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The Dawn of a New Era: Porsche's "New Departure" Policy

Historic decisions were taken in the Porsche Arena in June: Porsche will move into the future with a new corporate structure and a different legal form. In his speech, Porsche CEO Dr. Wendelin Wiedeking filled the stockholders with enthusiasm for the "New Departure" policy, which was unanimously adopted. "June 26 marks a milestone in the history of Porsche, so rich in tradition," Wiedeking said, underscoring the historic moment and the significance of the decisions.

Porsche is entering this new era with a powerful tailwind. The Supervisory Board's new chairman, Dr. Wolfgang Porsche, confidently conducted the second General Meeting within half a year in the Porsche Arena. Wiedeking saw the gathering as historic: "This date will very probably show up in the history books."

On June 26, 2007, Porsche took far-reaching decisions to prepare for the future:

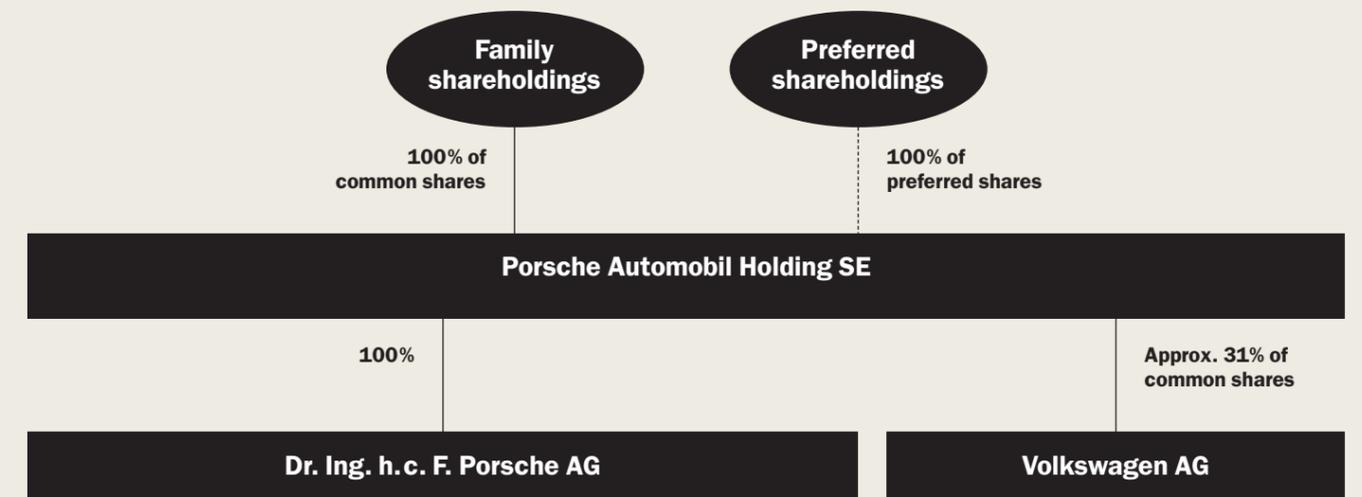
- The operative business of Porsche AG is to be spun off to a wholly owned subsidiary.
- A domination and profit-transfer agreement is to be entered into between the future holding

corporation and the subsidiary. Then, the corporation that is to act as the holding company is to be converted into a European corporation—a Societas Europaea (SE).

- The holding is to be run under the new name "Porsche Automobil Holding SE," based in Stuttgart. The operative subsidiary is to continue under the name "Dr. Ing. h.c. F. Porsche AG."

Today's Porsche shareholders will thus become equity holders of Porsche Automobil Holding SE. There are good reasons for this: "The move to a European corporation was one we considered very thoroughly," Wiedeking explained. "This legal form is a supranational arrangement that has been possible since 2001, and is

The structure after the transformation



From the talk to the shareholders:

"In his monumental book *The Origin of Species*, Charles Darwin subtitled a chapter 'Survival of the Fittest'—which has often been mistranslated into German as the 'strongest.' But being 'fit' is quite different from being 'strong.' The 'strong player' seeks to force his way ahead against all kinds of resistance, while the 'fit contender' seeks to avoid resistance through cleverness and flexibility. We have learned by now that size alone does not necessarily guarantee success. But we also know that being strong, while important, is not enough, either. So let me repeat what I have already said several times and what I believe is particularly appropriate on a memorable day like this one: It is not the biggest or strongest that will survive, or even the fastest. Rather, the cleverest, the most intelligent, will prevail."

based on European law. This transformation will merely result in a change of the legal form, while the corporation itself will continue." The holding structure serves to separate the operative business activity at Porsche from the management of the corporation's participation in Volkswagen.

Wiedeking emphasized that this would guarantee that Porsche stay Porsche, and that nothing important would change—neither the structure of the plants, the subcontractors, the production and development partners, the dealers, nor Porsche's other partners. The existing business connections and legal relationships also will remain unchanged. ▶

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Premiere: The Supervisory Board's new chairman, Dr. Wolfgang Porsche, confidently chaired his second General Meeting since taking office

With the spin-off, the areas of responsibility of the company's management will be broken down into participation management, on the one hand, and the development, production, and sale of premium sporty vehicles by the Dr. Ing. h.c. F. Porsche AG, on the other. Wiedeking stressed, "We will not integrate the Porsche and Volkswagen enterprises into a network organization. Not only is this no wedding made in heaven; we aren't even getting married on earth."

The entry of Porsche Automobil Holding SE in the trade register, and hence the effective change of legal form to an SE, cannot be carried out until the presentation of the annual report for fiscal year 2006/07—this November, at the earliest. Nothing will change in terms of Porsche's values, as the CEO made plain in his speech: "The battle for positions in the globalized world has only just started. And we are facing this challenge—with courage, and also with the courage to take risks." ◆



From the talk to the shareholders:

"For we wish to become what we have always promised in Wolfsburg: a reliable partner. Of course, that does not imply that we will merely play the role of an observer. After all, we have now invested more than €5 billion in our stake in VW, and it would be completely negligent not to keep a close eye on such an investment. However, we will exert our influence from and through the holding company, and not through Dr. Ing. h.c. F. Porsche AG, which will be an independent operative entity, and will naturally have its own interests, which will not always—quite obviously—be identical with those of the VW Group. Thus, through this corporate structure, we are protecting not only Volkswagen but also Porsche, and making it perfectly clear that it is not going to be a case of the tail wagging the dog."

Figures for the First Ten Months: The 911 Heads for a New Sales Record

Porsche has continued to speed ahead during the first ten months of the current fiscal year 2006/07, which ends on July 31. A total of some 79,540 vehicles were sold through May—roughly matching the sales results of the previous year's period. The group's total sales volume for that period was €5.98 billion, slightly higher than last year's €5.96 billion. It must be considered that production of the first-generation Cayenne was discontinued in November 2006, and that sales of the

new generation of the SUV didn't begin until February 24 in Europe and Asia, and March 3 in North America. Porsche will thus stay at the very high level of the previous year for this entire financial year, in both sales and sales volume. Announcing the result, Wiedeking referred to "an upward push once again." It was, he said, not difficult to predict that "the annual result at the end of the fiscal year will be considerably, and I mean considerably, above the €2.1 billion we earned last year."

The 911 is still a worldwide success. The production series is heading for a record-breaking sales performance in fiscal year 2006/07, with sales of the 911 increasing by 12.2 percent, to 31,287 vehicles. Sales of the Boxster totaled 22,806 units by the end of May, only slightly below last year's level, 13,586 of which were for the two mid-engine coupes Cayman and Cayman S. And the new Cayenne is receiving a warm welcome worldwide: 25,436 had already been sold by the end of May.