

## **ŠKODA Annual Press Conference**

24.03.2020, Mladá Boleslav

Opening Speech, Thomas Schäfer  
CEO ŠKODA AUTO a.s.

### **Review 2020**

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Ladies and gentlemen,

A very warm welcome to ŠKODA AUTO's annual press conference.

We are all looking back on a 2020 that has been extremely challenging – both personally and economically.

According to the International Monetary Fund, global economic output shrank by a staggering 3.5 percentage points. The European Automobile Association ACEA states that European car manufacturers produced around 4.2 million fewer vehicles than expected – a real stress test for the entire industry.

Recently, I was asked in an interview whether it is possible to remain optimistic in times like these. I think it is possible, of course. I am very optimistic, in fact – because I have witnessed what the ŠKODA team can achieve in a crisis year like this.

Let's take a quick look back:

- Very early on during the 39-day production shutdown, we began preparing intensively for the restart of our three Czech plants.
- In collaboration with our social partner KOVO, we defined and implemented 80 specific measures to protect the workforce as much as possible. At this point I would like to express my sincere thanks to Mr. Povsik, the chairman of the KOVO Works Council, who is here with us today – thank you for the trustful cooperation!
- During this time, there was tremendous social engagement in the Czech Republic. Many people sewed masks in their homes, did the shopping for elderly neighbours and volunteered at social and medical centres.
- At ŠKODA, we also came up with many ideas to help in the fight against the virus. Take, for example, the urgently needed respirators that we 3D-printed especially for medical staff in the hospitals. ŠKODA also made sure the volunteers had access to mobility: 100 OCTAVIA COMBIs were given to social and medical aid services, and more than 200 cars and electric scooters from our sharing platforms HoppyGo and BeRider were made available free of charge to health staff.

We dealt with the difficult situation in a Simply Clever way. Our company became more flexible and agile during this time, and we were able to make decisions quicker. The pandemic provided a boost for the digital transformation.

Ladies and gentlemen,

After the shutdown in spring, we not only managed to quickly ramp up production again, but also the sale of our vehicles. Thanks to a collaborative effort by our sales department, ŠKODA importers and dealers, deliveries developed positively in the second half of the year.

All in all, 2020 was a challenging year for ŠKODA, but nevertheless a successful one.

Before I talk about the most important key figures, I would like to give a brief explanation of the terms with which some of you may already be familiar:

The Annual Report is created for ŠKODA AUTO a.s., shown here on the left. It is prepared in accordance with Czech IFRS and the values are stated in crowns.

The statements I will be making refer to the consolidated ŠKODA AUTO Group – i.e. the ŠKODA brand – whose key figures are also published by the Volkswagen Group. Shown here on the right-hand side.

This is where the main foreign and affiliated companies are consolidated in the balance sheet and income statement. The Group accounting standard according to IFRS applies and the values are stated in euros.

Now I would like to briefly discuss the most important key figures:

- We delivered more than one million vehicles worldwide for the seventh year in a row, despite the pandemic. Our new Board Member for Sales and Marketing, Martin Jahn, will give you the specifics on the various models and regions later.
- Our share of the European market increased by 0.5 percentage points to 5.4 per cent. In other words: ŠKODA has further strengthened its position as one of the leading brands in the volume segment.
- Our revenue totalled 17 billion euros, which is 14 per cent less than the previous year.
- ŠKODA generated an operating profit of 756 million euros in the 2020 financial year – a great success given the situation.
- Our pre-tax return on sales remains at a very respectable level of 4.4 per cent.

My colleague Klaus-Dieter Schürmann, Board Member for Finance and IT, will be presenting the figures in detail for you in a moment.

Ladies and gentlemen,

ŠKODA has confidently made it through the crisis year 2020: Thanks to the excellent work of my predecessor, from whom I took over a company in very good condition last August. And thanks to the first-class teamwork of the entire ŠKODA team, to whom I would like to express my sincere thanks at this point.

However, 2020 was about much more than just 'Corona'. We made important strategic decisions for ŠKODA:

- By assuming responsibility for the regions of Russia and North Africa, we are taking on additional tasks for the Volkswagen Group besides India.
- The next generation of the SUPERB is being developed alongside the VW Passat in Mladá Boleslav and built at the VW plant in Bratislava from 2023 on.
- Thereby, capacity for more than 150,000 vehicles in Kvasiny is released.
- We will be using it to create additional volumes of our popular SUV models as well as for the successor to the FABIA COMBI that is confirmed for 2023.
- And the KODIAQ will stay in Kvasiny – a strong signal for the team that has been producing our bestseller there since 2016.

Many more steps will follow to take ŠKODA to the next level.

By the way, the company's very first steps also came to the fore in 2020:

125 years of ŠKODA – a very special anniversary. A strong motivation and, at the same time, a great responsibility. In our anniversary year, the team has shown what ŠKODA is all about: excellent team spirit, a high degree of adaptability and the will to successfully overcome difficult situations together.

Ladies and gentlemen,

We not only celebrated 125 years of ŠKODA, but also the market launch of important models:

Like the OCTAVIA. It is an icon that all Škodians are proud of. The all-new model family has never been as diverse as it is in this generation: liftback or estate, front- or all-wheel drive, petrol, diesel, CNG, mild- or plug-in hybrid. And, of course, the sporty RS and RS iV models: a wide selection that has been very well received by our customers.

In September, we then presented our ENYAQ iV – the first ŠKODA model based on the Modular Electrification Toolkit, with which we are making e-mobility Simply Clever. It has already won numerous awards, including the prestigious Best Cars Award from the German magazine 'auto motor und sport'.

Ladies and gentlemen,

The ENYAQ iV heralds the dawn of a new era for ŠKODA. We are at the beginning of a new, exciting decade. Our NEXT LEVEL ŠKODA program for the future defines how we want to shape it for ŠKODA.

We are focusing on three priorities:

- First, we are expanding our model portfolio towards the entry-level segments: We are adding additional, particularly affordable entry-level variants to each of our existing model series. These have been costed down to the last penny and will therefore appeal to an even larger target group. At the same time, we are intentionally holding on to models like the FABIA COMBI, as they show that ŠKODA is serious about affordable mobility.
- Second, we are exploring new markets for further growth in the volume segment: after India, we have now also assumed responsibility for the regions of Russia and North Africa within the Volkswagen Group. We also see great potential in the ASEAN region.
- And third, we are engaging with sustainability and diversity in every aspect of our work: we have set ourselves ambitious goals with our 'GreenFuture Strategy'. We have already achieved one goal: our Vrchlabí plant has been ŠKODA AUTO's first CO<sub>2</sub>-neutral production facility since the end of 2020. And when it comes to diversity, I am also committed to making rapid and sustainable progress. Because one thing is clear: diverse teams achieve better results.

Ladies and gentlemen,

With these three priorities, we are of course not forgetting one thing: to invest strategically in the future technologies of our industry.

We will have invested around 2.5 billion euros in new technology by 2025: We are investing 1.4 billion in expanding e-mobility, 650 million will be spent on digitalising ŠKODA and with 350 million, we will be modernising our plants and production facilities.

Ladies and gentlemen,

With these billions in investments, we are making ŠKODA fit for the future so that we can emerge as winners from the automotive industry's transformation process.

But one thing is also clear: this money must first be earned. How do we do this? To put it plain and simple: We have to make ŠKODA more efficient. Therefore, we are not talking about making cosmetic changes, but about reconsidering the fundamentals: All spending will be examined; we are reducing bureaucracy, simplifying processes and eliminating anything unnecessary.

Last year alone, we already saved more than 550 million euros in fixed costs. Now we keep on pushing and take ŠKODA to the next level in terms of efficiency, which is why we are calling this program 'NEXT LEVEL EFFICIENCY'.

We are discussing all the steps and measures in close cooperation with our social partner KOVO. It is important to me that we are all on the same page here. Our advantage is that we are starting this race from a position of strength: our products resonate very well with our customers around the world, and we have an outstanding team driving us forward.

So, there are many good reasons to be optimistic.

And now I'll hand over to Klaus-Dieter Schürmann, who will be giving you a more detailed insight into the 2020 figures.

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