

ŠKODA AUTO Annual Press Conference

Mladá Boleslav, 21/03/2018

Speech by Mr Klaus-Dieter Schürmann

Board Member for Finance and IT

- The spoken word prevails -

Speech manuscript for Mr Klaus-Dieter Schürmann

ŠKODA AUTO a.s., 2018 Annual Press Conference

21 March 2018

Ladies and Gentlemen,

I would also like to offer you a warm welcome to our Annual Press Conference. During the next few minutes, I will inform you about last year's key financial figures.

Slide: 'Financial highlights 2017'

Mr Maier has already mentioned this in his introduction: in 2017, ŠKODA AUTO delivered over 1.2 million vehicles to customers and set yet another sales record. A great performance from all our employees and our retail partners! The sales record has also led to a new record high in terms of sales revenue and operating profit. It is therefore no surprise that net cash flow is also at a new record level.

Slide: 'Operating profit of 1.61 billion'

As has already been said, another record was set in 2017 – a profit of 1.61 billion euros, the best in the company's history! Ladies and Gentlemen, let me now briefly summarise the key figures for ŠKODA AUTO Group from the 2017 financial year. These figures are communicated in our press releases and are given in euros.

Slide: 'Key figures for ŠKODA AUTO Group'

Global deliveries to customers, including China – as mentioned by Bernhard Maier – increased by 6.6% compared to the previous year.

Aside from royalties, sales revenue and profit resulting from business in China are not recorded in the ŠKODA subgroup. For this reason, I am again showing you deliveries excluding China here – which amounted to a total of 876,000 vehicles in 2017, that's 8.2% more than in 2016. Based on these 876,000 vehicles, ŠKODA AUTO also achieved a new record sales revenue of just under 16.6 billion euros. This is 20.8% more than in the previous year.

The operating profit of 1.611 billion euros considerably exceeded that of 2016 – by 34.6%, in fact. This disproportionate increase in sales revenue of 20.8%, compared to the increase in deliveries to customers (excluding China) of 8.2%, and then in turn the disproportionate increase of the operating result of 34.6% can mainly be attributed to the successful launch of our ŠKODA KODIAQ model – for which 2017 was the first whole year it was fully available – and thus the start of our SUV strategy.

Slide: 'Key figures ŠKODA AUTO a.s.'

For our Czech guests, I would now like to outline a few key figures from the annual report of the individual company ŠKODA AUTO a.s.. Sales revenue increased to over 407 billion Czech korunas – nearly 60 billion more than in 2016. In 2017, the operating result increased to 40.53 billion Czech korunas – an increase of almost 10 billion korunas.

Profit before tax amounted to 39.1 billion korunas, compared to 30.8 billion korunas the previous year. In 2016, income tax liability was almost 5.7 billion korunas – in 2017 we expect this to increase by almost 1.6 billion korunas to approximately 7.3 billion korunas. This represents an increase of 28.1%. Profit after income tax was 31.8 billion korunas – an increase of 6.7 billion korunas.

Slide: 'Operating profit'

This positive development in operating profit compared to the previous year was primarily driven by an increase in vehicle sales, running our plants at a very high capacity as a result, improved mixes as mentioned – in particular through our ŠKODA KODIAQ – and optimised product costs. It is important to highlight that past investments in our SUV portfolio are now paying off.

It should be emphasised that rigorous cost and efficiency management continues to have high priority at ŠKODA AUTO.

Higher depreciation on investments made in the last few years and increased labour costs, including a higher performance bonus for all employees, have negatively affected the results.

Slide: 'Return on sales and return on investment'

ŠKODA AUTO's high profitability is also reflected in the profit margin that has been achieved: in 2017, a return on sales of 9.7% was reached, representing an improvement of 1 percentage point. We were able to increase the return on investment from 26% in 2016 to 34% in 2017.

This increase can primarily be attributed to the higher operating profit. In summary: ŠKODA AUTO continues to be a truly healthy company which operates in a profitable manner. With this, ŠKODA AUTO is positioned at the top end amongst the competitors within the European automotive industry, demonstrating its high profitability.

Ladies and Gentlemen, I will now briefly cover investments in tangible assets and development costs.

Slide: 'Financial key figures I'

Last year, ŠKODA AUTO continued to rigorously implement its investment campaign, once again making significant investments in its Czech plants and future products, most notably in the expansion of the SUV range.

In 2017, we invested 733 million euros – 34% more than in 2016. This clearly shows that we are continuing to adhere to the refurbishment and expansion of our Czech plants as well as our model range, and that we are driving this forward at full force. Development costs have even increased by 52% and amounted to 585 million euros in 2017. This is a clear sign that we are preparing intensively for the major technological changes of the coming years. We have spent, and will continue to spend, considerably more money in particular on the development of electromobility and digitalisation. We are thereby continuing to contribute to the development of the automotive industry in the Czech Republic.

Our decision from last year to also manufacture using state-of-the-art MEB platform technology in the future is evidence of our long-lasting commitment to our Czech plants.

Slide: 'Development of operating profit / NCF'

Moving on to cash flow: Just like the development of the operating profit (left), cash flow has also substantially improved since 2013. This is a notable increase in light of global market conditions which have been volatile in parts.

Net cash flow is defined as the cash flow after investments and tax payments have been deducted.

Ladies and Gentlemen,
allow me to briefly summarise the 2017 financial year.

Slide: 'Summary'

Despite a competitive environment that is in parts highly challenging, we can look back at the most successful financial year in our company's history.

ŠKODA AUTO achieved historic record figures both in terms of deliveries to customers as well as revenues.

We were able to increase the operating profit to 1,611 million euros – a record figure for the company. With a return on sales of 9.7% and a return on investment of 34.2%, ŠKODA AUTO is also at a very high level – even when compared with the industry around the world.

Despite high investments and development costs once again, net cash flow reached 1.37 billion euros, also surpassing last year's figure.

Thank you for listening. I'll now pass you on to my fellow Board Member Bohdan Wojnar. Thank you very much!