

Porsche International Financing plc

(a public limited company incorporated and organised under the laws of the Republic of Ireland)

US\$ 1,000,000,000 7.2 per cent. Undated Subordinated Fixed Rate Securities of 2006

guaranteed, on a subordinated basis, by

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

(a stock corporation incorporated under the laws of the Federal Republic of Germany)

Issue Price: 100 per cent.

Porsche International Financing plc (the **Issuer**) will issue US\$ 1,000,000,000 principal amount of Undated Subordinated Fixed Rate Securities (the **Securities**) on 1 February 2006 at an issue price of 100 per cent. of the principal amount of such Securities.

The Securities will bear compensation from and including 1 February 2006 to but excluding the date on which they are redeemed (if applicable) at a rate of 7.2 per cent. per annum, payable, subject to a deferral option of the Issuer, quarterly in arrear on 1 February, 1 May, 1 August and 1 November in each year, commencing on 1 May 2006 (each a **Compensation Payment Date**).

Under certain circumstances, the Issuer may elect to defer any compensation payment. The Issuer may pay such deferred compensation at any time and must pay such deferred compensation under certain circumstances as described in the "Terms and Conditions of the Securities" – "Compensation".

The Securities are undated and the Securityholders shall have no right to call for their redemption.

The Securities are redeemable in whole but not in part at the option of the Issuer at their principal amount together with any compensation accrued thereon, on 1 February 2011 and on any Compensation Payment Date thereafter. The Issuer may also redeem the Securities in whole but not in part at their principal amount at any time following a Gross-up Event, a Tax Event, or an Accounting Event (as defined in "Terms and Conditions of the Securities").

The Securities constitute unsecured (subject, however, to the Guarantee) and undated subordinated obligations of the Issuer and in the event of the dissolution, liquidation or insolvency of the Issuer or composition or other proceedings for the avoidance of insolvency of the Issuer, will be subordinated to all unsubordinated and any other subordinated obligations of the Issuer, except as otherwise required by mandatory statutory law. In the event of the dissolution, liquidation or insolvency of the Issuer or composition or other proceedings for the avoidance of insolvency of the Issuer, no payments will be made under the Securities until all claims of all unsubordinated and subordinated creditors of the Issuer shall first have been satisfied in full.

Dr. Ing. h.c. F. Porsche AG (the **Guarantor**) has given a subordinated unconditional and irrevocable guarantee dated 30 January 2006 (the **Guarantee**) for the due payment of principal of, and compensation on, and any other amounts expressed to be payable under, the Securities. The obligations of the Guarantor under the subordinated Guarantee will be subordinated to all unsubordinated and any other subordinated obligations of the Guarantor, except as otherwise required by mandatory statutory law. In the event of the dissolution, liquidation or insolvency of the Guarantor or composition or other proceeding for the avoidance of insolvency of the Guarantor, no payments under the Guarantee will be made until all claims of all unsubordinated and subordinated creditors of the Guarantor shall first have been satisfied in full.

Application has been made to the Irish Financial Services Regulatory Authority (**IFSRA**), as competent authority under the Prospectus Directive (as defined herein), for this Prospectus to be approved. Application has been made to the Irish Stock Exchange for the Securities to be admitted to the Official List and trading on its regulated market.

A copy of this Prospectus, as approved by IFSRA, will be filed with the Irish Companies Registration Office in accordance with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005.

The Securities will be governed by the laws of the Federal Republic of Germany.

The Securities will initially be represented by a temporary global bearer security (the **Temporary Global Security**) without compensation coupons which will be deposited with Deutsche Bank Aktiengesellschaft, Grosse Gallusstr. 10–14, 60272 Frankfurt am Main, Germany as common depositary for Clearstream Banking, société anonyme (**Clearstream Luxembourg**) and Euroclear Bank S.A./N.V., as operator of the Euroclear system (**Euroclear**, and together with Clearstream Luxembourg the **Clearing System**). The Temporary Global Security will be exchanged for a permanent global bearer security (the **Permanent Global Security**) and, each of the Temporary Global Security and the Permanent Global Security, a **Global Security** without compensation coupons not earlier than 40 and not later than 180 days after the issue of the Temporary Global Security upon certification as to non-U.S. beneficial ownership in accordance with the rules and operating procedures of the Clearing System. Payments on the Temporary Global Security will only be made against presentation of such certifications. No definitive securities or compensation coupons will be issued.

The Securities will be issued in denominations of US\$ 2,000.

The Issuer may request IFSRA to provide competent authorities in additional host Member States within the European Economic Area with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus (Directive 2003/71/EC) Regulations 2005 which implements Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 (the **Prospectus Directive**) into Irish law.

The Securities and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) and the Securities are subject to U.S. tax law requirements. Subject to certain exceptions, the Securities and the Guarantee may not be offered, sold or delivered within the United States or to U.S. persons.

This Prospectus constitutes a prospectus pursuant to, and is in compliance with the requirement of, the Prospectus Directive. It has been filed with IFSRA, has been approved by said authority and has been published in electronic form on the website of IFSRA.

Manager and Sole Structuring Advisor
Merrill Lynch International

Prospectus dated 30 January 2006

Responsibility Statement

The Guarantor with its registered office in Stuttgart, Germany accepts responsibility for the information contained in this Prospectus (the **Prospectus**). To the best of the knowledge and belief of the Guarantor, the information contained in this Prospectus is in accordance with the relevant facts and does not omit anything likely to affect the import of such information. The Issuer with its registered office in Dublin, Ireland accepts responsibility for the information contained in this Prospectus about itself and the description of the Securities and to the best of its knowledge and belief, the information is in accordance with the relevant facts and does not omit anything likely to affect the import of such information. The Issuer does not accept responsibility for any other information contained in this Prospectus.

Notice

Each of the Issuer and the Guarantor further confirms (the Issuer only in respect of itself and the Securities) that (i) this Prospectus contains all information with respect to the Issuer and the Guarantor as well as to the Guarantor and its subsidiaries taken as a whole (the **Porsche Group**) and to the Securities and the Guarantee which is material in the context of the issue and offering of the Securities and the Guarantee, including all information which, according to the particular nature of the Issuer and the Guarantor and of the Securities and the Guarantee is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, the Guarantor and the Porsche Group and of the rights attached to the Securities and the Guarantee; (ii) the statements contained in this Prospectus relating to the Issuer, the Guarantor, the Porsche Group, the Securities and the Guarantee are in every material respect true and accurate and not misleading; (iii) there are no other facts in relation to the Issuer, the Guarantor, the Porsche Group, the Securities or the Guarantee the omission of which would, in the context of the issue and offering of the Securities, make any statement in the Prospectus misleading in any material respect and (iv) reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements.

No person is authorised to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantor or the Manager set forth on the cover page (the **Manager**). Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor or any of their affiliates since the date of this Prospectus, or that the information herein is correct at any time since the date of this Prospectus.

Each investor contemplating purchasing any Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantor. This Prospectus does not constitute an offer of Securities or an invitation by or on behalf of the Issuer, the Guarantor or the Manager to purchase any Securities. Neither this Prospectus nor any other information supplied in connection with the Securities should be considered as a recommendation by the Issuer, the Guarantor or the Manager to a recipient hereof and thereof that such recipient should purchase any Securities.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The offer, sale and delivery of the Securities and the Guarantee and the distribution of this Prospectus in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantor and the Manager to inform themselves about and to observe any such restrictions. In particular, the Securities and the Guarantee have not been and will not be registered under the Securities Act and the Securities are subject to U.S. tax law requirements. Subject to certain limited exceptions, the Securities and the Guarantee may not be offered, sold or delivered within the United States or to U.S. persons.

IN CONNECTION WITH THE ISSUE OF THE SECURITIES, MERRILL LYNCH INTERNATIONAL AS STABILISING MANAGER (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT SECURITIES (PROVIDED THAT THE AGGREGATE PRINCIPAL AMOUNT OF THE SECURITIES ALLOTTED DOES NOT EXCEED 105% OF THE AGGREGATE PRINCIPAL AMOUNT OF THE SECURITIES (OR SUCH OTHER PERCENTAGE AS MAY BE APPLICABLE TO ANY SUCH ACTIONS) IN THE JURISDICTION WHERE SUCH ACTIONS ARE TO BE EFFECTED) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT MERRILL LYNCH INTERNATIONAL AS STABILISING MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN AT ANY TIME AFTER THE ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE SECURITIES AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE DATE OF THE RECEIPT OF THE PROCEEDS OF THE ISSUE BY THE ISSUER OR 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE SECURITIES OR, AS THE CASE MAY BE, SUCH OTHER DATE(S) AS MAY BE APPLICABLE TO ANY SUCH ACTION IN THE JURISDICTION WHERE SUCH ACTIONS ARE TO BE EFFECTED. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL LAWS, REGULATIONS AND RULES OF ANY RELEVANT JURISIDITION.

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SUMMARY

The following constitutes the summary (the **Summary**) of the essential characteristics of and risks associated with the Issuer, the Guarantor and the Securities. This Summary should be read as an introduction to this Prospectus. It does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus. Any decision by an investor to invest in the Securities should be based on consideration of this Prospectus as a whole. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of such court, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. No civil liability will attach to the Guarantor and the Issuer solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. In addition, the Issuer only accepts responsibility for the information contained in this Prospectus about itself and the description of the Securities.

Words and expressions defined in “*Terms and Conditions of the Securities*” below shall have the same meanings in this section.

Summary in respect of the Securities

<i>Issuer:</i>	Porsche International Financing plc, Dublin, Republic of Ireland
<i>Guarantor:</i>	Dr. Ing. h.c. F. Porsche AG, Stuttgart, Federal Republic of Germany
<i>Principal Amount:</i>	US\$ 1,000,000,000
<i>Manager:</i>	Merrill Lynch International
<i>Principal Paying Agent:</i>	Deutsche Bank Aktiengesellschaft, Frankfurt am Main
<i>Irish Listing Agent & Irish Paying Agent:</i>	NCB Stockbrokers Limited, Dublin
<i>Issue Price:</i>	100 per cent.
<i>Issue Date:</i>	1 February 2006
<i>Denomination:</i>	The Securities will be issued in denominations of US\$ 2,000.
<i>Form of Securities:</i>	The Securities are in bearer form and are issued in reliance on U.S. Treasury Regulation Section 1.163-5(c)(2)(i)(D) (the TEFRA D Rules). The Securities will initially be represented by a temporary global bearer security (the Temporary Global Security) without compensation coupons which will be deposited with a common depositary for Clearstream Banking, société anonyme, Luxembourg and Euroclear Bank S.A./N.V. as operator of the Euroclear system (together the Clearing System). The Temporary Global Security will be exchanged in a permanent global bearer security (the Permanent Global Security and, each of the Temporary Global Security and the Permanent Global Security, a Global Security) without compensation coupons, not earlier than 40 and not later than 180 days after the issuance of the Temporary Global Security, upon certification as to non-U.S. beneficial ownership in accordance with the rules and operating procedures of the Clearing System. Payments on the Temporary Global Security will only be made against presentation of such certification. No definitive Securities or compensation coupons will be issued.
<i>Redemption:</i>	The Securities have no stated maturity date. They are redeemable in whole but not in part at the option of the Issuer at their principal amount together with

Arrears of Compensation (as defined below) and any accrued compensation on 1 February 2011 or any Compensation Payment Date thereafter. The Issuer may also redeem the Securities in whole but not in part at their principal amount together with Arrears of Compensation and any accrued compensation at any time following a Gross-up Event, a Tax Event or an Accounting Event.

Compensation: The Securities will bear compensation from and including 1 February 2006 to but excluding the date of repayment of the Securities at a rate of 7.2 per cent. per annum, payable quarterly in arrear on 1 February, 1 May, 1 August and 1 November in each year, commencing 1 May 2006. The payment of compensation is subject to an option by the Issuer to defer such payments as described under "Deferral of Compensation".

Deferral of Compensation: The Issuer has the right to defer the payment of compensation on any Compensation Payment Date (as defined in the Terms and Conditions of the Securities) in respect of which all of the following criteria are met:

- no dividend, other distribution or payment (including for the purposes of a redemption or repurchase of shares) was resolved on in respect of shares of any class of shares of the Guarantor at the Annual General Meeting (as defined in the Terms and Conditions of the Securities) or any subsequent general meeting of the Guarantor immediately preceding such Compensation Payment Date; and
- no dividend, other distribution or payment (including for the purposes of a redemption or repurchase of any Junior Securities or Parity Securities) has been resolved on, paid or made since such Annual General Meeting in respect of any (i) Junior Securities or (ii) Parity Securities (as each such term is defined in the Terms and Conditions of the Securities) which pursuant to the Applicable Accounting Standards (as defined in the Terms and Conditions of the Securities) qualify, in each case, as "equity" in the consolidated balance sheet of the Guarantor; and
- the Guarantor has not repurchased or otherwise acquired, or caused another Group Entity (as defined in the Terms and Conditions of the Securities) to repurchase or otherwise acquire any Parity Security, Junior Security or shares of any class of shares for any consideration (except by conversion into or exchange for ordinary shares of the Guarantor) since the immediately preceding Annual General Meeting of the Guarantor (as defined in the Terms and Conditions of the Securities).

Arrears of Compensation: Compensation not paid on any Compensation Payment Date as a result of the Issuer's election to defer payment will constitute **Arrears of Compensation**. Arrears of Compensation will not themselves bear compensation. They will become due for payment if the Issuer decides to pay Compensation (in whole or in part) on any Compensation Payment Date on which it would be entitled to defer payment as described in "Deferral of Compensation". The Issuer will furthermore be obliged to pay any outstanding Arrears of Compensation (in whole but not in part) on the earlier of

- the next Compensation Payment Date on which the Issuer is not entitled to defer the payment of compensation;
- the due date for redemption of the Securities;
- the date on which an order is made for the winding-up, or dissolution or liquidation of the Issuer or the Guarantor (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring while sol-

vent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer or the Guarantor (as applicable));

- the date on which the Issuer or the Guarantor (directly, pursuant to any guarantee or otherwise) makes any payment of compensation or distribution on (i) a Junior Security or (ii) a Parity Security (as each such term is defined in the Terms and Conditions of the Securities) which pursuant to the Applicable Accounting Standards (as defined in the Terms and Conditions of the Securities) qualifies, in each case, as “equity” in the consolidated balance sheet of the Guarantor.

Taxes:

All payments (including payments by the Guarantor under the subordinated Guarantee) in respect of the Securities will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction at source by or on behalf of the Republic of Ireland (or, in the case of the subordinated Guarantee, the Federal Republic of Germany) or any of its or their political subdivisions or authorities that has power to tax unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor, will pay such additional amounts as shall be necessary in order that the net amounts received by the Securityholders after such withholding or deduction shall equal the respective amounts of principal and compensation which would otherwise have been receivable in respect of the Securities without such withholding or deduction, subject to customary exceptions as set out in the Terms and Conditions of the Securities and the Guarantee.

Status of the Securities:

The Securities constitute direct, unsecured and subordinated obligations of the Issuer ranking *pari passu* among themselves and in the event of the liquidation, dissolution or insolvency of the Issuer or composition or other proceedings for the avoidance of insolvency of the Issuer shall rank junior to all other present and future obligations of the Issuer, whether subordinated or unsubordinated, except as otherwise required by mandatory provisions of law. In the event of the liquidation, dissolution or insolvency of the Issuer or composition or other proceedings for the avoidance of insolvency of the Issuer, no amounts will be payable in respect of the Securities until the claims of all unsubordinated and subordinated creditors of the Issuer have first been satisfied in full. No Securityholder may set-off any claims arising under the Securities against any claims that the Issuer may have against it. The Issuer may not set-off any claims it may have against the Securityholders against any of its obligations under the Securities. Except for the subordinated Guarantee, no security is, or will at any time be, provided by the Issuer or any other person securing rights of the Securityholders under the Securities.

Guarantee:

The Guarantor has given a subordinated unconditional and irrevocable guarantee for the due payment of principal of, and compensation on, and any other amounts expressed to be payable under the Securities. The obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor, ranking *pari passu* among themselves and in the event of the liquidation, dissolution or insolvency of the Guarantor or composition or other proceedings for the avoidance of insolvency of the Guarantor ranking junior to all other present and future obligations of the Guarantor, whether subordinated or unsubordinated, except as otherwise required by mandatory provisions of law. In the event of the liquidation, dissolution or insolvency of the Guarantor or other proceedings for the avoidance of insolvency of the Guarantor, no amounts will be payable in respect of the Guarantee until the claims of all unsubordinated or subordinated creditors of the Guarantor shall have first been satisfied in full. No Securityholder may set-off any claims arising under the Guarantee against any claims that the Guarantor

tor may have against it. The Guarantor may not set-off any claims it may have against the Securityholders against any of its obligations under the Guarantee.

<i>Negative Pledge:</i>	The Terms and Conditions of the Securities do not contain a negative pledge provision.
<i>Cross Default:</i>	The Terms and Conditions of the Securities do not contain a cross default provision with respect to other obligations of the Issuer or the Guarantor.
<i>Listing:</i>	Application has been made to the Irish Stock Exchange for the Securities to be admitted to the Official List and trading on its regulated market.
<i>Governing Law:</i>	The Securities will be governed by German law (except for the status of the Securities, which will be governed by the laws of the Republic of Ireland).
<i>Selling Restrictions:</i>	There will be specific restrictions on the offer and sale of Securities and the distribution of offering materials in the European Economic Area, Ireland, the United States of America, the United Kingdom of Great Britain and Northern Ireland, Hong Kong, Singapore and Italy.
<i>Jurisdiction:</i>	Non-exclusive place of jurisdiction for any legal proceedings arising under the Securities is Frankfurt am Main.
<i>Clearance and Settlement</i>	The Securities will be accepted for clearing through Clearstream Banking, société anonyme and Euroclear Bank S.A./N.V., as operator of the Euroclear system (together the Clearing System).

Summary in respect of Risk Factors

The Securities

An investment in the Securities involves certain risks associated with the characteristics of the Securities. Such risks could result in principal or compensation not being paid by the Issuer, the Guarantor not making payment under the Guarantee and/or a material impairment of the market price of the Securities. Risks especially arise due to the fact that

- the Issuer has no obligation to redeem the Securities and the Securityholders have no right to call for their redemption;
- the Issuer may defer compensation payments if certain requirements are satisfied;
- the payment obligations of the Issuer under the Securities and the Guarantor under the Guarantee constitute subordinated obligations of the Issuer and the Guarantor, respectively;
- the Securities may be subject to early redemption at their principal amount following a Gross-up Event, a Tax Event or an Accounting Event;
- there are no express events of default in the Terms and Conditions of the Securities; and
- there is no restriction on the amount of debt which the Issuer or the Guarantor may incur in the future.

The Issuer

The Issuer is a funding vehicle that, *inter alia*, raises funds and on-lends monies to group companies within the Porsche Group by way of intra-group loans. In the event that a group company fails to make a payment under an intra-group loan, the Issuer may not be able to meet its payment obligations under the Securities issued by it in order to fund the aforementioned loans.

The Guarantor

The Guarantor is the immediate and ultimate controlling party and parent undertaking within the Porsche Group. It is engaged in the manufacture and sale of high-end motor vehicles and engines of all types, parts, subassemblies as well as other technical products, the development and construction of high-end vehicles and engines as well as consulting and technical assistance services for the development and manufacturing of vehicles and engines, and other related activities, including the exploitation of industrial property rights. The engagement in these business segments comprises several economic and other risks, such as change in market trends and events affecting Porsche's public image, residual value risk in the leasing market, fluctuations in currency exchange rates, IT risks and other operational risks (e.g. delayed deliveries or quality defects of delivered products). Furthermore, the Guarantor has recently invested significant funds to acquire a stake of 18.53 per cent of the common shares in Volkswagen AG (**VW**). In the event of a material, not only temporary decrease of the market value of the VW common stock held by the Guarantor, the Guarantor may be forced to write down the book value of its participation in VW. If any of the above risks materializes, this could materially adversely affect the Guarantor's and Porsche Group's financial condition and results of operation and the ability of the Issuer and the Guarantor to perform their respective obligations under the Securities and the subordinated Guarantee respectively.

Summary in respect of the Issuer

The Issuer is a public limited company which was established on 31 January 1991 as Porsche International Financing Limited and re-registered as a public limited company under the name Porsche International Financing plc on 10 April 1997. It is incorporated under the Irish Companies Act, 1963–1990 and organised under the laws of the Republic of Ireland. The registered office of the Issuer is No. 1 Exchange Place, International Financial Services Centre, Dublin 1, Ireland.

The Issuer is registered with the Irish Registrar of Companies under company registration number 169517.

The activities of the Issuer comprise the following: financing and refinancing of assets of any nature whatsoever, whether by way of loan or by any other means which involves or has an effect equivalent to the extension of credit.

The current members of the Board of Directors of the Issuer are: Henrik Haenche, John Gilsenan and Wolfgang Peter.

On 31 July 2005, the Issuer had no employees. The Issuer is managed by the Board of Directors. Porsche Financial Management Services Ltd. provides management services to the Issuer, including accounting, administrative, employee and office services.

The Issuer complies with the corporate governance regime in Ireland, which is set out in, *inter alia*, the Irish Companies Acts, 1963-2005 and the Issuer's Articles of Association. The company secretary of the Issuer is Ms. Avril Farrelly.

The authorised share capital of the Issuer is € 511,292 divided into 1,000,000 ordinary shares of € 0.511292 each. On 31 July 2005, the issued share capital of the Issuer amounted to € 511,292 divided into 1,000,000 shares of € 0.511292 each, all of which are fully paid up.

The Issuer is a wholly-owned subsidiary of the Guarantor.

The external auditor of the Issuer is Ernst & Young Chartered Accountants, Ernst & Young Building, Harcourt Centre, Harcourt Street, Dublin 2, Ireland.

Ernst & Young Chartered Accountants have audited the historical financial statements of the Issuer for the financial years ended 31 July 2004 and 31 July 2005 and have issued an unqualified opinion, in each case.

The Issuer has one subsidiary, Porsche International Insurance Limited and holds 100% of its issued share capital.

Key Financial Information

	Financial year ended 31 July 2005	Financial year ended 31 July 2004
	(in €)	
Profit on ordinary activities before taxation	2,747,290	1,197,014
Profit for the financial year	2,435,953	1,075,819
Assets	652,094,562	497,451,600
Shareholder's equity	12,694,012	10,258,059

Save as disclosed in this Prospectus, there has been no material adverse change, or any development reasonably likely to involve a material adverse change, in the condition (financial or otherwise) or the prospects or general affairs of the Issuer since 31 July 2005 that is material in the context of the issue of the Securities.

It is intended that the Issuer will issue two tranches of senior bonds – € 1,000,000,000 3.5% fixed rate guaranteed bonds due 2011 and € 1,000,000,000 3.875% fixed rate guaranteed bonds due 2016 – concurrently with the Securities.

Summary in respect of the Guarantor

The Guarantor is a joint-stock company (*Aktiengesellschaft*) incorporated under the laws of the Federal Republic of Germany and registered with the commercial register of the local court (*Amtsgericht*) Stuttgart under HRB 5211. The seat of the company is Stuttgart. The address of the head office is Porscheplatz 1, D-70435 Stuttgart. The Guarantor was founded in 1931 as a limited liability company under German law and was converted into a limited partnership in 1937. In 1972, the company was converted into a joint-stock company and assumed its present name.

The company's main purpose is the manufacture and sale of high-end motor vehicles and engines of all types, parts, subassemblies as well as other technical products, the development and construction of high-end vehicles and engines as well as consulting and technical assistance services for the development and manufacturing of vehicles and engines, and other related activities, including the exploitation of industrial property rights.

The Guarantor sees itself as one of the world's leading sports car makers with its roots in this automobile segment going back to 1948, when the first sports car bearing the Porsche name rolled out of a small test workshop in Gmünd, Austria. The Guarantor currently has three model lines: the 911, the Boxster and the Cayenne. In July 2005 the supervisory board and the management board of the Guarantor approved the development and production of a fourth Porsche model series which will be called the "Panamera" and is scheduled to enter the market in 2009.

In the 1990s the 911-model range was redesigned and a new roadster, the Boxster, was introduced in 1996. In 1998, the Guarantor started the development of a third model line, the Cayenne, a high-end SUV (sport utility vehicle). With the Cayenne, Porsche made the step from a pure sports car manufacturer to a supplier of exceptionally sporty premium automobiles. With the successful development and launch of both the Boxster in 1996 and the Cayenne in late 2002, Porsche grew organically without compromising its profitability track record.

In addition to developing and building the Porsche brand sports cars, the Guarantor also provides its high-end engineering knowledge to other automakers on a contractual basis.

The authorised and issued capital stock of the Guarantor amounts to € 45,500,000. It is divided into 17,500,000 no-par-value shares with a notional share of € 2.60 each in the Guarantor's share capital, of

which 8,750,000 are common shares (*Stammaktien*) and 8,750,000 are non-voting preferred shares (*Vorzugsaktien*).

The common shares are held indirectly by members of the families Porsche and Piëch. The non-voting preferred shares are listed on the Berlin, Bremen, Frankfurt am Main, Hamburg, Hanover, Munich and Stuttgart stock exchanges. The Porsche and Piëch families also own a percentage of the non-voting preferred shares.

The current members of the Guarantor's management board (*Vorstand*) are: Dr. Wendelin Wiedeking (Chairman), Wolfgang Dürheimer, Holger P. Härter, Harro Harmel, Michael Macht and Hans Riedel.

The auditors of the Guarantor are Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Mittlerer Pfad 15, D-70499 Stuttgart.

Ernst & Young AG, Wirtschaftsprüfungsgesellschaft have audited the historical financial statements of the Guarantor for the financial years ended 31 July 2004 and 31 July 2005 and have issued an unqualified opinion, in each case.

The following table sets forth the key financial information about the Guarantor:

Dr. Ing. h.c. F. Porsche AG – Consolidated Figures

	<u>2004/2005 ⁽¹⁾</u>	<u>2003/2004 ⁽²⁾</u>
	(in € million)	
Revenues	6,574.0	6,147.7
EBITDA	1,729.7	1,502.5
Net Profit	779.0	690.0
Cash Flow	1,335.3	1,120.4

⁽¹⁾ Financial year ending 31 July 2005.

⁽²⁾ Financial year ending 31 July 2004.

Save as disclosed in this Prospectus, there has been no material adverse change, or any development reasonably likely to involve a material adverse change, in the condition (financial or otherwise) or prospects or general affairs of the Guarantor since 31 July 2005 that is material in the context of the issue of the Securities.

It is intended that the Guarantor will unconditionally and irrevocably guarantee the two tranches of senior bonds – € 1,000,000,000 3.5% fixed rate guaranteed bonds due 2011 and € 1,000,000,000 3.875% fixed rate guaranteed bonds due 2016 – which are intended to be issued by the Issuer concurrently with the Securities.

The Guarantor will continue to publish its annual consolidated financial statements in accordance with International Financial Reporting Standards (*IFRS*) on the www.porsche.com website. This website does not form part of this Prospectus.

RISK FACTORS

The following is a non-exhaustive description of certain risk factors with respect to the Securities and the financial situation of the Issuer and the Guarantor which prospective investors should consider before deciding to purchase the Securities. The sequence in which the following risk factors are listed is not an indication of their likelihood to occur or of the extent of their commercial consequences. Prospective investors should consider all of the information provided in this Prospectus and consult with their own professional advisers if they consider it necessary.

Words and expressions defined in "Terms and Conditions of the Securities" below shall have the same meanings in this section.

Risk Factors in respect of the Securities

The Securities have no stated maturity

The Securities have an indefinite term and the Issuer is under no obligation to redeem the Securities at any time. The Securityholders have no right to call for their redemption. The Securities may be redeemed at the option of the Issuer (in whole but not in part) at their principal amount on 1 February 2011 or on any Compensation Payment Date thereafter. The Securities may be redeemed at the option of the Issuer at their principal amount at any time following a Gross-up Event, a Tax Event or an Accounting Event. Prospective investors should be aware that they may be required to bear the financial risks of an investment in the Securities for an indefinite period of time.

Payments of Compensation under the Securities may be deferred at the election of the Issuer

Subject to the provisions of § 5(2) of the Terms and Conditions of the Securities, the Issuer has the option to defer any payment of compensation on the Securities if the conditions set out in § 5(2) of the Terms and Conditions of the Securities are satisfied. If the Issuer does defer a payment of Compensation on the Securities, payment of Arrears of Compensation (as defined in § 5(2) of the Terms and Conditions of the Securities) will only be obligations for the Issuer under the conditions set out in § 5(2) of the Terms and Conditions of the Securities. Any such Arrears of Compensation will not themselves accrue interest. While the deferral of compensation payments continues, the Issuer is not prohibited from making payments on any instrument ranking senior to the Securities, and in such event the Securityholders are not entitled to claim immediate payment of any Arrears of Compensation.

Claims under the Securities and under the Guarantee are subordinated

The payment obligations of the Issuer under or in connection with the Securities and of the Guarantor under or in connection with the subordinated Guarantee constitute subordinated obligations of the Issuer and the Guarantor, respectively. Upon the occurrence of any winding-up or insolvency proceedings of the Issuer or the Guarantor, payments on the Securities or the subordinated Guarantee will be subordinated in right of payment to all unsubordinated and any other subordinated obligations of the Issuer or the Guarantor, respectively, except for liabilities which rank *pari passu* with or junior to the Securities or the subordinated Guarantee. In a winding-up or insolvency proceeding of the Issuer or the Guarantor, the Securityholders may recover proportionately less than the holders of unsubordinated or other subordinated liabilities of the Issuer or the Guarantor or nothing at all, as the case may be.

Unsubordinated liabilities of the Issuer and the Guarantor may also arise from events that are not reflected on the balance sheet of the Issuer or the Guarantor, as the case may be, including, without limitation, the issuance of guarantees or the incurrence of other contingent liabilities on an unsubordinated basis. Claims made under such guarantees or such other contingent liabilities will become unsubordinated liabilities of the Issuer or the Guarantor, as the case may be, that in a winding-up or insolvency proceeding of the Issuer or the Guarantor, will need to be paid in full before the obligations under the Securities or the subordinated Guarantee, respectively may be satisfied.

There is no limitation on the Issuer or the Guarantor to incur additional indebtedness ranking senior to or pari passu with the Securities and/or the Guarantee

Neither the Issuer nor the Guarantor have entered into any restrictive covenants in connection with the issuance of the Securities and the Guarantee regarding their respective ability to incur additional indebtedness ranking *pari passu* with or senior to the obligations under or in connection with the Securities or the Guarantee, respectively. In particular, concurrently with the offer of the Securities, the Issuer will be offering two tranches of senior bonds – € 1,000,000,000 3.5% fixed rate guaranteed bonds due 2011 and € 1,000,000,000 3.875% fixed rate guaranteed bonds due 2016 – to be guaranteed by the Guarantor. Claims of the Securityholders for principal and compensation under the Securities as well as claims of the Securityholders under the Guarantee will rank junior to the claims of the holders of such senior bonds under the senior bonds and the guarantee relating thereto respectively. Incurring any such additional indebtedness may increase the likelihood of a deferral of compensation payments under the Securities and/or may reduce the amount recoverable by Securityholders in the event of insolvency or liquidation of the Issuer or the Guarantor.

No Express Events of Default

The Securityholders should be aware that the Terms and Conditions of the Securities do not contain any express events of default.

No Prior Market for the Securities

Application has been made to the Irish Stock Exchange for the Securities to be admitted to the Official List and trading on its regulated market. However, there can be no assurance that a liquid secondary market for the Securities will develop or, if it develops, that it will continue. In an illiquid market, an investor might not be able to sell his Securities at any time at fair market prices. The possibility to sell the Securities might additionally be restricted by country specific reasons.

Fixed rate Securities are exposed to specific market risks

A holder of a Security with a fixed compensation rate is exposed to the risk that the price of such Security falls as a result of changes in the market interest rate. While the nominal compensation rate of a Security with a fixed compensation rate is fixed during the life of such Security, the current interest rate on the capital market (market interest rate) typically changes on a daily basis. As the market interest rate changes, the price of such Security changes in the opposite direction. If the market interest rate increases, the price of such Security typically falls, until the yield of such Security is approximately equal to the market interest rate. If the market interest rate falls, the price of a Security with a fixed compensation rate typically increases, until the yield of such Security is approximately equal to the market interest rate. Securityholders should be aware that movements of the market interest rate can adversely affect the price of the Securities and can lead to losses for the Securityholders if they sell Securities.

Risk Factors in respect of the Issuer

The Issuer is a funding vehicle for the Porsche Group. As such, it, *inter alia*, raises funds and on-lends monies to group companies within the Porsche Group by way of intra-group loans. In the event that a group company fails to make a payment under an intra-group loan, the Issuer may not be able to meet its payment obligations under the Securities issued by it.

Risk Factors in respect of the Guarantor and the Porsche Group

Operational Risks in Car Manufacturing

The Porsche Group's production could suffer serious and lasting disruption through unexpected events such as a fire or explosion at a Porsche plant or at one of its suppliers. If such events occur

despite the safeguards and checks implemented by the Porsche Group and if the resulting damage exceeds the insurance cover against plant failure and disruption of business taken out by the Porsche Group, the Porsche Group's business and operational results could be materially adversely affected.

The Porsche Group works very closely with its suppliers both in the product development stage and during series production. This creates a situation of increased dependence of the Porsche Group on its suppliers. Occurrences such as late deliveries or failure to deliver, quality deficiencies, or unexpected financial difficulties of suppliers could quickly lead to disruption of Porsche's production which would adversely impact on Porsche Group's business and operational results.

The design and manufacture of motor vehicles is a complex process in which product defects can occur that may eventually lead to claims being made under warranty or product liability and which may make product recalls necessary. The cost of detecting such product defects, of necessary remedial actions and of liability claims potentially raised could have a materially negative impact on Porsche Group's results of operations. Moreover, serious product defects would adversely affect Porsche's image as a manufacturer of high-end quality motor vehicles and prejudice Porsche Group's success in marketing its products.

Risks associated with Porsche's leasing business

In line with its rising sales volume, Porsche Group has increased the distribution of its cars through leasing arrangements provided by the Porsche Group's financial services companies. The principal financial risk in connection with the leasing business is that the residual market value of the vehicles returned to the Porsche financial services companies at the end of a leasing contract is lower than expected. Although Porsche Group is continuously monitoring the used car market to assess the appropriate residual value for future leasing agreements, there can be no assurance that Porsche Group is able to sell returned leased cars in the market at or above their calculated residual value. In particular, a material downturn in the residual value of Porsche vehicles in the used car market would have a negative effect on the Porsche Group's financial condition and results of operations.

The Guarantor's business is exposed to general economic trends

Porsche motor vehicles are considered lifestyle products by many of the Porsche Group's customers. A general economic downturn, a substantial slowdown in economic growth or a deterioration in consumer spending, in particular in the German and North American markets, is therefore likely to result in fewer car purchasers to turn to premium brands. Any such development would adversely affect revenues of the Porsche Group and would have a negative impact on the overall operating results and financial condition of the Porsche Group.

Strong competition among car manufacturers

The Porsche Group's markets are characterised by increasing competition. This development is mainly due to the integration of formerly independent sports cars manufacturers with limited financial strength into larger and financially capable car manufacturing groups. In order to maintain and further enhance its position in this competitive market, the Porsche Group must continue to develop attractive and technologically leading sports cars which meet the tastes of consumers. It must furthermore maintain and further strengthen its profitability as a basis for its financial capability to compete in a capital intensive industry. If Porsche should fail to achieve these goals its overall operating results and financial condition would be materially adversely affected.

Fluctuations in Currency Exchange Rates

As a result of its global activities, the Porsche Group may be affected by fluctuations in currency exchange rates. To the extent Porsche Group does not hedge itself against movements in the international foreign exchange markets, fluctuations in exchange rates, in particular the material depreciation of the US Dollar against the euro, could have a material adverse effect on the Porsche Group's financial condition and results of operations.

Risks in connection with the use of Information Technology

Porsche Group is also exposed to risks in the field of information technology, since unauthorized access to or misuse of data processed on its IT systems could severely disrupt its operations, including the manufacturing process. If the protection measures put in place by the Porsche Group against potential disruptions of its IT systems would prove insufficient, Porsche Group's business could be negatively affected and this could have a material adverse effect on the Porsche Group's financial condition and results of operations.

Risks in relation to Intellectual Property

In connection with the design of new cars and the enhancement of existing models, the Porsche Group is constantly developing new technical designs for use in its cars. It is also using technical designs which are the intellectual property of third parties with such third parties' consent. It cannot be excluded that technical designs developed by Porsche or its suppliers and used in Porsche cars infringe third parties' intellectual property rights. If this were the case, legal actions by such third parties could potentially cause disruption in design, development and production of Porsche motor vehicles and result in financial liabilities to such affected third parties. This could have a material adverse effect on the Porsche Group's financial condition and results of operations.

Risks in relation to Principal Investments of the Guarantor

The Guarantor has recently invested significant funds to acquire a stake of 18.53 per cent of the common shares in Volkswagen AG (**VW**) (for further information see "Description of the Guarantor – Recent Developments and Outlook for the Porsche Group"). In the event of a material deterioration of VW's business, the market value of the VW common stock held by the Guarantor may decrease and/or future dividends on the VW common shares may be lower than currently expected or may not be paid at all. If the value of the VW common stock decreases not only temporarily against the price at which such shares were purchased by the Guarantor, the Guarantor may be forced to write down the book value of its participation in VW which in turn would adversely affect the Guarantor's operating results and could have a negative impact on the Guarantor's general financial condition.

Risks in relation to current Product Developments

In June 2005 the Guarantor decided to develop and produce a fourth Porsche model series, the Panamera, which is scheduled to enter the market in 2009 (for further information see "Description of the Guarantor – Products and Markets – Recent Product Developments"). The Guarantor's total investment in the new model series, including development, is expected to amount to approximately € 1 billion. In addition, the Guarantor, together with VW, currently develops a hybrid drive system. The operating results of the Guarantor will be burdened with the ongoing expenses in relation to these product developments over the next financial years and there can be no assurance that these investments will generate profits in the long term.

TERMS AND CONDITIONS OF THE SECURITIES

The German version of the Terms and Conditions of the Securities is the only legally binding version.
The English translation is for convenience only.

ANLEIHEBEDINGUNGEN

der
US\$ 1.000.000.000
nachrangigen festverzinslichen
Wertpapiere ohne Fälligkeitstag der
Porsche International Financing plc,
Dublin, Republik Irland
mit einer nachrangigen Garantie der
Dr. Ing. h.c. F. Porsche AG, Stuttgart

§ 1

DEFINITIONEN UND AUSLEGUNG

Soweit aus dem Zusammenhang nicht etwas anderes hervorgeht, haben die nachfolgenden Begriffe in diesen Anleihebedingungen die folgende Bedeutung:

Anwendbare Rechnungslegungsvorschriften bezeichnet die International Financial Reporting Standards (IFRS).

Aufgeschobene Vergütungen sind sämtliche Vergütungen, deren Zahlung für ein Gleichrangiges Wertpapier an einem vorgesehenen Vergütungszahlungstag eines solchen Gleichrangigen Wertpapiers nicht erfolgt ist und aufgeschoben wurde.

Ausgabetag bezeichnet den 1. Februar 2006.

Clearingsystem bezeichnet Clearstream Luxemburg und Euroclear.

Clearstream Luxemburg bezeichnet Clearstream Banking, société anonyme, Luxemburg.

Dauerglobalurkunde hat die in § 2(2)(a) festgelegte Bedeutung.

Emittentin hat die in § 2(1) festgelegte Bedeutung.

Euroclear bezeichnet Euroclear Bank S.A./N.V. als Betreiberin des Euroclear Systems.

Fakultativer Vergütungszahlungstag hat die in § 5(2) festgelegte Bedeutung.

Garantin hat die in § 3 festgelegte Bedeutung.

Geschäftstag bezeichnet jeden Tag (außer einen Samstag oder einen Sonntag), an dem die Banken in New York City für den Geschäftsbetrieb geöffnet sind und das Clearing System sowie TARGET (das Trans-European Automated Real Time Gross Settlement Express Transfer System) Buchungen oder Zahlungsanweisungen im Hinblick auf Zahlungen in US Dollar abwickeln.

Gleichrangiges Wertpapier bezeichnet (i) jedes von der Emittentin begebene oder garantierte verbriefte Instrument, das gleichrangig im Verhältnis zu den Wertpapieren ist oder in Bezug auf welches Gleichrang im Verhältnis zu den Wertpapieren vereinbart wurde, (ii) jedes von der Garantin begebene verbriefte Instrument, das gleichrangig im Verhältnis zu den Verpflichtungen der Garantin aus der Nachrangigen Garantie ist oder in Bezug auf welches Gleichrang im Verhältnis zu den Wertpapieren vereinbart wurde, und (iii) jedes verbriefte Instrument, das von der Garantin garantiert oder für das die Garantin anderweitig die Haftung übernommen hat und bei dem die Verpflichtungen der Garantin aus der maßgeblichen Garantie oder

TERMS AND CONDITIONS

of the
US\$ 1,000,000,000
undated subordinated fixed rate
Securities issued by
Porsche International Financing plc,
Dublin, Republic of Ireland
guaranteed, on a subordinated basis, by
Dr. Ing. h.c. F. Porsche AG, Stuttgart

§ 1

DEFINITIONS AND INTERPRETATION

Unless the context otherwise requires, the following terms will have the following meanings in these Terms and Conditions:

Applicable Accounting Standards means the International Financial Reporting Standards (IFRS).

Deferred Compensation means any compensation deferred on a Parity Security on any scheduled compensation payment date for such Parity Security.

Issue Date means 1 February 2006.

Clearing System means Clearstream Luxembourg and Euroclear.

Clearstream Luxembourg means Clearstream Banking, société anonyme, Luxembourg.

Permanent Global Security has the meaning specified in § 2(2)(a).

Issuer has the meaning specified in § 2(1).

Euroclear means Euroclear Bank S.A./N.V., as operator of the Euroclear system.

Optional Compensation Payment Date has the meaning specified in § 5(2).

Guarantor has the meaning specified in § 3.

Business Day means any day (other than a Saturday or a Sunday) on which banks are open for business in New York City and on which the Clearing System and TARGET (the Trans-European Automated Real Time Gross Settlement Express Transfer System) effect credit or transfer instructions in respect of payments in US Dollar.

Parity Security means (i) any security issued or guaranteed by the Issuer which ranks or is expressed to rank *pari passu* with the Securities, (ii) any security issued by the Guarantor which ranks or is expressed to rank *pari passu* with the Guarantor's obligations under the Subordinated Guarantee, and (iii) any security guaranteed by the Guarantor or for which the Guarantor has otherwise assumed liability where the Guarantor's obligations under the relevant guarantee or other assumption of liability rank or are expressed to rank *pari passu* with the Guarantor's obligations under the Subordinated Guarantee.

anderweitigen Haftungsübernahme gleichrangig im Verhältnis zu den Verpflichtungen der Garantin aus der Nachrangigen Garantie sind oder in Bezug auf welche Gleichrang im Verhältnis zu den Wertpapieren vereinbart wurde.

Globalurkunden bezeichnet die Vorläufige Globalurkunde und die Dauerglobalurkunde.

Gross-up-Ereignis bezeichnet den Fall, dass die Emittentin verpflichtet ist oder verpflichtet sein wird, zusätzliche Beträge (wie in § 8 beschrieben) als Folge einer Änderung oder Ergänzung von Gesetzen der Republik Irland oder einer ihrer Gebietskörperschaften oder Behörden (oder der Änderung oder Ergänzung von Bestimmungen und Vorschriften auf Grundlage dieser Gesetze) oder als Folge einer Änderung der offiziellen Auslegung oder Anwendung dieser Gesetze, Bestimmungen oder Vorschriften zu zahlen, soweit diese Änderung oder Ergänzung an oder nach dem Ausgabetag wirksam wird, oder dass die Garantin verpflichtet ist oder verpflichtet sein wird, zusätzliche Beträge (wie in § 8 beschrieben) als Folge einer Änderung oder Ergänzung von Gesetzen der Bundesrepublik Deutschland oder einer ihrer Gebietskörperschaften oder Behörden (oder der Änderung oder Ergänzung von Bestimmungen und Vorschriften auf Grundlage dieser Gesetze) oder als Folge einer Änderung der offiziellen Auslegung oder Anwendung dieser Gesetze, Bestimmungen oder Vorschriften zu zahlen, soweit diese Änderung oder Ergänzung an oder nach dem Ausgabetag wirksam wird.

Hauptzahlstelle hat die in § 10(1) festgelegte Bedeutung.

Jahreshauptversammlung ist die Hauptversammlung der Garantin, welche über die Zahlung einer Dividende für das jeweils vorangegangene Geschäftsjahr der Garantin entscheidet.

Konzerngesellschaft bezeichnet jedwede verbundenen Unternehmen der Garantin i. S. d. § 15 Aktiengesetz.

Nachrangige Garantie hat die in § 3 festgelegte Bedeutung.

Nachrangiges Wertpapier bezeichnet (i) jedes von der Emittentin begebene oder garantierte verbriefte Instrument, das im Verhältnis zu den Wertpapieren oder einem Gleichrangigen Wertpapier nachrangig ist oder in Bezug auf welches Nachrang im Verhältnis zu den Wertpapieren oder einem Gleichrangigen Wertpapier vereinbart wurde und (ii) jedes von der Garantin begebene verbriefte Instrument, das im Verhältnis zu den Verpflichtungen der Garantin aus der maßgeblichen Garantie oder einem Gleichrangigen Wertpapier nachrangig ist oder in Bezug auf welches Nachrang im Verhältnis zu den Wertpapieren oder einem Gleichrangigen Wertpapier vereinbart wurde und (iii) jedes verbriefte Instrument, das von der Garantin garantiert oder für das die Garantin anderweitig die Haftung übernommen hat und bei dem die Verpflichtungen der Garantin aus der maßgeblichen Garantie oder anderweitigen Haftungsübernahme nachrangig im Verhältnis zu den Verpflichtungen der Garantin aus der Nachrangigen Garantie oder einem Gleichrangigen Wertpapier sind oder in Bezug auf welches Nachrang im Verhältnis zu den Wertpapieren oder einem Gleichrangigen Wertpapier vereinbart wurde.

Neue Anleiheschuldnerin hat die in § 13(1) festgelegte Bedeutung.

Obligatorischer Vergütungszahlungstag hat die in § 5(2) festgelegte Bedeutung.

Ein **Rechnungslegungs-Ereignis** liegt vor, wenn der Hauptzahlstelle ein Gutachten einer anerkannten Wirtschaftsprüfungsgesellschaft übergeben worden ist, aus dem her-

Global Securities means the Temporary Global Security and the Permanent Global Security.

Gross-up Event means that the Issuer has or will become obliged to pay additional amounts (as described in § 8) as a result of any change in, or amendment to, the laws (or any rules or regulations thereunder) of the Republic of Ireland or any political subdivision or any authority of or in the Republic of Ireland, or any change in or amendment to any official interpretation or application of those laws or rules or regulations which amendment or change becomes effective on or after the Issue Date or that the Guarantor has or will become obliged to pay additional amounts (as described in § 8) as a result of any change in, or amendment to, the laws (or any rules or regulations thereunder) of the Federal Republic of Germany or any political subdivision or any authority of or in the Federal Republic of Germany, or any change in or amendment to any official interpretation or application of those laws or rules or regulations which amendment or change becomes effective on or after the Issue Date.

Principal Paying Agent has the meaning specified in § 10(1).

Annual General Meeting is the shareholder meeting of the Guarantor which resolves on the payment of a dividend for the respective preceding business year of the Guarantor.

Group Entity means any of the Guarantor's affiliated enterprises within the meaning of Section 15 of the German Stock Corporation Act.

Subordinated Guarantee has the meaning specified in § 3.

Junior Security means (i) any security issued or guaranteed by the Issuer which ranks or is expressed to rank junior to the Securities or any Parity Security and (ii) any security issued by the Guarantor which ranks or is expressed to rank junior to the Guarantor's obligations under the Subordinated Guarantee or any Parity Security and (iii) any security guaranteed by the Guarantor or for which the Guarantor has otherwise assumed liability where the Guarantor's obligations under the relevant guarantee or other assumption of liability rank or are expressed to rank junior to the Guarantor's obligations under the Subordinated Guarantee or any Parity Security.

New Issuer has the meaning specified in § 13(1).

Compulsory Compensation Payment Date has the meaning specified in § 5(2).

Accounting Event means that an opinion of a recognised accountancy firm has been delivered to the Principal Paying Agent, stating that the funds raised through the issu-

vorgeht, dass die Garantin die durch die Ausgabe der Wertpapiere aufgenommenen Mittel nicht oder nicht mehr als „Eigenkapital“ im Sinne der Anwendbaren Rechnungslegungsvorschriften in einem Konzernjahresabschluss der Garantin auszuweisen berechtigt ist.

Ein **Steuerereignis** liegt vor, wenn aufgrund einer Gesetzesänderung (oder einer Änderung von darunter erlassenen Bestimmungen und Vorschriften) der Republik Irland oder der Bundesrepublik Deutschland oder einer ihrer Gebietskörperschaften oder einer ihrer Steuerbehörden oder als Folge einer Änderung der offiziellen Auslegung oder Anwendung solcher Gesetze, Bestimmungen oder Vorschriften durch eine gesetzgebende Körperschaft, ein Gericht, eine Regierungsstelle oder eine Aufsichtsbehörde (einschließlich des Erlasses von Gesetzen sowie der Bekanntmachung gerichtlicher oder aufsichtsrechtlicher Entscheidungen) Vergütungen, die von der Emittentin auf die Wertpapiere zu zahlen sind, oder Beträge, die von der Garantin aus der Garantie zu zahlen sind, von der Emittentin und/oder der Garantin nicht mehr für die Zwecke der irischen und/ oder deutschen Ertragsteuer voll abzugsfähig sind.

Streitigkeiten hat die in § 14(3) festgelegte Bedeutung.

Vereinigte Staaten bezeichnet die Vereinigten Staaten von Amerika (einschließlich deren Bundesstaaten und des Districts of Columbia) sowie deren Territorien (einschließlich Puerto Ricos, der U.S. Virgin Islands, Guam, American Samoa, Wake Island und der Northern Mariana Islands).

Verfahren hat die in § 14(3) festgelegte Bedeutung.

Vergütungsberechnungszeitraum bezeichnet jeweils den Zeitraum vom Ausgabetag (einschließlich) bis zum ersten Vergütungszahlungstag (ausschließlich) und danach von jedem Vergütungszahlungstag (einschließlich) bis zum nächsten Vergütungszahlungstag (ausschließlich).

Vergütungsrückstände hat die in § 5(2) festgelegte Bedeutung.

Vergütungszahlungstag ist der 1. Februar, 1. Mai, 1. August und 1. November eines jeden Jahres beginnend mit dem 1. Mai 2006 (einschließlich).

Vorläufige Globalurkunde hat die in § 2(2)(a) festgelegte Bedeutung.

Wertpapierbedingungen bezeichnet diese Bedingungen der Wertpapiere.

Wertpapiere hat die in § 2(1) festgelegte Bedeutung.

Wertpapiergläubiger bezeichnet jeden Inhaber eines Miteigentumsanteils oder -rechts an der Globalurkunde.

Zahlstelle und **Zahlstellen** hat die in § 10(2) festgelegte Bedeutung.

ance of the Securities must not or must no longer be recorded as “equity” pursuant to the Applicable Accounting Standards for the purposes of the annual consolidated financial statements of the Guarantor.

Tax Event means that as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of the Republic of Ireland or the Federal Republic of Germany or any political subdivision or any taxing authority thereof or therein, or as a result of any amendment to, or change in, any official interpretation or application of any such laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination), compensation payable by the Issuer in respect of the Securities or any amount payable by the Guarantor under the Guarantee is no longer fully deductible by the Issuer and/or the Guarantor for Irish and/or German income tax purposes.

Disputes has the meaning specified in § 14(3).

United States means the United States of America (including the States thereof and the District of Columbia) and its possessions and territories (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

Proceedings has the meaning specified in § 14(3).

Compensation Calculation Period means each period from (and including) the Issue Date to (but excluding) the first Compensation Payment Date and, thereafter, from (and including) each Compensation Payment Date to (but excluding) the immediately following Compensation Payment Date.

Arrears of Compensation has the meaning specified in § 5(2).

Compensation Payment Date means 1 February, 1 May, 1 August and 1 November in each year, commencing and including 1 May 2006 .

Temporary Global Security has the meaning specified in § 2(2)(a).

Terms and Conditions means these terms and conditions of the Securities.

Securities has the meaning specified in § 2(1).

Securityholder means any holder of a co-ownership participation or right in the Global Security.

Paying Agent and **Paying Agents** has the meaning specified in § 10(2).

§ 2

NENNBETRAG UND STÜCKELUNG; VERBRIEFUNG; ÜBERTRAGBARKEIT

(1) *Nennbetrag und Stückelung.* Die Emission der nachrangigen festverzinslichen Wertpapiere ohne Fälligkeitstag der Porsche International Financing plc, Dublin, Republik Irland (**Emittentin**) im Gesamtnennbetrag von US\$ 1.000.000.000 (in Worten: US-Dollar eine Milliarde) ist eingeteilt in 500.000 an den Inhaber zahlbare und untereinander gleichrangige Wertpapiere mit einem Nennbetrag von jeweils US\$ 2.000 (die **Wertpapiere**; dieser Begriff umfasst sämtliche weiteren Wertpapiere, die gemäß § 11 begeben werden und eine einheitliche Serie mit den Wertpapieren bilden).

§ 2

PRINCIPAL AMOUNT AND DENOMINATION; FORM; TRANSFERABILITY

(1) *Principal Amount and Denomination.* The issue of the subordinated fixed rate securities without maturity by Porsche International Financing plc, Dublin, Republic of Ireland (the **Issuer**) in the aggregate principal amount of US\$ 1,000,000,000 (in words: US Dollar one billion) is divided into 500,000 Securities payable to bearer and ranking *pari passu* among themselves, with a principal amount of US\$ 2,000 each (the **Securities**; this term includes any further Securities issued pursuant to § 11 that form a single series with the Securities).

(2) *Vorläufige Globalurkunde – Austausch.*

(a) Die Wertpapiere sind anfänglich durch eine vorläufige Globalurkunde (die **Vorläufige Globalurkunde**) ohne Vergütungsscheine verbrieft. Die vorläufige Globalurkunde wird gegen eine Dauerglobalurkunde (die **Dauerglobalurkunde**) ohne Vergütungsscheine ausgetauscht. Die Vorläufige Globalurkunde und die Dauerglobalurkunde tragen jeweils die eigenhändigen Unterschriften zweier ordnungsgemäß bevollmächtigter Vertreter der Emittentin und sind jeweils von der Hauptzahlstelle oder in deren Namen mit einer Kontrollunterschrift versehen. Einzelurkunden und Vergütungsscheine werden nicht ausgetauscht.

(b) Die Vorläufige Globalurkunde wird an einem Tag (der **Austauschtag**) gegen die Dauerglobalurkunde ausgetauscht, der nicht mehr als 180 Tage nach dem Ausgabetag liegt. Der Austausch darf nicht weniger als 40 Tage nach dem Ausgabetag liegen. Ein solcher Austausch darf nur nach Vorlage von Bescheinigungen erfolgen, wonach der oder die wirtschaftlichen Eigentümer der Wertpapiere keine U.S.-Personen sind (ausgenommen bestimmte Finanzinstitute oder bestimmte Personen, die Wertpapiere über solche Finanzinstitute halten). Solange die Wertpapiere durch die Vorläufige Globalurkunde verbrieft sind, werden Vergütungszahlungen erst nach Vorlage solcher Bescheinigungen vorgenommen. Eine gesonderte Bescheinigung ist für jede solche Vergütungszahlung erforderlich. Jede Bescheinigung, die am oder nach dem 40. Tag nach dem Ausgabetag eingeht, wird als ein Ersuchen behandelt werden, die Vorläufige Globalurkunde gemäß diesem § 2(2)(b) auszutauschen. Wertpapiere, die im Austausch für die Vorläufige Globalurkunde geliefert werden, dürfen nur außerhalb der Vereinigten Staaten geliefert werden.

(3) *Clearingsystem.* Die Globalurkunden werden solange von dem oder im Namen des Clearingsystems verwahrt, bis sämtliche Verpflichtungen der Emittentin aus den Wertpapieren erfüllt sind.

(4) *Übertragbarkeit.* Den Anleihegläubigern stehen Miteigentumsanteile oder -rechte an den Globalurkunden zu, die nach Maßgabe des anwendbaren Rechts und der jeweils geltenden Regelwerke des Clearingsystems übertragen werden.

§ 3

NACHRANGIGE GARANTIE

Die Dr. Ing. h.c. F. Porsche AG, Stuttgart (die **Garantin**) hat gegenüber der Hauptzahlstelle die unbedingte und unwiderrufliche nachrangige Garantie (die **Nachrangige Garantie**) zugunsten der Anleihegläubiger für die ordnungsgemäße Zahlung der Beträge, die Kapital und Vergütungen der bzw. auf die Wertpapiere sowie etwaigen gemäß § 8 zu zahlenden Beträgen entsprechen, übernommen.

§ 4

STATUS DER WERTPAPIERE UND DER NACHRANGIGEN GARANTIE

(1) *Status der Wertpapiere.* Die Wertpapiere begründen direkte, nicht besicherte, nachrangige Verbindlichkeiten der Emittentin, die untereinander im Rang gleich stehen und im Fall der Liquidation, der Auflösung oder der Insolvenz der Emittentin oder eines Vergleichs oder eines anderen der Abwendung der Insolvenz der Emittentin dienenden Verfahrens allen anderen bestehenden und zukünftigen Verbindlichkeiten der Emittentin, ob nachrangig oder nicht nachrangig, im Rang nachgehen, soweit zwingende gesetzliche Bestimmungen nichts anderes vorschreiben. Im Fall der Liquidation, der Auflösung oder der Insolvenz der Emittentin oder eines Vergleichs oder eines anderen

(2) *Temporary Global Security – Exchange.*

(a) The Securities are initially represented by a temporary global security (the **Temporary Global Security**) without compensation coupons. The Temporary Global Security will be exchanged for a permanent global security (the **Permanent Global Security**) without compensation coupons. The Temporary Global Security and the Permanent Global Security shall each be signed manually by two authorised signatories of the Issuer and shall each be authenticated by or on behalf of the Principal Paying Agent. Definitive Securities and compensation coupons shall not be issued.

(b) The Temporary Global Security shall be exchanged for the Permanent Global Security on a date (the **Exchange Date**) not later than 180 days after the Issue Date. The Exchange Date will not be earlier than 40 days after the Issue Date. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Securities is not a U.S. person (other than certain financial institutions or certain persons holding Securities through such financial institutions). Payment of compensation on Securities represented by a Temporary Global Security shall be made only after delivery of such certifications. A separate certification shall be required in respect of each such payment of compensation. Any such certification received on or after the 40th day after the Issue Date shall be treated as a request to exchange the Temporary Global Security pursuant to this § 2(2)(b). Any Securities delivered in exchange for the Temporary Global Security shall be delivered only outside of the United States.

(3) *Clearing System.* The Global Securities will be kept in custody by or on behalf of the Clearing System until all obligations of the Issuer under the Securities have been satisfied.

(4) *Transferability.* The Securityholders will receive co-ownership participations or rights in the Global Securities that are transferable in accordance with applicable law and applicable rules of the Clearing System.

§ 3

SUBORDINATED GUARANTEE

Dr. Ing. h.c. F. Porsche AG, Stuttgart (the **Guarantor**) issued an unconditional and irrevocable subordinated guarantee (the **Subordinated Guarantee**) to the Principal Paying Agent for the benefit of the Securityholders, for the due payment of the amounts corresponding to the principal of and compensation on the Securities and amounts, if any, to be paid pursuant to § 8.

§ 4

STATUS OF THE SECURITIES AND THE SUBORDINATED GUARANTEE

(1) *Status of the Securities.* The Securities constitute direct, unsecured and subordinated obligations of the Issuer ranking *pari passu* among themselves and in the event of the liquidation, dissolution or insolvency of the Issuer or composition or other proceedings for the avoidance of insolvency of the Issuer shall rank junior to all other present and future obligations of the Issuer, whether subordinated or unsubordinated, except as otherwise required by mandatory provisions of law. In the event of the liquidation, dissolution or insolvency of the Issuer or composition or other proceedings for the avoidance of insolvency of the Issuer, no amounts shall be payable in

der Abwendung der Insolvenz der Emittentin dienenden Verfahrens erfolgen Zahlungen auf die Wertpapiere solange nicht, wie die Ansprüche aller nicht nachrangigen und nachrangigen Gläubiger gegen die Emittentin nicht zuerst vollständig erfüllt sind. Die Anleihegläubiger sind nicht berechtigt, Forderungen aus den Wertpapieren gegen mögliche Forderungen der Emittentin gegen sie aufzurechnen. Die Emittentin ist nicht berechtigt, Forderungen gegenüber Anleihegläubigern gegen Verpflichtungen aus den Wertpapieren aufzurechnen. Für die Rechte der Anleihegläubiger aus den Wertpapieren ist diesen, mit Ausnahme der Nachrangigen Garantie, keine Sicherheit durch die Emittentin oder durch Dritte gestellt; eine solche Sicherheit wird auch zu keinem Zeitpunkt gestellt werden.

(2) *Status der Nachrangigen Garantie.* Die Verpflichtungen der Garantin aus der Nachrangigen Garantie begründen direkte, nicht besicherte, nachrangige Verbindlichkeiten der Garantin, die untereinander im Rang gleich stehen und im Fall der Liquidation, der Auflösung oder der Insolvenz der Garantin oder eines Vergleichs oder eines anderen der Abwendung der Insolvenz der Garantin dienenden Verfahrens allen anderen bestehenden und zukünftigen Verbindlichkeiten der Garantin, ob nachrangig oder nicht nachrangig, im Rang nachgehen, soweit zwingende gesetzliche Bestimmungen nichts anderes vorschreiben. Im Fall der Liquidation, der Auflösung oder der Insolvenz der Garantin oder eines anderen der Abwendung der Insolvenz der Garantin dienenden Verfahrens erfolgen Zahlungen auf die Nachrangige Garantie solange nicht, wie die Ansprüche aller nicht nachrangigen oder nachrangigen Gläubiger gegen die Garantin nicht vollständig erfüllt sind. Die Anleihegläubiger sind nicht berechtigt, Forderungen aus der Nachrangigen Garantie gegen mögliche Forderungen der Garantin gegen sie aufzurechnen. Die Garantin ist nicht berechtigt, Forderungen gegenüber Anleihegläubigern gegen Verpflichtungen aus der Nachrangigen Garantie aufzurechnen. Für die Rechte der Anleihegläubiger aus der Nachrangigen Garantie ist diesen keine Sicherheit durch die Garantin oder durch Dritte gestellt; eine solche Sicherheit wird auch zu keinem Zeitpunkt gestellt werden.

§ 5 VERGÜTUNGEN

(1) *Vergütungszeitraum.* Vorbehaltlich § 5(2) werden Vergütungen auf die Wertpapiere vom Ausgabetag (einschließlich) bis zum Tag der Rückzahlung (ausschließlich) wie folgt gezahlt:

(a) Die Wertpapiere werden mit 7,2 % p. a. auf ihren Nennbetrag verzinst und diese Vergütungen sind nachträglich vierteljährlich an jedem Vergütungszahlungstag, erstmals am 1. Mai 2006 fällig.

(b) Die Emittentin berechnet Vergütungen auf Grundlage der Anzahl der tatsächlich vergangenen Tage des Vergütungsberechnungszeitraums dividiert durch 360.

(2) *Vergütungsaufschub.*

(a) Vergütungen, die während eines Zeitraumes auflaufen, der an einem Obligatorischen Vergütungszahlungstag (wie nachstehend definiert) (ausschließlich) endet, sind an diesem Obligatorischen Vergütungszahlungstag zahlbar.

(b) Vergütungen, die während eines Zeitraumes auflaufen, der an einem Fakultativen Vergütungszahlungstag (ausschließlich) endet, sind nur dann an diesem Fakultativen Vergütungszahlungstag zahlbar, wenn und soweit sich die Emittentin für eine Zahlung der Vergütung entscheidet, ansonsten stellen diese Vergütungen für den Fall, dass die Emittentin keine derartige Entscheidung trifft, **Vergütungsrückstände** dar. Die Emittentin ist nicht verpflichtet, an einem Fakultativen Vergütungszahlungstag Vergütungen

respect of the Securities until the claims of all unsubordinated and subordinated creditors of the Issuer shall have first been satisfied in full. No Securityholder may set-off any claims arising under the Securities against any claims that the Issuer may have against it. The Issuer may not set-off any claims it may have against the Securityholders against any of its obligations under the Securities. Except for the Subordinated Guarantee, no security is, or shall at any time be, provided by the Issuer or any other person securing rights of the Securityholders under the Securities.

(2) *Status of the Subordinated Guarantee.* The obligations of the Guarantor under the Subordinated Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor, ranking *pari passu* among themselves and in the event of the liquidation, dissolution or insolvency of the Guarantor or composition or other proceedings for the avoidance of insolvency of the Guarantor ranking junior to all other present and future obligations of the Guarantor, whether subordinated or unsubordinated, except as otherwise required by mandatory provisions of law. In the event of the liquidation, dissolution or insolvency of the Guarantor or other proceedings for the avoidance of insolvency of the Guarantor, no amounts shall be payable in respect of the Subordinated Guarantee until the claims of all unsubordinated or subordinated creditors of the Guarantor shall have first been satisfied in full. No Securityholder may set-off any claims arising under the Subordinated Guarantee against any claims that the Guarantor may have against it. The Guarantor may not set-off any claims it may have against the Securityholders against any of its obligations under the Subordinated Guarantee. No security is, or shall at any time be, provided by the Guarantor or any other person securing rights of the Securityholders under the Subordinated Guarantee.

§ 5 COMPENSATION

(1) *Compensation Period.* Subject to § 5(2), compensation on the Securities from and including the Issue Date to but excluding the date of redemption will be paid as follows:

(a) The Securities bear compensation at the rate of 7.2 % per annum on their principal amount and such compensation shall be payable quarterly in arrear on each Compensation Payment Date, commencing on 1 May 2006.

(b) Compensation shall be calculated by the Issuer on the basis of the actual number of days elapsed in the Compensation Calculation Period, divided by 360.

(2) *Compensation Deferral.*

(a) Compensation which accrues during a period ending on (but excluding) a Compulsory Compensation Payment Date (as defined below) shall be payable on that Compulsory Compensation Payment Date.

(b) Compensation which accrues during a period ending on (but excluding) an Optional Compensation Payment Date shall be payable on that Optional Compensation Payment Date only if and to the extent the Issuer elects to make payment of such compensation and, in the case there is no such election, such compensation shall otherwise constitute **Arrears of Compensation**. The Issuer shall not have any obligation to pay compensation on any Optional Compensation Payment Date if it does not elect

gen zu zahlen, wenn sie sich gegen eine solche Zahlung entschieden hat; eine Nichtzahlung aus diesem Grunde begründet keinen Verzug der Emittentin und keine sonstige Verletzung ihrer Verpflichtungen aufgrund dieser Wertpapiere oder für sonstige Zwecke.

(c)

(i) Falls sich die Emittentin dafür entscheidet, an einem Fakultativen Vergütungszahlungstag Vergütungszahlungen ganz oder teilweise zu leisten, ist sie verpflichtet, an diesem Fakultativen Vergütungszahlungstag auch sämtliche Vergütungsrückstände zu zahlen.

(ii) Soweit sich die Emittentin entscheidet, an einem Fakultativen Vergütungszahlungstag nicht den gesamten Vergütungsbetrag zu zahlen, hat sie dies den Anleihegläubigern gemäß § 12 unter Einhaltung einer Frist von mindestens 10 und höchstens 15 Geschäftstagen vor diesem Fakultativen Vergütungszahlungstag bekannt zu machen.

(d) Vergütungsrückstände werden nicht verzinst.

(e) Die Emittentin kann ausstehende Vergütungsrückstände jederzeit ganz oder teilweise nach Benachrichtigung der Anleihegläubiger gemäß § 12 unter Einhaltung einer Frist von nicht weniger als 10 und nicht mehr als 15 Geschäftstagen zahlen (wobei eine solche Mitteilung unwiderruflich ist und die Emittentin verpflichtet ist, die jeweiligen Vergütungsrückstände an dem in dieser Mitteilung genannten Zahlungstag zu zahlen).

(f) Weiterhin ist die Emittentin verpflichtet, ausstehende Vergütungsrückstände (vollständig, jedoch nicht teilweise) an dem zuerst eintretenden der folgenden Tage zu zahlen:

(i) am nächsten Obligatorischen Vergütungszahlungstag;

(ii) an dem Tag, an dem die Wertpapiere zur Rückzahlung fällig sind;

(iii) an dem Tage, an dem eine Verfügung zur Auflösung, Abwicklung oder Liquidation der Emittentin oder der Garantin ergeht (sofern dies nicht für die Zwecke oder als Folge eines Zusammenschlusses, einer Umstrukturierung oder Sanierung geschieht, bei dem bzw. der die Emittentin bzw. die Garantin noch zahlungsfähig ist und bei dem bzw. der die fortführende Gesellschaft im Wesentlichen alle Vermögenswerte und Verpflichtungen der Emittentin bzw. der Garantin übernimmt); sowie

(iv) an dem Tag, an dem die Emittentin oder die Garantin (unmittelbar, aufgrund einer Garantie oder aus einem sonstigen Grund) Vergütungen oder eine Ausschüttung auf (i) ein Nachrangiges Wertpapier oder (ii) ein Gleichrangiges Wertpapier, das jeweils nach Maßgabe der Anwendbaren Rechnungslegungsvorschriften in der konsolidierten Bilanz der Garantin als „Eigenkapital“ qualifiziert wird, leistet.

(g) Wenn die Emittentin oder die Garantin (unmittelbar, aufgrund einer Garantie oder aus einem sonstigen Grund) Aufgeschobene Vergütungen auf Gleichrangige Wertpapiere, die nach Maßgabe der Anwendbaren Rechnungslegungsvorschriften in der konsolidierten Bilanz der Garantin als „Eigenkapital“ qualifiziert werden, ganz oder teilweise zahlt, ist die Emittentin verpflichtet, an dem auf eine solche Zahlung unmittelbar folgenden Fälligkeitstag für eine Vergütung in der anteiligen Höhe (berechnet auf prozentualer Grundlage) Zahlungen auf Vergütungsrückstände zu leisten. Stichtag für die Berechnung einer solchen anteiligen Zahlung ist der Tag, an dem die Zahlung der Aufgeschobenen Vergütungen geleistet wird, wobei die Häufigkeit der Zahlungen auf diese Gleichrangigen Wertpapiere und die Häufigkeit der Zahlungen auf die Wertpapiere berücksichtigt werden.

to do so and any such failure to pay compensation shall not constitute a default of the Issuer or any other breach of obligations under the Securities or for any other purpose.

(c)

(i) If the Issuer decides to pay compensation (in whole or in part) on an Optional Compensation Payment Date, it shall also be obliged to pay all Arrears of Compensation on such Optional Compensation Payment Date.

(ii) If the Issuer decides not to pay the full amount of Compensation on an Optional Compensation Payment Date, the Issuer shall notify the Securityholders in accordance with § 12 not less than 10 and not more than 15 Business Days prior to such Optional Compensation Payment Date.

(d) Arrears of Compensation shall not bear interest.

(e) The Issuer may pay outstanding Arrears of Compensation (in whole or in part) at any time on the giving of not less than 10 and not more than 15 Business Days' notice to the Securityholders in accordance with § 12 (which notice will be irrevocable and will oblige the Issuer to pay the relevant Arrears of Compensation on the payment date specified in such notice).

(f) The Issuer will also be obliged to pay outstanding Arrears of Compensation (in whole but not in part) on the earlier of:

(i) the next Compulsory Compensation Payment Date;

(ii) the due date for redemption of the Securities;

(iii) the date on which an order is made for the winding-up, or dissolution or liquidation of the Issuer or the Guarantor (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring while solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer or the Guarantor (as applicable)); and

(iv) the date on which the Issuer or the Guarantor (directly, pursuant to any guarantee or otherwise) make any payment of compensation or distribution on (i) a Junior Security or (ii) a Parity Security which pursuant to the Applicable Accounting Standards qualifies, in each case, as "equity" in the consolidated balance sheet of the Guarantor.

(g) If the Issuer or the Guarantor (directly, pursuant to any guarantee or otherwise) makes any payment of Deferred Compensation (in whole or in part) on Parity Securities which pursuant to the Applicable Accounting Standards qualify as "equity" in the consolidated balance sheet of the Guarantor, the Issuer shall, on the next due date for any compensation immediately following such payment, make a *pro rata* payment on Arrears of Compensation (calculated on a percentage basis). Any such *pro rata* payment will be calculated by reference to the date of payment of such Deferred Compensation, taking into consideration the frequency of payments on such Parity Securities and the frequency of payments on the securities.

(h) Definitionen:

Fakultativer Vergütungszahlungstag bezeichnet jeden Vergütungszahlungstag, an dem sämtliche nachfolgend aufgeführten Kriterien erfüllt sind:

(i) weder auf der Jahreshauptversammlung noch auf einer dieser nachfolgenden Hauptversammlung der Garantin unmittelbar vor diesem Vergütungszahlungstag wurde für eine Aktiengattung der Garantin eine Dividende, andere Ausschüttung oder Zahlung (einschließlich zum Zweck der Rückzahlung oder des Rückkaufs von Aktien) beschlossen; und

(ii) seit dieser Jahreshauptversammlung der Garantin ist weder für Nachrangige Wertpapiere noch für Gleichrangige Wertpapiere, die jeweils nach Maßgabe der Anwendbaren Rechnungslegungsvorschriften in der konsolidierten Bilanz der Garantin als „Eigenkapital“ qualifiziert werden, eine Dividende, andere Ausschüttung oder Zahlung (einschließlich zum Zweck der Rückzahlung oder des Rückkaufs von Nachrangigen Wertpapieren oder Gleichrangigen Wertpapieren) beschlossen, gezahlt oder vorgenommen worden; und

(iii) die Garantin hat seit der letzten unmittelbar vorangehenden Jahreshauptversammlung weder selbst Gleichrangige Wertpapiere, Nachrangige Wertpapiere oder Aktien irgendeiner Aktiengattung gegen Gewährung einer Gegenleistung (mit Ausnahme einer in der Wandlung oder im Umtausch in Stammaktien der Garantin bestehenden Gegenleistung) zurückgekauft oder sonst wie erworben und auch keine Konzerngesellschaft veranlasst dies zu tun.

Obligatorischer Vergütungszahlungstag bezeichnet jeden Vergütungszahlungstag, der kein Fakultativer Vergütungszahlungstag ist.

(3) *Ende des Vergütungslaufs.* Der Vergütungslauf der Wertpapiere endet mit Ablauf des Tages, der dem Tag vorausgeht, an dem sie zur Rückzahlung fällig werden. Sollte die Emittentin die Wertpapiere bei Fälligkeit nicht einlösen, endet die Verpflichtung zu Zahlung von Vergütungen auf den ausstehenden Nennbetrag nicht am Fälligkeitstag, sondern erst mit dem Tag der tatsächlichen Rückzahlung der Wertpapiere (ausschließlich).

§ 6

RÜCKZAHLUNG UND RÜCKKAUF

(1) *Keine Endfälligkeit.* Die Wertpapiere haben keinen Endfälligkeitstag und werden, außer nach Maßgabe dieses § 6, nicht zurückgezahlt.

(2) *Kündigungsrecht der Emittentin und vorzeitige Rückzahlung aus Steuergründen.* Bei Eintritt eines Gross-up-Ereignisses, eines Rechnungslegungsereignisses oder eines Steuerereignisses ist die Emittentin berechtigt, die Wertpapiere jederzeit (insgesamt, jedoch nicht teilweise) durch eine unwiderrufliche Benachrichtigung der Anleihegläubiger gemäß § 12 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen zu kündigen und zum Nennbetrag zuzüglich aller bis zum Rückzahlungstag (ausschließlich) aufgelaufenen Vergütungen und aller Vergütungsrückstände zurückzuzahlen.

Dabei gilt für den Fall eines Gross-up-Ereignisses, dass eine solche Kündigungsmitteilung nicht früher als 90 Tage vor dem ersten Tag gemacht werden darf, an dem die Emittentin oder die Garantin erstmals verpflichtet wäre, die jeweiligen zusätzlichen Beträge in Ansehung fälliger Beträge auf die Wertpapiere bzw. die Garantie zu zahlen.

(3) *Kündigung und vorzeitige Rückzahlung nach Wahl der Emittentin.* Die Emittentin kann die Wertpapiere am 1. Februar 2011 oder an jedem danach folgenden Vergütungszahlungstag vollständig, aber nicht in Teilbeträgen nach unwiderruflicher Kündigungsmitteilung an die Anleihegläubiger

(h) Definitions:

Optional Compensation Payment Date means any Compensation Payment Date in respect of which all of the following criteria are met:

(i) no dividend, other distribution or payment (including for the purposes of a redemption or repurchase of shares) was resolved on in respect of shares of any class of shares of the Guarantor at the Annual General Meeting or any subsequent general meeting of the Guarantor immediately preceding such Compensation Payment Date; and

(ii) no dividend, other distribution or payment (including for the purposes of a redemption or repurchase of any Junior Securities or Parity Securities) has been resolved on, paid or made since such Annual General Meeting of the Guarantor in respect of any (i) Junior Securities or (ii) Parity Securities which pursuant to the Applicable Accounting Standards qualify, in each case, as “equity” in the consolidated balance sheet of the Guarantor; and

(iii) the Guarantor has not repurchased or otherwise acquired, or caused another Group Entity to repurchase or otherwise acquire, any Parity Security, Junior Security or shares of any class of shares for any consideration (except by conversion into or exchange for ordinary shares of the Guarantor) since the immediately preceding Annual General Meeting of the Guarantor.

Compulsory Compensation Payment Date means any Compensation Payment Date which is not an Optional Compensation Payment Date.

(3) *Cessation of Compensation Payments.* The Securities shall cease to bear compensation from the end of the day which precedes the day on which they are due for redemption. If the Issuer fails to redeem the Securities when due, the obligation to pay compensation on the outstanding principal amount shall continue to accrue beyond the due date until (but excluding) the date of actual redemption of the Securities.

§ 6

REDEMPTION AND PURCHASE

(1) *No Scheduled Maturity.* The Securities have no final maturity date and shall not be redeemed except in accordance with the provisions of this § 6.

(2) *Issuer Call Right and Early Redemption for Tax Reasons.* If at any time either a Gross-up Event, an Accounting Event or a Tax Event occurs, the Issuer may call and redeem the Securities (in whole but not in part) at their principal amount together with any compensation accrued until (but excluding) the redemption date and all outstanding Arrears of Compensation at any time on giving not less than 30 and not more than 60 days’ irrevocable notice to the Securityholders in accordance with § 12.

In the case of a Gross-up Event no such notice of redemption may be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be for the first time obliged to pay the additional amounts in question on payments due in respect of the Securities or the Guarantee, respectively.

(3) *Issuer Call Right and Early Redemption at the option of the Issuer.* The Issuer may call and redeem the Securities (in whole but not in part) on 1 February 2011 or on any Compensation Payment Date thereafter at their principal amount, plus any compensation accrued until (but exclud-

gemäß § 12 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen zum Nennbetrag zuzüglich sämtlicher bis zum Rückzahlungstag (ausschließlich) aufgelaufener Vergütungen und sämtlicher ausstehender Vergütungsrückstände kündigen und zurückzahlen.

Eine solche Kündigungsmitteilung verpflichtet die Emittentin, die Wertpapiere an dem in der Kündigungsmitteilung angegebenen Tag zu ihrem Nennbetrag, nebst Vergütungen, die bis zu diesem Tag aufgelaufen sind, einschließlich sämtlicher ausstehender Vergütungsrückstände zurückzuzahlen.

(4) *Rückkauf.* Die Garantin und die Emittentin können jederzeit Wertpapiere auf dem freien Markt oder anderweitig sowie zu jedem beliebigen Preis kaufen. Derartig erworbene Wertpapiere können eingezogen, gehalten oder wieder veräußert werden.

§ 7 ZÄHLUNGEN

(1) *Zahlung von Kapital und Vergütungen.* Die Emittentin verpflichtet sich, Kapital und Vergütungen auf die Wertpapiere sowie etwaige gemäß § 8 zahlbaren Beträge bei Fälligkeit in US-Dollar zu zahlen. Derartige Zahlungen erfolgen an die Hauptzahlstelle zur Weiterleitung an das Clearingsystem oder an dessen Order zur Gutschrift für die jeweiligen Kontoinhaber. Die Zahlung an das Clearingsystem oder an dessen Order, vorausgesetzt, die Wertpapiere werden noch durch das Clearingsystem gehalten, befreit die Emittentin in Höhe der geleisteten Zahlung von ihren entsprechenden Verbindlichkeiten aus den Wertpapieren.

(2) *Fälligkeitstag kein Geschäftstag.* Falls ein Fälligkeitstag für die Zahlung von Kapital und/oder Vergütungen kein Geschäftstag ist, erfolgt die Zahlung erst am nächstfolgenden Geschäftstag; Anleihegläubiger sind nicht berechtigt, eine Vergütungszahlung oder eine andere Entschädigung wegen eines solchen Zahlungsaufschubs zu verlangen.

(3) *Hinterlegung.* Die Emittentin kann die von den Anleihegläubigern innerhalb von zwölf Monaten nach dem Tag, an dem die Wertpapiere zur Rückzahlung fällig geworden sind, nicht erhobenen Beträge an Kapital und Vergütungen bei dem Amtsgericht Frankfurt am Main hinterlegen. Soweit die Emittentin auf das Recht der Rücknahme der hinterlegten Beträge verzichtet, erlöschen die betreffenden Ansprüche der Anleihegläubiger gegen die Emittentin.

§ 8 STEUERN

Sämtliche Zahlungen von Kapital und Vergütungen in Bezug auf die Wertpapiere werden ohne Einbehalt oder Abzug von Steuern, Abgaben, Festsetzungen oder behördlicher Gebühren jedweder Art geleistet, die von der Republik Irland oder einer ihrer Gebietskörperschaften oder Behörden mit der Befugnis zur Erhebung von Steuern auferlegt, erhoben, eingezogen, einbehalten oder festgesetzt werden, es sei denn, ein solcher Einbehalt oder Abzug ist gesetzlich vorgeschrieben. In einem solchen Falle wird die Emittentin solche zusätzlichen Beträge zahlen, so dass die Anleihegläubiger die Beträge erhalten, die sie ohne Einbehalt oder Abzug erhalten hätten. Diese zusätzlichen Beträge sind jedoch nicht in Bezug auf Wertpapiere zahlbar,

(a) die von einem Anleihegläubiger oder in dessen Namen zur Zahlung vorgelegt werden, der solchen Steuern, Abgaben, Festsetzungen oder behördlichen Gebühren in Bezug auf diese Wertpapiere dadurch unterliegt, dass er eine Verbindung zu der Republik Irland hat, die nicht nur

(ing) the redemption date and all outstanding Arrears of Compensation on giving not less than 30 and not more than 60 days' irrevocable notice of redemption to the Securityholders in accordance with § 12.

Such notice of redemption shall oblige the Issuer to redeem the Securities on the day specified in that notice at the principal amount, plus accrued compensation to that date, including all outstanding Arrears of Compensation.

(4) *Repurchase.* The Guarantor and the Issuer may at any time purchase Securities in the open market or otherwise and at any price. Securities so acquired may be cancelled, held or resold.

§ 7 PAYMENTS

(1) *Payment of Principal and Compensation.* The Issuer undertakes to pay in US Dollar, as and when due, principal and compensation as well as amounts, if any, payable pursuant to § 8. Such Payments shall be made to the Principal Paying Agent for on-payment to the Clearing System or to its order for credit to the respective account holders. Payments to the Clearing System or to its order shall, to the extent of amounts so paid and provided the Securities are still held by the Clearing System, constitute the discharge of the Issuer from its corresponding obligations under the Securities.

(2) *Due Date not a Business Day.* If the due date for any payment of principal and/or compensation is not a Business Day, payment shall be made on the next following Business Day; a Securityholder shall have no right to claim payment of compensation or other indemnity in respect of such delay in payment.

(3) *Deposit.* The Issuer may deposit with the *Amtsgericht* (local court) Frankfurt am Main principal and compensation not claimed by Securityholders within twelve months after the date on which the Securities fall due for repayment. To the extent that the Issuer waives its right to withdraw such deposit the relevant claims of the Securityholders against the Issuer shall cease.

§ 8 TAXES

All payments of principal and compensation in respect of the Securities shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Republic of Ireland or any of its political subdivisions or authorities that has power to tax, unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as will result in receipt by the Securityholders of the same amounts as they would have received without such withholding or deduction, except that no additional amounts will be payable in respect of any Security:

(a) if it is presented for payment by or on behalf of a Securityholder who is subject to such taxes, duties, assessments or governmental charges in respect of such Security by reason of it having some connection with the Republic of Ireland other than the mere holding of that

aus der bloßen Inhaberschaft der Wertpapiere besteht; oder

(b) die von einem Anleihegläubiger oder in dessen Namen zur Zahlung vorgelegt werden, der einen solchen Einbehalt oder Abzug nach rechtzeitiger Aufforderung durch die Emittentin durch Vorlage eines Formulars oder einer Urkunde und/oder durch Abgabe einer Nichtansässigkeits-Erklärung oder Inanspruchnahme einer vergleichbaren Ausnahme oder Geltendmachung eines Erstattungsanspruches hätte vermeiden können; oder

(c) die später als 30 Tage nach dem Tag vorgelegt werden an dem die betreffende Zahlung erstmals fällig wird, oder, falls nicht der gesamte an diesem Fälligkeitstag zahlbare Betrag an oder vor diesem Fälligkeitstag bei der Hauptzahlstelle eingegangen ist, dem Tag, an dem den Anleihegläubigern der Erhalt des Gesamtbetrags nach Maßgabe des § 12 bekannt gemacht wurde; oder

(d) falls dieser Einbehalt oder Abzug bei Zahlungen an Einzelpersonen gemäß der Richtlinie der Europäischen Union zur Besteuerung privater Zinserträge vom 3. Juni 2003 oder aufgrund eines Gesetzes erfolgt, das aufgrund dieser Richtlinie erlassen wurde, ihr entspricht oder eingeführt wurde, um dieser Richtlinie nachzukommen; oder

(e) die von einem Anleihegläubiger oder in dessen Namen zur Zahlung vorgelegt werden, der diesen Einbehalt oder Abzug durch Vorlage der Schuldverschreibung bei einer Zahlstelle in einem anderen Mitgliedstaat der Europäischen Union hätte vermeiden können.

Eine Bezugnahme in diesen Anleihebedingungen auf Kapital oder Vergütungen schließt jegliche zusätzlichen Beträge im Hinblick auf Kapital bzw. Vergütungen ein, die gemäß diesem § 8 zahlbar sind.

Falls die Garantin Zahlungen leistet, gilt dafür aufgrund der Nachrangigen Garantie dieser § 8 entsprechend mit der Maßgabe, dass dieser sich außer auf Steuern, Abgaben oder Gebühren der Republik Irland auch auf solche der Bundesrepublik Deutschland bezieht.

§ 9 VORLEGUNGSFRIST

Die Vorlegungsfrist im Hinblick auf Kapital wird auf zehn Jahre und im Hinblick auf Vergütungen auf die Wertpapiere auf vier Jahre reduziert

§ 10 ZAHLSTELLEN

(1) *Hauptzahlstelle.* Die Deutsche Bank Aktiengesellschaft ist die anfängliche Hauptzahlstelle (**Hauptzahlstelle**).

(2) *Irische Zahlstelle.* NCB Stockbrokers Ltd. mit Sitz in Dublin, Republik Irland, ist als weitere Zahlstelle (gemeinsam mit der Hauptzahlstelle die **Zahlstellen** und jede eine **Zahlstelle**) bestellt.

(3) *Rechtsverhältnisse der Zahlstellen.* Die Zahlstellen handeln ausschließlich als Beauftragte der Emittentin und übernehmen keine Verpflichtungen gegenüber den Anleihegläubigern; es wird kein Vertrags-, Auftrags- oder Treuhandverhältnis zwischen ihnen und den Anleihegläubigern begründet.

(4) *Ersetzung von Zahlstellen.* Die Emittentin behält sich das Recht vor, jederzeit eine andere Zahlstelle zu beauftragen oder eine solche Beauftragung zu beenden und zusätzliche oder Nachfolge-Zahlstellen zu ernennen. Die Emittentin wird jedoch gewährleisten, dass, solange die Wertpapiere an einer Börse notiert sind, jederzeit eine Zahlstelle in dem Staat beauftragt ist, in dem die Börse

Security; or

(b) if it is presented for payment by or on behalf of a Securityholder who would have been able to avoid such withholding or deduction by presenting a form or certificate and/or making a declaration of non-residence or similar claim for exemption or refund upon timely request by the Issuer; or

(c) if it is presented more than 30 days after the date on which the relevant payment first becomes due or, if the full amount payable on such due date has not been received by the Principal Paying Agent on or prior to such due date, the date on which notice of receipt of the full amount has been given to the Securityholders in accordance with § 12; or

(d) where such withholding or deduction is imposed on a payment to an individual pursuant to the European Union Directive on the taxation of savings of 3 June 2003 or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(e) if it is presented for payment by or on behalf of a Securityholder who could have avoided such withholding or deduction by presenting the Security to a Paying Agent in another Member State of the European Union.

Any reference in these Terms and Conditions to principal or compensation will be deemed to include any additional amounts in respect of principal or compensation (as the case may be) which may be payable under this § 8.

In the event that the Guarantor makes payments, this § 8, by virtue of the Subordinated Guarantee, applies *mutatis mutandis* to any such payments provided that it also refers to taxes, duties and charges of the Federal Republic of Germany in addition to those of the Republic of Ireland.

§ 9 PRESENTATION PERIOD

The presentation period shall be reduced to ten years in respect of principal and to four years in respect of compensation on the Securities.

§ 10 PAYING AGENTS

(1) *Principal Paying Agent.* Deutsche Bank Aktiengesellschaft shall be the initial principal paying agent (**Principal Paying Agent**).

(2) *Irish Paying Agent.* NCB Stockbrokers Ltd. having its seat in Dublin, Republic of Ireland shall be appointed as additional paying agent (together with the Principal Paying Agent, the **Paying Agents**, and each a **Paying Agent**).

(3) *Status of the Paying Agents.* The Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of contract, agency or trust for or with any of the Securityholders.

(4) *Replacement of Paying Agents.* The Issuer reserves the right at any time to appoint another Paying Agent or terminate such appointment and to appoint successor or additional Paying Agents, provided that, for as long as the Securities are listed on a stock exchange, the Issuer will at all times ensure that a Paying Agent is appointed in the jurisdiction in which such stock exchange is located; and

ihren Sitz hat. Die Emittentin wird auch sicherstellen, dass für den Fall, dass im Hinblick auf die Richtlinie der Europäischen Union zur Besteuerung privater Zinserträge vom 3. Juni 2003, ein Gesetz, das diese Richtlinie umsetzt oder eingeführt wird, um dieser Richtlinie nachzukommen, erlassen wird, eine Zahlstelle in einem Mitgliedstaat der Europäischen Union unterhalten wird (sofern es eine derartige gibt), die nicht dazu verpflichtet ist, Steuern aufgrund dieser Richtlinie oder eines solchen Gesetzes an der Quelle einzubehalten oder abzuziehen. Den Anleihegläubigern werden Änderungen in Bezug auf die Zahlstellen oder ihre jeweils angegebenen Geschäftsstellen umgehend gemäß § 12 mitgeteilt.

§ 11 AUFSTOCKUNG

Die Emittentin kann ohne Zustimmung der Anleihegläubiger weitere Wertpapiere begeben, die in jeder Hinsicht (oder in jeder Hinsicht mit Ausnahme der ersten Vergütungszahlung und der Bestimmungen in § 2(2)) die gleichen Bedingungen wie diese Wertpapiere haben und die zusammen mit diesen Wertpapieren eine einzige Serie bilden.

§ 12 MITTEILUNGEN

(1) Falls die Wertpapiere zum Handel an einer oder mehreren Börsen zugelassen werden, gelten sämtliche Mitteilungen an die Anleihegläubiger als ordnungsgemäß bekannt gemacht, wenn sie in dem Staat einer jeden Wertpapierbörse, an der die Wertpapiere notiert werden, in einer Tageszeitung mit landesweiter Verbreitung veröffentlicht werden, solange diese Notierung fort dauert und die Regeln der jeweiligen Börse dies erfordern. Jede Mitteilung gilt mit dem Tag der ersten Veröffentlichung als bekannt gemacht; falls eine Veröffentlichung in mehr als einer Tageszeitung zu erfolgen hat, ist der Tag maßgeblich, an dem die Bekanntmachung erstmals in allen erforderlichen Tageszeitungen erfolgt ist.

(2) Mitteilungen an die Anleihegläubiger können anstelle der Veröffentlichung in einer Zeitung nach Maßgabe des § 12(1), (vorbehaltlich anwendbarer Börsenvorschriften bzw. -regeln) solange eine die Wertpapiere verbriefende Globalurkunde für das Clearingsystem gehalten wird, durch Abgabe der entsprechenden Mitteilung an das Clearingsystem zur Weiterleitung an die Anleihegläubiger ersetzt werden.

§ 13 ERSETZUNG DER EMITTENTIN

(1) *Ersetzung.* Die Emittentin ist jederzeit berechtigt, ohne Zustimmung der Anleihegläubiger, die Garantin oder eine andere Gesellschaft, die direkt oder indirekt von der Garantin kontrolliert wird, als neue Anleiheschuldnerin für alle sich aus oder im Zusammenhang mit den Wertpapieren ergebenden Verpflichtungen mit schuldbefreiender Wirkung für die Emittentin an die Stelle der Emittentin zu setzen (die **Neue Anleiheschuldnerin**), sofern

(a) die Emittentin sich nicht mit einer fälligen Zahlung auf die Wertpapiere in Verzug befindet;

(b) die Neue Anleiheschuldnerin sämtliche Verpflichtungen der Emittentin aus oder im Zusammenhang mit den Wertpapieren übernimmt;

(c) die Neue Anleiheschuldnerin sämtliche für die Schuldnerersetzung und die Erfüllung der Verpflichtungen aus oder im Zusammenhang mit den Wertpapieren erforderlichen Genehmigungen erhalten hat;

provided further that if, in consideration of the European Union Directive on the taxation of savings of 3 June 2003, any law implementing or introduced in order to conform to such Directive is introduced, the Issuer will ensure that (to the extent that such a Paying Agent exists) it maintains a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax at source pursuant to this Directive or any such law. Notice of any changes relating to the Paying Agents or to their specified offices will be given without undue delay to the Securityholders in accordance with § 12.

§ 11 INCREASE

The Issuer may without the consent of the Securityholders issue further Securities which have the same Terms and Conditions as these Securities in all respects (or in all respects, except for the first payment of compensation and the provisions contained in § 2(2)) and form a single series with these Securities.

§ 12 NOTICES

(1) If the Securities are admitted for trading on one or more stock exchanges, all notices to the Securityholders are deemed to be properly published if they are published in a daily newspaper with nationwide circulation in the state of each stock exchange on which the Securities are listed, for so long as the listing of the Securities continues and the rules of any such exchange so require. Any such notice shall be deemed to have been given on the date of first publication or, when required to be published in more than one daily newspaper, on the date on which the notice has first been published in all required daily newspapers.

(2) Notices to Securityholders may (subject to applicable stock exchange rules and requirements), so long as a Global Security representing the Securities is held on behalf of the Clearing System, be given *in lieu* of publication in a newspaper pursuant to § 12(1) by delivery of the relevant notice to the Clearing System for communication to the Securityholders.

§ 13 SUBSTITUTION OF THE ISSUER

(1) *Substitution.* The Issuer may at any time, without the consent of the Securityholders, replace the Issuer with the Guarantor or another company which is directly or indirectly controlled by the Guarantor, as new issuer (the **New Issuer**) in respect of all obligations arising under or in connection with the Securities, with the effect of releasing the Issuer of all such obligations, if:

(a) the Issuer is not in default of any payment due under the Securities;

(b) the New Issuer assumes any and all obligations of the Issuer arising under or in connection with the Securities;

(c) the New Issuer has obtained all authorizations and approvals necessary for the substitution and the fulfillment of the obligations arising under or in connection with the Securities;

(d) die Neue Anleiheschuldnerin in der Lage ist, sämtliche zur Erfüllung der aufgrund der Wertpapiere bestehenden Zahlungsverpflichtungen erforderlichen Beträge in US-Dollar an das Clearingsystem zu zahlen, und zwar ohne Abzug oder Einbehalt von Steuern oder sonstigen Abgaben jedweder Art, die von dem Land (oder den Ländern), in dem (in denen) die Neue Anleiheschuldnerin ihren Sitz oder Steuersitz hat, auferlegt, erhoben oder eingezogen werden;

(e) die Neue Anleiheschuldnerin oder die Garantin sich verpflichtet hat, die Anleihegläubiger hinsichtlich solcher Steuern, Abgaben oder behördlicher Gebühren freizustellen, die den Anleihegläubigern bezüglich der Ersetzung auferlegt werden; und

(f) für den Fall, dass die Neue Anleiheschuldnerin nicht die Garantin ist, die Bestimmungen der Ziffer 1.5 der Nachrangigen Garantie, wonach sich die Nachrangige Garantie auf die von der Neuen Anleiheschuldnerin gemäß den Anleihebedingungen zahlbaren Beträge erstreckt, in vollem Umfang Bestand haben.

(2) *Bezugnahmen.* Im Fall einer Schuldnerersetzung nach Maßgabe von § 13(1) gilt jede Bezugnahme in diesen Anleihebedingungen auf die Emittentin als eine solche auf die Neue Anleiheschuldnerin und jede Bezugnahme auf die Republik Irland als eine solche auf den Staat, in welchem die Neue Anleiheschuldnerin steuerlich ansässig ist.

(3) *Bekanntmachung und Wirksamwerden der Ersetzung.* Die Ersetzung der Emittentin ist gemäß § 12 bekannt zu machen. Mit der Bekanntmachung der Ersetzung wird die Ersetzung wirksam und die Emittentin (und im Falle einer wiederholten Anwendung dieses § 13 jede frühere Neue Anleiheschuldnerin) von ihren sämtlichen Verpflichtungen aus oder im Zusammenhang mit den Wertpapieren frei. Im Falle einer solchen Ersetzung werden die Wertpapierbörsen informiert, an denen die Wertpapiere notiert sind.

§ 14

ANWENDBARES RECHT UND GERICHTSSTAND

(1) *Anwendbares Recht.* Mit Ausnahme von § 4(1), der dem Recht der Republik Irland unterliegt, bestimmen sich Form und Inhalt der Wertpapiere sowie die Rechte und Pflichten der Anleihegläubiger und der Emittentin ausschließlich nach deutschem Recht.

(2) *Erfüllungsort.* Erfüllungsort ist Frankfurt am Main, Bundesrepublik Deutschland.

(3) *Gerichtsstand.* Die Emittentin vereinbart zugunsten der Anleihegläubiger, dass Frankfurt am Main der Gerichtsstand für alle Klagen, Verfahren oder Rechtsstreitigkeiten gegen die Emittentin, die aus oder im Zusammenhang mit den Wertpapieren entstehen (jeweils **Verfahren** bzw. **Streitigkeiten**), ist. Die Emittentin erkennt diesen Gerichtsstand zu diesem Zweck unwiderruflich an.

(4) *Verzicht auf Einreden.* Die Emittentin verzichtet unwiderruflich darauf, Einwendungen oder Einreden geltend zu machen, die jetzt oder in Zukunft gegen die Vereinbarung vorgebracht werden könnten, dass Frankfurt am Main der Gerichtsstand für alle Verfahren und Streitigkeiten sein soll, und verpflichtet sich, nicht zu bestreiten, dass diese Gerichte geeignet oder zuständig sind.

(5) *Nichtausschließlichkeit.* Die Gerichtsstandsvereinbarung beschränkt nicht das Recht eines Anleihegläubigers (und wird auch nicht dahingehend ausgelegt), Verfahren vor einem anderen zuständigen Gericht anzustrengen. Ebenso wenig schließt die Einleitung von Verfahren an einem oder mehreren Gerichtsständen die Einleitung von

(d) the New Issuer is in the position to pay to the Clearing System in US Dollar all amounts required for the performance of the payment obligations existing in relation to the Securities without deducting or withholding any taxes or other duties of whatever nature imposed, levied or deducted by the country (or countries) in which the New Issuer has its domicile or tax residence;

(e) the New Issuer or the Guarantor has agreed to indemnify the Securityholders against such taxes, duties or governmental charges as may be imposed on the Securityholders in connection with the substitution; and

(f) in the event that the New Issuer is not the Guarantor, the provisions of Clause 1.5 of the Subordinated Guarantee, pursuant to which the Subordinated Guarantee shall extend to the amounts payable by the New Issuer pursuant to these Terms and Conditions, shall be in full force and effect.

(2) *References.* In the event of a substitution of the Issuer pursuant to § 13(1), any reference in these Terms and Conditions to the Issuer shall be a reference to the New Issuer and any reference to the Republic of Ireland shall be a reference to the New Issuer's country of residence for tax purposes.

(3) *Notice and Effectiveness of Substitution.* Notice of substitution of the Issuer shall be published in accordance with § 12. The substitution shall become effective upon such publication, and the Issuer (and in the event of a repeated application of this § 13, any previous New Issuer) shall be discharged from any and all obligations under or in connection with the Securities. In case of such substitution, the stock exchanges on which the Securities are listed will be notified.

§ 14

GOVERNING LAW AND JURISDICTION

(1) *Governing law.* With the exception of § 4(1) which is subject to the laws of the Republic of Ireland, the form and contents of the Securities and the rights and obligations of the Securityholders and the Issuer shall be governed exclusively by, and construed in accordance with, German law.

(2) *Place of Performance.* Place of performance is Frankfurt am Main, Federal Republic of Germany.

(3) *Jurisdiction.* The Issuer agrees for the benefit of the Securityholders that the courts of Frankfurt am Main shall have jurisdiction for any actions, proceedings or legal disputes against the Issuer which may arise out of or in connection with the Securities (**Proceedings** and **Disputes** respectively) and, for that purpose, the Issuer irrevocably submits to the jurisdiction of the courts of Frankfurt am Main.

(4) *Waiver of Defences.* The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of Frankfurt am Main being the forum for any Proceedings and Disputes, and agrees not to claim that these courts are not a convenient or appropriate forum.

(5) *Non-exclusivity.* The submission to the jurisdiction of the courts of Frankfurt am Main shall not (and shall not be construed so as to) limit the right of any Securityholder to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in

Verfahren an einem anderen Gerichtsstand aus (gleichgültig, ob diese gleichzeitig geführt werden oder nicht), falls und soweit dies rechtlich zulässig ist.

(6) *Zustellungsbevollmächtigter*. Die Emittentin wählt als Zustelladresse in Deutschland die Garantin und erklärt sich unwiderruflich mit der Zustellung durch das vorgenommene Gericht unter der Adresse der Garantin im Zusammenhang mit allen mit den Wertpapieren verbundenen Angelegenheiten einverstanden.

§ 15 SPRACHE

Diese Anleihebedingungen sind in deutscher Sprache abgefasst und mit einer Übersetzung in die englische Sprache versehen. Der deutsche Wortlaut ist allein rechtsverbindlich. Die englische Übersetzung ist unverbindlich.

any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

(6) *Process Agent*. The Issuer elects the Guarantor as its address for the services of process in Germany and irrevocably declares to accept service of process under the address of the Guarantor in connection with all matters associated with the Securities.

§ 15 LANGUAGE

These Terms and Conditions are drawn up in the German language and provided with an English language translation. The German version shall be the only legally binding version. The English translation is for convenience only.

TERMS AND CONDITIONS OF THE GUARANTEE

The German version of the Guarantee A is the only legally binding version. The English translation is for convenience only.

GARANTIE

(auf nachrangiger Basis)

der Dr. Ing. h.c. F. Porsche AG, Stuttgart

zugunsten der Gläubiger der

nachrangigen festverzinslichen
Wertpapiere ohne Fälligkeitstag
im Gesamtnennbetrag von
US\$ 1.000.000.000
(die Wertpapiere)

der Porsche International Financing plc,
Dublin, Republik Irland

GUARANTEE

(given on a subordinated basis)

of Dr. Ing. h. c. F. Porsche AG, Stuttgart

in favour of the holders of the

undated subordinated fixed rate
Securities in an aggregate
principal amount of
US\$ 1,000,000,000
(the Securities)

of Porsche International Financing plc,
Dublin, Republic of Ireland

1.1 Die Dr. Ing. h.c. F. Porsche AG, Stuttgart (die **Garantin**) übernimmt hiermit gegenüber den jeweiligen Inhabern der oben genannten Wertpapiere (die **Wertpapiergläubiger**) auf nachrangiger Basis die unbedingte und unwiderrufliche Garantie für die ordnungsgemäße und pünktliche Zahlung, jeweils bei Fälligkeit nach Maßgabe der Anleihebedingungen, von Kapital, Vergütungen und den gemäß § 8 der Anleihebedingungen zahlbaren Beträgen unter den Wertpapieren in US Dollar (die **Nachrangige Garantie**). Zahlungen im Zusammenhang mit dieser Nachrangigen Garantie erfolgen ausschließlich gemäß den Anleihebedingungen. Bei Erfüllung von Verpflichtungen der Emittentin oder der Garantin zugunsten eines Wertpapiergläubigers erlischt das betreffende garantierte Recht dieses Wertpapiergläubigers aus den Wertpapieren.

1.2 Sinn und Zweck dieser Nachrangigen Garantie ist es sicherzustellen, dass die Wertpapiergläubiger unter allen tatsächlichen und rechtlichen Umständen und unabhängig von Wirksamkeit und Durchsetzbarkeit der Verpflichtungen der Porsche International Financing plc, Dublin, Republik Irland (die **Emittentin**) und unabhängig von sonstigen Gründen, aufgrund derer die Emittentin ihre Verpflichtungen nicht erfüllt, die in Ziffer 1.1 genannten Beträge fristgerecht in Übereinstimmung mit den Anleihebedingungen erhalten.

1.3 Die Verpflichtungen der Garantin aus dieser Nachrangigen Garantie begründen direkte,

1.1 Dr. Ing. h.c. F. Porsche AG, Stuttgart (the **Guarantor**) hereby unconditionally and irrevocably guarantees on a subordinated basis to the holders of the above mentioned Securities (the **Securityholders**) the due and punctual payment in US Dollar of principal of, and compensation on, as well as the amounts payable under § 8 of the Terms and Conditions of the Securities, in each case in accordance with the Terms and Conditions of the Securities (the **Subordinated Guarantee**). Payments under this Subordinated Guarantee are subject to (without limitation) the Terms and Conditions of the Securities. Upon the discharge of any obligations of the Issuer or the Guarantor subsisting hereunder in favor of any Securityholder, the relevant guaranteed right of such Securityholder under the Securities shall cease.

1.2 The intent and purpose of this Subordinated Guarantee is to ensure that the Securityholders under any and all circumstances, whether factual or legal, and irrespective of validity or enforceability of the obligations of Porsche International Financing plc, Dublin, Republic of Ireland (the **Issuer**), or any other reasons on the basis of which the Issuer may fail to fulfill its obligations, receive on the respective due date sums referred to in Section 1.1 hereof payable in accordance with the Terms and Conditions.

1.3 The obligations of the Guarantor under this Subordinated Guarantee constitute direct,

nicht besicherte, nachrangige Verbindlichkeiten der Garantin, die untereinander im Rang gleich stehen und im Fall der Liquidation, der Auflösung oder der Insolvenz der Garantin oder eines Vergleichs oder eines anderen der Abwendung der Insolvenz der Garantin dienenden Verfahrens allen anderen bestehenden und zukünftigen Verbindlichkeiten der Garantin, ob nachrangig oder nicht nachrangig, im Rang nachgehen, soweit zwingende gesetzliche Bestimmungen nichts anderes vorschreiben. Im Fall der Liquidation, der Auflösung oder der Insolvenz der Garantin oder eines anderen der Abwendung der Insolvenz der Garantin dienenden Verfahrens erfolgen Zahlungen auf die Nachrangige Garantie solange nicht, wie die Ansprüche aller nicht nachrangigen oder nachrangigen Gläubiger gegen die Garantin nicht vollständig erfüllt sind.

Kein Wertpapiergläubiger ist berechtigt, Forderungen aus dieser Nachrangigen Garantie gegen mögliche Forderungen der Garantin gegen ihn aufzurechnen. Die Garantin ist nicht berechtigt, Forderungen gegenüber Wertpapiergläubigern gegen Verpflichtungen aus dieser Nachrangigen Garantie aufzurechnen.

- 1.4 Mit Ausnahme der Rechte unter dieser Nachrangigen Garantie sind für die Rechte der Wertpapiergläubiger keine Sicherheiten irgendwelcher Art durch die Garantin oder durch Dritte gestellt worden; solche Sicherheiten werden ihnen auch zu keinem Zeitpunkt gestellt werden.
- 1.5 Im Falle einer Ersetzung der Emittentin durch eine Tochtergesellschaft der Garantin gemäß § 13 der Anleihebedingungen erstreckt sich diese Nachrangige Garantie auf sämtliche von der Neuen Anleiheschuldnerin gemäß den Anleihebedingungen zahlbaren Beträge. Dies gilt auch dann, wenn die Neue Anleiheschuldnerin die Verpflichtungen aus den Wertpapieren unmittelbar von der Garantin übernommen hat.
2. Diese Nachrangige Garantie stellt einen Vertrag zugunsten der jeweiligen Wertpapiergläubiger als begünstigte Dritte gemäß § 328 Absatz 1 BGB dar, die jedem Wertpapiergläubiger das Recht gibt, Erfüllung der hierin übernommenen Verpflichtungen unmittelbar von der Garantin zu verlangen und diese Verpflichtungen unmittelbar gegen die Garantin durchzusetzen.
3. Ansprüche der Wertpapiergläubiger aus dieser Nachrangigen Garantie verjähren mit Ablauf von zwei Jahren nach dem jeweiligen

unsecured and subordinated obligations of the Guarantor, ranking *pari passu* among themselves and in the event of the liquidation, dissolution or insolvency of the Guarantor or composition or other proceedings for the avoidance of insolvency of the Guarantor ranking junior to all other present and future obligations of the Guarantor, whether subordinated or unsubordinated, except as otherwise required by mandatory provisions of law. In the event of the liquidation, dissolution or insolvency of the Guarantor or other proceedings for the avoidance of insolvency of the Guarantor, no amounts shall be payable in respect of the Subordinated Guarantee until the claims of all unsubordinated or subordinated creditors of the Guarantor shall have first been satisfied in full.

No Securityholder may set-off any claims arising under this Subordinated Guarantee against any claims that the Guarantor may have against it. The Guarantor may not set-off any claims it may have against the Securityholders against any of its obligations under this Subordinated Guarantee.

- 1.4 Except for the rights created pursuant to this Subordinated Guarantee, no security of whatever kind is, or shall at any time be, provided by the Guarantor or any other person securing rights of the Securityholders.
- 1.5 In the event of a substitution of the Issuer by a subsidiary of the Guarantor pursuant to § 13 of the Terms and Conditions of the Securities, this Subordinated Guarantee shall extend to any and all amounts payable by the New Issuer pursuant to the Terms and Conditions of the Securities. The foregoing shall also apply if the New Issuer shall have assumed the obligations arising under the Securities directly from the Guarantor.
2. This Subordinated Guarantee constitutes a contract in favor of the respective Securityholders as third party beneficiaries pursuant to § 328 sub paragraph (1) of the German Civil Code giving rise to the right of each such Securityholder to require performance of the obligations assumed hereby directly from the Guarantor and to enforce such obligations directly against the Guarantor.
3. The period of limitation for any claim by a Securityholder under this Subordinated Guarantee shall be two years calculated from

Vergütungszahltag (wie in den Anleihebedingungen definiert) bzw. dem Rückzahlungstag der Wertpapiere nach Maßgabe der Anleihebedingungen.

- 4.1 Diese Nachrangige Garantie unterliegt ausschließlich dem Recht der Bundesrepublik Deutschland.
- 4.2 Zuständig für alle Klagen und sonstigen Verfahren aus oder im Zusammenhang mit dieser Nachrangigen Garantie (die **Rechtsstreitigkeiten**) ist ausschließlich das Landgericht in Frankfurt am Main.
5. Die Garantin und die Deutsche Bank Aktiengesellschaft, Frankfurt am Main vereinbaren, dass die Deutsche Bank Aktiengesellschaft, Frankfurt am Main nicht als Treuhänderin oder in ähnlicher Eigenschaft für die Wertpapiergläubiger handelt. Die Deutsche Bank Aktiengesellschaft, Frankfurt am Main verpflichtet sich, das Original dieser Nachrangigen Garantie bis zur Erfüllung sämtlicher Verpflichtungen aus den Wertpapieren und dieser Nachrangigen Garantie in Verwahrung zu halten.
6. Diese Nachrangige Garantie ist in deutscher Sprache mit englischer Übersetzung abgefasst. Die deutsche Fassung ist die rechtlich verbindliche Fassung. Die englische Übersetzung ist zur Erleichterung des Verständnisses beigelegt.

[Ort], [Datum]

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

angenommen durch

Deutsche Bank Aktiengesellschaft

the relevant Compensation Payment Date (as defined in the Terms and Conditions of the Securities) and the relevant date for redemption of the Securities in accordance with the Terms and Conditions of the Securities.

- 4.1 This Subordinated Guarantee shall be governed exclusively by the laws of the Federal Republic of Germany.
- 4.2 Any action or other legal proceedings (**Proceedings**) arising out of or in connection with this Subordinated Guarantee shall exclusively be brought in the District Court (*Landgericht*) in Frankfurt am Main.
5. The Guarantor and Deutsche Bank Aktiengesellschaft, Frankfurt am Main agree that Deutsche Bank Aktiengesellschaft, Frankfurt am Main is not acting as trustee or in a similar capacity for the Securityholders. Deutsche Bank Aktiengesellschaft, Frankfurt am Main undertakes to hold the original copy of this Subordinated Guarantee in custody until all obligations under the Securities and this Subordinated Guarantee have been fulfilled.
6. This Subordinated Guarantee is drawn up in the German language and provided with an English language translation. The German version shall be the only legally binding version. The English translation is for convenience only.

[Place], [Date]

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

accepted by

Deutsche Bank Aktiengesellschaft

USE OF PROCEEDS

The net proceeds of the issuance of the Securities to be issued on 1 February 2006, amounting to approximately US\$ 979,825,000, will be used by the Issuer to make one or more loans to the Guarantor or one or several of its subsidiaries within the Porsche Group pursuant to the relevant loan agreement or agreements, as the case may be, which will be entered into. Any net proceeds of the issuance of the Securities not advanced to the Guarantor or one or several of its subsidiaries within Porsche Group will remain with the Issuer and will be invested pursuant to the Issuer's investment policy. Overall, the Porsche Group intends to use the net proceeds for strengthening its strategic liquidity reserve and for general business purposes.

DESCRIPTION OF THE ISSUER

Formation, Incorporation, Seat and Duration

Porsche International Financing plc (the **Issuer**) was established in Dublin, Ireland on 31 January 1991, for an indefinite period, as Porsche International Financing Limited under Irish law pursuant to the Irish Companies Acts, 1963-1990. On 10 April 1997 the Issuer was re-registered as a public limited company under Irish law and it changed its name to Porsche International Financing plc. The Issuer is registered with the Irish Registrar of Companies under company registration number 169517 and has its registered office at No. 1 Exchange Place, International Financial Services Centre, Dublin 1, Ireland, telephone number: +353 1 6701533.

Corporate Purpose

Pursuant to Clause 3 of the Issuer's Memorandum of Association, the corporate purpose of the Issuer is to carry on the business of financing or refinancing of assets of any nature whatsoever (including but not limited to financial assets), whether by way of loan, leasing, hire purchase, bailment, credit sale, conditional sale, factoring, discounting, forfaiting or by any other means which involves or has an effect equivalent to, the extension of credit and whether or not involving the creation of security or the acquisition or disposal by it at any time of the asset or assets being financed or refinanced.

Financial year

The financial year of the Issuer runs from 1 August of each year until 31 July of the following year.

Share Capital

The authorised share capital of the Issuer is € 511,292 divided into 1,000,000 ordinary shares of € 0.511292 each. On 31 July 2005, the issued share capital of the Issuer amounted to € 511,292 divided into 1,000,000 shares of € 0.511292 each, all of which are fully paid up. The ordinary shares are voting shares and carry one vote per share, a right to elect the Board of Directors of the Issuer and a right to receive distributions of the Issuer's assets on a winding up. Voting of shareholders occurs at annual general meetings and extraordinary general meetings of the Issuer, each held in accordance with the Articles of Association of the Issuer and the Irish Companies Acts, 1963-2005. Six of the issued ordinary shares are held by John Gilsenan, Reinhardt Hoppe, Lower Mount Nominees Ltd, Wolfgang Peter, Wolfgang Weber and Johann Wendtner, each of whom holds one share under declarations of trust as nominees on behalf of the Guarantor, and the balance of the issued ordinary shares are held by the Guarantor.

The composition of the Board of Directors of the Issuer is as stated below.

Major Shareholder

The Issuer is a wholly-owned subsidiary of the Guarantor. There are no arrangements known to the Issuer which, at a subsequent date, will result in a change in control of the Issuer.

Organisational Structure

The Issuer is a company within the Porsche Group. An overview of the organisational structure of the Porsche Group is given on page 38 of this Prospectus.

Management

The Board of Directors of the Issuer (nominated in accordance with the Irish Companies Acts 1963–2005 and the Issuer's Articles of Association) is comprised of the following members:

Henrik Haenche	Head of Porsche AG Group Treasury. Director of the Issuer
John Gilsenan	Managing Director of the Issuer
Wolfgang Peter	Head of Porsche AG Group Accounting and Taxes. Director of the Issuer

The business address of Mr John Gilsenan is No 1 Exchange Place, International Financial Services Centre, Dublin 1, Ireland.

The business addresses of Mr Henrik Haenche and Mr Wolfgang Peter is Porscheplatz 1, D-70435 Stuttgart-Zuffenhausen, Germany.

Mr Gilsenan, Mr Haenche and Mr Peter are engaged in the business of the Issuer and/or the Guarantor on a full time basis.

There are no conflicts of interests with respect to the persons listed above between any duties to the Issuer and their private interests and/or other duties.

The Directors of the Issuer have an obligation, under Irish law, to act in the best interests of the Issuer. If a conflict arose because of one of the Issuer's Director's position as either an employee of the Guarantor, or as a director of one of its subsidiaries, that Director would be obliged to notify the other Directors of any such conflict.

Board Practices

The Issuer complies with the corporate governance regime in Ireland, which is set out in, *inter alia*, the Irish Companies Acts, 1963-2005 and the Issuer's Articles of Association.

The company secretary of the Issuer is Ms. Avril Farrelly. The business address of Ms. Avril Farrelly is No 1 Exchange Place, International Financial Services Centre, Dublin 1, Ireland.

The Issuer does not currently have an audit committee. Under Irish company law, the Issuer is not currently obliged to have an audit committee. When Section 42 of the Companies (Auditing and Accounting) Act 2003 comes into effect then the Issuer will establish an audit committee in accordance with the terms and conditions set out under Section 42 of that Act.

General Meeting of the Shareholders

The Issuer holds a general meeting as its annual general meeting in addition to any other meetings in that year.

Auditors

The external auditor of the Issuer is Ernst & Young Chartered Accountants and Registered Independent Auditors having its principal place of business in Ireland at Ernst & Young Building, Harcourt Centre, Harcourt Street, Dublin 2, Ireland. Ernst & Young Chartered Accountants and Registered Independent Auditors have audited the historical financial statements of the Issuer for the financial years ended 31 July 2004 and 31 July 2005 and have issued an unqualified opinion, in each case.

Ernst & Young Chartered Accountants and Registered Independent Auditors is a member of The Institute of Chartered Accountants in Ireland.

The audit opinions on the Issuer's financial statements for the financial years ended 31 July 2005 and 2004 are incorporated in this Prospectus together with the relevant financial statements of the Issuer. The audit opinions have been issued by the Issuer's independent auditors. The audit opinions have been accurately reproduced and as far as the Issuer is aware and able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Subsidiaries

The Issuer has one subsidiary, Porsche International Insurance Limited, and holds 100% of its issued share capital. The Issuer does not prepare consolidated financial statements. The financial statements of the Issuer and Porsche International Insurance Limited are consolidated into the Guarantor's consolidated financial statements.

Interim and Other Financial Information

The Issuer has not published quarterly or half yearly financial information since the date of its last audited financial statements.

Employees

On 31 July 2005, the Issuer did not employ any employees. The Issuer is managed by the members of the Board of Directors. Porsche Financial Management Services Limited, a 100% subsidiary of the Guarantor resident in Dublin, Republic of Ireland, provides management services to the Issuer including accounting, administrative, employee and office services. Its board of directors consists of John Gilson and Wolfgang Peter and its registered office and place of business is 1 Exchange Place, International Financial Services Centre, Dublin 1, Republic of Ireland.

Selected Financial Information

	Financial year ended 31 July 2005	Financial year ended 31 July 2004
	(in €)	
Profit on ordinary activities before taxation	2,747,290	1,197,014
Profit for the financial year	2,435,953	1,075,819
Assets	652,094,562	497,451,600
Shareholder's equity	12,694,012	10,258,059

Business Overview

The Issuer provides financial services to the Guarantor and Porsche Group including the provision of loans to and the acceptance of deposits from fellow Porsche Group companies worldwide. It provides receivables collection and cash management services including netting and pooling of funds received, and receives fee and interest income for so doing. It manages investments made in relation to a previous bond issue. These investments have now been encashed and paid to the Guarantor by way of loan.

Principal Markets

The Issuer conducts business in Europe, North America, Australasia, Middle East and Japan.

Material Contracts

In March 2004, the Issuer consented to act as co-guarantor together with Dr. Ing. h.c. F. Porsche AG for the US\$ 625 million bond issued by Porsche Financial Services Inc. There are no other material contracts that are not entered into in the ordinary course of business, which could result in the Issuer being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to Securityholders in respect of the Securities being issued.

Investments

The principal investments made since the date of the last published financial statements comprise the granting of a € 200,000,000 loan to the Guarantor, funded by the encashment of existing investments.

Litigation

Save as disclosed in this Prospectus, there are no governmental, legal or arbitration proceedings against or affecting the Issuer or any of its subsidiaries or any of their respective assets, nor is the Issuer aware of any pending or threatened proceedings during the preceding 12 months, which (in either case) may have or have had in the recent past significant effects on the Issuer's or the Porsche Group's financial position or profitability or which are or might be material in the context of the issue of the Securities.

Other

Save as disclosed in this Prospectus, there has been no material adverse change, or any development reasonably likely to involve a material adverse change, in the condition (financial or otherwise) or the prospects or general affairs of the Issuer since 31 July 2005 that is material in the context of the issue of the Securities. There are no known trends, uncertainties, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for the current financial year.

It is intended that the Issuer will issue two tranches of senior bonds – € 1,000,000,000 3.5% fixed rate guaranteed bonds due 2011 and € 1,000,000,000 3.875% fixed rate guaranteed bonds due 2016 – concurrently with the Securities.

Outlook

It is intended to continue to develop the Issuer's current business into the future.

DESCRIPTION OF THE GUARANTOR

Formation, Incorporation, Duration, Seat and Branches

In 1931, the Guarantor was founded as a limited liability company under German law and was converted into a limited partnership in 1937. In 1972, the Guarantor was converted into a joint-stock company (*Aktiengesellschaft*) and assumed its present name. It is registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) Stuttgart under the number HRB 5211.

The registered seat of the Guarantor is Stuttgart. The address of the head office is Porscheplatz 1, D-70435 Stuttgart, Telephone number: +49 (711) 911-0.

The Guarantor is incorporated in Germany and was established under German law for an indefinite term. The Guarantor operates under the legal name of "Dr. Ing. h.c. F. Porsche Aktiengesellschaft" and under the commercial name of "Porsche".

Corporate Purpose

Pursuant to § 2 of the Guarantor's statutes (*Satzung*), the Guarantor's main purpose is the manufacture and sale of motor vehicles and engines of all types, parts, subassemblies as well as other technical products, the development and construction especially of vehicles and engines as well as consulting and technical assistance services for the development and manufacturing of vehicles and engines, and other related technical and economic activities, including the exploitation of industrial property rights.

Within these limits the Guarantor, pursuant to § 2 para 2 of the Guarantor's statutes, is entitled to acquire or to lease similar companies, to participate in or to represent any such company, to create subsidiaries at home and abroad and to enter into community of interest agreements (*Interessengemeinschaftsverträge*) and similar agreements as permitted by applicable laws.

On 27 January 2006 the Annual General Meeting (*Hauptversammlung*) has resolved to amend and restate § 2 para 2 of the Guarantor's statutes. Upon the registration of such amendment with the commercial register of the Guarantor, the Guarantor will be entitled, for the purposes of furthering the object of the business to acquire or to lease other companies of any kind in Germany or abroad, to take a holding in them in any form or to represent them, to establish subsidiaries and to conclude joint venture and similar contracts.

Financial Year

The financial year of the Guarantor starts on 1 August of each year and ends on the 31 July of the following year.

Share Capital of the Guarantor

The issued capital stock of the Guarantor amounts to € 45,500,000. It is divided into 17,500,000 no-par-value shares with a notional share of € 2.60 each in the Guarantor's share capital, of which 8,750,000 are common shares and 8,750,000 are non-voting preferred shares.

The common shares are held indirectly by members of the families Porsche and Piëch. The non-voting preferred shares are officially listed on the Berlin, Bremen, Frankfurt am Main, Hamburg, Hanover, Munich and Stuttgart stock exchanges. The Porsche and Piëch families also own a percentage of the non-voting preferred shares.

Capitalisation

The following table sets forth the capitalisation of the Guarantor and of Porsche Group as of 31 July 2005.

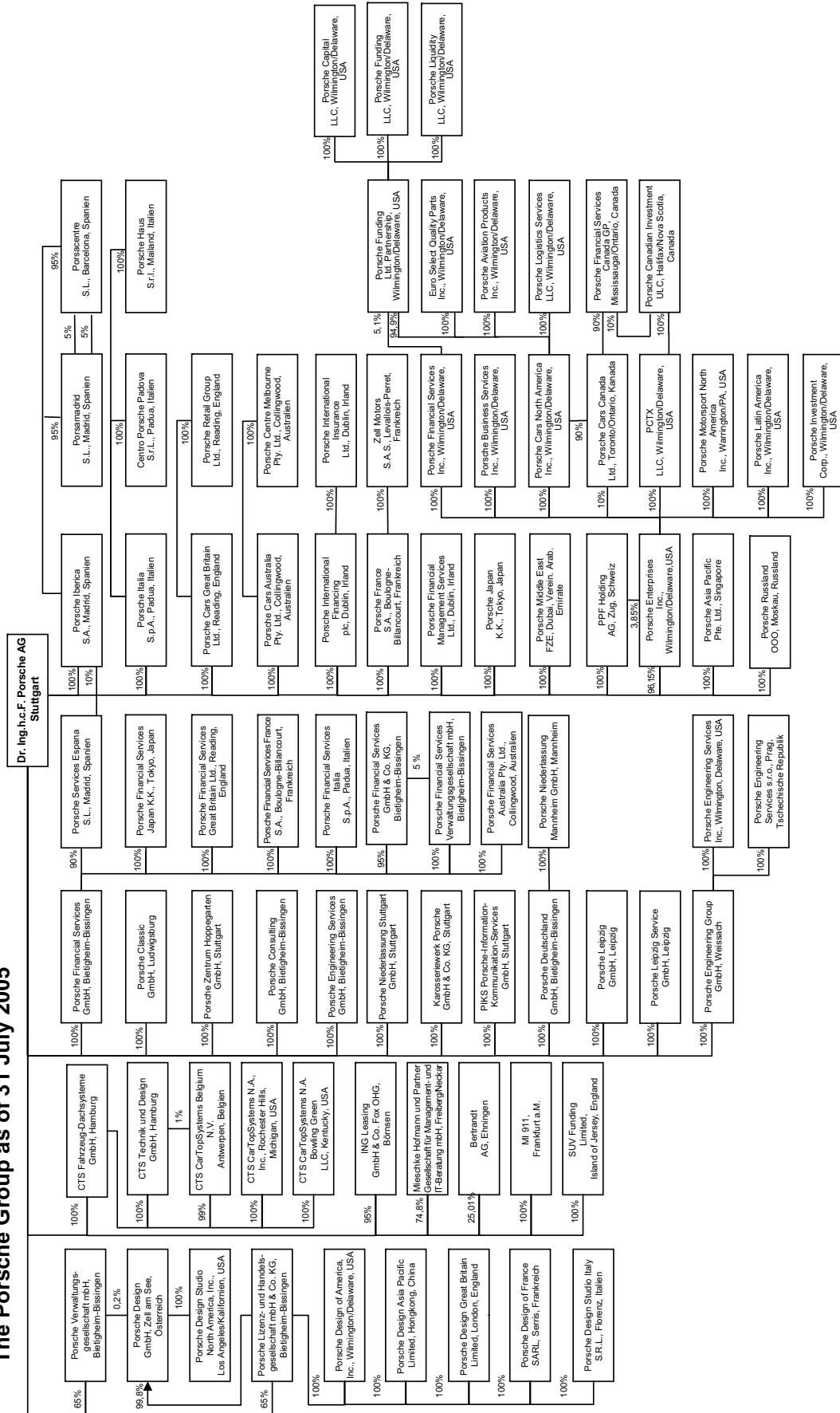
	As at 31 July 2005	
	Guarantor	Porsche Group
	(in € million) (audited)	
Debt		
Bonds	–	1,084.7
Liabilities to banks	–	186.8
Other financial liabilities	–	1,820.4
Total	–	3,091.9
Equity		
Subscribed Capital	45.5	45.5
Capital reserve	122.0	122.0
Retained earnings / Revenue reserve	2,093.9	3,234.1
Net profit available for distribution	264.0	–
Translation differences	–	10.5
Minority interests	–	8.1
Total	2,525.4	3,420.2

Save as disclosed herein, there has been no material change in the capitalisation of the Guarantor and Porsche Group since 31 July 2005.

Organisational Structure

An overview of the organisational structure of the Porsche Group is given on page 38 of this Prospectus.

The Porsche Group as of 31 July 2005



Business of the Porsche Group

Overview

Founded in Germany in 1931, the Porsche Group today sees itself as one of the leading international sports car makers with its roots in this automobile segment going back to 1948. Porsche currently has three model lines: the 911, the Boxster and the Cayenne. In addition to developing and building the Porsche brand sports cars, Porsche also provides its high-end engineering knowledge to other automakers and other companies on a contractual basis.

In the 1990s the 911-model range was redesigned and a new roadster, the Boxster, was introduced in 1996. In 1998, the Guarantor started the development of a third model line, the Cayenne, a high-end SUV (sport utility vehicle). With the Cayenne, Porsche made the step from a pure sports car manufacturer to a supplier of exceptionally sporty premium automobiles. With the successful development and launch of both the Boxster in 1996 and the Cayenne in late 2002, Porsche grew organically without compromising its profitability track record.

As at 31 July 2005, the Porsche Group comprised 79 companies with a total of 11,878 employees (31 July 2004: 11,668) in 18 countries. In the financial year ended 31 July 2005, the Porsche Group generated revenues of € 6,574 million and the Porsche Group's total assets amounted to approximately € 9,710 million. Approximately 81 per cent of the Porsche Group's revenues are generated outside Germany making the Porsche Group less dependent on trends in the German market.

Besides its core business, the production of high quality sports cars, Porsche produces spare parts and accessories and provides consulting, engineering and financial services to customers:

– Cars

Porsche's most famous model is the 911 which has been built since 1963. The 911 series currently encompasses eight different variations.

Since 1996 Porsche constructs a second model series – the Boxster. The Boxster series currently encompasses two different variations below the price range of the 911.

In the second half of the year 2002, Porsche entered the market with a third model series – the Cayenne sport off-road vehicle.

– Spare parts and accessories

In addition to the spare parts required for the servicing of Porsche cars, Porsche produces technical accessory products to customise vehicles. Furthermore Porsche provides other exclusive accessories and fashion products to customers.

– Services

Consulting: Consulting services of Porsche cover a variety of industrial areas, focussing on improving business process in production and administration efficiency and optimising cooperation with suppliers.

Engineering services for customers: Porsche performs contract developments mostly for the international motor vehicle industry. Such services include the development of individual components such as engines, gearboxes and suspension, security systems, complete vehicles and factories.

Financial Services: Porsche also offers financial services – leasing and financing – to its clients. In cooperation with HDI (Haftpflichtverband der Deutschen Industrie) Porsche also offers insurance services.

For the financial year 2004/2005, the Guarantor has recorded profit increases for the eleventh year in succession. There was an increase of 3.4 per cent to € 872 million in the Guarantor's pre-tax results for the 2004/2005 financial year (2003/2004: € 843 million). The Guarantor's surplus for the year rose from € 488 million to € 528 million (plus 8.2 per cent), which should also benefit Porsche shareholders. The shareholders' general meeting scheduled to take place in Stuttgart on 27 January 2006 will be recommended to pay common-stock shareholders a dividend of € 4.94 per share for the 2004/2005 financial year (previous year: € 3.94). Preferred-stock shareholders will receive a dividend of € 5

(2003/2004: € 4). The sum to be distributed as dividends will rise accordingly by 25.2 per cent to € 87 million. The shareholders' general meeting will be asked to approve the allocation of the remaining sum of € 177 million for 2004/2005 to retained earnings.

Sales in Germany amounted to 13,902 vehicles (plus 14.2 per cent), while in North America – still the Guarantor's largest single market – unit sales increased by 8.9 per cent to 34,143. Overall, unit sales by the Porsche Group increased in the last financial year by 15 per cent to 88,379 vehicles, compared to 76,827 units in the previous year. In the 2004/2005 financial year, the new-generation 911 and Boxster models enjoyed especially strong growth, although the Cayenne remained Porsche's best-selling model.

Porsche Group turnover rose by 6.9 per cent to € 6.57 billion in 2004/2005 (2003/2004: € 6.15 billion). In 2004/2005 Porsche Group's pre-tax profit has risen by 8.9 per cent to € 1.238 billion (2003/2004: € 1.137 billion). Porsche Group's surplus for the financial year 2004/2005 (the after-tax result) by 12.9 per cent to € 779 million, compared with € 690 million for 2003/2004. The result per common-stock share rose to € 44.68 in the 2004/2005 financial year (2003/2004: € 39.63) and to € 44.74 per preferred-stock share, compared to € 39.69 in 2003/2004.

For the first time, the Porsche Group's financial statements for the 2004/2005 financial year were prepared to international accounting regulations in accordance with the International Financial Reporting Standards (*IFRS*). Compared with the accounting procedures in accordance with the German Commercial Code, financial statements drawn up to comply with IFRS requirements tend to place less emphasis on precautionary principles than on an evaluation of balance-sheet entries based more closely on market values. Thus, a series of re-allocations and revaluations in the balance sheet as of 31 July 2005 have been made. For better comparability, the figures from the financial year 2003/2004 were correspondingly adjusted, which produced an improved calculative result for the 2003/2004 financial year.

In 2004/2005, Porsche Group sales increased by 15 per cent to a total of 88,379 vehicles (previous financial year: 76,827 vehicles). This increase is due primarily to the successful market launch of the new 911 and Boxster model generations.

27,826 cars in the 911 model line were sold, an increase of 17.4 per cent compared with the previous year (23,704 cars). Sales of the high-performance Carrera GT sports car went up strongly, with 660 vehicles sold compared with 222 in the previous year.

Total sales of the Boxster model line were 18,009 vehicles, an increase of 38.7 per cent (previous year: 12,988 vehicles). Sales of the Cayenne, which has now been on the market for three years, rose again. 41,884 units of this sport utility vehicle were sold, a sales increase of 4.9 per cent over the previous year's figure of 39,913 units.

Production totaled 90,954 vehicles, an increase of 11.6 per cent over the previous year (81,531 units). A total of 28,619 units in the 911 model line were built, an increase of 7.4 per cent. The corresponding figure for the previous year was 26,650 units. Output of the Boxster model line rose to 20,321 units, compared with 13,462 units the year before (51 per cent more). Of this figure, 15,892 cars were built in Finland (previous year: 8,862). A total of 41,299 Cayenne and 715 Carrera GT high-performance sports cars were built at the Leipzig plant.

The Guarantor's business segments

Products and Markets

Products

Following the introduction of the 911 Carrera and Carrera S Cabriolet, the 911 Carrera 4 and Carrera 4S Coupé and Cabriolet, the Boxster, Boxster S and Cayman S in the financial year 2004/2005 and in the current financial year (2005/2006) respectively, the Porsche model program consists of the following models and versions:

- 911 Carrera Coupé and Cabriolet, 911 Carrera S Coupé and Cabriolet, 911 Carrera 4 Coupé and Cabriolet, 911 Carrera 4S Coupé and Cabriolet
- Boxster and Boxster S
- Cayenne, Cayenne S and Cayenne Turbo
- Carrera GT
- Cayman S

None of these models has been on the market for more than three years.

911

The first 911 was exhibited at the German International Motor Show (IAA) in Frankfurt am Main in 1963. More than forty years later, the 911 has developed into the Guarantor's most successful model line.

The new 911 Carrera Cabriolet is based technically on the 911 Carrera Coupé, with the engine, transmission and running gear identical. Its design is a re-interpretation of the classic 911 Cabriolet model line.

The new 911 Carrera 4 and 911 Carrera 4S models, available in Coupé or Cabriolet versions, continue Porsche's tradition of supplying its sports cars with the option of all-wheel drive. The strategy of two performance levels, which was begun in the summer of 2004 with the 911 Carrera and Carrera S Coupé was continued for the new 911 Carrera 4 versions with all-wheel drive: the basic Carrera 4 Coupé and Cabriolet are both powered by the 3.6-liter flat-six engine developing 239 kW (325 hp), whereas the Carrera 4S has the higher-output 3.8-liter engine rated at 261 kW (355 hp).

Further, at the beginning of the current financial year (2005/2006) the 'Individual' program for 911 Carrera models was updated and extended.

Dealers' deliveries of the 911 worldwide in the financial year 2004/2005 totaled 29,545 units, 21 per cent more than in the 2003/2004 financial year. Demand for the S version was especially high: it was chosen by 60 per cent of the customers. Almost all markets had full order books for this model at the close of the financial year 2004/2005.

The price range for the 911 series ranges from approximately € 76,750 to € 103,100 (price offered in the German market including VAT).

Boxster

Lining up alongside the 911, the Boxster is the Guarantor's second model line in the sports car segment. The Boxster was introduced in 1996 in order to broaden the range of Porsche cars to the roadster segment. The Boxster in its first year of production sold out well in advance. It was launched with a water cooled 2.5 liters six cylinder engine producing 204 bhp, which was increased to 2.7 liters and 240 bhp respectively. A more powerful version, the Boxster S, was launched in October 1999. This featured a 3.2 liter 252 bhp (current version 280 bhp) engine.

Following the model change, 17,493 units of the Boxster were delivered in the financial year 2004/2005, 28 per cent more than in the previous financial year. Sales of the last sports cars from the previous generation were also mastered successfully.

The price range for the Boxster series ranges from approximately € 43,350 to € 52,300 (price offered in the German market including VAT).

Cayenne

During the financial year 2002/2003, the Guarantor added the Cayenne, a high-end SUV (sport utility vehicle), to its model lines. The Cayenne went on sale on 7 December 2002 in Germany, in mid-January 2003 in the rest of Europe and on 15 March 2003 in the United States. In the financial year

2004/2005 (i.e. the third year following its launch), the number of Cayenne deliveries rose by five per cent to 42,097. Porsche's sports off-road vehicle thus accounted for 47 per cent of Porsche's total vehicle sales.

Introduction of the Cayenne meant a decisive change for the brand, marking the step from a pedigree sports car image toward a broader, premium image embracing other models with strong sporting element. The Cayenne is the first car in Porsche's history with four doors, which makes it the first Porsche with the capability to function as the primary family vehicle.

The model line comprises the Cayenne, the Cayenne S and the Cayenne Turbo.

The Cayenne S comes with a 4.5 litre naturally aspirated V8 engine (340 bhp) with a top speed of over 242 km/h. It accelerates to 100 km/h in 7.2 seconds. The Cayenne Turbo features a 4.5 litre twin-turbo V8 engine (450 bhp), with a top speed of 266 km/h and accelerates to 100 km/h within 5.6 seconds.

The Cayenne V6 is a six cylinder variant of the Cayenne.

A new driveline concept (Porsche Traction Management or PTM) has been specially developed for the Cayenne. It is an intelligent four-wheel drive system that distributes engine torque by way of an electronically controlled center differential between the front and the rear axles. The center differential is adjustable and can be fully locked if necessary. The PTM system also consists of an extra-low reduction gear ratio for severe off-road conditions, an automatic brake actuating differential (ABD) to improve wheel grip and traction and a wheel-spin control system (ASR).

Another new development known as the Porsche Active Suspension Management (PASM) adjusts the shock absorbers electronically according to road condition and driving style.

In the course of the past model year, various innovations were introduced. These included an increased power-output offer for the Cayenne Turbo, a rear-view camera and a panoramic roof system for all versions of the Cayenne.

The price range for the Cayenne series ranges from approximately € 49,050 to € 101,950 (price offered in the German market including VAT).

Carrera GT

The top model in the Porsche range is the Carrera GT. It was presented as a prototype for the first time at the 2000 Paris Motor Show. The roots of the Carrera GT lie in motor sport; its ten-cylinder, 612 bhp engine is the result of further development on a Le Mans race engine.

In the financial year 2004/2005, 569 Carrera GT high-performance sports cars were delivered to customers compared with 191 in the previous financial year 2003/2004.

The price for the Carrera GT is approximately € 453,000 (price offered in the German market including VAT).

Cayman S

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

The Cayman S is powered by a 3.4-liter engine which develops 295 hp. The top speed is 275 km/h and the Cayman S sprints from a standstill to 100 km/h in 5.4 seconds.

The price for the Cayman S is approximately € 58,550 (price offered in the German market including VAT).

Recent Product Developments

The mid-engine Cayman S coupé and the four all-wheel drive variants of the 911 Carrera had their world debut at the International Motor Show (IAA) in Frankfurt am Main in September 2005 and are available at dealers in Europe from 26 November 2005 and 22 October 2005 respectively.

The Guarantor plans to launch a fourth version of the Cayenne Sports Utility Vehicle by the end of the decade. This vehicle will be powered by a hybrid drive system (gasoline engine and electric motor) currently being developed together with the Volkswagen Group.

In the Cayenne, this environmentally-friendly drive concept will be a full hybrid drive system, meaning that the vehicle will be powered by both a gasoline combustion engine and an electric motor able to operate both independently of one another and together in a joint process. The hybrid concept chosen by Porsche combines a reduction of fuel consumption and emission-free motoring in the electric mode with the performance and driving dynamics typical of Porsche in the gasoline mode. The use of the electric motor decreases fuel consumption by approximately 15 per cent. The reduction of fuel consumption is the predominant factor in the rationale for the Hybrid-Cayenne.

Further, in July 2005 the supervisory board and the management board of the Guarantor approved the development and production of a fourth Porsche model series. The new car is a premium class sports coupé with four seats and four doors, and will be available with a variety of engines. The power unit will be fitted at the front and will drive the rear wheels. The fourth model series built by the Guarantor following the 911, the Boxster and the Cayenne will be called the "Panamera", a name derived from the legendary Carrera Panamericana long-distance race, and is scheduled to enter the market in 2009. Porsche's total investment in the new model series, including development, will be approximately € 1 billion and is expected to be funded primarily out of Porsche Group's operating cash flows. Expected sales are at least 20,000 units a year.

The Porsche Group will develop a separate platform for its fourth model series and there are no plans for a joint venture with another car maker. However, the Porsche Group intends to cooperate even closer with selected system suppliers.

Production Locations

The Guarantor operates two production plants. Its main production site is located in Stuttgart-Zuffenhausen, Germany and has a capacity of up to 35,000 vehicles per year. In the financial year ended 31 July 2005 the plant delivered 33,048 vehicles, 28,619 of which were 911s and 4,429 were Boxsters. The production site in Stuttgart is also the sole production facility for Porsche engines. The other production plant is located in Leipzig, Germany and has a capacity of approximately 40,000 Cayenne vehicles per year. In addition, the Carrera GT is also assembled in Porsche's production plant in Leipzig. In the financial year ended 31 July 2005 the plant delivered 41,299 Cayenne vehicles and 715 Carrera GT vehicles.

The production of most parts of the Cayenne is outsourced to Volkswagen AG, which produces the platform and chassis at its new Bratislava (Slovakia) plant. In total, approximately 90% of Cayenne parts are provided by suppliers. The engine of the Cayenne, however, is built at the Guarantor's main production site in Stuttgart, the source of all Porsche engines.

Further, since 1997 the Guarantor outsources final assembly for a significant share of Boxster production to the Valmet facility in Finland, an independent European contract manufacturer of premium specialty cars with unit capacity above 60,000 per year. The current contract between the Guarantor and Valmet calls for Valmet production of the Boxster until 2008 with an option for the Guarantor to renew this contract for another three years up to 2011. As a measure of production flexibility for Porsche, the new contract allows for no guaranteed minimum production units per year and no associated guaranteed minimum payments. Therefore, the Valmet arrangement allows Porsche to work its Stuttgart-Zuffenhausen plant to full capacity, maximizing overhead recovery, prior to shifting orders to Valmet. In addition, the contract allows Porsche to reduce production at Valmet within just a few months. This offers Porsche the inherent advantage of being able to quickly reduce production capacity for its most economically sensitive product model with minimal cost. In the financial year

ended 31 July 2005, 15,892 Boxsters were assembled in Finland, representing 78.2% of the Boxster production, as well as 17.5% of total Porsche unit production.

Financial Services

More than one third of German buyers either financed or leased their new Porsche through Porsche Financial Services Deutschland, approximately 26% in North America, approximately one third in the United Kingdom and 50% in Japan through the respective local financial services subsidiaries. Porsche Financial Services group offers lease, retail, and balloon financing programs on new and pre-owned Porsche vehicles. The programs are tailored to meet the needs of the Porsche customers and provide flexibility by offering various financing alternatives, terms and mileage convenience options. In the United States, when leasing contracts expire, the returned vehicles must be marketed by Porsche. To limit the marketing risk, the residual value of Porsche vehicles in the used car market is continuously monitored and evaluated for the future. In Germany, all residual value risks from leasing contract are borne either by the dealer or the customer (depending on the terms of the contract).

Additionally, Porsche Financial Services US offers its dealers financing for vehicles in the Porsche Service Loaner Program.

Other services include the option of Porsche insurance policies and a Porsche credit card. The Porsche credit card is exclusively available for Porsche drivers and includes comprehensive vehicle insurance and a range of other benefits.

The financial services companies in the United States, Germany, United Kingdom, Japan, France, Italy, Spain, Australia and Canada are fully consolidated. In the financial year ended 31 July 2005, the financial services companies contributed € 353.1 million to Porsche's net sales.

Markets

Overview

Overall economic conditions were not always positive for the automobile industry in the financial year 2004/2005. A severe rise in petroleum prices in particular subdued business activity. The result of this was a general slackening in the demand for automobiles in Europe's principal sales markets (Germany, France and Great Britain) but also in Japan and Australia.

Despite this situation, Porsche's worldwide sales and dealer organization increased the volume of deliveries to customers to 89,704 vehicles, 14.2 per cent more than the previous year's total of 78,539 vehicles. The figures do not include cars run on company business or leased by Porsche employees.

North America was once again the largest sales region, though the overall growth dynamic was stronger in other export markets. This was due in particular to the Cayenne, which achieved sales growth in markets where Porsche's presence with its sports cars has so far been only slight, for example in the Middle East. On European markets such as Spain and Italy, however, Porsche was also able to sell distinctly more cars in the 2004/2005 financial year than in the 2003/2004 financial year. Total sales in all export markets except for North America were 40,334 vehicles, an increase of 21.1 per cent compared with the previous financial year's figure of 33,295 vehicles. In North America, sales went up by 8.9 per cent to 34,143 vehicles (previous financial year: 31,356).

Although the domestic scene remained generally weak, Porsche once again sold more cars on the German market in the financial year 2004/2005 than in the previous financial year. An increase of 14.2 per cent to 13,902 cars was recorded, the lion's share being accounted for by the Cayenne, sales of which went up by 5.7 per cent to 5,543 units. 8,290 units of the latest 911 and Boxster model generations were sold, an increase of 20.3 per cent over the previous financial year's figure. Carrera GT sales were 69 cars, following 41 in the previous financial year.

Porsche has concentrated for many years on the appeal of its products and on a target-oriented sales strategy. Opening regional offices for the Middle East, Latin America and the Asia-Pacific area and the

establishment of a new subsidiary in Russia led to increased sales in these markets. Intensive support for independent importers' efforts to access further market potential in Southern, Northern and Eastern Europe and in China has also increased sales.

The following table shows the revenues according to geographic regions:

	2004/2005 Porsche Group	2003/2004 Porsche Group
	(in € million)	
Geographic Regions		
Germany	1,267.0	1,213.6
North America	2,210.8	2,191.9
Other export markets	3,096.2	2,742.2
	<u>6,574.0</u>	<u>6,147.7</u>

Germany

In the financial year 2004/2005, Porsche delivered 14,154 new automobiles on its domestic market, a total distinctly higher than the 12,677 delivered in the previous financial year.

Deliveries of 911 models to customers went up by 19 per cent compared with the previous financial year, to 5,971 cars; it should be noted, however, that the new-generation model was only available in rear-wheel-drive versions in the 2004/2005 financial year – the all-wheel-drive models did not reach the market until October 2005. Compared with the previous financial year 2003/2004, deliveries of the Boxster rose by 52 per cent to 2,937 cars.

In its third sales year, the Porsche Cayenne, with 5,175 cars delivered to customers, made a significant contribution to Porsche Germany's business result.

The professional standards of the dealer organization were further enhanced during the financial year 2004/2005, with the emphasis on service and sales management training aimed at improving support quality and thus customer satisfaction. German Porsche dealers continued to invest in the conversion of their premises in accordance with the new brand architecture during the financial year 2004/2005; expenditure in this area during the past three years has exceeded € 80 million.

North America

In the financial year 2004/2005 as in the past, North America remained Porsche's largest market. A relatively stable economic climate and the introduction of the new 911 and Boxster models helped Porsche to reach a new record level of deliveries to customers at 33,974 cars (previous financial year 2003/2004: 32,763).

16,831 Cayenne vehicles were delivered in the financial year 2004/2005, making this sports off-road model again the best-selling Porsche in North America; the sales volume almost equaled the previous financial year's success in this hotly contended market segment, and despite the excessive discounts being offered by other manufacturers, a practice in which Porsche refused to engage.

Sports car sales went up by nine per cent to 16,807. At 10,327, deliveries of the 911 were three per cent higher than in the previous financial year. Boxster deliveries reached a total of 6,480 (26 per cent higher) in the financial year 2004/2005. 336 Carrera GT high-performance sports cars were also supplied to customers.

Six dealers joined the North American sales organization, making 209 in all: Porsche now has 198 dealers in the USA and eleven in Canada. Contracts were signed for seven additional territories. The strategic decision to divide the North American sales territory into four regions made it possible

to supervise the work of associated dealers more effectively and provide better support for dealers' local marketing activities.

Great Britain and Ireland

Deliveries to customers in Great Britain and the Republic of Ireland went up by 16 per cent to 10,286 vehicles. Exceeding the 10,000-unit mark was equivalent to an almost threefold increase in sales volume since the 1999/2000 financial year. Deliveries of 911 models totaled 3,842, 44 per cent higher than in the previous financial year. Boxster sales, which reached a record level of 3,368 in the previous financial year, went up yet again to 3,596 cars delivered. 2,827 units of the Cayenne were sold in Great Britain in the financial year 2004/2005 (previous financial year: 2,807).

Though the economy showed signs of weakening after a number of boom years, this trend was counteracted by intensive market activity, with the main sales emphasis on launching the new 911 Coupé and Cabriolet and the new Boxster on the British and Irish markets. The five Porsche Retail Group dealerships in the Greater London area accounted for 24 per cent of all sales in Great Britain. Altogether, 34 dealers sell Porsche cars in Great Britain and Ireland.

Italy

At the end of the financial year 2004/2005, Porsche was able to announce new record deliveries of 5,157 cars (previous financial year: 3,733) in Italy.

911 Carrera sales in the financial year 2004/2005 went up by 46 per cent compared with the previous financial year, to a total of 1,944 cars. With deliveries of 820 cars, the Boxster achieved an increase of 62 per cent. 2,379 units of the Cayenne (plus 26 per cent) were sold.

In the past financial year Italy's Porsche dealers again invested considerable sums in their businesses. A new Porsche Center was opened in Palermo and new dealers began work in Arezzo and Trento.

France

In the financial year 2004/2005 Porsche France surpassed the result achieved in the previous financial year by 28 per cent; 2,874 cars were delivered.

Deliveries of the 911 to customers, at 891 cars, were 63 per cent higher than in the previous financial year. The Boxster too, which had its world premiere at the Paris Motor Show early in the 2004/2005 financial year, recorded in its third sales year. The Cayenne was purchased by 1,574 customers (plus 11 per cent) albeit the preponderance of diesel engines in vehicles of this type sold on the French market, which account for some 70 per cent of total registrations. French Porsche dealers also continued to invest in their facilities, with either new or enlarged premises opened in Bordeaux, Lyon, Arpajon, Pontoise and St. Germain.

Switzerland and Austria

In the financial year 2004/2005, AMAG, the Porsche importer in Switzerland, sold 1,769 cars (12 per cent more than in the previous financial year). The launch of the new 911 Carrera in particular was successful: Although only rear-wheel-drive 911 models were available, a total of 499 vehicles were delivered, representing a 237 per cent increase on the previous financial year's figure. 289 Boxsters were sold (up by 77 per cent compared to the previous financial year) and the Cayenne rounded off the total with 811 units (two per cent higher than in the previous financial year).

Market presence was strengthened in Switzerland by building or converting dealerships in Zug and Winterthur, and undertaking building projects in Berne, Lugano and Sierre.

In Austria, with 888 units sold in the financial year 2004/2005, deliveries to customers were 16 per cent higher than in the previous financial year. 278 rear-wheel-drive 911 Carrera cars were sold (pre-

vious financial year: 81). 158 Boxsters were delivered (an increase of 72 per cent from the previous financial year), and Cayenne sales totaled 397 units (an increase of two per cent from the previous financial year).

The completely redesigned Porsche Center in Innsbruck opened its doors in September 2004. At the same time, construction work started on new premises in Salzburg.

Spain and Portugal

For the Porsche Ibérica sales subsidiary, the 2004/2005 financial year was the first in which it no longer acted additionally as the Saab importer, a function that was handed over to General Motors. Activities were therefore fully focused on Porsche car sales. The key elements in accessing new market potential were therefore expansion of the dealer network, systematic prospecting among target groups and strengthening of the brand image.

In the financial year 2004/2005, the previous financial year's level of deliveries was increased by 24 per cent, to 2,576 units. This growth was led by the Boxster, with 372 deliveries (an increase of 32 per cent), and the 911 with 546 units delivered (up by 22 per cent). Sales of the Cayenne in Spain and Portugal rose by 23 per cent to 1,647 units.

Belgium

With 1,177 vehicles delivered to customers in the financial year 2004/2005 (an increase of 25 per cent from the previous financial year), the Belgian market, with D'leteren S.A. as its importer, has passed the thousand-unit target. 564 units of the Cayenne were sold (up by 14 per cent from the previous financial year), despite the abolition in the spring of 2005 of a tax concession that benefited the Cayenne in many cases. Deliveries of the 911 totaled 411 units (an increase of 32 per cent from the previous financial year); 197 Boxsters were delivered (up by 42 per cent from the previous financial year).

The Netherlands

1,181 Porsche vehicles were delivered to customers in the Netherlands in the course of the financial year 2004/2005, equivalent to an increase of more than 41 per cent compared with the previous financial year, and the biggest step forward since the introduction of the Cayenne. Porsche vehicles are sold in the Netherlands by the importer, Pon's Automobielhandel B.V.

In addition to the Cayenne, of which 641 (an increase of 18 per cent from the previous financial year), sales of the 911 went up to 421 units (an increase of 82 per cent from the previous financial year) and 114 Boxsters were sold (an increase of 100 per cent from the previous financial year).

Northern Europe

Since the introduction of the Cayenne, the Northern European region has made a much stronger contribution to Porsche's sales success. In Iceland, Norway, Sweden, Finland and Denmark, deliveries to customers went up by more than 30 per cent in the financial year 2004/2005, to 1,500 units. The Cayenne was able to increase its sales volume once again, this time by 18 per cent to 912 units. 446 units of the 911 were sold, an increase of 55 per cent compared with the previous financial year, and the sales volume of 131 Boxsters represented a 60 per cent improvement in the financial year 2004/2005.

Southern and Eastern Europe

Sales of Porsche vehicles in Southern and Eastern Europe in the financial year 2004/2005 grew by 53 per cent to 1,845 units. With 1,203 deliveries (previous financial year: 883), the Cayenne was again the most important model, the 911 model line, with 430 deliveries to customers, recorded 100 per cent more sales and the Boxster recorded a 98 per cent increase in sales to 208 units.

During the financial year 2004/2005, Porsche's 19th sales facility in Southern and Eastern Europe was opened in Bosnia and Herzegovina, a dealership was officially opened in Belgrade and Kazakhstan's first Porsche dealer opened for business in Alma Ata.

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

Russia

In Porsche Russia's first business year since commencing its activities in November 2004, 386 vehicles were sold, 38 per cent more than the result achieved by the previous importer a year before. Whereas only 54 cars from the 911 and Boxster model lines were delivered, 331 units of the Cayenne (58 per cent more than in the year before) were delivered.

An important precondition for this success was the build-up of the dealer network, with new associates now operating in St. Petersburg and Yekaterinenburg. Further dealerships were opened in Togliatti, Rostov-on-Don and Stavropol, as well as a second one in St. Petersburg.

One of the key market access projects is the construction of premises for Porsche's own subsidiary in Moscow. Occupying an area of more than 6,000 square meters, the Porsche Center there will be the brand's largest sales outlet in Russia.

Middle East and South Africa

Porsche Middle East and Africa, which has its headquarters in Dubai, yielded a 37 per cent increase in sales compared with the previous financial year. Since this regional office was established in 1999, sales have risen eightfold.

With 667 deliveries, 911 sales volume went up by 45 per cent compared with the previous financial year. The Boxster recorded 254 deliveries, 64 per cent higher than in the previous financial year. The main motor of success, however, was again the Cayenne, sales of which went up to 2,863 units (an increase of 33 per cent). The Cayenne accounted for three quarters of all deliveries to customers in this region.

Following the start of market development in India in 2004, the activities of this regional sales office now extend all the way from Cape Town to New Delhi.

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

Japan

While the focus of market activity in Japan in 2003/2004 had been the introduction of the Cayenne version with six-cylinder engine, it was the launch of the new 911 Carrera and Boxster in Japan that stimulated customer interest during the financial year 2004/2005 and led to a further increase in deliveries to customers. In addition, two new Porsche Centers were opened, making a total of 42 now in Japan.

In 2004/2005, the Porsche Group has for the first time sold more than 3,000 vehicles in Japan within one financial year. Customer deliveries in financial year 2004/2005 increased by 16 per cent to 3,045 units. The strongest demand was for the 911 with 1,235 delivered vehicles (rising by 39 per cent), followed by the Cayenne with sales of 1,090 units (previous financial year: 1,072). Deliveries of the Boxster rose by six per cent to 714 units and six of the high-performance sport car – the Carrera GT – were sold.

Asia Pacific/China

Overall conditions in the Asia-Pacific market in the financial year 2004/2005 were clearly influenced by uncertain political situations, the continued drop in the value of the local currencies in relation to the Euro and natural disasters such as the Tsunami that struck the region in December 2004.

Despite the difficult overall situation, Porsche was able to increase its sales during the financial year 2004/2005 in almost all Asiatic markets. The total sales volume went up by 50 per cent to 2,119 vehicles with a significant growth in the Chinese market, where 526 vehicles were delivered to end-user customers, a 109 per cent increase. 72 per cent of the delivered vehicles were from the Cayenne model line.

Porsche will continue to build up its presence in China. By July 2006, it is planned to have more than 15 Porsche Centers in operation in China; the current figure is eight.

The Cayenne, sales of which went up by 37 per cent to 1,253 units, was Porsche's best-selling model line in the Asia-Pacific/China region. Sales of the 911 and Boxster sports cars also increased, with deliveries to customers up by 73 per cent to 861 in the financial year 2004/2005.

Australia

Total sales in the off-road vehicle segment went down in Australia during the financial year 2004/2005. This also left its mark on Cayenne sales, with deliveries falling to 496 units compared with 664 in the previous financial year.

Although the lengthy transport routes led to the 911 and Boxster model generation changeovers taking place relatively late in the financial year 2004/2005 in Australia, Porsche's sports car sales were none the less held at an almost constant level. 448 units of the 911 (previous financial year: 390) and 275 units of the Boxster (previous financial year: 336) were delivered. Total sales of 1,219 units were slightly below the previous financial year's level of 1,390 units.

Latin America

In the financial year 2004/2005, Porsche Latin America's deliveries to customers rose by 50 per cent to 1,508 vehicles. Panama, Brazil, Puerto Rico and Mexico were increasingly important growth markets, but smaller Porsche markets also registered notable growth. A new importer was appointed in Peru. The network of 29 dealers in Latin America was developed further.

In Latin America 1,010 Cayenne units were sold in the financial year 2004/2005 (previous financial year: 654 units), the Boxster registered a 23 per cent increase to 197 units and the 911 model line went up by 58 per cent to 296 units.

Patents and Trademarks

Many of the products of Porsche are manufactured on the basis of patents which have been derived from Porsche's own research and development activities. The trademarks for all important products are registered on a worldwide basis.

Although Porsche considers that, in the aggregate, its patents and trademarks constitute valuable assets, it believes that no single patent or trademark is of material importance for the company's business.

Material Contracts

The Guarantor and Volkswagen AG (**VW**) entered into a framework agreement on 10 November 2005 to define certain principles in relation to their future cooperation. Attached to this framework agree-

ment are model agreements, e.g. for agreements relating to research and pre-development as well as product generation.

Since 1997 the Guarantor entered into agreements with Valmet in Finland to outsource final assembly for a significant share of Boxster production. The current agreement calls for Valmet production of the Boxster until 2008 with an option for the Guarantor to renew this contract for another three years up to 2011. For further details see *"Production Locations"* above. Further, the Guarantor outsourced the production of the Cayenne bodyshell to VW.

Further, the Porsche Group works very closely with several suppliers both in the product development stage and during series production. For further information see *"Risk Factors – Risk Factors in respect of the Guarantor and the Porsche Group – Operational Risk in Car Manufacturing"*.

Investments

Since the date of its last published financial statements, the Guarantor acquired 18.53 per cent of VW common shares. For further details see *"Recent Developments and Outlook for the Porsche Group"* below. Other than that, no principal investments have been made and the Guarantor's management bodies have made no firm commitments with regard to such investments.

Recent Developments and Outlook for the Porsche Group

According to preliminary figures, during the period 1 August 2005 to 30 November 2005, Porsche Group turnover rose by 6.7 per cent to € 2.02 billion compared to the same period in financial year 2004/2005. Porsche Group sales increased by 8.5 per cent to 25,635 vehicles. Sales of the 911 grew by 11.4 per cent to 9,439 units. The Boxster, including the first sales of the Cayman S, posted an increase of 179.4 per cent to 4,998 vehicles. A total of 10,974 Cayenne were sold, 16.7 per cent less than in the first four months of the previous financial year. The Carrera GT sold 224 units (previous financial year: 195 vehicles). Overall, production rose by 11.1 per cent to 29,895 units during the first four months of the current financial year 2005/2006.

On 28 September 2005, the Guarantor acquired a total of 32,868,462 VW common shares, representing 10.26 per cent of the common shares. In October 2005, the Guarantor acquired another 8.27 per cent of the common stock of VW and thus currently holds 18.53 per cent of VW common stock. This makes Porsche the largest single shareholder in VW. The Guarantor intends to seek appropriate representation on the supervisory board of VW.

The Guarantor has furthermore established a hedge against an ongoing increase in the price of VW common stock and is in a position to acquire another 3.4 per cent of VW common shares through the market. There is, however, currently no intention to increase the interest in VW to levels which would require the Guarantor to submit a public bid for the takeover of VW.

The Guarantor considers its interest in VW as a strategic investment. It expects financial returns based on dividend payments from VW and a potential share price increase of the VW share, but also potential economies of scale resulting from cooperation between the Guarantor and VW. The Guarantor already has intensive business relations with VW such as in connection with the production of the Cayenne bodyshell or the joint development of a hybrid drive system. With the investment in VW, the Guarantor seeks to secure its business relations with VW and its own plans for the future on a lasting, long-term basis. It is expected that both groups will benefit from joint research, development, purchasing and production projects. The investment is also intended as a strategic answer to the risk that, in particular following the anticipated abrogation of the VW Act under a judgment to such effect by the European Court of Justice, there might be a hostile takeover by investors not committed to the long-term interests of VW. The Court is expected to hand down such a judgment effect by spring 2007 at the latest.

In view of its strong liquidity, the Guarantor has been able to finance the acquisition of its interest in VW stock without taking up long-term loans. Although the liquidity of the Porsche Group has

decreased as a result of the acquisition of VW common stock, the Porsche Group expects to show positive net liquidity again in the mid-term.

The Guarantor has sold CTS Fahrzeug-Dachsysteme GmbH, Bietigheim-Bissingen, Germany (**CTS**) to Magna International Inc., Aurora, Ontario, Canada. The purchase price is approximately € 170 million. This sale is subject to approval from the European anti-trust authorities. CTS was founded in 1996 by the Guarantor and what was then Daimler-Benz AG. The Guarantor acquired all shares in CTS in September 2003. CTS is a supplier of softtops, hardtops and so-called retractable hardtops. Its customers include Porsche, DaimlerChrysler, Ferrari, General Motors, Saab, Peugeot and Opel. In the 2004 financial year, CTS generated sales of € 417 million.

Despite uncertainties regarding the global economic situation, the Guarantor is confident about the current 2005/2006 financial year. There is strong overall demand for its three model lines. From October 2005 on, four new all-wheel-drive variants of the 911 Carrera reached the market, continuing the generation change in the 911 model line. Developed on the basis of the Boxster, the Cayman S, a two-seater mid-engined coupé, followed on 26 November 2005. In view of the extended breadth and appeal of its product program, the Guarantor anticipates further growth in the current financial year.

Litigation

In the normal course of business, the Guarantor is party to various actions, lawsuits and proceedings. However, there are no governmental, legal or arbitration proceedings against or affecting the Guarantor or any of its subsidiaries or any of their respective assets, nor is the Guarantor aware of any pending or threatened proceedings during the period of the last twelve months, which (in either case) may have or have had in the recent past significant effects on the Guarantor's financial position or profitability or which are or might be material in the context of the issue of the Securities.

Corporate Bodies

The relevant corporate bodies are

- the management board
- the supervisory board
- the shareholders' meeting.

Management Board (Vorstand)

Pursuant to its statutes (*Satzung*), the Guarantor acts through its management board, whose members are appointed and dismissed by the supervisory board (*Aufsichtsrat*). Two members of the management board or one member of the management board together with an authorised signatory (*Prokurist*) have joint power to represent the Guarantor (*Gesamtvertretungsbefugnis*). The supervisory board may decree that a member of the management board has the right of sole representation (*Einzelvertretungsbefugnis*) of the Guarantor.

The current members of the management board of the Guarantor are:

Dr. Ing. Wendelin Wiedeking
President and Chief Executive Officer

Chairman of the supervisory board of Porsche Cars North America, Inc.

Member of the supervisory board of Porsche Financial Services, Inc.

Member of the supervisory board of Porsche Cars Great Britain Ltd.

Member of the supervisory board of Porsche Italia S.p.A.

Member of the supervisory board of Porsche Ibérica S.A.

	Member of the supervisory board of Porsche Japan K. K.
	Member of the supervisory board of Porsche Enterprises, Inc.
	Member of the supervisory board of Porsche Deutschland GmbH
	Member of the supervisory board of Porsche Engineering Group GmbH
	Member of the supervisory board of Porsche Financial Services GmbH
	Member of the supervisory board of Porsche Business Services, Inc.
	Member of the supervisory board of Novartis AG
	Member of the supervisory board of Porsche Engineering Services GmbH
	Chairman of the supervisory board of Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG
Wolfgang Dürheimer, Diplom-Ingenieur Research and Development	Chairman of the supervisory board of Porsche Engineering Group GmbH
	Chairman of the supervisory board of Porsche Engineering Services GmbH
	Member of the supervisory board of PIKS Porsche Information-Kommunikation-Services GmbH
	Member of the supervisory board of CTS Fahrzeug-Dachsysteme GmbH
Holger P. Härter, Diplom-Volkswirt Finance and Controlling	Member of the supervisory board of SachsenLB
	Chairman of the supervisory board of Euwax AG
	Member of the supervisory board of Porsche Cars North America, Inc.
	Chairman of the supervisory board of Porsche Enterprises, Inc.
	Chairman of the supervisory board of Porsche Financial Services, Inc.
	Member of the supervisory board of Porsche Cars Great Britain Ltd.
	Member of the supervisory board of Porsche Italia S.p.A.
	Member of the supervisory board of Porsche Ibérica S.A.
	Member of the supervisory board of Porsche Japan K. K.
	Member of the supervisory board of Porsche Engineering Group GmbH
	Member of the supervisory board of Porsche Engineering Services GmbH
	Member of the supervisory board of Porsche Deutschland GmbH
	Chairman of the supervisory board of Porsche Financial Services GmbH
	Chairman of the supervisory board of Porsche Business Services, Inc.

	Chairman of the supervisory board of PIKS Porsche Information-Kommunikation-Services GmbH
	Chairman of the supervisory board of Mieschke Hofmann & Partner Gesellschaft für Management- und IT-Beratung mbH
	Chairman of the supervisory board of CTS Fahrzeug-Dachsysteme GmbH
Harro Harmel Human Resources/Labor Relations Director	Member of the supervisory board of Porsche Consulting GmbH
	Member of the supervisory board of Mieschke Hofmann & Partner Gesellschaft für Management- und IT-Beratung mbH
	Member of the supervisory board of Porsche Leipzig GmbH
	Member of the supervisory board of Porsche Engineering Group GmbH
	Chairman of the supervisory board of Porsche Leipzig Service GmbH
Michael Macht, Diplom-Ingenieur Production and Logistic	Chairman of the supervisory board of Porsche Consulting GmbH
	Chairman of the supervisory board of Porsche Leipzig GmbH
	Member of the supervisory board of Porsche Leipzig Service GmbH
	Member of the supervisory board of PIKS Porsche Information-Kommunikation-Services GmbH
	Member of the supervisory board of Gebr. Märklin & Cie GmbH
Hans Riedel, Diplom-Kaufmann Sales and Marketing	Member of the supervisory board of Porsche Cars North America, Inc.
	Member of the supervisory board of Porsche Enterprises, Inc.
	Member of the supervisory board of Porsche Financial Services, Inc.
	Chairman of the supervisory board of Porsche Cars Great Britain Ltd.
	Chairman of the supervisory board of Porsche Italia S. p. A.
	Chairman of the supervisory board of Porsche Ibérica S. A.
	Chairman of the supervisory board of Porsche Japan K. K.
	Chairman of the supervisory board of Porsche Deutschland GmbH
	Member of the supervisory board of Porsche Financial Services GmbH
	Member of the supervisory board of Porsche Leipzig GmbH
	Member of the supervisory board of Porsche Leipzig Service GmbH

Member of the supervisory board of Porsche Business Services, Inc.

Member of the supervisory board of Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG

Supervisory Board

The current members of the supervisory board and their principal occupations are at present:

Prof. Dr. Helmut Sihler
Chairman

Member of the supervisory board of Novartis AG

Hans Baur(*), Diplom-Ingenieur
Trade-Union Secretary
Deputy Chairman

Member of the supervisory board of Alcatel SEL AG

Maria Arenz(*), Attorney
Department Head

Jürgen Kapfer(*)
Project Manager

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

Dr. techn. h. c. Ferdinand Piëch

Chairman of the supervisory board of Volkswagen AG
Member of the supervisory board of Porsche Holding GmbH
Member of the supervisory board of Porsche Ges.m.b.H.

Dr. Hans Michel Piëch
Attorney

Member of the supervisory board of Porsche Bank AG
Member of the supervisory board of Porsche Holding GmbH
Member of the supervisory board of Porsche Cars North America, Inc.
Member of the supervisory board of Porsche Cars Great Britain Ltd.
Member of the supervisory board of Porsche Italia S.p.A.
Member of the supervisory board of Porsche Ibérica S.A.
Member of the supervisory board of Porsche Ges.m.b.H.
Member of the supervisory board of Eurotax Glass's Acquisition S.A.
Member of the supervisory board of Volksoper Wien GmbH

Dr. Ferdinand Oliver Porsche
Investment management

Member of the supervisory board of Voith AG
Member of the supervisory board of Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG
Member of the supervisory board of Eterna S.A.

	Member of the supervisory board of Porsche Holding GmbH
	Chairman of the supervisory board of Porsche Ges.m.b.H.
	Member of the supervisory board of PGA S.A.
Dr. Wolfgang Porsche Diplom-Kaufmann	Member of the supervisory board of Porsche Cars North America, Inc.
	Member of the supervisory board of Porsche Cars Great Britain Ltd.
	Member of the supervisory board of Porsche Italia S.p.A.
	Member of the supervisory board of Porsche Ibérica S.A.
	Member of the supervisory board of Porsche Bank AG
	Chairman of the supervisory board of Porsche Holding GmbH
	Chairman of the supervisory board of Porsche Ges.m.b.H.
	Member of the supervisory board of PGA Group S.A.S.
	Member of the supervisory board of Eterna S.A.
Hansjörg Schmierer(*) Trade-Union Secretary	Member of the supervisory board of Berthold Leibinger GmbH
Werner Weresch(*), Automotive mechanic Member of the works council	
Dr. Dr. h.c. Walther Zügel Former chairman of the executive board of Landesgirokasse	Chairman of the supervisory board of Berthold Leibinger GmbH
	Chairman of the supervisory board of SHB Stuttgarter Finanz- und Beteiligungs Aktiengesellschaft
	Deputy chairman of the supervisory board of Stihl AG
	Member of the supervisory board of Stuttgarter Hofbräu Verwaltungs AG
	Member of the supervisory board of Allgaier Werke GmbH
	Member of the supervisory board of Schuler AG
	Member of the supervisory board of caption AG

(*) Employee Representatives (*Arbeitnehmervetreter*)

The members of the management board and the supervisory board may be contacted at the address of the head office of the Guarantor.

Dr. techn. h.c. Ferdinand Piech is the former chairman of the management board (*Vorstand*) and current chairman of the supervisory board (*Aufsichtsrat*) of Volkswagen AG in which the Guarantor holds a share of voting stock of 18.53 per cent. The Volkswagen Group manufactures and sells cars under the brands of Volkswagen, Audi, Skoda, SEAT, Bentley, Bugatti and Lamborghini. The Volkswagen Group is also an important supplier of pre-manufactured car components to the Guarantor (such as the Cayenne bodyshell). Supplies by the Volkswagen Group accounted for approximately 30 per cent of the Guarantor's sales volume in the Guarantor's financial year ended 31 July 2005. Moreover, the Volkswagen Group and the Guarantor are continuously engaged in joint development projects such

as the hybrid drive system. The Guarantor believes that the economic terms upon which the Guarantor engages in business with the Volkswagen Group are at arms length.

Each of Dr. techn.h.c. Ferdinand Piëch, Dr. Hans Michel Piëch, Prof. Ferdinand A. Porsche, Dr. Wolfgang Porsche and Dr. Ferdinand Oliver Porsche are, together with other members of the Piëch and Porsche families, indirect significant shareholders of the Guarantor. Each of them is also a direct or indirect significant shareholder of Porsche Holding GmbH, Salzburg, Austria, which is wholly owned by the Porsche and Piëch families. Dr. Wolfgang Porsche is the chairman and Dr. Hans Michel Piëch is the vice chairman of the supervisory board and Dr. techn.h.c. Ferdinand Piëch is a member of the supervisory board of Porsche Holding GmbH. Porsche Holding GmbH is a wholesale and retail vendor of Porsche, Volkswagen, Audi, SEAT, Skoda, Bentley, Bugatti and Lamborghini cars and other brands as well as a provider of car finance in various countries. The volume of trade in course of ordinary operations in the vehicles and parts business with the Porsche and Piëch families and their affiliated entities came to € 74.6 million (previous financial year: € 69.1 million), and trade in the design business to € 1.1 million (previous financial year: € 0.0 million). The arms length principle was applied without exception.

The Guarantor is a majority shareholder and Prof. Ferdinand A. Porsche is a minority shareholder of Porsche Lizenz- und Handels-GmbH & Co. KG. This company is a vendor of watches under the brand Porsche Design which are produced by Eterna S. A., a company majority owned and controlled by the Porsche family. The business volume between Porsche Lizenz- und Handels-GmbH & Co. KG and Eterna S. A. is immaterial to the guarantor and upon arms length economic terms.

Other than as set out above, there are no potential conflicting interests of the members of the management board and the supervisory board of the Guarantor between any duties to the Guarantor and their private interests and/or other duties.

Annual General Meeting (Hauptversammlung)

The statutory Annual General Meeting of the Guarantor is held within the first eight months of each financial year in Stuttgart or another location within the jurisdiction of the provincial high court and court of appeal of Stuttgart or Dresden.

Pursuant to the Guarantor's statutes (*Satzung*), resolutions of the shareholders are adopted by simple majority of the votes (whereby one common share (*Stammaktie*) confers one vote whereas preferred shares (*Vorzugsaktien*) carry no voting rights), unless otherwise provided for by law, in particular in the German Stock Corporation Act (*Aktiengesetz*), or the Guarantor's statutes.

Declaration of Compliance with the German Corporate Governance Code

The Guarantor complies with the vast majority of the non-mandatory regulations of the German Corporate Governance Code as of 26 February 2002 as amended on 2 June 2005. However, the Guarantor does not comply with a number of regulations, primarily as a result of company-specific factors. These regulations are listed below, together with the reasons for current and future non-compliance:

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

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

- "The Supervisory Board shall set up an Audit Committee which, in particular, shall handle issues of accounting and risk management, the necessary independence required of the auditor, issue of

the audit mandate to the auditor, determination of audit priorities and the agreed fee. The chairperson of the Audit Committee should possess specific knowledge and experience of the application of accounting principles and internal auditing procedures.”

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

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

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

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

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

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

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

- “In order to permit independent advice to and supervision of the Management 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 Management Board that could lead to a conflict of interests.”

This recommendation does not allow for the special character of the Guarantor’s shareholder structure. It has therefore not been complied with in the past and will not be complied with in the future. There have been and still are many and varied relationships with holders of common stock that are members of the Porsche and Piëch families. Members of both families sit on the supervisory board of the Guarantor and undertake supervisory functions as co-proprietors. No conflict of interests is identifiable as a result of this.

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

The Guarantor issues interim reports. However, the Guarantor does not adhere to quarterly reporting for reasons of principle as such interim reporting would interfere with its business strategy being based on long-term considerations.

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

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

- "Members of the Supervisory Board are to be elected individually."

In view of its specific stockholders' structure, the Guarantor regards this recommendation as unreasonable in normal circumstances.

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

The Guarantor shows payments to the Supervisory Board in the notes to its annual report as a single sum. It has not so far stated the sums paid to individuals, nor will it do so in future, because the Guarantor sees no additional advantage for investors in this in view of the level of payments involved and the requirements stated in the statutes.

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

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

Employees

At the end of the financial year ended 31 July 2005, the Guarantor employed 7,995 people, which represented a 0.04 per cent. increase in comparison to the financial year ended 31 July 2004.

Auditors

The Guarantor has appointed Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Mittlerer Pfad 15, D-70499 Stuttgart, as auditor of the Guarantor. The consolidated and unconsolidated financial statements of the Guarantor as of 31 July 2004 and 31 July 2005 were audited by Ernst & Young AG, Wirtschaftsprüfungsgesellschaft and each received an unqualified audit opinion.

Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Stuttgart, is a member of the Institut der Wirtschaftsprüfer in Deutschland e.V. (institute of public auditors in Germany) and the Wirtschaftsprüfungskammer (German certified public accountants association).

The audit opinions on the Guarantor's unconsolidated financial statements for the year ended 31 July 2004 and the Porsche Group's financial statements for the years ended 31 July 2005 and 31 July 2004 are incorporated in this Prospectus together with the relevant financial statements of the Guarantor and the Porsche Group. The audit opinions have been issued by the Guarantor's independent auditors. The audit opinions have been accurately reproduced and as far as the Guarantor is aware and is

able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Other

Save as disclosed in this Prospectus, there has been no material adverse change, or any development reasonably likely to involve a material adverse change, in the condition (financial or otherwise) or prospects or general affairs of the Guarantor since 31 July 2005 that is material in the context of the issue of the Securities.

It is intended that the Guarantor will unconditionally and irrevocably guarantee the two tranches of senior bonds – € 1,000,000,000 3.5% fixed rate guaranteed bonds due 2011 and € 1,000,000,000 3.875% fixed rate guaranteed bonds due 2016 – which are intended to be issued by the Issuer concurrently with the Securities.

The Guarantor will continue to publish its annual consolidated financial statements in accordance with IFRS on the *www.porsche.com* website. This website does not form part of this Prospectus.

TAXATION

The following is a general description of certain tax considerations relating to the purchasing, owning and disposing of Securities. It does not purport to be a complete analysis of all tax considerations relating to the Securities. Prospective purchasers of Securities should consult their tax advisers as to the consequences, under the tax laws of the country in which they are resident for tax purposes and under the tax laws of the Republic of Ireland and the Federal Republic of Germany, of acquiring, holding and disposing of Securities and receiving payments of principal, compensation and other amounts under the Securities. This summary is based upon the laws in force and their interpretation on the date of this Prospectus and is subject to any change in law or interpretation that may occur after such date, even with retroactive effect.

Republic of Ireland

The comments below are of a general nature based on the Issuer's understanding of the current law and practice in Ireland relating to the taxation of Securities and are subject to changes therein. They relate only to the position of persons who are the absolute beneficial owners of the Securities and the interest on them and may not apply to certain classes of person, such as dealers. Holders of Securities should consult their professional advisers as to their tax position.

Income Tax-Annual Interest Withholding Tax

No withholding for or on account of Irish income tax will be required to be made on interest arising on the Securities in a number of circumstances as summarised below.

Firstly, Securities quoted on a recognised stock exchange (the Irish Stock Exchange is recognised for this purpose), and which carry a right to interest and are issued in bearer form, will constitute "quoted Eurobonds" within the meaning of Section 64 of the Irish Taxes Consolidation Act, 1997 (as amended) ("Section 64"). Under current practice of the Irish Revenue Commissioners such Securities will be regarded as bearer securities for the purposes of Section 64 notwithstanding that they are represented by the global Securities. So long as Securities continue to be "quoted Eurobonds" and are held in a recognised clearing system within the meaning of Section 64, (Clearstream Luxembourg and Euroclear are both recognised clearing systems for the purpose of Section 64), payments of interest on such Securities may be made by any Paying Agent acting on behalf of the Issuer without withholding or deduction for or on account of Irish income tax.

If such Securities cease to be held in a recognised clearing system for the purpose of Section 64, but still constitute "quoted Eurobonds", then under current law and practice, payments of interest may, in such circumstances, be made without withholding or deduction for or on account of Irish income tax where:

- (a) the person by or through whom the payment is made is not in Ireland; or
- (b) the payment is made by or through a person in Ireland and the person who is the beneficial owner of the relevant Security and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration in the prescribed form.

Secondly, where the interest is paid by the issuer in the ordinary course of its trade or business to a company resident in either the European Union or a country with which Ireland has a double tax treaty, no deduction is required in respect of income tax.

Thirdly, Irish withholding tax on interest in respect of the Securities may be eliminated or reduced pursuant to the provisions of an appropriate double taxation treaty subject to an authorisation granted by the Irish Revenue Commissioners being obtained in respect of such avoidance or reduction.

In all other cases interest will be paid under deduction of Irish income tax calculated at the standard rate of income tax (which is currently 20%).

Irish Source Income

Notwithstanding the immediately preceding paragraph, any interest, discount or premium on Securities issued in Ireland is Irish source income. Such income is within the charge to Irish tax, except for:

- (i) interest paid in the ordinary course of the Issuer's business to a company resident in a Member State of the European Union (except for Ireland) or in a country with which Ireland has a double tax treaty, unless that interest income is connected with an Irish agency, branch or trade of such a company, or
- (ii) interest paid by the issuer on Securities which are quoted Eurobonds (within the meaning of Section 64), to a person resident in a Member State of the European Union (except for Ireland) or in a country with which Ireland has a double tax treaty, unless that interest income is connected with an Irish agency, branch or trade of such a person.

Finally, the provisions of a double taxation treaty may exempt or reduce the charge to Irish income tax.

Ireland operates a self-assessment system in respect of income and corporation taxes. Any person, including a person who is neither resident nor ordinarily resident, with Irish source income which is chargeable to Irish corporation or income tax comes within the scope of that system. However, in the absence of a withholding tax there is currently no mechanism to enable the Irish Revenue Commissioners to obtain payment of any liability from a non-resident person and for that reason it has been the practice of the Revenue Commissioners not to seek to collect the liability from such non-resident persons unless the recipient of the income has any other tax connection with Ireland such as a claim for repayment of Irish tax deducted at source or an Irish agency, branch, trustee or trade.

Capital Gains

A holder of a Security will be subject to Irish taxes on capital gains on a disposal (including redemption) of a Security unless such holder is a person neither resident nor ordinarily resident in Ireland who does not have an enterprise, or an interest in an enterprise, which carries on business in Ireland through a branch or agency or a permanent representative to which or to whom the Securities are attributable.

Stamp Duty

Irish stamp duty will not be payable on the issue or transfer by delivery of global Securities or definitive Securities.

In the case of the transfer of a Security by an instrument in writing, no stamp duty will apply provided that the relevant Security:

- (a) does not carry a right of conversion into stocks or marketable securities (other than loan capital (within the meaning of section 85 of the Stamp Duties Consolidation Act, 1999)) of a company having a register in Ireland or into loan capital having such a right;
- (b) does not carry rights of the same kind as shares in the capital of a company, including rights such as voting rights, a share in the profits or a share in the surplus upon liquidation;
- (c) is redeemable within 30 years of the date of issue and not thereafter;
- (d) is issued for a price which is not less than 90 per cent of its nominal value; and
- (e) does not carry a right to a sum in respect of payment or interest which is related to certain movements in an index of indices specified in any instrument or other document relating to the Securities.

Where the above exemption or another exemption does not apply, the instrument of transfer (whether executed in Ireland or elsewhere) is liable to Irish stamp duty at the rate of one per cent of the consideration paid in respect of the transfer (or if greater, the market value thereof) which must be

paid in Euro by the transferee (assuming an arms length transfer) within thirty days of the date on which such transfer instrument is executed, after which penalties and interest will apply.

Capital Acquisitions Tax

So long as the Securities continue to be in bearer form, a gift or bequest of Securities may give rise to a liability to Irish gift tax or inheritance tax in the hands of the donee or successor, if either the Securities which are the subject of the disposition are located in Ireland, or if either the donor or donee are resident or ordinarily resident in Ireland.

Federal Republic of Germany

The following summary of certain German tax consequences of purchasing, owning and disposing the Securities is based on the effective tax law at the date of this Prospectus which may be changed, even with retroactive effect. The summary does not describe all tax considerations that may be relevant to an individual purchaser's decision to purchase Securities. It is not a substitute for tax advice.

Prospective purchasers of Securities are advised to consult their own tax advisors for the tax consequences of the purchase, the ownership and the disposition of Securities, including the effect of any state or local taxes under the tax laws of the Federal Republic of Germany as well as in each other country of which they are residents.

Tax Residents

Interest Payments

Interest, including interest having accrued up to the disposition of a Security and credited separately (**Accrued Interest** – *Stückzinsen*) paid to a Securityholder resident in Germany (a person whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany) is subject to German personal or corporate income tax. On the basis of the assessed personal or corporate income tax solidarity surcharge of 5.5% is levied. In addition, if Securities are held as assets of a German commercial business, any interest is subject to trade tax. If Securities are held as a non-business asset, any Accrued Interest paid by an individual upon the acquisition of Securities may give rise to negative income and may, therefore, reduce such Securityholder's personal or corporate income tax liability.

If Securities are held in a custodial account which the Securityholder maintains with the German branch of a German or non-German bank or financial services institution (the **Disbursing Agent** – *inländische Zahlstelle*), such Disbursing Agent will withhold tax (*Zinsabschlag*) at a rate of 30% of the gross amount of all interest payments to the Securityholder, including Accrued Interest, plus 5.5% solidarity surcharge thereon. As a result, 31.65% of the gross amount of interest, including Accrued Interest, paid to a Securityholder will be withheld by the Disbursing Agent.

The tax withheld by the Disbursing Agent will be credited as a prepayment against the Securityholders' total annual tax burden for German personal or corporate income tax purposes. No tax is withheld by the Disbursing Agent, if the Securityholder is an individual who has filed a certificate of exemption (*Freistellungsauftrag*) with the Disbursing Agent and the Securities held by such individual are not part of a German commercial business property or generate income from the letting and leasing of property. However, this exemption applies only to the extent that the aggregate interest income derived from the Securities after deduction of Accrued Interest paid upon the purchase of the Securities and the deductible expense allowance (€ 51 for individuals and € 102 for married couples filing jointly), together with an individual's other investment income administered by the Disbursing Agent, does not exceed the maximum annual exemption amount shown on the certificate of exemption (up to € 1,370 for individuals and € 2,740 for married couples filing jointly). No withholding obligation exists also, if the Securityholder submits to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the local tax office.

According to German tax law the Issuer is not obliged to withhold tax.

Sale or Redemption of Securities

The Guarantor believes that the Securities qualify as financial innovation ("*Finanzinnovation*") in the meaning of § 20 para. 2 no. 4 of the German Income Tax Act (*Einkommensteuergesetz*). This qualification results in a tax treatment as laid out in this summary. It is, however, not possible to predict reliably whether or not the competent tax authorities will share this view. Should the Securities not qualify as financial innovation in the aforementioned meaning according to the view of the tax authorities, a different tax treatment may apply.

Gains from the sale, assignment or redemption of Securities, including gains derived by a secondary or subsequent purchaser, are considered as interest and are subject to personal or corporate income tax as well as solidarity surcharge at a rate of 5.5% thereon. If Securities are held as assets of a German commercial business, such gains are subject to trade tax also. If the Securityholder will not prove a lower predetermined yield to maturity (so called *Emissionsrendite*) of the Securities attributable to the period over which the holder has held such Securities, the taxable gain from the sale, assignment or redemption of Securities is calculated as the difference between the proceeds from the sale, assignment or redemption and the issue or purchase price of the Securities (so-called *Markrendite*).

If the Securities are held in a custodial account maintained with a Disbursing Agent, tax is deducted at a rate of 30% (plus solidarity surcharge of 5.5% thereon) from the excess of the proceeds arising from the sale or redemption over the issue or purchase price paid for the Securities, if the Securities were held in custody with such Disbursing Agent since the acquisition of the Securities. If custody has changed since the acquisition of the Securities, this tax deduction will be due on an amount equal to 30% of the proceeds arising from the sale, assignment or redemption of the Securities. In computing the tax to be withheld, the Disbursing Agent may deduct from the basis of the withholding tax any Accrued Interest previously paid during the calendar year by the Securityholder to the Disbursing Agent. The tax deduction will be credited against the Securityholder's annual tax liability for personal or corporate income tax purposes. No tax will be withheld, if the Securityholder is an individual whose Security does not form part of the property of a German business nor gives rise to income from the letting and leasing of property and who filed a certificate of exemption (*Freistellungsauftrag*) with the Disbursing Agent to the extent that the interest income derived from the Note together with other investment income does not exceed the maximum exemption amount shown on this certificate (see above Interest Payments). The same applies if the Securityholder submits to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the local tax office.

Should the Securities – contrary to the belief of the Guarantor (see above) – not qualify as a financial innovation, gains from the sale, assignment or redemption of the Securities (other than Accrued Interest and certain other amounts) may be tax free, if the Securities are held by private investors and if the time period between the acquisition and the sale or redemption of the Securities exceeds one year. In this case, tax losses may not be deductible.

Taxation of income from capital gains is presently subject to the planning of the implementation of basic changes in the German tax system. In particular it is discussed that gains from private sales transactions derived from the sale and redemption of securities may become generally taxable at a flat tax rate of perhaps 20%. However, it is presently uncertain if and in how these plans will be implemented.

Non-Residents

Interest, including Accrued Interest, paid to a Securityholder and capital gains realized by a Securityholder not resident in Germany will not be taxable in Germany, and no tax will be withheld (even if the Securities are kept with a Disbursing Agent) so long as (1) the Securities are not held as a business asset of a German permanent establishment or through a permanent German representation of the Securityholder, (2) the interest income of such Securities does not otherwise constitute German source income (such as income from the letting and leasing of certain German situs property or income from over-the-counter transactions) and (3) the non-resident Securityholder does not comply with the procedural rules to prove his status as a non-tax resident. Otherwise, the Securityholder not

resident in Germany will be subject to a tax regime similar to that described above under “Tax Residents.”

Tax treaties concluded by Germany generally do not permit Germany to tax the capital gains derived by a Securityholder resident in the other treaty country, unless the Securities form part of the business property of a permanent establishment or a fixed base maintained in Germany by the Securityholder.

Inheritance and Gift Tax

The receipt of Securities in case of succession upon death, or by way of a gift among living persons is subject to German inheritance and/or gift tax if the deceased, donor and/or the recipient is a German resident. German inheritance and gift tax is also triggered if neither the deceased, nor the donor nor the recipient of the Securities are German residents, if the Securities are attributable to German business activities and if for such business activities a German permanent establishment is maintained or a permanent representative is appointed in Germany. In specific situations German expatriates that were tax resident in Germany may be subject to Inheritance and Gift Tax. Double taxation treaties may provide for exceptions to the domestic inheritance and gift tax regulations.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transition period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have (agreed to) adopt(ed) similar measures (a withholding system in the case of Switzerland) with effect from the same date. Germany has implemented EU Council Directive 2003/48/EU effective 1 July 2005.

SUBSCRIPTION AND SALE

Pursuant to a security purchase agreement dated 30 January 2006 (the **Security Purchase Agreement**) among the Issuer, the Guarantor and Merrill Lynch International (the **Manager**), the Issuer has agreed to sell to the Manager, and the Manager has agreed, subject to certain customary closing conditions, to purchase, the Securities on 1 February 2006. The Issuer has furthermore agreed to pay certain fees to the Manager and to reimburse the Manager for certain expenses incurred in connection with the issue of the Securities.

The Security Purchase Agreement will provide that the Manager is entitled, under certain circumstances, to terminate the Security Purchase Agreement. In such event, no Securities will be delivered to investors. Furthermore, each of the Issuer and the Guarantor has agreed to indemnify the Manager against certain liabilities in connection with the offer and sale of the Securities.

The Manager or its affiliates have provided from time to time, and expect to provide in the future, investment services to the Guarantor and its affiliates, for which the Manager or its affiliates have received or will receive customary fees and commissions.

There are no interests of natural and legal persons involved in the issue, including conflicting ones, that are material to the issue.

Selling Restrictions

European Economic Area

In relation to each Member State of the European Economic Area(*) which has implemented the Prospectus Directive (each, a **Relevant Member State**), the Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Securities to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Securities which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive or, where appropriate, published in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with Article 18 of the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Securities to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than € 43,000,000 and (3) an annual turnover of more than € 50,000,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

(*) The EU plus Iceland, Norway and Liechtenstein.

For the purposes of this provision, the expression an “offer of Securities to the public” in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Republic of Ireland

The Manager has represented and agreed that it has complied with, and will comply with, all applicable provisions and/or codes of practice made pursuant to the terms of the Investment Intermedi-

aries Act, 1995 of Ireland (as amended) and, where applicable, Section 117 of the Central Bank Act, 1989 (as amended) with respect to anything done by it in relation to the Securities if operating in or otherwise involving Ireland.

United States of America and its Territories

The Securities and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

The Manager has represented and agreed that it has offered and sold the Securities and the Guarantee, and will offer and sell the Securities and the Guarantee (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering or the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Securities and the Guarantee during the distribution compliance period, as defined in Regulation S under the Securities Act, a confirmation or other notice setting forth the restrictions on offers and sales of the Securities and the Guarantee within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Securities and the Guarantee within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom of Great Britain and Northern Ireland

The Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

Hong Kong

The Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be

disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

The Manager has acknowledged that this Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Manager has represented, warranted and agreed that it has not offered or sold any Securities or caused such Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell such Securities or cause such Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with any offer or sale, or invitation for subscription or purchase, of the Securities (or any one of them), whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**); (b) to a relevant person, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

The Manager has further represented and agreed to notify and hereby notifies each of the following relevant persons specified in Section 275 of the SFA which has subscribed or purchased the Securities from or through the Manager, namely a person which is:

- (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

that shares, debentures and units of shares and debentures of that corporation or that beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Securities under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person pursuant to an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S\$ 200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets;
- (2) where no consideration is given for the transfer; or
- (3) by operation of law.

Republic of Italy

The offering of the Securities has not been registered with the Commissione Nazionale per la Società e la Borsa (**CONSOB**) (the Italian securities and exchange commission) pursuant to the Italian securities legislation and, accordingly the Securities cannot be offered, sold or distributed nor any copies of the Prospectus or any other document relating to the Securities can be distributed in the Republic of Italy (**Italy**) in a solicitation to the public at large (*sollecitazione all'investimento*) within the meaning of Article 1, paragraph 1, letter (t) of Legislative Decree no. 58 of 24 February 1998, unless an exemption applies. Accordingly, the Securities in Italy:

- (i) shall only be offered or sold to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph of CONSOB Regulation No 11522 of 1 July 1998 (the **Regulation No 11522**), as amended, and effected in compliance with the terms and procedures provided therein; or
- (ii) shall only be offered or sold in circumstances which are exempted from the rules of solicitation of investments pursuant to Article 100 of Legislative Decree No 58 of 24 February 1998 (the **Financial Services Act**) and Article 33, first paragraph, of CONSOB Regulation No 11971 of 14 May 1999,

- (iii) but, in any case, cannot be offered, sold and/or delivered, either in the primary or in the secondary market, to individuals in Italy, and

in any event, the offer or sale of the Securities in Italy shall be effected in accordance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations.

Moreover and subject to the foregoing, the Securities may not be offered, sold or delivered and neither the Prospectus nor any other material relating to the Securities may be distributed or made available in Italy unless such offer, sale or delivery of Securities or distribution or availability of copies of the Prospectus or any other material relating to the Securities in the Italy is:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No 385 of 1 September, 1993 (the **Italian Banking Act**), the Regulation No 11522 and any other applicable laws and regulations; and
- (b) in compliance with Article 129 of the Italian Banking Act and the implementing instructions of the Bank of Italy, pursuant to which the issue, trading or placement of securities (e.g., Securities) in Italy is subject to prior and subsequent notification to the Bank of Italy, unless an exemption, depending inter alia on the amount of the issue and the characteristics of the securities, applies, and
- (c) in compliance with any other applicable requirement or limitation which may be imposed from time to time by CONSOB or the Bank of Italy.

Insofar as the requirements above are based on laws which are superseded at any time pursuant to the implementation of the Prospectus Directive, such requirements shall be replaced by the applicable requirements under the Prospectus Directive.

General

The Manager has acknowledged that no action is taken or will be taken by the Issuer in any jurisdiction that would permit a public offering of the Securities, or possession or distribution of any offering material relating to them, in any jurisdiction where action for that purpose is required.

The Manager has represented and agreed that it will comply with all applicable laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Securities or has in its possession or distributes any offering material relating to them.

GENERAL INFORMATION

(1) The creation and issue of the Securities has been authorised by resolutions of the Board of Directors of the Issuer dated 20 December 2005 and 25 January 2006. The giving of the Guarantee of the Securities has been authorised by resolutions of the management board (*Vorstand*) dated 7 November 2005 and 24 January 2006 and the supervisory board (*Aufsichtsrat*) of the Guarantor dated 16 November 2005 and 24 January 2006.

(2) For so long as any Security is outstanding, copies of the following documents may be inspected in physical form during normal business hours at the registered office of the Issuer and the specified office of each Paying Agent and as long as the Securities are listed on the Irish Stock Exchange the documents set out under (a), (b), (c), (d), (f), (g) and (i) below will be available (free of charge) at the head office of the listing agent in Ireland:

- (a) the agency agreement relating to the Securities;
- (b) the Security Purchase Agreement
- (c) the Guarantee;
- (d) the Memorandum and Articles of Association of the Issuer;
- (e) the statutes (*Satzung*) of the Guarantor;
- (f) the Prospectus;
- (g) the confirmation of the authorisation of the issue of the Securities by the Issuer;
- (h) evidence of the confirmation of the authorisation of the giving of the Guarantee of the Securities by the Guarantor; and
- (i) all reports, letters and other documents, historical financial information, valuations and statements, prepared by any expert at the Issuer's and/or Guarantor's request, any part of which is included or referred to in the Issuer's and the Guarantor's description.

Furthermore, the Annual Reports of the Guarantor for each of the financial years ended 31 July 2004 and 31 July 2005 may be inspected in electronic form on the Guarantor's website: www.porsche.com. This website does not form part of this Prospectus.

In addition, the Prospectus will be published on the website of IFSRA.

- (3) For as long as any of the Securities are listed on the Irish Stock Exchange:
- (a) the Irish Stock Exchange will be informed by the Issuer of all notifications regarding payments and any decision to defer payment of compensation on the Securities; and
 - (b) all notices to the Securityholders regarding the Securities will be given to the Company Announcement Office of the Irish Stock Exchange through the Irish Paying Agent.

Payments and transfers of the Securities will be settled through Euroclear and Clearstream Luxembourg.

(4) Application has been made to IFSRA, as competent authority under Directive 2003/71/EC, for this Prospectus to be approved. Application has been made to the Irish Stock Exchange for the Securities to be admitted to the Official List of the Irish Stock Exchange and traded on its regulated market. The Securities are expected to be traded from 1 February 2006 on.

(5) The Issuer has appointed Deutsche Bank Aktiengesellschaft as the initial Principal Paying Agent and NCB Stockbrokers Limited as the initial Irish Paying Agent. For so long as any Securities are listed on the Irish Stock Exchange, the Issuer will maintain a paying agent in Ireland.

(6) The Temporary Global Security and the Permanent Global Security will each bear the following legend:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

(7) The Securities have been accepted for clearance by Clearstream Luxembourg and Euroclear. The Common Code for the Securities is 024198421, the ISIN is XS0241984219 and the German Security Code (*WKN*) is A0GMHH.

(8) The expenses of the issue of the Securities will be approximately US\$ 20,175,000.

(9) Neither the Issuer nor the Guarantor is involved in any governmental, litigation or arbitration proceedings relating to claims on amounts which may have or have had a material effect on the Issuer or the Guarantor respectively in the context of the issue of the Securities nor, so far as the Issuer or the Guarantor is aware, is any such governmental litigation or arbitration proceedings involving it, pending or threatened.

**FINANCIAL STATEMENTS
OF THE ISSUER**

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PORSCHE INTERNATIONAL FINANCING plc

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED

31 JULY 2005

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 July 2005

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COMPANY INFORMATION

DIRECTORS

John Gilsean
Henrik Haenche
Wolfgang Peter

SECRETARY

Avril Farrelly

REGISTERED OFFICE

1 Exchange Place,
IFSC,
Dublin 1.

SOLICITORS

William Fry,
Fitzwilton House,
Wilton Place,
Dublin 2.

BANKERS

Deutsche Bank,
Theodor-Heuss-Strasse 3,
70174 Stuttgart,
Germany.

AUDITORS

Ernst & Young,
Chartered Accountants,
Ernst & Young Building,
Harcourt Centre,
Harcourt Street,
Dublin 2.

DIRECTORS' REPORT

for the year ended 31 July 2005

The directors present herewith their report and audited financial statements for the year ended 31 July 2005.

REVIEW OF THE DEVELOPMENT OF THE BUSINESS

The company is engaged in international financing and operates under the terms of its International Financial Services Centre licence.

RESULTS FOR THE YEAR AND STATE OF AFFAIRS AT 31 JULY 2005

The profit and loss account for the year ended 31 July 2005 and the balance sheet at that date are set out on pages F-10 and F-11. The profit on ordinary activities before taxation amounted to €2,747,290 (2004: €1,197,014).

IMPORTANT EVENTS AFTER THE YEAR END

There were no important events since the year end requiring disclosure in the financial statements.

DIVIDENDS AND RETENTION

The directors do not propose the payment of a dividend.

FUTURE DEVELOPMENTS IN THE BUSINESS

It is intended to continue to develop the business in the future.

DIRECTORS

The directors at the date of this report are as set out on page F-5.

DIRECTORS' AND SECRETARY'S INTERESTS

None of the directors nor the secretary held any interest in the shares of the company or any other group companies in the year.

*STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF
THE FINANCIAL STATEMENTS*

Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

DIRECTORS' REPORT

for the year ended 31 July 2005 (Continued)

*STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF
THE FINANCIAL STATEMENTS (Continued)*

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the provisions of the Companies Acts, 1963 to 2005 and the European Communities (Companies: Group Accounts) Regulations, 1992. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BOOKS OF ACCOUNT

The directors are responsible for ensuring that proper books and accounting records, as outlined in Section 202 of the Companies Act 1990, are kept by the company. To achieve this, the directors entered into a management agreement with Porsche Financial Management Services Limited to prepare proper books and records for the company. The management company have appointed a professionally qualified, full time financial controller who reports to the managing director and ensures that the requirements of section 202 of the Companies act, 1990 are complied with.

Those books and accounting records are maintained at 1 Exchange Place, IFSC, Dublin 1.

AUDITORS

The auditors, Ernst & Young, Chartered Accountants, will continue in office in accordance with Section 160(2) of the Companies Act, 1963.

On behalf of the Directors

HENRIK HAENCHE

JOHN GILSENAN

Directors

26 October 2005

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PORSCHE INTERNATIONAL FINANCING plc

We have audited the financial statements for the year ended 31 July 2005, which comprise the profit and loss account, balance sheet, cash flow statement and the related notes 1 to 14. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable Irish law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and Auditing Standards issued by the Auditing Practices Board for use in Ireland and the United Kingdom.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts. We also report to you our opinion as to: whether proper books of account have been kept by the company; whether at the balance sheet date there exists a financial situation which may require the convening of an extraordinary general meeting of the company; and whether the information given in the directors' report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and transactions with the company is not given and, where practicable, include such information in our report.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

Continued /...

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PORSCHE INTERNATIONAL FINANCING plc (Continued)**

Basis of audit opinion (Continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 July 2005 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Acts, 1963 to 2005 and the European Communities (Companies: Group Accounts) Regulations, 1992.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

In our opinion, the company balance sheet does not disclose a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

Ernst & Young
Registered Auditors

Dublin

26 October 2005

PROFIT AND LOSS ACCOUNT
for the year ended 31 July 2005

	<i>Note</i>	<i>2005</i> €	<i>2004</i> €
Management fees receivable		1,722,737	1,443,251
Unrealised exchange loss		(272,158)	(15,065)
Administrative expenses	2	(629,951)	(664,790)
Interest receivable and similar income	2	23,550,795	20,465,917
Interest payable and similar charges	2	(21,624,133)	(20,032,299)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2	2,747,290	1,197,014
Tax on profit on ordinary activities	3	(311,337)	(121,195)
		<hr/>	<hr/>
Profit for the financial year		2,435,953	1,075,819
Profit brought forward at beginning of year		9,746,767	8,670,948
		<hr/>	<hr/>
Profit carried forward at end of year		<u>12,182,720</u>	<u>9,746,767</u>

All profit and loss account items relate to continuing operations of the company.

There are no recognised gains or losses in either year other than the profit attributable to shareholders of the company.

Approved by the Board on 26 October 2005

HENRIK HAENCHE
JOHN GILSENAN
 Directors

BALANCE SHEET

at 31 July 2005

ASSETS EMPLOYED	<i>Note</i>	<i>2005</i> €	<i>2004</i> €
FIXED ASSETS			
Financial assets	4	2,556,459	2,556,459
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	5	651,626,758	490,745,176
Cash at bank and in hand		467,804	6,706,424
		<hr/>	<hr/>
		652,094,562	497,451,600
CREDITORS (amounts falling due within one year)	6	(341,957,009)	(189,750,000)
		<hr/>	<hr/>
NET CURRENT ASSETS		310,137,553	307,701,600
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		312,694,012	310,258,059
		<hr/> <hr/>	<hr/> <hr/>
FINANCED BY			
CREDITORS (amounts falling due after more than one year)	8	300,000,000	300,000,000
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	9	511,292	511,292
Profit and loss account		12,182,720	9,746,767
		<hr/>	<hr/>
Shareholders' funds (equity interests)	10	12,694,012	10,258,059
		<hr/>	<hr/>
		312,694,012	310,258,059
		<hr/> <hr/>	<hr/> <hr/>

Approved by the Board on 26 October 2005

HENRIK HAENCHE
JOHN GILSENAN
Directors

CASH FLOW STATEMENT
for the year ended 31 July 2005

	<i>Note</i>	2005 €	2004 €
<i>Net cash (outflow)/inflow from operating activities</i>	11	(5,968,831)	4,197,426
<i>Returns on investments and servicing of finance</i>		–	–
<i>Taxation</i>			
Tax paid		(269,789)	(121,794)
<i>Investing activities</i>		–	–
<i>Financing</i>		–	–
(Decrease)/increase in cash and cash equivalents		(6,238,620)	4,075,632
Cash at hand and in bank at beginning of year		6,706,424	2,630,792
Cash at hand and in bank at end of year		467,804	6,706,424

NOTES TO THE FINANCIAL STATEMENTS

31 July 2005

1. ACCOUNTING POLICIES

(a) *Accounting convention*

The financial statements are prepared under the historical cost convention.

(b) *Foreign currencies*

The financial statements are expressed in euro (€).

Transactions in foreign currencies have been translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in other currencies are translated to euro at the rate of exchange ruling at the balance sheet date. Exchange differences arising are taken to the profit and loss account.

(c) *Related party disclosures*

Financial Reporting Standard 8, "Related Party Disclosures", exempts subsidiary undertakings from the requirement to disclose details of transactions with group undertakings where 90% or more of the voting rights are controlled by a group that prepares publicly available consolidated financial statements in which the subsidiaries' results are included. The company has availed of this exemption.

(d) *Group financial statements*

These financial statements present information about the company as an individual undertaking and not about its group. The company is exempt from the obligation to draw up group financial statements under Regulation 8 of the European Communities (Companies: Group Accounts) Regulations, 1992 and details of its parent undertaking, in whose financial statements it is included, are given in note 13.

(e) *Investment income, interest income and interest expense*

Investment income, interest income and interest expense are accounted for on an accruals basis.

(f) *Derivatives*

Transactions are undertaken in derivative financial instruments (derivatives), which include interest rate swaps and forward rate agreements. All derivative transactions undertaken are for non-trading purposes.

Such non-trading derivatives are those entered into for the purpose of matching or eliminating risk from potential movements in foreign exchange and interest rates in the company's assets, liabilities and positions which are intended for use on a continuing basis in the activities of the company.

A derivative is designated as non-trading where there is an offset between the effects of potential movements in market rates on the derivative and the designated asset, liability or position being hedged. Derivatives are reviewed regularly for their effectiveness as hedges. Derivative transactions are accounted for on a basis consistent with the assets, liabilities, or positions being hedged. Income and expense on derivatives are recognised as they accrue over the life of the instruments as an adjustment to "Interest receivable and similar income" or 'Interest payable and similar charges' as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2005 (Continued)

1. ACCOUNTING POLICIES (Continued)

(g) *Deferred taxation*

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more or right to pay less tax. Deferred tax is measured on an undiscounted basis using the tax rates that have been enacted or substantially enacted at the balance sheet date as an approximation of the rates expected to apply in the periods in which the timing differences reverse.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

2.	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2005 €	2004 €
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The profit on ordinary activities before taxation is stated after (charging) crediting:

Management fee	(620,614)	(654,828)
Interest income from group undertakings	4,293,015	3,231,463
Interest income	6,535,965	6,381,021
Interest payable to parent undertaking	(86,779)	(29,931)
Interest payable to fellow group undertakings	(4,266,205)	(2,723,783)
	<u>=====</u>	<u>=====</u>

The company has no employees. Auditors' and directors' remuneration are discharged by a fellow group company and are included in management fees.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2005 (Continued)

3.	TAX ON PROFIT ON ORDINARY ACTIVITIES	2005	2004
		€	€
	The charge based on the profit on ordinary activities comprises:		
	Corporation tax at 10%	128,300	120,852
	Corporation tax at 12.5%	183,037	–
	Foreign withholding tax	–	343
		<u>311,337</u>	<u>121,195</u>
		=====	=====

Reconciliation of the expected tax charge at the standard rate to the actual tax charge at the effective rate.

The tax assessed for the year is lower than the standard rate of corporation tax in the Republic of Ireland (12.5%). The differences are explained below:

	2005	2004
	€	€
Profit on ordinary activities before tax	2,747,290	1,197,014
Profit on ordinary activities multiplied by standard rate of corporation tax in the Republic of Ireland of 12.5% (2004: 12.5%)	343,412	149,627
Effects of:		
IFSC licence tax relief	(32,075)	(28,775)
	<u>311,337</u>	<u>120,852</u>
	=====	=====
Current tax charge for year		

The company has received a licence to operate in the International Financial Services Centre in Dublin. Profits from certain qualifying activities are taxable at a rate of 10%. Profits from non-qualifying activities are subject to tax at standard Irish corporation tax rates.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2005 (Continued)

4.	FINANCIAL ASSETS	2005 €	2004 €
	Investment in subsidiary – unlisted	2,556,459	2,556,459

On 4 August 1992, the company subscribed for 5,000,000 shares in the ordinary share capital of Porsche International Insurance Limited. The total consideration was

€2,556,459. At 31 July 2005, the company owned 100% of the issued ordinary share capital of the company, which is engaged in reinsurance operations and whose registered office is at 1 Exchange Place, IFSC, Dublin 1.

5.	DEBTORS	2005 €	2004 €
	<i>Amounts falling due within one year</i>		
	Amounts owed by group undertakings	361,387,778	279,340,919
	Trade debtors and prepayments	290,238,980	211,404,257
		651,626,758	490,745,176

6.	CREDITORS (amounts falling due within one year)	2005 €	2004 €
	Taxation and other creditors (<i>note 7</i>)	151,474	109,926
	Amounts owed to group undertakings	326,631,273	185,946,005
	Interest payable	3,571,116	3,694,069
	Bank borrowings	10,685,776	–
	Payables on forward contracts	917,370	–
		341,957,009	189,750,000

7.	TAXATION CREDITORS	2005 €	2004 €
	Corporation tax	91,142	49,594

NOTES TO THE FINANCIAL STATEMENTS

31 July 2005 (Continued)

8.	CREDITORS (amounts falling due after more than one year)	2005 €	2004 €
	5.25% Bearer bonds 2007	300,000,000	300,000,000
		<u>300,000,000</u>	<u>300,000,000</u>
		=====	=====

The company issued €300,000,000 5.25% Bearer bonds on 5 June 2003. These bonds are listed on Frankfurt stock exchange and guaranteed by the parent company.

The proceeds of the issue are available to finance worldwide Porsche group companies.

9.	CALLED UP SHARE CAPITAL	2005 €	2004 €
	<i>Authorised</i>		
	1,000,000 ordinary shares of €0.511292 each	511,292	511,292
		=====	=====
	<i>Allotted, called up and fully paid</i>		
	1,000,000 ordinary shares of €0.511292 each	511,292	511,292
		=====	=====

10.	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2005 €	2004 €
	Shareholders' funds at beginning of year	10,258,059	9,182,240
	Profit attributable to shareholders of the company	2,435,953	1,075,819
		<u>12,694,012</u>	<u>10,258,059</u>
	Shareholders' funds at end of year	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

31 July 2005 (Continued)

11.	RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	2005 €	2004 €
	Profit on ordinary activities before taxation	2,747,290	1,197,014
	Increase in debtors	(160,881,582)	(62,688,989)
	Increase in creditors	152,165,461	65,689,401
		<hr/>	<hr/>
	Net cash (outflow)/inflow from operating activities	(5,968,831)	4,197,426
		<hr/> <hr/>	<hr/> <hr/>

The company considers that all of its cash flows relating to returns on investments and servicing of finance are operating as its business is that of a treasury company in international financing.

12. FINANCIAL INSTRUMENTS DISCLOSURES

As the company has a capital instrument listed on a stock exchange, it is required to comply with Financial Reporting Standard 13, "Derivatives and Other Financial Instruments: Disclosures" ("FRS 13" or "the FRS").

Derivative contracts serve as a component of the company's investment strategy and are utilised to hedge investments and loan transactions so as to enhance performance and reduce risk to the company.

The derivative contracts that the company holds include forward rate agreements and interest rate swap agreements.

The company has availed of the exemption contained in the FRS to exclude all short term debtors and creditors (including amounts owing to and collected on behalf of the parent company from group companies and third parties for product supplies) from the definition of financial instruments.

The group holds and issues financial instruments for three main purposes – (a) to manage the financing requirements and surplus cash of Porsche group companies; (b) to fund the medium to long-term cash needs of group companies; and (c) to manage the interest rate and currency risks arising from its operations and its sources of finance.

The cash needs of group companies has been financed through the issue of Euro Bearer bonds. The company utilises funds from the bonds to advance funds to group companies for periods ranging from one month to several years, in their local currency, normally at variable rates of interest linked to the relevant reference LIBOR rate, and in addition takes deposits from group companies of surplus funds. The main risks arising from this activity are interest rate and currency exposures. These risks are reduced to the tolerance level considered acceptable by the board using forward foreign currency contracts and interest rate swaps.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2005 (Continued)

12. FINANCIAL INSTRUMENTS DISCLOSURES (Continued)

Interest rate risk

The majority of the company's funding has been raised through the issue of fixed-rate Euro bonds. This contrasts with the company's lending to group companies, which is at variable rates linked to LIBOR. The company's policy is to reduce this interest rate mis-match to zero and it has therefore entered into an interest rate swap to cover the fixed interest payments necessary under the terms of the bonds. At the year end, after taking into account interest rate swaps, the company had no exposure to interest rates fixed for a period longer than three months.

Currency risk

The company's reporting currency is euro and the majority of the company's funding is denominated in this currency. Lending to and deposits from group companies is denominated in the local currency of the group company. The currency exposure arising is reduced through the use of forward foreign currency contracts which buy/sell forward euro, as appropriate, and at the year end the company's exposure to other currencies arising from group loans and deposits has been reduced to zero.

An analysis of the currency denomination and interest rate profile of financial liabilities of the company, after taking into account interest rate swaps, is as follows:

<i>Currency</i>	<i>Floating rate</i>	<i>Fixed rate</i>	<i>No interest paid</i>
<i>31 July 2005</i>			
Euro	–	533,005,054	2,489,554
<i>31 July 2004</i>			
Euro	–	439,804,965	2,489,554

A similar analysis of the maturity of financial liabilities is as follows:

<i>Currency</i>	<i>Less than one year</i>	<i>More than one year less than two years</i>	<i>More than two years</i>	<i>More than five years</i>
<i>31 July 2005</i>				
Euro	233,005,554	–	300,000,000	2,489,554
<i>31 July 2004</i>				
Euro	139,804,965	–	300,000,000	2,489,554

NOTES TO THE FINANCIAL STATEMENTS

31 July 2005 (Continued)

12. FINANCIAL INSTRUMENTS DISCLOSURES (Continued)

Similar information in relation to currency and interest rate profile of financial assets (after taking into account interest rate swaps) is as follows:

<i>Currency</i>	<i>Floating rate</i>	<i>Fixed rate</i>	<i>No interest paid</i>
<i>31 July 2005</i>			
Euro	356,027,354	150,780,154	2,556,459
USD	54,652,217	–	–
<i>31 July 2004</i>			
Euro	423,784,371	18,000,000	2,556,459
USD	5,707,313	–	–

The fair value of financial assets and liabilities approximates the carrying value in the financial statements.

13. GUARANTEE

During the financial year, the company agreed to act as joint guarantor with the parent company, Porsche AG, for the following loan notes issued by fellow group company, Porsche Financial Services Inc.

US\$200,000,000 4.47% Series A Guaranteed Senior Notes due 9 March 2011
 US\$150,000,000 4.98% Series A Guaranteed Senior Notes due 9 March 2014
 US\$75,000,000 5.13% Series A Guaranteed Senior Notes due 9 March 2016
 US\$200,000,000 5.33% Series A Guaranteed Senior Notes due 9 March 2019

The company earns an annual guarantee fee of 0.125% on the outstanding nominal amount of the issue. For the year ended 31 July 2005, the company earned €622,970 under this arrangement.

14. PARENT UNDERTAKING

The immediate and ultimate controlling party and parent undertaking of both the smallest and largest group of undertakings of which the company is a member and for which group financial statements are drawn up is Dr.-Ing.h.c.F. Porsche AG, a company incorporated in Germany. Copies of its group financial statements are available from its registered office at Postfach 400640, 70435 Stuttgart-Zuffenhausen, Germany.

PORSCHE INTERNATIONAL FINANCING plc

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED

31 JULY 2004

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 July 2004

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COMPANY INFORMATION

DIRECTORS

John Gilsean
Henrik Haenche
Wolfgang Peter

SECRETARY

Avril Farrelly

REGISTERED OFFICE

1 Exchange Place,
IFSC,
Dublin 1.

SOLICITORS

William Fry,
Fitzwilton House,
Wilton Place,
Dublin 2.

BANKERS

Deutsche Bank,
Theodor-Heuss-Strasse 3,
70174 Stuttgart,
Germany.

AUDITORS

Ernst & Young,
Chartered Accountants,
Ernst & Young Building,
Harcourt Centre,
Harcourt Street,
Dublin 2.

DIRECTORS' REPORT

for the year ended 31 July 2004

The directors present herewith their report and audited financial statements for the year ended 31 July 2004.

REVIEW OF THE DEVELOPMENT OF THE BUSINESS

The company is engaged in international financing and operates under the terms of its International Financial Services Centre licence.

RESULTS FOR THE YEAR AND STATE OF AFFAIRS AT 31 JULY 2004

The profit and loss account for the year ended 31 July 2004 and the balance sheet at that date are set out on pages F-28 and F-29. The profit on ordinary activities before taxation amounted to €1,197,014 (2003: € 1,457,016).

IMPORTANT EVENTS AFTER THE YEAR END

There were no important events since the year end requiring disclosure in the financial statements.

DIVIDENDS AND RETENTION

The directors do not propose the payment of a dividend.

FUTURE DEVELOPMENTS IN THE BUSINESS

It is intended to continue to develop the business in the future.

DIRECTORS

The directors at the date of this report as set out on page F-23.

DIRECTORS' AND SECRETARY'S INTERESTS

None of the directors nor the secretary held any interest in the shares of the company or any other group companies in the year.

*STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF
THE FINANCIAL STATEMENTS*

Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

DIRECTORS' REPORT

for the year ended 31 July 2004 (Continued)

*STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF
THE FINANCIAL STATEMENTS (Continued)*

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the provisions of the Companies Acts, 1963 to 2003 and the European Communities (Companies: Group Accounts) Regulations, 1992. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BOOKS OF ACCOUNT

The directors are responsible for ensuring that proper books and accounting records, as outlined in Section 202 of the Companies Act 1990, are kept by the company. To achieve this, the directors entered into a management agreement with Porsche Financial Management Services Limited to prepare proper books and records for the company. The management company have appointed a professionally qualified, full time financial controller who reports to the managing director and ensures that the requirements of section 202 of the Companies act, 1990 are complied with.

Those books and accounting records are maintained at 1 Exchange Place, IFSC, Dublin 1.

AUDITORS

The auditors, Ernst & Young, Chartered Accountants, will continue in office in accordance with Section 160(2) of the Companies Act, 1963.

On behalf of the Directors

JOHN GILSENAN
HENRIK HAENCHE
Directors

16 November 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PORSCHE INTERNATIONAL FINANCING plc

We have audited the financial statements for the year ended 31 July 2004, which comprise the profit and loss account, balance sheet and the related notes 1 to 13. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable Irish law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and Auditing Standards issued by the Auditing Practices Board for use in Ireland and the United Kingdom.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts. We also report to you our opinion as to: whether proper books of account have been kept by the company; whether at the balance sheet date there exists a financial situation which may require the convening of an extraordinary general meeting of the company; and whether the information given in the directors' report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and transactions with the company is not given and, where practicable, include such information in our report.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

Continued /...

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PORSCHE INTERNATIONAL FINANCING plc (Continued)**

Basis of audit opinion (Continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 July 2004 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Acts, 1963 to 2003 and the European Communities (Companies: Group Accounts) Regulations, 1992.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

In our opinion, the company balance sheet does not disclose a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

Ernst & Young
Registered Auditors

Dublin

16 November 2004

PROFIT AND LOSS ACCOUNT
for the year ended 31 July 2004

	<i>Note</i>	<i>2004</i> €	<i>2003</i> €
Management fees receivable		1,443,251	1,204,439
Exchange loss		(15,065)	(33,043)
Administrative expenses	2	(664,790)	(811,572)
Interest receivable and similar income	2	20,465,917	23,376,593
Interest payable and similar charges	2	(20,032,299)	(22,279,401)
		-----	-----
Profit on ordinary activities before taxation	2	1,197,014	1,457,016
Tax on profit on ordinary activities	3	(121,195)	(212,244)
		-----	-----
Profit for the financial year		1,075,819	1,244,772
Profit brought forward at beginning of year		8,670,948	7,426,176
		-----	-----
Profit carried forward at end of year		<u>9,746,767</u>	<u>8,670,948</u>

All profit and loss account items relate to continuing operations of the company.

There are no recognised gains or losses in either year other than the profit attributable to shareholders of the company.

Approved by the Board on 16 November 2004

JOHN GILSENAN
HENRIK HAENCHE
Directors

BALANCE SHEET

at 31 July 2004

ASSETS EMPLOYED	<i>Note</i>	<i>2004</i> €	<i>2003</i> €
FIXED ASSETS			
Financial assets	4	2,556,459	2,556,459
		-----	-----
CURRENT ASSETS			
Debtors	5	490,745,176	428,056,187
Cash at bank and in hand		6,706,424	2,630,792
		-----	-----
		497,451,600	430,686,979
CREDITORS (amounts falling due within one year)	6	(189,750,000)	(124,061,198)
		-----	-----
NET CURRENT ASSETS		307,701,600	306,625,781
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		310,258,059	309,182,240
		=====	=====
FINANCED BY			
CREDITORS (amounts falling due after more than one year)	8	300,000,000	300,000,000
		-----	-----
CAPITAL AND RESERVES			
Called up share capital	9	511,292	511,292
Profit and loss account		9,746,767	8,670,948
		-----	-----
Shareholders' funds (equity interests)	10	10,258,059	9,182,240
		-----	-----
		310,258,059	309,182,240
		=====	=====

Approved by the Board on 16 November 2004

JOHN GILSENAN
HENRIK HAENCHE
Directors

NOTES TO THE FINANCIAL STATEMENTS

31 July 2004

1. ACCOUNTING POLICIES

(a) *Accounting convention*

The financial statements are prepared under the historical cost convention.

(b) *Foreign currencies*

The financial statements are expressed in euro (€).

Transactions in foreign currencies have been translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in other currencies are translated to euro at the rate of exchange ruling at the balance sheet date. Exchange differences arising are taken to the profit and loss account.

(c) *Cash flow statement*

Financial Reporting Standard 1 (Revised 1996), "Cash Flow Statements", exempts subsidiary undertakings from the requirement to prepare a cash flow statement where 90% or more of the voting rights are controlled by a group that prepares publicly available consolidated financial statements in which the subsidiaries' results are included. The company has availed of this exemption.

(d) *Related party disclosures*

Financial Reporting Standard 8, "Related Party Disclosures", exempts subsidiary undertakings from the requirement to disclose details of transactions with group undertakings where 90% or more of the voting rights are controlled by a group that prepares publicly available consolidated financial statements in which the subsidiaries' results are included. The company has availed of this exemption.

(e) *Group financial statements*

These financial statements present information about the company as an individual undertaking and not about its group. The company is exempt from the obligation to draw up group financial statements under Regulation 8 of the European Communities (Companies: Group Accounts) Regulations, 1992 and details of its parent undertaking, in whose financial statements it is included, are given in note 13.

(f) *Investment income, interest income and interest expense*

Investment income, interest income and interest expense are accounted for on an accruals basis.

(g) *Derivatives*

Transactions are undertaken in derivative financial instruments (derivatives), which include interest rate swaps and forward rate agreements. All derivative transactions undertaken are for non-trading purposes.

Such non-trading derivatives are those entered into for the purpose of matching or eliminating risk from potential movements in foreign exchange and interest rates in the company's assets, liabilities and positions which are intended for use on a continuing basis in the activities of the company.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2004 (Continued)

1. ACCOUNTING POLICIES (Continued)

(g) *Derivatives (continued)*

A derivative is designated as non-trading where there is an offset between the effects of potential movements in market rates on the derivative and the designated asset, liability or position being hedged. Derivatives are reviewed regularly for their effectiveness as hedges. Derivative transactions are accounted for on a basis consistent with the assets, liabilities, or positions being hedged. Income and expense on derivatives are recognised as they accrue over the life of the instruments as an adjustment to "Interest receivable and similar income" or 'Interest payable and similar charges' as appropriate.

(h) *Deferred taxation*

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more or right to pay less tax. Deferred tax is measured on an undiscounted basis using the tax rates that have been enacted or substantially enacted at the balance sheet date as an approximation of the rates expected to apply in the periods in which the timing differences reverse.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

2.	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2004 €	2003 €
----	---	-----------	-----------

The profit on ordinary activities before taxation is stated after (charging) crediting:

Management fee	(654,828)	(794,190)
Interest income from group undertakings	3,231,463	8,781,887
Interest income	6,381,021	8,242,776
Interest payable to parent undertaking	(29,931)	(2,735,620)
Interest payable to fellow group undertakings	(2,723,783)	(2,013,782)
	<u> </u>	<u> </u>

The company has no employees. Auditors' and directors' remuneration are discharged by a fellow group company and are included in management fees.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2004 (Continued)

3.	TAX ON PROFIT ON ORDINARY ACTIVITIES	2004	2003
		€	€
	The charge based on the profit on ordinary activities comprises:		
	Corporation tax at 10%	120,852	146,009
	Foreign withholding tax	343	51,634
	Under provision in prior year	—	14,601
		<u>121,195</u>	<u>212,244</u>

Reconciliation of the expected tax charge at the standard rate to the actual tax charge at the effective rate.

The tax assessed for the period is higher than the standard rate of corporation tax in the Republic of Ireland (12.5%). The differences are explained below:

	2004	2003
	€	€
Profit on ordinary activities before tax	1,197,014	1,457,061
Profit on ordinary activities multiplied by standard rate of corporation tax in the Republic of Ireland of 12.5% (2003: 12.5%)	149,627	182,133
Effects of:		
IFSC licence tax relief	(28,775)	(36,124)
Current tax charge for period	<u>120,852</u>	<u>146,009</u>

The company has received a licence to operate in the International Financial Services Centre in Dublin. Profits from certain qualifying activities are taxable at a rate of 10%. Profits from non-qualifying activities are subject to tax at standard Irish corporation tax rates.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2004 (Continued)

4.	FINANCIAL ASSETS	2004 €	2003 €
	Investment in subsidiary – unlisted	<u>2,556,459</u>	<u>2,556,459</u>

On 4 August 1992, the company subscribed for 5,000,000 shares in the ordinary share capital of Porsche International Insurance Limited. The total consideration was €2,556,459 (DM 5,000,000). At 31 July 2004, the company owned 100% of the issued ordinary share capital of the company, which is engaged in reinsurance operations and whose registered office is at 1 Exchange Place, IFSC, Dublin 1.

5.	DEBTORS	2004 €	2003 €
	<i>Amounts falling due within one year</i>		
	Amounts owed by group undertakings	279,340,919	212,808,301
	Trade debtors and prepayments	211,404,257	215,247,886
		<u>490,745,176</u>	<u>428,056,187</u>

6.	CREDITORS (amounts falling due within one year)	2004 €	2003 €
	Taxation and other creditors (<i>note 7</i>)	109,926	180,061
	Amounts owed to group undertakings	185,946,005	120,257,038
	Interest payable	3,694,069	3,624,099
		<u>189,750,000</u>	<u>124,061,198</u>

7.	TAXATION CREDITORS	2004 €	2003 €
	Corporation tax	<u>49,594</u>	<u>50,193</u>

NOTES TO THE FINANCIAL STATEMENTS

31 July 2004 (Continued)

8.	CREDITORS (amounts falling due after more than one year)	2004 €	2003 €
	5.25% Bearer bonds 2007	300,000,000	300,000,000
		<u>300,000,000</u>	<u>300,000,000</u>

The company issued €300,000,000 5.25% Bearer bonds on 5 June 2003. These bonds are listed on Frankfurt stock exchange and guaranteed by the parent company.

The proceeds of the issue are available to finance worldwide Porsche group companies.

9.	CALLED UP SHARE CAPITAL	2004 €	2003 €
	<i>Authorised</i>		
	1,000,000 ordinary shares of €0.511292 each	<u>511,292</u>	<u>511,292</u>
	<i>Allotted, called up and fully paid</i>		
	1,000,000 ordinary shares of €0.511292 each	<u>511,292</u>	<u>511,292</u>

10.	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2004 €	2003 €
	Shareholders' funds at beginning of year	9,182,240	7,937,468
	Profit attributable to shareholders of the company	<u>1,075,819</u>	<u>1,244,772</u>
	Shareholders' funds at end of year	<u>10,258,059</u>	<u>9,182,240</u>

NOTES TO THE FINANCIAL STATEMENTS

31 July 2004 (Continued)

11. FINANCIAL INSTRUMENTS DISCLOSURES

As the company has a capital instrument listed on a stock exchange, it is required to comply with Financial Reporting Standard 13, "Derivatives and Other Financial Instruments: Disclosures" ("FRS 13" or "the FRS").

Derivative contracts serve as a component of the company's investment strategy and are utilised to hedge investments and loan transactions so as to enhance performance and reduce risk to the company.

The derivative contracts that the company holds include forward rate agreements and interest rate swap agreements.

The company has availed of the exemption contained in the FRS to exclude all short term debtors and creditors (including amounts owing to and collected on behalf of the parent company from group companies and third parties for product supplies) from the definition of financial instruments.

The group holds and issues financial instruments for three main purposes – (a) to manage the financing requirements and surplus cash of Porsche group companies; (b) to fund the medium to long-term cash needs of group companies; and (c) to manage the interest rate and currency risks arising from its operations and its sources of finance.

The cash needs of group companies has been financed through the issue of Euro Bearer bonds. The company utilises funds from the bonds to advance funds to group companies for periods ranging from one month to several years, in their local currency, normally at variable rates of interest linked to the relevant reference LIBOR rate, and in addition takes deposits from group companies of surplus funds. The main risks arising from this activity are interest rate and currency exposures. These risks are reduced to the tolerance level considered acceptable by the board using forward foreign currency contracts and interest rate swaps.

Interest rate risk

The majority of the company's funding has been raised through the issue of fixed-rate Euro bonds. This contrasts with the company's lending to group companies, which is at variable rates linked to LIBOR. The company's policy is to reduce this interest rate mis-match to zero and it has therefore entered into an interest rate swap to cover the fixed interest payments necessary under the terms of the bonds. At the year end, after taking into account interest rate swaps, the company had no exposure to interest rates fixed for a period longer than three months.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2004 (Continued)

11. FINANCIAL INSTRUMENTS DISCLOSURES (Continued)

Currency risk

The company's reporting currency is euro and the majority of the company's funding is denominated in this currency. Lending to and deposits from group companies is denominated in the local currency of the group company. The currency exposure arising is reduced through the use of forward foreign currency contracts which buy/sell forward euro, as appropriate, and at the year end the company's exposure to other currencies arising from group loans and deposits has been reduced to zero.

An analysis of the currency denomination and interest rate profile of financial liabilities of the company, after taking into account interest rate swaps, is as follows:

<i>Currency</i>	<i>Floating rate</i>	<i>Fixed rate</i>	<i>No interest paid</i>
<i>31 July 2004</i>			
Euro	439,804,965	—	2,489,554
<i>31 July 2003</i>			
Euro	346,114,326	—	2,489,554

A similar analysis of the maturity of financial liabilities is as follows:

<i>Currency</i>	<i>Less than one year</i>	<i>More than one year less than two years</i>	<i>More than two years</i>	<i>More than five years</i>
<i>31 July 2004</i>				
Euro	139,804,965	—	300,000,000	2,489,554
<i>31 July 2003</i>				
Euro	46,614,326	—	300,000,000	2,489,554

NOTES TO THE FINANCIAL STATEMENTS

31 July 2004 (Continued)

11. FINANCIAL INSTRUMENTS DISCLOSURES (Continued)

Similar information in relation to currency and interest rate profile of financial assets (after taking into account interest rate swaps) is as follows:

<i>Currency</i>	<i>Floating rate</i>	<i>Fixed rate</i>	<i>No interest paid</i>
<i>31 July 2004</i>			
Euro	423,784,371	18,000,000	2,556,459
USD	5,707,313	–	–
<i>31 July 2003</i>			
Euro	200,002,000	70,212,149	2,556,459

	<i>Fixed Rate Financial Assets</i>		<i>Financial Assets on which no interest is paid</i>
<i>Currency</i>	<i>Weighted average Interest rate</i>	<i>Weighted average period For which rate is fixed</i>	<i>Weighted average period until maturity</i>
	<i>%</i>	<i>Days</i>	<i>Days</i>
Euro	2.25	88	N/A

The fair value of financial assets and liabilities approximates the carrying value in the financial statements.

12. GUARANTEE

During the financial year, the company agreed to act as joint guarantor with the parent company, Porsche AG, for the following loan notes issued by fellow group company, Porsche Financial Services Inc.

US\$200,000,000 4.47% Series A Guaranteed Senior Notes due 9 March 2011
 US\$150,000,000 4.98% Series A Guaranteed Senior Notes due 9 March 2014
 US\$75,000,000 5.13% Series A Guaranteed Senior Notes due 9 March 2016
 US\$200,000,000 5.33% Series A Guaranteed Senior Notes due 9 March 2019

The company earns an annual guarantee fee of 0.125% on the outstanding nominal amount of the issue. For the year ended 31 July 2004, the company earned €261,832 under this arrangement.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2004 (Continued)

13. PARENT UNDERTAKING

The immediate and ultimate controlling party and parent undertaking of both the smallest and largest group of undertakings of which the company is a member and for which group financial statements are drawn up is Dr.-Ing.h.c.F. Porsche AG, a company incorporated in Germany. Copies of its group financial statements are available from its registered office at Postfach 400640, 70435 Stuttgart-Zuffenhausen, Germany.

**FINANCIAL STATEMENTS
OF THE GUARANTOR**

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Consolidated Financial Statements 2004/05

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

■ First-Time Adoption of IFRS

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

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

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

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

* These include reclassifications pursuant to IFRS and measurement adjustments.

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

1) Non-current assets

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

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

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

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

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

2) Inventories

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

Where the conditions of IAS 11 are satisfied, the percentage of completion method is used for recognition and measurement of long-term construction contracts. This method is used in the Porsche Group for the recognition and measurement of development services. This leads to a reduction of inventories and gives rise to receivables from long-term construction contracts. Advance payments received for construction contracts have been taken into account. All other advance payments received for inventories are no longer deducted from inventories on the face of the balance sheet. Inventories and other liabilities are higher as a result. Inventories thus increased by a total of T€ 57,665 under IFRS compared to German commercial law.

3) Receivables from financial services

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

(4) Other receivables and assets

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

5) Securities, cash and cash equivalents

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

6) Deferred taxes

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

7) Pension provisions

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

8) Tax provisions and other provisions

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

9) Liabilities

The financial liabilities item has essentially changed as a result of first-time consolidation of a variable interest entity of T€ 254,171. In addition, an amount of T€ 576,825, which represents some of the asset-backed financing and was reported under deferred income under HGB, was reclassified and allocated in full to financial liabilities.

Advance payments received for inventories are disclosed as liabilities, which led to an increase in liabilities compared to HGB. Liabilities thus increased by T€ 392,792 compared to the consolidated balance sheet under German commercial law.

10) Deferred income

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

Impact of the transition to IFRS on the income statement :

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

The main differences are explained below:

1) Sales and total operating performance

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

2) Earnings before tax

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

3) Income taxes

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

Impact of the transition to IFRS on the cash flow statement

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

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

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

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

July 31, 2004

T€

Net income of the Group for the year under HGB	612,000
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Effects of the application of changed recognition
and measurement methods pursuant to IFRS:

Intangible assets	3,225
Leases	5,187
Inventories	962
Long-term construction contracts	3,910
Measurement of financial instruments at market value	3,196
Pension provisions	8,784
Tax provisions and other provisions	29,479
Changes to consolidated group	1,264
Other	– 1,247
Deferred taxes	23,240

Net income of the Group for the year under IFRS	690,000
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■ Explanations pursuant to § 292a HGB

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

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

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

■ Consolidated Group

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

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

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

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

■ Consolidation Principles

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

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

■ Currency Translation

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

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

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

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

■ Accounting Principles and Valuation Measurement

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

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

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

Non-current assets

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

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

Acquired goodwill is reported as an asset. Goodwill is not amortized on a systematic basis.

Development costs are capitalized for vehicles provided that clear allocation of expenses is possible and all the other criteria of IAS 38 are met. The development costs capitalized include all production overheads allocable directly and indirectly to the development process that are incurred as of the time at which all recognition criteria are met. Capitalized development costs are amortized from the production start using the straight-line method over the expected product life cycle of usually six years. Research and non-capitalizable development costs are expensed as incurred.

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

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

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

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

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

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

Current assets

Inventories

Inventories include materials and supplies as well as work in process and finished goods. Inventories are stated at the lower of cost or net realizable value as of the balance sheet date. Valuation allowances are recorded on slow-moving inventories.

In addition to direct costs, costs of conversion include an appropriate portion of necessary materials and production overheads as well as production-related depreciation, administrative and social security costs. Finance cost is not capitalized as part of cost of purchase or conversion. Where necessary, the average method is used as a simplified method of measurement.

Long-term construction contracts

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

Financial instruments

Pursuant to IAS 39, a financial instrument is any contract that gives rise to a financial asset at one entity and a financial liability or equity instrument at another entity.

If the trade date of a financial asset differs from the settlement date, the settlement date is authoritative for initial recognition.

Initial measurement of a financial instrument is at cost. Transaction costs are included.

Subsequent measurement of financial instruments is either at fair value or amortized cost.

With respect to measurement, IAS 39 distinguishes between the following categories of financial assets:

- Financial instruments recognized at fair value with effect on income,
- Held-to-maturity investments,
- Loans and receivables originated by the entity, and
- Available-for-sale investments.

By contrast, financial liabilities are divided into the two categories

- Financial instruments recognized at fair value with effect on income and financial instruments held for trading, and
- Other liabilities.

Depending on the category, measurement of financial instruments is either at fair value or amortized cost.

Fair value corresponds to market price provided the financial instruments measured are traded on an active market. If there is no active market for a financial instrument, fair value is calculated using appropriate actuarial methods such as recognized option price models or discounting future cash flows with the market interest rate.

Amortized cost corresponds to costs of purchase less redemption, impairment losses and the reversal of any difference between costs of purchase and the amount repayable upon maturity.

Primary financial instruments

Loans and receivables originated by the entity, held-to-maturity investments and financial liabilities are measured at amortised cost unless they are associated with hedging instruments.

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

Available-for-sale investments are measured at fair value.

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

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

Derivative financial instruments

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

Deferred taxes

Deferred taxes are recognized on all temporary differences between the tax accounts and the IFRS carrying amounts. Deferred tax assets are recognized on unused tax losses if they are likely to be used. Valuation allowances are recorded on deferred tax assets whose realization in the foreseeable future is not likely.

Deferred taxes are measured on the basis of the tax rates that apply or that are expected to apply based on the current legislation in the individual countries at the time of realization. Deferred tax assets and liabilities are offset against each other, where permissible.

Pension Provisions

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

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

Tax provisions and other provisions

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

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

Income and expenses

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

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

Contingent liabilities

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

■ New Accounting Policies

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

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

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

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

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

Notes to the Consolidated Income Statement

(1) Sales

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

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

(2) Changes in inventories and own work capitalized

Own work capitalized is principally a result of the capitalization of vehicles and development costs.

(3) Other operating income

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

(4) Cost of materials

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

Cost of purchased services also includes expenses for the lease.

(5) Personnel expenses

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

*) including employees under the phased retirement scheme

(6) Other operating expenses

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

(7) Financial result

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

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

(8) Income taxes

The income tax expense disclosed comprises the following:

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

On account of tax rate changes, additional income of T€ 1,009 compared to the previous year was recorded from deferred taxes (previous year: T€ 7,246).

The current tax expense was reduced by T€ 1,548 (previous year: T€ 3,854) owing to previously unused tax losses. This did not lead to any material changes for deferred taxes in either reporting period.

Current taxes relating to other periods amounted to T€ 12,079 (previous year: T€ 19,162).

There was no need to write up or down deferred taxes in the fiscal year.

The deferred taxes offset against equity without effect on income changed by T€ 128,325 in the reporting year (previous year: T€ 27,766).

The tax rate for deferred taxes is determined on the basis of the current legal situation.

An average income tax rate of 39% (previous year: 38%) applies for the German entities.

The income tax rates applied for foreign entities range from 0% to 41% (previous year: from 0% to 42%).

There are unused tax losses and credits of T€ 29,469 (previous year: T€ 25,021), for which no deferred tax assets have been set up. T€ 2,793 (previous year: T€ 557) can be carried forward for an unlimited period of time, while the remainder can only be carried forward for a limited period of more than three years.

In addition, deferred tax assets of a total of T€ 1,126 (previous year: T€ 15,768) were recognized on unused tax losses and of T€ 14 (previous year: T€ 3,079) on unused tax credits.

No deferred taxes were recorded on accumulated profits at subsidiaries of T€ 30,336 (previous year: T€ 22,712), as these profits are to be used for the expansion of business activities at the different locations.

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

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

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

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

9) Minority interests

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

(10) Earnings per share

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

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

Notes to the Consolidated Statement of Cash Flows

(11) Notes to the Consolidated Statement of Cash Flows

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

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

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

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

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

The cash flow from operating activities includes:

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

Notes to the Consolidated Balance Sheet

(12) Non-current assets

Intangible assets include development services acquired, tool cost subsidies, capitalized development costs for vehicles, goodwill, licenses and software.

Research and development costs of T€ 339,269 were recorded in the fiscal year with an effect on income (previous year: T€ 272,157).

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

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

There was no need to record an impairment.

Non-current assets developed as follows in the Group:

Development of intangible assets

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

Development of property, plant and equipment

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

Development of financial assets

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

Development of leased assets and of total non-current assets

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

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

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

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

(13) Inventories

The inventories disclosed break down as follows:

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

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

(14) Trade receivables

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

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

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

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

(15) Receivables from financial services

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

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

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

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

The accumulated allowances for outstanding minimum lease payments for finance leases that are subject to risk amount to T€ 36,814 (previous year: T€ 34,018).

Receivables from financial services are generally secured by the assignment of collateral, guarantees or land charges.

(16) Other receivables and assets

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

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

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

(17) Securities

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

(18) Cash and cash equivalents

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

(19) Prepaid expenses

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

(20) Equity and minority interests

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

Share capital

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

Capital reserve

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

Revenue reserves and other comprehensive income

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

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

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

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

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

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

Minority interests

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

(21) Pension provisions

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

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

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

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

Actuarial assumptions

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

On aggregate, the benefit obligations of foreign entities are not material.

The net benefit obligations are as follows:

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

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

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

Amounts included in the income statement break down as follows:

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

The service cost is disclosed under personnel expenses, and the interest cost under the financial result.

The actual return on plan assets in the fiscal year amounted to T€ 3,659 (previous year: T€ 902).

(22) Tax provisions and other provisions

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

Provisions for personnel contain obligations for vacation and Christmas bonuses, profit participations and management bonuses, the German phased retirement scheme and long-service bonuses.

Provisions for ordinary operations consist above all of amounts for warranty claims, marketing services, bonuses and discounts.

Sundry provisions principally comprise provisions for goods and services not yet invoiced, litigation risks and disposal obligations for old vehicles.

Other provisions developed as follows:

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

(23) Financial liabilities

Financial liabilities break down as follows:

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

The following items are reported under bonds:

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

The bonds are exclusively fixed-interest instruments. They are recorded at fair value with an effect on income. To hedge the risk of interest rate fluctuation, interest hedges were concluded which were also recognized at fair value.

Liabilities to banks serve short-term financing purposes. The nominal interest rate varies from 0.25% to 4.5% depending on the currency, maturity and contractual terms and conditions (previous year: 0.25% to 5.25%). They are recognized at amortized cost.

Other financial liabilities include liabilities for re-financing the financial services business which arose in the context of non-recourse financing, sale-and-leaseback and asset-backed securities programs. Collateral of T€ 362,950 (previous year: T€ 301,918) has been provided for other financial liabilities.

The total volume of asset-backed securities programs included therein comes to T€ 1,715,205 as of the balance sheet date (previous year: T€ 1,639,397). Interest is at inter-bank level. The average terms to maturity of the financing range from one to four years. Measurement is at amortized cost.

(24) Trade payables

	July 31, 2005 T€	July 31, 2004 T€
Liabilities from long-term construction contracts	8,863	4,576
Trade payables	434,131	371,380
Liabilities to entities in which equity investments are held	–	1,209
	442,994	377,165

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

	July 31, 2005 T€	July 31, 2004 T€
Costs of conversion including outcome of the long-term construction contracts	31,921	13,623
thereof services billed to customers	– 17,243	– 12,050
Future receivables from long-term construction contracts before advance payments received	14,678	1,573
Advance payments received	– 23,541	– 6,149
	8,863	4,576

Of the payables, T€ 440,173 (previous year: T€ 371,102) is due within one year and the remaining amount of T€ 2,821 (previous year: T€ 6,063) between one and five years.

(25) Other liabilities

Other liabilities break down as follows as of the balance sheet date:

		Due within one year	Due within one to five years
	T€	T€	T€
July 31, 2005			
Advance payments received on account of orders	59,768	59,181	587
Sundry other liabilities	139,391	137,809	1,582
Tax liabilities	22,788	22,788	–
Measurement of derivative financial instruments at market value	13,390	13,390	–
	235,337	233,168	2,169
July 31, 2004			
Advance payments received on account of orders	81,225	80,334	891
Sundry other liabilities	146,470	144,089	2,381
Tax liabilities	13,371	13,371	–
Measurement of derivative financial instruments at market value	14,653	2,552	12,101
	255,719	240,346	15,373

There are no other liabilities due in more than five years.

(26) Deferred income

	July 31, 2005	July 31, 2004
	T€	T€
Other deferred income	17,787	16,382
Special lease payments	34,527	31,027
	52,314	47,409

Deferred income includes T€ 40,408 due in more than one year (previous year: T€ 18,824).

Other Notes

(27) Financial Instruments

Hedging strategy

Owing to the international activities in the vehicles and financial services segment, changes in interest rates and exchange rates affect the net assets, financial position and results of operations of the Porsche Group. The risks result from foreign currency transactions in the course of ordinary operations, from financing and from investing activities. It is the objective of the Group's central treasury department to manage and thus minimize these financial risks for the continued existence and earnings power by concluding hedges for the Group. Guidelines are issued to govern discretionary decisions and internal controls and avoid a concentration of risk. The nature and volume of hedging transactions is generally chosen with regard to the underlying contract. Hedging transactions may only be concluded to hedge existing underlyings or planned transactions. Only approved financial instruments may be entered into with approved counterparties.

Currency risk

Currency risks from current receivables, liabilities and debts as well as from highly likely future transactions are generally hedged with forward exchange contracts, currency options or combined options.

Hedges for value fluctuations in future cash flows from anticipated highly likely transactions mainly relate to planned sales in foreign currency. As of July 31, 2005, currency hedges are in place in particular for the major currencies US dollar, pound sterling and Japanese yen.

Interest rate risk

The Porsche Group has issued fixed-interest bonds. The interest rate risks arising in this regard are hedged by interest derivatives.

Credit risk

The credit risk of financial assets is taken into account through adequate valuation allowances considering existing collateral. Various hedging measures are taken to reduce the credit risk for primary financial instruments, such as requesting collateral or guarantees and credit ratings based on information from credit rating agencies and historical data.

Hedging transactions are only entered into with first-rate banks on the basis of uniform guidelines and are monitored accordingly.

Measurement of financial instruments

The market value of financial instruments is determined by reference to stock market listings, reference prices or recognized calculation models.

The following term structure of interest rates was used where appropriate:

	EUR	USD	GBP
Interest rate for six months	2.149%	3.924%	4.545%
Interest rate for one year	2.196%	4.163%	4.484%
Interest rate for five years	2.793%	4.520%	4.535%
Interest rate for ten years	3.340%	4.658%	4.620%
Interest rate for fifteen years	3.620%	4.810%	4.580%

The market value of the financial derivatives is disclosed in the balance sheet under other receivables and assets or other liabilities. The currency hedges for the Canadian, Australian and US dollar are due within four years, and those for other currencies within three years. In the fiscal year 2004/05 there were also stock price hedging options with a market value of T€ 11,093.

		July 31, 2005		July 31, 2004	
		Nominal volume T€	Total market value T€	Nominal volume T€	Total market value T€
Assets	Currency hedge	10,729,102	645,645	9,877,413	880,943
	Interest hedge	2,001,750	41,943	1,320,595	34,685
		12,730,852	687,588	11,198,008	915,628
Equity and liabilities	Currency hedge	341,293	11,298	–	–
	Interest hedge	96,623	2,092	68,940	14,653
		437,916	13,390	68,940	14,653

As of July 31, 2005, other comprehensive income contains a total of T€ 179,304 (previous year: T€ 368,067) recorded without effect on income from measurement at market value. Of the change in measurement at market value recorded in equity of T€ – 188,763 (previous year: T€ – 41,853), an amount of T€ 21,319 (previous year: T€ 1,345) is due to the increase in the reserve for the available-for-sale financial assets and T€ – 210,082 (previous year: T€ – 43,198) to the decrease in the reserve for cash flow hedges. An amount of T€ 250,738 was reclassified in the fiscal year from the reserve for cash flow hedges to the income statement (previous year: T€ 258,792). The increase came to T€ 40,715 (previous year: T€ 215,649). The profit on the disposal of available-for-sale securities totaled T€ 7,696 (previous year: T€ 12), while the loss on the disposal came to T€ 2,808 (previous year: T€ 4,243).

(28) Contingent Liabilities

	July 31, 2005 T€	July 31, 2004 T€
Guarantees	1,300	378
Warrenties	68,357	68,738
Collateral for third-party liabilities	1,076	1,535

As a partner of Venture Capital Beteiligung GbR, Porsche AG is liable within the scope of the provisions of law.

Other financial obligations in the Group total EUR 250.0 million (previous year: EUR 270.4 million). There are obligations from rent, lease and maintenance agreements of EUR 95.8 million in total (previous year: EUR 78.3 million). The Group's purchase commitment from initiated investment projects for property, plant and equipment amount to EUR 152.0 million (previous year: EUR 183.6 million). There are other financial obligations of EUR 2.2 million (previous year: EUR 8.5 million). The terms to maturity of minimum lease payments under non-cancelable operating leases and rent agreements are as follows:

	July 31, 2005 T€	July 31, 2004 T€
Minimum lease payments	95,845	78,307
Due within one year	28,072	23,043
Due within one to five years	48,111	23,905
Due within more than five years	19,662	31,359

The total amount of rent and lease payments recorded as an expense in the fiscal year is T€ 29,886 (previous year: T€ 36,554).

No provisions were recognized for contingent liabilities as it is more likely than not that they will not occur.

(29) Events after the Balance Sheet Date

After the close of the fiscal year 2004/05, Dr. Ing. h.c. F. Porsche Aktiengesellschaft, Stuttgart, Germany, acquired ordinary shares in Volkswagen AG and now holds an equity investment of 18.53% in the entity.

(30) Notes to the Segment Reporting

The objective of the segment reporting is to provide information about the main divisions of the Group. In accordance with IAS 14, the Group's activities are broken down by region as the primary reporting format and by business division as the secondary reporting format. Segmentation is based on the internal reporting and organizational structure, taking account of the different risk and income structures of the various regions and divisions. The segmentation by region is based on the location of the customers. According to the different risk and income structure, the Group is divided into the regions Germany, Europe without Germany, North America, and rest of the world.

Segmentation by business division shows the vehicles and financial services divisions. The vehicles division includes the development, production and sale of vehicles as well as related services. The financial services division comprises the financing and leasing business for customers and dealers.

Intersegment receivables and liabilities, provisions, income and expenses as well as profits and losses are eliminated in the column "consolidation". This column also includes the items not allocable to the individual segments.

The segment figures have been determined in accordance with the recognition and measurement methods used in the consolidated financial statements. The business relations between the entities of the Porsche Group are generally based on prices as agreed with third parties.

Third-party sales show the share of each division in the Porsche Group's sales revenues.

Intersegment sales shows the sales effected between the segments.

Earnings before financial income and income tax constitutes the segment result. The segment result includes the result from lease transactions as well as the result from customer and dealer financing.

Segment assets include all assets except for income tax claims and assets allocable to financial transactions. Segment liabilities include all liabilities except for income tax liabilities and financial liabilities unless they were incurred directly for operating purposes.

Non-cash expenses mainly include additions to provisions and unrealized losses from measurement at market value.

Amortization and depreciation as well as capital expenditure primarily relate to property, plant and equipment, intangible assets and leased assets.

The secondary reporting format is supplemented by a condensed balance sheet for the vehicles and financial services divisions. Non-current assets in the financial services division mainly consist of leased assets. The current assets of the financial services division include receivables from credit financing, receivables from finance leases and leasing installments that are due for payment. The debt capital shows the financing of the financial services business – primarily via asset-backed security programs – and intercompany financing which is eliminated in the consolidation.

Segment information by region

		Germany	
		2004/05	2003/04
		Mio €	Mio €
Third-party sales		2,218.9	2,076.6
Intersegment sales		3,570.1	3,483.5
Segment result		902.1	853.8
Segment assets		5,313.1	5,206.7
Segment liabilities		2,897.8	2,622.1
Non-cash expenses		328.7	505.3
Amortization and depreciation		346.1	262.5
Capital expenditure		409.3	668.3

Segment information by business division

		Vehicles	
		2004/05	2003/04
		Mio €	Mio €
Third-party sales		6,220.9	5,821.8
Intersegment sales		151.2	141.4
Segment assets		5,536.1	5,445.5
Capital expenditure		368.9	632.3

The balance sheets of the divisions also include assets that are not allocable to segment assets pursuant to IAS 14. Most of these are income tax items and financial assets.

Balance sheets of the divisions

		Vehicles	
		2004/05	2003/04
		Mio €	Mio €
Assets	Non-current assets	1,977.9	1,966.9
	Current assets and prepaid expenses	5,400.2	4,921.4
		7,378.1	6,888.3
Equity and liabilities	Equity	3,374.4	2,932.6
	Debt capital	4,003.7	3,955.7
		7,378.1	6,888.3

North America		Europe without Germany		Rest of world		Consolidation		Group	
2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
Mio €	Mio €	Mio €	Mio €	Mio €	Mio €	Mio €	Mio €	Mio €	Mio €
2,208.2	2,188.1	1,607.1	1,393.9	539.8	489.1	–	–	6,574.0	6,147.7
1.1	2.9	11.2	2.6	0.4	0.1	– 3,582.8	– 3,489.1	–	–
134.7	134.4	97.1	83.8	25.2	25.1	60.1	23.9	1,219.2	1,121.0
1,665.0	1,556.1	1,097.2	958.1	259.2	247.5	1,375.6	1,045.9	9,710.1	9,014.3
1,338.0	1,261.9	913.2	803.2	198.1	182.3	942.8	1,224.0	6,289.9	6,093.5
17.4	6.7	19.7	10.5	0.6	2.2	– 239.6	– 10.1	126.8	514.6
150.6	105.0	11.6	11.4	2.5	3.4	– 0.3	– 0.2	510.5	382.1
477.5	449.9	19.5	8.1	6.6	3.4	6.1	– 18.6	919.0	1,111.1

Financial services		Consolidation		Group	
2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
Mio €	Mio €	Mio €	Mio €	Mio €	Mio €
353.1	325.9	–	–	6,574.0	6,147.7
24.8	16.8	– 176.0	– 158.2	–	–
2,880.9	2,617.3	1,293.1	951.5	9,710.1	9,014.3
543.7	508.6	6.4	– 29.8	919.0	1,111.1

Financial services		Consolidation		Group	
2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
Mio €	Mio €	Mio €	Mio €	Mio €	Mio €
1,013.0	971.1	– 562.5	– 557.9	2,428.4	2,380.1
1,868.9	1,650.2	12.6	62.6	7,281.7	6,634.2
2,881.9	2,621.3	– 549.9	– 495.3	9,710.1	9,014.3
238.5	213.0	– 192.7	– 224.8	3,420.2	2,920.8
2,643.4	2,408.3	– 357.2	– 270.5	6,289.9	6,093.5
2,881.9	2,621.3	– 549.9	– 495.3	9,710.1	9,014.3

(31) Related Parties

In accordance with IAS 24, persons or entities which are in control of or controlled by Porsche AG must be disclosed. Pursuant to a consortium agreement, the Porsche and Piëch families have direct and indirect control respectively over Porsche AG.

The disclosure requirements under IAS 24 also extend to persons who have the power to exercise significant influence over the Company, i.e. who have the power to participate in the financial and operating policies of the Company, but do not control it, including close family members. In the fiscal year 2004/05 this concerns members of the Supervisory Board and the Executive Board of Porsche AG as well as their close family members.

The volume of trade in the course of ordinary operations in the vehicles and parts business with the Porsche and Piëch families and their affiliated entities came to EUR 74.6 million (previous year: EUR 69.1 million), and trade in the design business to EUR 1.1 million (previous year: EUR 0.0 million). The arm's length principle was applied without exception.

Apart from that, the Porsche and Piëch families provided automotive services and delivered clocks and related spare parts to Porsche AG. These deliveries and services are not material for the Porsche Group and were charged at arm's length conditions without exception.

Other services worth T€ 17 were provided to members of the Executive and Supervisory Boards (previous year: T€ 28). They were charged at arm's length conditions.

Otherwise, no transactions requiring disclosure were conducted by entities of the Porsche Group with members of the Supervisory Board or Executive Board as persons in key positions or any other entities in whose executive or supervisory board any such persons are represented. The same applies for members of these persons' close families.

(32) Remuneration of Supervisory Board and the Executive Board

The remuneration of the Executive Board consists of basic salary and a variable component linked to profit. The remuneration of the Executive Board for the fiscal year 2004/05 totaled EUR 26.0 million. This figure includes profit-based components of EUR 20.7 million.

The pension obligations to former executive board members and their surviving dependants total EUR 17.9 million; provisions have been set up to cover the full amount. Benefit payments came to T€ 973. The total remuneration of the Supervisory Board for the fiscal year 2004/05 amounts to EUR 1.0 million.

(33) Declaration on the German Corporate Governance Code

The Executive Board and Supervisory Board of Porsche AG have issued the declaration required by § 161 German Stock Corporation Act (AktG) in the annual report 2004/05.

It is made permanently accessible to the shareholders on the homepage www.porsche.de.

Stuttgart, October 27, 2005

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

Dr. Wendelin Wiedeking
Wolfgang Dürheimer
Holger P. Härter
Harro Harmel
Michael Macht
Hans Riedel

Significant Equity Investments

		Share in capital %	Net income ¹⁾ T€	Sales ¹⁾ T€	Employees ²⁾
Fully consolidated entities – Germany	CTS Fahrzeug-Dachsysteme Gesellschaft mit beschränkter Haftung, Hamburg ⁵⁾	100	24,152	384,360	822
	Porsche Financial Services GmbH & Co.KG, Bietigheim-Bissingen	100	9,806	318,407	–
	Porsche Consulting GmbH, Bietigheim-Bissingen	100	4,999 ³⁾	23,682	106
	Porsche Financial Services GmbH, Bietigheim-Bissingen	100	1,946 ³⁾	20,590	38
	PIKS Porsche-Information-Kommunikation-Services GmbH, Stuttgart	100	2,391 ³⁾	33,459	101
	Porsche Deutschland GmbH, Bietigheim-Bissingen	100	24,653 ³⁾	921,133	83
Fully consolidated entities – other countries	Porsche Ibérica S.A., Madrid, Spain	100	5,244	163,765	39
	Porsche Italia S.p.A., Padua, Italy	100	7,307	312,242	52
	Porsche France S.A., Boulogne-Billancourt, France	100	6,177	187,687	35
	Porsche Cars Great Britain Ltd., Reading, United Kingdom	100	27,991	670,509	107
	Porsche Financial Services Great Britain Ltd., Reading, United Kingdom	100 ⁴⁾	6,027	43,604	7
	Porsche Retail Group Ltd., Reading, United Kingdom	100 ⁴⁾	9,614	330,535	300
	Porsche Cars North America, Inc., Wilmington/Delaware, USA	100 ⁴⁾	69,134	1,803,149	215
	Porsche Liquidity LLC, Wilmington/Delaware, USA	100 ⁴⁾	8,257	136,746	–
	Porsche Cars Canada Ltd., Toronto/Ontario, Canada	100 ⁴⁾	1,815	122,078	4
	Porsche Engineering Services, Inc., Wilmington/Delaware, USA	100 ⁴⁾	696	13,640	151
	Porsche Funding Ltd. Partnership, Wilmington/Delaware, USA	100 ⁴⁾	6,992	22,228	–
	Porsche Japan K.K., Tokyo, Japan	100	6,774	207,532	60
	Porsche Cars Australia Pty. Ltd., Collingwood, Australia	100	4,748	97,297	34
	Porsche Middle East FZE, Dubai, United Arab Emirates	100	5,750	183,798	20

1) Equity and net income for the year from financial statements prepared in accordance with local law or earnings before profit transfer for the fiscal year from August 1, 2004 to July 31, 2005.
Net income and sales denominated in foreign currency were translated at the average annual exchange rate.

2) Number of employees as of the end of the entity's fiscal year.

3) Before profit transfer (net income incl. tax allocation).

4) Indirect equity investment.

5) Based on interim financial statements as of July 31, 2005.

Audit Opinion

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements, prepared by Dr. Ing. h.c. F. Porsche Aktiengesellschaft, Stuttgart, for the fiscal year from August 1, 2004 to July 31, 2005. The preparation and the content of the consolidated financial statements are the responsibility of the Company's executive board. Our responsibility is to express an opinion on whether the consolidated financial statements are in accordance with International Financial Reporting Standards (IFRS) based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing requirements and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [in Deutschland] (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion. In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the fiscal year in accordance with IFRS.

Our audit, which also extends to the combined management report prepared by the executive board for the fiscal year from August 1, 2004 to July 31, 2005, has not led to any reservations. In our opinion, on the whole the combined management report provides a suitable understanding of the Group's position and suitably presents the risks to future development. In addition, we confirm that the consolidated financial statements and the combined management report for the fiscal year from August 1, 2004 to July 31, 2005 satisfy the conditions for the Company's exemption from its obligation to prepare consolidated financial statements and the group management report in accordance with German law.

Stuttgart, October 27, 2005
Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Oesterle
Wirtschaftsprüfer
(German Public Auditor)

Strähle
Wirtschaftsprüfer
(German Public Auditor)

The preceding audit opinion issued in accordance with Sec. 322 German Commercial Code (*Handelsgesetzbuch*) refers to the consolidated financial statements prepared on the basis of International Financial Reporting Standards (IFRS) and the combined group management report and management report of Dr. Ing. h.c. F. Porsche Aktiengesellschaft, Stuttgart, for the financial year ended 31 July 2005 as a whole and not solely to the consolidated financial statements, as presented in this Prospectus.

The combined group management report and management report of Dr. Ing. h.c. F. Porsche Aktiengesellschaft, Stuttgart, together with the consolidated financial statements, for the financial year ended 31 July 2005 is available (free of charge) at the Guarantor's head office and is not included in this Prospectus.

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

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

Prof. Dr. Helmut Sihler

Novartis AG ²⁾

Hans Baur

Alcatel SEL AG ¹⁾

Dr. techn. h.c. Ferdinand Piëch

Volkswagen AG (Chairman) ¹⁾

Porsche Holding GmbH ²⁾

Porsche Ges.m.b.H. ²⁾

Dr. Hans Michel Piëch

Porsche Bank AG ²⁾

Porsche Holding GmbH ²⁾

Porsche Cars North America, Inc. ²⁾

Porsche Cars Great Britain Ltd. ²⁾

Porsche Italia S.p.A. ²⁾

Porsche Ibérica S.A. ²⁾

Porsche Ges.m.b.H. ²⁾

Eurotax Glass's Acquisition S.A. ²⁾

Volksoper Wien GmbH ²⁾

Prof. Ferdinand A. Porsche

(until January 28, 2005)

Porsche Holding GmbH ²⁾

Porsche Ges.m.b.H. ²⁾

Eterna S.A. ²⁾

Familie Porsche AG Beteiligungsgesellschaft ²⁾

Dr. Wolfgang Porsche

Porsche Cars North America, Inc. ²⁾

Porsche Cars Great Britain Ltd. ²⁾

Porsche Italia S.p.A. ²⁾

Porsche Ibérica S.A. ²⁾

Porsche Bank AG ²⁾

Porsche Holding GmbH (Chairman) ²⁾

Porsche Ges.m.b.H. (Chairman) ²⁾

PGA Group S.A.S. ²⁾

Eterna S.A. ²⁾

Dr. Dr. h.c. Walther Zügel

Berthold Leibinger GmbH (Chairman) ¹⁾

SHB Stuttgarter Finanz- und Beteiligungs

Aktiengesellschaft (Chairman) ¹⁾

Stihl AG (Deputy chairman) ¹⁾

Stuttgarter Hofbräu Verwaltungs AG ¹⁾

Allgaier Werke GmbH ¹⁾

Schuler AG ¹⁾

caption AG ¹⁾

Hansjörg Schmierer

Berthold Leibinger GmbH ¹⁾

Dr. Ferdinand Oliver Porsche

(since January 29, 2005)

Voith AG ¹⁾

Porsche Lizenz- und

Handelsgesellschaft mbH & Co. KG ²⁾

Eterna S.A. ²⁾

Porsche Holding GmbH ²⁾

Porsche Ges.m.b.H. ²⁾

PGA S.A. ²⁾

(Disclosures pursuant to § 285 No 10 HGB) As of July 31, 2005

¹⁾ Membership in German statutory supervisory boards

²⁾ Comparable offices in Germany and abroad

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

Dr. Wendelin Wiedeking

Porsche Cars North America, Inc. (Chairman) ²⁾
Porsche Financial Services, Inc. ²⁾
Porsche Cars Great Britain Ltd. ²⁾
Porsche Italia S.p.A. ²⁾
Porsche Ibérica S.A. ²⁾
Porsche Japan K.K. ²⁾
Porsche Enterprises, Inc. ²⁾
Porsche Deutschland GmbH ²⁾
Porsche Engineering Group GmbH ²⁾
Porsche Financial Services GmbH ²⁾
Porsche Business Services, Inc. ²⁾
Novartis AG ²⁾
Porsche Engineering Services GmbH ²⁾
Porsche Lizenz- und
Handelsgesellschaft mbH & Co. KG (Chairman) ²⁾

Wolfgang Dürheimer

Porsche Engineering Group GmbH (Chairman) ²⁾
Porsche Engineering Services GmbH (Chairman) ²⁾
PIKS Porsche-Information-
Kommunikation-Services GmbH ²⁾
CTS Fahrzeug-Dachsysteme GmbH ²⁾

Holger P. Härter

Sachsen LB ¹⁾
EUWAX AG (Chairman) ¹⁾
Porsche Cars North America, Inc. ²⁾
Porsche Enterprises, Inc. (Chairman) ²⁾
Porsche Financial Services, Inc. (Chairman) ²⁾
Porsche Cars Great Britain Ltd. ²⁾
Porsche Italia S.p.A. ²⁾
Porsche Ibérica S.A. ²⁾
Porsche Japan K.K. ²⁾
Porsche Engineering Group GmbH ²⁾
Porsche Engineering Services GmbH ²⁾
Porsche Deutschland GmbH ²⁾
Porsche Financial Services GmbH (Chairman) ²⁾
Porsche Business Services, Inc. (Chairman) ²⁾
PIKS Porsche-Information-Kommunikation-
Services GmbH (Chairman) ²⁾
Mieschke Hofmann & Partner Gesellschaft für
Management- und IT-Beratung mbH (Chairman) ²⁾
CTS Fahrzeug-Dachsysteme GmbH (Chairman) ²⁾

Harro Harmel

Porsche Consulting GmbH ²⁾
Mieschke Hofmann & Partner Gesellschaft für
Management- und IT-Beratung mbH ²⁾
Porsche Leipzig GmbH ²⁾
Porsche Engineering Group GmbH ²⁾
Porsche Leipzig Service GmbH (Chairman) ²⁾

Michael Macht

Porsche Consulting GmbH (Chairman) ²⁾
Porsche Leipzig GmbH (Chairman) ²⁾
Porsche Leipzig Service GmbH ²⁾
PIKS Porsche-Information-Kommunikation-
Services GmbH ²⁾
Gebr. Märklin & Cie. GmbH ²⁾

Hans Riedel

Porsche Cars North America, Inc. ²⁾
Porsche Enterprises, Inc. ²⁾
Porsche Financial Services, Inc. ²⁾
Porsche Cars Great Britain Ltd. (Chairman) ²⁾
Porsche Italia S.p.A. (Chairman) ²⁾
Porsche Ibérica S.A. (Chairman) ²⁾
Porsche Japan K.K. (Chairman) ²⁾
Porsche Deutschland GmbH (Chairman) ²⁾
Porsche Financial Services GmbH ²⁾
Porsche Leipzig GmbH ²⁾
Porsche Leipzig Service GmbH ²⁾
Porsche Business Services, Inc. ²⁾
Porsche Lizenz- und Handelsgesellschaft
mbH & Co KG ²⁾

Balance Sheet of Dr. Ing. h.c. F. Porsche AG as of July 31, 2005
in accordance with HGB ¹⁾

		July 31, 2005 T€	July 31, 2004 T€
Assets	Fixed Assets		
	Intangible assets	355,015	381,819
	Property, plant and equipment	1,010,498	996,423
	Financial assets	285,254	275,426
		1,650,767	1,653,668
	Current Assets		
	Inventories	293,323	242,243
	Receivables	486,999	579,520
	Other assets	428,711	331,951
	Securities	573,321	412,710
	Cash and cash equivalents	1,629,451	1,303,352
		3,411,805	2,869,776
	Prepaid Expenses	6,045	6,344
		5,068,617	4,529,788
Equity and Liabilities	Equity		
	Subscribed capital	45,500	45,500
	Capital reserve	121,969	121,969
	Revenue reserve	2,093,928	1,655,403
	Retained earnings	264,000	244,000
		2,525,397	2,066,872
	Accruals		
	Accruals for pensions and similar obligations	476,284	429,930
	Other accruals	1,616,065	1,684,029
		2,092,349	2,113,959
	Liabilities		
	Trade liabilities	326,132	267,810
	Other liabilities	121,964	79,424
		448,096	347,234
	Deferred Income	2,775	1,723
		5,068,617	4,529,788

¹⁾ The financial statements of Porsche AG have been prepared in accordance with German accounting standards (HGB) and are published in the Bundesanzeiger (Federal Gazette) and filed with the commercial register of the Stuttgart district court. They can be obtained from Porsche AG, FF, Porscheplatz 1, 70435 Stuttgart.

Income Statement of the Dr. Ing. h.c. F. Porsche AG for the Period
August 1, 2004 to July 31, 2005 in accordance with HGB

	2004/05 T€	2003/04 T€
Sales	5,381,054	5,164,152
Change in inventories and own work capitalized	63,324	30,062
Total operating performance	5,444,378	5,194,214
Other operating income	134,949	124,686
Cost of materials	– 2,892,995	– 2,672,977
Personnel expenses	– 717,822	– 727,714
Depreciation/amortization	– 330,196	– 237,991
Other operating expenses	– 897,605	– 930,328
Income from equity investments	89,047	59,078
Interest result	45,923	39,131
Amortization of securities classified as current assets	– 3,679	– 5,099
Result from ordinary activities	872,000	843,000
Taxes	– 344,000	– 355,000
Net income for the year	528,000	488,000
Transfer to revenue reserves	– 264,000	– 244,000
Retained earnings	264,000	244,000

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Financial Statements 2003/04

Consolidated Balance Sheet of the Porsche Group as of July 31, 2004

	Notes	July 31, 2004 T€	July 31, 2003 T€
Assets			
Fixed Assets	(1)		
Intangible assets		435,585	345,688
Property, plant and equipment		1,109,472	900,549
Financial assets		20,686	41,857
Leased assets		1,497,760	1,375,167
		3,063,503	2,663,261
Current Assets			
Inventories	(2)	567,877	468,238
Trade receivables	(3)	271,084	211,299
Other assets	(4)	1,401,392	1,163,488
Marketable securities	(5)	1,352,773	450,307
Cash and cash equivalents	(6)	1,438,639	1,316,177
		5,031,765	3,609,509
Prepaid Expenses	(7)	22,932	42,243
		8,118,200	6,315,013
Shareholders' Equity and Liabilities			
Shareholders' Equity			
Capital stock	(8)	45,500	45,500
Capital surplus	(9)	121,969	121,969
Retained earnings	(10)	1,905,551	1,257,403
Net income available for distribution		244,000	330,000
Minority interests	(11)	6,447	- 342
		2,323,467	1,754,530
Provisions	(12)		
Provisions for pensions and similar obligations		457,067	401,702
Other provisions		2,103,403	1,686,790
		2,560,470	2,088,492
Liabilities			
Trade liabilities	(13)	368,250	336,829
Other liabilities	(14)	2,241,780	1,562,775
		2,610,030	1,899,604
Deferred Income	(15)	624,233	572,387
		8,118,200	6,315,013

Consolidated Statement of Income of the Porsche Group for the Period August 1, 2003 to July 31, 2004

	Notes	2003/04 T€	2002/03 T€
Sales	(16)	6,359,377	5,582,003
Change in inventories and own work capitalized	(17)	154,367	– 118,878
Total operating revenues		6,513,744	5,463,125
Other operating income	(18)	248,091	147,293
Cost of materials	(19)	– 2,959,330	– 2,281,310
Personnel expenses	(20)	– 982,462	– 849,529
Amortization and depreciation		– 524,825	– 392,216
Other operating expenses	(21)	– 1,248,257	– 1,181,970
Income from investments in other companies	(22)	4,480	416
Interest income, net	(23)	41,658	29,535
Write-downs of marketable securities	(24)	– 5,099	– 2,344
Income before taxes		1,088,000	933,000
Taxes	(25)	– 476,000	– 368,000
Net income		612,000	565,000
Minority interests		4,116	– 438
Change in retained earnings		– 372,116	– 234,562
Net income available for distribution		244,000	330,000

Balance Sheet of Dr. Ing. h.c. F. Porsche AG as of July 31, 2004

	Notes	July 31, 2004 T€	July 31, 2003 T€
Assets			
Fixed Assets	(1)		
Intangible assets		381,819	323,902
Property, plant and equipment		996,423	819,532
Financial assets		275,426	200,519
		1,653,668	1,343,953
Current Assets			
Inventories	(2)	242,243	222,620
Trade receivables	(3)	579,520	394,971
Other assets	(4)	331,951	230,571
Marketable securities	(5)	412,710	448,825
Cash and cash equivalents	(6)	1,303,352	1,028,499
		2,869,776	2,325,486
Prepaid Expenses	(7)	6,344	7,067
		4,529,788	3,676,506
Shareholders' Equity and Liabilities			
Shareholders' Equity			
Capital stock	(8)	45,500	45,500
Capital surplus	(9)	121,969	121,969
Retained earnings	(10)	1,655,403	1,140,378
Net income available for distribution		244,000	330,000
		2,066,872	1,637,847
Provisions	(12)		
Provisions for pensions and similar obligations		429,930	388,422
Other provisions		1,684,029	1,325,753
		2,113,959	1,714,175
Liabilities			
Trade liabilities	(13)	267,810	254,279
Other liabilities	(14)	79,424	68,184
		347,234	322,463
Deferred Income	(15)	1,723	2,021
		4,529,788	3,676,506

Statement of Income of Dr. Ing. h.c. F. Porsche AG for the Period August 1, 2003 to July 31, 2004

	Notes	2003/04 T€	2002/03 T€
Sales	(16)	5,164,152	4,852,262
Change in inventories and own work capitalized	(17)	30,062	– 130,735
Total operating revenues		5,194,214	4,721,527
Other operating income	(18)	124,686	114,643
Cost of materials	(19)	– 2,672,977	– 2,293,855
Personnel expenses	(20)	– 727,714	– 671,115
Amortization and depreciation		– 237,991	– 188,782
Other operating expenses	(21)	– 930,328	– 805,308
Income from investments in other companies	(22)	59,078	114,355
Interest income, net	(23)	39,131	52,879
Write-downs of marketable securities	(24)	– 5,099	– 2,344
Income before taxes		843,000	1,042,000
Taxes	(25)	– 355,000	– 382,000
Net income		488,000	660,000
Change in retained earnings		– 244,000	330,000
Net income available for distribution		244,000	330,000

Statement of Cash Flows for the Porsche Group for the Period August 1, 2003 to July 31, 2004

	2003/04 T€	2002/03 T€
1. Operating Activities		
Net income for the year	612,000	565,000
Depreciation	524,825	392,216
Change in provisions for pensions	50,199	50,652
Cash flow	1,187,024	1,007,868
Change in other provisions	478,751	381,686
Extended Cash flow	1,665,775	1,389,554
Other non-cash expenses/income	26,909	– 13,624
Gain/loss on the disposal of fixed assets	– 40,500	3,860
Net change in inventories, trade receivables, other assets and prepaid expenses	– 461,237	– 485,271
Net change in trade liabilities, other liabilities and deferred income	112,273	412,938
Cash provided by operating activities	1,303,220	1,307,457
2. Investing Activities		
Proceeds from disposals of fixed assets	478,357	309,375
Payments for investments in fixed assets	– 1,265,155	– 1,337,839
Payments for company acquisitions ¹⁾	– 76,355	–
Cash used in investing activities	– 863,153	– 1,028,464
3. Financing Activities		
Payments to shareholders	– 58,975	– 296,975
Decrease/increase in loan principal	– 19	– 39,471
Proceeds from bond issues	520,790	–
Proceeds from other financial liabilities	118,449	148,889
Cash used in/provided by financing activities	580,245	– 187,557
4. Cash and Cash Equivalents		
Net change in cash and cash equivalents (Subtotal 1 – 3)	1,020,312	91,436
Effect of exchange rate changes on cash and cash equivalents	4,616	– 7,643
Cash and cash equivalents at August 1, 2003/August 1, 2002	1,766,484	1,682,691
Cash and cash equivalents at July 31, 2004/July 31, 2003	2,791,412	1,766,484
5. Components of the Cash and Cash equivalents at July 31, 2004/July 31, 2003		
Checks, cash and cash in banks	1,352,773	1,316,177
Marketable securities	1,438,639	450,307
	2,791,412	1,766,484

¹⁾ Less acquired currency of 7.7 Million Euro.

Porsche Group Statement of Changes in Shareholders' Equity as of July 31, 2004

	Capital stock T€	Capital surplus T€	Retained- earnings T€	Group- net income T€	Minority interests T€	Shareholders' equity T€
As of July 31, 2002	45,500	121,969	780,781	518,000	533	1,466,783
Dividend payment				- 296,975		- 296,975
Transfer to retained earnings from consolidated net income available for distribution 2002			221,025	- 221,025		-
Foreign currency fluctuations			21,035			21,035
Other non-operating transactions					- 382	- 382
Consolidated net income				565,000		565,000
Minority interests				- 438	- 493	- 931
Transfer to retained earnings			234,562	- 234,562		-
As of July 31, 2003	45,500	121,969	1,257,403	330,000	- 342	1,754,530
Dividend payment				- 58,975		- 58,975
Transfer to retained earnings from consolidated net income available for distribution 2003			271,025	- 271,025		-
Other non-operating transactions					366	366
Foreign currency fluctuations			5,007			5,007
Changes in consolidated group					11,485	11,485
Consolidated net income				612,000		612,000
Minority interests				4,116	- 5,062	- 946
Transfer to retained earnings			372,116	- 372,116		-
As of July 31, 2004	45,500	121,969	1,905,551	244,000	6,447	2,323,467

Segment Reporting for the Porsche Group as of July 31, 2004

Geographical Segment Reporting

	Germany		North America	
	2003/04 € million	2002/03 € million	2003/04 € million	2002/03 € million
Sales to third parties	2,295.9	1,992.1	2,179.5	2,127.6
Sales to other segments	3,484.8	3,203.9	4.3	5.2
Segment income	876.3	1,047.5	117.2	22.4
Interest income	73.4	84.0	20.0	19.8
Interest expenses	37.8	56.5	10.3	30.4
Income/loss from investments in associated companies	2.8	0.8	1.6	– 0.4
Extended cash flow	1,324.8	1,235.3	227.7	216.0
Segment assets	5,112.1	4,118.4	2,215.7	1,977.4
Segment liabilities	3,028.6	2,442.2	2,032.6	1,525.9
Capital expenditures ¹⁾	1,023.2	753.5	446.2	519.6

¹⁾ Capital expenditures include additions from purchase accounting in Germany of 156.7 million euro, 4.8 million euro in North America and 2.0 million euro in Europe excluding Germany.

Business Segment Reporting for the Porsche Group

	Vehicles		Financial Services	
	2003/04 € million	2002/03 € million	2003/04 € million	2002/03 € million
Sales third parties	5,803.4	5,082.8	556.0	499.2
Sales other segments	141.4	22.0	32.1	12.5
Extended cash flow	1,180.6	1,063.7	417.7	281.7
Segment assets	6,192.2	4,399.4	2,741.2	2,426.5
Capital expenditures ²⁾	618.2	590.6	878.6	712.5

²⁾ Capital expenditures include additions from purchase accounting in the Vehicles segment of 45.3 million euro and 118.2 million euro in the Financial Services segment.

Business Segment Reporting for the Porsche Group

Balance sheet of each segment

	Vehicles		Financial Services	
	2003/04 € million	2002/03 € million	2003/04 € million	2002/03 € million
Assets				
Fixed assets	1,773.4	1,503.1	1,567.7	1,375.2
Current assets and prepaid expenses	4,418.8	2,896.3	1,173.5	1,051.3
	6,192.2	4,399.4	2,741.2	2,426.5
Shareholders' Equity and Liabilities				
Shareholders' equity	2,349.8	1,839.9	240.7	131.7
Liabilities	3,842.4	2,559.5	2,500.5	2,294.8
	6,192.2	4,399.4	2,741.2	2,426.5

	Europe excluding Germany		Rest of the world		Eliminations		Porsche Group	
	2003/04 € million	2002/03 € million	2003/04 € million	2002/03 € million	2003/04 € million	2002/03 € million	2003/04 € million	2002/03 € million
	1,393.9	1,113.4	490.1	348.9	–	–	6,359.4	5,582.0
	2.6	1.7	0.1	–	– 3,491.8	– 3,210.8	–	–
	90.8	68.8	22.6	17.3	– 18.9	– 223.0	1,088.0	933.0
	32.3	33.4	0.6	0.5	– 26.4	– 20.0	99.9	117.7
	28.1	60.1	1.9	2.6	– 19.9	– 61.4	58.2	88.2
	–	–	–	–	0.1	–	4.5	0.4
	75.0	67.2	22.8	17.2	15.5	– 146.1	1,665.8	1,389.6
	1,376.3	1,341.1	250.0	224.0	– 835.9	– 1,345.9	8,118.2	6,315.0
	1,105.2	1,125.9	186.0	169.2	– 557.7	– 702.7	5,794.7	4,560.5
	8.7	11.4	13.4	6.0	13.7	4.7	1,505.2	1,295.2

	Eliminations		Porsche Group	
	2003/04 € million	2002/03 € million	2003/04 € million	2002/03 € million
	–	–	6,359.4	5,582.0
	– 173.5	– 34.5	–	–
	67.5	44.2	1,665.8	1,389.6
	– 815.2	– 510.9	8,118.2	6,315.0
	8.4	– 7.9	1,505.2	1,295.2

	Eliminations		Porsche Group	
	2003/04 € million	2002/03 € million	2003/04 € million	2002/03 € million
	– 277.6	– 215.0	3,063.5	2,663.3
	– 537.6	– 295.9	5,054.7	3,651.7
	– 815.2	– 510.9	8,118.2	6,315.0
	– 267.0	– 217.1	2,323.5	1,754.5
	– 548.2	– 293.8	5,794.7	4,560.5
	– 815.2	– 510.9	8,118.2	6,315.0

Notes to the Financial Statements of the Consolidated Porsche Group and Dr. Ing. h.c. F. Porsche AG as of July 31, 2004

Notes to the Financial Statements and Consolidated Financial Statements

Principles of Accounting

The consolidated financial statements and the annual financial statements of Porsche AG are in euro and presented in accordance with the requirements of the German Commercial Code (HGB) and special accounting requirements of the German Stock Corporation Law (AktG) (German Generally Accepted Accounting Principles).

To improve the clarity of the balance sheets and income statements, certain items have been combined, but are shown separately in the notes. All amounts shown in the financial statements and in the notes, unless otherwise noted, are in thousands of euro ("T€"). The income statements are presented according to the total-cost method (German form of income statement in which "total costs and expenses" are shown rather than "cost of sales").

The notes to the Porsche Group and Porsche AG financial statements are presented together. Unless otherwise stated, the notes are applicable to the Porsche Group, as well as Porsche AG.

Referring to the regulations contained in Section 264 subsection 3 HGB and Section 264b HGB, the following domestic subsidiaries have not disclosed their annual financial statements: Porsche Deutschland GmbH, Porsche Niederlassung Stuttgart GmbH, Porsche Engineering Services GmbH, Porsche Financial Services GmbH, Porsche Financial Services GmbH & Co. KG, PIKS Porsche Information-Kommunikation-Services GmbH, Porsche Consulting GmbH, Porsche Leipzig GmbH, Porsche Leipzig Service GmbH, Karosseriewerk Porsche GmbH & Co. KG, Porsche Zentrum Hoppegarten GmbH, Porsche Classic GmbH, Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG and Porsche Engineering Group GmbH.

Consolidated Group

All domestic and foreign subsidiaries are included in the consolidated financial statements in accordance with the accounting principles prescribed by the German Commercial Code. Apart from Porsche AG, the fully consolidated Group includes twenty-one domestic and fifty-one foreign subsidiaries.

One associated company in which Porsche AG exercises significant influence is included in the consolidation using the equity method, generally based on the pro rata financial net worth according to the annual or consolidated financial statements.

As a result of establishing new companies, due to successive share purchases and changes in the control of subsidiaries, the following companies were included in the consolidated financial statements based on the purchase method for the first time: ING Leasing GmbH & Co. Fox oHG, Bönnsen, as of August 1, 2003, CTS Fahrzeug-Dachsysteme Gesellschaft mbH and CTS Technik und Design GmbH, both Hamburg, as of September 1, 2003, Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Bietigheim-Bissingen, as of November 1, 2003, Porsche Financial Services Verwaltungsgesellschaft, Bietigheim-Bissingen, as of January 1, 2004, Porsche Russland OOO, Moscow, as of August 5, 2003, CTS CarTopSystems N.A., Inc., Rochester Hills/Michigan, and CTS CarTopSystems N.A. Bowling Green LLC, Bowling Green/Kentucky, both as of September 1, 2003, Porsche Design GmbH, Zell am See, as of November 1, 2003, Porsche Design Studio North America, Inc., Los Angeles/California, as of November 1, 2003 and Porsche Design of America, Inc., Wilmington/Delaware, as of February 1, 2004.

The investment in Revolution Powertrain LLC, Wilmington/Delaware was sold as of December 31, 2003.

A complete listing of the investments of Porsche AG and the Porsche Group is available at the Stuttgart Commercial Register (HRB 5211).

Principles of Consolidation

The capital consolidation of the fully consolidated subsidiaries is recorded in accordance with GAS (German Accounting Standard) No. 4 using the fair value purchase method, which offsets the cost of acquisition against the proportionately revalued shareholders' equity of the subsidiary at the time of the initial inclusion in the consolidated financial statements.

Goodwill resulting from the initial consolidation is capitalized as an intangible asset. Associated companies are included in the consolidated financial statements using the book value method, pursuant to GAS No. 8.

Assets and liabilities of fully consolidated domestic and foreign subsidiaries use the same accounting and valuation methods as applied by Porsche AG.

To the extent valuations at associated companies do not conform to Porsche AG Group guidelines, no adjustment has been made. Investments not consolidated using the equity method are shown at acquisition cost.

Receivables and liabilities between the consolidated companies, as well as intercompany profits and losses from sales and services have been eliminated. Revenues and expenses resulting from intercompany transactions are eliminated from the Porsche Group's statement of income.

The net income of Porsche AG available for distribution equals the net income available for distribution in the consolidated financial statements.

Accounting Principles and Valuation Methods

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

Additions to property, plant and equipment are valued at acquisition or manufacturing costs. Internally generated property, plant and equipment are capitalized at direct cost plus overheads in accordance with the German Income Tax regulations. Depreciation is generally determined in accordance with the estimated useful life guidelines established by the German financial authorities or, in some cases, based on a shorter expected useful life. For assets used in multiple shift production, depreciation is increased by shift mark-ups. As far as permissible by tax laws, the declining-balance method of calculating depreciation is applied, additions were made up to December 31, 2003 with a full year's depreciation. From that time on additions are depreciated pro rata temporis. The declining-balance method is replaced by the straight-line method (as permitted by Section 7 subsection 3 of the German Income Tax Law) in the year when the change causes higher depreciation expense. Special tools and fixtures are depreciated based on their actual usage. Leased vehicles capitalized in the consolidated financial statements are amortized over their future estimated useful life on a straight-line basis or over the shorter term of the lease considering the calculated residual value. Low value assets are fully depreciated in the year of acquisition.

At Porsche AG, shares in affiliated companies and investments are recorded at acquisition cost or, when deemed necessary, at a lower value. Shares in associated companies are accounted for in the consolidated financial statements using the equity-method after eliminating any intercompany profits.

In order to improve the informative value of the lease and finance activities, the balance sheet classification and disclosure in the notes has been adjusted in some respects for the current and prior year. In the consolidated balance sheet the leased assets are shown separately in the position fixed assets. Other assets and other liabilities were further sub classified. Receivables from financial services and other financial liabilities contained therein are explained separately.

Notes to the Financial Statements of the Consolidated Porsche Group and Dr. Ing. h.c. F. Porsche AG as of July 31, 2004

Raw materials, consumables and supplies are valued at the lower of acquisitions cost or market value. The work and services in process and finished goods valuation includes direct material, direct labor, as well as material and manufacturing overheads, in accordance with the minimum amounts to be recorded according to Section 33 of the Guidelines to the German Income Tax Law (EStG). Merchandise is valued at the lower of the weighted average cost or market value as of the balance sheet date. Due to tax laws and in order to avoid unrealized profits, the periodic LIFO (Last-In, First-Out) method for the valuation of inventories is utilized.

Devaluations for old or obsolete inventory have been provided to an adequate extent.

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

Receivables and other assets are recorded at their nominal value. Individual allowances have been recorded for known risks. A lump-sum allowance has been provided for the general credit risk inherent in receivables.

Marketable securities are valued at the lower of acquisition cost or market value at the balance sheet date.

Provisions for pensions and similar obligations are actuarially computed on the basis of an interest rate of 5 percent, using the entry age actuarial cost method and taking into account Prof. Dr. Klaus Heubeck's most recent mortality tables.

In the valuation of all other provisions, all known risks have been considered.

Liabilities are valued at their repayment value.

Foreign Currency Translation

Receivables denominated in foreign currency are valued in the individual financial statements at the lower of the entry date or fiscal year-end exchange rates. To the extent receivables have been hedged by the use of forward exchange rate contracts, the forward rate has been used. In principle, liabilities in foreign currency are valued at the higher selling rate effective on the entry date or fiscal year-end. Financial assets are recorded using the exchange rate at the date of acquisition.

All assets and liabilities of foreign companies included in the consolidated financial statements are translated at the average of the buying and offering rates effective on the balance sheet date. Average annual exchange rates are used for the income statements. Net profit/loss and depreciation are translated using the rate as of the balance sheet date. Any resulting translation difference is recorded as other expense. Exchange rate differences arising from the capital consolidation and the consolidation of intercompany balances are recorded in shareholders' equity with no income statement effect.

(1) Fixed Assets

The development of fixed assets of the Porsche Group and Porsche AG is shown in the statement of fixed assets.

Intangible fixed assets include purchased development services, IT software, licenses and tooling subsidies as well as goodwill resulting from individual financial statements and capital consolidation.

A significant part of the investments relates to the subsidization of machines and tooling for the new 911 Carrera models and the Boxster models, to the subscription rights as well as to production and administration buildings.

The disposals of investments from associated companies in the Group contain pro rata annual results and disposals of equity book values of associated companies that are now, under the purchase method, included into the consolidated financial statements. The disposal from the sale of the investment in Revolution Powertrain LLC, Wilmington/Delaware, is included here.

Notes to the Financial Statements of the Consolidated Porsche Group and Dr. Ing. h.c. F. Porsche AG as of July 31, 2004

Consolidated Porsche Group Development of Fixed Assets

	August 1, 2003 ¹⁾	Acquisition and manufacturing costs	
	T€	Additions ²⁾	Disposals
		T€	T€
Intangible Assets			
1. Franchises, industrial and similar rights and assets as well as licenses to such rights and assets	369,891	108,258	14,826
2. Goodwill	34,458	5,698	–
3. Advance payments	102,221	88,801	816
Total Intangible Assets	506,570	202,757	15,642
Property, Plant and Equipment			
1. Land, land rights and buildings including buildings on third party land	563,950	31,041	148
2. Technical equipment and machinery	371,551	40,153	8,153
3. Other equipment, factory and office equipment	1,408,218	253,823	33,492
4. Advance payments and assets under construction	152,794	92,875	303
Total Property, Plant and Equipment	2,496,513	417,892	42,096
Financial Assets			
1. Investments in associated companies	41,476	6,537	27,757
2. Other investments	302	32	–
3. Bonds	79	17	–
Total Financial Assets	41,857	6,586	27,757
Leased Assets			
Total Leased Assets	1,552,296	877,958	574,729
Total Fixed Assets	4,597,236	1,505,193	660,224

- ¹⁾ Differences to prior year are due to foreign exchange rate fluctuations.
²⁾ Thereof for initial consolidation T€ 163,473, of ING Leasing GmbH & Co. Fox oHG T€ 118,244, of CTS Group T€ 39,132, the rest amount account of the others initial consolidations.

Reclassification T€	July 31, 2004 T€	Depreciation		Net Book Value	
		Accumulated T€	Current year T€	July 31, 2004 T€	Net Book Value July 31, 2003 ¹⁾ T€
98,572	561,895	236,297	97,456	325,598	229,609
–	40,156	25,944	5,502	14,212	13,827
– 94,431	95,775	–	–	95,775	102,252
4,141	697,826	262,241	102,958	435,585	345,688
37,819	632,662	256,753	18,089	375,909	324,620
17,904	421,455	329,777	22,164	91,678	65,010
49,362	1,677,911	1,172,166	146,049	505,745	358,113
– 109,226	136,140	–	–	136,140	152,806
– 4,141	2,868,168	1,758,696	186,302	1,109,472	900,549
–	20,256	–	–	20,256	41,476
–	334	–	–	334	302
–	96	–	–	96	79
–	20,686	–	–	20,686	41,857
–	1,855,525	357,765	235,565	1,497,760	1,375,167
–	5,442,205	2,378,702	524,825	3,063,503	2,663,261

Notes to the Financial Statements of the Consolidated Porsche Group and Dr. Ing. h.c. F. Porsche AG as of July 31, 2004

Dr. Ing. h.c. F. Porsche AG Development of Fixed Assets

	August 1, 2003 T€	Acquisition and manufacturing costs Additions T€	Disposals T€
Intangible Assets			
1. Franchises, industrial and similar rights and assets as well as licensees to such rights and assets	348,197	85,579	14,514
2. Advance payments	101,514	56,620	853
Total Intangible Assets	449,711	142,199	15,367
Property, Plant and Equipment			
1. Land, land rights and buildings including buildings on third party land	494,143	40,578	134
2. Technical equipment and machinery	347,784	21,114	7,896
3. Other equipment, factory and office equipment	1,348,610	213,209	27,323
4. Advance payments and assets under construction	152,272	76,050	303
Total Property, Plant and Equipment	2,342,809	350,951	35,656
Financial Assets			
1. Investments in affiliated companies	171,915	19,666	–
2. Other investments	30,173	55,241	–
Total Financial Assets	202,088	74,907	–
Total Fixed Assets	2,994,608	568,057	51,023

Reclassification T€	July 31, 2004 T€	Depreciation		Net Book Value	
		Accumulated T€	Current year T€	July 31, 2004 T€	July 31, 2003 T€
66,096	485,358	198,422	76,046	286,936	222,388
– 62,398	94,883	–	–	94,883	101,514
3,698	580,241	198,422	76,046	381,819	323,902
23,489	558,076	229,499	14,811	328,577	279,053
12,947	373,949	308,080	16,240	65,869	48,914
55,655	1,590,151	1,120,404	130,894	469,747	339,293
– 95,789	132,230	–	–	132,230	152,272
– 3,698	2,654,406	1,657,983	161,945	996,423	819,532
61,723	253,304	1,569	–	251,735	170,346
– 61,723	23,691	–	–	23,691	30,173
–	276,995	1,569	–	275,426	200,519
–	3,511,642	1,857,974	237,991	1,653,668	1,343,953

Notes to the Financial Statements of the Consolidated Porsche Group and Dr. Ing. h.c. F. Porsche AG as of July 31, 2004

(2) Inventories

	July 31, 2004		July 31, 2003	
	Group T€	Porsche AG T€	Group T€	Porsche AG T€
Raw materials, consumables and supplies	77,034	67,455	58,130	57,661
Work-in-process	56,950	54,529	39,717	39,315
Services-in-process	118,925	33	22,975	2,138
Finished goods and merchandise	467,267	122,882	414,199	125,564
Advance payments made	5,776	1,691	3,478	–
	725,952	246,590	538,499	224,678
Advance payments received	– 158,075	– 4,347	– 70,261	– 2,058
	567,877	242,243	468,238	222,620

The application of the LIFO valuation method resulted in a reduction in inventories of 3.7 million euro at Porsche AG and in the consolidated financial statements.

(3) Receivables

	July 31, 2004		July 31, 2003	
	Group T€	Porsche AG T€	Group T€	Porsche AG T€
Trade receivables	271,030	39,839	209,580	26,652
Receivables from affiliated companies	–	539,681	–	367,612
Thereof due in more than one year	–	(85,585)	–	(44,519)
Receivables from companies in which investments are held	54	–	1,719	707
Total	271,084	579,520	211,299	394,971

Receivables from affiliated companies and companies in which investments are held arise from deliveries of goods and services, as well as from loans and profit transfers.

(4) Other Assets

	July 31, 2004		July 31, 2003	
	Group T€	Porsche AG T€	Group T€	Porsche AG T€
Receivables from financial services	919,643	–	808,855	–
Sundry other assets	481,749	331,951	354,633	230,571
Other assets	1,401,392	331,951	1,163,488	230,571
Thereof due in more than one year	(733,347)	(53,629)	(551,631)	(26,290)

The receivables from financial services basically consist of loans for factoring granted by financing subsidiaries. Sundry other assets contain accrued interest on marketable

securities, refunds from the financial authorities, premiums paid for foreign currency options, other advance payments and receivables which cannot be included in other items.

(5) Marketable Securities

Included in marketable securities are fixed-interest bearing securities and special annuity funds.

(6) Cash and Cash Equivalents

Included in this item are checks, cash on hand, as well as cash in banks.

(7) Prepaid Expenses

Included in prepaid expenses are advance payments for rent, marketing, maintenance, and other service contracts. Further

more, prepaid rental expenses arising from special lease prepayments are reflected in the consolidated financial statements.

(8) Capital Stock

The capital stock of Porsche AG amounts to 45.5 million euro and is made up of 8,750,000 common shares and

8,750,000 non-voting preferred shares. Each of the shares accounts for 2.60 euro of the capital stock.

(9) Capital Surplus

The capital surplus consists solely of share premiums.

(10) Retained Earnings

Retained earnings of Porsche AG contain only other retained earnings. Due to Section 58 subsection 2 AktG, 244.0 million euro half of the net income of Porsche AG was transferred to retained earnings in the current fiscal year. Furthermore, due to a resolution at the Annual Shareholders' Meeting, 271.025 million euro of net income available for distribution from the prior year was transferred to retained earnings.

Retained earnings of the Porsche Group include the retained earnings of Porsche AG, net results of the consolidated subsidiaries insofar as they originated after the initial consolidation, foreign currency translation differences arising from the capital consolidation and other consolidation operations. Thereof 35.3 million euro are due to differences resulting from capital consolidation.

Notes to the Financial Statements of the Consolidated Porsche Group and Dr. Ing. h.c. F. Porsche AG as of July 31, 2004

(11) Minority Interests

This position shows the portion of shareholders' equity which relates to third parties (minority interests).

(12) Provisions

	July 31, 2004		July 31, 2003	
	Group T€	Porsche AG T€	Group T€	Porsche AG T€
Provisions for pensions and similar obligations	457,067	429,930	401,702	388,422
Provisions for taxes	483,989	403,126	408,006	354,357
Other provisions	1,619,414	1,280,903	1,278,784	971,396
	2,560,470	2,113,959	2,088,492	1,714,175

The provisions for pensions primarily reflect future liabilities for retirement benefits for the employees of Porsche AG. Pension obligations are fully covered by provisions.

Provisions for taxes include amounts for this fiscal year and provisions for prior years' taxes not yet assessed. In addition, in the consolidated balance sheet this position includes deferred tax liabilities from subsidiaries amounting to 182.3 million euro (prior year: 172.9 million euro), whereas 86.9 million euro (prior year: 78.3 million euro) of deferred tax assets resulting from the consolidation process were offset against the liabilities pursuant to Section 306 sentence 3 HGB.

Other provisions cover mainly the worldwide warranty, product liability and litigation risks, as well as unbilled vendor deliveries, uncertain claims and commitments in the personnel and social sector. Furthermore, provisions have been established for deferred maintenance and IT reorganization as well as for residual value risks in the lease business. Adequate provision has been made for all other determinable risks.

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

	July 31, 2004		July 31, 2003	
	Total T€	Thereof due within one year T€	Total T€	Thereof due within one year T€
Porsche Group				
Trade payables	368,250	368,250	336,829	336,829
Bonds payable	818,457	–	300,000	–
Liabilities to banks	156,194	126,410	106,578	69,708
Advance payments received	13,859	13,859	36,478	31,546
Amounts payable to companies in which investments are held	1,210	1,210	5,018	5,018
Other financial liabilities	1,130,613	522,178	1,002,569	658,464
Other	121,447	119,006	112,132	111,494
thereof for taxes	(61,417)	(61,417)	(70,677)	(70,677)
thereof for social security	(14,504)	(14,504)	(13,327)	(13,327)
Other liabilities	2,241,780	782,663	1,562,775	876,230
Porsche AG				
Trade payables	267,810	267,810	254,279	254,279
Advance payments received	–	–	2,185	2,185
Liabilities from affiliated companies	54,822	54,822	21,549	21,549
Amounts payable to companies in which investments are held	1,210	1,210	5,018	5,018
Other	23,392	23,392	39,432	39,432
thereof for taxes	(2,347)	(2,347)	(16,059)	(16,059)
thereof for social security	(11,622)	(11,622)	(11,402)	(11,402)
Other liabilities	79,424	79,424	68,184	68,184

Bonds payable include 518.5 million euro with a remaining term exceeding five years. In the previous year there were no liabilities with a remaining term exceeding five years.

Other financial liabilities of the Group mainly result from the refinancing of the financial services business. They are secured by the assignment of receivables in the amount of 301.9 million euro (prior year: 214.0 million euro).

(15) Deferred Income

In the consolidated financial statements this position reflects, for the most part, special lease prepayments as well as the

value received from forfeited lease receivables of the financial services companies amounting to 536.8 million euro.

Notes to the Financial Statements of the Consolidated Porsche Group and Dr. Ing. h.c. F. Porsche AG as of July 31, 2004

(16) Sales

	2003/04		2002/03	
	Group T€	Porsche AG T€	Group T€	Porsche AG T€
Business activities				
Vehicles	4,875,226	4,703,613	4,317,187	4,208,153
Parts and accessories	655,486	316,725	365,533	294,222
Other	828,665	143,814	899,283	349,887
	6,359,377	5,164,152	5,582,003	4,852,262
	%	%	%	%
Geographical regions				
Domestic	22	20	27	24
North America	35	38	38	41
Other export markets	43	42	35	35
	100	100	100	100

Other revenues mainly include revenues from customer development contracts and the service sector.

In the Group sales enclosed are 318,000 T€ from the purchase accounting of the CTS Group.

**(17) Change in Inventories and
Own Work Capitalized**

	2003/04		2002/03	
	Group T€	Porsche AG T€	Group T€	Porsche AG T€
Change in finished goods, work-in-process and services-in-process	58,205	1,235	– 144,437	– 156,294
Own work capitalized	96,162	28,827	25,559	25,559
	154,367	30,062	– 118,878	– 130,735

(18) Other Operating Income

Other operating income includes revenue from gains on the disposals of fixed assets and of leased assets, income from the reversal of provisions, other services revenue,

intercompany cost transfers, rental income, insurance claim reimbursements and realized foreign currency exchange gains.

(19) Cost of Materials

	2003/04		2002/03	
	Group T€	Porsche AG T€	Group T€	Porsche AG T€
Cost of raw materials, consumables and supplies and purchased merchandise	2,539,189	2,516,385	1,790,229	2,105,666
Cost of purchased services	420,141	156,592	491,081	188,189
	2,959,330	2,672,977	2,281,310	2,293,855

Cost of purchased services in the consolidated financial statements mainly includes lease expenditures.

(20) Personnel Expenses

	2003/04		2002/03	
	Group T€	Porsche AG T€	Group T€	Porsche AG T€
Wages and salaries	813,845	596,221	694,749	538,675
Social security and pension expenses	168,617	131,493	154,780	132,440
thereof for pension expenses	(54,281)	(46,490)	(57,292)	(52,981)
	982,462	727,714	849,529	671,115
Average number of employees ¹⁾	Number	Number	Number	Number
Wage earners	4,794	3,870	4,431	3,991
Salaried employees	6,501	3,863	5,755	3,818
Apprentices and trainees	330	291	333	294
	11,625	8,024	10,519	8,103

¹⁾ includes employees in phased retirement

(21) Other Operating Expenses

Other operating expenses include costs for warranties, administration and distribution, marketing, advisory services,

maintenance, insurance and rent as well as currency losses and expenses for miscellaneous risks.

Notes to the Financial Statements of the Consolidated Porsche Group and Dr. Ing. h.c. F. Porsche AG as of July 31, 2004

(22) Income from Investments in Other Companies

	2003/04		2002/03	
	Group T€	Porsche AG T€	Group T€	Porsche AG T€
Income from investments	12	22,701	–	85,503
thereof income from investments in affiliated companies	–	(22,324)	–	(85,126)
Income from associated companies	4,468	–	416	–
Income from profit transfer agreements	–	36,377	–	35,613
Expenses from profit transfer agreements	–	–	–	– 6,761
	4,480	59,078	416	114,355

(23) Interest Income, net

	2003/04		2002/03	
	Group T€	Porsche AG T€	Group T€	Porsche AG T€
Other interest and similar income	99,854	76,022	117,714	86,661
thereof from affiliated companies	–	(27,713)	–	(26,763)
Interest and similar expenses	– 58,196	– 36,891	– 88,179	– 33,782
thereof to affiliated companies	–	(– 10,729)	–	(– 1,598)
	41,658	39,131	29,535	52,879

Interest income mainly results from investments in fixed-interest bearing bonds and time deposits.

This item also contains income arising from interest-bearing receivables and loans.

(24) Write-downs of Marketable Securities

Marketable securities were written down to the lower market value at the balance sheet date.

(25) Taxes

	2003/04		2002/03	
	Group T€	Porsche AG T€	Group T€	Porsche AG T€
Taxes on income	470,393	352,113	363,387	379,634
Other taxes	5,607	2,887	4,613	2,366
	476,000	355,000	368,000	382,000

Provisions amounting to 20.0 million euro have been released from years for which tax assessments have been finalized.

Furthermore, Porsche AG cross-charged taxes amounting to 21.1 million euro (prior year: 11.0 million euro) to its subsidiaries with profit transfer agreements.

(26) Expenses and Income from Other Periods

Within Porsche AG, expenses of 1.6 million euro (consolidated financial statements 4.3 million euro) and income of 28.3 million euro (consolidated financial statements 43.9 million euro)

relate to other fiscal years. These amounts mainly consist of income from the release of prior years' provisions and trade reimbursements.

(27) Commitments and Contingencies

Porsche AG

Within the scope of warranties, Porsche AG has guarantee obligations of 29.6 million euro. Furthermore Porsche AG has guaranteed the repayment of 300.0 million euro in bonds, plus interest thereon, issued by Porsche International Financing plc, Dublin. Porsche AG has given a guarantee to the investors of the US Private Placement amounting to 518.5 million euro. In addition, Porsche AG has guaranteed liabilities against banks amounting to 375.6 million euro arising from the worldwide cash pool agreement and the bond issued by SUV-Funding Ltd. As the shareholder of ING Leasing GmbH & Co. Fox OHG and of the Venture Capital Beteiligung GbR, Porsche AG is liable within the scope of the legal requirements. Of the liabilities

described above, an amount of 941.1 million euro relates to affiliated companies.

Porsche Group

The guaranteed liabilities of the Porsche Group amount to a total of 375.0 million euro. Apart from Porsche AG's guaranteed liabilities, there are credit risks relating to loans extended by the enterprise, which total 41.7 million euro, commitments related to third parties' lease payments amounting to 22.2 million euro and guaranteed liabilities to banks amounting to 17.5 million euro.

There are no liens on real estate.

(28) Other Financial Commitments

Porsche AG has other financial commitments totalling 210.9 million euro. They include other financial commitments arising from rental, lease and maintenance agreements of 33.0 million euro. The total amount includes commitments made to affiliated companies amounting to 13.7 million euro. Purchase order obligations for capital expenditures amount to 177.7 million euro. Purchase obligations from suppliers exist on the balance sheet date in line with the company's needs. In order to hedge its exposure to foreign currency risks, Porsche AG has entered into foreign currency contracts. Uniform guidelines ensure that these contracts are monitored and only entered into top-rate banks. Their use is limited to the protection of certain operating sectors and their related investments and financing transactions. Porsche AG has commitments relating to its subsidiaries and investments in the amount of 180 thousand euro.

The other financial commitments of the Porsche Group total 297.1 million euro. The Group's other financial commitments arising from rental, lease and maintenance agreements amounting to 105.0 million euro include payment obligations of 25.8 million euro for future lease installments of the vehicle leasing business of Porsche Group subsidiaries for which corresponding receivables from customers exist. The Group purchase order obligations for initiated capital expenditures amount to 183.6 million euro. In addition, there are other financial commitments of 8.5 million euro.

Notes to the Financial Statements of the Consolidated Porsche Group and Dr. Ing. h.c. F. Porsche AG as of July 31, 2004

(29) Key Figures of

Significant Subsidiaries

	Capital Investment %	Shareholders' Equity ¹⁾ T€	Net income/ Net loss ¹⁾ T€	Sales T€	Employees ²⁾
Domestic					
Porsche Deutschland GmbH, Bietigheim-Bissingen	100	9,000	23,240 ³⁾	857,774	82
CTS Fahrzeug-Dachsysteme Gesellschaft mit beschränkter Haftung, Hamburg ⁵⁾	100	52,042	19,495	371,547	862
Porsche Leipzig GmbH, Leipzig	100	500	1,210 ³⁾	65,853	336
Porsche Engineering Group GmbH, Bietigheim-Bissingen	100	4,000	902 ³⁾	39,129	29
Porsche Engineering Services GmbH, Bietigheim-Bissingen	100	1,278	709 ³⁾	36,722	351
Porsche Financial Services GmbH, Bietigheim-Bissingen	100	24,000	4,274 ³⁾	32,462	46
PIKS Porsche Information-Kommunikation-Services GmbH, Stuttgart	100	790	1,482 ³⁾	30,190	95
Porsche Consulting GmbH, Stuttgart	100	700	4,044 ³⁾	19,526	91
Foreign					
Porsche Cars North America, Inc., Wilmington/Delaware, USA	100 ⁴⁾	159,877	60,502	1,813,240	209
Porsche Financial Services, Inc., Wilmington/Delaware, USA	100 ⁴⁾	32,533	583	14,456	54
Porsche Funding Ltd. Partnership, Wilmington/Delaware, USA	100 ⁴⁾	199,300	1,837	14,112	–
Porsche Engineering Services, Inc., Wilmington/Delaware, USA	100 ⁴⁾	804	12	15,080	123
Porsche Cars Canada Ltd., Toronto/Ontario, Canada	100 ⁴⁾	6,483	552	101,597	3
Porsche Cars Great Britain Ltd., Reading, England	100	73,173	22,662	572,633	98
Porsche Financial Services Great Britain Ltd., Reading, England	100 ⁴⁾	40,393	4,586	35,361	5
Porsche Retail Group Ltd., Reading, England	100 ⁴⁾	21,306	7,640	294,742	235
Porsche Ibérica S.A., Madrid, Spain	100	33,978	4,816	151,537	41
Porsche Italia S.p.A., Padua, Italy	100	47,846	8,357	264,986	52
Porsche France S.A., Boulogne-Billancourt, France	100	18,070	5,378	160,679	37
Porsche International Financing plc., Dublin, Ireland	100	10,258	1,076	1,443	–
Porsche Japan K.K., Tokyo, Japan	100	16,628	5,459	189,156	58
Porsche Cars Australia Pty. Ltd., Richmond, Australia	100	27,738	2,559	109,877	32
Porsche Middle East FZE, Dubai, United Arab Emirates	100	5,555	5,328	162,595	14

¹⁾ Shareholders' equity and net income from local financial statements/
net income before profit distribution for fiscal year August 1, 2003
to July 31, 2004.

Shareholders' equity and net income translated at fiscal year-end
exchange rates, revenues translated at average annual exchange rates.

²⁾ Employees at fiscal year-end

³⁾ Net income before profit distribution (net income after tax)

⁴⁾ Indirect investment

⁵⁾ Basis interim financial statements, as of July 31, 2004

(30) Notes to the Segment Reporting

In the primary segment reporting the activities of the Porsche Group are divided into the following geographical segments: Germany, North America, Europe excluding Germany and rest of the world. In the secondary segment reporting, the activities are split into the Group's two major business segments: vehicles and financial services.

The primary segment reflects the opportunities and risks of the business activities of the Group and is based on the locations of the companies. Segment income equals the income before taxes. The transfer prices between the segments were based on market prices

Segment assets include fixed assets, current assets, and pre-paid expenses while segment liabilities consist of provisions, liabilities, and deferred income.

Within the secondary segment reporting, the Financial Services segment mainly includes the leasing and financing business of Porsche vehicles at customers and dealers as well as other financial services. Sales of this segment mainly contain the lease installments received as well as the interest portion of installment payments received from loans and lease contracts, which are shown as receivables in the current assets.

To enhance clarity, balance sheets for the Vehicles segment and for the Financial Services segment have been added to the segment reporting. Within the fixed assets of the Financial Services segment the leased vehicles represent the most significant part. The current assets contain receivables from loans, receivables from lease contracts, where the leased asset is assigned to the customer, as well as lease installments due. The debt capital reflects the method of financing of the financial services business, which mainly results from the assignment of the receivables and intercompany financing, which is eliminated in the course of the consolidation process.

**(31) Disclosure pursuant to in Section 160 subsection 1
No. 8 German Stock Corporation Law (AktG)**

Porsche AG received the following message on January 7th, 2004

"Herein we inform on behalf and by order of Familien Porsche-Daxer-Piëch Beteiligung GmbH, who we represent from an solicitors point of view, with place of registration in Stuttgart, Kronenstraße 30, D-70174 Stuttgart, that according to Section 21 subsection 1 sentence 1 of the Securities Trade Act (WpHG), the voting right share of Familien Porsche-Daxer-

Piëch Beteiligung GmbH on the Dr. Ing. h.c. F. Porsche Aktiengesellschaft has exceeded the threshold of 5 percent, 10 percent, 25 percent, 50 percent and 75 percent of the voting rights on December 19th, 2003 and amounts to 100 percent. Thereof 74.33 percent is to be assigned to Familien Porsche-Daxer-Piëch Beteiligung GmbH due to admission to an existing syndicate contract according to Section 22 subsection 2 of the Securities Trade Act (WpHG)."

(32) Declaration of Compliance

The Executive Board and the Supervisory Board issue the declaration of compliance pursuant to Section 161 of the German Stock Corporation Law (AktG) in the Annual Report

2003/04. The declaration will be made available to Porsche shareholders in the internet on www.porsche.de.

Notes to the Financial Statements of the Consolidated Porsche Group and Dr. Ing. h.c. F. Porsche AG as of July 31, 2004

(33) Total Remuneration for the Supervisory Board and the Executive Board

Remuneration for the Executive Board in fiscal year 2003/04 amounted to 30.4 million euro, which includes performance-related compensation of 25.4 million euro. Former members of the Executive Board received 964 thousand euro. Pension obligations to former members of the Executive Board and their surviving dependants are fully accrued at 13.9 million euro. Total remuneration for the Supervisory Board for 2003/04 amounted to 0.9 million euro.

Stuttgart, September 30, 2004

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

Dr. Wendelin Wiedeking
Wolfgang Dürheimer
Holger P. Härter
Harro Harmel
Michael Macht
Hans Riedel

Proposal for the appropriation of net profits

The financial statements as of July 31, 2004 of Porsche AG show net income available for distribution of 244,000,000 euro. It will be proposed at the Annual General Meeting of Shareholders that this amount be appropriated as follows:

Distribution of a dividend for the 2003/04 fiscal year of € 3.94 per common share ISIN Nr DE 0006937709 (security reference number 693 770) for a total of		
8,750,000 common shares	€	34,475,000
Distribution of a dividend for the 2003/04 fiscal year of € 4.00 per preferred share ISIN Nr DE 0006937733 (security reference number 693 773) for a total of		
8,750,000 preferred shares	€	35,000,000
Profits retained	€	174,525,000
	€	244,000,000

Auditors' Report

We have audited the individual and consolidated financial statements, the combined notes and Group notes, including the bookkeeping, and the consolidated Group and Porsche AG management report prepared by Dr. Ing. h.c. F. Porsche AG, Stuttgart, for the fiscal year from August 1, 2003 to July 31, 2004. The preparation of these documents in accordance with German commercial law is the responsibility of the company's management. Our responsibility is to express an opinion on the individual consolidated financial statements and the consolidated Group and Porsche AG management report based on our audit.

We have conducted our audit of the individual and consolidated financial statements in accordance with Section 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and the generally accepted standards for the audit of financial statements promulgated by the IDW ("Institut der Wirtschaftsprüfer in Deutschland": - "Institute of Public Auditors in Germany"). 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 individual and consolidated financial statements in accordance with German principles of proper accounting and in the consolidated Group and Porsche AG management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the individual and consolidated financial statements and the consolidated Group and Porsche AG management report are examined primarily on a test basis within the framework of the audit. The audit includes the assessment of the annual financial statements of the companies included in the consolidated financial statements, the delimitation of the Group of consolidating companies, 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 consolidated Group and Porsche AG 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, the individual and consolidated financial statements give a true and fair view of Porsche AG's and the Group's net assets, financial position and results of operations in accordance with German principles of proper accounting. On the whole the consolidated Group and Porsche AG management report provides a suitable understanding of the Group's position and suitably presents the risks to future development.

Stuttgart, October 18, 2004

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Oesterle
Wirtschaftsprüfer

Strähle
Wirtschaftsprüfer

The preceding audit opinion issued in accordance with Sec. 322 German Commercial Code (*Handelsgesetzbuch*) refers to the individual and consolidated financial statements prepared on the basis of German commercial law and the combined group management report and management report of Dr. Ing. h.c. F. Porsche Aktiengesellschaft, Stuttgart, for the financial year ended 31 July 2004 as a whole and not solely to the individual and consolidated financial statements, as presented in this Prospectus. The combined group management report and management report of Dr. Ing. h.c. F. Porsche Aktiengesellschaft, Stuttgart, together with the individual and consolidated financial statements, for the financial year ended 31 July 2004 is available (free of charge) at the Guarantor's head office and is not included in this Prospectus.

Membership in other Supervisory Boards established in compliance with the relevant legal provisions and in similar domestic and foreign supervisory bodies: (The disclosures were made in accordance with Section 285 No. 10 HGB) Status: July 31, 2004

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

Prof. Dr. Helmut Sihler

- 2) Novartis AG

Hans Baur

- 1) Alcatel SEL AG

Dr. techn. h.c. Ferdinand Piëch

- 1) Volkswagen AG (Chairman)
- 2) Porsche Holding GmbH
Porsche Ges.m.b.H.

Dr. Hans Michel Piëch

- 2) Porsche Bank AG
Porsche Holding GmbH
Porsche Cars North America, Inc.
Porsche Cars Great Britain Ltd.
Porsche Italia S.p.A.
Porsche Ibérica S.A.
Porsche Ges.m.b.H.
PGA Group S.A.S.
Eurotax Glass's Holding AG
Eurotax Holding AG

Prof. Ferdinand A. Porsche

- 2) Porsche Holding GmbH
Porsche Ges.m.b.H.
Eterna S.A.
Familie Porsche AG Beteiligungsgesellschaft

Dr. Wolfgang Porsche

- 2) Porsche Cars North America, Inc.
Porsche Cars Great Britain Ltd.
Porsche Italia S.p.A.
Porsche Ibérica S.A.
Porsche Bank AG
Porsche Holding GmbH (Chairman)
Porsche Ges.m.b.H. (Chairman)
PGA Group S.A.S.
Eterna S.A.

Dr. Dr. h.c. Walther Zügel

- 1) Stihl AG (Chairman)
Stuttgarter Hofbräu AG (Chairman)
Stuttgarter Hofbräu Brau AG & Co. KG (Chairman)
Berthold Leibinger GmbH (Chairman)
Allgaier Werke GmbH
Schuler AG

Hansjörg Schmierer

- 1) Berthold Leibinger GmbH

- 1) Membership in domestic statutory supervisory boards.
- 2) Similar positions in domestic and foreign bodies.

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

Dr. Wendelin Wiedeking

- 1) Deutsche Telekom AG
- 2) Porsche Cars North America, Inc. (Chairman)
Porsche Financial Services, Inc.
Porsche Cars Great Britain Ltd.
Porsche Italia S.p.A.
Porsche Ibérica S.A.
Porsche Japan K.K.
Porsche Enterprises, Inc.
Porsche Deutschland GmbH
Porsche Engineering Group GmbH
Porsche Financial Services GmbH
Porsche Business Services, Inc.
Eagle-Picher Industries, Inc.
Novartis AG
Porsche Engineering Services GmbH
Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG (Chairman)

Wolfgang Dürheimer

- 2) Porsche Engineering Group GmbH (Chairman)
Porsche Engineering Services GmbH (Chairman)
PIKS Porsche-Information-Kommunikation-Services GmbH
CTS Fahrzeug-Dachsysteme GmbH

Holger P. Härter

- 1) Sachsen LB
EUWAX AG (Chairman)
- 2) Porsche Cars North America, Inc.
Porsche Enterprises, Inc. (Chairman)
Porsche Financial Services, Inc. (Chairman)
Porsche Cars Great Britain Ltd.
Porsche Italia S.p.A.
Porsche Ibérica S.A.
Porsche Japan K.K.
Porsche Engineering Group GmbH
Porsche Deutschland GmbH

Porsche Financial Services GmbH (Chairman)
Porsche Business Services, Inc. (Chairman)
PIKS Porsche Information-Kommunikation-Services GmbH (Chairman)
Mieschke Hofmann & Partner Gesellschaft für Management- und IT-Beratung mbH (Chairman)
CTS Fahrzeug-Dachsysteme GmbH (Chairman)

Harro Harmel

- 2) Messe Berlin GmbH
Femtec GmbH
Porsche Consulting GmbH
Mieschke Hofmann & Partner Gesellschaft für Management- und IT-Beratung mbH
Porsche Leipzig GmbH
Porsche Engineering Group GmbH
Porsche Leipzig Service GmbH (Chairman)

Michael Macht

- 2) Porsche Consulting GmbH (Chairman)
Porsche Leipzig GmbH (Chairman)
Porsche Leipzig Service GmbH
PIKS Porsche Information-Kommunikation-Services GmbH
Gebr. Märklin & Cie. GmbH

Hans Riedel

- 2) Porsche Cars North America, Inc.
Porsche Enterprises, Inc.
Porsche Financial Services, Inc.
Porsche Cars Great Britain Ltd. (Chairman)
Porsche Italia S.p.A. (Chairman)
Porsche Ibérica S.A. (Chairman)
Porsche Japan K.K. (Chairman)
Porsche Deutschland GmbH (Chairman)
Porsche Financial Services GmbH
Porsche Leipzig GmbH
Porsche Leipzig Service GmbH
Porsche Business Services, Inc.
Porsche Lizenz- und Handelsgesellschaft mbH & Co KG

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Republic of Ireland

MANAGER AND SOLE STRUCTURING ADVISOR

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To the Issuer

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