

# **ŠKODA Annual Press Conference 2015**

Mladá Boleslav, 16 March 2015

Prof. Dr. Winfried Vahland  
CEO ŠKODA AUTO

**- The spoken word prevails -**

**Speech for Prof. Dr. h.c. Winfried Vahland  
ŠKODA AUTO a.s., Annual Press Conference 2015  
on 16 March 2015**

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Ladies and Gentlemen,

I too would like to offer you a warm welcome to our press conference.

ŠKODA is powerfully continuing its journey. We have started the new year well, and 2014 was very successful for our company. For the first time in our almost 120-year company history, we delivered more than one million vehicles to customers worldwide.

In reaching this milestone, ŠKODA has established itself in the league of the large international high-volume manufacturers. At the same time, we have set new records in terms of turnover and profit.

Our success is the result of consistent and steady work. Since 1991, ŠKODA has been on an unprecedented race to catch up. And especially in the last four years, we have significantly accelerated the pace once more.

**Slide: 'List'**

2010 was the starting point for ŠKODA's largest ever growth and model campaign.

- Since then, we have fundamentally updated our model range, extending it to seven model series and complementing it with varied derivatives. Our vehicles have reached a new level in terms of technology and design. Today, we have the most attractive model range of all time.
- We have boosted the brand's emotional strength with the new design language. We have noticed that we have become more attractive to new and more demanding customer groups.

- We have expanded our presence in the international markets and increased market share in all regions.
- And we have consistently invested in our national and international production sites and in the qualification of our employees.

In 2014, these efforts paid off significantly. But we will not rest on our laurels. We continue to strive onwards. In 2015 and in the coming years, we will continue to pursue our growth strategy vigorously.

#### **Slide: 'Key performance indicators'**

But first to the most important key performance indicators for the 2014 financial year:

- With 1.04 million vehicles delivered, ŠKODA achieved record sales last year. In comparison to the previous year, we sold 116,500 more vehicles. That is an increase of 12.7 per cent.
- The global ŠKODA market share increased to 1.4 per cent.
- The company's turnover grew by 1.4 billion euros to 11.8 billion euros. Also a new record.
- This also applies to operating profit. An operating profit of 817 million euros represents an increase of around 57 per cent and confirms our aim to grow profitably. Strict cost and efficiency management plays a central role in this. My colleague, Winfried Krause, will explain our financial results in more detail later on.

In conclusion, we can say that 2014 was a good year for ŠKODA. Yet it was also an intensely challenging year for us. Success did not fall into our laps.

Last year, the overall trend in the international automotive markets was positive; however, we continue to detect competition which is destructive in parts. Therefore, the conditions for the automotive trade remained challenging. Distortions in the foreign exchange markets and political crises also put a strain on our business.

#### **Slide: 'Overall market development'**

- In 2014, the passenger car market in **Western Europe** developed satisfyingly. For the first time in years, we were able to observe a positive

development with an increase of 4.9 per cent. But this is no reason for euphoria: we are still a long way from former high levels.

- **Central Europe** was significantly higher than last year with plus 14.1 per cent. Our domestic market in the Czech Republic increased by even 16.8 per cent.
- The market in **Eastern Europe**, not including Russia, proved to be very challenging. The overall market fell by 15.6 per cent. The economic effects of the tense political situation in this region are clearly visible. **Russia** itself recorded a significant decrease of 10.0 per cent.
- The market in **India** grew slightly by 2.2 per cent.
- With 12.1 per cent, the **Chinese** automotive market grew considerably.

#### **Slide: 'Development of ŠKODA markets'**

In this environment, ŠKODA has proven its strength and continued its successful growth strategy.

- In **Western Europe**, we have developed significantly better than the market. 413,000 vehicles delivered represent an increase of 11.8 per cent. Our market share in Western Europe grew once again: to now 3.4 per cent. In Germany, ŠKODA was again the strongest foreign brand by a long stretch. In Great Britain, we achieved new record sales. In other Western European countries, ŠKODA reached high two-figure growth rates.
- Things went very well for ŠKODA in **Central Europe**: 150,000 deliveries represent an increase of 18.5 per cent compared to 2013. We expanded the market share to almost 20 per cent (19.9). In the Czech Republic, ŠKODA grew by 16.9 per cent to 70,200 units.
- In **Eastern Europe**, not including Russia, we were not able to escape the region's difficult situation, but developed better than the overall market. 35,000 ŠKODA deliveries represent a decline of 8.3 per cent. However, our market share increased to 6.9 per cent.
- Development in Russia was similar: with 84,400 vehicles, ŠKODA deliveries decreased slightly in comparison to the previous year, while the market share grew to 3.7 per cent.
- In **China**, we achieved record sales in 2014, once again our strongest individual market. In 2014, the brand's deliveries grew by almost a

quarter to a new record high of 281,400 vehicles. This means that around 24 per cent of our overall sales went to China.

- We were also on good form in other international markets such as Turkey, Israel, Algeria and Egypt.
- In **India**, ŠKODA delivered a total of 15,500 vehicles to customers.

Ladies and Gentlemen,

despite 2014 being a great year for ŠKODA, we must improve and be better than our competitors. We have to be adaptable and quick as well as making our company more flexible, agile and modern. The automotive industry is changing radically and faces huge challenges.

**Slide: 'List'**

- New technologies are being used and have to be developed more and more quickly at high costs. Keywords are e-mobility and connectivity.
- Customer preferences and attitudes towards cars are changing rapidly.
- The gravitational field of the markets is shifting increasingly to Asia.
- Legislators' regulations are increasing.
- Unpredictable political crises and the consequent economic uncertainty are also factors.
- Overall: competition is becoming increasingly tough.

ŠKODA has to adapt to the new challenges of our industry. We must ask ourselves:

- Are we well positioned?
- Are we quick and flexible enough?
- Are our processes right?
- Do we have the correct resources and do we use them effectively and efficiently?

We have analysed these questions intensively over the past few months. This is exactly what the 'High Performance Organisation' project, or HPO, is about: keeping ŠKODA fit and thus competitive for the future.

I would like to make one thing absolutely clear: HPO is not a cost-reduction programme. We do not want to make any employees redundant. The opposite is the case. My colleague, Bohdan Wojnar, will explain this in more detail later on.

Ladies and Gentlemen,

1.04 million vehicles delivered worldwide – in 2014, ŠKODA reached an important milestone. We are proud to have cracked the magic figure of one million cars produced and sold.

**Slide: 'Employees'**

It is the result of a tremendous performance of our almost 28,000 employees worldwide – from development, to production, to sales. The entire ŠKODA workforce has done a fantastic job. I would like to thank the ŠKODA workforce and the KOVO union and its chairman Jaroslav Povsik for their hard work.

Our highly motivated and well trained employees are the foundation of ŠKODA's success. They sustain the worldwide success of our vehicles.

And now to the sales development of the individual **models**.

**Slide: 'Octavia photo'**

The **ŠKODA Octavia** is a huge success. This car is the heart of our brand. In 2014, we sold 389,300 Octavias; an increase of 8.3 per cent. In Western Europe, the increase was even 22.5 per cent. The third-generation Octavia is a hit in every respect. We are therefore expecting deliveries of significantly more than 400,000 Octavias to customers worldwide this year. With this car, we are increasingly pushing into new, demanding customer groups and are thus expanding our brand's appeal. To date, we have already delivered more than half a million units to customers. The car is extremely well received by customers. Since 2013, the Octavia has received a whopping 44 national and international automotive awards. Its terrific versatility plays a part in the Octavia's success. In 2014, we have expanded the model range to the CNG Octavia G-TEC and the rugged Octavia Scout.

**Slide: 'Rapid Spaceback photo'**

The second-strongest ŠKODA model range last year was, for the first time, the **ŠKODA Rapid** – just two years after its market launch. A total of 221,400 customers opted for the spacious saloon or the sporty Spaceback. This is an increase of 113.3 per cent compared to 2013.

The sales development of the Rapid Spaceback is unique, winning over new, younger customers to the brand with its fresh and emotionally rich appearance. A total of 72,400 Rapid Spacebacks were delivered in 2014, with the Rapid Spaceback Monte Carlo playing a part as well.

**Slide: 'Fabia photo'**

The **ŠKODA Fabia** reached 161,000 deliveries. The recent model change was of course noticeable here. More on the new Fabia later.

**Slide: 'Superb photo (old)'**

The **ŠKODA Superb** performed well. More than 91,100 vehicles were delivered worldwide. A good result, considering that the second-generation Superb has already been on the market since 2008. Its successor is already waiting in the wings. A few days ago in Geneva, we presented the newest-generation Superb with great success. We are now gradually beginning the market launch. More about this later, too.

**Slide: 'Yeti photo'**

Our customers are becoming increasingly fond of our compact SUV **ŠKODA Yeti**. We sold over 100,000 Yetis for the first time in 2014; 102,900 units, to be precise. That is an increase of 24.8 per cent compared to the previous year. Our strategy of offering the Yeti in two versions, a city variant and an off-road variant, is bearing fruit. In addition, since 2014 we have been offering the Yeti in a Monte Carlo version for the first time.

**Slide: 'Citigo'**

The **ŠKODA Citigo** has secured a permanent place amongst European city cars. Last year, 42,500 customers opted for the agile city car. Now also available is the Citigo Monte Carlo, a particularly sporty edition. Additionally, the Citigo showed its emotional potential last year with the CitiJet design study: an urban convertible based on the Citigo and result of the first ŠKODA 'Apprentice Car'.

**Slide: 'Roomster photo'**



Last year, 29,600 **ŠKODA Roomsters** were delivered. That is 11 per cent less than in 2013. With regards to a possible follow-up model we are considering joint production with a group partner.

Ladies and Gentlemen,

over the coming years, we intend to increase our annual worldwide deliveries to at least 1.5 million vehicles.

For this purpose, we have rigorously upgraded our sites and locations in the Czech Republic and in the international markets.

**Slide: 'MB production photo'**

Significant modernisation and expansion has been undertaken at our parent plant in **Mladá Boleslav** for the Fabia model change. Amongst other things a new facility for the configuration of new assistance systems has been created. The paint shop has also been partially renewed.

**Slide: 'Kvasiny production photo'**

In **Kvasiny** – alongside ongoing operations – we have prepared for the production of the new Superb. The largest modernisation and expansion of the site's 80-year history is beginning in Kvasiny. In the process, we also intend to establish the plant as a new centre of excellence for SUVs.

**Slide: 'Vrchlabí production photo'**

In July 2013 in **Vrchlabí**, capacity for the production of DQ 200 dual-clutch transmissions was increased by 50 per cent from 1,000 to 1,500 units. In November, we celebrated the production of half a million DQ 200 transmissions. This is more evidence of ŠKODA's expertise when it comes to powertrain production.

**Slide: 'Opening of engine centre photo'**

The construction of the new **engine centre** here in Mladá Boleslav was also an important measure. Production has been running since September. Together with Volkswagen Group, ŠKODA has invested around 45 million euros in this – one of the largest industry investments of recent years in the Czech Republic.

With the new engine centre, ŠKODA once again strengthens its research and development expertise. In Česana, our brand has the fourth-largest development centre within Volkswagen Group, and one of the most modern in the automotive

industry. Incidentally, ŠKODA is the only car manufacturer that not only produces but also develops cars and components in the Czech Republic. For this purpose, Technical Development currently employs around 1,700 specialists, designers and engineers.

**Slide: 'China production photo'**

Together with our partner Shanghai Volkswagen, we have invested heavily in **China**. Localisation, amongst other things, has been further increased. In 2014, ŠKODA's China portfolio doubled to six locally manufactured models. This includes the new Octavia, which has been on the Chinese market since mid-2014. Our China models are now running off the production lines at three local sites.

With these and other measures, we are creating the preconditions to powerfully continue our growth strategy.

Ladies and Gentlemen,

2015 has begun very promisingly.

As of the end of February, we have sold a total of 7,9 per cent more vehicles than in the respective, already very good period last year. The successful start to the year makes us confident that we will grow even further in 2015. However, the overall conditions of the markets remain challenging.

**Slide: 'Fabia photo'**

The new **ŠKODA Fabia** had a brilliant start – as a hatchback and as Combi. Both versions of our new small car score well with an emotionally rich design, innovative technology and an exemplary safety package. Just recently, the Fabia was the only vehicle of its class to be awarded with the maximum five-star rating at the Euro NCAP crash tests. In mid-January, it was chosen as Car of the Year in the Czech Republic. The Fabia received other renowned awards, for example in Germany, England, Russia and Slovakia. All in all: the new Fabia is going down outstandingly well with our customers.

**Slide: 'Fabia Combi photo'**

In order to be able to cope with the consistently high demand for the Fabia, we expanded the production capacity of the MBII assembly line at the beginning of February. Since then, the Fabia and Fabia Combi – along with the Rapid Spaceback – have been rolling off the MBII production line in three instead of two shifts. For this purpose, we have hired around 800 new production staff.

And we up the ante with the Fabia. We have only just presented the new Fabia Monte Carlo in Geneva: a boldly styled small car with an attractive visual appearance, sporty interior and comprehensive equipment. Its market launch is planned for June.

**Slide: 'Monte Carlo range photo'**

With the diversification of our model range, for example the Monte Carlo models, we are responding to our customers' demands regarding cars that suit their individual preferences. We thereby also give our model range a strong dose of increased emotionality.

**Slide: 'Superb B8 photo'**

In the future, another vehicle from our model range is expected to create even more emotionality: the new ŠKODA Superb recently celebrated its world premiere in Prague and Geneva. In early summer, our flagship will roll to the dealers and customers.

The ŠKODA Superb – this car has always been the indicator for our brand's capabilities. This particularly applies to the newest generation.

Up until now, ŠKODA cars have been considered to be predominantly practical. ŠKODA will continue to maintain the core values that are essential for this, in particular with regards to spacious interiors, functionality and excellent value for money.

On top of that, the design, quality and emotionality of our vehicles will gain new significance.

At the Geneva Motor Show at the beginning of 2014, we presented the 'ŠKODA VisionC' show car. A car that proves the brand's design skills and emotional strength. ŠKODA's design is becoming more modern, fresher, more imposing.

With this, ŠKODA is increasing its aspirations of also offering high-quality vehicles that are at the top of their respective segments, whilst staying true to the brand's principles. Our aim is to offer the best vehicles in our business sector, to show the quality, tradition and future orientation of our brand and, at the same time, to increase its appeal.

**Slide: 'Superb B rear view photo'**

The new Superb demonstrates this like no other vehicle in our model range. Our new flagship is the current highlight of our model campaign. The new Superb is the beginning of a new era for ŠKODA.

It will be the best ŠKODA of all time and proves our aspirations in the automotive mid-class segment. This is indicated by:

- the expressive, dynamically elegant design
- the above-average interior space
- the high-quality, emotionally rich and modern impression
- the new comfort quality
- new benchmarks in eco-friendliness and driving dynamics
- and a wide range of innovative MQB technology for top-level convenience, safety and connectivity.

With this fantastic package, the Superb moves towards the upper end of its segment. I am convinced that it will again attract new customers to the brand.

Ladies and Gentlemen,

this year marks ŠKODA's 120<sup>th</sup> birthday. And for 110 years, cars have been built here in Mladá Boleslav.

Being aware of this huge tradition, we intend to develop the brand further over the coming years and continue its success story. ŠKODA remains in the fast lane – in close collaboration with Volkswagen Group.

After cracking the one million mark, we are firmly setting our sights on 1.5 million deliveries. With new models, more emotion, strengths typical of ŠKODA and more presence on the international markets, we continue to strive onwards.

Thank you very much.