PORSCHE SE

# Porsche AG company accounts 2006/07

Porsche Automobil Holding SE
Box
D-70432 Stuttgart
Telephone +49(0)711 911-0

# Group Management Report and Management Report of Dr. Ing. h.c. F. Porsche AG

New records in sales, turnover and profit reflect Porsche's successful course. The very healthy core business was, however, affected by expenses arising from measures to safeguard the future of the company such as high development costs for the four-door Gran Turismo Panamera.

**Robust Global Economy**

In the reporting year, the global economy continued to grow, driven by the fast developing countries in Asia. In China alone the gross domestic product grew in the first half of 2007 at a rate not seen for twelve years, even somewhat eclipsing the slowing momentum of the US economy. The US economy was indeed suffering increasingly from the consequences of bad debts in the property market and the impending loss of assets by consumers. Towards the end of the reporting year in August 2007, a number of banks also got into difficulties, not only in North America but worldwide. The impact of the mortgage crisis was, however, restricted and the USA steered clear of a slump in economic activity. The important economic force Japan and also the European Union kept on course for growth alongside China.

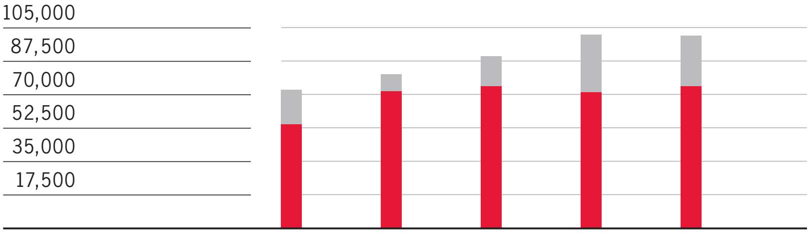
In the euro zone, the main driver of the upswing was further growth in investment. Overall, private consumption also picked up, unfortunately with the exception of Germany. The increase in VAT at the beginning of 2007 caused Europe's largest economy to lag behind. However, all things considered the effects of the tax increase were contained. Thanks to growing investment in capital goods, the economic upswing in Germany continued. Unemployment figures dropped markedly and good progress was made in the consolidation of public budgets.

German exports continued to grow at a faster rate than world trade as a whole. The slight dip in the US economy and the strong euro were, however, hardly perceptible because German companies have greatly improved their international competitiveness in recent years and the order books are full.

**Porsche Sets the Next Record**

Once again, Porsche returned record unit sales. Despite the model change in the Cayenne series, unit sales grew 0.7 percent to 97,515 vehicles in the 2006/07 fiscal year. Yet again, the classic Porsche 911 series was the main driver of growth. The second generation of the sporty all-terrain vehicle Cayenne was also very well received by customers throughout the world. Although production of the first generation was phased out in November 2006 and the new Cayenne was not launched until the end of February 2007, unit sales of the series in the reporting year almost matched the figures of the previous year. The Boxster series, to which the two Cayman models belong, held its position in a segment which is characterized by tough competition worldwide.

**Porsche Vehicle Production**
in units




| | 02/03 | 03/04 | 04/05 | 05/06 | **06/07** |
|---|---|---|---|---|---|
| Germany | 55,253 | 72,669 | 75,062 | 72,207 | **75,132** |
| Finland | 18,031 | 8,862 | 15,892 | 30,395 | **26,712** |

The growth rate of the 911 was impressive. With an 8.8 percent increase to 37,415 vehicles (previous year: 34,386), the 911 once again set a new record. The 911 Turbo which was available for the first full fiscal year played a key role in this success story with 7,777 vehicles sold. However, the echo on the world market for the new GT3 and Targa 4 models was also good. Demand in the 911 Carrera series was particularly high for the S models.

72 percent of Carrera customers ordered the more powerful model. 41.5 percent of the buyers chose the cabriolet version. Following the market launch of the 911 Turbo and the Targa 4 which are both all-wheel drive variants, the total number of all-wheel drive variants already accounted 57.1 percent of unit sales in the 911 series in the 2006/07 fiscal year. After the end of the 2006/07 fiscal year, promising additions were once again made to the sports car series in the form of the 911 Turbo Cabriolet and the 911 GT2. Unit sales of the reporting year already contain 126 cars of the 911 Turbo Cabriolet.

The Cayenne, the sporty all-terrain vehicle, also did very well. As Porsche wanted to avoid dealers presenting the predecessor model alongside the new Cayenne, the second generation of the series was not launched until three months after the phase-out of the first generation. Despite this, unit sales in the reporting year reached 33,943 units, thus virtually matching the prior-year figure of 34,134 vehicles. This is proof of the excellent customer response to the new Cayenne with lower consumption engines. Of the total unit sales of the sporty all-terrain vehicle, the basic version with the V6 cylinder engine accounted for 12,554 units and the V8 cylinder engine for 21,389 vehicles, 6,145 of which were Turbos.

In the new 2007/08 fiscal year, Porsche expanded the series to include the particularly sport variant, the Cayenne GTS.

The two mid-engined sports cars Cayman and Cayman S stayed on course for success in the reporting year, with unit sales of 7,809 and 7,503 vehicles respectively. The Roadster Boxster and Boxster S faced particularly fierce competition in a shrinking market segment – the models crossed the finish line with 6,402 and 4,432 units sold. All things considered, the Cayman was largely able to offset the drop in sales of the Boxster so that the 26,146 vehicles sold in the Boxster series came close to the prior-year figure of 27,906. Porsche's unit sales also contain two RS Spyders. The racing car for the American LMP2 series with a price tag of around one million euros will be made available to customer teams.

Once again, group unit sales in the reporting year were lower than the number of vehicles actually produced. This was due to the fact that vehicles used within the Porsche Group are not recorded as new car sales. These include company cars and leased cars for employees, test vehicles, vehicles for the company fleet, test cars for the press, showroom vehicles and demonstration vehicles as well as replacement cars for customers for the sales companies within the Group and for dealers. These vehicles are generally sold as used cars and are thus not included in new car sales at the Porsche Group.

### Strong Demand in the Markets of the Future

Demand around the globe for the sports cars and sporty all-terrain vehicles was high. In the reporting year, North America remained the largest single market; sales in future markets such as China and Russia were, however, catching up fast. Porsche was also able to build seamlessly on the success of the previous fiscal year in the Middle East, Latin America and southern and eastern Europe. In total, unit sales on the export markets outside of North America rose by 9.2 percent to 49,625 units (previous year: 45,442).

In North America, the manufacturer of sporty premium vehicles reported a drop in unit sales of 10.3 percent to 33,576 (previous year: 37,431) vehicles. While the 911 slowed by 7.0 percent to 12,812 units, the model change during the reporting year caused unit sales of the Cayenne to drop

12.4 percent to a bottom line of 10,805 vehicles. Unit sales of the Boxster series dropped 10.8 percent to 9,957 units. Porsche's policy not to grant ex works discounts remains in force. Instead, vehicles are redirected to the up-and-coming regions of Asia where they are sold for a higher profit. As a result, the share of the North American region in total Porsche sales dropped by 34.4 percent compared to the 38.7 percent recorded the year before.

In Germany, the automobile industry struggled with the effects of the increase of VAT in 2007. Porsche nevertheless succeeded in raising unit sales by 2.8 percent in the 2006/07 fiscal year to 14,314 (previous year: 13,921) vehicles. Growth driver here was the 911, which recorded an increase of 14.8 percent to 7,304 vehicles. The Cayenne vehicles also did well despite the model change, staying 1.9 percent under the prior-year figure at 3,443 units. This shows just how strong the appeal of the new generation with reduced consumption engines is on the customers. The Boxster series achieved 3,564 units, a drop of 11.0 percent.

### Sales Revenue Growth Outpaces Unit Sales

In the reporting year, sales in the Porsche Group rose 3.4 percent to 7.368 billion Euro. In the previous year, sales – adjusted for the sale of CTS Car Top Systems GmbH – stood at 7.1 billion Euro. Compared to the 0.7 percent increase in unit sales, this figure shows how the product mix has continued to improve.

Once again, the majority of group sales were recorded in the vehicles division where sales amounted to 6.97 billion Euro, representing growth of 3.4 percent. The financial services entities recorded sales of 402.6 million Euro, mainly from leases, loans and credit cards. Porsche AG accounted for 6.17 billion Euro of total sales.

### Production in Full Swing

A total of 101,844 vehicles were produced, almost matching the prior-year figure of 102,602. With a year-on-year increase of 6.7 percent, 38,959 911 vehicles left the Stuttgart-Zuffenhausen plant. Due to the high demand for the 911, the vehicles in the Boxster series were assembled exclusively in Finland; a total of 26,712 units were produced compared to 30,680 the previous year. The Porsche plant in Leipzig manufactured 36,169 Cayennes, an increase of three percent. In addition, four racing cars in the LMP2 class were produced.

### Substantial Increase in Development Expenditures

Spending on internal developments was up on the previous fiscal year increasing by a three-digit million sum. After the market launches of the second generation of the sporty all-terrain Cayenne and the new sports cars in the 911 series, the Turbo, the GT3 and the Targa development work was downsized in these areas. On the other hand expenditure was still needed on new model variants such as the 911 Turbo Cabriolet, the 911 GT2 and the Cayenne GTS. However, in the 2006/07 fiscal year spending was particularly high on the development of the new, four-door Gran Turismo Panamera. This fourth Porsche series will be launched on the world markets in 2009. Expenditure on the hybrid drive, which has been brought forward and accelerated in light of the intense climate discussion, was a significant cost factor. This especially environmentally-friendly hybrid drive will be fitted in the Cayenne and Panamera series.

### New Jobs Created

The Porsche Group once again created jobs in the reporting year. As of the balance sheet date, July 31, 2007, the Group headcount stood at 11,571, a year-on-year increase of 1.6 percent. Many of the new jobs in the Group were created in research and development and at the Leipzig plant. On a standalone basis, the headcount of Porsche AG totaled 8,229 employees as of the cut-off date (8,257 in the previous year).

### Porsche Drives Home Record Result

In the past fiscal year, the Group's pre-tax result had risen to an extremely high figure of 2.110 billion Euro due to the investment in Volkswagen AG. In the reporting year, Porsche once again succeeded in raising the Group's pre-tax result to 5.857 billion Euro. Again, the disproportionately large increase is attributable to non-recurring effects in connection with the investment in Volkswagen.

The development of the operating result from Porsche's vehicle division was also highly satisfactory. At the same time, however, several factors weighed heavily on the result; these include the increased spending on the development of the four-door Gran Turismo Panamera and the development of an environmentally-friendly hybrid drive to be fitted in the Cayenne and Panamera series. In the wake of the significantly higher Group result, expenses for administration and personnel also rose. Costs were also incurred for the mandatory bid to Volkswagen


shareholders for the spin-off of Dr. Ing. h.c. F. Porsche AG and the conversion of the holding into a European stock corporation, a Societas Europaea (SE). Added to this were the expenditures for the extraordinary stockholders' meeting in Stuttgart at the end of June. The fluctuating exchange rate of the euro against the US dollar also negatively affected the result of Porsche compared to the previous fiscal year.

As the equity investment in Volkswagen is consolidated at equity, pro rata net income of Volkswagen AG must be allocated to the Porsche Group. For Porsche, a share of 30.6 percent of ordinary shares is taken as a basis. This is equivalent to 22.5 percent of the ordinary and preference shares issued by Volkswagen AG. The amount disclosed by the Porsche Group as income totaled 1.223 billion Euro. The dividend for the equity investment of 30.6 percent of the ordinary shares held in Volkswagen AG at the end of the fiscal year amounted to 111.1 million Euro. This dividend was recorded as income from equity investments at Porsche AG.

Income from hedging transactions concluded in connection with future purchases of Volkswagen shares and with a view to the mandatory bid to the Volkswagen shareholders came to a total of 3.593 billion Euro in the 2006/07 fiscal year. Moreover, as a result of the positive development of the Volkswagen share, the investment held had to be revalued. A write-up to income of 520.8 million Euro was therefore recorded in the reporting year.

Porsche achieved an excellent earnings level in the reporting year in comparison with its competitors thanks not least to further improved productivity, a stringent approach to costs and prudent hedging with respect to major currencies such as the US dollar. The Group's net income for the fiscal year (earnings after taxes) rose to 4.242 billion Euro after 1.393 billion Euro in the previous year. Porsche's equity investments in Germany and abroad contributed to the positive earnings development.

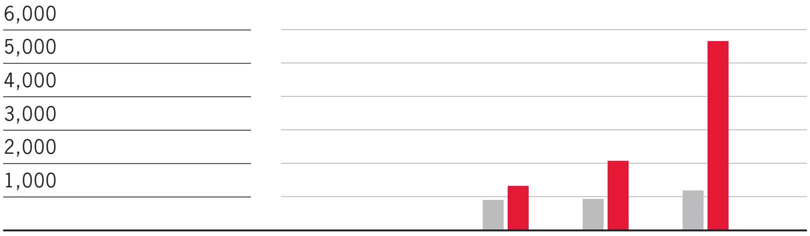
The pre-tax result calculated in accordance with German Commercial Code (HGB) rose to 2.918 billion Euro at Porsche AG; in the previous year this figure stood at 1.668 billion Euro. Net income rose from 1.254 billion Euro to 1.930 billion Euro. Besides the operating business, the distributions of the associated companies of 149.8 million Euro were felt here. Further information on the result of operations is provided in the consolidated financial statements including the notes as well as the section on finances.

### Capital Expenditures and Depreciation

Capital expenditures ran at a high level in the reporting year. This was due on the one hand to the increase in business volume and preparations for new model variants, and on the other to spending on a wide range of construction projects. In Zuffenhausen, these include the enlargement of the engine plant in preparation for the production of the Panamera and the construction of the new museum at Porscheplatz. The Weissach plant incurred costs for a new drive center and a motor sport center. The reporting year saw the completion of the supporting steel construction and roof work in connection with the expansion of the Leipzig plant. After the end of the 2006/07 fiscal year, the facade was in place and the installation of building services completed. Major construction work will be completed by the end of 2007. In the reporting year, total construction expenditures of 70.6 million Euro were recognized.

**Capital Expenditures* and Extended Cash Flow**

in million Euro (Extended Cash Flow including changes to other provisions)




| | 04/05 | 05/06 | **06/07** |
|---|---|---|---|
| Capital Expenditures | 919 | 959 | **1,205** |
| Extended Cash Flow | 1,332 | 2,101 | **5,642** |

* without financial investment

Group investment in property, plant and equipment and intangible assets totaled 579.0 million Euro compared to 407.4 million Euro in the previous year. At our financial services entities, capital expenditures on spending on leased assets amounted to 625.7 million Euro after 551.9 million Euro in the previous year. Capital expenditures on property, plant and equipment and intangible assets at Porsche AG accounted for a figure of 608.1 million Euro (previous year: 420.3 million Euro). This included various rationalization projects such as the ongoing modernization of the IT systems, the replacement of existing assets, and measures related to environmental protection.

A figure of 2.676 billion Euro was invested for the step up of the equity investment in Volkswagen AG to 30.6 percent.

Depreciation, amortization and write-downs in the Group increased to 531.7 million Euro compared to 488.8 million Euro the year before. The financial services entities recorded depreciation, amortization and write-downs of 182.9 million Euro (previous year: 164.8 million Euro).

## Mandatory Bid to Volkswagen Shareholders

After the end of the reporting year, Porsche spent a further 7.5 million Euro in August 2007 to purchase 172,218 ordinary and 68,262 preference shares of Volkswagen AG, which Porsche received from Volkswagen shareholders in the course of the mandatory bid. As required by the German legislator, this mandatory bid became necessary after Porsche exceeded the control threshold of 30 percent at Volkswagen on March 28, 2007. On April 30, Porsche presented the bid, that had previously been cleared for publication by the Federal Financial Supervisory Authority (BaFin), to the Volkswagen shareholders. The bid was limited to a period of four weeks and ended on May 29, 2007. The Volkswagen shareholders were offered 100.92 Euro per ordinary share and 65.54 Euro per preference share which corresponded to the legally prescribed minimum price. As a result of the mandatory bid, Porsche took over 0.06 percent of the VW ordinary shares and voting rights and 0.06 percent of the VW preference shares and thus a share of 0.06 percent of the share capital of Volkswagen AG.

## Financial Structure: Cash Flow Increased

The extended cash flow – including changes to other provisions – rose significantly in the course of the reporting year. At 5.642 billion Euro, the figure was significantly higher than that of the previous year (2.101 billion Euro). Despite the purchase of further shares in Volkswagen AG, net liquidity only dropped to 283.2 million Euro (previous year: 1.881 billion Euro).

Due to the extremely high result, Group equity rose by 4.143 billion Euro to 9.481 billion Euro.

## Decision in Favor of Porsche Automobil Holding SE

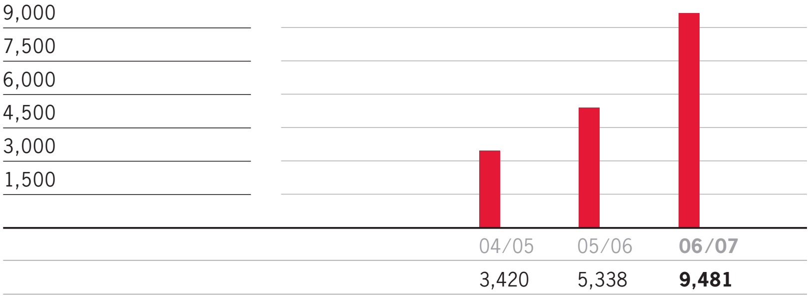
Towards the end of the fiscal year, on June 26, 2007, the extraordinary stockholders' meeting decided that Porsche would go into the future with a new corporate structure and changed legal form. The stockholders unanimously voted in favor of spinning off the operating business of Porsche AG into a wholly owned subsidiary in accordance with the provisions of the reorganization law, to conclude a control and profit and loss transfer agreement between the holding company and the operating subsidiary and to convert the company acting as a holding company in a European Stock Corporation, Societas Europaea (SE). The stockholders also passed a resolution to name the holding company Porsche Automobil Holding SE. The registered offices of the company are in Stuttgart. Dr. Ing. h.c. F. Porsche AG continues to manage the operating subsidiary.

## Subsequent Events

In August 2007, a further subsidiary was founded, Porsche Switzerland. Headquartered in Zug, from April 2008 the company is responsible for the import and sale of Porsche vehicles, spare parts and accessories from AMAG Automobil- und Mortoren AG. AMAG will remain a trading partner for Porsche. The subsidiary will initially support a network of twelve Porsche centers and 14 services operations.

**Equity**

in million Euro




Porsche China Hongkong Limited was also founded in August 2007. In July, the purchase agreement for Jebsen and Company Limited had been signed which will commence import operations as Porsche China. Porsche China Hongkong will work as importer from January 2008.

As of September 1, 2007, Porsche Deutschland also acquired the two Berlin car dealerships of the Eduard-Winter group; the group will withdraw from the automotive business. The newly founded Porsche Niederlassung Berlin GmbH and Porsche Niederlassung Berlin-Potsdam GmbH took over the 80 employees of the car dealerships. In September, Porsche also opened the new headquarters of the Russian subsidiary in Moscow and also a new Porsche center. 90 employees work in the building that covers an area of 7,300 $m^2$. Capital expenditures in the flagship operation came to around 17 million Euro.

### Thanks to Employees, Business Associates and Shareholders

Once again, the reporting year called for exceptional commitment on the part of Porsche's employees in all divisions, in Germany and abroad. The large number of vehicles produced, the preparation of the new models and the worldwide presentation of the new Cayenne, the 911 Targa and the Turbo Cabriolet to journalists, dealers and customers posed special challenges. The same holds true of other selling tasks and development work, for instance for the Gran Turismo Panamera. The Executive Board would like to thank all those involved for their dedication. As a token of appreciation, as in previous years, all those staff members who are covered by collective bargaining agreements and have been with the company for at least a year will share in the good operating result.

We would also like to thank our shareholders, who have once again displayed their trust in the company's excellent prospects, the employees' elected representatives, who worked together with the management on far-reaching strategic decisions, as well as our suppliers and business associates in the sales organizations. Without their support it would not have been possible for Porsche to achieve its ambitious goals, let alone to far outperform these goals.

### Opportunities and Risks to Future Development

According to § 91 Paragraph 2 German Stock Corporation Act (AktG), Porsche is required to operate a risk management and early warning system. The German Commercial Code also calls for reports to be issued on future developments and the opportunities and risks associated with them. Annual planning meetings are held to examine and evaluate the opportunities and risks associated with all business activities. The degree to which the objectives from the planning rounds are fulfilled is monitored during the year by the reporting system. If any changes to or deviations from the market or competitive situation develop, the monitoring system records and analyzes them immediately, supplying details without delay to the company's decision-makers. This procedure allows negative trends to be identified without loss of time and immediate countermeasures to be taken. In addition to the regular reporting process, internal ad-hoc reporting takes place if unexpected risks occur. The risk management and internal audit functions monitor the processes at Porsche for risks and opportunities. The adequacy and efficiency of the risk management and early warning systems is constantly monitored and documented. Where potential for improvement is detected, action is coordinated with the Executive Board and implemented.

### Continuous Monitoring of Business Processes

The auditors have confirmed that the Porsche risk early warning system is in line with the legal requirements of § 91 Paragragh 2 AktG and that the system has not indicated the presence of any occurrences at Porsche that could have a significant and lasting effect on the company's net assets, financial position and results of operations. Risks can never be completely eliminated. Natural catastrophes or an escalation of terrorist activities, potential pandemics or legislative changes for taxes and customs in individual export markets could affect sales of Porsche vehicles. Another risk that could negatively impact on unit sales is the $CO_2$ debate and the pressure to reduce vehicle consumption. However, since Porsche has increased its efforts in the development of consumption-reduced drives, a potential change in purchasing patterns may also harbor new sales opportunities. Porsche is, for example, working on a hybrid drive that is to be installed in the Cayenne and Panamera series.

It is also conceivable that demand will drop if recessionary trends emerge. By closely monitoring the market and thanks to the early warning indicators that are in place, Porsche can however quickly recognize an emerging downturn in sales. This is particularly important for the North American and German market as these are Porsche's largest sales territories. On the other hand, Porsche is in a position to make good use of any sales opportunities that arise. The company continues to expand its dealer network in growth markets such as China and Russia. In this way, vehicles can be redirected and a possible drop in sales in a market can be offset or more than compensated for by growth in other markets.

Like any other manufacturing company, Porsche is affected by the development in energy prices stemming from the market and fiscal policy. If the price of crude oil or raw materials were to increase again, it cannot be entirely ruled out that this will negatively impact on Porsche's profitability. Any price increase leads indirectly to a rise in materials and production costs. Porsche therefore monitors the raw materials markets and endeavors to minimize the cost risk by means of long-term supplier agreements. On the other hand, a conceivable reduction in raw materials prices could enhance profitability.

In the finance function, Porsche's strategy is to secure those currencies of most importance to the company and to ensure a stable planning basis taking medium and long-term sales targets of the Group for vehicles, Tequipment, spare parts and optional articles into account. To protect itself against exchange rate movements, Porsche makes use of well-established tools such as options and futures, in cooperation with top-ranking partners. The nature and extent of these agreements are laid down by internal guidelines and processed centrally by the company's Treasury department. Porsche also pursues a policy of maximum financial security with regard to the assurance of liquidity. Bond issues have been undertaken, but are held in reserve and currently earn interest since there is adequate liquidity available from the operative business. The market value of investments is dependent on the development of the money and capital markets. In cooperation with professional asset managers, risk management systems have been established which avoid capital losses with a high statistical probability. At the same time, the company aims to achieve an adequate, risk-adjusted return. Possible interest risks are secured by entering into interest swaps or options. The Group operates an intensive receivables management system in order to limit the risk of default.

Porsche concluded hedge transactions in preparation for the mandatory bid to Volkswagen shareholders. The resulting risks were minimized by careful market monitoring. On the other hand, this approach also gave rise to opportunities to improve the result.

Another business area that requires ongoing precautionary measures is leasing. Its expansion for some years now, in parallel with increased vehicle sales, has increased the residual value risk involved in the disposal of vehicles returned to Porsche financial services entities at the end of the relevant lease agreements. To limit this risk, the residual value of Porsche vehicles in the used car market is continuously monitored, and this information used as a basis for establishing the residual value in future leasing vehicle agreements. Remaining residual risks are taken into account in the Porsche Group balance sheet.

At dealers which participate in the vehicle financing program, Porsche carries out ratings of contractual partners in order, among other things, to determine the amount of financing, the necessary collateral and the term. A credit committee fixes the lines of credit, regularly monitors receivables and takes precautionary measures at conspicuous dealers to mitigate the risk of bad debts.

The loss of qualified specialists and managers is a risk, which other companies are also exposed to, constitutes a risk of know-how loss. Attractive personnel development programs are, however, in place to reduce this risk. Above all the high attraction of Porsche as an employer offers the opportunity to keep qualified personnel in the company. According to the results of surveys, the appeal of Porsche as employer on young people can also be a competitive advantage.


Unauthorized attempts to access or misuse data in the IT area are risks which can seriously disrupt business operations. The company protects itself against this by issuing instructions to staff on compulsory procedures governing access to information and the handling of data, as well as by the adoption of preventive measures such as virus scanners and firewall systems. Porsche has an emergency and disaster program in case its information technology systems should fail. This program is based on the duplication of important data and hardware. The current emergency program is regularly updated to take changes in operational requirements into account. To minimize delays in production, Porsche has an escalation model. If defined thresholds are exceeded – e.g. if an unacceptably high number of vehicles leave the conveyor belt in the wrong order – a meeting of a certain group of persons is convened in order to take appropriate countermeasures without delay. This process ensures that vehicles are manufactured to plan.

Production processes could, however, suffer serious and lasting disruption through unexpected events that cannot be completely ruled out, such as a fire or an explosion at a Porsche plant or at one of its suppliers. This risk is limited by extensive safeguards and continuous checks, which also ensure that Porsche qualifies as a well-protected industrial risk. In addition, Porsche has taken out extensive cover against plant failure and disruption of its business as part of its international insurance program. For events representing a potential threat to Porsche’s image, the company has developed communication strategies that allow it to react immediately and flexibly to a wide variety of crisis scenarios. This is of key importance, as Porsche’s public image is chiefly governed by the way it is communicated.

As is the case with any other company, Porsche may become involved in court or arbitration proceedings. At present there are no proceedings which could have a material impact on the economic position of the Group.

### Extensive Quality Assurance Measures

These days, automobile manufacturers work very closely with their suppliers on product development and series production, so that synergy benefits arise. This can, however, also cause dependence on suppliers. Late deliveries, failure to deliver, or quality deficiencies quickly lead to disruption of production at the car manufacturer’s plants, with a negative effect on profits. Porsche has limited risks of this kind by adopting comprehensive supplier selection, monitoring and management procedures. An in-depth analysis and assessment of the suppliers’ technical competence and financial viability is undertaken before they are selected and classified. If a supplier does not fully satisfy Porsche’s carefully compiled requirement profile, but a contract is nevertheless to be awarded, skill development measures are implemented. If the supplier then supplies parts for the series production of Porsche, these are subjected to thorough quality and deadline checks. If there is any deterioration in performance, the causes are analyzed, immediate remedial measures are taken, and their effectiveness is continuously monitored. Porsche counters the risk of “excessive” series unit prices by examining and agreeing on cost cutting measures for the series product together with the supplier in the development phase. To safeguard against supplier insolvencies and the related interruptions in supply, Porsche records and monitors its suppliers’ credit ratings. Suppliers threatened by insolvency can thus be identified at an early state and appropriate countermeasures can be taken. Product defects may eventually lead to claims being made under warranty or product liability law, and product recalls may even be necessary. Identifying and analyzing product defects in the various sales markets allows Porsche to detect any deterioration in product quality, and its causes, at an early stage. An interdisciplinary task force has been set up and meets weekly to discuss product quality, analyze the causes of product defects, and initiate appropriate remedial action. This evaluation covers our entire production, including the quality of parts and the suppliers' manufacturing processes.

To be able to respond quickly to urgent parts requests or technical queries from subsidiaries, Porsche has a system in which problems are recorded locally and processed and remedied centrally. This ensures that spare parts problems are solved within a defined period of time to the satisfaction of the dealer organization. All product liability claims are dealt with centrally by our legal department and are covered, as far as possible, by our international insurance program. Financial provision is also made for warranty claims. As far as the development of new products is concerned, there is a fundamental risk that customers will have no demand for the new product. Porsche counters this risk with market surveys and studies concerning trends.

Furthermore there is always the danger that development targets will not be met, or at least not by the deadlines specified. To reduce this risk, Porsche monitors project progress on a constant basis, comparing progress with the requirements originally defined. The development status is measured in defined phases against targets, the end of which is marked by a quality gate. This process ensures that the prerequisites for passing the next quality gate are analyzed prospectively, thus sensitizing those responsible for reaching the quality gate on time and allowing countermeasures to be taken in good time in the event of target variances.

Last but not least, the infringement of third parties' rights can disrupt design and development work or production. Porsche takes preventive measures here too. To protect itself from possible infringements of rights, it conducts research that systematically determines and evaluates the industrial property rights of third parties.

### Dependent Company Report Drawn Up

As mentioned in the annual report for last two fiscal years, the structure of the holders of Porsche AG ordinary shares has changed in recent years as a result of restructuring of their holdings. As in the previous years, in accordance with §312 German Stock Corporation Act (AktG) Porsche has been advised by its legal counsel to draw up a report on relations with companies associated with holders of ordinary shares (a dependent company report). The conclusions of this report are as follows: "In accordance with the circumstances known to it when the legal transactions stated in the report were conducted, Dr. Ing. h.c. F. Porsche AG has rendered or, as the case may be, received reasonable payment. There were no measures calling for submission of a report in accordance with § 312 Paragraph 1 Sentence 2 AktG".

### Outlook

The risks which may impede further growth of the world economy are substantial. Besides rising prices of energy and raw materials in the wake of the high demand from the developing countries in Asia, the effects of the crisis in the US property market pose the greatest risk. In August and September 2007, the international central banks succeeded in stabilizing the worldwide finance system by supplying huge amounts of cash and reducing interest rates. The drop in property prices in the USA and the credit risks could nevertheless adversely affect the economy in North America and, as a result, other economies around the globe. The high current account deficit of the USA is another risk which could lead to a further devaluation of the US dollar and considerable shifts in the world economic structure.

At the same time, there are good reasons to believe that the risks will remain just that and that the overall world economy will remain buoyant. For example, the weak US dollar also boosts exports from the USA to the rest of the world and supports industry in North America. The continuing growth in developing countries in Asia continues to create growing demand for capital goods and high quality consumer products from the USA, Europe and Japan. The clear economic recovery looks set to continue both in Japan and in the euro zone. In both regions, there is every indication that the higher employment rate will bring with it growing consumption by private households.

Germany is now playing a different role to that in the period from 1995 to 2005 during which the economic impetus was generally weak. In 2008, as was the case in 2007, the overall economic production in Germany is expected to grow faster than the average in the European Union. Unemployment could thus drop to the lowest level since 1981 and public budgets should at least be able to contain the growing level of debt. If private consumption increases in 2008, the end of the upswing in Germany is not in sight.

When looking at the current 2007/08 fiscal year, Porsche is confident that it will be able to emulate the record revenue and sales figures achieved in the past fiscal year. The continuing expansion of the sales network in the growth markets China, Russia and the Middle East and the enlarged product program will play an important role here. Following in the footsteps of the 911 Turbo Cabriolet and the 911 GT2, a particularly sporty variant of the series, the Cayenne GTS, will cross the starting line. Porsche does not, however, expect the next big growth surge until the market launch of the four-door and four-seater Gran Turismo Panamera in 2009. Until then, the company development will be characterized by consolidation on a high level.

Stuttgart, October 15, 2007

Dr. Ing. h.c. F. Porsche AG
The Executive Board


GT2
S GO 1320

# Porsche AG company accounts 2006/07

# Balance Sheet of Dr. Ing. h.c. F. Porsche AG as of July 31, 2007

| | | Note | July 31, 2007 T€ | July 31, 2006 T€ |
|---|---|---|---|---|
| **Assets** | Fixed assets | (1) | | |
| | Intangible assets | | 478,502 | 388,493 |
| | Property, plant and equipment | | 1,191,918 | 1,054,317 |
| | Financial assets | | 6,041,019 | 3,346,179 |
| | | | **7,711,439** | **4,788,989** |
| | Current assets | | | |
| | Inventories | (2) | 315,892 | 306,692 |
| | Trade receivables | (3) | 742,617 | 542,116 |
| | Other receivables and other assets | (4) | 4,093,150 | 921,425 |
| | Securities | (5) | 1,800,572 | 1,949,297 |
| | Cash and cash equivalents | (6) | 2,200,766 | 1,805,295 |
| | | | **9,152,997** | **5,524,825** |
| | Prepaid expenses | (7) | **13,240** | **5,443** |
| | | | **16,877,676** | **10,319,257** |
| **Equity and liabilities** | Equity | | | |
| | Subscribed capital | (8) | 45,500 | 45,500 |
| | Capital reserve | (9) | 121,969 | 121,969 |
| | Retained earnings | (10) | 4,332,978 | 2,897,953 |
| | Net profit available for distribution | | 965,000 | 627,000 |
| | | | **5,465,447** | **3,692,422** |
| | Provisions | (11) | | |
| | Pension provisions | | 572,388 | 522,383 |
| | Other provisions | | 2,559,085 | 1,810,054 |
| | | | **3,131,473** | **2,332,437** |
| | Liabilities | | | |
| | Liabilities to banks | (12) | 2,000,000 | 0 |
| | Payments received on account of orders | (13) | 538 | 513 |
| | Trade payables | (14) | 331,003 | 334,057 |
| | Other liabilities | (15) | 5,946,516 | 3,956,830 |
| | | | **8,278,057** | **4,291,400** |
| | Deferred income | (16) | **2,699** | **2,998** |
| | | | **16,877,676** | **10,319,257** |

# Income Statement of Dr. Ing. h.c. F. Porsche AG for the Period from August 1, 2006 to July 31, 2007

| | Note | 2006/07 T€ | 2005/06 T€ |
|---|---|---|---|
| Sales | (17) | **6,169,457** | **6,115,824** |
| Changes in inventories and own work capitalized | (18) | 63,154 | 59,805 |
| Total operating performance | | **6,232,611** | **6,175,629** |
| Other operating income | (19) | 5,465,949 | 765,316 |
| Cost of materials | (20) | – 3,332,775 | – 3,155,361 |
| Personnel expenses | (21) | – 1,031,763 | – 802,392 |
| Amortization and depreciation | | – 357,949 | – 324,772 |
| Other operating expenses | (22) | – 4,118,938 | – 1,482,797 |
| Income from investments | (23) | 205,195 | 506,814 |
| Interest income, net | (24) | – 144,330 | – 14,437 |
| Profit from ordinary activities | | **2,918,000** | **1,668,000** |
| Taxes | (25) | – 988,000 | – 414,000 |
| Net profit | | **1,930,000** | **1,254,000** |
| Transfer to retained earnings | | – 965,000 | – 627,000 |
| Net profit available for distribution | | **965,000** | **627,000** |

# Notes to the Financial Statements of Dr. Ing. h.c. F. Porsche AG as of July 31, 2007

## Notes to the Financial Statements

### Basis of Presentation

The financial statements of Dr. Ing. h.c. F. Porsche AG (hereinafter referred to as Porsche AG) have been prepared in Euro in accordance with the requirements of the German Commercial Code (HGB) and the special accounting requirements of the German Stock Corporation Act (AktG).

In order to improve the clarity of the financial statements, individual balance sheet and income statement items have been summarized and disclosed separately in the notes to the financial statements. All figures in the financial statements have been rounded to thousands of Euro (T€). The figures stated in the notes are also in thousands of Euro unless stated otherwise. The income statement has been prepared using the total expenditure format.

### Accounting Principles and Valuation Methods

Purchased intangible assets are capitalized at acquisition cost and amortized using the straight-line method over the expected useful lives.

Additions to property, plant and equipment are capitalized at acquisition or production cost. Self-constructed property, plant and equipment have been valued at production cost in accordance with German Income Tax regulations; apart from direct costs this includes overheads subject to capitalization in accordance with tax law provisions.

Systematic amortization and depreciation is based on the depreciation tables issued by the tax authorities or a lower estimated useful life. For assets used in multiple shift production, depreciation is increased by shift mark-ups. Where permissible by tax law, the options provided by the declining balance method are used in full; the full depreciation rates were still used for additions prior to December 31, 2003. As of that date, depreciation is charged pro rata temporis in the year of acquisition. The transition from the declining balance method to the straight-line method over the remaining useful life as set out in § 7 (3) German Income Tax Act (EStG) takes place in the year in which the straight-line method leads to a higher depreciation amount. Special tools and equipment are depreciated based on their actual usage. Low-value assets are fully expensed in the year of acquisition.

Shares in affiliated companies and equity investments are stated at the lower of cost or market.

Raw materials, consumables and supplies are valued at the lower of cost or market. Work in process and finished goods are valued at least at the costs to be recognized pursuant to R 6.3 German Income Tax Regulations (EStR) including direct materials, labor and materials and production overheads. Merchandise is valued at the lower of acquisition cost or market. Due to tax laws and in order to avoid unrealized profits, the periodic LIFO (last-in, first-out) method for the valuation of inventories is utilized.

Valuation allowances for obsolete stock are made where appropriate and in sufficient scope to provide for any risks associated with inventory range or reduced salability.

Advance payments received which are directly attributable to individual inventory items are offset against these items in the balance sheet.

Trade receivables, other receivables and other assets are stated at their nominal value. Specific bad debt allowances provide for all foreseeable risks. The general credit risk is provided for by a general bad debt allowance.

Securities classified as current assets are recorded at the lower of cost or market as of balance sheet date.

Pension provisions are recognized using actuarial principles in accordance with the method pursuant to § 6a EStG on the basis of the current mortality tables from Prof. Dr. Klaus Heubeck and an interest rate of five percent.

Other provisions account for all foreseeable risks.

Liabilities are recorded at the amount repayable.

Foreign currency receivables are valued at the historical rate or the rate on the balance sheet date, whichever is lower. Receivables hedged by forward exchange contracts are valued at the applicable hedge rate. Foreign currency obligations are generally translated at the historical rate or the rate on the balance sheet date, whichever is higher. Financial assets are stated at their historical rate.

**(1) Fixed Assets**
The changes of fixed assets of Porsche AG are shown in the analysis of fixed assets.

Intangible assets include purchased development services and software as well as licenses and tooling subsidies.

A significant part of the capital expenditures on intangible assets and property, plant and equipment of Porsche AG relates to the acquisition or subsidization of machines and tools for series production, to subscription rights as well as to spending on infrastructure, production and administrative buildings.

Payments on account for capital expenditures in Panamera were capitalized for the first time in addition to capital expenditures for 911 Carrera derivatives and the second generation of Cayenne.

The addition to shares in affiliated companies and equity investments mainly pertain to an increase in the equity of Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG and the purchase of shares of Volkswagen Aktiengesellschaft, Wolfsburg.

The full list of equity investments of Porsche AG is published in accordance with Sec. 287 HGB on the website of the electronic federal gazette at www.unternehmensregister.de.

| Analysis of Fixed Assets | Acquisition and production cost | | |
|---|---|---|---|
| | Aug. 1, 2006 | Additions | Disposals |
| | T€ | T€ | T€ |
| **Intangible assets** | | | |
| 1. Franchises, industrial rights and similar rights and assets and licenses in such rights and assets | 684,358 | 40,327 | 965 |
| 2. Payments on account | 89,780 | 160,102 | 0 |
| **Total intangible assets** | **774,138** | **200,429** | **965** |
| **Property, plant and equipment** | | | |
| 1 . Land, land rights and buildings including buildings on third-party land | 635,142 | 26,420 | 3,768 |
| 2. Technical equipment and machines | 427,460 | 17,147 | 13,794 |
| 3. Other equipment, furniture and fixtures | 1,961,426 | 153,829 | 57,533 |
| 4. Payments on account and assets under construction | 91,164 | 210,240 | 0 |
| **Total property, plant and equipment** | **3,115,192** | **407,636** | **75,095** |
| **Financial assets** | | | |
| 1. Shares in affiliated companies | 201,383 | 18,549 | 0 |
| 2. Equity investments | 3,146,365 | 2,676,291 | 0 |
| **Total financial assets** | **3,347,748** | **2,694,840** | **0** |
| **Total fixed assets** | **7,237,078** | **3,302,905** | **76,060** |

| | | Amortization/depreciation | | Net book values | Net book values |
|---|---|---|---|---|---|
| Reclassifications | July 31, 2007 | accumulated | in the fiscal year | July 31, 2007 | July 31, 2006 |
| T€ | T€ | T€ | T€ | T€ | T€ |
| 45,317 | 769,037 | 495,223 | 110,146 | 273,814 | 298,713 |
| – 45,194 | 204,688 | 0 | 0 | 204,688 | 89,780 |
| **123** | **973,725** | **495,223** | **110,146** | **478,502** | **388,493** |
| 8,201 | 665,995 | 275,485 | 16,558 | 390,510 | 375,262 |
| 7,762 | 438,575 | 352,196 | 22,162 | 86,379 | 84,018 |
| 35,610 | 2,093,332 | 1,628,011 | 209,083 | 465,321 | 503,873 |
| -51,696 | 249,708 | 0 | 0 | 249,708 | 91,164 |
| **– 123** | **3,447,610** | **2,255,692** | **247,803** | **1,191,918** | **1,054,317** |
| 0 | 219,932 | 1,569 | 0 | 218,363 | 199,814 |
| 0 | 5,822,656 | 0 | 0 | 5,822,656 | 3,146,365 |
| **0** | **6,042,588** | **1,569** | **0** | **6,041,019** | **3,346,179** |
| **0** | **10,463,923** | **2,752,484** | **357,949** | **7,711,439** | **4,788,989** |

**(2) Inventories**

| | July 31, 2007<br>T€ | July 31, 2006<br>T€ |
|---|---|---|
| Raw materials, consumables and supplies | 82,649 | 71,107 |
| Work in process (goods) | 44,326 | 46,073 |
| Work in process (services) | 23,175 | 317 |
| Finished goods and merchandise | 178,364 | 195,394 |
| | **328,514** | **312,891** |
| Advance payments received | – 12,622 | – 6,199 |
| | **315,892** | **306,692** |

The application of the LIFO valuation method led to write-downs of 4.3 million Euro.

**(3) Trade Receivables**

| | July 31, 2007<br>T€ | July 31, 2006<br>T€ |
|---|---|---|
| Trade receivables | 50,741 | 42,750 |
| Receivables from affiliated companies | 689,457 | 499,347 |
| thereof due in more than one year | (119,961) | (124,974) |
| Receivables from companies in which an equity investment is held | 2,419 | 19 |
| Total receivables | **742,617** | **542,116** |

The receivables from affiliated companies are trade receivables as well as loans and profit transfers.

**(4) The receivables from affiliated companies are trade receivables as well as loans and profit transfers.**

Other receivables and other assets contain refund claims against the tax authorities, premiums paid for options, other payments on account and receivables not allocable to another item. T€ 286,915 (previous year: T€ 117,422) thereof is due in more than one year.

**(5) Securities**

Other securities include fixed-interest securities, investment and special purpose securities funds.

### (6) Cash and Cash Equivalents
Cash and cash equivalents are composed of checks, cash on hand and bank balances.

### (7) Prepaid Expenses
This item includes payments on account for interest, rent, marketing, maintenance and other service agreements.

### (8) Subscribed Capital
Porsche AG's subscribed capital totals 45.5 million Euro and is divided into 8,750,000 ordinary shares and 8,750,000 non-voting preference shares.
Each of the shares accounts for 2.60 Euro of the subscribed capital.

### (9) Capital Reserve
The capital reserve consists solely of share premiums.

### (10) Retained Earnings
Retained earnings contain only other retained earnings. In the reporting year 965.0 million Euro – half of the net profit of Porsche AG – was transferred to the retained earnings in accordance with § 58 Paragraph 2 AktG. In addition, an amount of 470.025 million Euro was transferred from net profit available for distribution of the previous year to retained earnings pursuant to a resolution of the shareholders' annual general meeting.

### (11) Provisions

| | July 31, 2007<br>T€ | July 31, 2006<br>T€ |
|---|---|---|
| Pension provisions | 572,388 | 522,383 |
| Tax provisions | 928,986 | 297,918 |
| Other provisions | 1,630,099 | 1,512,136 |
| | **3,131,473** | **2,332,437** |

The pension provisions primarily relate to retirement benefits for employees of Porsche AG. The pension obligations are covered in full by provisions.

Tax provisions include amounts for the current year and previous years' taxes that have not been assessed yet.

Other provisions predominantly relate to the worldwide warranty, liability and litigation risks, unbilled supplier deliveries, contingent liabilities as well as personnel and social obligations. In addition, there are provisions for deferred maintenance. Adequate provision was made for all other recognizable risks.

**(12) Liabilities to banks**
The liabilities are used to obtain short-term liquidity. They are due within one year.

**(13) Payments Received on Account of Orders**
This position contains payments on account received for other services. Payments on account received are due within one year.

**(14) Trade Payables and**
**(15) Other Liabilities**

| | July 31, 2007 | | July 31, 2006 | |
|---|---|---|---|---|
| | T€ | T€ | T€ | T€ |
| | Total | thereof due within one year | Total | thereof due within one year |
| Trade payables | **331,003** | 329,346 | **334,057** | 334,057 |
| Liabilities to affiliated companies | 2,946,884 | 2,136,263 | 2,909,421 | 2,098,800 |
| Liabilities to companies in which equity investments are held | 58,131 | 58,131 | 35,111 | 35,111 |
| Sundry liabilities | 2,941,501 | 2,941,501 | 1,012,298 | 1,012,298 |
| thereof from taxes | (3,405) | (3,405) | (3,359) | (3,359) |
| thereof relating to social security | (42) | (42) | (1) | (1) |
| Other liabilities | **5,946,516** | 5,135,895 | **3,956,830** | 3,146,209 |

Trade payables of T€ 1,008 (prior year: € 0) and T€ 810,621 (prior year: T€ 810,621) due from affiliated companies are due in more than five years.

**(16) Deferred Income**
This item mainly contains sponsoring funds paid in advance.

**(17) Sales**

| | 2006/07<br>T€ | 2005/06<br>T€ |
|---|---|---|
| Divisions | | |
| Vehicles | 5,699,491 | 5,633,856 |
| Parts and accessories | 388,156 | 368,168 |
| Other | 81,810 | 113,800 |
| | **6,169,457** | **6,115,824** |

| | % | % |
|---|---|---|
| Geographical regions | | |
| Germany | 18 | 18 |
| European Union without Germany | 30 | 27 |
| North America | 29 | 35 |
| Other export countries | 23 | 20 |
| | **100** | **100** |

Other sales essentially include revenues from customer development and the services sector.

**(18) Changes in Inventories and Own Work Capitalized**

| | 2006/07<br>T€ | 2005/06<br>T€ |
|---|---|---|
| Changes in inventories of finished goods and work in process | – 930 | 12,765 |
| Own work capitalized | 64,084 | 47,040 |
| | **63,154** | **59,805** |

**(19) Other Operating Income**

Other operating income includes book gains from the disposal of fixed assets, income from the reversal of provisions, other services, intercompany cost transfers, leases and insurance claims. As in the previous year, this position contains a high proportion of stock options.

### (20) Cost of Materials

| | 2006/07 T€ | 2005/06 T€ |
|---|---|---|
| Cost of raw materials, consumables and supplies and of purchased merchandise | 3,076,807 | 2,893,651 |
| Cost of purchased services | 255,968 | 261,710 |
| | **3,332,775** | **3,155,361** |

### (21) Personnel Expenses

| | 2006/07 T€ | 2005/06 T€ |
|---|---|---|
| Wages and salaries | 883,311 | 665,002 |
| Social security, pension and other benefit costs | 148,452 | 137,390 |
| thereof for pension expenses | (53,803) | (48,804) |
| | **1,031,763** | **802,392** |

| Annual average number of employees [1] | Number | Number |
|---|---|---|
| Wage earners | 3,685 | 3,802 |
| Salaried employees | 4,204 | 4,083 |
| Trainees and apprentices | 300 | 296 |
| | **8,189** | **8,181** |

1) Previous year incl. 228 employees in phased retirement (“Altersteilzeit”)

### (22) Other Operating Expenses

Other operating expenses principally include expenses for warranties, administration and sales, advertising, consulting, maintenance, insurance policies, rent, other taxes, foreign exchange losses as well as losses from foreign currency hedging options and expenses for various other risks. As in the previous year, this position contains a high proportion of stock options.

### (23) Income from Investments

| | 2006/07<br>T€ | 2005/06<br>T€ |
|---|---|---|
| Income from investments | 149,837 | 453,637 |
| thereof from affiliated companies | (38,744) | (385,356) |
| Income from profit and loss transfer agreements | 55,358 | 53,177 |
| | **205,195** | **506,814** |

### (24) Interest Income, Net

| | 2006/07<br>T€ | 2005/06<br>T€ |
|---|---|---|
| Other interest and similar income | 80,451 | 119,764 |
| thereof from affiliated companies | (23,231) | ( 14,943) |
| Interest and similar expenses | – 224,781 | – 134,201 |
| thereof to affiliated companies | (– 133,493) | (– 74,316) |
| | **– 144,330** | **– 14,437** |

Interest income mainly results from fixed-interest-bearing securities and special purpose securities funds and from fixed-term deposits. In addition, it includes interest on undrawn loan funds and income on interest-bearing receivables and loans.

### (25) Taxes

Taxes of 33.0 million Euro (previous year: 28.5 million Euro) were charged to subsidiaries with profit and loss transfer agreements. Tax refund claims from previous years of 63.6 million Euro were offset against the current tax expenses.

### (26) Income and Expenses Relating to Other Periods

The profit from ordinary activities for the year is influenced by expenses of 0.6 million Euro and income of 30.8 million Euro that relate to other periods. It mainly includes income from the reversal of provisions and refunds from suppliers.

**(27) Contingent Liabilities**

Within the scope of warranties, Porsche AG has guarantee obligations of 36.4 million Euro. In addition, Porsche AG guarantees payment of interest and repayment to the bond creditors for the bond of 2,629.6 million Euro issued by Porsche International Financing plc., Dublin. Porsche AG has issued a guarantee of 456.0 million Euro to the investors of the US private placement. In addition, it has issued guarantees to banks for the worldwide cash pool of 120 million Euro. As a shareholder of ING Leasing GmbH & Co. Fox OHG and Venture Capital Beteiligung, Porsche AG has unlimited liability within the scope of the national cash pool and the provisions of law.

There are no charges on the real estate.

**(28) Other Financial Obligations**

Other financial obligations of Porsche AG total 308.8 million Euro. Overall, there are obligations from rent, lease and maintenance agreements that amount to 29.9 million Euro. This total includes financial obligations to affiliated companies of 13.3 million Euro. The purchase order obligations from capital expenditures amount to 277.7 million Euro. Supply agreements subject to demand were in place with suppliers as of the balance sheet date. Porsche AG has concluded hedges to secure foreign currency transactions. These transactions are only entered into with first-rate banks on the basis of uniform guidelines and are monitored accordingly. Their use is limited to hedging of parts of the operating business and related deposits and financing transactions. Porsche AG has payment commitments to subsidiaries and companies in which equity investments are held amounting to 1.2 million Euro.

**(29) Derivative Financial Instruments**

The derivative financial instruments at Porsche AG mainly consist of forward exchange contracts and foreign currency options contracts, interest derivatives and share price hedging options. Besides hedging interest and currency risks from existing balance sheet positions or highly probable future transactions, these are also used to obtain liquidity at short notice.

| As of July 31, 2007 | Assets | | Equity and liabilities | |
|---|---|---|---|---|
| | Nominal volume Mio. € | Market value Mio. € | Nominal volume Mio. € | Market value Mio. € |
| Currency transactions | | | | |
| Forward exchange contracts | 3,239 | 197 | 719 | 2 |
| of which forex purchases | 0 | | 719 | |
| of which forex sales | 3,239 | | 0 | |
| Currency options | 9,599 | 257 | 0 | 0 |
| of which forex purchases | 175 | | | |
| of which forex sales | 9,424 | | | |
| Interest transactions | | | | |
| Interest swaps | 928 | 27 | 903 | 25 |
| Swaptions | 550 | 8 | 0 | 0 |
| Share price hedging options | 10,553 | 5,055 | 13,473 | 2,445 |

Acquisition costs or lower net realizable value of 3,922 million Euro was capitalized under other assets. Negative market values and option premiums received were recognized as provisions and liabilities of 2,934 million Euro. Market values have been determined using available market information or suitable valuation methods.

### (30) Key Indicators of Significant Investments

| | | Share of capital % | Result [1] T€ | Sales [1] T€ | Employees [2] |
|---|---|---|---|---|---|
| **Consolidated companies – Germany** | Porsche Financial Services GmbH & Co.KG, Bietigheim-Bissingen | 100 | – 13,444 | 342,735 | – |
| | Porsche Consulting GmbH, Bietigheim-Bissingen | 100 | 9,929 [3] | 43,537 | 158 |
| | Porsche Financial Services GmbH, Bietigheim-Bissingen | 100 | 1,546 [3] | 33,159 | 46 |
| | PIKS Porsche-Information-Kommunikation-Services GmbH, Stuttgart | 100 | 2,052 [3] | 37,290 | 102 |
| | Porsche Deutschland GmbH, Bietigheim-Bissingen | 100 | 33,323 [3] | 1,068,424 | 95 |
| | Porsche Engineering Group GmbH, Weissach | 100 | 5,430 [3] | 67,087 | 27 |
| | Porsche Engineering Services GmbH, Bietigheim-Bissingen | 100 | 873 [3] | 32,619 | 333 |
| **Consolidated companies – outside Germany** | Porsche Ibérica S.A., Madrid, Spain | 100 | 7,178 | 181,335 | 44 |
| | Porsche Italia S.p.A., Padua, Italy | 100 | 11,411 | 425,175 | 59 |
| | Porsche France S.A., Boulogne-Billancourt, France | 100 | 6,077 | 197,545 | 41 |
| | Porsche Cars Great Britain Ltd., Reading, England | 100 | 33,919 | 657,632 | 106 |
| | Porsche Financial Services Great Britain Ltd., Reading, England | 100 [4] | 8,099 | 53,552 | 6 |
| | Porsche Retail Group Ltd., Reading, England | 100 [4] | 9,469 | 334,873 | 314 |
| | Porsche Cars North America, Inc., Wilmington/Delaware, USA | 100 [4] | 61,961 | 1,817,818 | 234 |
| | Porsche Liquidity LLC, Wilmington/Delaware, USA | 100 [4] | 1,840 | 147,674 | 0 |
| | Porsche Cars Canada Ltd., Toronto/Ontario, Canada | 100 [4] | – 79 | 120,208 | 4 |
| | Porsche Japan K.K., Tokyo, Japan | 100 | 7,265 | 239,419 | 70 |
| | Porsche Cars Australia Pty. Ltd., Collingwood, Australia | 100 | 4,228 | 122,795 | 36 |
| | Porsche Middle East FZE, Dubai, United Arab Emirates | 100 | 8,963 | 272,512 | 20 |
| **Equity investments** | Volkswagen AG, Wolfsburg [5] | 30.6 [6] | 945,000 | 53,036,000 | 101,812 |

1) Net profit/loss for the year from financial statements prepared in accordance with local law or earnings before profit transfer for the fiscal year from August 1, 2006 to July 31, 2007. Foreign currencies were translated at the average annual exchange rate.
2) Number of employees as of the end of the company's fiscal year.
3) Before profit transfer (net profit incl. tax allocation).
4) Indirect equity investment.
5) Consolidated financial statements as of December 31, 2006
6) Share of voting rights as of July 31, 2007

**(31) Disclosure pursuant to Sec. 160 (1) No. 8 AktG**
Ferdinand Porsche Privatstiftung, Salzburg (Austria), and Ferdinand Porsche Holding GmbH, Salzburg (Austria) each made the following announcement to us in accordance with Sec. 21 (1) Sentence 1 Securities Trading Act (WpHG) on October 27, 2006:
"The share of voting rights of Ferdinand Porsche Privatstitftung, Salzburg (Austria) and of Ferdinand Porsche Holding GmbH, Salzburg (Austria) in Dr. Ing. h.c. F. Porsche Aktiengesellschaft exceeded the 5%, 10%, 25%, 50% and 75% thresholds of voting rights on October 20, 2006 and now amounts to 100%. Pursuant to Sec. 22 (1) Sentence 1 No. 1 German Securities Trading Act (WpHG), both parties making the announcement each have a share in the voting rights of 25.67% on account of voting rights from shares which belong to a subsidiary of the parties making the announcement. Moreover, pursuant to Sec. 22 (2) WpHG, both parties making the announcement each have a voting right share of 74.33% on account of voting rights from shares which belong to third parties with which a subsidiary of the parties making the announcement coordinates its behavior in relations to Dr. Ing. h.c. F. Porsche Aktiengesellschaft on the basis of an existing syndicate agreement."

Familie Porsche Privatstiftung, Salzburg (Austria), and Familie Porsche Holding GmbH, Salzburg (Austria) each made the following announcement to us in accordance with Sec. 21 (1) Sentence 1 WpHG on November 17, 2006:
"The share of voting rights of Familie Porsche Privatstitftung, Salzburg (Austria) and of Familie Porsche Holding GmbH, Salzburg (Austria) in Dr. Ing. h.c. F. Porsche Aktiengesellschaft exceeded the 5%, 10%, 25%, 50% and 75% thresholds of voting rights on November 13, 2006 and now amounts to 100%. Pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG both parties making the announcement each have a share in the voting rights of 24.44% on account of voting rights from shares which belong to a subsidiary of the parties making the announcement. Moreover, pursuant to Sec. 22 (2) WpHG, both parties making the announcement have a voting right share of 75.56% on account of voting rights from shares which belong to third parties with which a subsidiary of the parties making the announcement coordinates its behavior in relations to Dr. Ing. h.c. F. Porsche Aktiengesellschaft on the basis of an existing syndicate agreement."

**(32) Declaration on the German Corporate Governance Code**
The Executive Board and Supervisory Board of Porsche AG have issued the declaration required by § 161 AktG in the 2006/07 annual report. It is made permanently accessible to the shareholders on the homepage at www.porsche.de.

**(32) Fees**

| | 2006/07<br>T€ | 2005/06<br>T€ |
|---|---|---|
| Statutory audits | 373 | 373 |
| Other confirmation and valuation services | 0 | 71 |
| Tax advisory services | 146 | 130 |
| Other services | 446 | 209 |
| Total fees | **965** | **783** |

The position statutory audits is the total fee for the annual audit of Porsche AG and the group audit.

**(34) Remuneration of the Supervisory Board and the Executive Board**
The remuneration of the Executive Board consists of basic salary and a variable component linked to profit. The remuneration of the Executive Board for the fiscal year 2006/07 totaled 112.7 million Euro. This figure includes profit-based components of 107.3 million Euro. Former members of the Executive Board received 1.0 million Euro. The pension obligations to former executive board members and their surviving dependants total 21.5 million Euro; provisions have been set up to cover the full amount. The total remuneration of the Supervisory Board for the fiscal year 2006/07 amounts to 1.6 million Euro.

Stuttgart, October 15, 2007

Dr. Ing. h.c. F. Porsche
Aktiengesellschaft
The Executive Board

Dr. Wendelin Wiedeking
Klaus Berning
Wolfgang Dürheimer
Thomas Edig
Holger P. Härter
Michael Macht

# Audit opinion

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Dr. Ing. h.c. F. Porsche Aktiengesellschaft, Stuttgart, which has been combined with the group management report, for the fiscal year from August 1, 2006 to July 31, 2007. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management.
Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.
We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Stuttgart, October 15, 2007

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Oesterle
Wirtschaftsprüfer
[German Public Auditor]

Strähle
Wirtschaftsprüfer
[German Public Auditor]

# Company Boards of the Porsche Automobil Holding SE

## Members of the Supervisory Board

Dr. Wolfgang Porsche
Diplom-Kaufmann
Chairman

Uwe Hück*
Head of the works council
of the Group
Head of the works council at
Zuffenhausen and Ludwigsburg
Deputy Chairman

Hans Baur*
Diplom-Ingenieur
Trade union secretary

Prof. Dr. Ulrich Lehner
Chairman of the management
board and personally liable
shareholder of Henkel KGaA

Wolfgang Leimgruber*
Director of bodyshop/paintshop

Dr. techn. h.c. Ferdinand K. Piëch
Diplom-Ingenieur ETH

Dr. Hans Michel Piëch
Attorney at law

Dr. Ferdinand Oliver Porsche
Subsidiary management

Hans-Peter Porsche
Ingenieur

Hansjörg Schmierer*
Trade union secretary

Walter Uhl*
Head of the works council Weissach

Werner Weresch*
Automotive mechanic
member of the works council

* Elected employee representative

## Members of the Executive Board

Dr.-Ing. Wendelin Wiedeking
Chairman of the Executive Board

Holger P. Härter
Diplom-Volkswirt
Finance and Controlling
Deputy Chairman of the Executive Board

# Company Boards of Dr. Ing. h.c. F. Porsche AG

**Members of the Supervisory Board**

Dr. Wolfgang Porsche
Diplom-Kaufmann
Chairman
from January 26, 2007

Prof. Dr. Helmut Sihler
until January 26, 2007
Kaufmann
Chairman

Hans Baur*
Diplom-Ingenieur
Trade union secretary
Deputy Chairman

Dr. Ludwig Hamm*
Diplom-Ingenieur
Department head
from September 26, 2006

Maria Arenz*
Lawyer
Department head
until September 25, 2006

Uwe Hück*
Head of the works council
of the Group
Head of the works council at
Zuffenhausen and Ludwigsburg

Jürgen Kapfer*
Project manager

Prof. Dr. Ulrich Lehner
Chairman of the management
board and personally liable
shareholder of Henkel KGaA
from January 26, 2007

Dr. Dr. h.c. Walther Zügel
Former chairman of the
management board
of Landesgirokasse
until January 26, 2007

Dr. techn. h.c. Ferdinand K. Piëch
Diplom-Ingenieur ETH

Dr. Hans Michel Piëch
Attorney at law

Dr. Ferdinand Oliver Porsche
Subsidiary management

Hans-Peter-Porsche
Engineer
from January 26, 2007

Hansjörg Schmierer*
Trade union secretary

Werner Weresch*
Automotive mechanic
member of the works council

* Elected employee representative

**Members of the Executive Board**

Dr.-Ing. Wendelin Wiedeking
Chairman of the Executive Board

Klaus Berning
Sales and Marketing
from November 2, 2006

Wolfgang Dürheimer
Diplom-Ingenieur
Research and Development

Thomas Edig
Diplom-Betriebswirt (BA)
Human Resources and Welfare/
Labor Relations Director
from May 1, 2007

Harro Harmel
Human Resources/
Labor Relations Director
until May 31, 2007

Holger P. Härter
Diplom-Volkswirt
Finance and Controlling

Michael Macht
Diplom-Ingenieur
Production and Logistics

# Membership in other statutory supervisory boards and comparable domestic and foreign control bodies

**Members of the Supervisory Board of Dr. Ing. h.c. F. Porsche AG**

**Dr. Wolfgang Porsche**
2) Porsche Cars North America Inc., Wilmington
Porsche Cars Great Britain Ltd., Reading
Porsche Italia S.p.A., Padua
Porsche Ibérica S.A., Madrid
Porsche Bank AG, Salzburg
Porsche Holding GmbH, Salzburg (deputy chairman)
Porsche Ges.m.b.H., Salzburg (deputy chairman)
Eterna S.A., Grenchen (chairman)

**Hans Baur**
1) 1) Alcatel-Lucent Deutschland AG, Stuttgart
TRUMPF GmbH + Co. KG, Ditzingen

**Prof. Dr. Ulrich Lehner**
1) E.ON AG, Düsseldorf
HSBC Trinkaus & Burkhardt AG, Düsseldorf
2) Novartis AG, Basle

**Dr. Dr. h.c. Walther Zügel**
(until January 26, 2007)
1) Berthold Leibinger GmbH, Ditzingen
SHB Stuttgart Invest AG, Stuttgart
Stihl AG, Waiblingen (deputy chairman)
Stuttgarter Hofbräu Verwaltungs AG, Stuttgart
Allgaier Werke GmbH, Uhingen
Schuler AG, Göppingen
capiton AG, Berlin

**Dr. techn. h.c. Ferdinand Piëch**
1) Volkswagen AG, Wolfsburg (chairman)
MAN AG, Munich (chairman)
2) Porsche Holding GmbH, Salzburg
Porsche Ges.m.b.H., Salzburg

**Dr. Hans Michel Piëch**
2) Porsche Bank AG, Salzburg
Porsche Holding GmbH, Salzburg (chairman)
Porsche Cars North America Inc., Wilmington
Porsche Cars Great Britain Ltd., Reading
Porsche Italia S.p.A., Padua
Porsche Ibérica S.A., Madrid
Porsche Ges.m.b.H., Salzburg (chairman)
Volksoper Wien GmbH, Vienna
Your Family Entertainment AG, Munich

**Dr. Ferdinand Oliver Porsche**
1) Voith AG, Heidenheim
2) Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Bietigheim-Bissingen
Porsche Holding GmbH, Salzburg
Porsche Ges.m.b.H., Salzburg
PGA S.A., Paris
Eterna S.A., Grenchen

**Hans-Peter Porsche**
1) Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Bietigheim-Bissingen
2) Familie Porsche AG Beteiligungsgesellschaft, Salzburg (deputy chairman)
Porsche Holding GmbH, Salzburg
Porsche Ges.m.b.H., Salzburg

**Hansjörg Schmierer**
1) Berthold Leibinger GmbH, Ditzingen
Mahle GmbH, Stuttgart

(Disclosures pursuant to §285 Sentence 1 No 10 HGB)
As of: July 31, 2007 or the date on which members left the Supervisory Board of Dr. Ing. h.c. F. Porsche AG
1) Membership in German statutory supervisory boards
2) Comparable offices in Germany and abroad

## Members of the Executive Board of Dr. Ing. h.c. F. Porsche AG

**Dr. Wendelin Wiedeking**

1) Volkswagen AG, Wolfsburg
Porsche Vermögensverwaltung AG, Stuttgart (chairman)

2) Porsche Cars North America Inc., Wilmington (chairman)
Porsche Financial Services Inc., Wilmington
Porsche Cars Great Britain Ltd., Reading
Porsche Italia S.p.A., Padua
Porsche Ibérica S.A., Madrid
Porsche Japan K.K., Tokyo
Porsche Enterprises Inc., Wilmington
Porsche Deutschland GmbH, Bietigheim-Bissingen
Porsche Financial Services GmbH, Bietigheim-Bissingen
Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Bietigheim-Bissingen (chairman)
Novartis AG, Basle

**Klaus Berning**

2) Porsche Cars North America Inc., Wilmington
Porsche Enterprises Inc., Wilmington
Porsche Financial Services Inc., Wilmington
Porsche Cars Great Britain Ltd., Reading (chairman)
Porsche Italia S.p.A., Padua (chairman)
Porsche Ibérica S.A., Madrid (chairman)
Porsche Japan K.K., Tokyo (chairman)
Porsche Deutschland GmbH, Bietigheim-Bissingen (chairman)
Porsche Financial Services GmbH, Bietigheim-Bissingen
Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Bietigheim-Bissingen

**Wolfgang Dürheimer**

2) Porsche Engineering Group GmbH, Weissach (chairman)
Porsche Engineering Services GmbH, Bietigheim-Bissingen, (chairman)
PIKS Porsche-Information-Kommunikation-Services GmbH, Stuttgart

**Thomas Edig**

2) Porsche Consulting GmbH, Bietigheim-Bissingen
Porsche Leipzig GmbH, Leipzig
Porsche Consulting Italia S.r.l., Milan
Mieschke Hofmann und Partner Gesellschaft für Management- und IT-Beratung mbH, Freiberg/N.

**Harro Harmel**

(until May 31, 2007)

1) Porsche Vermögensverwaltung AG, Stuttgart

2) Porsche Consulting GmbH, Bietigheim-Bissingen
Porsche Leipzig GmbH, Leipzig
Porsche Consulting Italia S.r.l., Milan
Mieschke Hofmann und Partner Gesellschaft für Management- und IT-Beratung mbH, Freiberg/N.

**Holger P. Härter**

1) EUWAX AG, Stuttgart (chairman)
Volkswagen AG, Wolfsburg
Porsche Vermögensverwaltung AG, Stuttgart

2) Porsche Cars North America Inc., Wilmington
Porsche Enterprises Inc., Wilmington (chairman)
Porsche Financial Services Inc., Wilmington (chairman)
Porsche Cars Great Britain Ltd., Reading
Porsche Italia S.p.A., Padua
Porsche Ibérica S.A., Madrid
Porsche Japan K.K., Tokyo
Porsche Engineering Group GmbH, Weissach
Porsche Engineering Services GmbH, Bietigheim-Bissingen
Porsche Deutschland GmbH, Bietigheim-Bissingen
Porsche Financial Services GmbH, Bietigheim-Bissingen (chairman)
PIKS Porsche-Information-Kommunikation-Services GmbH, Stuttgart (chairman)
Mieschke Hofmann und Partner Gesellschaft für Management- und IT-Beratung mbH, Freiberg/N. (chairman)

**Michael Macht**

2) Porsche Consulting GmbH, Bietigheim-Bissingen (chairman)
Porsche Leipzig GmbH, Leipzig (chairman)
Porsche Consulting Italia S.r.l., Milan
PIKS Porsche-Information-Kommunikation-Services GmbH, Stuttgart

Imprint

Publisher:
Porsche Automobil Holding SE,
Stuttgart-Zuffenhausen © 2007

Photographs:
Werkfotos Porsche AG

Translations: CB Übersetzungen, Munich
Design: Atelier Lagally, Stuttgart
Produced by:
IThaus Münster GmbH & Co. KG, Kornwestheim
Blocks: L&N-Litho GmbH & Co. KG, Waiblingen

This Porsche AG company accounts are available in German and English. In case of doubt the German version is binding.