Declaration of Conformity with the Corporate Governance Code

The Background
On February 26, 2002, the Federal German Government Commission on the Corporate Governance Code introduced a code of conduct for the Executive and Supervisory Boards of companies listed on the stock exchange. The Executive and Supervisory Boards of listed companies are obliged to make an annual declaration of conformity as to whether they have complied and are continuing to comply with the code, or which of the recommendations contained in the code were not or are not being applied.

In November 2002, May 2003 and June 2005 the Corporate Governance Code was updated. The version dated June 2, 2005 forms the basis for this Declaration of Conformity.

Declaration of Conformity by Porsche AG
Porsche AG complies with the vast majority of the non-mandatory regulations of the code. It does not however comply with a number of regulations, primarily as a result of company-specific factors. These regulations are listed below, together with the reasons for current and future non-compliance:

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

This recommendation has not so far been complied with and will not be complied with in the future. 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 consequences for 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 prosperous member of the Supervisory Board might find himself/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, shall handle issues of accounting and risk management, the necessary independence required of the auditor, issue of the audit mandate to the auditor, determination of audit priorities and the agreed fee. The chairperson of the Audit Committee should possess specific knowledge and experience of the application of accounting principles and internal auditing procedures."

The specific features of Porsche's stockholder 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 Porsche practice that the entire Supervisory Board should be given very detailed information, especially on accounting and risk management, and should hold in-depth discussions on the annual accounts with the auditor. For this reason the recommendation has not so far been complied with and will not be complied with in the future.

"Shares in the company or related financial instruments held by members of the Executive and Supervisory Boards, shall be reported (in the Corporate Governance Report), if they directly or indirectly exceed one percent of the shares issued by the company. If the entire holdings of Executive Board and Supervisory Board members exceed one percent of the shares issued by the company, they are to be stated separately for the Executive Board and the Supervisory Board."

All the common stock is owned by the Porsche and Piëch families; the proportions of shares owned are published as required by share trading legislation. Purchases and sales of Porsche preferred stock by members of the Executive or Supervisory Boards are published insofar as this is required by § 15a of the German Stock Trading Act. Publication in any other form of the shares or related financial instruments held by members of these bodies has not taken place so far and is not envisaged in the future.

"The Consolidated Financial Statements and interim reports shall be prepared in conformity with internationally recognized accounting principles."

The Porsche AG Executive Board converted its accounts to International Financial Reporting Standards (IFRS) on July 31, 2005. Before this date the consolidated financial statements and interim reports of Porsche AG were drawn up and published in accordance with the regulations imposed by German commercial law.

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

Porsche has established a publication cycle corresponding to its non-standard fiscal year, which guarantees the company optimum publicity. As in the past, it regards any deviation from this practice as inappropriate.

"In order to permit independent advice to and supervision of the Executive Board by the Supervisory Board, the Supervisory Board should have what it regards as a sufficient number of independent members. A member of the Supervisory Board is regarded as independent if he/she has no business or personal relationship with the company or its Executive Board that could lead to a conflict of interests."

This recommendation does not allow for the special character of Porsche AG's shareholder structure. It has therefore not been complied with in the past and will not be complied with in the future.

There have been and still are many and varied relationships with holders of common stock that are members of the Porsche and Piëch families. Members of both families sit on the Supervisory Board of Porsche AG and undertake supervisory functions as co-proprietors. No conflict of interests is identifiable as a result of this.

"Shareholders and third parties are primarily supplied with information by the Consolidated Financial Statements. They are to be informed during the fiscal 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.

"Payments to members of the Executive Board are to be shown in the Notes to the Consolidated Financial Statements, subdivided according to fixed, performance-related and long-term incentive components. The figures are to be individualized."

We show the salaries of members of the Executive Board subdivided according to fixed and performance-related components. Porsche AG does not operate a share option scheme. It has not complied with the regulation in the code requiring payments to board members to be shown individually, and will not do so in future provided that this regulation remains non-mandatory. 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 to investors of such a practice. The latter are, in any case, unaware of the criteria and scales on which differences between board members' salaries are based. It should be noted that the new law calling for the publication of the salaries of members of the Executive Board, which comes into force in 2006, permits the stockholders' general meeting to decide, by a three-quarters majority of the capital with voting rights that is represented at the meeting, not to publish the salaries of individual members of the Executive Board.

"Members of the Supervisory Board are to be elected individually."

In view of our specific stockholders' structure, we regard this recommendation as unreasonable in normal circumstances.

"Payments to the members of the Supervisory Board shall also be shown in the Corporate Governance Report, individualized and subdivided according to constituent elements."

We show payments to the Supervisory Board in the Notes to the Annual Report as a single sum. We have not so far stated the sums paid to individuals, nor will we do so in future, because we see no additional advantage for investors in this in view of the level of payments involved and the requirements stated in the statutes.

"Payments made to members of the Supervisory Board or benefits granted to them in respect of personal services rendered, in particular advisory or negotiating services, are also to be shown individually and separately in the Notes on the Consolidated Financial Statement."

The ability to access the expertise of individual members of the families that are stockholders in the company on specific subjects represents a particular advantage for Porsche AG. This cooperation takes place on terms that are customary in this business sector and which are also complied with in the event of comparable business arrangements being undertaken with third parties. The recommendation is inappropriate for the character of a family-owned business and for this reason has not so far been complied with and will not be complied with in the future.

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