Speech

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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 here in Stuttgart. Following Volkswagen AG's presentation of its financial statements yesterday, it is my pleasure to report to you today on the fiscal year 2015 at Porsche SE.

There can be no question about it: the fiscal year 2015 did not develop as we had hoped and expected. This is also the reason that Volkswagen AG, in view of outstanding questions regarding the emissions issue and the valuation resulting from it, had to postpone its press conference and its annual general meeting. Porsche SE also postponed its two events as a consequence.

Our investment in Volkswagen represents around 90 percent of Porsche SE's assets. Both the financial ratios of Porsche SE and its share price are therefore significantly influenced by the development of the Volkswagen Group. While we benefited from the good Volkswagen figures in earlier years, in 2015 we could not avoid the negative effects of the emissions issue.

Ladies and gentlemen,

The events at Volkswagen have made themselves felt not only in Porsche SE's figures. In September 2015, after the emissions issue came to light, Prof. Dr. Winterkorn assumed political responsibility and resigned as chairman of the board of management of Volkswagen AG and also, a few weeks later, as chairman of the executive board of our company. He was chairman of Porsche SE's executive board for more than six years, and during that time contributed significantly to stabilizing and realigning the company. I would like to take this opportunity to reiterate my sincere thanks to him for his successful work at Porsche SE. The supervisory board appointed me as his successor as chairman of the executive board at Porsche SE, while I continue in my former function as chief financial officer.

Even given the turbulences at Volkswagen, I can confirm that Porsche SE is unreservedly committed to its role as the Volkswagen Group's long-term anchor shareholder. The ordinary shareholders of Porsche SE, the Porsche and Piëch families, are investors with a long-term mindset. They have a vested interest in the positive development of the Volkswagen Group. We underscored this clear commitment to Volkswagen last September by acquiring a stake of 1.5 percent of the Volkswagen ordinary shares from Suzuki for a sum in the mid-three-digit millions. We are firmly convinced that the Volkswagen Group has long-term potential for increasing value added and is working hard to rapidly and fully clarify the emissions issue.

Allow me at this point to comment briefly on our core investment, following yesterday's detailed presentation of its overall development by Mr. Müller, in his function as chairman of the board of management of Volkswagen AG. I do not want to gloss over the fact that the emissions issue has cast a shadow over the Volkswagen Group. However, we should always remind ourselves that Volkswagen's core business is healthy and robust.

Volkswagen again delivered around 10 million vehicles to customers worldwide in the fiscal year 2015. This almost matched the prior-year figure – despite headwind in some key markets. And at the same time, the group achieved the level of sales it had originally planned for 2018 for the second time in succession. This figure emphasizes that Volkswagen is offering the right products in many countries and market segments. Volkswagen’s business rests on many strong pillars. And the group benefited from this in 2015 once again.

Volkswagen once more increased group revenue to 213.3bn euro. Our core investment made appreciable gains both in the automotive division, with its twelve brands, and in financial services. This demonstrates that the group’s broad portfolio is not an encumbrance but, rather, one of its greatest strengths, particularly now. That is also evident from the operating profit. Before special items, Volkswagen even slightly exceeded the excellent prior-year figure. This confirms that the Volkswagen Group has solid earnings power.

However, the emissions issue resulted in considerable burdens in the fiscal year 2015. The negative special items arising from it come to a total of 16.2bn euro. This figure contains all the burdens that can currently be estimated, in particular provisions for pending technical modifications and customer-related measures, repurchases as well as the worldwide legal risks. At the same time, I can assure you that nothing will be concealed or hushed up at Volkswagen. Volkswagen itself has the greatest interest in discovering everything regarding the causes and responsibilities – and will learn the right lessons from this.

Volkswagen’s strength in its operating business was not enough to counter the vast burden of the emissions issue in the reporting year. Our core investment therefore reports negative operating profit and a consolidated loss for 2015. But the good news is that the Volkswagen Group is sufficiently robust to put the special financial items behind it. Its substance is extremely strong. In 2015 alone, the net liquidity of the automotive division increased by just under 40 percent to 24.5bn euro.

And Volkswagen continues to have many strengths from which Porsche SE also benefits through its equity investment:

- Twelve fascinating brands, with a great tradition and equally great appeal.
- Technological expertise in automobile manufacturing and drive technology, coupled with unparalleled innovative strength within the integrated group.
- A global presence that is being systematically and intelligently expanded.
- A commitment to quality that is firmly rooted in the identity of all the companies within this group.
- A dedicated workforce of 610,000 people who give their all for their customers, day in and day out.
- The trust and the loyalty of many millions of customers all over the world.
- And last but not least, solid finances that enable ambitious investment programs, despite all the burdens.

Ladies and gentlemen,

There can be no doubt that the Volkswagen Group has excellent prospects for the future. However, it currently finds itself in a very challenging situation, as it has to work through the emissions issue and shoulder the enormous burdens resulting from it.

This is the background against which Porsche SE's business development in the fiscal year 2015 has to be seen, as the profit and loss of the Porsche SE Group is largely influenced by the profit and loss from investments accounted for at equity in Volkswagen AG which affect profit but not cash. As a consequence of the emissions issue, Volkswagen AG's group profit after tax decreased to minus 1.36bn euro in the fiscal year 2015. In particular as a result of this development, Porsche SE's loss from investments accounted for at equity came to 436m euro.

Porsche SE's group profit before tax decreased from 3.29bn euro to minus 456m euro in the fiscal year 2015. As a result of tax refunds received in the fourth quarter, group loss for the year came to 273m euro. The comparable prior-year figure was 3.04bn euro.

As a result of the Volkswagen AG dividend for the fiscal year 2014 received in the fiscal year 2015, the net income in Porsche SE's financial statements came to 871m euro.

The financial result in the group increased from minus 76m euro in the prior year to plus 19m euro. This improvement is attributable in particular to income from tax interest of 59m euro. This relates to refunds of tax interest paid in the past and interest received on tax refunds.

The positive effect from income taxes of 183m euro comprises current income taxes of 169m euro and deferred taxes of 14m euro.

Porsche SE's net liquidity decreased from 2.27bn euro as of 31 December 2014 to 1.70bn euro as of 31 December 2015. This was due in particular to the acquisition of 1.5 percent of the Volkswagen ordinary shares from Suzuki. As a result, net liquidity is within our forecast range of 1.7bn euro to 2.3bn euro.

The cash flow from operating activities increased in the past fiscal year from 311m euro to 599m euro. In particular, the cash flow takes into account the positive effect from the dividend payment of 719m euro received from Volkswagen AG in 2015. In addition, refunds of income tax resulted in a cash inflow of 424m euro. There was a cash outflow from income taxes paid of 384m euro. There were other cash outflows in particular from interest payments – including interest paid on taxes – and from operating expenses.

There was a cash outflow from financing activities of 615m euro in the fiscal year 2015, as in the prior year. This exclusively concerned the dividends distributed to the shareholders of Porsche SE.

Total assets decreased compared to 31 December 2014 from 30.16bn euro to 27.63bn euro as of 31 December 2015.

Equity decreased, particularly due to the negative result taking into consideration effects from of the dilution of the capital share in Volkswagen AG as well as the dividend distributed for the fiscal year 2014, from 29.19bn euro to 27.11bn euro. By contrast, Porsche SE's equity ratio increased from 96.8 percent in the prior year to 98.1 percent as a result of lower provisions.

Ladies and gentlemen,

In the past fiscal year, as in prior years, we continued our search for investments to complement our core investment in Volkswagen. Our focus here was primarily on companies with forward-looking business models along the automotive value chain. They should be of long-term strategic importance for the industry.

The automobile industry in general is undergoing fundamental change, which it is helping to advance. In addition to the industry itself and customers, the catalysts here include new competitors, for example from the software industry. In this process of change, they are in search of new business segments and are entering the market with considerable financial resources and specific skills. Their new mindset and approach are giving rise to new business models.

In light of this, in the fiscal year 2015, as in earlier years, we closely examined the question of which technical possibilities and business models could play a part for automobile manufacturers in the mobility environment of the future. We agree with our colleagues at Volkswagen that three technologies will play a key role: the connectivity of vehicles and their surroundings, the electrification of the drive train and autonomous driving.

This one of the reasons why we invested in the American real-time data provider INRIX in 2014. We believe that INRIX, as a market leader, will shape long-term development in the field of connected-car services and traffic information in real time. Even today, INRIX leverages a comprehensive crowd-sourcing network of data sources that draws on data from more than 275m vehicles, smartphones and road sensors. The acquisition of ParkMe, which analyzes data on 31m parking spaces worldwide, enables INRIX to utilize a holistic perspective to offer even better solutions for drivers and cities in the future.

To date, the results of our investing activities have been externally visible only through the investment in INRIX. However, we again analyzed several companies and conducted due diligence reviews in the past fiscal year. In addition, we supported the investment of Audi, BMW and Daimler in Nokia HERE. Even if we do not yet have tangible results to show, the experience we have gained in the meantime is highly valuable for us and the Volkswagen Group.

We are constantly in close contact with the strategy and development experts of the Volkswagen Group. And we benefit from the Volkswagen Group's sizable network of experts. But I would like to emphasize here that we continue to observe the entire automotive value chain and reserve the right to respond flexibly to any opportunities that arise.

Ladies and gentlemen,

In conclusion, let me provide an initial outlook for the current fiscal year 2016.

Porsche SE could not avoid the negative consequences of the emissions issue in the Volkswagen Group in 2015. However, we already expect a return to group profit for the current fiscal year. Based on the current group structure, in particular on the basis of the Volkswagen Group's expectations regarding its future development and the uncertainties with regard to possible special effects in connection with the emissions issue, we expect a group profit of between 1.4bn euro and 2.4bn euro for the fiscal year 2016. In addition, we aim to achieve positive net liquidity, which is anticipated at between 1.0bn euro and 1.5bn euro as of 31 December 2016, not taking into account possible future investments. We are convinced that our company, Porsche SE, continues to have vast potential for increasing value added.

Ladies and gentlemen,

This year's proposed dividend for the annual general meeting of Porsche SE reflects the dividend payment of Volkswagen AG for the fiscal year 2015, which takes into account the emissions issue. On the basis of Volkswagen's proposed dividend of 0.11 euro per ordinary share, we expect a dividend inflow of around 17m euro. In the prior year, this figure stood at 719m euro.

In recent years, we had always emphasized that a sustainable dividend policy is important for Porsche SE. However, in light of the developments in the Volkswagen Group and its greatly reduced proposed dividend, the executive board and supervisory board of Porsche SE propose a dividend per preference share of 1.01 euro. Holders of ordinary shares will receive 1.004 euro per share. The total amount for distribution is around 308m euro**.** We will present this proposed dividend for decision to the annual general meeting on 29 June 2016 in Stuttgart.

That concludes my remarks on the fiscal year 2015. I have left out one area, namely the progress in our legal disputes. Since 1 January 2016, Dr. Döss has been the member of the Porsche SE executive board responsible for legal affairs and compliance, and so I will now hand over to him. Dr. Döss.