Development and Perspectives of ŠKODA

WINFRIED KRAUSE

Board Member for Commercial Affairs (CFO)

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Agenda

The history of the ŠKODA Group

Continuous development of the brand ŠKODA

Development of relevant markets and sales volume

Financial performance and outlook
ŠKODA AUTO - one of the longest established car companies in the world

1905 - the first car from Mladá Boleslav: the Voiturette A

ŠKODA 860 (1932)
The development of ŠKODA as a brand of the Volkswagen Group

Why did Volkswagen invest in the Czech Republic?

– The Czech government was looking for a strategic partner to establish a joint venture
– Good short and medium-term growth expectations of car markets in the CEE area
– Production of technologically advanced cars at a already established low-cost location
– High educational standards and technical competencies of ŠKODA employees

Development of the Volkswagen Group's share in ŠKODA’s equity
[rounded]

<table>
<thead>
<tr>
<th>Year</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>30 %</td>
</tr>
<tr>
<td>1994</td>
<td>60 %</td>
</tr>
<tr>
<td>1995</td>
<td>70 %</td>
</tr>
<tr>
<td>2000</td>
<td>100 %</td>
</tr>
</tbody>
</table>
Agenda

The history of the ŠKODA Group

Continuous development of the brand ŠKODA

Development of relevant markets and sales volume

Financial performance and outlook
**Development of the ŠKODA product portfolio - 2005**

<table>
<thead>
<tr>
<th>Year</th>
<th>Liftback/Sedan</th>
<th>Hatchback</th>
<th>MPV</th>
<th>SUV</th>
<th>Estate</th>
<th>Model series</th>
</tr>
</thead>
</table>
| 2005 | Fabia Sedan    | Fabia     |     |     | Fabia Combi | - Fabia  
- Octavia  
- Superb |
|      | Superb         |           |     |     | Octavia II Combi |            |
| 2010 | Octavia II     |           |     |     |         |              |
| 2015 |                |           |     |     |         |              |
Development of the ŠKODA product portfolio - 2010

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2010</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liftback/sedan</td>
<td>Octavia II</td>
<td>Superb</td>
<td>Model series</td>
</tr>
<tr>
<td>Hatchback</td>
<td></td>
<td>Fabia II</td>
<td>- Fabia</td>
</tr>
<tr>
<td>MPV</td>
<td>Roomster</td>
<td></td>
<td>- Roomster</td>
</tr>
<tr>
<td>Estate</td>
<td>Octavia II Combi</td>
<td>Fabia II Combi</td>
<td>- Octavia</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Superb II Combi</td>
<td>- Yeti</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Superb</td>
</tr>
</tbody>
</table>

Model series:
- Fabia
- Roomster
- Octavia
- Yeti
- Superb
## Development of the ŠKODA product portfolio - 2015

<table>
<thead>
<tr>
<th>Year</th>
<th>Liftback/Sedan</th>
<th>Hatchback</th>
<th>MPV</th>
<th>SUV</th>
<th>Estate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>Fabia Sedan</td>
<td>Fabia</td>
<td>Roomster</td>
<td>Yeti Outdoor / „City“</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>Superb</td>
<td>Rapid</td>
<td>„Roomster II“</td>
<td>Yeti Outdoor / „City“</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>Superb III</td>
<td>Fabia III</td>
<td>„Roomster II“</td>
<td>Yeti Outdoor / „City“</td>
<td></td>
</tr>
</tbody>
</table>

### Model series
- Citigo
- Fabia
- Rapid
- Roomster
- Octavia
- Yeti
- Superb

**Summary**

- 7 Model series
- 2005 to 2015 product lineup progression
- New models introduced:
  - Citigo
  - Rapid Spaceback
  - Fabia III
  - Octavia III
  - Superb III
Development of the ŠKODA product portfolio

Systematic development of product portfolio

<table>
<thead>
<tr>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014 etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>functional</td>
<td>robust</td>
<td>diversified</td>
<td>emotional</td>
<td>global</td>
</tr>
</tbody>
</table>

Citigo
Fabia / Fabia Combi
Roomster
Rapid family
Octavia / Octavia Combi
Superb / Superb Combi

SUV-Lineup:
Yeti
A-Plus SUV

Monte Carlo
Spaceback
RS
Scout

Tradition of the brand
ŠKODA AUTO – Production sites

Czech Republic
- Mladá Boleslav
- Kvasiny
- Vrchlabí

Russia
- Kaluga
- Nižnij Novgorod

Kazakhstan
- Ust-Kamenogorsk

Slovakia
- Bratislava

Ukraine
- Solomonovo

China
- Shanghai
- Yizheng
- Ningbo

India
- Aurangabad
- Pune
ŠKODA AUTO – Production of cars in the Czech Republic

**Mladá Boleslav**

<table>
<thead>
<tr>
<th>Year</th>
<th>1,000 Cars</th>
<th>+33 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>373</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>411</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>335</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>384</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>430</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>494</td>
<td></td>
</tr>
</tbody>
</table>

**Kvasiny**

<table>
<thead>
<tr>
<th>Year</th>
<th>1,000 Cars</th>
<th>+685 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>96</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>94</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>142</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>153</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>166</td>
<td></td>
</tr>
</tbody>
</table>

**Vrchlabí**

<table>
<thead>
<tr>
<th>Year</th>
<th>1,000 Cars</th>
<th>-27 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>92</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>95</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>71</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>71</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>67</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>71</td>
<td></td>
</tr>
</tbody>
</table>

**Total production in CZ**

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2007</th>
<th>2009</th>
<th>2011</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>485</td>
<td>602</td>
<td>501</td>
<td>596</td>
<td>583</td>
<td>660</td>
</tr>
</tbody>
</table>

Model Changes:
- Mladá Boleslav: Fabia, Rapid SB, Rapid Lim., SEAT Toledo, Octavia (+3)
- Kvasiny: Roomster, Yeti, Superb (+2)
- Vrchlabí: SEAT Toledo, Yeti, Superb (+36)

End of car production:
- 2014

Start of gearbox production:
- 2013

End of car production:
- 2014

Start of gearbox production:
- 2013
ŠKODA AUTO – Production of gearboxes and engines in the Czech Republic

**Mladá Boleslav**

- **000 Gearboxes**
  - 2005: 407
  - 2007: 519
  - 2009: 571
  - 2011: 621
  - 2013: 615
  - 2014: 648

  +59% increase

- **000 Engines**
  - 2005: 373
  - 2007: 411
  - 2009: 335
  - 2011: 384
  - 2013: 430
  - 2014: 494

  +33% increase

**Vrchlabí (only gearboxes)**

- **MQ/SQ100**
  - 2012: 10
  - 2013: 202
  - 2014: 354

- **MQ200**
  - 2012: 202
  - 2013: 354
  - 2014: 354

- **DQ200**
  - 2012: 10
  - 2013: 202
  - 2014: 354

**Engines**

- **EA111/211**
  - 1.0/1.2 MPI
  - 2005: 373
  - 2007: 411
  - 2009: 335
  - 2011: 384
  - 2013: 430
  - 2014: 494

- **EA111/211**
  - 1.6 MPI

- **EA211**
  - 1.2/1.4 TSI

- **EA211**
  - 1.6 MPI
ŠKODA - Positioning within the Volkswagen Group

Positioning focus

- **Audi** - progressive prestige for the innovation seekers
- **Volkswagen** - mainstream mobility for the upmarket drivers
- **ŠKODA** - functional and roomy cars for the product-value focussed audience
- **SEAT** - sporty and stylish - for the young and young-in-mind driver
ŠKODA growth strategy – Profitability and financial strength as a core element!

- Sales of >1.5 m vehicles by 2018, concentrating on EU and RIC markets
- Top employer with international talent pool
- Profitability and financial strength
- Strategic "spearhead" focused on price/value, practicality and spaciousness

Year 2010

>1.5 million ŠKODA cars
Agenda

The history of the ŠKODA Group

Continuous development of the brand ŠKODA

Development of relevant markets and sales volume

Financial performance and outlook
ŠKODA – Western Europe and China are the most important markets!
[Deliveries to customers, January-December 2014]

Total 2014: 1,037 k

- Russia: ~84,000
- China: ~281,000
  [Memo: China JV consolidated at Equity in the Financial Result of the Volkswagen Group]
- Western Europe: ~413,000
- Central / Eastern Europe: ~185,000
- India: ~16,000
- All others: ~55,000
Car markets: Sharp market decline in Western Europe since 2007 - Improved market shares!

[Definition: Austria, Belgium, Canary Islands, Cyprus, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Malta, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK]

Market development

Deliveries to customers & market share
Car markets: Market share in Central Europe on a high level!

[Definition: Croatia, Czech Republic, Hungary, Poland, Slovakia, Slovenia]

Market development

Deliveries to customers & market share

Total market development [in million cars]

Deliveries to customers [in thousand cars, left scale]

Market share [in %, right scale]
Car markets: Market shares in Eastern Europe (incl. Russia) on a good level

[Definition: Belarus, Bosnia, Bulgaria, Estonia, Kazakhstan, Latvia, Lithuania, Moldova, Romania, Serbia, Russia, Ukraine, Rest of Middle Asia, Rest of South-East Europe]
Car Markets: China – A market of growing importance to ŠKODA!

**Market development**

- **Total market development (in million cars):**
  - 2007: 5.1
  - 2010: 11.4
  - 2014: 17.8

- Market development:
  - 2007: +56%

**Deliveries to customers & market share**

- **Deliveries to customers (in thousand cars, left scale):**
  - 2007: 27
  - 2008: 59
  - 2009: 123
  - 2010: 181
  - 2011: 220
  - 2012: 236
  - 2013: 227
  - 2014: 281

- **Market share (in %, right scale):**
  - 2007: 0.5%
  - 2008: 1.1%
  - 2009: 1.4%
  - 2010: 1.6%
  - 2011: 1.8%
  - 2012: 1.7%
  - 2013: 1.4%
  - 2014: 1.6%

- „Transition year“ with many production launches

**Total market development**

- In million cars
Having surpassed the 1 million deliveries level in 2014 our focus is on the next target

[In thousand cars]

Deliveries to customers more than doubled between 2005 and 2014!
Agenda

The history of the ŠKODA Group

Continuous development of the brand ŠKODA

Development of relevant markets and sales volume

Financial performance and outlook
ŠKODA’s model offensive

[Main models]

NEW = New or completely revised car

- Spaceback (NEW)
- Yeti
- Octavia RS (NEW)
- Fabia Combi (NEW)
- Citigo (NEW)
- Superb (Lim+Combi)
- Fabia (NEW)
- Superb Combi (NEW)
- Rapid India (NEW)
- Rapid EU (NEW)
- Octavia (Lim+Combi) (NEW)
- Octavia Scout (NEW)
- Superb (NEW)


New SUV
Sustainable success secured through the roll-out of modular toolkits

ŠKODA products based on the MQB platform

- Superb Combi
- Superb
- Octavia Combi
- Octavia

Roll-out of the MQB platform in the future on other models (e.g. A Plus SUV, etc.)

MQB production share of total production volumes

2013
2014
2016

Volkswagen Group

1) Including China; the Chinese share in the global MQB volume amounted to around one fifth in 2014 and is expected to increase to more than one third in 2018.
Development of model range and investments

Model range

- **New car series**
  - Rapid Spaceback
  - Rapid
  - Citigo
  - Superb Combi
  - Superb
  - Octavia Combi
  - Octavia
  - Fabia Combi
  - Fabia
  - Yeti

- **Completely revised**

- **Facelift**

Investments

- Capital expenditure [in € m, left scale]
- Capex ratio [in % of sales revenue, right scale]
Development of net cash flow - Investments fully self financed

(€ million)

Cash flow

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>336</td>
</tr>
<tr>
<td>2007</td>
<td>516</td>
</tr>
<tr>
<td>2009</td>
<td>512</td>
</tr>
<tr>
<td>2011</td>
<td>489</td>
</tr>
<tr>
<td>2012</td>
<td>-89</td>
</tr>
<tr>
<td>2013</td>
<td>339</td>
</tr>
<tr>
<td>2014</td>
<td>840</td>
</tr>
</tbody>
</table>
Return on sales on a high level

(€ million)

Operating result & return on sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Result</th>
<th>Return on Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>325</td>
<td>5.2%</td>
</tr>
<tr>
<td>2007</td>
<td>712</td>
<td>8.9%</td>
</tr>
<tr>
<td>2009</td>
<td>203</td>
<td>2.9%</td>
</tr>
<tr>
<td>2011</td>
<td>743</td>
<td>7.2%</td>
</tr>
<tr>
<td>2012</td>
<td>712</td>
<td>6.8%</td>
</tr>
<tr>
<td>2013</td>
<td>522</td>
<td>5.1%</td>
</tr>
<tr>
<td>2014</td>
<td>817</td>
<td>7.0%</td>
</tr>
</tbody>
</table>
ŠKODA record: More than 350 thousand deliveries to customers within the first four months of 2015!

(in '000 units, Jan. - Apr. 2015 vs. 2014)
### Key figures - January to March
(€ million; ’000 units)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deliveries to customers</strong> (incl. China)</td>
<td>247</td>
<td>265</td>
<td>+7.2</td>
</tr>
<tr>
<td>Deliveries to customers (excl. China)</td>
<td>185</td>
<td>193</td>
<td>+4.5</td>
</tr>
<tr>
<td><strong>Sales revenue</strong></td>
<td>2,986</td>
<td>3,175</td>
<td>+6.3</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>185</td>
<td>242</td>
<td>+30.9</td>
</tr>
<tr>
<td><strong>Return on Sales</strong></td>
<td>6.2</td>
<td>7.6</td>
<td>+7.4*</td>
</tr>
</tbody>
</table>

*Note: Change in % corresponds to percentage points*
Operating profit
Reconciliation January - March 2015 to 2014 (€ million)

Q1/2014: 185
Q1/2015: 242

+31% increase

Positive effects from:
- Higher volume
- Better mix (Octavia)
- MQB

Negative effects from:
- Higher depreciation
The automotive industry is changing significantly...

- New technologies have to be developed much more quickly
- Customer preferences and their attitudes towards cars are changing
- More legislative regulations (CO$_2$) require higher investments and new car concepts
...therefore we will make ŠKODA fit for the future in current good times:

Project “High Performance Organisation”

| A simplified organisational structure and quicker decision-making processes have been introduced | Agility of the organisation |
| Redesigned career paths / new development opportunities for employees | Career paths and performance |
| Deep analysis of core / non core activities | Efficiency of the core business |
| Intelligent administration by less bureaucracy and more intelligent IT tools | Intelligent administration |

modern   | agile    | flexible
Summary

- ŠKODA ... continuously improved and expanded its product program!
- ŠKODA ... financed all investments from its own cash flow!
- ŠKODA ... is a highly profitable company with return on sales at the upper level of the volume segment in Europe!
- ŠKODA ... aims to achieve >1.5 m deliveries to customers
Thank you.