



ŠKODA Annual Press Conference 2016

Mladá Boleslav, 16 March 2016

Winfried Krause

ŠKODA AUTO Board Member for Commercial Affairs



– The spoken word prevails –

Speech for Winfried Krause
ŠKODA AUTO a.s., Annual Press Conference
on 16 March 2016

Ladies and Gentlemen,

For my part, I also would like to give you a very warm welcome to our annual press conference. In the next few minutes I would like to inform you about last year's key financial figures.

Chart: 'Financial highlights 2015'

Mr. Maier has already mentioned it: In 2015, yet again, ŠKODA sold more than 1 million vehicles to customers within a year and sets a new sales record. A great team performance! Thanks to our colleagues and retail partners, this is a clear proof that we have taken the right approach with our model campaign that we launched five years ago.

Along with this sales record for deliveries to customers, turnover also increased and reached a new record level at 12.49 billion euros.

A historical record was also achieved in regard to our operating profit: last year the ŠKODA brand generated 915 million euros, an improvement over the same period of the previous year of 98 million euros. I would like to highlight the very positive development of the sales numbers of the new ŠKODA flagship, the Superb. Sales here have clearly exceeded our expectations. Our comprehensive investments in terms of real investments and development costs in our new models like the new Fabia and the new Superb are fully paying off.

Last financial year we did not only generate very good financial results but we also further strengthened our financial position: the net cash flow closed at 913 Mio. euros with an all-time high.



Ladies and gentlemen, let me summarise the key figures of the 2015 financial year:

Chart: 'Key figures'

Our worldwide sales to customers including China rose +1.8% compared to the previous year. Despite an declining market in China we were able to achieve an increase in volume compared to 2014 of approx. +0.1% to almost 282.000 vehicles. Without the region China the volume increase in the year 2015 even added up to 2.4%.

The ŠKODA revenue reached about 12.49 billion euros, which was a new record. Compared to the previous year, this represents an increase of +6.2%. Thanks to the improved vehicle mixes and specifications, revenue was disproportionately higher than the increase in volume.

Please note that deliveries in China are not included in ŠKODA's revenue figures. SVW is not a part of the ŠKODA brand – the consolidation 'at equity' is included in the financial results of Volkswagen Group.

The operating profit of 915 million euros considerably surpassed that of 2014. The pre-tax profit reached 846 million euros and thereby also was better than in 2014. The return on investment amounted to 20.1% – significantly more than the previous year's value and more than the required minimum return of 9%.

In conclusion: despite a challenging market - especially in Russia, Ukraine and Kazakhstan - ŠKODA was able to achieve new record figures with regards to deliveries to customers and financial results.

Ladies and Gentlemen,

And now please let me break down the profit and loss accounts and the reconciliation of the operating profit year-on-year.



Chart: 'Operating profit (reconciliation)'

After the good performances in 2014 we significantly increased our financial results by +12% in the year 2015. The main drivers for the positive performance compared to the previous year were increased car sales, improved mixes, optimised product costs and the exchange rate situation.

We would like to emphasise that consistent costs and efficiency management remains a top priority for us at ŠKODA.

The results were negatively affected by the high depreciation on investments carried out in the last few years, the negative influences from the Russian rouble and market related expenses for the diesel issue.

Chart: 'Return on sales'

ŠKODA's high profitability is also reflected in the return on sales: in 2015 an operational profit margin of 7.3% was achieved, an improvement of +0.3%. This places ŠKODA at the upper end amongst European competitors and yet again demonstrates its high profitability.

Chart: 'Profit and loss account'

In 2015, ŠKODA achieved a pre-tax profit of 846 million euros, an increase of around +9.2% compared to the previous year's figure. The financial result was down by -69 million euros, primarily caused by negative effects from financial derivatives.

After tax, the profit was 708 million euros, which was 6.5% higher than the previous year.

Ladies and Gentlemen,

let me briefly show you some numbers on real investments, the development of net cash flow and return on investment.

Chart: 'Investments in tangible assets'



Last year, ŠKODA continued to consistently implement its model campaign and, in the process, once again made important investments in future products, especially in the expansion of the SUV range. After the record investments in 2012/2013, ŠKODA also invested just short of 600 million euros last year. Although this represents a reduction of 15% compared to 2014, it is also a statement that we remain committed and will continue to advance with the update and expansion of our model range.

Chart: 'Net cash flow'

As in the previous year, ŠKODA has been successful in financing all investment activity from self-generated funds. This is impressively reflected in the net cash flow: compared to 2014, we were able to improve the net cash flow by around +73 million euros, an increase of +9%. ŠKODA was not only in a position to finance all investments in new products from the current business, but could also achieve a significant surplus of 913 million euros.

Chart: 'ROI after tax'

The return on investment is another important financial key indicator for us: Last year, ŠKODA reached a return on investment of 20.1% after tax – considerably more than in the previous year and once again above the internally required minimum of 9%. The increase compared to the previous year is primarily due to the significantly higher operating profit.

To summarise it: ŠKODA is a truly healthy and completely profitable operating business.

Chart: 'Development of model range and investments'



Ladies and Gentlemen,

Since the beginning of ŠKODA's model campaign, the product portfolio has been fundamentally updated and additional model lines have been added. Since 2010, the model range has not only seen the addition of the Rapid, Rapid Spaceback and Citigo model series, but also all of the existing model series have been renewed. Additionally the next product highlight is already ready: the A-plus SUV, a completely new class in the ŠKODA line-up with start of production in 2016.

Furthermore particularly in the previous years constant high real investments were made, for example investments in a more modern gearbox production in Vrchlabi and in the new engine centre in Mlada Boleslav.

The newly gained attractiveness of the model range is also reflected positively in the financial development.

Chart: 'Development of operating profit and net cash flow'

We have not only reached an operating profit of 742 million euros on average since 2011, but financial results have also substantially improved. This is a notable performance in light of the adverse market conditions within Europe in the past five years.

I would also like to emphasize that the net cash flow – so the cash flow after taking into account investments and tax payments, as well as before dividends – has shown a significant surplus in the last five years. This shows that the product campaign launched in 2010 not only won significantly more customers to our products, but also further increased ŠKODA's financial results and financial strength.



Ladies and Gentlemen,

Let me give you a short summary of the 2015 financial year:

Chart: 'Summary'

Despite an in parts very challenging, competitive environment, we can look back at the most successful financial year in our company's history.

As well as in deliveries to customers as also in terms of revenue ŠKODA has reached new record figures.

The operating profit increased to 915 million euros, a real record-breaking figure for the ŠKODA brand. In addition, ŠKODA had an operating return on sales of 7.3% which is – even when compared with rest of the sector within Europe – a top class level. Despite further high investments, net cash flow reached 913 million euros and exceeded the previous year's figure significantly.

Our new models, the Fabia and the Superb, have been very well received by our customers and encourage us to further advance our company strategy. Despite these product introductions and the partly difficult conditions, as for instance in Russia, the year 2015 was ŠKODA's best financial year to date thanks to the strong, highly motivated staff and an attractive product range.

We will continue to consistently implement our growth strategy in 2016 – with the Skoda Vision S concept revealed in Geneva we already presented a first impression of the upcoming SUV generation to the world public.

We will continue to work hard, not only on our products but also on our internal processes and structures, in order to perfectly prepare ŠKODA for future challenges. Despite further uncertain conditions in Eastern Europe and partly volatile exchange rates, we are expecting good financial results for 2016.

Now I would like to pass the word to ŠKODA Board Member, Mr. Bohdan Wojnar.

Thank you!