude to the executive board, the employees' elected representatives and all employees in acknowledgement of their dedicated work and outstanding efforts in the past fiscal year.

Stuttgart, 13 October 2010



Supervisory board
Dr. Wolfgang Porsche
Chairman

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

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

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

Corporate statutes of Porsche Automobil Holding SE

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

Corporate management by the executive board

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

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

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

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

Monitoring of management by the supervisory board

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

tive board and the competencies of the two bodies are strictly segregated.

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

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

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

Rights of the shareholders

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

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

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

Financial reporting and annual audit

The Porsche group's financial reporting is based on the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards

Board (IASB) insofar as they are applicable within the European Union, as well as the provisions of German commercial law applicable under Sec. 315a (1) German Commercial Code (HGB). The financial statements of Porsche SE as parent company of the Porsche group are based on the accounting provisions of the German Commercial Code. Both sets of financial statements are audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as an independent auditor. In addition, the underlying facts of the compliance declaration in accordance with Sec. 161 German Stock Corporation Act (AktG) are audited during the annual audit.

Risk management

The Porsche group has a group-wide risk management system which helps management to recognize major risks at an early stage, thus enabling them to initiate countermeasures in good time. The risk management system at the Porsche group is continuously tested for efficiency and continually optimized to reflect changed conditions. For details, please refer to pages 85 ff. of this annual report.

Communication and transparency

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

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

Directors' dealings

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

Declaration of compliance with the German Corporate Governance Code

The background

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

For the period until 2 July 2010 the declaration below refers to the version of the code amended 18 June 2009 and for the period from 3 July 2010 to the version of the code amended 26 May 2010, which was published in the elektronischer Bundesanzeiger (German Electronic Federal Gazette) on 2 July 2010. If no explicit reference is made to a specific version of the code then the respective recommendation remained unchanged in this period.

Declaration of compliance of Porsche Automobil Holding SE

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

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

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

The supervisory board welcomes the intention of the code to define rules for the composition of supervisory boards and is committed to this goal. However, in light of the intended merger with Volkswagen AG and the fact that, at present, no new elections of shareholder representatives to the supervisory board are planned prior to the merger, the specification of concrete goals would not be appropriate at the current point in time.

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

Porsche Automobil Holding SE publishes announcements of the voting rights of our shareholders in accordance with the German Securities Trading Act as required by this law. Announcements concerning the purchase and sale of Porsche preference shares by members of the executive board and supervisory board in accordance with Sec. 15a of the German Securities Trading Act are published insofar as this is required by Sec. 15a of the German Securities Trading Act. The shares in the company and related financial instruments held by members of the company's governing bodies (No. 6.6 of the German Corporate Governance Code) have not yet been published as we consider complete compliance with statutory publishing requirements provides the capital markets and our shareholders in particular with sufficient information.

Corporate governance in the Volkswagen subgroup

Volkswagen AG

In their declaration of compliance with the German Corporate Governance Code as of 20 November 2009, the board of management and supervisory board of Volkswagen AG disclosed that, in the period from 21 November 2008 to 5 August 2009, the recommendations of the code as of 6 June 2008 had been complied with, with the exception of No. 4.2.3. (4) and (5) (severance payment cap), and that the recommendation of the code published on 5 August 2009 in the new version of 18 June 2009 had been complied with, with the exception of No. 3.8 (2) (deductible in D&O insurance), No. 4.2.3 (2) sentences 2 and 3 (comparison parameters for variable compensation) and No. 4.2.3 (3) and (4) (severance payment cap).

The board of management and supervisory board of Volkswagen AG also declared that the recommendations of the code as of 18 June 2009 were complied with in full, with the exception of No. 3.8 (2) (deductible in D&O insurance), No. 4.2.3 (2) sentences 2 and 3 (comparison parameters for variable compensation) and No. 4.2.3 (3) and (4) (severance payment cap). In future, it is intended to comply with these recommendations, and with No. 3.8 (2) from 1 January 2010. The declaration of compliance can be found on the web page www.volkswagenag.com/ir, under the header Corporate Governance, and the menu item declaration of compliance.

AUDI AG

In their declaration of compliance with the German Corporate Governance Code dated 23 November 2009, the executive board and supervisory board of AUDI AG declared that, until the publication of the new version on 5 August 2009, the recommendations of the code as amended in 6 June 2008 were complied with, with the exception of No. 4.2.3 (4) and (5) (severance payment cap), No. 5.3.3 (nomination committee), 5.4.3 sentence 1 (elections to the supervisory board on an individual basis) and No. 5.4.6 (3) sentence 1 (individual reporting of compensation of members of the supervisory board, subdivided according to components).

The executive board and supervisory board of AUDI AG also declared that after 5 August 2009 the recommendations of the code as of 18 June 2009 were and are complied with, with the exception of No. 3.8 (2) sentence 2 (deductible in D&O insurance for the supervisory board), No. 4.2.3 (2) sentences 2 and 3 (comparison parameters for variable compensation), No. 4.2.3 (3) and (4) (severance payment cap), No. 5.3.3 (nomination committee) and No. 5.4.3 sentence 1 (elections to the supervisory board on an individual basis). It is intended to take No. 3.8 (2) sentence 2 into consideration from 1 January 2010. No. 4.2.3 (3) and (4) will be taken into consideration in the future. The declaration of compliance can be found on the internet at www.audi.de/cgk-erklaerung.

Porsche Automobil Holding SE

Supervisory board and executive board

Remuneration report

(Part of the management report)

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

Remuneration of the executive board

General principles

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

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

Remuneration principles at Porsche SE

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

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

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

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

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

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

Remuneration principles at Volkswagen AG

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

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

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

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

Remuneration principles at Porsche AG

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

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

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

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

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

incentive). The targets that are arranged in a separate agreement are oriented towards a sustainable development of the Porsche AG group.

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

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

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

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

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

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

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

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

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

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

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

Post-employment benefits

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

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

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

As of the end of the reporting period, Porsche SE did not have any pension obligations due to former members of the executive board and their surviving dependants. The obligations of 45.5 million

euro recorded as of the prior-year reporting date were disposed of in the course of deconsolidation of Porsche Zwischenholding GmbH from the Porsche SE group. Until the date of deconsolidation of the Porsche Zwischenholding GmbH group and the Volkswagen group, benefit payments came to 1.0 million euro for this group of persons (2008/09: 1.6 million euro).

Remuneration of the supervisory board

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

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

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

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

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

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

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

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

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

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

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

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

Supplementary disclosures in accordance with the German Corporate Governance Code

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2 The company

Group management report and management report of Porsche Automobil Holding SE

Significant events

Porsche SE acts as a holding company

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

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

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

Basic agreement on the creation of an integrated automotive group

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

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

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

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

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

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

Enlargement of the executive board of Porsche SE

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

Considerably improved liquidity situation

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

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

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

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

Strategic investor Qatar

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

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

Significant events at the Porsche Zwischenholding GmbH group

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

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

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

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

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

Successful capital increase at Volkswagen AG

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

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

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

After an extraordinary general meeting at Porsche AG adopted a resolution to enlarge the supervisory board to 20 members, the newly formed board held its constitutive meeting on 19 April 2010. Dr. Wolfgang Porsche remained the chairman of the supervisory board and Uwe Hück was reelected as his deputy. The new members of the board are Prof. Dr. Martin Winterkorn, CEO of Volkswagen AG and CEO of Porsche SE, Hans Dieter Pötsch, member of the board of management of Volkswagen AG and member of the executive board of Porsche SE, Dr. Francisco Javier Garcia Sanz, member of the board of management of Volkswagen AG, Christian Klingler, member of the board of management of Volkswagen AG, and Prof. Dr. Horst Neumann, member of the board of management of Volkswagen AG. The members reappointed to Porsche AG's supervisory board as shareholder representatives were Dr. Wolfgang Porsche, Prof. Dr. Ferdinand K. Piëch, Dr. Ferdinand Oliver Porsche, Hans-Peter Porsche and Dr. Hans Michel Piëch. Ferdinand Piëch jr., Prof. Dr. Ulrich Lehner and Josef Ahorner are no longer on the supervisory board of Porsche AG.

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

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

Significant events at the Volkswagen group

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

Volkswagen AG's 50th annual general meeting and the 9th special meeting of preference shareholders were held at the Congress Center Hamburg on 22 April 2010. With 91.1 percent of ordinary share capital present, the ordinary shareholders of Volkswagen AG formally approved the actions of the board of management and the supervisory board, the au-

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

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

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

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

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

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

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

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

Business development

Back on track for growth

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

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

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

Significant rise in total unit sales

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

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

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

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

second half of the Porsche SE fiscal year (including Volkswagen from 1 January to 30 June 2010, “second half of the year”).

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

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

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

Regional differences

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

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

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

Production expanded

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

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

Financial services in demand

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

Porsche financial services companies have been established in all major markets. With around 31,000 new contracts, the individual companies managed more than 80,000 financial services contracts throughout the world in the fiscal year 2009/10. In addition to this, around 13,000 customers took advantage of Porsche's credit card service. As owners of the Porsche Card or the Porsche Card S, which comes with an extended range of services, customers can take advantage of a multitude of services and personal benefits tailored specifically to the interests and needs of Porsche drivers. Personalized insurance protection is offered by financial services as part of the Porsche insurance services with the Porsche CarPolicy and the Porsche CarPolicy S. Both services allow customers to provide for risks tailored to the value of their vehicle. This applies equally to third-party liability, fully comprehensive and third party, fire and theft insurance. Porsche insurance services has been working successfully for years with HDI-Gerling Firmen- und Privatversicherung AG, and enjoys the trust of some 20,000 satisfied Porsche drivers.

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

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

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

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

New jobs

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

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

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

Capital market

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

Annual document pursuant to Sec. 10 WpPG

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

Implementation of the requirements of the German Corporate Governance Code

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

The company now discloses the total remuneration of each member of the executive board on an individual basis. Accordingly, the resolutions of the annual general meeting on exemption from individual disclosure of executive board remuneration dating from 2006 and 2007 were revoked by the annual general meeting of Porsche SE on 29 January 2010 with effect for the future. Furthermore, the su-

pervisory board had already established an audit and a nomination committee, as required by the Code.

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

Publication of the declaration of compliance

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

Porsche SE's annual general meeting well-attended

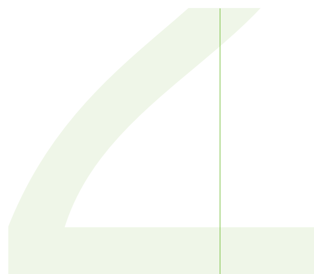
Around 5,700 people attended the annual general meeting of Porsche SE held on 29 January 2010 at the Porsche Arena in Stuttgart. The annual general meeting approved a dividend for the fiscal year 2008/09 of 0.044 euro per ordinary share and 0.050 euro per preference share. The total net profit available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

Changes on Porsche SE's supervisory board

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

Change in Porsche SE's fiscal year

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



Shareholder composition

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

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

Indices

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

Net assets, financial position and results of operations

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

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

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

Net assets

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

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

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

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

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

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

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

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

Financial position

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

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

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

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

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

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

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

Results of operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Operating result of significant equity investments

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

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

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

Overall statement on the economic situation of the Porsche SE group

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

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

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

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

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

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

Restructuring and associated effects on the separate financial statements

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

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

Net profit for the period

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

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

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

Income statement of Porsche Automobil Holding SE

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

Net assets and financial position

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

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

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

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

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

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

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

Risks relating to the business development

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

Risks arising from financial instruments

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

Proposed dividend

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

Dependent company report drawn up

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

Value-enhancing factors

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

Research and development

New launches by the Porsche Zwischenholding GmbH group

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

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

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

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

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

* Fuel consumption and emission data can be found on page 70 of this report.

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

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

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

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

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

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

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

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

* Fuel consumption and emission data can be found on page 70 of this report.

New launches by the Volkswagen group

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

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

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

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

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

* Fuel consumption and emission data can be found on page 70 of this report.

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

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

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

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

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

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

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

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

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

* Fuel consumption and emission data can be found on page 70 of this report.

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

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

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

Joining forces through strategic alliances

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

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

* Fuel consumption and emission data can be found on page 70 of this report.

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

Porsche Intelligent Performance

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

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

Lightweight construction reduces emissions

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

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

Increase in capitalized development costs

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

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

Industrial property rights and licenses

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

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

Consumption and emissions

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

Procurement

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

Porsche hedges risks

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

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

Collaboration between the investments

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

Production supplies secured at the Porsche Zwischenholding GmbH group

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

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

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

Supply situation for procured parts in the Volkswagen group

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

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

Procurement of non-production materials

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

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

Systematic development of new markets by the Volkswagen group

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

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

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

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

Production

Porsche Zwischenholding GmbH wins top accolade for quality

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

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

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

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

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

Start-up of the new Cayenne

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

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

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

Wide range of motors at Zuffenhausen

The engine plant in Zuffenhausen also saw a large number of start-ups in rapid succession. These included the new V6 engine for the Panamera and the V8 engines for the new Cayenne. At the engine plant,

all V engines in the model mix are produced on one line which seamlessly integrates high-quality manual work with the latest assembly technology. At the development stage, particular attention was given to the engine design. This is because a standardized basic design is essential if the engines are to be produced efficiently on one line.

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

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

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

Supplying the world from Sachsenheim

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

High product quality at the Volkswagen group

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

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

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

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

Efficient production management

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

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

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

Sales and distribution network in the Porsche Zwischenholding GmbH group

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

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

Porsche tops customer satisfaction ratings

Porsche's appeal to automobile fans is reflected in the brand's excellent results in many surveys. The string of opinion polls by US institute J.D. Power in which Porsche has come out on top demonstrates the high level of satisfaction with the brand among customers in the USA. In the reporting year, Porsche claimed first place for the sixth successive time in the overall rating of J.D. Power's "Automotive Performance, Execution and Layout Study (APEAL)" survey. Moreover, the Panamera and the 911 took second and third places in the best vehicle category. As in the prior year, the 911 came first in the "Pre-

mium Sporty Car" category. Conducted between November 2009 and February 2010, the study, in which 82,000 people evaluated their new vehicles, reflects owners' satisfaction during the first 90 days following their purchase. The catalog of criteria examined by the "APEAL" study covers areas such as handling, performance, design, practicality and comfort.

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

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

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

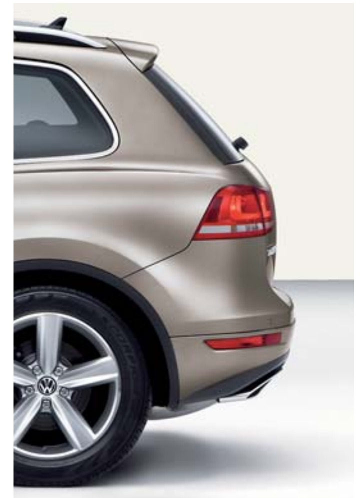
Sales structure of the Volkswagen group

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

Customer satisfaction and customer loyalty in the Volkswagen group

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

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



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

Professional service

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

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

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

Employees

Employment situation at Porsche

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

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

Professional training

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

Ferry Porsche Prize awarded

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

Systematically fostering talent

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

A preferred employer

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

Interdisciplinary training

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

Employment situation in the Volkswagen group

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

Vocational development at Volkswagen

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

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

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

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

Volkswagen offers made-to-measure programs for graduates

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

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

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

Environment

Environmental management in the Porsche Zwischenholding GmbH group

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

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

The new 911 GT3 R Hybrid incorporates a hybrid system specially developed for deployment in

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

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

Participation in e-mobility field test

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

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

Environmentally friendly power generation in the Porsche Zwischenholding GmbH group

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

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

Porsche's environmental efforts confirmed

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

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

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

Environmental management in the Volkswagen group

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

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

Environmentally friendly production processes at Volkswagen

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

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

Fuel and drive train strategy

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

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

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

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

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

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

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

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

Opportunities and risks of future development

Risk report of Porsche SE

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

Organization and responsibilities

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

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

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

Key features

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

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

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

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

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

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

Risk management and early risk warning

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

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

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

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

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

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

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

Specific risks faced by Porsche SE

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

Risks originating from the capital and credit markets

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

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

Liquidity risk

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

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

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

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

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

Risk from cash-settled stock options

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

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

Risks originating from financial covenants

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

Valuation risk

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

Risk arising from the use of financial instruments

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

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

If the financial position and results of operations of the Porsche Zwischenholding GmbH group and the Volkswagen group were to deteriorate materially, this could also lead to an impairment loss rec-

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

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

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

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

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

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

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

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

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

Litigation risk

Porsche SE and the entities in which it holds a direct or indirect investment are involved in legal disputes and administrative proceedings both nationally and internationally within the framework of their operating activities. Where such risks are foreseeable,

appropriate provisions are created to cover any ensuing losses. For this reason, the company is of the opinion that these risks will not have any sustained negative impact on the economic position of the group. However, due to the fact that some risks cannot be estimated, or only to a limited degree, it cannot be ruled out that losses will eventuate that are not covered by the provisions already created.

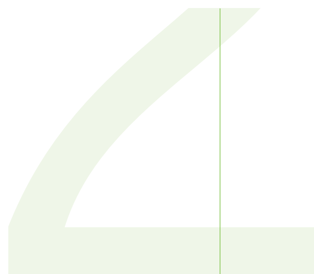
There are investigations by the public prosecutor against the former members of the executive board Dr. Wendelin Wiedeking and Holger P. Härter in connection with allegations of share price manipulation. Porsche SE examined these allegations in detail and commissioned expert reports from two university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

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

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

Tax risk

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



Opportunities from potential synergies

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

Opportunities and risks of significant investments

Risk report of the Porsche Zwischenholding GmbH group

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

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

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

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

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

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

Risk management in line with the KonTraG

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

Updating the risk documentation

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

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

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

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

Goals and functioning of the risk management system

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

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

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

Continuous enhancement

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

Macroeconomic risk

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

Industry risk

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

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

Risks arising from operations

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

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

Risks related to demand

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

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

Procurement risk

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

Risks arising from financial instruments

In its business activities the group is exposed to risks arising from the primary or derivative financial instruments used. The primary aim of using financial instruments is to limit the financial risk position for the group's ability to continue as a going concern and its earnings power. In order to manage these risks, the group has set out guidelines to ensure that transactions are concluded only in financial instruments

approved in advance, only with approved counterparties and on the admissible scale. Without using such instruments, the group would be exposed to higher financial risks.

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

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

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

Liquidity risk

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

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

Residual value and credit risk in the financial services business

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

Development risk

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

IT risk

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

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

Personnel risk

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

Litigation risk

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

Quality risk

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

Parts deliveries are regularly subjected to quality and punctuality checks.

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

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

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

Environmental protection regulations

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

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

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

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

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

Other factors

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

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

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

Risk report of the Volkswagen group

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

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

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

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

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

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

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

Integrated consolidation and planning system

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

Risk management in line with the KonTraG

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

Updating the risk documentation

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

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

The risk management system – goals and operation

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

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

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

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

Continuous enhancement

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

Macroeconomic risk

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

Sector-specific risk

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

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

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

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

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

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

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

Research and development risk

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

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

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

Procurement risk

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

The decline in sales volumes associated with the global economic crisis has further increased consolidation in the international automotive supplier industry. Volkswagen AG adapted in good time to this situation by establishing and expanding its comprehensive procurement risk management system, which puts particular emphasis on risk prevention. Risk

management continuously monitors suppliers' economic stability. If there is evidence of negative developments, appropriate measures are taken to ensure supplies and reduce additional risks. To date, ongoing risk classification and risk monitoring has enabled the Volkswagen group to avoid supply risks due to supplier defaults.

Production risk relating to demand

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

Risks arising from changes in demand

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

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

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

Dependence on fleet customer business

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

Quality risk

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

Personnel risk

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

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

Environmental protection regulations

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

The G20 member states have pledged to limit global warming to 2°C and aim to reduce global

greenhouse gases by 50 percent in the period up to 2050.

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

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

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

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

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

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

Legal cases

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

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

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

Strategies for hedging financial risks

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

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

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

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

The solvency of the Volkswagen group is ensured at all times by providing sufficient liquidity reserves, access to confirmed credit lines and tried-and-tested money market and capital market programs. The capital requirements of the growing financial services business are covered mainly through borrowings at matching maturities raised in the national and international financial markets. Refinancing costs, which had risen sharply when the financial crisis broke, started to return to pre-crisis levels in the

second half of the year 2009. By diversifying when it invests excess liquidity and by entering into financial instruments for hedging purposes, the Volkswagen group ensures that it remains solvent at all times, even in the event of a default by individual counterparties.

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

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

Risks arising from financial instruments

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

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

Liquidity risk

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

Residual value risk in the financial services business

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

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

As part of its risk management, the Volkswagen group uses residual value forecasts to regularly assess the appropriateness of the provisions for risks and the potential for residual value risk. The contractually agreed residual values are compared with the fair values obtainable. These are produced from data from external providers and internal market-

ing data. The upside of residual market values is not taken into account when making provisions for risks.

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

IT risk

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

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

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

Other factors

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

Overall statement on the risks faced by the Volkswagen group

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

Overall statement on the risks faced by the Porsche SE group

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

Subsequent events

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

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

Forecast report and outlook

Overall economic development

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

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

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

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

Exchange rate developments

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

Interest rate developments

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

Commodity price developments

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

Prospects on the automotive markets

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

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

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

Overall statement on the expected development of the significant investments

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

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

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

Overall statement on the expected development of the Porsche SE group

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

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

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

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

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

Stuttgart, 1 October 2010

Porsche Automobil Holding SE

The executive board

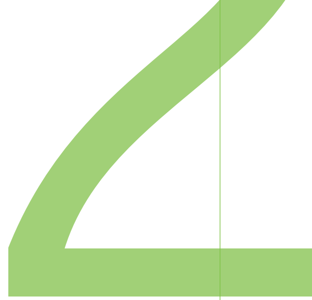
In its international sales markets, Porsche was able to reverse the negative trend of the prior year in fiscal 2009/10 and left the effects of the global financial and economic crisis behind. Growth rates were significant, particularly in China and other Asian markets. The North American market stabilized, fueling a slight increase in Porsche sales. Most European markets bottomed out. As a result, Porsche was able to deliver 85,903 vehicles to customers, exceeding the prior-year figure by 17 percent. A quarter of all vehicles (prior year: 20 percent) were delivered in the China, Middle East and Asia-Pacific regions.

A key driver of this positive development was the Panamera. In the reporting period, Porsche delivered 18,161 units of its fourth model series. The new Turbo and GT models of the 911 series were also popular with customers – with these high-quality top models accounting for some 30 percent of the 21,680 911 vehicles delivered. The Boxster/Cayman series fared well in a declining segment, with almost 12,900 deliveries. For the Cayenne series, fiscal year 2009/10 was marked by the model changeover in the final quarter. Following their successful launch, the new models accounted for 7,562 of the 33,177 vehicles delivered to customers.

America

USA: recovery in a difficult market environment

During fiscal year 2009/10, the US economy saw renewed growth in the wake of the severe crisis. Porsche benefited from this development, increasing deliveries by 17 percent over the prior year to 22,181 units. The new Panamera achieved sales of 5,561 vehicles. Due to the model changeover, the total number of Cayenne deliveries fell to 6,370 (prior year: 8,650 vehicles). However, the new Cayenne generation met with considerable customer interest. Overall sales of sports cars slipped slightly to 10,250 units (prior year: 10,374).



Canada: continued success

With 1,823 vehicles, sales in fiscal 2009/10 were up twelve percent on the prior year (1,622 vehicles). The Panamera contributed significantly to this growth, with exactly 354 units delivered since September 2009. 661 Cayennes (prior year: 776) went to Canadian customers. Sales of the 911 series grew from 480 to 501 units. Sales of the Boxster and Cayman models totaled 307 units (prior year: 366).

Latin America: Brazil drives growth

During the reporting period, Porsche increased the number of vehicles sold in Latin America by five percent to 2,222 (prior year: 2,123). The new Panamera achieved 282 deliveries. Despite the model changeover, sales figures for the Cayenne series remained relatively stable at 1,079 units (prior year: 1,301). The new models, which were only introduced in June 2010, accounted for 282 of this total. Boxster and Cayman deliveries were up by twelve percent to 454. The number of 911 sold was 407 (prior year: 418). With 781 units, Brazil has replaced Mexico (435 units) as the largest individual market. The third-largest market is Chile, with 225 vehicles.

Europe

Germany: sports car segment under pressure

In an environment that remains challenging and fiercely contested, Porsche succeeded in defending its strong position among the relevant competitors. In addition, the Panamera successfully established itself in the German market. However, due to the declining SUV and sports car segment, it was not possible to repeat the prior-year's figures. The 11,911 vehicles delivered represent a slight drop of five percent (prior year: 12,506 units). The new Panamera achieved 2,411 units and the Cayenne 3,064. Sports car deliveries amounted to 4,614 units for the 911 and 1,822 for the Boxster/Cayman series.

United Kingdom: strong growth

Following the end of the recession in the fourth quarter of 2009, Porsche rapidly emerged from the economic crisis in the UK, selling 6,157 vehicles in the reporting period, 25 percent more than in the prior year. A ten percent increase in sales of the 911 and Boxster/Cayman series underscored the United Kingdom's importance as a key market for sports cars. With 818 units delivered, the Panamera immediately achieved a market share of almost ten percent in its segment. The Cayenne also clocked up a slight increase, with 1,183 vehicles sold (prior year: 1,128).

Italy: reluctance to buy sports cars

In fiscal 2009/10, Italy continued to feel the effects of the economic and financial crisis. However, with 3,655 vehicles delivered, Porsche sales appeared to have bottomed out. Following this seven percent decrease on the prior year, incoming orders for the new Cayenne hold hope of recovery. The sports car segment saw a drop in sales which also impacted the Porsche's 911 series (1,198 deliveries; prior year: 1,938) and the Boxster and Cayman series (397 deliveries; prior year: 639). With 783 vehicles sold, the Panamera successfully positioned itself in the market. 1,277 Cayennes were sold (prior year: 1,351).

France: emerging from the crisis stronger

Although France experienced the sharpest fall in GDP since World War 2, Porsche can look back on a very successful fiscal year in that country. The extension of the sales network and introduction of the Panamera enabled sales in France to be increased by 21 percent over the prior year to 2,432 units. The new Panamera accounted for 609 of these units and the Cayenne for 838. Sports cars deliveries totaled 657 (911 series) and 328 (Boxster/Cayman).

Spain and Portugal: upswing despite tough conditions

Although economic conditions in the region were challenging, Porsche increased the number of vehicles delivered by 50 percent to 1,649. The new Panamera contributed 366 vehicles to this upturn. 858 units of the Cayenne series were sold, an increase of 33 percent. Sales of the 911 and Boxster/Cayman series totaled 261 and 164 respectively.

Switzerland and Austria: customers impressed by new Panamera

The new Panamera was very well received by customers in Switzerland and Austria. As a result, Porsche achieved an increase of 27 percent to 1,423 units in Switzerland in the reporting year, delivering significantly more vehicles than in the prior year (1,122 units). The Panamera achieved 343 deliveries – a segment share that is unmatched worldwide. In Austria, the importer increased sales from 551 units in the prior year to 684 vehicles in fiscal 2009/10. The newly launched Panamera accounted for 187 deliveries.

Belgium / Netherlands / Luxembourg: emerging from recession

In Belgium, Porsche delivered 1,032 vehicles in the reporting year. This not only significantly exceeded the prior-year figure (773 units), but was also just one vehicle short of the total for the fiscal year prior to that. The newly launched Panamera accounted for 304 units; deliveries of the Cayenne rose from 222 vehicles in the prior year to 302. In the Netherlands, the CO2 tax for new vehicles was raised in 2010 and offset by a reduction in luxury tax. Thanks to efficient engines, Porsche was able to benefit from this legislation, increasing sales from 524 units in the prior year to 741 vehicles in the reporting year. Deliveries of the Cayenne rose to 186 (prior year: 158) and 229 vehicles from the 911 series (prior year: 297) were delivered. The Panamera accounted for 260 units. In Luxembourg, Porsche also saw growth, with 207 vehicles delivered (prior year: 193).

Northern Europe: still a key market

Thanks to a marked economic recovery and the introduction of the Panamera (308 deliveries), Porsche was able to deliver 997 vehicles in Northern Europe, an increase of 16 percent on the prior year. 309 units of the 911 series were sold (prior year: 411). With 308 deliveries, the Cayenne was only slightly under the prior-year level.

Southern and Eastern Europe: success in a turbulent environment

In light of a turbulent environment characterized by the national crisis in Greece, currency fluctuations, and tax legislation at the expense of premium products, the 2,358 vehicles delivered represent a success for Porsche. The prior-year figure of 2,180 units was exceeded by eight percent. The driving force behind this success was the new Panamera, with 736 vehicles delivered. 1,052 Cayennes were sold (prior year: 1,356), and the number of 911 vehicles sold was 419 (prior year: 578).

Russia: back on the road to recovery

In fiscal year 2009/10, Porsche delivered 1,302 vehicles in Russia, exceeding the prior-year figure of 1,278. The best-performing series remained the Cayenne: since May 2010, 274 vehicles from the new generation of models were delivered, with their predecessors accounting for another 596 deliveries. The Panamera breathed new life into the showrooms, with 283 deliveries to customers.

Middle East and Africa

Growth despite Cayenne model changeover

Despite the Cayenne model changeover, Middle East & Africa, Porsche's fourth-largest sales market, delivered 6,275 vehicles – representing a six percent increase on the prior-year figure of 5,941 units. The highly successful debut of the Panamera, with 1,799 deliveries, more than offset the lifecycle-related decline in Cayenne deliveries from 4,141 to 3,008,959 units of the 911 sports car were sold, and 509 vehicles of the Boxster series. In July 2010, Porsche Middle East & Africa moved into its new headquarters in Dubai Silicon Oasis. During the reporting year, the largest Porsche Center in the Middle East was opened in Qatar.

Australia / New Zealand

In the fast lane

Porsche Cars Australia increased deliveries from 1,076 vehicles in the prior year to 1,148. Despite the model changeover, 493 Cayennes were sold, almost matching the prior-year figure (536 units). With 129 vehicles delivered, the new Panamera successfully established itself in the exclusive market environment. In a declining sports car segment, the number of 911 sold rose to 293 (prior year: 290). With 233 deliveries, the Boxster and Cayman series remained at prior-year levels (250 units).

Asia

Japan: demand for new models

In fiscal 2009/10, Porsche was unable to buck the trend in the declining Japanese automotive market, delivering 2,775 vehicles (prior year: 2,915). However, the 746 Panamera units sold underline Porsche's success with new models. The new generation of the Cayenne series came into the market in July 2010, at the end of the fiscal year. 523 predecessor models were delivered in the reporting period (prior year: 1,186). In shrinking market segments, the 911, Boxster and Cayman achieved a total of 1,419 deliveries (prior year: 1,729).

China: another record year

Porsche's success in China continued unabated despite the Cayenne generation change: the 13,254 deliveries (prior year: 7,708) marked another record year. As a result, China is now Porsche's second-largest national market after the USA in terms of the number of vehicles delivered to customers. 1,356 vehicles were allocable to the Panamera; Boxster and Cayman models accounted for 1,217 units (plus 60 percent) and deliveries of the 911 series increased by more than 100 units to 674 vehicles.

Asia-Pacific

Important economic area

In fiscal year 2009/10, the growing economy of the Asia-Pacific region was again a key market for Porsche. The 1,660 vehicles delivered significantly surpassed the prior-year figure of 1,116 units. From a standing start, sales of the new Panamera totaled 483 vehicles.

Vehicle deliveries of the Volkswagen group worldwide

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

The Volkswagen group delivered 3,217,007 units in the first half of the year and 3,613,044 in the second.

Sales of Volkswagen passenger cars came to 2,006,991 in the first half of the year and 2,263,733 in the second half. The corresponding figures for Audi were 483,925 in the first and 554,939 in the second half of the year. During the first six months, 354,585 Škoda vehicles were delivered to customers and 378,747 in the second half of the year. The SEAT brand achieved 181,832 deliveries in the second half of the year (first half of the year: 163,297). A total of 2,375 Bentley vehicles were sold in the first half of the year and 2,489 in the following six months.

Deliveries in Europe / other markets

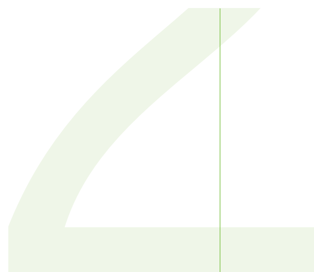
The Volkswagen group delivered 1,445,478 vehicles on the Western European passenger car market in the first half of the year, and 1,552,526 in the subsequent six months. Vehicles sold in the region accounted for 43 percent of the group’s overall deliveries in the second half year. The Volkswagen group’s market share in western Europe totaled 20.7 percent. Demand was strong for all the group’s high-volume brands. A particularly important part was played by the Polo, Golf Plus, Passat Sedan, Škoda Octavia, SEAT Leon and SEAT Altea, and the new Audi A4 allroad quattro, Audi A5 Sportback, Škoda Yeti, Škoda Superb station wagon and SEAT Exeo ST.

In Germany, 532,944 vehicles were delivered in the second half of the year (first half of the year: 613,480). As a result, the Volkswagen group maintained a high share of the German passenger car market (36 percent). There was strong demand for the Golf Plus, Audi Q5, Audi Q7, SEAT Leon and SEAT Altea models. The new Touareg, Audi A4 allroad quattro, Audi A5 Sportback, Škoda Yeti, Škoda Superb station wagon and SEAT Exeo ST models were well received by customers. In the second half of the year, six of the group’s models (Polo, Golf, Passat, Touran, Tiguan and the Multivan/Transporter) topped the German Ministry of Transport’s registration statistics in their respective segments. The Golf continues to lead the field when it comes to new vehicle registrations in the German passenger car market.

In the UK, 181,546 units were sold in the first half of the year and 211,339 in the second. In Italy, 111,342 units were delivered in the first half of the year (second half: 134,344). The group delivered 127,985 vehicles to customers in France during the first six months and 141,655 in the second. In the first half of the year, 117,023 vehicles were delivered in Spain and 151,512 in the second half.

In the first half of the year, 185,043 units were delivered in Central and Eastern Europe and 199,169 in the second half. There was greater demand for the Polo, Tiguan, Audi A3, Audi Q5, Škoda Octavia und SEAT Leon models. In Russia, 42,930 vehicles were delivered in the first half of the year and 56,236 in the following six months. The group delivered 40,919 vehicles to customers in the Czech Republic during the first six months and 42,822 vehicles in the second half of the year. In Poland, 38,909 units were delivered in the first half of the year and 38,497 in the following six months.

In the Volkswagen group’s other markets, 92,675 units were delivered in the first half and 124,478 units in the second half of the year. Turkey accounted for 23,278 deliveries to customers in the first six months of the year and 36,921 in the second half. In South Africa, 26,151 vehicles were delivered in the first half of the year and 35,980 in the following six months. The Volkswagen group’s share of the South African passenger car market was 21.2 percent.



Deliveries in North America

In the North American market, 245,738 units were delivered in the first and 263,539 in the second half of the year. During the reporting period, deliveries of passenger cars in the USA came to 162,223 units in the first half of the year and 175,323 in the second half. Demand was high for the New Beetle, Golf, Tiguan, Jetta, Passat CC, Audi A4, Audi A5 Coupé and Audi Q5 models. In the first half of the year, 56,544 vehicles were delivered in Mexico and 57,898 in the second half. The Tiguan, Jetta, Audi A4, SEAT Altea und SEAT Leon models were very popular with customers in that country. In Canada, 26,971 vehicles were delivered in the first half of the year and 30,318 in the second half. The Golf, Tiguan, Audi A4 and Audi Q5 models were particularly popular.

Deliveries in South America

In the South American passenger car market, 423,818 units were delivered during the first half of the year and 419,924 in the following six months. In Argentina, 52,693 units were sold in the first half of the fiscal year and 67,464 in the second. The Fox MPV, Gol, Voyage und Jetta models were particularly popular. The new Amarok was also well received. The Volkswagen group continues to lead the Argentine market with a 25.7 percent share.

In Brazil, the number of deliveries in the first half of the year came to 358,015 vehicles and 333,397 in the second half. Demand was high for the Fox and Saveiro models. The delivery figures include the Saveiro and T2 lightweight commercial vehicles.

Deliveries in Asia-Pacific

In the Asia-Pacific region, the Volkswagen group sold 824,255 vehicles in the first half year and 1,053,408 in the second. Customer interest was particularly high in China. In the first half of the year, 748,079 vehicles were delivered and 950,729 in the following six months. The Volkswagen group defended its leadership in the highly competitive Chinese passenger car market with a share of 17.9 percent. Virtually all models contributed to this development.

During the first six months, 27,494 units were delivered in Japan, and 33,885 in the second half of the year. Demand for the Polo, Golf and Audi A3 models was particularly strong.

In India, 10,846 vehicles were delivered to customers in the first half of the reporting period and 17,436 in the second half.

Commercial vehicle deliveries

28,321 heavy-duty commercial vehicles of the Scania brand were sold during the second half of the reporting period. The figure for the first half was 22,776. Demand was particularly high in Brazil and the Asia-Pacific markets. In the first half of the year, deliveries of VW commercial vehicles totaled 182,341 units and 202,288 in the second half.

3 Financials

918
Spyder

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

€ million	Note	2009/10	2008/09[1]
Other operating income	[3]	709	52,957
Personnel expenses	[5]	– 17	– 74
Amortization of intangible assets and depreciation of property, plant and equipment, leased assets and investment property	[14], [15], [17]	0	0
Other operating expenses	[6]	– 956	– 55,435
Profit/loss from investments accounted for at equity	[7]	6,792	400
Profit/loss before financial result		6,528	– 2,152[2]
Finance costs	[8]	– 800	– 557
Other financial result	[9]	127	150
Financial result		**– 673**	**– 407**
Profit/loss before tax		**5,855**	**– 2,559**
Income tax	[10]	– 114	214
Profit/loss after tax (continuing operations)		**5,741**	**– 2,345**
Profit/loss after tax (discontinued operations)		**– 6,195**	**– 1,218**
Profit/loss for the year		**– 454**	**– 3,563**
thereof profit attributable to shareholders of Porsche SE		– 379	– 2,524
thereof profit/loss attributable to non-controlling interests – hybrid capital investors	[11]	39	103
thereof profit/loss attributable to non-controlling interests – other investors	[11]	– 114	– 1,142
Earnings per ordinary share from continuing operations (basic)	[12]	32.67	– 13.68
Earnings per preference share from continuing operations (basic)	[12]	32.68	– 13.67
Earnings per ordinary share from continuing operations (diluted)	[12]	32.67	– 13.68
Earnings per preference share from continuing operations (diluted)	[12]	32.68	– 13.67
Earnings per ordinary share from discontinued operations (basic and diluted)	[12]	– 34.84	– 0.75
Earnings per preference share from discontinued operations (basic and diluted)	[12]	– 34.84	– 0.75

1 Restated due to the reclassification of discontinued operations

2 Restated; please refer to the explanations in the section “Basis of presentation”

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

€ million	2009/10	2008/09
Profit/loss for the year	**– 454**	**– 3,563**
Securities marked to market	– 23	41
Cash flow hedges	362	– 156
Currency translation	– 307	571
Revaluation reserve	0	3,508
Other comprehensive income from investments accounted for at equity (after tax)	306	– 206
Deferred taxes	– 76	47
Other comprehensive income	**262**	**3,805**
thereof from continuing operations	301	3,293
thereof from discontinued operations	– 39	512
Total comprehensive income	**– 192**	**242**
thereof attributable to		
shareholders of Porsche Automobile Holding SE	– 485	670
non-controlling interests – hybrid capital investors	39	116
non-controlling interests – other investors	254	– 544

Consolidated balance sheet of the Porsche SE group as of 31 July 2010

€ million	Note	31/7/2010	31/7/2009
Assets			
Intangible assets	[14]	0	32,666
Property, plant and equipment	[15]	0	32,136
Investments accounted for at equity	[16]	22,707	8,153
Other financial assets	[16]	0	680
Leased assets	[17]	0	11,040
Investment property	[17]	0	391
Receivables from financial services	[20]	0	34,520
Other receivables and assets	[21]	4,319	3,495
Income tax assets	[22]	0	848
Securities	[23]	0	34
Deferred tax assets	[10]	0	1,643
Non-current assets		**27,026**	**125,606**
Inventories	[18]	0	16,265
Trade receivables	[19]	0	6,715
Receivables from financial services	[20]	0	27,632
Other receivables and assets	[21]	14	7,819
Income tax assets	[22]	214	1,089
Securities	[23]	0	3,403
Cash and cash equivalents	[24]	898	25,036
Current assets		**1,126**	**87,959**
		28,152	**213,565**

€ million	Note	31/7/2010	31/7/2009
Equity and liabilities			
Subscribed capital	[25]	175	175
Capital reserves	[25]	122	122
Retained earnings	[25]	14,555	15,048
Equity before non-controlling interests	**[25]**	**14,852**	**15,345**
Non-controlling interests – hybrid capital investors	[25]	345	1,173
Non-controlling interests – other investors	[25]	0	31,961
Equity		**15,197**	**48,479**
Provisions for pensions and similar obligations	[26]	7	13,843
Income tax provisions	[27]	0	3,778
Other provisions	[27]	83	9,698
Deferred tax liabilities	[10]	0	6,836
Financial liabilities	[29]	5,864	49,904
Other liabilities	[30]	540	3,074
Non-current liabilities		**6,494**	**87,133**
Income tax provisions	[27]	1,398	2,280
Other provisions	[27]	62	9,743
Trade payables	[28]	6	11,225
Financial liabilities	[29]	4,961	43,717
Income tax liabilities		0	127
Other liabilities	[30]	34	10,861
Current liabilities		**6,461**	**77,953**
		28,152	**213,565**

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

€ million	2009/10	2008/09
1. Operating activities		
Profit/loss for the year	– 454	– 3,563
Amortization and depreciation	4,642	6,169
Change in provisions for pensions and similar obligations	83	125
Change in other provisions	715	– 277
Income tax expense	670	1,188
Change in deferred taxes	– 339	– 2,017
Income taxes paid	– 313	– 2,212
Income taxes received	393	392
Gain/loss from disposal of intangible assets, property, plant and equipment and investment property	10	– 41[1]
Gains/losses from the disposal of stock options	16	– 7,821
Non-cash expenses/income from market valuation of stock options	– 11	10,283
Other non-cash expenses and income	– 1,085	– 1,012
Dividends received from investments accounted for at equity	240	317
Change in leased assets	– 1,107	– 1,447[1]
Change in receivables from financial services	– 326	– 257[1]
Change in inventories, trade receivables and other assets	886	3,736
Change in trade payables and other liabilities (excluding tax provisions and other provisions)	765	1,585
Cash flow from operating activities	**4,785**	**5,148**
2. Investing activities		
Cash received from disposal of intangible assets, property, plant and equipment and investment property	132	202[1]
Cash received from deconsolidation of subsidiaries less cash funds disposed	– 23,244	1,343
Cash paid for investments in intangible assets, property, plant and equipment and investment property	– 3,636	– 4,638[1]
Cash paid for investments in financial assets	0	– 1
Cash paid for the acquisition of subsidiaries less cash funds received	– 3	– 6,360
Changes in stock options	733	11,098
Cash flow from investing activities before investments in securities, loans and time deposits	**– 26,018**	**1,644**
Change in investments in securities, loans and time deposits	273	5,827
Cash flow from investing activities	**– 25,745**	**7,471**

€ million	2009/10	2008/09
3. Financing activities		
Dividends paid to shareholders of Porsche SE	– 8	– 472
Dividends paid to non-controlling interests – hybrid capital investors	– 39	– 103
Dividends paid to non-controlling interests – other investors	0	– 617
Capital transactions with non-controlling interests	3	– 391
Cash paid for the settlement of loans	– 10,857	– 12,156[2]
Cash paid for settlement of bonds	– 3,616	– 5,741
Cash received for loans borrowed	8,196	12,023[2]
Cash received from the issuance of bonds	1,893	12,273
Cash received from other financial liabilities	3,928	17
Cash paid for other financial liabilities	– 7	– 2
Cash flow from financing activities	**– 507**	**4,831**
4. Cash funds		
Change in cash funds (subtotal of 1 to 3)	– 21,467	17,450
Exchange-rate related change in cash funds	– 21	152
Cash funds as of 31 July 2009 and 31 July 2008	22,025	4,423
Cash funds as of 31 July 2010 and 31 July 2009	**537**	**22,025**
Presentation of gross liquidity		
Cash and cash equivalents	898	25,036
Securities and loans	0	3,437
Gross liquidity	**898**	**28,473**

1 Restated due to the application of changes arising from the annual improvements project published in May 2008

2 Cash received for loans borrowed is presented separately from cash paid for the settlement of loans

Note [13] contains further explanations on the statement of cash flows.

Consolidated statement of changes in equity of the Porsche SE group for the period from 1 August 2009 to 31 July 2010

€ million	Subscribed capital	Capital reserves	Accumulated profit[3]	Securities marked to market
As of 31 July 2008	**175**	**122**	**14,049**	**– 6**
Profit/loss for the year			– 2,524	
Other comprehensive income before taxes			0	24
Taxes recognized directly in equity			0	– 1
Total comprehensive income for the period	0	0	– 2,524	23
Buyback of hybrid capital			95	
Profit/loss attributable to hybrid capital investors				
Dividends paid[1]			– 472	
Effects from initial consolidation				
Acquisition of non-controlling interests			– 19	
Other changes			4	
As of 31 July 2009	**175**	**122**	**11,133**[3]	**17**
Profit/loss for the year			– 379	
Other comprehensive income before taxes				– 24
Taxes recognized directly in equity				7
Total comprehensive income for the period	0	0	– 379	– 17
Dividends paid[2]			– 8	
Effects from deconsolidation			3,499	
Other changes			9	
As of 31 July 2010	**175**	**122**	**14,254**	**0**

1 Distribution of a dividend of €0.694 + €2.00 per ordinary share; total €235,725,000
distribution of a dividend of €0.70 + €2.00 per preference share; total €236,250,000

2 Distribution of a dividend of €0.044 per ordinary share; total €3,850,000
Distribution of a dividend of €0.05 per preference share; total €4,375,000

3 Presentation restated (for additional explanations, please refer to the section "New accounting standards")

4 After taxes

Equity is explained in note [25].

Retained earnings				Equity before non-controlling interests	Non-controlling interests – hybrid capital investors	Non-controlling interests – others	Equity
Accumulated other comprehensive income							
Cash flow hedges	Currency translation	Investments accounted for at equity	Revaluation reserve[3]				
539	**– 29**	**216**		**15,066**	**1,780**	**0**	**16,846**
				– 2,524	103	– 1,142	– 3,563
– 414	171	– 212[4]	3,508[3]	3,077		681	3,758
118				117	13	– 83	47
– 296	171	– 212	3,508[3]	670	116	– 544	242
				95	– 620		– 525
				0	– 103		– 103
				– 472		– 617	– 1,089
				0		33,472	33,472
				– 19		– 369	– 388
	1			5		19	24
243	**143**	**4**	**3,508[3]**	**15,345**	**1,173**	**31,961**	**48,479**
				– 379	39	– 114	– 454
– 356	– 143	297[4]		– 226		564	338
113				120		– 196	– 76
– 243	– 143	297	0	– 485	39	254	– 192
				– 8	– 39		– 47
			– 3,508	– 9	– 825	– 32,187	– 33,021
				9	– 3	– 28	– 22
0	**0**	**301**	**0**	**14,852**	**345**	**0**	**15,197**

Notes to the consolidated financial statements of the Porsche SE group as of 31 July 2010

Basis of presentation

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

The consolidated financial statements of Porsche SE as of 31 July 2010 were prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union. The standards published by the International Accounting Standards Board (IASB), London, that are applicable as of the reporting date as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that are valid for the fiscal year have been taken into account. The requirements of the standards and interpretations applied were satisfied in full. The financial statements thus give a true and fair view of the net assets, financial position and results of operations and cash flows of the Porsche SE group (Porsche SE and its subsidiaries).

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

The Porsche SE group's fiscal year is the period from 1 August of a year until 31 July of the following year. With regard to the creation of an integrated automotive group with the Volkswagen group, the annual general meeting of Porsche SE adopted a resolution on 29 January 2010 to change the fiscal year of the company to run concurrently with the calendar year effective 1 January 2011. A short fiscal year will be created for the period from 1 August 2010 to 31 December 2010.

The group's presentation currency is the euro. Unless otherwise stated, all figures in the notes are presented in millions of euro (€ million). In some instances, the composition of the individual items of the financial statements has been changed. The comparative information has been restated accordingly. The restatements have been marked as such and explained. The income and expenses from investments accounted for at equity constitute the main contributions to profit/loss for Porsche SE as a holding company due to the changes in the composition of the Porsche SE group described in the section "Consolidated group". For this reason, income from investments accounted for at equity is now presented within profit or loss before financial result in the income statement. The profit or loss before financial result presented for the comparative period was restated accordingly, increasing by €400 million as a result. The financial result was reduced accordingly.

The consolidated financial statements for 2009/10 are significantly affected by the deconsolidation of discontinued operations. Please refer to the explanations given in the section “Consolidated group”. While the consolidated balance sheet of the comparative period remains unchanged under the provisions of IFRS 5, expenses and income from discontinued operations must be netted and reported as a separate line within the income statement for both the reporting period and the comparative period. To improve comparability with the comparative period, the explanations of the assets and liabilities and the income statement of the Porsche SE group have been defined as follows:

- Explanations of assets and liabilities were supplemented by the caption “thereof from continuing operations” to allow comparison with 31 July 2010.
- The items of the income statement were broken down into continuing operations and discontinued operations for both the reporting period and the comparative period. A presentation was also made of amounts reclassified to the item “Profit/loss after tax (discontinued operations)” pursuant to IFRS 5.
- Other explanations on items of the income statement relate exclusively to continuing operations for both the reporting period and the comparative period.

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

The consolidated financial statements and group management report of Porsche SE were released to the supervisory board by the executive board by resolution dated 1 October 2010.

Consolidated group

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

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

Joint ventures also include companies in which the Porsche SE group holds the majority of voting rights, but whose articles of association or partnership agreements stipulate that important decisions may only be made unanimously.

Bertrandt AG, Ehningen, was not accounted for at equity as no significant influence could be exercised on this company because the Porsche SE group is not represented on its executive board or supervisory board.

The number of companies included in the consolidated financial statements of Porsche SE as of the reporting date is shown in the following table:

	31/7/2010	31/7/2009
Fully consolidated subsidiaries		
Germany	1	84
International	1	353
Subsidiaries accounted for at cost		
Germany	1	57
International	0	82
Associates and joint ventures		
Germany	2	22
International	0	46
	5	**644**

List of shareholdings of the group

	Share in capital as of 31 July 2010	Equity	Profit/loss
	%	EUR000	EUR000
Fully consolidated entities			
Germany			
Porsche Zweite Vermögensverwaltung GmbH, Stuttgart	100.00	25	0[1]
International			
Porsche Holding Finance plc., Dublin, Ireland	100.00	5,485	5,936
Subsidiaries accounted for at cost			
Porsche Erste Vermögensverwaltung GmbH, Stuttgart	100.00	25	– 1
Joint ventures accounted for at equity			
Porsche Zwischenholding GmbH, Stuttgart	50.10	7,692,969	444,731[2]
Associates accounted for at equity			
Volkswagen AG, Wolfsburg	32.20[3]	12,056,000	1,082,000

[1] After profit/loss transfer

[2] Short fiscal year from 1 to 31 July 2010

[3] Diverging from the capital share, the share in voting rights is 50.74% as of the reporting date.

The consolidated financial statements and group management report prepared as of 31 July 2010 can be downloaded from the electronic German business register at www.unternehmensregister.de.

Applying the exemption pursuant to Sec. 264 (3) HGB, the separate financial statements of Porsche Erste Vermögensverwaltung GmbH and those of Porsche Zweite Vermögensverwaltung GmbH are not published.

Changes in the consolidated group in the reporting period – Volkswagen group

The common goal of the basic agreement on the creation of an integrated automotive group between Porsche and Volkswagen, which sets out the steps towards creating an integrated automotive group, is a merger of Porsche SE with Volkswagen AG, Wolfsburg, in the course of 2011 provided the legal prerequisites are met at that time.

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, provided that it holds at least 15% of the ordinary shares in Volkswagen AG. At the extraordinary general meeting of Volkswagen AG on 3 December 2009, the shareholders of Volkswagen AG approved the incorporation of this delegation right in the articles of association of the Volkswagen group.

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 (Volkswagen AG, Wolfsburg, and its subsidiaries) in the consolidated financial statements of Porsche SE because there is a loss of control according to IFRSs. As a result, the Volkswagen group was deconsolidated effective 3 December 2009, despite the fact that Porsche SE still holds 50.74% of the voting rights in Volkswagen AG. Since this point in time, the investment in Volkswagen AG is accounted for at equity in the consolidated financial statements of Porsche SE.

When the reporting date of a subsidiary or associate is different from that of the parent company, IAS 27.22 et seq. (rev. 2008) or 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 not practicable for the subsidiary or associate to prepare separate interim financial statements as of the reporting date of the parent company. Applying this exception, the Volkswagen group has been included in the consolidated financial statements of Porsche SE as follows in the reporting year:

- For the period during which it is fully consolidated, the Volkswagen group has been included using figures for the period from 1 July 2009 to 3 December 2009.
- For the period during which it is accounted for at equity, the Volkswagen group has been included using figures for the period from 4 December 2009 to 30 June 2010.

Due to extensive accounting activities for preparing the half-yearly financial report for 2010 for the Volkswagen group, the data for the month of July 2010 could not be made available in the quality necessary for external reporting.

<u>Changes in the consolidated group in the reporting period –
Porsche Zwischenholding GmbH group</u>

The basic agreement also provides for the acquisition of an investment of Volkswagen AG in Dr. Ing. h.c. F. Porsche Aktiengesellschaft ("Porsche AG"). In the course of restructuring, Porsche Zwischenholding GmbH, Stuttgart, was established as a subsidiary of Porsche SE, which holds 100% of the shares in (the new company) Porsche AG. Porsche's operating business was transferred with legal effectto (this new) Porsche AG.

On 7 December 2009, Volkswagen AG assumed a 49.9% shareholding in Porsche Zwischenholding GmbH in the course of a capital increase. Due to the rulings established in the implementing agreements and in the articles of association of Porsche Zwischenholding GmbH, Porsche SE lost control of this company under IFRSs despite the fact that it holds the majority of voting rights of 50.1%. From this point in time, Porsche Zwischenholding GmbH is a joint venture of Porsche SE and Volkswagen AG. For this reason, the Porsche Zwischenholding GmbH group (Porsche Zwischenholding GmbH, Stuttgart, and its subsidiaries) was deconsolidated as of 7 December 2009. Since deconsolidation, the investment of Porsche SE in Porsche Zwischenholding GmbH has also been accounted for at equity.

<u>Effects of changes in the consolidated group in the reporting period</u>

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 the discontinued operations are reclassified in the income statement to a separate line "Profit/loss after tax (discontinued operations)".

The income statement of these discontinued operations before reclassification to discontinued operations and including the effects of deconsolidation is as follows:

		Discontinued operations	
€ million	Note	2009/10	2008/09
Revenue	[1]	46,349	57,081
Changes in inventories and own work capitalized	[2]	1,314	– 1,107
Total operating performance		**47,663**	**55,974**
Other operating income	[3]	5,138	7,258
Cost of materials	[4]	– 26,489	– 33,781
Personnel expenses	[5]	– 7,128	– 8,964
Amortization of intangible assets and depreciation of property,plant and equipment, leased assets and investment property		– 4,642	– 6,169
Other operating expenses	[6]	– 13,649	– 15,423
Profit/loss before financial result		893	– 1,105
Profit/loss from investments accounted for at equity	[7]	371	336
Finance costs	[8]	– 938	– 1,497
Other financial result	[9]	571	420
Financial result		**4**	**– 741**
Profit/loss before tax from discontinued operations		**897**	**– 1,846**
Income tax	[10]	– 217	613
Profit/loss after tax from discontinued operations		**680**	**– 1,233**
Profit/loss after tax from discontinued operations of discontinued operations		**0**	**15**
Profit/loss before and after tax arising from the deconsolidation of operations		**– 6,875**	**0**
Profit/loss after tax (discontinued operations)		**– 6,195**	**– 1,218**
thereof profit attributable to shareholders of Porsche SE	[12]	– 6,097	– 131
thereof profit/loss attributable to non-controlling interests – hybrid capital investors	[12]	16	55
thereof profit/loss attributable to non-controlling interests – other investors	[12]	– 114	– 1,142

The profit or loss before tax from discontinued operations includes a positive effect from the reclassification of other comprehensive income due to deconsolidation of €1,223 million (prior year: €0 million). The income taxes thereon total €-333 million (prior year: €0 million).

The profit/loss after tax arising from the deconsolidation of operations is made up of an expense of €15,902 million from the deconsolidation of the Volkswagen group and income of €9,027 million from the deconsolidation of Porsche Zwischenholding GmbH group. Both amounts correspond to the portion in profit or loss that is attributable to recognizing any investment retained in the former subsidiaries at its fair value at the date when control is lost.

The carrying amounts of the assets and liabilities which were derecognized in connection with the deconsolidation of the discontinued operations can be summarised by major categories as follows:

€ million	Carrying amount
Intangible assets	32,635
Property, plant and equipment, leased assets and investment property	43,414
Investments accounted for at equity	8,361
Inventories	16,128
Receivables from financial services	61,849
Cash and cash equivalents	24,696
Other assets	34,230
Provisions for pensions and similar obligations	13,942
Other provisions and tax provisions	25,184
Financial liabilities	82,735
Other liabilities	43,612

As a consideration for the assets and liabilities derecognized, the remaining investments in Porsche Zwischenholding GmbH and Volkswagen AG were recognized at their fair value which totals €15,941 million.

The discontinued operations contributed to the cash inflows and outflows in the statement of cash flows as follows:

€ million	2009/10	2008/09
Cash flow from operating activities	4,607	6,767
Cash flow from investing activities (including cash funds disposed)	– 25,863	145
Cash flow from financing activities	– 17	4,398

Changes in the consolidated group in the comparative period

In the fiscal year 2008/09, the Porsche SE group increased its investment in Volkswagen AG, Europe's largest vehicle manufacturer, in several tranches by a further 20.21% between 16 September 2008 and 5 January 2009. Having reached a voting share of 50.76%, Porsche SE owned the majority of voting rights in Volkswagen AG on 5 January 2009 (control according to IAS 27). As of that date, Volkswagen AG and its subsidiaries were consolidated as a subgroup in the consolidated financial statements of Porsche SE. The Volkswagen group operates in the automobile and commercial vehicle production sector and the related financial services sector and has a large number of production facilities worldwide.

The cost of the business combination amounted to €23.0 billion, including all costs directly attributable to the acquisition. Of this total amount, €21.6 billion was paid in cash, the rest by using equity forward transactions. Cash and cash equivalents of €9.5 billion were acquired in the course of the business combination.

The table below shows the figures of the assets and liabilities included in the consolidated financial statements in the prior year as of the acquisition date. 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.

€ million	Carrying amount on acquisition according to IFRS	Purchase price allocation	Amounts recognized in the consolidated financial statements
Intangible assets	12,291[1]	12,539[2]	24,830
Property, plant and equipment and leased assets	33,010	6,924	39,934
Non-current receivables from financial services	31,855	341	32,196
Investments accounted for at equity	6,373	1,888	8,261
Other non-current assets	8,227	249	8,476
Inventories	17,816	536	18,352
Current receivables from financial services	27,035	169	27,204
Other current assets	31,312	999	32,311
Total assets	**167,919**	**23,645**	**191,564**
Non-current financial liabilities	33,257	61	33,318
Provisions for pensions and other non-current liabilities	32,472	6,035	38,507
Current financial liabilities	36,123	31	36,154
Other current liabilities	28,679	66	28,745
Total liabilities	**130,531**	**6,193**	**136,724**

[1] Including goodwill of €2,771 million recognized in the Volkswagen consolidated financial statements and eliminated within capital consolidation

[2] Excluding goodwill at the level of Porsche SE

As of the acquisition date, other current assets and current liabilities contained discontinued operations with a carrying amount of €1,007 million and €766 million respectively. All effects from the purchase price allocation included in other current assets and liabilities relate to discontinued operations.

The goodwill of €10.4 billion determined at the level of Porsche SE comprised intangible assets that are not separable such as employee know-how and synergy effects. Of this goodwill, an amount of €9.9 billion was allocated to the Volkswagen subgroup. The remainder of €518 million was allocated to the Porsche subgroup.

In the comparative period, from its initial consolidation the Volkswagen group contributed an amount of €-1,703 million to consolidated profit/loss for the year. Had the Volkswagen group already been included in the consolidated financial statements of Porsche SE as of 1 August 2008, group revenue would have amounted to €113.8 billion in the comparative period and the consolidated profit/loss after tax to around €-1.8 billion, without taking into account effects from the purchase price allocation before initial consolidation. It was not possible to reliably determine the effects of the purchase price allocation before the initial consolidation.

In the course of the business combination with Volkswagen, the Porsche SE group acquired an equity investment in Caminhões e Ônibus Indústria e Comércio de Veículos Comerciais Ltda. Resende, Brazil, solely with a view to resale. The sale of the investment was finalized in March 2009. The total disposal consideration of €1,323 million was entirely settled in cash. The assets disposed of contained cash and cash equivalents of €11 million. Revenue from ordinary activities between the date of initial consolidation of the Volkswagen group and the date of disposal amounted to €259 million and expenses (including taxes of €7 million) to €244 million. The income and expenses are included in the line item "Profit/loss after tax from discontinued operations of discontinued operations" in the consolidated income statement of the discontinued operations. No gain or loss on sale was recognized in the Porsche SE group as the assets and liabilities of the company had already been recognized at fair values in the course of the purchase price allocation for the Volkswagen group at acquisition date. The carrying amounts of the assets and liabilities which were sold in the comparative period in connection with the disposal of the equity investment can be broken down by main group as follows:

€ million	Carrying amount
Non-current assets	1,375
Current assets	795
Provisions	241
Financial liabilities	185
Other liabilities	256

Investments in associates

Volkswagen AG, was included in the consolidated financial statements as an associate based on consolidated figures in the comparative period until the date of initial consolidation on 5 January 2009 and in the reporting period since the date of deconsolidation on 3 December 2009. As of 31 July 2010, the market value of the investment in Volkswagen AG amounted to €10,891 million.

Since the business combination in the comparative period until the date of deconsolidation of the Volkswagen group, the Porsche SE group also had a significant influence over MAN SE, Munich. The contributions to profit or loss from the MAN group (MAN SE and its subsidiaries) are included in the profit or loss from discontinued operations. As of 31 July 2009, the investment held by Volkswagen AG in MAN SE amounts to 29.9% of the voting rights and 28.7% of the subscribed capital. MAN SE was included in the comparative period on the basis of the consolidated figures for the period from 5 January 2009 to 30 June 2009. On 30 June 2009, the market value of the investment in MAN SE amounted to €1,838 million.

Based on the proportionate interest, the following consolidated amounts relating to MAN SE (MAN SE is only included in the comparative period starting from the date of initial consolidation of the Volkswagen group and in the reporting period until the date of deconsolidation of the Volkswagen group on 3 December 2009) were attributable to the Porsche SE group and Volkswagen AG (Volkswagen AG is included in revenue and profit in the comparative period from 1 July 2008 to the date of initial consolidation on 5 January 2009 and in the reporting period from the date of deconsolidation between 3 December 2009 and 30 June 2010):

€ million	**2009/10**	**2008/09**
Non-current assets	108,425	2,083
Current assets	84,535	2,596
Non-current liabilities	74,222	1,302
Current liabilities	77,798	1,855
Revenue	71,886	19,025
Profit	1,783	458
Share of discontinued operations	0	36

The amounts presented do not contain any effects from the purchase price allocation performed for the purpose of accounting at equity.

Interests in joint ventures

In the comparative period and until the date of deconsolidation in the reporting period, the main joint ventures of the Porsche SE group since the business combination with Volkswagen AG were the investments held in Shanghai-Volkswagen Automotive Company Ltd., Shanghai, China ("SVW"), in FAW-Volkswagen Automotive Company Ltd., Changchun, China ("FAW") and in Global Mobility Holding B.V., Amsterdam, Netherlands, as the holding company of LeasePlan N.V., Amsterdam, Netherlands ("LeasePlan"). The contributions from these investments to profit/loss are included in the profit or loss from discontinued operations. The joint ventures were considered in the comparative period on the basis of the figures for the period from 5 January to 30 June 2009. In the reporting period they are included until the date of deconsolidation of the Volkswagen group.

In addition, Porsche Zwischenholding GmbH has been a significant joint venture since the date of deconsolidation on 7 December 2009.

Based on the proportionate interest in the joint ventures, the figures summarized below are attributable to the Porsche SE group. Porsche Zwischenholding GmbH is included in income and expenses for the reporting period from the date of deconsolidation on 7 December 2009:

€ million	2009/10	2008/09
Non-current assets	10,535	8,384
Current assets	2,635	7,587
Non-current liabilities	9,845	5,932
Current liabilities	5,116	6,920
Income	13,599	5,101
Expenses	12,447	4,804

The amounts presented do not contain any effects from the purchase price allocation performed for the purpose of accounting at equity.

Consolidation principles

Porsche SE applied IFRS 3 "Business Combinations" (rev. 2008) and IAS 27 "Consolidated and Separate Financial Statements" (rev. 2008) prospectively as of the beginning of the fiscal year 2009/10. IFRS 3 "Business Combinations" (rev. 2004) and IAS 27 "Consolidated and Separate Financial Statements" (rev. 2004) were applied until the end of the fiscal year 2008/09.

The financial statements of the subsidiaries and investments accounted for at equity (with the exception of the companies belonging to the Volkswagen group) are prepared as of the reporting date of the consolidated financial statements, which is the reporting date of Porsche SE. The planned change in fiscal year of Porsche SE means that in future the financial statements of all subsidiaries and investments accounted for at equity will be prepared as of a uniform reporting date.

Business combinations are accounted for by applying the acquisition method pursuant to both IFRS 3 (rev. 2008) and IFRS 3 (rev. 2004).

Business combinations and deconsolidations since 1 August 2009

The cost of a business combination is measured in accordance with IFRS 3 (rev. 2008) as the aggregate of the consideration transferred at fair value as of the acquisition date and measured at acquisition-date fair value and the non-controlling interests in the entity. The non-controlling interests can be measured either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed and therefore do not constitute a component of cost.

If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the gain or loss resulting from remeasurement recognized in profit or loss.

Where the cost of a business combination exceeds the fair value of identifiable assets acquired net of liabilities assumed as of the acquisition date, the excess is recognized as goodwill. In contrast, where the cost of a business combination is less than the fair value of identifiable assets acquired net of liabilities assumed as of the acquisition date, the difference is recognized in the income statement after reassessing the fair values.

Any difference arising upon acquisition of additional shares or sale of shares after initial consolidation without loss of control in a subsidiary that has already been fully consolidated is recognized within equity.

Intragroup expenses and income as well as receivables, liabilities and provisions are eliminated. Intercompany profits from the sale of assets within the group which have not yet been resold to third parties are eliminated. Deferred taxes are recognized for intragroup transactions that affect income taxes. In addition, guarantees and warranties assumed by Porsche SE or one of its consolidated subsidiaries in favor of other consolidated subsidiaries are eliminated.

In the event that control is lost and the parent company continues to hold shares in the previous subsidiary, such shares are measured at fair value on the date of loss of control. If the shares are listed on the stock exchange, the fair value of the shares on the date when control is lost is the product of the number of shares retained and the quoted market price of the shares as of that date.

When deconsolidating the previous subsidiary, the difference between the consideration received (upon disposal) or the fair value of the investment retained (upon partial sales or loss of control for other reasons) and the net assets disposed of at the date when control is lost (including any goodwill from acquisition accounting) is recognized in profit or loss. Income and expenses recognized directly in the previous subsidiary's equity for foreign currency effects, securities marked to market, cash flow hedges and investments accounted for at equity are derecognized through profit or loss at the date of loss of control. Any revaluation reserve recognized in accordance with IFRS 3 (rev. 2004) is not derecognized through profit or loss at the date of deconsolidation but reclassified to accumulated profits within equity.

Business combinations and deconsolidations before 1 August 2009

Compared to the above accounting policies, the previous accounting in accordance with IFRS 3 (rev. 2004) and IAS 27 (rev. 2004) diverged in the following respects:

Acquisition-related costs are a component of cost of the business combination. Non-controlling interests were included at their proportionate share in the identified net assets. In a business combination achieved in stages, each exchange transaction is accounted for separately, i.e. for each transaction, the acquisition cost of the share purchase is compared with the relevant share in the identifiable net assets determined at the acquisition date.

Any remaining positive difference from offsetting the acquisition cost against the identified assets and liabilities at the date of acquisition measured at fair value is recognized as goodwill within intangible assets. If, in a business combination achieved in stages, shares of the acquired subsidiary were held before initial consolidation, the changes in hidden reserves and hidden liabilities attributable to these shares for the period between share purchase and initial consolidation are recorded in a separate reserve within retained earnings in accordance with IFRS 3 (rev. 2004).

When subsidiaries are deconsolidated, any shares retained by the group are recognized at the proportionate equity attributable to them at the date of deconsolidation.

Equity accounting

When investments accounted for at equity are acquired, they are recognized at cost as of the date of initial recognition at equity. In the event of partial sale or loss of control of previously fully consolidated subsidiaries for other reasons, they are recognized at fair value as of the date when control is lost. The consolidation procedures generally apply by analogy to investments accounted for at equity. Any goodwill that arises as part of the investment carrying amount is not amortized or tested for impairment separately. Any negative goodwill is reassessed and recognized through profit or loss at the date when the investment is initially accounted for at equity.

In subsequent periods, the carrying amount is changed to reflect the Porsche SE group's share of changes in net assets of the associate or joint venture. The share in profit or loss is recognized in the income statement within the item "profit/loss from investments accounted for at equity". This item also includes dilutive effects reducing the investment carrying amount that arise from capital increases at the level of the investment without participation or with disproportionately low participation of the Porsche SE group and which do not lead to any changes in the status of the investment as an associate or joint venture.

Changes in income and expenses recognized directly in equity at the level of the associate or joint venture are recognized in a separate item within Porsche SE's group equity. Distributions received lead to a reduction of the investment's carrying amount.

An impairment test is carried out whenever there is any indication in accordance with IAS 39 that the entire carrying amount of the investment is impaired. Where the carrying amount of the investment exceeds its recoverable amount determined in accordance with IAS 36, an impairment loss is recognized to account for the difference. Value in use is determined on the basis of the estimated future cash flows expected to be generated by the investment accounted for at equity in accordance with IAS 28.33a. At least once a year, it is assessed whether there is any indication that the reason for a previously recognized impairment loss no longer exists or an impairment amount has decreased. If this is the case, the recoverable amount is recalculated and an impairment previously recognized that no longer exists is reversed.

An impairment test was carried out in the reporting period for both the investment in Volkswagen AG and the investment in Porsche Zwischenholding GmbH. Value in use was determined for both investments using the discounted cash flow method by applying the average weighted cost of capital. Growth rates below the general price increases were used to extrapolate the cash flow over the detailed planning phase. There was no need to recognize any impairment for the investments.

Currency translation

Foreign currency items in the financial statements of the entities included in the consolidated financial statements are measured at the spot exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing rate. Non-monetary items denominated in a foreign currency measured at historical cost are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate prevailing on the date when the fair value was determined. Exchange rate gains and losses as of the reporting date are recorded in profit or loss.

Goodwill and adjustments to recognize assets and liabilities arising from business combinations at their fair value are expressed in the functional currency of the subsidiary.

The financial statements of consolidated subsidiaries prepared in a foreign currency are translated to the euro in accordance with IAS 21. The functional currency of the company included in consolidation is the currency of the primary economic environment in which it operates.

Assets, liabilities and contingent liabilities are translated at the closing rate as of the reporting date, while equity is translated at historical rates with the exception of income and expenses recognized directly in equity. The income statement is translated using average exchange rates. Exchange rate differences resulting from the translation of financial statements are recognized as a separate component directly in equity until the disposal of the subsidiary. Upon disposal the separate item is reclassified to profit or loss.

Due to the deconsolidation, average exchange rates for the period from 1 August 2009 to 7 December 2009 and closing dates as of 7 December 2009 are used for foreign currency translation purposes in the previous Porsche subgroup. For the same reason, average exchange rates for the period from 1 July 2009 to 3 December 2009 and closing rates as of 3 December 2009 were used for the previous Volkswagen subgroup. The foreign currency rates applied are presented in the table below.

		Closing rate		Average rate	
		Porsche subgroup	VW subgroup	Porsche subgroup	VW subgroup
	€1=	**7/12/2009**	**3/12/2009**	**1/8-7/12/2009**	**1/7-3/12/2009**
Argentina	ARS	N/A	5.7220	N/A	5.5573
Australia	AUD	1.6437	1.6452	1.6632	1.6810
Brazil	BRL	N/A	2.6251	N/A	2.6321
Canada	CAD	1.5881	1.5882	1.5670	1.5705
China	CNY	10.2633	10.2564	9.9938	9.9228
Czech Republic	CZK	26.0810	26.1350	25.6511	25.6918
Hong Kong	HKD	11.6509	N/A	11.3479	N/A
India	INR	N/A	69.7590	N/A	69.2527
Japan	JPY	129.9300	129.7700	133.7919	133.6864
Mexico	MXN	N/A	19.3984	N/A	19.2061
Poland	PLN	N/A	4.1441	N/A	4.1930
Republic of Korea	KRW	N/A	1,746.8800	N/A	1,758.2230
Russia	RUB	43.9532	43.9800	44.1866	44.2300
South Africa	ZAR	N/A	11.1421	N/A	11.1598
Sweden	SEK	N/A	10.4533	N/A	10.3776
Switzerland	CHF	1.5065	N/A	1.5151	N/A
United Kingdom	GBP	0.9113	0.9116	0.8924	0.8859
USA	USD	1.5034	1.5023	1.4640	1.4530

The foreign currency rates applied for transactions relating to continuing operations are presented in the following table.

		Balance sheet Closing rate			
		Porsche SE group and Porsche Zwischenholding GmbH group[1]	VW group[1]	Porsche SE group and Porsche subgroup	VW subgroup
	€1=	**31/7/2010**	**30/6/2010**	**31/7/2009**	**30/6/2009**
Argentina	ARS	N/A	4.8171	N/A	5.3547
Australia	AUD	1.4409	1.4403	1.7057	1.7359
Brazil	BRL	2.2919	2.2082	2.6577	2.7469
Canada	CAD	1.3446	1.2890	1.5238	1.6275
China	CNY	N/A	8.3215	N/A	9.6545
Czech Republic	CZK	24.7805	25.6910	25.5871	25.8820
Hong Kong	HKD	10.1131	9.5549	10.9589	10.9540
India	INR	N/A	56.9930	N/A	67.5180
Japan	JPY	112.8300	108.7900	135.4500	135.5100
Mexico	MXN	16.4908	15.7363	18.2702	18.5537
Poland	PLN	N/A	4.4170	N/A	4.4520
Republic of Korea	KRW	1,544.2950	1,499.5900	1,742.3500	1,802.4300
Russia	RUB	39.4500	38.2820	44.5400	43.8810
South Africa	ZAR	9.5276	9.3808	11.0279	10.8853
Sweden	SEK	9.4195	9.5259	10.3182	10.8125
Switzerland	CHF	1.3566	1.3283	1.5320	1.5265
United Kingdom	GBP	0.8332	0.8175	0.8554	0.8521
USA	USD	1.3022	1.2271	1.4139	1.4134

[1] Accounted for at equity

		Income statement Average rate			
		Porsche SE group and Porsche Zwischenholding GmbH group[1]	VW group[1]	Porsche SE group and Porsche subgroup	VW subgroup
	€1=	**2009/10**	**2009/10**	**2008/09**	**5/1-30/6/2009**
Argentina	ARS	N/A	5.1969	4.7307	5.2763
Australia	AUD	1.5539	1.5049	1.8623	1.7463
Brazil	BRL	N/A	2.4111	2.8694	2.7391
Canada	CAD	1.4489	1.3974	1.5908	1.5761
China	CNY	N/A	9.1978	9.2819	9.5786
Czech Republic	CZK	25.6812	25.7848	26.1425	26.5446
Hong Kong	HKD	10.7142	10.4671	10.5380	10.8638
India	INR	N/A	61.8412	66.3285	66.9191
Japan	JPY	125.5777	122.8827	132.8275	135.3918
Mexico	MXN	N/A	17.1072	17.6513	18.6813
Poland	PLN	N/A	4.0228	4.0957	4.5084
Republic of Korea	KRW	N/A	1,556.6632	1,765.1992	1,768.7968
Russia	RUB	41.6085	40.4911	40.7650	43.5553
South Africa	ZAR	N/A	10.1354	12.2787	11.2718
Sweden	SEK	N/A	9.8827	10.4848	10.8713
Switzerland	CHF	1.4607	1.4461	1.5283	1.5148
United Kingdom	GBP	0.8771	0.8743	0.8615	0.8567
USA	USD	1.3805	1.3474	1.3580	1.4017

[1] Accounted for at equity

Accounting policies

The assets and liabilities of Porsche SE and the consolidated German and foreign subsidiaries included are accounted for using uniform accounting policies applicable within the Porsche SE group. The same accounting policies are also used at the level of the associates and joint ventures of Porsche SE. Generally, the comparative information for the fiscal year 2008/09 is based on the same accounting policies as for the fiscal year 2009/10. Where changes were made, the effect is explained in the notes.

Since the contributions to profit or loss made by the investments accounted for at equity have a significant impact on the net assets and results of operations of the Porsche SE group, the accounting policies applicable only within the Porsche Zwischenholding GmbH group and the Volkswagen group following their deconsolidation are also included in the explanations below.

With the exception of certain items such as investments accounted for at equity, derivative financial instruments and available-for-sale financial assets, the consolidated financial statements are prepared using the historical cost principle. The measurement principles used are described below in detail.

Intangible assets

Purchased intangible assets that are not acquired in a business combination are initially recognized at cost in accordance with IAS 38. The cost of intangible assets acquired as part of a business combination is their fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets acquired separately with a finite useful life are amortized on a straight-line basis over their useful life, taking any impairments into account. Useful lives generally range from three to five years. Useful lives, residual values and methods of amortization are reviewed, and adjusted if appropriate, at least at the end of the reporting year. If adjustments are made, these are accounted for as changes in estimates.

Intangible assets with indefinite useful lives are not amortized. These include goodwill and brand names from business combinations. The useful lives of brands are considered indefinite based on the assessment that the inflow of economic benefits from these assets cannot be attributed to a specific period. Each asset or cash-generating unit is tested at least once a year for impairment. Intangible assets with indefinite useful lives are reviewed once a year to determine whether the indefinite life assessment continues to be supportable. If this is no longer the case, the change in the useful life assessment from indefinite to finite is made prospectively.

Development costs are recognized for products provided that expenditures can be measured reliably and all other recognition criteria of IAS 38 are met. The capitalized development costs include all costs and overhead expenditure directly attributable to the development process incurred after the point in time at which all recognition criteria are met. Capitalized development costs are amortized beginning at the start of production using the straight-line method over the expected useful life of the product, taking any impairments into account. The useful life is usually five to ten years. Research and non-capitalizable development costs are expensed as incurred.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation over the useful life of the assets and any accumulated impairment losses. The cost of items of property, plant and equipment acquired as part of a business combination is fair value as at the date of acquisition. Self-constructed items of property, plant and equipment are recognized at cost. Cost is determined on the basis of the direct and the proportionate indirect production-related costs. Grants are generally deducted from cost. Costs for repairs and maintenance are recognized as an expense.

Depreciation, which is generally charged on a straight-line basis, reflects the pattern of the assets' expected utility to the company. In some cases higher depreciation rates are applied for equipment used in shift operations.

Depreciation is based on the following useful lives:

	Years
Buildings	25 to 50
Site improvements	9 to 20
Technical equipment and machinery	6 to 20
Other equipment, furniture and fixtures (including special tools)	3 to 15

Residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Leases

Whether an arrangement is, or contains a lease, is determined on the basis of the economic substance of the arrangement at its inception date and requires an assessment whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment after the inception of the lease is only performed under the prerequisites set forth in IFRIC 4.

Operating leases

Leases under which substantially all the risks and rewards incidental to ownership of the asset are not transferred to the lessee are classified as operating leases.

Assets leased to third parties under operating leases in which the Porsche SE group is lessor are presented in fixed assets. Most of the operating leases are for vehicles leased from the group's leasing companies. Leased vehicles are recognized at cost and depreciated on a straight-line basis over the term of the lease to the lower of estimated residual value and fair value.

Where group companies are the lessee in operating leases, i.e. when not all significant risks and rewards incidental to ownership are transferred, lease or rental payments are recognized as an expense in the income statement.

Finance leases

A lease is classified as a finance lease if substantially all risks and rewards incidental to ownership are transferred to the lessee.

Where group companies use items of property, plant and equipment as lessee under a finance lease, the individual assets and liabilities resulting from the lease are recognized at fair value or, if lower, the present value of the minimum lease payments. Items of property, plant and equipment are depreciated on a straight-line basis over the economic useful life or the term of the lease, if shorter.

Where group companies act as the lessor under finance leases, receivables relating to the leases are initially recognized at an amount equal to the net investment.

Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are recognized as part of the cost of that asset. Until the date of deconsolidation of the Porsche Zwischenholding GmbH group and the Volkswagen group, borrowing costs of €0.8 million were capitalized in the fiscal year 2009/10 (prior year: €0.6 million). These borrowing costs are attributable in full to discontinued operations. A borrowing cost rate of 3.9% (prior year: 4.4 %) was assumed.

Impairment test

At the end of each reporting period, the group assesses whether there is any indication of impairment. An impairment test is performed at least once a year for goodwill, capitalized costs for products under development and intangible assets with an indefinite useful live. For intangible assets with finite useful lives, property, plant and equipment as well as investments accounted for at equity an impairment test is performed when there is an indication that the asset may be impaired.

The recoverable amount is determined in the course of impairment testing. The recoverable amount is the higher of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less any costs to sell. Costs to sell are incremental costs incurred to sell the asset or cash-generating unit. Value in use is determined using the discounted cash flow method or capitalized earnings method on the basis of the estimated future cash flows expected to arise from the continuing use of the asset and its disposal.

The recoverable amount is generally determined separately for each asset. If it is not possible to determine the recoverable amount for an individual asset because it does not generate cash inflows that are largely independent of the cash inflows from other assets, it is determined on the basis of a group of assets that constitutes a cash-generating unit.

If the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognized to account for the difference. Impairment losses are recognized through profit or loss under in the item amortization of intangible assets and depreciation of property, plant and equipment, leased assets and investment property.

It is reviewed on an annual basis whether the reasons for a previously recognized impairment loss still exist. If the reasons for impairments recognized in prior years no longer exist, the impairments are reversed through profit or loss (with the exception of goodwill). The amount reversed cannot exceed the amount that would have been determined as the carrying amount, net of depreciation and amortization if applicable, had no impairment loss been recognized for the asset in prior years.

To determine whether goodwill is impaired, the segments of the Porsche SE group were used in general as a cash-generating unit until the date of their deconsolidation in the current fiscal year. The impairment test of recognized brands was based on the data of the relevant brand organizations. In the case of other intangible assets and property, plant and equipment, the product or model series was used to determine the cash-generating units.

To determine whether goodwill which was allocated to the former Volkswagen subgroup is impaired, a calculation based on value in use was applied. The calculation was based on a current forecast prepared by management including their assumptions about growth and the average EBIT margin, covering a period of five years. It took into account the existing uncertainty about the effects of the financial crisis on the automotive sector and a recovery within the planning period. To calculate the terminal value, the cash flow was extrapolated taking into account the expected growth rates and profitability. The calculation in the prior year was based on a discount rate of 7.6% and a growth rate of 1.0%. The growth rate was based on the circumstances specific to the industry and considered the specific price and cost situation. The discount rate was determined on the basis of the weighted capital costs of a peer group of listed automotive companies with a similar risk structure. Even omitting growth when calculating the terminal value or a reduction of the EBIT margin applied by 15% would not have led to an impairment of the goodwill.

The impairment testing of the goodwill allocated to the former Porsche subgroup was based on fair value less costs to sell. The calculation was based on the value of Porsche AG as a whole stated in the basic agreement of €12.4 billion. This figure served as the best indicator of fair value.

In the prior year the impairment test of recognized brands in the consolidated financial statements of Porsche SE was also based on fair value less costs to sell. The calculations were made by applying the relief from royalty method (brand equity approach) using a planning period of five years and an assumed growth rate of 0.75%. This growth rate was again based on the circumstances specific to the industry and the specific price and cost situation. The sensitivity analysis showed that even without assuming growth in the terminal value, the brand values were not impaired.

The assumptions described above were adjusted to reflect the current information available taking appropriate assumptions on macro-economic trends as well as historical developments into account.

When determining the value in use for the impairment test of other intangible assets and property, plant and equipment, local discount rates of at least 8.7% to 9.8% were used.

Investment property

Investment property held to generate rental income is accounted for at depreciated cost. The underlying useful lives and depreciation methods used in subsequent measurement correspond to those applied for items of property, plant and equipment used by the group. Due to the measurement at depreciated cost, the fair values of the investment property must be disclosed in the notes to the consolidated financial statements. An income capitalization approach is used to calculate the fair value of each building by determining the income value based on gross income taking other factors such as land value, remaining useful lives and a multiplier specific to residential property into account. Internal group calculations take account of market information.

Other receivables and financial assets

Other receivables and financial assets (excluding derivative financial instruments) are accounted for at amortized cost. Appropriate allowance is made for known individual risks and general credit risks.

Inventories

Inventories include raw materials, consumables and supplies as well as work in progress and finished goods. Inventories are stated at the lower of cost or net realizable value as of the reporting date.

The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. In addition to costs directly attributable, the costs of conversion of the internally produced goods include an appropriate portion of incurred materials and production overheads as well as production-related depreciation and other directly attributable costs.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

If the carrying amounts are no longer realizable due to a decrease in prices, inventories are written down accordingly.

Inventories of similar nature are generally measured using the weighted average cost method.

Long-term development contracts

Future receivables from long-term development contracts are recognized according to their percentage of completion. The percentage of completion to be recognized per contract is calculated by comparing the accumulated costs with the total costs expected (cost-to-cost method). If the result of a development contract cannot be determined reliably, income is only recognized at the amount of the contract costs incurred (zero profit method). If the total of accumulated contract costs and reported profits exceeds advance payments received, the development contracts are recognized as an asset under trade receivables as future receivables from long-term development contracts. Any negative balance is reported under trade payables. The principle of measuring assets at the lower of carrying amount and net realizable value is taken into consideration.

Financial instruments

According to IAS 39, a financial instrument is any contract that gives rise to a financial asset at one entity and a financial liability or equity instrument at another entity. If the trade date of a financial asset differs from the settlement date, it is initially accounted for at the settlement date. Initial recognition of a financial instrument is at fair value. Transaction costs are included for financial instruments not designated as at fair value through profit or loss. Subsequent measurement of financial instruments is either at fair value or amortized cost depending on their category. Each financial instrument is allocated to a category upon initial recognition.

With respect to measurement, IAS 39 distinguishes between the following categories of financial assets:
- Financial assets at fair value through profit or loss (FVtPL) and held for trading (HfT)
- Held-to-maturity investments (HtM)
- Available-for-sale financial assets (AfS)
- Loans and receivables (LaR)

Financial liabilities are divided into the two categories:
- Financial liabilities at fair value through profit or loss (FVtPL) and held for trading (HfT)
- Financial liabilities measured at amortized cost (FLAC)

Depending on the category, measurement of financial instruments is either at fair value or amortized cost.

Fair value corresponds to market price provided the financial instruments measured are traded on an active market. If there is no active market for a financial instrument, fair value is calculated using appropriate valuation techniques such as generally accepted option price models or discounting future cash flows with the market interest rate, or by referring to the most recent business transactions between knowledgeable, willing and independent business partners for one and the same financial instrument, if necessary confirmed by the banks processing the transactions.

Amortized cost corresponds to the original cost less redemption, impairment losses and the release of any difference between costs and the amount repayable upon maturity calculated by applying the effective interest method. Financial instruments are recognized as soon as the Porsche SE group becomes a party to the contractual provisions of the financial instrument. They are generally derecognized when the contractual right to the cash flows expires or this right is transferred to a third party.

Non-derivative financial instruments

Financial instruments accounted for at fair value include financial instruments held for trading and financial assets classified as at fair value through profit or loss upon initial recognition. Gains and losses from the subsequent measurement are recognized in profit or loss. Financial instruments in the category held for trading include above all derivative financial instruments. The financial instruments classified upon initial recognition as financial assets at fair value through profit or loss represent index certificates. The classification in this category reflects the risk management and investment strategy. No financial assets were classified as at fair value through profit or loss upon initial recognition in the reporting period.

Financial instruments held to maturity are accounted for at amortized cost. Gains and losses from the subsequent measurement are recognized in profit or loss.

Financial instruments available for sale are measured at fair value. Non-derivative financial assets that are classified as available for sale and that cannot be allocated to any other category are included in this category. Unrealized gains and losses from subsequent measurement are recognized in equity taking into account deferred taxes until the financial instruments are derecognized or there is objective evidence of impairment. Investments presented as non-current financial assets that are not accounted for at equity also constitute available-for-sale financial instruments and are generally measured at fair value. If, however, no active market exists and fair value cannot be reliably estimated, they are measured at cost.

Loans and receivables, held-to-maturity financial instruments and financial liabilities are measured at amortized cost unless they are related to hedging instruments. In particular, these include trade receivables and payables, receivables from financial services, other financial receivables, financial guarantees, financial liabilities and other financial liabilities. The financial receivables and liabilities related to fair value hedge accounting are accounted for at fair value with respect to the hedged risk.

With regard to financial guarantees, the Porsche SE group is required to make specified payments if a debtor fails to make payment when due. Financial guarantees are presented on a net basis. The compensation paid for assumption of the liability is not recognized before it is due. It is presented as other receivables and assets or other liabilities. Liabilities are not recognized until the utilization of a financial guarantee becomes probable. No liability had to be recognized in the current fiscal year or in the comparative period.

Financial assets are subject to an impairment test if there is objective evidence that the asset is permanently impaired. An impairment loss is immediately recorded as an expense.

Specific and portfolio-based valuation allowances are recognized for the risk of default inherent in receivables and loans from financial services.

For significant individual receivables (for example receivables from dealer financing or from fleet customers), specific valuation allowances are recognized by applying uniform guidelines and are measured at the amount of incurred losses. Indicators of a potential impairment include delayed payments over a certain period of time, the institution of enforcement measures, the threat of insolvency or over-indebtedness, application for or the opening of insolvency proceedings or the failure of financial reorganization measures.

In the case of non-significant receivables (such as receivables from customer financing), a standardized approach is used in general to calculate the specific valuation allowances after the impairment has been identified.

Portfolio-based valuation allowances are recognized by grouping together non-significant receivables and significant individual receivables for which there is no indication of impairment into homogeneous portfolios on the basis of comparable credit risk features and allocating them by risk class. As long as no definite information is available about which receivable is in default, average historical default probabilities for the portfolio concerned are used to calculate the amount of the valuation allowances.

For receivables in the automotive sector, valuation allowances are determined by recognizing individual valuation allowances.

Allowances are generally recognized in separate allowance accounts and give rise to impairment losses that are recognized in profit or loss.

An impairment loss is recognized on available-for-sale financial assets if there is objective evidence of permanent impairment. In the case of equity instruments, evidence of impairment is considered to exist, among other things, if the fair value decreases significantly below cost and the decrease in fair value is prolonged. Where there is evidence of impairment, the cumulative loss of available-for-sale financial instruments – measured as the difference between cost and their current fair value, less any impairment loss previously recognized on that financial instrument in the income statement – is derecognized from equity and recognized in the income statement. Any increase in the value of debt securities at a later date is accounted as a reversal of the impairment loss recognized in profit or loss. In the case of equity instruments, reversals of impairment losses are recognized directly in equity.

<u>Derivative financial instruments</u>

The existing derivative financial instruments primarily relate to foreign currency forwards and options, swaps, interest derivatives, commodity futures, stock options and equity forwards. They are used to hedge interest and currency risks from existing balance sheet items or highly probable forecast transactions as well as to secure commodity and stock prices. In addition, there is a put option for Porsche SE and a call option for Volkswagen AG to the remaining 50.1% of shares in Porsche Zwischenholding GmbH.

Derivative financial instruments are generally recognized at fair value through profit or loss and remeasured at fair value in subsequent periods. As soon as the criteria of IAS 39 for hedge accounting are fulfilled, the derivative financial instruments are designated either as fair value or cash flow hedges. Otherwise, they are allocated to the category financial assets or liabilities held for trading.

A fair value hedge hedges the exposure to changes in fair value of a recognized asset, a recognized liability or an unrecognized firm commitment. Gains or losses arising from marking hedging instruments to market and the secured portion of the risk of the hedged transaction are recognized in profit or loss. If the fair value hedge ends, the adjustment of the carrying amount arising from fair value hedge accounting for financial instruments measured at amortized cost as hedged transaction is released to profit or loss over the remaining term of the hedged transaction.

In the case of portfolio-based fair value hedges, the accounting for changes in fair value corresponds to the accounting for fair value hedges. Gains or losses from changes in measurement are recognized through profit or loss.

A cash flow hedge is used to hedge exposures from highly probable future cash flows. Hedges are only included in hedge accounting to the extent that they offset changes in the value of the cash flows of the hedged transaction. The ineffective portion is immediately recognized in profit or loss. When included in cash flow hedge accounting, changes in value are recorded directly in other comprehensive income, taking deferred taxes into account. When the hedged transaction occurs, the change in value is reclassified from other comprehensive income to profit or loss. If the forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognized in equity is reclassified to profit or loss. Gains or losses from cash flow hedge accounting are presented under other operating income or expenses in the income statement.

The stock options held by the Porsche SE group generally are not traded on a public market. In such cases, IAS 39.48 et seq. requires that a suitable valuation technique or recent transaction be used for measurement purposes. In the reporting period measurement was performed using generally accepted valuation techniques based on observable market data and historical values. As a large volume of the stock options had been sold shortly after the prior-year reporting date, Porsche assumed as of 31 July 2009 that this sales price was the best indicator to calculate fair value at the reporting date.

Cash and cash equivalents

The cash and cash equivalents include checks, cash on hand and at banks. This item also includes cash and cash equivalents that are not freely available for use by the Porsche SE group.

Deferred taxes

Deferred tax assets are generally recognized for deductible temporary differences between the tax base and carrying amounts in the consolidated balance sheet (taking into account temporary differences arising from consolidation) as well as on unused tax losses and tax credits if it is probable that they will be used. Deferred tax liabilities are generally recognized for all taxable temporary differences between the tax base and the carrying amounts in the consolidated balance sheet (temporary concept). Deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures are not recognized if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Valuation allowances are recognized on deferred tax assets that are unlikely to be realized in a manageable period. A previously unrecognized deferred tax asset is reassessed and recognized to the extent that it has become probable that future taxable profit will allow it to be recovered.

Deferred taxes are measured on the basis of the tax rates that apply or that are expected to apply based on the current legislation in the individual countries at the time of realization. Deferred taxes are not discounted.

Deferred taxes referring to items recognized directly in equity are presented in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The claim for payment of corporate income taxes is recognized at net present value using a risk-free interest rate that matches the timing of the cash flows. The tax rates and tax laws applied for measurement are those that are enacted or substantively enacted by the reporting date. Adequate provisions were recognized for future probable tax liabilities, considering a large number of factors such as interpretations, commentaries and jurisdiction on the pertinent tax legislation as well as past experience.

Current tax relating to items recognized directly in equity is recognized directly in equity and not in the income statement.

Discontinued operations and non-current assets held for sale

Discontinued operations are components of an entity that have either been disposed of or are classified as held for sale and which

- represent a separate major line of business or geographical area of operations,
- are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- are a subsidiary acquired exclusively with a view to resale.

Under IFRS 5, discontinued operations which are disposed of from the consolidated group are presented separately. The income and expenses arising prior to disposal and the gain or loss on sale are disclosed separately in the income statement as profit from discontinued operations below the profit from continuing operations. The comparative information in the income statement is restated accordingly. Under IFRS 5, non-current assets or groups of assets and liabilities are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such assets are carried at the lower of their carrying amount and fair value less costs to sell, and are presented separately in current assets and liabilities in the balance sheet.

Hybrid capital

Provided the bond conditions of the hybrid capital issued satisfy the criteria, hybrid capital is accounted for as an equity instrument of the group in accordance with IAS 32. If the hybrid capital is classified as equity, the deductible interest is not presented as interest expenses but accounted for corresponding to the accounting for dividends to the shareholders. Any transaction costs are deducted from the hybrid capital, taking tax effects into account.

If classified as a debt instrument, hybrid capital is presented under bonds. Interest is included in other interest and similar expenses.

Provisions for pensions and similar obligations

In accordance with IAS 19, the actuarial measurement of pension obligations arising from defined benefit plans is based on the projected unit credit method. This method considers not only the pension payments and the future claims known on the reporting date but also future anticipated increases in salaries and pensions. The calculation of pension obligations is based on actuarial expert opinions taking into account biometric assumptions. The interest rate used to discount provisions is determined on the basis of the return on long-term high-quality corporate bonds at the reporting date.

If pension obligations are funded by plan assets the obligation and the assets are offset. The company applies the corridor method to measure the pension obligations and determine the pension cost. Actuarial gains and losses from a pension plan are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses of the plan exceed 10% of the defined benefit obligation or 10% of the fair value of existing plan assets of the prior year. The amount exceeding the corridor is recognized by allocation to the average remaining working lives of the employees. Past service cost is recognized on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately in profit or loss. Service cost is presented as personnel expense while the interest expense of the obligation and return on plan assets are presented in finance costs.

Other provisions

Other provisions are recognized if a past event has led to a current legal or constructive obligation to third parties which is expected to lead to a future outflow of resources that can be estimated reliably. Provisions are generally measured at the expected settlement amount taking into account all identifiable risks. The settlement amount is calculated using best estimates, including estimated cost increases.

Provisions for warranty claims are recognized taking account of the past or estimated future claims pattern. Non-current provisions are stated at their present value at the reporting date. The interest rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The expense resulting from the unwinding of the interest rate is presented in finance costs.

Provisions resulting from insurance contracts are accounted for in accordance with the provisions of IFRS 4. Reinsurance acceptances are accounted for on an accrual basis. Provisions for claims are determined using estimation techniques based on assumptions on the further development of claims.

Provisions are not offset against reimbursement claims from third parties. Reimbursement claims are recognized separately in other assets if it is virtually certain that the Porsche SE group will receive the reimbursement when it settles the obligation.

Accruals are not presented as provisions, but under trade payables or other liabilities, based on their nature.

Liabilities

Non-current liabilities are recognized at amortized cost. Differences between their historical cost and their repayment amount are accounted for using the effective interest method. Current liabilities are recognized at their repayment or settlement value.

Revenue and expenses

Revenue is generally recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

Revenue from the sale of products is generally not recognized until the point in time when the significant opportunities and risks associated with ownership of the goods and products being sold are transferred to the buyer. Revenue is reported net of discounts, customer bonuses and rebates.

Income from assets for which a group entity has a buy-back obligation cannot be realized until the assets have definitely left the group. If a fixed repurchase price was agreed when the contract was concluded, the difference between the selling and repurchase price is recognized as income ratably over the term of the contract. Prior to that time, the assets are accounted for as inventories.

Revenue from receivables from financial services is realized using the effective interest method.

Revenue is generally recorded separately for each business transaction. If two or more transactions are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole, the criteria for revenue recognition are applied to these transactions as a whole. If, for example, loans in the financial services sector are issued at below market interest rates to promote sales of new vehicles, revenue is reduced by the incentive arising from the loan.

In the case of long-term development contracts revenue is recognized in accordance with the percentage of completion method.

Interest income and expenses are determined using the effective interest method for financial instruments measured at amortized cost and interest-bearing securities held for sale.

Dividend income is recognized when the group's right to receive the payment is established.

Production-related expenses are recognized upon delivery or utilization of the service, while all other expenses are recognized as an expense as incurred. The same applies for development costs not eligible for recognition.

Provisions for warranty claims are recognized upon sale of the related products. Interest expenses incurred for financial services are presented as cost of materials.

Contingent liabilities

A contingent liability is a possible obligation to third parties that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Porsche SE group. A contingent liability may also be a present obligation that arises from past events but is not recognized because an outflow of resources is not probable or the amount of the obligation cannot be measured with sufficient reliability. The amount of contingent liabilities is only stated in cases where the probability of an outflow of resources is not classified as remote by management.

Put options of non-controlling interests

Where non-controlling interests have put options, the portion of total comprehensive income of the period that is attributable to non-controlling interests as well as dividend payments to and withdrawals by non-controlling interests are presented as a change in equity. As of the reporting date, a liability needed to settle the option is recognized and the difference between this liability and the pro rata equity of the non-controlling interest is recognized directly in equity. Deferred taxes are recognized for temporary differences between the IFRS balance sheet carrying amount and the tax base at partnerships.

Significant accounting judgments and estimates

The preparation of consolidated financial statements requires certain judgments and estimates that have an effect on recognition, measurement, presentation and disclosure of assets, liabilities, income and expenses as well as contingent assets and contingent liabilities. These judgments and estimates reflect the current information available. Key sources of estimations are the parameters influencing the profit or loss from investments accounted for at equity such as the fair value from purchase price allocations, useful lives and amortization or depreciation methods at the level of the investee, the measurement of impairment losses and reversals of impairment losses recognized on the carrying amounts of associates and joint ventures, the measurement of derivative financial instruments, the recoverability of receivables and the measurement of provisions and contingent liabilities. In individual cases, amounts realized may differ from the estimates. The carry-

ing amounts of the assets and liabilities affected by estimates can be seen in the breakdowns of the individual balance sheet items.

Key sources of judgment are the classification of subgroups as discontinued operations, the classification of financial instruments, determining the starting point for the recognition of development costs as an asset, the classification of leases as operating or finance leases, deciding which indicators are indicative of an impairment of items of property, plant and equipment, associates and joint ventures as well as the recognition of provisions.

The judgments and estimates are based on assumptions that are derived from the current information available. In particular, the circumstances given when preparing the consolidated financial statements and assumptions as to the expected future development of the global and industry environment were used to estimate the company's future business performance.

The estimates underlying accounting are associated with further uncertainties. This applies above all to the forecast cash flows and discount rates. Other factors which may cause variances from expectations are the development of share prices and business values, a change in the estimate of likelihood of certain option conditions occurring, and the outcome of litigation. Factors which may cause variances from judgments and estimates at the level of associates and joint ventures include new information about the buying behavior on the sales markets and in response to this changes in planning, dependency on suppliers, in particular exclusive suppliers, developments in exchange rates, interest rates and the price of raw materials as well as environmental or other legal provisions.

In such cases, the assumptions, and if necessary the carrying amounts of the assets and liabilities concerned, are adjusted accordingly. Prior to the date of authorization of the financial statements by the executive board for issue to the supervisory board, there were no indications that the carrying amounts of the assets and liabilities presented in the consolidated balance sheet would require any significant adjustment in the following reporting period. Judgments and estimates by management included assumptions that are contained in the forecast report.

New accounting standards

a) The group has adopted the following new and revised IFRSs and interpretations that became effective for the fiscal year for the first time

In the fiscal year 2009/10, Porsche SE adopted the standards presented in the following in accordance with the transitional provisions:

IFRS 3 “Business Combinations” (rev. 2008) and IAS 27 “Consolidated and Separate Financial Statements” (rev. 2008)

IAS 27 (rev. 2008) provides that the acquisition or sale of minorities without loss of control is recognized directly in equity. This does not have any effect as this accounting policy was already applied in the Porsche SE group before first-time adoption of IAS 27 (rev. 2008) in the Porsche SE group. IAS 27 (rev. 2008) also contains rulings on deconsolidation. For the effects of applying this change in the fiscal year 2009/10, please refer to the explanations given in the section “Consolidated group”.

Revised IAS 1 “Presentation of Financial Statements”

A new 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 elements 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 restated accordingly. Due to the deconsolidation of the Volkswagen group, the revaluation reserve was reclassified to accumulated profits in the reporting period.

Annual improvements project I

In the course of the annual improvements project, a series of clarifications to the various standards were approved on 22 May 2008. The improvements have an effect on the statement of cash flows of the Porsche SE group. They are described in note [13].

Amendments to IFRS 7 “Financial Instruments: Disclosures” and IFRS 4 “Insurance Contracts”

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 measurement 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. For the effects of these amendments, please refer to note [31].

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

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. Revenue recognition as well as disclosures in the notes are also regulated.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"

IFRIC 16 answers uncertain points relating to hedges 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 IAS 39 “Financial Instruments: Recognition and Measurement – Eligible Hedge Items”

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.

IAS 39 “Financial Instruments: Recognition and Measurement – Reclassification of Financial Assets – Effective Date and Transition”

The amendment provides adjusted 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 amendment 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.

Annual improvements project II

The International Accounting Standards Board (IASB) published the “Improvements to IFRSs” in April 2009. Most of the amendments are clarifications or corrections to existing IFRSs or changes resulting from modifications already made to IFRSs. Some of the clarifications and corrections are applicable to the consolidated financial statements for 2009/10 on account of their specific transitional requirements.

c) The following standards and interpretations, which have been published but whose adoption is not yet mandatory or which are not applicable in the EU, have not yet been adopted

IFRS 9 “Financial Instruments”

IFRS 9 revises the classification and measurement of financial instruments, providing for only two measurement categories for financial assets in future: at amortized cost and at fair value. The rules are effective retrospectively for the first time for reporting periods beginning on or after 1 January 2013. Porsche SE is in the process of analyzing the resulting effects on the presentation of net assets, financial position and results of operations as well as on cash flows.

IAS 24 “Related Party Disclosures” and IFRS 8 “Operating Segments”

The revised IAS 24 contains revised definitions of related parties and eliminates any inconsistencies. In addition, it introduces new disclosure requirements for entities that are controlled or significantly influenced by a government in their relationship to other entities controlled or significantly influenced by the same government. The changes are effective retrospectively for the first time for reporting periods beginning on or after 1 January 2011. These new rules are not expected to have any significant effect on the presentation of the group’s net assets, financial position and results of operations or on its cash flows.

Annual improvements project III

The IASB published the “Improvements to IFRSs 2008-2010” on 6 May 2010. This standard contains changes to six International Financial Reporting Standards (IFRSs) and one interpretation (IFRIC). Unless stated otherwise in the standard, the amendments are effective for reporting periods beginning on or after 1 January 2011. Porsche SE is analyzing the resulting effects on the consolidated financial statements.

Amendments to IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”

The amendments to IFRIC 14 are relevant in the rare event that an entity is subject to minimum funding requirements and makes prepayments to satisfy these minimum funding requirements. The amendment allows entities to recognize the economic benefit from such prepayment as an asset. These new rules are effective retrospectively for the first time in fiscal years beginning on or after 1 January 2011 and are not expected to have any significant effect on the presentation of the group’s net assets, financial position and results of operations or its cash flows.

IAS 32 “Financial Instruments: Presentation”

This amendment clarifies how to account for certain rights issues if the instruments issued are not denominated in the functional currency of the issuer. The rules are effective retrospectively for the first time for reporting periods beginning on or after 1 February 2010. They are not expected to have any significant effect on the presentation of the group’s net assets, financial position and results of operations or on its cash flows.

IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”

IFRIC 19 contains guidance on accounting for debt for equity swaps where an entity renegotiates the terms of a financial liability with the creditor with the result that it extinguishes the liability fully or partially by issuing equity instruments to the creditor. IFRIC 19 clarifies that:
- The entity’s equity instruments are part of the consideration paid to extinguish the financial liability.
- The equity instruments issued are measured at fair value. If the fair value of the equity instruments issued cannot be reliably measured then the equity instruments are measured to reflect the fair value of the financial liability extinguished.
- The difference between the carrying amount of the financial liability extinguished and the initial amount recognized for the equity instruments is recognized in profit or loss.

These new rules are effective retrospectively for the first time in fiscal years beginning on or after 1 July 2010 and are not expected to have any significant effect on the presentation of the group’s net assets, financial position and results of operations or its cash flows.

In addition, a number of other changes were presented in the consolidated financial statements for the fiscal year 2008/09 which had still not been applied in the fiscal year 2009/10.

Early adoption of the changes before they become mandatory under the transitional provisions of IASB is not planned.

Notes to the consolidated income statement and consolidated statement of cash flows

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 explanations below on the consolidated income statement, the contributions to profit or loss of the two groups until the dates on which the groups were deconsolidated are presented in the "Discontinued operations" column (i.e. Porsche Zwischenholding GmbH group with the period from 1 August to 7 December 2009 and the Volkswagen group with the period from 1 July to 3 December 2009). In the comparative period, contributions to profit/loss from the Porsche Zwischenholding GmbH group for the whole year and from the Volkswagen group as of the date of initial consolidation (i.e. with the period from 5 January to 30 June 2009) are presented as discontinued operations. The column "Reclassification according to IFRS 5" contains the reclassification of the contributions to profit/loss of the discontinued operations to the line "Profit/loss after tax (discontinued operations)" in the income statement. Comparability is restricted due to the different periods for which the discontinued operations were included in the income statement in the fiscal year 2009/10 and in the comparative period.

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.

[1] Revenue

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

	Discontinued operations	
€ million	**2009/10**	**2008/09**
Type of product		
Vehicles	35,996	43,798
Parts and accessories	3,913	4,673
Interest and similar income from financial services business	1,894	2,310
Rental and leasing business	2,853	4,185
Other revenue	1,693	2,115
	46,349	**57,081**

A breakdown of revenue by operating segment and geographical segment is provided in the segment reporting in note [35].

[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
2009/10				
Income from reversal of valuation allowances on receivables and other assets	0	12	– 12	0
Income from stock price hedging derivatives	393	2,170	– 2,170	393
Income from valuation of options on non-stock shares	301	0	0	301
Income from reversal of provisions and accruals	11	194	– 194	11
Income from foreign exchange gains	0	351	– 351	0
Income from cost allocations	0	490	– 490	0
Income from leased assets and investment property	0	38	– 38	0
Sundry operating income	4	1,883	– 1,883	4
	709	**5,138**	**– 5,138**	**709**
2008/09				
Income from reversal of valuation allowances on receivables and other assets	0	36	– 36	0
Income from stock price hedging derivatives	52,955	698	– 698	52,955
Income from reversal of provisions and accruals	2	522	– 522	2
Income from foreign exchange gains	0	1,325	– 1,325	0
Income from cost allocations	0	1,342	– 1,342	0
Income from leased assets and investment property	0	58	– 58	0
Sundry operating income	0	3,277	– 3,277	0
	52,957	**7,258**	**– 7,258**	**52,957**

Income from stock price hedging derivatives was generated as a result of cash-settled stock option transactions, which in the past served to hedge the increase in the investment in Volkswagen AG. This strategy was not pursued further in the reporting period. In the comparative period, this position also contains income from equity forwards.

Income from valuation of options on non-stock company shares contains the change in the fair value of the put option of Porsche SE relating to the remaining shares in Porsche Zwischenholding GmbH.

[4] Cost of materials

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

	Discontinued operations	
€ million	**2009/10**	**2008/09**
Cost of raw materials, consumables and supplies and of purchased goods	25,299	31,100
Cost of purchased services	1,190	2,681
	26,489	**33,781**

[5] Personnel expenses

€ million	Continuing operations	Discontinued operations	Reclassification acc. to IFRS 5	Total
2009/10				
Wages and salaries	16	5,836	– 5,836	16
Social security contribution, pension and other benefit costs	1	1,292	– 1,292	1
	17	**7,128**	**– 7,128**	**17**
Employees (annual average)				
Performance-related wage-earners	0	73,292	-	73,292
Salaried staff	40	70,588	-	70,628
Other	6	4,273	-	4,279
	46	**148,153**	**-**	**148,199**
2008/09				
Wages and salaries	74	7,405	– 7,405	74
Social security contribution, pension and other benefit costs	0	1,559	– 1,559	0
	74	**8,964**	**– 8,964**	**74**
Employees (annual average)				
Performance-related wage-earners	0	86,379	-	86,379
Salaried staff	37	92,255	-	92,292
Other	3	4,504	-	4,507
	40	**183,138**	**-**	**183,178**

[6] Other operating expenses

Other operating expenses consist of:

€ million	Continuing operations	Discontinued operations	Reclassification acc. to IFRS 5	Total
2009/10				
Expenses from stock price hedging derivatives	408	28	– 28	408
Expenses from stock options marked to market	1	0	0	1
Expenses from valuation of options on non-stock shares	395	0	0	395
Valuation allowances on receivables and other assets	0	510	– 510	0
Foreign exchange losses	0	489	– 489	0
Advertising	1	1,347	– 1,347	1
Selling and general administrative expenses	1	1,433	– 1,433	1
Repairs and maintenance	0	669	– 669	0
Sundry operating expenses	150	9,173	– 9,173	150
	956	**13,649**	**– 13,649**	**956**
2008/09				
Expenses from stock price hedging derivatives	45,112	720	– 720	45,112
Expenses from stock options marked to market	10,283	0	0	10,283
Valuation allowances on receivables and other assets	0	706	– 706	0
Expenses from cost allocations	0	69	– 69	0
Foreign exchange losses	1	1,226	– 1,226	1
Advertising	0	1,465	– 1,465	0
Selling and general administrative expenses	1	2,059	– 2,059	1
Repairs and maintenance	0	867	– 867	0
Sundry operating expenses	38	8,311	– 8,311	38
	55,435	**15,423**	**– 15,423**	**55,435**

Expenses from stock price hedging derivatives were incurred as a result of cash-settled stock option transactions, which in the past served to hedge the increase in the investment in Volkswagen AG. This strategy was not pursued further in the reporting period. Due to the sale of significant volumes of stock options shortly after the prior-year reporting date, the options were accounted for at their selling price as the best indicator of fair value as of 31 July 2009. The expenses arising from the impairment of financial assets and from the recognition of financial liabilities in connection with the stock options are disclosed as expense from stock options marked to market.

Expenses from valuation of options on non-stock company shares contain the change in the fair value of the call option of Volkswagen AG relating to the remaining shares in Porsche Zwischenholding GmbH.

Sundry operating expenses of discontinued operations mainly include expenses from derivative financial instruments. For continuing operations this item mainly contains legal and consulting fees.

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

In the fiscal year 2009/10, the profit/loss from investments accounted for at equity from continuing operations contains the profit/loss from the investments held by Porsche SE in Volkswagen AG and Porsche Zwischenholding GmbH from the respective dates of deconsolidation. As the purchase price allocations to be performed in connection with their inclusion at equity for the Porsche Zwischenholding GmbH group and the Volkswagen group were not yet completed when the consolidated financial statements were being prepared, the profit/loss from the investments in these companies that is attributable to Porsche SE was determined provisionally.

The amount presented in continuing operations in the comparative period relates to the profit or loss from the investment in Volkswagen AG for the period from 1 July 2008 to the date of initial consolidation on 5 January 2009.

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

€ million	Continuing operations	Discontinued operations	Reclassification acc. to IFRS 5	Total
2009/10				
Income from initial equity accounting	7,841	0	0	7,841
Profit/loss from ongoing equity accounting (before purchase price allocation)	997	371	– 371	997
Effects from provisional purchase price allocation	– 606	0	0	– 606
Profit/loss from ongoing equity accounting	391	371	– 371	391
Dilutive effect from increase in capital	– 1,440	0	0	– 1,440
	6,792	**371**	**– 371**	**6,792**
2008/09				
Profit/loss from ongoing equity accounting (before purchase price allocation)	448	336	– 336	448
Effects from purchase price allocation	– 48	0	0	– 48
Profit/loss from ongoing equity accounting	400	336	– 336	400
	400	**336**	**– 336**	**400**

The income from initial equity accounting 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 fair value of the shares held on the date of initial recognition at equity. It is mainly attributable to the fact that the fundamental data for Volkswagen AG used in the purchase price allocation are not fully reflected in the stock prices of Volkswagen AG. The expense from the dilutive effect arising from the capital increase is due to the capital increase performed at Volkswagen AG in March 2010, in which Porsche SE did not participate.

The profit or loss from investments accounted for at equity from continuing operations consists of the profit or loss contribution from the investment in Porsche Zwischenholding GmbH of €30 million and in Volkswagen AG of €6,762 million.

[8] Finance costs

€ million	Continuing operations	Discontinued operations	Reclassification acc. to IFRS 5	Total
2009/10				
Interest expenses for unwinding the discount on pension provisions	0	298	– 298	0
Interest arising from unwinding the discount on other provisions	0	111	– 111	0
Unwinding the discount on provisions	0	409	– 409	0
Other interest and similar expenses	800	529	– 529	800
	800	**938**	**– 938**	**800**
2008/09				
Interest expenses for unwinding the discount on pension provisions	0	397	– 397	0
Interest arising from unwinding the discount on other provisions	0	247	– 247	0
Unwinding the discount on provisions	0	644	– 644	0
Other interest and similar expenses	557	853	– 853	557
	557	**1,497**	**– 1,497**	**557**

Other interest and similar expenses include the aggregate expenses from financing activities determined according to the effective interest method. The finance costs of continuing operations contain interest expenses of €758 million (prior year: €517 million) which result from financial instruments which were not measured at fair value through profit or loss.

In the reporting period, other interest and similar expenses of continuing operations also contain expenses for other fees of €3 million (prior year: €0 million) not included in the calculation using the effective interest method.

[9] Other financial result

€ million	Continuing operations	Discontinued operations	Reclassification acc. to IFRS 5	Total
2009/10				
Expenses from profit and loss transfer agreements	0	– 19	19	0
Other expenses from investments	0	– 6	6	0
Income and expenses from securities and loans	0	300	– 300	0
Other interest and similar income	127	296	– 296	127
	127	**571**	**– 571**	**127**
2008/09				
Income from profit and loss transfer agreements	0	5	– 5	0
Expenses from profit and loss transfer agreements	0	– 6	6	0
Other income from investments	0	45	– 45	0
Other expenses from investments	0	– 25	25	0
Income and expenses from securities and loans	0	– 76	76	0
Other interest and similar income	150	477	– 477	150
	150	**420**	**– 420**	**150**

Other interest and similar income from continuing operations is the aggregate interest income from financial assets and is mainly attributable to time deposits and loans. The other financial result of continuing operations contains interest income of €123 million (prior year: €106 million) which results from financial instruments which are not measured at fair value through profit or loss.

[10] Income tax

The income tax expense (+) and income (–) disclosed breaks down into:

€ million	Continuing operations	Discontinued operations	Reclassification acc. to IFRS 5	Total
2009/10				
Current tax income/expense, Germany	0	452	– 452	0
Current tax income/expense, other countries	3	215	– 215	3
Current tax income/expense	3	667	– 667	3
thereof income/expenses relating to other periods	0	0	0	0
Deferred tax income/expense, Germany	111	– 207	207	111
Deferred tax income/expense, other countries	0	– 243	243	0
Deferred taxes	111	– 450	450	111
Income tax	**114**	**217**	**– 217**	**114**
2008/09				
Current tax income/expense, Germany	170	701	– 701	170
Current tax income/expense, other countries	6	311	– 311	6
Current tax income/expense	176	1,012	– 1,012	176
thereof income/expenses relating to other periods	600	– 21	21	600
Deferred tax income/expense, Germany	– 390	– 1,268	1,268	– 390
Deferred tax income/expense, other countries	0	– 357	357	0
Deferred taxes	– 390	– 1,625	1,625	– 390
Income tax	**– 214**	**– 613**	**613**	**– 214**

An overall income tax rate of 30% (prior year: 30% for continuing operations) applies for the German entities of continuing operations following the enactment of the business tax reform act in 2008. The tax rate used for the remaining foreign subsidiary included in continuing operations is 12.5% (prior year: 12.5% for this company). There were no changes to the tax rates in either reporting period.

There was no reduction in the current tax or deferred tax expense for the continuing operations in either reporting period as a result of the utilization of previously unrecognized unused tax losses and tax credits.

There were no write-ups or impairments of deferred taxes for continuing operations in either reporting period.

Previously unused tax loss carryforwards of continuing operations for which no deferred tax assets were recorded amounted to €2,926 million (prior year: €3,963 million, thereof continuing operations: €955 million). Loss carryforwards of €2,926 million (prior year: €1,343 million, thereof continuing operations: €955 million) are to be used within the next ten years. In the prior year there were also tax loss carryforwards amounting to €1,533 million (thereof continuing operations: €0 million) that could be used within a period of 15 to 20 years. In the prior year there were also tax

loss carryforwards amounting to €1,087 million (thereof continuing operations: €0 million) that could be used indefinitely.

There are no tax credits in continuing operations in either reporting period. In the prior year no deferred tax assets were recognized in the balance sheet for tax credits of discontinued operations of €143 million. Of these tax credits, €27 million had to be used within the next ten years and €116 million within a period of 10 to 15 years.

No deferred taxes were recognized on deductible temporary differences of €57 million in continuing operations in the reporting period. In the prior year no deferred tax assets were recognized on unused deductible temporary differences of €1,373 million (thereof continuing operations: €1,369 million). Of these deductible temporary differences, it was assessed in the prior year that €4 million (thereof continuing operations: €0 million) could be used for an unlimited period of time, while the use of €1,369 million (thereof continuing operations: €1,369 million) was restricted to the next 10 years.

No deferred taxes were recognized on tax loss carryforwards in continuing operations in either reporting period. In the prior year a deferred tax asset was recognized on tax loss carryforwards of €913 million in discontinued operations. In the prior year no deferred taxes were recorded on retained profits at subsidiaries and joint ventures of €34 million (thereof continued operations: €0 million), as these profits were primarily to be used for the expansion of business activities at the various locations.

In the prior year the utilization of a deferred tax asset of €249 million (thereof continuing operations: €0 million) depended on the future taxable profit which, based on last year's tax planning, was likely to be realized.

The following reconciliation shows the differences between the expected income tax expense from continuing operations calculated at the theoretical group tax rate of 30% (prior year: 30%) and the reported income tax expense from continuing operations:

€ million	2009/10	2008/09
Profit before tax (continuing operations)	5,855	– 2,559
Group tax rate	30%	30%
Expected income tax expense	**1,757**	**– 768**
Tax rate related differences	– 5	0
Difference in tax base	– 1,822	– 770
Recognition and measurement of deferred taxes	173	721
Taxes relating to other periods	11	603
Reported income tax expense	**114**	**– 214**

The reconciliation item “Recognition and measurement of deferred taxes” mainly contains deferred taxes not recognized on unused tax losses and deductible temporary differences. In the reporting period the item “Difference in tax base” mainly pertains to the tax exemption of profit/loss from investments accounted for at equity.

The deferred tax assets and liabilities break down by balance sheet item as follows:

€ million	Deferred tax assets			Deferred tax liabilities		
	31/7/2010	31/7/2009		31/7/2010	31/7/2009	
			thereof continuing operations			thereof continuing operations
Intangible assets, property, plant and equipment, leased assets and investment property	0	4,273	0	0	10,496	0
Non-current financial assets	0	933	0	0	9	0
Inventories	0	298	0	0	412	0
Receivables and other assets (including financial services division)	0	646	0	0	5,713	0
Other current assets	0	76	0	0	59	0
Unused tax losses	0	913	0	0	0	0
Provisions for pensions and similar obligations	0	1,134	0	0	10	0
Other provisions	0	2,730	0	0	296	0
Liabilities	0	1,691	111	0	1,304	0
Valuation allowances on deferred tax assets	0	–7	0	0	0	0
Reversal of valuation allowances on deferred tax assets	0	0	0	0	0	0
Gross value	0	12,687	111	0	18,299	0
Offsetting	0	–11,352	0	0	–11,352	0
Consolidation	0	308	0	0	–111	0
Balance according to consolidated balance sheet	0	1,643	111	0	6,836	0

For non-current financial assets, deferred tax assets of €30 million (thereof continuing operations: €0 million) were recorded directly in equity in the prior year. For the derivatives presented within receivables and other assets and other liabilities, deferred tax assets of €162 million (thereof continuing operations: €0 million) and for other current assets deferred tax assets of €12 million (thereof continuing operations: €0 million) were recognized directly in equity.

[11] Profit/loss attributable to non-controlling interests

The profit/loss attributable to non-controlling interests, which is allocable to the investors in hybrid capital, amounts to €39 million (prior year: €103 million).

The profit/loss attributable to other non-controlling interests of €-114 million (prior year: €-1,142 million) is mainly allocable to non-controlling interests in Volkswagen AG, AUDI AG and Scania AB.

[12] Earnings per share

The profit/loss from continuing operations for the comparative period changed on account of the classification of the Porsche Zwischenholding GmbH group and the Volkswagen group as discontinued operations. The comparative information has been restated accordingly.

		2009/10	2008/09[1]
Continuing operations			
Profit/loss after tax (continuing operations)	€ million	5,741	– 2,345
Profit/loss attributable to non-controlling interests – hybrid capital investors	€ million	23	48
Profit/loss attributable to non-controlling interests – other investors	€ million	0	0
Profit/loss attributable to shareholders of Porsche SE	€ million	5,718	– 2,393
Profit/loss attributable to ordinary shares (basic)	€ million	2,858.7	– 1,197
Profit/loss attributable to preference shares (basic)	€ million	2,859.3	– 1,196
Profit/loss attributable to ordinary shares (diluted)	€ million	2,858.7	– 1,197
Profit/loss attributable to preference shares (diluted)	€ million	2,859.3	– 1,196
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 from continuing operations (basic)	€	32.67	– 13.68
Earnings per preference share from continuing operations (basic)	€	32.68	– 13.67
Earnings per ordinary share from continuing operations (diluted)	€	32.67	– 13.68
Earnings per preference share from continuing operations (diluted)	€	32.68	– 13.67
Discontinued operations			
Profit/loss after tax (discontinued operations)	€ million	– 6,195	– 1,218
Profit/loss attributable to non-controlling interests – hybrid capital investors	€ million	16	55
Profit/loss attributable to non-controlling interests – other investors	€ million	– 114	– 1,142
Profit/loss attributable to shareholders of Porsche SE	€ million	– 6,097	– 131
Profit/loss attributable to ordinary shares (basic and diluted)	€ million	– 3,048.5	– 66
Profit/loss attributable to preference shares (basic and diluted)	€ million	– 3,048.5	– 66
Earnings per ordinary share from discontinued operations (basic and diluted)	€	– 34.84	– 0.75
Earnings per preference share from discontinued operations (basic and diluted)	€	– 34.84	– 0.75

[1] Restated

Earnings per share are calculated by dividing the profit or loss attributable to the shareholders of Porsche SE by the total number of shares outstanding in the fiscal year. There were no dilutive effects in the fiscal year.

[13] Notes to the consolidated statement of cash flows

The statement of cash flows shows how the cash funds of Porsche SE group have changed during the reporting year as a result of cash inflows and outflows. For this purpose the cash flows in the statement of cash flows are categorized into operating activities, investing activities (including investments in securities, loans and fixed-term deposits), and financing activities.

Cash inflows and outflows from investing and financing activities are presented using the direct method. Cash flows from investing activities contain additions to and disposals of property, plant and equipment and financial assets, intangible assets and investment property as well as additions and disposals of cash funds due to changes in the consolidated group. 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 in the comparative period and for other purposes. Changes in investments in securities, loans and time deposits are also included therein.

The statement of cash flows for the fiscal year 2009/10 is significantly affected by the inclusion of the Volkswagen group and the Porsche Zwischenholding GmbH group until the dates of deconsolidation. The cash inflow from operating activities is influenced by the operating activities of the discontinued operations in particular. The cash and cash equivalents disposed of in the course of deconsolidation are presented as investing activities. Of this, €343 million was attributable to the Porsche Zwischenholding GmbH group and €22,877 million to the Volkswagen group.

The statement of cash flows for the fiscal year 2008/09 was also positively influenced by the first-time inclusion of the Volkswagen group and the cash inflows generated there since initial consolidation and by the cash funds received. The cash paid for the acquisition of subsidiaries less cash funds received in the prior year mainly consists of the cash paid for the acquisition of shares in Volkswagen AG totaling €15,734 million net of the cash and cash equivalents of the Volkswagen group of €9,443 million received as a result of the acquisition. Of the cash paid for the acquisition of shares in Volkswagen AG in the prior year, an amount of €13,174 million was attributable to shares acquired in the year prior to the date of initial consolidation.

The cash flows from financing activities contain cash paid for dividends, for the repayment of loans, bonds, commercial papers and notes, to non-controlling interests and hybrid capital investors as well as cash received from loans, bonds, commercial papers and notes as well as the change in other financial liabilities. In the fiscal year 2009/10, cash received for loans borrowed is disclosed separately from cash paid for loans. The figures of the comparative period were restated accordingly.

The item “cash received from other financial liabilities” mainly contains the cash contribution of €3.9 billion passed on to Porsche SE as a loan from Porsche Zwischenholding GmbH which had been contributed to Porsche Zwischenholding GmbH by Volkswagen AG in the course of the capital increase.

The cash flow from operating activities, on the other hand, is derived indirectly from profit/loss after tax. This involves eliminating all non-cash expenses – mainly depreciation or amortization and changes in provisions as well as other non-cash income and expenses – and adjusting them for changes in operating assets and liabilities.

IAS 7, which was changed as a result of the annual improvements project published in May 2008, provides for the allocation of cash inflows and outflows from the change in leased assets to cash flows from operating activities. In this respect, the cash flows from changes in receivables from financial services were also reclassified to cash flows from operating activities in order to ensure the uniform presentation of the financing and leasing transactions in the consolidated statement of cash flows. The figures of the comparative period were restated. The changes made in the fiscal year 2009/10 resulted in a €1,719 million decrease in cash inflows from operating activities compared to the presentation in the 2008/09 consolidated financial statements. The cash inflows from investing activities increased accordingly by €1,719 million.

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 are presented in separate line items in the cash flow from operating activities. Other non-cash expenses and income mainly comprise profit or loss on deconsolidation (including the reclassification of expenses and income recognized directly in equity for the Porsche Zwischenholding GmbH group and the Volkswagen group), income from the initial equity accounting of the Volkswagen group, the dilutive effect arising from the capital increase performed at Volkswagen AG as well as expenses and income from continuously rolling forward the investments accounted for at equity.

The cash flow from operating activities includes:

€ million	2009/10	thereof continuing operations	2008/09
Interest paid	– 1,431	– 606	– 2,916
Interest received	1,157	123	2,766
Dividends received from non-consolidated subsidiaries	1	0	12

The changes in the balance sheet items from which the statement of cash flows is derived are adjusted for non-cash factors arising from currency translation. Changes in the balance sheet items concerned can therefore not be reconciled directly with the figures in the published consolidated balance sheet.

The table below reconciles the cash and cash equivalents as reported in the balance sheet to cash funds reported in the statement of cash flows:

€ million	2009/10	2008/09
Cash and cash equivalents	898	25,036
– time deposits	– 316	– 1,261
– restricted cash and cash equivalents	– 45	– 1,750
Cash funds according to statement of cash flows	**537**	**22,025**

Cash funds according to the statement of cash flows basically comprise cash and cash equivalents with a remaining term to maturity of up to three months. Cash funds 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 in the comparative period and for other purposes and are therefore not included in cash funds reported in the statement of cash flows. 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 flow from investing activities.

The time deposits represent current investments with a remaining term of more than three months.

Notes to the consolidated balance sheet

[14] Development of intangible assets

The carrying amounts of the brands were allocated to the cash-generating units Volkswagen passenger vehicles, Volkswagen commercial vehicles, Audi, Seat, Škoda and Scania until deconsolidation of the discontinued operations. The main brand values were attributable to the cash-generating unit Volkswagen passenger vehicles (€4,829 million) and Audi (€3,734 million). There has been no impairment of capitalized brands or of goodwill.

Intangible assets developed as follows:

€ million	Goodwill	Capitalized development costs for products currently in use	Capitalized costs for products under development	Brands	Other intangible assets	Total
Cost						
As of 1 August 2008	11	261	14	0	539	825
Additions due to initial consolidation	10,368	6,165	2,839	10,852	2,201	32,425
Additions	0	192	968	0	273	1,433
Exchange differences	70	154	39	9	21	293
Reclassifications	0	604	– 604	0	– 20	– 20
Disposals	0	20	36	0	379	435
As of 31 July 2009	**10,449**	**7,356**	**3,220**	**10,861**	**2,635**	**34,521**
Amortization						
As of 1 August 2008	0	142	0	0	324	466
Additions	0	895	0	0	681	1,576
Exchange differences	0	95	0	0	8	103
Impairments	0	64	81	0	0	145
Reclassifications	0	0	0	0	– 2	– 2
Disposals	0	20	35	0	378	433
As of 31 July 2009	**0**	**1,176**	**46**	**0**	**633**	**1,855**
thereof continuing operations	0	0	0	0	0	0
Cost						
As of 1 August 2009	10,449	7,356	3,220	10,861	2,635	34,521
Additions due to initial consolidation	1	0	0	0	0	1
Additions	0	161	763	0	127	1,051
Exchange differences	0	– 18	– 38	28	14	– 14
Reclassifications	0	251	– 251	0	5	5
Disposals due to deconsolidation	10,450	7,743	3,691	10,889	2,775	35,548
Other disposals	0	7	3	0	6	16
As of 31 July 2010	**0**	**0**	**0**	**0**	**0**	**0**
Amortization						
As of 1 August 2009	0	1,176	46	0	633	1,855
Additions	0	725	0	0	246	971
Exchange differences	0	– 33	– 3	0	4	– 32
Impairments	0	47	12	0	69	128
Reclassifications	0	6	– 6	0	0	0
Reversal of impairments	0	0	2	0	0	2
Disposals due to deconsolidation	0	1,920	44	0	949	2,913
Other disposals	0	1	3	0	3	7
As of 31 July 2010	**0**	**0**	**0**	**0**	**0**	**0**
Net carrying amount 31 July 2009	10,449	6,180	3,174	10,861	2,002	32,666
Net carrying amount 31 July 2010	**0**	**0**	**0**	**0**	**0**	**0**

[15] Development of property, plant and equipment

€ million	Land, land rights and buildings incl. buildings on third-party land	Technical equipment and machinery	Other equipment, furniture and fixtures	Advance payments and assets under construction	Total
Cost					
As of 1 August 2008	986	550	2,349	388	4,273
Additions due to initial consolidation	11,886	8,184	6,945	2,979	29,994
Additions	150	393	1,166	1,493	3,202
Exchange differences	129	190	73	28	420
Reclassifications	294	388	699	– 1,252	129
Disposals	24	68	154	37	283
As of 31 July 2009	**13,421**	**9,637**	**11,078**	**3,599**	**37,735**
Depreciation					
As of 1 August 2008	327	398	1,880	0	2,605
Additions	367	1,184	1,446	0	2,997
Exchange differences	– 3	48	15	0	60
Impairments	0	1	34	0	35
Reclassifications	0	3	24	0	27
Disposals	21	29	74	0	124
Reversal of impairments	0	1	0	0	1
As of 31 July 2009	**670**	**1,604**	**3,325**	**0**	**5,599**
thereof continuing operations	0	0	0	0	0
Cost					
As of 1 August 2009	13,421	9,637	11,078	3,599	37,735
Additions due to initial consolidation	91	1	1	5	98
Additions	244	631	762	879	2,516
Exchange differences	19	2	– 45	– 29	– 53
Reclassifications	329	409	272	– 1,013	– 3
Disposals due to deconsolidation	14,095	10,659	11,935	3,435	40,124
Other disposals	9	21	133	6	169
As of 31 July 2010	**0**	**0**	**0**	**0**	**0**
Depreciation					
As of 1 August 2009	670	1,604	3,325	0	5,599
Additions	292	967	1,203	14	2,476
Exchange differences	6	– 12	– 28	– 1	– 35
Impairments	0	1	50	0	51
Reclassifications	0	0	0	0	0
Reversal of impairments	0	0	6	2	8
Disposals due to deconsolidation	967	2,548	4,467	8	7,990
Other disposals	1	12	77	3	93
As of 31 July 2010	**0**	**0**	**0**	**0**	**0**
Net carrying amount 31 July 2009	12,751	8,033	7,753	3,599	32,136
Net carrying amount 31 July 2010	**0**	**0**	**0**	**0**	**0**

Government grants of €108 million (prior year: €7 million) were deducted from the cost of property, plant and equipment of discontinued operations. The grants mainly subsidize the purchase of land and capital goods.

As of the reporting date, there are no assets leased under finance leases within continuing operations. The carrying amounts of the buildings leased under finance leases in discontinued operations amounted to €180 million in the prior year and the carrying amounts of the equipment leased in this way to €18 million. In most cases there were purchase options that were expected to be exercised. The underlying interest rates of the agreements varied between 2.9% and 13.6% in the prior year, depending on the date on which the agreements were concluded and on market conditions.

Future lease payments from discontinued operations due as of 31 July 2009 and their present values are shown in the following table:

	Discontinued operations			
€ million	within one year	one to five years	more than five years	Total
Lease payments	30	99	105	234
Interest component	7	17	3	27
Carrying amount/present value	**23**	**82**	**102**	**207**

[16] Development of investments accounted for at equity and other financial assets

€ million	Investments accounted for at equity	Other financial assets	Total
Cost			
As of 1 August 2008	8,130	64	8,194
Additions due to initial consolidation	8,261	583	8,844
Additions	14,577	64	14,641
Changes from accounting at equity	– 166	0	– 166
Exchange differences	– 51	– 1	– 52
Reclassifications	0	0	0
Disposals	22,598	30	22,628
As of 31 July 2009	**8,153**	**680**	**8,833**
Impairment			
As of 1 August 2008	0	0	0
Additions	0	0	0
Exchange differences	0	0	0
Impairments	0	0	0
Reclassifications	0	0	0
Disposals	0	0	0
Reversal of impairments	0	0	0
As of 31 July 2009	**0**	**0**	**0**
thereof continuing operations	0	0	0
Cost			
As of 1 August 2009	8,153	680	8,833
Additions due to initial consolidation	0	0	0
Additions	15,944	30	15,974
Changes from accounting at equity	7,003	0	7,003
Exchange differences	– 32	– 5	– 37
Reclassifications	0	0	0
Disposals due to deconsolidation	8,361	562	8,923
Other disposals	0	143	143
As of 31 July 2010	**22,707**	**0**	**22,707**
Impairment			
As of 1 August 2009	0	0	0
Additions	0	0	0
Exchange differences	0	0	0
Impairments	0	1	1
Reclassifications	0	0	0
Reversal of impairments	0	0	0
Disposals due to deconsolidation	0	1	1
Other disposals	0	0	0
As of 31 July 2010	**0**	**0**	**0**
Net carrying amount 31 July 2009	8,153	680	8,833
Net carrying amount 31 July 2010	**22,707**	**0**	**22,707**

The additions to the investments accounted for at equity mainly result from the investments in Volkswagen AG and Porsche Zwischenholding GmbH. The quoted market price of the investment in Volkswagen AG on the deconsolidation date was used as carrying amount for the initial inclusion of the investment at equity. The carrying amount for the initial inclusion of the investment at equity in Porsche Zwischenholding GmbH is derived from an enterprise value determined in connection with the capital increase at Porsche Zwischenholding GmbH using a discounted value method.

The investments accounted for at equity comprise a carrying amount of the investment in Volkswagen AG of €19,086 million and a carrying amount for the investment in Porsche Zwischenholding GmbH of €3,621 million.

All of the ordinary and preference shares in Volkswagen AG held by Porsche SE were pledged as collateral on liabilities and other obligations of Porsche SE until they are settled or dispensed with in some other way. Until the liabilities with first-rank security have been partly repaid, the ordinary and preference shares cannot be sold without the prior written approval of a trustee of the collateral. However, Porsche SE can still exercise its voting rights and is also entitled to dividends from the ordinary and preference shares subject to the creditors' right to issue instructions otherwise. In addition, Porsche SE may sell subscription rights associated with the shares.

The investment in Porsche Zwischenholding GmbH has been assigned to a trustee as collateral. The trustee holds the investment in trust for Porsche SE and as collateral for the financing banks of Porsche SE. Porsche SE remains the economic owner, exercises voting rights and receives the profit distributions. The investment in Porsche Zwischenholding GmbH was also pledged as collateral for financial liabilities. The right of lien cannot be exercised before Volkswagen AG has had the opportunity to acquire the investment for €3.9 billion arranged as consideration in connection with the put option.

In the prior year, the carrying amount of the investments accounted for at equity included interests in joint ventures of discontinued operations with a carrying amount of €5,738 million.

[17] Development of leased assets, investment property and of total fixed assets

€ million	Leased assets	Investment property	Fixed assets Total
Cost			
As of 1 August 2008	1,284	0	14,576
Additions due to initial consolidation	9,942	400	81,605
Additions	3,131	3	22,410
Changes from accounting at equity	0	0	– 166
Exchange differences	218	0	879
Reclassifications	– 109	0	0
Disposals	1,868	0	25,214
As of 31 July 2009	**12,598**	**403**	**94,090**
Depreciation			
As of 1 August 2008	337	0	3,408
Additions	1,231	12	5,816
Exchange differences	46	0	209
Impairments	173	0	353
Reclassifications	– 25	0	0
Disposals	185	0	742
Reversal of impairments	19	0	20
As of 31 July 2009	**1,558**	**12**	**9,024**
thereof continuing operations	0	0	0
Cost			
As of 1 August 2009	12,598	403	94,090
Additions due to initial consolidation	0	0	99
Additions	2,354	69	21,964
Changes from accounting at equity	0	0	7,003
Exchange differences	– 510	0	– 614
Reclassifications	– 2	0	0
Disposals due to deconsolidation	13,194	472	98,261
Other disposals	1,246	0	1,574
As of 31 July 2010	**0**	**0**	**22,707**
Depreciation			
As of 1 August 2009	1,558	12	9,024
Additions	962	10	4,419
Exchange differences	– 120	0	– 187
Impairments	43	0	223
Reclassifications	0	0	0
Reversal of impairments	0	0	10
Disposals due to deconsolidation	2,364	22	13,290
Other disposals	79	0	179
As of 31 July 2010	**0**	**0**	**0**
Net carrying amount 31 July 2009	11,040	391	85,066
Net carrying amount 31 July 2010	**0**	**0**	**22,707**

Leased assets contain assets leased under the terms of operating leases.

Investment property included apartments rented out and leased dealerships of discontinued operations with a fair value in the prior year of €400 million.

Due to the deconsolidation of the discontinued operations in the reporting year, there are no minimum lease payments from non-cancellable leases as of the reporting date. The duration of the minimum lease payments under non-cancellable operating leases of discontinued operations were as follows in the prior year:

€ million	Discontinued operations **31/7/2009**
Due within one year	1,509
Due in one to five years	1,451
Due in more than five years	0
	2,960

The contracts concluded as of the reporting date of the prior year had a maximum term of 60 months and partly contained renewal and purchase options as well as escalation clauses.

Amortization and depreciation of fixed assets in the reporting year is attributable almost exclusively to discontinued operations.

The impairment losses recognized on fixed assets totaling €223 million (prior year: €353 million) concern assets in the Volkswagen group. The impairment losses result from market changes due to changes in volume and exchange rates and, with regard to leased assets, also as a result of the development of residual carrying amounts. The impairment losses recognized on other intangible assets had become necessary due to increased cost of risk. The recoverable amount used to determine the impairment was based on value in use. As in the prior year, a discount rate of 9.8% was used and the calculations were based on five-year plans.

[18] Inventories

€ million	31/7/2010	31/7/2009	thereof continuing operations
Raw materials, consumables and supplies	0	2,138	0
Work in progress	0	1,263	0
Finished goods and merchandise	0	12,089	0
Current leased assets	0	696	0
Advance payments made	0	79	0
	0	**16,265**	**0**

After deconsolidation of the discontinued operations, the Porsche SE group does not have any inventories as of the reporting date. Of the total inventories reported as of the prior-year reporting date of €16,265 million, an amount of €2,382 million was recognized at net realizable value. Vehicles amounting to €88 million were pledged as collateral for phased retirement obligations of discontinued operations in the prior year.

[19] Trade receivables

€ million	31/7/2010	31/7/2009	thereof continuing operations
Receivables from long-term development contracts	0	8	0
Trade receivables from			
third parties	0	6,193	0
affiliated companies	0	262	0
joint ventures	0	299	0
associates	0	4	0
other investees and investors	0	1	0
Valuation allowance	0	–52	0
	0	**6,715**	**0**

There are no trade receivables at the level of continuing operations as of 31 July 2010. The maximum bad debt risk corresponded to the carrying amounts of the net receivables in the prior year. The fair values of the trade receivables basically corresponded to the carrying amounts due to the remaining terms.

The receivables from long-term development contracts of discontinued operations were calculated as follows in the prior year:

€ million	Discontinued operations 31/7/2009
Costs of conversion including outcome of the long-term development contracts	132
thereof services billed to customers	– 17
Future receivables from long-term development contracts before advance payments received	115
Advance payments received	– 107
	8

The contracts and parts of contracts billed to customers in discontinued operations were presented within trade receivables. No significant allowances were recognized for trade receivables disclosed in the prior year.

[20] Non-current and current receivables from financial services

€ million	31/7/2010	31/7/2009	thereof continuing operations
Customer financing	0	33,203	0
Dealer financing	0	10,469	0
Direct banking	0	140	0
Receivables from financing business	0	43,812	0
Receivables from operating lease business	0	178	0
Receivables from finance leases	0	18,815	0
Valuation allowance	0	– 653	0
	0	**62,152**	**0**
thereof non-current	0	34,520	0
thereof current	0	27,632	0

Due to the deconsolidation of the discontinued operations there are no receivables from financial services as of the reporting date. The non-current receivables from financial services of discontinued operations were generally subject to fixed interest rates of between 1.5% and 18.9% in the prior year, depending on the market. Unguaranteed residual values accruing to the benefit of the Porsche SE group's discontinued operations amounted to €27 million.

In the prior year, receivables from financial services of €62.2 billion of the discontinued operations contained a fair value adjustment from portfolio hedging amounting to €151 million.

Receivables from financial services of the discontinued operations were generally secured by the assignment of collateral, land charges or guarantees. The maximum bad debt risk corresponded to the carrying amounts of the net receivables.

The receivables from dealer financing of the discontinued operations included an amount of €186 million receivable from affiliated companies.

The receivables from finance leases of discontinued operations disclosed in the prior year resulted almost exclusively from vehicle financing and broke down as follows:

	Discontinued operations
€ million	**31/7/2009**
Total gross investment in the lease	20,627
thereof due within one year	8,248
thereof due in one to five years	12,330
thereof due in more than five years	49
Unearned finance income	–1,812
Present value of outstanding minimum lease payments	18,815
thereof due within one year	7,494
thereof due in one to five years	11,274
thereof due in more than five years	47

Some of the finance leases of discontinued operations contained renewal and purchase options as well as escalation clauses. Escalations were possible in connection with tax changes.

Depending on liquidity requirements and the market situation, a certain volume of receivables from financial services of discontinued operations was sold to third parties (factoring). In such cases, the company examined whether the criteria for derecognition of receivables legally transferred in factoring contracts were met. If the criteria were not met for recourse factoring, the receivables remained recognized on the balance sheet.

Factoring in the context of asset-backed-security transactions carried out by discontinued operations that did not satisfy the derecognition criteria resulted in receivables from financial services with a carrying amount of €16,439 million as of the prior-year reporting date. The opportunities and risks associated with recourse factoring in the prior year were essentially comparable to those inherent in receivables that had not been sold. The liabilities relating to the receivables that had been transferred and not derecognized amounted to €13,561 million as of 31 July 2009.

[21] Non-current and current other receivables and assets

€ million	31/7/2010	31/7/2009	thereof continuing operations
Derivative financial instruments	311	4,567	770
Other receivables and assets from			
affiliated companies	0	183	0
joint ventures	4,019	1,704	0
associates	0	20	0
other investees and investors	0	1	0
Non-income tax assets	0	1,187	0
Sundry receivables and assets	2	3,477	1
Prepaid expenses	1	351	1
Valuation allowance	0	– 176	0
	4,333	**11,314**	**772**
thereof non-current	4,319	3,495	0
thereof current	14	7,819	772

Receivables of continuing operations from joint ventures are due from companies in the Porsche Zwischenholding GmbH group. These receivables are counterbalanced by financial liabilities to these companies of €3,880 million (prior year: €0 million).

Porsche Zwischenholding GmbH has a lien on a loan due from itself amounting to €2,703 million (prior year: €0 million). This lien serves as collateral on a liability of the same amount due from Porsche SE to Porsche Zwischenholding GmbH and is presented within financial liabilities to joint ventures. Porsche Zwischenholding GmbH may exercise its right of lien if Porsche SE falls behind with payments as they fall due for the secured liability to Porsche Zwischenholding GmbH.

Offsetting is not permitted during the term of the loan; permission to offset can be given when the loan falls due for repayment. Volkswagen AG will assume the loan obligations of this company due to Porsche SE in the event of insolvency of Porsche Zwischenholding GmbH provided it would have been possible to offset the obligations against claims against Porsche SE had the company not become insolvent.

Volkswagen AG has a corresponding obligation to assume an obligation relating a loan receivable from Porsche AG of €1,313 million (prior year: €0 million) in the case of insolvency of Porsche AG. The loan agreement contains a premature repayment clause in the event of Porsche AG's insolvency.

The loan receivables from the Porsche Zwischenholding GmbH group thus exceed the corresponding financial liabilities by a total of €136 million (prior year: €0 million). There is neither a guarantee by Volkswagen AG for the partial amount nor can it be offset.

Compensation of €1 million (prior year: €0 million) for the assumption of liability from financial guarantees has been recognized under sundry receivables and assets.

As of the prior-year reporting date, sundry receivables and assets of discontinued operations included a surplus of plan assets to fund pension obligations of €64 million. This item also included the share of technical provisions attributable to reinsurers amounting to €128 million from discontinued operations in the prior year. Collateral of €96 million was issued in the prior year in the course of vehicle financing in the discontinued operations. Collateral is generally accounted for when the contract is concluded and derecognized when the contract expires. Furthermore, there are material restrictions on title or right of use in respect of sundry receivables and assets. Valuation allowances are recognized to take account of default risks. The maximum risk of default corresponds to the net carrying amounts of the sundry receivables and assets. The current other receivables and assets are mainly non-interest-bearing. The non-current other receivables and assets contain derivative financial instruments totaling €303 million (prior year: €1,926 million).

Other receivables and assets excluding derivative financial instruments have a carrying amount of €4,022 million (prior year: €6,747 million). This value comprises other financial receivables with a carrying amount of €4,020 million (prior year: €3,411 million), financial guarantees with a carrying amount of €1 million (prior year: €0 million) and non-financial other receivables and assets with a carrying amount of €1 million (prior year: €3,336 million). The non-financial other receivables and assets mainly contain accrued expenses. As of the prior-year reporting date, this item also contained other taxes and advance payments.

The positive fair values of derivative financial instruments relate to the following items:

€ million	31/7/2010	31/7/2009	thereof continuing operations
Transactions for hedging against:			
foreign currency risk from assets using fair value hedges	0	66	0
foreign currency risk from liabilities using fair value hedges	0	118	0
interest rate risk using fair value hedges	0	362	0
interest rate risk using cash flow hedges	0	16	0
foreign currency and price risk from future cash flows (cash flow hedges)	0	2,666	0
Hedging transactions	0	3,228	0
Stock price derivatives	8	774	770
Other derivatives	303	565	0
Assets from derivatives without hedging relationship	311	1,339	770
	311	**4,567**	**770**

Assets arising from derivatives that are not part of a hedge include €301 million (prior year: €0 million) for the put option for the remaining shares in Porsche Zwischenholding GmbH. The right to exercise the put option has been assigned as collateral for financial liabilities to banks. The claims from Volkswagen AG arising if the put option is exercised were pledged as collateral for financial liabilities to banks.

The positive fair value of transactions for hedging against price risk from future cash flows (cash flow hedges) of discontinued operations amounted to €83 million in the prior year.

The sale of significant volumes of cash-settled stock options shortly after the prior-year reporting date led Porsche SE to measure the stock options at their selling price as the best indicator of fair value as of 31 July 2009. The cumulative price difference between the basic strike price of the stock options and the quoted stock price of the secured shares as of the prior-year reporting date amounted to €9,212 million. The stock options still held by Porsche as of the reporting date were measured at fair value of €8 million. The strategy to secure the increase of the investment in Volkswagen AG was not pursued further in the reporting period.

Further details on derivative financial instruments as a whole are given in note [31].

[22] Income tax assets

€ million	31/7/2010	31/7/2009	31/7/2009 thereof continuing operations
Income tax assets	214	1,937	431
thereof non-current	0	848	0
thereof current	214	1,089	431

[23] Securities

Due to the deconsolidation of the discontinued operations, no securities are held as of the end of the fiscal year 2009/10. The securities recognized as of the prior-year reporting date served to safeguard liquidity. The securities were quoted and mainly short-term fixed-interest-bearing securities and shares allocated to the available-for-sale financial assets category. The securities measured at fair value through profit or loss were carried at €32 million. The maximum default risk is equivalent to the carrying amounts of the securities.

[24] Cash and cash equivalents

Bank balances are held at various banks in different currencies. In connection with the stock options that have been acquired, cash and cash equivalents of €45 million (prior year: €1,750 million) have been pledged as of the reporting date. The maximum default risk is equivalent to the carrying amount of cash and cash equivalents.

[25] Equity

The development of equity is presented in the consolidated statement of changes in equity of the Porsche SE group.

Subscribed capital

Porsche SE's subscribed capital totals €175 million (prior year: €175 million) and, as in the prior year, is divided into 87,500,000 ordinary shares and 87,500,000 non-voting preference shares which have been fully paid in. Each share represents a €1 notional value of the subscribed capital. The preference shares carry an additional dividend of 0.6 cents per share in the event of a net profit available for distribution being recorded.

By resolution of Porsche SE's annual general meeting taken on 29 January 2010 to amend the articles of association, the executive board was authorized until 28 January 2015, and subject to approval of the supervisory board, to increase the company's share capital, once or several times, by a maximum amount of €87.5 million by issuing new bearer shares (ordinary shares) or non-voting preference shares in return for contributions in cash or in kind. The corresponding changes in the articles of association were entered in the commercial register.

Capital reserves

The capital reserves contain contributions from premiums only and are unchanged since the prior year.

Retained earnings

The retained earnings include the reserve for accumulated profits, reserves for available-for-sale securities marked to market, reserves for cash flow hedges, the currency translation reserve, reserves for investments accounted for at equity and the revaluation reserve.

The reserve for accumulated profits includes the profits of Porsche SE and its consolidated subsidiaries earned in prior years and the reporting year and not yet distributed. These also include the reclassified revaluation reserves from deconsolidated subsidiaries. This item also recognizes tax effects from accounting for hybrid capital that is presented within non-controlling interests.

The reserve for available-for-sale securities marked to market contains changes in the fair value of these securities.

The portion of the gain or loss on hedging instruments that is determined to be effective is recognized in the reserve for cash flow hedges.

The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Expenses and income from investments accounted for at equity recognized directly in equity are presented in the separate reserve for investments accounted for at equity.

Applying IFRS 3 (rev. 2004), the revaluation reserve contained the changes in hidden reserves and burdens incurred before initial consolidation in the business combination with the Volkswagen group that was achieved in stages and attributable to shares already acquired and held before initial consolidation. Due to the deconsolidation, the revaluation reserve was reclassified to the reserve for accumulated profits.

The statutory financial statements of Porsche SE as of 31 July 2010 report a net profit available for distribution of €4,495 million. The executive board will propose the distribution of a dividend of €0.094 per ordinary share (prior year: €0.044) and €0.10 per preference share (prior year: €0.050), i.e. a total distribution of €16,975,000.

The table below shows the changes in expenses (–) and income (+) recognized directly in equity, which are attributable both to the shareholders of Porsche SE and to non-controlling interests:

€ million	Before tax	Taxes	After tax
2009/10			
Income/expenses from currency translation			
Differences from translation of financial statements recognized in equity	– 234	0	– 234
Reclassification of realized gains/losses	– 73	0	– 73
	– 307	0	– 307
Income/expenses from securities marked to market			
Changes of fair value recognized in equity	196	– 58	138
Reclassification of realized gains/losses	– 219	64	– 155
	– 23	6	– 17
Gains/losses from cash flow hedges			
Changes of fair value recognized in equity	1,310	– 551	759
Reclassification of realized gains/losses	– 948	469	– 479
	362	– 82	280
Gains/losses from investments accounted for at equity (after tax)			
Changes of accumulated other comprehensive income recognized in equity	319		319
Reclassification of realized gains/losses	– 13		– 13
	306		306
	338	**– 76**	**262**
2008/09			
Income/expenses from currency translation			
Differences from translation of financial statements recognized in equity	600	0	600
Reclassification of realized gains/losses	– 29	0	– 29
	571	0	571
Income/expenses from securities marked to market			
Changes of fair value recognized in equity	103	– 24	79
Reclassification of realized gains/losses	– 62	18	– 44
	41	– 6	35
Gains/losses from cash flow hedges			
Changes of fair value recognized in equity	– 443	158	– 285
Reclassification of realized gains/losses	287	– 105	182
	– 156	53	– 103
Revaluation reserve	3,508	0	3,508
Gains/losses from investments accounted for at equity (after tax)			
Changes of fair value recognized in equity	– 206		– 206
Reclassification of realized gains/losses	0		0
	– 206		– 206
	3,758	**47**	**3,805**

The expenses and income recognized directly in equity which arose from investments accounted for at equity from continuing operations include the following components: income before tax from currency translation of €1,342 million, income before tax from marking securities to market of €18 million, expenses before tax from cash flow hedges of €1,593 million, income before tax recognized directly in equity which arose from investments accounted for at equity of €76 million and tax income of €458 million. In the prior year there were no amounts as of the reporting date recognized directly in equity which arose from investments accounted for at equity from continuing operations.

Of the changes in expenses and income recognized directly in equity, the following amounts are attributable to non-controlling interests:

€ million	2009/10	2008/09
Income/expenses from currency translation	–164	400
Income/expenses from securities marked to market	1	17
Gains/losses from cash flow hedges	718	258
Taxes	–196	–70
Gains/losses from investments accounted for at equity (after tax)	9	6
	368	**611**

Non-controlling interests – hybrid capital investors

The hybrid capital disclosed as of the reporting date has a nominal volume of €0.36 billion (prior year: €0.36 billion and US$1 billion). It has an indefinite term to maturity. According to IAS 32, it represents equity of the group.

Non-controlling interests – other

The other non-controlling interests presented mainly relate to the non-controlling interests of Volkswagen AG, Scania AB and AUDI AG.

The acquisition of non-controlling interests presented in the consolidated statement of changes in equity of the Porsche SE group in the prior year relates to the interest in capital of 7.93% acquired by non-controlling interests in Scania AB after the date of initial consolidation of the Volkswagen group as a result of the mandatory offer.

Stock option plan

The stock option plan at the level of the Volkswagen group, which was deconsolidated in the reporting period, entitled the optionees – the board of management of Volkswagen AG, group senior executives and management, as well as employees of Volkswagen AG covered by collective pay agreements – to purchase options for shares of Volkswagen AG by subscribing for convertible bonds at a price of €2.56 each. Each bond was convertible into ten ordinary shares.

Changes in the rights to stock options granted are shown in the following table:

	Nominal value of convertible bonds	Number of conversion rights	Number of potential ordinary shares
	€	Number	Number
As of 5 January 2009	43,540.48	17,008	170,080
Exercised in fiscal year	4,034.56	1,576	15,760
As of 30 June 2009	**39,505.92**	**15,432**	**154,320**
As of 1 July 2009	39,505.92	15,432	154,320
Disposed of in fiscal year due to deconsolidation	39,505.92	15,432	154,320
As of 31 July 2010	**0**	**0**	**0**

The tables below show the changes in the convertible bonds in issue in tranches six to eight and their exercise prices:

	Average exercise price per convertible bond[1]	Convertible bonds
	€	Number
As of 5 January 2009	556.27	17,008
Exercised in fiscal year	571.21	1,576
As of 30 June 2009	**554.75**	**15,432**
As of 1 July 2009	554.75	15,432
Disposed of in fiscal year due to deconsolidation	554.75	15,432
As of 31 July 2010	**0**	**0**

	Exercise price per convertible bond[1]	Convertible bonds
	€	Number
2008/09		
6th tranche	483.50	5,753
7th tranche	455.90	3,269
8th tranche	669.10	6,410
		15,432

[1] Conversion price per ten shares

Capital management

Until loss of control over the Porsche Zwischenholding GmbH group (formerly: Porsche subgroup) and the Volkswagen group (formerly: Volkswagen subgroup) at the beginning of December 2009 and the associated deconsolidations, capital management in the Porsche SE group was a two-step process. In a first step, both the Porsche Zwischenholding GmbH group and the Volkswagen group managed their capital in accordance with their individual requirements. In a second step, the two groups, the consolidation effects and the effects from the purchase price allocation were monitored at overall group level.

Since the loss of control over the discontinued operations, capital management in the Porsche SE group focuses on Porsche SE as the holding company with the aim of continuously increasing the value of the company, securing its liquidity and securing interest on credit balances commensurate with the risk involved. These goals aim to protect the interests of the shareholders and employees and other stakeholders in the long term. By means of a systematic investment and financial management system, Porsche SE ensures that cost of capital as well as capital structure are optimized.

The Porsche SE group's total capital, defined for capital management purposes as the sum of equity and financial liabilities, is as follows as of the reporting date:

€ million	31/7/2010
Equity	15,197
Share of total capital	58%
Non-current financial liabilities	5,864
Current financial liabilities	4,961
Total financial liabilities	10,825
Share of total capital	42%
Total capital	**26,022**

Capital management in the Porsche Zwischenholding GmbH group

The main target of capital management in the Porsche Zwischenholding GmbH group, which is largely in line with the capital management in the Porsche AG group (Porsche AG and its subsidiaries), is the continuous and long-term increase in the value of the company, securing its liquidity and complying with the capital requirements imposed by third parties. This is done in order to protect the long-term interests of the shareholders and employees and other stakeholders. There are minimum capital requirements imposed by third parties relating to certain profit and debt levels. These were complied with in full in the fiscal year 2009/10. The Porsche Zwischenholding GmbH group supports active debt capital management with a view to reducing the cost of capital and optimizing the capital structure.

The restructuring within the Porsche SE group had not yet been completed as of the reporting date of the comparative period. At that date, the Porsche AG group's (formerly: Porsche subgroup's) total capital, defined for capital management purposes as the sum of equity and financial liabilities, was as follows:

€ million	**31/7/2009**
Equity	13,492
Share of total capital	45%
Non-current financial liabilities	10,103
Current financial liabilities	6,287
Total financial liabilities	16,390
Share of total capital	55%
Total capital	**29,882**

Capital management in the Volkswagen group

The goal of capital management in the Volkswagen group is to ensure that the group can effectively achieve its goals and strategies in the interests of the shareholders, employees and other stakeholders. In particular, management focuses on generating the minimum return on invested assets in the automotive division that is required by the capital markets, and on increasing the return on equity in the financial services division. In addition, the goals of the financial services division are to meet the banking supervisory authorities' regulatory capital requirements, to support the external rating by ensuring adequate capital gearing and to procure equity for the growth planned in the next fiscal years. In the process, it aims overall to achieve the highest possible growth in the value of the group and its divisions for the benefit of all the company's stakeholder groups. The Volkswagen group's financial target system focuses systematically on continuously and sustainably increasing the value of the company. In order to maximize the use of resources in the automotive division and to measure the success of this, the Volkswagen group has been using value contribution, a control variable linked to the cost of capital, for a number of years. The concept of value contribution not only allows overall performance to be measured in the automotive division, but also in the individual business units, projects and products. In addition, business units and product-specific investment projects can be managed operationally and strategically using the value contribution.

Total capital of the Volkswagen group, defined for capital management purposes as the sum of equity and financial liabilities, was as follows as of the prior-year reporting date:

€ million	**30/6/2009**
Equity	36,415
Share of total capital	32%
Non-current financial liabilities	39,696
Current financial liabilities	37,427
Total financial liabilities	77,123
Share of total capital	68%
Total capital	**113,538**

[26] Provisions for pensions and similar obligations

The Porsche SE group provides both defined contribution and defined benefit plans.

In the case of defined contribution plans, the company makes contributions to state or private pension schemes based on legal or contractual requirements, or on a voluntary basis. Once the contributions have been paid, there are no further obligations for the company. Contributions are recognized as expenses of the period concerned and were immaterial.

The Porsche SE group's pension plans are defined benefit plans, with a distinction made between unfunded benefit obligations and externally funded plans. The obligations for defined benefit plans are measured using the projected unit credit method in accordance with IAS 19. The defined benefit obligations are recognized at the present value of vested benefits as of the measurement date taking probable future increases in pensions and salaries into account. The defined benefit obligation for active employees increases annually by the interest cost plus the present value of the new benefit entitlements earned in the current period. Actuarial gains or losses result from changes in the composition of the plan and deviations of actual parameters (for example, increases in income and pensions or changes in interest rates) from the assumptions made in the valuation.

The benefit obligations of continuing operations are unfunded.

Benefit obligations of continuing operations

Provisions for pensions and similar obligations are recognized for benefits in the form of retirement, invalidity and dependents' benefits payable under pension plans. The benefits generally depend on the length of service, remuneration and working hour arrangements of the employees. The direct and indirect obligations include both current pension obligations and future pension and retirement benefit obligations. In addition, personal retirement capital is accumulated in Germany by way of employee contributions to Porsche VarioRente.

Benefit obligations of discontinued operations

Most of the benefits in the former Porsche subgroup concern Porsche AG and relate to the same pension plans as those described under continuing operations.

The occupational pension arrangements of the former Volkswagen subgroup in Germany are based on a specially developed expense-related pension model that is classified as a defined benefit plan under IAS 19. This model has been further developed into a pension fund, with the annual remuneration-linked contributions being invested in funds by Volkswagen Pension Trust e.V. as the trustee. The annual remuneration-based pension expense is invested in funds by Volkswagen Pension Trust e.V. as trustee. Through the investment in funds, this model offers the possibility that benefit entitlements may increase while securing them in full. For this reason, almost all group companies in the Volkswagen group in Germany have joined the fund. Since the fund units held by the trust meet the criteria of IAS 19 for classification as plan assets, they are deducted from the obligation.

Owing to their benefit character, the obligations of the US companies in respect of post-employment medical care in particular are also carried under provisions for pensions and similar obligations. These similar obligations take into account the expected long-term rise in medical costs.

Actuarial assumptions

The defined benefit obligations are calculated using actuarial methods. These include assumptions concerning future wage and salary developments and pension increases. The measurement is based on the following assumptions:

	Germany		International	
%	2009/10[1]	2008/09	2009/10[1]	2008/09
Discount rate	4.80	5.25 – 5.50	–	1.50 – 9.00
Expected return on plan assets	–	5.00	–	3.00 – 11.30
Increase in wages and salaries	3.00	2.50 – 3.00	–	2.00 – 10.00
Medical cost increase rate	–	–	–	5.00 – 8.00
Employee turnover rate	–	0.75 – 1.20	–	1.53 – 6.00
Increase in pensions	1.00	1.00 – 1.60	–	1.00 – 6.00

[1] Continuing operations

In the prior year the effects on the service cost and interest cost in discontinued operations of a one percentage point increase or decrease in the assumed medical cost increase rate when calculating the obligations were immaterial. The discontinued operations' obligation for medical care would have increased or decreased by €6 million in the prior year.

Amounts recognized in profit or loss break down as follows:

€ million	Continuing operations	Discontinued operations	Reclassification acc. to IFRS 5	Total
2009/10				
Current service cost	1	183	– 183	1
Interest expenses	0	383	– 383	0
Expected return on plan assets	0	– 85	85	0
Net actuarial gain (–)/loss (+)	0	0	0	0
Past service cost	0	– 46	46	0
Gains (–) and losses (+) as a result of application of the limit according to IAS 19.58b	0	– 22	22	0
Net benefit expense	**1**	**413**	**– 413**	**1**
2008/09				
Current service cost	1	201	– 201	1
Interest expenses	0	500	– 500	0
Expected return on plan assets	0	– 103	103	0
Net actuarial gain (–)/loss (+)	0	– 1	1	0
Past service cost	– 1	– 50	50	– 1
Gains (–) and losses (+) as a result of application of the limit according to IAS 19.58b	0	– 30	30	0
Net benefit expense	**0**	**517**	**– 517**	**0**

The rate for the expected long-term return on plan assets of discontinued operations is based on the long-term returns actually generated for the portfolios, historical overall market returns and a forecast of expected returns on the securities classes held in the portfolio. The forecasts are based on the rate of return expected by actuaries and experts from the investment industry. The expected remaining service period is used as the investment horizon.

The table below presents the changes in the present value of the pension obligations and the plan assets at market values.

Changes in the present value of pension obligations

€ million	2009/10	2008/09	2008/09 thereof continuing operations
As of 1 August	17,222	760	7
Exchange differences	137	166	0
Current service cost	184	201	1
Interest expenses	383	500	0
Past service cost	– 46	– 50	– 1
Actuarial gains (–) and losses (+)	1	26	0
Benefits paid	– 319	– 378	0
Employee contributions	5	26	0
Changes to consolidated group	– 17,559	15,983	0
Other changes	0	– 12	0
As of 31 July	**8**	**17,222**	**7**

Development of plan assets

€ million	2009/10	2008/09	2008/09 thereof continuing operations
As of 1 August	3,510	41	0
Exchange differences	123	151	0
Expected return on plan assets	85	103	0
Actuarial gains (+) and losses (–)	– 12	– 14	0
Benefits paid	– 49	– 60	0
Employer contributions	115	140	0
Employee contributions	6	7	0
Changes to consolidated group	– 3,781	3,153	0
Other changes	3	– 11	0
As of 31 July	**0**	**3,510**	**0**

The following amounts were recognized in the balance sheet for defined benefit obligations:

€ million	2009/10	2008/09	thereof continuing operations
Present value of funded benefit obligations	8	3,745	0
Fair value of plan assets	0	−3,510	0
Funded status	8	235	0
Present value of unfunded benefit obligations	0	13,477	7
Net obligations	8	13,712	7
Unrecognized net actuarial gains (+) and losses (–)	−1	25	0
Unrecognized past service cost	0	37	0
Amount not recognized according to IAS 19.58b	0	5	0
As of 31 July	7	13,779	7
thereof pension provisions	7	13,843	7
thereof other asset	0	64	0

Plan assets of discontinued operations consist of the following components as of the reporting date of the comparative period:

%	Discontinued operations 2008/09
Shares	21
Fixed-interest securities	55
Cash reserve	15
Real estate	5
Other	4

The table below presents experience adjustments, meaning differences between changes in assets and obligations expected on the basis of actuarial assumptions and actual changes in those assets and obligations.

€ million	2009/10[1]	2008/09	thereof continuing operations	2007/08	2006/07	2005/06
Defined benefit obligation	8	17,222	7	760	744	758
Plan assets	0	– 3,510	0	– 41	– 43	– 37
Deficit (+)/Surplus (–)	8	13,712	7	719	701	721
Experience adjustments on pension obligation	+1.7%	– 0.7%	+3.9%	+13.1%	+6.0%	– 2.6%
Experience adjustments on plan assets	–	– 0.5%	–	– 1.7%	+1.3%	1.0%

[1] Continuing operations

[27] Non-current and current tax provisions and other provisions

€ million	31/7/2010		31/7/2009			
			Total		thereof continuing operations	
		thereof due within one year		thereof due within one year		thereof due within one year
Income tax provisions	1,398	1,398	6,058	2,280	1,381	1,381
Other provisions	145	62	19,441	9,743	102	102
Provisions for employee expenses	11	10	2,811	1,650	68	68
Provisions for obligations arising from sales	0	0	11,205	5,584	0	0
Sundry other provisions	134	52	5,425	2,509	34	34

Provisions for employee expenses are recognized for long-service awards, time credits, the phased retirement scheme, severance payments and similar obligations, among other things.

Provisions for obligations arising from sales primarily concerned warranty obligations, marketing services and bonuses of discontinued operations. The warranty obligations in the Porsche group mainly arose from product warranties granted for the vehicles it produces and included both estimated expenses from legal and contractual guarantee claims as well as estimated expenses for constructive warranty. The provisions for bonuses were calculated from the expected cost of subsequent reductions in previously recognized revenue.

Sundry other provisions relate to an identifiable specific risks and uncertain obligations, measured according to the probability of their occurrence. The technical provisions attributable to reinsurers included here in the prior year of €169 million related to discontinued operations.

43% of the other provisions are expected to result in cash outflows in the following year and 57% in between one and five years.

Other provisions developed as follows:

€ million	**As of 1/8/2009**	Exchange differences	Additions	Unwinding the discount	Utilization	Reversal	Changes to consolidated group	**As of 31/7/2010**
Provisions for employee expenses	2,811	– 5	432	0	336	14	– 2,877	11
Provisions for obligations arising from sales	11,205	– 53	1,543	102	1,312	24	– 11,461	0
Sundry other provisions	5,425	33	765	9	289	163	– 5,646	134
	19,441	**– 25**	**2,740**	**111**	**1,937**	**201**	**– 19,984**	**145**

An amount of €68 million of the opening balance of provisions for employee expenses is attributable to continuing operations. The opening balance of sundry other provisions contains a total of €34 million that is allocable to continuing operations.

[28] Trade payables

€ million	31/7/2010	31/7/2009	thereof continuing operations
Liabilities from long-term development contracts	0	2	0
Trade payables to			
third parties	6	11,125	4
affiliated companies	0	57	0
joint ventures	0	18	0
associates	0	21	0
other investees and investors	0	2	0
	6	**11,225**	**4**

Due to the deconsolidation of the discontinued operations there are no liabilities from long-term development contracts in the Porsche SE group as of the reporting date. The liabilities from long-term development contracts of discontinued operations were calculated as follows in the prior year:

€ million	Discontinued operations **31/7/2009**
Costs of conversion including outcome of the long-term development contracts	15
thereof services billed to customers	– 3
Future receivables from long-term development contracts before advance payments received	12
Advance payments received	– 14
	2

The fair values of trade payables generally correspond to the carrying amounts.

[29] Non-current and current financial liabilities

Financial liabilities break down as follows:

€ million	Total	thereof continuing operations	Current	thereof continuing operations	Non-current	thereof continuing operations
31/7/2010						
Bonds	0	0	0	0	0	0
Commercial papers and notes	0	0	0	0	0	0
Liabilities to banks	6,945	6,945	4,961	4,961	1,984	1,984
Deposits from direct banking business	0	0	0	0	0	0
Finance lease liabilities	0	0	0	0	0	0
Financial liabilities to joint ventures	3,880	3,880	0	0	3,880	3,880
Other financial liabilities	0	0	0	0	0	0
	10,825	**10,825**	**4,961**	**4,961**	**5,864**	**5,864**
31/7/2009						
Bonds	36,211	531	9,334	531	26,877	0
Commercial papers and notes	10,426	0	5,555	0	4,871	0
Liabilities to banks	25,480	10,317	11,190	4,004	14,290	6,313
Deposits from direct banking business	19,085	0	16,628	0	2,457	0
Finance lease liabilities	207	0	36	0	171	0
Financial liabilities to affiliated companies	154	0	154	0	0	0
Other financial liabilities	2,058	4	820	4	1,238	0
	93,621	**10,852**	**43,717**	**4,539**	**49,904**	**6,313**

The decrease in non-current and current financial liabilities from bonds of continuing operations is due to the repurchase of part of the hybrid bond issued to institutional investors at the beginning of the reporting period.

The decrease in liabilities to banks resulted from the effects of deconsolidating the discontinued operations, especially from the cash contribution of Volkswagen AG in connection with its investment in Porsche Zwischenholding GmbH as of 7 December 2009 which was passed on to Porsche SE to repay the loan liabilities of Porsche SE due to banks. Financial liabilities from joint ventures are due from companies in the Porsche Zwischenholding GmbH group. These are counterbalanced by other loan receivables of €4,016 million disclosed under other receivables and assets. Please refer to note [21] for details of offsetting permitted.

Liabilities to banks are recognized at amortized cost.

As of the prior-year reporting date, bonds, commercial papers and notes, liabilities to banks and other financial obligations of discontinued operations included asset-backed securities transactions of €13,561 million effected via special purpose entities to refinance the financial services business. Liabilities of the discontinued operations to refinance the financial services business in the form of forfaiture and sale-and-leaseback programs were also presented within other financial liabilities. Interest rates were at inter-bank level. The average duration of the maturities ranged from one to four years in the prior year. Measurement was at amortized cost.

The present values of the future minimum lease payments from sale-and-leaseback transactions entered into to refinance the financial services business are attributable exclusively to discontinued operations and broke down as follows in the prior year:

	Discontinued operations
€ million	**31/7/2009**
Due within one year	66
Due in one to five years	47
	113

In the prior year, other financial liabilities of discontinued operations included liabilities from put options of non-controlling interests of €146 million.

Receivables from customer financing and the leasing business of €16,439 million were used as collateral for the asset-back-securities transactions of discontinued operations as of the prior-year reporting date. In addition, the discontinued operations had provided collateral of €598 million for financial liabilities as of the prior-year reporting date. These were generally deposits, fixed-term deposits, assignments and other items.

[30] Non-current and current other liabilities

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

€ million	31/7/2010	31/7/2009	31/7/2009 thereof continuing operations
Advance payments received on account of orders	0	1,146	0
Other tax liabilities	4	1,760	0
Liabilities relating to social security	0	283	0
Personnel liabilities	0	1,911	0
Other liabilities			
to affiliated companies	0	8	0
to joint ventures	3	14	0
Derivative financial instruments	417	3,788	1,889
Sundry liabilities	150	3,963	8
Deferred income	0	1,062	0
	574	**13,935**	**1,897**
thereof non-current	540	3,074	0
thereof current	34	10,861	1,897

The item derivative financial instruments includes interest hedges, stock options and Volkswagen AG's call option for the remaining shares in Porsche Zwischenholding GmbH held by Porsche SE. In the prior year this item also included forward exchange transactions.

The non-current other liabilities contain derivative financial instruments totaling €395 million (prior year: €862 million).

Other liabilities excluding derivative financial instruments have a carrying amount of €157 million (prior year: €10,147 million). This total breaks down into other financial liabilities with a carrying amount of €153 million (prior year: €2,285 million) and other non-financial liabilities with a carrying amount of €4 million (prior year: €7,861 million). The non-financial other liabilities include in particular advance payments on account of orders, other tax liabilities and deferred income.

The negative fair values of derivative financial instruments relate to the following items:

€ million	31/7/2010	31/7/2009	thereof continuing operations
Transactions for hedging against:			
Foreign currency risk from assets using fair value hedges	0	79	0
Foreign currency risk from liabilities using fair value hedges	0	132	0
Interest rate risk using fair value hedges	0	265	0
Interest rate risk using cash flow hedges	0	269	0
Foreign currency and price risk from future cash flows (cash flow hedges)	0	513	0
Hedging transactions	0	1,258	0
Stock price derivatives	22	1,893	1,889
Other derivatives	395	637	0
Liabilities from derivatives without hedging relationship	417	2,530	1,889
	417	**3,788**	**1,889**

Liabilities arising from derivatives without hedging relationship include €395 million (prior year: €0 million) for Volkswagen AG's call option for the remaining shares in Porsche Zwischenholding GmbH held by Porsche SE. The claims arising at the level of Porsche SE if the call option is exercised were pledged as collateral for financial liabilities to banks.

As a result of portfolio hedging of discontinued operations, negative fair values of €151 million were recognized in the prior year from transactions for hedging against interest rate risk (fair value hedges).

Due to the sale of significant volumes of stock options shortly after the reporting date in the prior year, the stock options were accounted for at their selling price as the best indicator of fair value as of 31 July 2009. The cumulative price difference between the basic strike price of the stock options and the quoted stock price of the secured shares as of the prior-year reporting date amounted to €9,212 million. The remaining stock options held by Porsche as of the reporting date were measured at a fair value of €22 million. The strategy to secure the increase of the investment in Volkswagen AG was not pursued further in the reporting period.

Further details on derivative financial instruments as a whole are given in note [31].

Other notes

[31] Financial risk management and financial instruments

Because they were deconsolidated in the reporting period, the Porsche Zwischenholding GmbH group and the Volkswagen group are presented as discontinued operations. For this reason, the disclosures and explanations on financial risk management and financial instruments distinguish between information on discontinued operations – for the comparative period and the past fiscal year until their respective date of deconsolidation – and information on Porsche SE and its remaining subsidiaries. An additional disclosure "thereof continuing operations" has been added to the disclosures on amounts held at the end of the comparative period. The amounts stated there are the amounts that were attributable to Porsche SE and its remaining subsidiaries as of 31 July 2009. The disclosures and explanations of market price risk in section 4 below are made separately for the risks of Porsche SE and its remaining subsidiaries and those of the former Porsche and Volkswagen subgroups faced by the Porsche SE group in the comparative period and until their respective date of deconsolidation.

1 Hedging guidelines and financial risk management principles

The principles and responsibilities for managing and controlling the risks that could arise from financial instruments are defined by the executive board and monitored by the supervisory board. The risk management processes are clearly defined in the Porsche SE group. Since deconsolidation of the discontinued operations, the processes implemented govern the ongoing monitoring of the liquidity situation in the Porsche SE group, the status of the remaining cash-settled options relating to Volkswagen AG shares, the monitoring of the enterprise value of Porsche Zwischenholding GmbH, the development of interest levels on the capital markets and monitoring of the financial covenants. In the prior year and until the date of deconsolidation of the discontinued operations, the other main topics regulated were the use of financial instruments or derivatives and the requisite control procedures, such as a clear segregation of functions between trade and settlement. The processes are based on the statutory requirements as well as the minimum standards for risk management at banks. The risks are identified, analyzed and monitored using suitable information systems. Moreover, transactions may only be concluded in permitted financial instruments, only with approved counterparties and on the admissible extent.

The guidelines and the supporting systems are checked regularly and brought into line with current market and product development. The Porsche SE group manages and monitors these risks primarily via its business operations and financing activities and, where necessary, by using derivative financial instruments. Derivative financial instruments used in continuing operations are entered into mainly to manage interest rate and stock price risks as well as for the sale of the remaining shares in Porsche Zwischenholding GmbH. In the discontinued operations, derivative financial instruments are also used for the management of currency, commodity and fund price risks. Without using such instruments, the group would be exposed to higher financial risks.

For further explanations, please refer to the risk report section of the group management report of Porsche SE.

2 Credit and default risk

The credit and default risk arising from financial assets involves the risk of default by counterparties, and therefore comprises at a maximum the amount of the positive fair values of claims against them. In the reporting period, the credit and default risk also comprises the amount of financial guarantees issued and in the prior year the amount of irrevocable credit commitments. The default risk of financial assets is taken into account through adequate valuation allowances considering collateral that has already been provided. Various measures are taken into account to reduce the default risk for non-derivative financial instruments, such as requesting declarations of support, hold harmless agreements or remuneration for the assumption of liability. In the discontinued operations, additional measures include obtaining collateral or guarantees and credit ratings based on information from credit rating agencies and historical data. The contracting partners for monetary investments, capital investments and financial instruments are national and international counterparties. Financial derivatives are entered into in accordance with standardized guidelines, and are continuously monitored.

There are no significant concentrations of risk that are not evident from the notes to the financial statements or management report.

Any non-significant classes of financial instruments are not presented separately.

The table below shows the credit and default risk of financial assets by gross carrying amount:

€ million	Neither past due nor impaired	Past due and not impaired	Impaired	Total
31/7/2010				
Trade receivables	0	0	0	0
Receivables from financial services	0	0	0	0
Other financial receivables	4,021	0	0	4,021
Derivative financial instruments	311	0	0	311
Securities	0	0	0	0
Cash and cash equivalents	898	0	0	898
	5,230	**0**	**0**	**5,230**
31/7/2009				
Trade receivables	5,207	1,291	261	6,759
Receivables from financial services	57,996	3,802	1,006	62,804
Other financial receivables	3,321	123	124	3,568
Derivative financial instruments	4,567	0	0	4,567
Securities	3,436	0	3	3,439
Cash and cash equivalents	25,036	0	0	25,036
	99,563	**5,216**	**1,394**	**106,173**
thereof continuing operations	2,941	0	0	2,941

There are no past due financial instruments measured at fair value in the Porsche SE group.

€ million	2009/10	2008/09	thereof continuing operations
Valuation allowances as of 1 August	864	48	0
Exchange differences	0	1	0
Additions	0	841	0
Utilization	0	24	0
Reversal	0	2	0
Changes to consolidated group	– 864	0	0
Valuation allowances as of 31 July	**0**	**864**	**0**

There was no need to recognize impairment losses in the reporting period. The prior-year valuation allowances attributable to the discontinued operations were mainly related to the credit risks associated with receivables from financial services. For materiality reasons, a break-down of valuation allowances has not been presented for the prior-year period.

Credit rating of the gross carrying amounts of financial assets that are neither past due nor impaired break down as follows:

€ million	Risk class 1	Risk class 2	Total
31/7/2010			
Trade receivables	0	0	0
Receivables from financial services	0	0	0
Other financial receivables	4,021	0	4,021
Derivative financial instruments	311	0	311
Securities	0	0	0
Cash and cash equivalents	898	0	898
	5,230	**0**	**5,230**
31/7/2009			
Trade receivables	5,207	0	5,207
Receivables from financial services	50,351	7,645	57,996
Other financial receivables	3,320	1	3,321
Derivative financial instruments	4,567	0	4,567
Securities	2,253	0	2,253
Cash and cash equivalents	25,036	0	25,036
	90,734	**7,646**	**98,380**
thereof continuing operations	2,941	0	2,941

The Porsche SE group performed a credit assessment of borrowers in all loan and lease agreements in discontinued operations, using scoring systems for the high-volume business and rating systems for corporate customers and receivables from dealer financing. The receivables rated as good are allocated to risk class 1. Receivables from customers whose credit rating is not good, but have not yet defaulted, are allocated to risk class 2. After deconsolidation of the discontinued operations there are no such loan and lease agreements as of the reporting date. In continuing operations, allocation to the risk classes is based on the borrower's external rating or liquidity planning, which documents their solvency. In the latter case, compliance with all existing covenants from other loan agreements is checked as of the reporting date.

In the prior year, a credit rating was not performed for equity instruments. This does not apply for options to equity instruments.

There were no financial assets that are past due and not impaired as of the reporting date. The maturity analysis of the gross carrying amount of financial assets that were past due and not impaired as of the prior-year reporting date breaks down as follows:

€ million	Past due by			
	up to 30 days	More than 30 to 90 days	More than 90 days	Total
31/7/2009				
Trade receivables	706	339	246	1,291
Receivables from financial services	2,504	1,267	31	3,802
Other financial receivables	21	27	75	123
Derivative financial instruments	0	0	0	0
Securities	0	0	0	0
Cash and cash equivalents	0	0	0	0
	3,231	**1,633**	**352**	**5,216**
thereof continuing operations	0	0	0	0

As of the prior-year reporting date, the discontinued operations' trade receivables include an amount of €1,162 million where amendments to the agreements were made to avoid them becoming past due. These trade receivables were measured at amortized cost.

At the level of discontinued operations collateral of €226 million had been provided as of the prior-year reporting date and could be used without default by the owner of the collateral. It was provided in the form of bank warranties, bank guarantees, recourse rights and, on a small scale, mortgages. At the level of discontinued operations collateral that met the recognition criteria under IFRSs was recognized in the balance sheet in the amount of €173 million in the prior year. This mainly related to vehicles and other financial assets that were usually converted into cash and cash equivalents. Collateral of €45 million was held for past due but not impaired receivables and for impaired receivables of discontinued operations as of 31 July 2009. In addition, title was retained in some vehicle sales for trade receivables which were past due but not impaired or which were impaired.

3 Liquidity risk

The solvency and liquidity of the Porsche SE group is continuously monitored by means of rolling liquidity planning. Solvency and liquidity are additionally secured by a cash liquidity reserve and guaranteed credit lines. The total credit line available to Porsche SE now amounts to €8,500 million, of which only €7,000 million has currently been utilized, which means that Porsche SE still has an unused line of €1,500 million. Before deconsolidation of the discontinued operations, there were also globally available debt issuance programs (securitizations) in these operations. Reference is made to explanations on the management of liquidity risks in the Porsche SE group, the Volkswagen group and the Porsche Zwischenholding GmbH group and to risks originating from financial covenants" presented in the risk report as part of the group management report. Cash and cash

equivalents comprise the liquid funds reported in the balance sheet (for their composition, reference is made to the note [13]). Before deconsolidation of the discontinued operations, there were also highly liquid securities, which were allocated to cash and cash equivalents.

The following overview shows the contractual undiscounted cash outflows from financial liabilities:

	Remaining contractual maturities			
€ million	within one year	in one to five years	in more than five years	Total
31/7/2010				
Financial liabilities	5,418	6,435	0	11,853
Trade payables	6	0	0	6
Other financial liabilities	7	149	0	156
Derivative financial instruments	22	0	0	22
Financial guarantees	3,248	0	0	3,248
	8,701	**6,584**	**0**	**15,285**
31/7/2009				
Financial liabilities	46,984	41,469	5,483	93,936
Trade payables	11,541	7	1	11,549
Other financial liabilities	2,974	1,791	76	4,841
Derivative financial instruments	36,421	34,105	64	70,590
Financial guarantees	0	0	0	0
	97,920	**77,372**	**5,624**	**180,916**
thereof continuing operations	13,332	0	0	13,332

The item ‘derivative financial instruments’ combines all cash outflows from derivative financial instruments with a negative and positive carrying amount. In the reporting period these are interest hedges as well as effects from the share price hedging strategy that was pursued in the prior year but abandoned in the reporting period. In the prior year, they were mostly currency hedging derivatives of discontinued operations for which gross settlement had been agreed. In addition, cash outflows for share price hedges were disclosed in this item. Where gross settlement was arranged for derivatives, payments are always offset by corresponding cash inflows. These cash inflows are not included in the maturity analysis. If the cash inflows had been considered, the cash outflows presented in the maturities analysis would have been significantly lower in the prior year.

The financial guarantees mostly relate to financial liabilities of the Porsche Zwischenholding GmbH group. Volkswagen AG has issued a financial guarantee for 49.9% of these financial liabilities; this is equivalent to a hold harmless agreement of €1,621 million. There was no liquidity risk from financial guarantees in the prior year, as the Porsche Zwischenholding GmbH group was fully consolidated as of 31 July 2009 and the basic agreement and related agreements implementing it did not exist at that time.

The cash outflows from irrevocable credit commitments as of the prior-year reporting date, classified by contractual maturities, are presented in note [33].

There are no significant concentrations of risk that are not evident from the notes to the financial statements and management report.

4 Market risk

4.1 Hedging policy and financial derivatives

During the course of its general business activities, the continuing operations are exposed to interest rate risks, stock price risks and risks from put and call option for the remaining shares in Porsche Zwischenholding GmbH. Before deconsolidation of the discontinued operations, there were also currency, commodity and fund price risks. The risks of continuing operations arise from financing activities, the remaining cash-settled options relating to shares in Volkswagen AG, fluctuation in the enterprise value of Porsche Zwischenholding GmbH and to a small extent from cash investments. Before deconsolidation of the discontinued operations, the risks of discontinued operations additionally included risks from foreign currency transactions in the course of ordinary operations, fund price risks and risks in connection with the purchasing of commodities. It is company policy to exclude or limit these risks by entering into hedge transactions. All necessary hedging measures are coordinated by the finance department of the Porsche SE group or, before deconsolidation of the discontinued operations, were also performed and coordinated by the respective operations' group treasury departments.

The nature and volume of hedging transactions is generally chosen with regard to the hedged item. Hedging transactions may only be concluded to hedge existing underlyings or forecast transactions. Only financial instruments approved by type and volume may be entered into with approved counterparties.

There are no significant concentrations of risk that are not evident from the notes to the financial statements or management report.

The Porsche SE group uses two different methods to present market risk from non-derivative and derivative financial instruments in continuing operations in accordance with IFRS 7. The exposure to market price risk from interest hedging and from the put and call option for the remaining shares in Porsche Zwischenholding GmbH was calculated using a sensitivity analysis, and a value-at-risk model was used for stock price risks. Due to deconsolidation of the discontinued operations in the fiscal year 2009/10, the presentation of risks in the reporting period differs from that of the prior year in that they are not presented separately for financial services and the auto-

motive division. The interest rate and stock price risk of continuing operations were presented under automotive in the prior year.

Before deconsolidation of the discontinued operations, currency and interest rate risks in financial services were valued using a value-at-risk model. Market price risks in the automotive division for interest rate and currency hedges and the investment risks associated with asset management within those operations largely were calculated using a sensitivity analysis, and a value-at-risk model was used for stock price risks.

In the value-at-risk calculation, a historical simulation is used to determine the potential change in market price. The sensitivity analysis calculates the effect on equity and profit or loss by modifying risk variables within the respective market risk. The value at risk shows the potential future loss of a certain portfolio over a predefined period of time (retention period) with certain probabilities which are not likely to be exceeded. The degree of risk does not, however, give any information about the distribution and anticipated loss, if it is actually exceeded.

4.2 Market price risks in continuing operations

4.2.1 Interest rate risk

The interest rate risk results from changes in market interest rates. This affects the current interest result for short-term deposits and medium- and long-term variable-rate liabilities, but can equally impact on the market value recognized for fixed-interest receivables and liabilities. Interest contracts are entered into to hedge the variable-rate liabilities.

Interest rate risks within the meaning of IFRS 7 are determined using sensitivity analyses. The effects of the risk variables in the form of market rates of interest on the financial result and on equity are presented. As in the prior year, an increase in the market interest rates by 100 base points as of 31 July 2010 would not have affected equity. Likewise, a decrease in the market interest rates by 50 base points as of 31 July 2010 would not have affected equity, as in the prior year. If market interest rates had been valued 100 base points higher as of 31 July 2010, profit would have been €7 million higher (prior year: €57 million lower). If market interest rates had been valued 50 base points lower as of 31 July 2010, profit of continuing operations would have been €0 million lower (prior year: if market interest rates had been 100 base points lower as of 31 July 2009, profit of continuing operations would have been €57 million higher).

4.2.2 Stock price risk

Stock price derivatives were entered into in connection with the plans to increase the share in Volkswagen AG in the past. The derivatives comprise stock options. Based on a historical simulation of the last 360 days and a retention period of 10 days and confidence level of 95% and based on fair values, the value at risk for stock price derivatives amounts to €65 million for continuing operations (prior year: €1,237 million).

At the prior-year reporting date Porsche SE was in the latter stage of negotiations about the sale of significant volumes of stock options. The sale shortly after the reporting date led to a strong decrease in the value at risk from stock price hedging performed in the comparative period. Taking into account the sale that took place after the reporting date, it amounted to €175 million for continuing operations as of the prior-year reporting date.

4.2.3 Risk from put and call options relating to the remaining shares in Porsche Zwischenholding GmbH

The market price risk is due to fluctuation in the enterprise value of Porsche Zwischenholding GmbH. It affects the measurement of the put and call option and consequently their measurement in the balance sheet as well as the profit or loss reported in the income statement. The risk due to fluctuation in the enterprise value is determined by means of a sensitivity analysis.

If the enterprise value as of 31 July 2010 had been 10% higher, profit would have been €132 million lower. If the enterprise value as of 31 July 2010 had been 10% lower, profit would have been €133 million higher.

The executive board's assessment of the probability of occurrence of the conditions also has an influence on the carrying amount of these two options. A change in the assessment of probability of occurrence would increase/reduce the carrying amount and impact the Porsche SE group's results of operations accordingly. Reference is made to our explanations in the forecast report as part of Porsche SE's group management report.

This is partially offset by the accounting for the investment in Volkswagen AG at equity, as the accounting for the options at the level of Volkswagen AG has the opposite effect on the pro rata profit/loss attributable to Porsche SE.

4.3 Prior-year market price risks in discontinued operations – the Porsche Zwischenholding GmbH group (formerly: Porsche subgroup)

The disclosures below relate to the market price risk in the comparative period and until the date of deconsolidation in the current reporting period.

4.3.1 Market price risk in the automotive division

4.3.1.1 Currency risk

In the prior year and in the reporting period until the date of deconsolidation of discontinued operations, currency risks from existing receivables and liabilities as well as from highly probable forecast transactions were hedged with forward exchange contracts, currency options and combined options where this made economic sense. Hedges for value fluctuations in future cash flows from highly probable forecast transactions mainly related to planned revenues in foreign currency. As of 31 July 2009, currency hedges were in place in particular for the major currencies US dollar, pound sterling and Japanese yen.

For the sensitivity analyses according to IFRS 7, all non-functional currencies in which the Porsche Zwischenholding GmbH group entered into financial instruments were considered as relevant risk variables. If the functional currencies concerned had increased by 10% against the other currencies as of 31 July 2009, equity would have been €688 million higher in the prior year. If the currencies concerned had decreased by 10% against the other currencies as of 31 July 2009, equity would have been €555 million lower in the prior year. If the functional currencies concerned had increased by 10% against the other currencies as of 31 July 2009, profit or loss would have been €33 million higher in the prior year. If the currencies concerned had decreased by 10% against the other currencies as of 31 July 2009, profit or loss would have been €80 million lower in the prior year.

4.3.1.2 Interest rate risk

In the prior year and in the reporting period until the date of deconsolidation of discontinued operations, the interest rate risk for the automotive division resulted from changes in market interest rates. These changes particularly affected the interest result from short-term deposits and medium- and long-term variable-rate receivables and liabilities, but had also impact on the market value recognized for fixed-interest receivables and liabilities. Interest rate swaps and other interest contracts were used as hedges depending on the market situation in the prior year and in the reporting period until the date of deconsolidation of discontinued operations.

Interest rate risk according to IFRS 7 was calculated for the automotive division using sensitivity analyses. Therefore, the effects of the risk variables in the form of market rates of interest on the financial result and on equity were presented. If market interest rates had increased by 100 base points as of 31 July 2009, equity would have been €9 million lower. If market interest rates had decreased by 100 base points as of 31 July 2009, this would not have affected equity as of that date. If market interest rates had been valued 100 base points higher as of 31 July 2009, profit or

loss would have been €57 million lower. If market interest rates had increased by 100 base points as of 31 July 2009, profit or loss would have been €57 million higher.

4.3.1.3 Investment risk from asset management

The Porsche Zwischenholding GmbH group had invested part of its cash and cash equivalents in special securities funds as of the prior-year reporting date and in the reporting period until the date of deconsolidation of the discontinued operations. Here too, investment policy complied with the basic principle that investment security takes clear precedence over any attempt to secure an unusually high return on investment. With a retention period of 30 days and a confidence level of 95%, the value at risk for the investment risk came to €1 million in the prior year.

4.3.2 Market risk in the financial services division

In the financial services division of this discontinued operation, the interest risk was minimized by using suitable business models or interest swaps to offset the burdens of financing and refinancing as far as possible. In this division, there was therefore no material risk due to interest rate fluctuations in the prior year and in the reporting period until the date of deconsolidation of discontinued operations. The business activity of the financial service companies takes place in their local currency area, which is why the currency risk was not material.

4.4 Prior-year market price risks in discontinued operations – Volkswagen group (formerly: Volkswagen subgroup)

The disclosures below relate to the market price risk in the comparative period and until the date of deconsolidation in the current reporting period.

4.4.1 Market price risk in the automotive division

4.4.1.1 Currency risk

In the prior year and in the reporting period until the date of deconsolidation, currency risks from existing receivables and liabilities as well as from highly probable forecast transactions were hedged with forward exchange contracts, currency options, currency swaps and combined interest/currency swaps where this made economic sense. These transactions related to the exchange rate hedging of all payments covering general business activities that were not denominated in the functional currency of the respective group companies. The principle of matching currencies applies to the group's financing activities. Hedges for value fluctuations in future cash flows from highly probable forecast transactions mainly related to planned revenues in foreign currency. As of 31 July 2009, currency hedges were in place in particular for the major currencies US dollar, pound sterling, Mexican peso, Russian rouble, Swedish krona, Czech koruna, Swiss franc and Japanese yen.

All non-functional currencies in which the Volkswagen group entered into financial instruments were included as relevant risk variables in the sensitivity analysis according to IFRS 7. If the functional currencies concerned had increased or decreased by 10% against the other currencies as of 31 July 2009, the following effects on equity and on profit or loss before tax as of that date would have resulted with regard to the currency relations shown below.

	31/7/2009	
€ million	+10%	– 10%
Currency relation		
EUR/foreign currency		
Equity	2,054	– 1,645
Profit/loss before tax	– 461	246
GBP/USD		
Equity	66	– 66
Profit/loss before tax	1	0
USD/MXN		
Equity	31	– 31
Profit/loss before tax	– 6	6
CZK/USD		
Equity	50	– 50
Profit/loss before tax	– 3	3
Other non-EUR / foreign currency		
Equity	82	– 82
Profit/loss before tax	– 26	26

4.4.1.2 Interest rate risk

In the prior year and in the reporting period until the date of deconsolidation, the interest rate risk for the automotive division resulted from changes in market interest rates. These changes particularly affected the interest result from short-term deposits and medium- and long-term variable-rate receivables and liabilities, but also had an impact on the market value recognized for fixed-interest receivables and liabilities. Interest rate swaps, cross-currency interest swaps and other interest contracts are entered into to hedge against this risk under fair value or cash flow hedges, depending on market conditions. Intra-group financing arrangements are normally structured to match the maturities of their refinancing.

Interest rate risk according to IFRS 7 was calculated for the automotive division using sensitivity analyses. Therefore, the effects of the risk variables in the form of market rates of interest on the financial result and on equity were presented. If market interest rates had increased by 100 base points as of 31 July 2009, equity would have been €10 million lower as of that date. If market interest rates had decreased by 100 base points as of 31 July 2009, equity would have been €13 million higher as of that date. If market interest rates had increased by 100 base points as of 31 July 2009, profit or loss would have been €5 million lower as of that date. If market interest rates had decreased by 100 base points lower as of 31 July 2009, profit or loss would have been €1 million higher as of that date.

4.4.1.3 Investment risk from asset management

As of the prior-year reporting date, the Volkswagen group had invested part of its cash and cash equivalents in special securities funds. These were subject in particular to a stock and bond risk which could arise from fluctuations in market prices, stock exchange indices and market rates of interest. The risks were counteracted in a first step by a broad diversification of products, issuers and regional markets. In addition, exchange rate hedges were used in the form of futures contracts when market conditions were appropriate. If stock prices as of 31 July 2009 had been 10% higher (lower), equity would have been €54 million higher (lower).

4.4.1.4 Commodity price risk

Commodity price risk in the automotive division results from price fluctuations and the availability of non-ferrous metals and precious metals as well as of coal and CO_2 certificates. Forward transactions were entered into to limit these risks in the past fiscal year. Hedge accounting in accordance with IAS 39 was applied to the hedging of commodity risk associated with aluminum and copper.

Commodity price risk according to IFRS 7 was determined using sensitivity analyses. These showed the effect on profit or loss and equity of changes in risk variables in the form of commodity prices.

If the commodity prices of the hedged metals had been 10% higher (lower) as of 31 July 2009, profit or loss would have been €49 million higher (lower) as of that date. If the commodity prices of the hedging transactions accounted for using hedge accounting had been 10% higher (lower) as of 31 July 2009, equity would have been €74 million higher (lower) as of that date.

4.4.1.5 Market risk in the financial services division

Exchange rate risk in the financial services division is mainly attributable to assets that are not denominated in the functional currency and from refinancing within operating activities. Interest rate risk relates to refinancing without matching maturities and the varying interest rate elasticity of individual asset and liability items. The risks were limited in the comparative period by the use of currency and interest rate hedges.

Regarding fair value hedging on a portfolio basis, fixed-rate receivables and liabilities were hedged against changes in the risk-free base rate. The assets and liabilities included in this hedging strategy were measured at fair value for the remaining term. The resulting effects on the income statement were offset by the corresponding gains and losses from the interest rate hedging instruments.

The value at risk was determined using a historical simulation based on the last 250 trading days and with a retention period of 10 days as well as a confidence level of 99% and the potential change in financial instruments if interest and exchange rates vary.

As of 31 July 2009, the value at risk for interest rate risk was €46 million and €99 million for foreign currency risk.

The entire value at risk for interest rate and foreign currency risk in the financial services division was €108 million.

5 Methods for monitoring hedge effectiveness

Hedge accounting is not used in continuing operations. For this reason, the qualitative presentation below of the methods used to monitor effectiveness refers exclusively to the approach used in the discontinued operations before deconsolidation.

At the inception of a hedge relationship, the discontinued operations formally designated and documented the hedge relationship to which hedge accounting was to be applied as well as the risk management objective and strategy for undertaking the hedge. The documentation included identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity would assess the hedging instrument’s effectiveness in offsetting the exposure to changes in the hedged item’s fair value or cash flows. The effectiveness of hedges was permanently monitored both prospectively and retrospectively. Both the critical terms match method and statistical methods in the form of regression analysis were used to prospectively measure effectiveness. Retrospective analysis of effectiveness used effectiveness tests in the form of the dollar offset method or a regression analysis.

Under the dollar offset method, the changes in value of the hedged item expressed in monetary units are compared with the changes in value of the hedging instrument expressed in monetary units.

Where regression analysis is used, the change in value of the hedged item is presented as an independent variable, and that of the hedging instrument as a dependent variable. Currency transactions were classified as effective hedge relationships if they had sufficient coefficients of determination and slope factors.

The table below shows the notional amounts of derivative financial instruments used for hedging purposes as well as of derivative financial instruments not used for hedging purposes:

€ million	Notional amount			Total notional amount
	Due within one year	Due in one to five years	Due in more than five years	
31/7/2010				
Currency derivatives	0	0	0	0
Interest derivatives	5,000	2,000	0	7,000
Commodity futures contract	0	0	0	0
Stock price derivatives with positive carrying amount	469	0	0	469
Stock price derivatives with negative carrying amount	469	0	0	469
Put and call option	0	7,786		7,786
	5,938	**9,786**	**0**	**15,724**
31/7/2009				
Currency derivatives	25,441	29,832	50	55,323
Interest derivatives	17,166	39,134	2,114	58,414
Commodity futures contract	463	867	33	1,363
Stock price derivatives with positive carrying amount	8,575	0	0	8,575
Stock price derivatives with negative carrying amount	8,575	0	0	8,575
Put and call option	0	0	0	0
	60,220	**69,833**	**2,197**	**132,250**
thereof continuing operations	17,093	0	0	17,093

Hedge accounting was not applied for the share price hedging strategy that was pursued in the prior year but abandoned in the reporting period. As a result of the sale of stock options shortly after the prior-year reporting date, the notional amounts of the stock price derivatives both on the assets and liabilities side, relating to continuing operations, decreased to €1,579 million.

In the prior year the hedged items in cash flow hedges of the discontinued operations were expected to be realized largely in accordance with the maturity buckets of the hedges reported in the table.

Market values of the derivatives are determined using market data on the reporting date, in some cases also using historical data where no market data are available, and suitable valuation techniques. The above table contains the notional volume of the derivative financial instruments both on the assets and the liabilities side.

6 Measurement of financial instruments

The market value of financial instruments is determined by reference to stock market listings, reference prices or generally accepted calculation models such as the discounted cash flow method. The following term structure of interest rates is used where appropriate (amounts given in %):

31/7/2010	EUR
Interest rate for 6 months	1.11
Interest rate for 1 year	1.39
Interest rate for 5 years	2.15
Interest rate for 10 years	2.95
Interest rate for 15 years	3.33

31/7/2009	EUR	USD	GBP	MXN	AUD
Interest rate for 6 months	1.13 – 1.31	0.93 – 1.11	1.10 – 1.41	4.70	3.81
Interest rate for 1 year	1.35 – 1.50	1.50 – 1.61	1.42 – 1.70	4.74	4.40
Interest rate for 5 years	2.81 – 2.90	2.90 – 2.99	3.67	7.17	5.71
Interest rate for 10 years	3.56 – 3.65	3.69 – 3.85	4.14 – 4.24	8.14	6.09
Interest rate for 15 years	3.94 – 4.05	3.98 – 4.13	4.36 – 4.46	–	6.12

31/7/2009	RUB	CHF	JPY	CAD	SEK	CZK
Interest rate for 6 months	12.38 – 13.00	0.47 – 0.51	0.64 – 0.70	1.10	1.33	2.30
Interest rate for 1 year	11.75 – 12.76	0.77 – 0.81	0.83 – 0.87	1.60	1.60	2.58
Interest rate for 5 years	11.85 – 12.28	1.70 – 0.81	0.89 – 0.92	2.76	2.84	3.47
Interest rate for 10 years	12.05 – 12.30	2.52 – 2.72	1.39 – 1.49	3.60	3.72	3.84
Interest rate for 15 years	12.30	2.53 – 3.10	1.71 – 1.84	4.25	–	4.15

The following table shows the reconciliation of the items of the balance sheet to the classes of financial instruments, as well as the comparison of carrying amount and fair value:

€ million	Measurement category under IAS 39	31/7/2010 Carrying amount	31/7/2010 Fair value	31/7/2009 Carrying amount	31/7/2009 Carrying amount thereof continuing operations	31/7/2009 Fair value	31/7/2009 Fair value thereof continuing operations
Assets							
Other financial assets	AfS	0	0	678	0	678	0
Other loans	LaR	0	0	2	0	2	0
Receivables from long-term development contracts	n/a	0	0	8	0	8	0
Trade receivables	LaR	0	0	6,707	0	6,707	0
Receivables from financial services	LaR/IAS 17	0	0	62,152	0	62,510	0
Derivative financial instruments		311	311	4,567	770	4,567	770
Hedge accounting	n/a	0	0	3,228	0	3,228	0
Currency derivatives	HfT	0	0	467	0	467	0
Interest derivatives	HfT	2	2	15	0	15	0
Stock price derivatives	HfT	8	8	774	770	774	770
Commodity futures contract	HfT	0	0	83	0	83	0
Other derivatives	HfT	301	301	0	0	0	0
Other financial receivables	LaR	4,020	4,020	3,411	1	3,541	1
Financial guarantees	LaR	1	1	0	0	0	0
Securities		0	0	3,437	0	3,437	0
Measured at fair value	AfS/HfT/FVtPL	0	0	3,437	0	3,437	0
Measured at amortized cost	HtM	0	0	0	0	0	0
Cash and cash equivalents	LaR	898	898	25,036	2,170	25,036	2,170
Equity and liabilities							
Financial liabilities		10,825	10,825	93,621	10,848	94,528	10,848
Financial liabilities	FLAC	10,825	10,825	91,440	10,848	92,343	10,848
Financial liabilities	n/a	0	0	2,181	0	2,185	0
Liabilities from long-term development contracts	n/a	0	0	2	0	2	0
Trade payables	FLAC	6	6	11,223	4	11,223	4
Other financial liabilities	FLAC	153	153	2,285	6	2,363	6
Derivative financial instruments		417	417	3,788	1,889	3,788	1,889
Hedge accounting	n/a	0	0	1,258	0	1,258	0
Currency derivatives	HfT	0	0	624	0	624	0
Interest derivatives	HfT	0	0	13	0	13	0
Stock price derivatives	HfT	22	22	1,893	1,889	1,893	1,889
Other derivatives	HfT	395	395	0	0	0	0

The fair value of financial instruments accounted for at amortized cost, such as receivables and liabilities, is determined by means of discounting using a market interest rate that reflects the risks involved and term to maturity. For materiality reasons, the fair value of current balance sheet items is assumed to match the amount recognized in the balance sheet.

As of the reporting date of the comparative period, the fair value of receivables from financial services attributable to discontinued operations was determined using the current market interest rates as of the reporting date instead of the internal interest rate.

The fair value of the financial derivatives is presented in the balance sheet under other receivables and assets or other liabilities. The put and call options relating to the remaining shares in Porsche Zwischenholding GmbH are presented as other derivatives in this balance sheet item.

In the prior year, receivables from financial services under discontinued operations contained assets of €18,832 million which were valued in accordance with IAS 17.

Financial assets and liabilities measured at fair value can be broken down as follows according to the measurement hierarchy:

€ million	31/7/2010	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Other financial assets	0	0	0	0
Derivative financial instruments	311	0	2	309
Securities measured at fair value	0	0	0	0
Financial assets accounted for at fair value	311	0	2	309
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	417	0	0	417
Financial liabilities accounted for at fair value	417	0	0	417

The allocation of fair value is based on the availability of observable market data on an active market. Level 1 shows the fair values of financial instruments, such as securities, where a quoted price is directly available on active markets for identical financial instruments. The fair value of financial instruments in level 2, such as derivatives, is derived from market data such as exchange rates or interest rate curves using market valuation techniques. The fair value of financial instruments in level 3 is calculated using valuation techniques with inputs that are not based on observable market data. These include options for equity instruments of non-listed companies. The put and call options relating to the remaining shares in Porsche Zwischenholding GmbH were therefore allocated to level 3. The cash-settled options relating to shares in Volkswagen AG were measured at the beginning of the fiscal year based on the most recent transaction at arm's length between knowledgeable, willing parties. The cash-settled stock options were allocated to level 2 for this period. Subsequent measurement was based on a generally accepted valuation technique. The inputs for the valuation technique are determined not only with reference to the market, but also on the basis of historical data. Since the start of application of the generally accepted valuation tech-

nique until the end of the reporting period, the cash-settled options relating to Volkswagen AG shares are allocated to level 3.

In accordance with IFRS 7.44G, the disclosures for the comparative period were not presented.

The changes in fair values that were allocable to level 3 in the fiscal year 2009/10 are shown in the table below.

€ million	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
As of 1/8/2009[1]	**0**	**0**
Additions (acquisitions)	256	803
Reclassification from level 2 to level 3	0	408
Total comprehensive income	81	– 170
with effect on profit/loss	81	– 170
recognized directly in equity	0	0
Disposal (sales)	28	964
As of 31 July 2010	**309**	**417**
Result recognized in profit or loss		
Other operating profit/loss	81	– 170
thereof attributable to assets/liabilities held on reporting date	301	– 395

[1] Continuing operations only

The principal risk variable for measurement of the options held by Porsche SE for the remaining shares in Porsche Zwischenholding GmbH is the enterprise value in each case and the executive board's assessment of the probability that they will be exercised. Effects on profit or loss arising from a change in the risk variables are presented in section 4.2.3 within this note.

The input factor volatility was changed to determine the sensitivity of fair value of the cash-settled options relating to Volkswagen AG shares. If the period used to determine volatility had been 30 days shorter, profit or loss would have been €1 million lower, whereas if the period had been 30 days longer, profit or loss would have been €1 million higher.

The carrying amounts of financial assets and liabilities are allocated to the measurement categories in accordance with IAS 39 as follows:

	Carrying amounts		
€ million	**31/7/2010**	**31/7/2009**	thereof continuing operations
Financial assets at fair value through profit or loss	311	1,411	770
Designated upon initial recognition (FVtPL)	0	32	0
Held for trading (HfT)	311	1,379	770
Held to maturity investments (HtM)	0	0	0
Loans and receivables (LaR)	4,919	78,476	2,171
Available-for-sale financial assets (AfS)	0	4,043	0
Financial liabilities at fair value through profit or loss	417	2,530	1,889
Designated upon initial recognition (FVtPL)	0	0	0
Held for trading (HfT)	417	2,530	1,889
Financial liabilities measured at amortized cost (FLAC)	10,984	104,948	10,859

The net gains or losses of the respective measurement categories are as follows:

€ million	Net gains or losses 2009/10[1]	2008/09	thereof continuing operations
Financial instruments at fair value through profit or loss	– 135	– 2,285	– 2,443
Designated upon initial recognition (FVtPL)	0	– 57	0
Held for trading (HfT)	– 135	– 2,228	– 2,443
Held to maturity investments (HtM)	0	1	0
Loans and receivables (LaR)	121	1,599	106
Available-for-sale financial assets (AfS)	0	– 54	20
Financial liabilities measured at amortized cost (FLAC)	– 755	– 2,595	– 517

[1] Continuing operations only

The net gains or losses from financial instruments at fair value through profit or loss are derived from the fair value measurement including interest and in discontinued operations additionally exchange gains or losses.

The net gains or losses from available-for-sale financial assets in the prior year in discontinued operations mostly related to income and expenses from securities including gains or losses on disposal, impairment losses on investments as well as currency translation effects.

The net gains or losses from the loans and receivables category include interest income. In the comparative period, net gains or losses from the loans and receivables category in discontinued operations also included interest expenses according to the effective interest method pursuant to IAS 39, interest income and expenses from the loans and leasing business in financial services and currency translation effects.

The net gains or losses from financial liabilities at amortized cost essentially comprise interest expenses and currency translation effects.

The following table shows gains and losses resulting from hedges.

€ million	2010	2009	thereof continuing operations
Hedging instruments used in fair value hedges	0	– 362	0
Hedged items used in fair value hedges	0	307	0
Ineffective portion of cash flow hedges	0	7	0

In discontinued operations, the ineffective portion of cash flow hedges represented the income and expenses from changes in the fair value of hedging instruments exceeding the change in fair value of hedged items, for which, however, the effectiveness within the acceptable range of 80% to 125% could be demonstrated. In the prior year and in the reporting period until the date of deconsolidation, such income or expenses are recognized directly in other operating income and other operating expenses of the discontinued operations; both of these items were reclassified to profit or loss from discontinued operations.

Amounts removed from the cash flow hedge reserve and from the reserve for available-for-sale securities were reclassified to profit or loss after tax from discontinued operations until the date of deconsolidation in the reporting period and in the prior year as they are allocable in their entirety to discontinued operations. This is presented in note [25].

In the prior year the amount reclassified also contained transfers from the cash flow hedge reserve for foreign currency hedges which were no longer accounted for as cash flow hedges because the hedged item ceased to exist. These had a notional amount of €2,870 million in the prior year and contained a notional amount of €979 million due in more than one year. The remaining amount fell due in the fiscal year 2008/09 or in the short term.

For cash flow hedge accounting purposes in discontinued operations in the prior year, hedged future cash flows of the following five fiscal years were considered.

In discontinued operations, the gain or loss and cash flow were generally realized within the same period.

[32] Contingent liabilities

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

No provisions were recognized for the contingent liabilities disclosed in the prior year as the occurrence of the risk was not probable.

The trust assets and liabilities of the saving and trust companies belonging to the South American subsidiaries of the Volkswagen group, which were not included in the consolidated balance sheet in the prior year, amounted to €632 million in the prior year. These were included in other contingent liabilities of the discontinued operations.

Litigation

On 25 January 2010, 17 plaintiffs filed a complaint for damages in the USA against Porsche SE and former members of its executive board Dr. Wendelin Wiedeking and Holger P. Härter with the United States District Court for the Southern District of New York. On 29 April 2010 and 4 June 2010, the complaint was expanded to a total of 41 plaintiffs, and the alleged damages were estimated at more than US$2 billion. The plaintiffs filed a third amended complaint on 21 July 2010 on account of a ruling issued shortly before by the U.S. Supreme Court. Whereas all 41 plaintiffs had filed claims in the second amended complaint with reference to the U.S. Securities Exchange Act of 1934, the number of plaintiffs referring to this legal basis for their claims was down to 16 in the third amended complaint. Six plaintiffs withdrew their claims against all defendants on the same day, 21 July 2010. On 20 May 2010, a claim for damages was submitted to the same court in New York, with damages claimed totaling “several hundred million dollars”. This claim was amended on 23 July 2010. Both complaints allege that Porsche SE’s activities in connection with its acquisition of a stake in Volkswagen AG during the year 2008 constituted market manipulation and securities fraud in violation of the U.S. Securities Exchange Act. Porsche believes that both complaints are inadmissible and without merit, and has sought their dismissal.

In Germany, institutional investors have applied for conciliatory proceedings against Porsche SE with regard to the assertion of claims for damages on the basis of alleged breaches of statutory capital market regulations. These claims relate to the alleged loss of earnings, estimated by the investors to be around €2.5 billion. Porsche SE will not take part in the conciliatory proceedings, and considers the asserted claims to be without merit.

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

Legal proceedings are expected for the tax treatment of part of the stock option gains. Income tax provisions have been recognized for possible obligations arising from this litigation.

Adequate provisions have been recognized for any financial costs from other court or arbitration proceedings.

[33] Other financial obligations

As of the reporting date, other financial obligations break down as follows:

€ million			Payable	Total
	1 year	**in 1 to 5 years**	**> 5 years**	**2009/10**
Sundry other financial obligations	1	4	1	6

Sundry other financial obligations result from trust relationships and warranties.

As of 31 July 2009, other financial obligations broke down as follows:

	Payable			Total	
	1 year	**in 1 to 5 years**	**> 5 years**	**2008/09**	
€ million					thereof continuing operations
Purchase commitments in respect of					
Property, plant and equipment	1,973	808	11	2,792	0
Intangible assets	207	151	0	358	0
Investment property	2	0	0	2	0
Obligations from					
irrevocable credit commitments	1,844	0	0	1,844	0
loan commitments to subsidiaries	109	0	0	109	0
long-term leasing and rental contracts	359	943	1,492	2,794	0
Sundry other financial obligations	1,886	937	4	2,827	0

In the prior year, sundry other financial obligations contained in particular obligations of the discontinued operations from the future acquisition of shares of LeasePlan Corporation N.V. and order volumes from the acquirer of the gedas group, agreed to by contract for the coming years.

Rent and leasing payments recorded as an expense in the fiscal year total €1 million (prior year: €310 million, allocable exclusively to discontinued operations). The leases also contain renewal and purchase options as well as escalation clauses.

[34] Subsequent events

Mr. Michael Macht stepped down from Porsche SE's executive board effective as of 30 September 2010.

[35] Segment reporting

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 Porsche SE group in the business segments Porsche and Volkswagen. The segments comprised the development, production and sale of vehicles of the respective subgroups and their financing and leasing business for customers and dealers.

Segment reporting was generally based on the same accounting policies as the consolidated financial statements. Measurement methods were unchanged in comparison to earlier periods. The executive board of Porsche Automobil Holding SE was responsible for allocating resources and assessing the earnings power of the reportable segments. Before deconsolidation of the discontinued operations, the segments were managed using profit before the financial result and income taxes.

Intersegment receivables and liabilities, provisions, income and expenses as well as intersegment profits and losses and reclassifications of discontinued operations in accordance with IFRS 5 were eliminated in the column "Reconciliation/reclassification according to IFRS 5". This column also includes the items not allocable to the individual segments. The business relations between the entities of the Porsche SE group were and are generally based on prices as agreed with third parties.

Revenue from third-parties shows the share of each operating segment in the Porsche SE group's revenue. Intersegment revenue shows the revenue generated between the segments before deconsolidation of the discontinued operations. Profit or loss before profit or loss from investments accounted for at equity, financial result and income tax constitutes the segment result. The material items of income and expenses disclosed in the prior year mainly include the results from stock options. The non-cash expenses included therein amounted to €10,283 million and were allocable to the Porsche segment. Segment assets include all assets except for income tax claims and assets where the associated income and expenses are allocable to the financial result. In addition, segment assets do not include investments accounted for at equity. The amortization and depreciation and additions to non-current assets relate to property, plant and equipment, intangible assets, investment property and leased assets.

The group's structure has changed fundamentally since the discontinued operations were deconsolidated. Since then, the business activities of the Porsche SE group have been limited to holding and managing investments. Porsche SE lost control over the operating subsidiaries upon deconsolidation and now only has significant influence or joint control over them. Consequently, the executive board of Porsche SE now manages the remaining investments in Porsche Zwischenholding GmbH and Volkswagen AG on an aggregated basis only, based on the profit or loss from investments accounted for at equity. As separate assets these two investments do not meet the definition of operating segments, and segmentation in accordance with IFRS 8 is therefore not prepared.

Based on the internal reporting and organizational structure that existed at the beginning of the fiscal year until deconsolidation of Porsche Zwischenholding GmbH and Volkswagen AG, the segment information is as follows:

Segment information by business division

€ million	Porsche 2009/10	Porsche 2008/09
Revenue from third parties	1,755	6,564
Intersegment revenue	23	43
Total segment revenue	**1,778**	**6,607**
Segment result	130	– 1,751
Segment assets	0	9,029
Material items of income	0	53,653
Material items of expense	0	56,115
Amortization and depreciation	199	637
Impairments	0	0
Additions to non-current assets[1]	556	1,716

1 Intangible assets, property, plant and equipment, leased assets and investment property

The table below shows a reconciliation of the figures for the segments to the corresponding group values. Reconciliation to the group's profit/loss before tax is presented for continuing operations only.

€ million	2009/10	2008/09
Segment result (operating profit)		
Segment total	– 268	– 3,676
Consolidation	– 18	19
Reclassification acc. to IFRS 5	283	1,105[3]
Result after segment reporting	– 256	0[3]
Profit/loss before financial result and income tax (continuing operations)[1]	– 259	– 2,552[3]
Financial result from continuing operations[2]	6,114	– 7[3]
Profit before tax (continuing operations)	**5,855**	**– 2,559[3]**
Segment assets		
Segment total	0	172,359
Interest- and dividend-bearing assets	23,605	37,232
Current and deferred taxes	214	3,580
Other assets not allocated	4,333	1,251
Consolidation	0	– 857
Assets	**28,152**	**213,565**

1 Without profit/loss from investments accounted for at equity
2 Including profit/loss from investments accounted for at equity
3 Restated

Volkswagen		Segment total		Reconciliation / Reclassification acc. to IFRS 5		Porsche group	
2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
44,594	50,517	46,349	57,081	– 46,349	– 57,081	0	0
311	330	334	373	– 334	– 373	0	0
44,905	**50,847**	**46,683**	**57,454**	**– 46,683**	**– 57,454**	**0**	**0**
– 398	– 1,925	– 268	– 3,676	9	1,124	– 259	– 2,552
0	163,330	0	172,359	0	– 171,587	0	772
0	0	0	53,653	0	– 698	0	52,955
0	0	0	56,115	0	– 720	0	55,395
4,221	5,179	4,420	5,816	– 4,420	– 5,816	0	0
222	353	222	353	– 222	– 353	0	0
5,434	6,053	5,990	7,769	– 5,990	– 7,769	0	0

Segment information by region

The segment information by region is based on sales to third parties broken down by where the customer is based and the non-current assets by the region in which the asset is located. The information on non-current assets refers to intangible assets, property, plant and equipment, investment property and leased assets. All disclosures on sales to third parties refer to discontinued operations.

	Revenue from third parties		Non-current assets	
€ million	2009/10	2008/09	31/7/2010	31/7/2009
Germany	12,124	16,328	0	44,580
Rest of Europe and other regions	20,487	24,048	0	19,303
North America	5,103	7,538	0	8,990
South America	4,063	4,302	0	2,508
Asia/Oceania	4,572	4,865	0	785
Reconciliation/Reclassification acc. to IFRS 5	–46,349	–57,081	0	67
Porsche group	**0**	**0**	**0**	**76,233**

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

Notification on 7 January 2004:

Porsche AG received the following notification on 7 January 2004:

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

Notification on 27 October 2006:

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

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

Notification on 17 November 2006:

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

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

shares held by third parties with whom a subsidiary of the notifying parties arranges any steps taken with respect to Dr. Ing. h.c. F. Porsche Aktiengesellschaft based on an existing consortium agreement."

Notification on 29 January 2008:

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

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

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

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

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

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

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

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

Dr. Wolfgang Hils

– representing the notifying parties Ferdinand Piëch GmbH, Dipl.-Ing. Dr. h.c. Ferdinand Piëch GmbH, Hans Michel Piëch GmbH, Dr. Hans Michel Piëch GmbH –

Dr. Oliver Porsche

– representing the other notifying parties – "

Notification on 29 January 2008:

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

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

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

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

The share in voting rights allocated to the notifying parties pursuant to Sec. 22 (1) No. 3 WpHG, old version, or Sec. 22 (2) WpHG, new version, amounted to 3% or more: Prof. Ferdinand Alexander Porsche, Hans-Peter Porsche, Gerhard Anton Porsche, Dr. Wolfgang Porsche, Louise Daxer-Piëch, Dr. h.c. Ferdinand Piëch, Dr. Hans-Michel Piëch.

Dr. Oliver Porsche"

Notification on 29 January 2008:

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

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

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

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

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

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

The share in voting rights of Porsche GmbH, Salzburg, allocated to the notifying parties pursuant to Sec. 22 (1) No. 2 WpHG, old version, or Sec. 22 (1) No. 1 WpHG, new version, were actually held via Porsche GmbH, Stuttgart. The share in voting rights of Porsche Holding KG allocated to the notifying parties pursuant to Sec. 22 (1) No. 2 WpHG, old version, or Sec. 22 (1) No. 1 WpHG, new version, were actually held via Porsche GmbH, Salzburg and Porsche GmbH, Stuttgart. In both cases, the share in voting rights held in Porsche GmbH, Stuttgart, allocated to the notifying parties pursuant to Sec. 22 (1) No. 2 WpHG, old version, or Sec. 22 (1) No. 1 WpHG, new version, amounted to 3% or more.

The share in voting rights allocated to the other notifying parties pursuant to Sec. 22 (1) No. 3 WpHG, old version, or Sec. 22 (2) WpHG, new version, amounted to 3% or more: Prof. Ferdinand Alexander Porsche, Hans-Peter Porsche, Dr. Wolfgang Porsche, Louise Daxer-Piëch, Dr. h.c. Ferdinand Piëch, Dr. Hans-Michel Piëch, Porsche GmbH, Stuttgart.

Dr. Wolfgang Hils

– representing the notifying parties Kommerzialrat Louise Piëch, Dr. techn. h. c. Ferdinand Piëch and Dr. Hans Michel Piëch –

Dr. Oliver Porsche

– representing the other notifying parties – "

Notification on 6 August 2008:

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

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

lie Porsche Beteiligung GmbH, Familien Porsche-Daxer-Piëch Beteiligung GmbH, Porsche Gesellschaft mit beschränkter Haftung."

Notification on 19 December 2008:

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

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

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

Notification on 19 December 2008:

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

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

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

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

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

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

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

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

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

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

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

Notification on 14 May 2009:

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

Allocation as of 30 December 2002
49.90% of the voting rights (4,365,970 voting rights) were allocated to Familie Porsche Beteiligung

GmbH as of 30 December 2002 in accordance with Sec. 22 (2) WpHG on the basis of a consortium agreement.

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

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

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

Notification on 1 September 2009:

We were notified of the following on 1 September 2009:

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

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

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

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

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

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

thority are held via the entities as set forth in (1) (b) through (d) which are controlled by it and whose proportion of voting rights in Porsche Automobil Holding SE amount to 3% each or more.

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

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

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

Frankfurt am Main, 1 September 2009"

Notification on 18 December 2009:

We were notified of the following on 18 December 2009:

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

Frankfurt am Main, 18 December 2009"

[37] 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, and their close family members, who have the power to exercise significant influence over the entity, i.e. who have the power to participate in the financial and operating policies of the entity, but do not control it. In the fiscal 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: €1,719 million) and trade in the design business of €0.4 million (prior year: €1.4 million) with the Porsche and Piëch families and their affiliated companies.

The affiliated companies of the Porsche and Piëch families included, among others, Porsche Holding GmbH, Salzburg and Porsche GmbH, Salzburg. To secure a loan provided to Porsche AG in the prior year, the shareholders of Porsche Holding GmbH pledged a 20% package of ordinary shares of Porsche Holding GmbH in the comparative period and Porsche GmbH, Salzburg, pledged a 2.4% Volkswagen share package with a liability limit of €600 million. To secure a further loan provided to Porsche AG in the prior year, the shareholders of Porsche Holding GmbH pledged a 40% package of ordinary shares of Porsche Holding GmbH in the comparative period. For as long as this collateral exists, Porsche AG agrees to pay guarantee commission to Porsche GmbH, Salzburg, of 2.5% p.a. of the amount secured in each case and to the shareholders of Porsche Holding GmbH of 2.5% p.a. of the amount secured in each case. An amount of €10.4 million was recognized as a liability for this commission in the comparative period. An expense of €13.0 million was recognized in this respect in the reporting period until the date of deconsolidation of the Porsche Zwischenholding GmbH group. The provision of collateral was not extended beyond 4 December 2009.

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

Apart from that, the Porsche and Piëch families and their affiliated companies provided automotive services and delivered clocks and related spare parts to the previous Porsche subgroup. These deliveries and services were not material and were charged at arm's length conditions without exception. The Porsche and Piëch families granted interest-free loans (prior year: a liability of €2 million from the group's perspective) to Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG,

Bietigheim-Bissingen, a subsidiary of Porsche Zwischenholding GmbH, while it still belonged to the group.

The disclosure requirements pursuant to IAS 24 also include persons and entities over which the Porsche SE group can exert a significant influence or joint control.

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 over the Volkswagen group. During that time, business relations existed with the Volkswagen group from deliveries relating to the vehicle and parts business and from consulting and development services. The transactions were charged at arm's length conditions. In addition, shares from the mandatory offer for shareholders of Audi AG worth €86 million were resold to Volkswagen AG in the comparative period before the initial consolidation.

For the period since the business combination with Volkswagen AG in the comparative period and until the date of deconsolidation in the reporting period, only trade relations to subsidiaries that are not fully consolidated, joint ventures and associates of the Volkswagen group are presented. 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 date of the deconsolidation of the discontinued operations, Porsche SE exercises a significant influence over the Volkswagen group (associated company) and joint control over the Porsche Zwischenholding GmbH group (joint venture). Relations to all entities of these two former subgroups are presented as of that date. Goods delivered and services rendered include dividends and profit distributions totaling €327 million received from these groups (prior year: €0 million from the group's perspective).

There are relations to the Porsche Zwischenholding GmbH group in the form of receivables and liabilities subject to market interest (please refer to notes [21] and [30]). Financial services of €115 million (prior year: €0 million) were rendered to entities in that group, while services amounting to €144 million (prior year: €0 million) were received from them.

As part of the basic agreement and the associated agreements implementing it, Porsche SE additionally entered into agreements with Volkswagen AG and entities of the Porsche Zwischenholding GmbH group including the following:

- Porsche SE holds Volkswagen AG as well as Porsche Zwischenholding GmbH and Porsche AG harmless from obligations resulting from certain litigation, tax liabilities (plus interest) and for certain major losses.
- In addition, Porsche SE has granted Volkswagen AG various guarantees regarding Porsche Zwischenholding GmbH and Porsche AG. These relate, among other things, to the proper issue and full payment of the shares in Porsche AG, to the ownership of shares in Porsche Zwischenholding GmbH and Porsche AG as well as to the licenses, permits and industrial property rights required for Porsche AG's operations.

- Volkswagen AG will hold Porsche SE harmless from certain financial guarantees provided by Porsche SE to the creditors of entities in the Porsche Zwischenholding GmbH group for the amount of its share in Porsche Zwischenholding GmbH's capital (please refer to note [34]).
- Should loan obligations of Porsche Zwischenholding GmbH or Porsche AG due to Porsche SE fall due and be uncollectible in the event of insolvency of Porsche Zwischenholding GmbH or Porsche AG, Volkswagen AG will assume these obligations provided it would have been possible when they fell due to offset the obligations against claims against Porsche SE had the companies not become insolvent (please refer to note [21]).
- Porsche SE has pledged a loan receivable due from Porsche Zwischenholding GmbH and the investment in Volkswagen AG as collateral for two loan liabilities to entities of the Porsche Zwischenholding GmbH group (please refer to notes [16] and [21]).
- In addition, Porsche SE will under certain circumstances hold Porsche Zwischenholding GmbH, Porsche AG and their legal predecessors harmless from tax burdens that go beyond the obligations from periods up until and including 31 July 2009 accounted for at the level of these entities.

Porsche SE and Volkswagen AG granted each other put and call options relating to the remaining 50.1% share of Porsche Zwischenholding GmbH, which is held in trust on behalf of Porsche SE. Porsche SE can exercise the put option from 15 November 2012 until the end of the day on 14 January 2013 and again from 1 December 2014 until the end of the day on 31 January 2015; Volkswagen AG can exercise the call option as of 1 March 2013 until the end of the day on 30 April 2013 and again from 1 August 2014 until the end of the day on 30 September 2014. The exercise price for the two options is €3,883 million and subject to minor adjustments. Volkswagen AG (in the event that it exercises its call options) as well as Porsche SE (in the event that it exercises its put options) have both agreed to bear any tax expenses arising from exercising the options and from any downstream measures with respect to the investments in Porsche Zwischenholding GmbH (e.g., from back taxes on the 2007 and/or 2009 spin-off). Should Volkswagen AG, Porsche Zwischenholding GmbH, Porsche AG or their respective subsidiaries incur tax advantages as a result of subsequent taxation of the 2007 and/or 2009 spin-off, the purchase price payable by Volkswagen AG for transfer of the remaining 50.1% share in Porsche Zwischenholding GmbH will be increased by the present value of the tax advantages in the event that Porsche SE exercises its put options.

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

Volkswagen AG has agreed to hold Porsche SE harmless for internal purposes from any claims of the deposit guarantee fund agency after Porsche SE issued a hold harmless declaration to the deposit guarantee fund agency as required by the Association of German Banks in August 2009. In addition, Volkswagen AG has undertaken to hold the deposit guarantee fund agency harmless from any losses incurred as a result of its measures in favor of a bank in which it holds the majority.

The table below shows the supplies and services rendered and received between the Porsche SE group and its related parties as well as existing receivables and liabilities.

€ million	Supplies and services rendered		Supplies and services received	
	2009/10	2008/09	2009/10	2008/09
Porsche and Piëch families	1,568	1,721	65	126
Volkswagen AG (prior to initial consolidation)	0	183	0	527
Members of the executive board and the supervisory board	0.0	0.5	0	0
Joint ventures	2,033	1,305	370	196
Associates	1,866	1,336	438	89
Pension plans	1.0	0	0.0	1
Non-consolidated subsidiaries	833	681	386	326
	6,301	**5,227**	**1,259**	**1,265**

€ million	Receivables		Liabilities	
	31/7/2010	31/7/2009	31/7/2010	31/7/2009
Porsche and Piëch families	0	217	0	12
Volkswagen AG (prior to initial consolidation)	0	0	0	0
Members of the executive board and the supervisory board	0.0	0.1	0.0	0.3
Joint ventures	4,019	1,941	3,883	41
Associates	302	20	395	12
Pension plans	0	1	0	0
Non-consolidated subsidiaries	0	659	0	206
	4,321	**2,838**	**4,278**	**271**

For members of the executive board and of the supervisory board, short-term employee benefits of €6.6 million (prior year: €5.5 million) and post-employment benefits of €0.9 million (prior year: €5.5 million) were paid out in the fiscal year 2009/10. No termination benefits were paid out in the fiscal year 2009/10; they had amounted to €71.0 million in the prior year.

Post-employment benefits relate to additions to pension provisions for active members of the executive board. As Porsche SE itself does not have any pension obligations to active members of the executive board, the additions made in the fiscal year relate exclusively to services rendered

by members of the executive board in discontinued operations in the period between their joining Porsche SE's executive board and the date on which the discontinued operations were deconsolidated.

As of the end of the fiscal year, the outstanding balances for remuneration of members of Porsche SE's executive board and supervisory board amounted to €3.1 million (prior year: €1.0 million).

Goods were delivered and services rendered to members of the executive board and supervisory board in the reporting period until the date of deconsolidation of the discontinued operations and in the comparative period on a small scale, mainly for transactions in the vehicle and parts business. They were charged at arm's length conditions. Other than that, no transactions requiring disclosure were conducted before deconsolidation of the discontinued operations by entities belonging to the Porsche SE group's discontinued operations 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.

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

The total remuneration of members of Porsche SE's executive board amounted to €4.1 million in the fiscal year 2009/10 (prior year: €75.0 million). It comprises the remuneration paid by Porsche SE and, pro rata temporis, remuneration for the service of members of the executive board in discontinued operations in the period between their joining Porsche SE's executive board and the date on which the discontinued operations were deconsolidated.

The members of Porsche SE's executive board receive a fixed basic salary only. However, the remuneration for service on the executive board in discontinued operations that has been taken into account pro rata temporis includes both fixed and variable components. The executive board remuneration comprises a long-term incentive amounting to €0.3 million. The prior-year amount includes severance payments of €71.0 million. The members of the executive board appointed for the first time on 23 July 2009 did not receive any remuneration from Porsche SE for the fiscal year 2008/09.

The total remuneration of the supervisory board for the fiscal year 2009/10 amounts to €2.9 million (prior year: €1.5 million). In addition to remuneration for their service on Porsche SE's supervisory board, it includes remuneration for memberships of supervisory board and other control bodies as defined by Section 125 (I) Sentence 3 German Stock Corporation Act (AktG) in discontinued operations on a pro rata temporis basis until deconsolidation of the discontinued operations. The remuneration consists of short-term benefits only.

There are no further obligations towards the supervisory board and the executive board.

The individualized remuneration of the members of the executive board and supervisory board is presented in the remuneration report as part of the management report.

[39] Auditor's fees

The auditor's fees for the auditor Ernst & Young GmbH recognized in the fiscal year in accordance with Sec. 314 (1) No. 9 HGB break down as follows:

EUR000	2009/10	2008/09
Audit of financial statements	645	1,240
Other assurance services	1,001	765
Tax advisory services	1,900	809
Other services	5,224	2,221
	8,770	5,035

In accordance with the disclosure requirements of Sec. 314 (1) No. 9 HGB, other services include advisory services of €4.1 million rendered to Volkswagen AG and its subsidiaries prior to deconsolidation of the Volkswagen group on 3 December 2009 (in the prior year from the date of initial full consolidation on 5 January 2009: €0.7 million).

[40] Declaration on the German Corporate Governance Code

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

Stuttgart, 1 October 2010

Porsche Automobil Holding SE

The executive board

Prof. Dr. Martin Winterkorn   Thomas Edig   Hans Dieter Pötsch

Responsibility statement

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

Stuttgart, 1 October 2010

Porsche Automobil Holding SE

The executive board

Prof. Dr. Martin Winterkorn   Thomas Edig   Hans Dieter Pötsch

Auditors’ report of the group auditor

“We have audited the consolidated financial statements prepared by Porsche Automobil Holding SE, Stuttgart, comprising the income statement, the statement of comprehensive income, the balance sheet, the statement of cash flows, the statement of changes in equity as well as the notes to the financial statements, together with the combined management report for the fiscal year from 1 August 2009 to 31 July 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [“Handelsgesetzbuch”: German Commercial Code] is the responsibility of the company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group’s position and suitably presents the opportunities and risks of future development.”

Stuttgart, 1 October 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

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

Members of the supervisory board of Porsche Automobil Holding SE

Dr. Wolfgang Porsche
(Chairman)

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart (chairman) [1)]
Volkswagen AG, Wolfsburg

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

Uwe Hück
(deputy chairman)

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

Hans Baur

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

Berthold Huber

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

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

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

Prof. Dr. Ulrich Lehner

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart [6)] (until 30 November 2009)
Deutsche Telekom AG, Bonn (chairman)
HSBC Trinkaus & Burkhardt AG, Düsseldorf
E.ON AG, Düsseldorf
ThyssenKrupp AG, Düsseldorf
Henkel Management AG, Düsseldorf

B) Dr. August Oetker KG, Bielefeld
Henkel AG & Co. KGaA, Düsseldorf
Novartis AG, Basle

Peter Mosch

A) Volkswagen AG, Wolfsburg
AUDI AG, Ingolstadt

Bernd Osterloh

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

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

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart [3]
Volkswagen AG, Wolfsburg (chairman)
MAN SE, Munich (chairman)
AUDI AG, Ingolstadt
B) Porsche Holding GmbH, Salzburg
Porsche Ges.m.b.H., Salzburg
Porsche Retail GmbH, Salzburg
(since 25 February 2010)
Porsche Austria GmbH, Salzburg
(since 25 February 2010)

Dr. Hans Michel Piëch

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart [4]
Volkswagen AG, Wolfsburg
(since 7 August 2009)
AUDI AG, Ingolstadt (since 19 November 2009)
B) Porsche Holding GmbH, Salzburg
(deputy chairman)
Porsche Ges.m.b.H., Salzburg (deputy chairman)
Porsche Retail GmbH, Salzburg
(deputy chairman)
(since 25 February 2010)
Porsche Austria GmbH, Salzburg
(deputy chairman)
(since 16 February 2010)
Porsche Bank AG, Salzburg
Porsche Cars Great Britain Ltd., Reading
Porsche Cars North America Inc.,
Wilmington
Porsche Ibérica S.A., Madrid
Porsche Italia S.p.A., Padua
Volksoper Wien GmbH, Vienna
Schmittenhöhebahnen AG, Zell am See

Dr. Ferdinand Oliver Porsche

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart [3]
Volkswagen AG, Wolfsburg
(since 7 August 2009)
AUDI AG, Ingolstadt
(since 19 November 2009)
Voith AG, Heidenheim
B) Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Bietigheim-Bissingen
PGA S.A., Paris
Eterna S.A., Grenchen

Hans-Peter Porsche (until 29 January 2010)

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart [3]
B) Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Bietigheim-Bissingen
FAP Beteiligungen AG, Salzburg (chairman)
Familie Porsche AG Beteiligungsgesellschaft, Salzburg (deputy chairman)
Porsche Holding GmbH, Salzburg
Porsche Ges.m.b.H., Salzburg

Werner Weresch

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

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

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

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

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

Members of the executive board of Porsche Automobil Holding SE

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

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart (since 15 December 2009)
AUDI AG, Ingolstadt (chairman)
Salzgitter AG, Salzgitter
FC Bayern München AG, Munich

B) Scania AB, Södertälje (chairman)
ŠKODA AUTO a.s., Mladá Boleslav (chairman) (since 1 January 2010)
Porsche Holding GmbH, Salzburg (since 18 December 2009)
Porsche Ges.m.b.H., Salzburg (since 18 December 2009)
Bentley Motors Ltd., Crewe
Volkswagen (China) Investment Company Ltd., Beijing (chairman)
Volkswagen Group of America, Inc., Herndon, Virginia (chairman)

Hans Dieter Pötsch (since 25 November 2009)

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart (since 30 March 2010)
AUDI AG, Ingolstadt
Volkswagen Financial Services AG, Braunschweig (chairman)
Autostadt GmbH, Wolfsburg (chairman)
Allianz Versicherungs-AG, Munich
Bizerba GmbH & Co. KG, Balingen (until 31 December 2009)

B) Bentley Motors Ltd., Crewe
Volkswagen Group of America, Inc., Herndon, Virginia
Scania AB, Södertälje
Porsche Holding GmbH, Salzburg
Porsche Ges.m.b.H., Salzburg

Michael Macht (until 30 September 2010)

B) Porsche Consulting GmbH, Bietigheim-Bissingen (chairman)
Porsche Cars North America Inc., Wilmington
Porsche Cars Great Britain Ltd., Reading
Porsche Italia S.p.A., Padua
Porsche Ibérica S.A., Madrid
Porsche Japan K.K., Tokyo
Porsche Enterprises Inc., Wilmington
Porsche Consulting Italia S.r.l., Milan (until 30 November 2009)
Porsche Leipzig GmbH, Leipzig (until 30 November 2009)
PIKS Porsche-Information-Kommunikation Services GmbH, Stuttgart (until 30 November 2009)
Advisory board KS ATAG (until 30 November 2009)

Thomas Edig

A) DEKRA Automobil GmbH, Stuttgart

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

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

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

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

Balance sheet of Porsche Automobil Holding SE as of 31 July 2010[1]

€ million	31/7/2010	31/7/2009
Assets		
Non-current assets		
Intangible assets	0	0
Property, plant and equipment	0	0
Financial assets	24,771	24,838
	24,771	24,838
Current assets		
Trade receivables	4,348	2,703
Other receivables and assets	230	1,202
Securities	0	0
Cash and cash equivalents	887	2,164
	5,465	6,069
Prepaid expenses	53	263
	30,289	**31,170**
Equity and liabilities		
Equity		
Subscribed capital	175	175
Capital reserves	122	122
Retained earnings	12,187	7,688
Net profit available for distribution	4,493	8
	16,977	7,993
Provisions		
Provisions for pensions and similar obligations	6	6
Sundry provisions	1,566	3,365
	1,572	3,371
Liabilities		
Liabilities to banks	7,000	10,561
Trade payables	3	4
Sundry liabilities	4,737	9,241
	11,740	19,806
	30,289	**31,170**

[1] The financial statements of Porsche SE have been prepared in accordance with German accounting standards (HGB) and are published in the elektronischer Bundesanzeiger (German Electronic Federal Gazette). They can be obtained from Porsche SE, Financial Press and Investor Relations, Porscheplatz 1, 70435 Stuttgart, Germany.

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

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