Interim report

Report on the period from 1 January 2011 to 29 April 2011 of the fiscal year 2011

This interim report by Porsche Automobil Holding SE (“Porsche SE” or “company”) relates to the development of business in the first three months of the fiscal year 2011, and contains information on the reporting period from 1 January 2011 through to the publication of this interim report on 29 April 2011. Since early December 2009, Porsche SE has essentially functioned as a holding company for its investments in the two operating companies Porsche Zwischenholding GmbH, Stuttgart, and Volkswagen Aktiengesellschaft, Wolfsburg, (“Volkswagen AG”, “Volkswagen” or “VW”). Volkswagen AG as an associate of Porsche SE, and Porsche Zwischenholding GmbH as a joint venture of Porsche SE and Volkswagen AG, are included in the consolidated financial statements as entities accounted for at equity. The profit/loss of the Porsche SE group (Porsche SE and its subsidiaries) is largely dependent on the results of operations of these two equity investments and the attributable share of the profit/loss of the entities accounted for at equity. Following Porsche SE’s adoption of a short fiscal year for the period from 1 August 2010 to 31 December 2010, since 1 January 2011, the fiscal year has run concurrently with the calendar year. It is therefore no longer necessary to include the figures of Volkswagen AG and its subsidiaries (collectively: “Volkswagen group”) with a one-month delay. Porsche Zwischenholding GmbH and its subsidiaries (collectively: “Porsche Zwischenholding GmbH group”) and the Volkswagen group are therefore included in Porsche SE’s interim report for the period from 1 January 2011 to 31 March 2011.

Significant events

Capital increase at Porsche SE

Porsche SE has successfully completed its capital increase. On 27 March 2011, with the approval of the supervisory board, acting through its capital increase committee, the executive board of Porsche SE set the conditions and details for the capital increase against cash contributions approved by the annual general meeting of the company on 30 November 2010. A total of 65,625,000 new ordinary shares and 65,625,000 new preference shares were offered for subscription. The subscription price for the new ordinary and preference shares was set at 38.00 euro per share for both classes of shares. Following the 28 March 2011 approval by the German Federal Financial Supervisory Authority (BaFin) of the securities prospectus that had to be published in connection with the public offering of the new preference shares, and the publication of the subscription offer on 29 March 2011, the subscription period for the new ordinary and preference shares ran from 30 March 2011 up to and including 12 April 2011. The subscription ratio was 1:0.75 for both ordinary and preference shares; in other words, each existing share entitled the holder to subscribe to 0.75 new shares of the corresponding class.

The holders of ordinary shares exercised all their subscription rights for the new ordinary shares. The subscription rate for the new preference shares was 99.72 percent. The new preference shares that were not subscribed pursuant to the subscription offer were sold by the underwriters over the stock exchange.

With the entry of the implementation of the capital increase in the commercial register of the Stuttgart district court on 13 April 2011, the company‘s share capital was increased by 131,250,000 euro from 175,000,000 euro to 306,250,000 euro through the issuance of 65,625,000 new ordinary shares (no-par-value shares) and 65,625,000 new preference shares (no-par-value shares), with each no-par-value share representing a notional share of one euro in the share capital. The new ordinary shares and the new preference shares are each entitled to dividends as of 1 August 2010. The new preference shares were admitted to stock exchange trading on 13 April 2011.

The company has used the issue proceeds of approximately 4.9 billion euro to reduce its liabilities to banks. In particular, the first tranche of the syndicated loan totaling 2.5 billion euro, which was to fall due on 30 June 2011, was repaid in full ahead of schedule. The liabilities to banks remaining after the partial repayment of the syndicated loan from the issue proceeds and further repayments from available liquidity amounted to 2.0 billion euro at the date of this interim report. As a result of the partial repayment of the syndicated loan, the as yet unutilized revolving credit line increased from 1.5 billion euro to 1.9 billion euro pursuant to the loan terms agreed with the banking syndicate, according to which the overall credit line may not exceed 8.5 billion euro.

The capital increase is part of the concept agreed upon in the basic agreement to create an integrated automotive group consisting of Porsche and Volkswagen and is a further precondition for the planned merger of Porsche SE into Volkswagen AG (we refer to our statements in the section “Implementation of the basic agreement for the creation of an integrated automotive group”).

Implementation of the basic agreement for the creation of an integrated automotive group

Porsche SE intends to create an integrated automotive group together with Volkswagen AG and Dr. Ing. h.c. F. Porsche Aktiengesellschaft, Stuttgart, (“Porsche AG”).

In recent months, significant transaction steps have been implemented on the way to an integrated automotive group.

For example, as part of the concept agreed upon in the basic agreement, the family shareholders of Porsche Familienholding GmbH, Salzburg (formerly: Porsche Holding Gesellschaft m.b.H., Salzburg) resolved on 10 November 2010 to exercise the put option to sell the operating business of Porsche Gesellschaft m.b.H., Salzburg, to Volkswagen; the operating business of Porsche Gesellschaft m.b.H., Salzburg, had previously been transferred to Porsche Holding GmbH, Salzburg (formerly: Porsche Automotive Gesellschaft m.b.H, Salzburg), an affiliate of Porsche Familienholding GmbH. Porsche Holding GmbH, Salzburg, was transferred on 1 March 2011 at a value of 3.3 billion euro (we refer to our statements in the section "Significant events at the Volkswagen group").

According to the basic agreement, the final stage in the creation of the integrated automotive group will be the merger of Porsche SE into Volkswagen AG. In the event that the required merger resolutions have not been adopted by the annual general meetings of Porsche SE and Volkswagen AG by 31 December 2011 or, if adopted, that approval proceedings have been unsuccessful and filed claims continue to prevent the registration of the merger (“failure of the merger as defined by the basic agreement”), Porsche SE and Volkswagen AG have granted each other put and call options. These options relate to the remaining 50.1 percent shareholding in Porsche Zwischenholding GmbH that is held by a trustee on behalf of Porsche SE and can be exercised at defined times within the period from 15 November 2012 to 31 January 2015.

There is still uncertainty with regard to the tax framework for the merger. In addition, it is not possible, given the current status of litigation, to conclusively assess the effects that the claims for damages brought against Porsche SE in the USA and by various fund companies and a private individual in Germany will have on the merger. The Stuttgart public prosecutor announced on 22 February 2011 that the investigations against two former executive board members of Porsche SE and against employees of Porsche SE, inter alia because of allegations of manipulating the market in Volkswagen shares, would take longer than anticipated.

The outcome of the investigations is relevant for the valuation of damage claims raised against Porsche SE and based on alleged share price manipulation. This valuation must be made for purposes of the merger of Porsche SE into Volkswagen AG (for more information on this point, and on the status of the legal proceedings, please see the section “Litigation risks and legal disputes”). Since the end of the investigations can be expected at the earliest at the beginning of 2012, the legal and tax assessments of the merger of Porsche SE into Volkswagen AG to be made under the basic agreement will likely be delayed. In the executive board's view, the probability that the merger can be achieved under the timeline of the basic agreement – in other words, that the merger as defined by the basic agreement will not fail – is 50 percent, as it was in the company's consolidated financial statements as of 31 December 2010.

In the view of the Porsche SE executive board, the overall probability of the merger will decrease in the event of substantial delays in the merger process compared to the timeline of the basic agreement. However, the executive board of Porsche SE is currently of the opinion that the assessments can be finalized so timely that the merger can be achieved even after 2011.

Repayment of indebtedness

Porsche SE's liabilities to banks, which still amounted to 7.0 billion euro as of 31 March 2011, were significantly reduced by the end of the reporting period, mainly as a result of the capital increase performed in April 2011. The issue proceeds were used to repay in full and ahead of schedule the first tranche of the syndicated loan totaling 2.5 billion euro, which was to fall due on 30 June 2011. Any proceeds exceeding this figure were used to further reduce liabilities to banks. As of 29 April 2011, Porsche SE's liabilities to banks, following additional repayment from available liquidity, still amounted to 2.0 billion euro. The collateral for the remaining loan has been provided primarily by pledging all of Porsche SE's shares in Volkswagen AG.

Litigation risks and legal disputes

To the knowledge of Porsche SE – which is not a party to the investigations and therefore has only limited knowledge of the subject matter and status of investigations – the Stuttgart public prosecutor has initiated investigations against the former members of the executive board Dr. Wendelin Wiedeking and Holger P. Härter in connection with allegations of manipulating the market in Volkswagen shares. According to the public prosecutor, the allegations involve public statements made by representatives of Porsche SE and the failure to make certain required statements regarding the acquisition of the shareholding in Volkswagen AG between 2007 and 2009. In addition, the public prosecutor is investigating the two former members of the executive board in connection with allegations of breach of fiduciary duty to the detriment of Porsche SE. According to the public prosecutor, there is reason to suspect that the two former members of the executive board may have taken risks jeopardizing the company's ability to continue as a going concern by entering into share price hedging transactions in the course of acquiring the shareholding in Volkswagen AG. Furthermore, the public prosecutor has launched investigations against Holger P. Härter and two employees of Porsche SE on suspicion of obtaining credit by deception in connection with a loan that has already been repaid. The Stuttgart public prosecutor announced in February 2011 that the investigations would take longer than anticipated and are not expected to be concluded before the start of 2012 (we refer to our statements in the section “Implementation of the basic agreement for the creation of an integrated automotive group”).

Forty-six plaintiffs have filed six actions for damages against Porsche SE in the United States District Court for the Southern District of New York. The plaintiffs allege damages of more than 2.5 billion US dollars. In three of the six actions, the former members of the executive board Dr. Wendelin Wiedeking and Holger P. Härter are also named as defendants. Plaintiffs alleged in their complaints that 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 US Securities Exchange Act and common law fraud. Porsche considers the complaints to be without merit and filed a motion to dismiss. The US court granted the motion to dismiss and dismissed all claims at first instance. All plaintiffs appealed this decision in January 2011.

Moreover, on 18 February 2011, three of the plaintiffs, and on 15 March 2011 a further 23 of the plaintiffs, filed two actions in New York state court. In their complaints, they assert claims for common law fraud and unjust enrichment on the basis of allegations similar to those made in their complaints in the actions referred to above. The plaintiffs claim to have lost at least 1.4 billion US dollars. Porsche SE considers these actions to be legally insufficient and without merit. In 2009 and 2010, institutional investors in Germany applied for conciliatory proceedings against Porsche SE with regard to the assertion of claims for damages on the basis of alleged breaches of statutory capital market regulations in connection with the acquisition of a shareholding in Volkswagen AG. Various investors have filed further applications for conciliatory proceedings against Porsche SE based on the same claims; the company received these applications on 11 April 2011. The new applications are also directed against Volkswagen AG. All of the alleged claims relate to alleged lost profits, estimated by the investors to total approximately 2.98 billion euro. Porsche SE considers the alleged claims to be without merit and has not taken part in the conciliatory proceedings.

In January 2011, a private investor filed a claim for damages against Porsche SE and another defendant in the amount of approximately three million euro. The plaintiff claims to have entered into options relating to shares in Volkswagen AG in 2008 on the basis of inaccurate information and the omission of information as well as market manipulation by Porsche SE and to have incurred losses from these options due to the share price development in 2008 in the amount claimed. As of the date of this interim report, the action is pending in the Regional Court of Stuttgart, which is currently reviewing a referral to the Regional Court of Braunschweig. Porsche SE considers the alleged claim to be without merit and will defend itself against it.

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

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

Significant events at the Porsche Zwischenholding GmbH group

At its meeting of 15 March 2011, the supervisory board of Porsche AG appointed Uwe-Karsten Städter to the executive board of Porsche AG, effective as of 1 April 2011. He took up the newly created procurement function. Before this, procurement had been part of the finance and business administration function. Uwe-Karsten Städter had been head of group procurement for electrics/electronics at Volkswagen AG since 2007, after heading up group procurement for exteriors from 2002.

At its meeting of 15 March 2011, the supervisory board of Porsche AG also approved the executive board's decision to develop the Leipzig plant into a full-fledged production location, including body shell production and paint shop, for the production of the planned new model with the working title "Cajun".

Significant events at the Volkswagen group

Supervisory board matters

On the recommendation of the nomination committee, the supervisory board of Volkswagen AG resolved on 25 February 2011 to nominate Ms. Annika Falkengren, President and Group Chief Executive of Skandinaviska Enskilda Banken AB, Stockholm, and Mr. Khalifa Jassim Al-Kuwari, Executive Director of Qatar Holding LLC, Qatar, as shareholder representatives for election to the supervisory board at the annual general meeting to be held on 3 May 2011. The scheduled terms of office of Dr. Hans Michael Gaul and Dr. Jürgen Großmann will end at this year's annual general meeting.

Volkswagen acquires Porsche Holding Salzburg's trading business

The Volkswagen group took another significant step towards forming an integrated automotive group with Porsche by acquiring Porsche Holding Salzburg's trading business. The trading company was transferred on 1 March 2011 at a price of 3.3 billion euro.

Porsche Holding Salzburg is one of the most successful and profitable automobile trading companies in the world, with a strong presence in particular in Austria, the rest of western Europe and southeast Europe, as well as in China. In 2010, it sold more than 560,000 vehicles and employed around 20,900 people.

Investment in SGL Carbon SE

During the reporting period, Volkswagen acquired 9.9 percent of the voting rights of SGL Carbon SE, Wiesbaden. The SGL Group is one of the world's leading producers of carbon, an extremely lightweight but very strong material that can be used to reduce vehicle weights. Lightweight construction is a cornerstone of Volkswagen's sustainable mobility strategy, which it is working on intensively.

Business development

The following statements on sales, production and employees only take into consideration operating developments at the Porsche Zwischenholding GmbH group and at the Volkswagen group, and do not take into account the association with Porsche SE group.

Increased sales

The Porsche Zwischenholding GmbH group, which includes Porsche AG and its subsidiaries as well as Porsche Zwischenholding GmbH and the Volkswagen group, did well in the first three months of the current fiscal year.

The Porsche Zwischenholding GmbH group sold 23,442 vehicles in the period from 1 January 2011 to 31 March 2011, an increase of 13 percent on the first three months of the calendar year 2010. This growth underlines the market success of the new Cayenne: the 11,487 vehicles sold constitute an increase of 62 percent. The new generation of the sporty off-roader has been available from dealers since May 2010. The Panamera accounted for 4,715 units in the reporting period, down six percent on the comparative period in the prior year. The 911 notched up 4,750 deliveries. Sales of the model series fell 17 percent for life cycle reasons. The Boxster model series generated sales of 2,490 units (down 16 percent); this breaks down into 1,512 Boxster and 978 Cayman models.

In the period from 1 January 2011 to 31 March 2011, the Volkswagen group sold a total of 2,030,760 vehicles, up 19 percent on the sales figures for the comparative prior-year period. Unit sales of Volkswagen passenger car brand came to 1,077,266 vehicles (up 14 percent). There was increased demand for the Polo, Tiguan, Touareg, Jetta, Passat Variant, Passat CC and Sharan models.

Unit sales of the Audi brand increased by 18 percent on the comparative prior-year period to 373,745 vehicles. The Audi Q5 and Audi Q7 models accounted for the highest growth rates. There was also encouraging development in demand for the new Audi A1, Audi A7 Sportback and Audi A8 models. The Škoda brand sold

181,129 vehicles, an increase of 27 percent on the prior year. All of the brand’s model series contributed to this success. In the first quarter of 2011, unit sales of the SEAT brand came to 93,158 vehicles (up two percent). Demand for the Ibiza ST and Alhambra models developed favorably. Unit sales of the Bentley brand increased by eight percent to 1,265 vehicles over this period. The Chinese joint venture entities boosted unit sales by 512,006 vehicles (up 25 percent).

Over the period from 1 January to 31 March of this year, Volkswagen commercial vehicles sold 107,897 units (up 47 percent). Scania’s unit sales came to 19,065 vehicles, which is equivalent to an increase of 60 percent in comparison to the prior year. 334,771 vehicles were assigned to the item “Other”, which mainly consists of the elimination of intercompany deliveries within the Volkswagen group.

Regional differences

In Europe, Porsche Zwischenholding GmbH group increased its unit sales in the first three months of the current fiscal year by 25 percent on the comparative prior-year period to 8,099 vehicles; 2,921 vehicles thereof (up 17 percent) were sold on the German market. Porsche experienced even stronger growth in the Americas, where unit sales rose by 30 percent to 7,103 vehicles; 6,341 vehicles thereof were sold in North America (up 24 percent). In Asia and the rest of the world, unit sales fell slightly to 8,240 vehicles (down six percent).

Over the period from 1 January 2011 to 31 March 2011, the Volkswagen group sold 1,030,180 vehicles in the Europe/other markets region, thus exceeding the level of the corresponding prior-year period in which 889,816 vehicles were sold. In North America, unit sales increased by 20 percent to 150,452 units. Unit sales in South America increased by nine percent in comparison to the prior year, coming to 228,241 vehicles. Including the joint ventures in China, the Volkswagen group sold 621,887 vehicles on the passenger car markets in the Asia-Pacific region over the period from 1 January 2011 to 31 March 2011 (up 30 percent).

Increased production

In the period from 1 January 2011 to 31 March 2011, 31,366 vehicles were produced in the Porsche Zwischenholding GmbH group, an increase of 98 percent in comparison to the prior-year period. In Leipzig, 15,189 units of the Cayenne model series rolled from the line during the first three months of the fiscal year; the figure for the prior-year period was only 2,402 due to the upcoming model changeover at that time. 6,172 Panamera vehicles were produced in Leipzig, nine percent more than in the prior year. 6,044 units of the 911 model series left the Zuffenhausen plant during the reporting period, an increase of 24 percent in comparison to the prior year. Production figures for the Boxster model series increased by a total of 35 percent to 3,961 vehicles, including 2,425 Boxster and 1,536 Cayman models. In Finland, the number of vehicles produced fell by 14 percent to 1,529 units.

The Volkswagen group produced 2,065,007 vehicles in the first quarter of 2011. This is equivalent to an increase of 19 percent in comparison to the prior year.

More new jobs created at the significant investments

As of 31 March 2011, the Porsche SE group had 33 permanent employees. As of 31 March 2011, the headcount at the Porsche Zwischenholding GmbH group of 13,510 employees was up 2.7 percent on the figure seen as of 31 December 2010 (13,159 employees). The total headcount of the Volkswagen group came to 427,184 as of 31 March 2011. This was an increase of seven percent in comparison to 31 December 2010. In Germany, there were 183,314 employees (up 1.1 percent), 42.9 percent of the total workforce.

Net assets, financial position and results of operations

Net assets and financial position

The total assets of the Porsche SE group stood at 30,334 million euro as of 31 March 2011, which is an increase of 668 million euro compared to 31 December 2010. This is primarily due to change in the carrying amounts resulting from subsequent measurement of the shares in Porsche Zwischenholding GmbH and Volkswagen AG accounted for at equity.

As of the end of the reporting period, non-current assets further include loan receivables from Porsche Zwischenholding GmbH and Porsche AG. In addition, the non-current assets contain a positive fair value totaling 468 million euro (31 December 2010: 459 million euro) for Porsche SE's put option pursuant to the basic agreement for the remaining shares that it holds in Porsche Zwischenholding GmbH.

As was the case at the end of the previous reporting period, current assets primarily consist of income tax assets, which primarily relate to reimbursement claims for tax on investment income from dividends received, and the cash and cash equivalents of Porsche SE and its subsidiaries.

As of 31 March 2011, the financial liabilities, which remain virtually unchanged in comparison to 31 December 2010, include liabilities to banks in addition to liabilities to entities of the Porsche Zwischenholding GmbH group. Non-current other liabilities contain a negative fair value of 773 million euro (31 December 2010: 942 million euro) for Volkswagen AG's call option pursuant to the basic agreement for the remaining shares held by Porsche SE in Porsche Zwischenholding GmbH. The change in the value of the call option, just like the change in the value of the put option presented under non-current assets, is attributable to updated assumptions underlying their valuations.

As of 31 March 2011, the net liquidity of the Porsche SE group, i.e., cash and cash equivalents less liabilities to banks, came to minus 6.7 billion euro, a slight decrease in comparison to 31 December 2010 (minus 6.3 billion euro). This does not yet take into account the issue proceeds received from the capital increase in April 2011. The decrease in net liquidity in the first three months of the fiscal year 2011 is due in particular to the outflow of the tax and interest payments that remained following the tax authorities' decision concerning the tax treatment of stock option transactions in November 2010.

Results of operations

In the first three months of the fiscal year 2011, the Porsche SE group disclosed profit after tax of 691 million euro.

The positive profit after tax is attributable in particular to the profit from investments accounted for at equity totaling 606 million euro. This contains the share of net profit generated by the Porsche Zwischenholding GmbH group and the Volkswagen group in the first three months of the fiscal year 2011 that is attributable to the Porsche SE group. The contributions to profit of both investments also include effects of amortization of the purchase price allocations carried out at the time of first-time inclusion of Porsche Zwischenholding GmbH as a joint venture and Volkswagen AG as an associate. The profit/loss from investments accounted for at equity, and therefore the Porsche SE group's profit after tax in the first three months of the fiscal year 2011, was reduced by around 122 million euro by the subsequent accounting effects of the purchase price allocations for the Porsche Zwischenholding GmbH group and the Volkswagen group, i.e., the adjustment of hidden reserves and liabilities identified in the process.

In addition, the Porsche SE group's profit was positively influenced by the effect from the valuation of the put and call option for the shares in Porsche Zwischenholding GmbH remaining with Porsche SE totaling 178 million euro. The valuation of the put and call options as of 31 March 2011 was based on a probability of 50 percent that the merger as defined by the basic agreement will not fail. This probability is unchanged in comparison with the company's consolidated financial statements as of 31 December 2010.

Profit was reduced by the financial result, which came to minus 83 million euro in the first three months of the fiscal year 2011 and mainly contains interest on loans.

Operating result of significant investments

The following statements relate to the ongoing operating business of the Porsche Zwischenholding GmbH group, which comprises Porsche AG and its subsidiaries, as well as Porsche Zwischenholding GmbH, and of the Volkswagen group in the first three months of the fiscal year 2011. Effects from inclusion in the consolidated financial statements of Porsche SE, i.e., particularly relating to amortization of the hidden reserves and liabilities identified in the course of the purchase price allocations, are not taken into consideration.

In the first three months of the current fiscal year, the Porsche Zwischenholding GmbH group sold 23,442 vehicles. With revenue of 2,284 million euro, the operating result of the Porsche Zwischenholding GmbH group for the first three months of the fiscal year 2011 came to 496 million euro. The Porsche Zwischenholding GmbH group reports a healthy double-digit return on sales.

The Volkswagen group sold 2,030,760 vehicles in the period from 1 January 2011 to 31 March 2011. With revenue of 37,470 million euro, the operating result comes to 2,912 million euro.

Attractive new models

The Panamera S Hybrid[1] debuted at the Geneva International Motor Show, held in early March 2011. Without sacrificing sportiness or elegance, the new Gran Turismo from Porsche combines a total mechanical output of 380 hp (279 kW) with fuel consumption of just 6.8 liters per 100 km in the best-case scenario. This is equivalent to CO_2 emissions of 159 g/km, making the Panamera S Hybrid the most economical Porsche of all time. These figures are achieved with the optional all-season low-rolling-resistance tires, specially developed for the Panamera by Michelin.

From a standing start, the Panamera S Hybrid accelerates to 100 km/h in 6.0 seconds, and has a top speed of 270 kilometers per hour. Depending on driving conditions, speeds of up to 85 km/h can be reached when using electrical power alone. Moreover, the Porsche hybrid drive supports coasting on motorways and country roads. At speeds of up to 165 km/h, the gasoline engine is periodically disengaged from the drivetrain and switched off in this mode. The three-liter supercharged V6 engine delivering 333 horsepower (245 kW) is supported by a 47-horsepower (34 kW) electric motor. The electric motor is connected to a nickel metal hydride (NiMh) battery that stores electric energy recovered from braking and other driving situations. The Panamera S Hybrid will be on the market from June 2011.

The new top model in the Gran Turismo range, the Panamera Turbo S[1], will also be delivered to customers from June 2011. With 550 horsepower, the twin-turbocharged 4.8-liter V8 engine delivers 10 percent more power than the extremely powerful engine of the Panamera Turbo. Similarly, torque increases from 700 Nm to 750 Nm. Even more torque – 800 Nm – is possible with the overboost mode. This compact high-performance engine makes the Panamera a record-breaking sprinter – reaching 100 km/h in 3.8 seconds. The top speed is 306 km/h. Despite the increased performance, fuel consumption is on a par with the Panamera Turbo. On the 19-inch all-season tires from Michelin fuel

[1] Fuel consumption and emission data can be found on page 21 of this report.

consumption is 11.3 liters per 100 kilometers. The standard features include the most important driving-dynamic control systems. For example, Porsche Dynamic Chassis Control (PDCC) is a system that reduces lateral body movement during cornering, enhancing both agility and comfort.

Volkswagen passenger cars kicked off the 2011 automotive year at the North American International Auto Show in Detroit with a world premiere. Visitors to the motor show were impressed by the size, comfort and efficiency of the Passat specially designed for the US market, which will be produced at the new plant in Chattanooga. The Passat's extended wheelbase creates generous interior space, and its balanced proportions give it a unique, timeless and elegant design. The new vehicle concept is rounded off by a range of engines allowing both sporty and fuel-efficient driving, comprehensive safety features and high build quality. The Passat is set to help Volkswagen on its way to becoming one of the most successful car manufacturers in North America.

The new Audi A6 saloon made its motor show debut in Detroit. This elegant and dynamic vehicle has sporty suspension and a variety of assistance and multimedia systems. The body is more than 20 percent aluminum. Among other things, this helps the new Audi A6 consume up to 19 percent less fuel per 100 km that its predecessor.

The Volkswagen group debuted a large number of new vehicles at the International Motor Show in Geneva. The highlight of the Volkswagen passenger cars stand was the new Golf Cabriolet, which was unveiled to the global public for the first time. The latest generation of this classic car, which is manufactured in the new plant in Osnabruck, comes with numerous safety features as standard and an electro-hydraulic soft-top roof that closes in just 9.5 seconds. Another world premiere was the launch of the new Tiguan. The technically and visually enhanced SUV impresses with its new front and rear styling and new assistance systems. Its innovative petrol and diesel engines consume up to 0.7 liters less fuel per 100 km than the previous model. The new Passat BlueMotion[2] also made its motor show debut in Geneva. The Passat saloon's efficient 1.6 liter TDI engine uses an average of just 4.2 liter of diesel per 100 km and produces 109 grams of CO_2 per kilometer. These low levels are made possible by an aerodynamic design, as well as technologies such as the start-stop system, regenerative braking and low rolling-resistance tires.

Audi also presented a number of series vehicles to the public for the first time at the show in Geneva. The Audi Q5 hybrid quattro[2] is the brand's first series production hybrid model. Its 2.0 liter TFSI petrol engine and the electric motor together produce 180 kW (245 hp), with average consumption of just 6.9 liters per 100 km. Audi also presented the sporty Audi RS 3 quattro[2], the highly exclusive Audi A8 L Security with special safety features, and the new Audi A6.

SEAT presented its new Alhambra 4WD. Thanks to its permanent four-wheel drive, the five- or six-seater van can handle any road surface, and its spacious and flexible interior make it a perfect choice for families on the go.

British luxury brand Bentley celebrated setting the world ice speed record by presenting its limited-edition Continental Supersports "Ice Speed Record"[2] model, just 100 of which will be made. The most powerful Bentley convertible ever has a 471 kW (640 hp) W12 engine with six-liter capacity, allowing the car to accelerate from 0 to 100 km/h in just 4.0 seconds. The maximum speed of the "Ice Speed Record" is 325 km/h.

Lamborghini presented the new shining star of super sports cars in Geneva: the Aventador LP 700-4[1]. The 12-cylinder engine with 6.5-liter capacity and an output of 515 kW (700 hp) propels the car from 0 to 100 km/h in just 2.9 seconds. The Aventador's innovative carbon fiber reinforced polymer monocoque marries lightness with maximum rigidity and safety.

[1] Fuel consumption and emission data can be found on page 21 of this report.
[2] No binding consumption and emission data is currently available for this model.

The Bugatti brand celebrated the motor show debut of the Veyron 16.4 Super Sport[1], which impressed visitors with its matte and gloss black paintwork and orange interior.

The BlueMotion Multivan[2] was the main focus of the motor show for Volkswagen commercial vehicles. Using 6.4 liters of fuel per 100 km and emitting 169 grams of CO_2 per km (combined), this economical vehicle achieves top marks in its segment for fuel consumption and emissions. This is possible thanks to its aerodynamic design features and technical innovations such as the start-stop system. Further attractions were the Amarok with its new hardtop and the Caddy Highline with its luxury equipment features, including the “Climatronic” air-conditioning system and the multi-function steering wheel.

1 Fuel consumption and emission data can be found on page 21 of this report.
2 No binding consumption and emission data is currently available for this model.

Emission and consumption data

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)
Bugatti Veyron 16.4 Super Sport	882 (1.200)	37.2	14.9	23.1	539
Lamborghini Aventador LP 700-4	515 (700)	27.3	11.3	17.2	398
Porsche Panamera S Hybrid	380 (279)	7.6/7.4*	6.8/6.6*	7.1/6.8*	167/159*
Porsche Panamera Turbo S	550 (405)	17.0/16.7*	8.4/8.3*	11.5/11. 3*	270/265*

* Without/with rolling resistance-optimized 19-inch all-season tires

Update to the risk assessment of the significant investments

The following comment must now be added to the risk report of the Porsche Zwischenholding GmbH group in the annual report of Porsche SE for the short fiscal year 2010: The disaster in Japan is also of significance for the Porsche Zwischenholding GmbH group. Immediately after the natural disaster occurred, the Porsche Zwischenholding GmbH group set up a task force that is constantly analyzing the situation and using its findings to create corresponding measures. These measures are having the desired effect. It is not currently possible to forecast the extent to which Japanese suppliers' difficulties making deliveries, a possible economic slowdown in the Far East, and a drop in demand could impact Porsche. The natural disaster could adversely affect vehicle production and vehicle sales.

The following comment must now be added to the risk report of the Volkswagen group in the annual report of Porsche SE for the short fiscal year 2010: the natural disasters in Japan and their potential consequences are expected to have a substantial impact on macroeconomic growth in Japan and other countries. This could adversely affect vehicle production and unit sales.

Outlook

Anticipated development of significant investments

The Porsche Zwischenholding GmbH group expects that sales and revenue will continue to grow in the fiscal year 2011 in comparison to 2010. This growth is likely to be driven by continued high demand for Porsche vehicles in China and other emerging markets. Moreover, the Porsche Zwischenholding GmbH group expects its attractive product range to fuel further growth in demand in the main markets of Europe and North America. Negative effects from the natural disaster in Japan cannot be completely excluded at present, but will not have a lasting negative effect on the positive overall forecast.

After the global economy largely recovered in 2010 from the severe slump of the previous year with above-average growth, the Volkswagen group expects this upward trend to weaken slightly in the current year. Volkswagen continues to see the most dynamic growth prospects in the emerging markets of Asia and Latin America, whereas the industrialized nations will continue to experience only moderate growth. However, the strained debt situation of many countries and a further increase in inflationary tendencies are dampening economic prospects to a certain extent. The natural disasters in Japan and their potential consequences are expected to have a substantial impact on macroeconomic growth in Japan and other countries. This could adversely affect vehicle production and unit sales.

In 2011, the Volkswagen group's nine brands will once again introduce a large number of fascinating new models to the market, thus further expanding the group's strong position in the global markets. Volkswagen therefore expects its deliveries to customers to increase as against the previous year.

The Volkswagen group expects its sales revenue and operating profit in 2011 to be higher than in the previous year. However, the continuing volatility in interest and exchange rate trends and commodities prices will weaken the positive volume effect. Disciplined cost and investment management and the continuous optimization of processes remain core components of the Volkswagen group's "Strategy 2018".

Anticipated development of the Porsche SE group

The Porsche SE group's profit/loss is largely dependent on the results of operations and the profit/loss of the significant investments in Porsche Zwischenholding GmbH and Volkswagen AG, which are accounted for at equity, that is attributable to Porsche SE.

In view of the recovery of the automotive markets and the growth enjoyed by China and other emerging markets, Porsche SE expects the profit/loss attributable to it from investments accounted for at equity to develop positively in 2011. The profit/loss attributable to the company from investments accounted for at equity will, however, continue to be negatively influenced by the effects resulting from amortization of the purchase price allocations carried out at the time of inclusion of Porsche Zwischenholding GmbH as a joint venture and Volkswagen AG as an associate. In addition, the interest expenses associated with the existing syndicated loan will have a negative impact on the group's profit/loss until this loan has been repaid in full. However, following the repayment of a significant portion of the syndicated loan in April 2011, the interest expenses of Porsche SE and therefore the negative impact on profit/loss will decrease considerably. Therefore, Porsche SE expects to generate a profit before special effects at group level in the fiscal year 2011.

Special effects on the group's profit for the fiscal year 2011 could arise from an adjustment through profit or loss of the valuation of the put and call options for the shares in Porsche Zwischenholding GmbH remaining with Porsche SE. At the date of this interim report, it is not possible to conclusively assess the amount of such adjustment. The factors underlying the valuation are not wholly within the control of Porsche SE and may change over time. This concerns above all the probability that the merger, as defined by the basic agreement will fail, i.e., the theoretical probability of the exercise of the options, as well as the actual enterprise value of Porsche Zwischenholding GmbH, which in turn depends to a large extent on the underlying planning and the cost of capital derived as of the valuation date. Both an increase in the theoretical probability of the exercise of the options and a sustained improvement in the profit forecasts of the Porsche

Zwischenholding GmbH group could lead to an adjustment in the valuation of the put and call options that reduces the profit for the year. An increase in the cost of capital used in determining the enterprise value could, however, have a positive impact on the net valuation result from the point of view of Porsche SE. Depending on the changes in the significant parameters in the fiscal year 2011, Porsche SE cannot rule out that the valuation of the put and call options may give rise to effects on profit or loss that might produce a net loss for the year at group level despite the profit before special effects.

The repayment of a significant portion of Porsche SE’s syndicated loan using the issue proceeds of the capital increase performed in April 2011 has satisfied a further condition for the merger of Porsche SE into Volkswagen AG. However, there is still uncertainty with regard to the tax framework for the merger. In addition, the effects that the claims for damages brought against Porsche SE in the USA and by various fund companies and a private individual in Germany will have on the merger cannot be conclusively assessed given the current status of litigation. The Stuttgart public prosecutor announced on 22 February 2011 that the investigations against two former executive board members of Porsche SE, inter alia because of allegations of manipulating the market in Volkswagen shares, would take longer than anticipated. The outcome of the investigations is of relevance for the valuation, for purposes of the merger of Porsche SE into Volkswagen AG, of the damage claims raised against Porsche SE based on allegations of market manipulation (we refer to our statements in the sections “Significant events” and the section “Litigation risks and legal disputes” in this interim report). Since the end of the investigations can be expected at the earliest at the beginning of 2012, the legal and tax assessments of the merger of Porsche SE into Volkswagen AG to be made under the basic agreement will likely be delayed. In the executive board’s view, the probability that the merger can be achieved under the timeline of the basic agreement (which requires that the necessary shareholder resolutions on the merger are made in 2011) is therefore 50 percent.

In the view of the Porsche SE executive board, the overall probability of the merger decreases in case of substantial delays in the merger process compared to the timeline of the basic agreement.

Nevertheless, the executive board of Porsche SE is currently of the opinion that the assessments can be finalized so timely that the merger can be achieved even after 2011.

Porsche Zwischenholding GmbH group in numbers

		FY 2011 (Jan – Mar)	2010* (Jan – Mar)	Change in percent
Unit sales (new cars)	**Vehicles**	**23,442**	**20,744**	**+ 13.0**
911		4,750	5,717	– 16.9
Boxster/Cayman		2,490	2,949	– 15.6
Cayenne		11,487	7,088	+ 62.1
Panamera		4,715	4,990	– 5.5
Regions	**Vehicles**	**23,442**	**20,744**	**+ 13.0**
Europe		8,099	6,488	+ 24.8
thereof Germany		*2,921*	*2,491*	+ *17.3*
Asia/Rest of world		8,240	8,772	– 6.1
Americas		7,103	5,484	+ 29.5
thereof North America		*6,341*	*5,134*	+ *23.5*
Production	**Vehicles**	**31,366**	**15,843**	**+ 97.9**
911		6,044	4,878	+ 23.6
Boxster/Cayman		3,961	2,924	+ 35.5
Cayenne		15,189	2,402	>100.0
Panamera		6,172	5,639	+ 9.5
Headcount (31 March 2011 or 31 December 2010)		13,510	13,159	+ 2.7

* Comparative period in prior year

Volkswagen group in numbers

		2011 (Jan – Mar)	2010 (Jan – Mar)	Change in percent
Unit sales (new cars)	**Vehicles**	**2,030,760**	**1,702,601**	**+ 19.3**
VW passenger cars		1,077,266	944,926	+ 14.0
Audi		373,745	316,425	+ 18.1
Škoda		181,129	142,380	+ 27.2
SEAT		93,158	91,454	+ 1.9
Bentley		1,265	1,177	+ 7.5
VW commercial vehicles		107,897	73,182	+ 47.4
Scania		19,065	11,947	+ 59.6
VW China		512,006	409,421	+ 25.1
Other*		– 334,771	– 288,311	–
Regions	**Vehicles**	**2,030,760**	**1,702,601**	**+ 19.3**
Europe / other markets		1,030,180	889,816	+ 15.8
North America		150,452	125,388	+ 20.0
South America		228,241	208,773	+ 9.3
Asia-Pacific		621,887	478,624	+ 29.9
Production	**Vehicles**	**2,065,007**	**1,733,880**	**+ 19.1**
Headcount (31 March 2011 or 31 December 2010)		427,184	399,381	+ 7.0

* Elimination of intercompany deliveries