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**Annual Press Conference 2023**

16. 3. 2023

**Klaus Zellmer, Škoda Auto CEO**

Opening Speech

**Welcome to Škoda 2023 Annual Press Conference**

Dobrý den also from me and a warm welcome to Škoda Auto’s 2023 annual press conference.

Just over eight months ago, I joined this amazing company – an internationally successful OEM and one of the longest-established automotive brands worldwide.

For both the Škoda team and myself, these last few months have been exciting and challenging. Together, we’ve achieved a solid result and shaped our future product path in a very tough environment.

The terrible war in Ukraine and the humanitarian catastrophe has impacted us all - personally and economically.

It was clear to us at Škoda that we would do all we could to help people both in Ukraine and those seeking refuge in the Czech Republic.

In addition to the personal engagement of countless Skodians, our company has provided logistical support, rolled out educational and integrational programmes and made important donations in collaboration with the KOVO trade union.

I’m very proud of this clear demonstration of solidarity at Škoda. Thank you to everyone who has helped and continues to do so.

**Consequences of the war on business and countermeasures**

The war has also had a significant impact on Škoda’s economic situation.

Before I share the most important key figures of 2022 with you, I’d like to briefly explain the implications of the war for us.

Within the Volkswagen Group, Škoda was responsible for the management and financial governance of the Russian region in 2022.

As soon as the war broke out, Volkswagen Group Rus suspended production in the country.

Our employees in Kaluga remained employed by us, and their wages were paid throughout the suspension of our business.

As you know, the Volkswagen Group has analyzed various scenarios for the future business options in Russia.

The preferred option is to sell the assets of Volkswagen Group RUS, and thereby also the Kaluga plant, to a third party.

We are in the final stages of finalizing the deal and are expecting to close it rather soon. However, we cannot go into detail before the deal is agreed upon with all parties.

I know you have a lot of questions regarding this situation but please understand that I cannot say more today.

For Škoda, this also means the loss of a sales market. For this reason, we are pushing our internationalization strategy even further and exploit new growth markets. I will go into this in more detail later.

The situation regarding Russia and this step have significantly impacted our financial results and disrupted our supply chain.

Our Ukrainian partners were forced to reduce their output, leading to production stoppages at our sites.

In partnership with the Volkswagen Group, we set up a dedicated Taskforce team to handle this situation optimally.

We are standing by our Ukrainian partners. And in collaboration with them, we managed to duplicate the missing manufacturing capacity of wire harnesses in Europe and North Africa.

We’re grateful that the CKD production of Škoda cars in Ukraine, which is managed by our partner Eurocar, resumed last June at the Solomonovo plant.

**Further challenges and countermeasures**

However, the supply chain situation remains challenging. The shortage of parts and especially semiconductors requires great flexibility and planning every day.

Thanks to a tremendous team effort, we’ve successfully tackled these issues.

For example, we’ve increased our stock levels wherever possible and implemented many operational and strategic measures to improve the semiconductor supply situation – especially through our COMPASS project.

On an operational level, we have redesigned controllers, for example with technical alternatives.

On a strategic level, we’ve focused on effective risk management to mitigate semiconductor shortages in good time.

In addition inflation, energy and raw material prices are affecting us at Škoda as well as our partners and customers.

We’ve adopted technical measures to reduce overall gas and energy consumption, such as optimising the equipment at our metallurgical sites.

**Key financial figures**

Despite these challenges, Škoda is resilient and remains on track – our 2022 key financial figures underline this and reflect the challenging environment.

As always, we distinguish between the results of Škoda Auto a.s. – our brand – and the Škoda Auto Group. The latter includes, among other things, Škoda’s responsibility for the Russian region.

The sales figures I’ll mention now refer to the Škoda brand and the financial figures of the Škoda Auto Group. Christian Schenk will go into further detail on these in a few minutes.

In 2022, we delivered more than 731,300 cars to our customers worldwide.

In light of the war in Ukraine, suspension of vehicle production in Russia, supply bottlenecks, and the semiconductor shortage, this was 16.7% less than the previous year. Overall, this is still a very solid result.

Martin Jahn will give you an overview of our different markets later.

Consolidating Volkswagen Group Russia presented a particular challenge for the Škoda Auto Group. It negatively impacted our financial figures by almost 700 million euros.

Overall, the Škoda Auto Group still achieved an operating profit of 628 million euros in 2022. Considering the circumstances, this is a robust performance.

The effects I just mentioned are also reflected in the return on sales, which remained positive but dropped from 6.1 to 3%.

2022 was a demanding year for all of us. I’d like to sincerely thank all our employees at Škoda and our social partner KOVO for their flexibility and tremendous dedication, which has enabled us to deliver as many vehicles as possible to our customers.

I also want to thank our dealers in all markets worldwide for their commitment and hard work. Many thanks also to our partners and suppliers for their outstanding and flexible teamwork.

And, of course, a huge thank you to our customers for their patience and trust in us. Our full order books speak for themselves.

**General Annual Press Conference background**

Despite all challenges, 2022 was also a year of highlights for us at Škoda and for me personally.

The brand and the entire team inspired me from the very first moment here in Mladá Boleslav and around the globe. With their hands-on approach. With their can-do attitude. And with their exceptional flexibility and creativity.

I’d like to point out a few of the most important milestones we’ve passed.

**New brand identity**

Dear guests, after taking a look at the key figures and crucial milestones of 2022, let’s take a deeper dive into our most important projects.

With our new brand identity, we’re directly linking our brand’s great heritage to the future of mobility.

This step represents the most radical change to our corporate identity in the last 30 years.

The new CI is gradually being rolled out across all platforms; from this year on, it will also start appearing on our newly launched models.

Our new, spacious family concept car here on my left offers a good impression of our new design approach for Contemporary Explorers. There’s much more in the pipeline, and I’m excited about what’s in store!

**Accelerated e-campaign**

In 2022, we also revealed plans to step up our e-campaign.

We’ll be launching an additional three new all-electric models by 2026 to meet all customer needs in the small, compact and large segments. And we have plans for even more!

We’re also investing in a strong future: We’ll be spending 5.6 billion euros on further developing e-mobility and 700 million euros on digitalisation by 2027. In doing so, we’re setting Škoda up for a progressive and sustainable future.

We’re delighted about the positive reception of our first EV family. The Enyaq iV has got off to an excellent start, and the variants are very popular among customers.

In 2022, we delivered 53,700 Enyaqs. That’s an increase of 20% compared to 2021. A great success – especially against the backdrop of supply chain issues.

But we don’t just produce EVs; as part of the Volkswagen Group, we also make battery systems for vehicles based on the Group’s Modular Electrification Toolkit (MEB) here in Mladá Boleslav.

This is the only European site outside Germany where battery systems for MEB vehicles are manufactured. This year, we’ll be adding another assembly line – raising the total capacity to 1,500 battery systems a day.

**Global footprint – India**

From the Czech Republic over to India – one of our top 3 markets worldwide and a linchpin of our internationalisation strategy.

Škoda’s recent development in the country has been a great success story.

We’ve been leading the VW Group’s activities in the market since 2019.

And last year, we outperformed the market, gaining market shares and reaching all-time highs. In total, we delivered 51,900 cars to our customers there. That’s up almost 128%.

India has become one of our most important markets – driven by the success of our locally developed and built Kushaq and Slavia models that cater to the needs of customers in India and beyond.

But who could highlight the importance of – and our performance in – the market better than Piyush Arora himself, Managing Director and CEO of Škoda Auto Volkswagen India.

**General APC background**

Thank you, Piyush, for your insights into this crucial market.

And you briefly mentioned another important market for us: Vietnam.

Dear guests, let me give you a short overview of this additional internationalization milestone of 2022. And: There’s even more to come, but I’ll return to that later.

**Global footprint – Vietnam**

Last year, we also announced our entry into the Vietnamese market. Its geographical proximity to India provides great synergy effects that we’re going to leverage.

Vietnam is the fourth-largest automotive market in Southeast Asia, with huge growth potential. We expect the total annual market volume to increase to around one million vehicles after 2030.

That’s why we’ll be offering our European models as of this year. In 2024, we’re launching the CKD production of our Kushaq and Slavia models there in close collaboration with our local partner Thanh Cong Motor Vietnam.

For all markets in Europe, Asia and beyond: Our customers are key to us. That’s why we are continuously strengthening our customer centricity, improving software and reducing our environmental footprint.

**Sustainability**

Škoda has always been green – with its signature colours and deep-rooted passion for sustainability. This is an integral part of our corporate DNA. That’s also why we’re merging our sustainability and financial reports from 2024.

And of course, we’re also supporting this approach with a clear strategy and specific projects at Škoda – for example through Green Production and Green Products.

Our overarching goal is to operate with net-zero carbon emissions by the end of the decade. Because e-mobility needs green energy – not only in the batteries of our EVs but also at our production sites.

And we’re on track. Our Czech plant in Vrchlabí achieved CO2 neutrality back in 2020. Our other two plants in the Czech Republic and our Indian plants will follow suit by the end of the decade.

The share of renewable energies at our Czech sites already increased to around 35% in 2022.

At our plant in Pune, we recently commissioned one of the country’s largest rooftop solar power systems in the automotive industry.

With an output of 26.6 million kWh per year, we’re generating up to 30% of the plant’s total energy consumption in-house.

We use resources carefully across our production. The Škoda Group reduced its environmental impact per car on average by over 43% compared to 2010 – from energy and water consumption, CO2 emissions and waste production to VOC emissions.

And we’ll continue to hone our eco-friendliness in the future.

By 2030, we aim to have reduced our fleet emissions by more than 50% compared to 2020.

How will we do that? By drawing on the best of both worlds – ICEs and EVs – throughout our transformation phase.

We’re consistently optimising our modern and efficient ICE models.

And as I mentioned at the beginning, we’ll be introducing three new all-electric vehicles by 2026. And by 2030, we’re aiming for a share of all-electric models in Europe of over 70%.

**Next Level Strategy**

Dear guests,

With our Next Level – Škoda Strategy 2030, we set ourselves clear targets in 2021 towards sustainable growth, exploring new sales regions and electrification.

In 2022, Škoda made great progress in implementing this strategy – despite the difficult market environment.

Our sales revenue rose to 21 billion euros. We’re successfully strengthening our position in India and Southeast Asia. And there are three exciting new EVs on the way before 2026.

I’m convinced that our brand will attract even more people over the coming years, thanks to our powerful new design language as well as strong and efficient products.

By continuing this path, we’ll provide our customers with genuine added value, surprising Simply Clever features and simple, intuitive operation.

And now, I’d like to hand over to our CFO Christian Schenk, who will present our detailed financial figures.

Thank you.