

ŠKODA AUTO Annual Press Conference

Mladá Boleslav, 20 March 2019

Speech by Mr Bohdan Wojnar

Board Member for HR Management

- The spoken word prevails. -

Script for Bohdan Wojnar's speech

ŠKODA AUTO a.s. Annual Press Conference 2019

20 March 2019

Slide: 'Intro'

Ladies and Gentlemen, dear Guests,

I would also like to extend a warm welcome to all of you attending this ŠKODA AUTO Annual Press Conference!

The HR Management Division had a really **challenging but successful year**. It was dominated by our **increasing headcount, a campaign regarding the social infrastructure** for our staff and the **progressing change of the company itself** – in regards to social responsibility, the transition to a digital organisation and the development of its corporate culture. These are exactly the topics I would like to cover in the next few minutes.

Slide: 'ŠKODA AUTO Group: growing headcount'

The **ŠKODA AUTO Group reached record-breaking employment levels in 2018**. Compared to 2017, the **Group's headcount, including temporary staff, increased by 6%**. This increase primarily occurred in the Czech Republic and was realised in strategic areas such as the expansion of Technical Development, the INDIA 2.0 project and digital competences. In January 2019, ŠKODA assumed responsibility for the India region for Volkswagen Group, which has led to a further increase in the headcount at the ŠKODA AUTO Group to **almost 42,000 people**, including temporary staff.

Our employees are an important pillar of the company's success. On behalf of the entire Board, I would like to thank all employees at ŠKODA AUTO for their work.

Slide: 'Development of wages'

At our Annual Press Conference one year ago, we said that for 2018 we expected a higher growth than we had had in 2017. 2018 was a special year that featured a record-breaking increase in employee wage brackets as well as substantial increases

to additional allowances and variable bonuses. The average monthly wage for staff in production reached **46,357 Czech korunas** in 2018, which is a **14% increase compared to 2017** and a 25% increase compared to 2016. As a result of the 2018 tariff increases, the positions are clearly comparable to other V4 countries, the differences between them now being minimal.

We are currently in the collective bargaining phase again. Against the backdrop of the current situation in the automotive industry as well as the pressure regarding costs and investments, which are primarily the result of legal changes and regulatory measures, it is clear that **we cannot afford a result similar to that of 2018 in this year's collective bargaining.**

Together we must continue to look for ways in which we can **ensure competitiveness and flexibility**, and in which we can prepare ourselves for the future. **The aim is to find a sensible balance – with regard to our staff and the economic stability of the entire company.**

Slide: 'Social infrastructure'

2018 was also a record-breaking year in terms of developing the social infrastructure at our plants. Here, we **invested more than 17 million euros in addition to our regular activities.**

We now have, for example, the new staff restaurant in Kvasiny, new and refurbished kiosks, extended parking areas with 760 new spaces and refurbished staff changing rooms. We are going to continue developing our social infrastructure in 2019 as well.

Slide: 'Company transformation'

The megatrends in the automotive industry – the new outlook on individual mobility – are not only changing the product range, but also the company itself.

Like our corporate strategy, we must also develop our corporate culture. Every company has its own corporate culture. If it is exemplified well, it has a positive effect not only on the workforce but also on the customers. The corporate culture needs to respond to the trends of the current generation.

In the area of digitalisation, our aim is to provide both our customers and our employees with easy, interactive access to the required information – at any time and on any device.

As part of this company transformation, we also aim to **assume more responsibility even beyond our production locations.** In 2018 we launched the '*Bezpečný pátek*' ('safe Friday') campaign in order to raise awareness among and train municipalities for the topic of 'safe driving'. In addition, as part of other projects we also support technical training, barrier-free mobility, health care and childcare.

Slide: 'Our responsibility does not end at the gates'

The 'TOP Responsible Corporation 2018' award ('*TOP odpovědná velká firma 2018*') proves that our 'ŠKODA Future' sustainability strategy meets the strictest criteria. This award recognises companies that are committed to responsible entrepreneurship, the reduction of environmental impact and the promotion of community and social activities.

In collaboration with its partners, ŠKODA AUTO is also actively involved in the development of the regions where the company is active. **We are increasing our regional responsibility.** The main focus is on infrastructure development, technical education, road safety, environmental protection, barrier-free mobility and community projects. To achieve these goals, the **ŠKODA AUTO Endowment Fund with a capital of 30 million euros was set up for investments to be made in the regions surrounding our Czech plants**, in particular in the Mladá Boleslav region over the next three years. Within the framework of this endowment fund, **all relevant stakeholders are working on sustainably increasing the appeal of the region in the long term.** Together with employees and the region's inhabitants we want to create an environment that ensures the **the region develops further and the quality of life improves for the citizens.** Recently, a phase of the '10 weeks for the Mladá Boleslav region' ('*10 týdnů pro Nové Boleslavsko*') project was completed in which both employees and residents could submit their ideas to increase the appeal of the region. A total of more than 2,300 ideas were submitted, which are currently being evaluated.

We are literally facing a tsunami of fundamental changes. 2019 will be dominated by greater response to the industry-wide change. The traditional concept of a car that is built around a combustion engine and requires a driver who is completely focused on driving will change in the near future.

The automotive industry can offer substantial added value and ŠKODA AUTO has the potential to become a driver of these innovations not only in the Czech Republic, but also all over Europe.

However, the coming changes are so massive and the requirements from EU legislation so comprehensive that efficient collaboration is needed – among the entire industrial sector, politicians as well as key institutions in the national administration and the authorities.

At already the second colloquium that took place two days ago at ŠKODA AUTO, we therefore discussed – together with the government of the Czech Republic, representatives from the Association of the Automotive Industry and further partners – the conditions that are key to the sustainable development and competitiveness of the Czech automotive industry.

We all agree that it is our common goal to provide citizens with **affordable, sustainable and clever mobility**. We want to turn the challenges facing the automotive industry into an opportunity to change our industry.

Slide: 'Digitalisation'

ŠKODA AUTO is one of the leading IT companies in the Czech Republic. The expansion of the Mladá Boleslav data centre into what is now the Czech Republic's biggest corporate computing and data centre, as well as the brand's position as the fifth most attractive employer in the IT industry are proof of this.

Due to the latest trends in the automotive industry, data is now as important as crude oil has been so far. The key to an automotive industry producing autonomously driving cars is a 5G network that is going to significantly increase data transmission speed. This is enormously important in view of the volumes of data being transmitted. The latest reports estimate that, every day, autonomous vehicles will generate terabytes not gigabytes of data, and this data will have to be stored somewhere.

The expansion of our data centre equally confirms that ŠKODA AUTO has long been not just a traditional car manufacturer, but has also been changing step by step into a Simply Clever company for the best individual mobility solutions.

Slide: 'Corporate culture development'

We have to face these new challenges today, and we will have to deal with them ever more frequently in the future. This also requires a suitable corporate culture and respective values. The corporate culture cannot work unless it is built on the foundations of our actions, our strategy and our brand values.

Therefore, our focus in 2018 was on topics such as integrity, compliance and management models. It is about our ways of thinking, our actions, our attitudes and our behaviour.

And this is exactly the focus of the Together4Integrity programme. Its aim is to promote a high level of integrity and compliance and, in doing so, focus on company culture and value-oriented principles. Compliance with company policy will allow us to maintain our good reputation, ensure business success and, last but not least, safeguard jobs. And that is exactly why we consider this topic so important.

Dear Guests,

ŠKODA boasts **good utilised capacity** and a record-breaking headcount.

The company is transforming in response to the new era of mobility.

We are investing in the development of the social structure for our employees while assuming more responsibility for regional development.

We are digitalising the company step by step.

I firmly believe that **we will continue to build on the foundations of mutual cooperation and social dialogue**, and that we will continue to make **good use of the opportunities offered by the current changes in the automotive industry**.

Thank you for listening!