



**PORSCHE**

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Ladies and gentlemen,

Our challenges in 2019 can in no way compare to the great efforts currently being undertaken by our society and by the economy in order to deal with the coronavirus.

Nevertheless, these challenges place great demands on us. The changeover of our sports cars to gasoline particulate filters and the new WLTP test cycle represented a noticeable burden on the development of our core business – above all in the first two quarters. The decision to discontinue models with a diesel engine also made itself felt – even though we have an extremely attractive alternative in our product range in the form of our plug-in hybrids.

## Key figures 2019

Nevertheless, we took a great step forward on our value-creating course of growth last year – in spite of all the difficult circumstances. So what do our financial figures look like in detail?

- Let's start with sales revenues. These grew by 10.6 percent compared with 2018 – to 28.5 billion euros, which is a new historic record for Porsche.
- Above all, this is due to our attractive product portfolio, which has allowed us to inspire our customers all over the world. In 2019 we delivered almost 281,000 sports cars – ten percent more than in the previous year. Another new record for Porsche.
- Our outstanding profitability was also proven once again: We improved the operating result by 2.5 percent to around 4.4 billion euros.

## Special items

However, I must add at this point that this figure is before taking special items into account. For in 2019 we had a one-off special item that had a noticeable effect on the overall results. Regarding deviations from regulatory requirements on individual models, the public prosecutor's office in Stuttgart issued a penalty notice against Porsche at the beginning of May.

This notice provided for a fine amounting to 535 million euros. The fine consisted of a penalty amounting to four million euros as well as a levy on economic benefits amounting to 531 million euros.

Investigations conducted by the public prosecutor's office showed that there had been negligent breaches of duty in a development department. In the opinion of the state prosecutors, these breaches were some of the reasons why Porsche vehicles deviated from regulatory requirements beginning in the year 2009.

Porsche did not appeal against this notice. It is therefore valid and the proceedings have now been concluded – a further important step in order to finally leave the diesel issue behind us.

### **Operating result after special items**

We took the financial effects of the penalty into account in our books in the second quarter of 2019 and included them in the income statement as a profit-reducing item.

- As a result of the special item, the operating result is reduced by a good half a billion euros to around 3.9 billion euros.
- This results in a return on sales of around 13.5 percent. Without special items, the return on sales is around 15.4 percent.

This means that we not only continue to be in the self-defined target corridor of our strategy. We are also still one of the most profitable car manufacturers in the world. As you can see: there was also no change in the excellent profitability of Porsche in 2019.

Ladies and gentlemen,

A significant level of investments in the future also shaped the financial development of Porsche in the year under review. Topics such as sustainability, electromobility and digital transformation are right at the top of the list of priorities for us.

### **Green bond**

That is why we placed a green bond with a volume of one billion euros in the middle of August – and this was very successful. We had initially planned a volume of 300 million euros. Due to the enormous demand, we then increased the amount correspondingly. As the first car manufacturer to do so, Porsche has given investors the opportunity to invest their money in a completely sustainable way.

The funds raised from this transaction were exclusively used to finance the Taycan vehicle project. The project meets all the requirements of the “Green Bond Principles” in the category “Clean Transportation”.

And the green bond from August 2019 is just the start. Porsche is therefore systematically continuing its innovative role in the areas of electromobility and sustainability in its corporate financing structure.

## Cost structure

Let us now take a look at the cost structure. This was again very healthy in the year under review. Porsche has always been characterised by pronounced cost discipline. And we remained true to this principle again in 2019:

- the investments affecting cashflow for intangible and tangible assets decreased slightly from 2.09 billion euros in the previous year to 2.04 billion euros in 2019.
- This does not include the accruals for the capitalised development costs. These amounted to almost 950 million euros in 2019 – corresponding to a decrease of just under eleven percent compared with 2018. The capitalisation ratio was 44 percent in the year under review.
- In contrast, our personnel expenses increased by almost 400 million euros to around four billion euros. The increase by just under 11 percent compared with 2018 is mainly due to the fact that Porsche created more than 3,000 new jobs in the year under review. The Taycan in particular was a main driving force in the creation of new jobs. For this reason, the number of employees was 9.6 percent above the figure in the previous year, as of the balance sheet date.
- Due to the growth in sales, the sales costs increased slightly – but the increase was only very moderate, from 1.9 billion euros in 2018 to a now good two billion euros. Their share in terms of sales revenue remained constant at seven percent.

- We were able to slightly reduce administrative expenses compared with the prior year: as an absolute value from 1.1 billion euros to now 1.03 billion euros, which in relation to revenue is from four to three percent.

This shows how efficient and disciplined we are at Porsche in our business activities. Our cost and balance sheet structure is stable and sustainable. In the automotive division, that is proven among other things by our return on investment of 21.2 percent. Porsche generated a cashflow from operating activities of just under 4.5 billion euros – after 3.8 billion euros in the previous year. In the financial services division we achieved an equity ratio of 31.8 percent – after 29.4 percent in the previous year.

That concludes my overview of the most important key financial figures for the 2019 financial year just ended. You can read the current figures again broken down in detail in our Annual and Sustainability Report for 2019. You will also find this online in the Porsche Newsroom.

Now let me change the perspective by 180 degrees and look forward with you: into the future of Porsche.

## **Porsche Strategy 2025 – Digitalisation**

Ladies and gentlemen,

we have great respect for the enormous challenges faced by the automotive industry in times of transformation. But we also see a unique opportunity.

We understood early on that digitalisation will result in far-reaching and extremely fast changes to existing business models. And we realised that we as a company also have to change. Not just to keep up with the rapid pace of change. Instead, to ensure that Porsche can still remain Porsche, we want to actively contribute to shaping the future.

### **Mission D**

We developed our Porsche Strategy 2025 in the year 2015. In it, we established the topic of “digitalisation” as a central cross-cutting issue. Our goal: to transfer the Porsche brand experience into the digital future, thereby creating a benefit for the customer on the one hand and added value for the company on the other.

### **Porsche Digital**

We have created the appropriate structures that will allow us to drive forward the process of digital transformation efficiently and successfully. Our subsidiary, Porsche Digital GmbH, has an important part to play here. It now has more than 130 employees. During the course of last year, we took steps to implement further strategic, organisational and staff improvements in the company.

## **Porsche Digital – new management**

Mattias Ulbrich has been CIO of Porsche AG since Autumn 2018. On 1 April 2019 he was additionally appointed as CEO of Porsche Digital GmbH. In this way, we are able to promote the close links between Porsche Digital and Porsche AG.

## **Digitalisation – action areas**

We are making great progress in the digital environment. Firstly in the area “Digital products and services”. This action area covers topics such as networking, automated driving and new mobility services. We are currently extending the ecosystem surrounding the Porsche brand.

Porsche Digital is also testing completely independent business models. The spectrum here extends well beyond our traditional role as a sports car manufacturer and is also explicitly open for customers of other brands.

In the second action area, namely “Customer relations”, we are continuing to expand the digital sales channels:

- In October, for example, we launched a nationwide online sales channel across Germany. This will be rolled out throughout all of Europe during the course of this year. Our customers can then perform all the main steps for purchasing or leasing a vehicle from the comfort of their sofa.



- The new mobility concepts, such as the Porsche Passport pilot programme, are another example. Here, customers have access to all Porsche models and can change them as often as they want for a monthly subscription fee. After the launch in Atlanta, we extended the programme to four other major cities in North America in 2019: Las Vegas, San Diego, Phoenix and Toronto. And we will continue to grow.

In the third action area, we are working on digitalisation of our company processes.

- This involves the continuing roll-out of the digital workplace and the automation of work processes as part of Production 4.0.
- In this context, we also founded the joint venture "Flex Factory". This develops highly flexible, digital concepts for the economically efficient production of small series. Alongside our management and IT consulting firm MHP, the Porsche partner here is the reinsurance company Munich-Re. We see great potential in the cross-industry bundling of risk management expertise together with software skills and production know-how.

## **Porsche Ventures**

Ladies and gentlemen,

In 2015 we also started looking very intensively into the topic of venture capital.

Since then, we have established close links with the most important players in this

area – in collaboration with well-known venture capital funds and through direct investments.

The worldwide focus regions of the activities of Porsche Ventures are Europe, the USA, Israel and China. We have currently already invested in 16 start-ups. We have seven holdings in venture capital funds. And together with Axel Springer Digital Ventures, we are taking young start-ups to the next level of their development in our accelerator APX in Berlin.

- In 2019, we invested in the Pforzheim-based software specialists Cetitec and the Israeli start-up TriEye, among others. And we increased our holding in the Croatian electric powertrain specialist Rimac to 15.5 percent.

And in the current financial year also, we have already made two new investments, namely in the Hamburg software start-up Nitrobox and in the Silicon Valley company DSP Concepts.

Strategic investments in newly established, innovative companies and start-ups provide us with access to new trends, technologies, competencies and business models, for which we are investing up to 150 million euros per year.

## **Strategic cooperations**

In addition to these investments, we are also entering into strategic cooperations:

- one example is our partnership with Boeing in the area of "Premium Urban Air Mobility".
- In October, we also announced an alliance with SAP. Together, we want to develop new solutions for the digital transformation. The strategic partnership will focus on data-driven business models, artificial intelligence and a software architecture driven by end-to-end processes.

## **Investments in the future**

It is absolutely clear to us, ladies and gentlemen, that the automotive industry must invest massively in the future. Companies that neglect to do this today will be left behind in the future.

Porsche has therefore again significantly increased its investments in the future. By the year 2024, we will invest a total of ten billion euros in e-mobility and the digitalisation of our vehicles. That is equivalent to half our planned total investments for the next five years.

The investment total of ten billion euros is made up as follows:

- 60 percent will go into the hybridisation and electrification of our vehicles.
- We will further develop the Taycan. And in 2022, the Macan will follow with an all-electric drive.

- We will spend three billion euros on investments in tangible assets in the context of e-mobility. This includes the new buildings necessary for the production of electric vehicles as well as further expansion of the charging infrastructure.
- One billion euros will go to investments in digitalisation topics such as Connected Car, E<sup>3</sup> architecture, highly-automated driving and new mobility offerings.

But that is by no means all. There are also annual budgets totalling 900 million euros for the digitalisation of processes, customer relations and services.

In short, by 2024 we will invest a total of around 15 billion euros in e-mobility and in the digitalisation of Porsche.

That is a huge financial effort that we have to make. We will therefore continue to keep a close eye on our costs. And at the same time, we must develop new sources of revenue. We are completely on track with our profitability programme. The potentials that we have set out to achieve by 2025 are already in the books. We will achieve our goals and also overcome the current challenges with a high level of discipline on the cost side, along with creativity about how we generate new income. I am firmly convinced about that.

But what we also need – and with “we” I do not just mean Porsche alone but the automotive industry as a whole as a one of Germany's key industries: we need framework conditions that allow us to successfully further develop our business.

## **5G networks**

Let us take the 5G network as an example. Germany is unfortunately still trailing well behind here. When it comes to establishing powerful digital mobile networks we need to move at a much faster pace in our country. The whole world is already talking about fully networked vehicles, autonomous driving and digital production processes. But it will not be possible to realise all this without a high-performance digital infrastructure.

We are more than willing to make our contribution here. Porsche has decided to set up its own 5G campus networks at some German locations, including our headquarters in Zuffenhausen. The networks will already be launched this year. But that can be only a first step. We need full 5G coverage, along motorways and major roads.

## **Outlook 2020**

However, 5G is not the only topic that concerns me. The global economy already became noticeably less dynamic at the end of last year. That is due not least to the creation of trade barriers.

The year 2020 has started off with a real shock. The coronavirus pandemic has resulted in a very strong slowdown in the global economy. This hits the international automotive industry right in the middle of a challenging phase of transformation. And that with a force that no-one would have thought possible.

We are still not able to foresee when the global pandemic will smooth out. But one thing is already certain today: it will have far-reaching economic consequences. Share prices have collapsed globally, as has demand for cars. And in many places production is slowing down.

The government has responded with financial and economic measures. It is to be hoped that these measures take effect quickly.

But I am definitely convinced that when the economy starts moving forwards again, Porsche will be among the first car manufacturers to profit.

I hope that you and your families come through the current crisis well both in terms of your health and economically.

I wish you all the very best. Thank you.