



## **Annual Press Conference ŠKODA AUTO**

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Christian Schenk

CFO

Dear Ladies and Gentlemen,

Good morning/afternoon

Dobrý den and a very warm welcome.

Over the next few minutes,

I will be presenting our **annual financial statements and key figures for 2021, as well as an outlook on the current year**

On the background of the current war in the Ukraine all figures seem to be irrelevant. My thoughts are with those which suffer at the moment.

But, before we come to the financial situation of the company let me introduce myself as this is my first conference as CFO of ŠKODA AUTO:

I am 48 years old, married, with two daughters and a dog.

I began my career at Volkswagen in Wolfsburg in 1999. I held various management positions in the Volkswagen Group both abroad in France and the UK as well as in different positions at the brand Volkswagen in Wolfsburg, in the end heading up the Controlling of the brand. After my time as CFO of MAN Truck & Bus in Munich. I joined ŠKODA AUTO, a.s. as the Board Member for Finance and IT in October last year.

I am looking forward to raising ŠKODA to the next level in these challenging times of transformation and crises.

Skoda has proven with the figures that I will show you now that its business model is robust and with solid financial figures able to face severe crises. The team has stood together and react quickly which is key in times of crisis.

Let's start by looking at the revenues in 2021 and how they developed quarter by quarter.

We can divide the year into two very different halves:

The first half

- The first half was dominated by the restart after the 2020 year of COVID-19
- Our **incoming orders** were **developing positively**
- The first two quarters were promising with **stable sales revenue** of about five billion euros.
- Despite the health restrictions due to the **ongoing COVID-19 situation production** was **running smoothly**.

The second half

- In the second half, unfortunately, we couldn't keep up the pace of the first half due to a **shortage of material for production**, especially semiconductors.
- **We had to halt production**, which had a **direct impact on our sales figures** and sales revenue, especially in Q3; in Q4, we started to improve but were still affected by shortages.
- Our **sales revenue recovered** slightly in the fourth quarter against the background of continuing **high demand**, as well as the ongoing shortage of semiconductors. Order books are therefore at record level. We do our utmost to reduce delivery times for our customers. But Martin Jahn will further elaborate this point.

You can see a similar development of the profit figures over 2021 as for the sales revenue.

The first half

- In the first half, you can see a similar picture as with the revenue.
- **The solid start** translated into **high operating profits** and a solid return on sales.
- We achieved with an RoS of 8 % a level at **or even above the target** of our NEXT LEVEL – ŠKODA STRATEGY 2030

The second half

- In the second half, we experienced **tough setbacks** in the third quarter with several weeks of **production stops at our plants** due to the lack of parts.
- As I explained earlier, the production shut down and loss of sales revenue **could not be fully compensated**, which is why we made a **loss of 75 million euros**.
- Nevertheless, we could close the fourth quarter with a **positive 4.1 % RoS** because of **intensive crisis management**.

Dear ladies and gentlemen,

After looking at the two halves of 2021, let me show you the final score for the whole of 2021 and also compare it to 2020.

- While **sales revenue increased by 4 %**, we improved
  - **operating profit by even more (43%)**
  - hereby our **return on sales increased** by 1.7 percentage points to **6.1 %**

Let me show you how we turned the headwinds into a positive development of the brand compared to 2020.

We **improved our operating profit by 43 % to 1.083 billion euros**, which is a strong result in the volume segment under these circumstances.

We had to overcome the following headwinds:

Headwinds

**Firstly, production stops** due to part shortages, especially semiconductors, which also incurred idle time costs at the factories where we continued to pay our workforce also during production shut downs.

**Secondly, a decline in sales was the consequence of the production losses, with high order banks coming up because demand for our great products remained very high.**

**And thirdly, increasing material costs**, for aluminium, nickel, rhodium and copper, in particular. Inflation in general raising after the covid shock in 2020

## Countermeasures

Besides the positive effects from foreign exchange rates, the following countermeasures more than compensated for these headwinds:

**Firstly, price/mix improvements:** In terms of mix, we shifted our focus to higher-margin countries. We also **revised prices** and **sales support**.

**Secondly**, the ENYAQ iV, our first all-electric vehicle, got off to a great start: It helped us to outperform the EU's CO<sub>2</sub> targets, enabling us to avoid any fees for non-compliance in 2020. Compared to our conventional vehicles, margins for ENYAQ iV were also very promising.

In total, we sold 80,915 BEV and PHEV vehicles in Europe, which is a great step towards our realizing of our **sustainability vision**.

**Thirdly**, our **effective cost-management** in all areas led to increased profitability.

A huge thank you to all our employees, our dealerships and suppliers for their great work in 2021. It was challenging, but they overcame every difficulty – with calm, focus and straightforwardness. I have worked in many teams in my career. But from the Board level down, **ŠKODA** has a **highly professional team and an outstanding team spirit**; especially in times of crisis, we can achieve great results as a team.

To summarise 2021 – I'll show the key figures for our financial year. You can see that ŠKODA fought bravely in all areas despite the critical supply chain issues.

- **Deliveries dropped** by nearly 13% to **878,000 cars**. My colleague Martin Jahn will give you more details on the deliveries later on.

- Despite the drop in sales we were able to **increase revenues by 4%** due to pricing and a better sales mix
- I already explained in detail the development of the operating profit and our increased profitability.
- **Earnings after tax** amounted to **876 million euros**, mainly due to the **increased operating profit**.
- Our **positive net cash flow** of **554 million euros** shows that the ŠKODA AUTO Group remains on track financially. Despite the crisis and the supply chain interruptions, we managed to finance investment programmes from our own funds.
- Overall, ŠKODA is in solid shape despite the difficult circumstances.

Although the performance was solid, I'd like to put the results in a broader context by comparing the financial figures to the pre-COVID-19 times.

- In 2021, we indeed had a better operating result and RoS than the previous year.
- But: **Compared to the last “normal” year** (before COVID), **sales** were still **10% down on 2019**. Operating profit was 35 % lower, which means that our **RoS** had **dropped by 2.3 percentage points** due to the issues in the second half of 2021 that I mentioned earlier.

Thanks to our effective countermeasures, we effectively managed our costs, as you can see on the next slide:

Let's take a look at our 2021 investments and R&D costs

### **Investments in tangible assets**

- We invested a total of **782 million euros (4.4% of turnover)**, which is 543 million euros or 40% less than in 2019 and a slight decrease on 2020.

- Despite the reduction due to COVID-19 and semiconductor crises, important investments were made for the future.

Out of the total 782 million euros, an increasing share goes into e-technology and digitalisation as well as in our regional expansion with India at its peak. Skoda is in the lead for the entire VW Group. Within one year we launched in India four new developed vehicles of which 2 under the brand Skoda and another two we developed and launched for our sister Volkswagen in order to increase our footprint in this strategically important market.

## R&D expenditure

- The total R&D of **825 million euros (4.6 % of turnover)** was below 2019 levels but an increase of 113 (16%) million euros over 2020. Also here, the share of BEV vehicles is steadily increasing with various new models in the pipeline.

Our investment spending aligns with our NEXT LEVEL – ŠKODA STRATEGY 2030, which aims to make ŠKODA more **digital and sustainable** and **expand in the regions**, for example, **in India**.

Investments in the future also means to put **ESG high on the agenda**. We will steer investments clearly into the improvement of relevant KPIs.

With the right mindset and prioritisation, ŠKODA is well prepared to steer through the crisis and we make further investments in the crucial future topics of our industry.

We'll now take one last look at 2021 from the perspective of ŠKODA AUTO a.s. as a Czech Company without our subsidiaries. Figures can be seen in more detail in our Annual Report.

- 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 point:
  - The **increase in operating profits on the Group level** as explained is nearly **identical** to the one of **ŠKODA Auto a.s.** – 26.2 billion Czech crowns which means 51%.
  - The reasons for this development are similar to my earlier explanation with regard to the improvements in sales and administrative costs, which enhanced the profitability *on top*

*of the positive effects from FX.*

The financial figures demonstrate that **ŠKODA AUTO a.s.** is a **healthy and steady company**, which is an important prerequisite for the future – especially in these challenging times of multiple crises and the transformation of our industry.

Looking ahead, we have to expect that the last two years of crisis management will continue for the car industry as well as society in general.

COVID-19 and its impact on the supply chain (e.g. semiconductors) had to be managed over the past two years. Although this will continue into 2022, we expect the situation regarding semiconductors to ease in the second half of the year.

The war in Ukraine will have besides the severe humanitarian and political consequences additional heavy impacts on our business.

It is still too early to predict all the effects on the supply chain, material costs and general economic consequences.

What will we do at ŠKODA?

Besides continuing our Next Level Strategy which sets the right lines for the future we need to further increase our cost measures.

The key here will be on **keeping the future in mind but cutting costs wisely at the same time.**

We need to combine our strengths and **work together even more closely** to get through the times of crisis and transformation.

\* NEXT LEVEL EFFICIENCY – PROGRAMME **PLUS**\*

Several cost-oriented programmes used to run in parallel.

This is the reason I decided to **combine** our **cost and efficiency** programmes **into one and increased the ambition level.** It's our 'Simply Clever' approach to streamlining our internal processes and to **realizing** our ambitious **cost targets** quicker.

- Measures from industry benchmarks are included in the programme.
- **All the cost-saving measures are consolidated into four work packages as flows:**



**The first is maximising revenue potential:**

- This involves improving margins and monetizing new businesses (digital products and services, aftersales business and new sales models)

**The second is revolutionizing material costs**

- which involves radical and profitable standardisation, reducing complexity and adding only customer-relevant and value generating items

**The third is optimising production costs**

- This includes assembly in design/ Design to production concepts

**And finally, the fourth is optimising fixed costs and processes**

- As I mentioned earlier, we are very strong in terms of cost discipline. However, we believe there is still potential, and we will do everything to further speed up our processes. Some elements of our crisis management have to be used for future “normal” processes. Under pressure a lot of creativity came to life and needs to be safeguarded for the future.

**Ladies and gentlemen:**

- **Skoda is a strong brand**
- **Under these difficult circumstances, 2021 was a successful year for ŠKODA because of the team’s strong crisis management.**
- **We will continue to improve the robustness of our successful business model and build resilience by our continuous hard work on costs and efficiency**
- **We will use the experience we gained from managing crisis**
- **We will continue to shape our transformation and generate new profit pools during our transformation process of becoming a sustainable and digital company.**

Thank you very much for your attention.

Now, Martin Jahn, the Board member for Sales will present the details on our sales topics and regional priorities.

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