Speech

by Hans Dieter Pötsch
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of Porsche Automobil Holding SE

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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 in Stuttgart. I have the pleasure of reporting to you today on the fiscal year 2018.

Porsche SE sees itself as a long-term anchor shareholder in Volkswagen AG. As this is our core investment, Porsche SE's financials and likewise its share price are heavily influenced by the development of the Volkswagen Group. It is therefore worth taking a look at their business figures. However, seeing as the figures were already presented last week in Wolfsburg, I will limit myself to a few key points.

2018 was a successful year for the Volkswagen Group, despite the strong headwind and the major challenges it faced. The 10.8 million vehicles delivered represents an increase of 0.9 percent on the prior year and is indicative of its success. This is also reflected in the financial indicators: Revenue of the Volkswagen Group rose to 235.8 billion euro, an increase of 2.7 percent. The operating result before special items increased slightly to 17.1 billion euro. As in the prior year, the negative special items came to 3.2 billion euro, largely due to the consequences of the diesel issue. Before special items, the Volkswagen Group generated an operating return on sales of 7.3 percent, which was at the top end of the target corridor.

At 19.4 billion euro, the net liquidity of the automotive division as of 31 December 2018 was down 3.0 billion euro compared to the end of the fiscal year 2017. Despite further burdens and cash outflows in connection with the diesel issue, the net liquidity of the automotive division was therefore at a sound level.

The board of management of Volkswagen AG expects that deliveries in 2019 will slightly exceed the prior-year figure amid continuously challenging market conditions. Volkswagen also expects the revenue of the Volkswagen Group and its passenger cars and commercial vehicles business areas to grow by as much as 5 percent year on year. In terms of the operating result for the group and the passenger cars business area, Volkswagen's board of management forecasts an operating return on sales in the range of 6.5 percent and 7.5 percent in 2019.

Ladies and gentlemen,

I would like to take this opportunity to emphasize that the executive board and the supervisory board of Porsche SE fully support the planned implementation of the group strategy by Volkswagen AG's board of management. You are aware of the results of the most recent planning round from November 2018. In essence, this provides for investments in electromobility, autonomous driving, new mobility services as well as in digitalizing vehicles and factories of around 44 billion euro until 2023. For everyone responsible, be it executive board members, shareholders or employees, it must be clear: all parties involved ultimately benefit from a successful and strong Volkswagen Group.

We remain convinced that the Volkswagen Group has vast potential for increasing value added and that its current valuation on the capital market does not reflect this. We expect a positive development in both the medium and the long-term. We have therefore decided, in consultation with the supervisory board, to further expand our investment in Volkswagen AG. Overall, we have invested around 400 million euro and currently hold around 53 percent of the voting rights in Volkswagen. Again, this is a strong commitment of Porsche SE to Volkswagen.

Ladies and gentlemen,

As I already explained at the beginning of my speech, the economic development of Volkswagen AG again had a major impact on Porsche SE in 2018.

Porsche SE's group profit for the year increased to 3.5 billion euro in the fiscal year 2018, a 6 percent increase compared to the prior-year result of 3.3 billion euro.

The result is significantly influenced by the result from the investment accounted for at equity in Volkswagen AG. This amounts to 3.6 billion euro, compared to 3.4 billion euro in the prior year.

Cash flow from operating activities came to 558 million euro in 2018 and increased by 308 million year on year. This cash inflow mainly takes into account the dividend payment of 601 million euro from Volkswagen AG. Cash outflows of 43 million euro are mainly attributable to operating holding expenses.

Cash flow from investing activities for 2018 was largely influenced by the acquisition of further ordinary shares in Volkswagen of 86 million euro.

Financing activities resulted in a cash outflow of 539 million euro. This almost exclusively related to the dividend distribution to the shareholders of Porsche SE of 538 million euro.

Net liquidity decreased from 937 million euro as of the beginning of 2018 to 864 million euro as of 31 December 2018. This is also largely due to the acquisition of ordinary shares in Volkswagen.

As of 31 December 2018, the equity of the Porsche SE Group increased to 33.4 billion euro, largely due to the net profit for the period. In the prior year, equity had amounted to 31.3 billion euro. The equity ratio remained constant compared to the end of the fiscal year 2017 at 99.1 percent.

Ladies and gentlemen,

After acquiring further ordinary shares in Volkswagen, we will continue to pursue our current investment strategy with regard to the automotive value chain. Porsche SE has the experience and automotive expertise needed to identify and invest in promising business models now and in the future. This means that we remain on the lookout for suitable investments.

As a long-term investor, we also have the necessary patience if we believe in a technology or business model. This is the case in particular for our investment in the PTV Group. The “Intelligent Transport Systems” (ITS) segment that includes PTV generated a 3 percent increase in revenue in the past year. Before tax, amortization and depreciation, the “ITS” segment generated a positive result of around 3 million euro. However, we recognized an impairment loss of 66 million euro in 2018, which produced a result for the year of minus 78 million for this segment.

PTV’s growth depends, among other things, on major projects whose realization is exposed to a certain degree of volatility. This can, as in the prior year, have an effect on the result in the short to medium term. Our belief in PTV’s potential remains unshaken and we are convinced that the company will develop dynamically.

PTV focuses on software for modeling, planning and controlling traffic flows as well as on route optimization. The company operates worldwide. The customers of passenger traffic solutions include the local councils of many major metropolitan areas. Its products allow PTV to occupy a key position in the area of networked mobility and plays a leading role here.

In the past year, PTV continued to strengthen its technology and product portfolio and implemented several large-scale projects. This involved winning a major project to create a traffic model for the whole of North Rhine-Westphalia. For the first time, projects are being realized in the area of technology-based mobility in Europe and the USA. PTV also won flagship projects, for example as a software supplier for new traffic management in Sydney.

A regional example of PTV's business is the collaboration with the city of Ludwigsburg and Porsche AG, with all parties working together to develop measures to improve traffic flow. This involves approaches such as a change in traffic management, a shift towards public transport or improvements for bicycle traffic in inner-cities. The benefit for the city of Ludwigsburg from this collaboration is two-fold: Firstly, it gets a sound analysis of the effects of traffic management measures and therefore security in terms of external communication. And secondly, thanks to PTV's software, it now has an up-to-date traffic model at its disposal for the first time which it can use to plan and realize further measures to improve traffic flows.

As a long-term investor, we support PTV in its development from being a pure-play software provider to also offering platform-based solutions. We see great potential in this area. Porsche SE is thus investing in mobility management of the future, which is also becoming increasingly relevant for an automotive manufacturer like the Volkswagen Group.

Turning to our various venture capital investments, I would like to take this opportunity to mention Markforged in particular. The US technology company develops and sells 3D printers and is currently the only provider in the world able to process continuously fiber-reinforced plastics. Markforged has also produced and sold a 3D metal printer for industrial applications since 2018. Consulting firm Deloitte named the company one of the fastest growing technology companies in North America. Since our first investment in October 2017, the company valuation of Markforged has more than doubled. This was confirmed in the recent financing round, in which Porsche SE again participated.

Ladies and gentlemen,

I would now like to turn to developments on the legal side.

As you know, a model case according to the Capital Markets Model Case Act ("KapMuG" for short) in connection with the acquisition of the shareholding in Volkswagen AG is pending before the Higher Regional Court of Celle with Porsche SE as a defendant. The initial proceedings concern 40 plaintiffs asserting alleged claims for damages of around 5.4 billion euro.

According to the preliminary view of the Higher Regional Court in Celle, there is no legal basis for the claims raised by plaintiffs. Plaintiffs have filed a significant number of motions for recusal of the judges. All of these motions were rejected by the court. Furthermore, the Higher Regional Court has indicated in additional hearings in fall 2018 that it maintains in essence its preliminary legal assessment expressed in a hearing in October 2017. We assume that the proceedings will continue in the coming months and consider our legal position endorsed by the previous course of the hearing.

Porsche SE is also facing investor lawsuits in connection with the diesel issue. A total of 198 proceedings according to the latest information are pending before the Regional Court of Stuttgart, two proceedings before the Higher Regional Court of Stuttgart and several other proceedings before the Regional Court of Braunschweig. Claims are being made for damages totaling around 1.1 billion euro. The difference of approximately 150 million euro compared to the annual report is due to lawsuits that have been filed only very recently against Porsche SE.

The plaintiffs accuse Porsche SE of alleged nonfeasance of capital market information in connection with the diesel issue. Some of the plaintiffs filed applications for initiation of a model case according to the KapMuG. As a precautionary measure, Porsche SE also applied in a total of ten cases for the issuance of a court order initiating model case proceedings. In response, the Regional Court of Stuttgart had issued such order in February 2017. Numerous proceedings at the Regional Court of Stuttgart have been suspended in the meantime. By indicative court order, the Higher Regional Court of Stuttgart expressed doubts as to the admissibility of the initiation of the model case proceedings and pointed to a potential priority of a model case proceeding pending before the Higher Regional Court of Braunschweig. It is currently unclear if and to what extent the actions pending before the Regional Court of Stuttgart will be, or will remain, suspended and whether there will be two model case proceedings on the diesel case in parallel. The Higher Regional Court of Stuttgart will issue a decision next week.

Although the cases were suspended, the Regional Court of Stuttgart in two lawsuits in which damages of approximately 164 million euro have been claimed, handed down judgments in October 2018, and granted these actions in the amount of approximately 47 million euro. Porsche SE has appealed these decisions and considers these actions to be without merit. The plaintiffs have also appealed these decisions.

The Regional Court of Braunschweig suspended three of the proceedings pending before it with reference to the court order of the Regional Court of Braunschweig initiating case model proceedings as well as an additional court order initiating model case proceedings of the Regional Court of Stuttgart concerning jurisdiction issues. Porsche SE is, in addition to Volkswagen AG, model case defendant before the Higher Regional Court of Braunschweig. In fall 2018, the first oral hearings were held in this model case proceeding. The Higher Regional Court of Braunschweig has already set dates for further oral hearings. We regard all lawsuits brought against Porsche SE in connection with the diesel issue to be without merits and in some cases also to be inadmissible.

In November 2018, a shareholder filed a complaint with the Regional Court of Stuttgart against the composition of the supervisory board. In a status proceeding, he requested the court to find that the supervisory board of Porsche SE should, in derogation from its current composition, consist of half shareholder representatives and half employee representatives. Porsche SE is of the opinion that the supervisory board is duly composed and that the motion ought to be dismissed.

To summarize: The legal proceedings have a significant influence on Porsche SE’s valuation on the capital market and represent potential for increasing its value if the outcome is positive. Porsche SE is rigorously and persistently working its way through the legal issues. As a result, we are convinced that further legal success will also be reflected positively in our share price.

Ladies and gentlemen,

Please allow me to briefly summarize once more:

- Porsche SE is convinced of the Volkswagen Group's potential for increasing value added. This led to the decision to expand our investment in Volkswagen AG.

- We continue to pursue our current investment strategy.

- By investing in the PTV Group, Porsche SE has invested in mobility management of the future, which is also becoming increasingly relevant for automotive manufacturers like the Volkswagen Group. Porsche SE still sees great potential in the PTV Group.

- When it comes to the legal proceedings, we remain convinced that we will prevail in these proceedings.

As for the general business development, we are also confident: We expect a group profit for the current fiscal year of between 3.4 billion euro and 4.4 billion euro. This forecast is based in particular on Porsche SE's expectations regarding the future development of the Volkswagen AG. There is also uncertainty that continues to surround possible special effects in connection with the diesel issue.

Furthermore, we aim to achieve positive net liquidity. This is expected to be between 0.3 billion euro and 0.8 billion euro as of 31 December 2019, not taking future investments into account.

Ladies and gentlemen,

Again this year, we have taken into account the expected dividend inflow from Volkswagen AG when determining our dividend proposal. Volkswagen AG has proposed a dividend of 4.80 euro per ordinary share for the fiscal year 2018.

This would mean a dividend inflow to Porsche SE of around 753 million euro in 2019, compared to a figure of 601 million euro in 2018.

In past years we have always emphasized one principle in particular: Porsche SE's dividend policy is geared towards sustainability. We will continue to abide by this principle and, together with the supervisory board of Porsche SE, therefore propose a dividend of 2.21 euro per preference share for the fiscal year 2018. Holders of ordinary shares are to receive 2.204 euro per share.

This results in a distribution amount of around 676 million euro. We will present the proposed dividend for decision to the annual general meeting on 27 June 2019 in Stuttgart.

And that is all from me on the fiscal year 2018 and the outlook for 2019. I will now hand over to Dr. Bamler, who will host the Q&A session.