ŠkodaAuto Sustainability Report 2009/2010

The Škoda Auto policy

The legacy of Founders: "Only the best we are capable of is good enough for our customers."

(Laurin & Klement, 1914)

Škoda Auto develops, produces and offers quality and environmental safe cars, original parts and accessories whose properties not only fulfill but even exceed desires of customers. In accordance with the corporate strategy VOLKSWAGEN EXCELLENCE the objective of Škoda Auto is to arouse enthusiasm in customers, so that they remain loyal to the Škoda brand.

Adherence to the following principles by all employees is a guarantee of the top results and successful future of Škoda Auto:

- In designing, manufacturing, sale and providing services Škoda Auto has been guided by desires of its external as well as internal customers.
- Besides meeting all legislation and regulatory requirements, Škoda Auto has also undertaken to continuously improve its products and process so as to enhance its business success while continuing to reduce environmental impacts.
- Škoda Auto creates mutually beneficial and balanced relations with its contractual partners as well as the public.
- Škoda Auto is very particular about the prevention of **environmental** pollution and the economical exploitation of natural resources, using environmental friendly materials and technologies. And it requires the same from its contractors.
- Each employee of Škoda Auto is responsible for the quality and constant improvement of their work, environmental protection and protection of the company's property and information.
- The management of Škoda Auto supports its employees in their personal development creating a favourable environment in accordance with the principles of occupational health and safety in order for them to be content and deliver competitive quality.

The management of Škoda Auto has undertaken to create conditions for achieving objectives and fulfilling the above mentioned principles. It expects its employees to be entirely committed to their fulfillment.

D. Wittig Chairman of the Board of Directors

Member of the Board of Directors **Human Resources**

F. Kappler Member of the Board of Directors Sales and Marketing

H. Kintscher Member of the Board of Directors Commercial Affairs

Dr.H. Ludanek Member of the Board of Directors Technical Development Production and Logistics

Member of the Board of Directors

E. Mackoviak Quality Management



Škoda Auto has a long-term program to minimize environmental impacts of its activities. Maintaining a balance of economic, environmental and social spheres, which is a prerequisite for sustainable development, is one of our priorities.

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Letter from the Chairman of the Board of Directors

A few short years ago it had not occurred to anybody how important the environment would become, or rather how important an attempt at a friendly and responsible approach to the surrounding area, human society and the environment would become. I'm pleased that Škoda Auto hasn't missed the boat and can itself significantly contribute not only through exemplary behaviour, but also through an open discussion of the most important challenges of our times.

We have tried to summarise all the specific steps in the Škoda Auto Report on Sustainable Development, the current version of which you are now holding in your hands.

Trends in the data we monitor have an appreciable effect after a longer time delay, and so we publish this report once every two years. This time we are summarising the period of 2009 and 2010. We are continuing to use the transparent division into three basic pillars - economic, social and environmental.

There is more information from our first conference on environmental themes. In addition, we are issuing the report to mark the presentation of a new generation of environmentally-friendly GreenLine cars, which you can today find across the whole model range of the Škoda brand. We provide all the technical information in one place here. A summary of social responsibility activities broken down by subsidiary has also been added.

I hope that the list of what you could call our environmentally-friendly activities will not bore you, but, on the other hand, will inspire and help to further deepen the responsibility of human society towards natural resources, the countryside, its fauna, flora and also itself, whether this concerns cultural, religious or civilisational differences.



Prof. Dr. h.c. Winfried Vahland Chairman of the Board of Directors, ŠKODA AUTO a.s.

About the Company

History – Establishment and Development

The path to the current success of the largest Czech automaker started in 1895, when Václav Laurin and Václav Klement started to produce Slavia bicycles. Four years later the company Laurin & Klement started to produce motorcycles. The first cars, called the "Voiturette A," left the plant in 1905 and soon obtained a stable position on developing international car markets

The joint stock company Laurin & Klement was formed two years later. The Laurin & Klement car plant and the Plzeň-based engineering company Škoda merged in 1925. Akciová společnost pro automobilový průmysl, with what was then revolutionary conveyer-belt production, was formed five years later

The company was nationalised in the autumn of 1945. The automaker, with a production area of 800,000m² and employing over 13,000 people, started production of the popular Š 1000 MB in 1964. The automaker presented its breakthrough model, the Škoda Favorit, which later helped transform Škoda to its current form, in 1987.

A new chapter in the company's history started in April 1991, when a strategic partner, Volkswagen, bought an interest in the company. The modernised Škoda Auto started the production of another important model, the Škoda Octavia, in 1997.

Present – Description, Policy and Group

Since the entry of the Volkswagen group, Škoda Auto has tripled production, expanded its product portfolio and strengthened the image of the Škoda brand. It has built up a wide-ranging sales network and successfully established itself on developed international markets. At the current time the automaker employs more than 30,000 people around the world and significantly contributes to developments in all regions where it is active.

Its turnover makes it one of the largest economic groups in the newly integrated countries in the European Union. Škoda Auto is the most important exporter in the Czech Republic.

Škoda Auto is a socially responsible company in the fields of economics (transparent publication of results), society (protected workshops, the Healthy Company and Seniority Programme projects) and the environment (reductions in emissions of atmospheric pollutants, introduction of environmentally-friendly car models, recycling of waste and scrap cars, reductions in consumption of energy and natural resources in production).

The Škoda Auto group is one of the most important economic groupings in the Czech Republic. The group comprises the parent company ŠKODA AUTO a.s., its fully consolidated subsidiaries Škoda Auto Deutschland GmbH (SAD), ŠKODA AUTO Slovensko, s.r.o. (SAS), Škoda Auto Polska S.A. (SAP), and Škoda Auto India Private Ltd. (SAIPL) as well as the affiliate OOO Volkswagen RUS.

The parent company ŠKODA AUTO a.s. is a Czech company with a car production tradition going back more than a century. Its objectives are, in particular, the development, production and sale of cars, components, original Škoda parts and accessories and the provision of maintenance services.

Since 18 July 2007 the sole shareholder in the parent company ŠKODA AUTO a.s. has been Volkswagen International Finance N.V., which is based in Amsterdam, the Netherlands. Volkswagen International Finance N. V. is indirectly but wholly owned by VOLKSWAGEN AG.

The objectives of the subsidiaries SAD, SAS and SAP are purchase and sale of cars, original parts and accessories.

SAIPL and OOO VOLKSWAGEN Group Rus purchase, produce and sell cars, original parts and accessories.

- ŠKODA AUTO a.s., company registered office:
 Mladá Boleslav. Czech Republic
- **ŠkodaAuto Deutschland GmbH**, company registered office: Weiterstadt, Germany, Škoda Auto share: 100%
- **ŠKODA AUTO Slovensko, s.r.o.**, company registered office: Bratislava, Slovakia, Škoda Auto share: 100%
- Skoda Auto Polska S.A., company registered office: Poznan, Poland, Škoda Auto share: 51%
- Skoda Auto India Private Ltd., company registered office: Aurangabad, India, Škoda Auto share: 100%
- OOO VOLKSWAGEN RUS, company registered office:
 Kaluga, Russia, Škoda Auto share: 16.8%

Škoda Production and Assembly Plants



Future – Strategy and Aims

An integral part of the planning process at the Škoda Auto group and the whole of Volkswagen is the "Strategy 2018," which defines the main points of the corporate philosophy, policy, relations with employees and interest groups, basic powers and the image and identity of the Škoda brand.

The strategy defines the Group's aims until 2018 in the field of products of regional and foreign production, sales markets, finance, quality and social responsibility.

In the field of markets, the aim is to strengthen positions in Western Europe while retaining a dominant position in Central Europe and, as a part of the "go east" strategy, enter developing markets in Eastern Europe and Asia.



In terms of products, the aim is permanent modernisation and expansion of the product pallet and minimisation of the negative consequences of products produced on the environment, in particular by increasing safety and reducing emissions of exhaust gases and noise.

In financial terms, the company is attempting to ensure permanent growth in the value of the various companies in the Group, together with growth in profits and profitability in the long term.

Škoda Auto is attempting to achieve top quality of its cars and all services provided that will satisfy the more-and-more demanding needs and requirements of customers, and to achieve top quality in all internal processes.

The Group's aim in the field of social responsibility is maintaining long-term balance between economic, environmental and social areas

In the personnel field, the aim is to obtain, stabilise and develop motivated employees, with emphasis on ensuring personnel with the correct structure, skills and quality, making maximum use of own resources and on comprehensive care for employees, including the working environment, which motivates them and supports performance and creativity.

In the long term, the automaker contributes to an increase in the living standard of citizens in the regions and countries where it is active directly. Part of this strategy is to expand research and development activities that lead to a growth in the country's credit at the international level.

Skoda Auto obviously minimises the negative consequences of its activities on the environment. The products produced meet demanding environmental requirements at all stages of their life cycle.



ECONOMICS

Production and Markets

Products

Škoda Auto produces a total of six model series in the following designs: Fabia and Fabia Combi, Roomster (also in Scout version), Octavia Tour, Octavia and Octavia Combi (both also in RS and Scout versions), Superb and Yeti. An important Škoda

Auto aim is to minimise the negative impact of the products produced on the environment, in particular in terms of reducing emissions of exhaust gases and noise.

Summary of Produced Models



ŠkodaOctavia Combi ŠkodaOctavia GreenLine ŠkodaOctavia Combi Greenl ine

ŠkodaOctavia LPG

ŠkodaOctavia Combi LPG

ŠkodaOctavia RS

ŠkodaOctavia Combi RS

ŠkodaOctavia Combi Scout



ŠkodaFabia ŠkodaFabia Combi ŠkodaFabia Scout ŠkodaFabia Combi Scout ŠkodaFabia GreenLine ŠkodaFabia Combi GreenLine ŠkodaFabia RS ŠkodaFabia Combi RS



ŠkodaRoomster ŠkodaRoomster GreenLine ŠkodaRoomster Scout ŠkodaPraktik



ŠkodaYeti



ŠkodaOctavia Tour **Škoda**Octavia Combi Tour



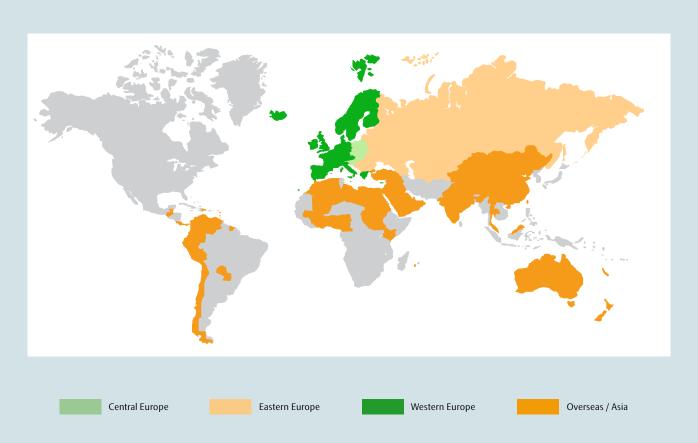
ŠkodaSuperb GreenLine **Škoda**Superb Combi

Site Policy

The group's strategic aim in terms of markets is to continue to strengthen its positions in Western Europe, while retaining

its dominant positions in Central Europe and on the dynamically developing markets in Eastern Europe and Asia, including in the form of foreign projects and assembly plants.

Map of Škoda Auto Group Sales Regions



Economic Results

Economic and Financial Indicators

With regard to the unfavourable global trends on car markets, in 2009 there was a fall in sales of Škoda cars (year-on-year -13.3%), which was reflected in Škoda Auto's results. The company's revenues showed a year-on-year fall by 9.5%; operating profit fell to CZK 4.7 bn. (year-on-year -62.6%) and pre-tax profit fell by 67%. On the contrary, deliveries of cars to customers against a comparable period rose slightly (+1%), which was caused in particular by the record volume of deliveries in Germany and growing volumes of deliveries of Škoda cars to the Chinese market.

Company revenues fell by CZK 17.9 bn. to CZK 170.7 bn. The overall trend in revenues is a reflection of the global economic crisis, which significantly hit consumer markets. The reduction in revenues was particularly due to lower sales and price measures to support sales necessary to stabilise market positions. The fall in revenues, however, was not in any way marked in comparison with the overall collapse in car markets, in particular European ones. The exceptions were the markets in Germany, France, Austria and Slovakia, which recorded growth, thanks to measures to support the market (rebate schemes, incentives in the form of a bonus/malus system, etc.).

The costs of products, goods and services sold fell by 5.9% year on year in 2009, and the reduction in them is a logical result of the situation on global car markets, where the company was forced, as a consequence of the fall in demand, to partially limit production. Sales and administrative costs rose slightly against a comparable period.

The aforementioned trends in reserves and costs were reflected in trends in all derived financial indicators. Operating profit fell against a comparable period to CZK 4.7 bn. (year-on-year -62.6%). Pre-tax profit reached a level of CZK 4.4 bn. (year-on-year -67%). After the reduction of profit by income tax, an after-tax profit of CZK 3.4 bn. was reported (year-on-year -69,5%).

The value of the asset base from the start of 2009 fell slightly, by CZK 3.4 bn. (-3%) to a level of CZK 108 bn., although fixed assets fell by only CZK 193 mil. to a level of CZK 59.9 bn. (-0.3%). There was a year-on-year fall of CZK 3.2 bn. (-6.2%) for short-term assets. This trend was related to the planned limitation of production and stored inventories of cars, as well as a total fall in sales.

Against a comparable period, equity fell by CZK 3.2 bn. (-4.5%). The fall was caused in particular by the settlement of the dividend and a reduction in the financial derivative revaluation fund. Trends in liabilities were primarily caused by the compensation of various items as a part of the categories mentioned below. The total amount of short-term liabilities fell slightly year-on-year by CZK 534 mil. (-1.8%), whereas the balance of long-term liabilities showed an increase of CZK 366 mil. (year-on-year +3.7%).

In 2009, a total of CZK 10.1 bn. (year-on-year -12.2%) was spent on investments in tangible and intangible assets (excluding development costs). The largest part of this value was directed towards product investments (CZK 7.26 bn.), in particular in the new Škoda Yeti model series and the combi model of the Škoda Superb.

The value of cash flows from operating activities totalling CZK 22.3 bn. almost doubly covered the value of investment activity expense. This corresponded to trends in net financial flows, which showed a significant rise, by CZK 11.3 bn. to CZK 10.9 bn., against a comparable period. After taking into account the results of cash flows from financial activities (increase in expenditure by CZK 7.8 bn.), the total cash flow rose year-on-year by CZK 3.5 bn.

Key Data and Financial Results in Accordance with IFRS*

Škoda Auto a.s.

Volume Data Vehicles 630.32 674,530 684,226 Sales total vehicles 625,085 662,089 539,882 Production total vehicles 625,085 663,087 519,910 Number of employees persons 27,753 25,331 24,817 of Micht: temporary persons 4,14 1,709 1,986 Profit and Loss Account Sales CZK millions 211,065 188,572 170,666 Goes sprofit CZK millions 30,61 22,972 14,799 Operating profit CZK millions 10,31 12,297 14,799 Profit affer saxion CZK millions 10,41 12,297 14,799 Pretax profit CZK millions 19,44 12,297 14,799 Pretax profit -to-sales ratio Q6 of sales 9.0 6,7 2,88 Profit affer baxation-to-sales ratio Q6 of sales 9.2 7,0 2,88 Profit affer baxation-to-sales ratio Q7 millions 48,688			2007	2008	2009
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Number of employees persons 27,753 25,331 24,817 of which: temporary persons 4,194 1,709 1,986 Profit and Loss Account Sales CZK millions 30,161 22,972 14,798 Gross profit CZK millions 19,021 12,636 4,724 Operating profit CZK millions 19,021 12,636 4,724 Pretax profit CZK millions 19,021 12,636 4,724 Pretax profit CZK millions 19,046 13,287 4,381 Pretax profit -to-sales ratio % of sales 9.2 7.0 2.6 Profit after taxation-to-sales ratio % of sales 9.2 7.0 2.6 Profit after taxation-to-sales ratio % of sales 5.5 6.0 2.0 Balance Sheet / Financing ZK millions 56,903 60,119 59,926 Fixed assets ZK millions 56,903 60,119 59,926 Current saets ZK millions 10,281 9,782	Sales total	vehicles	623,085	622,090	539,382
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Profit and Loss Account CZK millions 211,026 188,572 170,666 Gross profit CZK millions 30,161 22,972 14,798 Operating profit 0% of sales 14,3 12,2 8.7 Operating profit CZK millions 19,021 12,636 4,724 Pretax profit 0% of sales 9,0 6.7 2.8 Pretax profit CZK millions 19,446 13,287 4,381 Pretax profit -to-sales ratio 0% of sales 9,2 7.7 2.6 Profit after taxation-to-sales ratio 2K millions 15,892 11,267 3,439 Profit after taxation-to-sales ratio % of sales 7.5 6.0 2.0 Balance Sheet / Financing ZK millions 56,903 60,119 59,926 Current assets CZK millions 48,658 51,276 48,099 Equity CZK millions 10,281 9,782 10,148 Current liabilities CZK millions 10,281 9,782 10,148	Number of employees	persons	27,753	25,331	24,817
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Operating profit CZK millions 19,021 12,636 4,724 Pretax profit CZK millions 19,44 13,287 4,381 Pretax profit -to-sales ratio % of sales 9.2 7.0 2.6 Profit after taxation CZK millions 15,892 11,267 3,439 Profit after taxation-to-sales ratio % of sales 9.2 7.0 2.6 Profit after taxation-to-sales ratio W of sales 9.2 7.0 2.6 Profit after taxation-to-sales ratio W of sales 9.2 7.0 2.0 Balance Sheet / Financing 2 K millions 15,892 11,267 3,439 Equity CZK millions 56,903 60,119 59,926 Current assets CZK millions 48,658 51,276 48,099 Equity CZK millions 10,281 9,782 10,489 Current liabilities CZK millions 10,561 111,395 108,025 Cash flow from operating activities ** CZK millions 29,275 13,978 2,321	Gross profit	CZK millions	30,161	22,972	14,798
Pretax profit CZK millions 19,46 13,287 4,381 Pretax profit - to-sales ratio % of sales 9.2 7.0 2.6 Profit after taxation CZK millions 15,892 11,267 3,439 Profit after taxation-to-sales ratio % of sales 7.5 6.0 2.0 Balance Sheet / Financing CZK millions 56,903 60,119 59,926 Current assets CZK millions 48,658 51,276 48,099 Equity CZK millions 66,532 71,721 68,519 Non-current liabilities CZK millions 10,281 9,782 10,48 Current liabilities CZK millions 10,281 9,782 10,48 Current liabilities CZK millions 10,281 9,782 10,48 Current liabilities CZK millions 10,561 111,395 108,025 Cash flow from operating activities ** CZK millions 29,275 13,978 22,321 Cash flow from financing activities ** CZK millions -12,388 -8,652 <td></td> <td>% of sales</td> <td>14.3</td> <td>12.2</td> <td>8.7</td>		% of sales	14.3	12.2	8.7
Pretax profit CZK millions 19,446 13,287 4,381 Pretax profit -to-sales ratio % of sales 9.2 7.0 2.6 Profit after taxation ZXK millions 15,892 11,267 3,439 Profit after taxation-to-sales ratio % of sales 7.5 6.0 2.0 Balance Sheet / Financing Fixed assets ZXK millions 56,903 60,119 59,926 Current assets ZXK millions 48,658 51,276 48,099 Equity ZXK millions 66,532 71,721 68,519 Non-current liabilities ZXK millions 10,281 9,782 10,148 Current liabilities ZXK millions 10,281 9,782 29,358 Total assets ZXK millions 105,561 111,395 108,025 Cash flow from operating activities ** ZXK millions 29,275 13,978 22,321 Cash flow from investing activities ** ZXK millions -12,388 -8,652 -817 R&D expenditure <td< td=""><td>Operating profit</td><td>CZK millions</td><td>19,021</td><td>12,636</td><td>4,724</td></td<>	Operating profit	CZK millions	19,021	12,636	4,724
Pretax profit -to-sales ratio % of sales 9.2 7.0 2.6 Profit after taxation CZK millions 15,892 11,267 3,439 Profit after taxation-to-sales ratio % of sales 7.5 6.0 2.0 Balance Sheet / Financing CZK millions 56,903 60,119 59,926 Current assets CZK millions 56,903 60,119 59,926 Equity CZK millions 48,658 51,276 48,099 Equity CZK millions 66,532 71,721 68,519 Non-current liabilities CZK millions 10,281 9,782 10,148 Current liabilities CZK millions 28,748 29,892 29,358 Total assets CZK millions 105,561 111,395 108,025 Cash flow from operating activities ** CZK millions 29,275 13,978 22,321 Cash flow from investing activities ** CZK millions -13,913 -14,445 -11,454 Cash flow from financing activities ** CZK millions 5,459 <td></td> <td>% of sales</td> <td>9.0</td> <td>6.7</td> <td>2.8</td>		% of sales	9.0	6.7	2.8
Profit after taxation CZK millions 15,892 11,267 3,439 Profit after taxation-to-sales ratio % of sales 7.5 6.0 2.0 Balance Sheet / Financing Fixed assets CZK millions 56,903 60,119 59,926 Current assets CZK millions 48,658 51,276 48,099 Equity CZK millions 66,532 71,721 68,519 Non-current liabilities CZK millions 10,281 9,782 10,148 Current liabilities CZK millions 28,748 29,892 29,358 Total assets CZK millions 105,561 111,395 108,025 Cash flow from operating activities ** CZK millions 29,275 13,978 22,321 Cash flow from investing activities ** CZK millions -13,913 -14,445 -11,454 Cash flow from financing activities ** CZK millions 5,459 5,461 5,733 Investment ratio % 4.9 5.4 6.0 Net liquidity ** CZK millions	Pretax profit	CZK millions	19,446	13,287	4,381
Profit after taxation-to-sales ratio % of sales 7.5 6.0 2.0 Balance Sheet / Financing Fixed assets CZK millions 56,903 60,119 59,926 Current assets CZK millions 48,658 51,276 48,099 Equity CZK millions 66,532 71,721 68,519 Non-current liabilities CZK millions 10,281 9,782 10,148 Current liabilities CZK millions 28,748 29,892 29,358 Total assets CZK millions 105,561 111,395 108,025 Cash flow from operating activities ** CZK millions 29,275 13,978 22,321 Cash flow from investing activities CZK millions -13,913 -14,445 -11,454 Cash flow from financing activities** CZK millions 5,459 5,461 5,733 R&D expenditure % 4.9 5.4 6.0 Net liquidity ** CZK millions 26,283 18,676 24,109 Equity ratio % <	Pretax profit -to-sales ratio	% of sales	9.2	7.0	2.6
Balance Sheet / Financing Fixed assets CZK millions 56,903 60,119 59,926 Current assets CZK millions 48,658 51,276 48,099 Equity CZK millions 66,532 71,721 68,519 Non-current liabilities CZK millions 10,281 9,782 10,148 Current liabilities CZK millions 28,748 29,892 29,358 Total assets CZK millions 105,561 111,395 108,025 Cash flow from operating activities ** CZK millions 29,275 13,978 22,321 Cash flow from investing activities CZK millions -13,913 -14,445 -11,454 Cash flow from financing activities** CZK millions -12,388 -8,652 -817 R&D expenditure CZK millions 5,459 5,461 5,733 Investment ratio % 4,9 5,4 6,0 Net liquidity ** CZK millions 26,283 18,676 24,109	Profit after taxation	CZK millions	15,892	11,267	3,439
Fixed assets CZK millions 56,903 60,119 59,926 Current assets CZK millions 48,658 51,276 48,099 Equity CZK millions 66,532 71,721 68,519 Non-current liabilities CZK millions 10,281 9,782 10,148 Current liabilities CZK millions 28,748 29,892 29,358 Total assets CZK millions 105,561 111,395 108,025 Cash flow from operating activities ** CZK millions 29,275 13,978 22,321 Cash flow from investing activities CZK millions -13,913 -14,445 -11,454 Cash flow from financing activities** CZK millions -12,388 -8,652 -817 R&D expenditure CZK millions 5,459 5,461 5,733 Investment ratio % 4.9 5.4 6.0 Net liquidity ** CZK millions 26,283 18,676 24,109	Profit after taxation-to-sales ratio	% of sales	7.5	6.0	2.0
Current assets CZK millions 48,658 51,276 48,099 Equity CZK millions 66,532 71,721 68,519 Non-current liabilities CZK millions 10,281 9,782 10,148 Current liabilities CZK millions 28,748 29,892 29,358 Total assets CZK millions 105,561 111,395 108,025 Cash flow from operating activities** CZK millions 29,275 13,978 22,321 Cash flow from investing activities CZK millions -13,913 -14,445 -11,454 Cash flow from financing activities** CZK millions -12,388 -8,652 -817 R&D expenditure CZK millions 5,459 5,461 5,733 Investment ratio % 4.9 5.4 6.0 Net liquidity** CZK millions 26,283 18,676 24,109 Equity ratio % 63.0 64.4 63.4	Balance Sheet / Financing				
Equity CZK millions 66,532 71,721 68,519 Non-current liabilities CZK millions 10,281 9,782 10,148 Current liabilities CZK millions 28,748 29,892 29,358 Total assets CZK millions 105,561 111,395 108,025 Cash flow from operating activities** CZK millions 29,275 13,978 22,321 Cash flow from investing activities CZK millions -13,913 -14,445 -11,454 Cash flow from financing activities** CZK millions -12,388 -8,652 -817 R&D expenditure CZK millions 5,459 5,461 5,733 Investment ratio % 4.9 5.4 6.0 Net liquidity** CZK millions 26,283 18,676 24,109 Equity ratio % 63.0 64.4 63.4	Fixed assets	CZK millions	56,903	60,119	59,926
Non-current liabilities CZK millions 10,281 9,782 10,148 Current liabilities CZK millions 28,748 29,892 29,358 Total assets CZK millions 105,561 111,395 108,025 Cash flow from operating activities ** CZK millions 29,275 13,978 22,321 Cash flow from investing activities CZK millions -13,913 -14,445 -11,454 Cash flow from financing activities** CZK millions -12,388 -8,652 -817 R&D expenditure CZK millions 5,459 5,461 5,733 Investment ratio % 4.9 5.4 6.0 Net liquidity ** CZK millions 26,283 18,676 24,109 Equity ratio % 63.0 64.4 63.4	Current assets	CZK millions	48,658	51,276	48,099
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Total assets CZK millions 105,561 111,395 108,025 Cash flow from operating activities ** CZK millions 29,275 13,978 22,321 Cash flow from investing activities CZK millions -13,913 -14,445 -11,454 Cash flow from financing activities** CZK millions -12,388 -8,652 -817 R&D expenditure CZK millions 5,459 5,461 5,733 Investment ratio % 4.9 5.4 6.0 Net liquidity ** CZK millions 26,283 18,676 24,109 Equity ratio % 63.0 64.4 63.4	Non-current liabilities	CZK millions	10,281	9,782	10,148
Cash flow from operating activities ** CZK millions 29,275 13,978 22,321 Cash flow from investing activities CZK millions -13,913 -14,445 -11,454 Cash flow from financing activities** CZK millions -12,388 -8,652 -817 R&D expenditure CZK millions 5,459 5,461 5,733 Investment ratio % 4.9 5.4 6.0 Net liquidity** CZK millions 26,283 18,676 24,109 Equity ratio % 63.0 64.4 63.4	Current liabilities	CZK millions	28,748	29,892	29,358
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Investment ratio % 4.9 5.4 6.0 Net liquidity** CZK millions 26,283 18,676 24,109 Equity ratio % 63.0 64.4 63.4	Cash flow from financing activities**	CZK millions	-12,388	-8,652	-817
Net liquidity ** CZK millions 26,283 18,676 24,109 Equity ratio % 63.0 64.4 63.4	R&D expenditure	CZK millions	5,459	5,461	5,733
Equity ratio % 63.0 64.4 63.4	Investment ratio	%	4.9	5.4	6.0
	Net liquidity **	CZK millions	26,283	18,676	24,109
Equity-to-fixed assets ratio % 116.9 119.3 114.3	Equity ratio	%	63.0	64.4	63.4
	Equity-to-fixed assets ratio	%	116.9	119.3	114.3

More detailed information about trends in the economic situation in 2009 is contained in the Škoda Auto annual report (www.skoda-auto.com).

International Financial Reporting Standards
In 2009 some financial liabilities were reclassified into the category of trade liabilities, which had an impact on comparable data from 2008 and 2007.

Corporate Governance

Relations between the Company's Management and Other Entities



Škoda Auto is aware of its privileged position in the Czech business environment and also of its ever-growing credibility as a part of the Volkswagen group and among other competing automobile producers. It therefore attributes fundamental importance to being perceived by its employees, business partners, all customers and the public in general as a successful, transparent and open company. It is aware of its long tradition and the good name it has built up, which is perceived as a key value for the further successful development of its business activities.

With regard to these facts, in 2007 Škoda Auto accepted the relevant recommendations and rules of a Corporate Governance Code based on OECD principles in a form that was updated under the patronage of the Commission for Securities in 2004. The company's aim is to constantly improve internal processes and procedures in accordance with the Code and also to support transparency and compliance with ethical behaviour in business in the Czech Republic.

Škoda Auto Employee Code of Conduct

At the same time as declaring allegiance to the principles of corporate governance, the company adopted an ethical code, the Škoda Auto Code of Conduct. It is a set of specific rules that are based on group values and company principles and that define standards of professional conduct for all employees.

The Škoda Auto Code of Conduct not only focuses on relations between various employees and management, but also

on attitudes to customers and suppliers and relations with the company at the local, regional, national and international levels. The aim of adopting the Code of Conduct at Škoda Auto is not only to define the boundaries of desirable behaviour for company employees, but also to facilitate decisions by employees, for example in unusual situations.

The final effect of this voluntarily declared obligation is to increase the company's credibility, improve internal communication and relations with customers, business partners and various interest groups.

Code of Conduct at Škoda Auto

The purpose of this Code of Conduct (further only as the Code) is to establish the principles of conduct for Škoda Auto employees based on values honored by the company and generally recognized ethical standards.

Basic rules of the ethical conduct

a. Everyone working for the Škoda Auto company is obliged to comply with the legislation of the country in which he carries out his work as well as with mandatory internal regulations of the Škoda Auto company. He is equally obliged to behave honestly and in compliance with values recognized by the company, moral principles recognized in place of his stay and respect traditions and culture of countries where he is employed.

Employees and management

- b. We, employees of the Škoda Auto company, irrespective of our gender, race, religion, political affiliation and nationality, have equal rights to due preparation for the performance of our jobs and further professional development. The same applies to the right to fair remuneration and job position adequate to our performance and quality of performed work.
- Esteem, respect and honest behavior are a basis for everyday contact and cooperation with customers, suppliers and company's employees, irrespective of the hierarchy.
- d. Managers are obliged to act as role models to their employees for their behavior to promote conduct which is in compliance with this Code.
- e. We create the corporate culture which is based on the **creation of values**, the corporate culture in which man is in the first place.
- f. Our objectives are ambitious, planning is realistic and reporting honest.
- g. **Innovation** is our everyday principle, we fight for our ideas, we are open to the initiatives of others and further develop them.
- h. In our acting we provide and we require margins to manoeuvre, which we use with responsibility. We are committed to mutual cooperation and seek for better ways towards achieving Škoda Auto objectives.
- We deliver maximum performance and continually develop our working abilities and skills. We are entitled to working conditions which will enable us deliver work to our best abilities.

D. WittigChairman of the Board of Directors

M. Jahn Member of the Board of Directors Human Resources F. Kappler
Member of the Board
of Directors
Sales and Marketing

- j. We efficiently use company's resources protecting them from inappropriate use or damage. In professional as well as business communication we put the company's interests above our own.
- Each employee feels responsible for the long-term and sustainable development of the Škoda Auto company and contributes to the balance between economic, environmental and social objectives of the company.

Approach to customers and suppliers

- Helpful approach to customers is our priority, we honor the legacy of Škoda Auto founders, Sirs Laurin and Klement, that "only the best we are capable of is good enough for our customers". Our internal standards are driven strictly by needs, expectations and desires of our customers.
- m. When carrying out our working duties, we place high demands on ourselves with the aim of fully satisfying the customer contributing thus to the company's good reputation.
- It is our interest to maintain good and long-term relationship with customers and suppliers which is based on trust and high quality mutual services and their continuous development.

Social responsibility

- o. We always act with the responsibility to the world around us in mind. We strive to contribute to the development of the world in which we live at the regional, national as well as international levels. We support charity, educational and welfare activities.
- We consistently avoid the conflict of interest. We lay emphasis on meeting information duties and correct reporting.
- q. We strive to be successful, but never at the expense of the applicable legislation and ethical principles.
- We seek to reduce potential harmful environmental impacts to a minimum.

Adherence to the Code

These principles are mandatory for all Škoda Auto employees.

Mladá Boleslav, September 2007

H. Kintscher

Member of the Board of Directors Commercial Affairs H. Mühl

Member of the Board

of Directors

Production and Logistics

Dr. E. ScholzMember of the Board of Directors
Technical Development



SOCIAL AREA

Employees

Personnel Policy

Great emphasis is placed in Škoda Auto on communication with employees. There are two union organisations active in the company, the majority KOVO trade union and an independent union organisation. Social dialogue is arranged in all areas of activity. There are two employee representatives on the six-member supervisory board.

Cooperation also takes place at the level of joint committees, which are, for example, the Economic Committee,

the Health and Safety Corporate Commission, the Committee for Personnel Planning, the Strategic Committee for the Environment, the Medical Committee and others.

Within the Volkswagen group cooperation with employees' representatives is ensured by connecting the union structures and their integration in the European Group VW Counsel and the VW Global Corporate Council. Relations between the employer and employees are set out by the current collective bargaining agreement.

Social Services

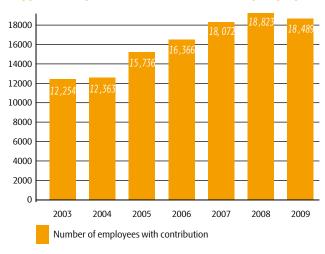
Škoda Auto employees enjoy a wide range of above-standard benefits that are anchored in the collective bargaining agreement. They include, for example, pensions insurance paid for by the company. The employer's contribution to an employee's supplementary pensions insurance was CZK 600 a month in 2010. This benefit, which entails costs of over CZK 130 mil. a year for the company, is taken advantage of by three quarters of employees.

Dealing with the problem of housing employees and also their stabilisation in the regions where Škoda Auto has its production plants is aided by the company by the provision of interest-free loans (CZK 350,000 for the purchase of a house or flat and CZK 125,000 for the modernisation of a house or flat in personal ownership). 600 to 700 employees take advantage of this option every year. The amount of CZK 131 mil. was used for this form of support in 2009.

For selected groups of employees that cannot commute daily from their places of residence, the company arranges accommodation in hotel-type facilities.

The company also organises transport of employees to and from work from the designated hiring areas where there is no chance of taking advantage of public transport for the main production times or a usual connection cannot be used.

Supplementary Pension Insurance Obtained by Employees

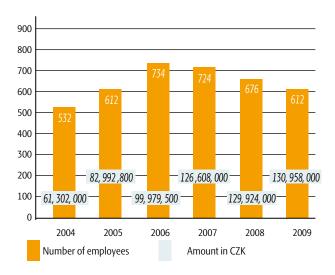


To improve working conditions there is also the option of eating in non-smoking plant canteens, where more than 13,500 hot meals subsidised by the company are sold every day.

Škoda Auto spends significant amounts on supporting its social policy regarding its employees and, in a number of cases, their family members, such as a contribution to a creche or employee recreation. A social fund has been established for these purposes.

The company enables handicapped people to work at suitable workplaces and also, through a personnel pool, systematically deals with the situation of selected groups of employees who cannot, for medical and other reasons, carry out their original profession. At the end of 2009 Škoda Auto operated five internal protected workplaces with a total of 117 handicapped employees (or seniors citizens with 30 years' or more experience in the company, pregnant women or other persons worthy of special consideration).

Housing loans



The company Seniority Programme is focused on the needs of older employees and offers a change of job with guaranteed original income for a certain time, requalification, rehabilitation stays with a financial contribution, up to five working days of additional paid leave, preventative medical programmes, etc.

In the regions where the company operates it tries to actively contribute to better use of free time, not only of employees and their families, but also of other people. Support is directed primarily into an increase in the options for cultural, social and sports activities in such regions. An example of long-term cooperation is, for example, support for the Town Theatre in Mladá Boleslav or the implementation of the Festival of European Film Smiles.

Distribution of resources from the social fund in 2009

Trade Union activities	8,315,000
Recreation	13,100,000
Health programs, leisure	21,650,000
- health programs	12,200,000
- leisure	9,450,000
- sport	8,850,000
- culture	600,000
Employment anniversaries	49,330,000
Contribution granted at the child's birth	4,000,000
Social contributions	19,728,000
- contributions at the retirement	19,368,000
- contribution at the employee death	360,000
Secondary vocational school	200,000
Retired employees	200,000
Meal vouchers	33,500,000
Reserve (+ nurseries)	585,000
TOTAL (actual situation in CZK)	150,608,000

Healthy Company

Primary prevention and support for employees' health is an integral part of the corporate culture. A healthy employee is not only an ethical obligation, but also an economic necessity.

The protection of employees' health is respected during the development of new car models. As a part of conceptual ergonomics, the practical medicine unit cooperates with the car design units on the application of ergonomic principles. The units get basic information about the results of measurements of the physical burden for current models. Further improvements in working conditions during the production of current models are a continual process.

Since 2008, during preventative examinations in work medical surgeries employees have had the option of concluding a personal health plan (Škoda Check-up), the aim of which is to support the employees in active care for their own health and therefore help them retain a good medical condition for the entire length of their employment. The proposed measures lead towards alterations to life style, a reduction of weight, improvements in eating habits and movement activity, stopping smoking and other damaging addictions, as well as including recommendations of treatment by doctors.

This offer was taken advantage of in 2009 by 13,694 people, which is 99.8% of the employees approached. Doctors regularly assess the results of the personal health plans concluded in the previous period. Of a total number of 12,854 assessed plans, 59.6% of employees complied with the proposed measures, 32% complied partially and 8.4% did not comply with the plan.

Every year employees are offered free vaccinations against flu, vitamin C for 4 months, healthy food, preventative care and rehabilitation in their own facilities.

4,821 employees (20.3%) were vaccinated against seasonal flu, which is a significantly higher average than in the whole Czech Republic in 2009.

Selected groups of employees have the option of taking part in reconditioning stays in selected spa facilities with a week of paid leave and with a financial contribution from the company.

An improvement in health as a part of primary prevention should lead to a reduction in the sick rate for chronic and acute diseases (e.g. cardiovascular, metabolic, oncological, diseases of the movement apparatus and infectious diseases, primarily flu). Support for employees' health is regularly promoted at Health Days, ten of which were held in 2009, when they were attended by 1,864 employees. The activities remained the same as in past years, only Physical Endurance on the exercise bike and Rehabilitation Advice were performed at a separate event, Rehabilitation Open Day. 100 employees attended this event

Sick leave in Škoda Auto is markedly better than in other companies of a similar type in the Czech Republic.



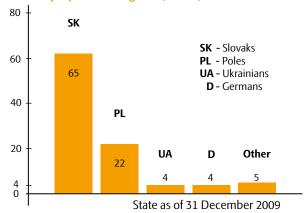
Equal Opportunities

Škoda Auto pays exceptional attention to the issue of equal opportunities. Given the physical demands of some work positions, women are offered special exercises and concessions on working at night. Selected managers on maternity leave can, due to limitations resulting from child care, keep their company car and computer, are invited to company social events and are regularly informed about current events in the company. The company financially contributes to employees who have children in creches (30% of costs) and increases the share of women in management in a targeted fashion. Protected workplaces are operated to remove barriers to work in the company and a Seniority Programme is implemented.

Škoda Auto is dealing with the challenges coming from the rising share of foreigners among employees. At the end of 2009 the company employed in the Czech Republic 1,623 foreign

workers from 26 countries. The company tries to make their life and work in the Czech Republic easier with the help of language courses, intercultural training for managers and, for example, the presence of a translator at the workplace.

Share of Foreign Nationals among Core Employees – Foreigners (as a %)



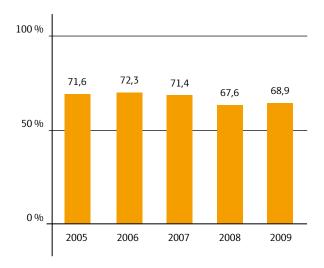
Z.E.B.R.A.

Employees' improvement activities

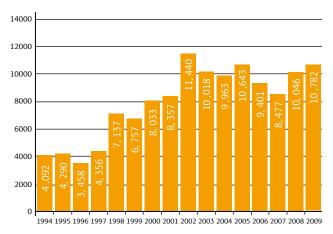
Škoda Auto significantly supports activities leading to permanent improvements and support for innovations that have a positive influence on the whole company's operations. One of the tools is the Z.E.B.R.A. (improvement system) innovation programme.

Improvement activities lead primarily to savings on materials, more efficient production, improvements in working and living conditions and improvements in the protection of employees and future users of our products. A total of 4,682 employees were involved in this system in 2009 and 10,782 were registered. The success rate of implementation of the proposals was 68.9% and their calculated benefit was CZK 277 mil.

Success Rate of Z.E.B.R.A. Proposals



Trends in Number of Improvement Proposals



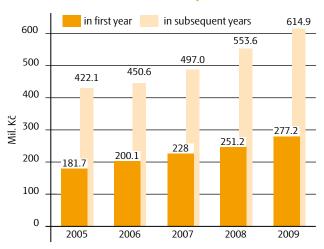
Health and Safety

Škoda Auto carefully monitors trends in the accident rate index. The index is a resultant of the accident rate given by the ratio of accidents at work per million hours worked. Over the long term the company has reported one of the lowest accident rates of all European and global producers, and the index fell to 1.6 in 2009.

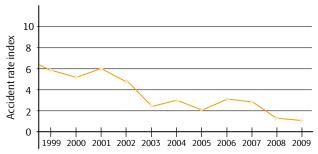
In recent years, in addition, the number of minor injuries that do not lead to sick leave has also fallen by more than 50%. As a part of minimising the negative effect of the working environment on employees' health, various measures are implemented, such as regular control measurements on risk factors, modernisation and maintenance of machinery and technology and a high standard of order and cleanliness at all workplaces.

Increases in the level of health and safety are significantly supported by a number of preventative measures, such as an attempt to increase the efficiency of employee training in work safety through a higher level of instructors' knowledge, equipping employees with more comfortable work clothing with optical warning safety elements, horizontal marking of transport paths in production operations, etc. Cooperation with the KOVO trade union has played a significant and very positive role in this area.

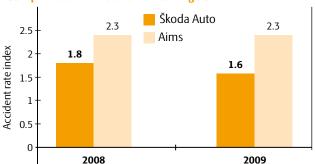
Benefits from Z.E.B.R.A. Proposals



Accident Rate at Škoda Auto



Compliance with Accident Rate Targets



Sponsoring



Supported Values

Škoda Auto primarily respects values that embody its longterm philosophy. Škoda Auto supports organisations and institutions at both the local and regional level, as well as nationally and internationally. In addition, the company supports a number of social and charity projects and helps handicapped citizens in their attempts to lead a full life.

- Attempt to give good performance
- Endurance
- Will to win
- Team thinking



Sport

Škoda Auto has supported the ice hockey world championships since 1992. It is the holder of an entry in the Guinness World Records as the longest main sponsor. It became the main partner of the Tour de France in 2004 and extended this cooperation until 2011 in October 2007. Škoda Auto is also a general partner of the Czech Olympic committee. It also supports, for example, the Czech cyclo-cross team and the Czech Ice Hockey Extraliga.



Arts and Culture

Škoda Auto's traditional partners include the Czech Philharmonic, the National Theatre, the National Museum and the National Technical Museum. It also supports selected outof-Prague international events, such as Smetana's Litomyšl, the F.X. Šalda Theatre in Liberec, the City Theatre in Mladá Boleslav and the International Film Festival for Children and Young People in Zlín. In addition, Škoda Auto has continued as the general partner of the Festival of European Film Smiles in Mladá Boleslav.

Social, Humanitarian and Environmental Involvement

Škoda Auto has been helping Centrum Paraple for a long time by providing cars with manual controls that partially give patients back a full lifestyle. Other projects supported by the company include, for example, the Forum 2000 Foundation, the Český Krumlov Chateau Baroque Theatre Foundation, ADRA, Czech Television's People in Need, the Foundation for Cancer Research, the Paralympics Committee and the Oncological Care Centre.

Škoda Auto has continued with its long-term Healthy Clown project, support for a non-profit association that arranges visits by professional clowns to badly-ill children throughout the Czech Republic under the slogan "laughter – the best doctor."

The automaker has continued with the "One tree planted for every car sold in the Czech Republic" project, which reflects

Škoda Auto's active approach to protecting the environment and gives employees and their family members a chance to voluntarily get involved in company's social responsibility activities. Škoda Auto expects that by the end of 2010 almost 250,000 trees will have been planted in more than 30 locations in its surrounding area.



Road Safety

In addition to the sports, cultural and social activities as a part of Škoda Auto's social responsibility, the importance of measures aimed at road safety is rising. The projects focused on the littlest ones include support for children's transport playgrounds in regions where the company has production plants and cooperation with the Besip Foundation, which provides road safety education for primary school pupils. In cooperation with the city of Mladá Boleslav the company implemented the "Safe Journey to School" project," while equipment to increase the safety of pedestrian crossings, etc. was bought in cooperation with municipalities in the area around the plant in Kvasiny. The "Traffic Safety Research" project serves to increase car safety, and as a part of it the company works at the sites of traffic accidents with firemen, the police and hospitals.

In the recent past, Škoda Auto again became the general partner of the "Routes through Towns" transport competition run by the Partnership Foundation to promote quality transport solutions implemented to calm traffic in Czech towns and villages.



CSR of Subsidiaries

Not only the parent company performs social responsibility activities in the Škoda Auto group, but significant activities are also implemented by the various subsidiaries, to an extent corresponding to their activities, size and country of operation.

Škoda Auto Deutschland places great emphasis on supporting social projects focused on helping children, such as the "Children in Need" organisation, and the "Unesco – Education of Children in Need" and "Bärenherz" foundations, where employees have the chance to personally get involved in projects. The fight against the current world's social problems is represented by support for the projects "Loud against Nazis" and "KARO" (a project against forced prostitution on the Czech-German border).

Thanks to favourable working conditions, Škoda Auto Slovensko repeatedly appears in leading positions in research to find the top employers in Slovakia. It focuses its social activities on support for selected children's homes, whereas in the field of the environment it pays special attention to sorting and recycling waste in its space. In the same way, Škoda Auto Polska complies with all labour law, safety and environmental regulations without exception. In the field of philanthropy the company supports an association for handicapped children.

As a production company, Škoda Auto India has a wide remit in CSR. A number of above-average social measures (support for education, the remuneration system and other benefits, sports activities) make the company a sought-after employer. Measures to minimise the impact on the environment are implemented throughout the production and car distribution process. The company pays extraordinary attention to supporting the region where it operates, primarily in the field of medical care (arrangement of free medical examinations in districts and schools in the area around the company's headquarters linked to health education, support for information about diabetes and AIDS, etc.).

The supported social activities of the Indian plant include the "March for Health," the "March for the Environment," voluntary blood donations and the planting of trees. Long-term cooperation is implemented by the Red Cross and government hospitals.



Automotive Sustainability Conference

A conference organised on Thursday, 24 September by Škoda Auto and Ško-energo in Mladá Boleslav was aimed at outlining developments in the automotive industry so that they correspond to the requirements for sustainable development. Academic and professional experts, as well as representatives of the Czech government and European Union, met at the conference.

The results of the various panel discussions were presented at the Automotive Sustainability Conference. The conference's attendees outlined the possible future of the automotive industry in six thematic areas.

In response to a question put to the panel on the product and product life cycle, those present decided that they see potential to improve the environment in the various stages of a product's life cycle by increasing the share of recycling of materials used in car production, developing new technologies and making use of them, and in enhancing production processes. Furthermore, great emphasis has to be put on customer education in terms of responsible and economical driving in the form, for example, of various "environmentally-friendly trips".

In the discussion on fuels of the present and future, the specialist guests chose from several alternatives the ones they prefer as the most probably usable. The most preferred fuels of the future were easily CNG (compressed natural gas) and electricity. CNG was chosen as a short-term and medium-term solution, although the participants in the panel discussion mostly preferred electricity in the long term.

The key question in the panel discussion on energy management in the automotive industry was: "How can Škoda Auto/Ško-energo increase its production of energy in an environmentally-friendly way?" In the conclusion of the discussion there were proposals for burning biomass, as the most widespread and easily available resource, adapting existing facilities and expanding them to include gas turbines,

making use of heat and power generation in plants Kvasiny and Vrchlabí and expanding hot water networks.

Participants in the panel discussion on social responsibility agreed that no company active in the automotive industry should ignore any of the three pillars of social responsibility in its development strategy. Considering its specific needs and the existing market situation, a company should decide which of them it is going to stress most. The key pillars of social responsibility are economic, social and environmental areas.

The discussion on legislation and car manufacturing brought an answer to the question of whether the EU's green legislation reinforces the position of Europe's automotive industry in the world. A vast majority of respondents say, "Yes, in some cases it does".

Discussing the financial crisis and its impacts on the automotive industry, the specialist guests looked for the most reliable way out of the current economic recession.

The opinion enjoying the biggest amount of support is that the way out of the crisis is to look for new and less affected markets, as well as seeking support from governments in terms of adopting legislation that facilitates entrepreneurial activity.



Public Affairs

State Administration, EU, International Relations

Škoda Auto desires good relations with representatives of the state administration and local authorities. It actively participates in working groups arranged by the various departments on the issue of CO_2 emissions, scrapping old cars, employee policy and the Czech Republic's entry to the European currency system. Through its active approach, it gives feedback to the Czech government and in cooperation with the other members of the Volkswagen group and European Union institutions upon the preparation of legislation.

The company and its employees are important contributors to public budgets (for 2009 alone it paid income tax and mandatory payments for social security and health insurance funds totalling CZK 6.573 bn. Influence on political trends is based solely on the mutual exchange of information with political representatives. In 2009 Škoda Auto actively supported the Czech presidency of the European Union, when for its needs it lent environmentally-friendly versions of the Superb GreenLine model and provided space at the Na Karmeli Education Centre for non-formal working groups of the Council for Competitiveness.

Cities and Regions

The hundred-year joint tradition has created strong bonds between all three towns where Škoda Auto has its production plants in the Czech Republic and the automaker. This is most visible in Mladá Boleslav, where the automaker's employees comprise 75% of the economically active people in the city and where the automaker, through its size, takes up roughly one third of the city's area.

Škoda Auto and the city of Mladá Boleslav work together

closely in various areas, in particular construction, culture, sport, education and health. Company representatives actively take part in work by city committees established to deal with various problems (transport, housing issues, crime, etc.).

The automaker supports sports and cultural activities in the city and the region; as a part of its social programme it supports medical institutes and hospitals where it is active. It operates its own Škoda Auto University, a secondary vocational school and college, but still contributes to the development of other education facilities.

Suppliers

In connection with the strengthening competition on the market and tightening legislation, higher and higher demands are being placed on the company. The quality of the final product is a result, among other things, of the quality of the various parts and materials delivered. Škoda Auto therefore requires the strengthening of responsibility

of suppliers for the quality and, in particular, stability of the quality of deliveries in accordance with the ISO series 9000 standards and the introduction of TQM (Total Quality Management) approaches. The aim is to work with suppliers that meet the requirements also from the environmental viewpoint (93% of deliveries are provided by suppliers who meet the highest ISO 14001 environmental standards).

Škoda Auto Museum

The Škoda Auto Museum was established with the aim of obtaining, gathering, permanently maintaining, recording, renovating, handling in expert fashion and making available to the public collections of a museum nature. It presents scientific and popular science activities in materials deposited in the archive and helps shape the company's image in its historical context.

In cooperation with the Hapestietika association and the Institute for the Rehabilitation of the Vision Impaired in 1999, the Škoda Auto Museum opened itself to visits by visitors with vision difficulties. The displays are described with tags in Braille, there are reliefs of exhibits and guides are specially training for this purpose.

In addition to this, the museum arranges excursions to the Škoda Auto plant. During an excursion visitors have a guide who provides them with expert commentary in several world languages. Around 120,000 visitors visit the museum every year.

The Škoda Auto archive, which is part of the museum, stores in a specialist manner, administers and systematically processes materials that, from the historical, documentary or scientific viewpoint have a permanent value for the company. It provides help with searches for historical documentation and materials to the specialist and lay public, internal and external interested parties.

Restoration Workshop

The Škoda Auto Museum also includes a restoration workshop that maintains and enhances the museum's collection and preserves for future generations the history of car production in the Czech Republic, where cars have been produced since 1905. That is when Mr. Laurin and Mr. Klement started to produce their two-track vehicles.

The restoration workshop's activities include not only repairing and modernising veteran cars produced and owned by the largest Czech automaker, but also restoring veteran cars to order for external customers. The restoration workshop owns several cars that can also be run in limited fashion. It uses them to represent the company and its over 100 years of tradition at veteran rallies and old-timer events.

The workshop also has an archive of prototypes of Škoda cars. The restoration workshop currently administers more than 200 cars



Autostadt





In 2009 Škoda Auto launched a fully reworked presentation of the Škoda brand at the Autostadt centre in Wolfsburg, the home of the parent Volkswagen Group. The new form presents a responsible approach to the environment.

In addition to the presentation of the current model series there was space for the brand's main values, called the "Human Touch" and "Simply Clever." The external architecture, the work of the well-known Czech architect Prof. Dr. Bořek Šípek, was retained.

Thanks to the new spatial concept, every detail radiates modernity, comprehensibility and its own identity. A "wall of live flowers" draws attention to the series of Škoda GreenLine environmentally-friendly cars.

The display shows that Škoda Auto follows on from the group's values, which the Autostadt centre presents every year to more than two million visitors: why quality means safety, how performance and sustainable growth go hand in hand and what a customer-oriented approach means to the company. With more than 18.5 million visitors since its establishment in 2000, Autostadt is one of the largest amusement parks and most popular tourist destinations in Europe.



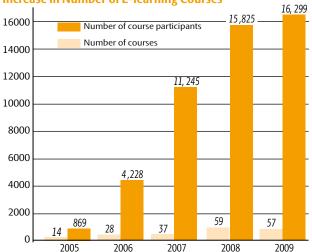
Education

Personnel Development

In the global competition the company encounters on the car market, only companies with skilled employees can succeed. Given the rising technological demands of production and the changing market, all employees have to keep perfecting their abilities and learning new skills. Škoda Auto therefore regards the personal development of its employees as one of its investment priorities.

The company pays marked attention to the deepening and increasing of its workers' qualifications. The human resources development unit offers a wide range of activities that support employees in their individual development and that are in accordance with the company's strategy. Great emphasis is placed on the concept and implementation of development measures that have a positive influence on employees' attitudes, their business thinking and flexibility in the time of a recession. To support education and its greater flexibility, the company is successfully providing education with the help of e-learning (electronic courses). In 2009, all company employees had the option of choosing from 60 courses that could be taken at the workplace and from home. A total of 16,299 employees took advantage of this.

Increase in Number of E-learning Courses



There are educational and development programmes that employees physically attend focused on supporting key groups: specialists from development, marketing, controlling, IT, personnel work, foremen, etc. In accordance with the corporate philosophy, the company trains future managers and develops them in the long term in accordance with a structured programme, mostly from its own sources. Škoda Auto managers can develop further personally during various activities at home and abroad. Through its specialists and managers, the company is intensively involved in a number of international projects as a part of the Volkswagen group.

Special attention is also paid to development programmes for the lower and middle elements of management – team coordinators and foremen. The personnel development programmes, however, already focus on university students and graduates. Through the JUST-Pool and Trainee programmes they have the chance to get to know the company and its operations, obtain their first practical experience and get ready to perhaps join the company in the future.

Thanks to its contacts with universities, Škoda Auto has the chance to influence the specialist preparation of students through the organisation of specialist work experience in its operations or, for example, assignments for theses. The company invested CZK 150 mil. in developing and supporting employee growth in 2009. 31,913 employees participated in 4,301 off-the-job development measures.

Škoda Auto makes long-term investments in developing and supporting employee growth, in 2009 alone it was CZK 150 mil.

Vocational College



The company has a completely exceptional position among businesses in the Czech Republic in the field of education. Škoda Auto operates its own vocational college that prepares future technical employees for the company.

The college has a total of 920 pupils and more than 260 of them successfully completed their preparations in 2009.

Cooperation with Universities

Cooperation with universities takes place at several levels through sponsoring, joint research and development projects, the placement of orders by Škoda Auto, and in the form of internships and lectures.

Obtaining skilled personnel, increasing the potential of universities and supporting co-operation on research projects are priorities for the company.

Škoda Auto has had a Committee for Sponsoring Universities since 2006. It gave universities almost CZK 5 mil. for selected projects in 2009. Universities are also given dozens of cars as teaching aids for improving instruction. In addition, Škoda Auto cooperates on the creation of new study plans and the accreditation of new fields – all with the aim of bringing the content of study programmes closer to the needs of industrial practice.

In this way the automaker declares its attempt to obtain skilled employees, increase the innovation potential of universities and, last but not least, support cooperation on joint research projects involving universities and industrial companies. Direct cooperation on specific development orders has risen more than fourfold since 2000 and a further increase is expected, for example, on common projects for research for the whole Volkswagen group. The main partner universities include the Czech Technology University in Prague, the Technical University in Liberec and the West Bohemian University in Plzeň.

Almost 700 students, 140 from abroad, go through Škoda Auto practical internships annually.

Škoda Auto University / Na Karmeli Education Centre

Škoda Auto also owns the one and, as yet, only corporate university in the Czech Republic, which has an accredited Economics and Management programme for both bachelor's and master's degrees. 860 students attended the university in 2008/2009, including more than 100 company employees taking advantage of a combined form of study. The Škoda Auto university deepened cooperation with universities in the Czech Republic and abroad, e.g. with universities in Germany, Austria and Spain. It works with these institutions not only on various educational projects, but also on student exchanges, workshops and courses, conferences and the preparation and organisation of internationally recognised language tests. One of the aims is also to involve the school in European Union education programmes.

A good example of cooperation between a private company and a local authority is the construction and operation of the Na Karmeli Education Centre, which was opened in 2007. By opening the centre Škoda Auto confirmed its long-term plan to constantly improve and deepen the education of its employees, both current and future. The modern site, which houses both the Škoda Auto University and the corporate training centre, arose through modernisation and extension of a devastated former monastery through the investment of CZK 390 mil.

It is symbolic that in the Czech Republic the only such private education facility is on a place where the educational activities of the Minorite order and then the Czech Brethren blossomed from the 14th century.

The education centre is not only for the university, but also for company training for current employees. The space for society events, including a Baroque church, can be used for graduation ceremonies, matriculations and various corporate, cultural and social events. The same as in previous years, there were numerous specialist workshops for the corporate

university field, work meetings, group meetings, conferences, workshops and training sessions. The facilities of the Education Centre were also used for non-formal meetings of the working group of the Council for Competitiveness as a part of the Czech presidency of the European Union and for the organisation of the international Automotive Sustainability Conference.

Through the completion of the whole project, together with the city of Mladá Boleslav, the company created the conditions for supporting the development of human resources in the whole region, making the city visible on the congress tourism map and also revitalising a neglected part of the historical city centre.







ENVIRONMENT

Technical Developments

Product and the Environment

The development of new Škoda Auto cars and engines takes into consideration customers' wishes in terms of high

product quality, attractive design, technical innovations and environmentally-friendliness. Protection of the atmosphere, economical use of resources, and health and safety are our priorities.

Protection of the Atmosphere and the Climate – CO_2

Reducing emissions from Škoda Auto cars (CO₂, NO_X, solid particles, etc.), reducing fuel consumption and making use of alternative sources are challenges that have been successfully faced as a part of the development of new products and care for the current product series. New, modern engines with TSI (petrol) and TDI Common-Rail (diesel) technology meet the strict Euro 5 emissions limits, stand out through their reduced displacement (downsizing), reduced fuel consumption and better dynamic properties. The forced induction TSI and TDI Common-Rail engines together with modernised gearboxes (e.g. DSG) comprise drive units with extraordinary parameters. For customers who prefer alternative fuels, we have developed models with a drive using liquefied petroleum gas and "FlexFuel" cars with a content of up to 85% ethanol.

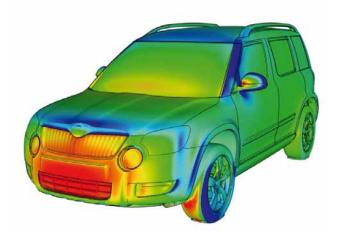
To reduce CO₂ emissions by cars, Škoda has not only taken measures regarding engines, but also regarding a number of aerodynamic alterations, reduction in car weight and optimisation of electricity consumption. With the help of modern technology it is performing demanding simulations and calculations (virtual engineering). CAE-simulations also enable a flexible assessment of various construction and design options and a simulation of the burden on the driver without the necessity of building a physical prototype. This approach is more efficient, more economical and leads to savings of materials and resources. As a part of the trend in reductions of emissions and fuel consumption, Škoda

Auto also offers customers a special series of GreenLine products, for which a whole number of measures have been implemented to minimise CO₂ emissions.

All currently produced Škoda models are certificated by the independent, accredited British company VCA and meet all legislative requirements, including product recyclability.

Materials that are recyclable and environmentally-friendly are used, and recyclate with the parameters of new material is preferred in Škoda cars. For easy and clear identification of parts and material composition, we perform thorough marking that, after the end of the life cycle, enables the rapid sorting of materials into various material groups and their subsequent recycling or energy recovery.

Computer simulation of external aerodynamics of Škoda Yeti



GreenLine, LPG, CNG

Without environmentallyfriendly models, automakers will not be able to get by in the future

The GreenLine model series had its world premiere at the Frankfurt Motor Show in the autumn of 2007, as a series specially developed to be as economical and environmentally-friendly as possible and with a focus on minimising emissions of solid particles and CO₂.

Second generation GreenLine models have technical alterations leading to further reductions in consumption and pollutant emissions. Škoda Auto has also presented GreenLine models throughout the whole model palette. The most significant new features include a three-cylinder engine with a Common-Rail high-pressure direct injection 1.2 TDI CR DPF/55 kW system, a Start-Stop system, brake energy recovery and gear recommendations on the Maxi DOT display.

This economical engine offers consumption of 3.4l/100km and CO₂ emissions of only 89g/km for the Fabia model and



4.2l/100km with ${\rm CO_2}$ of 109g/km for the Roomster model. Not only ${\rm CO_2}$ emissions, but also the values of the other pollutants are lower; the new engine meets Euro 5 emissions limits, which are stricter in the field of nitrogen oxide and solid particles for diesel engines.

For the Octavia, Suberb and Yeti models, which are new expansions of the GreenLine range, a 1.6 TDI CR/77kW drive unit was used. There was a marked reduction in fuel consumption and pollutant emissions – the Octavia offers consumption of 3.8l/km and $\rm CO_2$ emissions of 99g/km, the Superb consumes 4.4l/100 km and produces $\rm CO_2$ emissions of only 114g/km (114g/km in the case of the Superb Combi) and the compact Škoda Yeti SUV has an average consumption of 4.6l/km and $\rm CO_2$ emissions of only 119g/km.

There is a Start-Stop system in Škodas for the first time. Its benefit is felt most in dense urban traffic. It switches on automatically after the engine starts up. If the driver stops the car after driving for a certain time, puts it in neutral and takes his foot off the clutch, the engine switches itself off. As soon as the driver depresses the clutch, the engine immediately starts up again.

In this way in a mixed traffic it is possible to save between 0.2 and 0.4l/100km, in urban traffic between 0.3 and 0.9l of fuel per 100km. Another piece of modern technology is brake energy recuperation of the second generation GreenLine models. The efficient use of the car's movement energy to charge the battery is a simple system that can save fuel in an ongoing way, in small doses.

The same as the Start-Stop system, the recuperation system is being used in mass-produced Škodas for the first time. The two systems compliment each other. The application of the recuperation system enabled the achievement of a reduction in CO_2 by 2 to 4g/km. Other measures increasing the economy of operation include a function for shifting to a higher gear, which helps a driver make best use of the potential of an engine, lowering and aerodynamic coverage of the chassis and, last but not least, the use of tyres with low rolling resistance.

Another model in the family of environmentally-friendly Škoda cars is the Octavia MultiFuel. It is equipped with a 1.6 MPI engine with a power output of 75kW (102hp) adjusted for burning E85 fuel comprising a blend of bioethanol and petrol. The philosophy of using alternative fuels is also met by the Octavia LPG, which is built on the basis of a 1.6 MPI/75kW engine.

It burns both lead-free petrol and LPG. When burning petrol the engine provides a power output of 75kW (102hp), on LPG drive it is 72kW (98hp). Petrol consumption is 7.1l/100km, or 9.2 litres of LPG per 100km. CO₂ emissions are at a level of 149g/km for LPG and 169g/km for the petrol regime.

It is interesting to note that at the Shanghai motor show in April 2009 Škoda presented the concept for an environmentally-friendly alternative to its current models for the Chinese market. Visitors could see the popular Octavia Ming Rui model in the GreenLine version with a 1.4 TSI engine and a DSG gearbox.

The basic changes that enable combined fuel consumption and the level of CO₂ emissions to be reduced:

- Start-Stop
- Brake energy recuperation
- · Manual gearbox with adjusted gears
- Reduction in air resistance coefficient by lowering and covering chassis
- Use of special tyres with low rolling resistance and higher prescribed pressure value

	Škoda Superb GreenLine	Škoda Superb Combi GreenLine	Škoda Octavia GreenLine	Škoda Octavia Combi GreenLine	Škoda Roomster GreenLine	Škoda Fabia GreenLine	Škoda Fabia Combi GreenLine	Škoda Yeti GreenLine
Engine	1.6 TDI CR DPF/77kW	1.6 TDI CR DPF/77kW	1.6 TDI CR DPF/77kW	1,6 TDI CR DPF 77kW	1.2 TDI CR DPF/55kW	1.2 TDI CR DPF/55kW	1.2 TDI CR DPF/55kW	1.6 TDI CR DPF/77kW
Combined consumption	4.4l/100km	4.4l/100km	3.8l/100km	4.2 l/100 km	4.2l/100km	3.4l/100km	3.4l/100km	4.6l/100km
CO ₂ emissions	114g/km	114g/km	99g/km	109g/km	109g/km	89g/km	89g/km	119g/km
Emissions standard	EU 5	EU 5	EU 5	EU5	EU 5	EU 5	EU 5	EU 5
Curb weight	1,524kg	1,546kg	1,390kg	1,375kg	1,314kg	1,203kg	1,219kg	1,410kg
Air resistance coefficient	0.29	0.29	0.296	0.299	0.314	0.303	0.301	0.361
Maximum speed	19km/h	190km/h	192km/h	191km/h	165km/h	172km/h	172km/h	176km/h
Acceleration from 0-100 km/h	12.5s	12.6s	11.4s	11.4s	15.4s	14.2s	14.3s	12.1s

Closing date for data 30 September 2010

Summary of Engine Versions in Current Škoda Auto Models

		<u> </u>				
Car model	Engine	Power output	t Design		CO ₂ emissions	
		kW		l/km	g/km	
Yeti						
	1.2 TSI	77		6.4	149	
	1.2 TSI 1.4 TSI	77	Automat	6.6	154	
	1.4 ISI	90	6 1:	6.8	159	
	1.6 TDI CR DPF	77	GreenLine	4.6	119	
	1.8 TSI	118		8	189	
	1.8 TSI	112 81	4x2	8 5.4	189 140	
	2.0 TDI CR DPF	81	4x2 4x4		159	
	2.0 TDI CR DPF 2.0 TDI CR DPF	103	484	6.1 6	157	
	2.0 TDI CR DPF	103	Automat	6.5	169	
	2.0 TDI CR DPF	125	Automat	5.9	155	
Fabia	2.0 151 0101	123		3.3	133	
Tubiu	1.2 HTP	44		5.7	132	
	1.2 12V HTP	51		5.5	128	
	1.4 16V	63		5.9	139	
	1.2 TSI	63		5.2	121	
	1.2 TSI 1.2 TSI	77		5.3	124	
	1.2 TSI	77	Automat	5.3	124	
	1.6 16V	77		6.9	165	
	1.6 16V	77	Automat	7.5	180	
	1.4 TSI	132		6.2	148	
	1.2 TDI CR	55		3.9	102	
	1.2 TDI CR	55	GreenLine	3.4	89	
	1.6 TDI CR	55		4.2	109	
	1.6 TDI CR	66		4.2	109	
Fabia Combi	1.6 TDI CR	77		4.2	109	
Fabia Combi	1.2 HTP	44	1	5.7	132	
	1.2 12V HTP	51		5.5	128	
	1.4 16V	63		5.9	139	
		63		5.2	121	
	1.2 TSI	77		5.2	124	
	1.2 TSI 1.2 TSI	77	Automat	5.3 5.3	124	
	1.6 16V	77	Automat	6.9	165	
	1.6 16V	77	Automat	7.5	180	
	1.4 TSI	132	/ iditorridi	6.2	148	
	1.2 TDI CR	55		3.9	102	
	1.2 TDI CR	55	GreenLine	3.4	89	
	1.6 TDI CR	55	Greenzine	4.2	109	
	1.6 TDI CR	66		4.2	109	
	1.6 TDI CR	77		4.2	109	
Roomster						
	1.2 HTP	51		6.2	143	
	1.4 16V	63		X	X	
	1.2 TSI	63		5.7	134	
	1.2 TSI 1.2 TSI	77		5.7	134	
	1.2 TSI	77	Automat	5.7	134	
	1.6 16V	77	.	6.9	165	
	1.6 16V	77	Automat	7.5	180	
	1.2 TDI CR	55	6	4.5	119	
	1.2 TDI CR	55	GreenLine	4.2	109	
	1.6 TDI CR 1.6 TDI CR	66		4.7	124	
Praktik	1.0 IDICK	77	1	4.7	124	
ITANUN	1.2 HTP	51		6.2	143	
	1.4 16V	63		X X	X	
	1.4 TSI	63		5.7	134	
	1.2 TDI CR	55		4.5	119	
	1.6 TDI CR	66		4.7	124	
Octavia Tour						
	1.4 MPI	55		6.8	163	
	1.6 MPI	75		7.1	169	
	1.8 20V Turbo	110		7.9	189	
	1.6 TDI	66		5	135	
	1.9 TDI PD	74		5.1	135	
Octavia Combi To						
	1.4 MPI	55		6.8	163	
	1.6 MPI	75		7.1	169	
	1.8 20V Turbo	110	-	7.9	189	
	1.6 TDI	66	-	5	135	
Octavia	1.9 TDI PD	74	1	5.1	135	
Octavia	1 2 TCI	77	1	5.7	174	
	1.2 TSI	77	automat	5.7	134	
	1.2 TSI	77 59	automat	5.9	136	
	1.4 MPI	75		7.4	167	
	1.6 MPI 1.6 MPI	75	Flex Fuel	7.4	176 162 (157)	
	1.6 MPI	75	automat	7.9	188	
	1.0 1011	1 1 2	automat	1.2	100	

Car model	Engine	Power output	Design	Consumption			
		kW		l/km	g/km		
	1.6 MPI	75	LPG	7.1 (9.2)	169 (149)		
	1.4 TSI 1.4 TSI	90 90	Automat	6.3 6.3	148 147		
	1.4 TSI	118	Automat	6.9	158		
	1.8 TSI	118	Automat	6.6	155		
	1.6 TDI CR DPF	77		4.5	119		
	1.6 TDI CR DPF	77	GreenLine	4.4	114		
	1.6 TDI CR DPF	77	automat	4.7	123		
	1.9 TDI PD	77	A. ita ma at	4.9	130		
	1.9 TDI PD 2.0 TDI CR	81	Automat	5.9 5	155 132		
	2.0 TDI CR DPF	103		4.8	126		
	2.0 TDI CR DPF	103	Automat	5.3	138		
Octavia Combi							
	1.2 TSI	77		5.7	134		
	1.2 TSI	77	automat	5.9	136		
	1.4 MPI	59 75		7.4	167		
	1.6 MPI 1.6 MPI	75	Flex Fuel	7.4	176 167 (162)		
	1.6 MPI	75	automat	7.2 (3.7)	188		
	1.6 MPI	75	LPG	7.1 (9.2)	169 (149)		
	1.4 TSI	90		6.3	148		
	1.4 TSI	90	Automat	6.3	147		
	1.8 TSI	118	A	6.9	158		
	1.8 TSI 1.8 TSI	118	Automat	6.6	155		
	1.6 TDI CR DPF	118 77	4x4	7.7 4.5	180 119		
	1.6 TDI CR DPF	77	GreenLine	4.2	109		
	1.6 TDI CR DPF	77	automat	4.7	123		
	1.6 TDI CR DPF	77	4x4	5.4	141		
	1.9 TDI PD	77		4.9	130		
	1.9 TDI PD	77	Automat	5.9	155		
	1.9 TDI PD 2.0 TDI CR	77 81	4x4	<u>6</u> 5	159 132		
	2.0 TDI CR DPF	103		4.9	129		
	2.0 TDI CR DPF	103	Automat	5.4	143		
	2.0 TDI CR DPF	103	4x4	5.6	148		
Octavia RS							
	2.0 TSI 2.0 TSI	147		7.5	175		
	2.0 TSI 2.0 TDI CR DPF	147 125	Automat	7.7	180 149		
	2.0 TDI CR DPF	125	Automat	5.7 6	159		
Octavia Combi R	\$	123	Automat	0	133		
O CLAVIA COMBINA	2.0 TSI	147		7.5	175		
	2.0 TSI 2.0 TSI	147	Automat	7.7	180		
	2.0 TDI CR DPF	125		5.7	149		
	2.0 TDI CR DPF	125	Automat	6	159		
Octavia Scout	1 0 TCI	110		7.0	102		
	1.8 TSI 2.0 TDI CR DPF	118 103		7.8 5.9	182 155		
Superb	Z.U IDI CK DFI	103		3.9	133		
Бирсі	1.4 TSI	92		6.8	157		
	1.8 TSI 1.8 TSI	118		7.2	169		
	1.8 TSI	118	Automat	7.1	168		
	1.8 TSI	118	4x4	8.1	189		
	2.0 TSI 3.6 FSI V6	147 191		7.9 10.1	178 235		
	1 6 TDI CR DPF	77		5	130		
	1.6 TDI CR DPF 1.6 TDI CR DPF	77	GreenLine	4.4	114		
	2.0 TDI CR DPF	103		5.4	143		
	2.0 TDI CR DPF	103	Automat	5.9	154		
	2.0 TDI CR DPF	125		5.7	149		
	2.0 TDI CR DPF	125	Automat	6	157		
Superb Combi	2.0 TDI CR DPF	125	4x4	6.2	163		
Jupero Comol	1.4 TSI	92		6.9	159		
	1.8 TSI	118		7.3	171		
	1.8 TSI	118	Automat	7.3	170		
	1.8 TSI	118	4x4	8.2	191		
	2.0 TSI	147		8	180		
	3.6 FSI V6	191		10.2	237		
	1.6 TDI CR DPF 1.6 TDI CR DPF	77	GreenLine	5.2 4.4	133 114		
	2.0 TDI CR DPF	103	GIECHTING	5.5	145		
	2.0 TDI CR DPF	103	Automat	6	158		
	2.0 TDI CR DPF	125		5.8	151		
	2.0 TDI CR DPF 2.0 TDI CR DPF	125	Automat	6.1	159		
	2.0 TDI CR DPF	125	4x4	6.3	165		
			Closin	g date for data 30	September 2010		

Safety

Škoda cars are designed with regard to the safety of the crew and other road users, such as pedestrians and cyclists. The aim is to minimise the risk of a traffic accident (active safety) and reduce the risk of an injury in a traffic accident (passive safety). Increasing the standard of safety in Škoda cars is implemented through the stable design of the body and an increase in the number of active and passive safety elements. Confirmation of the effectiveness of the measures is shown by the results of safety tests by the independent Euro-NCAP association. The Roomster, Superb and Yeti obtain the maximum five-star rating and are among the safest cars in their classes.

Through the general arrangement of the parts of a car and the use of suitable materials, the level of noise is reduced and the required acoustic properties are achieved. The acoustic parameters are assessed as a part of tests and then optimised. The use of non-damaging materials in Škoda Auto cars also contributes to the protection of health.



New Technology Centre

Building of a unique technological centre, which provides the promise of the development of Škoda products in the Czech Republic and is part of the technical development site, to strengthening the remit of Škoda Auto as a part of research and development.

The Technology Centre includes development workplaces for electronics, chassis, gearboxes and engines, a light tunnel, a photometric laboratory, climate chambers and sun simulations. There is also a modern acoustic centre built on independent foundations ensuring the elimination of noise and vibrations from the surrounding area. Thanks to the implementation of these investments, 300 new jobs have been created for highly qualified specialists and university-educated workers.



Economical Use of Resources

Protection of the atmosphere, economical use of resources, health and safety are fundamental and long-term priorities for the company.

Škoda Auto achieves savings and efficient use of resources by optimising the weight of products, choosing recyclable materials and applying the latest technology.

When developing cars, virtual engineering tools are used and enable demanding simulations and calculations. It is therefore possible to very flexibly assess various options for solutions and optimise the design of parts from the viewpoint of solidity and stress.

The automaker is increasing the share of light design materials in production (non-iron metals, high-strength sheet, plastics, etc.) and thereby contributing to the rational use of raw materials and minimisation of the quantity of waste.



Production

Relation to the Environment

Škoda Auto offers top class cars whose production represents a minimal burden for the environment. The company succeeds in complying in time and thoroughly with the requirements of tightening legislation and the obligations declared in the Škoda Auto Policy to implement the strategy for permanently improving protection of the environment and meeting all statutory limits and duties in this field.

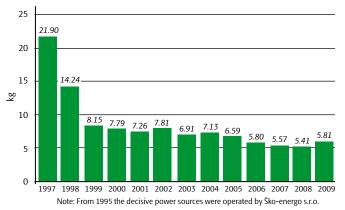
It thereby contributes to sustainable development and proves a sensitive approach to life and the countryside. This is documented by its defence of a certificate for the environmental management system in accordance with the globally valid ISO 14001:2004 standard during a control audit in 2009.

Protection of the Atmosphere

All sources of atmospheric pollution that the company operated in 2009 met the statutory emissions limits. The main sources of emissions are industrial body paint shops and power sources, which produce 96% of emissions.

In recent years the company has managed to markedly reduce emissions into the atmosphere, not only per car produced, but also in absolute terms. Between 1997 and 2009, thanks to the use of modern production technology, there was a more than 60% fall in emissions produced. The modern body paint shops in Mladá Boleslav and Kvasiny make use, to a decisive extent, of paint soluble in water, the emissions of volatile organic

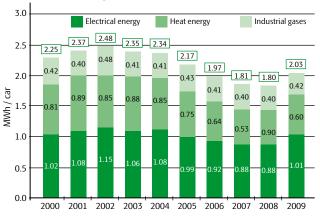
Trends in Emissions into the Atmosphere per Car Produced



substances are removed by combustion together with natural gas and the heat released is used for heating. Modernisation of power sources and metallurgical operations contributed in a significant way to reductions in sulphur dioxide, peroxide nitrogen, solid pollutants and carbon monoxide.

Rationalisation measures are succeeding in keeping the whole consumption of energy at the same level for several years and the environment is therefore not burdened by other emissions, including greenhouse gases during their production. Between 2006 and 2008, when the company produced a high number of cars, energy consumption per car fell under the peak level of 2MWh.

Trends in Energy Consumption per Car Produced



Protection of the Soil, Underground Water and Water Management

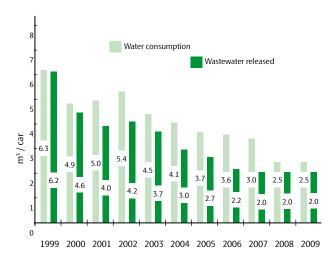
Škoda Auto performs a full set of activities aimed at preventing environmental damage and is successfully correcting the consequences of insensitive industrial production that arose before the link-up with the Volkswagen group.

Damaging substances from the water viewpoint are handled only in space, facilities and distribution systems that are technically secured to a sufficient extent, for which there are emergency plans and that are fitted with products to prevent any leaks. By the end of 2009, CZK 587 mil. had been spent on correcting more than 80% of environmental damage requiring clean-up. The clean-up work has been completed at the Kvasiny and Vrchlabí plants. One of the basic tasks of Škoda Auto is to limit the consumption of water to the necessary level and return it to circulation with a minimal burden on the environment

The success of the measures adopted as a part of the set task is shown by trends in consumption of water and wastewater

released per car produced and also by the fact that the cleanliness of wastewater released is, significantly higher than the prescribed limits, thanks to the newly introduced technology.

Trends in Consumption of Water and Wastewater Released per Car Produced

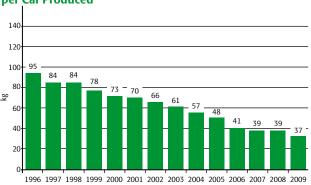


Waste Management

In the field of waste, in the long term Škoda Auto has been applying a strategy that is primarily focused on preventing it from arising, as well as reducing its volume and dangerous qualities, preferring its recovery and then, if this is not possible, disposing of the waste in the way most friendly to the environment.

The strategy's effectiveness can be documented on trends in the quantity of waste produced (excluding metals) per car. Whereas in 1997 the indicator was 84kg/car, in 2009 it was only 37kg/car.

Trends in Waste Production (without Metals) per Car Produced



Of the total quantity of waste that was produced in 2009, only 8.4% ended up in dumps and incinerators. Most of the waste, including metals, was recovered; this concerns, for example, glass, paper, waste oils, solvents, cables, electrical waste, foundry sands, plastics and plastic foils. Special attention was paid in 2009 to the separate collection of electrical equipment.

Škoda Auto got involved in the Green Company project run by REMA Systém a.s. leading to an expansion of places for the collection of used household electrical equipment.

Škoda Auto employees have the opportunity to, at selected plant gates, hand over small electrical waste from their households for recycling.

Protection of the Environment for New Investments

Škoda Auto is dealing with the consequences of the economic recession by making all its activities more efficient and expanding the range of models produced. This would be unthinkable without modernisation and expansion of the

production base. The effectiveness of the technical protection of the environment is decided when an investment is at the preparation stage. All equipment with an influence on the environment therefore has to be the best available technology and also has to meet the VW group's environmental protection principles, which exceed the statutory framework and apply globally.

In this context, in recent years Škoda Auto has, for example

- In accordance with the Environmental Impact Assessment
 Act, obtained consenting statements from authorities for
 the expansion of the welding shop, assembly and logistics
 areas and an increase in the capacity of the paint shop at
 the Kvasiny plant for the production of the Yeti, as well as
 an expansion of the central original parts and accessories
 warehouse in Mladá Boleslav;
- Achieved a change to its integrated permit for the body paint shop at the Kvasiny plant to increase its capacity to 900 bodies a day and also a change to the integrated permit for the foundry at the Mladá Boleslav plant in connection with an expansion in the range of castings for the production of other types of engines and gearboxes;
- At the Mladá Boleslav plant, continued with clean-up work during the release of production space for modernisation in older halls for mechanical machining and metallurgical operations, the final stage of which is the preparation of floors secured against the leakage of damaging substances under the ground;
- To protect the climate, implemented new statutory measures to limit emissions of fluorated greenhouse gases from all cooling and air conditioning equipment operated.

Ško-energo

Ško-energo is the company that arranges all the energy needed for the production of cars for Škoda Auto. Its long-term strategy is to reduce emissions of greenhouse gases during the production of energy and thereby contribute to protecting the climate.

Upon its establishment, part of the strategy of Ško-energo was to build a new, modern heating and power plant that would provide Škoda Auto with electricity and heat and thereby replace old operations that were not environmentally friendly. The modern equipment of the heating and power plant, which started operations in 1998, ensured a marked reduction in

emissions limits. The fluid boilers enable combustion at low temperatures and the co-generation method of producing heat and electricity with a wide-ranging CZT network is one of the most environmentally-friendly ways of producing energy.

The company is continuing to reduce emissions of greenhouse gases and with its environmentally-friendly behaviour. The company's strategy is focused on burning biomass, gradually increasing its consumption and to expanding hot-water networks, thereby increasing the joint production of electricity and heat. An important part of social responsibility is raising the young generation to behave in an environmentally-friendly way. The company's slogan is "You're being warmed by clean energy," which is now an important supplement to the logo.









Important Environmental Indicators

Although the production of cars rose more than threefold between 1991 and 2009, there was no proportional increase in the absolute level of the burden on the environment and in some indicators, for example emissions released into the atmosphere or water consumption, there was a fall.

A summary of the decisive environmental indicators for 2007-2009 is given in the nearby table.

A tried-and-tested system of protecting the environment, thorough application of its principles at the stage of preparation of an investment and deepening awareness of the responsibility of all employees for maintaining the least-affected countryside for future generations are a guarantee of minimising the consequences of Škoda Auto's activities on the environment in future years.



Škoda Auto key environmental indicators					
indicator	unit	2007	2008	2009	
Actal assumention of answer	GWh	1 120 0	1.004.6	1.057.0	
total consumption of energy of which: electricity	GWh	1,128.0 546.7	1,084.6 531.7	1,053.8 524.2	
heat	GWh			313.8	
	GWh	334.1 247.2	313.4	215.8	
industrial gases	GVVII	247.2	239.5	215.8	
total consumption of water	K m ³	1,886.9	1,521.4	1,305.7	
total consumption of water	t	1,953.4	1,926.2	1,667.7	
of which: VOC	t	1,613.9	1,579.8	1,357.8	
NO_{χ}	t	155.5	151.5	132.8	
SO ₂	t	0.3	0.3	0.2	
CO ₂	t	150.9	163.9	148.7	
particulate matter	t	30.4	28.9	26.0	
CO ₂ from power generation	t	54,920	53,448	49,654	
total amount of waste	Kt	174.3	147.9	140.8	
of which: metal waste	Kt	150.2	124.5	122.2	
hazardous waste	Kt	8.5	8.7	5.7	
other waste (excluding metals)	Kt	15.6	14.7	12.9	
proportion of waste for reuse and recycling	0/0	88.4	87.4	89.4	
discharged wastewater	K m ³	1,233.4	1,211.4	1,025.8	
harmful substances discharged in v	wastewat	er			
ChSKcr	t	491.3	481.4	335.0	
BSk₅	t	170.1	188.7	147.4	
Insoluble substances	t	68.7	110.8	105.8	
Inorganic salts	t	1,674.1	1,591.4	1,566.9	
NEL	t	1.0	0.8	0.7	
Investments in environmental protection	M CZK	256.1	169.6	92.1	

Services

Protection of the Environment in Retail Network

Compliance with the principles in the field of waste management (sorting waste), protection of the atmosphere and protection of water (storing of dangerous substances) are priorities for the environmental policy that Škoda Auto has focused on during its activities in its retail network in the Czech Republic.

In 1996, Škoda Auto introduced a qualified and flexible Advisory Service to protect the environment, the aim of which is to introduce for each business partner a quality system for management and control of protection of the environment. Retailers that meet the demanding criteria of an environmental audit and correct any shortcomings will receive a prestigious Certificate for their environmentally-friendly approach, or a "Green Seal of Approval."

A total of 70 retailers currently hold the Green Seal of Approval. One of the benefits of obtaining a Green Seal of Approval for a retailer is that it can obtain a technical discount on annual insurance from insurance companies.

Collection and Processing of Wrecked Cars

The automaker's activities do not end with the sale of a car. During production it has to think about the fact that the law instructs it to arrange their disposal in an environmentally friendly manner at the moment they become wrecks. In accordance with the Waste Act, since 2005 manufacturers have been under a duty to ensure free disposal of the cars they produce in an authorised processing network in the Czech Republic.

A condition of free disposal is that a car has to be complete

and cannot contain parts, additions and waste that are not part of it and are not related to it. When handing over a wreck to an authorised processor, the owner receives a confirmation of receipt that it submits to the transport department at the relevant authority, which then de-registers the vehicle.

Škoda Auto authorised Callparts System to manage and coordinate the collection and processing network for selected Volkswagen group wrecks in the Czech Republic. A total of 8,990 Škoda wrecks were disposed of in this network of processers in 2009.

Recovery of Selected Products

Another service that is arranged for Škoda Auto customers in the Czech Republic is the option of the free handing over of automobile waste such as batteries, tyres and oil and the disposal of old cars in the Callparts network of authorised processors.

The quality management and environmental protection systems introduced in the sales network are a guarantee of quality repairs and an environmentally-friendly approach by dealers.

Workshop Tests

Specially trained workers find out whether and in what way authorised service centres comply with the standards prescribed for care for customers and their cars. One of the ways of monitoring quality is workshop tests. They are performed by an independent entity with the help of ordinary customers. There is then an assessment of not only the quality of work done on a car, but also care for the client.

Long-term non-compliance with qualitative standards can end up with a service partner having its service agreement and cooperation terminated.

In the network of authorised Škoda service centres the satisfaction results are, in the long term, around 87% in the part concerning the quality of work done and around 94% in the part concerning customer care.



Customer Satisfaction Study

One method of verifying the standard of services provided is telephone surveys of customer satisfaction, where an interview is used to assess the last visit to a service centre. A telephone survey is used to prepare a detailed assessment for the various service partners.

During the surveys, the company also focuses on proposals from customers on the range and standard of services in the Škoda service network. Based on them, for example, it has introduced the Škoda Express Service, i.e. the performance of small service tasks while a customer waits. Clients' suggestions also led to the offer to collect a car from a customer and, after repairing it, deliver it to the customer or lend a replacement car.

Customers who want cheaper repairs and maintenance of older cars are helped by a cheque book: for owners of cars more than four years old with discounts on service work and Škoda original parts at participating service partners.



Award for the Campaign "So that the countryside..."

A campaign called Škoda Service and the Environment won an award in the national competition for the most creative advertising on the Czech market – the Nutcracker 2008.





Certification

Based on the results of an extension audit of the integrated management systems by TÜV NORD at the end of 2007, Škoda Auto obtained certificates for its quality management system in accordance with the EN ISO 9001:2000 standard and environmental management system in accordance with the ISO 14001:2004 standard for another three-year period. TÜV NORD performed a control audit in 2009 and issued a certificate for the quality management system in accordance with the updated ISO 9001:2008 standard.

Based on the audit, Škoda Auto received from TÜV NORD Czech in October 2008 a preliminary approval certificate that proves that Škoda Auto has introduced and complies with measures to meet the requirements of a car type approval certificate for recyclability and recoverability.

All currently produced Škoda models (Fabia, Roomster, Octavia, Superb and Yeti) are certified by the independent

accredited British company VCA and comply with the provisions of Directive 2005/64/EC. This directive specifies the requirements for materials used, part marking and achieving the relevant recycling quota.



Notes

Links

Sustainable Development at Škoda Auto

http://new.skoda-auto.com/company/com/sustainable_development/Pages/hp_tabstrips.aspx

Sustainable Development at Volkswagen

http://www.volkswagen-sustainability.com

Sustainability in Supplier Relations at Volkswagen

http://www.vwgroupsupply.com

Škoda Auto University

http://new.skoda-auto.com/company/com/savs/about/basic/Pages/basic.aspx

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Published by

ŠKODA AUTO a.s., 2010 Třída Václava Klementa 869 293 60 Mladá Boleslav Česká republika IČ: 00177041 Entry in the Commercial Register kept at the Municipal Court in Prague, Section B, File No. 332

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The deadline for the Škoda Auto Report on Sustainable Development was 30 September 2010.

Photographs used - Škoda Auto a.s. archive

This report was drafted with maximum care for the environment and sustainable development in general. Recyclable paper was used for printing. The Škoda Auto Report on Sustainable Development was published in two language versions. Completion work was done by employees in Škoda Auto protected workplaces.