

## 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 behavior for executive boards 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 have not been or are not applied.

In November 2002, May 2003 as well as in June 2005 and June 2006 the Corporate Governance Code was updated. For the period between October 24, 2005 and July 23, 2006, the following declaration of conformity is based on the version of the code from June 2, 2005. For the corporate governance practice of Porsche AG since July 24, 2006, the following declaration of conformity is based on the version of the code from June 12, 2006 which was published in the electronic version of the Federal Gazette (Bundesanzeiger) on July 24, 2006.

### Declaration of Conformity by Porsche AG

Porsche AG complies with the vast majority of the non-mandatory regulations of the Code. However, it does not comply with a number of regulations, primarily as a result of company-specific factors. These regulations, which were not complied with in the past and which will not be complied with in future, are listed below, together with the reasons for current and future non-compliance:

“If the company takes out a D&O (directors and officers’ liability insurance) policy for the executive board and supervisory board, a suitable deductible should be agreed.”

This recommendation is not complied with. Porsche insures the D & O risk under its general asset and liability insurance and 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 depending on their individual circumstances in respect of private income and assets. In the worst case, a less wealthy member of the Supervisory Board might find himself/herself in serious financial difficulties which, in view of the fact that all members have the same duties and obligations, is not fair.

“The supervisory board should establish an audit committee which, in particular, deals with 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 agreed fee. The chair of the audit committee should possess specific knowledge of and experience with the application of accounting principles and internal auditing procedures.”

The special features of Porsche’s shareholder structure require that all members of the Supervisory Board receive the same quality and volume 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 financial statements with the auditor.

“Shares in the company or related financial instruments held by members of the executive and supervisory boards should be reported if they directly or indirectly exceed one percent of the shares issued by the company. If the entire holdings of all members of the executive board and supervisory board exceed one percent of the shares issued by the company, these should be reported separately for the executive board and supervisory board.”

All the ordinary shares are owned by the Porsche and Piëch families; the share ratios are published as required by share trading legislation.

Purchases and sales of Porsche preference shares by members of the Executive or Supervisory Boards are published to the extent that this is provided for by § 15a German Securities Trading Act (WpHG). 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 should be publicly accessible within 90 days of the end of the fiscal year; interim reports should be publicly accessible within 45 days of 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. We do not consider a deviation from this practice to be appropriate.

“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. There have been and still are many and varied relationships with holders of ordinary shares 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-owners. We see no conflict of interests here.

“Shareholders and third parties are mainly 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 on principle; the reasons have been explained in detail.

“The total compensation of each member of the executive board is to be disclosed by name, divided into non-performance-related, performance-related and long-term incentive components, unless decided otherwise by the General Meeting by three-quarters majority.”

“Disclosure should be made in a compensation report which as part of the corporate governance report describes the compensation system for executive board members in a generally understandable way.

(...) In the case of pension plans, the allocation to accrued pension liabilities or pension funds are to be stated each year. The substantive content of severance awards for executive board members should be disclosed if in legal terms the awards differ significantly from the awards granted to employees. The compensation report should also include information on the nature of the fringe benefits provided by the company.”

We show the salaries of the members of the Executive Board subdivided into fixed and performance-related components. Porsche AG does not operate a stock option scheme. We do not comply with the recommendation of the Code to show the payments to board members to be shown individually. In our opinion, the associated disadvantages, particularly the inevitable upward leveling of the board members' salaries and the invasion of the individuals' right to privacy, outweigh the

advantages to investors of such a practice. The investors are, in any case, unaware of the criteria on which differences between board members' salaries are based. In any case, the German Directors Remuneration Disclosure Act (VorstOG) applicable for the financial statements and consolidated financial statements for the fiscal year beginning after December 31, 2005 leaves it up to the annual general meeting to pass a resolution with a three-quarters majority of the share capital entitled to vote against the publication of the salaries of the individual board members.

A resolution to this effect was adopted unanimously at the annual general meeting of Porsche AG on January 27, 2006. As a result, the required information can be omitted for five years.

“Members of the supervisory board should be elected individually.”

In view of our specific shareholders' structure, we consider this recommendation to be unreasonable under normal circumstances.

“Payments to the members of the supervisory board should be reported individually in the corporate governance report, subdivided by component.”

We show payments to the Supervisory Board in the notes to the financial statements presented in the annual report as a single sum. We do not state the sums paid to individuals because we see no additional advantage for investors in this in view of the level of payments involved and the requirements stated in the articles of incorporation and by laws.

“Also 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 should be listed separately in the corporate governance report.”

The ability to access the expertise of the individual members of the families that are shareholders 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 a family-owned business and is therefore not complied with.

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