



Future of Automotive Industry in Europe ŠKODA AUTO & Impact of EU Legislation

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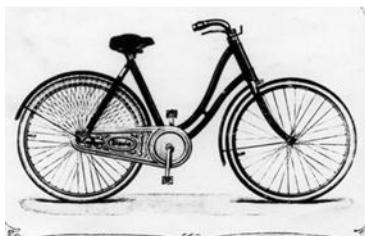


History of ŠKODA AUTO

Milestones

1895

Foundation of Laurin & Klement (Bicycles and Motorbikes)



1925

Merger with Škoda Plzeň



1905

Commencement of car production



1991

Joint Venture with Volkswagen



Forman

2012/2013

New products in portfolio



Rapid



Citigo 5D



Superb



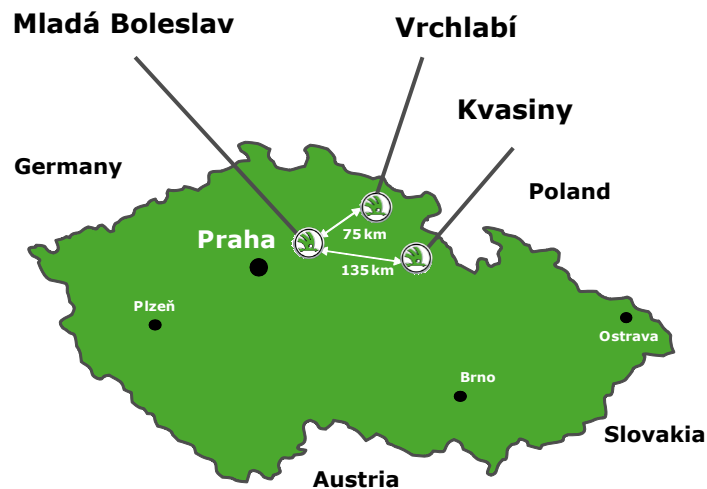
New Octavia



International brand with roots in the Czech Republic

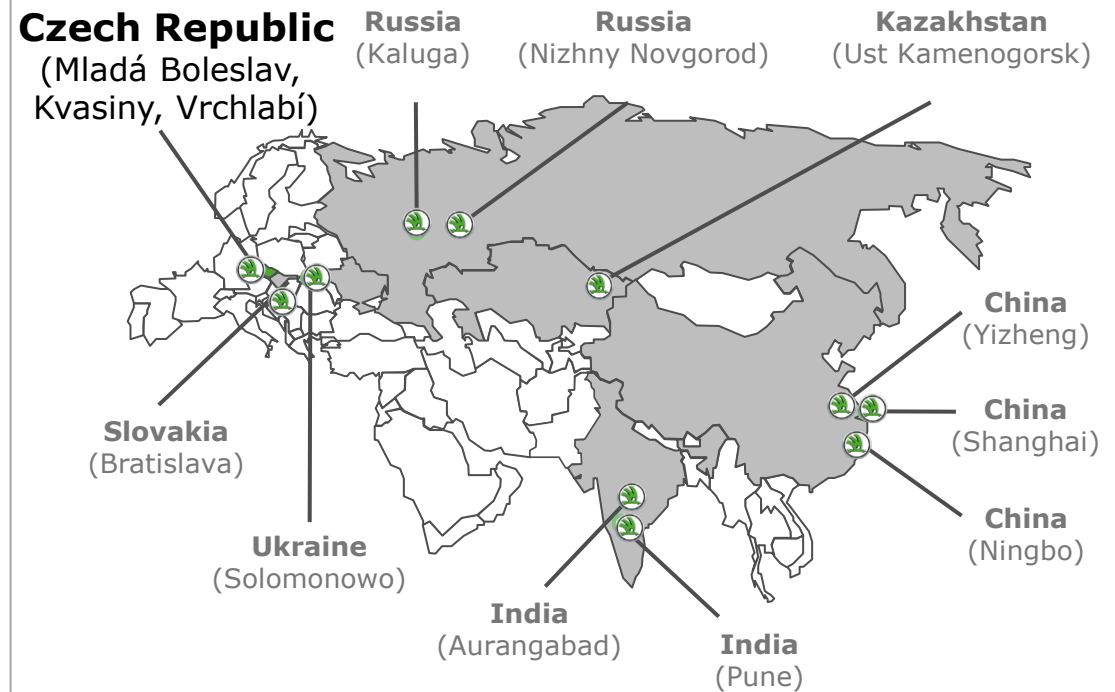
13 production places in 7 countries

1991



Home country production

2012

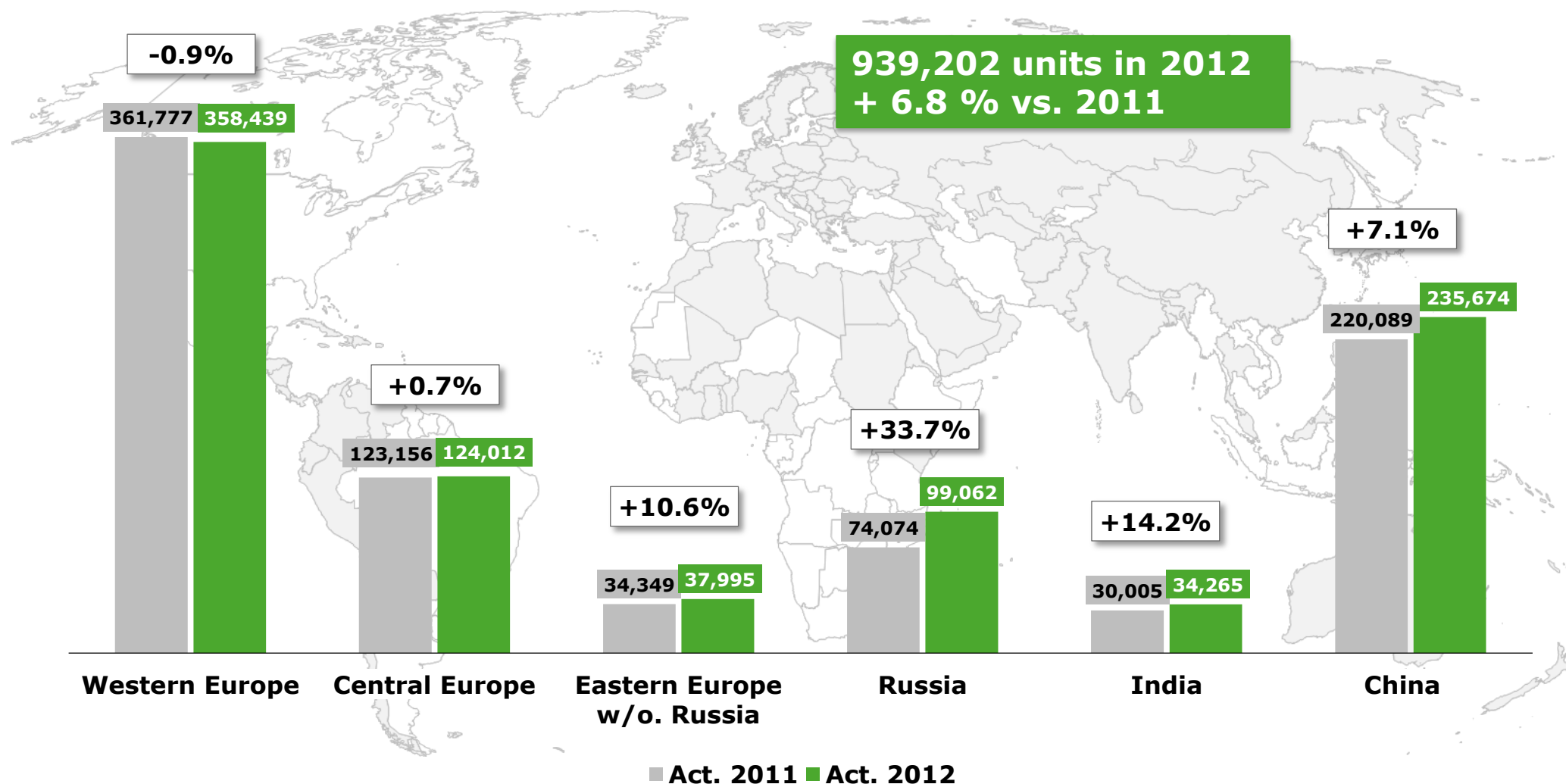


World production



ŠKODA AUTO Deliveries to Customers 2011/2012

Passenger cars by regions





Latest additions to ŠKODA AUTO family

Refreshed ŠKODA SUPERB (Shanghai)



New generation of ŠKODA OCTAVIA





Role of ŠKODA AUTO in the Czech Republic

Impact on CZ economy

- The biggest private company
- Approx. 4 % share on GDP
- Approx. 8 % share on export (automotive industry 20%)

Operating profit

**712 million
euro**

Revenues

**10.4 billion
euro**



Other key factors:

- Largest private investor in R&D and innovation in the CEE region (450 mil euro in 2012)
- Co-operation with all CZ universities & 20+ international universities
- Highly prized Czech traditional brand
- Setting trends in various fields = accountability



ŠKODA AUTO as attractive employer

Most Admired CZ Company
Workplace for employees 50+ (2nd in EU)
Trendence Inst. - Graduates (3rd place)
Employer of the Decade

28,383
employees
around the
world



We have a true „ŠKODA FAMILY“

- **Whole families work at ŠKODA**
- **Employees from 40 countries**



ŠKODA AUTO - Educational system

Vocational School

- › Over 1000 students
- › Courses based on ŠKODA needs/industry needs
- › Theoretical and practical education
- › Free

University

- › Sole private business university
- › Over 1000 students in BA and MA
- › Focus on automotive sector
- › Students pay tuition



**Support for ŠKODA AUTO & other companies
Enhancing COMPETITIVENESS of CZ market!**



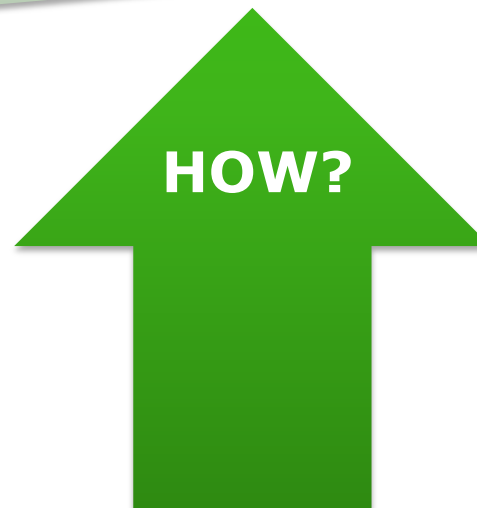
Current challenges in the automotive industry



Ambitious EU regulation
Importance of environment
Sales decrease
Economic recession
Growing energy prices



Efficiency
Innovations & Education
Clean mobility
Crutial EU/state support
Market diversification





ŠKODA AUTO - Green Future

- › Part of the ŠKODA Growth Strategy 2018 and environmental strategy of the VOLKSWAGEN
- › Production of efficient vehicles
- › Careful management of resources





Clean Mobility by ŠKODA AUTO

Examples of clean mobility:

- › Green product as part of strategy
- › All fleet in „ŠKODA Green Line“ edition
- › Different solutions = different chance on the market

OCTAVIA Green E Line - purely electric ŠKODA test-vehicle

- › Charging in little over 2h (400V)
- › Driving range - 150 km
- › Emissions - 0 g CO₂/km

ŠKODA Citigo CNG Green tec – on the market

- › Tank - CNG 72l / Gas 10 l
- › Driving range - 620 km (400 km CNG / 220 km gas)
- › Emissions - 79 g CO₂/km





EU legislation generates high costs!

E.g. Study of Instituts für Kraftfahrzeuge der TH Aachen

I. 95 g/km CO₂ by 2020 = extra 2800-3600 Euro per vehicle

- › Around 1900 Euro could be saved by lower fuel consumption (6-year term of a car)
- › Difference of 1700 Euro burden on consumers and/or the industry

II. Ambitious limits can be achieved only with „clean vehicles“

- › European Commission – insufficient flexibilities offered in CO₂ regulation
- › Is consumer market prepared for massive deployment of new technologies?



Possible negative effect on innovation and investment



EU Legislation

Renewable Energy (20– 20–20)

1. Reduction of CO₂ by 20%
2. Increase of energy efficiency by 20%
3. Increase the share of renewable energy to 20%

-> CZ target already achieved in 2013



- › However, extreme cost increase for renewable energy
- › Impact on ŠKODA AUTO
 - › Own plant (clean plant, 40% biomass!)
 - › Thus the expected contribution in 2013 is **16 mil EUR**
- › Impact on industry - number of business in **red** numbers due to contribution to renewable energy increased from **9 to 14%** in 2013 (Czech Confederation of Industry estimate)



EU Legislation

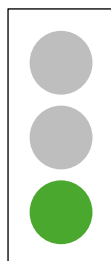
CARS 2020 – Action plan for the automotive industry

Goal: strengthen competitiveness and sustainability of the automobile sector

Situation: elaboration of particular proposals

Main points (selection):

- › Evaluation of the impacts of EU initiatives, international trade agreements, and legislative acts
- › Unified infrastructure for alternative fuels
- › Support of R&D – stressing „clean vehicles“



POSITIVE:

- *Reflects long-term needs of the automotive industry*
- *Needs thorough elaboration*





EU Legislation

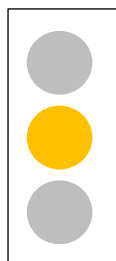
Strategy and directive for alternative fuels implementation

Goal: reduce emissions CO₂ in transportation and raise security in EU

Situation: strategy issued, directive will be negotiated in European Parliament and Council

Main points (selection):

- › Initiatives to implement alternative fuels infrastructure (binding number of stations)
- › Common technical specifications for charging (standard COMBO2)
- › Various measures in the field of R&D



POSITIVE:

- *Proposals will support development of the markets with alternative vehicles*

OBJECTIONS:

- *Are all suggested solutions optimal – e. g. binding numbers for charging stations in Member States?*





EU Legislation

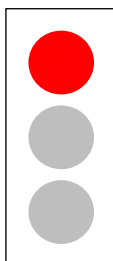
CO2 REGULATION

Goal: setting modalities to achieve aim of 95g/km CO2 of new passenger cars by 2020

Situation: vote in European Parliament's ENVI Committee in April

Main points (selection):

- › Insufficient flexibilities (super-credits, eco-innovations)
- › Maintain testing procedure
- › Determination of reduction goals by 2020 postpone to 2017 instead of 2014



OBJECTIONS:

- *In agreement with already determined aim of 95g/km CO2*
- *Crucial to set real and usable incentives for automotive industry and to maintaining stability*





EU Legislation

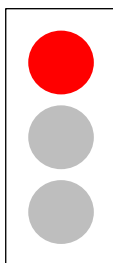
Reduction of noise

Goal: noise reduction in agglomeration

Situation: voted by European Parliament, currently discussed in Council

Main points (selection):

- › New testing method B – more reflecting real conditions of traffic
- › Reduce emissions within 6 years to 68 decibels (new method)



OBJECTIONS:

- *Non-acceptable values of noise limits and time for their implementation*
- *Realistic reduction to 70 decibels (new method) in 6 years*





EU Legislation

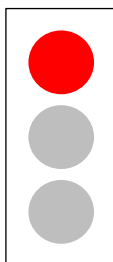
Revision of RAG / EU funds 2014 +

Goal: systematic support of regional development, growth, education, research, innovations, energetics, etc. from the European budget (EU Funds) and mainstreaming the competition rules

Situation: RAG = only Commission / EU funds negotiated on EU level

Main point (selection):

- › EU funds - exclusion of large companies from EU funds (ERDF)
- › RAG - tightening of the rules for the regional/state aid regarding large companies (national budgets!) = risk of the abolishment of investment incentives in EU



OBJECTIONS:

- *State Aid necessary to attract investors*
- *Further development of the automotive industry needs support*
- *Need to stress support for clean mobility (e-mobility, CNG)*





EU Legislation

Free Trade Agreements - e.g. EU-Japan

Goal: support international trade and market diversification

Situation EU-Japan: official negotiations started in April

Main points (selection):

- › „Scoping Exercise” – non-tariff barriers (NTBs) for EU automotive industry on the Japanese side
- › „Political Clause” – possibility to interrupt FTA after one year

OBJECTIONS :

- ***Necessity to conclude high-quality agreements with clear impacts***
 - ***Need to evaluate cumulative impacts on automotive***
 - ***EU-Japan FTA Impact on automotive industry***
- ✗ Employment - up to 70,000 job losses**

Japan exports to EU

Volume without FTA
654,000 units

Volume with expected
FTA impact
1,088,000 units

EU exports to Japan

Volume without FTA
156,300 units

Volume with expected
FTA impact
164,100 units

*Deloitte study



Thank you!

