Declaration of Compliance with the Corporate Governance Code

Background Information
On February 26, 2002, the Federal German Government Commission on the Corporate Governance Code introduced a code of conduct for the management and supervisory boards of companies listed on the stock exchange. Under a declaration of compliance, the management and supervisory boards of listed companies are obliged to make an annual declaration as to whether they have complied and are continuing to comply with the code, or which of the recommendations contained in the code have not been applied.

As a result of previous experience in applying the code and current developments within the EU, the Corporate Governance Code has now been updated. These amendments were agreed on May 21, 2003 by the Government Commission on the German Corporate Governance Code and published in the electronic version of the German Federal Legal Gazette on July 4, 2003. This Declaration of Compliance is based on the amended version.

Declaration of Compliance for Porsche AG
Porsche AG complies with the vast majority of the non-mandatory regulations of the code. However, Porsche AG does not comply with a number of regulations, mainly as a result of certain company-specific factors. These regulations are listed below, together with the reasons for non-compliance:

"If the company takes out D & O (directors' and officers') insurance policies for the Management Board and Supervisory Board, a suitable deductible shall be agreed."

This recommendation is not being followed. Porsche insures the D & O risk under its general asset and liability insurance but does not include a specific deductible in the total premium payable. A large deductible, which would have to be a standard sum in order to comply with the principle of equality, would have widely differing effects on the members of the executive and supervisory boards according to their individual circumstances in respect of private incomes and assets. In the worst case, a less well-off member of the supervisory board might find him/herself in serious financial difficulties, which cannot be considered fair, in view of the fact that all members have the same obligations.

"The Supervisory Board shall set up an Audit Committee which, in particular, handles issues of accounting and risk management, the necessary independence required of the auditor, the issuing of the audit mandate to the auditor, the determination of audit focal points and the fee agreement."

The particular features of Porsche's shareholder structure require all members of the supervisory board to receive the same quality and quantity of information on all important topics. It has always been characteristic of Porsche's practice that the entire supervisory board is given very detailed information, especially on accounting and risk management, and has in-depth discussions on the annual accounts with the auditor.

"Payments made by the company to the members of the Supervisory Board or advantages extended for services provided individually, in particular advisory or agency services, shall also be listed separately in the notes to the Consolidated Financial Statements."

Being able to call on the expertise of individual family shareholders on specific subjects at any time represents an exceptional advantage for Porsche AG. This collaboration is carried out on terms that are usual in this business sector and which also apply to comparable dealings with third parties.

"Suitable information shall be provided in the Notes to the Consolidated Financial Statements regarding the purchase or sale of shares in the company or its parent company, and any options or derivatives relating to them, by members of the Management Board and Supervisory Board. The shareholdings, including options and derivatives, held by individual members of the Management and Supervisory Boards, shall be reported, if these directly or indirectly exceed 1% of the shares issued by the company. If the entire holdings of the Management Board and Supervisory Board exceed 1% of the shares issued by the company, these shall be reported separately according to the Management Board and Supervisory Board."

All the common stock is owned by the Porsche and Piëch families and the proportions of shares owned are published as required by share trading legislation. This recommendation will not be followed, as it is not appropriate to the situation at Porsche.

"The Consolidated Financial Statements and interim reports shall be prepared under observance of internationally recognized accounting principles."

The Porsche AG management board has decided to take advantage of the time frame contained in the legislation and not to convert to international accounting standards until 2005. The main reason for this is that these regulations are still in a state of flux. Converting later, on what will, by then, be a secure basis, will considerably reduce the expenditure involved.

"The Consolidated Financial Statements shall be publicly accessible within 90 days of the end of the financial year, and the interim reports within 45 days of the end of the reporting period."

Porsche has established a publication cycle corresponding to its unusual financial year, which guarantees the company optimum publicity. We do not consider it appropriate to deviate from this practice.

"Notes on the relationships with shareholders considered to be related persons pursuant to the applicable accounting regulations shall be provided in the Consolidated Financial Statements."

This recommendation is not being followed because of the special character of Porsche AG's shareholder structure. There have been and still are many and varied relationships with the common stockholders of the Porsche and Piëch families, for which this schematic form of publication is not appropriate. Moreover, the remarks made previously also apply to this form of collaboration, which is carried out according to common practice in the sector.

"Shareholders and third parties are mainly informed by the Consolidated Financial Statements. They shall be informed during the financial year by means of interim reports."

The company issues interim reports. However, Porsche rejects quarterly reporting, for reasons of principle that have already been explained in detail.

"Compensation of the members of the Management Board shall be reported in the Notes to the Consolidated Financial Statements, subdivided according to fixed, performance-related and long-term incentive components. The figures shall be individualized."

We show the salaries of the members of the Management Board subdivided according to fixed and performance-related components. There is no share option scheme in Porsche AG. We will not comply with the non-mandatory regulation in the code requiring payments to board members to be shown individually. In our opinion, the associated disadvantages – particularly the inevitable leveling up of board members' salaries and the invasion of the individuals' right to privacy – outweigh the advantages of such a practice to investors. The latter are, in any case, unaware of the criteria and scales on which the differentiation between board members' salaries is based.

"Payments to the members of the Supervisory Board shall be reported in the Notes to the Consolidated Financial Statements, individualized and subdivided according to components. Also payments made by the enterprise to the members of the Supervisory Board or advantages extended for services provided individually, in particular advisory or agency services, shall be listed separately in the Notes to the Consolidated Financial Statements."

We show the payments to members of the Supervisory Board in the total amount. We do not report individually, as we do not see any extra advantage in this for investors, in view of the level of payments. With regard to payments for services provided individually, what was said earlier applies.

Dr. Ing. h.c. F. Porsche Aktiengesellschaft
Supervisory Board and Management Board