

Annual Press Conference ŠKODA AUTO

24.03.2020, Mladá Boleslav

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CFO

*** check against delivery ***

Dear Ladies and Gentlemen,

Dobrý den and a very warm welcome. Over the next few minutes, I will present our annual financial statements and key figures for the 2020 fiscal year. Going beyond, I would like to give you a preliminary financial outlook of the ŠKODA AUTO Group for 2021.

We started into 2020 with considerable momentum. Our performance of the first two months was promising. And then suddenly the world was put on emergency stop; the COVID-19 pandemic quickly set the agenda. The Czech Republic declared a state of emergency, and we had to shut down our plants completely. Sales markets worldwide were either closed or went into lockdown.

The massive business setback caused by the first wave of the pandemic is mirrored in our figures: In the first quarter, we achieved an operating profit of 307 million euros despite the headwinds in March.

In the second quarter, our production was completely shut down for about a month and distribution channels in Europe were closed across the board. In April, all key performance indicators went straight into the red. Second-quarter sales and revenues almost halved in comparison to the first quarter. Our net cash flow was highly negative.

Ladies and gentlemen,
in this challenging environment we adopted tough countermeasures, and shifted immediately to a consistent crisis, cost and cash management.

We quickly restarted production at the end of April. In May we stabilised the situation and realised a slightly positive result. And by June, we were almost back to normal. Nonetheless, the bottom line for the second quarter was a negative operating profit of -78 million euros.

Throughout the rest of the year our sales re-start measures gained traction. In terms of cost and capital expenditures, our short-term special programme with intelligent cuts and strict discipline proved effective. And we worked intensively on optimising working capital. As a result, we achieved a fast turnaround.

In the third quarter, the operating profit rebounded to 241 million euros. We then further strengthened our position by the end of the year, despite rising selling costs, and additional expenses for new, essential anti-COVID measures. In a strong fourth quarter, we increased our operating profit to 287 million euros.

Overall, we cut back on our fixed costs by over 550 million euros, we achieved a clearly positive operating profit and we kept net cash flow in the black.

Ladies and Gentlemen,

for the 2020 corona crisis year, we present exceptionally robust results.

- Over one million ŠKODA vehicles were delivered to customers for the seventh year in a row. Excluding China, we achieved a respectable 832,000 vehicles that is 13.4 per cent below previous year's deliveries.
- Our sales revenues fell by 13.8 per cent to just over 17 billion euros. To a certain extent, we were able to compensate lower sales volumes through price position improvements.
- In spite of the adverse circumstances, we achieved a positive operating profit of 756 million euros and a return on sales of 4.4 per cent. In cross-comparison with other volume manufacturers, we maintain our position among the top performers.
- Earnings after tax amounted to 529 million euros, mainly due to strain on the financial result. Our investments in subsidiaries and associates were also affected by the corona crisis. Please note that low interest rates have resulted in low bond yields and had a negative impact on the accounting of long-term provisions.
- Our positive net cash flow of 213 million euros shows that the ŠKODA AUTO Group remains financially on track. It is generating cash surpluses and we can continue to finance investment programmes from our own funds.

Let me break down the operating profit in a little more detail. In 2019, we achieved an all-time high of almost 1.7 billion euros. In 2020, we experienced an entirely different crisis situation – with the extraordinary COVID-19 pandemic.

There were fierce headwinds and negative effects that I will discuss briefly:

- The pandemic led to a significant decline in sales and caused major disruptions in the supply chain and production. In severe circumstances our colleagues were fighting for every part and every car. At the same time, reduced staff availability and increased anti-COVID protective measures lowered productivity and led to various extra costs. Finally, the re-start incentives secured both our sales volumes and order bank. However, these also came at a cost.
- Over the year, exchange rates developed negatively for certain currencies, including the Polish zloty, the Norwegian krone and the Russian rouble. Overall, the devaluation of the Czech crown against the euro also had a detrimental effect.
- Material costs increased due to new CO₂ and exhaust emission standards in the EU – before other purchasing performance in procurement. And we had to make provisions for exceeding the CO₂ requirements in Europe.

In this environment, we achieved cut-backs on fixed costs of over 550 million euros with a full impact on the bottom line. Our ongoing ŠKODA Performance Programme has made equally important contributions of 675 million euros as per its reporting. Again, a significant share goes to the bottom line and, to some extent, will have a lasting impact in the years ahead.

With these efforts though, we could just partially close the initial gap of well over one billion euros caused by COVID-19 directly.

Taking all factors into account, we delivered a resilient performance in the face of great challenges in the year 2020. Our employees can be proud of doing their utmost. They deserve our thanks for their strong commitment and flexibility in these difficult times.

Ladies and gentlemen,
now, amid the coronavirus turmoil, the course for future success is being set. In some respects, the transformation has even picked up speed.

This is another reason why we continued to invest at a high level in 2020. We only deliberately and selectively reduced capital expenditure during the corona crisis to safeguard liquidity and cash flow. And we set clear priorities as to what is important, what can be postponed, or what can be cut-out.

Our investments in tangible assets amount to 850 million euros in total. This is roughly one third less than in 2019, when investments soared to a historically high level of just above 1.3 billion euros.

The lion's share in 2020, around 380 million euros, again went into the equipment and expansion at our Czech sites. Some examples include:

- Increasing manufacturing flexibility of our plant in Kvasiny, and achieving CO₂ neutral production in Vrchlabí.
- Consistently expanding our plant in Mladá Boleslav to produce new, all-electric vehicles, such as the attractive new ENYAQ iV.
- Developing and extending our production of electrical components; in addition to PHEV batteries since 2020, we will assemble BEV batteries for the Volkswagen MEB from 2022 on.
- We have invested heavily in the recently opened prototyping centre and the ultramodern central pilot hall, equipped with state-of-the-art technology.
- We are pressing ahead with the installed charging infrastructure around our facilities.

In India, since 2019 we have been extending the Pune site where we will be producing the local A0 product family under the INDIA 2.0 project. The pioneering SUV model SKODA KUSHAQ just celebrated its world premiere a few days ago.

In 2020, we also kept expenditures on primary R&D at a high level but reduced it by 27 per cent to 712 million euros

As we notably capitalized assets and primary R&D costs over the past years, the average assets invested increased against 2019. In contrast, operating profit after tax decreased due to the crisis. The return on investment therefore dipped to 10.4 per cent. Nevertheless, ŠKODA AUTO continues to pursue its transformation at full speed and will again deliver higher returns once the circumstances have normalised.

Ladies and Gentlemen,
we present comparable figures in the official annual report of our individual Czech company, ŠKODA AUTO a.s. This report is prepared in accordance with IFRS standards and published online. You can find all the details there, so I will just highlight the key statements:

- Revenues plummeted by 7.6 per cent to 424.3 billion Czech crowns in 2020, primarily due to lower sales because of the pandemic.
- We reduced the cost of sales by 4 per cent to 381.2 billion Czech crowns. Our countermeasures had a positive impact along with the decline in sales. Though we faced new headwinds notably from exceeding European CO₂ limits.
- Gross profit, therefore, decreased to 43.1 billion Czech crowns.
- Pre-tax earnings dropped to 17.9 billion Czech crowns because of foreign exchange losses on current accounts and the financial income squeezed by low interest rates.

Going forward, the results give me good reason to be optimistic.

ŠKODA AUTO a.s. is a sustainably profitable company with a solid financial position.

Let's now look ahead to 2021: This year is likely to be another big challenge as the pandemic continues. We are currently experiencing

- new protection requirements along with rapidly changing regulations
- limited deliveries of materials and parts (especially semiconductors),
- and constant production rescheduling and vehicle losses.

Yet we stick to our existing plans. Assuming stable operations, we expect the ŠKODA AUTO Group's performance to improve, with sales revenues significantly above the level of 2020.

We anticipate a recovery and an overall upward trend in the global markets.

Our new products will generate exciting momentum. They will also sustainably improve our CO₂ position thanks to new technology and the ENYAQ iV's all-electric drive. We are preparing for the transformation to accelerate even faster.

Ladies and Gentlemen,

In its 125-year history, ŠKODA AUTO has shown many times how well it can deal with the unexpected. What's more, ŠKODA's DNA contains the drive for cost-saving, radical streamlining – simply clever. These strengths are an absolute priority for the future.

We shape the future under the guiding principle "NEXT LEVEL". To get there, will entail a financial tour de force for the ŠKODA AUTO Group. The funds for the future must be earned today. And the winners of tomorrow will have a lean cost base.

Having launched the "NEXT LEVEL EFFICIENCY" programme, we set the conditions for sustainable profitability and further transformation. Our ambition is to reduce all costs and expenses so that we can free up funds and resources to invest in the key priorities of the future.

- In the short term, we are re-examining our fixed costs further.
- In the medium and long term, we are reducing complexity and streamlining our structures and processes.
- We are making the most of "new work" and digitalisation for integrated processes and responsibilities.

Rest assured: We will be implementing these in 'true ŠKODA fashion' – cost-effectively and radically simplified.

Thank you very much for your attention. My colleague on the Board, Martin Jahn, will now present detailed information on sales topics and regional priorities.
