Speech

by Hans Dieter Pötsch

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Porsche Automobil Holding SE

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Dear shareholders,
ladies and gentlemen,

Welcome to the annual general meeting of Porsche Automobil Holding SE. Welcome to your company. The executive board and supervisory board are pleased to welcome you all here today at the Porsche-Arena and to report on Porsche SE's fiscal year 2018.

Volkswagen AG is by far the most important shareholding of Porsche SE. Let us therefore first take a look at the operating business and key financials of the Volkswagen Group.

In fiscal year 2018, the Volkswagen Group set new records in terms of vehicles shipped, revenue and year-end results – despite an adverse business environment – and at the same time it realigned itself for the technological transformation that is occurring in the automotive industry.

The executive board of Porsche SE views the future of the Volkswagen Group positively. Its core product – the automobile – remains a key economic and technological pacesetter. The automobile continues to create innovation, growth and prosperity in many regions of the world. And it keeps society mobile.

At the same time, the industry is undergoing a fundamental transformation towards e-mobility, digitally connected cars and, in the long term, autonomous driving. All of this is making the car even more technologically sophisticated – and lends it new qualities. The car will be cleaner, far safer and much more convenient than it is today.

The Board of Management of Volkswagen believes this transformation harbors huge opportunities and it intends to seize these opportunities with a clear plan for the future: emission-free powertrains, connecting and digitizing cars and new service offers. Volkswagen is shaping the transformation and helping to drive it forward with great resolve.

The foundation for this transformation lies in successful and robust business operations as the key financials for 2018 demonstrate: 10.8 million vehicles delivered indicate growth of 0.9 percent on the prior year. The sales revenue of the Volkswagen Group rose 2.7 percent to 235.8 billion euro. The operating result before special items increased slightly to 17.1 billion euro. As in the prior year, the special items burdening the result, the diesel issue in particular, amounted to 3.2 billion euro. Before special items, the Volkswagen Group generated a return on sales of 7.3 percent, which was at the top range 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 level of the automotive division was thus sound.

A quick glance at the various brands of the Volkswagen Group underscores its successes. More detailed information about this can be obtained from the latest Annual Report of Volkswagen AG, too. The core brand, Volkswagen, posted record unit sales and sales revenue in 2018, thanks also to numerous new products. The new version of the Touareg has been very well received. The brand's flagship SUV boasts impressive technology, design and driving performance. The Tiguan has also been exceptionally successful. With just under 800,000 units sold, it has definitively become a successful global model and become a cornerstone of the financial success of the Volkswagen brand.

2018 was a challenging year for Audi. The switch to the new test procedures temporarily restricted output and unit sales. There was also a change at the company's helm. Bram Schot, Audi's new CEO, is additionally responsible for Group Sales Management. The Audi team generated an operating result before special items of 4.7 billion euro and an operating return on sales of 8 percent. Moreover, Audi has sent out strong signals on the product side with the launch of the Q3 and Q8.

Porsche AG again set new records in 2018. Its operating return on sales of 17.4 percent is the best in the Group. As regards models, Porsche was very successful with its sporty SUVs Macan and Cayenne. The Macan is the most popular model in the Porsche catalog. The new 911 – the eighth generation – has been further improved in terms of all its features. Porsche is readying itself systematically to take the leap toward e-mobility. More than 60 percent of European Panameras are already e-hybrids. Porsche is launching its first genuine all-electric sports car this year in the shape of the Taycan. It will be the world's sportiest electric car.

ŠKODA continues to grow and posted an operating return on sales of 8 percent. ŠKODA will also embark on e-mobility this year with its first plug-in hybrid model and first all-electric car. ŠKODA is shouldering more and more responsibility in the Volkswagen Group, such as for development and production of the next generation of the Passat family.

The SEAT team is proud of the most successful year in the company's history. SEAT increased deliveries by more than 10 percent, making it Europe's strongest growing brand. SEAT attracts the youngest customers to the Volkswagen Group and achieves the highest customer satisfaction ratings among our volume brands.

Lamborghini has launched the Urus, an extremely sporty SUV, and so opened up a new segment: the super sport utility vehicle. With more than 2,500 units, the Urus has become the best-selling Lamborghini in one fell swoop and is boosting the company's growth. All in all, the brand increased its deliveries by more than half last year.

Bentley is making good progress with its turnaround. After a difficult prior year, Bentley again generated a profit in the first quarter of 2019. Its bestseller is likewise an SUV, the Bentley Bentayga. It has also been available as a hybrid version since last year. Bentley is thus also taking the first step toward electrification of its product range.

There has also be a lot happening in the field of commercial vehicles. The Volkswagen Commercial Vehicles brand posted the second-best result in its history in 2018. The cooperation with Ford will ensure the continued existence of the Amarok and opens up new growth opportunities worldwide in the mid-sized pickup segment.

As you already know, we have pooled the heavy commercial vehicle activities of the Volkswagen Group in TRATON. The market leader for trucks in Europe and Brazil, TRATON has been able to win further market share. Sales revenue across all brands rose by 6 percent to almost 26 billion euro in 2018. Adjusted operating result increased by about 13 percent to approximately 1.7 billion euro.

The partial IPO of TRATON is on the right track, after the board of management of Volkswagen AG resolved to go ahead with the plans, subject to further market developments. This is backed by approval from the supervisory board. As you probably know, the deadline for the offer commenced on 17 June and is scheduled to end today. The listing on the stock exchanges of Frankfurt and Stockholm is planned for tomorrow, Friday.

The executive board and supervisory board of Porsche SE have issued their express approval of the IPO of TRATON SE, signaling their expectation that the IPO will create added value for all stakeholders of the Volkswagen Group.

In sum, the board of management of Volkswagen AG expects that deliveries in 2019 will slightly exceed the prior-year figure amid persistently 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 before special items for the group and the passenger cars business area, the board of management of Volkswagen forecasts an operating return on sales in the range of 6.5–7.5 percent in 2019.

Ladies and gentlemen,

I would like to take this opportunity to emphasize that the executive board and supervisory board of Porsche SE fully support the implementation of the group strategy by Volkswagen AG. This also applies to the planned investments in electromobility, autonomous driving, new mobility services as well as digitalizing vehicles and factories, totaling around 44 billion euro by 2023.

At Porsche SE, we remain convinced that the Volkswagen Group has vast potential for increasing value added. The market valuation of Volkswagen AG is clearly too low. Volkswagen only trades at just under five times the operating profit. That is significantly below the Dax average.

The board of management of Volkswagen is therefore working intensively on the subject company valuation. And also on ways of operationalizing its strategic goals more strongly and speeding up the necessary transformation. The board of management has therefore sharpened and refined its group strategy: “TOGETHER 2025+” stands for more speed, more focus and stringency. But also for a greater will to change.

What is the vision for the Volkswagen Group?

- By 2025, Volkswagen wants to be the leading company for individual mobility in this electric and connected age.

- At the same time, the Volkswagen Group will resemble a software company in some areas.

- With its digital offerings, Volkswagen wants to implement the digital lifestyle of the customers into the car.

- The corporate culture of Volkswagen will be built on integrity and geared to performance to attract the best talents and partners worldwide.

The board of management of Volkswagen AG is convinced that in the course of implementing these goals a significant increase in company value is possible. At Porsche SE, we are convinced that the actions planned such as streamlining the investment portfolio and unlocking value within the company will further boost the dividend of Volkswagen AG. The company's declared objective is a distribution rate of 30 percent. And you, ladies and gentlemen, as shareholders of Porsche SE would likewise benefit from a positive development of the share price and the distribution rate.

Porsche SE expects a positive development of the Volkswagen Group in both the medium and long-term. We have therefore decided, in consultation with the supervisory board, to further expand our investment in Volkswagen AG. Between early December 2018 and mid-March 2019, we invested around 400 million euro. Our shareholding therefore increased by 0.9 percentage points to 53.1 percent of the voting rights of Volkwagen AG. Porsche SE has thus once again expressed its strong commitment to its core investment.

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 decisively 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, an increase of 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 expenses of the holding.

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.

In 2018 the net liquidity of the Porsche SE Group decreased from 937 million euro to 864 million euro. This is also largely due to the acquisition of ordinary shares in Volkswagen for an amount of 86 million euro in the year 2018.

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 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 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 compared to the prior year. Before tax, amortization and depreciation, the “ITS” segment generated a profit of around 3 million euro. However, we were forced to record an impairment loss of 66 million euro in 2018. This is the main reason for this segment reporting a loss after tax of 78 million euro.

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 revenue and the end-of-year 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. This is already evident in the first quarter of 2019. In this period, the ITS segment raised its revenue to 25 million euro. This compares to the 18 million euro reported in the prior-year period. The increase is due to double-digit growth, both in the core business and also in project business. This made up for the slower growth in the prior year, even if the overall situation remains volatile. Such volatility is not unusual in growth markets.

PTV focuses on software for modeling, planning and controlling traffic flows as well as on route optimization.

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 routing, a shift towards public transport or improvements for bicycle traffic in the town center. 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. This also involves us supporting PTV strategically and with human resources. In this regard, we created the position of Chief Technology Officer, which will be filled from 1 August 2019. In this way, we intend to drive forward the technical aspects of the business.

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 reinforced continuous fiber 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 business value of Markforged has more than doubled. This was confirmed in the recent financing round, in which Porsche SE again participated.

Ladies and gentlemen,

Let me now tell you about the major developments as regards legal matters.

As you will know, a model case according to the Capital Markets Model Case Act (KapMuG) against Porsche SE is pending with the Higher Regional Court of Celle in connection with the expansion of the investment in Volkswagen AG. The actions in the original proceedings involve 40 plaintiffs asserting alleged claims for damages of about 5.4 billion euro.

Porsche SE is of the opinion that all actions in connection with the expansion of the investment in Volkswagen AG as well as the establishment applications submitted to the court are without merit. In October 2017, the Higher Regional Court of Celle communicated its preliminary view on the state of affairs and of the dispute, in which it confirmed the position taken by Porsche SE in all material aspects. In the time that followed, the plaintiff in the model case and a number of joined parties filed numerous motions to recuse the judge and complaints regarding the violation of the right to be heard. All of those have been dismissed by the court. We expect the proceeding to continue in the coming months, and we see the development to date as confirmation of the legal position we have taken.

Investors have filed lawsuits against Porsche SE also in relation to the diesel issue. According to our most recent knowledge, a total of 199 proceedings are pending before the Regional Court of Stuttgart, two proceedings before the Higher Regional Court of Stuttgart and 30 proceedings before the Regional Court of Braunschweig. The claims for damages asserted amount to a total of approximately 1.1 billion euro. 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 Capital Markets Model Case Act. As a precautionary measure, Porsche SE has also applied in a total of ten proceedings for the issuance of an order of reference based on the Capital Markets Model Case Act. In response, the Regional Court of Stuttgart has issued two orders of reference based on the Capital Markets Model Case Act. The Higher Regional Court of Stuttgart later decided that the model case proceedings which were submitted to the court by the two orders of reference were inadmissible. The plaintiffs have filed an appeal on points of law with the Federal Court of Justice against one of the decisions issued by the Higher Regional Court of

Stuttgart. In the model case proceedings submitted to the Higher Regional Court of Stuttgart, which related to questions of jurisdiction, the decisions by the Higher Regional Court of Stuttgart regarding the inadmissibility of the proceedings have since become final. The questions regarding jurisdiction are now to be resolved in the model case before the Higher Regional Court of Braunschweig.

In October 2018, the Regional Court of Stuttgart issued decisions in two actions in which approximately 164 million euro in damages have been claimed, despite the existing suspensions of proceedings, and granted these actions in the amount of approximately 47 million euro. Porsche SE has appealed against the decisions and considers the actions to be without merit. The plaintiffs, too, have appealed against the decisions.

Moreover, in December 2018, Porsche SE has filed motions in some proceedings to recuse the single judge conducting the proceedings at the court of first instance at the time. The Regional Court of Stuttgart declared the motions to recuse the judge to be justified in 163 proceedings. In all of these proceedings, the competent chamber has taken over from the single judge and is now conducting the proceedings. We see this development as further confirmation of the legal position we have taken.

In the model case proceedings before the Higher Regional Court of Braunschweig, Porsche SE is, in addition to Volkswagen AG, model case defendant. The Higher Regional Court of Braunschweig has since decided that, in these model case proceedings, it will not address any questions solely relating to claims against Porsche SE. Some of the parties involved have filed an appeal on points of law against this decision. Several oral hearings have already been held before the Higher Regional Court of Braunschweig. Additional dates have been scheduled.

Original proceedings regarding the diesel issue are also pending before the Regional Court of Braunschweig. Porsche SE is of the opinion that the Regional Court of Braunschweig does not have jurisdiction to hear actions filed against Porsche SE in connection with the diesel issue. The question regarding jurisdiction will now be resolved in the model case proceedings before the Higher Regional Court of Braunschweig.

We believe that all actions filed against Porsche SE in connection with the diesel issue are unfounded and that some of the actions are even inadmissible.

Overall, the following can be said: the legal disputes have significant implications for Porsche SE's valuation on the capital market and, if their outcome is positive for us, consequently offer potential for increasing value added. Porsche SE is consistently and tenaciously addressing all legal issues. We are thus convinced that further legal success will also be reflected in a positive development of the stock 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 the future of mobility management. Porsche SE still sees great potential in the PTV Group.

- As far as the lawsuits are concerned, we are convinced that we will win these proceedings.

I would like to take this opportunity to thank in particular the employees of Porsche SE, also on behalf of my fellow board members. Your commitment and skills were and remain key to Porsche SE being on a good and promising course. The executive board and supervisory board would like to express their sincere thanks to the entire team.

We are optimistic about the general development of our company in the current year. Based on its current structure, the Porsche SE group continues to anticipate a group profit for the fiscal year 2019 of between 3.4 billion euro and 4.4 billion euro. This forecast is based in particular on the expectations of the Volkswagen Group regarding its future development as well as the uncertainty that continues to surround possible special effects in connection with the diesel issue. Moreover, the Porsche SE Group still aims to achieve positive net liquidity in the region of 0.3 billion euro to 0.8 billion euro as of 31 December 2019, not taking future investments into account.

The business figures for the first three months of 2019 confirm this positive outlook.

- In the first quarter of 2019, Porsche SE reported a group profit for the period of 1.14 billion euro. This corresponds to an increase of around 20 percent on the same period of the prior year. It should also be considered that this result contains the provisional income of 265 million euro attributable to the ordinary shares acquired in Volkswagen.

- Net liquidity as of 31 March 2019 has decreased to 527 million euro compared to the corresponding figure at the close of 2018. This decrease is primarily due to the acquisition of further ordinary shares in Volkswagen AG at the beginning of 2019.

Ladies and gentlemen,

Once again, we have taken the dividends received from Volkswagen AG into account when determining our dividend proposal. Volkswagen AG has paid out a dividend of 4.80 euro per ordinary share for the fiscal year 2018.

This means 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. The executive board and 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 an amount to be distributed of around 676 million euro. We submit this dividend proposal to the vote of the annual general meeting today.

I hope you find the rest of the annual general meeting interesting and thank you for you for listening.