PORSCHE

Annual Report 2004/05


S GO 180

Porsche Group Highlights

		1995/96 HGB	1996/97 HGB	1997/98 HGB	1998/99 HGB	1999/00 HGB
Sales	**€ million**	**1,437.7**	**2,093.3**	**2,519.4**	**3,161.3**	**3,647.7**
Domestic	€ million	527.7	671.9	735.5	955.6	893.2
Export	€ million	910.0	1,421.4	1,783.9	2,205.7	2,754.5
Vehicle Sales (new cars)	**units**	**19,262**	**32,383**	**36,686**	**43,982**	**48,797**
Domestic Porsche	units	5,873	9,670	9,174	10,607	11,754
Export Porsche	units	13,346	22,713	27,512	33,375	37,043
Other Models	units	43	–	–	–	–
Vehicle Sales Porsche	units	19,219	32,383	36,686	43,982	48,797
911	units	19,096	16,507	17,869	23,090	23,050
928	units	104	–	–	–	–
Boxster	units	19	15,876	18,817	20,892	25,747
Carrera GT	units	–	–	–	–	–
Cayenne	units	–	–	–	–	–
Production	units	**20,242**	**32,390**	**38,007**	**45,119**	**48,815**
Porsche total	units	20,242	32,390	38,007	45,119	48,815
911	units	20,132	16,488	19,120	23,056	22,950
Carrera GT	units	–	–	–	–	–
928	units	28	–	–	–	–
Boxster	units	82	15,902	18,887	22,063	25,865
Cayenne	units	–	–	–	–	–
Employees	**at year-end**	**7,107**	**7,959**	**8,151**	**8,712**	**9,320**
Personnel expenses	€ million	392.1	464.4	528.2	574.9	631.3
Balance Sheet						
Total Assets	€ million	951.4	1,249.7	1,490.9	1,916.1	2,205.4
Shareholders' Equity	**€ million**	**239.1**	**298.1**	**415.8**	**587.4**	**782.0**
Fixed Assets	€ million	482.5	565.3	579.6	525.6	577.7
Capital Expenditures	€ million	213.6	234.8	175.8	155.0	243.7
Depreciation	€ million	67.7	107.6	157.1	183.7	196.6
Cash Flow	€ million	123.6	205.5	305.0	407.8	424.7
Extended Cash Flow	€ million			413.1	592.5	506..5
Income	**€ million**	**27.9**	**84.5**	**165.9**	**357.0**	**433.8**
Net income	€ million	24.6	71.3	141.6	190.9	210.0
Dividends	**€ million**	**1.8**	**13.0**	**21.9**	**21.9**	**26.4**
Dividends per share [1]						
Common stock	€	0.08	0.72	1.23	1.23	1.48
Preferred stock	€	0.13	0.77	1.28	1.28	1.53
DVFA/SG earnings per share [2]	€	1.10	4.10	4.80	13.00	13.70
Earnings per common stock	€	–	–	–	–	–
Earnings per preferred stock	€	–	–	–	–	–

[1] The years up until 1999/2000 have been adjusted according to the share split in fiscal year 2000/01.

[2] Deutsche Vereinigung für Finanzanalyse und Anlageberatung/Schmalenbach-Gesellschaft (German society of investment analysts).
The years up until 1999/2000 have been adjusted according to the share split in 2000/01.

2000/01 HGB	2001/02 HGB	2002/03 HGB	2003/04 IFRS	2004/05 IFRS	
4,441.5	**4,857.3**	**5,582.0**	**6,147.7**	**6,574.0**	**Sales**
1,001.3	1,,121.0	1,482.5	1,213.6	1,267.0	Domestic
3,440.2	3,736.3	4,099.5	4,934.1	5,307.0	Export
54,586	**54,234**	**66,803**	**76,827**	**88,379**	**Vehicle Sales (new cars)**
12,401	12,825	13,896	12,176	13,902	Domestic Porsche
42,185	41,409	52,907	64,651	74,477	Export Porsche
–	–	–	–	–	Other Models
54,586	54,234	66,803	76,827	88,379	Vehicle Sales Porsche
26,721	32,337	27,789	23,704	27,826	911
–	–	–	–	–	928
27,865	21,897	18,411	12,988	18,009	Boxster
–	–	–	222	660	Carrera GT
–	–	20,603	39,913	41,884	Cayenne
55,782	**55,050**	**73,284**	**81,531**	**90,954**	**Production**
55,782	55,050	73,284	81,531	90,954	Porsche total
27,325	33,061	29,564	26,650	28,619	911
–	–	7	270	715	Carrera GT
–	–	–	–	–	928
28,457	21,989	18,788	13,462	20,321	Boxster
–	–	24,925	41,149	41,299	Cayenne
9,752	**10,143**	**10,699**	**11,668**	**11,878**	**Employees**
709.9	799.4	849.5	949.7	964.8	Personnel expenses
					Balance Sheet
2,891.6	5,408.7	6,315.0	9,014.3	9,710.1	Total Assets
1,053.3	**1,466.8**	**1,754.5**	**2,920.8**	**3,420.2**	**Shareholders' Equity**
731.8	2,207.7	2,663.3	2,380.1	2,428.4	Fixed Assets
293.8	1,119.5	1,295.2	1,111.1	919.0	Capital Expenditures
132.7	278.8	392.2	381.5	510.5	Depreciation
418.4	781.5	1,007.9	1,120.4	1,335.3	Cash Flow
764.4	1,067.3	1,389.6	1,511.7	1,332.1	Extended Cash Flow
592.4	**828.9**	**933.0**	**1,137.0**	**1,238.0**	**Income**
270.5	462.0	565.0	690.0	779.0	Net income
45.0	**297.0**	**59.0**	**69.5**	**87.0**	**Dividends**
					Dividends per share [1]
2.54	2.94 + 14.00	3.34	3.94	4.94	Common stock
2.60	3.00 + 14.00	3.40	4.00	5.00	Preferred stock
17.20	27.80	35.20	–	–	DVFA/SG earnings per share [2]
–	–	–	39.63	44.68	Earnings per common stock
–	–	–	39.69	44.74	Earnings per preferred stock

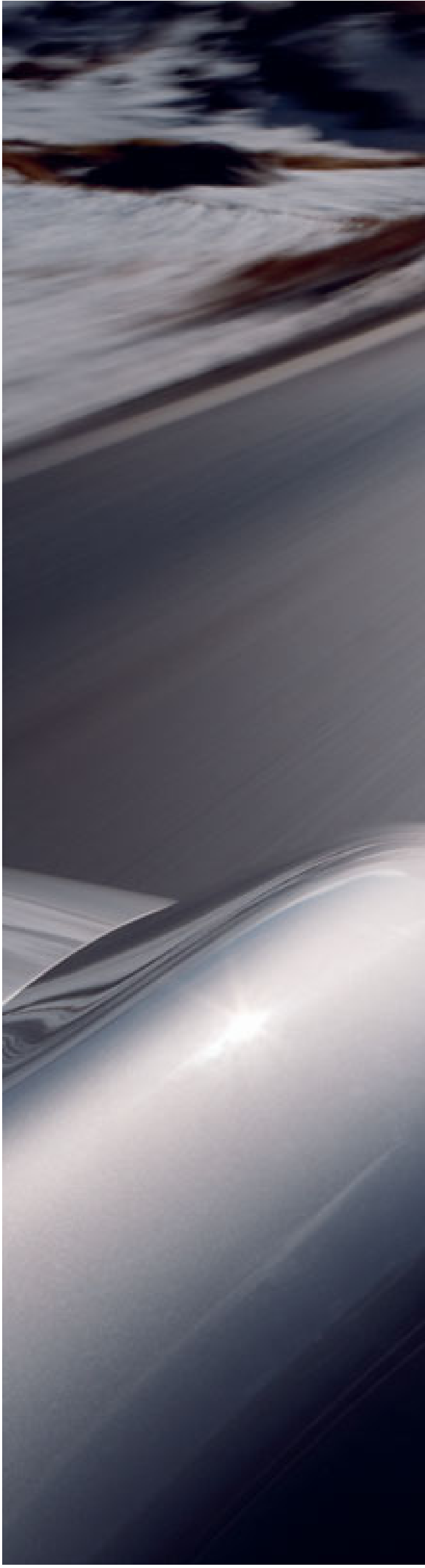
PORSCHE

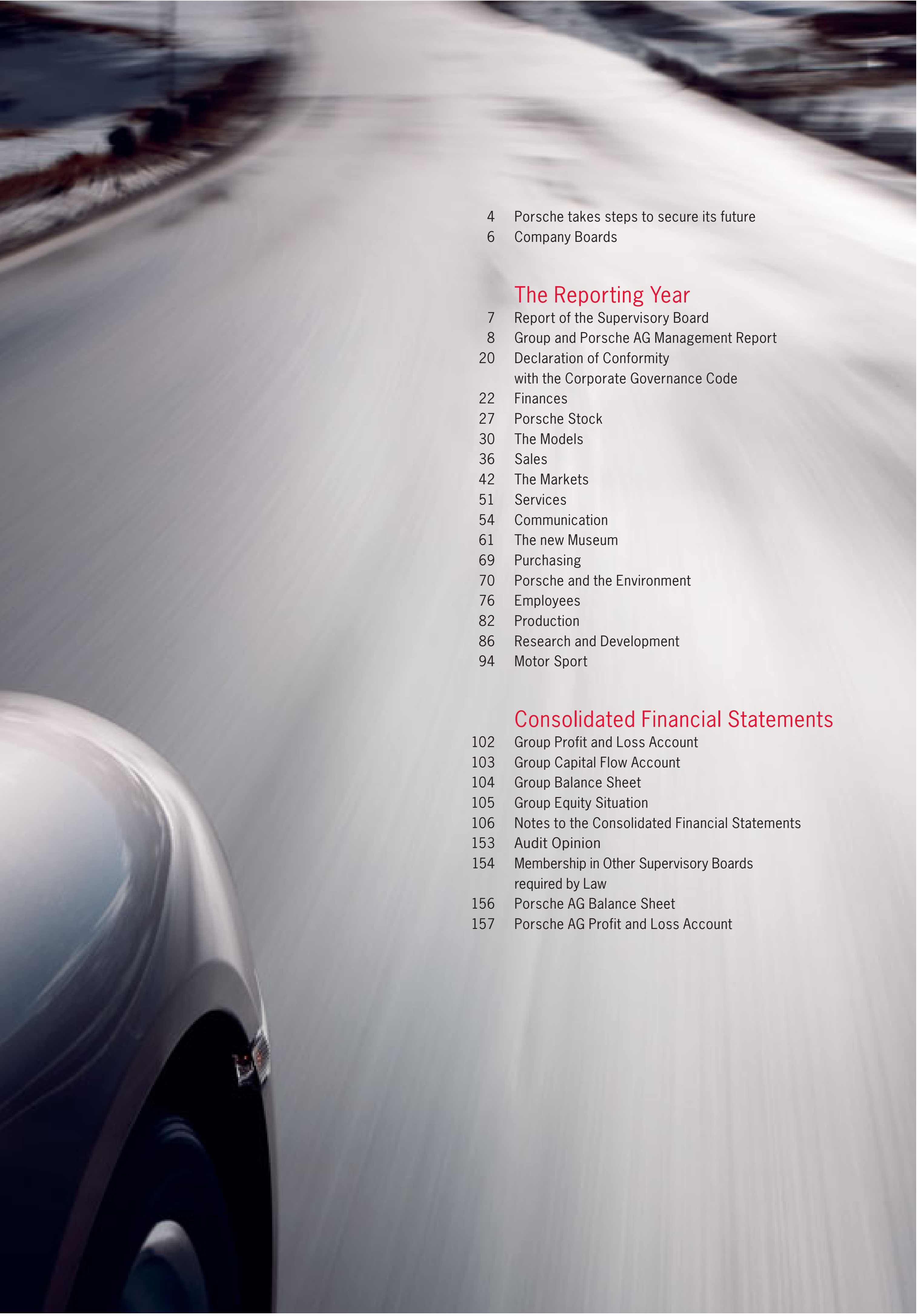
Annual Report 2004/05

Content

Dr. Ing. h.c. F. Porsche
Aktiengesellschaft, Stuttgart

Report on the Fiscal Year
August 1, 2004 to July 31, 2005





4 Porsche takes steps to secure its future
6 Company Boards

The Reporting Year

7 Report of the Supervisory Board
8 Group and Porsche AG Management Report
20 Declaration of Conformity with the Corporate Governance Code
22 Finances
27 Porsche Stock
30 The Models
36 Sales
42 The Markets
51 Services
54 Communication
61 The new Museum
69 Purchasing
70 Porsche and the Environment
76 Employees
82 Production
86 Research and Development
94 Motor Sport

Consolidated Financial Statements

102 Group Profit and Loss Account
103 Group Capital Flow Account
104 Group Balance Sheet
105 Group Equity Situation
106 Notes to the Consolidated Financial Statements
153 Audit Opinion
154 Membership in Other Supervisory Boards required by Law
156 Porsche AG Balance Sheet
157 Porsche AG Profit and Loss Account

Porsche takes steps to secure its future

Many people were surprised, and there was considerable interest in the media, when Porsche announced that it would be acquiring a holding in Volkswagen. Most of the reactions to Porsche's plan to become VW's largest individual stockholder were positive, though there was a certain amount of skepticism too. In particular stockholders and their representatives wanted to know why Porsche should invest a sum amounting to billions of Euros in a participation, when the company had until now always emphasized the need for a generous financial cushion as a means of safeguarding its future. Another question was whether the Stuttgart-based company was abandoning the concept of its own independence as a result of this link with the corporation in Wolfsburg.

Skeptics can rest assured that nothing was further from the company's intentions and that in fact the opposite situation applies: this investment will secure Porsche's independence for several decades to come. We shall only be able to make our own plans if our earnings continue to allow us to finance our growth from our own efforts. Porsche's declared objective is therefore to retain its successful business model in the future.

A central element in this business model is our low manufacturing depth, which at less than 20 percent is the lowest in the entire automobile industry, and also our highly flexible production methods. Many work stages are performed externally, by our suppliers, while we concentrate on our core competences: development, control of the production alliance with suppliers, engine production and the assembly, quality control and sale of our vehicles.

Our strength lies in this distribution of tasks, and this is the background against which our participation in Volkswagen, which from the fall of 2005 on secures Porsche the status of the Wolfsburg Group's largest stockholder, must be viewed. For us, Volkswagen is a significant technological and production partner for more than a third of our sales volume. Both companies have been cooperating intensively for some time now, with great success, as the Cayenne/Touareg project confirms. The industrial logic of our Volkswagen participation is therefore also to be sought in the fact that Porsche will cooperate with Volkswagen in important technological areas, which will result in significant economies for both parties.

The anticipated annulment of the so-called 'VW Law', however, could easily lead to Volkswagen falling victim to a hostile take-over by investors, which could pose a threat to the continuation of our cooperation in the long term. We did not wish to face such a situation unprepared; by way of our participation in VW we have eliminated the risk of it occurring and have helped to ensure that Volkswagen – in our own interests too – will continue to flourish.

Above all, media comment has shown that the potential opportunities represented by this cooperation have in some cases not yet been identified. This makes it all the more important to emphasize that Porsche – as indeed Volkswagen as well – can derive lasting benefit from joint projects in the research, development, procurement and production areas. Cooperation in this way will generate significant economies of scale that will have a positive effect on our earnings situation.

Porsche was able to finance this investment from its excellent cash position. Although purchase of these VW common-stock shares will result in a short-term drop in the volume of Porsche's liquid funds, the company's high level of profitability and the continuing strength of its cash flow will once again give it a highly acceptable level of net liquidity within a short time. The Porsche Executive Board continues to attach great importance to availability of the appropriate financial resources and will in no way depart from its conservative policy in this respect.

Nothing has changed: Porsche needs a level of liquidity that ensures its security even in troubled times. Strong cash flow is needed, and there must be a sufficient volume of allocations to reserves. For this reason, and although many a finance-market participant would have welcomed such moves, we have not undertaken a stock repurchase program or once again paid a special dividend. On the contrary, we have maintained our long-term approach and invested a large proportion of our liquidity, since we are firmly convinced that VW will succeed in regaining its former strength. One of our declared aims is incidentally to offer constructive support in achieving this and therefore to be represented on the VW Supervisory Board to an extent corresponding with our participation. We regard this as a thoroughly obvious development, since Volkswagen and Porsche can in no way be regarded as relevant competitors: in terms of their sales, the two companies overlap by no more than 2.8 percent.

It is important to note that participation in VW does not involve any change in our plans for the Porsche brand. We shall pursue our current model offensive without hesitation. This strategy is all the more valid now that cooperation with Volkswagen can be regarded as secure, and provides us with the backing that we need to pursue our own path with the necessary determination.

This means above all that we will be increasing the appeal of our model program still more. With the latest 911 and Boxster model generations we have already demonstrated very clearly that we propose not only to defend our position as the world's most successful manufacturer of sports cars, but also to extend it. The new all-wheel-drive versions of the 911 Carrera, and the new Cayman S, will provide a strong stimulus in this respect. The Cayman S in particular can be regarded as evidence that even in its core business area, Porsche is always good for a surprise. This new model, a two-seat mid-engined sports car with a fixed-roof body, fills the gap between the Boxster and the 911. It will appeal in particular to a younger, demanding group of people with sporty interests, which will enable Porsche to extend its potential customer base still further.

The Cayenne has already demonstrated most effectively that Porsche can access new customer groups successfully. On new markets such as China or Russia, which we are currently penetrating most determinedly, this sports off-road vehicle is the main attraction in our sales program. The Cayenne of course not only stands for most gratifying sales results but is also evidence that Porsche has transformed itself successfully from pure sports-car manufacturer to supplier of exceptionally sports premium automobiles of other kind too. A sign that we intend to pursue this path further is the recent decision to build the 'Panamera', a premium-category four-seat sport coupe, that is scheduled to reach the market in 2009. This fourth model line is intended to secure additional sales potential for Porsche in the segment occupied by higher-priced sedans and coupes and this give the company an even broader sales base from which to operate. In no way does the investment in VW interfere with this clearly defined product strategy: Porsche will pursue the path it has already decided upon with all the necessary determination.

Another topic area with relevance to a secure future is being given close attention: the growing demand for environmentally acceptable forms of vehicle propulsion. By the end of this decade we will therefore be introducing a Cayenne with hybrid driveline – a joint development project with the Volkswagen Group. It should be noted, incidentally, that only cooperation of this kind offers Porsche a practicable economic basis for such a project to be undertaken.

In the past fiscal year the company operated at a level of profitability well above any other automobile manufacturer anywhere in the world. This was made possible by increasing efficiency – a task to which we are unceasingly committed. It includes regular re-examination and optimization of internal structures, continual reductions in the time needed to respond to market changes and ongoing increases in cost-saving potential in all the company's business areas.

It seems almost self-evident to point out that all our projects depend on the availability of highly qualified, motivated employees. Their part in the company's success has once again been acknowledged by the granting of suitable special payments. In addition, the jobs of all members of the Porsche AG workforce have been secured until the year 2010 by a location assurance agreement, concluded in July 2005. This is a clear acknowledgement of the value of the 'Made in Germany' seal of quality and of Germany as a manufacturing location, the positive development of which is important to all of us at Porsche. Our participation in VW is further express confirmation of this policy.

Last but not least, our social commitments encourage customers, staff, business associates and stockholders to identify closely with the company's progress. This was again evident in the past fiscal year, and we shall do everything within our power to ensure that it continues to hold good in the future.

Dr. Wendelin Wiedeking
President and Chief Executive Officer

Company Boards

Members of the Supervisory Board

Prof. Dr. Helmut Sihler
Vice president of the board of directors of Novartis AG
Chairman

Hans Baur*, Diplom-Ingenieur
Trade union secretary
Deputy Chairman

Maria Arenz*, Attorney
Department head

Jürgen Kapfer*
Project manager

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

Dr. techn. h.c. Ferdinand Piëch
Chairman of the supervisory board of
Volkswagen AG

Dr. Hans Michel Piëch
Attorney

Prof. Ferdinand A. Porsche (until January 28, 2005)
Designer

Dr. Ferdinand Oliver Porsche (since January 29, 2005)
Investment management

Dr. Wolfgang Porsche
Diplom-Kaufmann

Hansjörg Schmierer*
Trade union secretary

Werner Weresch*
Automotive mechanic
Member of the works council

Dr. Dr. h.c. Walther Zügel
Former chairman of the executive board of Landesgirokasse

Members of the Executive Board

Dr.-Ing. Wendelin Wiedeking
President and Chief Executive Officer

Wolfgang Dürheimer
Diplom-Ingenieur
Research and Development

Holger P. Härter
Diplom-Volkswirt
Finance and Controlling

Harro Harmel
Human Resources/Labor Relations Director

Michael Macht
Diplom-Ingenieur
Production and Logistics

Hans Riedel
Diplom-Kaufmann
Sales and Marketing

* Employees' representative

Report of the 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 these has supervised the activities of company management. Members of the Supervisory Board attended its meetings with only few exceptions, and in the event of their absence submitted their votes in writing. The Supervisory Board's responsibilities relate in particular to implementing and complying with the requirements arising from the German laws on Control and Transparency in Corporate Enterprises (KonTraG) and Transparency and Publicity (TransPuG). The Supervisory and Executive Boards have discussed the recommendations and suggestions arising from the German Corporate Governance Codex on several occasions and have issued a declaration of conformity in accordance with § 161 of German joint stock company law (Aktiengesetz). Comments on the declaration of conformity have been included in the 2004/05 annual report. The Supervisory Board has conducted an efficiency test in the form of a self-evaluation. It has also examined fundamental questions of corporate planning, in particular financial, investment and human resources planning. The Supervisory Board has appointed a permanent committee to perform a mediating function in accordance with § 27 Paragraph 3 of German co-determination law and also a subsidiary function as a human resources committee. Business activities requiring the approval of the Supervisory Board were discussed in detail at the latter's four meetings and the four meetings of the permanent committee before decisions were taken. At these meetings the Supervisory Board was able to confirm that the Executive Board is conducting the company's business satisfactorily and has taken all the necessary measures in good time and effectively. In addition, the Supervisory Board was informed continuously, comprehensively and without delay by the Executive Board on market developments and the progress of corporate divisions. Prime importance was attached to monthly reports containing and explaining significant current quantitative and financial data with reference to the previous year's figures. The Supervisory Board has examined the main planning and decision documents and satisfied itself that these are correct and appropriate. The report on relations with associated companies drawn up by the Executive Board was submitted to the Supervisory Board for examination and gave no cause for complaint.

The annual accounts of Dr. Ing. h.c. F. Porsche Aktiengesellschaft and the Group accounts for the 2004/05 fiscal year were examined, with reference to the account records and the Group situation report combined with the Porsche AG situation report, by the auditors Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Stuttgart, who had been elected by the stockholders' annual general meeting held on January 28, 2005. The auditors' examination included the Executive Board's measures for the early identification of risks that could endanger the company's success or survival. The auditors raised no objections and have confirmed this with their unconditional mark of approval.

The Porsche AG and Group annual accounts and the combined Group and company situation report bearing the unconditional mark of approval of auditors Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Stuttgart, together with the auditors' own examination reports were submitted to the Supervisory Board for examination.

The Supervisory Board, following examination of the documents submitted to it in accordance with § 170 Paragraphs 1 und 2 of German joint stock company law (AktG) and the auditors' reports, has concluded that no objections need to be raised, and has approved the results in the report by auditors Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Stuttgart.

The auditors who confirmed the annual accounts with their signature were present during that part of the meeting of the Supervisory Board when the annual accounts were examined and the Group accounts approved, and reported to the Supervisory Board on their examination of the annual and Group accounts.

The Supervisory Board has approved the annual accounts and the Group accounts for the 2004/05 fiscal year. The annual accounts are therefore finalized. The Supervisory Board accepted the Executive Board's situation report and associates itself with the latter's proposal for the allocation of the balance-sheet profit.

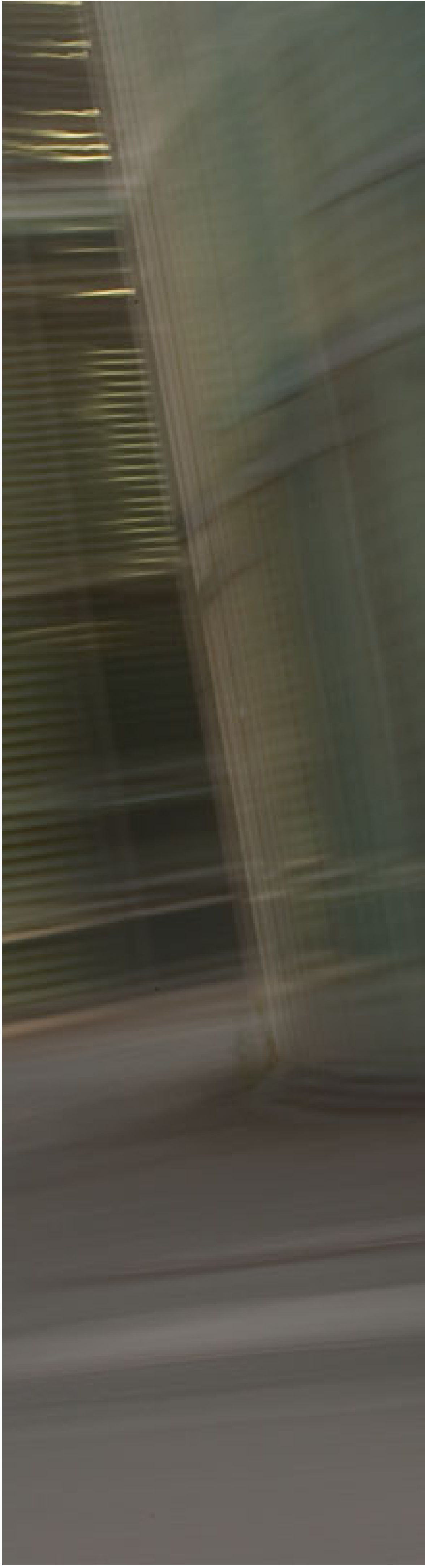
The Supervisory Board expresses its grateful thanks to the Executive Board, the employees' elected representatives and all employees for their dedicated work in the past fiscal year.

Stuttgart, November 2005

The Supervisory Board
Prof. Dr. Helmut Sihler
Chairman

Management Report for the Group and Dr. Ing. h.c. F. Porsche AG 2004/05

Porsche has grown again: sales, turnover and earnings reached new record levels in the review year.



Automobile markets worldwide have still not made a consistent recovery, but all Porsche models have been outstandingly well received by customers.

German Economy leaves much to be desired

The global economy recovered strongly again in the reporting year. Japan continued to enjoy an upward trend, growth was significant in the USA and in China as well the impetus for growth was unbroken, despite cautious exchange rate adjustments.

By contrast, the economy in the eurozone was slowed by the rise in oil prices that persisted since the end of 2003. The higher cost of crude oil resulted primarily from a strong increase in demand from threshold countries such as China. Thanks to a fall in the Euro exchange rate in the second half of the reporting year, exports picked up again after a temporary weakness, but this was not sufficient to give far-reaching impulses for growth.

The key problem in Europe was weak internal market demand. With sales prospects subdued, companies were reluctant to increase capital expenditures although profit levels were high. Above all, private consumption remained below expectations, due to a high level of unemployment.

This situation applied particularly in Germany. Although the economy clearly profited from increasing exports, there was scarcely any economic recovery during the reporting year. Domestic demand has not lived up to expectations for some years, and it would seem that external stimuli are having less and less effect; they have certainly failed so far to initiate any significant recovery. The purchasing power of private households was lowered by severe increases in the cost of heating oil, fuel and other sources of energy. Added to this, political uncertainty was caused by the Federal German government's unexpected action aimed at making an election necessary; this had a further retarding effect on private consumption and capital expenditures.

New Record Year for Porsche

Although the international economic climate improved, this could not be said for the automobile markets to any significant extent in the reporting year, as before. Porsche nevertheless succeeded once again in achieving record sales. Growth was inspired by the new generation of sports cars: the 911 and the Boxster were extremely well received by customers all over the world. The Cayenne too remained in strong demand. This sport utility vehicle exhibited especially dynamic growth in export markets in which Porsche's presence has so far been only small.

Porsche's top selling model in the reporting year was again the Cayenne, of which 41,884 were sold following 39,913 in the previous fiscal year. With 17,355 sold, the Cayenne S remained the version in strongest demand. There was also keen interest in the six-cylinder version, of which 17,362 were sold. Sales of the Cayenne Turbo were most gratifying in volume, at 7,167 units, giving it approximately a 17 percent share of total Cayenne sales.

The 17.4 percent growth in 911 sales to 27,826 units was most impressive. The new generation of this classic model was introduced successively to world markets from July 2004 on, starting with the 911 Carrera Coupe und 911 Carrera S Coupe.The Cabriolet soft-top versions followed later, starting in the spring of 2005. During the reporting year, about 27 percent of all 911 buyers chose a Cabriolet version. The S versions of the 911 Carrera Coupe and Cabriolet, with even more powerful engines, were also extremely popular: 68 percent of 911 buyers chose them instead of the basic model.

Until the early summer of 2005, certain versions of the previous model were still being built in parallel with the new-generation 911 models. Of these, demand was highest for the Carrera 4 S Cabriolet and the Turbo Cabriolet. The new-generation 911 model line will gradually be completed by introducing further versions: for example, the latest all-wheel-drive versions reached the market in October 2005.

The latest Boxster model generation was introduced in successive stages to international markets from the end of 2004 on. Although the roadster segment remains fiercely contended, it proved possible to boost sales of the Boxster considerably, which is evidence of the additional appeal that the latest model possesses. During the reporting year, 18,009 were sold, an increase of 38.7 percent. The more powerful Boxster S version accounted for 8,261 units, a 45.9 percent share of total Boxster sales volume. In the previous year the proportion had been 49.6 percent, but the total also included the special “550 Spyder 50th Anniversary” version of the Boxster S. In the current fiscal year the Boxster model line has been upgraded still further by the introduction in November 2005 of the Cayman S, a Boxster-based but independent sport coupe.

Including the Carrera GT, of which 660 were sold (previous year: 222), the Porsche Group sold a total of 88,379 vehicles in the 2004/05 fiscal year, a 15 percent increase on the 76,827 units sold in the same period a year previously. In other words, there was no interruption in Porsche’s growth course.

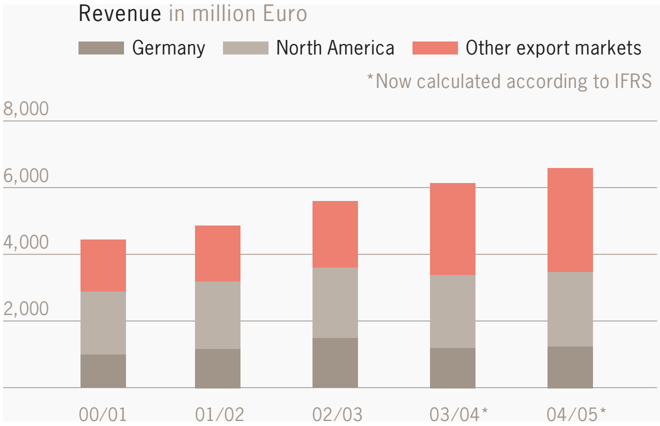
In the reporting year, Group sales were again well below the total number of vehicles built. The main reason for this is that vehicles used by the Porsche Group for its own purposes are not listed as new car sales. This category includes company cars driven by or leased to employees, experimental vehicles, vehicles operated for the company’s own purposes, test vehicles for journalists and vehicles loaned temporarily by the Group’s own sales subsidiaries and its dealers when customers’ own cars are off the road. These vehicles are in all cases sold as pre-owned and therefore appear in the Porsche Group’s sales revenues and earnings.

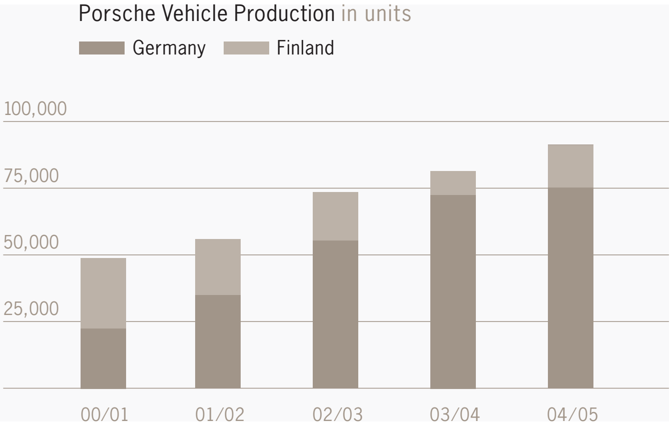
Strong Demand worldwide

During the reporting year, the demand for Porsche vehicles remained strong in all parts of the world. North America was once again the largest sales region, though the overall growth dynamic was stronger in other export markets. This was due in particular to the Cayenne, which achieved strong sales growth in markets where the company’s presence with its sports cars has so far been only slight, for example in the Middle East. On European markets such as Spain and Italy, however, Porsche was also able to sell distinctly more cars in the reporting year than in the previous year. Total sales in all export markets except for North America were 40,334 vehicles, an increase of 21.1 percent compared with the previous year’s figure of 33,295 vehicles. In North America, sales went up by 8.9 percent to 34,143 vehicles (previous year: 31,356). Although Cayenne sales were slightly weaker in the reporting year, at 16,691 units (three percent down), the sport utility vehicle remained the top-selling Porsche model. Sales of the 911 and Boxster sports cars went up noticeably to 17,040 cars (21.4 percent more). Carrera GT sales in North America totaled 412 cars (previous year: 99).

Although the domestic scene remained generally weak, Porsche once again sold more cars on the German market than in the previous year. An increase of 14.2 percent to 13,902 cars was recorded, the lion’s share being accounted for by the Cayenne, sales of which went up by 5.7 percent to 5,543 units. The latest 911 and Boxster model generations established themselves well: together, these two sports car model lines sold 8,290 units, an increase of

Improved productivity, strict cost discipline and circumspect hedging against foreign exchange movements have contributed to the excellent result.





20.3 percent over the previous year's figure. Carrera GT sales were 69 cars, following 41 in the previous year.

Financial Statements according to International Reporting Standards
The Porsche AG Group consolidated financial statements for the 2004/05 fiscal year were compiled for the first time in accordance with the International Financial Reporting Standards (IFRS). Previous year figures have been modified where required to facilitate comparison. Compared with the German HGB method, accounts drawn up to comply with IFRS requirements tend to place less emphasis on precautionary principles than on an evaluation of balance-sheet entries based more closely on market values.

This change of accounting principles called for a series of re-allocations and revaluations in the balance sheet. If only for this reason, the balance sheet total and the profit are both higher. In the course of retroactive adaptation of the previous year's figures to accord with IFRS rules, the balance sheet total for the 2003/04 fiscal year went up from 8.118 to 9.014 billion Euro and the pre-tax result from 1.088 to 1.137 billion Euro. Further details are given on page 108 of this annual report, with information on the adjustments necessary to conform with IFRS.

Sales up again
Group sales increased by 6.9 percent to the new record figure of 6.57 billion Euro (corresponding figure for the previous year: 6.15 billion Euro). Compared with the previous HGB accounting principles, first-time adoption of the International Financial Reporting Standards (IFRS) has had the effect of reducing the sales figure for the previous fiscal year and, due to retroactive adjustments, that for the fiscal year before that as well. The main reason for this is that for certain leasing transactions only the interest earnings and not the complete leasing payment are now included as sales revenues.

There are two reasons for sales revenues having grown at a slower rate than unit sales: firstly, changes of emphasis in the model mix made themselves felt. Sales of the Boxster went up, but fewer of the higher-priced versions of the 911 were sold on account of the model change. Secondly, the less marked increase in sales revenues compared with the growth in sales volume was due to unfavorable exchange rates: the external sales of our North American sales subsidiaries, for example, are included in Group sales at average annual exchange rates, not at the hedged rates. However, our extremely circumspect currency hedging policy prevents these negative effects from having more than a slight retarding effect on the earnings position.

In the reporting year the bulk of Group sales, namely 5.28 billion Euro – an increase of 8.2 percent – was again earned from the manufacture and sale of motor vehicles. Sales from financial services amounted to 353.1 million Euro. Of the total sales, Porsche AG accounted for 5.38 billion Euro.

Production in Zuffenhausen increased
In the reporting year there was a steep rise in the number of vehicles manufactured. Including 15,892 Boxster and Boxster S cars assembled in Finland, the Porsche Group produced 90,954 vehicles, an increase of 11.6 percent.

This growth came largely from the new-generation sports cars, of which considerably a higher number of units was built. Strong demand for the new 911 in particular led to production being stepped up in Zuffenhausen. 28,619 units of Porsche's classic 911 model were built (7.4 percent more). Output of the Boxster at the main plant in Zuffenhausen reached 4,429 units and thus remained just below the previous year's level. The Porsche model produced in the largest volume was once again the Cayenne, of which 41,299 units were built (plus 0.4 percent). Like the Cayenne, the Carrera GT is built in Leipzig; 715 units left the plant (previous year: 270).

Intensive Development Activity
Internal development activities were once again at a high level. Development work on the new sports cars declined in volume following their market launch, which in some cases took place at the end of the previous fiscal year, but other projects relating to new 911 model

Porsche has gone against the general trend by enlarging its workforce. The new location assurance agreement is also a positive signal for the labor market.

versions such as the 911 Carrera 4 Coupe and Cabriolet then had to be tackled. The strategy of offering an increased number of versions is continuing, and initial development was carried out for the Panamera sport coupe project before the decision to build this model was taken.

New Jobs created
The creation of new jobs is by no means self-evident when the situation on the labor market is persistently poor. The Porsche Group nevertheless defied the general trend in the reporting year by increasing its workforce by 1.8 percent from 11,668 (previous year) to 11,878. Most of the new jobs were created in the services area and at foreign subsidiaries. The Porsche AG workforce comprised 7,995 employees (previous year 7,992).

Location Assurance Agreement concluded
The new agreement concluded between the Executive Board and the Works Council during the reporting year is a positive signal for the labor market. Its aim is to secure the future of the company's working locations; unlike the first agreement of this kind, it relates to all employees in Zuffenhausen, Ludwigsburg and Weissach rather than production workers in Zuffenhausen only. It is to remain in force until July 31, 2010 and replaces the previous agreement dating from 2000. The most important individual aspects of the new location assurance agreement are described in greater detail in the "Employees" and "Production" sections of this report.

Renewed Increase in Profits
With a pre-tax profit of 1.238 billion Euro, the Porsche Group has once again set a new record (the equivalent figure for the previous year was 1.137 billion Euro). This proved possible despite the costs incurred for the worldwide launch of the new-generation sports cars. In this result, as with the sales revenues, changes in the relative significance of the various models led to a lower impetus for growth in the result than in unit sales. The overall result achieved once again in the reporting year, and unmatched by any of Porsche's competitors, was once again attributable to improved productivity, strict cost discipline and conservative hedging against major foreign currencies such as the US dollar. The Group's surplus for the fiscal year (after-tax profit) rose to 779.0 million Euro (previous year: 690.0 million Euro). Porsche's subsidiaries within Germany and abroad contributed to this positive results pattern.

Porsche AG's pre-tax profit went up to 872.0 million Euro (previous fiscal year: 843.0 million Euro). The surplus for the fiscal year rose from 488.0 million Euro to 528.0 million Euro. Positive elements in this total figure were payments of 89.0 million Euro from subsidiaries of Porsche AG.

Capital Expenditures and Depreciation
During the reporting year, investments were again at a high level, due to an expanded business volume, preparations for new model versions and plant renewals at Porsche's production locations.

The renewed rise in earnings has led to an increase in the Porsche Group's net liquidity.

370.7 million Euro was spent on property, plant and equipment and intangible assets (previous year: 605.7 million Euro) and 543.6 million Euro (previous year: 504.4 million Euro) on leased assets at our financial services companies. Capital expenditures by Porsche AG in the 2004/05 fiscal year came to 352.2 million Euro, and were mainly devoted to various rationalization projects such as the ongoing modernization of IT systems, the replacement of existing equipment and measures to protect the environment. In addition, investment was needed in Zuffenhausen for the production start-up of new versions of the company's sports cars.

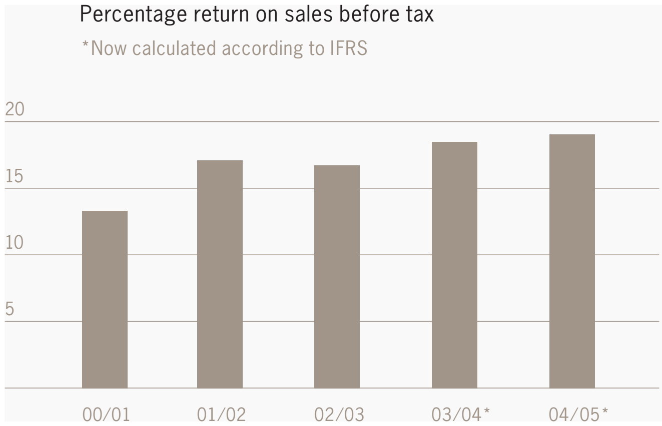
Depreciation within the Group rose by 33.8 percent to 510.5 million Euro, primarily on account of increased sports car production volume. Depreciation relating to the financial services companies totaled 174.6 million Euro (previous year: 120.7 million Euro).

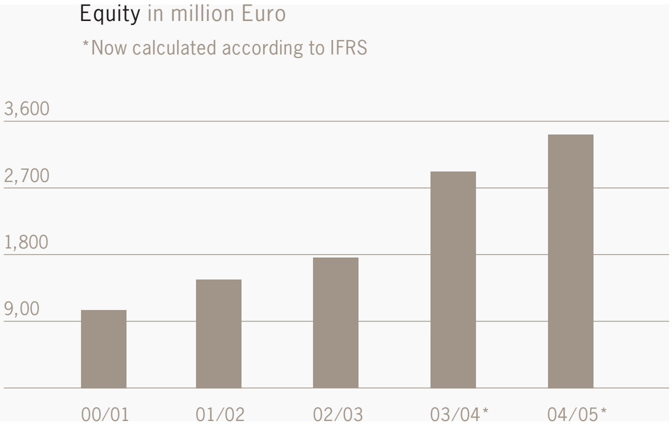
Financial structure: growth in net liquidity
The extended cash flow – including changes to the remaining allocations to provisions – went down to 1.332 billion Euro in the reporting year, 179.6 million Euro below the previous year's figure of 1.512 billion Euro. The main reasons for this change were distinctly lower tax provisions and a less marked increase in other allocations to provisions.

As a result of the improved earnings, net liquidity rose by 26.1 percent to 2.354 billion Euro. Equity also went up by 499.4 million Euro to 3.420 billion Euro. Continued prudent accounting led to an allocation of 27.2 million Euro to provisions, which now total 2.287 billion Euro.

Panamera to be built
A sound financial policy was not the only way in which Porsche safeguarded the future of the company during the reporting year. It also took a forward-looking decision with regard to the model program: from 2009 on, a fourth model line is to be introduced. The name "Panamera" is derived from the legendary Carrera Panamericana long-distance race.

The new model will be a premium-class sports coupe with four seats and four doors, powered by a front engine driving the rear wheels. Porsche will develop its own platform for the Panamera, and will cooperate even more closely than before with selected system suppliers in the course of this project. Total capital expenditures including development work on this new model line will amount to approximately one billion Euro, and the company will create about a thousand new jobs in Germany. Together with the 911, Boxster and Cayenne, it is Porsche's intention with this fourth model line to extend its customer base still further and in this way to maintain a secure growth policy.





Thanks to Employees, Business Associates and Stockholders

In the 2004/05 fiscal year, exceptional demands were once again made of Porsche employees in all operating areas both at home and abroad. A further increase in sports car production volume, preparations for new model versions and the worldwide presentation of the new Boxster and the all-wheel-drive versions of the 911 to journalists, dealers and customers all represented special challenges. A similar situation applied to additional sales and development work. The Executive Board wishes to thank all those concerned for their exceptional dedication to the tasks entrusted to them. As a token of our appreciation, as in previous years, all employees paid according to negotiated rates who have been with the company for at least one year will receive a bonus payment to enable them to participate in the company's good results.

We also wish to thank the stockholders, who have yet again shown their confidence in the company's promising future prospects, the employees' elected representatives, who have reached agreement with company management on far-reaching strategic decisions, especially those concerning location assurance and model policy, our suppliers and our business associates in the sales organizations. It is only with their energetic support that Porsche has been able to achieve its ambitious targets.

Future Development Risks

According to § 91 Paragraph 2 German Stock Corporation Act (AktG), Porsche is required to operate a risk management and early warning system. Trade law also calls for reports to be issued on future developments and the opportunities and risks associated with them. Annual planning meetings are therefore held to examine and evaluate the chances and risks associated with all business activities. Objectives are then drawn up and the degree to which they are fulfilled is monitored during the year by the Group-wide controlling and reporting system. If any changes to or deviations from the market or competitive situation develop, this monitoring system records and analyzes them immediately, as well as supplying details without delay to the company's decision-takers. 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 company's Risk Management and Internal Auditing business areas monitor the applicability and efficiency of the entire risk management system centrally. If scope for improvement is detected, details are supplied without delay to the Executive Board and the improvements then implemented. This monitoring process also includes the continuous documentation of all risk management and early warning activities and examination of their suitability and practicability.

Continuous Monitoring of Business Processes

The auditors of the financial statements have, as in previous fiscal years, evaluated the early warning system as implemented in the reporting year, and confirmed that it complies with legal requirements 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 assets or its financial and earnings situation.

Risks can never be completely eliminated. Natural catastrophes or an escalation of terrorist activities could affect sales of Porsche vehicles. Recessionary changes to the economic environment also influence the demand for consumer durables and thus the sales of our products: the North American and German markets, as the largest sales regions, are particularly critical for Porsche. By means of continuous, intensive market observation, however, and the early warning indicators that it has installed, Porsche is able to identify any incipient drop in sales without undue delay, and modify its production plans or divert sales flows as a means of limiting the negative effects with which the company would otherwise be confronted.

In the financial area, Porsche's strategy is to hedge in the medium term against movements of the most important foreign currencies and to ensure a stable basis for its planning, taking the Group's medium- and long-term sales targets for vehicles, Tequipment, spare parts and Selection articles into account. To protect itself against exchange rate movements, Porsche makes use of familiar tools such as options and futures, in cooperation with selected, 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. Loan issues have been undertaken, but are held in reserve and currently earn interest on account of the adequate liquidity available from operative business. Possible interest risks are secured by the conclusion of interest swaps or options. Further details are discussed on page 143 of this report.

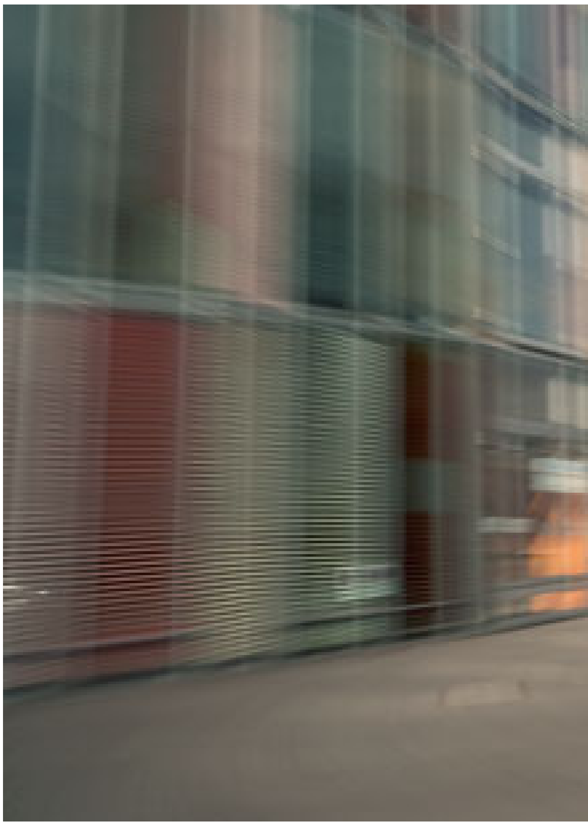
Another business area that requires ongoing precautionary measures is leasing. Its expansion, in parallel with increased vehicle sales for some years now, has increased the residual value risk involved in the disposal of vehicles returned to Porsche financial services companies at the end of the relevant leasing 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. Residual risks are taken into account in the Porsche Group balance sheet.

Porsche also makes provision for the risk, which other companies also have to face, of losing the services of qualified staff and executives. Thanks to the attraction of Porsche as an employer and its current personnel development programs, however, employee satisfaction remains high, and this reduces the risk of losing know-how through workforce fluctuation.

Porsche also takes steps to limit risk in the field of information technology, since unauthorized attempts to access or misuse data could severely disrupt its operating procedures. 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 IT-systems should fail. This program is based on the duplication of data and hardware that are vital to the operation of the company. The current emergency program is regularly updated to take changes in operational requirements into account.

Production processes could, however, suffer serious and lasting disruption through unexpected, but not entirely unavoidable events, such as a fire or 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.



Finally, 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.

Extensive Quality Assurance Measures

Automobile manufacturers now work very closely with their suppliers on product development and series production, so that synergy benefits arise. However, despite the economic advantages, this creates for the manufacturer a situation of increased dependence on the supplier. 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. As and when regular deliveries start, a thorough check is made on the quality of parts and their punctual delivery. If there is any deterioration in performance, the causes are analyzed, immediate remedial measures are taken, and their effectiveness is continuously monitored.

The risks and opportunities associated with all Porsche's business activities are precisely examined and assessed. Market changes are noted and analyzed without delay.

Vehicle manufacture is a complex process in which product defects can occur that 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 reduction 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 the appropriate remedial action. This evaluation covers our entire production, including the quality of parts and our suppliers' manufacturing processes. 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.

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.

Dependency Report drawn up

As mentioned in the report for the previous fiscal year, the participation structure of the holders of Porsche AG common stock has changed in recent years as a result of restructuring of their holdings. In accordance with § 312 German Stock Corporation Act Porsche has been recommended by its legal advisors to draw up a report on relations with companies associated with common stockholders (a dependency report). The conclusions of this report are as follows: Porsche AG has, in accordance with the circumstances known to it when the legal transactions stated in the report were conducted, 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 German Stock Corporation Law.

Outlook

Although the effect of crude oil price increases on demand and on inflation is difficult to assess, and renewed terrorist attacks could hamper activity on the sales markets at times, moderate expansion of the world economy is likely to continue in 2006.

Favorable financing conditions, high corporate profits in many cases and increasing asset values are propping up demand, the threshold countries remain dynamic and Japan is gradually recovering from the severe crisis it suffered in the past decade.

Economic policy in the USA could, apart from budget and balance of trade deficits, be facing a dilemma in monetary policy. There is on the one hand a risk that the strong, persistent rise in real-estate prices could form a 'bubble' which, if it were to burst, would have considerable negative effects, especially in the private consumption

By way of its participation in Volkswagen, Porsche intends to secure a major proportion of its own forward planning.

area. One the other hand, it must be asked whether the restrictive monetary policy of 2005 can continue in view of high energy prices. All in all, however, the question seems to be not so much whether the recovery will continue but rather whether it will be weak or strong.

In the eurozone, interest rates are likely to remain largely stable and the economic recovery to be only very slight. Few stimuli are to be expected from domestic market demand, on account of crude oil market developments. Business investment, on the other hand, could expand more strongly if profits remain high and financing conditions are still favorable. Admittedly, prospects depend to a very large extent on Euro exchange-rate movements, which govern the degree to which generally satisfactory worldwide economic development will have an effect in Europe.

In the coming year, a further most decisive factor will apply in Germany. Now that a new central government (the 'Bundestag') has been elected, the question will be whether further reforms are to be introduced as an extension to the 'Agenda 2010' program. In this event, positive signals from exports could stimulate domestic demand and, after some years of stagnation, trigger a lasting upswing in this, the largest national economy in the European Union.

Despite these economic uncertainties, Porsche is confident about its corporate prospects for the 2005/06 fiscal year. Its model program is the 'youngest' in company history, and there is lively demand for all three model lines. Within only a few years, the Cayenne has secured a firm position in the sports off-road vehicle segment. The changeover to the latest 911 model generation is being continued with four new all-wheel-drive versions of the 911 Carrera, and additional versions of this classic model are in preparation.

With the Cayman S, a two-seat mid-engine coupe, Porsche is not only closing the existing gap between the Boxster S and the 911 Carrera Coupe, but also extending its customer base substantially in the classic sports car area. In view of the further increase in the size and appeal of its product program, but also its ongoing penetration of new markets, particularly in Asia, Porsche expects to achieve growth once again in the current fiscal year.

In the course of the current fiscal year, Porsche also took a decision that will exert an influence well beyond the end of this particular period: the acquisition of approximately 20 percent of the voting stock of Volkswagen AG, thus making Porsche the Wolfsburg-based group's largest individual stockholder.

The reason for this planned commitment is that Volkswagen has now become not only an important development partner for Porsche but also an important supplier for about 30 percent of the sales volume. By means of this participation, Porsche intends both to maintain the existing intensive business links with VW – for instance production of the Cayenne bodyshell or the joint development of a hybrid power unit – but also obtain long-term security for a major proportion of its own future plans.

At the same time, the planned investment is for Porsche the strategic response to the risk that, in particular following the abolition of the "VW law" following a verdict to this effect from the European Court of Appeal, a hostile takeover by investors could take place and prove to conflict with VW's long-term interests. The European Court's decision is expected by the spring of 2007 at the latest. In its own interests, Porsche's aim is to safeguard the independence of the Volkswagen Group, which it regards as an important precondition for the stable future development of Volkswagen AG and the continuation of a cooperation process that is in the interests of both parties.

Stuttgart, October 24, 2005

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

Declaration of Conformity with the Corporate Governance Code

The Background

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

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

Declaration of Conformity by Porsche AG

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

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

This recommendation has not so far been complied with and will not be complied with in the future. Porsche insures the D&O risk under its general asset and liability insurance but does not include a specific deductible in the total premium payable. A large deductible, which would have to be a standard sum in order to comply with the principle of equality, would have widely differing consequences for members of the Executive and Supervisory Boards according to their individual circumstances in respect of private incomes and assets. In the worst case, a less prosperous member of the Supervisory Board might find himself/herself in serious financial difficulties, which cannot be considered fair, in view of the fact that all members have the same obligations.

"The Supervisory Board shall set up an Audit Committee which, in particular, shall handle issues of accounting and risk management, the necessary independence required of the auditor, issue of the audit mandate to the auditor, determination of audit priorities and the agreed fee. The chairperson of the Audit Committee should possess specific knowledge and experience of the application of accounting principles and internal auditing procedures."

The specific features of Porsche's stockholder structure require all members of the Supervisory Board to receive the same quality and quantity of information on all important topics. It has always been characteristic Porsche practice that the entire Supervisory Board should be given very detailed information, especially on accounting and risk management, and should hold in-depth discussions on the annual accounts with the auditor. For this reason the recommendation has not so far been complied with and will not be complied with in the future.

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

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

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

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

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

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

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

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

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

“Shareholders and third parties are primarily supplied with information by the Consolidated Financial Statements. They are to be informed during the fiscal year by means of interim reports.”

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

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

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

“Members of the Supervisory Board are to be elected individually.”

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

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

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

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

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

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

Finances 2004/05

Porsche again broke existing records with its key financial data in the review year. The accounts were drawn up for the first time according to IFRS rules.

The overall increase in sales volume had a positive effect on both turnover and earnings.

New records set

As already stated in the Management Report, the consolidated financial statements of the Porsche Group for the 2004/05 fiscal year were drawn up for the first time in accordance with International Financial Reporting Standards (IFRS). For comparative purposes, the previous year financial statements were also adjusted accordingly. The IFRS transition required a series of reclassifications and revaluations, details of which are shown on page 108 of this Report.

In 2004/05 the Porsche Group once again concluded a fiscal year with record results in key financial areas. Unit sales, sales revenues and earnings all improved yet again in comparison with the previous year. As a consequence, the consolidated balance sheet total rose by 695.8 million Euro to 9.710 billion Euro.

Capital expenditures in intangible assets, property, plant and equipment and leased assets totaled 914.3 million Euro, following 1.110 billion Euro in the previous year. Of this sum, 543.6 million Euro were spent on vehicles for leasing by our financial services companies, compared with 504.4 million Euro in the previous year. Amortization and depreciation rose from 382.1 million Euro in the previous year to 518.2 million Euro in the reporting year, one of the main reasons for this being the start of new-generation sports car production.

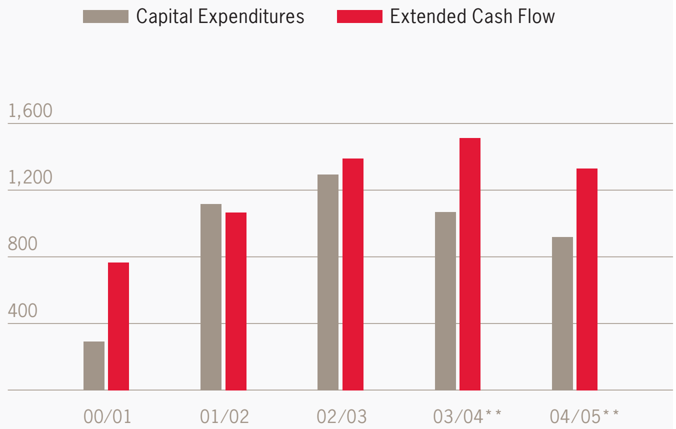
As of the balance sheet date, July 31, 2005, the Porsche Group's non-current assets amounted to 2.428 billion Euro, compared with 2.380 billion Euro in the previous year. Despite this slight increase, the proportion of assets in the balance sheet total went down from 26.4 to 25.0 percent; this is to be seen in connection with the balance sheet enlargement. The proportion of the Porsche Group's total assets covered by equity was 141 percent; the equivalent figure in the previous year was 123 percent.

Inventories decreased from 625.5 million Euro to 571.8 million Euro. Trade receivables, at 307.7 million Euro, remained at the previous year's level. The rise in receivables from financial services from 1.403 billion Euro to 1.567 billion Euro reflects the expansion of this business segment. Other receivables and assets amounted to 1.005 billion Euro (previous year: 1.153 billion Euro) and contain financial instruments, for the most part comprising currency exchange and interest stabilizing transactions to a value of 698.7 million Euro. Deferred tax assets went up from 56.7 million Euro to 184.8 million Euro.

A further increase in liquidity

Thanks to the good performance, cash and cash equivalents rose to 3.626 billion Euro (previous year: 3.069 billion Euro). Net liquidity, that is to say cash and cash equivalents less financial debts but excluding financial services transactions, rose by 26 percent to 2.355 billion Euro. The extended cash flow – including changes to the remaining allocations to provisions – went down to 1.332 billion Euro in the reporting year, (previous year 1.512 billion Euro). How-

Capital Expenditures and Extended Cash Flow
in million Euro*



* Extended Cash Flow including changes to other provisions.
** Now calculated according to IFRS.

ever, it clearly exceeded the cash outflow from investing activities of 688.5 million Euro following 1.042 billion Euro in the previous year.

Higher equity

The Porsche Group's equity went up by 499 million Euro in the reporting year, to 3.420 billion Euro. The equity ratio rose accordingly from 32.4 to 35.2 percent, despite the increase in the balance sheet value.

Pension provisions together with other provisions amounted to 2.123 billion Euro in the reporting year (previous year: 1.896 billion Euro). All known risks were taken into consideration. Trade payables went up to 443.0 million Euro (previous year: 377.2 million Euro). Other liabilities, at 235.3 million Euro, remained at the previous year's level.

Financial liabilities in the reporting year totaled 3.092 billion Euro (previous year: 2.947 billion Euro), and thus reflected the expansion in financial services business activity. For the refinancing of this business, asset-backed structures in specific countries were mainly used, their volume amounting to 1.715 billion Euro.

Loans for maintenance of liquidity

Of the financial liabilities, more than a billion Euro related to loans, including on the one hand a loan of approximately 256 million Euro (500 million German marks) expiring at the end of 2005 and on the other hand the loan of 300 million Euro from the year 2002 issued by Porsche International Financing plc. and secured by Dr. Ing. h.c. F. Porsche AG.

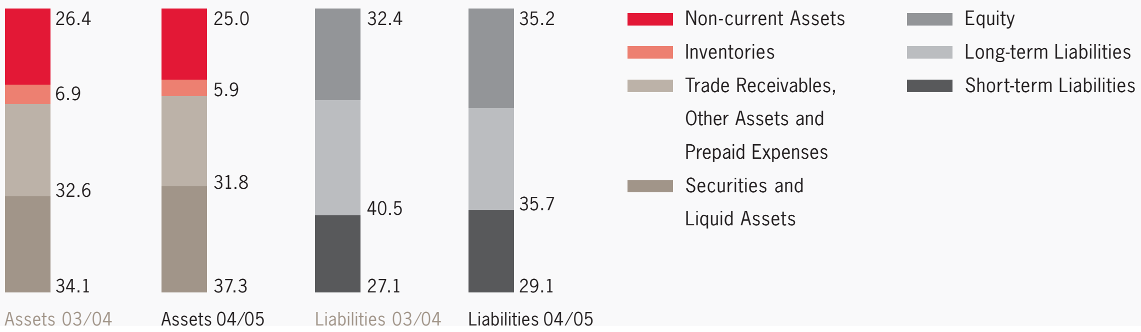
In addition to these two loans, Porsche Financial Services Inc. undertook a placement valued at 625 million US dollars in the USA during the 2003/04 fiscal year, and secured by Porsche AG. Various portions of this loan, of differing sizes, were placed successively with institutional investors, for the most part insurance companies.

Earnings remained strong

In the reporting year as before, Porsche's earning power was strong: in an economic climate that had not recovered in every area, the company succeeded once again in achieving a record result. The Group's pre-tax result was increased from 1.137 billion Euro to 1.238 billion Euro, and the equivalent after-tax figure from 690 million Euro to 779 million Euro.

The reasons for this improved result are on the one hand a further increase in unit vehicle sales, to which the new-generation sports cars made a special contribution, and on the other hand Porsche's unceasing efforts to achieve sustainable improvements to its cost and earnings situation by means of continuous improvements to its business procedures. In addition, our cautious foreign-exchange hedging policy contributed to the positive trend in results in relevant markets.

Group Balance Sheet Structure Proportions in percent



Porsche AG's pre-tax profit went up from 843 million Euro to 872 million Euro; its after-tax profit improved from 488 million Euro in the previous year to 528 million Euro.

The increase in overall unit sales also had a positive effect on Group sales revenue, which went up by 6.9 percent to 6.574 billion Euro. Despite this marked increase in unit sales, the cost of materials only rose from 2.875 billion Euro in the previous year to 2.950 billion Euro, and accounted for 44.4 percent of overall sales revenues as opposed to 45.4 percent in the previous year. This item reflects the changed model mix and also the success of our cautious currency hedging policy.

Although the Porsche Group's personnel expenses rose from 949.7 million Euro to 964.8 million Euro, the proportion of total sales fell from 15.0 to 14.5 percent. Other operating expenses were cut from 1.221 billion Euro to 1.211 billion Euro, so that they amounted to only 18.2 percent of total sales in the reporting year compared with 19.3 percent in the previous year.

Financial income rose to 18.8 million Euro (previous year: 16.0 million Euro). Tax provisions of 459 million Euro represented a tax ratio of 37.1 percent (previous year: 39.3 percent), a drop resulting from lower rates of tax at certain subsidiaries.

Foreign currency and cash management

The foreign currencies most important to Porsche fluctuated significantly again during the past fiscal year. In view of this situation, the strategy of securing the currencies most important to the company in the medium term and thus creating a stable planning platform once again proved to be worthwhile. The currency hedging strategy is based on analysis of the principal national economies and on technical currency and analytical models. After this, various instruments are implemented to protect Porsche against exchange rate risks.

Hedging agreements are concluded only with banks of high standing, so that the risk of failure is minimized. We also secure loans made to Group companies by means of interest-rate agreements.

Currency and cash management organization is in accordance with the standard drawn up by German industry, and is subject to strict internal control, with directives stating the nature and extent of these transactions and the procedures to be adopted. The basic principle of segregation of functions is adhered to, and special data processing systems are employed for the evaluation and monitoring of all transactions. Porsche's investment policy complies with the basic principle that investment security takes clear precedence over any attempt to secure an unusually high return on investment. We therefore deposit our cash with banks of impeccable creditworthiness in the form of overnight or fixed-term loans. In addition, Porsche also invests in money-market funds and makes use of special security investment funds when liquidity has to be deposited in the medium or even long term.

Porsche Stock 2004/05

In July 2005 the Porsche share price reached its highest level so far, at 686 Euro

Porsche Stock Prices stimulated by the General Situation
Financial markets made a worldwide recovery in the review year, though stock exchange indices failed to reach the high levels commonly encountered during the New Economy boom. Nevertheless, prices developed in a positive manner, this being largely due to an improved company earnings situation. After some years of falling profits or even losses, the cost reduction programs initiated during the crisis are now yielding results. In addition, the order situation in the industrial sector has improved worldwide, and satisfactory new business was recorded in the financial sector as well.

During the review year, the German Stock Market Index (Dax) remained for lengthy periods at or around the 4,000-point mark. Regular signs of upward potential took it close to 5,000 points by the middle of 2005, and this level was in fact exceeded in the late summer. In Germany, this has led to a continuation of the positive stock market trend already observed in the previous year. The question of the duration of this upward trend nevertheless remains open, since there is still no evidence of an effective, lasting domestic economic recovery.

Both in Germany and worldwide a degree of reticence on capital markets can be observed, in particular on the part of private investors. The reasons for this remain the uncertain international political situation and fear of terrorism and violence. Attacks continued after the elections in Iraq early in 2005, and those that took place in London and in Egypt during the summer created renewed pessimism on the trading floor. The raw materials market situation also suggests that excessive stock market optimism would be misplaced. Price increases for steel and oil in particular have regularly had a negative effect on stock market prices during the review year.

Despite this situation, Porsche stock has been able to increase its value significantly. At the beginning of the company's fiscal year in August 2004 it was quoted at 537 Euro; at the end of the fiscal year, in July 2005 it had reached 654 Euro, an increase of 21.8 percent. In the same period, the Dax index gained 26.5 percent and the automotive industry index 22 percent. The more marked gained made by these indices compared with Porsche stock are due only to changes in the Executive Board of a large Dax-listed automobile corporation which led to a sharp rise in the index at the end of July. For long periods during the review year, on the other hand, Porsche stock outperformed the automotive industry index.

Many investors hold the view that Porsche sets itself apart from other companies in this sector by its policy of focusing clearly on its core business activities and having pursued a successful and highly profitable growth course for a number of years. The stock market has acknowledged this corporate strategy by way of a steady increase in the stock price, which reached an all-time high of 685.98 Euro on July 19, 2005. This peak value evidently tempted a number of investors to take their profits, with the result that the stock price subsequently fell back slightly.

Several Stock Price Upsurges
During the review year, Porsche stock passed through three phases of distinct upward movement; these were associated with the announcement of good business results and of new models and model versions. During September 2004, when the world premiere of the new Boxster took place and provisional results for the 2003/04 fiscal year were announced, the stock price rose to almost 540 Euro. In the weeks following the stockholders' annual general meeting, which was held at the end of January 2005 and at which the figures for the 2003/04 fiscal year were explained in detail to stockholders, Porsche stock began its next strong phase of upward movement, reaching 570 Euro in March and thus almost equaling the previous year's peak value. Among other factors, this positive trend reflected the satisfactory business progress made in the first half of the review year.

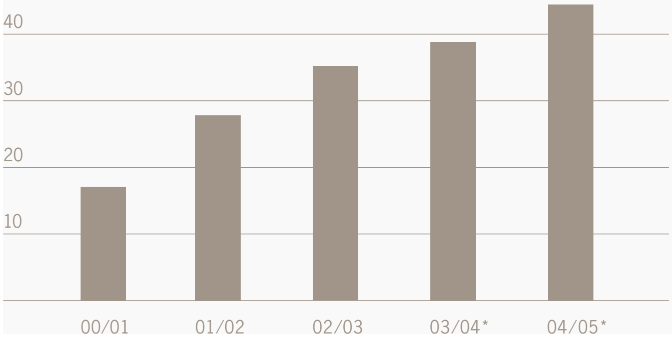
From May until some way into July, the stock price continued to rise steadily, surmounting the 600-Euro barrier at the beginning of June. The stock was at times only 15 points short of the 700-Euro mark during this upward movement, which was fueled by a further interim report and by the outstanding market successes of the latest 911 and Boxster model generations, but also by speculation concerning a possible fourth Porsche model line.

The strength of Porsche stock also benefited from the company's close contacts with active financial market participants. Corporate perspectives were explained in detail to institutional investors and analysts at road shows held at the main financial centers at home and abroad and in the course of intensive discussions at Porsche's headquarters in Zuffenhausen. These activities resulted repeatedly in a commitment to Porsche stock. Investors and analysts were above all impressed by the strategy that enabled the Cayenne to record highly successful growth in a segment new to Porsche. The new generations of sports cars were also given a most positive reception. In view of this situation, the majority of financial market experts continued to recommend the purchase of Porsche stock, and at the end of the fiscal year many of them raised their stock price forecasts again.

The renewed improvement in the earnings situation was also expressed by a higher profit per share.

Earnings per Preferred Share in Euro

*Now calculated according to IFRS, previously by the DVFA/SG formula.



Outstanding Long-Term Increase in Value

Long-term performance of Porsche stock has been exceptionally good. If the quoted price is examined for the past ten fiscal years, that is to say on the last day of each annual period from July 31, 1995 to July 31, 2005, it will be seen to have risen from 33.75 Euro to 654 Euro, an increase of 1,838 percent compared with a rise in the Dax index of only 120 percent.

The increase in the value of a Porsche stockholding in the same ten-year period has been equally positive: if the sum of 10,000 Euro had been invested on July 31, 1995, it would have been worth – including dividends – 203,296 Euro on July 31, 2005.

Increase Profit per Share

Porsche AG's earnings situation has improved yet again, as reflected in the increased profit per share (calculated for the first time according to IFRS accounting rules). The result rose in the review year to 44.68 Euro per share of common stock (previous year: 39.63 Euro), and 44.74 Euro per share of prefered stock (previous year: 39.69 Euro).

There will also be an increase in dividends. For the 2004/05 fiscal year, the Annual General Meeting will be invited to recommend the payment of a dividend of 4.94 Euro per share of common stock (previous year: 3.94 Euro) and 5.00 Euro (previous year: 4.00 Euro) per share of preference stock. The total dividend payable in respect of the past fiscal year on both types of stock will thus be 87.0 million Euro (previous year: 69.5 million Euro).

Intensive Investor Relations

In recent years, there has been a distinct increase in the amount of information called for by those active on financial markets. Porsche accordingly devoted close attention to investors and financial analysts in the 2004/05 fiscal year. This communication took the form on the one hand of regular, comprehensive reporting in the media, and on the other of direct contacts with financial market participants in the course of numerous individual discussions and at road shows, car presentations and trade fairs. In all such contacts the company attached great importance to "speaking with one voice", that is to say to unified communication with both the general public and the financial world.

The current figures and corporate strategy were explained to analysts at several conferences held specifically for this purpose, in some cases during active new-model driving sessions, for example presentation of the new Boxster in Austria, the 911 Carrera Cabriolet in Spain and the Cayman S in Italy. In addition, analysts' conferences were held when the annual accounts were presented in December 2004 and on the occasion of the German International Motor Show (the "IAA") in September 2005. Furthermore, during the fiscal year a large number of personal discussions were held with institutional investors and analysts at the company's headquarters in Zuffenhausen.

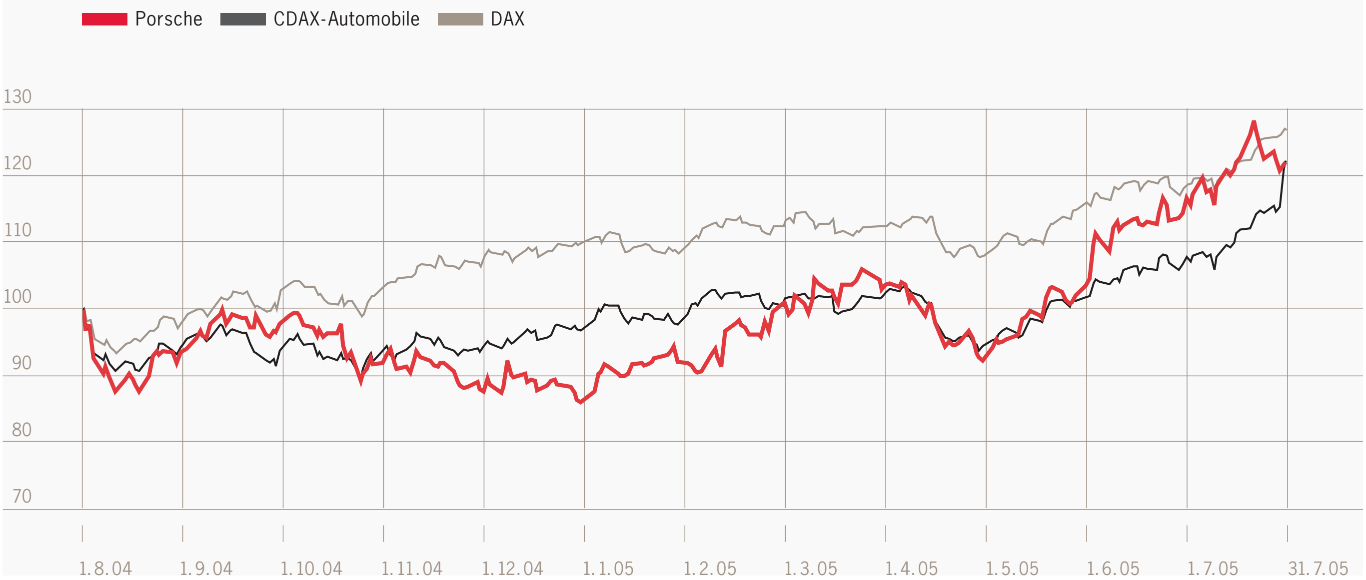
Locally held company presentations continued to play an important role in Porsche's contacts with institutional investors. Such events took place at a wide variety of financial centers in the USA, Germany, Great Britain, France, Italy, Switzerland and also Scandinavian countries, and were very well received.

Last but not least, there was an active exchange of information with private investors who submitted questions to the company's Investor Relations staff. Porsche AG also undertook presentations at a number of stock market forums to which private investors were invited by investment associations and banks. The annual general meeting for the 2003/04 fiscal year was held in January 2005 in Stuttgart and was well attended by some 3,000 stockholders and guests.

Stable Stockholders' Structure

In turbulent economic periods in particular, a stable circle of stockholders represents a corporate asset that should not be underestimated and a firm foundation on which to develop a growth-based corporate strategy. Frequent changes in ownership, on the other hand, make it difficult for business activities develop consistently in the long term. Porsche AG attaches great value to this stability, with an unchanged distribution of its equity of 45.5 million Euro into 8,750,000 common-stock shares and the same number of stock-exchange listed preference shares. The common stock is held by

Development of Porsche Share compared to DAX and CDAX-Automobile in percent



members of the Porsche and Piëch families, a circumstance that in the past fiscal year again provided the necessary basis for the company's operative activities. More than half of the preference shares are held by institutional investors such as investment funds, banks and insurance companies. These are mainly based in Great Britain, the USA and Germany, but to a lesser extent also in other European countries and Asia. Slightly less than half of the Porsche preference stock is widely distributed among private investors, primarily in Germany. Holders of Porsche AG's common stock also hold preference stock.

Clear Positions on Stock Market Topics
On the capital market as elsewhere, Porsche demonstrates courage and determination and is prepared to stand up for its own opinions. In the review year as before, the company spoke out vehemently against the call for it to submit quarterly reports and has not hesitated to defend its views on this subject in the courts of law. Porsche has for example submitted a voidance petition to the Administrative Court of the Federal German State of Hesse in Kassel with the intention of clarifying the legality of the ruling that the submission of quarterly reports is a precondition for admission to the German Stock Exchange's Prime Standard ranking. Porsche regards this ruling as invalid and therefore took legal action at the Frankfurt Administrative Court in Frankfurt prior to its submission in Kassel. The Frankfurt court was evidently unwilling to resolve this key question, and for this reason Porsche lost no time in submitting its application to the Hesse Administrative Court in Kassel, the decision of which was still pending when this report closed for publication.

Since it was first quoted on the stock exchange in 1984, Porsche has never published quarterly reports. The German Stock Exchange therefore struck it off the M-Dax list and refused it Prime Standard ranking. Porsche's refusal to publish quarterly reports, however, is based on fundamental considerations, since such reports increase the volatility of the stock market unnecessarily and thus give rise to hectic stock price fluctuations. In addition, they encourage short-term corporate thinking, which would be particularly harmful to the sound long-term development of a relatively small manufacturer such as Porsche.

Porsche does not intend to be forced into such a short-winded position, but will maintain its policy of credible substance and continuous information. The company's refusal to publish quarterly reports has had no adverse effects on the price of the stock. On the contrary, there has been increasing interest on the part of investors in recent years, especially at international level. This has been aided by the fact that Porsche has for some time now been included in two highly reputable international indices: the "Morgan Stanley Capital International" index and the "Dow Jones STOXX 600". Furthermore, the company has been included from March 2005 on in the British "FTSE4Good" Index, which comprises only share-issuing companies that pursue a corporate policy oriented toward ecological, ethical and social criteria.

The Stuttgart-based automobile manufacturer also adopted a firm position with regard to another stock-market topic during the review year: the fusion of the stock exchanges in Frankfurt and London, planned for the beginning of 2005. Porsche has expressed its opposition to the take over plans of the Deutsche Börse AG since it feels that the fusion would adversely affect the interests of German share-issuing companies and lead to domination of the market. A number of experts on the Frankfurt financial scene share this opinion, and like Porsche were no doubt relieved to learn that pressure from its own shareholders has now forced Deutsche Börse AG to abandon its takeover plans.

Porsche also adopted a clear position on the question of forcing companies listed on the stock exchange by law to publish the salaries paid to members of their boards of management. This decision was taken by the Federal German government in June 2005. In Porsche's opinion, publishing the sums earned by individual board members does not provide any extra knowledge that could be relevant to investors' purchase or selling decisions. On the contrary, when taking an investment decision the investor needs only to be in a position to decide whether the total amount paid to the Executive Board is in reasonable proportion to the company's success. Porsche is firmly convinced that it is sufficient as before to state the total sum earned by the members of the Executive Board and the proportions thereof that are fixed or success-related.

The Models 2004/05

The new-generation 911 and Boxster models and the launch of the Cayman S have further enhanced Porsche's reputation as the world's most successful sports car manufacturer.

Now that the latest versions of its sports cars have been introduced, Porsche has a very young product program. None of these models has been on sale for longer than three years.

Enlarged sports-car program

The Porsche brand stands for convincing, competitive, long-lasting products. Its high reputation was strengthened once again in the review year by the introduction of the new-generation 911 and Boxster models.

The changeover from one generation of sports cars to the next began in July 2004 with the successful market launch of the 911 Carrera Coupe and 911 Carrera S Coupe. They were followed in the Spring of 2005 by the Cabriolet versions with rear-wheel drive and in October 2005 by the all-wheel-drive versions of the 911 Carrera Coupe and Cabriolet. Deliveries of the new Boxster began in November 2004, and by the Spring of the following year its worldwide market launch had already been completed. In addition, Porsche enlarged its program of sports cars by introducing the new Cayman S to the markets from November 2005 on. This mid-engine sports coupe is a model in its own right, with a clear visual distinction from both the Boxster and the 911 Carrera, but is none the less immediately identifiable as a Porsche. The combination of individual design, outstanding performance, a high degree of suitability for day-to-day driving and an entirely new sense of space makes the Cayman S a sports car that ideally fills the gap in the model program between the Boxster and the 911.

Not only the sports cars but also the Cayenne now exhibit a number of new features. In the case of the Cayenne, a model updating process matched carefully to the current phase in this model's life-cycle was undertaken, including various attractive new offers.

The Model Program

Following the introduction of the 911 Carrera and Carrera S Cabriolet, the 911 Carrera 4 and Carrera 4S Coupe and Cabriolet, the Boxster, Boxster S and Cayman S – in other words all the models and derivatives introduced in the review year and in the course of the current fiscal year – the Porsche model program consists of the models and versions listed below:

Boxster
Boxster S

Cayman S

911 Carrera Coupe and Cabriolet
911 Carrera S Coupe and Cabriolet
911 Carrera 4 Coupe and Cabriolet
911 Carrera 4S Coupe and Cabriolet

Carrera GT

Cayenne
Cayenne S
Cayenne Turbo

The all-wheel-drive versions of the 911 have a wider body that distinguishes them visually from the rear-wheel-drive cars.

None of these models has been on the market for more than three years. The characteristics of those introduced since the beginning of the review year are described below in more detail.

The new **911** Carrera Cabriolet represents a convincing combination of sports car and elegant convertible, with no concessions needed in respect of suitability for day-to-day driving. It is based technically on the 911 Carrera Coupe, with the engine, transmission and running gear identical. The Cabriolet's body is exceptionally rigid in torsion. Its design is a re-interpretation of the classic 911 Cabriolet model line. With an excellent aerodynamic drag (cD) value of 0.29 and low, carefully balanced lift values at the front and rear axles, the 911 Carrera Cabriolet is at the head of its market segment. This is reflected by its outstanding performance on the road and by a fuel consumption that is none the less extremely moderate.

The soft top, of substantial but lightweight construction, can be opened and closed fully automatically by an electro-hydraulic mechanism within 20 seconds at road speeds up to 50 kilometers an hour. The efficient Z-pattern folding action not only saves space but also treats the fabric more gently as it is folded. The scratchproof glass rear window with integral heating elements keeps the view to the rear unobstructed even in winter. The soft top is available in four colors: black, stone gray, metropolis blue and cocoa.

A standard feature of the 911 Carrera Cabriolet is a 'windbreak', which can be stowed in the trunk when not needed. A hardtop made of high-strength aluminum and painted in the car's body color is available as an optional extra. This has a heated glass rear window and weighs only 33 kilograms, so that it is easier to install.

911 Carrera Cabriolets are designed and built to high standards of safety. In addition to the lap and shoulder front seat belts with tensioners and force limiters, the 911 Carrera Cabriolet has six airbags as standard equipment: two full-size front airbags for the driver and front passenger with two-stage triggering and the Porsche Side Impact Protection System (POSIP), consisting of a thorax airbag at the outer edge of each seat back and a separate head airbag on each side. The head airbags inflate upwards out of the door panel, to provide effective protection even if the soft top is open. The POSIP system also includes side intrusion protection in the doors, and the 911 Carrera Cabriolet has automatically extending protection against roll-over injuries. Together with the ultra-high strength steel tubes used to reinforce the A-posts, this system assures the occupants of optimal protection if the car should roll over.

The new 911 Carrera 4 and 911 Carrera 4S models, available in Coupe or Cabriolet versions, continue Porsche's tradition of supplying its sports cars with the option of all-wheel drive. The body is 44 millimeters wider at the rear, and the modified rear-end and sill trim moldings make the Coupe even more attractive than the rear-wheel drive 911 models when viewed from the rear, and provide a means of telling them apart.

The strategy of two performance levels, which was begun in the Summer of 2004 with the 911 Carrera and Carrera S Coupe was continued for the new 911 Carrera 4 versions with all-wheel drive: the basic Carrera 4 Coupe and Cabriolet are both powered by the 3.6-liter flat-six engine developing 239 kW (325 hp), whereas the Carrera 4S has the higher-output 3.8-liter engine rated at 261 kW (355 hp). These cars are available with the standard six-speed manual-shift gearbox or as an optional extra with five-speed Tiptronic-S.

Their permanent all-wheel drive distributes engine power automatically via a responsive multi-plate viscous coupling to the front and rear axles. In regular driving conditions, between five and 35 percent of the power reaches the front wheels, but this figure can be increased to 40 percent in critical situations, for instance on wet roads, when the road-surface varies or if a sudden load reversal takes place on a tight corner. As a result, the new 911 Carrera 4 is an impressive combination of outstanding road dynamics and driving safety.

The Porsche Stability Management (PSM) system familiar from the models with rear-wheel drive has undergone further development, with two functions added for use on four-wheel-drive cars: If the gas pedal is released suddenly – a characteristic situation if a panic brake

The new-generation Boxster also proved immediately popular with customers. This roadster model is well on the way to becoming a classic.

application is about to be made – the brake system applies the pads lightly to the discs in order to be ready to act without further delay. This greatly improves initial brake system response and shortens stopping distances. In addition, a 'brake assistant' builds up the pressure needed for maximum retardation if an emergency brake application is detected. Also available as an optional extra on all Carrera models is the Porsche Ceramic Composite Brake (PCCB) system.

In order to enhance road dynamics still further, the Porsche Active Suspension Management (PASM) system is now offered as an optional extra on all basic all-wheel-drive models (it is standard equipment on the more powerful 'S' versions). Wider wheel rims and tires, together with modified wheel dish depths, are used to widen the rear track, which also benefits road dynamics and driving safety.

At the beginning of the current fiscal year the 'Individual' program for 911 Carrera models was updated and extended. The optional-extra power boost to 381 hp that is available for the 911 Carrera S and Carrera 4S models serves to emphasize Porsche's competence in engine construction. The available program of wheels was extended to include a new 19-inch Carrera Sport wheel of sporty ten-spoke design. The extended navigation module provides additional automatic route recording functions. The new electronic journey logbook permits distance readings, distances driven, date and time and the start and destination addresses to be recorded automatically for every journey. The bi-color leather upholstery and trim familiar from the Boxster is now available for 911 Carrera cars as well, in three attractive color combinations: black/terracotta, black/stone gray and black/sand beige.

The Boxster with 240-hp, 2.7-liter engine is the model that provides access to Porsche's sports-car world. The more powerful Boxster S with 3.2-liter engine developing 280 hp leads the way in this competition sector, particularly in view of its outstanding road behavior. Both these mid-engine roadsters are notable for their weight-saving design and construction, the torsional and flexural strength of the bodies and the sheer driving pleasure they provide as a result. Their excellent workmanship sets a new standard in the roadster segment and is the key to the high resale value that these models possess. Attractive optional extras such as 19-inch wheels, Porsche Active Suspension Management (PASM) or the Sport Chrono Plus package, together with many opportunities for customizing the interior provide owners with ample scope for individualizing their cars over and above the standard equipment specification.

Porsche introduced the **Cayman S**, mid-engined coupe to the market in November 2005. Although it is based on the Boxster platform, it sets itself apart clearly in appearance from both the Boxster and the 911 Carrera. Its design in fact recalls classic Porsche models such as the Type 904 dating from 1964.

The front end of this new coupe model gains its visual emphasis from slightly oval main headlights and boldly shaped air inlets. Fog lights incorporating marker lights are integrated into the outer air inlets and mounted on horizontal struts. This feature is in accordance with current Porsche design policy, which favors separation of these lights from the main body panels. The elongated coupe outline of the Cayman S terminates in a tail end that descends at a shallow angle, with an extending spoiler wing between the powerful curved shoulders over the rear wheels. Centrally positioned exhaust tailpipes add to the strong sports character of the rear-end styling.

The Cayman S is powered by a 3.4-liter engine which, thanks to the VarioCam Plus valve gear, develops 295 hp. This is the first time that a model positioned below the 911 has been equipped with this variable camshaft control and valve lift adjusting system. The top speed is 275 kilometers an hour and the Cayman S sprints from a standstill to 100 km/h in 5.4 seconds. An exceptionally rigid bodyshell in conjunction with firm sports suspension settings guarantees that it will be great fun to drive.

The six-speed manual-shift gearbox adopted from the Boxster S has short lever movements; it transmits power to the rear wheels. As an alternative, the familiar 5-speed Tiptronic S transmission can perform this function: it has new electronic and hydraulic control systems with more sporty shift strategies and programmed characteristics. For example, in the automatic mode the shift points can vary steplessly

The Cayenne was rendered even more attractive to potential customers by the availability of various new equipment items, especially for the Porsche Communication Management.

between a basic program for economical driving and a sport program for maximum road dynamics.

The suspension of the Cayman S has been especially rated to match the exceptional rigidity of the body. Almost all the moving parts in the axle assemblies are made of aluminum. The large-diameter wheels with wide tires also contribute greatly to the car's road dynamics. Standard equipment on the Cayman S are 18-inch wheels, with styling that echoes the wheels on the Carrera GT. In conjunction with Porsche Stability Management (PSM), which is also standard, the chassis and suspension set new standards in the dynamic driving and active road safety areas. As an optional extra, Porsche Active Suspension Management (PASM) can be specified: this uses electronically variable shock absorbers to vary the damping force.

The high-performance brake system comes from the Boxster S, but the Porsche Ceramic Composite Brake (PCCB) system can be ordered as an optional extra for the Cayman S, as can the Sport Chrono package.

The interior of the Cayman S adopts the new taut, functionally structured design principles first seen in the Boxster. The concept of high-value surface finishes has been extended into the rear of the car, with the effect of integrating the 260-liter rear trunk with the occupant area. For loading and unloading, the rear trunk can either be reached through a large tailgate opening to a wide angle, or from the interior of the car. Together with the front trunk, which has a capacity of 150 liters, the Cayman S will prove to be highly suitable for day-to-day driving needs.

The Cayman S complies with all currently valid passive vehicle safety regulations, and outperforms the frontal, angled, side, rear and roll-over crash test limits imposed by law. There are six airbags in all as standard equipment: full-size airbags and separate thorax and head airbags for both occupants. In addition to body reinforcements, the elaborately constructed seats with their integral thorax airbags are a major element in the revised Porsche Side Impact Protection System (POSIP).

Porsche sells another model line successfully on international markets in addition to its sports cars: the **Cayenne**. In Porsche's principal markets, this sports off-road vehicle has secured a share in the region of 40 percent of the gasoline engined sport utility vehicle segment. Updating for the 2006 model year has increased the appeal of this model even further. Among the principal new features are to Porsche Communication Management (PCM) extensions, so that for instance the DVD navigation system, the telephone and the audio equipment (radio, CD player and CD changer) can be operated even more conveniently by means of specific voice inputs. The driver can continue to watch the traffic situation closely while issuing these commands, so that active safety benefits. The CD player integrated into the PCM can now replay MP3 audio data saved to a CD as well, and as for the sports cars, the new electronic logbook is available as an addition to the PCM.

Customers have greatly appreciated the various innovations introduced in the course of the past model year: these included an increased power-output offer for the Cayenne Turbo and a rear-view camera and a panoramic roof system for all versions of this sport utility vehicle.

Sales 2004/05

Sales of all Porsche model lines rose worldwide during the review year. Brand presence at the dealers was improved by the modernization of Porsche Centers.

Porsche remained on course for continued success in the review year: production, sales and turnover all achieved record values despite a difficult worldwide economic situation. The Sales Division contributed greatly to this by its successful mastery of the transition to the new generation of sports cars and their introduction to the various markets, ongoing improvements to the dealers' market presence and image and expansion of the worldwide sales network to take in even the more remote regions. The main aspects of international sales activity are described in more detail below and in the chapter headed "Markets".

The numerous awards that Porsche has received and the brand's excellent social acceptance have once again in the review year confirmed the success of its philosophy, which is founded on organic growth, concentration on core competences and loyalty to Germany as a location. With regard to its model policy too, Porsche has earned close attention and much praise, especially for its latest 911 Carrera and Boxster model generations. Examples of this are the readers' poll "The Best Cars of 2005" conducted by the "auto, motor and sport" magazine, in which the 911 Carrera enjoyed a runaway victory in its category, and the "Sport Auto" magazine's readers' poll "The Sportiest Cars of 2004" in which the 911 Carrera S won its class convincingly.

Porsche was not only highly successful with its sports cars in the 2004/05 fiscal year. The Cayenne also established itself successfully in the sports off-road vehicle market. In the Spring of 2005 the American magazine "Autoweek" voted it "America's Best SUV off-road vehicle", thus drawing further attention to its exceptional qualities.

In addition to the 911, Boxster and Cayenne, the decision was taken in July 2005 to add a fourth model line to the sales program by developing a premium-category four-door sports coupe. Planned to reach the market in 2009, it will be known as the "Panamera" – a name derived from the legendary Carrera Panamericana long-distance race – and is to be built in Germany. Annual sales of at least 20,000 cars are envisaged, and this sports coupe will access additional sales potential for Porsche in the sedan and coupe market segments. It will of course possess all the dynamic characteristics that give a typical Porsche its sports character.

The decision to produce this new sports coupe is a further demonstration of the adaptability, drive and competence of the world's smallest independent manufacturer of premium sports vehicles. In 2002, when introduced the Cayenne, the company moved forward from being a pure sports car manufacturer to a supplier of exceptionally sporty premium automobiles, and the new fourth model line is a logical and consistent extension of this policy.

High Acceptance for Brand Architecture

The worldwide initiatives taken by Porsche AG with a view to enhancing brand presence and the work of the sales organization are bearing fruit. More than 85 percent of the dealerships and showrooms now comply with the unified corporate design. The Porsche architectural concept with its timeless, technological idiom and its functionality has gained the approval of customers and dealers alike. With its unmistakable visual image in tune with brand values, it promotes Porsche's positive, accurate positioning.

In the past six years, about one billion Euros have been devoted to the construction or modernization of Porsche Centers. This is an impressive pledge of confidence in the Porsche brand on the part of the Centers' owners, and one that has been justified by an increased volume of new car sales. Today, ten times as many Porsche Centers sell more than a hundred vehicles a year than did so some ten years ago. Furthermore, dealers will be investing a further total sum of approximately one billion Euros by the end of 2007, not only in the more recently accessed markets of Southern and Eastern Europe, the Middle and Far East but also in longer-established markets in Western Europe and North America.

Progress in separating the Porsche brand from other manufacturers is also progressing at dealer level: almost 60 percent of the companies making up the worldwide dealer organization now operate premises exclusively devoted to the sale of Porsche vehicles.

Selective New Car Dealer Network

During the review year, the conditions negotiated with the EU Antitrust Commission in the preceding fiscal year were implemented. Porsche is allowed to continue selling vehicles in Europe through a selected network of dealers. The specimen contracts for the sales and service organization that have been coordinated with the Commission guarantee that sales will continue to take place exclusively in separate showrooms and be conducted by dedicated staff. In addition, dealers may only establish sales subsidiaries at locations not agreed by contract if Porsche's approval is granted. This also applies to Porsche after the end of the transition period laid down in the motor vehicle sales directive, which expired at the end of September 2005.

During the review year, and after careful auditing, Porsche appointed several workshops that satisfy the authorization criteria agreed with the Commission and the brand's quality standards to be official members of the service network. This will ensure that in future too, Porsche's customers will continue to enjoy servicing of the very highest quality standard.

Successful Pre-owned Vehicle Merchandising

An efficient, professional approach to the sale of pre-owned cars is not only a precondition for profitability in this business area, but also makes a positive contribution to new car sales. For this reason, further effort was devoted in the review year to the successful "Porsche Approved" program, and pre-owned car sales activities were extended.

The "Approved" program visualizes all the processes involved in pre-owned car sales and formulates unified standards for the sales organization. It is accompanied by training sessions to ensure that the required standards are implemented all over the world.

Customers benefit from being offered high-quality pre-owned cars at competitive prices by well-trained staff. These offers are accompanied by the appropriate service packages, including pre-owned car warranties.

The Porsche online pre-owned search facility is proving to be increasingly popular as an information and sales channel for these vehicles. The number of hits recorded at these Internet pages, which are accessible in twelve countries, rose by some 30 percent in the review year.

The KPI Dealership Performance Analysis System

Porsche's "Key Performance Indicator" (KPI) system involves dealers and importers even more closely in the continuous improvement of all dealership processes. The system provides a comprehensive means of analyzing dealership performance. In addition to key economic data, it permits desired-actual comparisons in all company areas and also tools to establish the company's position in relation to competitors.

Positive results with the KPI system have already been obtained by subsidiaries and dealers in Germany, Great Britain, France, Italy, Australia, Japan and Spain. In Germany the system was given a top ranking in a dealer satisfaction analysis conducted by the Bamberg Automotive Trade Institute. Porsche Asia Pacific and Porsche Latin America will be the next regions to adopt this important tool.

Information Management for the Dealer Organization

The "Porsche Partner Network" (PPN) allows Porsche dealers and workshops all over the world to conduct their business processes by electronic means and enjoy online access to training sessions and information. Incorporating the sales partners into the Porsche AG system forms a basis for new car and service department sales.

In the review year, PPN was made even more user-friendly and modified to match the individual needs of its users more closely. Rapid access also guarantees the necessary high standard of service for Porsche customers. This significant expansion of PPN guarantees that Porsche AG will be able to satisfy future information distribution requirements within a growing international dealer organization.

The “Porsche Vehicle Sales Assistant” (PVA), a multimedial IT sales staff support system, was also installed by large sections of the dealer organization during the review year. PVA allows the sales advisor to display all the steps needed for a successful sale – from consultation with visual support through financial service offers, conclusion of the sale and placing of the order – as an integrated system. This not only optimizes the sales process but also enhances the quality of the advice supplied to potential customers. The system is already operating in Germany, Great Britain, Japan, certain Latin American markets and the Asia/Pacific region.

An additional PVA version for the “Fitting Lounge”, a separate zone in the dealership for highly individual customer advisory work, makes it possible to display large-format, dynamic interior and exterior views of the desired vehicle that are accurate in every detail. In this way, customers’ personal wishes can be interpreted even more effectively.

Further After-Sales Service Improvements

In the review year, Sales once again devoted its efforts intensively to the development of new systems and processes, with the specific aim of improving after-sales service quality. Spare parts are now being delivered more promptly and technical information is more easily available. Expanding new car business also calls for more efficient systems if each individual customer’s expectations are to be satisfied in spite of the increased volume of sales. One of the priorities of the After Sales department within the Sales division was to satisfy the demands that arose from the positive business trend in China, by improving the processes adopted by the local dealer organization in line with the framework laid down by Porsche’s Service Standards.

In the spare part area, the Polaris parts logistics was introduced in further markets in the course of the review year; in the current fiscal year it is scheduled for adoption by the company’s Spanish subsidiary Porsche Ibérica. Automatic parts stock control has already led to a definite increase in service quality in the form of rapid parts availability. In future, a stock planning team will assume responsibility for worldwide planning and control of the distribution stages. The provision of parts for delivery all the way from the supplier to the end-user will be significantly more efficient and stock levels will be reduced at every point along the parts distribution chain.

The introduction of new models and the encouraging increase in Porsche’s market shares make further improvements to logistics necessary, above all in the US, Australian and Italian markets. New parts-store locations are therefore being established in these countries to make sure that supplies of spare parts are maintained to the standard expected by customers and the market.

Implementation of the final stage of PIWIS, the Porsche Integrated Workshop Information System, has created a highly integrated system capable of providing all the information needed for service operations by way of a single portal. All important information will be available in future online without delay. Simultaneous access to PIWIS is possible for all dealer organization employees. For our customers, this means less time lost during servicing and repair work in the workshop, and correspondingly lower costs.

A specific database, the Porsche Request Management System, makes sure that inquiries are processed systematically and can be followed up. As a result, the average processing time for inquiries from the markets has been significantly reduced. This too helps to enhance customer satisfaction since the vehicle can be returned more rapidly to the customer.

In view of the constantly new technological developments incorporated into new models, employees of the international dealer organization have to be given regular training. By means of the “Certified Porsche Service Technician” program, service department employees

There is an increasing trend toward individualization of Porsche vehicles, by selecting items from a large number available from the manufacturer.

receive the necessary knowledge concerning Porsche vehicles as soon as they become available.

Successful Start for New Sales Department

With the aim of further improving long-term relationships with customers, a new department was established during the review year within Sales to perform tasks relating to Customer Relations. The central inquiry and complaint management department (Customer Commitment) was also enlarged. The associated development of process and communication standards helps to ensure that Porsche approaches customers in a unified, coordinated manner.

Following introduction of suitable software, it is now possible for all matters raised by customers to be dealt with simultaneously and with no information loss. In addition, a preliminary survey on the build-up of “Customer Care Centers” for various subsidiary companies was completed during the review year, with the aim of bringing them closer in touch with customers’ wishes.

The project devoted to the introduction of a central Customer Relations Management system made considerable progress. The “CRM at Porsche” system defines Porsche’s unified approach to the integration and optimization of all customer-related marketing, sales and service processes, using a joint customer database. Within only a few months of the review year it proved possible to complete the requirement and conceptual phases for the seven participating markets. A prototype was installed successfully in the USA. By the end of 2007, the first stage will have been introduced step by step in the selected markets.

Porsche Leipzig as a Center of Attraction

With 50,000 visitors and almost 400 events, the Porsche plant in Leipzig was once again a popular venue in the year under review. Well over 10,000 customers and guests drove the Cayenne on the plant’s own breaking-in and proving-ground track or left the beaten track and took this sporty off-road vehicle around the company’s six-kilometer long off-road circuit, which provides every facility for intensive testing of the vehicle’s rough-terrain capabilities.

Whereas it is particularly at weekends that the Porsche plant in Leipzig attracts potential customers who wish to try out their driving skills in safety training sessions on one of the various test tracks, customers wishing to collect the vehicles they have purchased from the plant that has manufactured them tend to arrive on weekdays. This provision for collecting a new Cayenne or a Carrera GT directly from Porsche is especially popular because of a feature that Porsche has introduced in Leipzig: “dynamic vehicle familiarization” is undertaken on a vehicle with approximately the same specification, and the handling limits deliberately explored in order to demonstrate the technical assistance devices that the car has available in such circumstances and how the driver himself or herself should best react.

Increasing Vehicle Customization Trend

With its Exclusive and Tequipment programs, Porsche offers its customers an opportunity of customizing their cars in an individual, exclusive manner, either ex factory or by retrofitting. Both these business areas uphold Porsche’s classic brand values: innovation, sports character, design and individuality. They bear out the company’s competence as a supplier of sports vehicles that are notable for an unsurpassed degree of individual character.

In the 2004/05 fiscal year the trend toward individually equipped vehicles was once again significantly greater than before. Products for the customization of the new 911 and the Boxster were in particularly strong demand, but the wide range of products available for the Cayenne also contributed significantly to the most welcome business progress made in the Exclusive and Tequipment business areas.

In order to be able to satisfy this continuing strong demand and offer customers the maximum level of exclusivity and individuality, the Exclusive and Tequipment business areas were combined in the review year and now form a single unit within the Sales division.

Exclusive offers Extensive Scope for Customizing

Porsche Exclusive offers a large number of opportunities for vehicles to be supplied ex factory with modified or additional technical and visual features, both inside and externally. The Exclusive program

The Travel Club is an interesting way of accessing the world of Porsche – from guided tours through arrangements for business clients, in all cases with a memorable driving experience as the key element.

contains items for customizing all Porsche models, even the Carrera GT high-performance sports car, since it is felt that a car of this character should perhaps more than any other reflect the personal tastes and preferences of its owner.

For the interior, Exclusive can supply high-value materials such as leather, aluminum, wood or carbon fiber. There is continued strong demand for aluminum-look parts which recall the lightweight construction of earlier Porsche competition cars. Outside the car, exclusive wheels, stainless steel exhaust tailpipes and 'Aerokits' add to its individuality in much the same way as technical customization in the form of a sports exhaust system or an increase in power output.

During the review year, items from the Exclusive program in particularly strong demand were the reduced gear-lever travel kit and stainless steel exhaust tailpipes for the 911 and the Boxster, and the sports exhaust system for the 911. More than half of all the 911s sold are currently supplied with Exclusive options, a sign of the importance of this range of products.

In the review year as before, the corresponding items for the Cayenne set new standards in Sport Utility Vehicle customization potential. They included the SportDesign package, the 20-inch painted Cayenne SportTechno wheels and the sports exhaust tailpipes, which add special emphasis to the active driving character of the Cayenne. The ultimate item in the list is surely the increase in engine output to 500 hp for the Cayenne Turbo.

The Cayenne's interior can be given a personalized note by the use of materials such as carbon fiber, leather and wood. A wish expressed by younger drivers in particular was fulfilled in the 2004/05 fiscal year in the form of "Porsche Rear Seat Entertainment", a mobile electronic TV entertainment system for rear-seat passengers.

Vehicle Retrofitting with Tequipment Products

Porsche's Tequipment program offers an extensive choice of items to all customers who wish to retrofit individualized equipment to their vehicles. The choice of items covers all Porsche model lines, and all Tequipment products comply with Porsche's high quality standards Interest in this program remained high in the review year, resulting in a continued positive trend in the turnover and earnings situation.

Among the items in the Tequipment product list are sets of wheels which represent a successful combination of attractive appearance and an enhanced sports-style driving experience. The new Aerokit for the 911 also set the standard in design and sports character. Components are optimized in the wind tunnel for still more outstanding road behavior and the increase in driving pleasure which this implies. In the review year the Aerokit Cup established itself successfully in the market, as did the sports exhaust system and chrome-plated stainless steel exhaust tailpipes for the 911 and the sports exhaust tailpipes for the Boxster. Demand for these items exceeded expectations, and the Tequipment program for the Cayenne also developed in an extremely positive way. The launch of the Cayman S should result in a further increase in the demand for individual etrofitted equipment.

Porsche Travel Club offers Attractive Destinations

In its ninth year, the Porsche Travel Club once again offered a fascinating means of accessing the World of Porsche. The Club's program includes individual guided tours in Porsche vehicles and special arrangements for companies who wish to offer incentive programs to selected customers or successful members of their staff.

Weekend offers from the Porsche Travel Club, with participants driving Porsche sports cars along attractive routes to interesting destinations in various parts of Europe, have proved especially popular, and are being taken up increasingly by customers from other parts of the world.

There was once again strong demand in the review year for the "Camp 4" international winter training camp and the advanced "Camp 4 S" training on the Arctic Circle in Finland, the "Desert Safari" held in Dubai and the "Camp Cayenne" off-road training sessions that take place in Bassella, in the Spanish Pyrenees.

At "Camp4" and "Camp4 S" in Lapland, drivers advised by Porsche instructors practice driving close to the limit on snow and ice. In Dubai, they can improve their driving skills in the Cayenne on oasis tracks and sand dunes extending over into Oman, again with the support of experienced instructors. "Camp Cayenne" offers a similar program on the twisting roads and mountain tracks of the Pyrenees.

Porsche's Sports Driving School is Popular

For more than thirty years the Sports Driving School has offered customers and friends of the Porsche brand an opportunity to improve their driving skills on famous international racetracks and become more familiar with their cars' reactions close to the performance and handling limits. The Porsche Sports Driving School already conducts safety training in more than ten major markets and proved to be increasingly popular in the review year.

Those who attend one of the Sports Driving School's standardized training programs can acquire theoretical knowledge and practical skills at various levels, from the simple basic courses through advanced and professional training to special-purpose courses. The aims are safe driving on the public highway and the ability to take part in competitive events on the racetrack.

Training is conducted by experienced Porsche instructors, either on the company's own breaking-in track and proving ground at the Leipzig production plant or on well-known Formula One circuits such as Hockenheim, the Nürburg Ring, Imola, Magny-Cours and Suzuka.

With almost 115,000 members, the Porsche Club organization is among the largest one-make clubs in the world, with a long tradition.

New Porsche Clubs Established

Further new Porsche Clubs were established in the review year – in Bulgaria, the Philippines, Jordan and Hungary. There are now 550 Porsche Clubs in over 60 countries, with nearly 115,000 members. Every fifth Porsche on the world's roads is driven by a Porsche Club member. The organization is thus among the largest one-make automobile clubs in the world, with a long and proud tradition.

Impressive evidence of the Porsche Club Organization's nurturing of tradition in the review year and for its steady growth and well-founded strength was the 50th jubilee of the "Porsche Club of America". In June 2005, more than 5,000 Porsche enthusiasts met in Hershey, Pennsylvania, for a superlative concours d'élégance. Almost 1,000 Porsches were on display, including rare, historic special models, competition cars and of course examples of almost every production ever to leave the Porsche factory. To commemorate this anniversary, Porsche built a special series of fifty 911 cars for members of the Porsche Club of America, an example of which was ceremonially unveiled during the parade.

During the review year, one of the main areas of activity was once again Club sport. In close cooperation with the German Porsche Club, Porsche's German sales subsidiary organized the "Porsche Sports Cup" series for members and other enthusiastic Porsche owners. At these two-day events, road-licensed Porsche sports cars and those that have been modified for racing are eligible to enter.

Records were set up at the popular "Porsche Club Days Spa Francorchamps" in Belgium and the "Porsche Club Festival Brands Hatch" in Great Britain. At the first event, no fewer than 658 Porsche vehicles formed a cavalcade around the famous racing circuit and qualified for an entry in the Guinness Book of Records, and at the Club sport series run by "Porsche Club Italia, a "Boxster Cup Lady" was introduced.

The Classic Clubs were also active again. To celebrate its 30th anniversary, the "Porsche 356 Club Sweden" decided to visit landmarks in the career of Ferdinand Porsche. In twenty Porsche 356 cars, club members drove 4,000 kilometers through Europe to his birthplace in Gmünd, to the Porsche family's home in Zell am See and to Zuffenhausen and Leipzig, where the factories were visited.

Markets 2004/05

Demand for the new-generation sports cars was strong all over the world, so that Porsche's sales on international markets increased.

Overall economic conditions were not always positive for the automobile industry in the review year. A severe rise in petroleum prices in particular subdued business activity. The result of this was a general slackening in the demand for automobiles in Europe's principal sales markets (Germany, France and Great Britain) but also in Japan and Australia.

Despite this situation, Porsche's worldwide sales and dealer organization succeeded in increasing the volume of deliveries to customers to 89,704 vehicles, 14.2 percent more than the previous year's total of 78,539 vehicles. The figures do not include cars run on company business or leased by Porsche employees. The increase is all the more impressive in view of Porsche's determined refusal to engage in the 'discount war' practiced by its competitors, especially in the USA.

On the contrary, the company has reaped the benefit of concentrating for many years on the appeal of its products and on a target-oriented sales strategy. Opening regional offices for the Middle East, Latin America and the Asia-Pacific area and the establishment of a new subsidiary in Russia led to high rates of growth in these markets. Intensive support for independent importers' efforts to access further market potential in Southern, Northern and Eastern Europe and in China has also boosted sales considerably. The increasingly professional standards of the dealer organization enabled sales even in long-established markets such as the Netherlands, Italy, France, Belgium and Spain resulted in sales rising by as much as 41 percent.

All these successful market developments, but also the enlargement of Porsche presence from 40 to more than 90 countries, have boosted the proportion of Porsche's export business from 65 to the current figure of 85 percent within the past ten years.

Model Change Successfully Mastered
Porsche was able to grow in a relatively weak business climate not only by opening up new sales regions but also by introducing its new-generation sports cars successfully to the market.

Dealers' deliveries of the 911 worldwide in the review year totaled 29,545 units, 21 percent more than in the 2003/04 fiscal year. Demand for the S version was especially high: it was chosen by 60 percent of the customers. It is a sign of the 911's exceptional popularity that almost all markets had full order books for this model at the close of the review year. Following the model change, the Boxster also continued its successful sales progress in the review year, with 17,493 units delivered, 28 percent more than in the previous year. Sales of the last sports cars from the previous generation were also mastered successfully.

In the third year following its launch, demand for the Cayenne remained as high as ever. Despite new competitors in the already strongly contended Sport Utility Vehicle segment, the number of Cayenne deliveries in the review year rose by five percent to 42,097. Porsche's sports off-road vehicle thus accounted for 47 percent of the

North America remains the Porsche market with the highest sales volume, but in Germany too the company sold more vehicles despite a generally weak economic situation.

company's total vehicle sales. 569 Carrera GT high-performance sports cars were handed over to customers compared with 191 in the previous year.

Germany: Higher Sales despite Weak Business Climate
On its domestic market, Porsche delivered 14,154 new automobiles, a total distinctly higher than the 12,677 delivered in the previous year, despite the fact that the economy developed in a most disappointing way and private consumption in particular failed to take off again in the review year.

Deliveries of 911 models to customers went up by 19 percent compared with the previous year, to 5,971 cars. This growth is all the more noteworthy because the new-generation model was only available in rear-wheel-drive versions in the 2004/2005 fiscal year – the all-wheel-drive models did not reach the market until October 2005. Compared with the previous year, deliveries of the Boxster rose by 52 percent to 2,937 cars, this figure being achieved although the new-generation model was not introduced until November 2004 and was therefore on sale for only eight months rather than a full business year.

In its third sales year, the Porsche Cayenne defended its leading position in the gasoline-engined Sport Utility Vehicle market segment without serious opposition; with 5,175 delivered to customers, it made a significant contribution to Porsche Germany's business success.

The large-scale launch campaigns for the 911 Carrera Coupé and Cabriolet and for the Boxster helped to boost sports car sales considerably. More than 130,000 customers and prospects visited the German Porsche Centers while these campaigns were in progress. In addition, Porsche Germany organized a road show featuring the Porsche Carrera GT high-performance sports car in the Spring of 2005; this too aroused the interest of numerous enthusiasts and customers.

Another form of customer approach was the 17th final of the German Porsche Golf Tournament; held at the beginning of the review year, it was a resoundingly successful event that attracted 2,300 customers. The Porsche Sports Cup enables Porsche Germany to offer customers with motor-sport ambitions, and enthusiasts for the Porsche brand in general, a semi-professional race series comprising road consistency events, sprints and long-distance races. At the second event of the season, held on the Hockenheim Ring in June 2005, no fewer that 162 drivers started in the day's six races.

The professional standards of the dealer organization were also enhanced still further during the review year, with the emphasis on Service and Sales management training aimed at improving support quality and thus customer satisfaction. German Porsche dealers continued to invest in the conversion of their premises in accordance with the new brand architecture during the review year; expenditure in this area during the past three years alone has exceeded 80 million Euro.

North America: Deliveries at New Record Level
In the review year as in the past, North America remained Porsche's largest market. A relatively stable economic climate and the introduction of the new 911 and Boxster models helped Porsche to reach a new record level of deliveries to customers at 33,974 cars (previous year: 32,763). 3,567 cars were sold in May 2005 alone, a record for any single month since the establishment of Porsche Cars North America.

16.831 Cayennes were delivered in the review year, making this sports off-road model once again the top-selling Porsche in North America; the sales volume almost equaled the previous year's success in this hotly contended market segment, and despite the excessive discounts being offered by other manufacturers, a practice in which Porsche refused to engage.

Sports car sales went up by nine percent to 16,807. At 10,327, deliveries of the 911 were three percent higher than in the previous year, even though only the rear-wheel-drive Coupe versions had been available since the late summer of 2004 and the 911 Carrera Cabriolet only reached the North American market in March 2005. Boxster deliveries reached a total of 6,480 (26 percent higher) in the review year. 336 Carrera GT high-performance sports cars were also supplied to customers.

Six dealers joined the North American sales organization, making 209 in all: Porsche now has 198 dealers in the USA and eleven in Canada. Contracts were signed for seven additional territories. The proportion of dealers whose showrooms comply with the Porsche architecture concept has now risen to about 40 percent.

The strategic decision to divide the North American sales territory into four regions contributed significantly to the North American subsidiary's success. This re-alignment made it possible to supervise the work of associated dealers more effectively and provide better support for dealers' local marketing activities.

Great Britain: More than 10,000 Vehicles Sold
Deliveries to customers in Great Britain and the Republic of Ireland went up by 16 percent to 10,286 vehicles. Exceeding the 10,000-unit mark, which would have been considered scarcely possible only a few years ago, was equivalent to an almost threefold increase in sales volume since the 1999/2000 business year. Deliveries of 911 models totaled 3,842, 44 percent higher than in the previous year. Boxster sales, which reached a record level of 3,368 in the previous year, went up yet again to 3,596 cars delivered. The car press awarded top rankings to the new Porsche sports car models: the Boxster, for instance, won the Roadster category in a poll conducted by the magazine "Auto Express".

The Cayenne's success also continued in Great Britain, with 2,827 of these sports off-road vehicles sold in the review year (previous year 2,807).

These successes in Great Britain are all the more impressive in view of the fact that the economy showed signs of weakening after a number of boom years. This trend was counteracted by intensive market activity, with the main sales emphasis on launching the new 911 Coupe and Cabriolet and the new Boxster on the British and Irish markets. The brand was also strengthened by holding Porsche Driving Experience events, which were attended by more than 4,500 people. Systematic implementation of dealer architecture standards also enhanced Porsche's positive image in Great Britain. The Porsche Retail Group dealerships in the Greater London area are among the world leaders in terms of profitability and active market presence. These five Porsche Centers alone accounted for 24 percent of all sales in Great Britain. Altogether, 34 dealers sell Porsche cars in Great Britain and Ireland.

Italy: Dealers Very Satisfied with the Brand
At the end of the review year, Porsche was able to announce new record deliveries of 5,157 cars (previous year: 3,733) in this, the home market of Ferrari and Maserati.

Even before the launch of the all-wheel-drive versions, which traditionally have a strong following in Italy, 911 Carrera sales in the review year went up by 46 percent compared with the previous year, to a total of 1,944 cars. With deliveries of 820 cars, the Boxster achieved an increase of 62 percent. The Cayenne built on its already dominant position in the gasoline-engined Sport Utility Vehicle segment, with 2,379 deliveries (plus 26 percent).

Porsche's Italian dealers confirmed their satisfaction with the brand. In the annual survey of the automobile trade conducted by "Automotive Dealer Day" in conjunction with the Ca' Foscari University in Venice, Porsche again took first place in the manufacturers' rankings. It is therefore not surprising that in the past fiscal year Italy's Porsche dealers again invested considerable sums in their businesses. A new Porsche Center was opened in Palermo and new dealers began work in Arrezzo and Trento.

Japan: Market Presence Built Up Again
The focus of market activity last year having been the introduction of the Cayenne version with six-cylinder engine, it was the launch of the new 911 Carrera and Boxster in Japan that stimulated strong customer interest during the review year and led to a further increase in deliveries to customers. In addition, two new Porsche Centers were opened, making a total of 42 now in Japan.

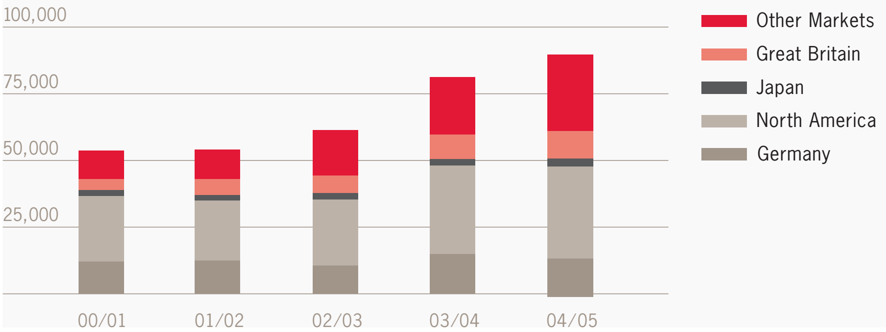
Although the general business mood tended to be restrained, the Japanese sales organization succeeded in increasing deliveries by 16 percent to 3,045 cars (previous year: 2,632). Introduction of the new model generations led to deliveries of the 911 rising by 39 percent to 1,235 cars, and those of the Boxster by 6 percent to 714 cars. With 1,090 deliveries (previous year: 1,072), the Cayenne contributed strongly to total Porsche sales in Japan as elsewhere, and accounted for a 36 percent share of the total.

France: Success in Difficult Conditions
Porsche France resisted the influence of the poor general economic situation and surpassed the already outstanding result achieved in the previous year by 28 percent; 2,874 cars were delivered, a new record.

Deliveries of the 911 to customers, at 891 cars, were no fewer than 63 percent higher than in the previous year. The Boxster too, which had its world premiere at the Paris Motor Show early in the 2004/05 fiscal year, recorded in its third sales year, the Cayenne was purchased by 1,574 customers (plus 11 percent). This is an impressive result in view of the preponderance of diesel engines in vehicles of this type sold on the French market, which account for some 70 percent of total registrations. French Porsche dealers also continued to invest in their facilities, with either new or enlarged premises opened in Bordeaux, Lyon, Arpajon, Pontoise and St. Germain.

Switzerland: Strong Demand for the 911 Carrera
AMAG, the Porsche importer in Switzerland, continued the brand's success story in the review year: 1,769 cars were delivered (12 percent more). The launch of the new 911 Carrera in particular was extremely successful.

Vehicle Deliveries in units



Although only rear-wheel-drive 911 models were available, more than ever before were sold: the total of 499 represents a 237 percent increase on the previous year's figure. 289 Boxsters were sold (up by 77 percent) and the Cayenne rounded off the total with 811 units (two percent higher).

Market presence was strengthened in Switzerland by building or converting dealerships in Zug and Winterthur, and undertaking building projects in Berne, Lugano and Sierre. In addition, the driving event program for customers and prospects, which had already been held on a large scale in previous years, was extended during the review year.

Spain and Portugal: Further Success with the Cayenne
For the Porsche Ibérica sales subsidiary, the 2004/05 fiscal year was the first in which it no longer acted additionally as the Saab importer, a function that was handed over to General Motors. Activities were therefore fully focused on Porsche car sales. The key elements in accessing new market potential were therefore expansion of the dealer network, systematic prospecting among target groups and strengthening of the brand image.

This growth strategy already yielded positive sales results in the review year: the previous year's already exceptionally high level of deliveries was increased by 24 percent, to 2,576 units. This growth was led by the Boxster, with 372 deliveries (an increase of 32 percent), and the 911 with 546 units delivered (up by 22 percent). The result achieved by the Cayenne in Spain and Portugal was also most impressive. In the third year since it was launched, sales rose by 23 percent to 1,647 units. Porsche's sports off-road vehicle is the clear Number One in the gasoline-engined sports utility vehicle market segment in Spain and Portugal.

Australia: Motor Sport Enthusiasts among Customers
Total sales in the off-road vehicle segment went down in Australia during the review year. This also left its mark on Cayenne sales, with deliveries falling to 496 units compared with 664 in the previous year. Although the lengthy transport routes led to the 911 and Boxster model generation changeovers taking place relatively late in the review year in Australia, of sports car sales were none the less held at an almost constant level. 448 units of the 911 (previous year: 390) and 275 units of the Boxster (previous year: 336) were delivered. Total sales of 1,219 units were slightly below the previous year's level of 1,390 units.

An important event with regard to brand presence in the review year was the Carrera Cup Australia. More than 20 starters in the nine races held in the 2005 season once again demonstrated the Porsche brand's strength in Australia and the high status attached to motor sport.

Middle East and South Africa: Cayenne's Success Continues
High petroleum prices and the resulting increase in purchasing power, but also the increasingly professional approach of its partner dealers in the Middle East and South Africa, Porsche Middle East and Africa, which has its headquarters in Dubai, yielded a 37 percent increase in sales compared with the previous year. Since this regional office was established in 1999, sales have risen eightfold.

With 667 deliveries, 911 sales volume went up by 45 percent compared with the previous year. The Boxster recorded 254 deliveries, 64 percent higher than in the previous year. The main motor of success, however, was once again the Cayenne, sales of which went up to 2,863 units (an increase of 33 percent). The Cayenne accounted for three quarters of all deliveries to customers in this region. In both the Middle East and South Africa, the Cayenne has conquered entirely new customer groups for Porsche, and these groups are now being introduced more actively to the company's sports cars as well.

In future it is planned to open up additional markets in this sales region, including Iran and Nigeria. Importers have already been signed up in Kenya and Pakistan. The first Porsche Center in the latter country will be opened in Lahore early in 2006, and two further sales outlets in Islamabad and Karachi are to follow shortly after.

Following the start of market development in India in 2004, the activities of this regional sales office now extend all the way from Cape Town to New Delhi. Although there are often significant cultural differences between the various countries, it has none the less been possible to achieve unified market presence. 80 percent of the dealers, for instance, already comply with Porsche's corporate identity requirements.

Belgium: Cayenne Leads Growth
With 1,177 vehicles delivered to customers (an increase of 25 percent), the Belgian market, with D'Ieteren S.A. as its importer, has passed the thousand-unit target. The Cayenne played a major part in this success, with 564 deliveries (up by 14 percent), despite the abolition in the Spring of 2005 of a tax concession that benefited the Cayenne in many cases. Deliveries of the 911 totaled 411 units (an increase of 32 percent); 197 Boxsters were delivered (up by 42 percent).

Completion of a new building for the dealer in Liège concluded the Belgian dealer organization's extensive construction program. All seven dealerships in Belgium now comply with Porsche's current corporate design guidelines.

Netherlands: Massive Sales Increase
1,181 Porsche vehicles were delivered to customers in the Netherlands in the course of the review year, equivalent to an increase of more than 41 percent compared with the previous year, and the biggest step forward since the introduction of the Cayenne. In view of the difficult general economic situation – the Netherlands currently have the lowest rate of economic growth of any EU country – this can be regarded as a significant success. Porsche vehicles are sold in the Netherlands by the importer, Pon's Automobielhandel B.V.

In addition to the Cayenne, of which 641 or 18 percent more were delivered, sports car deliveries rose especially steeply. Sales of the 911 went up to 421 units (82 percent more) and 114 Boxsters were sold (an increase of 100 percent).

As well as the "Porsche Driving Experience", a "Cayenne Experience" was added to the program of driving events. It offers customers and prospects an attractive means of test-driving this model both on and off the road. Also in the review year, the "Porsche Cup Challenge" race series based on Carrera Cup rules was inaugurated as a further opportunity for the Porsche owner and enthusiast to enjoy active motor sport.

Austria: Brand Presence Further Improved
In the past fiscal year, Austria was able to maintain the positive sales trend of recent years. At 888 units, deliveries to customers were 16 percent higher than in the previous accounting period. The figure of 278 rear-wheel-drive 911 Carrera cars sold, when compared with the previous year's total of 81, is astonishingly high for a country in which the all-wheel drive versions have traditionally accounted for a large proportion of sales. 158 Boxsters were delivered, 72 percent more than in the previous year, and Cayenne sales totaled 397 units (two percent higher).

The Austrian dealer network's professional standards were further improved. The completely redesigned Porsche Center in Innsbruck opened its doors in September 2004. At the same time, construction work started on new premises in Salzburg. When these are completed, three quarters of the sales facilities in Austria will comply with Porsche AG's architectural guidelines.

In the marketing area too the Austrian dealer organization was especially active during the review year. Among the highly popular events it held were the "Porsche Road Show" on the Salzburg Ring circuit and the now well-established "Power & Snow" customer event in Kaprun, featuring Walter Röhrl and slalom world cup victor Heinz Schilchegger.

Latin America: Deliveries Up By Fifty Percent
Despite continuing political uncertainties, the economy in Latin America gained further in stability during the review year. This had a positive effect on the demand for automobiles, a situation from which Porsche Latin America also benefited: deliveries to customers rose by 50 percent to 1,508 vehicles.

There are numerous growth markets in Latin America and in Asia to which Porsche attaches increasing importance.

Panama, Brazil, Puerto Rico and Mexico were increasingly important growth markets, but smaller Porsche markets also registered notable growth, for example Chile, the Dominican Republic, Ecuador and Venezuela, which enjoyed three-figure percentage growth rates in the review year. A new importer was appointed in Peru. The network of 29 dealers in Latin America was developed further. Two thirds of them now comply with the Group's architectural guidelines, and additional new buildings and modernization projects are planned.

The Cayenne, the "Porsche for Latin America", continues to account for the largest proportion of deliveries to customers: in the review year the total was 1,010 units (previous year: 654 units).

The new 911 and Boxster models also added strongly to the sales volume. The Boxster registered a 23 percent increase to 197 units; the 911 model line went up by 58 percent to 296 units, a result even more clearly ahead of its sales in the previous fiscal year.

A large number of activities such as the Porsche Sports Driving School, Porsche Service Clinics and a variety of driving events held by the Porsche Clubs, which are especially active in Latin America, served to display the vitality of the brand in the review year.

Northern Europe: Again More Vehicles Sold
Since the introduction of the Cayenne, the Northern European region has made a very much stronger contribution to Porsche's sales success. In Iceland, Norway, Sweden, Finland and Denmark, deliveries to customers went up by more than 30 percent in the review year, to 1,500 units. The Cayenne was able to increase its market share once again, this time by 18 percent to 912 units. 446 units of the 911 were sold, an increase of 55 percent compared with the previous year, and the sales volume of 131 Boxsters represented a 60 percent improvement and also contributed to the excellent overall result achieved in the review year.

This positive trend will continue with the introduction of the 911 Carrera 4 versions, which traditionally account for a large proportion of sales in this region. Construction of a new building for the Porsche Center in Stockholm, together with other new buildings in Göteborg and Helsinki, also promises to contribute to the brand's success in the region.

In the second "Carrera Cup Scandinavia" season following its launch in 2004, this race series was increasingly successful. The starting field was enlarged to permit 14 teams to take part.

Southern and Eastern Europe: New Dealerships Opened
Sales of Porsche vehicles in Southern and Eastern Europe grew most satisfactorily again in the review year, by 53 percent altogether to 1,845 units. With 1,203 deliveries (previous year: 883), the Cayenne was once again the most important model, but the sports cars also lived up to their promise: the 911 model line, with 430 deliveries to customers, recorded 100 percent more sales. The Boxster effectively matched this enormous growth, with a 98 percent increase in sales to 208 units.

During the review year, Porsche's 19th sales facility in Southern and Eastern Europe was opened in Bosnia and Herzegovina. The importer's contract with the new sales associate was signed in Sarajevo in the Spring of 2005. The first premises conforming with Porsche's corporate identity guidelines were opened in other markets in this region. A dealership was officially opened in Belgrade, and Kazakhstan's first Porsche dealer opened for business in Alma Ata.

The previously established associates in this region also recorded positive results. In Greece, for example, the number of deliveries to customers broke through the 400-vehicle barrier for the first time. Construction work started on the new Porsche Center in Athens, and a new dealership was opened in Thessaloniki.

Russia: New Subsidiary Even More Successful Than Anticipated
In its first business year since commencing its activities in November 2004, the Porsche Russia subsidiary recorded impressive vehicle delivery figures.

During the review year, 386 vehicles were sold in Russia, 38 percent more than the result achieved by the previous importer a year before. Due to relatively unfavorable road conditions, only 54 cars from the

Despite unstable political situations, the collapse of local currencies and natural disasters such as the tsunami, Porsche's sales went up in almost all Asian-region markets.

A new Porsche Center was built in Seoul (left); Porsche's largest dealership in Russia, more than 6,000 square meters in area, is taking shape in Moscow.

911 and Boxster model lines were delivered. Of the Cayenne, on the other hand, a record 331 units (58 percent higher) were delivered.

An important precondition for this success was the build-up of the dealer network, with new associates now operating in St. Petersburg and Yekaterinenburg. Further dealerships were opened in Togliatti, Rostov-on-Don and Stavropol, as well as a second one in St. Petersburg. This dynamic installation of a modern dealer network has only been surpassed by the dynamism with which the Chinese market has been opened up.

One of the key market access projects is the construction of premises for Porsche's own subsidiary in Moscow. Occupying an area of more than 6,000 square meters, the Porsche Center there will be the brand's largest sales outlet in Russia. Its purpose is to stimulate still further the interest of a growing, prosperous but also extremely demanding level of Russian society in the Porsche brand. As the headquarters of the company's Porsche Russia subsidiary, it also incorporates an integral trading center, a national staff training center and a fully-stocked vehicle and parts store.

Asia-Pacific/China: New Sales Record

Overall conditions in the Asia-Pacific market in the review year were clearly influenced by uncertain political situations, the continued drop in the value of the local currencies in relation to the Euro and natural disasters such as the Tsunami that struck the region in December 2004. Immediately following this horrific flood catastrophe in South-East Asia, Porsche resolved to support reconstruction work and allocated one million Euro for this purpose. Importers in Thailand, Indonesia and Sri Lanka were called upon to put forward proposals for aid projects deserving of financial support. In this way it was possible for instance to build an apartment block for Tsunami refugees in Weligama, the most severely affected region of Sri Lanka.

Despite the difficult overall situation, Porsche was able to increase its sales during the review year in almost all Asiatic markets. The total sales volume went up by 50 percent to 2,119 vehicles. The decisive factor in this success was significant growth in the Chinese market, where 526 vehicles were delivered to end-user customers, a 109 percent increase. 72 percent of the delivered vehicles were from the Cayenne model line. Although conventional sedans clearly dominate the luxury segment of the Chinese market, Porsche none the less succeeded in selling 148 of its sports cars. Their success was partly attributable to the "Carrera Cup Asia Pacific" race series, with two races held in China, and active participation in the 2005 Auto Shanghai motor show.

In the current fiscal year, Porsche is continuing to build up its presence in this, the country with the world's largest population. By July 2006, it is planned to have more than 15 Porsche Centers in operation in China; the current figure is eight.

The Cayenne, sales of which went up by 37 percent to 1,253 units, was the company's best-selling model line in the Asia-Pacific/China region. Thanks to the introduction of the new models, however, sales of the 911 and Boxster sports cars also increased, with deliveries to customers up by 73 percent to 861 in the review year.

The "Porsche Infineon Carrera Cup Asia", the most professionally run race series in Asia apart from Formula One, also made its contribution to Porsche brand presence, with seven races held in Malaysia, Thailand, Korea and China.

Services 2004/05

Porsche dealers offer a big range of services in all major markets around the globe. The program extends from vehicle financing through Porsche credit cards.

Comprehensive Service for the Car Purchaser

Porsche offers its both its new- and pre-owned car customers a complete range of financial services, including leasing, hire purchase, financing and insurance. An attractive credit card is also available in the form of the Porsche Card. All these services, which are obtainable from a single source, namely the Porsche dealer, allow Porsche to respond flexibly to customers' requirements. Leasing contracts, for example, can be matched to customers' needs in terms of the specific services offered and the duration of the contract.

With almost 30,000 new contracts concluded every year and more than 60,000 active leasing and credit purchase contracts, Porsche financial service companies attend to the needs of customers in all parts of the world. They have succeeded in increasing the volume of contract business steadily in recent years. Another gratifying aspect is a renewed increase in the number of follow-up contracts, with customers making renewed use of what Porsche Financial Services are able to offer them.

In North America, Porsche's most important market, the demand for financial services continued to increase in the review year. About 26 percent of all new car sales were financed by Porsche Financial Services North America Inc. Since 1992, this company has concluded more than 72,000 contracts with customers. In Germany, more than one-third of all new car sales result in leasing or credit purchase contracts with Porsche Financial Services GmbH. In the secondhand car sales area, the situation in Great Britain is of particular interest: two-thirds of all such sales and also about one-third of all new car sales are financed by Porsche Financial Services Great Britain Ltd.

In other markets too there was strong demand for financial services from Porsche in the review year. For example, every second Japanese purchaser of a new car again chose a financing offer from Porsche Financial Services Japan K.K.

Porsche Financial Services France S.A. continued to make successful progress. The proportion of new car purchasers making use of its services was in the region of 30 percent. In Italy, Porsche Financial Services Italia S.p.A. was also able to look back on a successful business period, and the services offered by Porsche Services España S.L. in Spain also found strong favor with customers there.

More Services for Porsche Card Holders

Porsche further increased the appeal of its credit cards during the review year. Since the end of 2004 it has been possible to choose between two credit cards: the Porsche Card and the Porsche Card S. In a manner recalling the new 911 Carrera, a basic card and a version with additional performance features are being offered.

The Porsche Card is now being offered separately and is therefore no longer combined with the Lufthansa Miles & More Credit Card. In addition to the Porsche Card Service with its traveler's, gift, ticket and emergency services around the clock, it offers the additional attractions of interest on credit balances, flexible means of payment, discounts of up to 50 percent at hotels of the Raffles and Swissôtels groups and exclusive Porsche Travel Club offers. The Porsche Card is available from the national organizations in Germany, Great Britain, Italy and Japan.

The Porsche Card S consists as before of a combination of the Porsche MasterCard and the Lufthansa Miles & More VISA Card Gold. The services it provides, however, have been considerably extended and as well as the complete Porsche Card program now include the free-of-charge AVIS Park & Wash offer at German airports, attractive insurance services and one premium mile credited to the holder's Miles & More account for every Euro of turnover paid for with the Porsche MasterCard.

Individually Tailored Insurance Offers

Porsche offers its customers a very special form of insurance cover: the Porsche CarPolicy. A notable feature of this policy is that risk cover is matched individually to the value of the insured vehicle and applies to both third-party and fully or partly comprehensive risks. Porsche Financial Services GmbH has cooperated successfully for some years with the Haftpflichtverband der Deutschen Industrie (HDI), one of Germany's largest insurers, on the Porsche CarPolicy.

In the event of the Porsche comprehensive insurance policy being invoked, the customer is entitled to a rental car for up to seven days at a maximum cost of 75 Euro per day. In addition, the comprehensive policy accepts claims at the vehicle's new value for up to one year after its first registration. In addition, the Porsche CarPolicy includes luggage cover up to a value of 2,500 Euro for Cayenne owners.

Porsche has increased the user benefit of its credit cards. Customers can now choose between two offers, each with a different range of services.

Porsche Consulting celebrates its Tenth Anniversary
The review year was also the tenth year of Porsche Consulting GmbH's activities. From its headquarters in Bietigheim-Bissingen, this consulting company has in the meantime developed in a most impressive way; it now has a staff of 105 and is among the 25 leading consulting companies in Germany. During this ten-year period its turnover has gone up more than ten times over, and rose again in the past fiscal year, by 20.7 percent to 23.5 million Euro, of which 70 percent were obtained from work on behalf of external customers.

Porsche Consulting was established following Porsche AG's own successful restructuring rather more than ten years ago, when the company was obliged to overcome the most severe crisis in its history. At that time, the Porsche Executive Board invited leading Japanese advisers to Zuffenhausen with a view to achieving a significant improvement in efficiency, productivity and production flexibility within a very short time, by applying 'kaizen' methods.

The know-how and experience which the automobile manufacturer acquired during this turnaround process and the introduction of lean production methods has been passed on by Porsche since 1994 to other companies. The most important principle is for simple, tailor-made solutions, especially those relating to process optimization, to be arrived at by consultation with the client. These solutions must take immediate effect, be suitable for implementation at reasonable cost and call for no additional investment.

Porsche Consulting's advisory teams are formed on an interdisciplinary basis from engineers, commercial specialists, technicians and industrial forepersons with extensive practical experience. They work our solutions on the spot with their clients, taking the complete added-value chain from development through purchasing and production to sales and distribution into account.

Porsche Consulting has already advised more than 300 companies within Germany and abroad. Its regular clients include in particular mechanical and electrical engineering companies and others from the food production, construction, furniture and domestic appliance industries. In commerce and the financial service area too, a number of projects have already been carried out successfully.

Among the program of services offered by Porsche Consulting is the Porsche Academy. By means of open and individual seminars, it offers customized qualification enhancement for managerial staff and others, and organizes benchmark seminars in Japan, Europe and the USA with the aim of scrutinizing the practices adopted by especially successful companies.

MHP is the IT Expert in the Automobile Market
Another Porsche subsidiary active on the services scene is Mieschke Hofmann und Partner, Gesellschaft für Management- und IT-Beratung mbH (MHP). Established in 1996, it is among the most successful German process and IT consulting companies, with particular

Porsche Design has concluded new license partnerships and is steadily enlarging its product program.

emphasis on SAP solutions. In addition to its headquarters in Freiberg am Neckar, MHP has branch offices in Ludwigsburg, Hattingen (Ruhr) and, since August 2005, in Munich as well.

MHP offers its clients complete, integrated solutions for every stage in the process chain, from planning through implementation and the management of IT solutions. In addition to Porsche AG, it advises and supports more than 200 leading companies in the automotive and other industries. From this core market, its strategic innovations are now being transferred to other business sectors.

In addition to MHP's commercial success, an independent image survey conducted in the Spring of 2005 by the Bauhaus University in Weimar put the company in first place among the 20 leading German IT consultants in the automotive competence area, and in third place in SAP competence.

Business progress in the review year has borne out the successful approach adopted by MHP: its turnover rose by more than 45 percent to 35.5 million Euro and the staff increased to 230 (previous year: 176). MHP is thus one of the fastest-growing Porsche subsidiaries.

New License Partners for Porsche Design
Established in 2003, Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG (PLH) expanded its activities in the review year. New licensees were signed up and subsidiaries founded in the USA, Asia, France, Great Britain and Italy. With headquarters in Bietigheim-Bissingen, the company presents itself internationally as the Porsche Design Group. It employs some 80 people and markets the "Porsche Design" and "Porsche Design Driver's Selection" product programs as well as operating the Porsche Design Studio in Zell am See, Austria. Porsche AG has a majority holding of 65 percent in PLH, the remaining 35 percent being held by the partners in "Porsche Design Produkte Vertriebs GmbH" (formerly "Porsche Design Management GmbH").

Porsche Design is one of the leading luxury brands in the high-value men's lifestyle products segment; its products stand for timeless, functional, purist design and convincing technical innovation. The program includes watches, knives, writing utensils, luggage and leather goods, items for smokers and eyewear.

During the review year, new license partnerships were concluded with sports goods manufacturer Adidas-Salomon AG, the Italian luxury goods manufacturer Ferragamo Finanziaria S.p.A., the Italian fashion house Belfe S.p.A. and others. In the course of these cooperations, it is planned to market shoes, leather luggage, small leather articles, a line of sports articles and a men's collection.

Porsche Design products are on sale worldwide in the company's own stores, shop-in-shops at high-class department stores and at other up-market retailers. During the review year a new store concept was developed with the Italian architect Matteo Thun, the first of these stores being premiered in January 2005 in Berlin, with others in Leipzig and Hamburg to follow. Shop-in-shops were opened in Ho Chi Minh City, Dubai, Athens, Singapore and elsewhere, and showrooms in New York and Hong Kong.

Porsche Design Driver's Selection is a brand with a vehicle-related product program for Porsche customers and enthusiasts. Like the sports cars themselves, these products – which include innovative luggage, high-value fashions and a big range of scale-model vehicles – are notable for their quality, function and classic design. Porsche Design Driver's Selection products are available from Porsche Centers and from Porsche AG's online shops. To comply with the Porsche Design Group's new brand presentation, its shop-in-shop system at the Porsche Centers has also been redesigned.

The Porsche Design Studio in Zell am See was founded in 1972 by Professor Ferdinand Alexander Porsche, who celebrated his 70th birthday in December 2005. At his own wish, he retired from membership of the Porsche AG Supervisory Board at the Stockholders' Annual General Meeting in January 2005. The studio's designs reveal a distinctive, unmistakable and timeless signature. In addition to lifestyle products for men, Porsche Design has a portfolio including industrial products, domestic appliances and other consumer goods for external clients. In the review year, as before, the studio's products were awarded a number of prestigious design prizes.

Communication 2004/05

The aim of communication work is to strengthen Porsche's high reputation. Great importance is attached to the company's independent positioning and to its ability to discharge its social responsibilities.

Corporate success depends not only on first-class products and outstanding customer service, but also on the company's worldwide reputation. For many years now, Porsche has enjoyed a leading position in this respect, as can be seen from its selection in a 'manager magazin' poll covering all business sectors as the company with the best image in Germany. The awards are presented every two years, and this first prize, announced in January 2004 is the third in succession that Porsche has won. In various international rankings too the brand has been rated extremely highly, being included again in 2005 among the "100 Most Valuable International Brands" determined by Interbrand.

Porsche's systematic communication strategy has strengthened this high reputation. In recent years it has proved possible not only to enhance not only the credibility of the products and the brand, but also their social acceptance. The size of the company evidently plays no part in this process, since Porsche is the world's smallest independent automobile manufacturer. On the contrary, maintenance of an independent position and the expression of well-founded opinions are the factors that confirm the company's social responsibility to its employees, its customers and the general public.

It was surely this attitude that encouraged the renowned Kiel International Business Institute to present its "International Economic Prize", awarded for the first time in June 2005 during the 'Kieler Woche' regatta week, to Porsche's President and Chief Executive, Dr. Wendelin Wiedeking. Together with the former Netherlands Prime Minister Wim Kok and the Canadian winner of the Nobel Prize for Economics, Robert Mundell, and in the presence of the Federal German President, Horst Köhler, he was praised as a personality notable for "forward thinking, the communication of solutions to international economic problems and efforts to build up a socially responsible society."

Also awarded for the first time, Dr. Wiedeking received the German automobile club ADAC's "Golden Angel" as a "Personality of 2005", for his particular services to the automobile. The eulogy was held by Günther Oettinger, at the time designated Prime Minister of the German State of Baden-Württemberg, who described the award recipient as "a team worker with high social competence".

Porsche's President and Chief Executive also received other awards in the course of the review year. In an opinion poll commissioned by "manager magazin", investors acknowledged the company's major economic successes under his management and the tremendous gains recorded by Porsche stock in recent years by voting him Germany's most popular top manager. Last but not least, Dr. Wiedeking and other leading personalities from the region received the Hans-Peter-Stihl prize awarded by the Stuttgart Regional Forum, as a tribute to many years of dedicated support for Stuttgart and the surrounding region and in particular in Porsche's case for the decision to build a new company museum.

During the review year, journalists were able to drive the latest versions of the 911 and the new-generation Boxsters at presentation events on challenging routes that brought the best in these models.

With the Cayman S as an example, a group of automobile journalists was invited to study the car's fascinating technology at a Porsche Technical Workshop.

The importance attached to Porsche's loyalty to its locations in Germany can be seen from a visit paid by the Federal German Chancellor to an employees' meeting at the headquarters plant in Zuffenhausen, at which the Chairman of the Works Council and Porsche's President and Chief Executive described the key points of the location assurance agreement signed at the end of the review year and applicable to Zuffenhausen, Ludwigsburg and Weissach. Chancellor Gerhard Schröder in turn expressly praised Porsche's "togetherness culture". Porsche, he said, was proof that a German company could be exceptionally successful on the international competitive scene. "We would like this to be a model for Germany!" the Chancellor declared.

Tribute was also paid to Porsche's social commitment to Germany as a location for its activities from an entirely different direction: The company film "Trotzdem" ("Despite") took first prize in the image film category when the 37th German Business Film prizes were awarded in November 2004 in Ludwigsburg. The film shows why a company such as Porsche is able to succeed in Germany "despite" the alleged drawbacks of this country as a business location.

Driving Presentations in Impressive Settings

Presentations of new models to the press are a central element in Porsche's public relations work. During the review year, the spotlight was initially on the new-generation Boxster. Some 800 journalists accepted Porsche's invitation to the attractive countryside around Austria's Wörthersee lake in October 2004, and subjected the new roadster to close examination and testing. The journalists' reactions were extremely positive: they praised the cars' first-class dynamic properties and successful design.

The two all-wheel-drive versions of the 911 Carrera Coupe were presented to the media in the early summer of 2005, not far from Monaco. Road testing took place on a challenging, twisty route through the Alpes Maritimes in France. The destination was the legendary Col de Turini, one of the mountain passes made famous by the Monte Carlo Rally. Former rally champion Walter Röhrl awaited the test drivers there, and demonstrated the close-to-the-limit handling and immense potential of the all-wheel-drive 911 on a closed section of road.

Last but not least, the Cabriolet versions of the 911 Carrera 4 and 4S were shown to the press in Germany's 'Bergisches Land' region in July 2005. Starting from Bensberg Castle, road-test routes more than 200 kilometers long were compiled with a view to demonstrating this special combination of all-wheel-drive road dynamics with the sheer journey contentment that an open car can provide.

For a select group of car journalists, a special date in the Spring of each year is Porsche's Technical Workshop, held in Weissach. On this occasion the company's engineers describe the cars' fascinating technical features in full detail. In the review year, the emphasis was on suspension and active safety, in other words on decisive areas of key competence for Porsche; the Cayman S was used to demonstrate Porsche's prowess in these areas to some 130 visiting journalists.

Positive Echo from Car Premieres

The Paris Motor Show has always been of special importance for Porsche, in view of the tradition that the company always makes the headlines there. In 2000 the Carrera GT was driven along the Champs-Elysées and premiered in the Louvre; in 2002 the Cayenne was displayed to highly enthusiastic journalists on the Place Vendôme. On this occasion, in September 2004 it was the turn of the new Boxster to have its world premiere in France's capital city. The latest generation of 911 models also made its first appearance at a motor show there.

A year later, in September 2005, the Cayman S enjoyed its big moment. Porsche's mid-engined coupe had its world premiere at the German Motor Show in Frankfurt. In addition, this was the first show appearance of the new all-wheel-drive versions of the 911 Carrera; they too were much applauded by visitors to the Frankfurt event.

Open Dialog with the Finance Market

As with its customers and with journalists, Porsche maintains direct and open contact with those actively involved in financial markets – private stockholders, institutional investors and analysts. It attaches great importance to this intensive dialog, since personal contact strengthens the positive image of the company and the brand all over

Porsche not only maintains an intensive dialog with journalists but also with financial market participants, who are also invited to attend driving events.

The Porsche Tennis Grand Prix in 2005 was her 50th tournament victory in an impressive career: Lindsay Davenport.

the world. Whether in Zuffenhausen or in the course of road shows held at the world's major financial centers, discussion with market participants is an important contributor to the success of Porsche stock. Incorporation of the Investor Relations department into the Public Relations division of the company guarantees that external communication 'speaks with a single voice'.

Intensive Crisis Preparation
Crises of various kinds can descend on a company suddenly and unexpectedly. In particular a manufacturer of exclusive products with a demanding circle of customers is expected to act quickly and comprehensively and provide ample information in a crisis situation. For some time now, Porsche has operated a crisis management plan with a suitable communication concept for emergencies; it governs the response and allocates responsibilities down to subsidiary and importer level. Depending on the nature of the incident, an individual plan of action enters into force. This clearly defines the managers involved in the company's various business areas, their deputies and the persons whose task it is to make contact with public authorities.

With the aim of crisis prevention, various conceivable scenarios have been staged on several occasions as "artificial crises", in order to familiarize the affected members of staff to the greatest possible extent with the measures that need to be taken. In order to make crisis management as fast and efficient as possible, the number of persons taking part is deliberately kept small. This also applies to the possible constitution of an action team to deal with the crisis. All these factors taken together are intended to ensure that the reaction to an emergency takes place with the competence associated with the Porsche name.

Great Importance of Sport Promotion
Sport events are of exceptional importance in Porsche's communication work, since very few brands have such an affinity with sport and performance as Porsche does. In addition to motor sport, the company is engaged in another sport promoting activity, centered on the town of Bietigheim-Bissingen, where several Porsche subsidiary companies are located and where Porsche supports the ambitious "Bietigheim Steelers" ice hockey club, which plays in Germany's second league. During the review year the club again joined with Porsche in holding weekend training courses for young ice hockey players.

Tennis Grand Prix in New "Porsche Arena"
For more than a quarter of a century the central element in Porsche's sport activities apart from motor sport has been the annual Porsche Tennis Grand Prix, held in Filderstadt near Stuttgart. In 2005 the world's best women players again competed in this tournament, which will in future be held in the new "Porsche Arena". This is a complex located next to the Hanns-Martin Schleyer Hall in Stuttgart; still under construction, it is due to be completed in May 2006 and will then accommodate up to 7,500 spectators, depending on the type of event. In October, Porsche paid a fee of ten million Euros to secure the right to have its name on this new arena in Stuttgart's 'NeckarPark' for a twenty-year period.

The special appeal of the "Porsche Arena" lies in its versatility. Within a short time it can be converted for handball, basketball, volleyball, tennis, ice hockey, concerts, ice revues, company general meetings – which will include Porsche's – or other business events. The Arena, with its interior action area of some 2,000 square meters, can handle all these activities.

Broad Cultural Commitments
In March 2005, six Porsche Centers in Germany provided a stage for a performance given by a world-famous actor: Klaus Maria Brandauer, from the Burg Theater in Vienna, undertook a reading tour entitled "Small versus Large – Tales of the David Principle" that was attended by more than 2,500 people. Brandauer selected more than 20 texts centering on the book "The David Principle" published by Porsche, in which leading authors offer their own interpretations of this Bible story as a parable that is a possible key to the success of the world's smallest independent automobile manufacturer. Brandauer read texts by Brecht and Rilke, Schiller, Kästner and even Herbert Grönemeyer. With musical accompaniment provided by the cellist Maria Magdalena Wiesmaier, he struck precisely the right note for each of them – sometimes tender and gentle, sometimes impulsive.

On a tour entitled “Small versus Large – Stories about the David Principle” the world-famous actor Klaus Maria Brandauer visited Porsche Centers and read from various German-language authors.

In the Fall of 2004 the restoration of the Ladegast organ in Leipzig’s famous St. Nicholas’s Church was celebrated with a concert and a special service. Porsche not only donated 1,800,000 Euro toward the restoration work; three Porsche designers also drafted out the imposing console on the gallery. They remained faithful to a tradition well-known to all drivers of Porsche cars: like these, the organ is started on the left! The quality of their work was acknowledged by the presentation of the North Rhine-Westphalian Design Center’s “red dot award for product design”.

Last but not least, Porsche is providing financial assistance for the Stuttgart State Opera to make a guest appearance in Tokyo. In February 2006 the artists will give three performances of Mozart’s ‘Magic Flute’ in Japan’s capital city. This will represent a twofold premiere: the Stuttgart Opera’s first visit to Japan and the first time that Porsche has sponsored a foreign tour by this ensemble.

Customers and Employees Supplied with Information Effectively

Early in 2004 the Porsche customer magazine ‘Christophorus’ was extensively redesigned; this has increased its appeal for Porsche owners and friends of the brand. It first appeared in 1952 as one of the first publications of its kind in the automobile industry, and since then has acted as an important instrument in the maintenance of customer loyalty. The magazine is published every two months in five languages, and apart from company information, which covers every area from products through technological features and current economic developments, includes many interesting lifestyle topics.

Not only Porsche’s customers but its employees as well are supplied with information to a high standard, since the company regards those who work for it as its most valuable capital. By September 2004, the employees’ newspaper “Carrera” had celebrated its 20th anniversary. The date on which the first issue appeared was a deliberate choice: September 19, 1984 was Professor Ferry Porsche’s 75th birthday. The headline of a front-page interview confirmed the logic of this choice: “It Was He Who Made Porsche What It Is!”

Marketing Communication

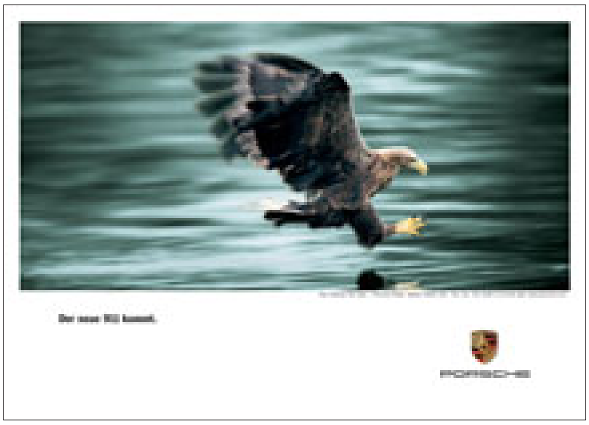
The German Marketing Prize in the Fall of 2004 was the first of a number of national and international prizes that Porsche received in the review year for its marketing work. Porsche’s films were especially successful: early in 2005 the company was awarded no fewer than six prizes at the prestigious international New York Film Festival. At this event, the world’s best films and videos are chosen each year in various categories, including industry.

In the Transport/Distribution category, Porsche took the first three places. Gold went to the technical film “Moments” about the 911, silver to the film about the new Boxster entitled “Where Sport Begins” and bronze to the 911 film “Not Forgotten”. “Sport in Figures”, explains the Boxster’s performance in technical terms, was awarded a special prize in this category. The image film “Despite” was also successful in New York as already elsewhere, and won a silver medal in the Transport/Public Relations category, in which a special prize was also awarded to “Down to the Millimeter”, which deals with development of the 911.

In addition to producing its own films, the company actively sponsors other film-makers. In June 2005 the “Porsche Prize for Young International Advertising Film Makers” was awarded for the second time by the Baden-Württemberg Film Academy. In this way the company maintained its support for young students in the advertising film area and extended its cooperation with the Academy, which goes back a number of years. 94 entries were received for this competition from all over the world; the first prize went to two students from Amsterdam.

Prize for 911 Launch Advertising Campaign

Moving pictures from Porsche were not the only winners of prizes and recognition during the review year. The “Eagle” introductory motif for the new-generation 911 launch campaign was chosen in the Contacter Client Award competition as “Ad of the Year, 2004”. It depicted a powerful eagle as a symbol of dynamism and precision. It is remarkable to note that an ad campaign using a basic layout that is already more than ten years old can continue to fascinate the observer and regularly generate new surprise effects. For Porsche, The “Eagle” introductory motif used for the latest 911 model generation was chosen as “Ad of the Year 2004” in the Kontakter Client Award.



this is confirmation that its continuously updated presentation, which aims to make the brand unmistakable and immediately recognizable, has retained its effectiveness without any restrictions on its creative freedom.

A scale with no upper limit is needed to measure the sheer fun of driving the new 911 Carrera Cabriolet models; precisely this was communicated by the launch campaign in the Spring of 2005. In addition to the advertisements, it was the two-stage ‘special’ in the Internet that supplied customers and prospects in an emotive style with details of the principal features of these two new 911 models, and for the first time provided them with a means of examining the cars from any angle.

Although they did not reach the dealers’ showrooms until the Fall of 2005, the launch campaign for the all-wheel-drive 911 models began back in May. The market launch was accompanied by a three-stage campaign both on the Internet and in the form of direct marketing to draw attention to the main advantages of the Carrera 4 models.

“Where Sport Begins” was the motto used to launch the new Boxster models from the Fall of 2004 on. The observer was asked: “Roadster or sports car? We don’t force you to decide!” The topic of sports character and its interpretation by the Boxster pervaded the entire launch campaign, which was international in character. This topic was not only emphasized in advertising but also in films and in an Internet special.

Exciting Cayman S Launch Campaign
Communication work relating to the introduction of this new mid-engined coupe got under way six months before the Cayman S reached the market in November 2005. Initially, only the name was announced, and indeed no car at all was visible in the first advertisement. Instead, attention was caught by the eyes of a reptile half under water but evidently waiting to spring. Those whose curiosity was aroused were able to learn more on the Internet, where Porsche presented the “World of the Cayman S” – again without displaying the actual car. The road scenes and cityscapes that were to be seen served only to increase the suspense. Highly expressive images were used in order to reach a younger, urban, design-oriented public. The number of hits and visitors on the Internet after only a very short time were convincing evidence of the success of this strategy and of the high level of interest aroused in the car’s target group.

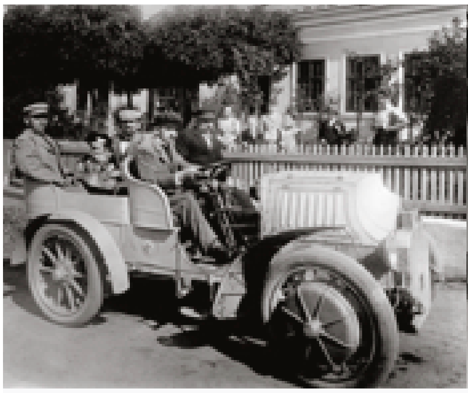
Cayenne – a Renewed Topic of Conversation
The Cayenne is an ideal vehicle for those who practice a variety of sports: this was the communication message for the third Porsche model line in the summer of 2005. Numerous events were organized in cooperation with Golf or Riding Clubs, and attracted not only Porsche customers but also members of various target groups to whom the Cayenne was not yet so familiar. To support Porsche dealers worldwide in the conception, preparation and implementation of such events, a detailed guide was compiled and made available online to our sales associates.

Redesigned Internet Pages
The number of worldwide visitors to www.porsche.com, the Porsche Internet home page address, rose again steeply in the review year. More than 25 million pages were viewed and the number of visitors averaged 1,800,000 per month, in both cases figures that again exceeded the previous year’s levels. At the end of the review period, twelve subsidiary companies and 21 importers’ home pages were accessible by way of the main Porsche website. To make sure that the approach to customers is uniform at all sales levels, further efforts were made to design dealers’ home pages in accordance with the Porsche guidelines that are valid worldwide. More than 460 dealers already have their own pages that are accessible to those who log into the Porsche brand website.

For the past three years, Porsche’s German website has led the rankings in the Online Automobile Benchmarking Report published by the independent market research institute Psyma Online Research.

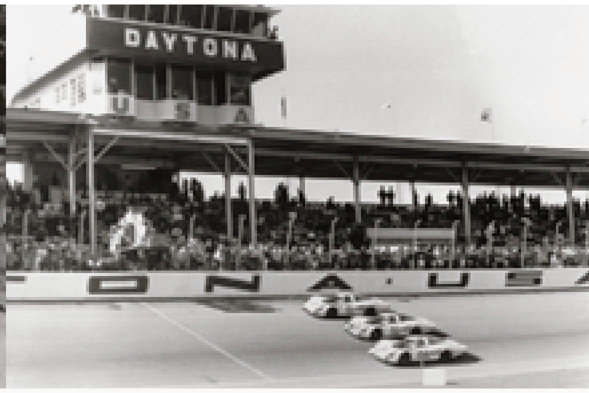
To know one's origins and nurture one's own tradition – much value has always been attached to this in Zuffenhausen. A Porsche can be identified immediately as such, at any time and place. A factor that helps to make a Porsche so unmistakable is its classic, undating design, which endows Porsche cars that are already more than fifty years old with their unique character and is still reflected in today's models, from Boxster through 911 and Cayenne.

Professor Ferdinand Porsche's designs are milestones in the history of the automobile, many of them as up-to-the-minute now as they were then. The complex history from the early designs to current development projects forms the backbone of the exhibition.



Ferdinand Porsche at the wheel of a Lohner-Porsche with combined gasoline engine and electric-motor transmission in 1902 – possibly the world's first hybrid vehicle.

Ferry Porsche (left) und and his father Ferdinand Porsche (right) in 1948, with the Porsche 356 'Number One'.



In 1968, the Porsche 907/8 longtail coupes took the first three places most impressively in the Daytona 24-Hour Race.

A popular means of accessing the history of Porsche and its vehicles is the Porsche Museum at the company's headquarters in Zuffenhausen. Up to 80,000 visitors each year succumb to the fascination of these exhibits, taken from a long, eventful company history. Unfortunately there is simply too little space to exhibit more than a small selection of about 25 vehicles, yet the Museum has about 300 in its catalog, all of them worthy of being seen by a larger public. Customers, historic and thoroughbred car enthusiasts and Porsche's stockholders have therefore been asking for a long time for more exhibition space to be provided.

In July 2004 the Executive Board approved the construction of a new museum – one of the most spectacular projects in the Porsche company's history, valued at a total cost of 50 million Euro. Building work began in October 2005, and the new museum is scheduled to open its doors in 2007.

Even the initial announcement of this project was welcomed enthusiastically by experts. 170 European architects' offices asked to be considered, whereupon Porsche selected ten of them, including leading architects from Germany, Austria and Switzerland, and invited them to enter a competition for the order. The winning design selected by the jury was submitted by Delugan Meissl Associated Architects of Vienna.

The new museum will be capable of accommodating more than 200,000 visitors annually and is to be open almost all the year round, seven days a week. As well as the display of approximately 80 vehicles, the public will be able to study the activities of the historic vehicle workshop. In order to give visitors a full picture of Porsche's model history, the exhibits will be changed at regular intervals. The new Porsche Museum will also have extensive catering facilities managed by the company, and rooms that can be hired for private events.

Making the Porsche Tradition Visible

The Museum is to be based on a clearly defined concept that can be summed up as "content instead of effect". The new building is to be the central point at which all historical and contemporary knowledge concerning Porsche is concentrated and made accessible to the public. The Museum will extend a welcome to visitors and engage in a dialog with them; the aim is for it to be a place where a special corporate culture with a tradition going back more than a century can be seen and experienced.

Both the function of the Museum and the actual building will thus represent the company's guiding principles and its heritage. It is to be more than just an encounter with interesting exhibits that attempt to reproduce the era from which they come, though as many of these as possible will of course be on display. On the contrary, this is to be a museum in the classic sense of the word: a place where values are conserved and an educative mission is fulfilled. It will collect knowledge on important chapters in Germany's commercial and industrial history, interpret them and communicate them to its visitors.

Driving the Porsche 804 Formula One racing car, Dan Gurney won the 1962 French Grand Prix in Rouen.

Spectators gather round to admire a 356 Coupe competing in the celebrated Mille Miglia road race, now an event for historic cars.

The Porsche 718 RS 60 is one of the many significant classic automobiles in Porsche's history.

Porsche's historical foundation is built on the work of Professor Ferdinand Porsche and its continuation by his son Ferry. To reflect this, the museum display will focus on the complex history that began with Ferdinand Porsche's early designs and continues in today's development work. With the social scene in the past hundred years as a setting, technical and entrepreneurial initiatives of the past and those that have made Porsche what it is today, an independent automobile manufacturer that is now the most profitable anywhere in the world, will be presented and explained.

Visitors will learn how Porsche's conception of itself influences its products and the company's activities. Close proximity to Zuffenhausen and the production plant there, and in particular the charm of a museum that invites its guests to be 'among friends' will communicate a sense of having reached the home of Porsche and of sensing the unique tradition of this manufacturer at close quarters.

Together with the main Porsche AG production plant and the sales subsidiary in the immediate vicinity, the Museum will in future acts as the company's calling card. At this traditional Porsche production location, it will demonstrate Porsche's presence to visitors and employees alike, and contribute a new accent to what is largely an industrial and trade area. The new building, by upgrading the site surrounding Porscheplatz, will also make a worthwhile contribution to the urban development of the Zuffenhausen suburb of Stuttgart.

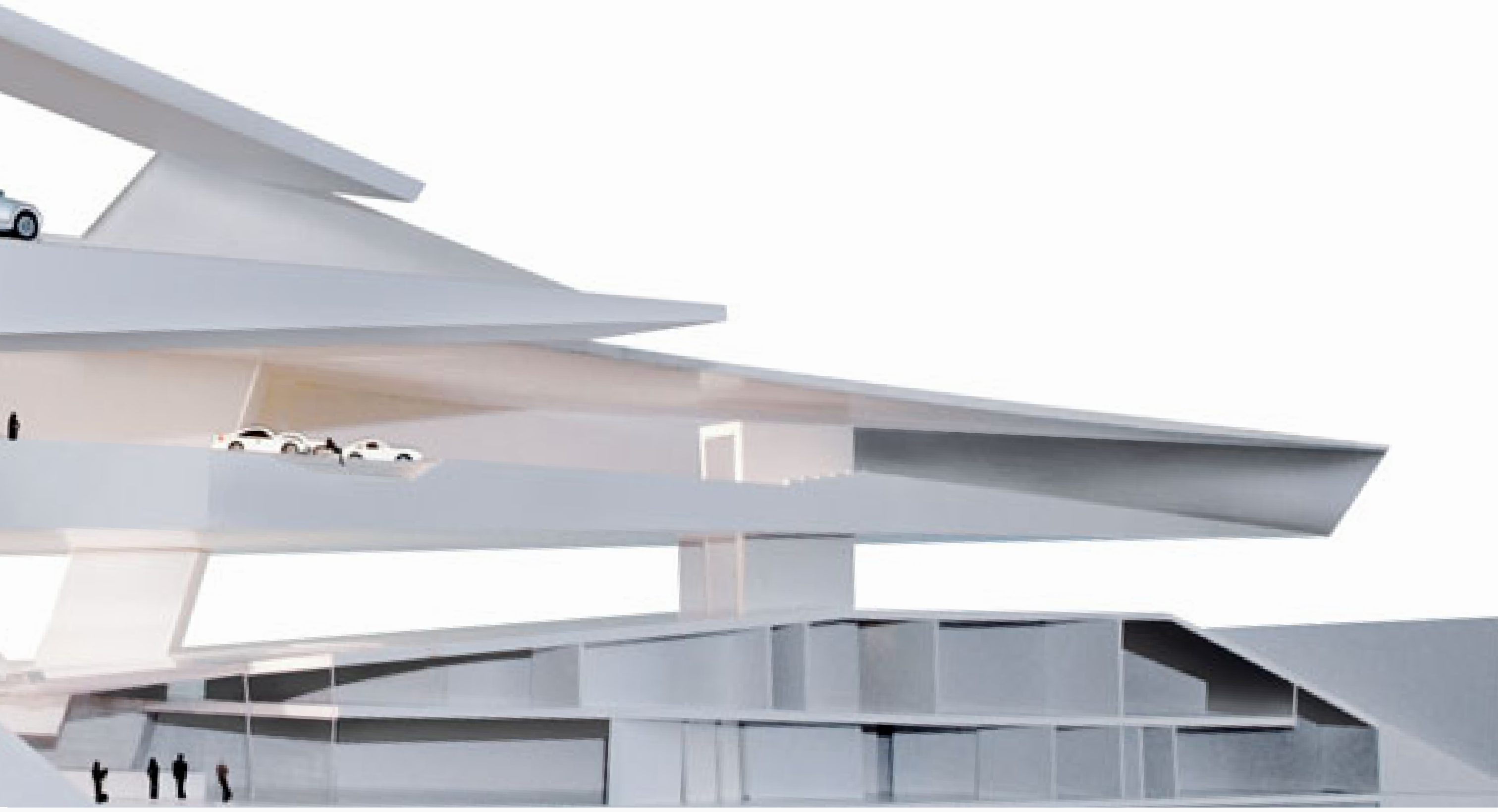
The 'Rolling Museum' Concept is to Continue

The historical public relations work undertaken by Porsche also maintains its corporate tradition outside the Zuffenhausen museum. Selected historic vehicles are frequently dispatched on tour as a 'rolling museum', and can be seen year after year at more than 20 oldtimer meetings.

The 'rolling museum' policy is to be continued when the new museum is open. Visitors may well see historic Porsches leaving the premises to take part in major events elsewhere, for example the Goodwood Festival of Speed in England, the Targa Tasmania in Tasmania or the Mille Miglia in Italy. They or other museum guests may equally have a close-up view of these vehicles returning home after having taken part in historic race events.

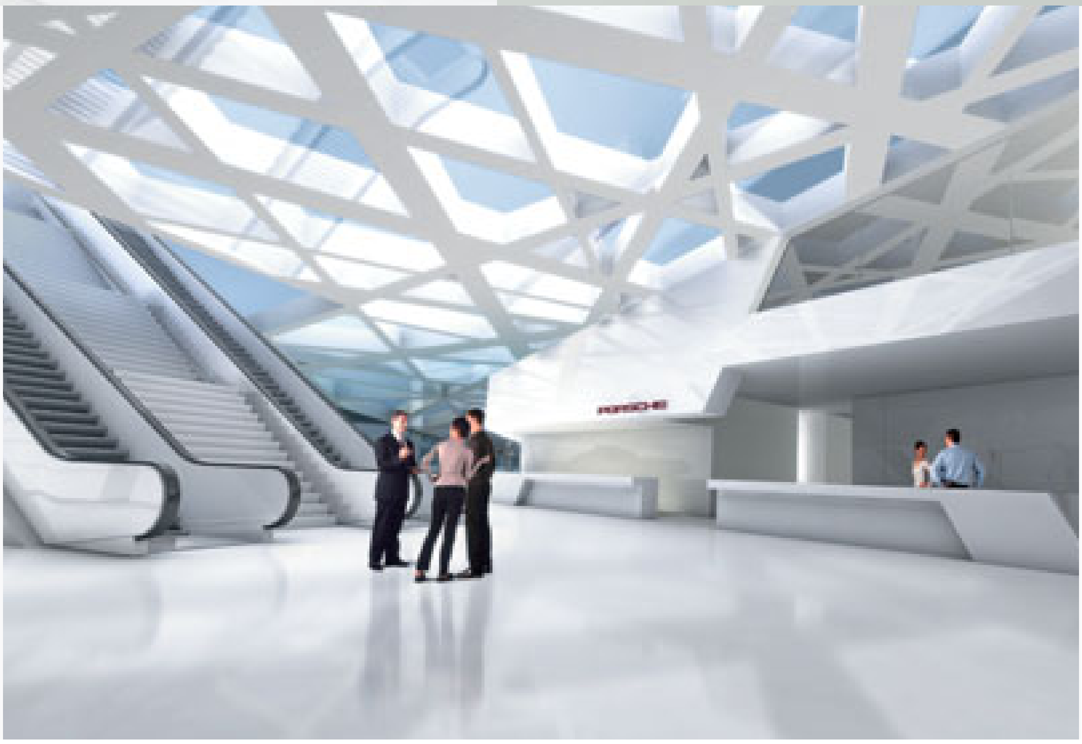
These opportunities will be open to museum guests by virtue of a 'showroom workshop', in which the company's own exhibits and historic vehicles owned by customers are serviced or restored. Customers who entrust their valuable historic vehicles to the workshop will be able to see its qualified staff working on their cars. They will be witnesses to the way that one of the Museum's most important tasks is carried out: active conservation of our automobile heritage.

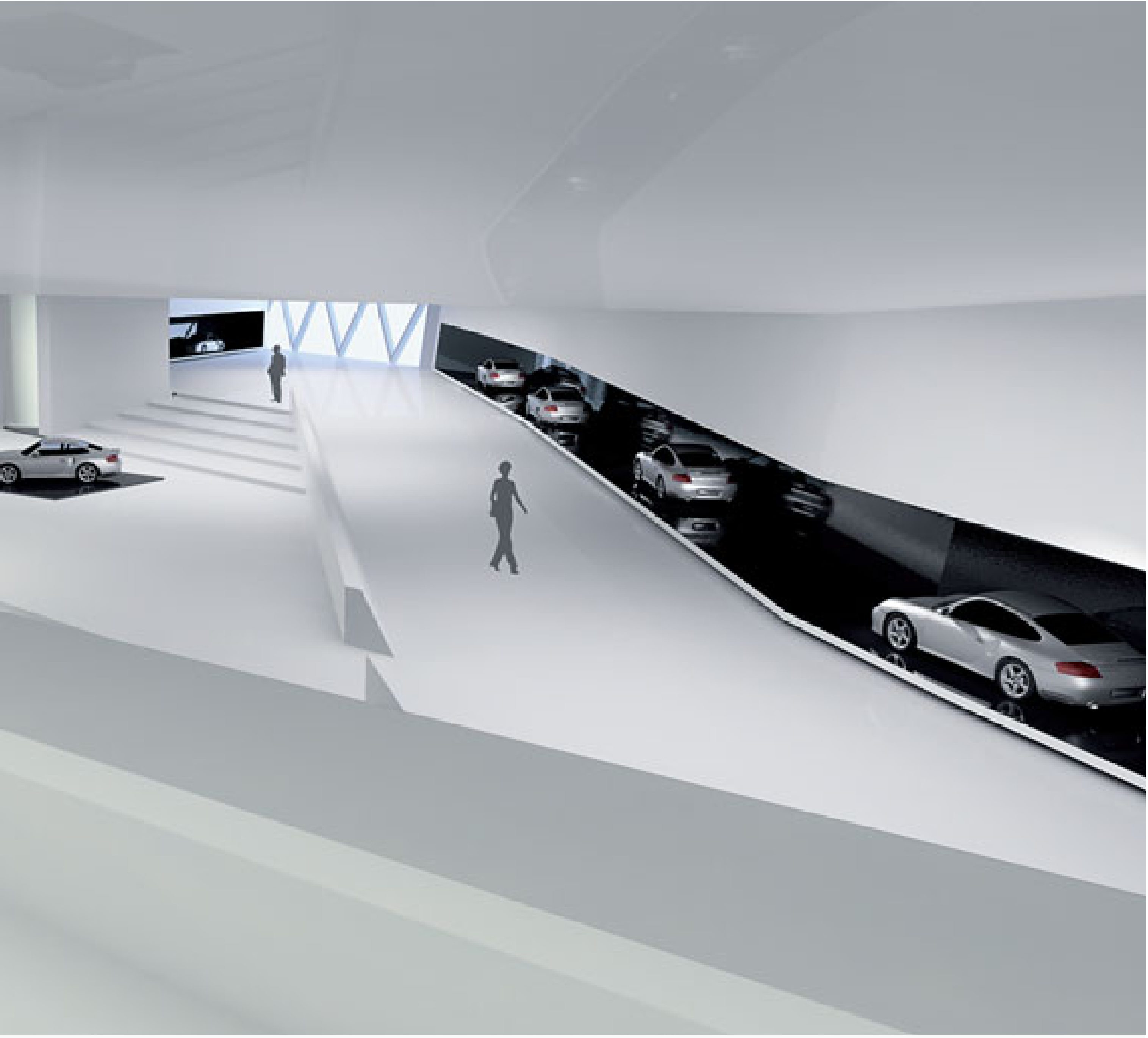

PORSCHE



The Museum is to be a restrained but confident design that communicates the company's self-awareness in visual terms. Visitors or those who walk or drive past every day will identify it as evidence of corporate culture in architecture.

The Museum suggests a sincere desire to establish a dialog with the public. Its design and function embody the company's guiding principles and strengths and those of the Porsche brand. In conjunction with the main plant and the Porsche Center, it will act as the company's architectural calling card.





As visitors enter the foyer they will gain a first impression of the Museum and of Porsche. The foyer will be generous in size, with great clarity, as a means of conveying to visitors a sense of having entered the nucleus of the Porsche corporate structure, from which they can orient themselves rapidly.

The Museum's central point is a spacious exhibition surface on which fascinating vehicle models can be presented. Product history is narrated with the aid of production cars, intermingled with icons from Porsche's motor sport heritage. In this way, technical and design progress over a period of almost 60 years can be followed.

A prominently situated information counter in the arrival zone will not only answer visitors' questions but also give access to the classic vehicle workshop. As the place where both the company's own exhibits and customers' historic cars are maintained and restored, this is a fundamental element in the Museum's policy.

Purchasing 2004/05

Materials for the production of Porsche vehicles are mainly obtained from sources inside Germany. The “Made in Germany” mark of quality is regarded as having an important role to play.

Cooperation with Suppliers Strengthened
Porsche operates at a relatively low production depth, which means that there is high external added value. In view of this it is essential for suppliers to be closely involved in vehicle development and production work, and for existing partnerships with them to be systematically maintained and extended. During the review year, special attention was devoted to optimal support of sub-contractors as well, since it is important for all the participants in the added-value chain to be taken equally into consideration.

Porsche strives in all cases for loyal, fair long-term cooperation with its suppliers; this proved successful once again with regard to the supply of parts for the start of the new generation of sports cars and in other areas too, and is to be further extended in the current fiscal year.

High Proportion of German Suppliers
Porsche’s Purchasing division attaches very great importance to careful selection of its suppliers, who are expected to satisfy all the relevant standards of quality, technology, logistics and cost management. In the review year as before, Porsche therefore defined clear criteria within this selection process for cooperation with future partner-suppliers.

The quality mark “Made in Germany” has an important part to play when choosing suppliers. Although the manufacture of industrial goods is being transferred increasingly to other countries, Porsche vehicles were once again developed and produced to a very large extent in Germany, and the necessary materials and services too were also largely purchased on the domestic market. More than two-thirds of the production materials were purchased from German suppliers, and domestic sources also supplied the same proportion of materials not intended for production purposes – clear evidence that Porsche supports the domestic economy in this respect.

High World-market Prices for Steel and Petroleum
Like other motor-vehicle manufacturers, Porsche had to face higher prices for raw materials in the past fiscal year. A particularly tense situation arose on the market for steel, with a steep rise in international demand from industry leading to rapidly increasing prices. This in turn forced up purchase prices for the steel products needed in automobile production, and also led to market supply bottlenecks. None the less, Porsche was able to guarantee the supply of steel products for the production of its vehicles at all times.

During the review year a situation similar to that prevailing on the steel market also arose for petroleum and the products for which it is needed. However, on the basis of long-term contracts with suppliers, Porsche was able to keep purchasing costs for plastics and products made from them at a stable level. By intensifying its cooperation with suppliers still further, Porsche was able to reduce the cost of materials for its vehicles once again in the review year.

Supplies of Semiconductor Elements Guaranteed
Short innovation cycles in the semiconductor industry represent a special challenge to automobile manufacturers in terms of stable supplies and product quality, since in this business sector the innovation cycles are not geared primarily to the automobile market but to markets such as entertainment electronics, which have an even higher proportion of end-users. This can have the effect of causing supply bottlenecks in vehicle production and higher development and validation costs.

In view of this situation, Porsche established what is known as Critical Part Management in the electrical/electronic area during the review year. The task of this special team is to ensure, in accordance with the vehicles’ life-cycles, supplies of the electronic components that are rated as critical in terms of their availability.

Optimization of All Purchasing Processes
Within the framework of “Porsche Process Optimization” (PPO), which was begun in 2004, the main acquisition procedures in Purchasing were subjected to thorough scrutiny and the weak points analyzed and eliminated. One of the project’s priorities was to optimize cooperation with other divisions of the company.

Purchasing also made considerable progress in the grouping of purchase orders for indirect materials, process media and services. By applying unified procedures and structures, purchasing work was rendered distinctly more efficient and costs reduced accordingly. The introduction of e-business methods in Purchasing also played a major part in this.

Supplier management, which also commenced in the previous fiscal year within the framework of the “Connecting Excellence” project, was extended and integrated more intensively into corporate processes. The aim was to assess partner-companies in every phase of the cooperation, so that the results could be discussed with them and changes introduced.

All the company's divisions are dedicated to environmental protection. Careful use of available resources begins in the vehicle development phase.

Great Importance Attached to Environmental Protection

Protection of the environment is one of Porsche's declared corporate objectives. The environmental guidelines issued by the Executive Board are obligatory for all the company's divisions, and compliance with them makes a significant contribution to its success, since they form a basis for the worldwide acceptance of Porsche products in terms of minimizing the burden on the environment.

Basically speaking, both the production and use of its vehicles confronts Porsche with questions relevant to the environment. Porsche naturally complies with all the legal requirements that apply in the countries to which its vehicles are exported. In addition to observing the European and national regulations for companies engaged in industrial production, Porsche has voluntarily begun a series of activities that help to make economical use of resources, save energy and minimize environmental burden. All employees, for example, are made aware of the importance of protecting the environment, and their willingness to do this strengthened by means of regular training sessions and the distribution of information material. Employees can also put forward ideas of their own by means of an environmental protection suggestion scheme.

Porsche Unaffected by the Fine Particulate Emissions Discussion

Porsche's vehicles undergo continuous development, with particular attention being paid to environmental aspects. In the review year the aerodynamics weight and fuel consumption of all new models were optimized. It proved possible to lower the overall fleet consumption of Porsche's models still further, despite the fact that their performance, equipment and safety have all been improved.

The discussion concerning the environmental aspects of fine particulate emissions, which have been limited by a European directive since January 1, 2005, does not affect Porsche, since its vehicles are in all cases powered by gasoline (petrol) engines that emit effectively no soot particles. The oxides of nitrogen (NOx) also limited in the European clean air directive are present in a much lower concentration in the exhaust from four-cycle spark-ignition engines than in diesel engine exhaust gases. As is already the case, a current environmental-policy proposal for a further reduction in the passenger-car exhaust emission limits (EURO 5) that are scheduled to enter into force before 2010, envisages considerably more stringent limits for gasoline engines than for diesel engines. All in all, it is to be expected that the environmental-policy discussion of fine particulates will be joined by a discussion of NOx emission limits, at least by 2010, when the relevant EU directive will have entered into force.

The generally accepted view is that road traffic only accounts for about 20 percent of the total fine particulate burden in the atmosphere, and that even then a relatively high proportion is due to the operation of diesel-engined vehicles without a particle filter. The planned European exhaust emission laws envisage a maximum of 5 mg/km as the limit for all powertrain concepts, in other words for gasoline engines as well, which already comply easily with this figure, whereas diesel engines must be equipped with the soot filter that will be obligatory in the future and with other fairly complex technical modifications before being able to do so.

Porsche sees this overall situation as clear confirmation of its policy of producing only vehicles powered by gasoline engines. Two other fundamental reasons also speak in favor of these engines: the sporty, emotive style of driving which Porsche owners prefer cannot be achieved with diesels, since they produce their nominal power output at a maximum engine speed of 4500 /min, in other words well below the speeds of up to 8000/min achieved by Porsche engines. Furthermore, diesel engines are significantly heavier than gasoline engines developing the same power. This additional weight would worsen the cars' fuel consumption and make them distinctly less dynamic. This situation applies not only to the company's sports cars but also to the Cayenne. Diesel engines are also more expensive to manufacture than gasoline engines, which would increase the car's selling prices and therefore dissuade customers from busying and operating them.

Optimizing the Gasoline Engine's Fuel Consumption

A superficial assessment of the diesel engine suggests that the car owner benefits considerably in terms of lower fuel consumption. This view has to be revised, however, if the topic is examined more intensively and the two types of fuel are evaluated according to their CO_2 emissions situation. Gasoline (petrol) is a relatively light, volatile fuel, By the end of the decade, Porsche will introduce a fourth version of its Cayenne sport utility vehicle, with a hybrid driveline.

diesel oil on the other hand a much heavier liquid. More energy per liter is available from diesel oil than from gasoline, but the CO_2 emissions resulting from its combustion are also greater. Altogether, a liter of diesel oil can be expected to produce between twelve and 14 percent more CO_2 emissions than the same amount of gasoline; this casts a different light on any interpretation of the diesel engine's lower fuel consumption as representing a benefit to the environment.

This indicates that the diesel engine's lower consumption goes hand in hand with emissions (particulates and oxides of nitrogen), and in any case has to be purchased at a higher price. The aim of those developing spark-ignition engines must therefore be to eliminate any remaining fuel consumption advantage that the diesel may possess. Future gasoline-fueled engines, it is hoped, will use less fuel without sacrificing the cost and weight advantages or the power density of this form of power unit. Development activities with this aim in mind are in full swing at other automobile manufacturers as well as at Porsche.

Porsche plans Cayenne with Hybrid Driveline

More generous emission limits for diesel engines and tax advantages for diesel fuel only apply in Europe. In other important automobile markets such as the USA, both driveline concepts have to comply with identical limits and rates of tax. As a result, the proportions of diesel-engined cars in use in these markets are correspondingly low. This makes it all the more important to take the needs of these markets into consideration by offering hybrid vehicles with a gasoline engine as their main source of power and in this way also to satisfy the demands of customers who attach priority to low fuel consumption.

By the end of this decade, Porsche plans to launch a fourth version of its Cayenne sports off-road model with a hybrid driveline; this will be developed in cooperation with the Volkswagen Group. This environmentally friendly concept will be of the full-hybrid type.

The vehicle will be powered by a gasoline engine and an electric motor; these are capable of propelling it either alone or together. A second clutch between the two power units allows the electric motor to operate separately. Power electronic circuits determine according to the gas pedal position the amount of energy that has to flow to the electric motor from the storage battery at the rear in order to achieve the required performance. If the second clutch is engaged, both the internal combustion engine and the electric motor deliver power to the transmission. If insufficient electrical energy is available, the electric motor is switched off automatically.

Since there are three possible driving modes, the electric motor can operate by itself not only if the vehicle is accelerated away from traffic signals at a moderate rate or when maneuvering on a parking lot, but also when it is driven in residential areas where, for instance, a speed limit of only 30 km/h may apply. The electric motor is also used to slow the vehicle down, the electrical energy generated in this mode being returned to the battery.

The production plants in Zuffenhausen and Leipzig are certified in accordance with international standards.

The hybrid concept favored by Porsche has significant fuel-consumption benefits in today's increasingly dense urban traffic in particular, where speeds are relatively low but constantly changing. Use of this promising technology with its electric motor lowers fuel consumption by approximately 15 percent.

Environmental Protection in Production
At Porsche, an Environmental Management System is used to monitor environmental protection in production areas. It is a tool that functions excellently and relies to a great extent on the cooperation of each individual employee. It systematically controls all responsibilities, procedures, work sequences and attitudes, with the emphasis on environmental considerations. In this way, environmental protection is integrated successfully into day-to-day industrial practice.

Every year a System and Process Audit is conducted to check in particular on compliance with environmental protection legislation and Porsche's own directives, together with the efficacy of the environmental management system and the results as indicated by key environmental data. Porsche imposes high standards that are scrutinized by an external consultant with the status of a qualified environmental expert. When assessing the plant, a four-stage quality scale is applied to aspects of water, electric power, heat, waste, effluent, noise, exhaust air and soil/ground water contamination. The total ranking allows the environmental burden originating from a plant to be quantified.

Ambitious Environmental Protection Objectives at the Zuffenhausen Plant
As long ago as 1996, the Porsche plant in Zuffenhausen undertook voluntarily to permit regular checks on its environmentally relevant activities in accordance with the European Eco-Management and Audit Scheme (EMAS); since 1999 these have been accompanied by ISO 14001 inspections. The second inspection according to this international standard took place in June 2005, as did the third EMAS audit. All the relevant conditions were found to have been complied with.

The "2005 Environmental Statement" confirms that the ambitious targets of 2002 have not only been reached but often surpassed. The new Environmental Program from 2005 to 2009, which defines future areas of action, is further evidence of Porsche's intensive commitment to environmental protection. Since this is also an integral element in the continuous improvement process that is applied to all Porsche's activities, there is every prospect of the latest environmental protection targets also being achieved.

Political developments constitute an increasingly severe challenge to the Porsche Environmental Management System. Emissions trading based on the Kyoto international climate protection agreement began in Europe on January 1, 2005. In the first trading period, which lasts until 2007, 1,849 energy supply and emission-intensive industrial plants in Germany are taking part.

Porsche's central heating plant in Zuffenhausen is also covered by emission rights trading law. To implement this law, the specific 'greenhouse gas emissions' were determined and a clear basic picture of the emissions situation obtained. These data were checked and verified by a specifically accredited expert. A monitoring system in accordance with EU requirements is currently being built up; it will be used for monitoring purposes and for the annual reports to be submitted to the authorities.

Environmental Protection at Other Locations

Since December 2004 an environmental management system in accordance with international standard ISO 14001 has been built up in Weissach. Initial certification took place successfully in June 2005. This confirms that at our Development Center the environmental aspects of vehicle development work, including operation of the workshops, test rigs and other plant, have been taken into consideration and that they comply with ISO 14001. It is worth noting that thanks to the exceptional commitment of the staff, the environmental management system was realized according to an ambitious time schedule.

Considerable investments in environmental protection were also made in Weissach in the past fiscal year, including the erection of a new store for special waste material, a store for hazardous materials and a new vehicle filling station.

In Ludwigsburg, Porsche's unified waste handling concept has proved successful. With the aid of the new "Active for the Environment" information panels, staff are able to allocate waste material quickly to the correct categories and thus render its disposal more efficient.

Porsche Leipzig GmbH was successfully certified according to ISO 14001 in June 2005. Considerable investments were devoted to improving environmental protection standards, for example the new washing and leak testing booth that is used to check the completed vehicles for leaks, and the new waste material facility in the Customer Center. One of the objectives of the company's environmental protection activities in Leipzig is to maintain the ecological value of the site, with its existing flora and fauna, on a long-term basis. Establishing herds of aurochs and wild horses was an important element in a comprehensive scheme to conserve the countryside. Considerable numbers of rabbits, foxes and deer are also to be seen, and bats benefit from the high density of insect life on this biotope.

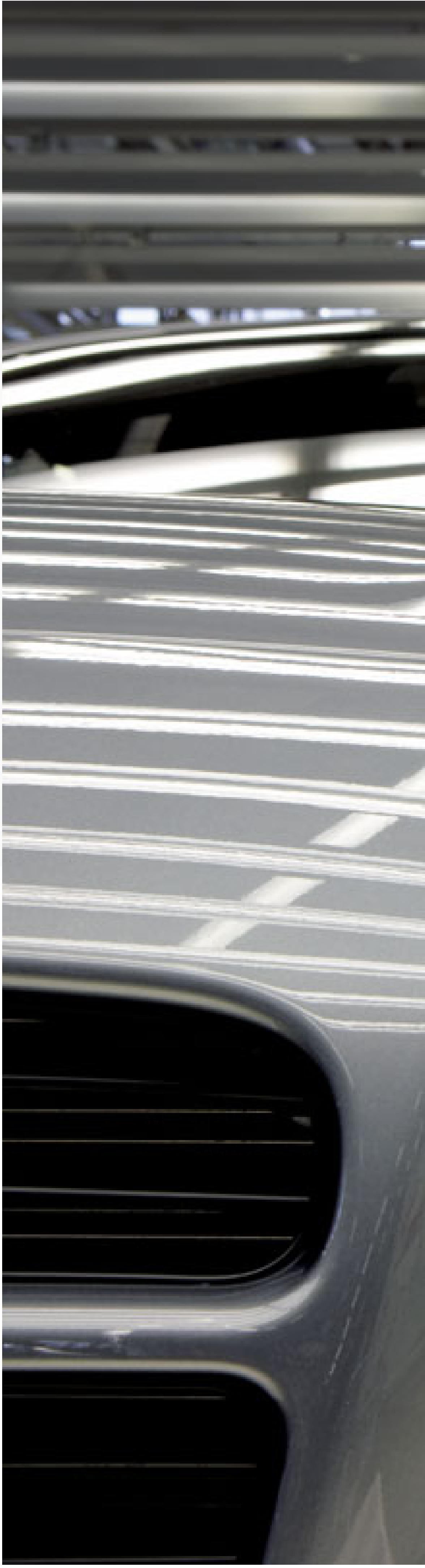
Environmental Protection Costs

Companies do not find it easy to determine the precise value of all their investments and expenditure on environmental protection, since these are normally closely linked with other activities. Nor are there any international standards covering the determination of environmental protection costs; the statistical offices in the Federal states of Germany call for the costs of certain environmental protection activities to be defined. Porsche none the less attempts to quantify these expenditures as accurately as possible. They include the cost of waste material handling, water protection, noise reduction, clean air precautions, nature conservation, care of the countryside and the avoidance of soil contamination. For these areas, which can normally be allocated to the vehicle production process, 22.5 million Euro were spent in the 2004/05 fiscal year, distinctly more than in the preceding year.

A much higher proportion of the costs incurred for environmental protection are incurred, however, in vehicle development. Increasingly stringent exhaust emission legislation, for example the introduction of the EURO 4 limits in January 2005, has necessitated considerable development expenditure. It is therefore hardly surprising to discover that of the 1.4 percent of Group turnover that was devoted to environmental protection, by far the largest proportion was spent on product-related environmental protection work in Development.

Employees 2004/05

The new location assurance agreement allows work to be organized more flexibly and productively within the framework of negotiated pay conditions.



Willingness to adopt flexible working procedures and exceptional dedication to the task are evidence of the employees' readiness to strengthen Porsche's competitiveness.

Porsche's success would be unthinkable without the dedication and high level of motivation of its workforce. Strong identification with the company and its products together with participation of the workforce in the company's success create the foundation for a corporate culture notable for an exceptional level of employee satisfaction.

Further evidence of the employees' degree of motivation can be seen in the fact that the higher volume of vehicle sales in the review year again increased the amount of work that had to be carried out, although the total workforce within the Group was only slightly higher than the previous year's figure. At the end of the fiscal year on July 31, 2005, the group employed 11,008 people (previous year: 10,729), excluding those working for the fully consolidated subsidiary CTS Fahrzeug-Dachsysteme GmbH. Including the CTS workforce, the total was 11,878 (previous year: 11,668), an increase of 1.4 percent. The Porsche AG workforce remained almost unchanged at 7,995 employees (previous year: 7,992).

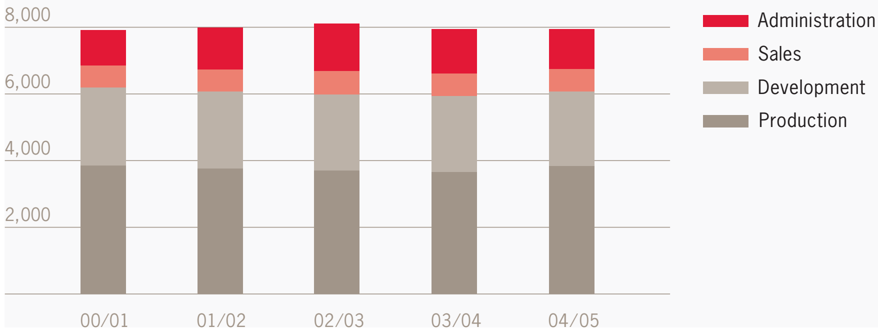
New Location Security Agreement Concluded

The company agreement concluded in July 2000 for the improvement of competitiveness and the assurance of location security contributed significantly toward Porsche's business success in the intervening fiscal years. The agreement contained rulings on working hours and increases in productivity that acted as a framework for the company to pursue its growth course. Since the agreement was scheduled to expire in July 2005, negotiations for a new agreement took place between the Executive Board and the General Works Council during the review year and were concluded before the year came to an end. The new agreement will remain in force until July 31, 2010 and, for the first time, not only applies to production employees in Zuffenhausen but also secures the jobs of all Porsche AG employees in Zuffenhausen, Ludwigsburg and Weissach. It does not apply in Leipzig, since this location is governed by a separate pay agreement. The general objective of the new agreement is to secure the company's commercial independence.

A major precondition for the new agreement to come about was the workforce's readiness within the framework of valid pay agreements, to work even more productively and flexibly than before. Work sequences in Production are being re-organized for greater efficiency, which means that the available working hours will be used even more intensively. In this way, Porsche will achieve a significant step forward in its productivity, with significantly more vehicles built in Zuffenhausen by the same workforce.

In order to secure jobs in the context of the agreed increase in productivity, Porsche will invest more that 600 million Euro at the company's three locations in the next five years. Examples include the lengthening of the assembly line in Zuffenhausen, so that more vehicles than before can be produced, and the construction of a new paint shop.

Workforce Porsche AG



The location assurance agreement has been concluded on the basis of the three current Porsche model lines – 911, Boxster and Cayenne – and is unconnected with the decision to build the "Panamera". None the less, the decision to introduce a fourth model line will have a positive effect on implementation of the agreement.

In the new agreement Porsche also undertakes to continue making trainee positions available at a high level in qualified vocations, and to offer all trainees a work contract with no time limit in the company. In this way the Executive Board and General Works Council acknowledge the importance of young, qualified employees for Porsche and also its societal and social responsibility.

Positive Experience with Part-time Working for Older Employees

The law on part-time working for older people created a means of reducing the burden on the labor market by offering people an opportunity to retire early from gainful employment. As long ago as April 1998 the Porsche Executive Board and General Works Council concluded an agreement for the implementation of part-time working for older employees within the company on the basis of the rulings arrived at for the metal and electrical industries. Positive results led to re-negotiation of this company agreement in March 2005 and its extension until December 31, 2009, to correspond with the period of validity of the part-time working agreement for older employees. In accordance with this, the last date for these employees to commence part-time working will be December 1, 2009.

This ruling on part-time working for older employees also allows Porsche to reduce the average age of its workforce and thus make the process of recruiting and training younger employees more reliable. Filling the positions being vacated by older part-time workers in good time also has the advantage of promoting the transfer of know-how between them and their younger colleagues. The Porsche part-time working scheme for older employees makes a significant contribution to the company's competitiveness and to a reduction of the burden on the labor market. 938 employees have signed an agreement since this became possible in August 1998. Of these, 163 had reached the zero-hours phase on July 31, 2005. In the current fiscal year, employees who have reached age 55 have the option of signing a part-time work agreement.

Career Promotion for Junior Employees Keeps the Company Competitive

Vocational training for young people has a long tradition at Porsche. Since capable, willing employees are the most important precondition for ensuring the company's ability to compete, all those who completed their vocational training successfully were offered a work contract.

On July 31, 2005, Porsche had 198 technical and trade trainees and 16 commercial trainees at its Zuffenhausen location. In addition, 20 students with a vocational training contract with Porsche were studying electrical engineering, business computer sciences or a combined business management and engineering course at the Stuttgart Vocational Training Academy.

Porsche recruits a large proportion of its junior academic employees from former placement students and those writing their dissertations. In the review year, more than 80 percent of the positions open to academic students were filled from these groups. To be able to access staff in this way is evidence that training in recent years was successful, and is especially important in view of the drop in the number of engineering and natural science students.

In order to maintain optimal recruitment of junior staff in the future, a start was made in the review year on modifying the student programs in accordance with the realigned study courses and final degrees (Bachelor/Master). Cooperation with current faculties was extended. By way of the advanced students' career center "femtec GmbH", for example, which furthers the interests of young women who are studying natural and engineering sciences, contact has now been established with five of Germany's leading technical universities. In the review year as before, a number of "femtec" scholarship holders were given placements at Porsche.

Porsche has undertaken on the basis of its commercial and social responsibility to create and maintain safe, healthy working conditions for its employees.

Porsche is a sought-after employer among young scientific graduates. This is confirmed by the leading survey conducted among graduates working in Germany, held by the “Trendence” Institute for Human Resources Marketing. When engineers and business management graduates are asked to state their preferred employees, Porsche continues to score high rankings.

Follow-up Training for Managerial Staff

Continuously extended in recent years, the aim of the Strategic Management Process is to ensure that the high standards of competence exhibited by Porsche managers are upheld. The programs for the systematic advancement of young performers and potential talents therefore continued. They comprise the two-year “Porsche Junior Staff Advancement” (PNF) program for employees of Porsche AG and its German subsidiaries, and the group-wide “Globalution” program to prepare staff for international duties. During the review year, three groups completed their programs successfully, and as before, participants have now begun to perform numerous managerial functions.

For experienced managerial staff, “Porsche Management Training” (PMT) continued in cooperation with the European Business School in Oestrich-Winkel. As well as providing instruction in topical, practically oriented general management areas, the program promotes the formation of networks, the build-up of a common understanding of management principles and an overall strengthening of entrepreneurial and Group-related thought and action.

New Management Guidelines Introduced

In order to do justice to changed demands on the competitive scene, the Porsche management guidelines that were revised a year previously were introduced in three steps during the review year. After the guidelines have been presented at a number of information events, workshops are held to give managerial staff has an opportunity to tackle these topics more actively. In addition, a start has been made on integrating the new management guidelines into the target-group programs that are part of the strategic management process, for instance Porsche Junior Staff Advancement (PNF) or Porsche Management Development (PFE).

The main contents of the new management guidelines consist of a commitment to product and process quality, the ‘lean production’ and employee advancement. In addition, one aspect is given special emphasis: Porsche, although a relatively small manufacturer, is none the less independent and wishes to remain so in the future. This independent approach is firmly anchored in its corporate heritage.

Promoting Health and Industrial Safety

Employees’ health is of the greatest possible importance in terms of the performance of which they are capable and the company’s overall success. In this connection, great importance is attached to the prevention of illness. The eleventh Porsche Health Meeting, held in May 2005, dealt with the function of the immune system and vaccinations. Together with the Department of Rheumatology and Clinical Immunology at Freiburg University, an anonymous personal web-based questionnaire campaign concerning the functional efficiency of the immune system was conducted for the first time throughout Germany. Some 400 Porsche employees had the strengths and weaknesses of their immune system checked. Voluntary advice on inoculations was also available during the event, the aim being to make employees aware of the status and validity of their own vaccinations.

The following central aspects of industrial safety were discussed: Drawing up plant concepts in accordance with safety requirements, including defect-free assembly, objective assessment of the risks inherent in work processes and active promotion of the employees’ awareness of safety. In additional to cross-department measures, programs aimed at satisfying the specific needs of the various company locations are regularly developed and implemented.

Awareness of Environmental Topics

In a manufacturing company such as Porsche, environmental protection is a joint task shared between the permanent environmental management system and every individual employee. For this reason the workforce is kept regularly informed about environmental protection topics. During the review year the leaflet “Active for the Environment” was updated and distributed to all employees. Among the topics that it discusses are the company’s environmental guidelines and the build-up of Porsche’s environmental management system.

Ideas Management Remains Successful

The number of improvement suggestions received in the review year rose by about 50 percent. This is evidence of the support Porsche receives from its workforce on the continuous improvement of all work procedures and the products themselves. Ideas management is an indispensable tool for accessing innovative potential.

A high degree of willingness to work flexibly and with above-average dedication to the task in hand is evidence of the workforce’s determination to make Porsche even more competitive. Expertise and personal initiative at a high level were also decisive factors in the review year that enabled the extremely ambitious business targets to be reached and even outperformed. The Executive Board wishes to express its sincerest thanks to all employees.

Thanks are also due in particular to the employees’ elected representatives, who strove for their colleagues best interests while being prepared to accept essential business decisions and thus play an active part in rendering the company fit for the future. Clearly oriented cooperation between company management and the Works Council is the key element in the very special corporate culture for which Porsche is noted, and without which its continued success could never be achieved.

Porsche AG´s Personnel Expenses (according to IAS)

	2004/05 Mio €	2004/05 %	2003/04 Mio €	2003/04 %
Wages and salaries (basic)	**337.0**	**100.0**	**332.9**	**100.0**
Paid leave	**79.0**	**23.4**	**80.5**	**24.2**
Paid vacation	48.4		47.4	
Paid public holidays	9.8		13.5	
Sick pay	12.4		11.9	
Other periods of absence and recuperation	8.4		7.7	
Social contributions	**82.2**	**24.4**	**84.9**	**25.5**
Social security contributions	79.1		80.4	
Workers' compensation contribution	3.1		4.5	
Fringe benefits	**146.3**	**43.4**	**141.5**	**42.5**
Christmas and special bonuses	121.2		116.4	
Employee capital-forming savings plan	2.3		2.3	
Vacation bonus	21.3		20.9	
Other expenditures	1.5		1.9	
Pensions and other retirement benefits	**19.0**	**5.6**	**16.2**	**4.9**
Partial retirements until 2005	**6.8**	**2.0**	**3.5**	**1.1**
Partial retirements from 2006 to 2009	**12.7**	**3.8**	**23.7**	**7.1**
Training expenses*	**13.4**	**4.0**	**13.2**	**4.0**
Social services*	**12.5**	**3.7**	**13.5**	**4.1**
Amounts counted twice	**– 7.5**	**– 2.2**	**– 7.6**	**– 2.3**
Total benefits expense	**364.4**	**108.1**	**369.4**	**111.1**
Personnel expenses (basic and benefits)	**701.4**	**208.1**	**702.3**	**211.1**
thereof for other expenses	– 5.5	– 1.6	– 4.9	– 1.5
Personnel expenses according to the income statement	**695.9**	**206.5**	**697.4**	**209.6**

*excluding costs charged to others


Carrera GT

Production 2004/05

The challenge to Production departments represented by the change-over to the new generation of sports cars was mastered without problems, and vehicle quality increased still further.

Successful Production Start-ups
The production division had a number of challenges to face in the 2004/05 fiscal year, including in particular the need to build vehicles from different generations and model lines in parallel. At the same time as the Zuffenhausen plant started production of the new Boxster, output of additional versions of the new 911 – known internally as the 997 – also began, among them the 911 Carrera Cabriolet. Assembly of various versions of the previous 911 generation, including for instance the Turbo models, none the less continued.

At certain times in the review year, 16 different models were being built on the same assembly line. This represented a serious challenge, in view of the large number of components needed and the many different suppliers involved, to say nothing of the need to provide employees with ongoing training so that they could perform such a variety of different tasks. In the current fiscal year too, the requirements remain severe, since further versions of the 911 model line such as those with all-wheel drive have to be assembled on the same production line.

The challenging transition to the new-generation sports cars was carried out to a very large extent without problems, and the planned production start-up targets were achieved in every case. The high quality level was an outstanding feature: the new vehicles once again set new build quality standards. This renewed improvement in quality was achieved by a whole series of measures, in particular the Simultaneous Engineering process.

The intensive cooperation between Vehicle Production and Vehicle Development from the product creation stage on results in technical improvements, an example of this being the development of the 'Porsche Mounting Concept'. This enables the functional dimensions and visually relevant tolerances to be significantly reduced at the development stage on all kinds of components, from stampings through finished bodyshells.

Another measure that improved the vehicles' build quality was the increased adoption of teamwork. This is an important factor in rendering the work more flexible and at the same time complying with the highest quality standards. In this connection a comprehensive training program for plant employees was organized in the review year, to communicate the production processes for the new sports car models to them in detail. In addition, start-up management procedures extending from suppliers through the finished vehicle were introduced to ensure that production went ahead smoothly.

Last but not least, every possible step rendered practicable by Porsche's flexible working-hours model was taken at the Zuffenhausen plant to satisfy increasing demand for the new sports car models. This included working longer shifts in Production by using the credits built up on the employees' working-hours accounts in the previous year.

Increased Production Volume
In response to strong demand for the new sports car models and the continued high sales figures recorded by the Cayenne, Porsche produced a total of 90,954 vehicles in the 2004/05 fiscal year, an increase of 11.6 percent. 33,048 vehicles left the assembly lines at the main plant in Zuffenhausen and 42,014 in Leipzig. Our partner-company in Finland assembled 15,892 cars.

The production figures for the individual model lines were as follows: of the 911, 28,619 units were built, the bulk of them from the latest model generation (24,596 units). The second Boxster generation, like the previous one, is assembled jointly in Zuffenhausen and by Porsche's partner-company in Finland. Total production of this Roadster model in the review year was 20,321 units, of which 15,892 were assembled in Finland. The figure includes a few first-generation Boxster cars produced in October 2004, and also a small number of Cayman S cars built for testing purposes.

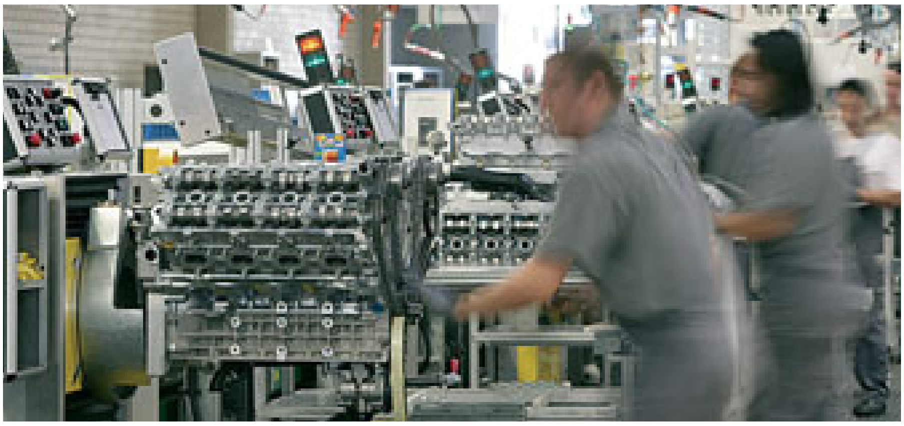
Leipzig not only built 41,299 units of the Cayenne but also 715 Carrera GT high-performance sports cars, of which 985 left the assembly lines in the past two fiscal years.

Optimized Manufacturing Processes
Process sequences in Production were further improved during the review year, in many cases by the integration of new technologies, including the processing of aluminum components in bodyshell construction, where greatly increased use was made of adhesive bonding techniques to give the vehicles very high structural rigidity.

In addition, when production of the previous 911 generation of models ceased toward the end of the review year, working areas in the Production buildings were redistributed and work sequences optimized with the aid of Porsche Improvement Process tools. The areas released in this way were re-integrated into the assembly lines after parallel manufacturing processes for various models were no longer needed.

Numerous projects and workshops were organized in the review year with a view to assuring consistently high quality in all manufacturing

The new engine production facility in Zuffenhausen began operation in the review year. It has enabled engine and automobile production to be entirely separated and working procedures to be made more efficient.



processes, including the introduction of electronic diagnostic methods on the assembly lines. These allow quality characteristics to be checked during production and not only when the vehicle has been completed, with the result that employees can locate and rectify any defects immediately.

The efficacy and efficiency of quality assurance procedures were further improved, in particular by reorganizing the responsible company division. The aim was to optimize fault prevention by making information available more rapidly and further reducing the number of interfaces between the analysis of defects and their elimination. With this in mind, all quality-relevant processes, methods and systems were examined and improved.

The company's current and future growth calls for ongoing optimization of logistics. Leipzig as an additional location and the increasing volume of different parts resulting from expansion of the model program have rendered the production alliance more complex. This was counteracted during the review year by setting up a central planning and coordinating function for the optimal design of logistic sequences. In Zuffenhausen, this has led to reorganization of central logistic areas such as incoming goods, warehousing, parts picking and in-plant parts transportation and delivery.

Responsibility for quality assurance in respect of incoming series-production parts was transferred to Logistics. This division now has to ensure that the correct parts of the required quality are available when and where they are needed. By combining operative control and active logistic functions throughout the process chain, the correct preconditions were achieved for a changeover from classic logistic methods to full-scale supply chain management.

Improved Production Sequences in Leipzig

Strong demand for the Cayenne in markets all around the world led to an increase in the Leipzig plant's production capacity in the review year. A 3,000-square meter extension to the production building has also enabled the production sequence to be optimized.

In this connection, the packaging of vehicles before delivery was also integrated into the production process, which had the effect of reducing the amount of plastic foil needed for this purpose. Further improvements in production flexibility and quality were achieved by adopting methods now practiced at the Zuffenhausen plant, an objective also served by systematic follow-up training of the employees.

Porsche's Leipzig plant celebrated two production records in 2005: the 100,000th Cayenne left the assembly line in June, and in August the 1,000th Carrera GT high-performance sports car was built.

The Carrera GT, incidentally, stimulates the emotions not only by virtue of the supreme driving experience it offers, but also among those who build it. Employees at the Leipzig plant are thoroughly aware of what it means to be building Porsche's top model. A team of no more than 70 highly qualified specialists assembles this car on an eight-station line; its powerful 612 hp ten-cylinder engine is supplied from Porsche's main plant in Zuffenhausen.

Engine Production Plant Completed

To strengthen the company's growth potential, a new engine production plant was built in Zuffenhausen. After a 14-month construction period, it began to build eight-cylinder engines for the Cayenne in January 2005. This new facility makes it possible to concentrate engine production in a single building. The new plant, which is notable for its open layout and transparency, matches the design standards already established in Leipzig.

The new plant's work sequences are highly efficient, starting with the optimized reception area for outsourced parts. Engines are moved by means of novel magnetically steered driverless transport systems. Materials are brought up on trolleys and by electric tugs; since no fork lift trucks are needed, parts supply procedures are speeded up. The availability of materials at the actual assembly lines has also been optimized. Facilities for the production of the prototype engines needed for new models are also provided at the new plant, and used for employee training.

Investment in Environmental Protection
During the review year considerable sums were invested on reducing the environmental burden caused by Porsche's plants and products. This topic area is discussed in the section of this report entitled "Porsche and the Environment".

The main focus of environmental protection investment in Zuffenhausen was the new engine plant. The most stringent technical requirements were complied with, so that approval in accordance with Federal German Anti-Immissions law presented no problems. Waste heat from the high-temperature test rigs, for example, is used to heat the factory buildings, and treatment of ethylene glycol in a closed circuit has reduced the amount needed by half.

Porsche has not only received certification according to ISO 14001 but also conforms with the European EMAS requirements successfully. An unusual feature of these is that ongoing environmental protection improvement targets have to be laid down and pursued subsequently.

Future Efficiency Increases Agreed
In addition to the measures already described, Porsche will be increasing its production efficiency still further in the future. The main steps are detailed in an agreement on the long-term retention of the locations in Zuffenhausen, Ludwigsburg and Weissach, signed by the Executive Board and the Works Council at the end of July 2005 (this agreement is discussed in more detail in the section headed "Employees").

The rest periods laid down in the wage agreement for piece workers can now be credited directly to interruptions in the production process. A more efficient logic for feeding the vehicles onto the assembly lines and an optimized method of measuring production times were also agreed. In addition, up to twelve additional special shifts per year can be worked.

The location guarantee, which is to remain valid until the end of July 2010, also contains an agreement to lengthen the assembly lines in Zuffenhausen, so that more vehicles can be produced than is currently possible. All Porsche engines for current and future models are to be built exclusively in Zuffenhausen, where the individual production areas are to remain intact, as is the parts depot in Ludwigsburg. There is also to be investment in a new paint shop at the Zuffenhausen plant.

All these measures are a clear indication that Porsche intends to remain loyal in the long term to Germany as a production location.

Research and Development 2004/05

Development of additional versions of the 911 played a major part in the work of the engineers in Weissach.

During the review year, the Research and Development Division concentrated its activities on further versions of the 911 model line, in particular the Cabriolet and all-wheel-drive versions of the latest model generation. In parallel with this, a new, individual model concept was developed: the Cayman S, which is clearly distinct from both the Boxster and the 911 in its design and power unit. In addition, the Cayenne's customer appeal was further enhanced by new equipment offers, for example a panoramic sunroof.

For its ongoing work on the Porsche model program, the Development division has also concentrated heavily on electrics and electronics, an area notable for rapid technical progress. This was taken into consideration by attaching greater emphasis to advance development work, since this in turn creates a basis for the successful development of future production vehicles. In addition, the engineering staff at the Weissach Development Center devoted themselves intensively to matters concerning emissions and safety, and drew up innovative concepts for future vehicle generations.

In order to maintain and enhance the leading technological and organizational position enjoyed by the Porsche Development Center, the processes and work sequences it employs must be continually improved. This also involves extending its experimental facilities and simulation programs, a task that was pursued with determination in the review year.

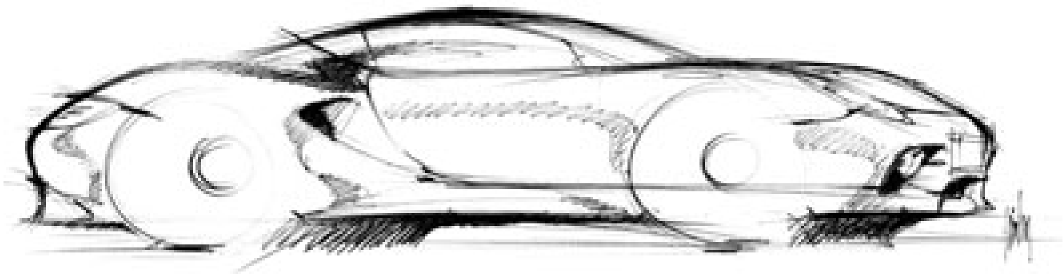
911 Carrera Cabriolet with Many New Technical Features

In accordance with regular Porsche model launch policy, the 911 Carrera Cabriolet was introduced in the review year, only a few months after the debut of the new 911 Carrera Coupe. For the first time, the Cabriolet version was available on the market launch date with two engine outputs. Its design is a progressive development of the classic 911 body style. Compared with the previous model, the track has been widened and the body is distinctly more strongly 'waisted' in plan view than before. Clear outlines and emphasis on the rear end of the body with its widened fenders have given this model an even more powerful silhouette. To display this in conjunction with the soft top, the designers devoted particularly careful attention to the transitions at the rear of the body.

In many cases, open-top driving involves sacrifices in the aerodynamic area. In this respect, however, Porsche's development team have accepted no compromises: with the soft top closed, the cabriolet's drag coefficient (cD) is 0.29 (previous model = 0.30) and thus precisely the same as the 911 Carrera S Coupe. Among the factors contributing to this excellent value compared with the car's competitors is effective integration of the soft top into the car's aerodynamics.

The soft top on this new open 911 retains the successful outline and technical features of the preceding model, with improvements to certain details. A scarcely noticeable rain channel above the doors prevents water from dripping onto those entering and leaving the car.

The Cayman S is immediately recognizable as a Porsche, though distinct from the Boxster and 911 in many ways. Its designers were inspired by earlier Porsche models such as the 904 competition car.



Including the hydraulic actuating mechanism at the rear, the soft top weighs only 42 kilograms, that is to say scarcely half of what a comparable folding metal roof would weigh. This has a positive effect on the car's handling characteristics.

The hardtop has also been improved. It is no longer secured at the rear by bayonet catches but by two screw fasteners; these have the effect of reducing the noise level inside the car. The hardtop is extremely easy to attach, not least because of its low weight. The electrical connection to the heated rear window is made automatically through the rear attachment points and therefore needs no additional wiring. As with the soft top, new seals are used on the hardtop to channel rainwater away more effectively.

One of the factors contributing to the outstandingly good road behavior of the new 911 models is their weight-saving design concept. In the case of the 911 Carrera Cabriolet this applies specifically to the choice of materials for the soft top and roll-over protection systems and for the bodyshell reinforcements. The 911 Carrera Cabriolet has an unloaded weight of only 1,480 kilograms, the S version of 1,505 kilograms – figures that are well below those achieved by their competitors.

When the 911 Carrera Cabriolet bodyshell was being developed, there were two prime objectives: body rigidity and passive safety. In order to minimize the extra weight of the open body, the Coupe's body was designed to permit an open derivate to be developed with only a few simple modifications. At an early stage, additional rigidity for the open version was incorporated and the rear end of the body was designed to permit easy integration of the soft top compartment. The development engineers resorted to new methods and materials in order to enhance the properties of the car's body still further. The front and rear side members now take the form of "tailored blanks", that is to say steel plates of different gages combined by laser welding. In the structural assembly that includes the front side members, a front firewall cross-member of ultra-high strength steel ensures the necessary high resistance to distortion in the event of a collision.

Thanks to these innovative features, the Cabriolet's body-in-white weighs only some seven kilograms more than the Coupe.

On account of a lower torsional rigidity, an open car tends to suffer from more severe body shake than a coupe. In order to reduce these to a practicable minimum, the bodyshell's torsional and flexural rigidity have both been increased and a new engine mounting concept developed. The complete engine and gearbox assembly now acts as a vibration damper to prevent body shake. This also allows more sensitive suspension settings to be adopted.

Special mention should be given to improved Cabriolet roll-over protection; by optimizing the body structure, the roll-over sensor and the design of the car's interior, a coordinated roll-over protection system has been created. Ultra-high strength steel tubes in the A-posts and U-shaped roll-over hoops increase the size of the occupant survival zone. The roll-over hoops located behind the rear seats move into position in a fraction of a second when needed. At the same time, the seat belt tensioners are activated to hold the occupants firmly in their seats. Energy-absorbing trim elements inside the car enhance occupant protection even further, as does the Porsche Side Impact Protection System (POSIP). Among the elements making up this system are a thorax airbag housed in the outer edge of the seat back and a new type of head airbag, new to the international automotive scene, in the door capping at the base of the side window. In the event of a side impact, this eight-liter airbag inflates upwards in the form of a flat cushion, and protects the seat occupant's head from contacting the side window as well as shielding it against glass splinters. This airbag has been especially developed for open cars; Porsche is the first manufacturer to install it as standard equipment.

Active as well as passive safety is becoming an increasingly important factor in occupant protection. Porsche Stability Management (PSM) is now standard on the 911 Carrera Cabriolet. It combines the ABS (anti-lock braking system), ASR (traction control), MSR (engine drag torque regulation) and ABD (automatic differential brake) functions into a system that offers a very high level of active safety in both the longitudinal and lateral handling limit zones.

The rapid pace of technical progress makes forward development work more important all the time. It provides a basis for successful testing and production-model development.

Since the Coupe and Cabriolet versions of the 911 Carrera were developed at the same time, both use the same running-gear concept. However, the spring and shock absorber rates for the Cabriolet are less firm. The open 911 Carrera S has active suspension with electronically controlled damping, the Porsche Active Suspension Management (PASM) system, which gives the Cabriolet safe, agile and impressively dynamic road behavior.

The car's exceptionally low fuel consumption, namely only 11.2 liters per 100 kilometers according to the standard EU test, is due to its efficient engine with the VarioCam Plus valve gear control system. This is capable of repositioning the inlet camshafts and adjusting inlet valve lift. In addition to more refined engine operation, and above all increased power output and torque, it minimizes fuel consumption and pollutant emissions. Both versions of the Cabriolet comply with the overall exhaust emission limits laid down in EU4 legislation EU4 and are classified in North America as Low Emission Vehicles (LEV II).

The new 911 Carrera Cabriolet has the Porsche Sound Package Plus as a standard feature. In addition, the BOSE Surround Sound System is available for the first time. This uses twelve loudspeakers for an impressive listening experience. A definite improvement in audio quality is obtained by means of the "sound adaptation to soft top position" function. During the journey this automatically varies the tone and volume settings in response to disturbance factors such as wind roar or tire noise.

Like the Coupe version, the Cabriolet's ownership costs are lower than those of the preceding model. Design changes and the systematic application of modern technologies have made it possible to reduce the servicing frequency and the volume of maintenance work needed, with the result that servicing costs are now 26 percent lower. New impact-absorbing elements in the bumper prevent significant damage to the body in the event of a minor accident or collision. This in turn has lowered the insurance category and reduced the premiums payable.

911 Carrera 4 has Outstanding Road Behavior

Porsche offers its customers fascinating, emotive vehicles with extremely harmonious overall concepts. This applies in particular to the new 911 all-wheel-drive models: their typical characteristics are optimal power transmission even in unpleasant driving conditions and on poor road surfaces and high levels of performance and driving safety – in other words, an ideal combination of sporting character and dynamic stability.

With certain modifications, the running gear of the rear-wheel-drive 911 Carrera forms the basis for the all-wheel-drive versions. The springs, shock absorbers and stabilizers are re-rated to suit the extra weight (+55 kg) and to match the driveline effectively. The variable-split all-wheel-drive system is controlled by a viscous coupling integrated into the front-axle final drive. Even in situations close to the handling limit, it gives the car great agility with no compromises in the safety area.

Unlike the previous models, both the 911 Carrera 4 and 911 Carrera 4 S now have a wider rear body. This is more than just an attractive styling feature: it accommodates the wider wheels and rear track that have been adopted in order to improve road dynamics. Weight distribution is also more uniformly distributed, with the effect of providing additional front wheel grip, and the Carrera models with all-wheel-drive are now equipped with PSM Plus and a new design of brake booster – both technical features aimed at ensuring maximum safety.

The PSM Plus system now used on the 911 Carrera 4 for the first time has two special functions that support the driver in critical situations: pre-charging of the brake system builds up pressure as a precaution if the gas pedal is released suddenly (a sign that an emergency brake application may be about to occur), and the brake pads are pressed lightly against the disks, so that the car is ready to brake immediately if the need arises. In addition, the Brake Assistant is activated if the brake pedal is pressed down violently as would be the case in a panic braking situation. This too ensures the availability of maximum braking force.


The Cayman S – A Porsche Sports Car with its own Character
Porsche has now developed a mid-engine sports car, the Cayman S, that is attractively designed and extremely suitable for day-to-day driving. Those responsible for its styling have succeeded in bridging the gap between a clear Porsche family resemblance and the need to distinguish this model externally from the Boxster and 911. The designers were clearly inspired by earlier Porsche models, especially the 904 competition car from the nineteen-sixties. The 904, in its day, formed a link between the 718 RSK Spyder and the 917, and is even now considered to be one of the most beautiful racing cars ever built.

The Cayman S has been given a front end with bold air inlets, integrated lights and a windshield with an upper edge 25 millimeters lower than on the 911. The side outline and downward sloping tail, the long wheelbase and the large wheel cutouts are styling features that define this new, individualistic coupe silhouette. The rear view is dominated by strongly curved rear fenders and the tailgate. An extending rear wing and the rear panel with its integral exhaust tailpipes recalls aircraft design and rounds off the dynamic, sporty impression.

Inside the car, the driver and passenger enjoy a sense of space that owes much to the domed roof. The décor recalls that of the new Boxster, but differs in a number of prominent details. The trunk space is divided into two sections: at the rear, there is a volume of 260 liters that is reached through a tailgate that opens to a wide angle. This trunk section is trimmed to the same high standard as the occupant area. The exposed suspension strut domes, a cross-member with stainless steel trim and a service flap trimmed to the same high quality standard are visual evidence of the car's exceptional technical standards.

The Cayman S is powered by a 3.4-liter, flat-six engine. The maximum output is 295 bhp, thus placing it midway between the 911 and the Boxster S. The suspension tuning combines top performance, road-holding and agility with a high level of ride comfort; its basic conception has been taken from the Boxster, but it is matched here to the exceptional torsional and flexural rigidity of the body to yield individual, sporty road behavior.

In the aerodynamics area the aim was to put the Cayman S ahead of its rivals. With this in mind the entire styling, cooling air flows and add-on components were aerodynamically optimized, and a rear spoiler with extending wing and a large-area undertray were developed. The Boxster's already good drag coefficient has been improved to cD = 0.29, and lift at the front and rear axles reduced by 20 percent. These changes have resulted in outstanding dynamic driving, performance and fuel consumption values.

Low cost of ownership was also an objective for the Cayman S development engineers. The servicing intervals are 30,000 kilometers; the alternator, power steering pump and air conditioning are all driven by a single self-adjusting belt. The ignition system, apart from the spark plugs, needs no routine maintenance, and neither the timing chains for the camshafts and intermediate shafts nor the coolant need to be changed during the car's entire operating life. Repairs to minor body damage have been made easier, so that the insurance classification is more favorable.

New Equipment Items add to Appeal of the Cayenne
In parallel with new sports car development, a number of new equipment items were produced for the Cayenne during the review year. The panoramic sunroof system, which became available in December 2004, extends over almost the entire roof area, but neither the Cayenne's excellent body rigidity nor its suitability for off-road use is affected.

The roof system has a wide range of electrical adjustments and consists of a fixed and three movable panels made from gray-tinted, laminated safety glass. The panoramic sunroof satisfies the wish expressed by many customers for a bright interior and a roof with a wide opening area.

Within the Exclusive and Tequipment program, the Cayenne Turbo has been available with increased power output since December 2004. With this 500-hp engine and a modified brake system and suspension settings, this model accelerates to 100 kilometers an hour from a standstill in 5.3 seconds and has a top speed of 270 km/h – outstand-

ingly high performance figures for a vehicle in the off-road segment. Voice control was developed for the navigation, telephone and audio systems. It contributes to active safety, since the driver can continue to watch the road while operating the PCM (Porsche Communication Management) controls. A further assistance function for the driver is the automatically extending rear-view camera, which emerges below the rear window when reverse is selected and shows the driver the area behind the vehicle as a color display on the PCM screen.

Ceramic Brake Efficiency Increased

The second-generation Porsche Ceramic Composite Brake (PCCB) was introduced during the review year. The shape of the internal cooling channels was modified to yield a stronger ventilating effect and also improve the rigidity of the disk. This in turn has made the brake more pleasant to operate. The composition of the carbon fiber reinforcement for the disk material was changed to improve resistance to abrasion.

The ceramic brake is also used on the Carrera GT high-performance sports car. Its developers received the "Engineering Excellence Award" from the Society of Plastic Engineers, one of the most prestigious materials technology associations, during the review year. This prize acknowledged the first use of carbon fiber reinforced plastic for the chassis and powertrain support and also the use of a ceramic-faced clutch to transmit power on a series-production motor vehicle.

Further Electronic Systems Development

Porsche has now adopted the first generation of complex networked electronic systems for its new sports car models. The second generation is already being developed with a view to satisfying increased quality and functional requirements. In addition to typical features such as navigation and luxury electronics, the emphasis is on support for Porsche's classic core competences in the powertrain, transmission and running gear areas. In this connection the "Architecture 2007+" project provides a starting point for an electronic platform suitable for several model lines and based to a large extent on industrial standards. It will permit the differentiation required by Porsche without undue effort, since hardware and software modules will be used for all model lines and individual models. This will enhance quality and keep costs low.

This project is being accompanied by further optimization of all processes associated with electrical and electronic development work. A drivable vehicle with "transparent" electronics enables development staff to access all electronic elements such as wiring, control units and electro-mechanical components. In this way, new functions can be installed rapidly on the complete vehicle and their correct function checked. The electronics can be depicted in a model-neutral way and, in contrast to the customary experimental rigs, can be tested in actual operating conditions, so that reliable knowledge is obtained at an early stage.

Leading the Way in Computer Simulation

As with the vehicles it produces, Porsche subjects all the processes, methods and equipment used to develop them to a permanent testing procedure. In the review year alone, 51 projects were successfully implemented, with the emphasis on cost saving, quality, increased flexibility and reduced development times. For example, mirror development was switched from tests on actual vehicles to computer simulation, an area in which Porsche has acquired a leading role and in which it develops new programs jointly with a software company. The virtual process has the advantages of saving a large amount of time and incurring only about ten percent of the cost of an actual test rig.

The virtual and real worlds come together on the engine test rigs. Simulation models for roads, tires, drivers and vehicles are used in conjunction with electric motors and complex control systems to develop power units, control units and engines. Road simulations are an opportunity to try out the driving characteristics of a vehicle before even a single prototype has been built. Thanks to fully automated operation around the clock, these test rigs are indispensable development tools.

Another example of Porsche's ultra-modern methods is the laser Doppler vibrometer, used for work on vehicle acoustics. Porsche vehicles are noted for their exceptionally dynamic sound patterns.

Development work for outside clients from all over the world is a traditional element in Porsche's business activities.

A particularly problematical aspect of "sound tuning" is analysis of the sources of noise generated by rapidly rotating belt pulleys, hot catalytic converters or glowing exhaust manifolds. Since contactless measuring methods are needed for these components, the laser vibrometer is used to measure the speed of movement of their surfaces, including those that are inaccessible. The laser beam can measure specific sections of the full human hearing range so that the vehicle components concerned can be acoustically optimized.

High Level of Patent and Similar Applications
Matters of importance for patent protection are dealt with by Porsche in early stages of vehicle development, in order to consolidate the company's position with regard to protection rights. In the review year, patent applications were concentrated on advance development work and the Cayman S. The total number of new applications was 259, almost equal to the previous year's high level (267).

Worldwide restraint in the issue of orders by industrial clients also had an adverse effect on Porsche's license earnings, which were slightly below the previous year's level. A major success for Porsche in this connection is the fact that 18 automobile manufacturers and suppliers have now acquired licenses for Porsche's Tiptronic® or parts thereof – clear confirmation of the merits of this type of transmission.

Development Work for Clients
Porsche has a long tradition of undertaking development projects for other motor vehicle manufacturers and companies in other fields of industry throughout the world. These projects again represented a significant proportion of the work carried out by Porsche's engineering staff in the review year. The general public learns very little about these activities, since confidentiality has been the basis for these client relationships, many of which are of long duration; in this way the strategies pursued by clients and their brand identity are safeguarded.

All these development projects are supervised by Porsche Engineering Group GmbH (PEG). PEG supports clients throughout the product creation process and in the development of components, systems, modules and complete vehicles. Thanks to the background of concentrated know-how provided by a manufacturer of series-production vehicles, Porsche Engineering always has a clear picture of the complete vehicle when working on even the smallest components. Its foremost objectives are optimal overall systems and satisfied clients.

The entire know-how possessed by PEG comes together in Weissach, from where the Group is managed. PEG can call upon the resources of the subsidiary companies Porsche Engineering Services GmbH in Bietigheim, Porsche Engineering Services Inc. in Troy, Michigan, and Porsche Engineering Services s.r.o. in Prague. More than 500 people currently work at the Porsche Engineering locations. In addition, resources can be made available if necessary for contract development work at the Research and Development Center in Weissach. If called upon to do so, PEG also works in-house for clients.

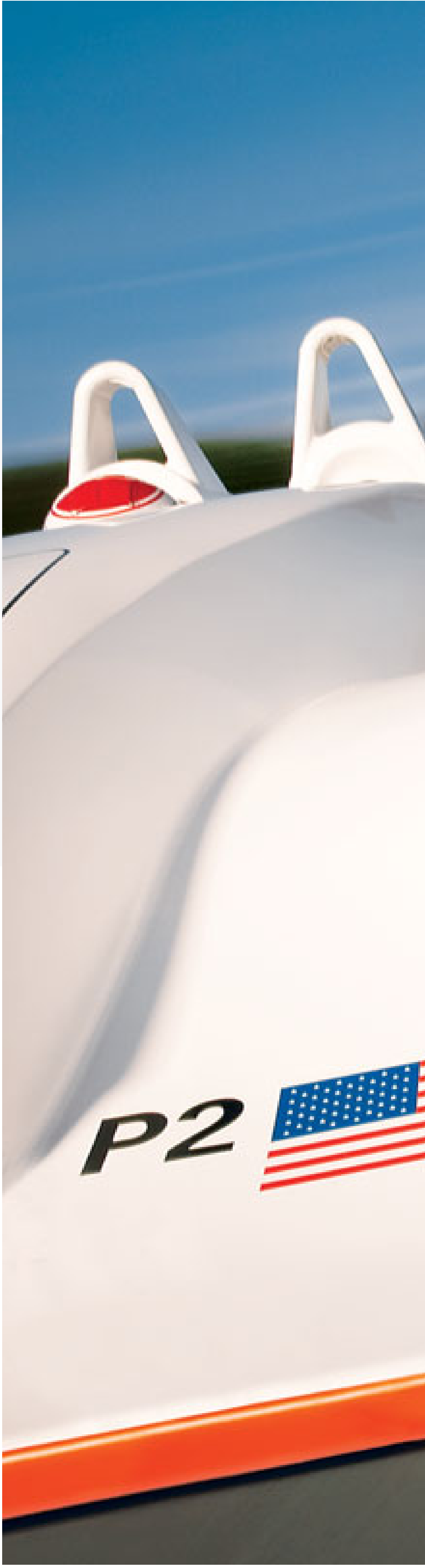
During the review year, styling services were re-aligned within the PEG. They had previously been rendered by the Development Center in Weissach and the Porsche Engineering Styling Studio in Huntington Beach, California. Following the integration in 2003 of the Porsche Design Studio in Zell am See, Austria, into the company group, the studio in California was closed. Styling projects are now processed in Weissach and in Zell am See; Weissach is responsible for the design of the complete Porsche product program under the overall designation "Style Porsche". The company's design activities are discussed in more detail in the "Services" section of this report.

High Level of Incoming Orders
The engineering services market remains hotly contended all over the world. Porsche Engineering is none the less making positive progress in profitable niche-market areas as a premium service provider with special competences. Close, long-term relationships with clients and professional market prospecting are success factors in the acquisition of new projects. In this connection, Asia remains an important market. By establishing an early presence in China, Porsche Engineering has already secured a position that holds out much promise for the future. In the review year a major project for a Chinese customer was concluded successfully.

All in all, despite more difficult market conditions, PEG was able to book the same high level of new orders as in the previous year. The same situation applies to its turnover and earnings. A decisive factor in this success was the successful conclusion of a large number of projects, both large and small, with development emphasis in the complete vehicle, running gear, transmission, power unit and electric/electronic work areas.

Motor Sport 2004/05

Porsche stepped up the pace on the world's racetracks during the review year. The new RS Spyder sport prototype was developed for racing in the USA.



The 911 scores regular victories in the GT category.
One name crops up over and over again in the history of the world's most famous long-distance motor races: Porsche. Among the brand's many successes are the Le Mans 24-hour races, the Monte Carlo Rally and the marathon Paris-Dakar event. Porsche also designed Formula One engines with which three drivers' and two constructors' world championships were won.

Since the late 1990s the company has re-aligned its motor sport commitment: instead of entering its own factory team it supports customers in motor sport events all over the world. The customers, whether team managers, drivers or sponsors, help to uphold a unique tradition. The basis for their success is the 911, the near-series competition version of which regular scores victories and captures championship titles in the Gran Turismo (GT) classes.

Highly popular among motor sport enthusiasts, both behind the wheel and lining the racetracks, are one-make trophies such as the Porsche Michelin Supercup and the seven Carrera Cups in 15 countries. These race series enable Porsche's customers to participate in motor sport at professional level.

Greater Involvement in US Car Racing
During the review year Porsche extended its previous motor sport activities by developing a sport prototype for the USA, the "RS Spyder". This return to prototype car racing in the USA was agreed at the request of Porsche's sales subsidiary there, PCNA, and its highly competition-oriented customers, who wished to become involved in motor racing to an even greater extent than has been possible with the near-series racing version of the 911, although this has been successful for a number of years.

The new competition car will be entered in the LMP2 (Le Mans Prototype 2) category of the American Le Mans Series (ALMS). This series of races for prototypes and GT sports cars, first run in 1999, is well established in the United States and Canada, with ten heats held each year. Highspots of the season are the 12-hour race in Sebring, the first event in the series, and the 1,000-mile marathon in Atlanta.

By choosing LMP2, the second-highest of the four car categories in which ALMS races are run, Porsche is joining its customers in confronting the competition at a high technical level. In this area of professional motor sport, the costs and effort for the customer remain reasonable. At the same time the ALMS, the most popular race series in the USA, acts as a highly effective public awareness platform for the participating teams and their sponsors in what is also Porsche's most important sales market.

The RS Spyder – Porsche's New Sport Prototype
By naming its new competition car "RS Spyder", Porsche continues a tradition that began in 1953 with the Spyder 550 RS 1500, continued in 1954 with an unexpected third place and the first significant class win for Porsche in the Carrera Panamericana, and reached its first climax in 1956 with Umberto Maglioli's overall Targa Florio victory in Sicily. This success heralded a whole series of triumphs for this open-topped Porsche, the most recent but possibly not the last of which was a victory for a customer-entered Spyder in the 1997 Le Mans 24-hour race.

The new RS Spyder developed by Porsche is entirely new from its carbon fiber and Kevlar outer skin through the engine, chassis, transmission and suspension. The heart of this new competition car is a 3.4-liter V8 engine designed for long-distance racing, with the impressive power output of 480 hp.

The carbon-fiber monocoque of the new sport prototype, as with Porsche's Carrera GT high-performance sports car, is a central element in the highly integrated weight-saving construction concept adopted for the entire car, which enables the minimum weight of 750 kilograms defined by the race-series rules to be achieved without extensive use of exotic and therefore extremely expensive materials, which would represent a problem for the customer teams that will race this car.

Starting in the summer of 2005, the RS Spyder underwent an extensive test program on various European race circuits. This testing work was intended to prepare it for its first competition entry in October, on the Laguna Seca racetrack, in an American Le Mans

Customer teams with factory support were victorious in major long-distance races and championships.

Series race. The RS Spyder was entered for this event by Penske Motorsports.

In 2006 the new Porsche prototype will be entered for all the ALMS events by Penske, the only team to run it in this, its first full racing season. Roger Penske, owner of one of the most professional and successful racing teams in the USA for several decades, captured two CanAm championships with the legendary Porsche 917 sports car in 1972 and 1973.

Renewed Success in Major GT Championships
During the review year, Porsche customers entered various competition versions of the 911 GT3 in ALMS events, for the FIA GT championship and for numerous national championships – with great success. In the near-series ALMS categories and the FIA GT championship a large number of races and all the available titles were won; Porsche cooperated with selected customer teams by allowing its factory drivers to take the wheel and by way of further development work on the cars.

In 2004, factory driver Timo Bernhard, at the wheel of a 911 GT3 RSR entered with Porsche support by the Alex Job Racing Team (USA), scored five victories in nine starts and took the GT2 drivers' championship title. After the final event, the team run by Alex Job was able to celebrate its third successive team championship win. The manufacturers' rankings in the ALMS series also reflect the dominance of the Porsche 911 GT3 in the GT2 class: the champion's trophy went to Porsche for the fifth time.

In August 2005 Timo Bernhard and his fellow works driver Romain Dumas took the GT2 drivers' title in the 2005 ALMS series without difficulty after six of the ten races, leading other Porsche drivers across the line. Porsche's domination of the team and brand championship rankings was also obvious.Porsche customers were not only successful in the ALMS but also in the FIA N-GT championship races held worldwide for Gran Turismo sports cars. Porsche works drivers Lucas Luhr and Sascha Maassen took the drivers' title in a 911 GT3 RSR entered by the private Freisinger Motorsport team, their third successive N-GT team championship triumph.

By August 2005, equal success was just around the corner in the FIA GT championship series: Porsche works drivers Marc Lieb and Mike Rockenfeller were leading the redefined GT2 category of the drivers' championship after seven out of the total of eleven races had been run. The British Group M Racing Team was already unbeatable in the team rankings, and Porsche too was in an unassailable position in the brand championship.

Class Wins in the World's Major Long-distance Races
During the review year the 911 GT3 again scored class wins in the five most important long-distance races around the world. At the Daytona 24-hour race in February 2005, drivers Dominik Farnbacher/Wolf

Porsche Michelin Supercup races held as part of Formula One Grand Prix events, Carrera Cup series and GT3 Challenges provide Porsche with a unique, round-the-world brand trophy concept.

Porsche competition cars on the circuits in Monaco (left) and Bahrain (right).

Henzler and Pierre Ehret/Shawn Price took a 911 GT3 Cup entered by the US Farnbacher team USA to victory in the GT class, with a six-lap lead over the nearest competitor; this was Porsche's 59th class win, and Porsche teams took all the first nine places in the GT class.

In Sebring, venue of the longest-established sports car race in the United States, Jörg Bergmeister and Porsche works drivers Patrick Long and Lucas Luhr drove a 911 GT3 RSR to victory for the White Lightning/Petersen Motorsport team in the GT2 class. At the end of the Sebring race in March 2005, only seven of the 17 cars that started in the GT2 category took the checkered flag after twelve hours of racing. The first six of these seven places were occupied by Porsche competition cars.

The 33rd 24-hour race held on the North Loop of Germany's Nürburg Ring racetrack in May proved to be one of the most arduous in the history of this marathon event on account of the cold, rainy weather. Seven privately entered Porsche 911s crossed the finishing line in the top ten of the overall rankings. The fastest of them was the 911 GT3 RS with Edgar Althoff, Stefan Beil, Norbert Fischer and Paul Hulverscheid sharing the wheel, which took fourth place. This result also brought them victory in Class A7, the top category for near-series sports racing cars.

American amateur Leo Hindery, together with Porsche works drivers Marc Lieb and Mike Rockenfeller, took a 911 GT3 RSR entered by the Alex Job Racing Team to victory in the GT2 class of the Le Mans 24-hour race. This success was the seventh successive class win by a 911 GT3 in this world-famous long-distance race. The runner-up, a 911 GT3 RSR entered by the White Lightning/Petersen Motorsport Team, was only two minutes behind. Third place went to Flying Lizard-Motorsports, which meant that US teams captured all three leading positions in this, the 73rd Le Mans race, an event that will go into motor sport history as the "heat race" on account of the excessively high prevailing temperatures.

At the end of July 2005 the field was flagged away in Spa-Francorchamps, Belgium, for the last of the season's five major long-distance races. After 24 hours the British Group M Racing Team with works drivers Marc Lieb, Lucas Luhr and Mike Rockenfeller in a 911 GT3 RSR was victorious in the GT2 class. In Spa, Porsche drivers also took second and third places in the near-series sports racing car category.

One-brand Trophies Tour the Globe

The number of one-brand race series increased again in the review year. For the first time in 2005 the Porsche Michelin Supercup, held since 1993 as part of the Formula One world championship event program, was held in the Arabian Kingdom of Bahrain, before continuing its tour to eleven European Grands Prix and the Formula One race in Indianapolis, USA. The new 911 GT3 Cup, based on the latest-generation 911 model line, had strong appeal for the visiting public. This 400-hp sports racing car has a number of special features, for example a sequential-shift six-speed gearbox, extensively revised aerodynamics and the Porsche PCCB ceramic brake system.

Whereas the Porsche Michelin Supercup races are always held at Formula One weekend events, the Carrera Cups are associated with various high-class Gran Turismo and touring car race series. The German Carrera Cup, for instance, accompanies the German Touring Car Masters races, and the corresponding British series is run alongside the British Touring Car Championship. Starting in 2006, the 911 GT3 Cup based on the latest 911 model generation, for which there is strong customer demand, will also be seen in these one-make trophy events.

In addition to the Porsche Michelin Supercup and the Porsche Carrera Cups, Porsche staged a further variation of brand trophy motor sport in 2005: the GT3 Cup Challenge, with races held in the USA, Brazil, the Netherlands, Italy, Australia and New Zealand. These race series use the same concept and rules as the Carrera Cups and give Porsche's customer sport activities an even broader international basis.


4
muermans
3
PVAXX

Consolidated Financial Statements 2004/05

Consolidated Income Statement of the Porsche Group for the Period from August 1, 2004 to July 31, 2005

	Note	2004/05 T€	2003/04 T€
Sales	(1)	**6,573,973**	**6,147,731**
Changes in inventories and own work capitalized	(2)	74,277	189,321
Total operating performance		**6,648,250**	**6,337,052**
Other operating income	(3)	206,888	211,078
Cost of materials	(4)	– 2,950,073	– 2,875,267
Personnel expenses	(5)	–964,821	– 949,700
Amortization and Depreciation		– 510,479	– 381,546
Other operating expenses	(6)	– 1,210,550	– 1,220,621
Earnings before financial income		**1,219,215**	**1,120,996**
Financial income	(7)	**18,785**	**16,004**
Profit from ordinary activities		**1,238,000**	**1,137,000**
Income taxes	(8)	– 459,000	– 447,000
Net profit		**779,000**	**690,000**
thereof minority interests	(9)	– 3,504	– 4,116
thereof profit allocable to shareholders of Porsche AG		782,504	694,116
Earnings per ordinary share	(10)	**44.68**	**39.63**
Earnings per preference share	(10)	**44.74**	**39.69**

Consolidated Statement of Cash Flows of the Porsche Group for the Period from August 1, 2004 to July 31, 2005

		Note	2004/05 T€	2003/04 T€
		(11)		
1. Operating activities	Net profit		779,000	690,000
	Amortization and Depreciation		510,479	381,546
	Change in pension provision		45,844	48,804
	Cash flow		**1,335,323**	**1,120,350**
	Changes in other provisions		– 3,230	391,384
	Extended cash flow		**1,332,093**	**1,511,734**
	Other non-cash expenses/income		61,657	49,911
	Gain/loss from disposal of non-current assets		– 62,207	– 43,194
	Change in inventories, trade receivables and other assets		– 216,168	–73,384
	Change in trade payables and other liabilities (without other provisions)		60,072	– 141,349
	Cash flow from operating activities		**1,175,447**	**1,303,718**
2. Investing activities	Cash received from the disposal of non-current assets		411,563	367,988
	Cash received from the disposal of equity investments		–	7,680
	Cash paid for investments in non-current assets		– 914,404	– 960,664
	Cash paid for the acquisition of consolidated entities [1)]		–	– 76,355
	Receivables from financial services		–185,686	– 380,434
	Cash flow from investing activities		**– 688,527**	**– 1,041,785**
	Change in investments in securities		– 242,799	– 826,554
	Cash flow from investing activities including investments in securities		**– 931,326**	**– 1,868,339**
3. Financing activities	Cash payments to shareholders		– 69,475	– 58,975
	Capital contributions		5,706	8,885
	Cash received from the issue of loans/ cash repayments of loans		55,332	– 27,959
	Cash received from the issue of bonds		–	632,309
	Cash received from other financial liabilities		92,063	321,811
	Cash flow from financing activities		**83,626**	**876,071**
4. Cash and cash equivalents	Changes in cash and cash equivalents (subtotal of 1 to 3)		327,747	311,450
	Exchange-rate related changes in cash and cash equivalents		– 31,607	7,058
	Cash and cash equivalents as of August 1, 2004 and August 1, 2003		**1,458,790**	**1,140,282**
	Cash and cash equivalents as of July 31, 2005 and July 31, 2004		**1,754,930**	**1,458,790**
Presentation of gross liquidity	Checks, cash on hand and bank balances		1,754,930	1,458,790
	Securities		1,871,096	1,610,597
	Gross liquidity		**3,626,026**	**3,069,387**

1) Less acquired cash and cash equivalents of EUR 7.7 million.

Consolidated Balance Sheet of the Porsche Group as of July 31, 2005

		Note	July 31, 2005 T€	July 31, 2004 T€
Assets	Non-current assets	(12)		
	Intangible assets		293,587	327,228
	Property, plant and equipment		1,141,082	1,108,477
	Financial assets		26,574	21,961
	Leased assets		967,107	922,433
			2,428,350	**2,380,099**
	Current assets			
	Inventories	(13)	571,772	625,542
	Trade receivables	(14)	307,666	310,735
	Receivables from financial services	(15)	1,567,302	1,402,742
	Other receivables and assets	(16)	1,005,400	1,152,526
	Securities	(17)	1,871,096	1,610,597
	Cash and cash equivalents	(18)	1,754,930	1,458,790
			7,078,166	**6,560,932**
	Deferred tax assets	(8)	**184,764**	**56,662**
	Prepaid expenses	(19)	**18,780**	**16,609**
			9,710,060	**9,014,302**
Equity and liabilities	Equity and minority interests	(20)		
	Subscribed Capital		45,500	45,500
	Capital reserve		121,969	121,969
	Revenue reserves		3,234,135	2,745,772
	Translation differences		10,532	1,098
	Capital allocable to shareholders		3,412,136	2,914,339
	Minority interests		8,057	6,457
			3,420,193	**2,920,796**
	Provisions			
	Pension provisions	(21)	596,264	550,817
	Tax provisions	(22)	163,713	364,125
	Other provisions	(22)	1,526,993	1,344,845
			2,286,970	**2,259,787**
	Deferred tax liabilities	(8)	**180,349**	**206,663**
	Liabilities			
	Financial liabilities	(23)	3,091,903	2,946,763
	Trade payables	(24)	442,994	377,165
	Other liabilities	(25)	235,337	255,719
			3,770,234	**3,579,647**
	Deferred income	(26)	**52,314**	**47,409**
			9,710,060	**9,014,302**

Statement of Changes in Equity of the Porsche Group as of July 31, 2005

	Subscribed Capital T €	Capital reserve T €	Revenue reserves T €	Translation differences T €	Other compre-hensive income T €	Capital allocable to share-holders T €	Minority interests T €	Group equity T €
As of July 31, 2003	**45,500**	**121,969**	**1,724,616**	**–**	**409,920**	**2,302,005**	**2,268**	**2,304,273**
Dividends paid			– 58,975			– 58,975	– 946	– 59,921
Currency change			3,023			3,023		3,023
Other transactions not affecting income			– 366			– 366	366	–
Changes to consolidated group			15,291			15,291	8,885	24,176
Translation differences				1,098		1,098		1,098
Financial instruments pursuant to IAS 39					– 41,853	– 41,853		– 41,853
Net profit			694,116			694,116	– 4,116	690,000
As of July 31, 2004	**45,500**	**121,969**	**2,377,705**	**1,098**	**368,067**	**2,914,339**	**6,457**	**2,920,796**
Dividends paid			– 69,475			– 69,475	– 630	– 70,105
Currency change			– 30,197			– 30,197	28	– 30,169
Other transactions not affecting income			– 5,706			– 5,706	5,706	–
Translation differences				9,434		9,434		9,434
Financial instruments pursuant to IAS 39					– 188,763	– 188,763		– 188,763
Net profit			782,504			782,504	–3,504	779,000
As of July 31, 2005	**45,500**	**121,969**	**3,054,831**	**10,532**	**179,304**	**3,412,136**	**8,057**	**3,420,193**

Basis of Presentation

Dr. Ing. h.c. F. Porsche Aktiengesellschaft ("Porsche AG") is headquartered at Porscheplatz 1 in 70435 Stuttgart, Germany. The business objective of Porsche AG and its subsidiaries ("Porsche Group") is the production and sale of vehicles and engines of all kinds as well as of parts and components for such and other technical products. The business objective also includes the performance of development and design work, in particular in the field of vehicle and engine construction, consulting in the field of development and production as well as all other activities that are technically or economically related, including the exploitation of intellectual property rights.

The consolidated financial statements of Porsche AG were prepared in accordance with International Financial Reporting Standards (IFRS) for the first time as of July 31, 2005. The standards published by the International Accounting Standards Board (IASB), London, that are applicable as of the balance sheet date as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that are valid for the fiscal year have been taken into account. In addition, the option to early adopt standards and interpretations that had been issued by July 31, 2005 was applied in some cases. The requirements of the standards applied were satisfied in full. The financial statements thus give a true and fair view of the net assets, financial position and results of operations of the Porsche Group.

In application of the § 292a German Commercial Code (HGB) the consolidated financial statements exempt the Company from the duty to prepare consolidated financial statements in accordance with German accounting regulations. The financial statements have been prepared on the basis of the interpretations of German Accounting Standard No 1 and are thus in compliance with the 7th EC Directive.

The financial statements of the subsidiaries are prepared as of the cut-off date of the consolidated financial statements, which is the balance sheet date of Porsche AG. Where the balance sheet date of a subsidiary deviates from the balance sheet date of the Group, interim financial statements are prepared and audited.

In the interest of clarity, individual items have been combined in the balance sheet and in the income statement and disclosed separately and explained in the notes. Porsche's fiscal year comprises the period from August 1 of a year until July 31 of the following year. The consolidated financial statements have been prepared in euro. Unless stated otherwise, all figures in the notes are presented in thousands of euro (T€). The income statement has been prepared using the total expenditure format.

The consolidated financial statements and group management report prepared as of July 31, 2005 have been filed with the commercial register of Stuttgart district court (HRB 5211).

With reference to § 264 (3) HGB and § 264b HGB, the financial statements of the following subsidiaries are not published: Porsche Deutschland GmbH, Porsche Niederlassung Stuttgart GmbH, Porsche Engineering Services GmbH, Porsche Financial Services GmbH, Porsche Financial Services GmbH & Co. KG, PIKS Porsche-Information-Kommunikation-Services GmbH, Porsche Consulting GmbH, Porsche Leipzig GmbH, Porsche Leipzig Service GmbH, Karosseriewerk Porsche GmbH & Co. KG, Porsche Zentrum Hoppegarten GmbH, Porsche Classic GmbH, Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG and Porsche Engineering Group GmbH.

The consolidated financial statements and group management report of Porsche AG were released to the Supervisory Board by the Executive Board by resolution dated October 27, 2005.

First-Time Adoption of IFRS

Effective August 1, 2003, Porsche adopted IFRS as its basis for group accounting for the first time. IFRS 1 was observed for the first-time adoption of the standards issued by the IASB. Accounting conveniences of IFRS 1 for retrospective application were used for the provisions concerning business combinations (IFRS 3), employee benefits (IAS 19) and effects of changes in foreign exchange rates (IAS 21).

The effects resulting from the transition to IFRS on the balance sheet, income statement and the cash flow statement are presented. The most recent consolidated financial statements prepared in accordance with HGB as of July 31, 2004 serve as a basis for the comparison with the consolidated financial statements in accordance with IFRS as of that date.

Reconciliation of the consolidated balance sheet pursuant to German commercial law to the consolidated balance sheet pursuant to IFRS as of July 31, 2004:

		July 31, 2004 HGB	Reclassification of HGB figures	July 31, 2004 Material adjustments pursuant to IFRS*	July 31, 2004 IFRS	
Assets	Non-current assets					
	Intangible assets	435,585		– 108,357	327,228	
	Property, plant and equipment	1,109,472		– 995	1,108,477	
	Financial assets	20,686		1,275	21,961	
	Leased assets	1,497,760		– 575,327	922,433	
		3,063,503		**– 683,404**	**2,380,099**	1)
	Current assets					
	Inventories	567,877		57,665	625,542	2)
	Trade receivables	271,084		39,651	310,735	
	Receivables from financial services	–	919,644	483,098	1,402,742	3)
	Other receivables and assets	1,401,392	– 919,644	670,778	1,152,526	4)
	Securities, cash and cash equivalents	2,791,412		277,975	3,069,387	5)
		5,031,765		**1,529,167**	**6,560,932**	
	Deferred tax assets	**–**		**56,662**	**56,662**	6)
	Prepaid expenses	**22,932**		**– 6,323**	**16,609**	
		8,118,200		**896,102**	**9,014,302**	
Equity and liabilities	Equity	2,323,467		597,329	2,920,796	
	Provisions					
	Pension provisions	457,067		93,750	550,817	7)
	Tax provisions and other provisions	2,103,403	– 55,096	– 339,337	1,708,970	8)
		2,560,470	**– 55,096**	**– 245,587**	**2,259,787**	
	Deferred tax liabilities	**–**	**55,096**	**151,567**	**206,663**	6)
	Liabilities					
	Financial liabilities	–	2,612,041	334,722	2,946,763	
	Trade payables	368,250	– 70,731	79,646	377,165	
	Other liabilities	2,241,780	– 1,964,485	– 21,576	255,719	
		2,610,030	**576,825**	**392,792**	**3,579,647**	9)
	Deferred income	**624,233**	**– 576,825**	**1**	**47,409**	10)
		8,118,200		**896,102**	**9,014,302**	

* These include reclassifications pursuant to IFRS and measurement adjustments.

The changes from the consolidated balance sheet pursuant to German commercial law to the consolidated balance sheet pursuant to IFRS as of July 31, 2004 are mainly attributable to the following circumstances:

1) Non-current assets

Development costs for internally generated intangible assets, including subscription rights, are only capitalized if all conditions pursuant to IAS 38 are satisfied. If not, they are recorded with an effect on income. Development costs are capitalized at cost of conversion. This led to an increase in intangible assets. However, non-recognition of subscription rights which had been subject to capitalization under German commercial law led to a reduction of intangible assets.

In contrast to the principles applied in the HGB financial statements, goodwill is no longer subject to systematic amortization in accordance with IFRS 3. It is reviewed annually for impairment pursuant to IAS 36. This results in a higher carrying amount under IFRS.

Overall, intangible assets were reduced by T€ 108,357.

The consolidated group under IFRS has been expanded in relation to HGB. A variable interest entity and two special purpose funds are fully consolidated under IFRS.

Some of the leases classified as operating leases under HGB qualify as finance leases pursuant to IAS 17. They are consequently now recognized as receivables from financial services instead of leased assets. The total change in leased assets amounts to T€ 575,327.

2) Inventories

Inventories are measured at full production-related costs. As a simplified method of measurement, the average method is used.

Where the conditions of IAS 11 are satisfied, the percentage of completion method is used for recognition and measurement of long-term construction contracts. This method is used in the Porsche Group for the recognition and measurement of development services. This leads to a reduction of inventories and gives rise to receivables from long-term construction contracts.

Advance payments received for construction contracts have been taken into account. All other advance payments received for inventories are no longer deducted from inventories on the face of the balance sheet. Inventories and other liabilities are higher as a result. Inventories thus increased by a total of T€ 57,665 under IFRS compared to German commercial law.

3) Receivables from financial services

Provided the conditions pursuant to IAS 17 are satisfied, receivables from finance leases are disclosed under this item. This increased the item by T€ 483,098.

(4) Other receivables and assets

The change in other receivables and assets is mainly due to recognition of derivative financial instruments. This increased the item by T€ 670,778 compared to HGB.

5) Securities, cash and cash equivalents

The carrying amounts of the balance sheet item securities, cash and cash equivalents differ from the carrying amounts under German commercial law on account of the measurement at market value of the available-for-sale investments and full consolidation of a variable interest entity. Securities, cash and cash equivalents have increased by T€ 277,975 in the consolidated balance sheet prepared in accordance with IFRS.

6) Deferred taxes
The differences in deferred taxes are based on different concepts for determining deferred taxes in HGB and IFRS. Under IFRS, deferred tax assets and liabilities are recognized on all temporary differences between the tax carrying amounts and the carrying amounts pursuant to IFRS. Deferred tax assets are recognized when the conditions are met.

7) Pension provisions
Pension provisions under IFRS are calculated using the projected unit credit method pursuant to IAS 19. The method also takes account of future salary and pension increases. The changes compared to German commercial law amount to T€ 93,750.

8) Tax provisions and other provisions
Provisions may only be recognized if there is a legal or constructive obligation to third parties and utilization is probable. Expense provisions are not recognized. Non-current provisions are discounted to their present value. The aggregate difference amounts to T€ 339,337.

9) Liabilities
The financial liabilities item has essentially changed as a result of first-time consolidation of a variable interest entity of T€ 254,171. In addition, an amount of T€ 576,825, which represents some of the asset-backed financing and was reported under deferred income under HGB, was reclassified and allocated in full to financial liabilities.
Advance payments received for inventories are disclosed as liabilities, which led to an increase in liabilities compared to HGB. Liabilities thus increased by T€ 392,792 compared to the consolidated balance sheet under German commercial law.

10) Deferred income
Those parts of the asset-backed financing which were reported under deferred income in accordance with HGB were reclassified to financial liabilities.

Impact of the transition to IFRS on the income statement :

	HGB 2003/04 T€	IFRS adjustment effects 2003/04 T€	IFRS 2003/04 T€	
Sales	6,359,377	– 211,646	6,147,731	
Total operating performance	6,513,744	– 176,692	6,337,052	1)
Earnings before financial income	1,046,961	74,035	1,120,996	
Financial income	41,039	– 25,035	16,004	
Result from ordinary activities	**1,088,000**	**49,000**	**1,137,000**	2)
Income taxes	– 476,000	29,000	– 447,000	3)
Earnings after tax	**612,000**	**78,000**	**690,000**	
thereof minority interests	– 4,116	–	– 4,116	
thereof profit allocable to shareholders of Porsche AG	616,116	78,000	694,116	

The main differences are explained below:

1) Sales and total operating performance
The main effects of the transition to IFRS on sales result from reclassification of assets from operating leases to finance leases and the changed accounting for development services, which are recognized according to their percentage of completion under IFRS. There were thus no changes in inventories for development services. The recognition of internally generated intangible assets leads to the creation of own work capitalized.

2) Earnings before tax
Significant differences result from the measurement of pension provisions, the discounting of provisions and non-recognition of expense provisions as well as differences concerning long-term construction contracts and leases.

3) Income taxes
The change in income taxes is attributable to the changed disclosure of other taxes in earnings before financial income and to the recognition of deferred taxes using IFRS principles.

Impact of the transition to IFRS on the cash flow statement

The main difference between the cash flow statement in accordance with German commercial law and the cash flow statement in accordance with IFRS is the definition of cash and cash equivalents. In the cash flow statement pursuant to IAS 7, securities are allocated to investing activities and not to cash and cash equivalents. There are further differences on account of changes in the consolidated group and the allocation of non-cash effects from currency translation to the individual areas. As of July 31, 2004, cash and cash equivalents in accordance with IFRS amount to T€ 1,458,790. The cash flow statement in accordance with HGB contains cash and cash equivalents of T€ 2,791,412.

Impact of the transition to IFRS on equity and net income for the year

The recognition and measurement methods applicable under IFRS result in the following material effects on group equity as of the cut-off dates August 1, 2003 and July 31, 2004 and on the Group's net income for the fiscal year 2003/04. It is not possible to reconcile the figures to the presentation of the main changes in the balance sheet structure, as they are all equity effects:

	Aug. 1, 2003 T€	July 31, 2004 T€
Group equity according to HGB	**1,754,530**	**2,323,467**
Reconciliation to IFRS:		
Intangible assets	– 144,025	– 108,357
Measurement of inventories	11,848	12,734
Long-term construction contracts	14,271	21,081
Leases	7,352	13,037
Measurement of financial instruments at market value	721,012	646,998
Changes to consolidated group	15,088	20,922
Pension provisions	– 98,586	– 87,875
Tax provisions and other provisions	156,994	197,715
Other	– 1,697	4,134
Deferred taxes	– 132,514	– 123,060
Group equity according to IFRS	**2,304,273**	**2,920,796**

	July 31, 2004 T€
Net income of the Group for the year under HGB	**612,000**
Effects of the application of changed recognition and measurement methods pursuant to IFRS:	
Intangible assets	3,225
Leases	5,187
Inventories	962
Long-term construction contracts	3,910
Measurement of financial instruments at market value	3,196
Pension provisions	8,784
Tax provisions and other provisions	29,479
Changes to consolidated group	1,264
Other	– 1,247
Deferred taxes	23,240
Net income of the Group for the year under IFRS	**690,000**

Explanations pursuant to § 292a HGB

The conditions of § 292a HGB for exemption from the duty to prepare consolidated financial statements pursuant to German commercial law have been met. German Accounting Standard No. 1 (GAS 1) published by the German Accounting Standards Board, which is applicable for the last time for fiscal years commencing prior to January 1, 2005, was observed. The following recognition and measurement methods which differ from German law were used in these consolidated financial statements:

- Development costs are recognized as intangible assets provided that the criteria for recognition of internally generated intangible assets in IAS 38 are met.
- Goodwill is recognized and subject to an impairment test at least once a year. Systematic amortization is not permissible.
- Inventories are stated at the lower of cost or net realizable value. Net realizable value is determined based on the sales market. As a simplified method of measurement, the average method is used.
- Translation of receivables and liabilities denominated in foreign currency is at the mean rate as of the balance sheet date. The resulting changes in value are recorded with effect on income.
- Revenue from long-term construction contracts is recognized proportionately according to the percentage of completion.
- For finance leases in which the Porsche Group acts as lessor, a receivable from financial services is recorded.
- All primary and derivative financial instruments are recognized in the balance sheet. Depending on their classification, subsequent measurement is at fair value or at amortized cost and changes in value are recorded directly in equity or with effect on income.

- Pension provisions are measured using the projected unit credit method taking into account future salary and pension developments. The corridor approach is used.
- Non-current provisions are disclosed at present value.
- Expense provisions are not recognized.
- Deferred taxes are recognized using the liability method. Deferred taxes on temporary differences that arose without effect on income are also recognized without effect on income.

Consolidated Group

The consolidated financial statements of Porsche AG include all entities in which Porsche AG has the power to govern the financial and operating policies, either directly or indirectly (“control” concept).

The group of fully consolidated entities includes Porsche AG and 22 German (previous year: 22) and 57 international (previous year: 52) subsidiaries, including special purpose securities funds and variable interest entities.

Porsche Design Great Britain Limited, London, Porsche Design of France SARL, Serris, Porsche Design of Italy S.R.L., Milan, CTS CarTopSystems Belgium N.V., Antwerp and Porsche Design Asia Pacific Limited, Hong Kong, are included in the consolidated financial statements of Porsche for the first time as of July 31, 2005. The changes in the consolidated group are immaterial for the net assets, financial position and results of operations of the Group.

The complete list of equity investments of Porsche AG and the Porsche Group is filed with the commercial register of Stuttgart district court (HRB 5211).

Consolidation Principles

Capital consolidation is performed in accordance with the purchase method pursuant to IFRS 3 (“Business Combinations”). Purchased assets and liabilities are measured at their fair value on the date of acquisition. The purchase costs of the shares acquired are then offset against pro rata revalued equity of the subsidiary. Any remaining positive difference from offsetting the purchase price against the identified assets and liabilities is shown as goodwill.

Expenses and income as well as receivables, liabilities and provisions between the consolidated entities are offset. Intercompany profits from the disposal of assets within the Group which have not yet been resold to third parties are eliminated. Deferred taxes are recognized for consolidations with effect on income taxes. In addition, guarantees and warranties assumed by Porsche AG or one of its consolidated subsidiaries in favor of other subsidiaries are eliminated.

Currency Translation

The financial statements of consolidated subsidiaries prepared in foreign currency are translated to the euro in accordance with IAS 21. The functional currency is the local currency for all consolidated entities, since these subsidiaries are independent operations from a financial, economic and organizational perspective. Assets, liabilities and contingent liabilities are translated at the mean rate as of the balance sheet date, while equity is translated at historical rates. The income statement is translated using average annual exchange rates. Exchange rate differences resulting from the translation of financial statements are recognized as a separate item directly under equity until the disposal of the subsidiary.

Foreign currency items in the financial statements of the entities included in consolidation are measured at the historical rates. Monetary items are measured at the mean rate as of the balance sheet date. Exchange rate gains and losses as of the balance sheet date are recorded in the income statement.

The following key exchange rates for the Porsche consolidated financial statements were used for currency translation:

		Closing rate		Mean rate	
		July 31, 2005	July 31, 2004	2004/05	2003/04
United States of America	USD	1.2120	1.2055	1.2705	1.2001
Canada	CAD	1.4888	1.5944	1.5761	1.6042
United Kingdom	GBP	0.6899	0.6639	0.6863	0.6827
Australia	AUD	1.5937	1.7190	1.6802	1.6721
Japan	JPY	136.0700	134.2992	136.0043	131.9140

Accounting Principles and Valuation Measurement

The assets and liabilities of Porsche AG and the German and foreign subsidiaries included by way of full consolidation are recognized and measured uniformly according to the recognition and measurement methods applicable in the Porsche Group as of July 31, 2005.

The comparative information for fiscal year 2003/04 is based on the same recognition and measurement methods that were applicable for the fiscal year 2004/05.

The preparation of consolidated financial statements is subject to assumptions and estimates that have an effect on recognition, measurement and disclosure of assets, liabilities, income and expenses. All findings currently available are taken into account. Significant assumptions and estimates are made for uniform useful lives within the Group and the recoverable amounts recognized for non-current assets, the recoverability of receivables, determination of the percentage of completion for long-term construction contracts and the recognition and measurement of provisions. In individual cases, actual amounts may differ from the estimates.

Non-current assets
Intangible assets include goodwill and recognized development costs, patents, software, licenses and similar rights with a finite useful life. They are recognized if a future inflow of economic benefits is probable and expenses can be clearly allocated.

Patents, software, licenses and similar rights are recognized at cost pursuant to IAS 38 and amortized over their useful life on a straight-line basis unless there are any impairments. The useful life generally ranges from three to five years.

Acquired goodwill is reported as an asset. Goodwill is not amortized on a systematic basis. **Development costs** are capitalized for vehicles provided that clear allocation of expenses is possible and all the other criteria of IAS 38 are met. The development costs capitalized include all production overheads allocable directly and indirectly to the development process that are incurred as of the time at which all recognition criteria are met. Capitalized development costs are amortized from the production start using the straight-line method over the expected product life cycle of usually six years. Research and non-capitalizable development costs are expensed as incurred.

Property, plant and equipment are measured at cost less systematic depreciation over their useful life as well as impairment losses. Costs for repairs and maintenance are recognized as current expenses. Systematic depreciation, which is mainly on a straight-line basis, reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Special tools and equipment are depreciated according to units of production. For assets used in multiple shift production depreciation is increased by shift mark-ups. Systematic amortization is mostly based on the following useful lives:

	Years
Office and factory equipment	25 to 40
Technical equipment and machines	7 to 20
Other equipment, furniture and fixtures	3 to 13

Self-constructed items of property, plant and equipment are recognized at cost of conversion. In addition to directly allocable costs, they include a proportionate share of production-related overheads. Financing costs are not included as a component of cost.

Leased assets result from leases where substantially all risks and opportunities incidental to ownership remain with the Porsche Group as the lessor. These are vehicles from operating leases. They are measured at cost less systematic straight-line depreciation over their expected useful life or the shorter contract period taking account of calculated residual values.

An **impairment test** is performed at least once a year for goodwill, but for other intangible assets with finite useful lives as well as property, plant and equipment and leased assets only when there is an indication that the asset may be impaired. An impairment loss is recognized if the recoverable amount of the asset falls short of the carrying amount. The recoverable amount is generally determined separately per individual asset. If this is not possible, it is determined on the basis of a group of assets or the legal entity. The recoverable amount is the higher of an asset's net selling price and its value in use. The net selling price is the amount obtainable from the sale of an asset at customary market conditions less the costs of disposal. Value in use is determined using the discounted cash flow method on the basis of the estimated future cash flows expected to arise from the continuing use and its disposal. The cash flows are derived from the long-term business planning and current developments are taken into account. They are discounted to the balance sheet date using discount rates for similar risks (before tax) of an average of ten percent.

If the reason for impairment losses recorded in previous years ceases to exist, the impairment loss is reversed to a maximum amount of amortized cost. This does not apply for goodwill.

Current assets

Inventories

Inventories include materials and supplies as well as work in process and finished goods. Inventories are stated at the lower of cost or net realizable value as of the balance sheet date. Valuation allowances are recorded on slow-moving inventories.
In addition to direct costs, costs of conversion include an appropriate portion of necessary materials and production overheads as well as production-related depreciation, administrative and social security costs. Finance cost is not capitalized as part of cost of purchase or conversion. Where necessary, the average method is used as a simplified method of measurement.

Long-term construction contracts

Future receivables from long-term construction contracts are recognized according to the percentage of completion method. The percentage of completion per contract to be recognized is calculated by comparing the accumulated costs with the total costs expected ("cost-to-cost" method). If the result of a construction contract cannot be determined reliably, income is only recognized at the amount of the contract costs incurred ("zero profit method"). If the total of accumulated contract costs and reported profits exceeds advance payments received, the construction contracts are recognized as an asset as future receivables from long-term construction contracts under trade receivables. Any negative balance is reported under trade payables.
The principle of valuing assets at net realizable value is observed.

Financial instruments
Pursuant to IAS 39, a financial instrument is any contract that gives rise to a financial asset at one entity and a financial liability or equity instrument at another entity.
If the trade date of a financial asset differs from the settlement date, the settlement date is authoritative for initial recognition.
Initial measurement of a financial instrument is at cost. Transaction costs are included.
Subsequent measurement of financial instruments is either at fair value or amortized cost.

With respect to measurement, IAS 39 distinguishes between the following categories of financial assets:
- Financial instruments recognized at fair value with effect on income,
- Held-to-maturity investments,
- Loans and receivables originated by the entity, and
- Available-for-sale investments.

By contrast, financial liabilities are divided into the two categories
- Financial instruments recognized at fair value with effect on income and financial instruments held for trading, and
- Other liabilities.

Depending on the category, measurement of financial instruments is either at fair value or amortized cost.
Fair value corresponds to market price provided the financial instruments measured are traded on an active market. If there is no active market for a financial instrument, fair value is calculated using appropriate actuarial methods such as recognized option price models or discounting future cash flows with the market interest rate.
Amortized cost corresponds to costs of purchase less redemption, impairment losses and the reversal of any difference between costs of purchase and the amount repayable upon maturity.

Primary financial instruments
Loans and receivables originated by the entity, held-to-maturity investments and **financial liabilities** are measured at amortised cost unless they are associated with hedging instruments.
In particular, these include trade receivables and payables, receivables from financial services, other receivables and assets, held-to-maturity investments, financial liabilities and other liabilities.
Provided they are financial instruments as defined by IAS 39 and not associated with a hedging instrument, the liabilities have been disclosed at their fair value or amortized cost. Fair value is recognized if exercising the fair value option requires the liabilities to be recognized at fair value with an effect on income. Amortized cost is recognized for all other liabilities as defined by IAS 39. The liabilities from finance leases which are also disclosed under financial liabilities are recognized at present value in accordance with IAS 17.

Available-for-sale investments are measured at fair value.
Unrealized gains and losses from subsequent measurement are recognized in equity after considering deferred taxes until the investment is disposed of or an objective impairment occurs. Equity investments disclosed as financial assets also constitute available-for-sale investments and are measured at fair value. If no active market is available and fair value cannot reasonably be expected to be determined, they are measured at cost.

Financial assets are regularly subjected to an impairment test if there is an indication that the value of the asset may be permanently impaired. An impairment loss is immediately recorded as an expense. Any loss previously recorded in equity for available-for-sale investments is then also posted to the income statement. Any increase in value at a later date is accounted for debt instruments by reversal of the impairment loss with an effect on income.

Derivative financial instruments

Derivative financial instruments in the Porsche Group primarily relate to forward exchange contracts and foreign currency options, interest derivatives and share price hedging options. They are used exclusively to hedge interest and currency risks from existing balance sheet items or highly probable future transactions. Derivative financial instruments are measured at fair value. Provided the criteria for hedge accounting are satisfied, they are recognized as a cash flow hedge or a fair value hedge. As cash flow hedges, derivative financial instruments are stated at fair value. Changes in value are recorded in other comprehensive income, taking into account deferred taxes. When the underlying contract is concluded, they are reclassified from other comprehensive equity with an effect on income. For fair value hedges, changes in fair value of the derivative financial instrument and changes in value of the hedged item measured at fair value are recognized with an effect on income.

Deferred taxes

Deferred taxes are recognized on all temporary differences between the tax accounts and the IFRS carrying amounts. Deferred tax assets are recognized on unused tax losses if they are likely to be used. Valuation allowances are recorded on deferred tax assets whose realization in the foreseeable future is not likely.
Deferred taxes are measured on the basis of the tax rates that apply or that are expected to apply based on the current legislation in the individual countries at the time of realization. Deferred tax assets and liabilities are offset against each other, where permissible.

Pension Provisions

The pension provisions are determined using the projected unit credit method. This method considers not only the pensions and future claims known on the balance sheet date but also future anticipated increases in salaries and pensions. If pension obligations are reinsured using plan assets they are disclosed net.

The calculation is based on actuarial opinions taking account of biometric assumptions. The actuarial gains and losses are recognized with an effect on income if the actuarial gains and losses not recognized at the beginning of the fiscal year exceed 10% of the present value of the obligation at the beginning of the fiscal year (corridor method). The service cost is disclosed in personnel expenses, and the interest portion of the addition to the provision in the financial result.

Tax provisions and other provisions

Tax provisions and other provisions are set up if there is a current legal or constructive obligation to third parties which is expected to lead to a future outflow of resources that can be estimated reliably.

Provisions for warranty claims are set up taking account of the past or estimated future claims pattern. Non-current provisions are stated at their settlement amount discounted to balance sheet date.

Income and expenses

Sales revenue, interest and commission income from financial services is generally not recognized until the products or merchandise have been delivered or services provided and the risks have been transferred to the customer. Discounts, customer bonuses and rebates are deducted from sales revenue. Sales revenue for long-term construction contracts is recognized according to the stage of completion.

Production-related expenses are recognized upon delivery or utilization of the service, while all other expenses are recognized as an expense as incurred. The same applies for non-capitalizable development costs. Provisions for warranty claims are recognized at the time of sale of the products. Interest and other borrowing costs are recorded as an expense in the same period. Interest expenses incurred for financial services are disclosed under cost of materials.

Contingent liabilities

A contingent liability is a possible obligation to third parties that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Porsche Group. A contingent liability may also be a present obligation that arises from past events but is not recognized because an outflow of resources is not probable or the amount of the obligation cannot be measured with sufficient reliability.

New Accounting Policies

As a result of various projects, the IASB issued numerous changes to existing standards besides promulgating new standards that are generally applicable for fiscal years beginning on or after January 1, 2005.

Without exception, Porsche AG has observed all standards of the IASB and interpretations of the IFRIC which are mandatory as of the balance sheet date in preparing the consolidated financial statements as of July 31, 2005.

In addition, Porsche chose to early adopt the revised versions of the following standards:

IAS	8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS	10	Events after the Balance Sheet Date
IAS	16	Property, Plant and Equipment
IAS	17	Leases
IAS	21	The Effects of Changes in Foreign Exchange Rates
IAS	27	Consolidated and Separate Financial Statements
IAS	28	Investments in Associates
IAS	32	Financial Instruments: Disclosure and Presentation
IAS	33	Earnings Per Share
IAS	39	Financial Instruments: Recognition and Measurement

All other standards issued by the end of the fiscal year 2004/05 and revisions of existing standards and interpretations were not applied in the consolidated financial statements as of July 31, 2005.

(1) Sales

	2004/05 T€	2003/04 T€
Division		
Vehicles	5,278,254	4,875,226
Parts and accessories	685,039	661,324
Other	610,680	611,181
	6,573,973	**6,147,731**

The breakdown of sales by geographic segment and business division can be seen under segment reporting.

(2) Changes in inventories and own work capitalized
Own work capitalized is principally a result of the capitalization of vehicles and development costs.

(3) Other operating income
Other operating income includes income from the reversal of provisions, book gains from the disposal of leased assets, insurance claims, exchange gains and income from the reversal of impairment losses. The exchange gains for the fiscal year totaled T€ 9,397 (previous year: T€ 22,386).

(4) Cost of materials

	2004/05 T€	2003/04 T€
Cost of materials and supplies and of purchased merchandise	2,612,506	2,552,048
Cost of purchased services	337,567	323,219
	2,950,073	**2,875,267**

Cost of purchased services also includes expenses for the lease.

(5) Personnel expenses

	2004/05 T€	2003/04 T€
Wages and salaries	828,131	814,407
Social security, pension and other benefit costs	136,690	135,293
	964,821	**949,700**
Employees (annual average)*		
Wage earners	4,674	4,794
Salaried employees	6,835	6,501
Trainees and interns	345	330
	11,854	**11,625**

*) including employees under the phased retirement scheme

(6) Other operating expenses

Other operating expenses include expenses for warranty commitments, administration and sales, IT services as well as insurance policies, rent and expenses for various risks. Exchange losses amount to T€ 10,962 (previous year: T€ 13,087).

(7) Financial result

	2004/05 T€	2003/04 T€
Income from equity investments	401	754
Other interest and similar income	171,954	130,220
Other interest and similar expenses	– 126,523	– 80,694
Interest expenses from compounding of provisions	– 31,933	– 30,021
Interest and similar expenses	– 158,456	– 110,715
Other financial result	4,886	– 4,255
	18,785	**16,004**

The interest income is mainly attributable to fixed-interest securities and time deposits. In addition, it includes income on interest-bearing receivables and loans. Interest and similar expenses comprises interest expenses from operations, the issue of bonds and compounding of provisions. The profit or loss from the sale of securities was generated exclusively by the disposal of investments classified as available for sale.

(8) Income taxes

The income tax expense disclosed comprises the following:

	2004/05 T€	2003/04 T€
Current taxes	471,126	430,383
Deferred taxes	– 12,126	16,617
	459,000	**447,000**

On account of tax rate changes, additional income of T€ 1,009 compared to the previous year was recorded from deferred taxes (previous year: T€ 7,246).
The current tax expense was reduced by T€ 1,548 (previous year: T€ 3,854) owing to previously unused tax losses. This did not lead to any material changes for deferred taxes in either reporting period.
Current taxes relating to other periods amounted to T€ 12,079 (previous year: T€ 19,162).
There was no need to write up or down deferred taxes in the fiscal year.
The deferred taxes offset against equity without effect on income changed by T€ 128,325 in the reporting year (previous year: T€ 27,766).
The tax rate for deferred taxes is determined on the basis of the current legal situation.
An average income tax rate of 39% (previous year: 38%) applies for the German entities.
The income tax rates applied for foreign entities range from 0% to 41% (previous year: from 0% to 42%).
There are unused tax losses and credits of T€ 29,469 (previous year: T€ 25,021), for which no deferred tax assets have been set up. T€ 2,793 (previous year: T€ 557) can be carried forward for an unlimited period of time, while the remainder can only be carried forward for a limited period of more than three years.
In addition, deferred tax assets of a total of T€ 1,126 (previous year: T€ 15,768) were recognized on unused tax losses and of T€ 14 (previous year: T€ 3,079) on unused tax credits.
No deferred taxes were recorded on accumulated profits at subsidiaries of T€ 30,336 (previous year: T€ 22,712), as these profits are to be used for the expansion of business activities at the different locations.

The following reconciliation shows the differences between the theoretical income tax expense expected based on the calculated tax rate and the current income tax expense:

	2004/05 T€	2003/04 T€
Expected income tax expense	**482,820**	**443,430**
Tax rate-related differences	– 28,066	– 16,642
Difference in tax base	4,090	24,269
Recognition and measurement of deferred tax assets	967	– 7,801
Taxes relating to other periods	– 961	4,982
Other differences	150	– 1,238
Reported income tax expense	**459,000**	**447,000**

The deferred tax assets and liabilities break down by balance sheet item as follows:

	Deferred tax assets		Deferred tax liabilities	
	July 31, 2005	July 31, 2004	July 31, 2005	July 31, 2004
	T€	T€	T€	T€
Non-current assets	218,683	116,976	284,343	288,244
Current assets	150,655	98,597	340,564	318,104
Unused tax losses and tax credits	785	18,176	–	–
Provisions	252,897	206,973	–	45
Liabilities	13,639	43,075	7,337	27,405
Subtotal	**636,659**	**483,797**	**632,244**	**633,798**
Offsetting	– 451,895	– 427,135	– 451,895	– 427,135
Balance pursuant to consolidated balance sheet	**184,764**	**56,662**	**180,349**	**206,663**

9) Minority interests

The Group's earnings after tax contain losses allocable to minority interests of T€ 3,504 (previous year: T€ 4,116).

(10) Earnings per share

		2004/05	2003/04
Earnings after tax	T€	779,000	690,000
Minority interests	T€	3,504	4,116
Profit allocable to shareholders of Porsche AG	T€	**782,504**	**694,116**
Profit allocable to ordinary shares	T€	390,990	346,796
Profit allocable to preference shares	T€	391,514	347,320
Average number of ordinary shares outstanding	Number	8,750,000	8,750,000
Average number of preference shares outstanding	Number	8,750,000	8,750,000
Earnings per ordinary share	€	44.68	39.63
Earnings per preference share	€	44.74	39.69

Earnings per share are calculated by dividing the profit allocable to the shareholders of Porsche AG by the total number of shares outstanding in the fiscal year. There were no measures that have a dilutive effect.

(11) Notes to the Consolidated Statement of Cash Flows

The cash and cash equivalents presented in the cash flow statement relates to the balance sheet item cash and cash equivalents only, i. e. cash on hand, checks and bank balances with a maturity of less than three months. The effects of exchange rate changes on cash and cash equivalents amount to T€ – 31,607 (previous year: T€ 7,058) within the Group.

The cash flow statement shows how the cash and cash equivalents of the Porsche Group have changed during the reporting year as a result of cash inflows and outflows. For this purpose the cash flows are divided into operating activities, investing activities including investment in securities, and financing activities in the cash flow statement.

Cash inflows and outflows from investing and financing activities are presented using the direct method. The cash inflows and outflows from investing activities in the current fiscal year include additions to property, plant and equipment and financial assets as well as additions to intangible assets. Changes in leased assets and changes in receivables from financial services are also disclosed here. The cash inflows and outflows from investing activities including investment in securities supplement the investing activities in the current fiscal year by changes in investment in securities. Financing activities contain cash outflows for dividend payments and the repayment of loans as well as cash inflows from the issue of bonds and other financial liabilities.

The cash flow from operating activities, on the other hand, is derived indirectly from the earnings after tax. This involves eliminating all non-cash expenses – mainly depreciation or amortization and changes in provisions – as well as non-cash income from earnings after tax and adding changes in operating assets and liabilities.

The changes in the balance sheet items from which the cash flow statement is derived are adjusted for non-cash effects from currency translation and changes in the consolidated group. Changes in the balance sheet items concerned can therefore not be reconciled directly with the figures in the published consolidated balance sheet.

The cash flow from operating activities includes:

	2004/05 T€	2003/04 T€
Interest paid	– 103,144	– 82,151
Interest received	147,968	107,385
Income taxes paid	– 635,304	– 317,018
Income taxes reimbursed	9,637	55,686
Dividends received	378	378
Cash paid for the acquisition of consolidated entities	–	– 76,355
Cash received from the disposal of equity investments	–	7,680

(12) Non-current assets
Intangible assets include development services acquired, tool cost subsidies, capitalized development costs for vehicles, goodwill, licenses and software.
Research and development costs of T€ 339,269 were recorded in the fiscal year with an effect on income (previous year: T€ 272,157).

Goodwill in the Porsche Group developed as follows in fiscal year 2004/05:

	T€
Carrying amount as of August 1, 2003	**10.820**
Additions in fiscal year 2003/04	34.530
Carrying amount as of July 31, 2004	**45.350**
Additions in fiscal year 2004/05	–
Carrying amount as of July 31, 2005	**45.350**

There was no need to record an impairment.

Non-current assets developed as follows in the Group:

Development of intangible assets

	Franchises, industrial and similar rights T€	Development costs T€	Goodwill T€	Advance payments made T€	Total T€
Cost					
As of August 1, 2003	240,645	63,173	10,820	5,184	319,822
Currency differences	– 782	–	–	– 10	– 792
Changes to consolidated group	2,347	–	–	–	2,347
Additions	112,956	47,484	34,530	8,889	203,859
Reclassifications	4,103	–	–	– 532	3,571
Disposals	9,042	–	–	–	9,042
As of July 31, 2004	350,227	110,657	45,350	13,531	519,765
Amortization and depreciation					
As of August 1, 2003	95,433	22,627	–	–	118,060
Currency differences	– 609	–	–	–	– 609
Additions	64,224	11,108	–	–	75,332
Disposals	246	–	–	–	246
As of July 31, 2004	158,802	33,735	–	–	192,537
Cost					
As of August 1, 2004	**350,227**	**110,657**	**45,350**	**13,531**	**519,765**
Currency differences	– 506	–	–	– 5	– 511
Changes to consolidated group	–	–	–	–	–
Additions	15,348	33,655	–	14,332	63,335
Reclassifications	6,391	–	–	– 5,803	588
Disposals	18,817	–	–	–	18,817
As of July 31, 2005	**352,643**	**144,312**	**45,350**	**22,055**	**564,360**
Amortization and depreciation					
As of August 1, 2004	**158,802**	**33,735**	**–**	**–**	**192,537**
Currency differences	– 435	–	–	–	– 435
Additions	62,803	18,394	–	–	81,197
Disposals	2,526	–	–	–	2,526
As of July 31, 2005	**218,644**	**52,129**	**–**	**–**	**270,773**
Net book values July 31, 2004	191,425	76,922	45,350	13,531	327,228
Net book values July 31, 2005	**133,999**	**92,183**	**45,350**	**22,055**	**293,587**

Development of property, plant and equipment

	Land, land rights and buildings incl. buildings on third-party land T€	Technical equipment and machines T€	Other equipment, furniture and fixtures T€	Advance payments and assets under construction T€	Total T€
Cost					
As of August 1, 2003	562,577	371,631	1,408,069	171,360	2,513,637
Currency differences	1,258	– 67	– 866	– 12	313
Changes to consolidated group	2,669	17,452	16,234	828	37,183
Additions	42,343	26,935	230,988	62,085	362,351
Reclassifications	24,182	13,689	56,376	– 97,818	– 3,571
Disposals	148	8,153	33,991	303	42,595
As of July 31, 2004	632,881	421,487	1,676,810	136,140	2,867,318
Amortization and depreciation					
As of August 1, 2003	238,518	315,387	1,051,920	–	1,605,825
Currency differences	478	– 42	– 478	–	– 42
Additions	18,173	22,164	145,735	–	186,072
Disposals	93	7,732	25,189	–	33,014
As of July 31, 2004	257,076	329,777	1,171,988	–	1,758,841
Cost					
As of August 1, 2004	**632,881**	**421,487**	**1,676,810**	**136,140**	**2,867,318**
Currency differences	– 934	– 85	– 256	–	– 1,275
Changes to consolidated group	–	–	–	–	–
Additions	27,847	31,065	193,365	55,114	307,391
Reclassifications	15,211	10,556	64,499	– 90,854	– 588
Disposals	1,107	5,422	38,034	344	44,907
As of July 31, 2005	**673,898**	**457,601**	**1,896,384**	**100,056**	**3,127,939**
Amortization and depreciation					
As of August 1, 2004	**257,076**	**329,777**	**1,171,988**	**–**	**1,758,841**
Currency differences	– 546	– 5	– 179	–	– 730
Additions	18,769	27,871	215,792	–	262,432
Disposals	755	4,766	28,165	–	33,686
As of July 31, 2005	**274,544**	**352,877**	**1,359,436**	**–**	**1,986,857**
Net book values July 31, 2004	375,805	91,710	504,822	136,140	1,108,477
Net book values July 31, 2005	**399,354**	**104,724**	**536,948**	**100,056**	**1,141,082**

Development of financial assets

	Other equity investments T€	Other loans T€	Total T€
Cost			
As of August 1, 2003	31,211	79	31,290
Currency differences	–	–	–
Changes to consolidated group	–	–	–
Additions	907	17	924
Reclassifications	–	–	–
Disposals	10,253	–	10,253
As of July 31, 2004	21,865	96	21,961
Amortization and depreciation			
As of August 1, 2003	–	–	–
Currency differences	–	–	–
Additions	–	–	–
Disposals	–	–	–
As of July 31, 2004	–	–	–
Cost			
As of August 1, 2004	**21,865**	**96**	**21,961**
Currency differences	–	–	–
Changes to consolidated group	–	–	–
Additions	4,573	40	4,613
Reclassifications	–	–	–
Disposals	–	–	–
As of July 31, 2005	**26,438**	**136**	**26,574**
Amortization and depreciation			
As of August 1, 2004	**–**	**–**	**–**
Currency differences	–	–	–
Additions	–	–	–
Disposals	–	–	–
As of July 31, 2005	**–**	**–**	**–**
Net book values July 31, 2004	21,865	96	21,961
Net book values July 31, 2005	**26,438**	**136**	**26,574**

Development of leased assets and of total non-current assets

	Leased assets T€	Total non-current assets T€
Cost		
As of August 1, 2003	**1,263,899**	**4,128,648**
Currency differences	– 63,455	– 63,934
Changes to consolidated group	–	39,530
Additions	504,415	1,071,549
Reclassifications	–	–
Disposals	414,182	476,072
As of July 31, 2004	**1,290,677**	**4,699,721**
Amortization and depreciation		
As of August 1, 2003	**358,036**	**2,081,921**
Currency differences	– 7,552	– 8,203
Changes to consolidated group	–	–
Additions	120,702	382,106
Reclassifications	–	–
Disposals	102,942	136,202
As of July 31, 2004	**368,244**	**2,319,622**
Cost		
As of August 1, 2004	**1,290,677**	**4,699,721**
Currency differences	– 3,741	– 5,527
Changes to consolidated group	–	–
Additions	543,638	918,977
Reclassifications	–	–
Disposals	472,750	536,474
As of July 31, 2005	**1,357,824**	**5,076,697**
Amortization and depreciation		
As of August 1, 2004	**368,244**	**2,319,622**
Currency differences	– 1,234	– 2,399
Changes to consolidated group	–	–
Additions	174,613	518,242
Reclassifications	–	–
Disposals	150,906	187,118
As of July 31, 2005	**390,717**	**2,648,347**
Net book values July 31, 2004	**922,433**	**2,380,099**
Net book values July 31, 2005	**967,107**	**2,428,350**

In its financial services division, the Porsche Group acts as lessor, primarily leasing its own products. The remaining terms of the minimum lease payments from non-cancellable operating leases of T€ 345,167 (previous year: T€ 402,311) are as follows:

	July 31, 2005 T€	July 31, 2004 T€
Due within one year	118,191	172,409
Due in one to five years	226,976	229,902
	345,167	**402,311**

The development of leased assets in the fiscal year is shown in the statement of changes in non-current assets. The leases also contain renewal and purchase options as well as escalation clauses.

(13) Inventories

The inventories disclosed break down as follows:

	July 31, 2005 T€	July 31, 2004 T€
Materials and supplies	85,252	78,167
Work in progress	49,152	63,075
Finished goods and merchandise	437,359	478,524
Advance payments on inventories	9	5,776
	571,772	**625,542**

Of the total inventories reported as of the balance sheet date of T€ 571,772 (previous year: T€ 625,542), T€ 191,744 (previous year: T€ 171,841) is recognized at net realizable value. Impairment losses of T€ 5,236 were recorded with an effect on income in the fiscal year (previous year: T€ 4,708). Reversals of impairment losses as a result of disposals are not material.

(14) Trade receivables

	July 31, 2005 T€	July 31, 2004 T€
Future receivables from long-term construction contracts	40,816	39,080
Trade receivables	266,850	271,601
Receivables from entities in which equity investments are held	–	54
	307,666	**310,735**

The future receivables from long-term construction contracts recognized pursuant to the percentage of completion method are calculated as follows:

	July 31, 2005 T€	July 31, 2004 T€
Costs of conversion including outcome of the long-term construction contracts	242,481	181,200
thereof services billed to customers	– 173,421	– 1,307
Future receivables from long-term construction contracts before advance payments received	69,060	179,893
Advance payments received	– 28,244	– 140,813
	40,816	**39,080**

The sales revenue from long-term construction contracts totals T€ 59,908 (previous year: T€ 92,814). Contracts and parts of contracts billed to customers are reported under trade receivables. Of the receivables, T€ 21,252 is due in more than one year (previous year: T€ 3,305).

(15) Receivables from financial services

	July 31, 2005 T€	July 31, 2004 T€
Receivables from financial services	1,567,302	1,402,742

The receivables from financial services contain receivables from customer and dealer financing including installments due for payment of T€ 472,971 (previous year: T€ 429,525) and receivables from finance leases of T€ 1,131,145 (previous year: T€ 1,007,235). Of the receivables from financial services, T€ 1,183,421 is due in more than one year (previous year: T€ 923,072).

Receivables from finance leases are a result of vehicle financing and break down as follows:

	July 31, 2005 T€	July 31, 2004 T€
Gross Total investments in the lease	**1,275,639**	**1,147,922**
Due within one year	401,597	341,924
Due in one to five years	873,619	805,998
Due in more than five years	423	–
Unrealized finance income	– 144,494	– 140,687
Present value of outstanding minimum lease payments	**1,131,145**	**1,007,235**
Due within one year	332,972	278,020
Due in one to five years	797,778	729,215
Due in more than five years	395	–

The accumulated allowances for outstanding minimum lease payments for finance leases that are subject to risk amount to T€ 36,814 (previous year: T€ 34,018).
Receivables from financial services are generally secured by the assignment of collateral, guarantees or land charges.

(16) Other receivables and assets

Other assets of T€ 281,183 (previous year: T€ 220,637) and tax receivables of T€ 19,236 (previous year: T€ 7,804) are due within one year.

	July 31, 2005 T€	July 31, 2004 T€
Derivative financial instruments	698,682	915,628
Other assets	287,482	229,094
Tax receivables	19,236	7,804
Other receivables	306,718	236,898
	1,005,400	**1,152,526**

The item derivative financial instruments mainly includes forward exchange contracts, currency options and combined options.

(17) Securities

	July 31, 2005 T€	July 31, 2004 T€
Shares	95,603	48,774
Investment shares	92,311	47,248
Fixed-interest securities	418,300	295,304
Other securities	1,264,882	1,219,271
	1,871,096	**1,610,597**

(18) Cash and cash equivalents

Cash and cash equivalents totaling T€ 1,754,930 (previous year: T€ 1,458,790) consist of checks, cash on hand and bank balances maturing within three months.

(19) Prepaid expenses

Prepaid expenses of T€ 18,780 (previous year: T€ 16,609) are principally attributable to the cut-off of retirement benefit payments, other rent and marketing expenses as well as maintenance for hardware and software. Prepaid expenses include accruals and deferrals of T€ 1,408 due in more than one year (previous year: T€ 156).

(20) Equity and minority interests

The development of equity and minority interests is presented in the statement of changes in equity.

Share capital

Porsche AG's share capital totals EUR 45.5 million and, as in the previous year, is divided into 8,750,000 ordinary shares and 8,750,000 non-voting preference shares which have been fully paid in. A proportionate amount of the share capital of EUR 2.60 is allocable to each share. The preference shares carry an additional dividend of EUR 0.06.

Capital reserve

The capital reserve contains solely contributions from premiums and is unchanged since the previous year.

Revenue reserves and other comprehensive income

Revenue reserves relate exclusively to other revenue reserves. Revenue reserves include the profits of Porsche AG and its consolidated subsidiaries earned in previous years and the reporting year and not yet distributed as well as transactions without effect on income.

The changes in equity without effect on income were mainly attributable to dividend payments to the shareholders of Porsche AG of T€ 69,475 (previous year: T€ 58,975), changes to the consolidated group of T€ 0 (previous year: T€ 15,291) and currency fluctuations compared to the previous year of T€ – 30,197 (previous year: T€ 3,023).

Differences from the currency translation of foreign subsidiaries' financial statements without effect on income amounting to T€ 10,532 (previous year: T€ 1,098) are disclosed separately. Other comprehensive income contains the measurement of financial instruments at market value without effect on income of T€ – 188,763 (previous year: T€ – 41,853). The amount disclosed is after deferred taxes.

The financial statements of Porsche AG as of July 31, 2005 report retained earnings of € 264,000,000. The following appropriation of retained earnings will be proposed at the shareholders' meeting.

Payment of a dividend of EUR 4.94 per ordinary share ISIN Nr. DE0006937709 (securities ident. no. 693 770) on 8,750,000 ordinary shares for fiscal year 2004/05	€ 43,225,000
Payment of a dividend of EUR 5.00 per preference share ISIN Nr. DE0006937733 (securities ident. no. 693 773) on 8,750,000 preferred shares for fiscal year 2004/05	€ 43,750,000
Transfers to revenue reserves	€ 177,025,000
Retained earnings	€ 264,000,000

The proposed payment of a dividend does not give rise to a tax credit from the corporate income tax system in place prior to 2001. For future dividend payments, tax reduction claims of EUR 76.1 million, based on the former corporate income tax system, can be realized in proportionate annual installments until fiscal year 2019/20.

Minority interests
The increase in minority interests is above all due to the transactions not affecting income of T€ 5,706 (previous year: T€ 366), which was partially offset by the loss absorption of T€ 3,504 (previous year: T€ 4,116).

(21) Pension provisions

Employees of the entities included in the consolidated financial statements are entitled to benefits under the company pension plan. The benefits vary according to local legal, economic and tax conditions and are usually based on the employee service period and the beneficiary's salary. The direct and indirect obligations include both current pension obligations and future pension and retirement benefit obligations.

The company pension plan of the Group essentially relates to defined benefit plans, but there are also some defined contribution plans. The defined contribution plans principally concern German entities that are required by law to transfer contributions to the national pension insurance company. Contributions of T€ 52,699 were paid to the national pension insurance company in Germany (previous year: T€ 49,493). The defined benefit plans are calculated using the projected unit credit method in accordance with IAS 19. The benefit obligations are recognized at service cost as of the measurement date. The benefit obligation for active employees increases annually by the interest cost plus the present value of the new benefit entitlements earned in the current fiscal year.

The majority of the benefits pertain to Porsche AG. In addition, personal retirement capital is accumulated in Germany by employee contributions to Porsche VarioRente.

The benefit obligations are calculated using actuarial methods. These include assumptions concerning future wage and salary trends and pension increases. These parameters are estimated annually by the Company. The measurement is based on the following assumptions for German entities:

Actuarial assumptions

	2004/05	2003/04
Discount rate	4.00%	5.00%
Future increase in salaries	3.50%	3.50%
Increase in pensions	1.75%	1.75%

On aggregate, the benefit obligations of foreign entities are not material.
The net benefit obligations are as follows:

	July 31, 2005 T€	July 31, 2004 T€
Present value of benefit obligations financed by provisions	719,183	535,129
Present value of funded benefit obligations	44,131	40,492
Projected benefit obligations	763,314	575,621
Fair value of plan assets	– 32,476	– 24,670
Net obligations	730,838	550,951
Actuarial gains (+) and losses (–)	– 134,574	– 134
Carrying amounts as of July 31	**596,264**	**550,817**

The carrying amount posted to the balance sheet for pension provisions and similar obligations developed as follows compared to the previous year:

	2004/05 T€	2003/04 T€
Carrying amounts as of August 1	550,817	503,548
Changes in the consolidated group	–	5,347
Retirement benefit costs	49,303	44,527
Benefit payments made	– 16,193	– 14,625
Contributions to funds	44	39
Employee contributions to company pension plan	12,293	11,981
Carrying amounts as of July 31	**596,264**	**550,817**

Amounts included in the income statement break down as follows:

	2004/05 T€	2003/04 T€
Service cost	22,871	20,291
Interest cost	28,087	25,747
Return on plan assets	– 1,655	– 1,511
Retirement benefit costs	**49,303**	**44,527**

The service cost is disclosed under personnel expenses, and the interest cost under the financial result.
The actual return on plan assets in the fiscal year amounted to T€ 3,659 (previous year: T€ 902).

(22) Tax provisions and other provisions

	July 31, 2005 T€	July 31, 2005 T€ thereof due within one year	July 31, 2004 T€	July 31, 2004 T€ thereof due within one year
Tax provisions	**163,713**	**163,713**	**364,125**	**364,125**
Provisions for personnel	272,475	248,883	261,635	241,883
Provisions for ordinary operations	1,034,753	374,103	849,291	316,712
Sundry provisions	219,765	219,034	233,919	232,196
Other provisions	**1,526,993**	**842,020**	**1,344,845**	**790,791**

Provisions for personnel contain obligations for vacation and Christmas bonuses, profit participations and management bonuses, the German phased retirement scheme and long-service bonuses.
Provisions for ordinary operations consist above all of amounts for warranty claims, marketing services, bonuses and discounts.
Sundry provisions principally comprise provisions for goods and services not yet invoiced, litigation risks and disposal obligations for old vehicles.

Other provisions developed as follows:

	As of Aug. 1, 2004 T€	Exchange rate differences T€	Addition T€	Interest T€	Utilization T€	Reversal T€	As of July 31, 2005 T€
Provisions for personnel	261,635	– 23	235,962	–	207,343	17,756	272,475
Provisions for ordinary operations	849,616	– 550	533,559	3,846	347,032	4,686	1,034,753
Other provisions	233,594	– 218	280,896	–	277,637	16,870	219,765
	1,344,845	**– 791**	**1,050,417**	**3,846**	**832,012**	**39,312**	**1,526,993**

(23) Financial liabilities

Financial liabilities break down as follows:

		Due within one year	Due within one to five years	Due within more than five years
	T€	T€	T€	T€
July 31, 2005				
Bonds	1,084,692	257,447	313,879	513,366
Liabilities to banks	186,821	164,774	22,047	–
Other financial liabilities	1,820,390	684,640	1,135,750	–
	3,091,903	**1,106,861**	**1,471,676**	**513,366**
July 31, 2004				
Bonds	1,072,628	–	574,629	497,999
Liabilities to banks	129,150	99,366	29,784	–
Other financial liabilities	1,744,985	526,501	1,218,484	–
	2,946,763	**625,867**	**1,822,897**	**497,999**

The following items are reported under bonds:

	Currency	Issue volume Local currency thousand	Carrying amount T€	Market value T€	Total term	Maturity	Nominal interest rate %	Effective interest rate %
Bonds								
Bond	EUR	300,000	313,879	313,879	5	June 07	5.25	5.25
Bond	EUR	255,646	257,447	257,447	7	Dec. 05	4.50	4.50
Private placement	USD	200,000	162,706	162,706	7	March 11	4.47	4.47
Private placement	USD	150,000	123,762	123,762	10	March 14	4.98	4.98
Private placement	USD	75,000	61,881	61,881	12	March 16	5.13	5.13
Private placement	USD	200,000	165,017	165,017	15	March 19	5.33	5.33

The bonds are exclusively fixed-interest instruments. They are recorded at fair value with an effect on income. To hedge the risk of interest rate fluctuation, interest hedges were concluded which were also recognized at fair value.

Liabilities to banks serve short-term financing purposes. The nominal interest rate varies from 0.25% to 4.5% depending on the currency, maturity and contractual terms and conditions (previous year: 0.25% to 5.25%). They are recognized at amortized cost.

Other financial liabilities include liabilities for re-financing the financial services business which arose in the context of non-recourse financing, sale-and-leaseback and asset-backed securities programs. Collateral of T€ 362,950 (previous year: T€ 301,918) has been provided for other financial liabilities.
The total volume of asset-backed securities programs included therein comes to T€ 1,715,205 as of the balance sheet date (previous year: T€ 1,639,397). Interest is at inter-bank level. The average terms to maturity of the financing range from one to four years. Measurement is at amortized cost.

(24) Trade payables

	July 31, 2005 T€	July 31, 2004 T€
Liabilities from long-term construction contracts	8,863	4,576
Trade payables	434,131	371,380
Liabilities to entities in which equity investments are held	–	1,209
	442,994	**377,165**

The future liabilities from long-term construction contracts recognized pursuant to the percentage of completion method are calculated as follows:

	July 31, 2005 T€	July 31, 2004 T€
Costs of conversion including outcome of the long-term construction contracts	31,921	13,623
thereof services billed to customers	– 17,243	– 12,050
Future receivables from long-term construction contracts before advance payments received	14,678	1,573
Advance payments received	– 23,541	– 6,149
	8,863	**4,576**

Of the payables, T€ 440,173 (previous year: T€ 371,102) is due within one year and the remaining amount of T€ 2,821 (previous year: T€ 6,063) between one and five years.

(25) Other liabilities

Other liabilities break down as follows as of the balance sheet date:

		Due within one year	Due within one to five years
	T€	T€	T€
July 31, 2005			
Advance payments received on account of orders	59,768	59,181	587
Sundry other liabilities	139,391	137,809	1,582
Tax liabilities	22,788	22,788	–
Measurement of derivative financial instruments at market value	13,390	13,390	–
	235,337	**233,168**	**2,169**
July 31, 2004			
Advance payments received on account of orders	81,225	80,334	891
Sundry other liabilities	146,470	144,089	2,381
Tax liabilities	13,371	13,371	–
Measurement of derivative financial instruments at market value	14,653	2,552	12,101
	255,719	**240,346**	**15,373**

There are no other liabilities due in more than five years.

(26) Deferred income

	July 31, 2005	July 31, 2004
	T€	T€
Other deferred income	17,787	16,382
Special lease payments	34,527	31,027
	52,314	**47,409**

Deferred income includes T€ 40,408 due in more than one year (previous year: T€ 18,824).

(27) Financial Instruments

Hedging strategy
Owing to the international activities in the vehicles and financial services segment, changes in interest rates and exchange rates affect the net assets, financial position and results of operations of the Porsche Group. The risks result from foreign currency transactions in the course of ordinary operations, from financing and from investing activities. It is the objective of the Group's central treasury department to manage and thus minimize these financial risks for the continued existence and earnings power by concluding hedges for the Group. Guidelines are issued to govern discretionary decisions and internal controls and avoid a concentration of risk. The nature and volume of hedging transactions is generally chosen with regard to the underlying contract. Hedging transactions may only be concluded to hedge existing underlyings or planned transactions. Only approved financial instruments may be entered into with approved counterparties.

Currency risk
Currency risks from current receivables, liabilities and debts as well as from highly likely future transactions are generally hedged with forward exchange contracts, currency options or combined options.
Hedges for value fluctuations in future cash flows from anticipated highly likely transactions mainly relate to planned sales in foreign currency. As of July 31, 2005, currency hedges are in place in particular for the major currencies US dollar, pound sterling and Japanese yen.

Interest rate risk
The Porsche Group has issued fixed-interest bonds. The interest rate risks arising in this regard are hedged by interest derivatives.

Credit risk
The credit risk of financial assets is taken into account through adequate valuation allowances considering existing collateral. Various hedging measures are taken to reduce the credit risk for primary financial instruments, such as requesting collateral or guarantees and credit ratings based on information from credit rating agencies and historical data.

Hedging transactions are only entered into with first-rate banks on the basis of uniform guidelines and are monitored accordingly.

Measurement of financial instruments
The market value of financial instruments is determined by reference to stock market listings, reference prices or recognized calculation models.

The following term structure of interest rates was used were appropriate:

	EUR	USD	GBP
Interest rate for six months	2.149%	3.924%	4.545%
Interest rate for one year	2.196%	4.163%	4.484%
Interest rate for five years	2.793%	4.520%	4.535%
Interest rate for ten years	3.340%	4.658%	4.620%
Interest rate for fifteen years	3.620%	4.810%	4.580%

The market value of the financial derivatives is disclosed in the balance sheet under other receivables and assets or other liabilities. The currency hedges for the Canadian, Australian and US dollar are due within four years, and those for other currencies within three years. In the fiscal year 2004/05 there were also stock price hedging options with a market value of T€ 11,093.

		July 31, 2005		July 31, 2004	
		Nominal volume T€	Total market value T€	Nominal volume T€	Total market value T€
Assets	Currency hedge	10,729,102	645,645	9,877,413	880,943
	Interest hedge	2,001,750	41,943	1,320,595	34,685
		12,730,852	**687,588**	**11,198,008**	**915,628**
Equity and liabilities	Currency hedge	341,293	11,298	–	–
	Interest hedge	96,623	2,092	68,940	14,653
		437,916	**13,390**	**68,940**	**14,653**

As of July 31, 2005, other comprehensive income contains a total of T€ 179,304 (previous year: T€ 368,067) recorded without effect on income from measurement at market value. Of the change in measurement at market value recorded in equity of T€ – 188,763 (previous year: T€ – 41,853), an amount of T€ 21,319 (previous year: T€ 1,345) is due to the increase in the reserve for the available-for-sale financial assets and T€ – 210,082 (previous year: T€ – 43,198) to the decrease in the reserve for cash flow hedges. An amount of T€ 250,738 was reclassified in the fiscal year from the reserve for cash flow hedges to the income statement (previous year: T€ 258,792). The increase came to T€ 40,715 (previous year: T€ 215,649). The profit on the disposal of available-for-sale securities totaled T€ 7,696 (previous year: T€ 12), while the loss on the disposal came to T€ 2,808 (previous year: T€ 4,243).

(28) Contingent Liabilities

	July 31, 2005 T€	July 31, 2004 T€
Guarantees	1,300	378
Warrenties	68,357	68,738
Collateral for third-party liabilities	1,076	1,535

As a partner of Venture Capital Beteiligung GbR, Porsche AG is liable within the scope of the provisions of law.

Other financial obligations in the Group total EUR 250.0 million (previous year: EUR 270.4 million). There are obligations from rent, lease and maintenance agreements of EUR 95.8 million in total (previous year: EUR 78.3 million). The Group's purchase commitment from initiated investment projects for property, plant and equipment amount to EUR 152.0 million (previous year: EUR 183.6 million). There are other financial obligations of EUR 2.2 million (previous year: EUR 8.5 million). The terms to maturity of minimum lease payments under non-cancelable operating leases and rent agreements are as follows:

	July 31, 2005 T€	July 31, 2004 T€
Minimum lease payments	**95,845**	**78,307**
Due within one year	28,072	23,043
Due within one to five years	48,111	23,905
Due within more than five years	19,662	31,359

The total amount of rent and lease payments recorded as an expense in the fiscal year is T€ 29,886 (previous year: T€ 36,554).

No provisions were recognized for contingent liabilities as it is more likely than not that they will not occur.

(29) Events after the Balance Sheet Date
After the close of the fiscal year 2004/05, Dr. Ing. h.c. F. Porsche Aktiengesellschaft, Stuttgart, Germany, acquired ordinary shares in Volkswagen AG and now holds an equity investment of 18.53% in the entity.

(30) Notes to the Segment Reporting
The objective of the segment reporting is to provide information about the main divisions of the Group. In accordance with IAS 14, the Group's activities are broken down by region as the primary reporting format and by business division as the secondary reporting format. Segmentation is based on the internal reporting and organizational structure, taking account of the different risk and income structures of the various regions and divisions. The segmentation by region is based on the location of the customers. According to the different risk and income structure, the Group is divided into the regions Germany, Europe without Germany, North America, and rest of the world.

Segmentation by business division shows the vehicles and financial services divisions. The vehicles division includes the development, production and sale of vehicles as well as related services. The financial services division comprises the financing and leasing business for customers and dealers.

Intersegment receivables and liabilities, provisions, income and expenses as well as profits and losses are eliminated in the column "consolidation". This column also includes the items not allocable to the individual segments.

The segment figures have been determined in accordance with the recognition and measurement methods used in the consolidated financial statements. The business relations between the entities of the Porsche Group are generally based on prices as agreed with third parties.

Third-party sales show the share of each division in the Porsche Group's sales revenues.

Intersegment sales shows the sales effected between the segments.

Earnings before financial income and income tax constitutes the segment result. The segment result includes the result from lease transactions as well as the result from customer and dealer financing.

Segment assets include all assets except for income tax claims and assets allocable to financial transactions. Segment liabilities include all liabilities except for income tax liabilities and financial liabilities unless they were incurred directly for operating purposes.

Non-cash expenses mainly include additions to provisions and unrealized losses from measurement at market value.

Amortization and depreciation as well as capital expenditure primarily relate to property, plant and equipment, intangible assets and leased assets.

The secondary reporting format is supplemented by a condensed balance sheet for the vehicles and financial services divisions. Non-current assets in the financial services division mainly consist of leased assets. The current assets of the financial services division include receivables from credit financing, receivables from finance leases and leasing installments that are due for payment. The debt capital shows the financing of the financial services business – primarily via asset-backed security programs – and intercompany financing which is eliminated in the consolidation.

Segment information by region

	Germany	
	2004/05 Mio €	2003/04 Mio €
Third-party sales	2,218.9	2,076.6
Intersegment sales	3,570.1	3,483.5
Segment result	902.1	853.8
Segment assets	5,313.1	5,206.7
Segment liabilities	2,897.8	2,622.1
Non-cash expenses	328.7	505.3
Amortization and depreciation	346.1	262.5
Capital expenditure	409.3	668.3

Segment information by business division

	Vehicles	
	2004/05 Mio €	2003/04 Mio €
Third-party sales	6,220.9	5,821.8
Intersegment sales	151.2	141.4
Segment assets	5,536.1	5,445.5
Capital expenditure	368.9	632.3

The balance sheets of the divisions also include assets that are not allocable to segment assets pursuant to IAS 14. Most of these are income tax items and financial assets.

Balance sheets of the divisions

		Vehicles	
		2004/05 Mio €	2003/04 Mio €
Assets	Non-current assets	1,977.9	1,966.9
	Current assets and prepaid expenses	5,400.2	4,921.4
		7,378.1	**6,888.3**
Equity and liabilities	Equity	3,374.4	2,932.6
	Debt capital	4,003.7	3,955.7
		7,378.1	**6,888.3**

	North America		Europe without Germany		Rest of world		Consolidation		Group	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
	Mio €	Mio €	Mio €	Mio €	Mio €	Mio €	Mio €	Mio €	Mio €	Mio €
	2,208.2	2,188.1	1,607.1	1,393.9	539.8	489.1	–	–	6,574.0	6,147.7
	1.1	2.9	11.2	2.6	0.4	0.1	– 3,582.8	– 3,489.1	–	–
	134.7	134.4	97.1	83.8	25.2	25.1	60.1	23.9	1,219.2	1,121.0
	1,665.0	1,556.1	1,097.2	958.1	259.2	247.5	1,375.6	1,045.9	9,710.1	9,014.3
	1,338.0	1,261.9	913.2	803.2	198.1	182.3	942.8	1,224.0	6,289.9	6,093.5
	17.4	6.7	19.7	10.5	0.6	2.2	– 239.6	– 10.1	126.8	514.6
	150.6	105.0	11.6	11.4	2.5	3.4	– 0.3	– 0.2	510.5	382.1
	477.5	449.9	19.5	8.1	6.6	3.4	6.1	– 18.6	919.0	1,111.1

	Financial services		Consolidation		Group	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
	Mio €	Mio €	Mio €	Mio €	Mio €	Mio €
	353.1	325.9	–	–	6,574.0	6,147.7
	24.8	16.8	– 176.0	– 158.2	–	–
	2,880.9	2,617.3	1,293.1	951.5	9,710.1	9,014.3
	543.7	508.6	6.4	– 29.8	919.0	1,111.1

	Financial services		Consolidation		Group	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
	Mio €	Mio €	Mio €	Mio €	Mio €	Mio €
	1,013.0	971.1	– 562.5	– 557.9	2,428.4	2,380.1
	1,868.9	1,650.2	12.6	62.6	7,281.7	6,634.2
	2,881.9	**2,621.3**	**– 549.9**	**– 495.3**	**9,710.1**	**9,014.3**
	238.5	213.0	– 192.7	– 224.8	3,420.2	2,920.8
	2,643.4	2,408.3	– 357.2	– 270.5	6,289.9	6,093.5
	2,881.9	**2,621.3**	**– 549.9**	**– 495.3**	**9,710.1**	**9,014.3**

(31) Related Parties

In accordance with IAS 24, persons or entities which are in control of or controlled by Porsche AG must be disclosed. Pursuant to a consortium agreement, the Porsche and Piëch families have direct and indirect control respectively over Porsche AG.

The disclosure requirements under IAS 24 also extend to persons who have the power to exercise significant influence over the Company, i.e. who have the power to participate in the financial and operating policies of the Company, but do not control it, including close family members.
In the fiscal year 2004/05 this concerns members of the Supervisory Board and the Executive Board of Porsche AG as well as their close family members.

The volume of trade in the course of ordinary operations in the vehicles and parts business with the Porsche and Piëch families and their affiliated entities came to EUR 74.6 million (previous year: EUR 69.1 million), and trade in the design business to EUR 1.1 million (previous year: EUR 0.0 million). The arm's length principle was applied without exception.

Apart from that, the Porsche and Piëch families provided automotive services and delivered clocks and related spare parts to Porsche AG. These deliveries and services are not material for the Porsche Group and were charged at arm's length conditions without exception.

Other services worth T€ 17 were provided to members of the Executive and Supervisory Boards (previous year: T€ 28). They were charged at arm's length conditions.

Otherwise, no transactions requiring disclosure were conducted by entities of the Porsche Group with members of the Supervisory Board or Executive Board as persons in key positions or any other entities in whose executive or supervisory board any such persons are represented. The same applies for members of these persons' close families.

(32) Remuneration of 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 2004/05 totaled EUR 26.0 million. This figure includes profit-based components of EUR 20.7 million.
The pension obligations to former executive board members and their surviving dependants total EUR 17.9 million; provisions have been set up to cover the full amount. Benefit payments came to T€ 973. The total remuneration of the Supervisory Board for the fiscal year 2004/05 amounts to EUR 1.0 million.

(33) Declaration on the German Corporate Governance Code
The Executive Board and Supervisory Board of Porsche AG have issued the declaration required by § 161 German Stock Corporation Act (AktG) in the annual report 2004/05.
It is made permanently accessible to the shareholders on the homepage www.porsche.de.

Stuttgart, October 27, 2005

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

Dr. Wendelin Wiedeking
Wolfgang Dürheimer
Holger P. Härter
Harro Harmel
Michael Macht
Hans Riedel

		Share in capital %	Net income [1] T€	Sales [1] T€	Employees [2]
Fully consolidated entities – Germany	CTS Fahrzeug-Dachsysteme Gesellschaft mit beschränkter Haftung, Hamburg [5]	100	24,152	384,360	822
	Porsche Financial Services GmbH & Co.KG, Bietigheim-Bissingen	100	9,806	318,407	–
	Porsche Consulting GmbH, Bietigheim-Bissingen	100	4,999 [3]	23,682	106
	Porsche Financial Services GmbH, Bietigheim-Bissingen	100	1,946 [3]	20,590	38
	PIKS Porsche-Information-Kommunikation-Services GmbH, Stuttgart	100	2,391 [3]	33,459	101
	Porsche Deutschland GmbH, Bietigheim-Bissingen	100	24,653 [3]	921,133	83
Fully consolidated entities – other countries	Porsche Ibérica S.A., Madrid, Spain	100	5,244	163,765	39
	Porsche Italia S.p.A., Padua, Italy	100	7,307	312,242	52
	Porsche France S.A., Boulogne-Billancourt, France	100	6,177	187,687	35
	Porsche Cars Great Britain Ltd., Reading, United Kingdom	100	27,991	670,509	107
	Porsche Financial Services Great Britain Ltd., Reading, United Kingdom	100 [4]	6,027	43,604	7
	Porsche Retail Group Ltd., Reading, United Kingdom	100 [4]	9,614	330,535	300
	Porsche Cars North America, Inc., Wilmington/Delaware, USA	100 [4]	69,134	1,803,149	215
	Porsche Liquidity LLC, Wilmington/Delaware, USA	100 [4]	8,257	136,746	–
	Porsche Cars Canada Ltd., Toronto/Ontario, Canada	100 [4]	1,815	122,078	4
	Porsche Engineering Services, Inc., Wilmington/Delaware, USA	100 [4]	696	13,640	151
	Porsche Funding Ltd. Partnership, Wilmington/Delaware, USA	100 [4]	6,992	22,228	–
	Porsche Japan K.K., Tokyo, Japan	100	6,774	207,532	60
	Porsche Cars Australia Pty. Ltd., Collingwood, Australia	100	4,748	97,297	34
	Porsche Middle East FZE, Dubai, United Arab Emirates	100	5,750	183,798	20

1) Equity and net income for the year from financial statements prepared in accordance with local law or earnings before profit transfer for the fiscal year from August 1, 2004 to July 31, 2005.
Net income and sales denominated in foreign currency were translated at the average annual exchange rate.

2) Number of employees as of the end of the entity's fiscal year.

3) Before profit transfer (net income incl. tax allocation).

4) Indirect equity investment.

5) Based on interim financial statements as of July 31, 2005.

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements, prepared by Dr. Ing. h.c. F. Porsche Aktiengesellschaft, Stuttgart, for the fiscal year from August 1, 2004 to July 31, 2005. The preparation and the content of the consolidated financial statements are the responsibility of the Company's executive board. Our responsibility is to express an opinion on whether the consolidated financial statements are in accordance with International Financial Reporting Standards (IFRS) based on our audit.
We conducted our audit of the consolidated financial statements in accordance with German auditing requirements and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [in Deutschland] (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of 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 consolidated financial statements 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 consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.
In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the fiscal year in accordance with IFRS.
Our audit, which also extends to the combined management report prepared by the executive board for the fiscal year from August 1, 2004 to July 31, 2005, has not led to any reservations. In our opinion, on the whole the combined management report provides a suitable understanding of the Group's position and suitably presents the risks to future development. In addition, we confirm that the consolidated financial statements and the combined management report for the fiscal year from August 1, 2004 to July 31, 2005 satisfy the conditions for the Company's exemption from its obligation to prepare consolidated financial statements and the group management report in accordance with German law.

Stuttgart, October 27, 2005
Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Oesterle
Wirtschaftsprüfer
(German Public Auditor)

Strähle
Wirtschaftsprüfer
(German Public Auditor)

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

Prof. Dr. Helmut Sihler
Novartis AG [2]

Hans Baur
Alcatel SEL AG [1]

Dr. techn. h.c. Ferdinand Piëch
Volkswagen AG (Chairman) [1]
Porsche Holding GmbH [2]
Porsche Ges.m.b.H. [2]

Dr. Hans Michel Piëch
Porsche Bank AG [2]
Porsche Holding GmbH [2]
Porsche Cars North America, Inc. [2]
Porsche Cars Great Britain Ltd. [2]
Porsche Italia S.p.A. [2]
Porsche Ibérica S.A. [2]
Porsche Ges.m.b.H. [2]
Eurotax Glass's Acquisition S.A. [2]
Volksoper Wien GmbH [2]

Prof. Ferdinand A. Porsche
(until January 28, 2005)
Porsche Holding GmbH [2]
Porsche Ges.m.b.H. [2]
Eterna S.A. [2]
Familie Porsche AG Beteiligungsgesellschaft [2]

Dr. Wolfgang Porsche
Porsche Cars North America, Inc. [2]
Porsche Cars Great Britain Ltd. [2]
Porsche Italia S.p.A. [2]
Porsche Ibérica S.A. [2]
Porsche Bank AG [2]
Porsche Holding GmbH (Chairman) [2]
Porsche Ges.m.b.H. (Chairman) [2]
PGA Group S.A.S. [2]
Eterna S.A. [2]

Dr. Dr. h.c. Walther Zügel
Berthold Leibinger GmbH (Chairman) [1]
SHB Stuttgarter Finanz- und Beteiligungs Aktiengesellschaft (Chairman) [1]
Stihl AG (Deputy chairman) [1]
Stuttgarter Hofbräu Verwaltungs AG [1]
Allgaier Werke GmbH [1]
Schuler AG [1]
caption AG [1]

Hansjörg Schmierer
Berthold Leibinger GmbH [1]

Dr. Ferdinand Oliver Porsche
(since January 29, 2005)
Voith AG [1]
Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG [2]
Eterna S.A. [2]
Porsche Holding GmbH [2]
Porsche Ges.m.b.H. [2]
PGA S.A. [2]

(Disclosures pursuant to § 285 No 10 HGB) As of July 31, 2005

[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
Porsche Cars North America, Inc. (Chairman) 2)
Porsche Financial Services, Inc. 2)
Porsche Cars Great Britain Ltd. 2)
Porsche Italia S.p.A. 2)
Porsche Ibérica S.A. 2)
Porsche Japan K.K. 2)
Porsche Enterprises, Inc. 2)
Porsche Deutschland GmbH 2)
Porsche Engineering Group GmbH 2)
Porsche Financial Services GmbH 2)
Porsche Business Services, Inc. 2)
Novartis AG 2)
Porsche Engineering Services GmbH 2)
Porsche Lizenz- und
Handelsgesellschaft mbH & Co. KG (Chairman) 2)

Wolfgang Dürheimer
Porsche Engineering Group GmbH (Chairman) 2)
Porsche Engineering Services GmbH (Chairman) 2)
PIKS Porsche-Information-
Kommunikation-Services GmbH 2)
CTS Fahrzeug-Dachsysteme GmbH 2)

Holger P. Härter
Sachsen LB 1)
EUWAX AG (Chairman) 1)
Porsche Cars North America, Inc. 2)
Porsche Enterprises, Inc. (Chairman) 2)
Porsche Financial Services, Inc. (Chairman) 2)
Porsche Cars Great Britain Ltd. 2)
Porsche Italia S.p.A. 2)
Porsche Ibérica S.A. 2)
Porsche Japan K.K. 2)
Porsche Engineering Group GmbH 2)
Porsche Engineering Services GmbH 2)
Porsche Deutschland GmbH 2)
Porsche Financial Services GmbH (Chairman) 2)
Porsche Business Services, Inc. (Chairman) 2)
PIKS Porsche-Information-Kommunikation-
Services GmbH (Chairman) 2)
Mieschke Hofmann & Partner Gesellschaft für
Management- und IT-Beratung mbH (Chairman) 2)
CTS Fahrzeug-Dachsysteme GmbH (Chairman) 2)

Harro Harmel
Porsche Consulting GmbH 2)
Mieschke Hofmann & Partner Gesellschaft für
Management- und IT-Beratung mbH 2)
Porsche Leipzig GmbH 2)
Porsche Engineering Group GmbH 2)
Porsche Leipzig Service GmbH (Chairman) 2)

Michael Macht
Porsche Consulting GmbH (Chairman) 2)
Porsche Leipzig GmbH (Chairman) 2)
Porsche Leipzig Service GmbH 2)
PIKS Porsche-Information-Kommunikation-
Services GmbH 2)
Gebr. Märklin & Cie. GmbH 2)

Hans Riedel
Porsche Cars North America, Inc. 2)
Porsche Enterprises, Inc. 2)
Porsche Financial Services, Inc. 2)
Porsche Cars Great Britain Ltd. (Chairman) 2)
Porsche Italia S.p.A. (Chairman) 2)
Porsche Ibérica S.A. (Chairman) 2)
Porsche Japan K.K. (Chairman) 2)
Porsche Deutschland GmbH (Chairman) 2)
Porsche Financial Services GmbH 2)
Porsche Leipzig GmbH 2)
Porsche Leipzig Service GmbH 2)
Porsche Business Services, Inc. 2)
Porsche Lizenz- und Handelsgesellschaft
mbH & Co KG 2)

Balance Sheet of Dr. Ing. h.c. F. Porsche AG as of July 31, 2005 in accordance with HGB [1)]

		July 31, 2005 T€	July 31, 2004 T€
Assets	Fixed Assets		
	Intangible assets	355,015	381,819
	Property, plant and equipment	1,010,498	996,423
	Financial assets	285,254	275,426
		1,650,767	**1,653,668**
	Current Assets		
	Inventories	293,323	242,243
	Receivables	486,999	579,520
	Other assets	428,711	331,951
	Securities	573,321	412,710
	Cash and cash equivalents	1,629,451	1,303,352
		3,411,805	**2,869,776**
	Prepaid Expenses	**6,045**	**6,344**
		5,068,617	**4,529,788**
Equity and Liabilities	Equity		
	Subscribed capital	45,500	45,500
	Capital reserve	121,969	121,969
	Revenue reserve	2,093,928	1,655,403
	Retained earnings	264,000	244,000
		2,525,397	**2,066,872**
	Accruals		
	Accruals for pensions and similar obligations	476,284	429,930
	Other accruals	1,616,065	1,684,029
		2,092,349	**2,113,959**
	Liabilities		
	Trade liabilities	326,132	267,810
	Other liabilities	121,964	79,424
		448,096	**347,234**
	Deferred Income	**2,775**	**1,723**
		5,068,617	**4,529,788**

[1)] The financial statements of Porsche AG have been prepared in accordance with German accounting standards (HGB) and are published in the Bundesanzeiger (Federal Gazette) and filed with the commercial register of the Stuttgart district court. They can be obtained from Porsche AG, FF, Porscheplatz 1, 70435 Stuttgart.

Income Statement of the Dr. Ing. h.c. F. Porsche AG for the Period August 1, 2004 to July 31, 2005 in accordance with HGB

	2004/05 T€	2003/04 T€
Sales	**5,381,054**	**5,164,152**
Change in inventories and own work capitalized	63,324	30,062
Total operating performance	**5,444,378**	**5,194,214**
Other operating income	134,949	124,686
Cost of materials	– 2,892,995	– 2,672,977
Personnel expenses	– 717,822	– 727,714
Depreciation/amortization	– 330,196	– 237,991
Other operating expenses	– 897,605	– 930,328
Income from equity investments	89,047	59,078
Interest result	45,923	39,131
Amortization of securities classified as current assets	– 3,679	– 5,099
Result from ordinary activities	**872,000**	**843,000**
Taxes	– 344,000	– 355,000
Net income for the year	**528,000**	**488,000**
Transfer to revenue reserves	– 264,000	– 244,000
Retained earnings	**264,000**	**244,000**

Imprint

Publisher: Dr. Ing. h.c. F. Porsche AG,
Stuttgart-Zuffenhausen

Photographs: Stefan Warter, Berlin

Translations: CB Übersetzungen, Munich
Design: Atelier Lagally, Stuttgart
Blocks: L&N-Litho, Waiblingen
Printed by: Druckhaus Münster, Kornwestheim

Overview of the Porsche Group (Capital Investment)

Dr. Ing. h.c. F. Porsche AG
Stuttgart

- 65% Porsche Verwaltungsgesellschaft mbH, Bietigheim-Bissingen
- 99,8% Porsche Design GmbH, Zell am See, Austria — 0,2%
- 100% Porsche Design Studio North America Inc., Los Angeles / California, USA
- 65% Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Bietigheim-Bissingen
- 100% Porsche Design of America Inc., Wilmington / Delaware, USA
- 100% Porsche Design Asia Pacific Limited, Hongkong, China
- 100% Porsche Design Great Britain Limited, London, United Kingdom
- 100% Porsche Design of France SARL, Serris, France
- 100% Porsche Design Italia S.r.l., Milan, Italy

- 100% CTS Fahrzeug-Dachsysteme GmbH, Hamburg
- 100% CTS Technik und Design GmbH, Hamburg
- 99% CTS CarTopSystems Belgium N.V., Antwerp, Belgium — 1%
- 100% CTS CarTopSystems N.A. Inc., Rochester Hills/Michigan, USA
- 100% CTS CarTopSystems N.A., Bowling Green LLC, Bowling Green/Kentucky, USA
- 95% ING Leasing GmbH & Co. Fox OHG, Börnsen
- 74,8% Mieschke Hofmann und Partner Gesellschaft für Management und IT-Beratung mbH, Freiberg / N.
- 100% MI 911, Frankfurt a. M.
- 100% SUV Funding Limited, Island of Jersey, United Kingdom

- 100% Porsche Financial Services GmbH, Bietigheim-Bissingen
- 100% Porsche Classic GmbH, Ludwigsburg
- 100% Porsche Zentrum Hoppegarten GmbH, Stuttgart
- 100% Porsche Consulting GmbH, Bietigheim-Bissingen
- 100% Porsche Engineering Services GmbH, Bietigheim-Bissingen
- 100% Porsche Niederlassung Stuttgart GmbH, Stuttgart
- 100% Karosseriewerk Porsche GmbH & Co. KG, Stuttgart
- 100% PIKS Porsche-Information-Kommunikation-Services GmbH, Stuttgart
- 100% Porsche Deutschland GmbH, Bietigheim-Bissingen
- 100% Porsche Leipzig GmbH, Leipzig
- 100% Porsche Leipzig Service GmbH, Leipzig
- 100% Porsche Engineering Group GmbH, Weissach

- 90% Porsche Services Espana S.L., Madrid, Spain — 10%
- 100% Porsche Financial Services Japan K.K., Tokyo, Japan
- 100% Porsche Financial Services Great Britain Ltd., Reading, United Kingdom
- 100% Porsche Financial Services France S.A., Boulogne-Billancourt, France
- 100% Porsche Financial Services Italia S.p.A., Padua, Italy
- 95% Porsche Financial Services GmbH & Co. KG, Bietigheim-Bissingen — 5%
- 100% Porsche Financial Services Verwaltungsgesellschaft mbH, Bietigheim-Bissingen
- 100% Porsche Financial Services Australia Pty. Ltd., Collingwood, Australia
- 100% Porsche Niederlassung Mannheim GmbH, Mannheim
- 100% Porsche Engineering Services Inc., Wilmington / Delaware, USA
- 100% Porsche Engineering Services s.r.o, Prague, Czech Republic


100 % Porsche Ibérica S.A., Madrid, Spain
95% Porsamadrid S.L., Madrid, Spain
5%
95% Porsacentre S.L., Barcelona, Spain
5%
100 % Porsche Italia S.p.A., Padua, Italy
100 % Centro Porsche Padova S.r.l., Padua, Italy
100 % Porsche Haus S.r.l., Milan, Italy
100 % Porsche Cars Great Britain Ltd., Reading, United Kingdom
100 % Porsche Retail Group Ltd., Reading, United Kingdom
100 % Porsche Cars Australia Pty. Ltd., Collingwood, Australia
100 % Porsche Centre Melbourne Pty. Ltd., Collingwood, Australia
100 % Porsche International Financing plc, Dublin, Ireland
100 % Porsche International Insurance Ltd., Dublin, Ireland
100 % Porsche Capital LLC, Wilmington / Delaware, USA
100 % Porsche France S.A., Boulogne-Billancourt, France
100 % Zell Motors S.A.S., Levallois-Perret, France
5,1 % Porsche Funding Ltd. Partnership, Wilmington / Delaware, USA
94,9 %
100 % Porsche Funding LLC, Wilmington / Delaware, USA
100 % Porsche Financial Management Services Ltd., Dublin, Ireland
100 % Porsche Financial Services Inc., Wilmington / Delaware, USA
100 % Euro Select Quality Parts Inc., Wilmington / Delaware, USA
100 % Porsche Liquidity LLC, Wilmington / Delaware, USA
100 % Porsche Japan K.K., Tokyo, Japan
100 % Porsche Business Services Inc., Wilmington / Delaware, USA
100 % Porsche Aviation Products Inc., Wilmington / Delaware, USA
100 % Porsche Middle East FZE, Dubai, United Arab Emirates
100 % Porsche Cars North America Inc., Wilmington / Delaware, USA
100 % Porsche Logistics Services LLC, Wilmington / Delaware, USA
100 % PPF Holding AG, Zug, Switzerland
10 % Porsche Cars Canada Ltd., Toronto / Ontario, Canada
90 %
90 % Porsche Financial Services Canada GP, Mississauga / Ontario, Canada
10 %
96,15% Porsche Enterprises Inc., Wilmington / Delaware, USA
3,85%
100 % PCTX LLC, Wilmington / Delaware, USA
100 % Porsche Canadian Investment ULC, Halifax / Nova Scotia, Canada
100 % Porsche Asia Pacific Pte. Ltd., Singapore
100 % Porsche Motorsport North America Inc., Wilmington / Delaware, USA
100 % Porsche Russland OOO, Moscow, Russia
100 % Porsche Latin America Inc., Wilmington / Delaware, USA
100 % Porsche Investment Corp., Wilmington / Delaware, USA

Annual General Meeting in Stuttgart
January 27, 2006
Interim Report 1st six months
March 2006
Financial Press Conference
on 2005/06 fiscal year
December 2006
Analyst Conference on
2005/06 fiscal year
December 2006

Contact us at
Dr. Ing. h.c. F. Porsche Aktiengesellschaft
Porscheplatz 1
D-70435 Stuttgart

Telephone: +49(0) 711 911–0
Fax: +49(0) 711 911–257 77
http://www.porsche.com

Financial Press and Investor Relations
Telephone: +49(0) 711 911–25869
Fax: +49(0) 711 911–26375

This annual report is available in German and English.
In case of doubt the german version is binding.

Dr. Ing. h.c. F. Porsche
Aktiengesellschaft
D-70432 Stuttgart
Telephone +49(0)711 911–0