Speech

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Good morning, ladies and gentlemen,

I, too, would like to warmly welcome you to the annual press and analyst conference of Porsche Automobil Holding SE here in Stuttgart. I have the pleasure of reporting to you today on the fiscal year 2016 of Porsche SE.

Our investment in Volkswagen represents more than 90 percent of Porsche SE's assets – again nothing changed in this respect in the fiscal year 2016. Porsche SE's financial indicators and its share price are therefore heavily influenced by the development of the Volkswagen Group.

Mr. Müller and his executive board colleagues already presented and explained the full set of figures of the Volkswagen Group last week in Wolfsburg. I will therefore limit my remarks to a few key points:

2016 was without question a challenging year for Volkswagen. On the one hand, it was dominated by the management of the diesel crisis. And, on the other hand, Volkswagen was operating in an extremely challenging environment, as was the entire industry. Core markets such as Brazil and Russia are in crisis mode. In western Europe and China the competition was and is very tough.

The agenda of the Volkswagen Group for the fiscal year 2016 was therefore two-fold: firstly, it was necessary to keep the operating business on track. And secondly, the diesel issue had to be overcome and the group realigned.

The business figures show: operatively, 2016 was a remarkably successful year for the Volkswagen Group. In the "crisis year" as it was so often called in 2016, Volkswagen again increased its deliveries by around 4 percent to 10.3 million vehicles.

The group's revenue also increased in the past fiscal year by around 2 percent to more than 217 billion euro. Before special items, the operating result increased by 14 percent to 14.6 billion euro.

The operating result after special items, which was still negative in the prior year, was clearly positive again at 7.1 billion euro even though the result was again significantly impacted by special items of 7.5 billion euro. There is no question about it: Volkswagen felt the consequences of the diesel issue in the past year, not just in financial terms. However: The group took countermeasures and, despite everything, returned a record performance in the operating business.

Ladies and gentlemen,

This brief summary shows: The Volkswagen Group is in very robust shape. And with net liquidity in the automotive division of more than 27 billion euro as of year-end 2016, the group also remains on a very sound financial footing.

With a new decentralized group structure, Volkswagen is also strengthening its brands and regions: This allows the strengths and synergy potential of the multi-brand group to be used in a way that is far more targeted and quicker than in the past.

2016 was more for Volkswagen than just overcoming the diesel crisis: The group paved the way for the biggest transformation in its history – and its operating result is far better than expected. For the fiscal year 2017, the aim is to build on the operating success of the prior year and to pick up speed with the implementation of strategy 2025.

Ladies and gentlemen,

As I already explained at the beginning of my speech, the economic development of Volkswagen AG also had a major impact on Porsche SE in 2016.

Let me now move on to Porsche SE's results:
While the group profit for the year was still clearly negative in the fiscal year 2015, Porsche SE was back in the black in the fiscal year 2016: Group profit for the year stands at 1.37 billion euro.

This includes the profit from the investments accounted for at equity of 1.45 billion euro.

Despite renewed burdens stemming from the diesel issue on Volkswagen's group profit, the profit corridor of between 1.4 billion euro and 2.4 billion euro forecast for the fiscal year 2016 was only narrowly missed by 26 million euro. In January 2017, we already announced that we could not rule out falling short of the forecast profit corridor.

The cash flow from operating activities came to minus 97 million euro in the fiscal year 2016. This includes in particular the positive effect from the dividend payment received from Volkswagen AG of 17 million euro. There was a net cash outflow from income taxes paid and received of 45 million euro. The other cash outflows of 69 million euro are mainly attributable to interest payments – including interest paid on taxes – and operating expenses.

In the prior year, the cash flow from operating activities amounted to 599 million euro primarily due to higher dividends received.

There was a cash outflow from financing activities of 308 million euro in the fiscal year 2016. This exclusively concerned the dividends distributed to shareholders of Porsche SE.

Net liquidity decreased from 1.70 billion euro as of 31 December 2015 to 1.30 billion euro as of the end of the past fiscal year and was thus within the forecast corridor. This decrease is also largely due to the dividend payment made to the shareholders of Porsche SE.

As of 31 December 2016, the equity of the Porsche SE Group increased to 27.89 billion euro, largely due to the net profit for the period. In the prior year, equity had amounted to 27.08 billion euro. The equity ratio thus increased slightly from 98.1 percent to 98.3 percent as of 31 December 2016.

Ladies and gentlemen,

In addition to our core investment Volkswagen, Porsche has an approximate 10 percent shareholding in the US-technology company INRIX. The company specializes in the delivery of real-time data and looks back on a very challenging fiscal year 2016. INRIX could not achieve the goals it set itself due to fierce competition as well as a slower networking of vehicles and infrastructure than many market experts had predicted. An impairment test performed as a result of this put the carrying amount of the investment at 21 million euro as of year-end. However, we believe strongly in the long-term market potential for INRIX. Cars will continue to become more and more connected, thus making corresponding transport solutions more and more attractive.

The company also made decisive steps forward in the past fiscal year. This has seen INRIX develop from a pure data supplier to a standardized industrial platform for content, analytics and apps in the area of smart mobility. It concluded several strategic partnerships with payment services and parking area operators. This has put INRIX in a position to increase its global connection of parking spaces and at the same time make it possible to automatically pay for and reserve parking spaces in the connected vehicle. More and more automotive manufacturers in Europe and the US have since turned to INRIX’s real-time services to look for parking spaces and gas stations. This allows drivers to find available parking spaces in parking garages or be guided to on-street parking spaces.

INRIX also further expanded its activities in the field of analytics for connected cities and companies. This means that INRIX uses its data sources to analyze the movements of traffic and people as well as pedestrian flows in cities. The company therefore not only supports authorities operating in the area of city planning and traffic control centers, but also companies from the retail or the real estate industries.

They can use movement data to analyze how many potential customers pass by a store or building at a certain point in time. For this, INRIX uses its global data network which covers eight million road kilometers in more than 45 countries with around 300 million data sources in total.

Ladies and gentlemen,

The past fiscal year again saw us continue our search for investments as we continue to pursue our goal to establish Porsche SE as a financial investor and preferred investment partner in the market. By having a well-balanced risk profile, we wish to generate a sustainable increase in value for our shareholders.

With this in mind, we have continued to look hard at which technical possibilities and business models could play a role in the mobility of the future. This has seen us evaluate several companies in the past fiscal year and also expand our network further.

Our management, which has both automotive and industrial experience, offers Porsche SE many advantages in the search for attractive investments. There is permanent and close cooperation between Volkswagen's strategy and development experts and Porsche SE's investment experts. We thus benefit from the large network of experts within the Volkswagen Group and Volkswagen in turn benefits from the expertise we have built up at Porsche SE over the past few years.

Ladies and gentlemen,

Porsche SE is a lean financial holding company with 30 employees that has no operating business of its own. With this in mind, the executive board and SE works council concluded an amendment to the co-determination agreement on 1 February 2017, i.e., the agreement on the co-determination of employees in our company. The agreement suspends co-determination in Porsche SE's supervisory board. The supervisory board will therefore comprise only six shareholder representatives in the future.

In light of the current group structure of Porsche SE, the original co-determination agreement from 2007 no longer adequately reflects current needs. As the statutory co-determination rights continue to apply at Volkswagen AG, there is no longer any need for these to be duplicated at the level of Porsche SE. Suspension of co-determination at the level of Porsche SE simplifies the organization. The co-determination rights should therefore be exercised at the level of Volkswagen AG and the Volkswagen Group in the future, where they are secured in a number of ways. This is also in the interest of the employee representatives, who approved the suspension agreement.

Having performed the so-called status proceedings, Porsche SE’s annual general meeting on 30 May 2017 will adjust the articles of association to bring them in line with the new co-determination agreement. As all supervisory board mandates end with the conclusion of the annual general meeting – also a consequence of the status proceedings – the supervisory board members on the capital side will be up for re-election during the annual general meeting on 30 May 2017. No decisions have been made yet as to who has been put forward for election. The invitation to the annual general meeting will be published mid-April.

Ladies and gentlemen,

Let me briefly summarize. In this connection, I would like to mention a small anniversary that Porsche SE is celebrating this year. It has been ten years since the company was founded in November 2007 as part of a change in legal form. It has experienced many highs and lows during this period; the years have been very eventful and often turbulent. However, for all of the negative headlines there have been during this time, I would like to highlight four central aspects:

- Porsche SE holds the majority of the ordinary shares in Volkswagen and is a stable anchor shareholder for Europe’s largest automotive group, not least in the diesel crisis.
- It certainly made sense to contribute Porsche AG to the Volkswagen Group; under the Volkswagen umbrella, the sports car manufacturer has continued to develop both dynamically and successfully, as you heard last Friday.
- Porsche SE itself has proven to be a reliable financial holding company and pursues a dividend policy that is geared to sustainability.
- Furthermore, our company has so far been able to successfully defend itself against all accusations of alleged market manipulation lodged by the Stuttgart public prosecutor in connection with the expansion of the investment in Volkswagen AG. Where rulings have been made in this regard in civil lawsuits, these have also been fended off.

I am therefore convinced that our company will continue to develop very positively in the future.

What does this mean exactly for the current fiscal year? Based on the current group structure, Porsche SE expects a group profit for the year of between 2.1 billion euro and 3.1 billion euro for the fiscal year 2017. This forecast is based in particular on the Volkswagen Group’s expectations regarding its future development and the uncertainty that continues to surround possible special effects in connection with the diesel issue.

Furthermore, we aim to achieve a positive net liquidity. This is expected to be between 1.0 billion euro and 1.5 billion euro as of 31 December 2017, not taking future investments into account.

Ladies and gentlemen,

When determining our proposed dividend for Porsche SE's annual general meeting, we took into account the expected dividend inflow to our company from Volkswagen AG. Volkswagen AG has proposed a dividend of two euro per ordinary share for the fiscal year 2016. This would mean a dividend inflow to Porsche SE of 308 million euro compared to a figure of 17 million euro in the prior year.

Over the past few years, we have always emphasized that Porsche SE's dividend policy is geared to sustainability. And we will continue to abide by this principle. The executive board and supervisory board of Porsche SE therefore propose a dividend of 1.01 euro per preference share for the fiscal year 2016. Holders of ordinary shares will receive 1.004 euro per share. This results in an amount distributed of around 308 million euro. We would thus pass on the dividends flowing to us from Volkswagen AG entirely to the holders of our ordinary and preference shares. We will present the proposed dividend for decision to the annual general meeting on 30 May 2017 in Stuttgart. The invitation to the annual general meeting will be published on our newly designed Porsche SE website on 18 April 2017.

And that is all from me on the fiscal year 2016. I have, however, left out the legal part, which again contained several important rulings in the past year. My executive board colleague Dr. Manfred Döss will now explain to you the current status of the legal proceedings. Over to you, Dr. Döss.