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Porsche Case

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SUMMARY

- Porsche - Manufacture cars in Germany & Finland, but generates 40-45% of sales in the US.
- Porsche's rivals are better positioned on the input.
- Market tries to handle unexpected exchange rate fluctuations.
- high operating exposure.
- BMW - sets up plants in US - used it as a base for producing parts & materials for its German-made which cheaper than domestic parts.
- By incurring costs in North America, BMW adopted strategies to against operating exposure.



Porsche

What process Porsche have in place to manage this exposure?

Porsche has always been concerned about operating exposures which have arisen from unstable exchange rates of the dollar. In order to minimize the problem, Porsche implemented various exposure management strategies.

Porsche uses 2 major strategies to manage its exposure:

- Strategy at Porsche is to compete not on price but on quality.
- An aggressive "put options" hedging strategy.

BMW

What did BMW do to manage their exposure within the US?

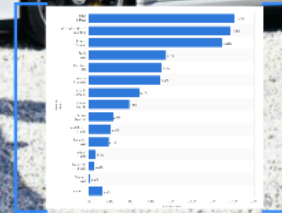
BMW's profits were affected by exchange rates. The company's calculations in its annual reports suggested the negative effect of exchange rates totaling 7.4 billion Euro between 2005&2009.

- Natural hedge strategy implemented by BMW.
- BMW in the 1990s became one of the first premium car makers to set up a plant in the US.
- CFO Stefan Krause states that BMW has typically hedged about two-thirds of its currency exposure in model years.

Reference list

1. BMW Annual Report 2010, p. 100
 2. BMW Annual Report 2011, p. 100
 3. BMW Annual Report 2012, p. 100
 4. BMW Annual Report 2013, p. 100
 5. BMW Annual Report 2014, p. 100
 6. BMW Annual Report 2015, p. 100
 7. BMW Annual Report 2016, p. 100
 8. BMW Annual Report 2017, p. 100
 9. BMW Annual Report 2018, p. 100
 10. BMW Annual Report 2019, p. 100
 11. BMW Annual Report 2020, p. 100
 12. BMW Annual Report 2021, p. 100
 13. BMW Annual Report 2022, p. 100
 14. BMW Annual Report 2023, p. 100
 15. BMW Annual Report 2024, p. 100

- 2008 BMW announced it was investing 750 million to expand the Carolina plant.
- Regional treasury centres were instructed to evaluate the exchange rate exposure in their regions.
- The group treasurer then assesses risk figures globally and suggests actions to lessen the risk.



	Porsche All Models 2012	Porsche All Models 2013	Porsche All Models 2014	Porsche All Models 2015
January	1920	1941	1970	1922
February	2187	2480	2222	4322
March	1515	4845	4764	7490
April	4280	4515	5794	6955
May	4980	4580	3570	5295
June	4420	4114	5280	5927
July	4170	5955	5390	
August	2445	5225	5395	
September	1215	4835	4105	
October	1210	3921	5562	
November	3230	4950	4875	
December	5415	5225	4110	

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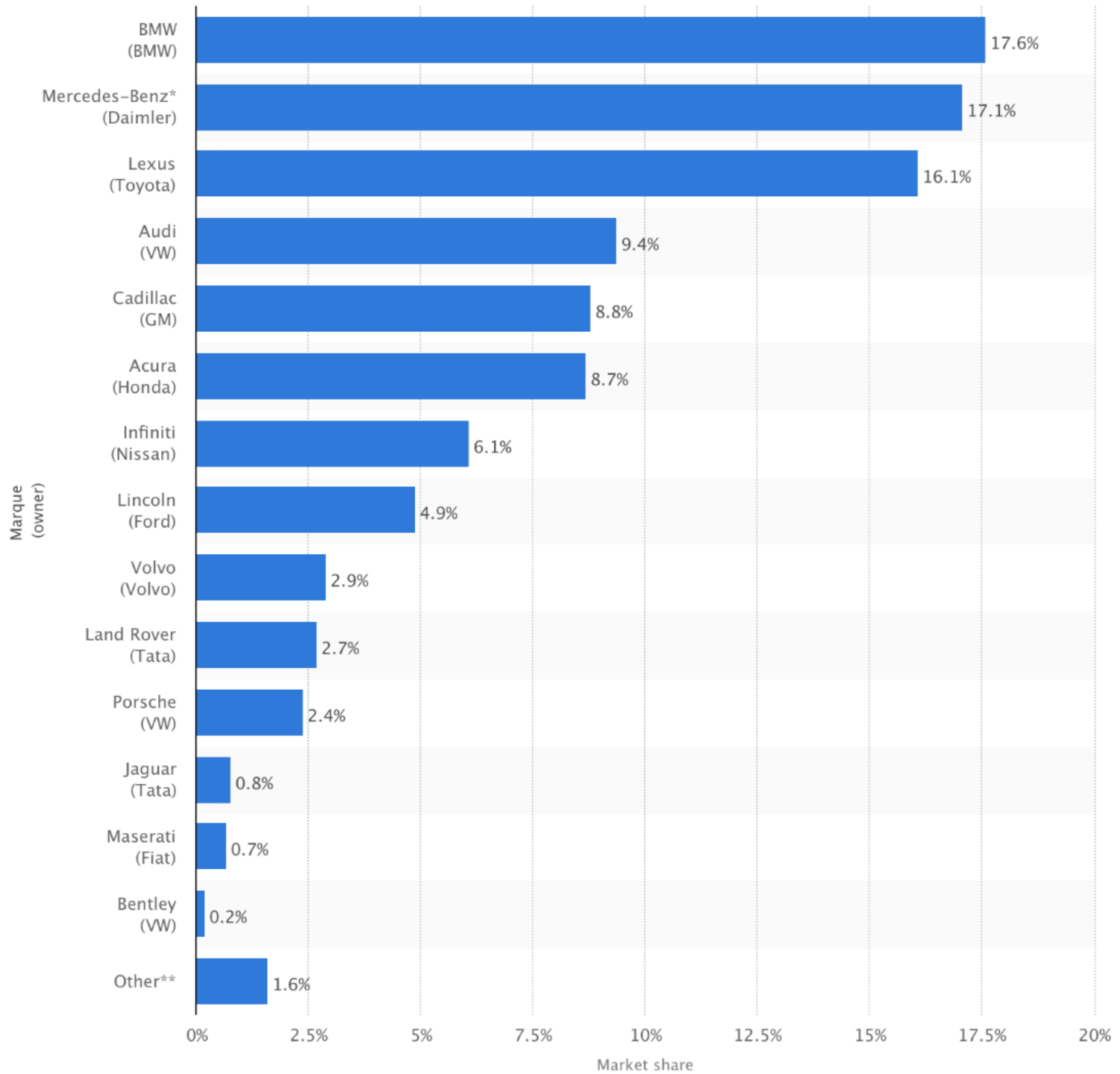
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January	5,920	5,941	5,970	5,121
February	2,817	2,480	2,222	4,322
March	5,151	4,800	4,764	7,490
April	4,280	4,513	5,794	6,933
May	4,900	4,580	3,570	5,293
June	4,420	4,114	3,240	3,827
July	4,170	3,936	5,094	
August	2,400	3,200	3,890	
September	3,210	3,400	4,100	
October	3,210	3,920	5,560	
November	3,230	4,400	4,670	
December	5,415	5,220	4,110	

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 3. BMW Group AG, Annual Report 2012, p. 100
 4. BMW Group AG, Annual Report 2011, p. 100
 5. BMW Group AG, Annual Report 2010, p. 100
 6. BMW Group AG, Annual Report 2009, p. 100
 7. BMW Group AG, Annual Report 2008, p. 100
 8. BMW Group AG, Annual Report 2007, p. 100
 9. BMW Group AG, Annual Report 2006, p. 100
 10. BMW Group AG, Annual Report 2005, p. 100

