Annual General Meeting in Stuttgart
January 25, 2008
Interim Report 1st six months
March 2008
Financial Press Conference on 2007/08 fiscal year
November 2008
Analyst Conference on 2007/08 fiscal year
November 2008

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This annual report is available in German and English.
In case of doubt the german version is binding.

Porsche Group worldwide

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Annual Report 2006/07

PORSCHE SE

PORSCHE SE

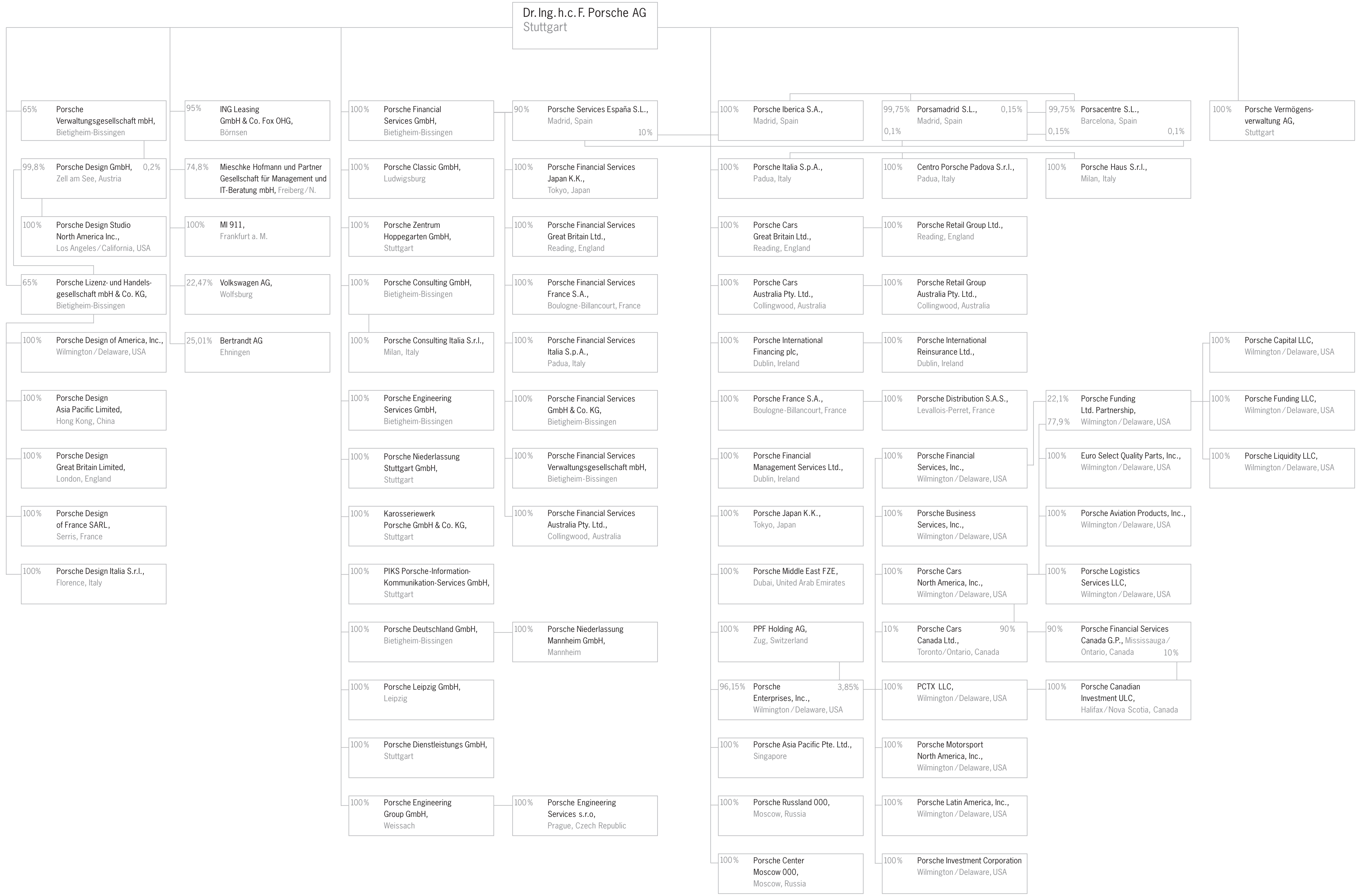
Annual Report 2006/07

Porsche Group Highlights

		1997/98 HGB	1998/99 HGB	1999/00 HGB	2000/01 HGB	2001/02 HGB	2002/03 HGB	2003/04 IFRS	2004/05 IFRS	2005/06 IFRS	2006/07 IFRS	
Sales	**€ million**	**2,519.4**	**3,161.3**	**3,647.7**	**4,441.5**	**4,857.3**	**5,582.0**	**6,147.7**	**6,574.0**	**7,273.0** [3]	**7,367.9**	**Sales**
Domestic	€ million	735.5	955.6	893.2	1,001.3	1,121.0	1,482.5	1,213.6	1,267.0	1,234.0	1,326.4	Domestic
Export	€ million	1,783.9	2,205.7	2,754.5	3,440.2	3,736.3	4,099.5	4,934.1	5,307.0	6,039.0	6,041.5	Export
Vehicle Sales (new cars)	**units**	**36,686**	**43,982**	**48,797**	**54,586**	**54,234**	**66,803**	**76,827**	**88,379**	**96,794**	**97,515**	**Vehicle Sales (new cars)**
Domestic Porsche	units	9,174	10,607	11,754	12,401	12,825	13,896	12,176	13,902	13,921	14,314	Domestic Porsche
Export Porsche	units	27,512	33,375	37,043	42,185	41,409	52,907	64,651	74,477	82,873	83,201	Export Porsche
Vehicle Sales Porsche	units	36,686	43,982	48,797	54,586	54,234	66,803	76,827	88,379	96,794	97,515	Vehicle Sales Porsche
911	units	17,869	23,090	23,050	26,721	32,337	27,789	23,704	27,826	34,386	37,415	911
Boxster	units	18,817	20,892	25,747	27,865	21,897	18,411	12,988	18,009	27,906	26,146	Boxster
Carrera GT	units	–	–	–	–	–	–	222	660	368	9	Carrera GT
RS Spyder	units	–	–	–	–	–	–	–	–	–	2	RS Spyder
Cayenne	units	–	–	–	–	–	20,603	39,913	41,884	34,134	33,943	Cayenne
Production	**units**	**38,007**	**45,119**	**48,815**	**55,782**	**55,050**	**73,284**	**81,531**	**90,954**	**102,602**	**101,844**	**Production**
Porsche total	units	38,007	45,119	48,815	55,782	55,050	73,284	81,531	90,954	102,602	101,844	Porsche total
911	units	19,120	23,056	22,950	27,325	33,061	29,564	26,650	28,619	36,504	38,959	911
Carrera GT	units	–	–	–	–	–	7	270	715	290	–	Carrera GT
Boxster	units	18,887	22,063	25,865	28,457	21,989	18,788	13,462	20,321	30,680	26,712	Boxster
RS Spyder	units	–	–	–	–	–	–	–	–	–	4	RS Spyder
Cayenne	units	–	–	–	–	–	24,925	41,149	41,299	35,128	36,169	Cayenne
Employees	**at year-end**	**8,151**	**8,712**	**9,320**	**9,752**	**10,143**	**10,699**	**11,668**	**11,878**	**11,384**	**11,571**	**Employees**
Personnel expenses	€ million	528.2	574.9	631.3	709.9	799.4	849.5	949.7	964.8	1,037.5	1,264.3	Personnel expenses
Balance Sheet												**Balance Sheet**
Total assets	€ million	1,490.9	1,916.1	2,205.4	2,891.6	5,408.7	6,315.0	9,014.3	9,710.1	14,640.5 [4]	23,332.4	Total assets
Shareholders' equity	**€ million**	**415.8**	**587.4**	**782.0**	**1,053.3**	**1,466.8**	**1,754.5**	**2,920.8**	**3,420.2**	**5,338.0** [4]	**9,481.0**	**Shareholders' equity**
Fixed assets	€ million	579.6	525.6	577.7	731.8	2.207.7	2,663.3	2,380.1	2,428.4	5,680.8	9,759.9	Fixed assets
Capital expenditures	€ million	175.8	155.0	243.7	293.8	1.119.5	1,295.2	1,111.1	919.0	4,083.0 [4]	3,881.3	Capital expenditures
Depreciation	€ million	157.1	183.7	196.6	132.7	278.8	392.2	381.5	510.5	488.8	531.7	Depreciation
Cash flow	€ million	305.0	407.8	424.7	418.4	781.5	1,007.9	1,120.4	1,335.3	1,873.0	4,834.9	Cash flow
Extended cash flow	€ million	413.1	592.5	506.5	764.4	1.067.3	1,389.6	1,511.7	1,332.1	2,100.6	5,642.2	Extended cash flow
Income before tax	**€ million**	**165.9**	**357.0**	**433.8**	**592.4**	**828.9**	**933.0**	**1,137.0**	**1,238.0**	**2,110.0** [3]	**5,857.0**	**Income before tax**
Net income	€ million	141.6	190.9	210.0	270.5	462.0	565.0	690.0	779.0	1,393.0 [3]	4,242.0	Net income
Dividends paid in total	**€ million**	**21.9**	**21.9**	**26.4**	**45.0**	**297.0**	**59.0**	**69.5**	**87.0**	**157.0**	**384.5**	**Dividends paid in total**
Dividends per share [1]												Dividends per share [1]
Ordinary share	€	1.23	1.23	1.48	2.54	2.94 + 14.00	3.34	3.94	4.94	5.94 + 3.00	6.94 + 15.00	Ordinary share
Preference share	€	1.28	1.28	1.53	2.60	3.00 + 14.00	3.40	4.00	5.00	6.00 + 3.00	7.00 + 15.00	Preference share
DVFA/SG earnings per share [2]	€	4.80	13.00	13.70	17.20	27.80	35.20	–	–	–	–	DVFA/SG earnings per share [2]
Earnings per ordinary share	€	–	–	–	–	–	–	39.63	44.68	78.10	239.80	Earnings per ordinary share
Earnings per preference share	€	–	–	–	–	–	–	39.69	44.74	78.22	239.86	Earnings per preference share

[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.
[3] incl. figures from discontinued operations of CTS Group
[4] Adjusted

Overview of the Porsche Group (Capital Investment) as of July 31, 2007



Porsche Automobil Holding SE

Fiscal Year 2006/07 of Dr. Ing. h.c. F. Porsche AG

Content

Porsche will remain Porsche also in Future

The judges' verdict was clear and unambiguous: The restriction of voting rights to 20 percent set forth so far in the VW Act contradicts legal standards and requirements. Passing this judgment on 23 October 2007, the European Court of Justice in Luxembourg thus put an end to an era which was actually long obsolete and no longer applicable in a world of free capital exchange.

Hence, Volkswagen must now abide by the same rules and standards also applicable to other companies: The weight and balance of votes at the General Meeting depends on the number of shares held.

A further point is that the State of Lower Saxony and the Federal Republic of Germany, according to the judgment passed by the Court, have lost their right previously set forth in the VW Act to each delegate two Members to the Volkswagen Supervisory Board as soon as they hold just more than one share in VW. In future, therefore, all Members of the Supervisory Board representing the shareholders will be appointed by the General Meeting, as is also the case with other companies quoted on the stock exchange.

With Porsche being the largest shareholder in Volkswagen AG, this ruling means that for the first time we are now able to fully exercise our voting rights of currently just over 30 per cent.

There can be absolutely no doubt that the Volkswagen Group will benefit from our involvement: It is our intention to be a lasting and reliable partner for Europe's largest carmaker. And we know that both the shareholders and employees of Porsche and Volkswagen alike fully endorse and support the commitment we are making. They welcome our clear intention to protect one of the most imaginative, interesting and exciting carmakers in the world from the risk of possibly being stripped of its assets and literally taken to pieces. And now – we see this without the slightest feeling of personal satisfaction – even the most critical analysts and experts in the capital market accept and endorse our strategy, even though originally they were somewhat sceptical about the assumption of our stake in Volkswagen.

The world of finance has therefore also recognised our long-term objective: Porsche sees itself not merely as an investor in Volkswagen, but rather as a strategic and industrial partner. Our commitment benefits both our Company and Volkswagen alike. Our cooperation already encompassing important areas of technology such as the development of the next generation of our Sports Utility Vehicle and hybrid drive will be expanded to other areas and activities. And we are firmly convinced that Volkswagen in the long run will succeed in moving up to the world's No 1 in our industry, Toyota, in terms of both profitability and its product portfolio. This, we are convinced, is the most promising way to secure jobs at Volkswagen also in the long term.

We fully understand and realise that such certainty is essential in order to maintain secure jobs and a reliable, calculable income, thus successfully meeting the challenges of the future together. Indeed, this is clear and undeniable, nobody wishes to change this conviction. Quite simply because only he who has the full support of the employees can be a winner in the global market. And we are obliged to take on the major players in the global automobile monopoly in all kinds of different markets and segments, and to win against this competition. For those competitors have for a long time established their position and are looking for nothing but a soft spot in the flanks of Porsche and Volkswagen.

Given this situation, it was only logical for us to submit a mandatory offer to Volkswagen shareholders, which is precisely what we did in March 2007 when increasing our share in the Volkswagen Group to more than 30 per cent. This helped us avoid becoming involved in a possible competition among bidders, having to pitch our resources against other investors. And it gave us the flexibility required for taking further steps with VW.

We were then particularly happy to note the support of our shareholders in the realignment of the Company at our Extraordinary General Meeting on June 26, 2007. There can be no doubt, therefore, that June 26, 2007 was a historical date, the day on which we received the go-ahead for changing the structure of the Company into a Holding. The step taken in this way served to provide a clear distinction and separation between Porsche's operative business, on the one hand, and Porsche's stake in Volkswagen, on the other. This ensures that also in future Porsche will remain Porsche – and – VW will remain VW.

Establishing the Holding, we have also created a corporate unit responsible for the management of our business interests. Indeed, while this might appear at first sight to be nothing but a simple administrative act, the process involved has a far-reaching impact – for you as shareholders, for the partner families in the Group, for the Board of Management, for our Senior Managers, and for the workforce of our Company as a whole.

The reason, quite simply, is that our Company is being realigned on the basis of these decisions taken by the General Meeting. The Holding forms a roof for the companies involved and is changing both its name into Porsche Automobil Holding and its legal status into a European joint-stock company, a so-called Societas Europaea or SE for short. In future you will see this new name mainly in its abbreviation Porsche SE when involving our Company.

As you will certainly have noticed, the cover on this Annual Report already comes in our new corporate identity.

The most essential feature of this reorientation for our shareholders is that in future they are shareholders in Porsche Automobil Holding SE. Dr. Ing. h.c. F. Porsche AG, in turn, the original company so rich in tradition, will be run by the Holding as a wholly-owned subsidiary.

To carry forward the rights of our workforce directly and without the slightest change into Porsche's new era, we have negotiated and signed a new co-determination agreement with the representatives of our Company's employees. This ensures the pro-rata representation of employees on the Holding's Supervisory Board, meaning that Porsche employees will always be represented on the Supervisory Board in future, even when new companies join the Group. According to the agreement, the employee representatives of both member companies will each elect half the members of the SE Works Council after another Group member company such as for example Volkswagen has joined the Group. This Works Council will then elect the six representatives of employees on the SE Supervisory Board.

It was essential for Porsche's Board of Management to ensure that the interests of the employee representatives of Dr. Ing. h.c. F. Porsche AG, as the Company stands today, are appropriately represented in the future Holding. After all, it was these employees who in the first place established the basis for Porsche being able to assume a share in VW. An equally important point, however, was to ensure that the rights of the employees of other companies joining the Group in future are also represented appropriately. Indeed, precisely this is how we define genuine, active co-determination.

In consideration of these changes, we may rightly assume without exaggerating that the date of our Extraordinary General Meeting will most probably go down in the annals of history. For we all realise that this small Company from an inconspicuous suburb of Stuttgart has not only succeeded in moving from one record to the next in the last 15 years, but has rather grown into a new dimension which in the early '90s appeared quite unthinkable. And in making this point I mean not just our stake in Volkswagen, but rather the development of Porsche as such.

In the 2006/2007 year of business, Porsche sales, revenues and earnings are up once again. Despite even keener competition in the international markets, we have set up new records yet again, with our earnings being enhanced largely by special effects in connection with our commitment to Volkswagen. Indeed, earnings from stock option transactions are more than Euro 3.5 billion. A further point is that the revaluation of our stake in Volkswagen by Euro 520 million, as already announced in our half-yearly 2006/2007 results, has a positive impact on earnings. The announcement of this profit was essential because the very good development of VW's results called for verification and confirmation of the value of our investment.

Our Company is well prepared for the years to come. Porsche is growing very dynamically in new markets such as China and Russia, as well as the Middle East and South America – and we are consistently expanding our product range.

In other words, we are preparing for the challenges of the future, developing not only the hybrid drive concept with its benefits particularly significant for the environment, but also the four-door and four-seater Gran Turismo Panamera.

A very important point is that despite all these changes within our Company we are remaining faithful to ourselves and will not lose touch with reality in the years to come. We realise that our substantial stake in Volkswagen gives Porsche a significant challenge. But you may rest assured that the Board of Management of this Company will continue to prove and confirm that we are all taking the right path together.

Dr. Wendelin Wiedeking
Chairman of the Board of Management

Company Boards of the Porsche Automobil Holding SE

Members of the Supervisory Board

Dr. Wolfgang Porsche
Diplom-Kaufmann
Chairman

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

Hans Baur*
Diplom-Ingenieur
Trade union secretary

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

Wolfgang Leimgruber*
Director of bodyshop/paintshop

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

Dr. Hans Michel Piëch
Attorney at law

Dr. Ferdinand Oliver Porsche
Subsidiary management

Hans-Peter Porsche
Ingenieur

Hansjörg Schmierer*
Trade union secretary

Walter Uhl*
Head of the works council Weissach

Werner Weresch*
Automotive mechanic
member of the works council

* Elected employee representative

Members of the Executive Board

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

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

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

Members of the Supervisory Board

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

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

Hans Baur*
Diplom-Ingenieur
Trade union secretary
Deputy Chairman

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

Maria Arenz*
Lawyer
Department head
until September 25, 2006

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

Jürgen Kapfer*
Project manager

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

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

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

Dr. Hans Michel Piëch
Attorney at law

Dr. Ferdinand Oliver Porsche
Subsidiary management

Hans-Peter-Porsche
Engineer
from January 26, 2007

Hansjörg Schmierer*
Trade union secretary

Werner Weresch*
Automotive mechanic
member of the works council

* Elected employee representative

Members of the Executive Board

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

Klaus Berning
Sales and Marketing
from November 2, 2006

Wolfgang Dürheimer
Diplom-Ingenieur
Research and Development

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

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

Holger P. Härter
Diplom-Volkswirt
Finance and Controlling

Michael Macht
Diplom-Ingenieur
Production and Logistics

Report of the Supervisory Board

The Supervisory Board assumed the supervision and advisory functions imposed by law and articles of incorporation and bylaws over the reporting period. In compliance with legal requirements, the Supervisory Board was kept informed in detail, continuously and promptly throughout the fiscal year 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. The reporting dealt in particular with the situation of the company, business development and business policy. Outside the meetings, the Supervisory Board was also kept up to date with market developments and the progress of business divisions. Prime importance was attached to monthly reports containing and explaining significant current quantity and financial data with reference to the budget and the previous year's figures. The Supervisory Board has examined the main planning and decision-making documents and satisfied itself that these are correct and adequate. The Supervisory Board reviewed and discussed all the reports and documents presented to the extent required. No objections were raised to the work of the Executive Board.

The Supervisory Board examined fundamental issues of corporate planning, in particular financial, investment and human resources planning. It was involved in all decisions of fundamental importance for Porsche AG or the Porsche Group. The Supervisory Board approved all the matters which the Executive Board presented to it for approval in accordance with the rules of procedure of the Executive Board.

At an extraordinary meeting, the Supervisory Board gave its authorization after in-depth consultation with the Executive Board to increase the investment in Volkswagen AG from 27.3 percent to up to 31 percent and to make the non-group Volkswagen shareholders a mandatory bid. At the same meeting, the Supervisory Board approved the establishment of a holding structure by spinning off the business operations of Porsche AG to Porsche Vermögensverwaltung AG and by concluding a control and profit and loss transfer agreement between Porsche Vermögensverwaltung AG and Porsche AG as the controlling company. The Supervisory Board also approved the decision to rename the future holding company Porsche Automobil Holding and to convert it into a European stock corporation. Dr. Ferdinand Piëch was not involved in these resolutions to step up the Volkswagen investment and to restructure the Porsche Group.

The Supervisory Board satisfied itself that the Executive Board is duly conducting the company's business and has taken all the necessary measures in good time and effectively. This also applies to appropriate risk provisioning and compliance.

No member of the Supervisory Board attended fewer than half of the meetings. If unable to attend meetings, the Supervisory Board members sometimes participated in the resolutions by casting votes in writing. The Supervisory Board has set up a Standing Committee which acts as personnel committee and mediation committee in accordance with § 27 (3) German Codetermination Act and also decides on transactions requiring approval in urgent cases. No other committees were established.

The Supervisory Board and Executive Board have repeatedly discussed the recommendations and suggestions of the German Corporate Governance Code and have issued a declaration of compliance in accordance with § 161 AktG which is permanently available to its shareholders on the website at www.porsche.de. The declaration of compliance is reproduced in its entirety in the Corporate Governance report as part of the 2006/07 annual report. The Supervisory Board has conducted an efficiency test in the form of a self-assessment.

In the 2006/07 fiscal year, there were six ordinary and one extraordinary meeting of the Supervisory Board. The Standing Committee met six times. The Mediation Committee did not have to be convened.

The financial statements of Porsche AG and the consolidated financial statements prepared by the Executive Board for the 2006/07 fiscal year were examined, with reference to the bookkeeping and the combined management report for the AG and the Group, were audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, who had been elected by the stockholders' annual general meeting held on January 26, 2007. The audit included the Executive Board’s measures for the early identification of risks that could endanger the company’s success or survival. The auditor did not have any reservations and certified this by rendering an unqualified opinion.

The financial statements of Porsche AG, the consolidated financial statements and the combined management report on which Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, rendered their unqualified opinion, as well as the audit reports of the auditor were submitted to the Supervisory Board for review. The Supervisory Board reviewed the documents presented to it in good time in accordance with §170 (1) and (2) AktG and the audit reports of the auditor. The Supervisory Board has approved the results of the audit report of Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart. Based on the results of its reviews, the Supervisory Board has no objections to raise. The Supervisory Board has approved the financial statements and the consolidated financial statements for the 2006/07 fiscal year. The annual financial statements are thus ratified. The Supervisory Board agrees with the management report prepared by the Executive Board. The Supervisory Board also agrees to the Executive Board’s proposal for the appropriation of profit.

At the meeting of the Supervisory Board on November 12, 2007 at which the financial statements were ratified and the consolidated financial statements approved, the auditors were present for the relevant point on the agenda and reported on their audit of the financial statements and consolidated financial statements.

The Executive Board has prepared a dependent company report for the 2006/07 fiscal year in accordance with §312 AktG. The auditor audited the dependent company report and issued the following opinion:
"Based on our audit and assessment in accordance with professional standards, we confirm that

1. the actual disclosures contained in the report are correct,
2. the payments made by the company in connection with transactions detailed in the report were not unreasonably high."

The Supervisory Board received the dependent company report and the audit report of the auditor in good time. Following its own review, which did not lead to any objections, the Supervisory Board approved the result of the audit of Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, at its meeting on November 12, 2007 which was also attended by the auditor. Based on the results of the examination by the Supervisory Board, it has concluded that no objections need to be raised against the final declaration of the Executive Board in the dependent company report.

After many years of outstanding service, Prof. Dr. Sihler, has laid down his office as member and chairman of the Supervisory Board at the end of the ordinary stockholders meeting on January 26, 2007 and thus retired from the Supervisory Board. We would like to thank Prof. Dr. Sihler for his outstanding contribution to Porsche AG. We would also like to thank Dr. Zügel who took his leave of the Supervisory Board on January 26, 2007 after 27 years. The achievements of these gentlemen both during their professional careers and in their official capacities at Dr. Ing. h.c. F. Porsche AG have been outstanding. Their track records are impressive and they deserve our unconditional respect.

The Supervisory Board expresses its gratitude to the Executive Board, the employees' elected representatives and all employees in acknowledgement of their dedicated work in the past fiscal year.

Stuttgart, November 12, 2007

Wolfgang Porsche

The Supervisory Board
Dr. Wolfgang Porsche
Chairman

Holding

At the end of March 2007 when the Porsche Management Board announced its intentions to restructure the company and increase its share in Volkswagen, the price of both companies' shares increased considerably. This reaction demonstrated the strength of the financial markets' conviction in the success of prosperous cooperation between the two automobile manufacturers based in Stuttgart and Wolfsburg.

Such confidence was again reflected at Porsche's Extraordinary General Meeting, held in Stuttgart at the end of June 2007. Shareholders agreed upon a new structure and modified legal form for the company in the future. Shareholders voted unanimously in favor of the operating activities of Porsche AG becoming the responsibility of a hundredpercent subsidiary in accordance with the provisions of the Transformation Act, of adopting a controlling and profit transfer agreement between the holding company and the operating subsidiary, and also of transforming the holding company into a European Company, a so-called Societas Europaea (SE). The name 'Porsche Automobil Holding' was also unanimously approved. The company's headquarters is in Stuttgart.

The new Holding will Manage Porsche Stock

The new holding will be responsible for the stock of the operating subsidiary, Dr. Ing. h.c. F. Porsche AG, and for the investments in Volkswagen AG, which at the end of the review period represented 30.6 percent of that company's common stock. Subsidiaries of Volkswagen AG are Audi, Bentley, Bugatti, Lamborghini, Seat, Skoda, Volkswagen and VW Commercial Vehicles.

With the new structure, Porsche ensures that the autonomy and independence of the traditional Stuttgart-based company remain fully protected. This is the main purpose of separating holding and operating activities. At the same time, the holding also represents a single company responsible for the management of stock.

The decision to transform the company into an SE follows on from the fact that this is a modern form of company with an international focus, which will provide the prerequisites for the ongoing development of the Porsche Group. The supra-national legal status of an SE not only requires the creation of an open and international corporate culture, but also offers the opportunity to keep a Supervisory Board with twelve members, which thus far has proven to be an ideal number.

It has been possible to establish an SE in Germany since December 2004. Several large German companies have either already become an SE or are currently undergoing the procedures to do so.

Committees have been Formed

The Supervisory Board of Porsche Automobil Holding SE met on July 24 and 25, for its constitutive session. The Board appointed Dr Wolfgang Porsche to the position of Chairman; his Deputy is Porsche's Chairman of the Supreme Works Council Uwe Hück. Wolfgang Porsche is an associate partner in Porsche Automobil Holding SE and also Chairman of the Supervisory Board of the subsidiary, Dr. Ing. h.c. F. Porsche AG. Uwe Hück is also a member of the Supervisory Board of Porsche AG.

The first decision taken by the new Supervisory Board was to appoint Dr Wendelin Wiedeking to the position of Chairman of the Board of Management of Porsche Automobil Holding SE. Holger P. Härter was appointed Deputy Chairman of the Board as well as Chief Financial Officer in charge of the Financial Division. Both men will retain their respective functions within Dr. Ing. h.c. F. Porsche AG.

Co-determination on the Supervisory Board

The employer representatives on the twelve-member Supervisory Board of Porsche Automobil Holding SE are the same as those previously on the Board of Dr. Ing. h.c. F. Porsche AG before separation and conversion into an SE. The employee representatives were named in the agreement on co-determination. All members of the Board are listed on page 6 under 'Company Boards'. The Management Board of Porsche AG and the Special Negotiation Board [Besondere Verhandlungsgremium (BVG)] have reached an agreement covering the co-determination of employees in the new Holding. The BVG was formed in May 2007 and is made up of 17 members, including employee representatives from the Porsche Group and its national companies in Germany, France, Great Britain, Ireland, Italy, Austria, Spain and the Czech Republic as well as representatives of the IG Metall German Metalworkers Union.

The agreement determines the tasks of the employees in the Works Council of the new Holding as well as the procedures for electing the future SE Works Council and the representation of employees on the SE Supervisory Board. The Supervisory Board of Porsche Automobil Holding will have parity representation of shareholders and employees. The basic principles of German co-determination were thus transferred to Porsche Automobil Holding SE. Should further entities within the Group join the Holding in future they are guaranteed representation in the SE Works Council. The employee seats on the SE Supervisory Board will likewise be fairly distributed amongst all companies in the Group.

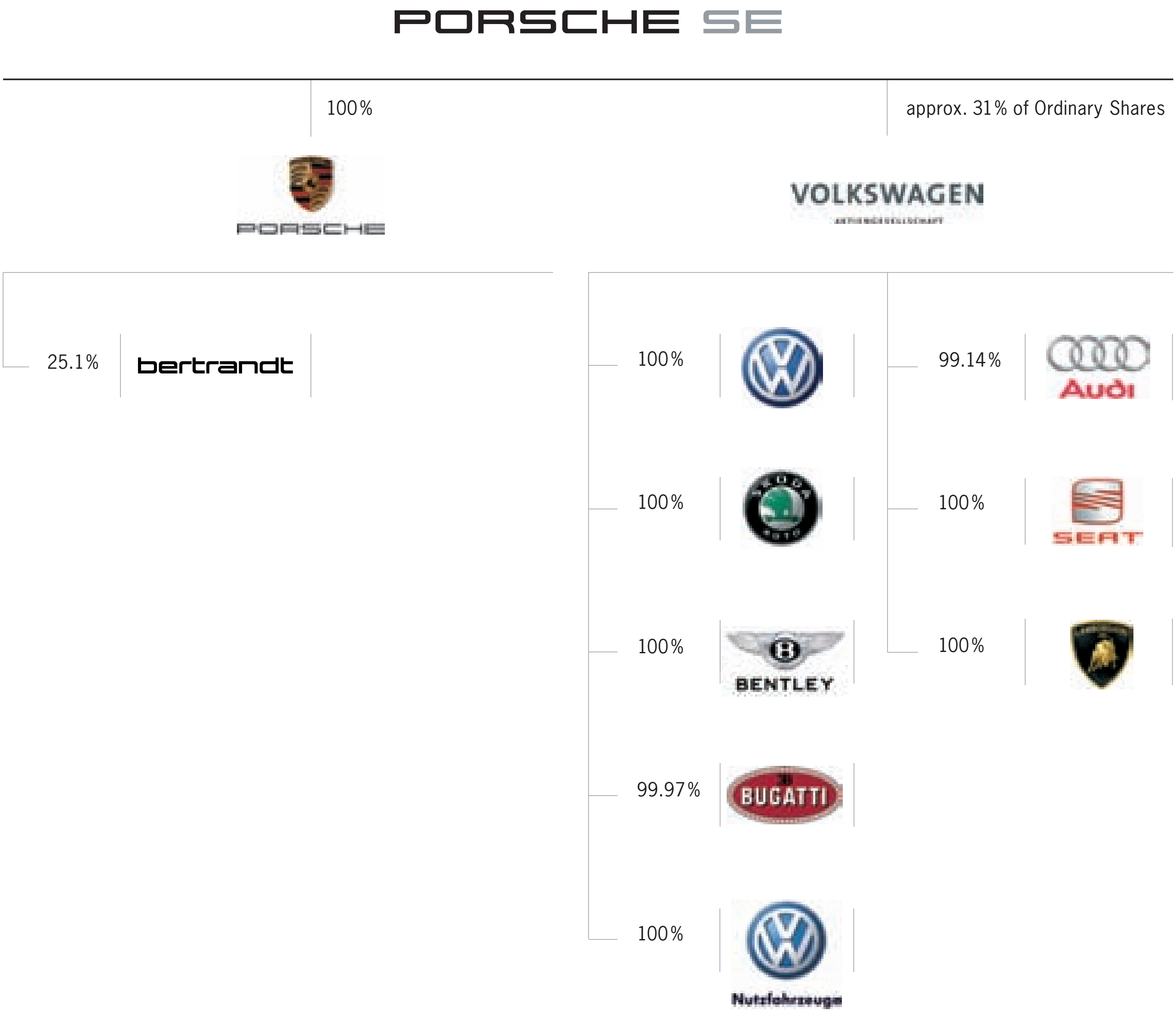
Registration on November 13, 2007

The SE was inscribed in the trade register on November 13, 2007. This required a draft final balance report from Dr. Ing. h.c. F. Porsche AG for July 31, 2007, which was finalized by the Supervisory Board the day before the registration.

From a legal point of view, Porsche Automobil Holding SE and the former Dr. Ing. h.c. F. Porsche AG are one and the same legal entity. This means the change in corporate form to become an SE entailed no transfer of assets and liabilities. Nevertheless, the company received a new registration number with the Stuttgart District Court when it became a SE.

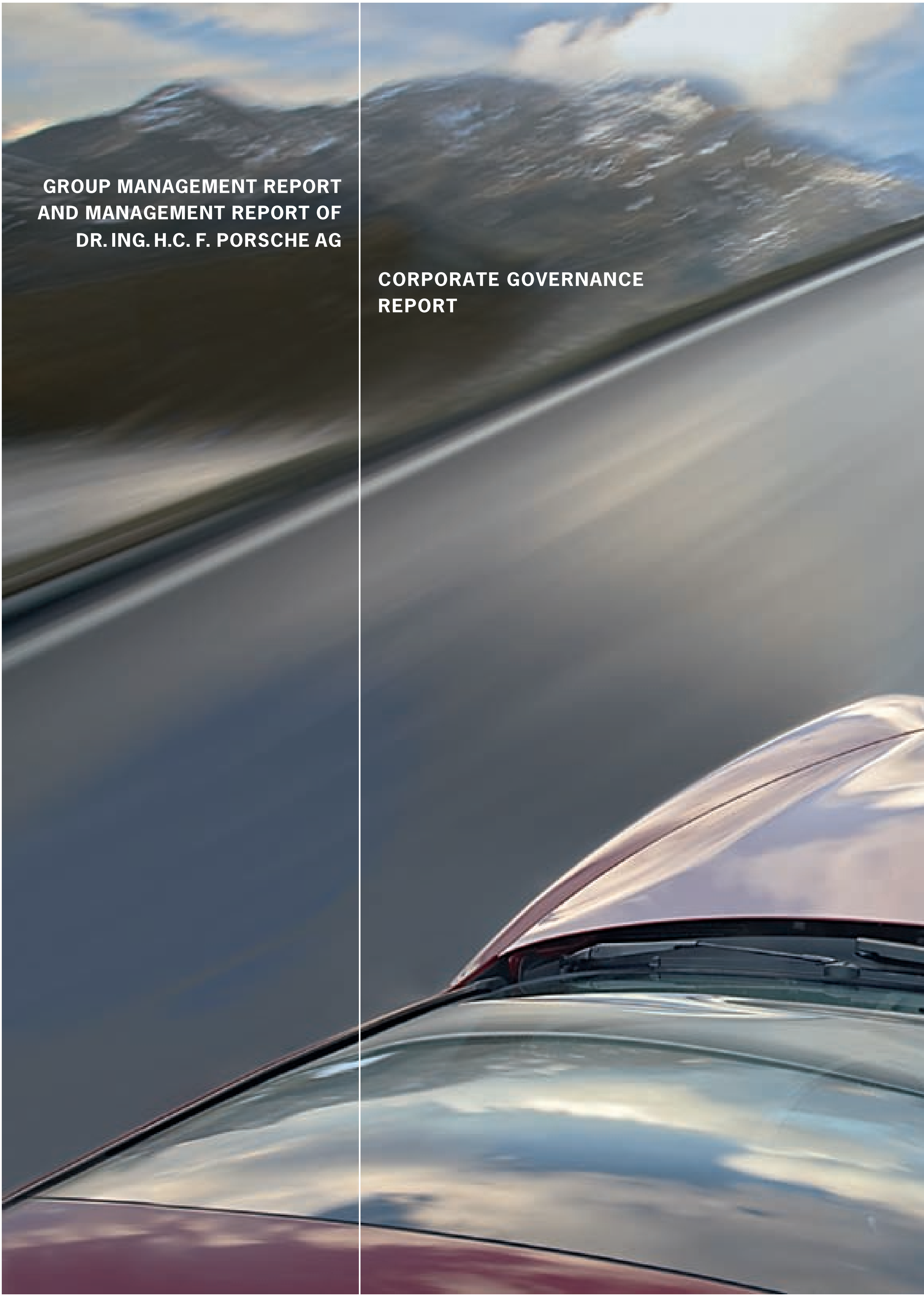
All shareholders of the former Dr. Ing. h.c. F. Porsche AG became shareholders in Porsche Automobil Holding SE after the change in corporate form, and the Holding will invite them to the Annual General Meeting to be held on January 25, 2008, at the 'Porsche Arena' in Stuttgart.

The new Structure of Porsche



GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT OF DR. ING. H.C. F. PORSCHE AG

CORPORATE GOVERNANCE REPORT

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

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

Robust Global Economy

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

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

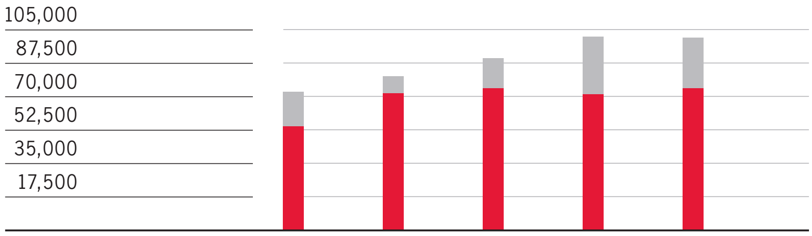
German exports continued to grow at a faster rate than world trade as a whole. The slight dip in the US economy and the strong euro were, however, hardly perceptible because German companies have greatly improved their international competitiveness in recent years and the order books are full.

Porsche Sets the Next Record

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

Porsche Vehicle Production

in units



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

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

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

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

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

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

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

Strong Demand in the Markets of the Future

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

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

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

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

Sales Revenue Growth Outpaces Unit Sales

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

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

Production in Full Swing

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

Substantial Increase in Development Expenditures

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

New Jobs Created

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

Porsche Drives Home Record Result

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

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

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

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

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

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

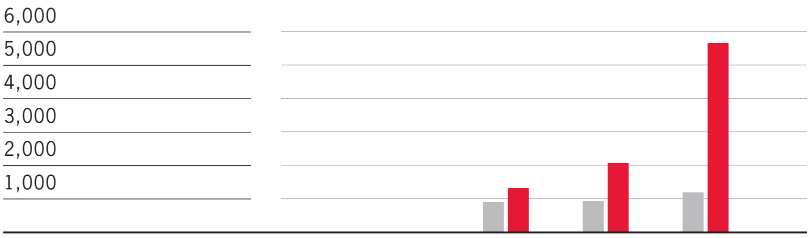
The pre-tax result calculated in accordance with German Commercial Code (HGB) rose to 2.918 billion Euro at Porsche AG; in the previous year this figure stood at 1.668 billion Euro. Net income rose from 1.254 billion Euro to 1.930 billion Euro. Besides the operating business, the distributions of the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

Capital Expenditures and Depreciation

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

Capital Expenditures* and Extended Cash Flow

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



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

* without financial investment

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

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

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

Mandatory Bid to Volkswagen Shareholders

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

Financial Structure: Cash Flow Increased

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

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

Decision in Favor of Porsche Automobil Holding SE

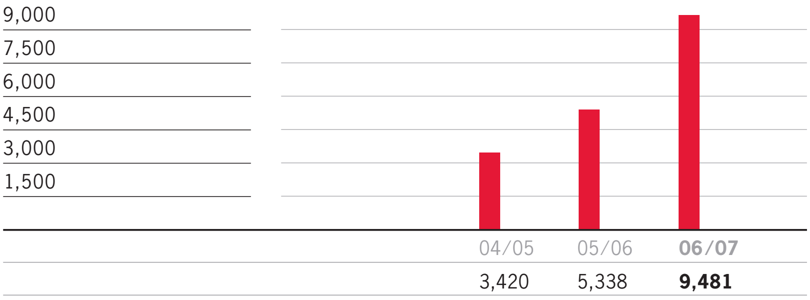
Towards the end of the fiscal year, on June 26, 2007, the extraordinary stockholders' meeting decided that Porsche would go into the future with a new corporate structure and changed legal form. The stockholders unanimously voted in favor of spinning off the operating business of Porsche AG into a wholly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

Subsequent Events

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

Equity

in million Euro



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

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

Thanks to Employees, Business Associates and Shareholders

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

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

Opportunities and Risks to Future Development

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

Continuous Monitoring of Business Processes

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

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

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

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

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

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

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

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

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

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

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

Extensive Quality Assurance Measures

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

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

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

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

Dependent Company Report Drawn Up

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

Outlook

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

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

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

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

Stuttgart, October 15, 2007

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

Corporate Governance Report

Cooperation between Executive Board and Supervisory Board

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

Remuneration Report

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

Risk Management

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

Communication and Transparency

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

Declaration of Conformity with the Corporate Governance Code

The Background

On February 26, 2002 the Federal German Government Commission on the Corporate Governance Code introduced a standard of good and responsible corporate governance for executive boards and supervisory boards of companies listed on the stock exchange. The executive and supervisory boards of listed companies are obliged to make an annual declaration of conformity as to whether they have complied and continue to comply with the Code, or which of the recommendations contained in the Code have not been or are not applied.

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

Declaration of Conformity by Porsche AG

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

“If the company takes out a D&O (directors and officers’ liability insurance) policy for the executive board and supervisory board, a suitable deductible should be agreed.” (No. 3.8 German Corporate Governance Code).

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

“The supervisory board should establish an audit committee which, in particular, deals with issues of accounting and risk management and compliance, the necessary independence required of the auditor, issue the audit mandate to the auditor, determination of audit priorities and agreed fee. The chair of the audit committee should possess specific knowledge of and experience with the application of accounting principles and internal auditing procedures.” (No. 5.3.2 German Corporate Governance Code).

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

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

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

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

Notifications of purchases and sales of Porsche preference shares by members of the Executive or Supervisory Boards are published in accordance with §15a WpHG to the extent that this is provided for by § 15a WpHG. Publication in any other form of the shares or related financial instruments held by members of these bodies has not taken place so far and is not envisaged in the future.

"The consolidated financial statements should be publicly accessible within 90 days of the end of the fiscal year; interim reports should be publicly accessible within 45 days of the end of the reporting period." (No. 7.1.2 German Corporate Governance Code).

Porsche has established a publication cycle corresponding to its non-standard fiscal year, which guarantees the company optimum publicity. We do not consider a deviation from this practice to be appropriate.

"In order to permit independent advice to and supervision of the executive board by the supervisory board, the supervisory board should have what it regards as a sufficient number of independent members. A member of the supervisory board is regarded as independent if he/she has no business or personal relationship with the company or its executive board that could lead to a conflict of interests."
(No. 5.4.2 German Corporate Governance Code).

This recommendation does not allow for the special character of Porsche AG's shareholder structure. There have been and still are many and varied relationships with holders of ordinary shares that are members of the Porsche and Piëch families. Members of both families sit on the Supervisory Board of Porsche AG and undertake supervisory functions as co-owners. We see no conflict of interests here.

"Shareholders and third parties are mainly supplied with information by the consolidated financial statements. They are to be informed during the fiscal year by means of interim reports." (German Corporate Governance Code amended June 12, 2006).

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

"The total compensation of each member of the executive board is to be disclosed by name, divided into non-performance-related, performance-related and long-term incentive components, unless decided otherwise by the General Meeting by three-quarters majority." (No. 4.2.4 German Corporate Governance Code).

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

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

We show the salaries of the members of the Executive Board subdivided into fixed and performance-related components. Porsche AG does not operate a stock option scheme. We do not comply with the recommendation of the Code to show the payments to board members individually. In our opinion, the associated disadvantages, particularly the inevitable upward leveling of the board members' salaries and the invasion of the individuals' right to privacy, outweigh the advantages to investors of such a practice. The investors are, in any case, unaware of the criteria on which differences between board members' salaries are based. Moreover, the new law governing the disclosure of board salaries applicable from 2006 leaves it up to the annual general meeting to pass a resolution with a three-quarters majority of the voting capital stock to waive the publication of the compensation of the individual members of the Executive Board.

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

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

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

"Payments to the members of the supervisory board should be reported individually in the corporate governance report, subdivided by component." (No. 5.4.7 German Corporate Governance Code).

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

"Also payments made by the company to the members of the supervisory board or advantages extended for services provided individually, in particular advisory or agency services should be listed separately in the corporate governance report." (No. 5.4.7 German Corporate Governance Code).

The ability to access the expertise of the individual members of the families that are shareholders in the company on specific subjects represents a particular advantage for Porsche AG. Taking the legal requirements into account, this cooperation takes place on terms that are customary in this business sector and which are also complied with in the event of comparable business arrangements being undertaken with third parties. The company has taken a fundamental decision not to present individual information about the compensation for personal services rendered in the Corporate Governance Report.

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

FINANCES

CAPITAL MARKET

Finances

Income from hedging transactions in connection with the purchase of further Volkswagen shares as well as the revaluation of the investment in Volkswagen contributed to the marked rise in profits at Porsche. The dividend also rose further as a result of the increased equity investment at Volkswagen AG, which was raised to 30.6 percent of ordinary shares.

New Records Set

In 2006/07 the Porsche Group once again closed a fiscal year with its key financial indicators evidencing record results. Unit sales, sales revenues and especially earnings all improved yet again in comparison with the previous year. As a consequence, the consolidated balance sheet total rose by 8.692 billion Euro to 23.332 billion Euro.

Capital expenditures on intangible assets, property, plant and equipment and leased assets totaled 1.205 billion Euro, following 954.2 million Euro in the previous year (without the capital expenditures from the Car Top System Group that has been sold). Of this sum, 625.7 million Euro was spent on vehicles leased by our financial services entities, compared with 551.9 million Euro in the previous year.

The investment in Volkswagen AG was increased to 30.6 percent. Capital expenditures of 2.676 billion Euro were made here. For these acquisitions and to secure the takeover offer for Volkswagen AG shares, share price hedges were entered into. Amortization and depreciation increased from 488.8 million Euro in the previous year to 531.7 million Euro in the reporting year.

As of the balance sheet date, July 31, 2007, the Porsche Group's non-current assets amounted to 9.760 billion Euro, compared with 5.681 billion Euro in the previous fiscal year. The share of non-current assets in the balance sheet total amounted to 41.8 percent (previous year: 38.8 percent). The share of the Porsche Group's non-current assets covered by equity was 97 percent; the equivalent figure in the previous year was 94 percent.

Inventories increased from 594.1 million Euro to 625.2 million Euro. Trade receivables accounted for 265.9 million Euro; in the previous year this figure was 205.0 million Euro. The rise in receivables from financial services from 1.684 billion Euro to 1.782 billion Euro reflects the expansion of this business division. Other receivables and assets amounted to 5.890 billion Euro (previous year: 1.573 billion Euro) and contain financial instruments, for the most part comprising currency, interest rate and share price hedges of 5.556 billion Euro.

The share price hedges serve on the one hand to secure the takeover offer for shares in Volkswagen AG, and on the other hand to obtain short-term liquidity. Cash receipts came to 322 million Euro. On account of changes in the pertinent tax laws, income tax receivables now for the first time include the present value of

the tax credits from existing reserves of 63.6 million Euro recognized in profit or loss. Deferred tax assets amounted to 75.1 million Euro after 152.9 million Euro in the previous year.

Further Increase in Liquidity

Cash and cash equivalents amounted to 4.844 billion Euro (previous year: 4.750 billion Euro). Net liquidity, i.e. cash and cash equivalents less financial liabilities but excluding financial services transactions, only fell to 283.2 million Euro despite the acquisition of the equity investment in Volkswagen AG (previous year: 1.881 billion Euro). The extended cash flow rose sharply to 5.642 billion Euro (previous year: 2.101 billion Euro). The cash outflow from investing activities of continuing operations totaled 3.552 billion Euro (prior year: 3.609 billion Euro).

Significantly Higher Equity

The Porsche Group's equity went up by 4.143 billion Euro to 9.481 billion Euro in the reporting year. The equity ratio rose to 40.6 percent after 36.5 percent in the previous year. It includes a hybrid bond with a nominal volume of one billion US dollars that is allocable to equity.

Pension provisions together with other provisions amounted to 2.505 billion Euro in the reporting year (previous year: 2.300 billion Euro). All known risks were taken into consideration. Deferred tax liabilities increased to 612.8 million Euro, primarily as a result of income not yet affecting cash flows, following 181.8 million Euro in the previous year. Trade payables came to 512.7 million Euro (previous year: 482.8 million Euro). Other liabilities totaled 2.775 billion Euro (previous year: 1.290 billion Euro). The principal reason for the large increase is the rise in the amount of financial instruments used.

Financial liabilities in the reporting year totaled 6.549 billion Euro (previous year: 4.810 billion Euro). This increase serves to finance the expansion of business activities. For the refinancing of the financial services business, asset-backed structures in specific countries were mainly used, with a volume amounting to 1.849 billion Euro. Of the financial liabilities, more than 2.322 billion Euro related to bonds.

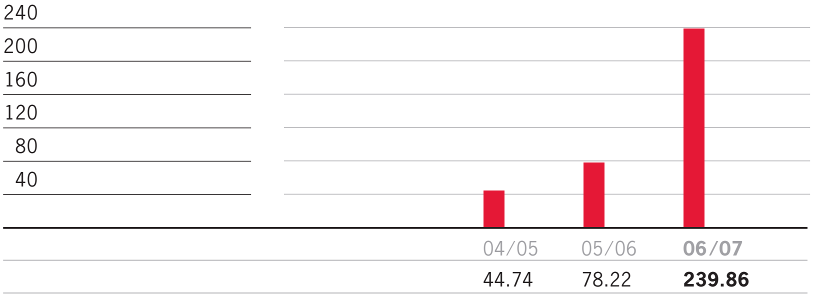
Earnings Remain Strong

Porsche's earning power remained strong in the reporting year. Once again, Porsche succeeded in increasing the Group's extremely high pre-tax result of 2.110 billion Euro in the previous fiscal year even further. The unusually large leap in earnings in the reporting year to a total of 5.857 billion Euro is due, however, to special factors and non-recurring effects. This also applies to the rise in the net income for the year to 4.242 billion Euro after 1.393 billion Euro the previous year. These extraordinary effects include Porsche income from equity investments in Volkswagen AG of 702.4 million Euro (previous year: 182.9 million Euro) as well as the revaluation of the equity investment in Volkswagen to account for the positive development of earnings, which led to a write-up of 520.8 million Euro.

The dividend recognized by Porsche AG in the investment result from the equity investment of 30.6 percent of the ordinary shares held in Volkswagen AG amounted to 111.1 million Euro. The increase in earnings was primarily attributable to income from share price hedges relating to the acquisition of further shares in Volkswagen AG and the takeover offer for shares in Volkswagen AG, which gave rise to total net income of 3.593 billion Euro.

Earnings per Preferred Share

in Euro



Porsche AG's pre-tax profit went up from 1.668 billion Euro to 2.918 billion Euro; its after-tax profit improved from 1.254 billion Euro in the previous year to 1.930 billion Euro.

The increase in overall unit sales also had a positive effect on the Group's sales revenue, which went up by 3.4 percent to 7.368 billion Euro. Other operating income climbed from 1.045 billion Euro to 7.264 billion Euro. On the other hand, other operating expenses increased from 1.709 billion Euro to 4.600 billion Euro. This extraordinarily large increase is attributable first and foremost to the aforementioned share price hedges. Cost of materials rose to 3.660 billion Euro (previous year: 3.274 billion Euro), and now accounts for 48.6 percent of total operating performance after 44.9 percent in the previous year. This item reflects the changed model mix and also the success of our cautious currency hedging policy.

The Porsche Group's personnel expenses rose from 1.037 billion Euro to 1.264 billion Euro. Financial income, which rose to 1.118 billion Euro (previous year: 196.5 million Euro), is heavily influenced by the equity investment in Volkswagen AG. The higher level of refinancing has led to higher interest expenses of 272.2 million Euro (previous year: 198.6 million Euro). The tax expense of 1.615 billion Euro led to a tax rate of 27.6 percent (previous year: 35.2 percent).

The main reason for this low tax rate is the more or less tax-free income from the equity investment in Volkswagen AG.

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. In a next step, various instruments are implemented to protect Porsche against exchange rate risks.

Hedging agreements are concluded only with banks of high standing, so that the credit risk is minimized. We also secure loans made to group entities by means of interest hedges. Cash-settled share price hedges are used on the one hand to hedge the takeover offer for shares in Volkswagen AG and also to obtain short-term liquidity. The market is monitored closely on a daily basis, with reference to selected banks.

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 valuation 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 deposits. 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.

Capital Market

Porsche stock benefited both from excellent development in core business and the increase in the stake in Volkswagen. Towards the end of the fiscal year, Porsche shares reached an interim all-time high of 1,418 Euro.

During this review period, international stock markets experienced an upturn such as they had not seen in years. The unexpectedly sharp rise in share prices was mainly driven by the excellent earnings situation of many companies and the economic boom in the euro zone. The German economy, finally experiencing progress at home in addition to its traditionally high exports, became Europe's economic motor. Doubts about further growth of the global economy were raised only in America. However, given that many market observers keeping track of the cooling US economy assumed there would be a soft landing rather than a crash, no further obstacles barred record stock values.

At the beginning of the Porsche 2006/07 fiscal year, the German Stock Market Index (Dax) continued the trend of the previous period. After effortlessly surpassing the 6,000 point mark in September, sights were soon set on the 7,000 point target for 2007. A setback in March, pushing the Dax under 6,500 points, was quickly forgotten. At the end of April, a six-and-a-half year high was reached with 7,430 points, while the Dow Jones Index in New York cleared the 13,000 point hurdle for the first time. On Friday, July 13, 2007 the moment had come and the German Stock Market Index hit 8,151 points during the trading session, a higher value than ever before. Nevertheless, there was little euphoria on the stock markets as many traders saw further risks appearing on the horizon. The biggest threat was the crisis on the US mortgage market. Many banks had been very generous with lending to property buyers in the past, dishing out subprime loans. As long as US property prices continued to rise and borrowers did not get into any difficulties, this posed no problem. However, at the end of July 2007, when the first banks were forced to admit to serious problems caused by default repayments, the Stock Market Indices were also pushed significantly lower. On July 31, 2007, the last day of the Porsche 2006/07 fiscal year, the market indicator stood at 7,584 points.

Over the course of the review year, the price of Porsche stock rose to a level eclipsing all previous developments. On August 1, 2006, the value of a share was 761 Euro, rising to 1,340 Euro by July 31, 2007, representing a 76.1 percent increase. With such a huge rise, Porsche stock beat the Dax and even left the sectoral automobile index, CDAX-Automobile, in its wake. The Dax's increase over the same period was only 35.5%, while CDAX-Automobile recorded a 64.2% increase.

The considerable rise in the value of Porsche stock over the review year clearly reflected investors' support for Porsche's stake in Volkswagen AG. During the second fiscal year in which Porsche AG was the biggest single shareholder in the Wolfsburg-based automotive group, the majority of financial analysts and investors were clearly convinced of the benefits that the collaboration brings for both companies. At the Porsche Annual General Meeting in January 2007, and subsequently the extraordinary shareholders' meeting in June 2007, support for the strategy taken was equally positive (see also page 11, in the 'Holding Company' chapter). Porsche supported the opinion-forming process on the capital markets by explaining the industrial logic behind collaboration between the two motor vehicle manufacturers and the positive influence it has on Porsche accounts. Moreover, from the perspective of many investors, Porsche was distinguished from its competitors as it continued to achieve a highly profitable growth rate by manufacturing premium sports vehicles.

Higher Stake in VW Fuels Porsche Stock Prices

The stock performance of Porsche shares between August 2006 and March 2007 was characterized by a continuing upward trend. When Porsche announced at the end of March that it wanted to increase its share of common stock in Volkswagen AG to just below 31 percent, thereby triggering a takeover bid under German law, the price of stock once again increased significantly. The price of Volkswagen stock subsequently rose as well, further strengthening the conviction on the financial markets that the collaboration between the two companies is mutually beneficial. Just before the extraordinary shareholders' meeting at the end of June, which approved an amended company structure and the new name Porsche Automobil Holding SE, the price of stock once again experienced sharp growth. Only a few days later, on July 9, 2007, Porsche shares reached an interim all-time high of 1,418 Euro.

The stock also benefited from Porsche's close contacts with participants on the financial markets. The company's development was, for example, explained in detail to institutional investors and analysts at road shows held at all the most important financial centers both at home and abroad, as well as during intensive discussions at Porsche's headquarters in Zuffenhausen. Investors and analysts were not only impressed by the sales successes of the 2006/07 fiscal year, achieved in particular by the 911 series, but were also increasingly convinced of the benefits of cooperation with Volkswagen. Porsche worked at improving financial experts' understanding of the strategy behind this cooperation and of the associated complex company results. Such activities repeatedly culminated in a commitment to Porsche stock, with the overwhelming majority of financial experts recommending the purchase of Porsche stock. Several investment banks increased their target price forecasts for Porsche shares to values from 1,100 Euro through to just under 1,500 Euro. In the 2007/08 fiscal year, targets were set even higher.

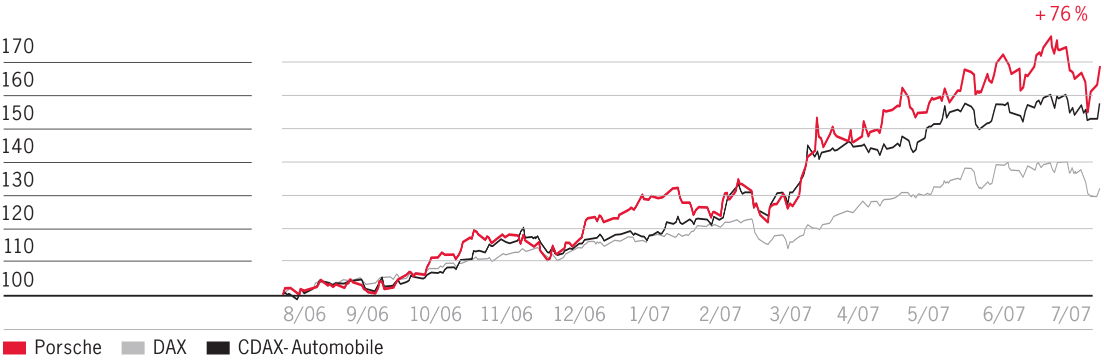
Outstanding Long-term Development

The long-term development of the stock illustrates the excellent reputation Porsche enjoys. During the last ten fiscal years, from August 1, 1997 to the last day of the current review year on July 31, 2007, the price of shares has risen from the equivalent of 142 Euro to 1,340 Euro, an increase of 844 percent, compared with the Dax's increase of only 72 percent.

The increase in value of a shareholding with Porsche stock over the same ten-year period was equally positive. If a sum of 10,000 Euro had been invested in the sports car manufacturers' shares on August 1, 1997, it would have increased to 97,000 Euro (including dividends) by July 31, 2007.

Development of Porsche Share compared to DAX and CDAX-Automobile

in percent



Increased Profit per Share

Porsche AG's earnings situation improved yet again, as reflected in the increased profit per share. At 239.86 Euro, the profit per share surpassed the previous year's value of 78.22 Euro.

Dividends are also set to swell: An increase in dividends to Euro 6.94 plus 15.00 special dividend (Euro 5.94 + 3.00 in 2005/06) per common share and Euro 7.00 plus 15.00 special dividend (Euro 6.00 plus 3.00) per preferred share will be proposed to the Annual General Meeting. This would increase the total dividend payment to Euro 384 (157) million. A split in shares at a ratio of 1:10, together with a realignment of stock capital, is also to be proposed. Currently the stock capital of Porsche amounts to Euro 45.5 million and is split into 8.75 million common and preferred shares, respectively. To give each share a calculated value in the stock capital of Euro 1 following the split in shares, the stock capital is to be increased from profit reserves to Euro 175 million and will be subsequently realigned as 87.5 million common and, respectively, preferred shares. As a result, each current holder of one existing common or preferred share in Porsche would in future hold ten shares of the respective category. The objective is to make the share more manageable for private investors, in consideration of the price level the stock has reached.

Intensive Investor Relations

The high interest in Porsche has received a further significant boost since the company took a stake in Volkswagen AG. For this reason, Porsche increased its efforts to respond to the need for information amongst investors and financial analysts during the 2006/07 fiscal year. The resulting communication often took the form of direct contact with financial market participants at numerous individual meetings, roadshows, investment conferences, driving experiences and trade fairs and through events for private investors. The goal of Porsche's communication department is to speak with one voice both to the financial world and the general public.

Current business figures and the company strategy were explained to analysts and investors at several events, including driving presentations of new Porsche models, such as the new Cayenne in Spain or the 911 Turbo Cabriolet in Königstein/Taunus. In addition, the annual accounts were presented at the analysts' conference in December 2006. Personal meetings with a number of institutional investors and analysts were also held throughout the review year at the company's headquarters in Zuffenhausen. On-site company presentations once again played a particularly important role for contacts with institutional investors. These were held at all the most important financial centers and proved highly successful.

Finally, there was also a lively dialog with private shareholders, who were able to address their questions to the company's Investor Relations staff. In addition, Porsche AG introduced itself to private investors at several shareholder forums organized by shareholder associations and banks. The Annual General Meeting for the 2005/06 fiscal year once again took place at Porsche's headquarters in Stuttgart in January 2007. For the first time, the new Porsche Arena was the venue for this meeting, which was very well attended and welcomed around 3,000 shareholders and guests. In June, the Arena once again played host to a large number of shareholders, invited by Porsche to the extraordinary shareholders' meeting which adopted the new company structure for Porsche Automobil Holding SE.

Stable Shareholder Structure

More than ever, stability in the shareholder structure represents a corporate asset that should not be underestimated, since it provides a firm foundation on which to develop a sustainable growth-based corporate strategy. Frequent and fast changes in ownership make it difficult for business activities to develop consistently. Porsche AG has always attached great value to this stability, with an unchanged distribution in its equity of 45.5 million Euro into 8,75 million common-stock shares and 8,75 million listed preference-stock shares. The common stock is held by members of the Porsche and Piëch families, a circumstance that in the past fiscal year again provided the necessary solid 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 based mainly in Great Britain, the USA and Germany, and to a lesser extent also in other European countries and Asia. Slightly less than half of the Porsche preference stock is distributed amongst private investors, primarily in Germany. Holders of Porsche's common stock also hold preference stock.

Independent Views on Capital Market Issues

For many years, Porsche has been expressing independent views on the capital market. The company brought an action for legal review before the Hesse Administrative Court in Kassel in its altercation with the German Stock Exchange about the publication of quarterly reports and this was heard in court in March 2007. The action was dismissed by the court's judgement. Nevertheless, the Administrative Court has expressly given permission for an appeal to the Supreme Administrative Court in Leipzig, given the fundamental importance of this case. As a result, it remains unclear as to whether the provision in the German Stock Exchange Regulations whereby the publication of quarterly reports is a prerequisite for admission to the German Stock Exchange's Prime Standard is legally valid. In Porsche's opinion, it is not. Even the EU Transparency Directive, now also valid in Germany since the Transparency Directive Transposition Act (TUG) entered into force in February 2007, only provides for interim reports. Porsche, of course, complies with these legal regulations.

Porsche has not published quarterly reports since the company was first quoted on the Stock Exchange in 1984. For this reason, the German Stock Market Index refused the company Prime Standard ranking, even though Porsche meets all other requirements. This refusal to submit quarterly reports has been a matter of principle. Porsche does not wish to be forced into the associated short-lived position but prefers the integrity of a policy based on credible substance and continuous information. What is more, Porsche will continue to ensure that all relevant information and facts are made available to shareholders and the public in accordance with the requirements of the Transparency Directive Transposition Act.

The development of the price of Porsche stock demonstrates that the company's refusal to submit quarterly reports has had no adverse effect. Moreover, Porsche is included in highly reputable international indices, including the 'Morgan Stanley Capital International' Index (MSCI), the 'Dow Jones STOXX 600' and the British 'FTSE4Good' Index, made up of share-issuing companies that pursue a corporate policy oriented towards ecological, ethical and social criteria.

Porsche has also taken a clear stance with regard to the legal pressure on companies listed on the Stock Exchange to publish the salaries of their Executive Board Members. In Porsche's view, the publication of individual Executive Board Members' salaries does not provide any extra information that could be relevant to investors' purchase or selling decisions. To make an investment decision, the investor only needs 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 remains sufficient to state the total sum earned by the members of the Executive Board and the proportions thereof that are fixed or performance-related.

Porsche's position is supported by expert legal opinions, which confirm that a legal obligation to disclose the individual salaries of Board members is unconstitutional. Both the German Constitution and the European Human Rights Convention guarantee every citizen the basic right to decide on the disclosure of personal information. According to our legal experts, mandatory disclosure is a clear infringement of this right. Porsche's Annual General Meeting concurred with this opinion and, in January 2006, decided to refrain from publishing the Board members' individual salaries.


MODELS
SALES

Models

With the new generation of the Cayenne and top models in the classic 911 series, Porsche once again launched unique vehicles on markets all over the world. The 911 Turbo Cabriolet and the 911 GT2 will sharpen the brand's appeal still further.

The formula for Porsche's success is an up-to-date range of models that lay claim to the very best in vehicle performance and handling whilst simultaneously complying with the latest environmental standards. The manufacturer of premium-class sports vehicles continued to launch a host of new models and model variants on markets throughout the world during the 2006/07 fiscal year, all of them a great credit to the Porsche name.

The review year was shaped by the successful market launch of the second generation of the Cayenne series, with sales commencing in late February 2007. A new addition to the line-up, alongside the Cayenne, Cayenne S and Cayenne Turbo models, was an especially sporty version, the new Cayenne GTS, which celebrated its world debut at the Frankfurt International Motor Show.

The past fiscal year saw the classic Porsche 911 series rounded off with the launch of the new 911 GT3, 911 GT3 RS and 911 Targa 4 and Targa 4S models. The 911 Turbo Cabriolet and the 911 GT2, arriving at the start of the 2007/08 fiscal year, came on top.

The Model Range

Including all the models and model derivatives Porsche has launched so far in the review year and in the current 2007/08 fiscal year, the total number of models in the range now comes to twenty nine. This undoubtedly represents one of the most attractive product lineups in the company's rich history. The models are as follows:

Boxster
Boxster S
Boxster RS 60 Spyder
Boxster and Boxster S "Limited Edition Orange" (available in North America only)
Boxster and Boxster S "Sport Edition" (available in the UK only)

Cayman
Cayman S
Cayman S Porsche Design Edition 1

911 Carrera Coupé and Cabriolet
911 Carrera S Coupé and Cabriolet
911 Carrera 4 Coupé and Cabriolet
911 Carrera 4S Coupé and Cabriolet
911 Targa 4 and Targa 4S
911 Turbo Coupé and Cabriolet
911 GT3
911 GT3 RS
911 GT2

Cayenne
Cayenne S
Cayenne GTS
Cayenne Turbo

The following sections take a closer look at the features of the newest models.

The new 911 Turbo Cabriolet, unveiled by Porsche in September 2007, is the third-generation top-of-the-range convertible model in the 911 series. The vehicle, whose engineering is based on the 911 Turbo Coupé, is the almost unparalleled embodiment of high-performance sports car combined with elegant convertible. It unites maximum performance with the excitement of open-top driving and, in so doing, conveys a sense of being both enormously fun to drive and very suitable for everyday use. The perfect design of the concertina-action, fully automatic hood and the high level of vehicle safety, including the automatically deploying rollover protection system, are impressive proof of Porsche's expertise in designing convertibles.

The new 911 Turbo Cabriolet with its 3.6-liter turbocharged engine delivers 353 kW (480 hp) of power. However, considerable attention was also paid to the exhaust emission control system, with the result that the vehicle complies with both the EU 4 European standard and the LEV II regulations in the USA. The emissions values of the new 911 Turbo Cabriolet are by far the lowest when compared with those of its direct competitors in the high-performance sports car category.

Spring and damper tuning was modified to take account of the specific requirements of the heavier convertible body. As a result, the chassis offers a unique combination of agile, sporty driving performance, superior handling properties, a high level of safety and suitability for everyday use. The Cabriolet comes with the same luxurious standard equipment as the Turbo Coupé, with the added bonus of a wind deflector and windshield with gray top tint. As for all 911 Carrera Cabriolets, a hardtop is also available. The many different vehicle personalization options on offer are also available for the Cabriolet. These include a wealth of interior, exterior and hood colors as well as the extensive choices from the Porsche Exclusive and Tequipment ranges. A new natural leather interior in the sporty classic color of Carrera Red supplements the existing color choices.

911 GT2: A Purebred Production Sports Car

At the very top of the current Porsche sports car range is the 911 GT2. In addition to its impressive design, this supreme sporting athlete delivers exceptional performance, particularly on circuits. After debuting at the IAA in September 2007, the car went on sale in Europe in November. The 911 GT2 is s cheduled for launch in the USA in February 2008.

Its design reflects its role as the top model. Large air intakes in the front end, the characteristic rear wing and a stance that is 15 millimeters lower than the 911 Turbo reveal the potential of the 911 GT2 at the very first glance. An aluminum luggage compartment lid and doors, together with other weight-reducing measures and a turbocharged engine, all combine to produce a power-to-weight ratio of just 2.7 kilograms per hp, a figure that is way ahead of those achieved by its direct competitors.

The engine of the 911 GT2 is based on that of the current 911 Turbo, which features state-of-the-art variable turbine geometry (VTG). The power unit boasts an output of 390 kW (530 hp) and as such is the most powerful engine in the entire Porsche sports car range for the current model year. An entirely new expansion intake system improves fuel consumption by up to 15 percent at high loads and engine speeds. In addition to having individually adjustable chassis components for driving on circuits, the chassis, for the first time ever, also features actively adjustable dampers. The Porsche Ceramic Composite Brake (PCCB) ensures exceptional deceleration performance. To utilize the abundance of propulsive power effectively, the 19-inch wheels are fitted as standard with sports tires.

Another new feature on the GT models of the 911 series is the use of the PSM (Porsche Stability Management) vehicle stability control system, which improves active safety considerably. Also new is the use of an assistance system that ensures even better acceleration from standstill. It is activated while the vehicle is stationary when the driver presses the accelerator to the floor with a gear engaged and the clutch pedal pressed. All the driver then has to do is take his foot quickly off the clutch pedal and the new GT2 will sprint from a standing start to 100 kilometers an hour in just 3.7 seconds. The car's flexibility is impressive too. The new GT2 requires just 4.1 seconds to accelerate from 80 to 120 kilometers an hour in fifth gear.

The interior trim of this high-performance athlete is based on the current 911 GT3; there is also a variant in black leather with features borrowed from the Carrera GT. One characteristic feature is the use of Alcantara, for example on the steering wheel rim, the gearshift knob and the handbrake grip, on the door panels, on the storage compartment lids and on the seat center panels. As in the Carrera GT, the needles and scale divisions on the dials are in yellow, whilst the rev counter has been given greater emphasis with a titanium-colored dial and GT2 lettering.

Another highlight on the 911 GT2 are the new bucket sports seats, which are fitted as standard – the first time such seats feature as standard equipment on a 911 model. They have folding backrests, an integral thorax airbag and manual front/back adjustment. They combine a high degree of lateral support with everyday practicality and outstanding occupant protection. The shell of the seats is made from glass and carbon fiber reinforced plastic with a carbon-look surface finish, whilst the covers are leather. Available as an option at no extra cost is a Clubsport package featuring a bolt-in rear roll cage, a red 6-point harness for the driver's side, a fire extinguisher with bracket and wiring pre-installation for a battery mains switch. The personalization ranges offer further attractive trim options.

Boxster and Cayman Special Models

In early spring 2008, Porsche is set to unveil the highpoint of its current Boxster series, the Boxster RS 60 Spyder, which will be a limited edition series numbering exactly 1,960 units. The car is reminiscent of the legendary Type 718 RS 60 Spyder race car of the 1960s. This model, which has been developed with a great deal of attention to detail, delivers maximum performance whilst at the same time picking up on the stylistically confident design, material and color themes of the RS 60 Spyder.

The GT Silver Metallic color, combined with the exclusive red hood, sets the initial tone. The exterior look is given further refinement by the pronounced front end from the SportDesign package, a black frame around the windscreen, the rollover bar in GT Silver Metallic, red taillights and chrome-plated model lettering. Like the hood, the natural leather interior is styled in the new exclusive Carrera Red. The center panels of the sports seats, the door panels, the steering wheel rim and the handbrake grip feature a special embossed design, whilst the rear center console and rear shells of the seats are painted in GT Silver Metallic. Also silver-colored are the seat belts. One eye-catching feature is the instrument cluster, which, without the familiar shroud, creates a very puristic look. The instrument housing is painted in silver. There is also a stainless steel strip with the "RS 60 Spyder" logo and a plaque on the glove compartment lid underlining the vehicle's exclusivity.

The 3.4-liter, 6-cylinder boxer engine from the Boxster S has had its power output increased to 303 hp by means of modifications to the exhaust system. The sports exhaust system and a special dual tailpipe in the style of the 911 GT3 impressively round off the look. The 19-inch SportDesign wheels ensure that all

propulsive power is transferred to perfection. The standard-fitted Porsche Active Suspension Management (PASM) also ensures outstanding dynamic handling performance. On request, the Boxster RS 60 Spyder can be fitted with further personalized touches.

The 2007 Frankfurt International Motor Show also saw the exclusive unveiling of the Cayman S Porsche Design Edition 1, an all-black variant in the style of Porsche Design. The model, which will be a limited edition series of 777 cars, will be sold worldwide, starting in Europe in November 2007 and in the USA and other markets around the world from January 2008.

Externally, what sets the new Cayman model apart are the striking matt black contrasting stripes on black paintwork which extend lengthways over the vehicle and along its sides. Red taillights and a windscreen with gray top tint complete the picture. The rear look of the Cayman is given further emphasis by the sports tailpipe, which is chrome-plated with a black interior. The interior of the vehicle itself is also black with leather trim, combined with Alcantara on the rim of the sports steering wheel, on the handbrake lever, on the gear lever and on the roof lining. The Porsche Crest is embossed on the head restraints, whilst the gate pattern on the gear lever is in white, similar to the 911 GT3. The instrument cluster dials are black, their layout reflecting that of the Porsche Design chronographs. The door-sill guards are made from stainless steel and feature the Porsche logo.

Onboard, there is a laptop case (P’2160) from the Porsche Design range containing exquisitely finished luxury goods, namely the Flat Six Quartz Chronograph (P’6320), a pocket knife (P’3710), an aluminum ballpoint pen (P’3120), a pair of sunglasses (P’8400) and a keyring (P’3420), all in black.

From an engineering point of view, the Cayman S Porsche Design Edition 1 is based on the 3.4-liter, 295-hp production vehicle. Special standard features include the 19-inch Turbo wheels and the Porsche Active Suspension Management (PASM). Other options are available on request.

Other attractive Cayman and Boxster models aimed at specific markets are offered alongside the special-edition models. The North American public, for example, got their first glimpse of a real eye-catcher at the New York Motor Show in April 2007, namely the “Limited Edition Orange”. Clad in orange, a color previously reserved for the GT3 RS, and featuring black trim, this limited edition model is based on the Boxster and Boxster S. Only 250 units of each variant have been built, with a special plaque on the glove compartment lid providing proof of the car’s exclusivity.

The special-edition model is equipped with the SportDesign package and rollover bar in GT3 RS orange. The front-end air inlets, rear side air inlets, exterior mirrors and model designation at the rear are in black. Black also carries over to the interior. The seat center panels, steering wheel, handbrake lever and gear lever are finished in Alcantara. Also fitted as standard are the sports exhaust system and black painted 18-inch Cayman S wheels (Boxster) and 19-inch Carrera S wheels (Boxster S).

Sport is also the central theme of the Sport Edition Boxster and Boxster S, which have been specially created for customers in the UK. They feature the SportDesign package, body-colored rollover bars, red taillights, a chrome-plated sports tailpipe, stainless steel door-sill guards, the 3-spoke sports steering wheel, the Sports package (6-speed manual gearbox and PASM) and the 18-inch Boxster S wheels.

The Boxster S Sport Edition features virtually the same equipment. As this variant is already fitted as standard with a 6-speed manual gearbox, only PASM has been added. Instead of the standard wheels, the Boxster S Sport Edition comes with 19-inch Carrera Classic wheels.

Successful Start for the New Cayenne

The Cayenne series has undergone further development in all areas. Of particular note are the new engines, featuring direct fuel injection (DFI) and “VarioCam Plus”, and improved aerodynamics. All Cayenne models also now feature a Sport button, giving drivers the option of either sports or fuel economy-oriented engine tuning. This has helped reduce fuel consumption in everyday operation by around 15 percent.

In addition to the attractive design, the new Cayenne models also offer a host of new features. These include the new Porsche Dynamic Chassis Control (PDCC), the dynamic cornering lights, new 21-inch wheels, an automatic tailgate and natural leather trim.

The Cayenne Turbo is fitted as standard with dynamic cornering lights. They are a feature of the Bi-Xenon headlamp system that provides for excellent illumination of the road. The system is available as an option for the Cayenne and Cayenne S models. One of the most striking features of the rear lighting units is the use of a total of 16 LEDs for the tail and brake lights, plus four additional LEDs for the marker lights on the Cayenne Turbo. In addition to being visually different and having a long service life, the main advantage of LED technology is the considerably shorter response times, which enhances active safety.

An automatic tailgate can be easily and conveniently opened and closed again at the press of a button. The new optional load-space management system, which includes a rail system incorporated into the luggage compartment floor and a partition net, enables luggage to be stowed away even more safely in the load area.

The Cayenne GTS, due to be launched in the course of the current fiscal year, will add a particularly sporty model to the Cayenne family. Outstanding performance is assured thanks to the V8 naturally-aspirated engine from the Cayenne S. The engine, which features direct fuel injection (DFI) and “VarioCam Plus”, has had its power output increased to 298 kW (405 hp). The standard-fitted 6-speed manual gearbox and shorter final-drive ratio, combined with the higher engine power output, ensure supreme performance. The 21-inch sports wheels hint at the performance potential of the Cayenne GTS even when the vehicle is stationary. The braking system, with red brake calipers on the front and rear axles provide for outstanding deceleration.

The design, too, reflects the vehicle’s enhanced performance capabilities, particularly at the front end, with its large cooling air intakes, the sill trims and body-colored front and rear lower moldings. Side sills and an optional twin-wing on the rear roof edge improve the vehicle’s aerodynamic performance. The wheel arches have been made 14 millimeters wider to accommodate the 21-inch Sport wheels. Stainless steel door-sill guards feature the model logo, whilst the horizontally-arranged bar-shaped lighting units with LED marker lights ensure the vehicle makes a positive entrance, even at night. An elongated roof spoiler with fixed twin-wing profile is available as a no-cost option. At the rear, the sports exhaust system, with characteristic dual-tube chrome tailpipes, is fitted as standard. Black window frame surrounds, door handle trims and sill trim strips emphasize the vehicle’s sporty claims. Sporty exclusivity is also ensured by the two new special paint colors, GTS Red and Nordic Gold Metallic.

The interior of the Cayenne GTS has also been revised to establish a more sporty style. Leather trim comes as standard and the comfortable sports seats feature higher side bolsters for driver and passengers. As a result, the 12-way adjustable seats and the two-seater look rear seats both provide optimum lateral support. The leather trim is supplemented by an Alcantara package for the seat center panels, the inside of the door handles, the center console armrest, the roof lining and the pillar trims. A padded leather steering wheel ensures the driver maintains a good grip when handling the vehicle. The Cayenne GTS also features aluminum interior trim and stainless steel door-sill guards bearing the “Cayenne GTS” logo.

Sales

Porsche Centers around the world are currently preparing for growth triggered by the launch of the four-door Gran Turismo Panamera. Porsche continues to set up brand-exclusive showrooms to ensure the highest level of quality and service for customers.

The Porsche brand has always been distinguished by outstanding charisma and strong emotional impact. During the 2006/07 fiscal year, this positive brand image was further strengthened. On the one hand, the model policy met the high expectations of the customers in terms of sportiness, dynamism and driving enjoyment, coupled with excellent everyday performance and value for money. On the other, a number of awards further strengthened the excellent position Porsche enjoys as a premium sports car manufacturer.

In July 2007, for the third time in a row, Porsche was the winner of an opinion poll regularly carried out by the highly-respected American market research company J.D. Power. In the ‘Automotive Performance, Execution and Layout (APEAL)’ study, J.D. Power assessed the level of satisfaction among buyers of new cars during the first 90 days following purchase. This accolade for Porsche came just one month after the company came out on top in J.D.Power’s prestigious ‘Initial Quality Study 2007’. In this study, market researchers questioned customers about 228 criteria relating to the quality and workmanship of their vehicles.

By achieving first place in this quality ranking as well, the premium sports car manufacturer was able to repeat its victory of the previous year. But Porsche not only came out on top in J.D.Power’s brand evaluation – the Boxster also performed best in the ‘Compact Premium Sporty Car Segment’ and the classic 911 Carrera ranked second place in the ‘Premium Sporty Car’ category.

In the sport coupé market segment, the success of the Cayman and Cayman S continued: the combination of design elements from the 911 Carrera and the Boxster was pivotal in ‘Wheels’ magazine’s decision to honor the Cayman S with its ‘Automotive Design Award’. The specialist press across the globe was also convinced of the outstanding driving characteristics of the Cayman S, with ‘Auto Express’ recently selecting the Cayman S as ‘Performance Car of the Year’ and ‘Autocar’ presenting it with the title of ‘Britain’s Best Handling Car 2006’.

In the USA, the Cayman was the winner of the ‘Editors’ Most Wanted Vehicle Award’ presented by ‘Edmunds’ in the ‘Coupé under $ 60,000’ category. The ‘Auto Trophy 2006’ reader poll in the specialist magazine ‘Auto Zeitung’ likewise awarded the Cayman undisputed first place in the sports car category. The 911 Carrera Cabriolet, meanwhile, secured first place in the ‘Cabrios over 30,000 Euro’ category in the same poll.

The Boxster was also able to maintain its position versus its competitors in the roadster market segment: in the USA it was awarded 'Editors' Most Wanted Vehicle' by 'Edmunds' in its category. In the same poll, both the 911 Carrera Coupé and the Carrera Cabriolet were also ranked first in their categories.

Porsche once again demonstrated its exceptional design skill in the 911 Targa 4. It was designated 'Best of the Best' by the Red Dot Design Museum at the Design Zentrum in North Rhine Westphalia, one of the oldest and most highly-reputed design institutions in Europe. This important commendation is awarded by an international jury only to leading products which "are ground-breaking in their field". Out of more than 2,500 products entered, a mere 43 were chosen to receive this seal of quality. The jury, made up of international design experts, praised the 911 Targa 4's "creativity, innovative features and high quality".

The specialist magazine 'Auto Bild Sportcars' elected the Porsche 911 GT3 'Sports car 2006', while in Great Britain it ranked second place in the 'Car of the Year 2006' as voted by 'evo' magazine. The 911 Turbo Coupé, traditionally one of the most popular Porsche models amongst experts, was presented with the 'Best of What's New' Award by 'Popular Science Magazine' this review year. In a reader poll on Forbes.com, the 911 Turbo was also named 'Favorite German Car', while in the vote for 'The best cars of 2007' in the specialist magazine 'auto, motor und sport', the 911 Carrera/Turbo was awarded first place in the 'Best sports car overall' category.

Implementation of Brand Architecture

The implementation of the standard global architectural design strategy in Porsche dealerships continued apace in the 2006/07 fiscal year. Over the last seven years, many locations have been renovated or newly constructed so that now more than 90 percent of all dealerships are able to offer their customers a brand-exclusive showroom.

The dealer network is currently being prepared for future challenges such as the introduction of the fourth Porsche model series, the Panamera. Present data indicates that dealers are now preparing themselves for further growth and will make significant investments in brand presentation over the coming years. Porsche will continue to set up brand-exclusive showrooms and, where commercially meaningful, brand-exclusive branches in order to provide customers with the service they expect.

Online Search Facility for Used Cars

To accommodate the increasing importance of the pre-owned car business, the successful 'Porsche Approved' program was stepped up and further developed over the course of the year. The program defines uniform standards for the sales organization. A wide range of supporting resources is available for use by dealers to ensure that these standards are implemented effectively. Customers also benefit from the opportunity to purchase high-quality vehicles at competitive prices from qualified staff and receive the appropriate service packages, including pre-owned car warranties.

The online search facility is proving increasingly important as an information and sales channel for pre-owned cars. The system, which has now been

introduced in 66 countries, continues to welcome a growing number of online visitors. A significant number of these enquiries lead to a sale.

Faster Information Management
The 'Porsche Partner Network (PPN)' allows authorized Porsche dealers and workshops across the world to conduct their business processes electronically and enjoy online access to Porsche transaction systems, training sessions and other information. During the review year, the network was further extended to make additional electronic services supporting sales and service available to importers and dealers. Last, but by no means least, customers are also able to benefit from improved networking within the company.

The 'Porsche Vehicle Sales Assistant (PVA)', a multimedia IT sales support system, was also developed further. In addition to the necessary sales-process steps, the dealer can thus upload a vehicle configuration input by the customer in the 'Internet Car Configurator' onto the PVA in the dealership and work with this until the final order is placed. One version of the PVA is the 'Fitting Lounge', available in a separate zone in the dealership and providing highly individual customer advice. The key advantage of the "PVA Fitting Lounge" derives from the interplay of tactile color and material samples and a large-format, dynamic display of the interior and exterior options available for the customer's ideal car on the integrated plasma screen. Comprehensive consultation and a highly-detailed display of the different vehicle variants are thus available individually whenever required. The PVA has already proven succesful in Germany, Great Britain, France and Japan as well as on individual markets in Latin America, the Middle East and the Asia-Pacific region. During the 2006/07 review year it was also installed in Italy, the USA and Canada, and in additional countries in the Asia-Pacific region, Latin America and the Middle East. More than 85 percent of new-car sales are now configured using the PVA system.

Employees guarantee Porsche's Success
The high standard of the Porsche brand is demonstrated every day by a constant stream of innovations in technology, design and marketing. Only the best employees are able to communicate this high standard through direct contact with customers. Customer service is becoming increasingly important, particularly in the premium segment. This is why Porsche has been investing in the education and training of staff in the dealership organization for many years. The training offered ranges from organizational help, through teaching comprehensive knowledge of all Porsche models and current competitors, to high-quality customer service techniques appropriate for the brand. It is especially important that the fascination of the Porsche brand is brought alive for customers, their needs are recognized and they are able to receive appropriate advice.

The 'Sales and After Sales Skill Initiative' was established to provide better support for staff in the dealership organization throughout this process. This training initiative aims to increase sales success through practical training sessions.

Individuality in Every Last Detail
With its Exclusive and Tequipment programs, Porsche provides its customers with the opportunity to customize their cars in an individual and exclusive manner, either ex-works or by retrofitting. Both these business areas uphold Porsche's classic

brand values: innovation, sportiness, design, quality and everyday performance.

The trend towards customized vehicles in all model series continued unabated in the review year. Products for customizing the new 911 Turbo Coupé proved particularly popular, while the wide range of products for the Cayenne, introduced in the second half of the 2006/07 fiscal year, also made a significant contribution to the extremely healthy earnings.

Refinement with Porsche Exclusive

Porsche Exclusive offers a wealth of opportunities for vehicles to be supplied ex-works with modified or additional technical and visual features for improving both the interior and exterior of the vehicle in accordance with personal taste. Specialists working in Exclusive develop all the products available with exceptional craftsmanship and a keen eye for detail and – as to be expected – only use the highest quality selected materials.

For the interior, Porsche Exclusive offers high quality materials such as leather, aluminum, wood, carbon fiber or Alcantara. There continues to be particularly high demand for aluminum-look components recalling the lightweight build of Porsche racing cars. Externally, exclusive wheels, stainless steel exhaust tailpipes and Aerokits add to the car's individuality in much the same way as technical refinements such as a sports exhaust or an increase in power output.

Items in the Exclusive range which sold particularly well for the Boxster, Cayman and 911 series during this review year include the illuminated stainless steel door entry guards, the embossed Porsche insignia for head-rests, the stainless steel exhaust tail pipes and the sports exhaust.

The range of items for customizing the new Cayenne model also fulfilled expectations, setting new standards for vehicle customization. Leading products such as the 20-inch sport techno wheels and the sports exhaust tail pipe accentuate the dynamic character of the Cayenne. The embossed Porsche insignia on the head-rests, matt aluminum-look front air intakes and illuminated stainless steel door entry guards also proved highly popular.

A comprehensive range of Exclusive products for the Cayenne's interior in carbon fiber, aluminum-look, leather, wood or painted in the same color as the exterior offer customers the chance to add a very personal touch to their Porsche SUV. The wishes of many younger Cayenne rear seat passengers have also been fulfilled this review year thanks to the introduction of the new 'Porsche Rear Seat Entertainment', which became a sales hit immediately.

Tequipment for Personalized Retrofitting

The range of Porsche Tequipment products offers a multitude of ways to customize a vehicle as well as a wide variety of accessories to suit personal tastes. These are available for all model series with no breach of guarantee. All Tequipment products comply with Porsche's high quality standards and the results of this quality yardstick are clearly reflected in the positive development of turnover and profits during the review year. The most popular items were for the 911 Turbo Coupé, an extended program for the 911 Carrera, Boxster and Cayman, and suiting Tequipment for the Cayenne range also sold very well.

The best selling products in the Tequipment range in the 2006/07 fiscal year included the sports exhaust and 'Vehicle Tracking System' for the 911 series. The increase in power output for the 911 Carrera S also proved highly popular, while the winter tire sets recorded an increase in sales. The alloy wheels successfully combine an attractive look and an improved driving experience thanks to increased traction which produces higher agility. New items in the Tequipment range for sports cars included the Cayman Aerokit, the sports exhausts for the Boxster and the Cayman, the aluminum gear lever and hand brake and selected new interior options in Alcantara.

The extensive product portfolio for the Cayenne was also very well received by customers, with the top products including the matt aluminum-look roof rails and the running boards. The winter tires for the Cayenne were also in demand. New items in the Cayenne program included 'Porsche Rear Seat Entertainment' and a sports exhaust for the Cayenne S. Handy accessories such as water repellent cargo liners, exact-fit floor mats with Nubuck leather edging and embroidered Porsche logo, transport systems and car care sets also proved very popular.

Technology for Porsche Customers

During the 2006/07 fiscal year, the foundations were laid for further improved repair and maintenance diagnostics. Data is processed as early as in the development stage of the vehicle so that quality assurance for Porsche workshops across the globe can begin at this early stage. The basis is the standardized automobile industry diagnostics technology ODX, Open Diagnostic Data Exchange, which facilitates an understanding of the increasingly complex electronic systems in the vehicle and permits shorter development periods. This diagnostics software will be used in the process for the first time in the new Panamera.

Further progress during the review year included the creation of the 'International Insurance Requirements' role. Differences in insurance requirements all over the world and their impact on costs increasingly represent a challenge for all vehicle manufacturers. With this new role, Porsche can insure that country-specific requirements with respect to vehicle design and fittings can be incorporated into development at an early stage. It is especially important to systematically monitor the frequency and type of damages and thefts in current vehicle generations. The end objective is to create the necessary conditions for inexpensive insurance policies and to keep operating costs as low as possible.

Data relating to the maintenance and repair of vehicles must be analyzed with a practice-focus to ensure that After Sales staff can use this data efficiently and effectively. It is essential that staff working in the dealership organization all over the world cooperate actively in the course of day-to-day business. Over the 2006/07 fiscal year, technical writers, spare parts specialists and diagnostics specialists were employed in 38 Porsche Centers on ten international markets. The following areas were focal points of their work: technical processes in the workshop, the use of electronic parts catalogues, the use of symptom-based diagnoses, the use of specialist tools and the inspection of standard working hours. The findings will be used as a basis for the further development of diagnostic and information systems.

Faster Error Rectification

After the PIWIS (Porsche Integrated Workshop Information System), which includes information relevant to maintenance and repair, was successfully introduced in the 2005/06 fiscal year, a further element has now been added to the system in the form of the 'Porsche Quality Information System (PQIS)'. This is used in the global dealership organization for collection and analysis of market data relating to quality, with the objective of recognizing and resolving failings in product quality more quickly. The system permits the incorporation of customer feedback throughout the entire value-added chain. The documentation of work carried out in workshop begins upon receipt of the vehicle and ends when repairs are made. PQIS provides a picture of the whole chain, this information is subsequently available to dealers, importers and Porsche AG employees.

Spare-parts Supply

The centralization of the of spare parts supply continued during the review year, in particular with the integration of the Italian, Japanese and Australian markets into the global inventory management system. Logistics and inventory costs could be significantly reduced through the expansion of the system. At the same time, the availability of spare parts in Porsche Centers, and thus for the customer, was improved. The connection of dealers to the automatic procurement system, which centrally controls the supply of in-demand replacement parts, was also improved.

Tests Guarantee Service Quality

The new brand architecture in dealerships does not only change the external image of our partners, daily business procedures also had to be adapted. During the review year, the high level of quality and professionalism of Porsche after-sales partners could be further improved thanks to a host of additional activities, with existing service procedures being adapted if necessary. Thanks to these activities a comprehensive procedures handbook was created (Practice Guidelines) which is now used worldwide, with some necessary adaptions for specific markets. Different tools, models and examples of best practice are outlined and presented in the Practice Guidelines in order to ensure integrated development of the after-sales organization.

Porsche also carries out targeted inspections of dealers and workshops in order to ensure continuous improvement of the professionalism of our sales and service partners. Mystery shopping tests take place all over the world and for different reasons. Using a comprehensive list of criteria, our mystery shoppers evaluate individual aspects which can influence customer service and describe their personal experience in a Porsche Center. The partners then receive detailed feedback. Examples of the criteria tested include whether the customer was appropriately greeted and introduced to the relevant

staff member, or whether workshops reliably kept appointments which had been made earlier.

Porsche Centers and Porsche Service Centers have to fulfill defined quality standards. To guarantee a consistent level of service quality for Porsche customers, the performance of the Porsche service organization must be regularly tested. The 'Porsche Service Audit' ensures this happens by examining whether certain quality standards are maintained. The certificate awarded afterwards provides customers with the reassurance of knowing that their vehicle is always in the best hands.

Development Support in China

From September 2005 to March 2007, four technicians from the customer center in Zuffenhausen provided support for the new Porsche Centers in China to ensure that Porsche's high standard of service is maintained. The project was so successful that this team subsequently emerged as a single specialist department. The tasks of this group of technicians now range from instructing local technicians during repairs, through training sessions and the use of diagnostics and specialist tools, to the inspection of service procedures and equipment of workshops. These technicians are able to support the global dealership organization by implementing service standards and thereby provide for the ongoing internationalization of the Group.

Successful Customer Relations

The Porsche brand is characterized by unique and long term relationships with customers. To secure this partnership, the most important procedures involved in comprehensive 'Customer Relationship Management' were defined and the newly-designed 'CRM@Porsche' system was introduced on the North American market in November 2005. After implementation in Germany, France, Spain and Portugal, Porsche was successful in implementing a similar solution for smaller markets in the Latin America region during the 2006/07 fiscal year. Almost 300 employees are now working from headquarters and on other markets using this platform, which contains information about both customers and vehicles. Over the coming years Porsche hopes to secure the foundations for globally-coordinated, excellent quality and long-term customer relationships through further internationalization of 'CRM@Porsche' – especially in the developing markets of China and Russia – and through even more intense integration of dealer procedures.

Collection from Factory more Popular than Ever

In 1954, Porsche was one of the first automobile manufacturers to offer its customers the option of collecting their cars directly at the factory. During the review year, more than 4,000 customers decided to take advantage of this offer. A factory tour and an accompanying program increase the sense of anticipation at owning your own Porsche. Detailed insights into production, such as the moment of the 'marriage' between the engine and the chassis, are an unforgettable experience for many customers. The high point of the day, however, is the handover of the car to the customer, accompanied by an individually tailored briefing.

The popularity of factory collection meant that the plant in Leipzig also effortlessly continued the successes of previous years. During the 2006/07 fiscal year, more than 620 further events also took place in Leipzig. The plant earned the custom of a number of new, renowned national and international clients for conferences, annual meetings and other events.

The option to test a vehicle accompanied by an experienced Porsche instructor on the plant's own test tracks continues to be extremely popular. This program, 'Porsche Leipzig Co-Pilot', was supplemented this year by the 'Porsche Leipzig Pilot' program, which now allows customers to take a seat behind the steering wheel to experience for themselves what it is like to drive any model from the Porsche range on the race track.

Porsche Travel Club in High Demand

The Porsche Travel Club has been offering adventure holidays in Porsche vehicles lasting one or several days for eleven years. Experienced tour operators accompany groups on selected itineraries in some of the world's most spectacular travel destinations. An extensive brochure, available on the internet at www.porsche.de/travelclub, introduces the varied program to club members. Some options present a glimpse behind the scenes of the company while others include driving training both on and off the main roads, exclusive 'Weekends' or several-day 'Adventure Tours' both in Germany and abroad. A new addition this year was the day tour in the Zuffenhausen/Löwensteiner Mountains, a successful combination of a factory tour and a Porsche driving experience. A further highlight is the Provence/Côte d'Azur tour, which combines an enjoyable driving experience on the original Monte Carlo rally route with a helicopter ride and an attractive accompanying program.

On the new Porsche Weekends – such as the Dresden/Sächsische Schweiz tour, the Porsche 911 Weekend Allgäu or the Bavaria/Black Forest/Heidelberg Tour – customers can learn more about some of the most beautiful regions in Germany. Demand for the highly popular weekend trips increased during the review year, as did interest in specially customized incentive trips for companies wishing to express their appreciation to selected customers, successful employees or competition winners.

The Porsche Travel Club also grew during the course of the 2006/07 fiscal year, with more than 4,000 customers making use of the program. The general high level of customer satisfaction and the large number of early bookings for winter training sessions in Austria and Finland confirm that growth targets for the 2008 season can be met. In addition to further increasing travel options on offer, the current business strategy involves the international expansion of Travel Club projects throughout the Porsche group, exemplified by the newly established Porsche Travel Club Italy, which has already organized successful trips.

'Porsche Sport Driving School'

Our driving school is now called the 'Porsche Sport Driving School' (www.porschedriving.com). Since it was established in 1974, customers and friends of the brand have been able to hone their driving skills and experience the sheer enjoyment of driving both on-road and off-road, nationally and internationally. The figures speak for themselves: more than 7,000 enthusiastic customers every year. The activities offered by the 'Porsche Sport Driving School' are in no way regular driving lessons. They are better described as a trip to the heart of the Porsche driving experience.

Internationally standardized training units enable participants to further improve their driving safety. Participants are always accompanied by trained Porsche instructors and the possibilities for learning are practically unlimited. The performance levels, each of which builds on the last, mean that the Porsche Sport Driving School is able to offer customers everything they need for safe and efficient driving in Porsche vehicles or for more competitive driving on the race track.

In the ‘on-road training’ sessions, customers experience thrilling moments on famous race tracks and in selected driving safety centers as well as on the entry and test tracks at the Leipzig plant. In addition, participants can train away from the asphalt track at ‘off-road events’ in Leipzig, held on a site covering over 100 hectares. Customers seeking even more adventure can book a desert tour in Dubai to discover what it is like to drive on sand dunes. These trips are graded according to various levels of difficulty.

The ‘Porsche Sport Driving School’ now also offers a ‘Women Only’ training option and for the first time a ‘Track Day’, purely for driving on the race track. The ‘End of Season’ event offers customers and friends of Porsche the opportunity to mingle with like-minded people chatting about the season which has just drawn to a close and dreaming of what will come in the next. Special winter programs held in Finland, Austria, Italy and Colorado in the USA provide ‘Sport Driving School’ participants with the opportunity to learn how to drive safely in cold weather conditions, perfectly rounding off the range of training options. Accompanied by professional Porsche instructors, participants learn to control and improve their own reactions in critical driving situations.

Porsche Clubs Enter New Markets

The growth in the number of Porsche Clubs across the world continues unabated – during the review year, new clubs were established in the Cayman Islands, Iceland and Andorra, to mention only a few. Clubs are also being set up in new markets such as China and Russia. The central club coordination unit now oversees 570 clubs with more than 120,000 members in over 60 countries.

In France and Italy, countries with a long Porsche tradition, the structure of the Clubs was optimized by the establishment of umbrella organizations. This allows better coordination of the numerous activities. In addition, market allocation was put in place in the central club coordination unit so that all countries now enjoy more intensive and individually-tailored support. The USA Parade in San Diego, California, welcomed around 2,200 participants, more than ever before. This is impressive proof of the rich heritage, continuous growth and unceasing popularity of Porsche clubs.

Club sport was once again a focus of the 2006/07 fiscal year Porsche Club activities. The annual ‘Porsche Club Days’ at the Belgian Spa-Francorchamps circuit welcomed more than 600 vehicles, which all took part in a parade around this famous race track to bring the event to a close. After the successful introduction of the ‘Porsche Sports Cup’ in Germany and Sweden, this year Switzerland was added as another important market. The ongoing internationalization of this semi-professional series will continue to play an important role over the coming fiscal year.

This review year – much to the joy of all classic car fans – the Porsche Classic Club scene proved particularly active. The Porsche 356 Club España organized the 32nd international Porsche 356 Meeting in the Spanish city of Sitges, where just under 450 classic car enthusiasts from eleven different countries gathered. During the four-day event, participants experienced a unique combination of tourist trips, outings on the race track and cultural highlights. At the very popular ‘356 East Coast Holiday’ in Michigan, USA, 220 vehicles participated in the Concours d’Elégance and were judged by an expert panel.

There was no shortage of major events once the last fiscal year had come to a close, either: in August 2007 the Porsche Club Deutschland celebrated its 25th anniversary in Stuttgart. Meanwhile, the IAA Club evening in Frankfurt once again played host to 350 Porsche Club members from all corners of the world.


MARKETS
SERVICES


Cayman S

Markets

Record sales in China, Russia, the Middle East and Southern and Eastern Europe clearly demonstrate that the ongoing internationalization of the Porsche dealer network is reaping rewards. Porsche was also able to smoothly continue the successes of the previous year on its home market in Germany.

The intense competition that the automobile sector has been facing for so long has now reached the premium segment. More and more manufacturers are introducing new niche vehicles onto the market, with many of them offering generous discounts to make their products more attractive to the customer. Porsche continues to try to avoid this discount rivalry. Unique and timeless vehicles purchased through a professional dealer network remain the basis for Porsche's long-term and stable customer relations.

The company continues to pursue its goal of maintaining the balance between supply and demand. It thus constantly analyzes market developments and, if there are significant changes, production quotas for individual markets are swaped or manufacturing is adjusted. This prevents warehouse stocks reaching critical levels and therefore dispenses with the need for discounts. These measures add even more to product value, which means that the vehicles can be sold as used cars later and will maintain their value.

Rapid Growth on New Markets

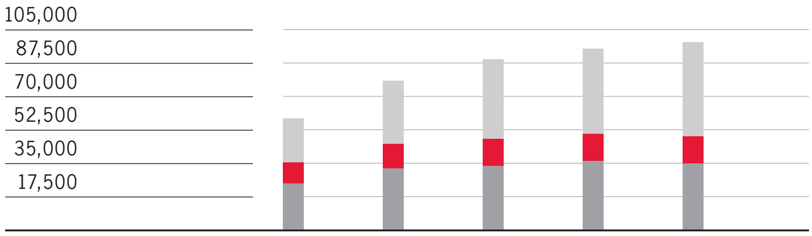
The ongoing internationalization of sales builds an important foundation for value-based growth. Porsche is now represented in over 100 markets, twice as many as ten years ago. Furthermore, 90 percent of sales are now controlled by the company directly through its subsidiaries and regional branches. In the mid-nineties, approximately half of all sales still went through independent importers.

Porsche's growing global presence has also significantly reduced its earlier dependence on success on the US and German markets. Whereas in 2000, Germany and North America still represented 70 percent of turnover, in the review year they accounted for only 50 percent. Over the same period, the proportion of turnover achieved by the rapidly developing regions of Russia and China, the Asia-Pacific region and the Middle East, along with Africa, Eastern and Southern Europe and Latin America, has increased to almost 20 percent.

Nevertheless, even on established markets, Porsche continues to take advantage of even the smallest market potential. Constant optimization of commercial processes and high levels of customer service guarantee that all market opportunities are exploited. Only in this way was it possible for Porsche to continue growing in supposedly saturated markets such as Italy and Japan during the review year, where sales rose by up to ten percent.

Vehicle Deliveries

in units



	02/03	03/04	04/05	05/06	**06/07**
Other Markets	23,273	33,106	41,581	44,687	**49,258**
Germany	11,027	12,677	14,154	14,014	**14,046**
North America	24,745	32,763	33,974	36,669	**35,398**

Overall, with 98,702 units delivered, Porsche deliveries to customers were up four percent in the 2006/07 fiscal year. The 911 series was particularly in demand, recording 37,068 sales. Never before has Porsche succeeded in selling so many units from this traditional series. 911 sports cars now account for 38 percent of all customer deliveries – in the previous year they represented 35 percent. In many markets, the 911 dominated its market segment.

The new generation of the Cayenne with reduced consumption direct fuel injection also triggered further positive momentum in the second half of the review year. Although production of the first generation of the SUV had already been discontinued in November 2006 and sales of the new generation only began on February 24, 2007 in Europe and Asia, and March 3 in America, deliveries over the entire 2006/07 fiscal year still reached the level of the previous year, with 34,745 units delivered. Once again, the Cayenne was able to exceed the original sales target of 25,000 vehicles per year.

The Boxster, however, encountered dwindling customer interest in exclusive roadsters. Nevertheless, while some competitors recorded a massive drop in sales, the Boxster continued to increase its market share in the segment. Porsche was also able to attract more customers with the top-of-the-range Cayman series. The Boxster and Cayman together achieved a sales volume of 26,846 units, a new record for Porsche mid-engined sports cars.

America

North America: Further Positive Results

During the 2006/07 fiscal year Porsche sold 35,398 vehicles in North America. This was just slightly below the high sales volume achieved the previous year, even though market conditions were very difficult and Porsche refused to participate in the ruinous discount battle. The Cayenne model change must also be taken into account.

Success in the USA and Canada was driven by the traditional 911 models, which broke all previous records with total customer deliveries of 13,222 units. The road to success of the new 911 Turbo merits special mention – it accounted for almost a quarter of all sales in the 911 series. The Boxster and Cayman were able to increase their market share in a declining segment – a total of 10,423 vehicles were sold in this series. The Cayman and Cayman S proved particularly popular, together delivering 6,561 units.

As expected, sales of the Cayenne series were affected by the model change, recording an eleven percent decrease to 11,739 units. Customer deliveries in the current 2007/08 fiscal year, however, make it clear that the second generation of the SUV has been very well received on the North American market.

Porsche also has big plans for the future in the USA and Canada. Further investments are being made in the North American sales network. In the review year, 20 construction projects were completed. The proportion of dealerships with showrooms that conform to the Porsche design concept has now increased to 83 percent.

Latin America: Mexico more Important

Although the new Cayenne was only able to fuel sales after its market launch in March 2007, Porsche was able to smoothly follow on from its successes of the previous fiscal year in Latin America. This was because both the 911 series and the two mid-engined sports cars, the Boxster and the Cayman, increased their shares of the market. In total, Porsche delivered 2,010 vehicles to customers in Latin America during the review year.

Mexico remains an important growth market in Latin America. In the 2006/07 fiscal year the up-and-coming Central American country recorded 680 customer deliveries. The opening of a second dealership in Mexico City towards the end of the review year will boost sales further. Sales in the Dominican Republic also stabilized at a high level and the Porsche Center in Santo Domingo was extended. The proportion of dealerships with showrooms following the Porsche architectural design concept has now increased to 91 percent.

Events organized by the particularly active Porsche Clubs in Latin America, as well as the Porsche Sport Driving School, the 'Porsche World Roadshow' and numerous local driving presentations, underpinned the brand's vitality in the region.

Europe

Germany: Success on a Weak Market

The economic upturn and the general positive political and economic sentiment in Germany during the review year left the automobile industry standing. The Federal Government publicly encouraged a slowdown in vehicles sales by increasing VAT. Many customers may also be discouraged by possible amendments to road tax. Despite these difficult market conditions, Porsche managed a slight improvement on the previous year's high delivery volume of 14,014 units, achieving deliveries of 14,046 vehicles.

The 911 series was particularly successful in the 2006/07 fiscal year. Deliveries were up ten percent on the very high prior-year volume, reaching 6,945 units. The high demand for the prestigious 911 Turbo and 911 GT3 contributed to growth. The Boxster and Cayman held their own in a very hard-fought market segment. With a total of 3,552 units, deliveries of both models were only slightly below the prior-year figure.

Although the new Cayenne SUV was only available from the end of February 2007, deliveries in this model series remained relatively stable in comparison with the previous year, at 3,540 units. This reflects the success of the intensive advance publicity campaign which began in December 2006. As a result of these activities, Porsche had already received a very satisfactory number of orders even several weeks before actual sales began.

The Porsche dealership organization continues to make significant investments in brand architecture. As a result, during this review year five of the 85 Porsche dealerships in Germany were renovated or newly built. Confidence in future growth of the brand is further fuelled by the ongoing popularity of motor sports in Germany. The two race series, the 'Porsche Carrera Cup' and 'Porsche Sports Cup', continue to pull in the crowds. During the 2006 season, more than 1,200 drivers took part in the semi-professional 'Sports Cup'.

Great Britain: Well-equipped for the Future

Porsche Cars Great Britain almost matched the high delivery volume of the previous year with a total of 9,104 customer deliveries – even though market conditions were difficult on the island throughout the review year. Nevertheless, Great Britain and Ireland remain the third most important market for Porsche after North America and Germany. The proportion of total sales accounted for by sports car models is remarkably high, at more than 82 percent. The attractiveness of the 911 Turbo and 911 GT3 played an important role in enabling the 911 series to once again achieve the excellent sales volume of the previous year with 3,336 units delivered.

The record performance of the Boxster series in the previous fiscal year was almost repeated, with 4,168 units. The slight decline in sales of the Boxster was more than compensated by the Cayman, with 1,964 units delivered. The Cayman S once again was a particular hit. The Cayenne held its own on the market. After receiving a boost thanks to the introduction of the second generation model, 1,597 units were delivered in the review year, despite the model change.

In addition to its sales activities, Porsche Cars Great Britain initiated a variety of mid- and long-term projects. Along with the expansion and intensive preparation of the dealer network for the Panamera, several million pounds were invested in further development of the 'Porsche Driving Experience' events. This review year alone, 9,000 people took advantage of the Porsche Sport Driving School, the Porsche Travel Club and the 'Depositor Program' for new customers.

For the seventh time in a row, the Porsche Retail Group's own dealer operations in the Greater London area were ranked first place for their profitability and efficiency in the highly-respected AM100 performance review. These five Porsche Centers alone accounted for 27 percent of all sales in Great Britain. There are 34 Porsche dealers in total in Great Britain and Ireland.

Italy: Continued Growth

Porsche once again managed to clearly overtake the record deliveries of the previous year's 5,270 units in Italy this review year, reporting deliveries of 5,458


S GO 170

vehicles. Deliveries of models in the 911 series were up again by eleven percent to reach 2,738 units. The 911 GT3 and 911 Turbo models were very popular among customers and represented eleven percent of all customer deliveries in the series. The Boxster and Cayman models also continued on their road to success; with 1,456 deliveries, they far exceeded the previous year's excellent results. The Cayenne lost some ground, selling 1,259 vehicles in the review year (1,443 in the previous year). However, incoming orders in the current 2007/08 fiscal year indicate that the new model is proving very popular among customers.

The dealer network is also continuing to grow in Italy. Five new locations were added in the 2006/07 fiscal year, bringing the number of outlets in the entire dealership network up to 33. In addition, motor sports is also becoming increasingly important in Italy. The 'Porsche Carrera Cup Italia' began for the first time in March 2007 and quickly became a hit with the public.

France: Positive Results Continue

The excellent results achieved in the previous year (2,614 units) were confirmed in the review year with deliveries of 2,650 units. Sales of the 911 increased significantly by 15 percent to 1,125 units. The Boxster and Cayman did not quite achieve the record of 715 units from the previous year, but nonetheless maintained a high delivery volume of 696 units. The Cayenne continued its success story with 829 customer deliveries. The high number of incoming orders for the new model in the current fiscal year indicates that further increases in deliveries can be expected.

Spain and Portugal Maintain Strong Position

With 2,603 customer deliveries in total during the 2006/07 fiscal year, Porsche almost matched the high sales volume achieved the previous year. As far as sports cars were concerned, the sales volume of 911 models was up nine percent to 712 units. Sales of the prestigious 911 Turbo and 911 GT3 were particularly impressive, dramatically exceeding all expectations to reach 195 units.

The Boxster and Cayman experienced an increase of five percent to achieve deliveries of 641 vehicles. Thanks to the success of Porsche sports models, too great a dependence on Cayenne sales was avoided. Nevertheless, with 1,250 customer deliveries, the SUV was once again the star.

During the 2006/07 fiscal year the Porsche brand was represented by 25 dealers on the Iberian Peninsula, four of these in Portugal. The subsidiaries in Madrid and Barcelona were responsible for 33 percent of all customer deliveries. In summer 2007, the newly constructed Porsche Center in Barcelona was also opened.

Switzerland: Another Record-breaking Year

With a delivery volume of 1,842 vehicles, AMAG, the importer for Porsche in Switzerland, was able to outperform the previous year's 1,692 units. In its first sales year, the Turbo was the bestseller in the 911 model series with 293 vehicles sold. In total, the 911 recorded a 23 percent increase in deliveries on the previous year, with 945 vehicles delivered. The Boxster/Cayman series, including the newly-available entry-level Cayman, was able to maintain a high level of sales with 366 units sold this review year.

The Cayenne, already in high demand in Switzerland, continued to be very successful. The new model was very well received by customers. In total, 531 cars were delivered, more than in the previous year.

A comprehensive program of events offered many opportunities for customers and fans to experience the world of Porsche. The newly-introduced 'Porsche Sports Cup' meant that drivers with racing ambitions were also able to get their money's worth at Porsche events.

In the last fiscal year, Porsche AG decided to establish a 100-percent sales subsidiary so that increasing demands resulting from the expanded range of Porsche models could be met. Preparations for the construction of Porsche Schweiz are now going full steam ahead. The new subsidiary, based in Zug, will be responsible for the import and sale of Porsche vehicles, spare parts and accessories on June 1, 2008.

Austria: 911 Exceeds Expectations

In the 2006/07 fiscal year, 871 vehicles were delivered to customers in Austria, an increase of just under eleven percent on the previous year's sales. The 911 series was particularly successful and far exceeded all expectations by selling 420 units (371 in the previous year). The new 911 Targa and 911 Turbo models proved particularly popular with customers.

Cayman sales also developed well: with 94 units delivered, the number of customers able to enjoy a new

Cayman sports car was up 52 percent compared with the previous year. In total, 177 vehicles from this model series were sold (159 in the previous year). The Cayenne is holding its ground well, as reflected by the further increase in deliveries of the series to 274 units.

Belgium: On the Road to Success

The importer D'Ieteren once again proved very successful in representing the Porsche brand in the 2006/07 fiscal year. Deliveries of 1,143 vehicles represented a six percent rise on the previous year's delivery volume. The sports cars recorded particularly positive results. The 911 series achieved 15 percent year-on-year growth with 555 units delivered. The customers' reaction to new vehicles including the 911 Targa, 911 Turbo and 911 GT3 was very positive. The Boxster and Cayman continued to be successful in the review year and surpassed the previous year's sales by six percent, with 308 vehicles sold. The entry-level Cayman was very well received. In addition, although Belgium has abolished tax advantages for SUVs, the Cayenne continued to arouse considerable interest. Sales were only just under the previous year's 300 units, with 280 vehicles sold.

Throughout the review year the importer offered a series of attractive events for customers, such as the 'Porsche World Roadshow', which welcomed 280 participants. These events ensured that the Porsche brand was made more accessible to many more potential customers.

The Netherlands: Fresh Growth

The Porsche importer in the Netherlands, Pon's Automobilhandel B.V., exceeded the previous year's sale volume by over seven percent, delivering 1,167 units in the review year. Success of the 911 models was particularly impressive, the 911 series representing 47 percent of total sales, with 549 units delivered (513 in the previous year).

Unlike Porsche, many manufacturers offer discounts on their vehicles because of the high taxation on luxury goods. Nevertheless, the Boxster/Cayman series was able to hold its own in this aggressive, competitive market, with 178 vehicles sold. The market launch of the new Cayenne was accompanied by a variety of activities in all the Porsche Centers. With 440 vehicles delivered (375 in the previous year), sales of the SUV proved highly successful.

Northern Europe: A Stable Market

The economically and politically stable Scandinavian region continues to be an important retail market for Porsche. This review year, customer deliveries reached 1,660 vehicles, virtually no change compared to the previous year. The markets in Iceland, Norway, Sweden, Finland and Denmark benefited hugely from the high demand for all-wheel drive models in the region, which helped the 911 series to achieve 23 percent growth in sales to 755 units.

The Boxster series sold 212 units. Sales were stable even while the general interest in the roadster segment was declining. Cayman sales were slightly down.

The Cayenne series recorded a growth of 3 percent reaching sales of 693 units despite the model change.

A newly constructed Porsche Center was opened in Copenhagen, new Centers are also planned for Reykjavik and Oslo. The 'Porsche Carrera Cup Scandinavia', which takes place during the Swedish Touring Car Championship, entered its third season and continues to strengthen the brand in Scandinavia.

Southern and Eastern Europe: Strong Growth

For the first time, sales in Southern and Eastern Europe surpassed the 3,000 unit mark. After delivering 2,413 units the previous year, the region – with Greece as the largest individual market – recorded deliveries of 3,002 vehicles. The Cayenne series was particularly popular, with deliveries increasing by 406 units to 1,583 vehicles in total. The 911 series also saw the beginnings of an upward trend, with a 36 percent increase in sales to reach 998 units.

The dealer network in Southern and Eastern Europe continued to grow in the review year, with Azerbaijan added to the region to bring the total number of markets to 21. The new importer located in the city of Baku has been working for Porsche since November 2006. Further dealerships were also officially inaugurated during the review year, including those in Serbia (Belgrade), Cyprus (Nicosia) and Turkey (Izmir).

Russia: From One Record to Another

In its third year of business , the Porsche Russia subsidiary once again recorded a considerable increase in sales. A total of 1,900 new vehicles were delivered, 77 percent more than in the already highly successful previous year.

With 1,699 deliveries, an increase of 81 percent, the Cayenne was primarily responsible for this success. The Boxster, Cayman and 911 together also experienced 53 percent sales growth, with a total of 201 units, in spite of comparatively unfavorable driving conditions and a poor infrastructure. Porsche is systematically expanding the sales network in Russia. After the inauguration of a new Center in Moscow in September 2007, the network now includes 16 dealerships in total. The Porsche branch in Moscow is also the headquarters of the Porsche Russia subsidiary. By the end of the 2007/08 fiscal year, Porsche will be represented in three more Russian cities.

Middle East and Africa

Actively Pushing Forward

Porsche Middle East and Africa continued to grow dynamically during the review year and, with 5,330 deliveries (4,419 in the previous year), now represents the fifth largest market after North America, Germany, Great Britain and Italy. The 20 Porsche Centers, based in 15 markets and coordinated by a central regional office in Dubai, continued to invest in their showrooms and service facilities throughout the year.

Total deliveries in Middle East and Africa have increased almost ninefold over the last five years. The Cayenne SUV continues to be the motor for growth. In the review year, 3,467 vehicles from this series were delivered (3,006 in the previous year). Sports cars from the 911 and Boxster series, with a 35 percent share of total deliveries and more than 1,858 vehicles delivered (1,358 in the previous year), now also make a significant contribution to success in the Middle East. The prestigious 911 Turbo and 911 GT3 were particularly popular in the region, selling more than 491 vehicles in the 2006/07 fiscal year.

The dealer network was extended with three new Porsche Centers in India (New Delhi), Pakistan and

New dealerships all over the world bear witness to the continuing internationalization of Porsche's business. The photo shows the "Porsche Center Sydney South" in Australia.

Kenya. Nevertheless, the development of the sales network is by no means done. Porsche is continuing to invest in India, in some African countries and in the Gulf region to further open up this dynamic area.

Australia

Cayenne is the Driving Force for Growth

The successful market introduction of the new Cayenne made a remarkable contribution to positive results at the end of the year. Despite the model change in the 2006/07 fiscal year, 1,402 vehicles in total were delivered (1,415 in the previous year). The high level of customer interest in the entry-level Cayenne contributed to total sales of 397 vehicles from the series.

The sports cars in the 911 series were very popular. Deliveries were up 21 percent in the review year to 573 units. Demand was especially high for the top 911 Turbo and 911 GT3 models. In a roadster segment that continued to decline, 432 units from the Boxster series were delivered in total.

Porsche Cars Australia made further investments in the 2006/07 fiscal year to safeguard its market success, including the purchase of the Porsche Center Sydney South. The Porsche Center Melbourne, also a subsidiary of Porsche Cars Australia, was renovated. The newly established Porsche Retail Group Australia Pty Limited, which includes the Sydney South and Melbourne Centers, accounted for approximately 34 percent of all sales in Australia.

Asia

Japan: Sports Cars on the Up

With total deliveries of 3,902 vehicles, Porsche recorded a ten percent increase in the 2006/07 fiscal year – even on a market which is notoriously difficult for imported vehicles. The Japanese dealers delivered fewer SUVs, with a total Cayenne volume of 848 units, but this was more than compensated by high sports car sales, with 3,054 units sold in the review year (2,391 in the previous year). The 911 Turbo and 911 GT3 played a major role in achieving such success; with 454 vehicles sold in total, every third 911 delivered was one of these two top models in the 2006/07 fiscal year.

The Japanese sales network, which includes 42 locations, was also further renovated during the review year to be in line with the Porsche corporate identity.

Asia-Pacific/China: Exceeding Expectations

The Asia-Pacific/China region was also a very strong growth region for Porsche in the 2006/07 fiscal year. Deliveries increased by 71 percent to 4,907 vehicles. In China alone, sales doubled to reach 3,105 units (previous year: 1,613). Customer deliveries of the Cayenne increased by 92 percent to 2,510 units. But also the sports cars continued to be a success. Recording an increase in sales of 96 percent to reach 595 units is remarkable in a country with no history of motor sports.

One reason for such positive development is the expansion of the dealer network. At the end of the review year Porsche was represented by 16 Porsche Centers in 15 Chinese cities. Partners were selected for five new dealership locations, with construction of new Centers already underway. Porsche also continued to step up its marketing activities in China and was present at 14 Chinese automobile fairs in the course of the review year. The brand also held five national driving presentations, welcoming more than 800 participants. The 'Carrera Cup Asia' was also used to arouse further interest in Porsche sports cars. Four races were held in China in the 2007 season.

On other Asia-Pacific markets, Taiwan, South Korea and Singapore were the main players in achieving a 43 percent increase in deliveries to reach 1,802 units. Individually, Taiwan's sales were up 44 percent to 253 units, South Korea achieved growth of 74 percent to 293 units and Singapore brought the 2006/07 fiscal year to a close with a 46 percent increase and total sales of 223 units.

Services

Impressive growth rates characterize the fiscal year for the subsidiaries Porsche Consulting and Mieschke Hofmann und Partner. Porsche services continue to focus on all the financial services relating to automobile purchases.

As a modern automobile company, Porsche offers its customers all the financial services connected with the purchase of a car, including leasing, hire-purchase, financing and vehicle insurance. In addition, the Porsche Card represents an attractive credit card option. Porsche dealers supply these financial services quickly, securely and easily, enabling the company to satisfy in full the wide variety of demands presented by Porsche customers. Leasing contracts, for example, can be matched to the customers' needs both in terms of the services offered and the contract duration.

Porsche Financial Services GmbH has its own subsidiaries on all major markets. With more than 34,000 new contracts concluded, the company attended to more than 70,000 active financial services contracts across the globe in the course of the last fiscal year. In addition, some 12,000 customers currently take advantage of Porsche's credit card offers. As holders of the Porsche Card or Porsche Card S, which provides a broad range of additional functions, these customers enjoy a multitude of services and individual benefits – all specially customized to the interests and requirements of Porsche drivers.

Safety, comfort and performance – with these principles forming the basis of the Porsche CarPolicy and the Porsche CarPolicy S, Porsche Financial Services also offers customized insurance cover through Porsche Insurance Services. Both policy options provide Porsche customers with risk coverage specially tailored to the value of their vehicle. This applies to both the third party insurance and the comprehensive and limited cover insurance. Porsche Insurance Services has been working successfully for several years with the German insurance group Haftpflichtverband der Deutschen Industrie (HDI) and now enjoys the valued trust of some 27,000 satisfied Porsche drivers.

First Subsidiary Abroad for Porsche Consulting

Porsche Consulting GmbH further strengthened its position on the consultancy market over the course of the review year. With a turnover of 45 million Euro, a 40 percent increase on the previous year, the company now ranks among the 20 largest management consultancy firms in Germany. The number of employees has risen from 135 to 170.

Approximately 87 percent of Porsche Consulting's turnover comes from external companies, while the remaining 13 percent comes directly from work with Porsche AG. Projects within the parent company are particularly important for Porsche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Consulting as they provide the opportunity to develop and try out new consulting approaches. During the 2006/07 fiscal year, Porsche Consulting worked with some 80 new clients.

Over the review year, the proportion of turnover coming from abroad increased to 30.4 percent. Porsche Consulting set up its first ever subsidiary abroad. The consultancy firm in the north Italian city of Milan has been up and running since November 2006 and now employs 12 staff to cover the national market. Their clients include reputable companies from the aircraft and commercial vehicle industry, automobile suppliers and subsidiaries of German companies.

Ever since it was set up in 1994, Porsche Consulting has practised its lean, low-expenditure company model. The consultants focus closely on the rapid implementation of their ideas; their brief is to achieve tangible improvements for their clients within a short period of time. They transfer methods originally developed for the automobile industry to other sectors, with a client base that incorporates companies from the mechanical engineering and electro-technology sectors as well as the food, construction, furniture and household appliance industries. Trading companies, construction firms, banks and health-care establishments also benefit from their advice.

The range of services offered by Porsche Consulting is supplemented by the Porsche Academy, which provides group and individual seminars offering further training to managers and others. In addition, ‘Benchmark Seminars’ are offered in both Japan and Europe, providing an insight into the practices of particularly successful companies.

IT Consultants MHP Continues to Grow

Mieschke Hofmann und Partner (MHP) Gesellschaft für Management- und IT-Beratung mbH, based in Freiberg am Neckar, grew further in the 2006/07 fiscal year. The turnover of this company, in which Porsche AG has a 74.8 percent holding, increased by 27 percent to 49.8 million Euro. The number of employees rose by just under 70 to 359. According to a study carried out by a market research company, MHP now ranks among the top 25 IT consultancy firms in Germany.

MHP combines process and IT consulting to offer its clients integrated concepts and solutions covering the entire process chain – from planning through implementation to management of IT solutions. Along with its parent company, Porsche AG, MHP now works with around 250 reputable companies from various sectors, with an emphasis on manufacturers, suppliers and dealers in the automobile sector.

In the review year, a new subsidiary was opened in Wolfsburg. Thanks to the location of the existing subsidiaries in Ludwigsburg, Essen and Munich, MHP is now represented in all major automobile industry hubs in Germany.

PLH Presents New Mobile Phone

Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG (PLH) employs approximately 100 staff to look after the ‘Porsche Design’ and ‘Porsche Design Driver’s Selection’ brands. The Porsche Design Studio in Zell am See, Austria, is also part of PLH. Over the course of the review year, the Porsche Design brand was able to strengthen its market position as a luxury brand with an emphasis on technical and functional products. With this focus, a sports collection comprising textiles, accessories and sports equipment entered the market for the first time. The newly unveiled Porsche Design ‘P’9521’ mobile phone received a particularly positive response from the media. The entire housing is milled from a single solid aluminum block, and the phone is distinguished by a purist design – characteristic of Porsche – and a finger pressure sensor. This new mobile phone expands the existing range of electronic products. Another item which proved especially popular among experts was the newly developed ‘Worldtimer’ watch, exhibited for the first time at the ‘Baselworld 2007’ watch and jewelry trade fair. The watch displays the time in two different time zones simultaneously.

The 2006/07 fiscal year also saw PLH extend its global network of retail outlets, with new Porsche Design Stores opening in Boston, Beijing and Kuala Lumpur. The retail network in airports and high-class department stores was also expanded.

Lifestyle accessories, scale-model cars and luggage items custom-made for our sports cars, all from the ‘Porsche Design Driver’s Selection’, continued to enjoy great popularity among Porsche customers and fans. The Martini Racing Collection was a particular success, evoking memories of the teamwork between the two brands and the subsequent racing success of the seventies. The range of bestsellers still includes the traditional Porsche wall calendar.

Having represented timeless and unmistakable design for the last 35 years, the Porsche Design Studio in Zell am See not only manages the creation of all Porsche Design products, but also designs industrial products, household appliances and consumer goods for other companies. The Studio caused a particular stir with the design of a high-speed yacht for American manufacturer Fearless Yachts, based in Florida.

Further important commissions included the design of the interior and exterior of the new subway in Oslo and the interior of a business jet for Swiss aircraft manufacturer Grob Aerospace. As in previous years,

Porsche Design has earned its excellent image also through the design of industrial products. The photo shows a high-speed yacht.

numerous products designed in the Studio in Zell am See were awarded coveted design prizes.

Development for Customers

When Ferdinand Porsche founded his own design office in Stuttgart in 1931, his intention was to find future-oriented solutions. Committed to the founder's claim, Porsche Engineering carries out a wide variety of development and consultancy work, its client base not just including car manufacturers and suppliers. The broad spectrum of work ranges from individual components to the whole vehicle. In the 2006/07 fiscal year, Porsche Engineering specialized in the field of alternative drives, such as electric and hybrid drives, and also won new orders. In their search for innovative solutions, customers trust in Porsche's multitude of special skills and its ability to continually apply these competences to tackle new challenges.

Whether it be in vehicle development, in mechanical engineering or in medical technology – Porsche Engineering guarantees absolute confidentiality for all projects. As a partner with motivated employees, Porsche Engineering's continuing aim is to exceed the customer's expectations wherever possible. While achievement of the perfect technical solution is, of course, taken for granted, the ultimate aim is to achieve an optimum overall solution, starting with budget compliance and continuing into the consultancy and project management stages, right through to quality control.

At the end of the 2006/07 financial year, the sale of Porsche's subsidiary Porsche Engineering Services (PES) in Troy, Michigan to Magna International was concluded. The company, employing 120 people, was founded in 1990 and focused primarily on the American market. For efficiency reasons, Porsche is now managing all development activities for external customers via the Porsche Engineering Group GmbH (PEG) at Weissach.

The cooperation between Prague Technical University and Porsche Engineering Services (PES), a 100percent owned subsidiary of PEG in Weissach, also developed very positively in the review year. The company evolved from cooperation with Prague University and specializes in engineering computation and simulation. To foster relations with the university even further, the 'Porsche Engineering Award' was introduced in 2005. In the 2006/07 fiscal year, the prize went to three graduates from the university, the overall winner being offered a research post.

On the whole, demand for Porsche Engineering's services remained high in the 2006/07 fiscal year. Enquiries and orders, both in Europe and Asia, have continued to rise. Short development times, technical innovations and sustainable cost reductions as well as the seamless interaction between the individual components in the finished product were the top-priority wishes of customers. Porsche Engineering has exceeded its own ambitious goals.


COMMUNICATION
PORSCHE MUSEUM

Communication

Communication promotes Porsche's good reputation. The success of communication activities is illustrated, for example, by the findings of surveys conducted among university students to assess the attractiveness of companies: for many respondents Porsche is the dream employer.

First-class premium products form the basis of Porsche's profitable growth, but another very important factor in corporate success is the excellent reputation the company enjoys. Public relations promote Porsche's high standing by increasing social acceptance of the product, company and brand. Every year, surveys confirm that this communication strategy is highly successful. Porsche was selected as the Company with the Best Image four times in a row by 'manager magazin', a coveted title awarded every two years and most recently in January 2006. The ranking is compiled by Emnid, a market research institute. Porsche also ranks top in international studies. In April 2007, the renowned Luxury Institute in New York named Porsche as the premium brand with the highest reputation for the third time in a row.

A company's image is not only vitally important for selling its products, but also for attracting employees. In July 2007, the consulting company Universum Communications carried out a survey among almost 16,500 students from 100 universities in 16 European countries, with impressive results. Engineering and sciences students consider Porsche the most attractive industrial employer in Europe. The automobile manufacturer came top of the employer wish list for 12.4 % of respondents. Only Google received more votes from young people with a technology focus. The results of this survey cannot be rated too highly, given the emerging shortage of engineers in Europe. Porsche remained in eighth position for business students – 9.9 % of respondents named the automobile manufacturer as their favorite employer.

Promoting New Talent is a Priority

The international success of German industry and Porsche in recent decades was only possible thanks to a wealth of highly-trained specialists, engineers and scientists. Porsche is committed to promoting young talent in a number of ways to ensure that this success continues in the future. In the 2006/07 fiscal year, the Ferry Porsche Prize was once again awarded to the top high school graduates from Baden-Württemberg with physics/technology and mathematics as main subjects. 244 young people received the awards in March 2007. Further six scholarships for a four-week placement at an international Porsche subsidiary were also awarded during the prize-giving ceremony, which was held at the Weissach Research and Development Center.

Along with the Porsche Consulting subsidiary, the automobile manufacturer also became a sponsorship partner for the 'Deutscher Gründerpreis', an award for new business start-ups. With this commitment, Porsche hopes to provide young, innovative companies with the support they need to realize their visions and ideas in Germany. Other sponsors include stern magazine, Sparkassen bank and ZDF TV station. The award is the highest form of recognition for outstanding entrepreneurs in Germany and is presented annually in the following four categories: Students, Start-up, Climbers and Lifework. Porsche Consulting advisors supported the pre-selection procedures among applicants and prepared the meetings of the prize jury. Nominees and winners alike also receive customized advice and training from the Porsche subsidiary.

Creativity is hugely important at Porsche. This is why the company wants to support young, international producers of advertising films. In November 2007, the 'Porsche International Student Advertising Film Competition' was held for the fourth time at the Baden-Württemberg Film Academy in Ludwigsburg. A first-class, international jury of specialists, including the renowned author and director Sönke Wortmann, rewarded four exceptional creative achievements with three main prizes and a special prize. All four winners also received a 'David' trophy in recognition of their work. The trophy is designed to evoke Porsche's own principle that a small company can compete against and outperform conglomerates.

Journalists Thrilled by Driving Presentations
Driving presentations of new models are an essential element of Porsche's public relations. During the 2006/07 fiscal year there were three highlights on the agenda. The presentation of the new 911 Targa 4 and Targa 4S in September 2006 was only the beginning. At the Algarve in southern Portugal, international journalists were impressed by the attractive overall design of the new Targa models. A few months later, in January 2007, media representatives were introduced to the new Cayenne in Andalucía in Spain. The journalists were particularly thrilled to have the opportunity to put the second generation Cayenne through its paces off the beaten track. The third highlight of the review year came in June 2007, with the presentation of the new 911 Turbo Cabriolet in Königstein im Taunus. Overwhelmingly positive reports in the German and international Press reflected the lasting impression left by the Cabriolet.

In the 2006/07 fiscal year, the presentation of new Porsche models to journalists and analysts again represented a highlight for all involved. The driving presentation of the 911 Turbo Cabriolet was pure driving pleasure.

At the end of the 2006/07 fiscal year, Porsche offered selected representatives from television stations and the print media a very special treat in the form of the Technical Workshop, which takes place annually in the Weissach Research and Development Center. The focus of this particular workshop was on the forthcoming Cayenne Hybrid. At the July 2007 workshop, the journalists were not only able to learn about the hybrid engine in detail, but were also given the chance to be a passenger in a prototype Cayenne Hybrid. By taking the vehicle for a spin on the test track, which simulated an excursion in the Stuttgart region, workshop participants were able to see for themselves that an average fuel consumption of less than nine liters per 100 kilometers could easily be achieved.

Impressive Appearances in Paris and Frankfurt

The Paris Motor Show is one of the most frequented automobile trade fairs in the world. This is why it has repeatedly proven to be the perfect location for presenting highlights of the Porsche model range to the public. After the Carrera GT hit the headlines there in 2000, two years later it was the Cayenne's turn to thrill visitors. In 2004, the new Boxster took the podium and in September 2006 the new 911 models, the Targa 4 and Targa 4S, as well as the purist's option, the 911 GT3 RS, made their first entrance onto the world stage in Paris. The French capital was also chosen to premiere the RS Spyder, the new racing car for the American Le Mans Series 2007. In January 2007, the Detroit Motor Show set the stage for the first much talked-about appearance of the second generation of the Cayenne SUV, which features modern, low-consumption direct fuel injection. The European premiere of the Cayenne, Cayenne S and Cayenne Turbo was celebrated two months later at the Geneva Motor Show.

The Frankfurt International Motor Show captivated the automobile industry once again. Porsche presented many novelties and took the opportunity to simultaneously show a total of four new models. The 911 Turbo Cabriolet and the 911 GT2 were particular highlights of the famous motor show, which took place in September 2007. A hybrid design car and the Cayenne GTS, as well as the limited edition Cayman S Porsche Design Edition 1, also attracted many visitors.

The winner of the Porsche Tennis Grand Prix 2007, Justine Henin (right), received her prize from the Chairman of the Supervisory Board, Dr. Wolfgang Porsche. On the same photo on the left: runner-up Tatiana Golovin.

Constant Dialog with Financial Market

Dialog with financial market players has become increasingly important, especially since Porsche took a stake in Volkswagen. Investor Relations, part of the PR department, held many discussions during the review year with analysts, institutional investors and private shareholders. Whether in Zuffenhausen, at road shows in the world's most important financial centers or during various driving presentations, Porsche attached great value to open communication, with a focus on the outstanding success of Porsche stock. The company also believes in the importance of speaking with one voice, i.e. coordinated communication with the general public, the media and the financial world.

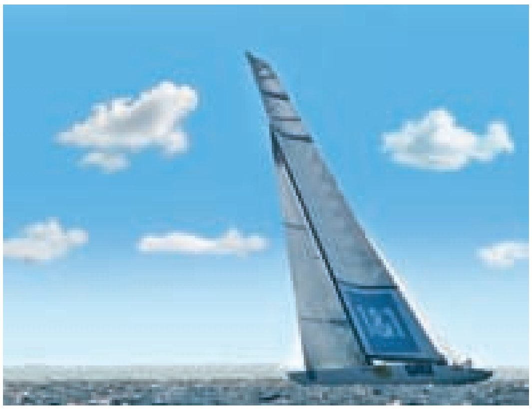
Intensive Crisis Prevention

Crises of various kinds can hit a company suddenly and unexpectedly. A manufacturer of exclusive products with demanding customers is expected to take quick and comprehensive action in a crisis situation and provide ample information. This is why Porsche has drawn up a crisis management plan including an appropriate communication concept for emergencies. This plan sets out binding rules for behavior and allocates responsibilities right 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 roles of managers in the various business areas involved, their deputies and the employees whose task it is to make contact with the public authorities. With a view to crisis prevention, various possible scenarios are repeatedly staged as 'dry runs', to allow staff members involved to become as familiar as possible with the measures to be taken. To manage crisis as fast and efficient as possible, the number of persons involved is deliberately kept small. This also applies to the possible allocation of an action team to deal with the crisis. All these factors are intended to ensure that any response to an emergency is carried out with the competence associated with the name of Porsche.

Tennis Grand Prix in the New 'Porsche Arena'

Every year, the Tennis Grand Prix is a highlight amongst the various sport events supported by Porsche aside from motor racing. In 2007, the top class ladies' tennis tournament was held for the second time at the 'Porsche Arena' in Stuttgart, after a quarter of a century in Filderstadt. The event, held between late September and early October 2007, welcomed top female tennis players to compete not only for prize money, but also for a 911 Turbo Cabriolet. In October 2005, Porsche paid a fee of ten million Euro to secure the naming rights for a twenty year period for the newly constructed arena, which is located right beside the Hanns-Martin-Schleyer-Halle in Stuttgart-Bad Cannstatt. The logo above the entrance combines Porsche's red writting with a bold arena silhouette in metallic gray. Since January 2007, the new 'Porsche Arena' has also been the venue for Porsche's Annual General Meeting.

There are surely very few brands which have such a high affinity with the notions of athleticism and performance as Porsche. This is why Porsche's sporting commitments have an even broader base. The company sponsors the 'Bietigheim Steelers' ice hockey team, based in Bietigheim-Bissingen, where several of the company's subsidiaries are located. In the review year this ambitious team was playing in the second German league. The Porsche flag was also displayed at the 'America's Cup' international sailing competition. In Valencia, Spain, the German team was able to rely on the services of six Cayenne vehicles.



Porsche supported the America's Cup by providing vehicles for the German team. Now Porsche Consulting, in collaboration with the team's manager Jochen Schümann, is taking responsibility for the construction of the German team's boat for 2009.

Visiting Pope Benedict in Vatican

Porsche Communication thought of something special to celebrate Pope Benedict XVI's 80th birthday on April 16, 2007. The internationally renowned Stuttgart Radio Symphony Orchestra of the radio broadcasting corporation SWR performed in the Vatican in the presence of the Pope, numerous Church dignitaries and around 10,000 guests. The highlight of the 90-minute concert was Mozart's Violin Concerto No.3 in G major K.216, once described by Albert Einstein as a miracle. The concert was brought to a close with the Antonin Dvorák's last symphony, Symphony No.9 in E minor Op.95, often known as the 'New World Symphony'. This symphony remains one of the most popular works from the nineteenth century. The concert was broadcast live on German radio and television. This unique event was only possible thanks to Porsche's cultural support.

Porsche Museum Continues Growing

The shell of the new Porsche Museum at the Headquarters in Stuttgart-Zuffenhausen was largely completed at the end of 2006: the basement parking lot, ground floor, first floor and girders, the 'cores' made from reinforced concrete, had been constructed. Lift shafts, stairwells and supply channels are now in place in the three building cores. These also serve as heavy load-bearing supports for the exhibition area, which will cover

5,600 square meters and appear to hover over the first floor as a single structure in its own right. The museum, designed by the famous Viennese architects Delugan Meissl, will house 80 valuable Porsche models as well as 200 further exhibits covering Porsche's rich and varied history. The opening is planned for the end of 2008. The photographs beginning on page 78 of this Annual Report provide an insight into how construction is progressing.

Well-informed Customers and Employees

The customer magazine 'Christophorus', one of the first publications of its kind in the motor vehicle industry, has proved an important instrument for promoting customer loyalty since 1952. In the review year, the magazine underwent further improvements. It aims to provide customers with information about the technology of new Porsche models as well as on a variety of lifestyle issues and now offers further benefits, such as advice on restaurants and events. 'Christophorus' is now more international than ever before. Porsche's customer magazine appears every two months in twelve markets and is now published in nine languages, with recent additions including Mandarin, Japanese, Korean and Russian. A tenth version in Arabic is on its way. The circulation figures are also impressive – more than 300,000 copies are now printed.

In honor of Pope Benedict XVI's 80th birthday, Porsche provided support for a performance by the renowned Stuttgart Radio Symphony Orchestra in the Vatican.

Just as the customers are kept well informed, Porsche ensures that its employees are aware of everything worth knowing concerning the company's achievements. The employees' newspaper is called 'Carrera' and has now been making an important contribution to employee motivation every month for more than 23 years. Well-informed employees feel that they are taken seriously and their knowledge of events gives them a sense of belonging to in the company and identification with shared goals. The newspaper, which is very popular among employees, turned even more attractive in early 2007 thanks to improvements in layout and visual language. 'Carrera TV', specifically for employees, also plays an important role in communication. Broadcast on a monthly basis, it provides interesting news about the company.

Award-winning Marketing Communication

Porsche Communication once again received international awards for its excellent publicity films. The company celebrated great achievements at the 42nd Chicago International Film Festival 'Intercom' competition held in the review year. In the 'Sales & Marketing – Product' category, the golden plaque was awarded to 'Different', a very emotional film about the 911 Turbo. Porsche also won three silver plaques, two for the technical films 'Inspiration' and 'Meisterwerk', which featured the Cayman and 911 Turbo respectively, and one for the image film 'Okay, Then'. One further award went to the 911 GT3 film, 'Origin Motorsport'.

Highly Successful Cayenne Campaign

In the focus of the 2006/07 fiscal year was the global market launch of the new Cayenne. The advertizing campaign began with a teaser showing the new model in semi-darkness during the final stages of development. This formed the basis of a comprehensive direct marketing campaign, which stimulated high customer interest in the new Cayenne already at a very early stage. Along with the more athletic design and increase in power output in the new model, marketing highlighted the significant reduction in fuel consumption made possible by modern direct gasoline injection technology. The introductory event for the global distribution organization in Baja California, Mexico, allowed enthusiastic participants to see for themselves what the new Cayenne has to offer.
The market launches of the entry-level Cayman and the overworked Boxster, both with modern, reduced consumption 'VarioCam Plus' engines, had the slogan 'Center Forward'. The campaign highlighted the models' unique position in their segment as mid-engined sports cars. Along with Porsche Centers offering the opportunity to take a test drive, this drummed up further interest in the sports cars.
Porsche also introduced the 911 GT3 RS as a more racing sport version of the traditional 911 featuring

the slogan 'Origin Motor Sports'. Advertizing for the 911 GT3 RS was also used to emphasize the motor sports potential of all 911 models. The launch of the 911 Targa 4 was another highlight in the review year. The unique driving experience provided by the sweeping glass roof was communicated in all international marketing with the same slogan – 'Skydriving'.

Publicity for RS-Spyder Victories

Porsche very closely followed the triumphal procession of the RS Spyder in the American Le Mans Series (ALMS). The car's victory in the LMP2 class in the 2006 racing season was supported by a comprehensive

The automobile manufacturer and its subsidiary Porsche Consulting are now sponsorship partners for the 'Deutscher Gründerpreis', an award for new businesses.

campaign. Along with web coverage of the RS Spyder's races and image and film material displayed in all international dealerships, advertizing was also used to promote the start of the 2007 season to Porsche motor sports fans in Europe and the USA. Further adverts highlighting the spectacular overall victory of the racing car completed the successful campaign.

Rapid Growth in Internet Use

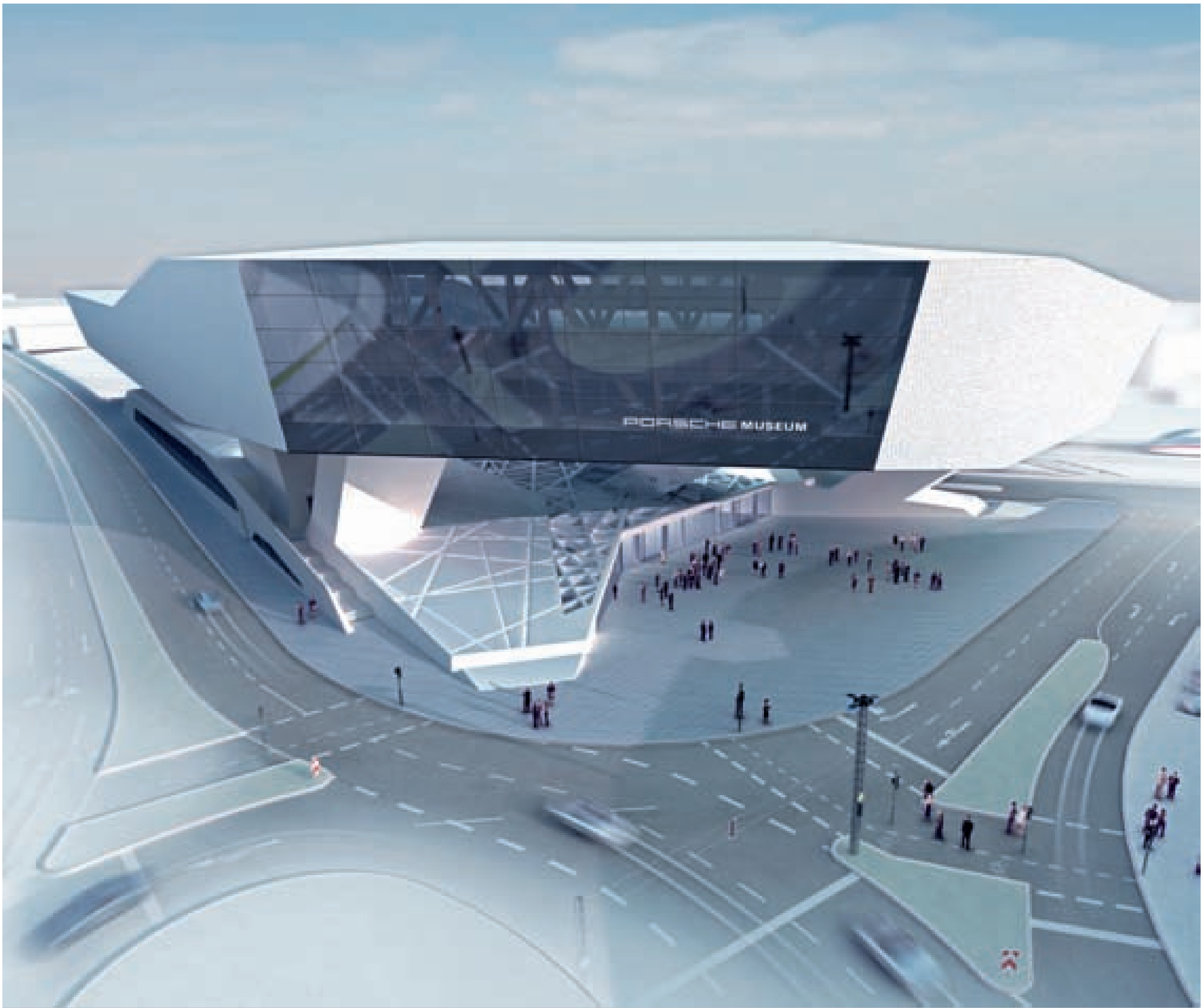
Porsche continued to press ahead with improvements to its website, and this brought further benefits in the 2006/07 fiscal year. New webpages for Russia and China and the completion of the global redesign of Porsche internet pages resulted in a significant increase in the number of hits. With approximately 36 million pages viewed and an average of three million visits per month, interest in the Porsche website broke previous records. By the end of the review period, 13 subsidiaries and 32 importer sites could be accessed via the www.porsche.com portal.

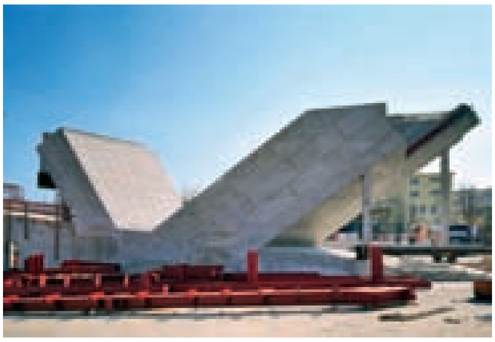
The increase in turnover in e-business was likewise very positive. The redesign of the 'Porsche Design Driver's Selection Online Shop' proved successful and the ongoing development of the 'Porsche Sport Driving School' and 'Porsche Travel Club' section of the website was reflected in a significant increase in turnover.

To ensure that Porsche could continue to coordinate communication with customers through all distribution channels, it was of great importance to ensure that the design of the dealers' websites complies with global design guidelines. Nearly 500 dealers worldwide currently have their own website under the Porsche brand platform.

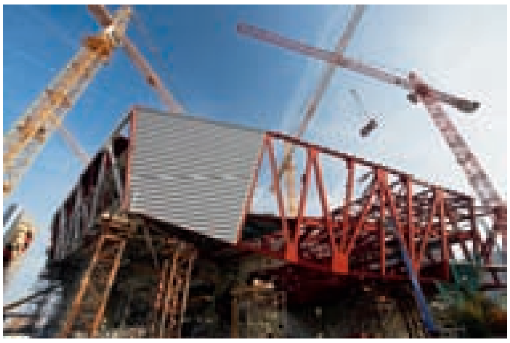
Along with very impressive growth in quantitative terms, the improvements made to the contents of Porsche's website during the 2006/07 review year also won considerable acclaim. The 'Masterwerk' web special which accompanied the introduction of the 911 Turbo, for example, was a finalist in the 'Interactive' category at the renowned 'Eurobest Award 2006' and also made the shortlist at the 'Deutscher Multimedia Award 2006'. Thanks to the consistent use of 'sky-like' scenery, the 'Skydriving' website launched for the introduction of the 911 Targa 4 in summer 2006 set a new esthetic standard for Porsche internet sites. Furthermore, the campaign page launched in December 2006 to mark the introduction of the new Cayenne stood out, not only thanks to skillful implementation of complex 3D animations and reality film scenes, but also because in just three months it attracted over 1.3 million page visits.

The New Porsche Museum







Stunning Architecture

The new Porsche Museum is a unique project which is already creating quite an international stir during the construction phase.

Solid Design Steel joints hold what will become the exhibition center.

High-rise Construction

Up to 30 meters above ground-level in Zuffenhausen, workers are welding and bolting day and night to create the complex steel construction.

The Museum takes Form

Once the steel construction is covered, the exhibition area can be heated and the intricate work on the interior begins.


PORSCHE

6,000 metric tons of steel – and still as light as a feather

The steel girders span distances of up to 60 meters between the concrete cores, and the Museum appears to hover like a plane.

ENVIRONMENT

PRODUCTION

Environment

For Porsche, reducing fuel consumption and emissions of the model range has always been high on the agenda – and these efforts are gathering further momentum. The best example of this commitment is the development of the Cayenne Hybrid.

The European Union is seeking a pioneering role in the climate change debate and consequently intends to go beyond the existing Kyoto Agreement, which runs until 2012, and to reduce emissions, particularly CO_2 emissions, still further. For developed nations, Brussels is pushing for a 30 percent cut in CO_2 emissions, compared with 1990 figures, by 2020.

The public debate, however, frequently gives the impression that transport, and hence the automobile industry, is the biggest causer of air pollution. Environmental activists use popular theses to seek public support. Consequently, towards the end of the review year, Porsche, like other automobile manufacturers in Germany, received a visit from Greenpeace, the first time the organization has paid Porsche such a visit in what is now almost 60 years of the company's existence. In July 2007, the organization accused Porsche of building cars they deemed "climate pigs". Porsche countered by welcoming the environmental activists with giant posters erected outside its main plant in Zuffenhausen reading "We've finally made it! Greenpeace is demonstrating at Porsche. We've really made a name for ourselves now!" Porsche also took the opportunity to explain to Greenpeace the many different ways in which the car manufacturer is reducing the fuel consumption and emissions of its model range.

Without question, Porsche fully supports the goals of further reducing CO_2 emissions worldwide in a bid to avoid the potential threat of climate change. And Porsche naturally believes that developed nations have a duty to respect the environment. This means automobile manufacturers must ensure that the environmental impact of their manufacturing activities and the operation of the cars they produce is kept to a minimum.

It is, however, vital that public debate sticks to the facts. Since 1990, CO_2 emissions in Germany have fallen by 215 million metric tons. That is more than in all the other European Union member states. German car manufacturers have even succeeded in cutting pollutant emissions by as much as 95 percent since 1970. And though road traffic volumes in Germany have risen by 60 percent overall since 1990, fuel consumption has actually fallen by eight percent over the last six years. Less than twelve percent of all CO_2 emissions in Germany come from passenger cars. Power stations alone are responsible for 43 percent of the total, industry for 16 percent and private households for 14 percent.

As a member of the ACEA, the European Automobile Manufacturers' Association (Association des Constructeurs Européens d'Automobiles), Porsche takes responsibility for its commitment to the voluntary agreements negotiated in 1998 and has met all of its obligations to date. The company sets great store by designing production operations and vehicles that are as environmentally compatible as possible; Porsche vehicles are responsible for less than 0.1 percent of all CO_2 emissions from transport. Since 1970, the emissions of all pollutants from Porsche sports cars have been reduced by more than 95 percent, with CO_2 emissions alone falling on average by 1.7 percent per year over the last 15 years. run on both gasoline and fuel mixtures containing up to 85 percent ethanol: in various markets – for example Sweden and some states in the USA – the E85 special fuel is already on sale. E85 fuel is made up of 85 percent bioethanol and 15 percent gasoline. Germany and Austria are currently considering introducing E85. Though this is just an intellectual exercise at present, here too, Porsche is making the necessary preparations for any possible implementation in the future.

Development Work on the Hybrid Powertrain

Porsche is, however, giving top priority to the development of a modern hybrid powertrain. The company

Porsche welcomed Greenpeace at the Zuffenhausen plant in July 2007 and explained the many different ways in which the company is reducing fuel consumption and emission of its models.

This commitment has come at a cost to Porsche. In the past ten years alone, the company has invested a high three digit million amount in the further development and optimization of powertrain technology. A completely new generation of engines, featuring state-of-the-art direct fuel injection that reduces fuel consumption and hence CO_2 emissions by 15 percent, has been developed for the second-generation Cayenne model series. In relation to engine power output, Porsche's CO_2 emissions rank amongst the lowest. By 2012, average CO_2 emissions of the Porsche vehicles will have fallen by a fifth compared with 1995 figure.

Furthermore, all engines are already suitable for operation with an ethanol fuel blend: the sports cars can run on a ten percent mixture, while the Cayenne SUVs can use blends of up to 25 percent ethanol. Since ethanol is classed as a biofuel and obtained from renewable resources, this results in a similar percentage improvement in the CO_2 balance. The Porsche Development Center in Weissach is also working on a flexible fuel vehicle that will be able to

is scheduled to launch its own hybrid solution by the end of the decade. The solution will be fundamentally different from the other concepts previously pursued. Both the Cayenne and the four-seater Gran Tourismo Panamera, due to be launched in 2009, have been designed to accommodate this power unit. The concept will cut fuel consumption by a further 30 percent, the hybrid Cayenne using less than nine liters of gasoline per 100 kilometers.

A hybrid powertrain essentially combines the conventional combustion engine with an electric motor. Porsche has opted for an entirely new approach, namely the parallel full hybrid concept. On this system, both the engine and the electric motor can be operated in unison or entirely independently of each other, making a total of three different operating modes possible. The system offers several advantages over other hybrid concepts: This concept offers greater fuel savings than other hybrid variants because the combustion engine can remain switched off up to a speed of 120 kilometers per hour. This concept is highly compatible with the existing Cayenne platform. Compromises in terms of load space or all-wheel drive technology have been avoided. This concept is better suited to Porsche, as the Cayenne Hybrid demonstrates even better acceleration and engine flexibility than the current models.

The development of the hybrid powertrain and the work on flexible fuel vehicles are evidence of how seriously Porsche is taking the challenges presented by the CO_2 debate. Porsche has visions for an even cleaner future and is well prepared for turning these visions into reality. Success, however, is the product of individual efforts achieved in the context of worldwide competition. Consequently, Porsche rejects the idea of imposing CO_2 limits on the vehicle fleets of each individual manufacturer. Instead, a more sensible solution would be to have markers geared towards individual market segments or vehicle classes.

Environmental Protection at all Sites

As early as 1995, Porsche made a commitment to protect resources and minimize the environmental impact of all its manufacturing locations. A functioning environmental management system has helped to further promote ongoing development in environmental protection and consequently to improve environmental performance. This system regulates processes, responsibilities and duties relating to environmental protection and ensures that each employee is aware of and takes into consideration the environmental impact of his/her work.

At Weissach, environmentally-oriented development is an integral part of all activities. Interdisciplinary teams are already at work developing ecological concepts that will not come into effect until a few years hence. The potential for improvement is continually being assessed in the workshops and test facilities, while new builds, like the new Powertrain Center, integrate the latest environmental protection technologies.

The Weissach site borders on an area of outstanding natural beauty. In order to preserve an area of field stones, an environmental project was undertaken with the Weissach branch of BUND. The protected area had to be moved before the start of the growing season to minimize the effects on flora and fauna.

At Zuffenhausen, a host of activities ensure the continual improvement of manufacturing processes and plant technology. In the 2006/07 financial year, the best available environmental technology was used in new plants such as the vehicle assembly line fluid-fill system and the waste management center. Innovative methods that assist the selection of the most environmentally-compatible solutions are in use right from the planning stage. The same also applies to materials and components that the company procures from suppliers.

The Kyoto Protocol is also the basis for the emissions trading scheme that the European Union introduced at the beginning of 2005, its purpose being to act as a market-driven incentive for reducing CO_2 emissions when operating large industrial plants and power stations. Installations that come under the scheme can then only emit greenhouse gases if they have the required emissions certificates. To date, the power generating plant at Zuffenhausen is Porsche's only installation to come under the emissions trading scheme. Consequently, all associated activities, including the setting up of a monitoring system and the purchasing of emissions certificates, are integrated into corporate environmental protection operations.

Compliance with environmental regulations and environmental policy, the capabilities of the environmental management system and the observance of environmental parameters are audited as part of a system and process audit. The results of the environmental audits in the review year were consistently positive. The audits were conducted together with an external environmental auditor. Porsche is therefore setting high standards and, through internal audits, is showing how environment-related processes may be analyzed at an interdisciplinary level and designed more efficiently.

Success in environmental management is, however, not just due to a well-run management system. More crucially, it is achieved by the personal commitment of employees. Their knowledge, experience and expertise form the essential basis for sustainable ecological improvements.

Successful certification testifies to Porsche's observance of environmental regulations and continually improving environmental performance. The Weissach site and Porsche Leipzig GmbH were awarded the internationally-recognized ISO 14001 certification, while the Zuffenhausen plant has been validated in accordance with the European eco-auditing law EMAS (Environmental Management and Audit Scheme) and certified to ISO 14001. In June 2007, the effectiveness of the environmental management systems was checked and confirmed as part of the monitoring audit.

Production

Both Porsche plants in Zuffenhausen and Leipzig ran at full capacity during the 2006/07 fiscal year. Apart from the Cayenne model change, production of the 911 series reached unprecedented levels. Just under 39,000 vehicles from the 911 series were assembled, an all-time record.

During the 2006/07 fiscal year, Porsche benefited from high demand for sports cars worldwide. The second generation Cayenne SUV, introduced in early 2007, also triggered intense customer interest from the very beginning. As a result, Porsche mobilized its entire production capacity. The company produced more models from the 911 series than ever before. Comprehensive management of the manufacturing chain, starting with the suppliers and ending with the moment the finished vehicle left the factory floor, ensured trouble-free production and distribution.

Porsche produced a total of 101,803 units in the review year, equaling the very high production volume of the previous year. 38,922 vehicles from the 911 series were assembled in Stuttgart-Zuffenhausen, 6.6 percent more than in the 2005/06 fiscal year. Due to the extremely high capacity utilization of the parent plant for 911 production, the vast majority of vehicles from the Boxster series were produced by Porsche's Finnish partner, Valmet. A total of 26,712 units from this series were assembled, a 12.9 percent decrease on the previous year. 11,727 Boxster vehicles were produced, and the Cayman once again exceeded all expectations with a production volume of 14,985 units.

The Leipzig plant manufactured 36,169 vehicles from the Cayenne series – three percent more than in the previous fiscal year. This high production volume was achieved despite the challenges presented by the introduction of the second generation Cayenne. Manufacture of the highly successful first generation model was discontinued in November 2006, with exactly 150,371 units produced in less than four years. Series production of the new models began in December 2006 and the plant had again returned to the maximum daily production volume of 180 vehicles by February 2007.

Launch of Several New Models

At the same time as production was running at full capacity, the 2006/07 fiscal year also saw preparations for the series production of a number of new models. Apart from the Cayenne model change, the range of sports cars was extended to include attractive variants such as the 911 Turbo Cabriolet and the 911 GT2, a pure-breed production sports car. Although both vehicles only entered the market in the current 2007/08 fiscal year, the bulk of preparatory work and the start of series production took place during the review year. Despite the extremely high capacity utilization for current production, all activities met deadlines and were carried out according to plan.

To deal smoothly with the additional workload, all opportunities for increasing capacity were harnessed. Employees on the late shift in Zuffenhausen, for example, worked one hour longer between August 2006 and May 2007. The factory was also in operation on seven Saturdays. Good use was made of the flexibility provided by the Location Security Agreement to adapt working hours and adjust production to market fluctuations at an early stage.

One of Porsche's most important objectives is ongoing quality control and improvement. The complexity of vehicles continues to increase and, as a

Production of Porsche vehicles is continuing full steam ahead. The photo shows 911 body shells being transported into the paint shop in Zuffenhausen.

result, a higher number of components are used. This has led to Porsche's decision to further reduce the complexity of work stations along the vehicle assembly line, create more space for employees and thereby improve the conditions for achieving the highest quality standards. During the review year, the area required to allow for the extension of the vehicle assembly line was cleared. Of course, the necessary dismantling of existing halls took place while assembly continued as normal, which in itself posed particular challenges.

By taking advantage of many opportunities to optimize manufacturing processes along the value-added chain, productivity could be significantly improved and a higher production volume was achieved with an unchanged number of employees. In September 2006, the number of vehicles manufactured in one normal shift increased from 156 to 162, which alone represents a 3.8 percent increase in productivity. A number of individual measures were also taken, including Porsche Improvement Process (PVP) workshops, the optimization of Porsche production and the improvement of the entire supply chain including supplier production.

Maintenance areas from the shell and painting, assembly, engines and logistics sections all took part in Porsche Improvement Process events. Training was provided for the core teams, including technicians, production engineers and PVP trainers. Industrial workers from the maintenance areas involved were also included in the advanced training. Ultimately, all the measures taken not only served smooth production, but also promoted ongoing vehicle quality control and improvement. Once again, Porsche was ranked top in several quality ratings in the 2006/07 fiscal year, including a leading study carried out by the US market research institute J.D. Power.

The extremely complex production demands could never be met without the outstanding flexibility and motivation of Porsche employees. It is Porsche employees who ensure that all new models and their derivatives are successfully incorporated into high-quality series production.

New Buildings for Future Production

Along with considerable investments in the Leipzig plant, Porsche is also investing in its parent plant. A host of new construction projects are planned both for the production of sports cars and for the engine assembly of the Gran Turismo Panamera. A multifunctional hall with 11,000 square meters of utilizable space on two levels is being built at Plant 2 in Zuffenhausen. The hall is linked to the engine plant by a bridge. Old warehouses previously located on the site have now been demolished. Porsche has invested around 20 million Euro in the project, which is due for completion in early 2008.

Construction of the multi-functional hall is required because engines for the Panamera, due to be launched in 2009, will also be assembled at the engine plant in Zuffenhausen. While assembly of the drive units will take place exclusively in the engine plant, the order picking of part sets for engine assembly will be transferred to the new hall. Driverless transport systems will then bring the components over the bridge into the engine plant. The lower floor of the new hall will contain a pilot assembly line for manufacturing prototypes which is currently housed in another plant.

Construction of a New Spare Parts Warehouse

Customer demands on supplier service in After Sales continue to increase and Porsche attaches great importance to premium service. Porsche currently operates a central spare parts warehouse in Ludwigsburg and further depots in the Stuttgart and Waiblingen region, which have expanded over time. The worldwide dealership organization is supplied with original spare parts from these locations. The decentralized structure and the resulting mounting transport costs make it increasingly difficult to meet the high demands. The supply of additional spare parts for the Panamera will present a further challenge.

Porsche is planning to combine the current locations to ensure that the high quality demands on the company are met and to safeguard long term growth. The company is thus in the process of constructing a new central spare parts warehouse in Sachsenheim near Ludwigsburg. On completion of the final development stage, the warehouse will cover an area of approximately 110,000 square meters.

In the review year construction began on the 26 hectare plot of land and stocks will gradually be transferred to the new location. A 100percent subsidiary will be established to assume responsibility for operations. Up to 300 new jobs will gradually be created in Sachsenheim over coming years. By taking such a step, Porsche has once again strengthened its ties with both the Stuttgart region and Germany as a whole.

En Route to Digital Planning Methods

During the review year, the Production department analyzed in detail the opportunities presented by the so-called Digital Factory approach. The way in which digital planning could be methodically implemented and applied at Porsche was determined following a comprehensive examination of the methods and tools. Preparations are currently underway to incorporate the new system into production planning throughout the group and at all locations.

Because the system closely links production planning with the current stage of vehicle development, demands on future production can be identified at an early stage and designs can be implemented in a way which is compatible with manufacture – from the very beginning of a project. The capability for virtual examination and simulation of production processes results in a clear improvement in planning quality.

Further Improvement of the Order Process

In the 2006/07 fiscal year, Porsche implemented the Order Management, Demand Planning and Resource Management modules which are part of the first stage of the so-called PIA program (Porsche Integrated Order Management), with the aim of further enhancing customer relations and order processing. This considerably enhances the flexibility of both order development and demand planning, as the processes involved are now much more transparent. It is also possible to identify and avoid bottlenecks in the factory supply of parts at an earlier stage. This further optimizes the whole chain associated with the customer order process.

A date for completion of a vehicle can now be set even before production has begun, as all suppliers are integrated online in the planning process. When an order is placed, the customer is informed of the precise delivery date for the vehicle, and this deadline is met despite the increasing individualization of models.

Leipzig Prepares for the Panamera

In September 2006, work began on the extension of the Porsche plant in Leipzig. A manufacturing hall covering approximately 25,000 square meters and a 23,500 square meter logistics center are to be built for the production of the four-door Gran Turismo Panamera, due to be launched in 2009. The existing hall for assembly of the Cayenne will be extended to include a pilot and analysis center and a training workshop. Porsche is investing a total of approximately 150 million Euro, four fifths of which is earmarked for Panamera production facilities. The company is forgoing its entitlement to subsidies for this extension, as it did for the first stage of extension in Leipzig.

600 new jobs are being created in Leipzig for production of the new model and these positions will, for the most part, be advertised and filled in 2008. Porsche will abide by its proven production concept for the manufacture of this new model, a concept which enables the company to produce premium vehicles in small production series at competitive prices. While the engines will be manufactured at the parent plant in Stuttgart-Zuffenhausen, the Volkswagen plant in Hanover will supply the painted chassis. Porsche thus achieves an in-house production depth for the Panamera of 15 percent. Since Porsche works predominantly with German suppliers, around 70 percent of the vehicle’s added value comes from Germany.

Construction work is progressing to schedule and the extension of the factory should be completed by the end of 2008. Construction in Leipzig is taking place alongside normal factory operations with no negative impacts. The supporting steel construction and roof work were completed in the review year and concrete was laid on the floor sections. At the end of summer 2007, the façade was put in place and the assembly of technical installations was completed. Essential construction work will be completed by the end of 2007 so that the production facilities can be installed in 2008 as planned. When production of the Gran Turismo has reached its peak in 2009, a total of

The Leipzig plant brilliantly mastered the production changeover from the first to the second generation of the Cayenne.

more than 50,000 vehicles from the Cayenne and Panamera series will be produced by the assembly line in the Leipzig factory each year.

The Porsche Production department was involved in vehicle development at an early stage to ensure that the prototypes and pilot series are deployed to test all possibilities using both current and new manufacturing concepts. All components are thus produced at close-to-production conditions, even during this very early stage. This approach is particularly important for the development of a brand new model series such as the Panamera or the new hybrid technology. It reduces cost per vehicle and makes it possible to guarantee the highest quality from the very first series-produced vehicle.

The most important event at the Leipzig plant in the 2006/07 fiscal year, however, was the start of production of the new generation Cayenne. The re-designed vehicle with new engine, new chassis and modified exterior and interior presented considerable challenges with respect to series production planning and organization.

After production began in December 2006 the start-up process proceeded to schedule. All Porsche quality targets were achieved thanks to precise planning in the pilot series and during the product launch. Other operating targets such as manufacturing time, ramp-up time and investments were likewise fully met. Porsche Improvement Process workshops prepared employees for optimum implementation of manufacturing procedures for the new model from the very outset and for meeting the quality targets.

An annual appraisal to systematically analyze HR training to date and discuss future training requirements was conducted for all employees in Leipzig. This was part of the so-called s.p.e.e.d. process, which includes a two-year program entitled 'MAX s.p.e.e.d.' for preparing young employees for future managerial roles. Participants complete twelve modules on subjects such as management, team work, social skills and basic knowledge of business administration and labor legislation.

In the 2006/07 fiscal year, an evaluation of workplace ergonomics was integrated in the Porsche Improvement Process for the first time. All work stations were ergonomically assessed. The findings of this evaluation served as a basis for deriving objectives for the current fiscal year. In addition, an internal data system was set up to identify future areas for improvement.

The preparations for manufacture of the fourth Porsche model series, the Gran Turismo Panamera, are not the only challenge facing the Production department. The optimization and networking of all processes – from the receipt of an order to the delivery of the vehicle and subsequent after sales activities – are the key to high productivity and top-quality customer service. In future, the work of the Production department will thus play an evergrowing role in the success of the company.

EMPLOYEES

PURCHASING

Employees

The bonus of 5,200 Euro awarded to Porsche employees is exceptional for German industry. It expresses the company's recognition of the outstanding motivation and performance shown by the workforce, whose enormous commitment has made a significant contribution to Porsche's success.

The willingness of Porsche employees not to take achievements for granted, but rather to continue searching for improvements, lays the foundation for Porsche's success. A positive corporate culture and a high level of employee satisfaction complete the picture. Employees identify themselves with the products, they have faith in the effectiveness and integrity of the management and they are stakeholders in the company's success. Every full-time employee of Porsche AG who joined the company before August 1, 2006, received a voluntary bonus of 5,200 Euro, in addition to the annual salary of 13.7 monthly payments (including holiday allowance and a Christmas bonus above agreed rates). Last year the employees received 3,500 Euro plus 300 Euro for the corporate pension scheme.

The number of employees in the group continues to rise as Porsche extends its range of models and as business becomes even more international. On July 31, 2007, the cut-off date for the fiscal year, 11.571 people were employed by the group – 187 more than the previous year. Recently the group has been looking to recruit engineers, industrial engineers and managers. The need for qualified academics was high, not only in Vehicle Development and Quality Management, but also in Purchasing, Production and Logistics, Sales, Marketing and After Sales. The consultancy companies Porsche Consulting GmbH and Mieschke Hofmann und Partner (MHP) were also on the lookout for more specialists as they continued to grow.

Internal communication was significantly improved in the 2006/07 fiscal year thanks to the redesign of the Porsche intranet. Information about the company available to employees now has a stronger thematic focus and orients more closely to specific target groups. Following a successful pilot phase it is planned to develop the new intranet further over the course of the current fiscal year.

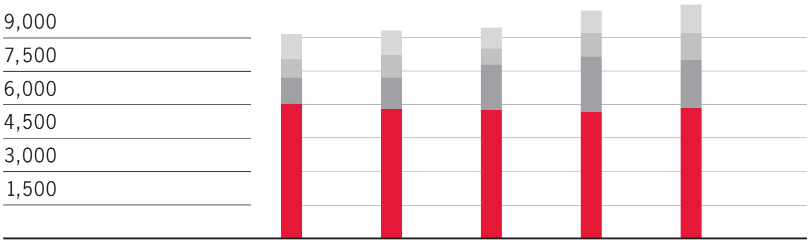
Targeted Development of Talent

For many years now, Porsche has successfully brought young academic talent into the company by offering internships and apprenticeships. This year saw the launch of the Porsche Talent Network which aims to ensure the concept remains successful in the future. The Talent Network is a computer-based system which provides special support for promising candidates. During the current 2007/08 fiscal year, talent management will be extended to the 'professionals' target group so that effective recruitment can be ensured in this field, too.

Porsche is attracting more young people than ever before, with several studies again confirming the excellent reputation Porsche enjoys as an employer.

Workforce

Porsche AG



	02/03	03/04	04/05	05/06	**06/07**
Production	3,683	3,644	3,599	3,814	**3,742**
Development	2,381	2,374	2,376	2,494	**2,476**
Sales	732	681	689	557	**597**
Administration	1,282	1,293	1,331	1,392	**1,414**

Porsche is one of the most popular employers in Germany and Europe, particularly for the key target groups of prospective engineers and business students.

Systematic Improvement in HR Development

During the review year, special attention was devoted to the development of programs for specific groups of employees. 'Porsche Warm Up', for example, was offered to new employees for the first time. The program deals with issues such as corporate strategy, core processes and the Porsche Improvement Process (PVP). A three-day practical assignment in Production is also offered. Furthermore, other activities organized for various target groups focused on quality. The company's 'Porsche Career Promotion for Junior Employees' (PNF) and 'Globalution' programs prepare trainees for future positions and ensure they remain at Porsche. Both these programs were again offered in the 2006/07 fiscal year.

In addition, the review year saw the third phase of management assessment and development at the second managerial level. The review aims to guarantee consistently high-quality management as well as systematically planning and preparing for development and promotion. The 'Porsche Management Training' (PMT) program for experienced high-performers working in management was already in its fourth phase. This modular program dealing with current management issues and other details specific to Porsche was drawn up in close cooperation with a reputable business school. It also aims to create networks, to develop a common management understanding and to reinforce corporate philosophy and action.

Professional job training also contributes to the internationalization of the company. From the second training year on, selected electro-mechanical engineering apprentices are prepared for working in Porsche Centers worldwide. Their training program therefore additionally features language courses and two assignments of several weeks abroad, in particular in future growth markets. Placements abroad are also included in the training program for industrial sales representatives and students at the University of Cooperative Education.

Focus on International Work

The standardization and further improvement of essential HR procedures continued during the review year. The 'Porsche International HR Policy' was also developed further. The Porsche Executive Board adopted measures such as the 'Porsche Cross Border Policy', which lays down standardized service conditions for employees assigned abroad for longer periods. Binding standards for voluntary occupational pension schemes were incorporated into the corporate pension scheme and the 'Porsche Pension Committee' was established as a steering committee.

The Challenge of Demographic Change

With the gradual rise in the retirement age to 67 and the phasing-out of partial retirement, the long-term age distribution in Porsche AG is also changing. In addition, factors including demographic change indicate that a clear decrease in available manpower is to be expected, especially as regards engineers.

In order to tackle these challenges, HR Management established a project team in the 2006/07 fiscal year to examine fields of action at an early stage. Firstly, an analysis of the current age distribution was carried out, and the impact of foreseeable developments on HR systems was assessed. Some of the issues considered include recruiting young employees, HR development systems, performance, health, the corporate pension scheme, HR costs and HR planning.

The team focused in particular on ongoing fields of action such as the internationalization of recruitment and stepping up efforts with respect to company healthcare programs. Over coming years, the team's findings are to be gradually incorporated into corporate policy. A succession plan for partial retirement is also being closely examined.

Increasing Importance of Travel Health Advice

With a functioning environmental management system, Porsche recognizes its responsibility to both current and future generations. This responsibility also extends to an optimum health management scheme. In 2007, Porsche acquired its own emergency medical vehicle for providing rapid medical care to its employees.

The Cayenne S was developed with the company's Health Center. Apprentices painstakingly realized the concept and ideas with their craftsmanship skills to build a vehicle fitted with high-quality emergency medical equipment, including an emergency ECG with defibrillator, an emergency first aid kit and power-operated aspiration equipment, for use by the emergency doctor. The integrated 'roll-in stretcher' makes it possible to transport patients on-site to the Health Center building.

Apprentices used their craftsmanship skills to fit out Porsche's own emergency vehicle for providing rapid medical care to employees.

The theme of the annual health day was dental prophylaxis. Employees were offered a quick check up to determine the state of their teeth and were informed about possible treatment options.

Furthermore, the company's travel health advice and vaccination service is becoming increasingly important. This was reflected by a rise in the number of visits to vaccination surgeries. This, in turn, is due to the increasing number of corporate assignments for employees abroad.

A Thank You to our Employees

Over the 2006/07 fiscal year, Porsche AG employees once again demonstrated their outstanding motivation. The Executive Board knows that the company's success depends on the individual and joint efforts of its employees and their willingness to remain loyal and flexible. The Executive Board would therefore like to express its personal thanks to all employees for their exceptional dedication.

Special thanks go to all the employees' elected representatives, as the opportunities for success could not have been achieved without fair balance of interests and readiness to compromise. The pragmatic balance of interests and the open dialog between the management and employees' representatives once again proved an important factor for Porsche's success.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Purchasing

The selection of development partners and suppliers for the production of the Gran Turismo Panamera was one of the key tasks facing Purchasing during the 2006/07 fiscal year.

A focus of activities during the 2006/07 fiscal year was the series-production start of the second generation Cayenne SUV, which got underway very swiftly. A special effort was required on the part of all involved to successfully master this challenge. The start-up phase was coordinated by interdisciplinary teams and successfully implemented in collaboration with suppliers. The process also included integrating new technologies, such as Porsche Dynamic Chassis Control (PDCC) and Direct Fuel Injection (DFI), into series production.

Production of the new 911 Turbo Cabriolet also experienced a smooth start. A number of technical innovations, such as the variable turbine geometry of the turbocharged engine, had already been introduced with the new 911 Turbo Coupé. The new lightweight aluminum components now used in the Cabriolet were also used for the first time in the Coupé.

Preparation for the Panamera

Another important task facing Purchasing during the review year was the selection of development partners and suppliers for the fourth model series, the Gran Turismo Panamera. Cooperation with suppliers was further improved to meet Porsche's high quality standards. Now that suppliers are included in vehicle development at a very early stage, their specialist know-how can be put to optimum use.

A further issue to be solved was the choice of a manufacturer for the Panamera chassis. The VW plant in Hanover won the order. Porsche now has all the skill of the VW body production specialist departments, including the modern paint-finishing system, at its disposal for the Panamera. The two companies and the production experts are already cooperating closely during the development process.

Rising Raw Material Costs

The situation on the raw materials markets remained difficult during the 2006/07 fiscal year. Prices for steel and metals, as well as for energy and oil products, continued to rise. Sophisticated sourcing strategies and close monitoring of the markets helped keeping sourcing costs at the prior-year level. Porsche regularly reviews all options for hedging these risks to ensure a continued optimum response to rising raw material prices.

Risk Management for Suppliers

In the 2005/06 fiscal year, Purchasing introduced a risk management strategy for monitoring the financial stability of suppliers. This was extended to further contractors during the review year. Thanks to specific early recognition measures, such as finance rating, consistently implemented by Porsche, supplier risks could be identified in good time and subsequently jointly tackled under a cooperative approach. Even so, there were individual insolvency cases amongst contractors, although these did not impact series production. In the majority of cases Porsche was able to help ensure the continuity of the company concerned. In general, however, Porsche suppliers demonstrate a high level of financial stability, which is in part due to Porsche's careful selection of partners.

Supplier performance once again improved in the 2006/07 fiscal year. Key parameters were monitored and compliance was even more reliable thanks to more sophisticated assessment procedures. Apart from series-production suppliers, all development and customer service contractors are now also included in the assessment process. The general positive standing of our series-production suppliers was confirmed.

More sophisticated procedures have also increased supplier performance transparency. This improves the likelihood of identifying difficulties at an early stage. Porsche works with contractors to identify measures for improving quality and performance on the basis of a detailed analysis. These measures are subsequently implemented and this approach has in several cases brought very rapid improvements. The ten best companies were again honored with Porsche Supplier Awards at a special event attended by 200 Porsche Partners.

Support for Major Construction Projects

During the 2006/07 fiscal year, Purchasing supervised a number of construction projects. The largest single project was the new Porsche Museum at the company's headquarters in Stuttgart-Zuffenhausen. In addition, the 'Powertrain Center' at the Development Center in Weissach was completed. The plant extension in Leipzig and preparations for the future manufacture of the Panamera also required a lot of attention. Alongside construction, these preparations principally entailed the procurement of machinery and facilities and the selection of partners for long-term services. In accordance with Porsche's corporate philosophy, the company pays special attention to encouraging local construction companies and suppliers.

The Porsche group will further standardize and simplify purchasing procedures with a view to tapping further improvements. Pilot projects were implemented during the review year.

RESEARCH AND DEVELOPMENT

Research and Development

Once again, Porsche engineers at the Weissach Research and Development Center are breaking new ground: in their development work on hybrid technology they have opted for a parallel full hybrid, a concept so far unique. This hybrid drive will feature in the Cayenne and Panamera series.

The 2006/07 fiscal year saw engineers at the Weissach Research and Development Center complete the two top-of-the-range 911 series models, namely the 911 GT2 and the 911 Turbo Cabriolet. Also launched was the second generation of the successful Cayenne SUV series. The new Cayenne impressively combines significantly reduced fuel consumption with improved driving performance, factors which have played a key role in making the model the benchmark in the sport utility vehicle segment.

A considerable part of the work carried out at Weissach, however, was also devoted to the development of the new Panamera. In the review year, Porsche tested real as well as virtual prototypes of this Gran Turismo. The results suggest that the launch of the Panamera in 2009 is on course to be a huge success, as is to be expected from a car manufacturer as steeped in tradition as Porsche.

Porsche's engineers, scientists and technicians consider themselves well-prepared for the future, thanks to a modern innovation management system, which runs alongside the development of new models and model variants. The latest upshots of this pre-development work to be successfully utilized in production models are the fuel-saving Direct Fuel Injection (DFI) concept and the Porsche Dynamic Chassis Control (PDCC) roll stabilization system, both features of the new Cayenne.

Another key aspect of development activities is the optimization of processes and procedures. A continuous improvement process ensures that, in terms of content, speed, flexibility and cost-efficiency, the Development division will continue to operate at optimum levels in the future as well.

Cayenne's Fuel Consumption Significantly Reduced

Following its launch in 2002, the Cayenne model series has far exceeded all expectations. Its appealing design, superior driving characteristics – both on- and off-road – and its outstanding practicality for everyday use have won over customers and the motoring press alike.

The second, much improved Cayenne generation sees the first use ever of gasoline direct injection in a Porsche vehicle. The high-tech Direct Fuel Injection (DFI) system ensures all three models of the new Cayenne series not only deliver more power, but also use significantly less fuel in doing so. In real-life driving conditions, fuel savings of 15 percent on the previous models are possible.

Injecting the fuel directly into the combustion chamber is an effective way of increasing power output and efficiency. Unlike conventional manifold injection, mixture formation takes place in the combustion chamber, not in the intake manifold. As a result, air and fuel are mixed together more efficiently in the cylinder and the losses caused by fuel spray being deposited on the walls of the intake manifold associated with the conventional process are avoided. At the same time, the temperature in the combustion chamber is reduced, resulting in better cylinder charging and consequently more power. The cooler mixture allows compression to be increased. In addition, adapting the injection timing and fuel pressure according to requirements ensures precise fuel mixing in all conditions, from idle right through to full-load.

A variable oil pump helps to reduce consumption. Its delivery rate can be regulated according to requirements by hydraulically adjusting the effective width of the gear wheel. As a result, the oil pump's energy consumption is reduced to a minimum, while simultaneously ensuring optimum lubrication.

The entry-level engine for the Cayenne remains the tried-and-tested V6, which now delivers 213 kW (290 hp) of power – 29 kW (40 hp) more than on the previous model. Displacement has been increased to 3.6 liters, while the cylinder angle has been reduced. The increase in torque has resulted in substantially improved performance, the Cayenne now completing the 0 to 100 kilometers per hour sprint in 8.1 seconds, one second faster than the corresponding model in the first-generation series. Top speed is 227 kilometers per hour.

In the eight-cylinder engines, the new direct injection system has been combined with the "VarioCam Plus" valve timing system. Power output has increased by 33 kW (45 hp) to 283 kW (385 hp). Thanks to continuously variable valve timing adjustment and two-stage intake valve lift, the naturally-aspirated engine of the manual-shift Cayenne S, now with a displacement of 4.8 liters, accelerates from 0 to 100 kilometers an hour in 6.6 seconds; its top speed is 252 kilometers an hour.

Fitting two exhaust gas turbochargers to the Cayenne Turbo's eight-cylinder engine has increased power output by 37 kW (50 hp) to 368 kW (500 hp). The top-of-the-range model is propelled to 100 kilometers an hour from a standing start in 5.1 seconds and can reach a top speed of 275 kilometers an hour.

The Cayenne and Cayenne S are fitted as standard with a reinforced six-speed manual gearbox, while the Cayenne Turbo comes with the upgraded six-speed Tiptronic S automatic transmission, which is also available as an option for the Cayenne and Cayenne S. All new models also feature longer final-drive ratios. The manual gearbox comes as standard with the Porsche Drive-off Assistant (PDOA). By applying the brakes automatically, this system ensures that the vehicle does not roll back when the clutch is disengaged. On the automatic transmission, the hill holder function performs this task.

For the first time, the air suspension system with Porsche Active Suspension Management (PASM) is supplemented by a new roll stabilization system, the Porsche Dynamic Chassis Control (PDCC). The system restricts lateral body movement when cornering, virtually eliminating it completely in almost all driving situations. The Cayenne's handling performance is substantially improved as a result, while stability and ride comfort are also perceptibly enhanced.

The Cayenne and Cayenne S are fitted as standard with a steel spring suspension, the Cayenne Turbo with PASM. This suspension variant, which is also available as an option for the Cayenne and Cayenne S, offers a choice of three damper settings and also enables the vehicle body to be raised or lowered to different ride heights. For off-road driving, the Cayenne offers a ground clearance of 271 millimeters, an excellent achievement for a vehicle in this class.

The Porsche Stability Management (PSM), which also comes as standard, has a new feature which readies the braking system and brake assist function for an imminent braking maneuver. An upgraded car/trailer stabilization system and offroad ABS are also part of the package. The result is faster brake response, prevention of hazardous vehicle/trailer sway and improved braking on loose surfaces.

For the first time, the new Cayenne models are also fitted with a rollover sensor, which, in an emergency situation, can trigger the belt tensioners and curtain airbags, thereby reducing the risk of injury in the event of a rollover. This feature, together with other six airbags, means these sport utility vehicles are able to offer exemplary levels of occupant protection.

Porsche's Answer to the Climate Change Debate

The key focal point of development work at Weissach is the hybrid drive, which is being developed initially for the SUVs and is due to be on the market by the end of this decade. The Gran Turismo Panamera will also be designed for a hybrid drive right from the outset. Development is being conducted in close cooperation with Volkswagen and Audi. The goal is to reduce the average fuel consumption of the Cayenne to less than nine liters per 100 kilometers.

Though the public may not be aware of it, Porsche has done pioneering research and test work on hybrid technology. As far back as the end of the 19^{th} century, in 1899, the company's founder, Ferdinand Porsche, developed the Lohner Porsche electric car for what was then k. u. k. Hofwagenfabrik Ludwig Lohner & Co. in Vienna. The vehicle combined a combustion engine and an electric motor and was able to store energy in a battery. One could say that it was the first hybrid car and it caused quite a stir at the Paris Exhibition in 1900. From a concept point of view, the Lohner Porsche was way ahead of its time.

Where current development work is concerned, Porsche is going its own way. Porsche considers the split-power hybrid approach adopted by most car manufacturers as unsuitable. The development engineers in Weissach, therefore, have opted for a parallel full hybrid. This concept, so far unique, has many things in its favor. Firstly, greater fuel savings are possible on overland and freeway journeys with this technology than with other hybrid concepts. This alone is reason enough for Porsche to bring the concept to fruition. In addition, however, the hybrid components can be more easily integrated into the existing Cayenne basic platform. This minimized the risk of having to compromise on load space or all-wheel drive technology. And, last but not least, this concept also suits Porsche better, because it will enable further substantial improvements in the Cayenne's acceleration performance and flexibility compared with conventional models.

The interaction between the three main components in this concept, namely combustion engine, electric motor and battery, is extremely complex and is coordinated by what is known as the Hybrid Manager. The Manager is the hybrid system's nerve center, so to speak, collecting all the necessary information and controlling the interaction of the electric motor and combustion engine in such a way as to optimize fuel consumption in every driving situation. This achievement is even more remarkable when one bears in mind that around four times the number of parameters has to be defined for this system than for conventional engine management.

Another key component of the hybrid drive system is the battery to provide power to the 38 kilowatt electric motor. Located in the spare wheel well, the battery has a total of 240 cells and delivers 288 volts. It can be charged in two ways: during braking and when the combustion engine is under a lesser load, electrical energy is stored in the battery by the electric motor. The combustion engine is operated even more efficiently, thereby reducing fuel consumption. The energy stored in the battery can be used either to drive the vehicle exclusively with electrical power aided by the electric motor, or to assist the operation of the combustion engine.

In a hybrid system, the combustion engine stops more frequently, so it is essential that any ancillary components normally powered by the combustion engine work seamlessly, even when the combustion engine is idle. As a result, an electrohydraulic steering system, naturally featuring typical Porsche steering precision, has been developed. The vacuum pump for the brake booster and the air conditioning compressor have also been electrified. Other engineering components also have to be replaced with electric ones, one example being the automatic transmission's oil pump, which on conventional sales vehicles is purely mechanically driven.

Cayenne GTS: The Benchmark for SUVs
The letters GTS suggest a vehicle that is not only practical for long distance travel but can deliver sporty performance as well. Porsche's new Cayenne

When developing a concept for the planned Cayenne Hybrid, Porsche engineers in Weissach opted for a parallel full hybrid system.

GTS sets the benchmark in the sport utility vehicle segment. By making a host of changes to the engine, chassis and electronic systems, and by rigorously pursuing lightweight design methods, Porsche's engineers have bestowed the Cayenne GTS with exceptional dynamic driving characteristics.

The engine in the GTS is based on the power unit used in the Cayenne S, but, at 298 kW (405 hp), delivers 15 kW (20 hp) more power. Rated engine speed has been increased, as has the cross-section of the intake system. The camshaft adjustment switching points, the ignition map, injection timing and injection quantities have all been adapted, as have the shift points of the optional Tiptronic S. The latter features a standby control function which, when the vehicle is stationary and the footbrake applied, automatically shifts the transmission into neutral to reduce fuel consumption and wear.

The GTS is the first model in the Cayenne series to come with steel suspension and the Porsche Active Suspension Management (PASM) regulated damping system, a combination that is already a familiar feature on Porsche's sports cars. The steel springs have stiffer tuning and the vehicle is 24 millimeters lower than the Cayenne S. This lowers the vehicle's center of gravity, thereby improving cornering stability. As an option, however, the GTS version can also be fitted with air suspension and PASM, again featuring stiffer tuning. The PASM continually regulates the damping force as a function of road surface conditions and driving style. While driving, the driver can select his own personal settings using the “Comfort”, “Normal” and “Sport” modes.

Fitted with the manual transmission, the new model can accelerate from 0 to 100 kilometers per hour in 6.1 seconds, half a second faster than the Cayenne S. Its flexibility is also impressive, the GTS requiring just 6.4 seconds to sprint from 80 to 120 kilometers an hour, two seconds less than the Cayenne S. Top speed is 255 kilometers an hour.

911 Turbo Cabrio: Top-of-the-range Convertible
The new 911 Turbo Cabriolet offers the driving characteristics of a high-performance sports car together with the typical enjoyment to be had from driving a convertible. Thanks to consistent use of lightweight construction methods, outstanding aerodynamics and state-of-the-art engine technology, the average fuel consumption of the 911 Turbo Cabriolet is also exemplary at 12.9 liters per 100 kilometers.

Like the Coupé, the Cabriolet is also powered by the 3.6 liter six-cylinder boxer engine featuring twin turbochargers and variable turbine geometry (VTG). Power output is 353 kW (480 hp). The manual version sprints from standstill to 100 kilometers an hour in four seconds; Tiptronic S reduces this time to 3.8 seconds. Both versions have a top speed of 310 kilometers an hour.

Despite the body reinforcements required for convertibles and the automatically deploying rollover protection behind the rear seats, the open-top version of the 911 Turbo weighs just 70 kilograms more than the Coupé. Aluminum doors and luggage compartment lid and a rear spoiler made from extremely lightweight fiber-reinforced composite plastic have helped to keep the weight down. To increase stiffness, the bodyshell features double-panel thickness components and additional sill reinforcements. The spot welding/adhesive bonding of side panels and floor assembly and the use of fine panels made from high and super-high strength steels of varying thickness – so-called tailored blanks – for the front and rear side members have also helped to increase body strength.

With its specially tuned chassis – which features the Porsche Active Suspension Management (PASM) active damping system as standard – the Cabriolet impressively offers both high levels of safety and sporty performance. The Porsche Stability Management (PSM) stability control system and all-wheel drive featuring Porsche Traction Management (PTM) also make their contribution to safety and performance. The system, which has an electronically controlled multi-plate clutch, distributes the engine's power between the front and rear axles as required.

With a drag coefficient (c_d) of 0.31, the 911 Turbo Cabriolet is on a par with the Coupé. The rear spoiler extends automatically from a speed of 120 kilometers an hour on both models, but extends 30 millimeters further on the Cabriolet than on the Coupé, making it the only production Cabriolet to generate downforce on the rear axle. Alongside the passive safety system featuring six airbags as standard, there is an extensive rollover protection system with integral steel tubes in the windscreen frame and automatically deploying rollover bars behind the rear seats, all of which are fitted as standard. As a result, the 911 Turbo Cabriolet complies with all statutory passive safety requirements worldwide. The car is also fitted with an extremely powerful brake system, the six-piston fixed calipers at the front being bor-rowed from the Porsche Carrera GT. On request, the Cabriolet can be fitted with the Porsche Ceramic Composite Brake (PCCB), the lightweight brake system from the world of motor sports.

The Cabriolet's classic concertina-action folding hood is automatically stowed away into the hood box when the top is opened. To save weight, the entire structure is made of magnesium. Including the drive mechanism, it weighs just 42 kilograms. As a result, the vehicle's center of gravity is lower than that for cars with vario folding roofs, which contributes significantly to the exceptional dynamic handling characteristics of the new Turbo Cabriolet. With its three-ply design, the fabric roof also provides for excellent noise insulation, outstanding protection against the cold and the heat and, thanks to the heated glass rear screen, is well suited for everyday use at any time of year.

The 911 GT2: The Ultimate Performance Athlete

The current 911 product family (code 997) has already proven its extreme sports and performance capabilities with the 911 Turbo and 911 GT3 models. Now, with the addition of the Porsche 911 GT2, the family has a member that even surpasses the performance of the 911 Turbo and the sportiness of the 911 GT3 models. This is the absolute top-of-the-range model in the road-going sports car program, uniting extraordinary driving performance with exciting dynamic handling, particularly on the track.

The engine of the 911 GT2 is based on the power unit of the current 911 Turbo with the familiar exhaust gas turbochargers and variable turbine geometry (VTG). This technology ensures both high maximum output and dynamic turbocharger response, even at low engine speeds. The maximum output of 390 kW (530 hp) exceeds that of the 911 Turbo by 50 hp. In particular, this increase in output is attributable to the revised turbochargers with flow-optimized turbines, the larger compressors and the entirely new expansion intake system.

The system has completely revolutionized the familiar processes of supplying air to the engine. So far, an intake system has utilized the oscillating air in the compression phase to force more air into the combustion chamber. The disadvantage of this principle is that the boost effect not only compresses the air, but warms it too. The air/fuel mixture cannot therefore be ignited in a way that would optimize output. The new expansion intake system instead utilizes the expansion phase. In this phase, the air is actually cooling down, resulting in a cooler mixture in the combustion chamber which can then be ignited to optimize output. The result is substantially improved engine efficiency, higher engine power output and reduced fuel consumption at high loads and engine speeds. At maximum power, fuel consumption is up to 15 percent lower than that of a turbocharged engine with a conventional intake system.

The chassis of the 911 GT2 uses actively adjustable dampers for the first time. The standard-fitted Porsche Active Suspension Management (PASM) has been specially tuned for this vehicle, resulting in an extremely sporty response combined with superior handling characteristics, including on the track. The basic tuning set-up is comparable with that of the 911 GT3 models, providing the necessary essentials for superb dynamic driving performance on public roads and wet tracks.

A Sport mode can be selected by pressing the PASM button. This mode selects a harder set-up designed especially for driving the 911 GT2 on dry tracks.

As on the previous model, the anti-roll bars, ride height, camber and toe angles of the new 911 GT2 can be tuned to suit a particular track and optimized to the driver's own personal requirements. However, these changes can only be made for non-public road use.

For the first time, the 911 GT models come as standard with Porsche Stability Management (PSM). This will increase active safety considerably. The system has been retuned specially for the 911 GT2 and adapted to the demands of the die-hard sports driver. A new switching strategy for deactivating PSM has been developed specially for use on the track. Here, PSM is deactivated in two stages, instead of just via a "PSM OFF" button as on other Porsche models. This operating and switching strategy is an enhanced function developed for the committed sports driver who demands a lot from the vehicle's performance and dynamic handling characteristics.

The engine of the new 911 GT2 features a state-of-the-art turbocharger with variable turbine geometry and boasts a maximum power output of 390 kW (530 hp).

Also new for road-going Porsche vehicles is the use of an assistance system for maximum acceleration from standstill. The so-called Launch Assistant is activated not by any additional buttons, but in response to the driver pressing the accelerator when the clutch pedal is pressed to the floor. The system increases both engine speed and boost pressure, the driver's only task then being to release the clutch as quickly as possible to accelerate the car with maximum speed and power.

New Powertrain Center Well Positioned

The quicker and more flexibly Porsche can respond to the influences and trends of both the market and society, the more successful the company will be. The efficient exchange of information is crucial, and close physical proximity is vital here – even in a world of high-tech electronic communications. The new Powertrain Center in Weissach, which opened in the 2006/07 fiscal year, meets these requirements. The new building is a combined workshop and office complex, bringing together virtually all development activities relating to powertrain technology, i.e. engines and transmissions, with the associated prototype construction work and their integration in the vehicle. Since the powertrain plays a key role from an environmental point of view too, the Development division is excellently positioned with this new build.

Protection Rights and Licenses

The intensive level of development work, combined with active project management, has in turn resulted in a rise in applications for industrial property rights for innovations and design. This has been observed across the group as a whole, and also extends to production engineering, the production set-up for the Panamera in Leipzig being one case in question. Several protection rights have also been applied for in Asia, the aim being to effectively protect Porsche's high-tech innovations and extend the portfolio.

Worldwide, competition with protection rights is increasing just as much as the number of applications at the main patent offices. As a result, patent monitoring continues to be an integral part of development projects. Porsche also remains active in the licensing business, with revenue from license fees continuing at a high level.

MOTOR SPORTS

Motor Sports

David conquers Goliath – during the 2007 season, Porsche confirmed what the pundits had been predicting in 2006. The RS Spyder crossed the finishing line first in eight of the twelve American Le Mans Series races, once again carrying off the manufacturers', drivers' and team championships.

In the world of motor sports, Porsche seeks to compete wherever race engineering is also likely to advance the design of its premium sports vehicles. The essential motivation behind involvement on the international race scene comes from daring originality, innovative strength, the best engineering expertise and a passion for competition.

Porsche has been involved in customer sport for ten years. The teams are supported through Porsche's ongoing development of vehicles and the deployment of its engineers and other specialists at the trackside. Eight works drivers have also been notching up successes.

The RS Spyder is the ultimate racing car. This sports prototype, developed and built entirely in Weissach, is marching from one victory to another in the USA. The race versions of the Porsche 911 are also winning major endurance races and championships throughout the world.

The RS Spyder: Sensationally Successful

In 2006, the American Penske Racing Team, Porsche's customer and partner, completed its first full racing season in the American Le Mans Series (ALMS) with the lightweight 775 kilogram, 500 hp RS Spyder sports prototype and won all four scheduled championships in the prototype class 2. On the way to this flawless victory, this team of "small" class 2 Porsches even beat their more powerful class 1 sports prototype counterparts in one race. This was an unprecedented event in the history of the ALMS, where some of the fastest prototypes in the world line up at the starting grid.

Over the winter, the specialists at Weissach modified the RS Spyder for the 2007 season, giving it a new aerodynamic set-up, optimizing heat dissipation, improving ease of maintenance for a fast turnaround in the pits and implementing a host of other detailed changes.

For the 2007 Championship, Penske Racing was joined by the American Team Dyson Racing which was also to race the Porsche sports prototypes. The new RS Spyder instantly proved to be almost unbeatable – even for the class 1 prototypes, which regulations permit to be around 200 hp more powerful. In the first twelve rounds, the tactically brilliant Penske Racing Team notched up eight overall victories and eleven class victories. The ninth race, through the streets of the Motor City of Detroit, saw Porsche clinch the engine and chassis titles early. And in the penultimate of twelve races, Porsche works drivers Timo Bernhard and Romain

Dumas crowned an outstandingly successful year by taking the LMP 2 drivers title. Dyson Racing achieved some first-class results in their first year – an amazing feat with the technically challenging RS Spyder – and took third and fourth places behind the two Penske Porsche in the class ranking. The spectacular successes of the Porsche customer teams in the USA also had a big knock-on effect in European motor sports. In 2008, the Dutch team VM Motorsport and Horag Racing from Switzerland will use the prototypes for the first time in the Le Mans Series, a top-flight championship consisting of races over distances of 1,000 kilometers.

The new Porsche 911 GT3 RSR demonstrated its exceptional performance as an endurance race car in numerous GT championships and 24-hour races.

With the overwhelming success in the USA and the setting of the RS Spyder's future course in Europe, Porsche continued the tradition of top-class customer motorsport in the review year by adding yet another successful chapter.

The Porsche 911 on the Road to Victory

Whether over a sprint distance or a long haul, the race versions of the 911 continue to set the standards in the categories for modified production sports cars. The new 911 GT3 RSR, developing around 485 hp, follows on from the masterly achievements of its predecessor models, while the 420 hp 911 GT3 Cup is putting customers way ahead in the factory race car category.

One of the most popular motor sports series in the USA is the Grand-American Rolex Sports Car Series. Porsche holds the record for class victories in this race series and in the GT class notched up the most victories, fastest training times and podium finishes. In 2007, the German Dirk Werner added to this long list of successes by clinching the GT class drivers' title in a 911 GT3 Cup. At the same time, Porsche won the manufacturers' championship and Farnbacher Loles clinched the team title.

In the American Le Mans Series, works driver Jörg Bergmeister set out to defend his GT2 class title. Driving the 911 GT3 RSR of the Flying Lizard Motorsport Team, the German and his American team colleague Johannes van Overbeek were continually among the front runners – enough to secure themselves the vice-championship after twelve races.

In 2006, works driver Marc Lieb won the GT2 class drivers' title in the Le Mans Series, a series consisting exclusively of races over a distance of 1,000 kilometers, for the second time in a row. Driving a 911 GT3 RSR from the Felbermayr Proton team, the German also regularly produced some outstanding results in 2007. After the penultimate race, Lieb and his French teammate Xavier Pompidou were lying third in the championship.

In the FIA GT Championship, works driver Emmanuel Collard added some muscle to BMS Scuderia Italia in the 2007 season. The Frenchman shared the cockpit of a 911 GT3 RSR with Italian Matteo Malucelli. Throughout the entire season, the duo remained in the lead group despite some stiff competition and finished the year in third place in the GT2 drivers' championship.

Way Ahead in the Endurance Category, too

In July 2007, the engineers, mechanics and drivers celebrated the first racing birthday of the new 911 GT3 RSR by taking the top four places in the car's class with the near-series Porsche at one of the most famous endurance races in the world, the 24-hour race at Spa-Francorchamps in the Belgian Ardennes. The race car trial debuted at this race back in 2006. In 2007, works drivers Marc Lieb and Emmanuel Collard, along with Matteo Malucelli, won their class, with a clear lead over three other RSRs. The Mühlner Motorsport Team rounded off a successful outing at Spa for Porsche customer sport with a victory in the "minors" class with the 911 GT3 Cup.

In 2007, the marathon in Belgium was the fourth and last of the major 24-hour races steeped in tradition. Traditionally, the series starts with the Daytona 24-hour race in January. In a dramatic finale at the circuit on Florida's west coast, a team of German, American and Canadian drivers won the GT title in a 911 GT3 Cup with a seven-second lead over a US sports car. Three other 911 GT3 Cup cars made it into the top ten. This was followed by the 24-hour race on the Nürburgring's Northern Loop circuit in the second week of June, when 210,000 spectators saw the works-supported Manthey-Racing Team, with works drivers Bernhard, Lieb, and Dumas and Manthey driver Tiemann, repeat their victory of the previous year. The 911 GT3 RSR had a one-lap, or almost 25-kilometer, lead on the second-placed car. In total, five Porsche sports cars finished in the top ten. One week later came another demonstration of the stamina of the 911 GT3 RSR. The French IMSA Performance Team, with works drivers Lietz and Long and regular driver, the Frenchman Narac, notched up a victory at

Porsche celebrated a triple victory in the 14-day Transsyberia Rally with the small-series Cayenne S Transsyberia.

the Le Mans 24-Hour. IMSA Performance took the GT2 title with a six-lap lead over the second-placed car.

Excellent Training Grounds

Porsche presents semi-professional and professional customer teams with unique opportunities in the form of the Porsche Mobil1 Supercup and the Carrera Cups Asia, Australia, France, Great Britain, Deutschland, Japan, Italia and Scandinavia. These single-manufacturer championships are managed entirely by Porsche, with the company providing the race-ready 911 GT3 Cup cars and even organizing the race weekends themselves, right down to the TV arrangements.

All single-manufacturer championships belong to a program of top motor sports events. The Mobil1 Supercup is the only Gran Turismo race series to guest at the Formula 1 World Championship, while Carrera Cups take place at national championship events and at individual Formula 1 races. Established as Porsche events at Grand Prix or Touring Car races, the single-manufacturer championships are excellent platforms for teams and partners.

All drivers start in technically identical 400 hp 911 GT3 Cup cars. Even the tires and the fuel are identical for all participants. The races are held over a sprint distance of around 30 minutes. There is no room for clever race strategies; it is all about sprinting from the start to the finish. The Porsche single-manufacturer championships are therefore excellent training grounds for up-and-coming racing drivers. Five of the current eight Porsche works drivers demonstrated their skills with championship titles in the Mobil1 Supercup or in the Carrera Cup before entering the world of top professional motor sports.

The 911 GT3 Cup Challenges in the USA, Brazil and New Zealand and Club events such as Porsche Sports Cup Deutschland provide a gateway to the single-manufacturer championships and a top-class com petitive field for amateur drivers. Porsche expects the single-manufacturer championships to continue to grow at a rapid pace. For this reason, a record number of 265 type 911 GT3 Cup race cars are scheduled to be built over the 2007/08 winter period.

Cayenne is Best Marathon Sprinter

The 2007 Transsyberia Rally: a 14 day, 7,100 kilometer trek from Moscow to Ulan Bator. Conditions are extremely harsh, with the teams experiencing mountainous terrain and wilderness, heat, cold, dust and gravel, deep sand, swamps and countless river crossings en route. The driving is a mix of high-speed treks for hours on dirt roads and walking-pace progress through the most difficult terrain.

39 teams started out on this unusual journey in August 2007. Among them were 25 Cayenne S models which Porsche had kitted out, on behalf of its international customer teams, with a safety cell, underfloor protection, cable winch, special tools and two spare wheels each. The stages were all about navigational skills, offroad driving, and the stamina of both man and materials, with special challenges thrown in. The aim was to achieve the best times and not destroy the vehicles in the harsh terrain in the process.

The top three places went to Cayenne S vehicles. Team North America, with Rod Millen and his co-driver Richard Kelsey, won ahead of Team Italia with Antonio Tognana/Carlo Cassina and Adel Abdulla/Norbert Lutteri, who made up Team Quatar. A total of seven Cayenne S vehicles finished the Transsyberia Rally in the top ten. They showed that Porsche can also sprint into the lead on this terrain, even when the sprint is a veritable endurance marathon.


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Notes to the Consolidated Financial Statements as of July 31, 2007

Consolidated Income Statement of the Porsche Group for the Period from August 1, 2006 of July 31, 2007

	Notes	2006/07 T€	2005/06 T€
Continuing operations			
Sales	(1)	**7,367,876**	**7,122,667**
Changes in inventories and other own work capitalized	(2)	162,217	172,967
Total operating performance		**7,530,093**	**7,295,634**
Other operating income	(3)	7,264,416	1,045,127
Cost of materials	(4)	– 3,659,520	– 3,273,507
Personnel expenses	(5)	– 1,264,325	– 1,037,475
Amortization and depreciation	(15), (16), (18)	– 531,712	– 488,758
Other operating expenses	(6)	– 4,600,099	– 1,709,318
Profit before financial income		**4,738,853**	**1,831,703**
Share of profit of associates	(7)	1,223,164	203,357
Financial expenses	(8)	– 272,232	– 198,916 *
Financial income	(9)	167,215	192,053 *
Financial result		**1,118,147**	**196,494**
Profit from ordinary activities of continuing operations		5,857,000	2,028,197
Profit from ordinary activities of discontinued operations		0	81,803
Profit from ordinary activities		**5,857,000**	**2,110,000**
Income taxes from continuing operations	(10)	– 1,615,000	– 713,578
Income taxes from discontinued operations	(10)	0	– 3,422
Income taxes	(10)	– 1,615,000	– 717,000
Net profit from continuing operations		4,242,000	1,314,619
Net profit from discontinued operations	(11)	0	78,381
Net profit		**4,242,000**	**1,393,000**
thereof profit allocable to minority shareholders	(12)	– 10,519	– 3,445
thereof profit allocable to hybrid capital investors	(13)	55,556	28,451
thereof profit allocable to shareholders of Porsche AG	(13)	4,196,963	1,367,994
Earnings per ordinary share from continiung operations (diluted and basic)	(13)	**239.80**	**73.66**
Earnings per ordinary share from discontinued operations (diluted and basic)	(13)	**0.00**	**4.44**
Earnings per preference share from continiung operations (diluted and basic)	(13)	**239.86**	**73.72**
Earnings per preference share from discontinued operations (diluted and basic)	(13)	**0.00**	**4.50**

* adjusted

Consolidated Balance Sheet of the Porsche Group as of July 31, 2007

		Notes	July 31, 2007 T€	July 31, 2006 T€
Assets	Intangible assets	(15)	263,526	250,295
	Property, plant and equipment	(16)	1,378,435	1,178,352
	Investments in associates	(17)	7,059,333	3,263,733
	Other financial assets	(17)	67,584	27,755
	Leased assets	(18)	990,979	960,650
	Trade receivables	(20)	20,772	1,990
	Receivables from financial services	(21)	1,321,635	1,248,750
	Other receivables and assets	(22)	285,662	172,659
	Receivables of taxes on income	(23)	63,598	0
	Securities	(24)	1,014,573	713,072
	Deferred tax assets	(10)	75,114	152,930 *
	Non-current assets		**12,541,211**	**7,970,186** *
	Inventories	(19)	625,209	594,080
	Trade receivables	(20)	245,136	202,981
	Receivables from financial services	(21)	459,879	434,889
	Other receivables and assets	(22)	5,604,442	1,399,988 *
	Receivables of taxes on income	(23)	27,262	1,306 *
	Securities	(24)	1,419,185	2,048,521
	Cash and cash equivalents	(25)	2,410,066	1,988,550
	Current assets		**10,791,179**	**6,670,315**
			23,332,390	**14,640,501** *
Equity and liabilities	Subscribed capital	(26)	45,500	45,500
	Capital reserves	(26)	121,969	121,969
	Revenue reserves	(26)	8,507,292	4,362,342 *
	Translation differences	(26)	– 3,712	– 1,821
	Capital allocable to shareholders		8,671,049	4,527,990 *
	Hybrid capital	(26)	809,977	809,977
	Minority interests	(26)	0	0 *
	Equity		**9,481,026**	**5,337,967** *
	Pension provisions	(27)	719,476	658,743
	Other provisions	(28)	624,234	628,512
	Deferred tax liabilities	(10)	612,826	181,764
	Financial liabilities	(29)	3,539,237	3,529,650
	Trade payables	(30)	7,480	3,875
	Other liabilities	(31)	67,007	51,219
	Non-current provisions and liabilities		**5,570,260**	**5,053,763**
	Tax provisions	(28)	896,643	238,026
	Other provisions	(28)	1,161,098	1,012,522
	Financial liabilities	(29)	3,010,024	1,280,342 *
	Trade payables	(30)	505,183	478,942
	Other liabilities	(31)	2,708,156	1,238,939
	Current provisions and liabilities		**8,281,104**	**4,248,771** *
			23,332,390	**14,640,501** *

* adjusted

Consolidated Statement of Cash Flows of the Porsche Group for the Period from August 1, 2006 to July 31, 2007

		Notes	2006/07 T€	2005/06 T€
1. Operating activities		(14)		
	Net profit from continuing operations		4,242,000	1,314,619
	Amortization and depreciation		531,712	488,758
	Change in pension provision		61,196	69,663
	Cash flow		**4,834,908**	**1,873,040**
	Changes in tax provision and other provisions		807,286	227,530
	Extended cash flow		**5,642,194**	**2,100,570**
	Changes in deferred taxes		479,956	138,910
	Ohter non-cash expenses/income		– 2,917,150	– 390,128
	Gain/loss from disposal of intangible assets, property, plant and equipment and leased assets		– 78,594	– 67,758
	Dividend received from investments in associates		111,093	68,280
	Change in inventories, trade receivables and other assets		– 3,029,103	– 164,192
	Change in trade payables and other liabilities (without tax provision and other provisions)		1,686,288	413,424
	Cash flow from operating activities from continuing operations		**1,894,684**	**2,099,106**
	Cash flow from operating activities from discontinued operations		**0**	**– 18,598**
	Cash flow from operating activities in total		**1,894,684**	**2,080,508**
2. Investing activities	Cash received from the disposal of intangible assets, property, plant and equipment and leased assets		456,364	440,647
	Cash received from changes to consolidated group		4,768	168,436
	Cash paid for investments in intangible assets, property, plant and equipment and leased assets		– 1,204,745	– 954,167
	Cash paid for investments in financial assets		– 2,676,450	– 3,122,658
	Changes in receivables from financial services		– 132,314	– 141,277
	Cash flow from investing activities from continuing operations		**– 3,552,377**	**– 3,609,019**
	Cash flow from investing activities from discontinued operations		**0**	**– 6,110**
	Cash flow from investing activities in total		**– 3,552,377**	**– 3,615,129**
	Change in investments in securities		317,210	– 955,467
	Cash flow from investing activities including investments in securities		**– 3,235,167**	**– 4,570,596**

		Notes	2006/07 T€	2005/06 T€
3. Financing activities		Continuation (14)		
	Cash payments to shareholders		– 156,975	– 86,975
	Cash payments to minority shareholders		– 1,008	– 1,096
	Cash repayments of bonds		– 303,192	– 257,446
	Cash payments to hybrid capital investors		– 56,077	– 28,451
	Cash payments for stock options		– 187,090	0
	Capital contributions		0	809,977
	Cash received from the issue of loans		2,034,902	19,185
	Cash received from the issue of bonds		0	1,884,740
	Cash received from stock options		321,951	187,090
	Cash received from other financial liabilities		115,672	179,083
	Cash flow from financing activities from continuing operations		**1,768,183**	**2,706,107**
	Cash flow from financing activities from discontinued operations		**0**	**22,612**
	Cash flow from financing activities in total		**1,768,183**	**2,728,719**
4. Cash and cash equivalents	Changes in cash and cash equivalents (subtotal of 1 to 3)		427,700	238,631
	Exchange-rate related changes in cash and cash equivalents		– 6,184	– 5,011
	Cash and cash equivalents as of August 1, 2006 and August 1, 2005		**1,988,550**	**1,754,930**
	Cash and cash equivalents as of July 31, 2007 and July 31, 2006		**2,410,066**	**1,988,550**
Presentation of gross liquidity	Checks, cash on hand and bank balances		2,410,066	1,988,550
	Securities		2,433,758	2,761,593
	Gross liquidity		**4,843,824**	**4,750,143**

Statement of Changes in Equity of the Porsche Group as of July 31, 2007

	Subscribed capital	Capital reserves	Revenue reserves 1)	Revenue reserves – Other comprehensive income 1) – Securities marked to market	Revenue reserves – Other comprehensive income 1) – Cash flow hedges
	T €	T €	T €	T €	T €
As of July 31, 2005	45,500	121,969	3,054,831	21,775	157,529
Adjustment for put options of minority interests			– 43,913		
Deferred taxes on put options of minority interests			13,625		
Adjusted as of July 31, 2005	45,500	121,969	3,024,543	21,775	157,529
Currency change			4,321		
Translation differences					
Investment in associates 1)			– 55,147	– 33,119	136,479
Financial instruments pursuant to IAS 39 1)				– 1,750	– 205,584
Deferred taxes on income and expense recognized directly in equity 1)				13,793	24,582
Income and expenses recognized directly in equity			– 50,826	– 21,076	– 44,523
Profit after tax			1,367,994		
Net profit for the period			1,317,168	– 21,076	– 44,523
Changes to consolidated group			– 1,815		
Borrowing of hybrid capital					
Capital procurement costs for hybrid capital					
Share in profit hybrid capital					
Dividends paid*			– 86,975		
Put options of minority interests 1)			– 2,339		
Deferred taxes on put options of minority interests 1)			– 1,945		
As of July 31, 2006	45,500	121,969	4,248,637	699	113,006
Currency change			– 18,355		
Translation differences					
Investment in associates			– 29,107	– 23,250	79,565
Financial instruments pursuant to IAS 39				26,260	131,316
Deferred taxes on income and expense recognized directly in equity				9,083	– 69,069
Income and expenses recognized directly in equity			– 47,462	12,093	141,812
Profit after tax			4,196,963		
Net profit for the period			4,149,501	12,093	141,812
Share in profit hybrid capital					
Dividends paid **			– 156,975		
Put options of minority interests			1,608		
Deferred taxes on put options of minority interests			– 3,089		
As of July 31, 2007	**45,500**	**121,969**	**8,239,682**	**12,792**	**254,818**

1) Previous year figures adjusted
* Distribution of a dividend of € 4.94 per ordinary share; in total € 43,225,000
Distribution of a dividend of € 5.00 per preference share; in total € 43,750,000
** Distribution of a dividend of € 5.94 + € 3.00 per ordinary share; in total € 78,225,000
Distribution of a dividend of € 6.00 + € 3.00 per preference share; in total € 78,750,000

Translation differences	Capital allocable to shareholders [1]	Hybrid capital	Minority interests	Group equity
T €	T €	T €	T €	T €
10,532	3,412,136	0	8,057	3,420,193
	– 43,913		– 8,057	– 51,970
	13,625			13,625
10,532	3,381,848	0	0	3,381,848
	4,321		78	4,399
– 12,353	– 12,353			– 12,353
	48,213			48,213
	– 207,334			– 207,334
	38,375			38,375
– 12,353	– 128,778		78	– 128,700
	1,367,994	28,451	– 3,445	1,393,000
– 12,353	1,239,216	28,451	– 3,367	1,264,300
	– 1,815			– 1,815
		826,503		826,503
		– 16,526		– 16,526
		– 28,451		– 28,451
	– 86,975			– 86,975
	– 2,339		3,367	1,028
	– 1,945			– 1,945
– 1,821	4,527,990	809,977	0	5,337,967
	– 18,355			– 18,355
– 1,891	– 1,891		– 249	– 2,140
	27,208			27,208
	157,576			157,576
	– 59,986			– 59,986
– 1,891	104,552		– 249	104,303
	4,196,963	55,556	– 10,519	4,242,000
– 1,891	4,301,515	55,556	– 10,768	4,346,303
		– 55,556		– 55,556
	– 156,975			– 156,975
	1,608		10,768	12,376
	– 3,089			– 3,089
– 3,712	**8,671,049**	**809,977**	**0**	**9,481,026**

Principles

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 Group also provides financial services consisting of financing and leasing business for customers and dealers.

The consolidated financial statements of Porsche AG as of July 31, 2007 were prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU. 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. The requirements of the standards and interpretations 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.

This version of the consolidated financial statements complies with the requirements of §315a German Commercial Code (HGB). It forms the legal basis for group accounting according to international accounting standards in Germany in conjunction with the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the adoption of international accounting standards.

The financial statements of the subsidiaries are prepared as of the balance sheet date of the consolidated financial statements, which is the balance sheet date of Porsche AG. For associates, the available information, i.e. the most recent audited consolidated financial statements and the published interim report as of June 30 are used as a basis.

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. To improve the quality of the information, the 'other financial result' in the income statement has been broken down into financial expenses and financial income. For the same reason, current income tax receivables were presented as a separate item in the balance sheet. The informative value of the statement of changes in equity was also improved by disclosing the reserve for the mark-to-market valuation of securities and the reserve for cash flow hedges and the tax effects recorded in equity separately for the first time. The previous year figures have been adjusted retrospectively in accordance with IAS 8.

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, 2007 and the full list of equity investments is available via the electronic Company Register at www.unternehmensregister.de.

*) The extraordinary stockholders' meeting of the company on June 26, 2007 passed a resolution to spin off the operating business to Porsche Vermögensverwaltung AG and to convert the company into a European Stock Corporation. After entry of the spin-off in the commercial register, the Company will bear the name Porsche Automobil Holding AG, from entry of the conversion in the commercial register then Porsche Automobil Holding SE.

With reference to §264 (3) HGB and §264b HGB, the financial statements of the following German 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 Dienstleistungs GmbH (formerly Porsche Leipzig Service GmbH), Karosseriewerk Porsche GmbH & Co. KG, Porsche Zentrum Hoppegarten GmbH, Porsche Classic GmbH, Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, ING Leasing GmbH & Co. Fox oHG 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 15, 2007.

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 and to derive benefit therefrom, either directly or indirectly (control concept). First-time inclusion is as of the date on which the acquirer obtains the possibility of control. An entity is no longer included when control of the entity is lost.

The group of fully consolidated entities includes Porsche AG and 21 German (previous year: 20) and 54 international (previous year: 53) subsidiaries, including a special purpose securities fund and variable interest entity.

The newly incorporated companies Porsche Consulting Italia S.r.l., Milan, and Porsche Center Moscow OOO, Moscow, and the purchased Porsche Vermögensverwaltung AG, Stuttgart, have been included in the Porsche consolidated financial statements for the first time as of July 31, 2007. These changes in the consolidated group are immaterial for the net assets, financial position and results of operations of the Group.

Porsche Engineering Services Inc., Wilmington/Delaware, USA, was sold and has therefore been removed from the consolidated group. This sale is not disclosed separately under discontinued operations as it does not constitute a sale of a significant line of business. The sales price was T€ 4,768 which was settled in full in cash. The sale involved a cash outflow of T€ 0.5.

The table below presents the assets and liabilities disposed of at the time of deconsolidation:

	in T€
Intangible assets, property, plant and equipment and deferred tax assets	352
Other assets without cash and cash equivalents	2,605
Provisions	729
Liabilities	213

The equity method is used for investments on which Porsche AG can exercise significant influence. This is assumed to be the case when between 20 and 50 percent of the voting rights are held. The first-time inclusion using the equity method is as of the date on which the acquirer can exercise a significant influence and ends when significant influence is lost. Betrandt AG, Ehningen is not included using the equity method as no significant influence can be exercised on this company because the Porsche Group is not represented on its executive board or supervisory board.

Volkswagen AG, Wolfsburg, is included as an associate in the consolidated financial statements. Based on its shareholding, the following assets, liabilities, revenues and profits of the Volkswagen group are allocated to Porsche AG as of July 31, 2007:

	2006/07 T€	2005/06 T€
Non-current assets	17,536,593	11,047,770
Current assets	14,893,196	9,701,676
Non-current liabilities	13,520,247	8,126,237
Current liabilities	12,374,081	8,830,796
Revenues	24,346,507	7,993,436
Profit	702,406	182,852

The pro rata assets, liabilities, revenues and profits are determined using uniform group accounting policies and disclosed hidden reserves and burdens.

The 200-day average market price of Volkswagen AG is around 8,766 million Euro (previous year: 3,152 million Euro) for the shares held by Porsche AG.

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 under the intangible assets. To the extent that the purchase price of the investment exceeds the identified assets and liabilities, it is recorded in the income statement immediately in the year of acquisition.

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.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and any goodwill is recognized in the income statement.

Investments in associates included using the equity method are carried at cost at the time of first-time inclusion. The rulings for full consolidation apply by analogy to the measurement using the equity method. In subsequent periods, the carrying amount is rolled forward to reflect changes in equity of the associate on the Porsche Group. An impairment test is carried out if there is any indication that that investment is impaired.

At least once a year, the company checks whether there is any indication that the reason for an impairment no longer exists or an impairment amount has decreased. In this case, the recoverable amount is recalculated and the previous impairment reversed.

Due to immateriality, the company elects not to eliminate intercompany profits from trade relations with associates.

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 with the exception of income and expenses recorded directly in equity. 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 assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Non-monetary items denominated in a foreign currency measured at historical cost are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange rate gains and losses as of the balance sheet date are recorded separately in the income statement. Goodwill and adjustments of assets and liabilities from business combinations are recorded in the functional currency of the subsidiary.

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

		Closing rate		Average rate	
		July 31, 2007	July 31, 2006	2006/07	2005/06
USA	USD	1.3707	1.2772	1.3140	1.2226
Canada	CAD	1.4587	1.4413	1.4793	1.4119
United Kingdom	GBP	0.6749	0.6842	0.6744	0.6844
Australia	AUD	1.5961	1.6689	1.6525	1.5566
Japan	JPY	163.5900	146.0100	156.4703	140.8397
Switzerland	CHF	1.6516	1.5701	1.6158	1.5566

Accounting Principles and 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. The comparative information for fiscal year 2005/06 is based on the same accounting and measurement methods that were applicable for the fiscal year 2006/07.

With the exception of certain items such as derivative financial instruments, available-for-sale financial assets or pensions and similar obligations, the consolidated financial statements are prepared using the historical cost principle. The measurement principles used for these exceptions are described below.

The preparation of consolidated financial statements is to a certain extent subject to assumptions and estimates that have an effect on recognition, measurement and disclosure of assets, liabilities, income and expenses as well as contingent assets and liabilities. 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 classification of leases as operating and finance leases, the determination of the need to record or reverse impairments at associates, the measurement of derivative financial instruments, 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. The carrying amounts of the estimates affects be assets and liabilities can be gathered from the break-downs of the individual balance sheet items.

In response to the development of international accounting practice, the recognition of termination rights of minority interests of fully consolidated companies has been changed. In cases where minority shareholders have termination rights, a liability is recognized equivalent to the compensation obligation and the difference between the liability from the termination right and the pro rata equity of the minority shareholder is recorded directly in equity. Dividend payments to minority shareholders are recorded as a repayment of the compensation obligation. Deferred taxes are recorded on temporary differences between the IFRS balance sheet and the tax accounts. The adjustment was made retrospectively in accordance with IAS 8.

Intangible 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. Changes in useful lives are treated like changes in estimates.
In addition, residual values and the depreciation methods are checked at the end of the fiscal year and if necessary adjusted.

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

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, mainly using the straight-line and unit of production methods of depreciation, 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 plants used in shift operation depreciation is increased by additional payments for shifts.

Systematic depreciation 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

Residual values, methods of depreciation and useful lives are reviewed, and adjusted if appropriate, at each fiscal year end. Self-constructed items of property, plant and equipment are recognized at cost. In addition to directly allocable costs, they include a proportionate share of production-related overheads.

Leases

Determining whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date and whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. This is only reassessed after the inception of the lease under the conditions set forth in IFRIC 4 only.

Leases where the Group does not transfer substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases and recognized accordingly. Leases under which all the opportunities and risks associated with ownership are transferred, on the other hand, are classified as finance leases and recognized accordingly.

Assets leased under operating leases are accounted for in non-current assets. Most of the operating leases are for vehicles leased from the company's own leasing companies. They are recognized at cost and written off on a straight-line basis over the term of the lease to the lower of estimated residual value or market value.

Borrowing cost

Borrowing cost is not disclosed as part of historical cost.

Impairment test

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, leased assets and financial assets only when there is an indication that the asset may be impaired. If the net realizable amount of the asset falls short of the carrying amount, an impairment loss is recognized. The recoverable amount is generally estimated separately per individual asset. If this is not possible, it is determined on the basis of a group of assets which represent a cash generating unit. The recoverable amount is the higher of the fair value less cost to sell. The fair value less cost to sell is the amount obtainable from the sale of an asset at customary market conditions less the cost to sell. Value in use is determined using the discounted cash flow method or capitalized earnings 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 8.85 to 10 percent (as in the previous year).

If the reason for impairment losses recorded in previous years ceases to exist, the impairment loss is reversed without exceeding amortized cost. This does not apply to goodwill.

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. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Valuation allowances are recorded on slow-moving inventories. If a valuation simplification is necessary the average method is used.

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.

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 through profit or loss and financial instruments held for trading
- held-to-maturity financial instruments
- available-for-sale financial instruments

and
- loans issued and receivables.

By contrast, financial liabilities are divided into the two categories
- financial instruments recognized at fair value through profit or loss 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.
Financial instruments are recognized as soon as Porsche becomes a party to the financial instrument. They are generally derecognized when the contract right to cash flow expires or this right is transferred to a third party.

Primary financial instruments

Financial instruments which are recognized at fair value contain securities in the held-for-trading category and financial assets which are initially recognized as financial assets at fair value through profit or loss. Gains and losses from subsequent measurement are recognized in the net profit or loss. Financial instruments that classified upon initial recognition at fair value through profit or loss include embedded securities, index and discount certificates.

Financial instruments which are held to maturity are accounted for at cost.
Gains and losses from subsequent measurement are recognized in the net profit or loss.

Financial instruments categorized as available for sale 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 which are disclosed in financial assets and not measured at equity also represent available-for-sale financial instruments 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 tested for impairment 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.

Loans issued and receivables, held-to-maturity investments and **financial liabilities**
are measured at amortized 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. The liabilities which constitute financial instruments within the meaning of IAS 39 are disclosed at fair value or amortized cost. Bonds which were not issued in fiscal year 2005/06 and financial liabilities which are associated with fair value hedge accounting are accounted for at fair value; all other liabilities as defined by IAS 39 are carried at amortized cost. The liabilities from finance leases which are also disclosed under financial liabilities are recognized at present value in accordance with IAS 17.

Derivative financial instruments

Derivative financial instruments in the Porsche Group primarily relate to forward exchange contracts and foreign currency options, interest derivatives and stock options. They are used to hedge interest and currency risks from existing balance sheet items or highly probable future transactions as well as to obtain short-term liquidity. Derivative financial instruments are measured at fair value. When the criteria of IAS 39 for hedge accounting are satisfied, the hedges are designated from then on either as fair value or cash flow hedges. A fair value hedge hedges the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment. Gains or losses from remeasuring derivative instruments and the associated hedged items are recognized at fair value through profit or loss.

A cash flow hedge hedges highly probable forecast transaction. Currency options are only included in hedge accounting to the extent that they offset changes in the value of the cash flows of the hedged items. When included in cash flow hedge accounting, changes in value are recorded directly in other comprehensive income taking deferred taxes into account. When the underlying contract is concluded, they are reclassified from other comprehensive income with an effect on income.

Deferred taxes

Deferred taxes are recognized on all temporary differences between the tax accounts and the IFRS carrying amounts and on consolidated measures. Deferred tax assets are recognized on accumulated deficits if they are likely to be used.

Valuation allowances are recorded on deferred tax assets whose realization in the foreseeable future is no longer likely. A previously unrecognized deferred tax asset is reassessed and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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 taxes referring to items recorded directly in equity are disclosed in equity.

Deferred tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current taxes

Current income tax assets and liabilities for the current and previous periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Discounting where necessary. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Current tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Hybrid capital

Based on the bond conditions of the hybrid capital issued, this is accounted for as an equity component of the Group in accordance with IAS 32. This means that the deductible interest is not disclosed under interest expenses but treated like a dividend obligation to the shareholders. Any capital procurement costs are deducted directly from the hybrid capital taking tax effects into account.

Pension provisions
The provisions for pensions and similar obligations 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 on a net basis.
The calculation is based on actuarial assumptions about biometric data. The company uses the corridor rule to measure the pension commitments and determine the pension expenses. Actuarial gains and losses are not taken into account provided they do not exceed ten percent of the commitment or ten percent of the fair value of the existing plan assets. The amount in excess of the corridor is distributed over the average residual service period of the active workforce and recorded in profit or loss.
Past service cost is recognized on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately in profit or loss.
Service cost is disclosed in personnel expenses while the interest portion of the addition to the provision and income from plan assets is recorded in the financial result. The interest rate used to discount provisions is determined on the basis of the return on long-term high-quality corporate bonds on the balance sheet date.

Other provisions
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. The interest rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The interest expense resulting from the write-up is recognized in financial expenses.

Income and expenses
Income is generally recognized to the extent that it is probable that the economic benefits will flow to the Group and the income can be reliably measured.
Income from the sale of products is generally not recognized until the point in time when the significant opportunities and risks associated with ownership of the goods and products being sold is transferred to the buyer. Income is reported net of discounts, customer bonuses and rebates.
In the case of long-term construction costs income is recognized in accordance with the degree of completion. Interest income is recognized as interest accrues.
Dividend income is recognized when the Group’s right to receive the payment is established.
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.

Discontinued operations pursuant to IFRS 5
Discontinued divisions which are removed from the consolidated group are disclosed separately in accordance with IFRS 5, if material. Expenses and income arising previous to deconsolidation and the gain on sale are disclosed separately in the income statement as assets allocated to discontinued operations. The previous-year figures of the income statement are adjusted accordingly.

New Accounting Standards

a) The Group has adopted the following new and amended IFRS and interpretations during the fiscal year for the first time. Adoption of these interpretations had the following effect on the consolidated financial statements:

Amendment to IAS 19: “Employee Benefits”
Due to the amendment to IAS 19, additional disclosures are made in the consolidated financial statements containing information on the trends and experience adjustments in connection with the assets and obligations from defined benefit plans and their composition. They are contained in Note 27.

b) The following new or revised standards and interpretations which have been adopted for first time had no or no material effect on the consolidated financial statements:

Change in IAS 39: “Fair Value Option”
The amended IAS 39 restricts the use of the option to designate any financial asset or any financial liability to be measured at fair value through profit or loss.

Amendment to IAS 39: “Accounting of Hedges of Forecast Intragroup Transactions”
This amendment to IAS 39 permits the foreign currency risk of a highly probable forecast intragroup transaction to qualify as the hedged item in a cash flow hedge in the consolidated financial statements, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement.

Amendments to IAS 39: “Accounting for Financial Guarantee Contracts”
Financial guarantee contracts that are not considered to be insurance contracts are recognized initially at fair value and remeasured at the higher of the amount determined in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) and the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18 (Revenue).

Amendment to IAS 21: “The Effects of Changes in Foreign Exchange Rates”
All exchange differences arising from a monetary item that forms part of the Group’s net investment in a foreign operation are recognized in a separate component of equity in the consolidated financial statements. This applies regardless of the currency in which the monetary item is designated and whether the net investment was granted by the parent or another group company.

IFRIC 4 “Determining whether an Arrangement contains a Lease”
IFRIC 4 provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied.

IFRIC 5 “Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds”
IFRIC 5 governs the accounting treatment for funds set up to finance the decommissioning of an entity’s assets.

IFRIC 6 “Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment”
This interpretation regulates the recognition of a liability for the disposal of electrical and electronic equipment in accordance with the provisions of the EU Directive relating to the disposal of Waste Electrical and Electronic Equipment.

IFRIC 7 “Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies”
IFRIC 7 stipulates that when hyperinflation is identified for the first time in the economy of the reporting entity’s functional currency, the entity has to apply the provisions of IAS 29 as if it had always been a hyperinflationary economy.

IFRIC 8 “Scope of IFRS 2”
IFRIC 8 requires IFRS 2 to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value.

IFRIC 9 “Reassessment of Embedded Derivatives”
IFRIC 9 specifies how financial instruments with embedded derivatives should be accounted for after initial recognition.
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c) The following standards and interpretations which have been published but whose adoption is not yet mandatory have not yet been adopted:

IFRS 7 “Financial Instruments: Disclosures”
IFRS 7 governs the disclosure requirements for financial instruments for industrial entities as well as banks and similar financial institutions. IFRS 7 replaces IAS 30 “Disclosures in the Financial Statements of Banks and Similar Financial Institutions” as well as the disclosure requirements contained in IAS 32 “Financial Instruments: Disclosure and Presentation”. IFRS 7 is applicable for fiscal years beginning on or after January 1, 2007. The amendment will extend the disclosures on financial instruments required in the notes.

IFRS 8 “Operating Segments”
IFRS 8 regulates the financial information which an entity has to present about its operating segments in its reporting. IFRS 8 replaces IAS 14 “Segment Reporting”, applies the rulings SFAS 131 “Disclosures about Segments of an Enterprise and related Information” with a few exceptions and has to be used adopted for the first time in fiscal years beginning on or after January 1, 2009.

Amendment to IAS 1 “Presentation of Financial Statements”
These amendments result in new disclosures of internal control parameters and possibly also explanations on the nature and scope of external capital requirements. The amendments of IAS 1 are mandatory for the first time for fiscal years beginning on or after January 1, 2007.

Revision of IAS 1 “Presentation of Financial Statements”
A revised version of IAS 1 was published in September 2007. The main changes relate to the changed presentation of changes in equity resulting from transactions with the owners and other changes as well as changes in the title of some components of the financial statements. The standard is effective for fiscal years beginning on or after January 1, 2009.

Amendment to IAS 23 “Borrowing Costs”
The amendment requires the recognition of borrowing costs which can be allocated directly to the purchase, construction or manufacture of a qualifying asset. The option for the immediate recognition in profit or loss has thus been abolished. The amendment is applicable for fiscal years beginning on or after January 1, 2009.

IFRIC 10 “Interim Financial Reporting and Impairment”
IFRIC 10 stipulates that an impairment of goodwill or certain financial instruments charged in the financial statements of past interim financial statements cannot be reversed in later annual financial statements. IFRIC 10 is to be applied for the first time to fiscal years beginning on or after November 1, 2006.

IFRIC 11 “Group and Treasury Share Transactions”
This interpretation clarifies how group share transactions are accounted for and treated. IFRIC 11 is applicable for fiscal years beginning on or after March 1, 2007.

IFRIC 12 “Service Commission Arrangements”
IFRIC 12 gives guidance on how operators under service concession agreement have to apply IFRS in order to recognize the obligations entered into and the rights received under these agreements. IFRIC 12 is mandatory for the first time for fiscal years beginning on or after January 1, 2008.

IFRIC 13 “Customer Loyalty Programs”
IFRIC 13 regulates the accounting of customer bonus programs which are run by manufacturers or service providers themselves or by third parties. IFRIC 13 is applicable for fiscal years beginning on or after July 1, 2008.

IFRIC 14 “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”
IFRIC 14 deals with the interaction between an obligation existing at the balance sheet date to pay in additional amounts to a pension plan (minimum funding requirement) and the rulings in IAS 19 on the upper limit of a positive balance between plan assets and the defined benefit obligation (asset ceiling). IFRIC 14 is mandatory for fiscal years beginning on or after January 1, 2008.

These new accounting provisions are not expected to have any material effect on the result of future consolidated financial statements.

Notes to the Consolidated Income Statement

(1) Sales

	2006/07 T€	2005/06 T€
Divisions		
Vehicles	6,214,192	6,056,241
Parts and accessories	486,490	426,250
Other	667,194	640,176
of which revenue from credit financing	117,198	109,413
of which revenue from lease installments	226,117	224,028
	7,367,876	**7,122,667**

The breakdown of sales by geographical 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 breaks down as follows:

	2006/07 T€	2005/06 T€
Income from stock options	6,926,751	767,169
Income from the reversal of imparments and provisions	72,988	47,538
Exchange rate gains	7,090	9,373
Sundry operating income	257,587	221,047
	7,264,416	**1,045,127**

Income from stock options mainly results from hedges transactions with cash compensation. Sundry operating income includes income from securities of T€ 8,855 (previous year: T€ 0) which was accounted for at fair value through profit or loss.

(4) Cost of materials

	2006/07 T€	2005/06 T€
Cost of materials and supplies and of purchased merchandise	3,128,438	2,819,864
Cost of purchased services	531,082	453,643
	3,659,520	**3,273,507**

When using the function of expense method, cost of sales without personnel expenses would come to T€ 3,859,129 (previous year: T€ 3,734,615). The cost of purchased services contains interest expenses from financial services transactions of T€ 90,958 (previous year: T€ 76,291).

(5) Personnel expenses

	2006/07 T€	2005/06 T€
Wages and salaries	1,105,349	878,052
Social security, pension and other benefit costs	158,976	159,423
	1,264,325	**1,037,475**
Employees (annual average) *		
Wage earners	4,013	4,178
Salaried employees	7,031	6,736
Trainees and interns	400	380
	11,444	**11,294**

* previous year including employees under the phased retirement scheme

(6) Other operating expenses

Other operating expenses consist of:

	2006/07 T€	2005/06 T€
Stock options	3,333,474	506,139
Advertising	252,994	249,089
Selling and general administrative expenses	157,642	159,079
Dues, charges, fees, legal and advisory costs	88,903	34,789
Exchange rate losses	73,736	66,413
Repairs and maintenance	65,255	68,425
Rent and leases	31,136	30,408
Sundry operating expenses	596,959	594,976
	4,600,099	**1,709,318**

Expenses from stock options mainly results from hedges transactions with cash compensation. Sundry operating expenses includes expenses from securities of T€ 37 (previous year: T€ 0) which were accounted for at fair value through profit or loss.

(7) Share of profit of associates

The share of profit of associates breaks down as follows:

	2006/07 T€	2005/06 T€
Share of profit	702,406	182,852
Income from first consolidation	–	541,263
Adjustment to the recoverable amount	–	– 520,758
Reversal of the adjustment to the recoverable amount	520,758	–
Share of profits and losses of associates	**1,223,164**	**203,357**
thereof share of profit of associates from discontinued operations	–	122,616

Due to the group year-end figures for the fiscal year 2006 presented by Volkswagen and the positive outlook of the Volkswagen Group for the current fiscal year, the investment had to be revalued.
The recoverable amount was set at the value in use. The shares measured at equity are adjusted in the course of the reassessment at amortized cost.

(8) Financial expenses

	2006/07 T€	2005/06 T€
Interest expenses from compounding of provisions for pensions	31,131	30,155
Interest expenses from compounding of provisions	27,709	10,313
Compounding of debts	**58,840**	**40,468**
Other interest and similar expenses	**213,392**	**158,448**
Financial expenses	**272,232**	**198,916**

Interest and similar expenses comprises interest expenses from operations and the issue of bonds.
Financial expenses contain interest expenses of T€ 73,784 (previous year: T€ 36,875) which results from financial assets and liabilities which were not measured at fair value through profit or loss.

(9) Financial revenue

	2006/07 T€	2005/06 T€
Other interest and similar income	151,982	181,098
Revenue from available for sale securities	15,233	10,955
	167,215	**192,053**

The interest income is mainly attributable to fixed-interest securities and time deposits.
In addition, it includes income on interest-bearing receivables and loans.
Financial revenue contains interest income of T€ 41,339 (previous year: T€ 12,204) which results from financial assets or liabilities and was not measured at fair value through profit or loss.

(10) Income taxes

The income tax expense disclosed comprises the following:

	2006/07 T€	2005/06 T€
Current taxes	1,135,019	572,230
thereof income/expenses relating to other periods	– 70,048	4,632
Deferred taxes	479,981	141,348
Income tax from continuing operations	**1,615,000**	**713,578**
Income tax from discontinued operations	**–**	**3,422**
Income taxes	**1,615,000**	**717,000**

An average income tax rate of 30 percent (previous year: 39 percent) applies for the German subsidiaries as a result of the 2008 company tax reform act. The income tax rates applied for foreign subsidiaries range from 0 percent to 41 percent (previous year: from 0 percent to 41 percent). Overall in the Porsche Group, the changed legal situation and other tax rate changes abroad led to a revaluation of the deferred taxes and an associated tax expense of T€ 25,932 (previous year: income of T€ 17).

The current tax expense was reduced by T€ 778 (previous year: T€ 2,196) owing to previously unused tax losses. This did not lead to any changes for deferred taxes in either reporting period.
The write-ups of deferred taxes in the reporting year amounted to T€ 7,760 (previous year: T€ 1,690); depreciation amounted to T€ 149 (previous year: T€ 2,893).

There are unused tax losses of T€ 15,685 (previous year: T€ 8,848), for which no deferred tax assets have been set up. As in the previous year, the unused tax losses can be carried forward for an unlimited period of time.

In addition, deferred tax assets of a total of T€ 5,820 (previous year: T€ 3,443) were recognized on unused tax losses and of T€ 12 (previous year: T€ 244) on unused tax credits. No deferred taxes were recorded on temporary differences in accumulated profits at subsidiaries of T€ 26,159 (previous year: T€ 18,614), 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:

	2006/07 T€	2005/06 T€
Profit from ordinary activities	**5,857,000**	**2,110,000**
Group tax rate	**39 %**	**39 %**
Expected income tax expense	**2,284,230**	**822,900**
Tax rate related differences	– 135,132	– 30,381
Difference in tax base	– 467,676	– 85,632
Recognition and measurement of deferred tax assets	5,938	768
Taxes relating to other periods	– 70,454	9,896
Other differences	– 1,906	– 551
Reported income tax expense	**1,615,000**	**717,000**

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

	Deferred tax assets		Deferred tax liabilities	
	July 31, 2007 T€	July 31, 2006 T€	July 31, 2007 T€	July 31, 2006 T€
Intangible assets, property, plant and equipment, leased assets and financial assets	86,410	232,796	255,123	430,723
Other assets	137,296	300,821	539,034	387,423
Unused tax losses and tax credits	5,832	3,687	–	–
Provisions	193,363	255,652	2,145	642
Liabilities	134,500	205,761*	292,868	205,520
Subtotal	**557,401**	**998,717***	**1,089,170**	**1,024,308**
Adjustments	– 5,943	– 3,243	–	–
Offsetting	– 476,344	– 842,544	– 476,344	– 842,544
Balance pursuant to consolidated balance sheet	**75,114**	**152,930***	**612,826**	**181,764**

* Due to the adjustment of the accounting of minority interests which have a termination right, changes in the deferred tax assets in the previous year amounted to T€ 11,679.

(11) Net profit from discontinued operations

The sale of the CTS group in the previous year is presented in accordance with the rulings of IFRS 5 on accounting for discontinued operations. The result of the previous year from discontinued operations breaks down as follows:

	2006/07 T€	2005/06 T€
Sales	–	149,992
Expenses	–	– 148,072
Profit before financial income	–	1,920
Financial income	–	– 810
Profit before tax from ordinary activities from discontinued operations	**–**	**1,110**
Income taxes	–	– 1,363
Current net profit from discontinued operations	**–**	**– 253**
Profit from the sale of the CTS group, before taxes	–	80,692
Taxes on the profit from the sale of the CTS group	–	2,059
Profit from the sale of the CTS group, after tax	**–**	**78,633**
Net profit from discontinued operations	**–**	**78,381**

The sales price was T€ 168,954; the full amount was settled in cash. In connection with the sale, there was an outflow of cash and cash equivalents of T€ 518.

The main assets and liabilities that were sold in the previous year were:

	July 31, 2006 T€
Intangible assets, property, plant and equipment and deferred tax assets	69,400
Other assets without cash and cash equivalents	135,152
Provisions	39,354
Liabilities	76,915

(12) Minority interests
The change in minority interests is made up of the profit allocable to minority interests amounting to T€ – 10,519 (previous year: T€ – 3,445).

(13) Earnings per share

		2006/07	2005/06
Profit after tax from continuing operations	T€	4,242,000	1,314,619
Profit after tax from discontinued operations	T€	–	78,381
Minority interests	T€	10,519	3,445
Profit allocable to hybrid capital	T€	55,556	28,451
Profit allocable to shareholders of Porsche AG	T€	**4,196,963**	**1,367,994**
Profit allocable to ordinary shares from continuing operations	T€	2,098,219	644,544
Profit allocable to ordinary shares from discontinued operations	T€	–	38,928
Profit allocable to preference shares from continuing operations	T€	2,098,744	645,069
Profit allocable to preference shares from discontinued operations	T€	–	39,453
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 from continuing operations (diluted and basic)	€	239.80	73.66
Earnings per ordinary share from discontinued operations (diluted and basic)	€	–	4.44
Earnings per preference share from continuing operations (diluted and basic)	€	239.86	73.72
Earnings per preference share from discontinued operations (diluted and basic)	€	–	4.50

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.

(14) 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€ – 6,184 (previous year: T€ 5,011) 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 include cash paid for dividend payments as well as the repayment of bonds and the pay-out of stock option transactions and cash received from borrowing and amounts paid for stock option transactions.

The cash flow from operating activities, on the other hand, is derived indirectly from the profit after tax. This involves eliminating all non-cash expenses - mainly depreciation or amortization and changes in provisions – as well as non-cash income from profit 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. Changes in the balance sheet items concerned can therefore not be reconciled directly with the figures in the published consolidated balance sheet.

Other non-cash expenses/income mainly result from measuring stock options at fair value and the roll forward of the shares accounted for at equity.

The cash flow from operating activities includes:

	2006/07 T€	2005/06 T€
Interest paid	– 338,826	– 140,133
Interest received	110,478	138,258
Income taxes paid	– 568,833	– 440,425
Income taxes reimbursed	685	25,596
Dividends received	111,093	68,281

Notes to the Consolidated Balance Sheet

(15) Development of intangible assets
Intangible assets include development services acquired, tool cost subsidies, capitalized development costs for vehicles, goodwill, licenses and software.

Total research and development, i.e. research and non-capitalizable development costs as well as the investment in capitalized development costs developed as follows:

	2006/07 T€	2005/06 T€
Research and development costs	723,560	443,113
Amortization	– 27,445	– 26,110
Investment in capitalized development costs	37,985	31,494
	734,100	**448,497**

The carrying amount of goodwill in the Porsche Group as of July 31, 2007 amounts to T€ 10,820 and is unchanged compared to the previous year.

To date, the goodwill has not been impaired. Most of the existing goodwill is attributable to Mieschke Hoffmann und Partner Gesellschaft für Management und IT Beratung mbH, Freiberg am Neckar and Porsche Enterprises, Inc., Wilmington/Delaware, USA.

Intangible assets developed as follows:

	Franchises, industrial and similar rights T€	Development costs T€	Goodwill T€	Advance payments made T€	Total T€
Cost					
As of August 1, 2005	352,643	144,312	45,350	22,055	564,360
Currency differences	– 318	–	–	– 8	– 326
Changes to consolidated group	– 42,116	–	– 34,530	–	– 76,646
Additions	32,309	31,494	–	19,613	83,416
Reclassifications	22,989	–	–	– 21,177	1,812
Disposals	11,863	–	–	42	11,905
As of July 31, 2006	353,644	175,806	10,820	20,441	560,711
Amortization and depreciation					
As of August 1, 2005	218,644	52,129	–	–	270,773
Currency differences	– 218	–	–	–	– 218
Changes to consolidated group	– 32,727	–	–	–	– 32,727
Additions	49,286	26,110	–	–	75,396
Extraordinary additions	1,177	–	–	–	1,177
Disposals	3,985	–	–	–	3,985
Write-ups	–	–	–	–	–
As of July 31, 2006	232,177	78,239	–	–	310,416
Cost					
As of August 1, 2006	**353,644**	**175,806**	**10,820**	**20,441**	**560,711**
Currency differences	– 840	–	–	– 35	– 875
Changes to consolidated group	– 1,268	–	–	–	– 1,268
Additions	13,850	37,985	–	36,303	88,138
Reclassifications	17,203	–	–	– 17,136	67
Disposals	2,123	–	–	–	2,123
As of July 31, 2007	**380,466**	**213,791**	**10,820**	**39,573**	**644,650**
Amortization and depreciation					
As of August 1, 2006	**232,177**	**78,239**	**–**	**–**	**310,416**
Currency differences	– 740	–	–	–	– 740
Changes to consolidated group	– 1,212	–	–	–	– 1,212
Additions	47,302	27,445	–	–	74,747
Extraordinary additions	20	–	–	–	20
Disposals	2,107	–	–	–	2,107
Write-ups	–	–	–	–	–
As of July 31, 2007	**275,440**	**105,684**	**–**	**–**	**381,124**
Net carrying amount July 31, 2006	121,467	97,567	10,820	20,441	250,295
Net carrying amount July 31, 2007	**105,026**	**108,107**	**10,820**	**39,573**	**263,526**

(16) 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 con-struction T€	Total T€
Cost					
As of August 1, 2005	673,898	457,601	1,896,384	100,056	3,127,939
Currency differences	– 488	– 44	– 1,137	45	– 1,624
Changes to consolidated group	– 2,175	– 23,854	– 28,894	– 292	– 55,215
Additions	50,827	18,249	160,654	94,228	323,958
Reclassifications	17,575	11,938	61,271	– 92,596	– 1,812
Disposals	5,079	4,704	42,264	27	52,074
As of July 31, 2006	734,558	459,186	2,046,014	101,414	3,341,172
Amortization and depreciation					
As of August 1, 2005	274,544	352,877	1,359,436	–	1,986,857
Currency differences	– 387	– 28	– 887	–	– 1,302
Changes to consolidated group	– 162	– 14,131	– 14,865	–	– 29,158
Additions	19,034	26,459	200,744	–	246,237
Extraordinary additions	–	–	–	402	402
Disposals	2,086	4,715	33,415	–	40,216
Write-ups	–	–	–	–	–
As of July 31, 2006	290,943	360,462	1,511,013	402	2,162,820
Cost					
As of August 1, 2006	**734,558**	**459,186**	**2,046,014**	**101,414**	**3,341,172**
Currency differences	18	1	– 1,300	– 122	– 1,403
Changes to consolidated group	– 166	– 673	– 319	–	– 1,158
Additions	70,576	18,612	166,710	234,984	490,882
Reclassifications	23,546	7,918	37,069	– 68,600	– 67
Disposals	4,182	13,991	63,337	–	81,510
As of July 31, 2007	**824,350**	**471,053**	**2,184,837**	**267,676**	**3,747,916**
Amortization and depreciation					
As of August 1, 2006	**290,943**	**360,462**	**1,511,013**	**402**	**2,162,820**
Currency differences	– 309	– 10	– 692	– 10	– 1,021
Changes to consolidated group	– 112	– 534	– 258	–	– 904
Additions	20,381	25,768	220,464	–	266,613
Extraordinary additions	–	–	23	–	23
Disposals	1,273	13,522	42,863	–	57,658
Write-ups	–	–	–	392	392
As of July 31, 2007	**309,630**	**372,164**	**1,687,687**	**–**	**2,369,481**
Net carrying amount July 31, 2006	443,615	98,724	535,001	101,012	1,178,352
Net carrying amount July 31, 2007	**514,720**	**98,889**	**497,150**	**267,676**	**1,378,435**

(17) Development of financial assets

	Investments in associates* T€	Other equity investments T€	Other loans T€	Total T€
Cost				
As of August 1, 2005	–	26,438	136	26,574
Currency differences	–	–	–	–
Changes to consolidated group	–	–	–	–
Additions	3,784,491	1,172	11	3,785,674
Reclassifications	–	–	–	–
Disposals	–	–	2	2
As of July 31, 2006	3,784,491	27,610	145	3,812,246
Amortization and depreciation				
As of August 1, 2005	–	–	–	–
Currency differences	–	–	–	–
Changes to consolidated group	–	–	–	–
Additions	–	–	–	–
Extraordinary additions	520,758	–	–	520,758
Disposals	–	–	–	–
Write-ups	–	–	–	–
As of July 31, 2006	520,758	–	–	520,758
Cost				
As of August 1, 2006	**3,784,491**	**27,610**	**145**	**3,812,246**
Currency differences	–	–	–	–
Changes to consolidated group	–	–	–	–
Additions	3,274,842	39,690	148	3,314,680
Reclassifications	–	–	–	–
Disposals	–	–	9	9
As of July 31, 2007	**7,059,333**	**67,300**	**284**	**7,126,917**
Amortization and depreciation				
As of August 1, 2006	**520,758**	**–**	**–**	**520,758**
Currency differences	–	–	–	–
Changes to consolidated group	–	–	–	–
Additions	–	–	–	–
Extraordinary additions	–	–	–	–
Disposals	–	–	–	–
Write-ups	520,758	–	–	520,758
As of July 31, 2007	**–**	**–**	**–**	**–**
Net carrying amount July 31, 2006	3,263,733	27,610	145	3,291,488
Net carrying amount July 31, 2007	**7,059,333**	**67,300**	**284**	**7,126,917**

* previous year figures adjusted

(18) Development of leased assets and of total non-current assets

	Leased assets T€	Total fixed assets T€
Cost		
As of August 1, 2005	1,357,824	5,076,697
Currency differences	– 56,484	– 58,434
Changes to consolidated group	–	– 131,861
Additions	551,948	4,744,996
Reclassifications	–	–
Disposals	533,097	597,078
As of July 31, 2006	1,320,191	9,034,320
Amortization and depreciation		
As of August 1, 2005	390,717	2,648,347
Currency differences	– 15,166	– 16,686
Changes to consolidated group	–	– 61,885
Additions	164,801	486,434
Extraordinary additions	–	522,337
Disposals	180,811	225,012
Write-ups	–	–
As of July 31, 2006	359,541	3,353,535
Cost		
As of August 1, 2006	**1,320,191**	**9,034,320**
Currency differences	– 77,930	– 80,208
Changes to consolidated group	–	– 2,426
Additions	625,724	4,519,424
Reclassifications	–	–
Disposals	535,160	618,802
As of July 31, 2007	**1,332,825**	**12,852,308**
Amortization and depreciation		
As of August 1, 2006	**359,541**	**3,353,535**
Currency differences	– 20,212	– 21,973
Changes to consolidated group	–	– 2,116
Additions	182,893	524,253
Extraordinary additions	–	43
Disposals	180,376	240,141
Write-ups	–	521,150
As of July 31, 2007	**341,846**	**3,092,451**
Net carrying amount July 31, 2006	960,650	5,680,785
Net carrying amount July 31, 2007	**990,979**	**9,759,857**

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€ 448,993 (previous year: T€ 406,706) are as follows:

	July 31, 2007 T€	July 31, 2006 T€
Due within one year	199,378	179,354
Due in one to five years	249,615	227,352
	448,993	**406,706**

The contracts are concluded for a period of six to sixty months and partly contain renewal and purchase options as well as escalation clauses.
Conditional lease payments, particularly those dependent on mileage, of T€ 2,337 (previous year: T€ 2,265) were recorded.

(19) Inventories

The inventories disclosed break down as follows:

	July 31, 2007 T€	July 31, 2006 T€
Materials and supplies	84,813	73,251
Work in progress	45,240	47,039
Finished goods and merchandise	495,156	473,790
	625,209	**594,080**

Of the total inventories reported as of the balance sheet date of T€ 625,209 (previous year: T€ 594,080), T€ 195,780 (previous year: T€ 193,348) was recognized at net realizable value. Write-ups of T€ 6,810 (previous year: T€ 1,678) were recorded with an effect on profit and loss in the fiscal year. Write-ups result from new information about salability.

(20) Non-current and current trade receivables

	July 31, 2007 T€	July 31, 2006 T€
Receivables from long-term construction contracts	26,487	6,867
Trade receivables	239,421	198,104
	265,908	**204,971**
thereof non-current	20,772	1,990
thereof current	245,136	202,981

The receivables from long-term construction contracts are calculated as follows:

	July 31, 2007 T€	July 31, 2006 T€
Costs of conversion including outcome of the long-term construction contracts	107,968	89,098
thereof services billed to customers	– 77,231	– 59,891
Future receivables from long-term construction contracts before advance payments received	30,737	29,207
Advance payments received	– 4,250	– 22,340
	26,487	**6,867**

The sales revenue from long-term construction contracts totals T€ 51,522 (previous year: T€ 39,287). Contracts and parts of contracts billed to customers are reported under trade receivables. There were no material bad debt allowances for the trade receivables disclosed.

Due to Porsche's diversified customer structure, there is no concentration of risk in the trade receivables. The maximum bad debt risk corresponds to the carrying amounts of the net receivables. The fair values of the trade receivables essentially correspond to the carrying amounts.

(21) Non-current and current receivables from financial services

	July 31, 2007 T€	July 31, 2006 T€
Receivables from financial services	1,781,514	1,683,639
thereof non-current	1,321,635	1,248,750
thereof current	459,879	434,889

The receivables from financial services contain receivables from customer and dealer financing including installments due for payment of T€ 504,244 (previous year: T€ 519,803) and receivables from finance leases before valuation allowances of T€ 1,317,088 (previous year: T€ 1,202,852).
The accumulated allowances for outstanding minimum lease payments for finance leases that are subject to risk amount to T€ 39,818 (previous year: T€ 39,016). There was no significant concentration of risk in the receivables from financial services. The maximum bad debt risk corresponds to the carrying amounts of the net receivables.

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

	July 31, 2007 T€	July 31, 2006 T€
Gross total investments in the lease	**1,485,280**	**1,351,430**
Due within one year	489,638	454,100
Due in one to five years	995,334	897,115
Due in more than five years	308	215
Unrealized finance income	– 168,192	– 148,578
Present value of outstanding minimum lease payments	**1,317,088**	**1,202,852**
Due within one year	413,864	385,059
Due in one to five years	902,979	817,730
Due in more than five years	245	63

The leases also contain renewal and purchase options as well as escalation clauses. Price adjustments may arise in connection with tax changes.

Receivables from financial services are generally secured by the assignment of collateral or guarantees. The non-current receivables from financial services are mainly subject to fixed interest rates of between 2.7 percent and 15.8 percent, depending on the market.
The non-guaranteed residual values accruing to the Porsche Group amount to T€ 347,398 (previous year: T€ 334,345).

Depending on liquidity requirements and the market situation a certain volume of receivables from financial services is sold to third parties. In such cases, the company examines whether the criteria for derecognition of receivables legally transferred in factoring contracts are satisfied. If the criteria are not satisfied, so-called recourse factoring, the receivables remain on the balance sheet.

Factoring in the course of asset-backed security transactions which do not satisfy the derecognition criteria resulted in receivables from financial services at a carrying amount of T€ 1,160 (previous year: T€ 1,079) as of the balance sheet date. The opportunities and risks associated with recourse factoring are essentially comparable to those inherent in receivables that have not been sold. The liabilities associated with the receivables that have been transferred and not derecognized amount to T€ 1,020 (previous year: T€ 990).

(22) Non-current and current other receivables and assets

	July 31, 2007 T€	July 31, 2006 * T€
Derivative financial instruments	5,556,490	1,294,132
Other receivables	310,475	259,064
Prepaid expenses	23,139	19,451
	5,890,104	**1,572,647**
thereof non-current	285,662	172,659
thereof current	5,604,442	1,399,988

* the current other receivables decreased by T€ 1,306 in comparison to the previous year due to the transfer of the receivables of taxes on income.

The item derivative financial instruments mainly includes forward exchange contracts, currency options, stock options with cash compensation and compounders. A fractional amount of T€ 268,600 is due in more than one year (previous year: T€ 157,542).
Other assets mainly contain other taxes and advance payments; of these an amount of T€ 14,892 (previous year: T€ 12,853) is due in more than one year.

Prepaid expenses of T€ 23,139 (previous year: T€ 19,451) are principally attributable to the cut-off of other rent and marketing expenses as well as maintenance for hardware and software. Prepaid expenses include accruals and deferrals of T€ 2,170 due in more than one year (previous year: T€ 2,264).

The fair values of other receivables and financial assets correspond essentially to the carrying amounts. There were no significant valuation allowances for the other receivables and assets disclosed.

The financial assets held for trading have a carrying amount of T€ 5,091,886 (previous year: T€ 910,111).

(23) Income tax receivables

	July 31, 2007 T€	July 31, 2006 T€
Current receivables of taxes on income	90,860	1,306
thereof non-current	63,598	–
thereof current	27,262	1,306

The amendment of § 37 (5) of the Corporate Income Tax Act (KStG) by the law passed on measures to aide the introduction of the European company and to amend other tax legislation (SEStEG) has changed the legal situation for the taxation of retained profits in Germany. The present value of the resulting refund claim was recognized for the first time in the 2006/07 fiscal year (T€ 63,598). This claim is no longer realized via distributions but paid out in equal installments over a period of ten years.

(24) Securities

	July 31, 2007 T€	July 31, 2006 T€
Shares	186,097	110,753
Investment shares	638,179	1,157,732
Fixed-interest securities	929,773	732,566
Other securities	679,709	760,542
	2,433,758	**2,761,593**
thereof non-current	1,014,573	713,072
thereof current	1,419,185	2,048,521

This item contains securities recognized at fair value through profit or loss at a carrying amount of T€ 122,732. In the previous year, no securities were allocated to this category.

(25) Cash and cash equivalents
Cash and cash equivalents totaling T€ 2,410,066 (previous year: T€ 1,988,550) consist of checks, cash on hand and bank balances maturing within three months.

(26) Equity and minority interests
The development of equity and minority interests is presented in the statement of changes in equity.

Subscribed capital
Porsche AG's subscribed capital totals 45.5 million Euro 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 subscribed capital of € 2.60 is allocable to each share.
The preference shares carry an additional dividend of € 0.06.

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

Revenue reserves
The revenue reserves are reserves for accumulated profits, reserves for marking available-for-sale securities to market and reserves for cash flow hedges.
The accumulated profits 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 financial statements of Porsche AG as of July 31, 2007 report retained earnings of € 965,000,000.
At the time when the financial statements were authorized for issue by the Executive Board, a proposal to the annual stockholders' meeting for the appropriation of retained profits had not yet been made.
The reserve for marking available-for-sale securities to market contains changes in the fair value of these securities.
The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in the reserve for cash flow hedges.

Currency translation
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Hybrid capital
The hybrid capital with a nominal value of 1 billion US dollars represents group equity in accordance with the rulings of IAS 32. The currency translation of the hybrid capital is based on the rate of exchange prevailing at the date of issue.

Minority interests
Due to the development of international accounting practice, the accounting of termination rights of minority shareholders of fully consolidated entities was changed and disclosed as a financial liability. The adjustment of the minority interests compared to the presentation in the previous-year financial statements amounted to T€ 3,594.

(27) Provisions for pensions and similar obligations

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 comprise current pensions and vested benefits for future benefits and retirement benefits.
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€ 55,532 were paid to the national pension insurance company in Germany (previous year: T€ 49,974). The defined benefit plans are calculated using the projected unit credit method in accordance with IAS 19. Pension obligations are recognized at the net present value of the pension obligations measured on the valuation date after considering any likely increases in wages and salaries. The obligation for employees still in active service rises annually by the amount of the interest component and the new pension obligations earned in the fiscal year (current service cost).
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.

Measurement is based on the following assumptions:

	Germany		Great Britain		USA	
	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06
Discount rate	5.25 %	4.50 %	5.70 %	5.35 %	6.00 %	6.00 %
Expected return on plan assets	–	–	5.47 %	7.19 %	6.00 %	6.00 %
Increase in salaries	3.00 %	3.00 %	4.00 %	4.00 %	4.00 %	4.00 %
Healthcare cost increase rate	–	–	–	–	5.00 %	5.00 %
Career progression	0.50 %	0.50 %	–	–	–	–
Increase in pensions	2.00 %	1.75 %	3.00 %	3.00 %	3.00 %	3.00 %

If the assumed healthcare cost increase rate increases or decreases by one percentage point, the effects are as follows:

	Increase		Decrease	
	July 31, 2007	July 31, 2006	July 31, 2007	July 31, 2006
	T€	T€	T€	T€
Current service and interest cost	25	28	– 26	– 30
Post-employment medical benefits	336	313	– 309	– 298

Amounts included in the income statement break down as follows:

	2006/07	2005/06
	T€	T€
Current service cost	32,194	39,143
Interest cost	33,660	30,172
Expected return on plan assets	– 2,494	– 2,125
Net actuarial gain/loss recognized in the year	161	3,866
Past service cost	23	29
Net benefit expense	**63,544**	**71,085**

The expected rate of return on the asset classes contained in the plan assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.
The actual return on plan assets in the fiscal year amounted to T€ 3,747 (previous year: T€ 2,811).

The table below presents the development of the present value of the pension obligations and the plan assets at market values.

Development of the present value of pension obligations

	2006/07	2005/06
	T€	T€
Opening defined benefit obligation	758,668	763,314
Exchange differences	– 2,587	1,837
Current service cost	32,194	39,143
Interest cost	33,660	30,172
Past service cost	11	29
Actuarial gains and losses	– 78,262	– 65,016
Benefits paid	– 19,514	– 17,024
Employee contributions	19,501	13,055
Changes in the group reporting entity	–	– 6,842
Closing defined benefit obligation	**743,671**	**758,668**

Development of plan assets at fair value

	2006/07 T€	2005/06 T€
At August 1	37,309	32,476
Exchange differences	– 697	– 538
Expected return on assets	2,494	2,125
Actuarial gains and losses	1,255	1,041
Benefits paid	– 648	– 307
Employer contributions	3,132	1,299
Employee contributions	262	1,213
At balance sheet date July 31	**43,107**	**37,309**

Contributions to the defined benefit plans are expected to total T€ 4,414 for the 2007/08 fiscal year.

The pension provision developed as follows:

	2006/07 T€	2005/06 T€
Carrying amounts at August 1	658,743	596,264
Exchange differences	– 1,890	– 308 *
Changes in the group reporting entity	–	– 6,842
Expenses from benefit obligations	63,544	71,085
Benefits paid	– 18,866	– 17,331
Employer contributions	3,132	1,213
Employee contributions	19,239	14,662 *
Carrying amounts at 31 July	**717,638**	**658,743**
thereof pension provisions	719,476	658,743
thereof other assets	1,838	–

* adjusted

The funded status of the plan is as follows:

	July 31, 2007 T€	July 31, 2006 T€
Present value of the unfunded benefit obligations	690,292	709,664
Present value of the funded benefit obligations	53,379	49,004
Defined benefit obligations	**743,671**	**758,668**
Fair value of plan assets	– 43,107	– 37,309
Net obligations	**700,564**	**721,359**
Unrecognized net actuarial gains/losses	17,836	– 63,572
Unrecognized past service cost	762	956
Carrying amounts at July 31, 2006 and July 31, 2007	**717,638**	**658,743**

As of the balance sheet date 2006/07, the portfolio of plan assets is as follows:

	July 31, 2007 %	July 31, 2006 %
Shares	–	52.6
Interest securities	28.7	38.4
Other securities	7.0	3.3
Cash reserve	64.3	5.7

The experience adjustments relating to the pension obligation and the plan assets amounted to:

Experience adjustments

	2006/07 Mio €	2005/06 Mio €
Benefit obligations	+ 6.0	– 2.6
Plan assets	+ 1.3	+ 1.0

(28) Non-current and current tax provisions and other provisions

	July 31, 2007 T€	July 31, 2007 T€ thereof due within one year	July 31, 2006 T€	July 31, 2006 T€ thereof due within one year
Tax provisions	**896,643**	**896,643**	**238,026**	**238,026**
Provisions for personnel	594,470	533,284	370,194	367,356
Provisions for ordinary operations	951,262	390,989	1,069,369	444,370
Sundry provisions	239,600	236,825	201,471	200,796
Other provisions	**1,785,332**	**1,161,098**	**1,641,034**	**1,012,522**

Provisions for personnel and welfare mainly contain obligations for vacation and Christmas bonuses, profit participations and management bonuses, the German phased retirement scheme and long-service bonuses. As a rule, the provisions recognized in the reporting year lead to payments in the following year.

Provisions for obligations from ordinary operations consist above all of amounts for warranty claims, marketing services and bonuses. The warranty obligation in the Porsche Group mainly stems from product warranties granted for the vehicles it produces. The provisions contains both estimated expenses from legal and contractual guarantee claims and also estimated expenses for non-contractual warranty. When the warranty provision is utilized depends on the occurrence of the warranty claim and can extend over the entire contractual and non-contractual warranty period. The provisions for bonuses are intended to cover the cost of subsequent reductions in sales revenues already earned. Sundry provisions contain a large number of discernable individual risks and uncertain obligations and mainly contain provisions for unbilled goods and services, provisions for litigation risks and disposal obligations for used vehicles.

Other provisions developed as follows:

	As of Aug. 1, 2006 T€	Exchange differences T€	Addition T€	Interest T€	Utilization T€	Reversal T€	As of July 31, 2007 T€
Provisions for personnel*	**370,194**	– 722	537,325	–	310,467	1,860	**594,470**
Provisions for ordinary operations	**1,069,369**	– 2,510	97,566	27,689	193,798	47,054	**951,262**
Sundry provisions*	**201,471**	– 1,687	241,061	–	179,193	22,052	**239,600**
	1,641,034	**– 4,919**	**875,952**	**27,689**	**683,458**	**70,966**	**1,785,332**

* In the opening balance as of August 1, 2006 reclassifications of T€ 70,000 were made from sundry provisions to personnel provisions.

(29) Non-current and current financial liabilities

Financial liabilities break down as follows:

		Due within one year	Due within one to five years	Due after five years
	T€	T€	T€	T€
July 31, 2007				
Bonds	2,322,252	–	1,137,784	1,184,468
Liabilities to banks	2,238,394	2,195,604	42,790	–
Other financial liabilities	1,988,615	814,420 *	1,174,195	–
	6,549,261	**3,010,024**	**2,354,769**	**1,184,468**
July 31, 2006				
Bonds	2,650,516	303,472	1,144,648	1,202,396
Liabilities to banks	218,986	184,742	34,244	–
Other financial liabilities	1,940,490	792,128 *	1,148,362	–
	4,809,992	**1,280,342**	**2,327,254**	**1,202,396**

* Termination rights of minority interests result in additional current financial liabilities of T€ 50,215 (previous year: T€ 49,845).

The following items are reported under bonds:

	Currency	Issue volume in TLC	Carrying amount in T€	Market value in T€	Total term	Maturity	Nominal interest rate %	Effective interest rate %
Bonds								
Bond 2006	EUR	1,000,000	997,482	959,500	5	Jan. 11	3.500	3.580
Bond 2006	EUR	900,000	890,772	824,490	10	Jan. 16	3.875	4.020
Private placement 2004	USD	200,000	140,302	140,302	7	March 11	4.470	4.470
Private placement 2004	USD	150,000	104,025	104,025	10	March 14	4.980	4.980
Private placement 2004	USD	75,000	51,864	51,864	12	March 16	5.130	5.130
Private placement 2004	USD	200,000	137,807	137,807	15	March 19	5.330	5.330

The two bonds issued in the fiscal year 2006 are fixed-interest bonds which are measured at amortized cost.

The other bonds are also 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 0.75 percent to 5.52 percent depending on the currency, maturity and contractual terms and conditions (previous year: 0.50 percent to 4.375 percent). 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.

The present values of the future minimum lease payments from sale-and-lease-back transactions entered into to refinance the financial services business break down as follows:

	July 31, 2007 T€	July 31, 2006 T€
Minimum lease payments	**76,429**	**75,427**
Due within one year	42,970	39,519
Due in one to five years	33,459	35,908

The total volume of asset-backed securities programs comes to T€ 1,849,048 as of the balance sheet date (previous year: T€ 1,798,533). Interest rates correspond to interbank rates.
These financing programs have average maturities of between one and four years. They are measured at amortized cost.

(30) Non-current and current trade payables

	July 31, 2007 T€	July 31, 2006 T€
Liabilities from long-term construction contracts	755	7,584
Trade payables	511,908	475,233
	512,663	**482,817**
thereof non-current	7,480	3,875
thereof current	505,183	478,942

The liabilities from long-term construction contracts are calculated as follows:

	July 31, 2007 T€	July 31, 2006 T€
Costs of conversion including outcome of the long-term construction contracts	3,414	6,571
thereof services billed to customers	– 2,091	– 1,402
Future receivables from long-term construction contracts before advance payments received	1,323	5,169
Advance payments received	– 2,078	– 12,753
	755	**7,584**

The fair values of trade payables largely correspond to the carrying amounts.

(31) Non-current and current other liabilities

As of the balance sheet date, other liabilities break down as follows:

	T€	Due within one year T€	Due within one to five years T€	Due within more than five years T€
July 31, 2007				
Advance payments received on account of orders	72,078	72,078	–	–
Sundry other liabilities	159,355	157,022	2,273	60
Measurement of derivative financial instruments at market value	2,486,102	2,463,636	7,228	15,238
Deferred income	57,628	15,420	42,208	–
	2,775,163	**2,708,156**	**51,709**	**15,298**
July 31, 2006				
Advance payments received on account of orders	59,054	59,054	–	–
Sundry other liabilities	152,351	141,536	10,581	234
Measurement of derivative financial instruments at market value	1,025,106	1,025,106	–	–
Deferred income	53,647	13,243	40,404	–
	1,290,158	**1,238,939**	**50,985**	**234**

Sundry other liabilities mainly consist of other taxes and deposits received.
The deferred income item consists of special rent payments of T€ 40,422 (previous year: T€ 38,469) and other deferred income items of T€ 17,206 (previous year: T€ 15,178).

The financial liabilities which are held for trading have a carrying amount of T€ 2,461,280 (previous year: T€ 992,013).

On the whole, the fair values of other liabilities correspond to the carrying amounts.

Notes on the other disclosures

(32) 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 forecast 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, 2007, 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 largely hedged by appropriate derivatives.

Stock options

Hedges have been entered into to secure the step-up of the shareholding in Volkswagen AG in the reporting year and in preparation for the takeover bid for all Volkswagen AG shares. They are stock options with cash compensation. In addition, stock options with various base values are used to obtain liquidity.

Bad debt exposure

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 generally accepted calculation models such as the discounted cash flow method.

The following term structure of interest rates was used were appropriate:

	EUR	USD	GBP
Interest rate for 6 months	4.39%	5.33%	6.15%
Interest rate for 1 year	4.54%	5.25%	6.29%
Interest rate for 5 years	4.69%	5.31%	6.10%
Interest rate for 10 years	4.76%	5.53%	5.82%
Interest rate for 15 years	4.83%	5.67%	5.54%

The carrying amounts and market values of the significant primary financial instruments are shown below:

	July 31, 2007		July 31, 2006	
	Carrying amount T€	Market value T€	Carrying amount T€	Market value T€
Receivables from financial services	1,781,514	1,817,304	1,683,639	1,722,630
Financial liabilities	6,549,261	6,450,708	4,809,992	4,743,998

The market value of receivables from financial services is determined using the current market interest rates as of the balance sheet date instead of the internal interest rate.

The market value of the financial derivatives is disclosed in the balance sheet under other receivables and assets or other liabilities. The residual terms of the currency hedges for US dollar hedges is six years, otherwise no more than four years.

The nominal volume and market value of derivative financial instruments are as follows:

		July 31, 2007		July 31, 2006	
		Nominal volume T€	Total market value T€	Nominal volume T€	Total market value T€
Assets	Currency hedge	12,198,361	466,268	8,276,098	389,003
	Interest hedge	1,091,319	34,998	1,292,744	34,692
	Stock options	10,553,364	5,055,224	2,628,055	870,437
		23,843,044	**5,556,490**	**12,196,897**	**1,294,132**
Equity and liabilities	Currency hedge	1,357,879	13,866	1,441,224	9,572
	Interest hedge	902,830	27,118	886,812	34,818
	Stock options	13,473,485	2,445,118	2,441,025	980,716
		15,734,194	**2,486,102**	**4,769,061**	**1,025,106**

Nominal volume of derivative financial instruments:

		Nominal volume T€	Due within one year T€	Due within one to five years T€	Due within more than five years T€
	July 31, 2007				
Assets	Currency hedge	12,198,361	2,584,401	8,899,674	714,286
	thereof purchase of foreign currencies	174,595	89,980	84,615	–
	thereof sale of foreign currencies	12,023,766	2,494,421	8,815,059	714,286
	Interest hedge	1,091,319	54,313	687,006	350,000
	Stock options	10,553,364	10,553,364	–	–
		23,843,044	**13,192,078**	**9,586,680**	**1,064,286**
Equity and liabilities	Currency hedge	1,357,879	1,287,065	70,814	–
	thereof purchase of foreign currencies	718,647	718,647	–	–
	thereof sale of foreign currencies	639,232	568,418	70,814	–
	Interest hedge	902,830	–	592,770	310,060
	Stock options	13,473,485	13,473,485	–	–
		15,734,194	**14,760,550**	**663,584**	**310,060**

An amount of T€ 87,590 was reclassified in the fiscal year from the reserve for cash flow hedges to the income statement (previous year: T€ 155,266). The gain on the disposal of available-for-sale securities totaled T€ 15,233 (previous year: T€ 10,955), while the loss on the disposal came to T€ 0 (previous year: T€ 2,477).

(33) Contingent liabilities

	July 31, 2007 T€	July 31, 2006 T€
Guarantees	78	12,966
Warranties	27,040	27,043
Collateral for third-party liabilities	93,743	58,070

As a partner of Venture Capital Beteiligung GbR, Porsche AG is liable as provided for by law.

Other financial obligations in the Group total 401.3 million Euro (previous year: 330.0 million Euro). There are obligations from rent, lease and maintenance agreements of 66.8 million Euro in total (previous year: 83.7 million Euro). In the Group, purchase commitments from ongoing investment projects for property, plant and equipment amount to 321.6 million Euro (previous year: 234.1 million Euro) and for intangible assets 4.1 million Euro (previous year: 1.9 million Euro). There are other financial obligations of 8.8 million Euro (previous year: 10.3 million Euro). The terms to maturity of minimum lease payments under non-cancelable operating leases and rent agreements are as follows:

	July 31, 2007 T€	July 31, 2006 T€
Minimum lease payments	**66,801**	**83,713**
Due within one year	20,213	21,432
Due within one to five years	29,953	40,343
Due within more than five years	16,635	21,938

The total amount of rent and lease payments recorded as an expense in the fiscal year is T€ 31,136 (previous year: T€ 30,408). For these leases there are neither escalation clauses nor renewal options. No provisions were recognized for contingent liabilities as it is more likely than not that they will not occur.

(34) Subsequent events

On August 1, 2007, Porsche Niederlassung Berlin GmbH and Porsche Niederlassung Berlin-Potsdam GmbH were founded. The dealerships had been acquired in their entirety effective September 1, 2007. The purchase price for the two branches in Berlin and Potsdam amounted to T€ 6,250. The amounts to be stated for assets, liabilities and contingent liabilities of the purchased dealerships had not yet been established when the consolidated financial statements were authorized for issue. Porsche China Hongkong Limited was incorporated on August 2, 2007. The purchase agreement for Jebsen and Company Limited, Guangzhou, was signed on July 23, 2007. The approval of the authorities of the acquisition is pending. Once the pending approval by the authorities has been given, Jebsen and Company Limited will commence import operations as Porsche China Limited. Porsche Schweiz AG was incorporated on August 6, 2007. Porsche China Hongkong Limited will assume its importer function for Hong Kong as of January 1, 2008 and Porsche Schweiz AG will assume this function for Switzerland as of April 1, 2008.

In March 2007, the shareholding in Volkswagen AG was raised to 30.9 percent. Because the voting right threshold of 30 percent was exceeded, a mandatory takeover bid was made to all shareholders of Volkswagen AG which was limited until May 29, 2007. The shares offered in the mandatory bid was concluded on August 10 after all execution terms had been satisfied. The mandatory bid was concluded on August 10, 2007 after satisfying all the execution terms. In the process 172,218 ordinary shares and 68,262 preference shares were purchased at a bid price of 100.92 Euro per ordinary share and 65.54 Euro per preference share.

The financing of the mandatory bid was secured by a loan agreement arranged by ABN AMRO Bank NV, Barclays Capital, Merrill Lynch International, UBS Limited and Commerzbank AG. The loan was not drawn.

(35) 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, North America, Europe without Germany 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 are 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.

Profits before financial income and income tax constitutes the segment result from continuing operations. 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 expenditures primarily relate to property, plant and equipment, intangible assets and leased assets.

In the previous year, financial derivatives were not allocated to the segment assets and segment liabilities. In disclosing the segment liabilities the company also excluded financial liabilities whose profit share was not allocated to the segment result. The shares measured at equity were also not allocated to a single segment because they are not clearly allocable. This was adjusted accordingly for the segments concerned in the primary and secondary segment report. Due to the adjustment made in the previous year to the disclosure of minority interests, the "Consolidation" column also contains the effects from this adjustment.

The adjustments of previous-year figures are contained in the following overviews:

Summary of adjustments to previous year segment information by region

	Germany		
Amounts in millions of €	2005/06	2005/06 adjustment	2005/06 incl. adjustment
Third-party sales	2,187.1	–	2,187.1
Intersegment sales	4,074.7	–	4,074.7
Segment result from continuing operations	1,788.1	– 203.4	1,584.7
thereof share of profits and losses of entities accounted for using the equity method	203.4	– 203.4	–
Segment result from discontinued operations	2.1	–	2.1
Segment assets	8,397.3	– 2,349.0	6,048.3
thereof investments in entities accounted for using the equity method	3,263.7	– 3,263.7	–
Segment liabilities	5,769.0	1,014.5	6,783.5
Non-cash expenses	765.2	–	765.2
Amortization and depreciation	331.8	–	331.8
Capital expenditures (excluding financial assets)	437.0	–	437.0

	Rest of world		
Amounts in millions of €	2005/06	2005/06 adjustment	2005/06 incl. adjustment
Third-party sales	720.1	–	720.1
Intersegment sales	0.5	–	0.5
Segment result from continuing operations	37.0	–	37.0
thereof share of profits and losses of entities accounted for using the equity method	–	–	–
Segment result from discontinued operations	–	–	–
Segment assets	260.4	–	260.4
thereof investments in entities accounted for using the equity method	–	–	–
Segment liabilities	191.1	–	191.1
Non-cash expenses	0.8	–	0.8
Amortization and depreciation	2.3	–	2.3
Capital expenditures (excluding financial assets)	7.1	–	7.1

Summary of adjustments to previous year segment information by business division

	Vehicles		
Amounts in millions of €	2005/06	2005/06 adjustment	2005/06 incl. adjustment
Third-party sales	6,733.2	–	6,733.2
Intersegment sales	141.0	–	141.0
Segment assets	8,610.7	– 2,112.0	6,498.7
Capital expenditures (excluding financial assets)	399.7	–	399.7

North America			Europe without Germany		
2005/06	2005/06 adjustment	2005/06 incl. adjustment	2005/06	2005/06 adjustment	2005/06 incl. adjustment
2,510.6	–	2,510.6	1,704.9	–	1,704.9
1.4	–	1.4	3.5	–	3.5
170.9	–	170.9	189.7	– 69.5	120.2
–	–	–	–	–	–
– 0.3	–	– 0.3	0.1	–	0.1
1,567.2	19.9	1,587.1	3,923.2	246.0	4,169.2
–	–	–	–	–	–
1,324.6	– 83.1	1,241.5	886.6	– 65.7	820.9
–	–	–	19.4	–	19.4
156.0	–	156.0	6.1	–	6.1
494.0	–	494.0	16.7	–	16.7

Consolidation			Group		
2005/06	2005/06 adjustment	2005/06 incl. adjustment	2005/06	2005/06 adjustment	2005/06 incl. adjustment
–	–	–	7,122.7	–	7,122.7
– 4,080.1	–	– 4,080.1	–	–	–
– 152.5	71.4	– 81.1	2,033.2	– 201.5	1,831.7
–	–	–	203.4	– 203.4	–
–	–	–	1.9	–	1.9
480.7	2,094.8	2,575.5	14,628.8	11.7	14,640.5
–	–	–	3,263.7	–	3,263.7
1,081.4	– 815.9	265.5	9,252.7	49.8	9,302.5
– 164.9	–	– 164.9	620.5	–	620.5
– 7.4	–	– 7.4	488.8	–	488.8
4.5	–	4.5	959.3	–	959.3

Financial services			Consolidation			Group		
2005/06	2005/06 adjustment	2005/06 incl. adjustment	2005/06	2005/06 adjustment	2005/06 incl. adjustment	2005/06	2005/06 adjustment	2005/06 incl. adjustment
389.5	–	389.5	–	–	–	7,122.7	–	7,122.7
26.8	–	26.8	– 167.8	–	– 167.8	–	–	–
2,954.1	–	2,954.1	3,064.0	2,123.7	5,187.7	14,628.8	11.7	14,640.5
555.2	–	555.2	4.4	–	4.4	959.3	–	959.3

Segment information by region

	Germany	
Amounts in millions of €	2006/07	2005/06
Third-party sales	2,553.7	2,187.1
Intersegment sales	3,870.4	4,074.7
Segment result from continuing operations	4,427.3	1,584.7
Segment result from discontinued operations	–	2.1
Segment assets	10,925.8	6,048.3
Segment liabilities	8,434.9	6,783.5
Non-cash expenses	485.7	765.2
Amortization and depreciation	347.5	331.8
Capital expenditures (excluding financial assets)	592.5	437.0

Segment information by business division

	Vehicles	
Amounts in millions of €	2006/07	2005/06
Third-party sales	6,965.3	6,733.2
Intersegment sales	145.2	141.0
Segment assets	11,047.9	6,498.7
Capital expenditures (excluding financial assets)	576.3	399.7

North America		Europe without Germany		Rest of world		Consolidation		Group	
2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06
2,217.7	2,510.6	1,749.5	1,704.9	847.0	720.1	–	–	7,367.9	7,122.7
0.2	1.4	4.4	3.5	0.5	0.5	– 3,875.5	– 4,080.1	–	–
142.0	170.9	120.0	120.2	39.5	37.0	10.1	– 81.1	4,738.9	1,831.7
–	– 0.3	–	0.1	–	–	–	–	–	1.9
1,628.1	1,587.1	4,061.1	4,169.2	334.1	260.4	6,383.3	2,575.5	23,332.4	14,640.5
1,298.7	1,241.5	1,013.8	820.9	256.5	191.1	2,847.5	265.5	13,851.4	9,302.5
–	–	22.3	19.4	1.9	0.8	– 37.6	– 164.9	472.3	620.5
176.2	156.0	6.9	6.1	1.2	2.3	– 0.1	– 7.4	531.7	488.8
574.7	494.0	13.9	16.7	21.0	7.1	2.6	4.5	1,204.7	959.3

Financial services		Consolidation		Group	
2006/07	2005/06	2006/07	2005/06	2006/07	2005/06
402.6	389.5	–	–	7,367.9	7,122.7
11.7	26.8	– 156.9	– 167.8	–	–
3,516.0	2,954.1	8,768.5	5,187.7	23,332.4	14,640.5
625.9	555.2	2.5	4.4	1,204.7	959.3

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

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

(37) 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 syndicate 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 2006/07 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 112.2 million Euro (previous year: 79.6 million Euro), and trade in the design business to 1.1 million Euro (previous year: 1.2 million Euro). In the previous year, mediation services totaling 10.1 million Euro had also been rendered. The arm's length principle was applied without exception.

Apart from that, the Porsche and Piëch families provided automotive services and delivered time pieces 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. The Porsche and Piëch families granted an interest-free loan of T€ 1,255 to Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG. The loan granted the year before amounted to T€ 6,475 and was subject to interest on ordinary market terms.

Other services of T€ 16.6 (previous year: T€ 21) were provided to members of the Executive Board and Supervisory Board. 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.

The disclosure duties pursuant to IAS 24 also include disclosing persons and entities on which Dr. Ing. h.c. F. Porsche AG can exercise a significant influence. Business relations exist with the Volkswagen group from deliveries relating to the vehicle and parts business and from consulting and development services. They were charged at arm's length conditions.

Related parties

	Supplies and services rendered		Supplies and services received	
	2006/07 T€	2005/06 T€	2006/07 T€	2005/06 T€
Porsche and Piëch families	113,370	90,933	425	561
Members of the Executive Board and the Supervisory Board	174	21	–	–
Volkswagen AG Group	87,955	49,188	791,678	319,758
	201,499	**140,142**	**792,103**	**320,319**

	Receivables		Liabilities	
	July 31, 2007 T€	July 31, 2006 T€	July 31, 2007 T€	July 31, 2006 T€
Porsche and Piëch families	434	3,163	1,636	78
Members of the Executive Board and the Supervisory Board	9	1	–	–
Volkswagen AG Group	5,164	10,261	52,910	31,691
	5,607	**13,425**	**54,546**	**31,769**

(38) Remuneration of Supervisory Board and the Executive Board

The remuneration of the Executive Board consists of a basic salary and a profit-based variable component. The remuneration of the Executive Board for the fiscal year 2006/07 are all short-term and totaled 112.7 million Euro (previous year: 45.2 million Euro). This figure includes profit-based components of 107.3 million Euro (previous year: 40.1 million Euro). In addition, an amount of T€ 2,824 (previous year: T€ 4,032) was transferred to the pension provisions for active members of the Executive Board. As of the balance sheet, the pension provisions accrued for members of the Executive Board came to a total of 25.9 million Euro (previous year: 26.5 million Euro). The pension obligations to former members of the Executive Board and their survivors amount to 24.4 million Euro (previous year: 21.1 million Euro). Benefit payments came to 1.0 million Euro (previous year: T€ 997). The total remuneration of the Supervisory Board for the 2006/07 fiscal year amounts to 1.6 million Euro (previous year: 1.3 million Euro). These are also all short-term. The pension provisions are disclosed in note 27 Pension Provisions and have been recorded in full in accordance with the corridor method pursuant to IAS 19. There are no further obligations towards the Supervisory Board and Executive Board.

(39) Auditor's fees

The auditor's fees recorded as an expense in the fiscal year pursuant to §314 (1) No. 9 HGB break down as follows:

	July 31, 2007 T€	July 31, 2006 T€
Audits of financial statements	698	693
Other assurance or valuation services	64	79
Tax advisory services	146	130
Other services	453	226
Total expenses	**1,361**	**1,128**

(40) 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 Corporations Act (AktG) in the annual report 2006/07. It is made permanently accessible to the shareholders at the homepage www.porsche.de.

Stuttgart, October 15, 2007

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

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

Significant equity investments

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

1) Net income for the year from financial statements prepared in accordance with local law or net income before profit transfer for the fiscal year from August 1, 2006 to July 31, 2007.
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) Consolidated financial statements as of December 31, 2006.

6) Voting share as of July 31, 2007.

Audit Opinion of the Group Auditor

"We have audited the consolidated financial statements, comprising the balance sheet, the income statement, the cash flow statement, statement of changes in shareholders' equity as well as the notes to the financial statements – and the combined management report prepared by Dr. Ing. h.c. F. Porsche Aktiengesellschaft, Stuttgart, for the fiscal year from August 1, 2006 to July 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB (German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Stuttgart, October 15, 2007

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Oesterle
Wirtschaftsprüfer
[German Public Auditor]

Strähle
Wirtschaftsprüfer
[German Public Auditor]

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

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

Dr. Wolfgang Porsche

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

Hans Baur

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

Prof. Dr. Ulrich Lehner

1) E.ON AG, Düsseldorf
HSBC Trinkaus & Burkhardt AG, Düsseldorf
2) Novartis AG, Basle

Dr. Dr. h.c. Walther Zügel
(until January 26, 2007)

1) Berthold Leibinger GmbH, Ditzingen
SHB Stuttgart Invest AG, Stuttgart
Stihl AG, Waiblingen (deputy chairman)
Stuttgarter Hofbräu Verwaltungs AG, Stuttgart
Allgaier Werke GmbH, Uhingen
Schuler AG, Göppingen
capiton AG, Berlin

Dr. techn. h.c. Ferdinand Piëch

1) Volkswagen AG, Wolfsburg (chairman)
MAN AG, Munich (chairman)
2) Porsche Holding GmbH, Salzburg
Porsche Ges.m.b.H., Salzburg

Dr. Hans Michel Piëch

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

Dr. Ferdinand Oliver Porsche

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

Hans-Peter Porsche

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

Hansjörg Schmierer

1) Berthold Leibinger GmbH, Ditzingen
Mahle GmbH, Stuttgart

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

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

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

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

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

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

Harro Harmel
(until May 31, 2007)
1) Porsche Vermögensverwaltung AG, Stuttgart
2) Porsche Consulting GmbH, Bietigheim-Bissingen
Porsche Leipzig GmbH, Leipzig
Porsche Consulting Italia S.r.l., Milan
Mieschke Hofmann und Partner Gesellschaft für Management- und IT-Beratung mbH, Freiberg/N.

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

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

Balance Sheet of Dr. Ing. h.c. F. Porsche AG as of July 31, 2007 [1)]

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

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, Financial Press and Investor Relations, Porscheplatz 1, 70435 Stuttgart.

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

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

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