



ŠKODA Annual Press Conference 2016

Mladá Boleslav, 16 March 2016

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- The spoken word prevails -

Speech manuscript for Bernhard Maier
ŠKODA AUTO a.s., Annual Press Conference 2016
16 March 2016

Good Morning

Ladies and Gentlemen,

Slide: Cover page

I am pleased that you have made it to Mladá Boleslav today. After having recently met some of you briefly in Geneva, it is good to also meet you 'at home'.

Our annual report is a good occasion for this: 2015 was a successful year for ŠKODA. In our 120th year, we were able to achieve a new delivery record and, for the second successive year, deliver more than one million vehicles to customers within a single calendar year. ŠKODA also set new sales revenue and profit records in 2015.

Slide: 25 years

This shows: in the 25th year of the partnership with Volkswagen, ŠKODA has reached a new performance level! The success factors for this remain the strong parent company and an unbelievably motivated, capable and ambitious team. The result today is the most up-to-date and attractive ŠKODA model range ever. With this, ŠKODA has achieved an exemplary resurgence in recent years. We are going to acknowledge this achievement at the beginning of April with an anniversary celebration – together with the Group's CEO and representatives of the Czech Republic.



Slide: Challenges

I can promise you: we will not rest on our laurels. In the coming years, we will continue to follow the chosen growth strategy and invest in the future of ŠKODA. We are setting the next milestones for this with the 2025 strategy, which we, at ŠKODA, are currently working on at full speed and will finalise in the coming months. More about that later.

Slide: Employee thank you

First of all, to the previous financial year: 2015 was no foregone conclusion. The conditions for the automotive industry remain challenging. The competition is becoming tougher. Many brands are increasingly coming under pressure and in part, are engaged in cut-throat competition. There were also distortions in the foreign exchange markets and political crises, which put a strain on our business. Towards the end of the year, matters were further complicated by the well-known diesel issue.

Despite these adverse conditions, we have remained on course and a strong team effort made 2015 the most successful year in the company's history. At this point, I would like to sincerely thank our around 28,500 employees on behalf of my colleagues and me. We would also like to thank our social partner KOVO and their chairman Jaroslav Povšík.

Slide: Key performance indicators

Now to the most important performance indicators for the 2015 financial year:

- With 1.055 million vehicles delivered, ŠKODA achieved a sales record. Compared to the previous year, deliveries increased by 18,300 vehicles which equates to an increase of 1.8 per cent.



- The company's sales revenue grew by around 6 per cent to 12.48 billion euros. This is also a new record figure.
- The same can also be said for operating profit. 915 million euros represent an increase of around 12 per cent.

This confirms our sustainable growth strategy: ŠKODA stands for substance, capability and reliability. My colleague, Winfried Krause, will explain our financial results to you later in more detail.

Slide: Market development

What was the **overall situation** in our sales markets?

- The passenger car market in **Western Europe** has continued to develop positively. Last year's growth of 9 per cent was almost double the 2014 figure.
- The development in **Central Europe** was encouraging. With growth well above 9 per cent, the market made good progress. Our home market, the Czech Republic, was instrumental in this, with an increase of 20 per cent.
- The market conditions in Eastern Europe are difficult. The markets – excluding Russia – fell by more than 16 per cent.
- Russia alone recorded a decrease by around 35 per cent.
- The **Chinese** car market showed reduced growth at almost 8 per cent. We expect that the dynamism of previous years, which yielded double-digit growth rates, can no longer be achieved.
- After a couple of weaker years, the development in India was positive: the market grew by around 8 per cent.



Slide: Sales figures

ŠKODA was able to develop nicely in this environment:

- In **Western Europe**, we delivered 430,900 vehicles to customers. This equates to an increase of around 4 per cent. Italy, Spain and Portugal were areas of above-average growth. Here, the brand achieved increases of between 17 and 31 per cent. In Germany, the largest European market, ŠKODA was able to defend its position as the largest import brand and increase sales by around 6 per cent to 158,700 vehicles.
- ŠKODA's performance around our home market in **Central Europe** was strong: 172,100 deliveries to customers equate to growth of almost 15 per cent. ŠKODA was thereby able to increase its market share from 19.9 to 20.9 per cent. We are particularly pleased about the brand's dynamic development in our home market, the Czech Republic. Here, ŠKODA was able to grow strongly by 21 per cent to 85,000 vehicles.
- In **Eastern Europe**, we were also hit by the general market conditions. Though overall, the brand developed better than the total market, this still meant a decrease of almost 6 per cent to 32,700 vehicles. ŠKODA's market share increased by around 13 per cent to 7.5 per cent.
- In **Russia** deliveries decreased by almost 35 per cent to 55,000 vehicles. Even here, we did better than the total market, our market share increased slightly to 3.7 per cent.
- With a new sales record, **China** was once again our largest single market. Deliveries increased slightly to 281,700 vehicles.
- Encouraging is the development in those markets that are generally not the focus of attention. In **Turkey** we were able to increase our deliveries by more than half: 22,200 vehicles equate to growth of almost 60 per cent and market share of around 3 per cent. With an increase of 17 per cent, ŠKODA also won many new customers in **Israel**, where we increased our market share to 7.5 per cent. We did well in other overseas markets, such as Australia, New Zealand and Taiwan.
- In **India**, ŠKODA delivered a total of 15,800 vehicles which is slightly more than the previous year.



That's all for now about the markets. How did the **individual models** do?

Slide: Citigo

Let's start with our entry-level model: 40,200 customers chose the **ŠKODA Citigo** in the last financial year. Four years after market launch, we expected a decline here. In the coming year, we will offer our customers something new with a model overhaul.

As already reported, we will not to bring a successor model for the ŠKODA Roomster to the market. We decided to take this step because we want to concentrate on the considerably bigger SUV segments, which are also growing at a stronger rate. In its final year of production, a total of 16,600 **ŠKODA Roomsters** were delivered to customers.

Slide: Fabia Combi

Our **ŠKODA Fabia** has exceeded expectations in the first year following the market launch of the third-generation model. Sales of our small car grew by around 20 per cent to 192,400 units. The **ŠKODA Fabia Combi** made a significant contribution to this, its sales increased by 57 per cent.

Slide: Rapid Spaceback

The **ŠKODA Rapid** has established itself as the second most successful model in the ŠKODA model range. Three years after market launch, deliveries fell by 12 per cent to 194,300 units – in line with expectations. New variants, such as the recently presented ŠKODA Rapid Spaceback ScoutLine, will provide new impetus to the youngest ŠKODA model range.

**Slide: Yeti**

The **ŠKODA Yeti** is continuing to prove itself as a strong pillar of ŠKODA's model range. Seven years after its market launch, the compact SUV continues to enjoy popularity. Almost 100,000 vehicles sold mean that the car is, due to model cycle reasons, slightly below last year's results, with a decline of 3 per cent.

Slide: Octavia

The **ŠKODA Octavia** is and remains the heart of our brand. It is still our best-selling car. Result for the year: 432,300 deliveries, a increase of almost 11 per cent. The Octavia's versatility also contributes to that. We have only recently expanded the model range with the sporty Octavia RS 4x4.

Slide: Superb

With our flagship, the **ŠKODA Superb**, a new era has begun in the latest model generation for the entire brand with regards to technology, design and comfort. In the year of the model change, we achieved 80,200 deliveries and have thereby exceeded our expectations. We are delighted that this – the best ŠKODA of all time – has been enthusiastically received by our customers. The car was recently voted 'Car of the Year' here in our home country.



Ladies and Gentlemen,

Slide: Sales Jan-Feb

Following last year's momentum, we also got off to a good start in 2016. In the first two months of the year, we have sold a total of 4.5 per cent more vehicles compared to the same period last year. A new record for the first two months of a year. We are cautiously optimistic that sales will once again grow in 2016.

Overall, the situation for the international car industry remains challenging in 2016.

- The political crises in Russia and Ukraine will continue to be a burden for us. The difficult market development in Russia has, most likely, not yet bottomed out.
- We expect further growth in China, though at a lower level. The Chinese government has just passed a five-year plan which forecasts average growth rates of 6.5 per cent – with significant shifts within the country's economic areas, however.
- And: the impact of the diesel issue for ŠKODA cannot be fully predicted. We are working very closely with Volkswagen and the authorities on this matter, in order to do anything necessary for our customers.



Ladies and Gentlemen,

I have already referred to the successful recent past of our brand today. ŠKODA has worked hard to establish its solid position in the international car markets. However, this success does not yet reveal anything about our future. Therefore, we must now set out our course for the coming years and make ŠKODA fit for the future.

To achieve this, we are now setting the next milestones with ŠKODA's 2025 strategy. This strategy deals with the trends and changes in technology and society. Because of the pace at which digitalisation is advancing, we have to be prepared for rapid technological change in the coming years. This will change our idea of a car user and what a car is used for.

The result will be innovative opportunities and qualities for individual mobility. We will experience the car in new ways. Cars will also be quiet; they will drive in an autonomous and environmentally friendly way. One goal will be to power cars using renewable energy.

Whatever happens, we are sure that people in the future will continue to decide independently on their choice of transport. They will possibly spend more time in cars, and spend time on more and different things than is the case today. Highly and fully automated vehicles will give them new freedom to do so. Driving in a car will be shaped by a comprehensive range of infotainment products or the car will be used as a mobile office. With all of this, I am sure that the car will remain a status symbol, as well as a means of expressing oneself and of self-promotion.

We want to shape this automotive future. We will do this with sound judgement and our yardstick will be which technology is ready to be used and is actually useful for our customers. That's also a form of 'Simply Clever'.

I would like it most, if people then said spontaneously about ŠKODA, "ŠKODA - the Simply Clever Company for Best Mobility solutions".



No matter which social background our customers come from, whether they are families, entrepreneurs, commuters or people who simply like the pleasure of driving a car – a ŠKODA is the smart choice for them. For 121 years, clever ideas for the car have moved us forwards. Now, it's about applying this expertise to the best mobility solutions of the future.

Looking forward to the immediate future, five points are particularly close to my heart for ŠKODA:

Slide: VisionS

- Expanding the product range is an integral part of the medium-term strategy. For this, we are now launching a new SUV campaign. With the ŠKODA A+SUV, an attractive model is standing ready for market launch. In preparation for this, we presented the ŠKODA VisionS at the Geneva International Motor Show at the beginning of the month and we are taking the opportunity to show it to you again today.

Slide: Electromobility

- With regard to CO₂ targets, ŠKODA will work intensively on electromobility. The VisionS therefore has plug-in hybrid technology. We will equip the first production ŠKODA with it within the current decade. A purely battery-powered vehicle is also in the pipeline.

Slide: Infotainment

- Other key technological issues are connectivity and, combined with that, innovative infotainment systems. ŠKODA has made a start here with MirrorLink, Apple CarPlay and AndroidAuto; further steps will follow.



- We will address the topic of the cars' usability. In keeping with our 'Simply Clever' slogan, the brand can position itself in a particularly authentic way in this area. The general rule should be: the usability of cars must be fundamentally simplified. Here, I think that there are good opportunities for ŠKODA to differentiate itself from the competition with innovative concepts.
- And finally, we must ask ourselves: what services will we offer in the future beyond our traditional business? Where are we establishing our own, new areas of expertise? Where are we collaborating with partners?

Slide: Brand

I see great potential for ŠKODA with regards to **the image and the positioning of the brand**. In terms of products and technology, the brand is leading the way today. We now also want to express that more clearly in the brand perception and the brand's emotional quality. The consistent development of brand identity and product identity as well as ŠKODA's unique design language will make a huge contribution to this.

ŠKODA is a diamond that we can make shine much more brightly. The product and the brand presence are inextricably linked and both have to be developed – which requires putting in lots of work. This creates a sense of desire in our customers, which we urgently need in the tough international market.



Ladies and Gentlemen,

2015 and current business development in 2016 show: ŠKODA is well positioned. On this basis, we are developing ŠKODA's 2025 strategy. We are using the company's economic strength and the capability of our team to fully exploit the opportunities in our industry. Because the change that individual mobility is faced with, offers huge potential.

This spurs us on. And with this, we remain true to our excellent ŠKODA qualities. Our job is to continue offering modern mobility concepts which embody ŠKODA-typical ingenuity that has driven the company forward since 1895.

Thank you very much!***