Corporate Governance Report

Cooperation between Executive Board and Supervisory Board
During the fiscal year the Supervisory Board was kept informed in detail of the company's position, business progress and business policy by means of written and verbal reports from the Executive Board, and in joint meetings, and on the basis of this information has monitored the activities of company management. The Supervisory Board also examined fundamental issues of corporate planning, in particular financial, investment and human resources planning.

Remuneration Report
Porsche does not comply with the recommendation of the Corporate Governance Code to publish the total compensation of every member of the Executive Board in a compensation report. Non-compliance is explained in the following compliance declaration.

Risk Management
The details of the risk management system from Porsche are given in detail on pages 21–25 of the management report. The Supervisory Board has examined these explanations and has embraced them. To avoid repetition, it has been decided not to reproduce them here.

Communication and Transparency
The Porsche Group publishes a financial calendar in its annual report, its interim report and its homepage at www.Porsche.de listing all the dates of importance for the stockholders.

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 standard of good and responsible corporate governance 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 continue to comply with the Code, or which of the recommendations contained in the Code have not been or are not applied.

For the period until July 20, 2007 the declaration below refers to the version of the Code amended June 12, 2006 and for the period since July 21, 2007 to the version of the Code amended June 14, 2007.

Declaration of Conformity by Porsche AG
The Executive Board and Supervisory Board of Dr. Ing. h.c. F. Porsche AG declare in accordance with §161 German Stock Corporation Act (AktG) that the company has essentially complied and does comply with the recommendations of the Government Commission of the German Corporate Governance Code announced by the Federal Ministry of Justice in the official part of the electronic Federal Gazette. However, it has not and does not comply with the following recommendations, primarily as a result of company-specific factors.

"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." (No. 3.8 German Corporate Governance Code).

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 and compliance, the necessary independence required of the auditor, issue 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." (No. 5.3.2 German Corporate Governance Code).

"The supervisory board is required to form a nomination committee composed exclusively of shareholder representatives and which proposes to the supervisory board suitable candidates for its election nominations to the annual general meeting." (No. 5.3.3 German Corporate Governance Code).

Porsche has a highly quality and dedicated Supervisory Board with just twelve members. It has always been characteristic Porsche practice that the entire Supervisory Board should be given very detailed information, especially on strategy issues, accounting and risk management, and should hold in-depth discussions on the financial statements with the auditor. The Supervisory Board also deals in depth with the resolutions proposed to the annual general meeting including election nominations for Supervisory Board members. Neither an audit committee nor a nomination committee would therefore concur with the way the Supervisory Board works nor improve it.

"Beyond the statutory obligation to report and disclose dealings in shares of the company without delay, the ownership of shares in the company or related financial instruments by executive board and supervisory board members shall be reported if these directly or indirectly exceed 1 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. This information should be contained in the Corporate Governance Report." (No. 6.6 German Corporate Governance Code).

All ordinary shares are owned by the Porsche and Piëch families; the share ratios are published by Porsche AG as required by the German Securities Trading Act (WpHG).

Notifications of purchases and sales of Porsche preference shares by members of the Executive or Supervisory Boards are published in accordance with §15a WpHG to the extent that this is provided for by § 15a 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." (No. 7.1.2 German Corporate Governance Code).

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." (No. 5.4.2 German Corporate Governance Code).

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." (German Corporate Governance Code amended June 12, 2006).

The company always publishes the legally required interim report and interim announcements. However, Porsche rejects quarterly reporting on principle; the reasons have been explained in detail in the past.

"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." (No. 4.2.4 German Corporate Governance Code).

"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.

The presentation of the concrete form of a stock option plan or comparable schemes for components with a long-term incentive effect and risk character shall include the value thereof. (…) In the case of pension plans, the allocation to accrued pension liabilities or pension funds is to be stated each year. The main substance of severance awards for executive board members shall be disclosed if in legal terms the awards differ not insignificantly from the awards granted to employees. The compensation report shall also include information on the nature of the fringe benefits provided by the company." (No. 4.2.5 German Corporate Governance Code).

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 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. Moreover, the new law governing the disclosure of board salaries applicable from 2006 leaves it up to the annual general meeting to pass a resolution with a three-quarters majority of the voting capital stock to waive the publication of the compensation of the individual members of the Executive Board.

The annual stockholders' meeting of Porsche AG unanimously passed resolutions to this effect on January 27, 2006 as did the extraordinary stockholders' meeting of Porsche AG on June 26, 2007. The compensation of the Executive Board is published individually and a compensation report is not issued.

"Members of the supervisory board should be elected individually." (No. 5.4.3 German Corporate Governance Code).

In view of our specific shareholder 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." (No. 5.4.7 German Corporate Governance Code).

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 bylaws.

"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." (No. 5.4.7 German Corporate Governance Code).

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. Taking the legal requirements into account, 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 company has taken a fundamental decision not to present individual information about the compensation for personal services rendered in the Corporate Governance Report.

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