Speech

by Hans Dieter Pötsch

Chairman of the executive board and Chief Financial Officer of Porsche Automobil Holding SE

Annual general meeting
on 15 May 2018 in Stuttgart

Wire embargoed: Start of speech
Check against delivery

Chart: Cover sheet presentation

Chart: Cover sheet Mr. Pötsch presentation

Dear shareholders,
ladies and gentlemen!

I would like to warmly welcome you to the annual general meeting of your company, Porsche Automobil Holding SE. The executive board and supervisory board are pleased to welcome you to the Porsche Arena today and to report on fiscal year 2017 as well as Porsche SE's first three months of 2018.

Chart 1: Investment in Volkswagen represents over 90 percent of assets

In the past year, we for the first time acquired a company, PTV AG. On top of this, we also invested in two companies from the field of 3D printing. An investment in a company from the field of laser-based object recognition has recently been added.

However, our core investment is and remains Volkswagen AG, representing more than 90 percent of Porsche SE's assets. Thus Porsche SE's financial indicators and likewise its share price continue to be mainly influenced by the development of the Volkswagen Group. I would therefore like to briefly turn to our core investment.

Chart 2: Volkswagen Group – successful operating performance in 2017

One thing can be said overall: The Volkswagen Group is in excellent shape. A new record was set with revenue of 230.7 billion euro in 2017. This also applies for the operating profit before special items of 17.0 billion euro. And even taking into account the additional special items to overcome the diesel crisis, Volkswagen, with an operating profit of 13.8 billion euro, is at a level the Volkswagen Group has never achieved before.

Chart 3: Volkswagen Group – net liquidity in the automotive division

At 22.4 billion euro, net liquidity of the Volkswagen Group in the automotive division at the end of 2017 was down only a good 2 billion euro on year-end 2015, even despite the cash outflow in the double-digit billions of euros in the wake of the diesel crisis. This clearly demonstrates the financial robustness of the Volkswagen Group.

The delivery volumes, too, remain promising: the record of 10.7 million vehicles sold in the past fiscal year is attributable to substantial growth in all key regions of the world. 2017 was without a doubt a successful year for the Volkswagen Group and its brands.

Chart 4: Volkswagen Group – clearly positive operating result

As for the operating business of the Volkswagen Group, Volkswagen AG's board of management is confident after an encouraging start to the current fiscal year and expects delivery volumes to show moderate growth again. The Volkswagen Group is targeting consolidated revenue growth of up to 5 percent and this prospect is underscored by the figures for the first quarter of 2018.

Chart 5: Group profit for the year

Ladies and gentlemen,

As already mentioned at the beginning of my speech, the economic development of the Volkswagen Group again had a major impact on Porsche SE in 2017.

Porsche SE generated a group profit for the fiscal year 2017 of 3.33 billion euro. That compares to 1.37 billion euro in the prior year, an increase of 143 percent.

Chart 6: Profit from investments accounted for at equity

The profit is largely driven by the profit from investments accounted for at equity. This amounts to 3.41 billion euro – compared to 1.45 billion in the prior year – and relates almost exclusively to the stake in Volkswagen AG.

The full consolidation of the PTV Group starting from the beginning of September 2017 led to a change in the income statement of the Porsche SE Group. Now revenue worth mentioning has been recognized again, namely in the amount of 34 million euro for the last four months in the fiscal year 2017. However, I would like to emphasize that the PTV Group will continue to be managed as a distinct subgroup with its own management. Furthermore, the inclusion of the PTV Group in the Porsche SE Group raised the headcount from 30 at the beginning of 2017 to a total of 823 internationally at year-end. At Porsche SE itself, an average of 34 employees were employed in the past year.

The Intelligent Transport Systems segment, for short ITS, which consists of the PTV Group, saw a result after tax of minus 6 million euro in the first three months of the fiscal year 2018 taking into account negative effects from the purchase price allocation of minus 2 million euro. The ITS segment generated revenue of 18 million euro in this period. This resulted primarily from license sales and maintenance services rendered and fell short of the expectations for the first quarter of the fiscal year 2018.

Chart 7: Cash flow from operating activities

The cash flow from operating activities came to 250 million euro in 2017, an increase of 347 million euro on the prior year. This cash inflow mainly takes into account the positive effect from the dividend payment of 308 million euro from Volkswagen AG. Cash outflows of 58 million euro are mainly attributable to operating expenses as well as interest payments.

There was a cash outflow from financing activities of 609 million euro, compared to 308 million euro in the prior year. This related almost exclusively to the dividend payment to the shareholders of Porsche SE of 308 million euro as well as the full repayment of financial liabilities to the Volkswagen Group totaling 300 million euro in June 2017.

Chart 8: Development of net liquidity

Net liquidity decreased from 1.30 billion euro as of the beginning of 2017 to 937 million euro as of 31 December 2017. The decrease is primarily attributable to the acquisition of the PTV Group.

Chart 9: Balance sheet structure as of 31 December 2017

As of 31 December 2017, the equity of the Porsche SE Group increased to 31.41 billion euro compared to 27.89 billion euro at the end of the prior-year, largely due to the net profit for the period. The equity ratio thus increased from 98.3 percent to 99.1 percent as of 31 December 2017.

Live image

Ladies and gentlemen,

Please allow me to briefly mention a change in the ownership structure of Porsche SE. In the past fiscal year, Prof. Dr. Ferdinand K. Piëch sold the majority of the ordinary shares he indirectly held in Porsche SE to other members of the Porsche and Piëch families. On the one hand, his withdrawal from our supervisory board marks the end of an era. On the other hand, our family shareholders have signaled their strong commitment to Porsche SE through this share acquisition and once again demonstrated their status as long-term investors. They have been active in the automotive industry for many decades now and have a fundamental interest in the long-term success of Porsche SE and its investments.

Independent from this change in the ownership structure, the executive board and the supervisory board of Porsche SE do propose to the annual general meeting to expand the supervisory board from six to ten members. The aim of this measure is to strengthen the supervisory board by adding more fourth-generation family members as well as additional external experts.

Furthermore, Mr. Hans-Peter Porsche is stepping down from his position on the supervisory board effective as of the end of today's annual general meeting. This means a total of six positions have to be filled. Following a request of the company's management, the Stuttgart Local Court had already appointed Dr. Horvath as Prof. Dr. Piëch's successor as a member of the supervisory board. He is also proposed for today's election to the supervisory board by the annual general meeting.

Ladies and gentlemen,

There has also been a personnel change within Porsche SE's executive board: Mr. Matthias Müller, member of the executive board responsible for strategy and corporate development, has resigned from his position on the executive board in agreement with Porsche SE's supervisory board effective 30 April 2018. On behalf of the whole executive board, I would like to take this opportunity to express our gratitude to Matthias Müller for the work he has done. He has contributed significantly to putting our company in an excellent position. Porsche SE's supervisory board intends to decide about who will succeed in due course.

Ladies and gentlemen,

I would now like to explain to you the current status of our investment activities. I am all the more happy to do so in view of the fact that we acquired one company and two equity investments in the past year as well as a further investment in the current fiscal year.

Chart 10: PTV – intelligent software solutions for the planning and optimization of traffic and transport logistics

First of all, let me tell you more about our largest new investment, PTV Planung Transport Verkehr AG – the PTV Group for short. In September 2017, we purchased almost 100 percent of the shares in the software company.

The PTV Group was founded in 1979 as a spin-off of the University of Karlsruhe, today the Karlsruhe Institute of Technology (KIT), and has around 800 employees group-wide in 18 countries. One of the first computer programs for tour planning for trucks has since developed into one of the world's leading providers of traffic and logistics management software. More than 2,500 cities use PTV's products, and transports with over one million vehicles in more than 120 countries are deployed on a daily basis using PTV software. From optimizing routes to simulating networks through to forecasting traffic flows, PTV software makes mobility more efficient, safer and more environmentally friendly. The company thus occupies key functions in the areas of smart traffic and fleet management.

The business fields of the PTV Group consist of three areas:
1. The logistics software division offers software for planning and tracking delivery processes from receiving the order through to its delivery. It accounts for just under half of total revenue.
2. The traffic software division comprises products aimed at supporting communities and planning offices with traffic planning and traffic management. **And thirdly, the PTV Group offers advisory services** for the implementation of traffic projects.

Chart 11: PTV logistics software

In the business field of logistics, the company delivers software, among other things, for route and distribution planning. In this way, PTV logistics software enables forwarding agents to calculate the most efficient route. This takes into account key parameters such as expected fuel consumption, tolls, mandatory rest periods or avoiding bridges that are too low. PTV software is even used to select locations, e.g., for DIY stores. This enables data on purchasing power, distance from rival or own stores and accessibility by means of transport to be assessed. PTV has over 800 customers in this area.

Chart 12: PTV traffic software

In the second area of traffic software, the company combines traffic planning technology such as the modeling of traffic networks in real time. PTV is a global leader in this field. Simulation technology developed by PTV helps support infrastructure operators and the public sector with the planning and optimization of the road network and local public transport, among other things. The products are used to improve the flow of traffic as well as to develop modern, future-proof intermodal infrastructure.

Chart 13: PTV advisory services

Furthermore, in the third business area, PTV advises communities, cities and governments on traffic planning and in major infrastructure projects. For example, PTV played a key role in the Lisbon study of the OECD and was one of a select group of companies that have analyzed the impact of fleets of fully automated vehicles on our cities using the example of Lisbon. The company is also involved in numerous projects in the Stuttgart region. For example, the MEGAFON study carried out by the University of Stuttgart used PTV’s models to investigate the potential impact of self-driving cars on traffic in city regions using the example of Stuttgart. Furthermore, as part of Stuttgart's clean air program, PTV is drawing up a report on the impact of a combination of various measures in order to comply with the emission and particles matter thresholds as quickly as possible.

Even though revenue in the first quarter of 2018 is below expectations, as an investor, we have set ourselves the target of consistently developing the business of the PTV Group. The company has a tried-and-tested business model in place. The PTV management anticipates solid growth and a positive operating profit for the year as a whole.

Chart 14: INRIX – leading provider of connected-car and real-time services

INRIX, another company in our investment portfolio, also makes an important contribution in its capacity as a B2B service provider towards the efficient planning of mobility and has developed into a market-leading platform for processing and analyzing real-time data in the transport sector. You may have heard of the study, which has been frequently quoted in the past year, on the economic costs of searching for parking spaces as well as the Global Traffic Scorecard that INRIX published in February, which analyzed the emergence and impact of traffic jams in 1,360 towns and cities in 38 countries, including Germany.

We have a roughly ten percent stake in INRIX. However, the company again faced strong competition in the industry in the fiscal year 2017. On top of this, networking of vehicles and infrastructure is not growing as fast as originally expected.

In light of these challenges INRIX has developed its business model further, adding, among other things, parking area operators to its strategic partnerships. As a global market leader, INRIX now has a database at its disposal with parking lot information of more than 41 million parking spaces in 15,000 cities worldwide. Not only does this database show parking spaces in parking garages in real time, it also now displays street parking spaces in over 300 cities.

Live image

Ladies and gentlemen,

Alongside investments in established companies, we widened our investment focus in the past fiscal year to include start-ups. These young companies have the potential to massively change mobility and industrial production in the future. By building up a portfolio of start-up investments, we are expanding our strategy without fundamentally changing Porsche SE's risk profile.

Last November we acquired venture capital investments in the US companies Markforged Inc. and Seurat Technologies Inc. both based in the wider Boston area, each in the single-digit percentage range. Both companies work in the field of additive manufacturing also known as 3D printing. The investment volume was a single-digit million-euro figure in each case.

Chart 15: Markforged – system solutions for 3D printing

Markforged was founded in 2013 and develops and sells 3D printers as well as 3D printing solutions. It offers the only industrial 3D printing platform which manufactures high-strength parts from complete pallets of materials from carbon fiber to metal. Another unique selling proposition of the company is the ability to print continuous fiberreinforced plastics. Markforged has already sold several thousand printers in total and, moreover, presented its first 3D metal printer for industrial applications last year.

Chart 16: Seurat Technologies – promising new technology in 3D printing

Seurat Technologies was founded in 2015 and is developing an innovative new technology in the field of 3D metal printing. This technology will allow a significant acceleration of 3D metal printing and will promote the use in industrial series production. The most recent financing round served to develop the existing prototype further.

With these two investments, we have positioned ourselves in an area of significance for future industrial production. According to production experts, 3D printing will play an important role in the automotive industry, among other things, for the future. The possibility of being able to print plastic, carbon fiber and even metal opens up whole new possibilities such as printing spare parts, eliminating eventually high storage and transport costs. The technology is already being used today for parts with high production costs and low volumes, for example, for the manufacture of tools, devices and other production equipment.

Live image

As I mentioned earlier, I can report to you today that we acquired a non-controlling interest in a US company in the field of laser-based object recognition, for short, LIDAR, in April of this fiscal year. The investment volume is again a single-digit million-euro figure. This corresponds to an investment in the lower single-digit percentage range. LIDAR is a key technology for advanced driver assistance systems and will be pivotal for automated and autonomous driving.

And so, to conclude, let me emphasize one thing: If in this time of upheaval in the automotive industry we are able to find the right answers to the important questions, then Porsche SE as a company will be able to benefit from our investment decisions in the long term – and so will you, our shareholders.

Ladies and gentlemen,

I would now like to turn to the status of the legal proceedings.

Chart 17: Development in the Capital Markets Model Case before the Higher Regional Court of Celle

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 against Porsche SE with the Higher Regional Court of Celle. The Regional Court of Hanover suspended all six proceedings pending before it against Porsche SE up until a final decision about the establishment objectives in the model case before the Higher Regional Court of Celle. The initial proceedings concern 40 plaintiffs asserting alleged claims for damages of around 5.4 billion euro.

At the first trial date on 12 October 2017, the Higher Regional Court of Celle explained its preliminary view on the state of affairs and of the dispute and confirmed Porsche SE's position on all significant points. Subsequently, the plaintiffs filed several motions to recuse the judges at the Higher Regional Court of Celle, all of which have been dismissed in the meantime. In one case, the plaintiffs appealed the rejection decision. The Higher Regional Court of Celle has scheduled dates for the continuation of the oral hearing from 5 June 2018.

Porsche SE is of the opinion that all lawsuits filed in connection with the acquisition of the shareholding in Volkswagen AG and the establishment objectives submitted to the court are without merit and that the establishment objectives will be rejected. We consider our position endorsed by the previous course of the oral hearing before the Higher Regional Court of Celle.

Chart 18: Proceedings for damages against Volkswagen AG in connection with the diesel issue

As in the last two fiscal years we have closely followed the development of the diesel crisis and its impact on Porsche SE. At no time did the regular valuation and sensitivity analyses carried out by us reveal any need to record an impairment with regard to our Volkswagen investment. On the contrary: the analyses show a very considerable buffer in value. Overall, Volkswagen has developed positively in recent years in spite of the diesel issue. Finally, we have been following Volkswagen AG's numerous and intensive efforts to handle the diesel crisis, to clarify responsibilities and to continuously develop the Volkswagen Group's compliance and risk management system, and we reviewed them for any potential need for action on our part.

Porsche SE is also facing lawsuits in connection with the diesel issue. A total of 189 proceedings against us are pending before the Regional Court of Stuttgart and four proceedings before the Regional Court of Braunschweig. Claims are being made for damages totaling around 865 million euro.

In the various proceedings, the plaintiffs accuse Porsche SE of alleged nonfeasance of capital market information in connection with the diesel issue. A part of the plaintiffs filed applications for establishment of a model case according to the KapMuG. As a precautionary measure, Porsche has also applied in a total of ten proceedings for the issuance of a KapMuG-based order of reference. There are two orders of reference of the Regional Court of Stuttgart, the second dated 6 December 2017 dealing with issues of jurisdiction. Numerous proceedings have been suspended in the meantime. We regard all lawsuits brought against Porsche SE in connection with the diesel issue to be without merit and in some cases also to be inadmissible.

The Regional Court of Braunschweig issued an order of reference with regard to the proceedings against Volkswagen AG. The Regional Court of Braunschweig has suspended litigation against Porsche SE in three proceedings with regard to the Braunschweig order of reference. Porsche SE has appealed these stays of proceedings. Until a final decision has been reached in this matter, Porsche SE is participating as an additional model defendant in the Braunschweig model case. In the Braunschweig model case, Volkswagen AG has since submitted its statement of defense, specifying that until well into summer 2015 the members of its executive board did not have any knowledge of the software applications deemed illegal under US law. For all proceedings with regard to the diesel issue, in our opinion, it is also the case that an individual sitting on a number of boards is not the same as having the same board. The members of the executive board of Volkswagen AG, which at the same time were or are also members of the executive board of Porsche SE, were and are generally subject to a strict duty of confidentiality regarding presumed insights obtained as part of their mandate at Volkswagen AG. Such presumed insights can therefore not be attributed to Porsche SE.

Live image

The same also applies to the investigation proceedings initiated by the Stuttgart public prosecutor on account of alleged market manipulation in connection with the diesel issue against the former chairman of the executive board of Porsche SE, Prof. Dr. Martin Winterkorn, as well as against my former executive board colleague Matthias Müller and me. Porsche SE firmly believes that none of its board members have breached any statutory capital market or criminal law regulations.

We also believe that the action of nullity and for annulment as well as the action for the right to information in connection with the 2016 annual general meeting are unfounded. Porsche SE has therefore filed an appeal against the Regional Court of Stuttgart's ruling in the nullity and annulment proceedings and has appealed the Regional Court of Stuttgart's decision in the right to information proceedings.

To conclude this legal part, I repeat again today what I have constantly been emphasizing over the last few years: In connection with the acquisition of the shareholding in Volkswagen AG in the years from 2005 to 2009 and also in connection with the diesel issue, Porsche SE has always provided accurate information. We are therefore firmly convinced that in the end we will succeed in those proceedings still pending.

Chart 19: Summary

Ladies and gentlemen,

Please allow me to briefly summarize once more:

- Porsche SE holds the majority of the ordinary shares of Volkswagen and is fully committed to the Wolfsburg automotive group as a stable anchor shareholder.
- With the acquisition of Prof. Dr. Ferdinand Piëch’s ordinary shares, the Porsche and Piëch families have demonstrated a strong commitment to Porsche SE. They have a fundamental interest in the long-term success of our company.
- In 2017, Porsche SE acquired investments in two start-ups as well as an established company. A further investment in a start-up has also be added.
- On the legal side, all claims for damages have so far been ruled in our favor.

Chart 20: Outlook for the fiscal year 2018

As for the general business development, we are also confident: Based on our current group structure, 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 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 positive net liquidity. This is expected to be between 0.7 billion euro and 1.2 billion euro as of 31 December 2018, not taking future equity investments into account.

Chart 21: – key figures as of 1st quarter 2018

The business figures for the first three months of 2018 confirm this outlook.

- In the first quarter of 2018, Porsche SE reported a group profit for the period of 951 million euro.
- Equity increased from 31.41 billion euro as of 31 December 2017 to 31.95 billion euro as of 31 March 2018.
- Net liquidity decreased slightly to 931 million euro compared to the end of 2017.

Ladies and gentlemen,

Live image

Again this year, we have taken into account the dividend inflow from Volkswagen AG when determining our dividend proposal. Volkswagen AG has paid out a dividend of 3.90 euro per ordinary share for the fiscal year 2017.

This means a dividend inflow to Porsche SE of 601 million euro compared to a figure of 308 million euro in 2017.

Chart 22: Proposed dividend for the fiscal year 2017

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. The executive board and supervisory board of Porsche SE therefore propose a dividend of 1.76 euro per preference share for the fiscal year 2017. Holders of ordinary shares should receive 1.754 euro per share.

Chart 23: Total dividend amount for the fiscal year 2017

This results in a distribution amount of around 538 million euro. We will present this proposed dividend for decision to the annual general meeting today.

Live image

I would like to take this opportunity for us and myself to thank in particular the employees of Porsche SE. Your commitment and skills were and remain key to Porsche SE being on a good and promising course. For this, the executive board and supervisory board would like to express their sincere thanks to the entire team.

Finally, I would like to refer to an organizational change. You will no doubt have already noticed that we have done without a car exhibition this year. In the past, you, our shareholders, have always prompted us to critically review the costs of the annual general meeting and identify potential for savings. By eliminating the car exhibition, we cut the costs of the annual general meeting by about 20 percent this year.

Now, I hope you continue to enjoy yourselves at our annual general meeting and thank you for listening.