SKODA

2022
Annual Report

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Foreword of the Chairman of the Board of Management

Dear readers,
Taking the helm of Škoda Auto in 2022 – one of the longest-established automotive brands – has been a great honour. For me personally and for Škoda, this year has been as exciting as demanding. Within supply chain disruptions, the war in Ukraine and the covid-19 pandemic, we took significant steps to future-proof the company: an accelerated e-campaign, pushing sustainability, further internationalization, and an entirely new brand design. At the same time, we achieved a sales revenue of CZK 444 billion and a return on sales of 4%. In all, we delivered 731,262 vehicles to customers, including 54,000 all-electric vehicles – an overall increase of 9.3% compared to the previous year. Thanks to the dedicated efforts of our highly skilled and motivated team, we thus managed to navigate the company within this challenging environment and pass important strategic milestones.

With 'Explore More', we are refocusing our strategic approach: It features a new design language, a new logo and the most radical change to the brand's corporate identity in the last 30 years – as well as further stepping up our e-campaign. We will introduce three new, additional battery electric models in the small, compact, and large segments already by 2026 – offering a comprehensive and accessible range of electric vehicles, boosting the BEV share of deliveries in Europe to more than 70% by 2030. By 2027, we will be investing over CZK 138 billion in electromobility and more than CZK 17 billion in digitalisation.

At the same time, we will continue to optimize our highly efficient combustion engines. In 2023, we will introduce the new Superb and Kodiaq, the upgraded Kamiq and Scala, as well as the Enyaq iV Laurin & Klement – and underline our aspiration: Škoda will design the best of both worlds – ICE and BEV – during this era of transformation. To offer a broad range of vehicles and the right product for every customer.

This is crucial to advance our global footprint. In 2022, our internationalization strategy took effect – with India at the forefront of our activities, now already our third-largest market worldwide. In 2022, we doubled our vehicle sales compared to the previous year – a success largely driven by the locally developed and built models Kushaq and Slavia. In addition, deliveries from India to the Gulf region have already begun, and our launch in the dynamic growth market of Vietnam is scheduled for later this year. We also aim to expand our position in Europe and be among the top 5 manufacturers by 2030.

Within all our activities, we are taking a holistic approach to sustainability along the entire value chain. Vrchlabí has been our first CO2-neutral plant since the end of 2020; our other two plants in the Czech Republic and our Indian plants will follow suit by the end of the decade. In terms of sustainable production, we are using more and more recyclable materials in our models. Rest assured: Škodians are striving to continually increase these figures to strengthen sustainability as an essential part of our brand's DNA – both for BEV and ICE models.

We have once again proven that Škoda is resilient, well-positioned, successful in the competitive environment and – most importantly – attractive to our valued customers. I am convinced that our brand will attract even more customers in the coming years. With our powerful new design language. With strong and efficient products. And by continuing our path providing genuine added value, surprising Simply Clever features and intuitive operation. We are looking forward to taking Škoda to the Next Level with our team, our trusted dealers and our great partners.

Klaus Zellmer
Chairman of the Board of Management
ŠKODA AUTO a.s.

Foreword of the Chairman of the Supervisory Board

Dear readers,
With all its challenges and crises, 2022 was another year that demanded a lot of us. However, Škodians were not thrown off their game: With their wealth of ideas, down-to-earth attitude and great team spirit, they have consistently driven the brand forward – I can testify to this from my own experience.

In July, I placed responsibility for Škoda Auto in the capable hands of my successor, Klaus Zellmer, as I became CEO of the Volkswagen brand. In this position, I also lead the Brand Group Volume and the Supervisory Boards of the respective brands, including Škoda Auto. With my knowledge of the brand, I can say with conviction: Škoda is excellently positioned for the future.

With the Next Level – Škoda Strategy 2030 and its new brand appearance, the Company has a clear roadmap for the current decade; this traditional automaker is becoming increasingly electric, international and digital. The Enyaq iV family is growing steadily and demonstrates how emotive electromobility can be with the RS iV and the Coupé RS iV variants. Models like the new FABIA also offer outstanding value for money in the entry-level segment, with everything you need and always a little bit more.

Alongside Volkswagen, Seat/Cupra and Volkswagen Commercial Vehicles, Škoda also forms a solid pillar within the Brand Group Volume, which we realigned this year with a clear customer-focused approach. Together, we are now leveraging the enormous potential of this family of brands representing 80 per cent of the entire Group's volume. Our goal: clearly positioned and differentiated brands that offer the very best to their respective customers. In the background, a lean engine room will be working on synergies and efficiencies.

Škoda is taking on crucial tasks, such as developing the new generations of the Superb and Passat, overall responsibility for the MQB A0 Global entry-level platform and regional leadership in the emerging regions of India and Vietnam on behalf of the entire Volkswagen Group.

I am very impressed by how rapidly the Škoda team has developed over the past few years. It is now more crucial than ever to keep up this pace!

Thomas Schäfer
Chairman of the Supervisory Board
ŠKODA AUTO a.s.

Management Report

About the Company

Company profile

ŠKODA AUTO a.s. (hereinafter the "Company" or "Škoda Auto") is one of the oldest car manufacturers in the world. The history of the Company stretches back to 1895 when Václav Laurin and Václav Klement laid the foundations for today's global company.

After initially manufacturing bicycles and motorcycles, the first passenger cars were manufactured in Mladá Boleslav in 1905. Throughout its history, the Company has held an unmistakable position in the automotive industry that will continue long into the future due to its broad and attractive portfolio, and in a large part because it has been part of the Volkswagen Group (hereinafter the "Group") for 30 years. It has become a strong, internationally successful company that is active worldwide and offers its customers a total of eleven model lines.

Škoda Auto has long been a pillar of the Czech economy, currently employing more than 35,000 people in the Czech Republic. It also makes sure it is a good neighbour in all the regions where it is active in terms of social responsibility.

The Company is based in Mladá Boleslav, where one of its production plants is also located; another two can be found in Kvasiny and Vrchlabí. However, vehicles bearing the winged arrow are also manufactured in China, Slovakia, India, mostly via Group partnerships, and in Ukraine in collaboration with a local partner. Production of Škoda cars in Russia was suspended in connection with the Russian war in Ukraine, as were exports to the Russian market.

The business activity in which the Company is engaged primarily focuses on the development, manufacture and sale of cars, components including battery systems for MEB platforms, original parts, Škoda brand accessories and the provision of servicing. However, Škoda Auto is undergoing a transformation where it aims to emerge even stronger via the Next Level – Škoda Strategy 2030. The Company intends to be one of the top five selling makes in Europe by 2030 with its attractive ranges in incoming segments and other electric models. It has also set the ambitious target of becoming the most successful European make in India.

1895

Founded out of passion

2022

Transformation in full swing

Corporate Governance

The Company has a sole shareholder, a General Meeting is not held and its powers are executed by the sole shareholder Volkswagen Finance Luxemburg S.A. with its registered seat in Luxembourg, the Grand Duchy of Luxembourg. The Company bodies are the Supervisory Board and the Board of Management.

The sole shareholder of Volkswagen Finance Luxemburg S.A. is Volkswagen Aktiengesellschaft with its registered office in Wolfsburg, Federal Republic of Germany.

Supervisory Board
As of 31 December 2022, the Supervisory Board had the following members:

Thomas Schäfer (* 1970)
— Chairman of the Supervisory Board since 15 July 2022 (Member from 1 July 2022)
— Member of the Board of Management of Volkswagen AG, Brand Group Volume; CEO Volkswagen Passenger Cars
— Appointed by the sole shareholder

Daniela Cavallo (* 1975)
— Member of the Supervisory Board since 1 May 2021
— Chairwoman of the General and Group Works Councils of Volkswagen AG
— Appointed by the sole shareholder

Martin Lustyk (* 1965)
— Member of the Supervisory Board since 14 January 2019
— Chairman of Odbory Kovo KV z.s. trade union
— Elected by the employees of the Company

Jaroslav Povšík (* 1955)
— Vice Chairman of the Supervisory Board since 12 May 2021 (Member since 16 April 1993)
— Chairman of the Trade Union Works Council, Odbory Kovo MB (Trade Unions Mladá Boleslav)
— Elected by the employees of the Company

Prof. Dr. Jochem Heizmann (* 1952)
— Member of the Supervisory Board since 1 February 2019
— Independent advisor
— Appointed by the sole shareholder

Peter Daniell Porsche (*1973)
— Member of the Supervisory Board since 1 January 2015
— Entrepreneur and owner of PDP GmbH holding
— Appointed by the sole shareholder

Murat Aksel (* 1972)
— Member of the Supervisory Board since 1 May 2021
— Member of the Board of Management, MAN Truck & Bus SE
— Appointed by the sole shareholder

Miloš Kovář (*1964)
— Member of the Supervisory Board since 1 May 2015
— Production Coordinator of Odbory Kovo MB trade union
— Elected by the employees of the Company

Melanie Leonore Wenckheim (*1967)
— Member of the Supervisory Board since 9 November 2018
— Entrepreneur and shareholder of Porsche Piëch Holding GmbH
— Appointed by the sole shareholder

Changes to the Supervisory Board

Murat Aksel resigned as Chairman of the Supervisory Board on 15 July 2022

Left the Supervisory Board:
Ralf Brandstätter — Member of the Supervisory Board from 1 May 2021 to 30 June 2022

Appointed to the Supervisory Board:
Thomas Schäfer — Chairman of the Supervisory Board from 15 July 2022 (Member from 1 July 2022)

The Honorary Chairman of the Supervisory Board was **Prof. Dr. Carl H. Hahn** (1926–2023), former Chairman of the Board of Management of Volkswagen AG. No powers and responsibility were connected to this chairmanship, unlike the above-mentioned members of the Supervisory Board.

Board of Management
As of 31 December 2022, the Board of Management had the following members:

Klaus Zellmer (* 1967)
— Chairman of the Board of Management since 1 July 2022, responsible for Central Management
— previous position: Board Member for Sales, Marketing and After Sales at the Volkswagen Passenger Cars (2020–2022)

Maren Gräf (* 1969)
— Member of the Board of Management since 1 March 2021, responsible for People and Culture
— previous position: Head of Group Human Resources Top Management (2018–2021)

Martin Jahn (* 1970)
— Member of the Board of Management since 1 March 2021, responsible for Sales and Marketing
— previous position: Vice President, Sales, Marketing and Aftersales and Managing Director of the Volkswagen Brand, FAW-VW, China (2016–2020)

Dr. Johannes Neft (* 1969)
— Member of the Board of Management since 1 January 2021, responsible for Technical Development
— previous position: Head of Vehicle Body Development, Volkswagen AG (2016–2020)

Dr. Michael Oeljeklaus (* 1963)
— Member of the Board of Management since 1 August 2010, responsible for Production and Logistics
— previous position: Member of the Board of Management, Production and Technical Development, Shanghai-Volkswagen Automotive Co., Limited (2005–2010)

Christian Schenk (* 1973)
— Member of the Board of Management since 1 October 2021, responsible for Finance and IT
— previous position: Member of the Board of Management, Finance, IT and Legal, MAN Truck & Bus SE (2019–2021)

Karsten Schnake (*1968)
— Member of the Board of Management since 1 July 2020, responsible for Procurement
— previous position: Executive Vice President of Volkswagen Group China (2018–2020)

Changes to the Board of Management

Left the Board of Management:
Thomas Schäfer — Chairman of the Board of Management from 3 August 2020 (Member from 1 August 2020) to 30 June 2022

Appointed to the Board of Management:
Klaus Zellmer — Chairman of the Board of Management (and Member) from 1 July 2022

Declaration of Compliance With the Corporate Governance Code

The company Škoda Auto is aware of its extraordinary position in the Czech business environment and the rising level of respect it commands within the Volkswagen Group and from competing car manufacturers. The Company thus places considerable emphasis on ensuring that its employees, business partners, all its customers and the general public view it as a successful and transparent company that is open to providing information. The Company is aware of its long-standing tradition and the reputation it has built up over many years, something it considers a key value for the successful development of its business activities into the future.

In view of these facts, the Company complies with the recommendations and rules of the Corporate Governance Code Czech Republic 2018 (the "Code"), available online. The Company aims to continually improve internal processes and rules in accordance with the Code, to promote transparency, and to respect the legal regulations and ethical conduct in business practice in the Czech Republic.

Level of compliance with the recommendations of the Corporate Governance Code

Following the best practice in place at the Volkswagen Group, the major share of internal processes in terms of corporate governance has long been set in accordance with the relevant rules of the Code. With respect to the shareholding structure at the Company (sole shareholder – the company Volkswagen Finance Luxemburg S.A.), the organisational structure of the company Volkswagen AG (see website Volkswagen AG: www.volkswagenag.com), and that shares in the Company are non-tradable on the public market, some of the recommendations of the Code are not relevant or are implemented to the corresponding extent at a Group level to ensure effectiveness and synergy.

The Company has created and applies a due and effective policy of preventing, identifying and managing conflicts of interest among the people at the Company. Company policy is also based on the Škoda Auto Group Code of Conduct ("Code of Conduct"). The Code of Conduct emphasises the rules that ensue from the valid legal and internal regulations that have the greatest impact on the Company and supports employees in adhering to generally recognised social values.

The Code of Conduct comprehensibly articulates the Company's requirements on how employees should conduct themselves, stresses the role of employees in maintaining the reputation of the Company, and details the rules in place to prevent any conflict of interest and corruption and for handling information and Company property. The Code of Conduct also sets out the fundamental rules of how to act towards business partners and other persons and clearly articulates the interest the Company has in protecting fair economic competition. The Company's other commitments to which the Code of Conduct applies are occupational health and safety and environmental protection.

As the Company has a sole shareholder, no general meeting is held and the sole shareholder acts in the capacity of the general meeting. This means that recommendations concerning the convening and holding of the general meeting are not relevant to the Company. The credibility, experience and professional competence of the members of the elected bodies is carefully assessed before their election. The Company leaves the task of evaluating whether those requirements are met during their term of office to the members of the individual bodies under the provisions of Section 159 of the Civil Code.

Members of the Board of Management and two-thirds of the members of the Supervisory Board are elected and removed by the general meeting, in this case, the sole shareholder, primarily in line with the professional and specialised requirements it demands. The fact that no general meeting is held means that the candidates nominated do not attend any sitting of the general meeting that would otherwise consider their appointment. The Board of Management at the Company has seven members and is responsible for the governance of the Company's interests. Each member of the Board of Management is responsible for one specialised area. The members of the Board of Management are obliged to carry out their duties with due diligence and are responsible for their activities to the extent laid down in the legal regulations of the Czech Republic.

The Supervisory Board has nine members. Two-thirds of the members of the Supervisory Board are appointed and removed by the general meeting, in accordance with the law. One-third of the members are appointed by Company employees in elections, in accordance with the valid voting rules. However, the Company has no instrument in place that would make it possible to influence the make-up of this part of the Supervisory Board, in line with the policy on diversity. The Company professes the principles of non-discrimination and equal treatment, not only in staffing governing and management positions but throughout the Company as a whole.

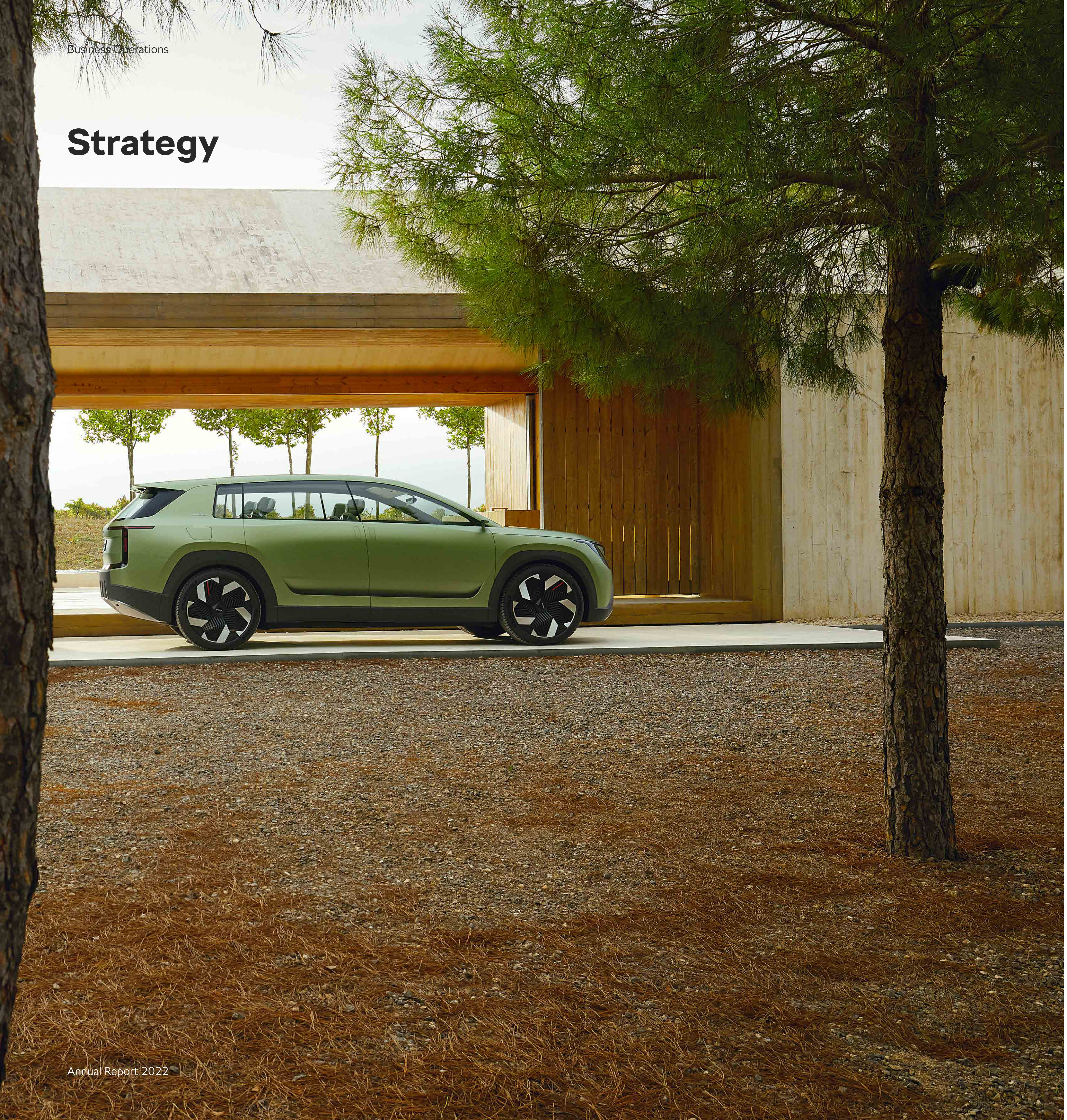
The Company is not fully compliant with the recommendations made under paragraph 9.2 of the Code, according to which the Supervisory Board or the Board of Management should set up non-executive committees, primarily a committee for appointments, a committee for remuneration and a committee for risks, so that the effectiveness of its activity may be improved. In light of the shareholder structure in place at the Company, the activities associated with committees fall within the remit of the Supervisory Board or are effectively delegated to the Group level. Failure to meet the relevant recommendations of the Code specified above does not, however, mean failure to fulfil the mandatory requirements of the law of the Czech Republic and is not a legal risk for the Company.

Cooperation between the Board of Management and the Supervisory Board is governed by statutory provisions, the Company's Articles of Association, and the rules of procedure in place for the Board of Management at the Company, which set out detailed regulations for the work of the Board of Management at the Company, including the actions and measures requiring the involvement of the Supervisory Board and the obligation to inform the Supervisory Board.

The Company regularly publishes all relevant information about its activities in a transparent manner in the Annual Report. It also provides information regarding the impacts of its activities on the surrounding area in a Sustainability Report. The risk management system and internal control system are described in detail in the chapter entitled Report on Risks and Opportunities.

Business Operations

Strategy



The Company continued to implement the Next Level – Škoda Strategy 2030, which was introduced in 2021. The strategy aims to accelerate development in the sphere of internationalisation, electrification, and digitisation. The new strategy also encompasses specific objectives to support the environment and diversity.

Although the Company had to face up to a range of external challenges during the year, such as the impact of the war in Ukraine, the continuing shortage of semi-conductors and the deteriorating macroeconomic situation, it was still able to rely on the loyalty of its customers and the commitment and flexibility of its employees.

On a positive note, the Company was able to achieve certain objectives within a year after the launch of the Company-wide strategy, particularly in its electric-geared offensive. Other milestones of the plan successfully reached include the introduction of a new design language and brand targeting, taking responsibility for the MQB-A0 platform, and the engagement of the customer in the customer process.

New vision, new mission

The new strategy provides specific answers to the question of how the Company will successfully implement the transformation process and ensure that in 2030 it is even stronger than before. The Company, therefore, defined a new vision and a new mission for its journey into the future.

Škoda Auto will also continue to build on its trusted values into the future: **simplifying**, **human** and **surprising**. It is these strong values that set the brand apart.

Strategy 2030 focuses on three priorities, which can be summarised as **Expand**, **Explore**, and **Engage**. At the same time, Škoda Auto will remain a proud brand tied to the people who work for it. The strong identification that employees have with the brand, an innovative approach, and their courage to explore new challenges will set the Company apart from others in 2030.

Explore video ⟶

Vision

We will help the world live smarter.

Mission

Modern accessible mobility with everything you need and surprises you love.

Acceleration in electromobility and new design language

The **Expand** priority aims to elevate the Škoda brand among the **five best-selling car makes in Europe**. The Company aims to achieve this by fortifying its position in the affordable car segment; with the Škoda Fabia, for example, or in the future with an affordable electric car in the A0 segment.

A strong portfolio of electrified models will also be of fundamental importance to succeeding in Europe. The Company announced that **it will expand its portfolio with at least another three all-electric models by 2026**. The trio of all-electric models will consist of a compact car on the A0 platform, a compact SUV and a seven-seater car.

Closely related to electrification is the plan **to transform Central and Eastern Europe into a hub of electromobility**: all three of the Company's Czech production plants should be manufacturing electric cars or electric components by 2030. Škoda Auto is also supporting the Volkswagen Group in negotiations on the possible localisation of one of the Group's factories for battery cell production ("Gigafactory") in the Czech Republic.

One of the tools for implementing the Next Level – Škoda Strategy 2030 and the transition to electromobility and digitisation is **the new "Modern Solid" design language** that the Company presented to the public in August 2022. This is characterised by a robust appearance, functionality and authenticity. The Škoda cars of the future will be aerodynamic with sustainable materials coming to the fore in a spacious interior. The Škoda brand will also undergo comprehensive transformation. In line with its new mission, the Company has defined its values as "We will help the world live smarter": **Human, Simplifying** and **Surprising**. These values are the basis for new elements of the brand's visual identity, a new logo, logotype and colours that are gradually making their way into information and communication materials and the infotainment and other features on new models. In its communication, the Company is focusing on a new target group known as **"Contemporary Explorers"**. This family-focused audience is inclined towards tradition while embracing an active lifestyle that it enriches with new experiences.

Continuing the internationalisation strategy

The **Explore** priority is aimed at ensuring that Škoda becomes a **leading European brand in the prospective markets of India and North Africa** by 2030, in doing so creating another market to accompany that of Europe. This is supported by the production of models tailored to those markets. The cars in question are the Škoda Kushaq, the first car that the brand developed as part of the **India 2.0** project, and the Slavia Sedan, which the Company began selling in India in 2022. Thanks to this, the Company achieved in India a sales volume growth of more than 125% compared to 2021. It was also in 2022 that the Company began the development of its first Škoda Kushaq cars with left-hand drive for the countries of the Persian Gulf.

Škoda Auto also decided to continue its internationalisation by **entering the Vietnamese market**. In cooperation with local partner Thanh Cong Motor Vietnam, it will begin selling its European models in Vietnam in 2023. The Company plans to launch local Completely Knocked Down assembly of the Kushaq and Slavia in 2024. The production line is currently under construction. With its growing economy and huge potential for the car market, the Vietnamese market is optimally positioned to further strengthen Škoda Auto's position in the region.

Škoda remains Simply Clever

The third priority, **Engage**, cuts across many areas with specific targets for the customer's digital experience, the environment, diversity and education. The Company wants to become the benchmark for the **Simply Clever User Experience**, i.e. the customer's experience. A customer who buys a new car or pays for a service from the Škoda brand should be able to intuitively master it immediately. Škoda Auto has already put this concept into practice with services such as Škoda Connect Pay to Park; customers can use the **MyŠKODA app** or their infotainment system to display parking options, check prices and pay in comfort. After the pilot phase in Switzerland, the service is now available in a total of seven European countries and will soon be expanded to eight more.

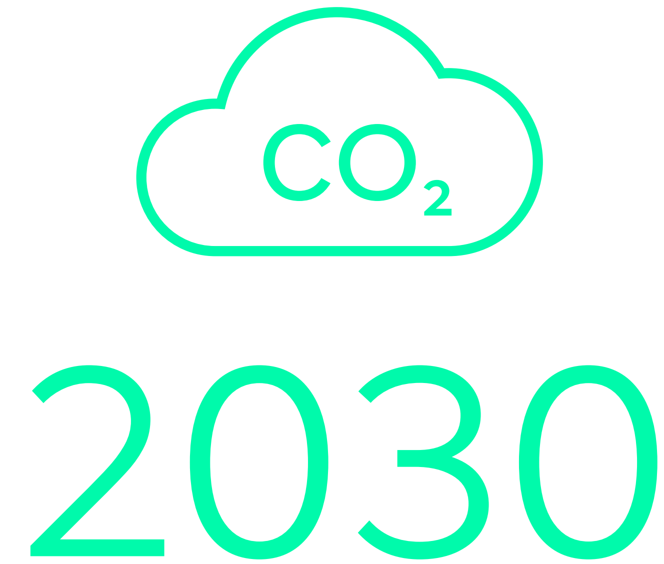
Customers should also have a positive experience when buying a Škoda car. This is why the Company has made significant progress in **building virtual showrooms** where customers can view the cars on offer 24/7 from all angles, including the interior and the boot. There will also be a range of interactive features available including videos and audio recordings. The Company believes that this approach will help it appeal to the youngest generation of customers. It plans to sell every fifth car online by 2025.

The Simply Clever strategy is therefore not just about the physical features of the brand's cars, but also the associated services and user experience. Škoda Auto wants to listen even more closely to its customers when designing its products to be able to offer them the right product at the right time.

Corporate digitisation

Škoda Auto is intensifying digital transformation throughout the Company and increasing its efforts in the sphere of Industry 4.0 and vehicle connectivity. For this reason, it has launched the **Green:Code** joint venture to help the Czech automotive company develop the very best vehicle software for its ecosystem of cars, mobile applications and web portals. The educational institute **42 Prague**, which the Company co-founded in 2022, will also contribute to the successful digital transformation, enabling 150 software developers to raise their levels of know-how each year. Škoda Auto is also introducing IT solutions to the Company's internal processes on an ongoing basis. It is gradually launching the full automation of routine tasks and making useful data available across the entire organisation.

By 2030, electric vehicles will account for over 70% of Škoda's model portfolio in the European market.



By 2030, the Company plans to reduce fleet emissions by 50%.

Achieving higher environmental and social targets

As part of its **Engage** priority, the Company also intensified its efforts regarding the environment and made its environmental targets significantly more stringent. It plans **to reduce its fleet emissions by 50% in comparison with 2020** and convert all its Czech and Indian plants to carbon-neutral production. The Company aims to achieve this objective at its Czech production plants by 2030 and in India by 2025. In addition to using electricity from renewable sources, Škoda Auto is focusing on areas such as recycling waste, using materials and processes which are considerate to the environment and what are known as green logistics.

The Company brings together its ambitious environmental objectives under the umbrella of the **GreenFuture** strategy, and its three main pillars: Green Factory, Green Product and Green Retail. On the International Day for Biological Diversity in May, Škoda Auto presented to the public the specific projects through which it actively contributes to the preservation and development of biodiversity at its production sites around the world.

The Company is also focusing its attention on **social sustainability**. It reacted immediately following the outbreak of war in Ukraine and cooperation with Kovo Trade Unions provided humanitarian support in Ukraine, helping refugees fleeing the war in the Czech Republic and providing accommodation to the families of its Ukrainian employees. The Company has long made efforts to promote volunteering among its employees, with campaigns such as Clean Up Czechia.

Even greater emphasis on diversity

Diversity, **inclusion**, and **equality** are all natural parts of the **corporate culture** at Škoda Auto, a culture which is characterised by openness and tolerance.

The importance the Company attaches to this is reflected in its new **Diversity Strategy 2030**, which brings together a variety of key areas. Škoda Auto promotes equality of the sexes and equal opportunities among its employees, and for this reason, every fourth management position should be occupied by a woman by 2030. Furthermore, the Company undertakes to actively support and strengthen Employee Resource Groups (ERG). These bring together employees who share, for example, the same sexual orientation, geographic origin and ethnic origin. The Diversity Strategy also supports employees from the LGBTQ+ community, introduces measures for colleagues with physical restrictions, aims to achieve better intergenerational cooperation and puts in place a pro-family policy.

Product portfolio

The highlight of 2022 was undoubtedly the world premiere of the Enyaq Coupé iV. This attractive SUV coupé, characterised by elegant, sporty lines and a generous interior complements the standard Enyaq iV SUV. Coinciding with the première of the coupé version, the carmaker introduced a special Sportline model, with a dynamic appearance sure to impress fans of sportier models. At the same time, we witnessed a unique moment when the first all-electric models bearing the RS badge were launched; the Enyaq Coupé RS iV and Enyaq RS iV are now Škoda's most powerful RS production cars.

The first half of 2022 also saw the public launch of the Fabia Monte Carlo and the Kushaq Monte Carlo. The Monte Carlo name, which Škoda Auto originally reserved exclusively for the Fabia, has been used since 2011 for lifestyle variants with a sporty touch.

Following the successful launch of the Kushaq SUV, the Slavia arrived on the Indian market at the beginning of 2022. This sedan from the A0 segment is the second Škoda model developed as part of the India 2.0 project. The aim of this programme is to strengthen the Company's and the Group's position in the Indian market over the long term by significantly expanding the range of vehicles in the volume segment.

The Vision 7S design study was presented to the public in August. This car is the first tangible expression of the brand's new Modern Solid design language. The all-electric SUV offers a range of over 600 km, a maximum charging capacity of 200 kW, generous space for up to seven passengers and a host of Simply Clever features. The public also got their first glimpse of Škoda's new logo and visual corporate identity.

Škoda Kodiaq

Škoda Kamiq

Škoda Enyaq Coupé iV

Škoda Superb

Škoda Scala

Škoda Rapid

Škoda Enyaq iV

Škoda Octavia

Škoda Kushaq

Škoda Slavia

Škoda Octavia PRO

Škoda Fabia

Škoda Karoq

Škoda Kodiaq GT

Škoda Kamiq GT

Škoda Enyaq Coupé iV

The Enyaq Coupé iV rounds off the Enyaq iV range, offering an even more dynamic look for lifestyle-oriented customers. One distinctive feature is the panoramic glass roof that comes as standard. This is the largest panoramic glass roof ever fitted to a Škoda car. The new model variant is available with three power levels. The Enyaq Coupé iV 60 and 80 versions have rear-wheel drive, while the 80x version benefits from all-wheel drive.

The Enyaq Coupé iV is also available in Sportline and RS variants, making the Enyaq RS iV and Enyaq Coupé RS iV Škoda's first all-electric RS cars. Featuring two electric motors, the Enyaq Coupé RS iV has all-wheel drive and a system output of 220 kW. The Crystal Face is included as standard for this version, with 131 LEDs illuminating the vertical slats and the horizontal line of the front grille. The car can accelerate from 0 to 100 km/h in just 6.5 seconds, achieving a top speed of 180 km/h.

Explore video ⟶

Škoda Fabia

The fourth generation of one of the brand's core models impresses with state-of-the-art technology, economical petrol engines and an attractive design. The car is built on the Group's MQB-A0 platform, offering the driver and passengers even more space. The modular MQB platform also made it possible to raise safety standards, particularly in the car body, where the number of structural elements made of maraging steel has been increased. Greater safety is also provided by the modern assistance systems that are familiar from the higher car classes. Combined with the optional 50-litre tank, the range for three-cylinder engines is more than 900 km in the WLTP mode. The modern interior concept is dominated by third-generation infotainment systems with a diagonal display of up to 9.2 inches. Interior space that is both generous and perfectly utilized a matter of course, as is the range of Simply Clever features.

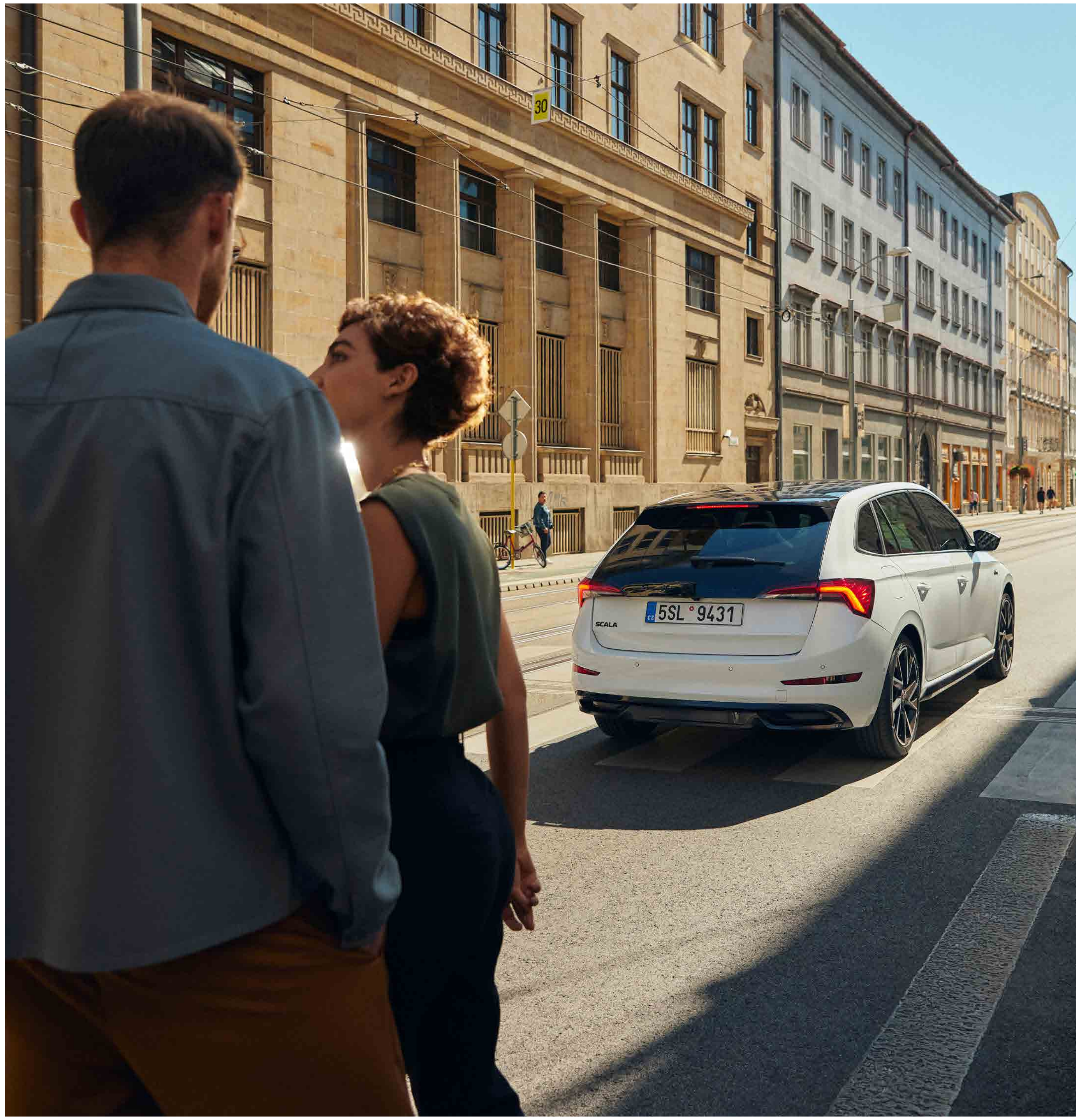
The Fabia is powered by economical yet efficient three-cylinder engines with outputs between 48 kW and 81 kW. Top of the range is the dynamic four-cylinder 1.5 TSI engine with an output of 110 kW (150 hp) and equipped with ACT active cylinder technology. All Evo-generation drive units comply with the Euro 6d emission standard.

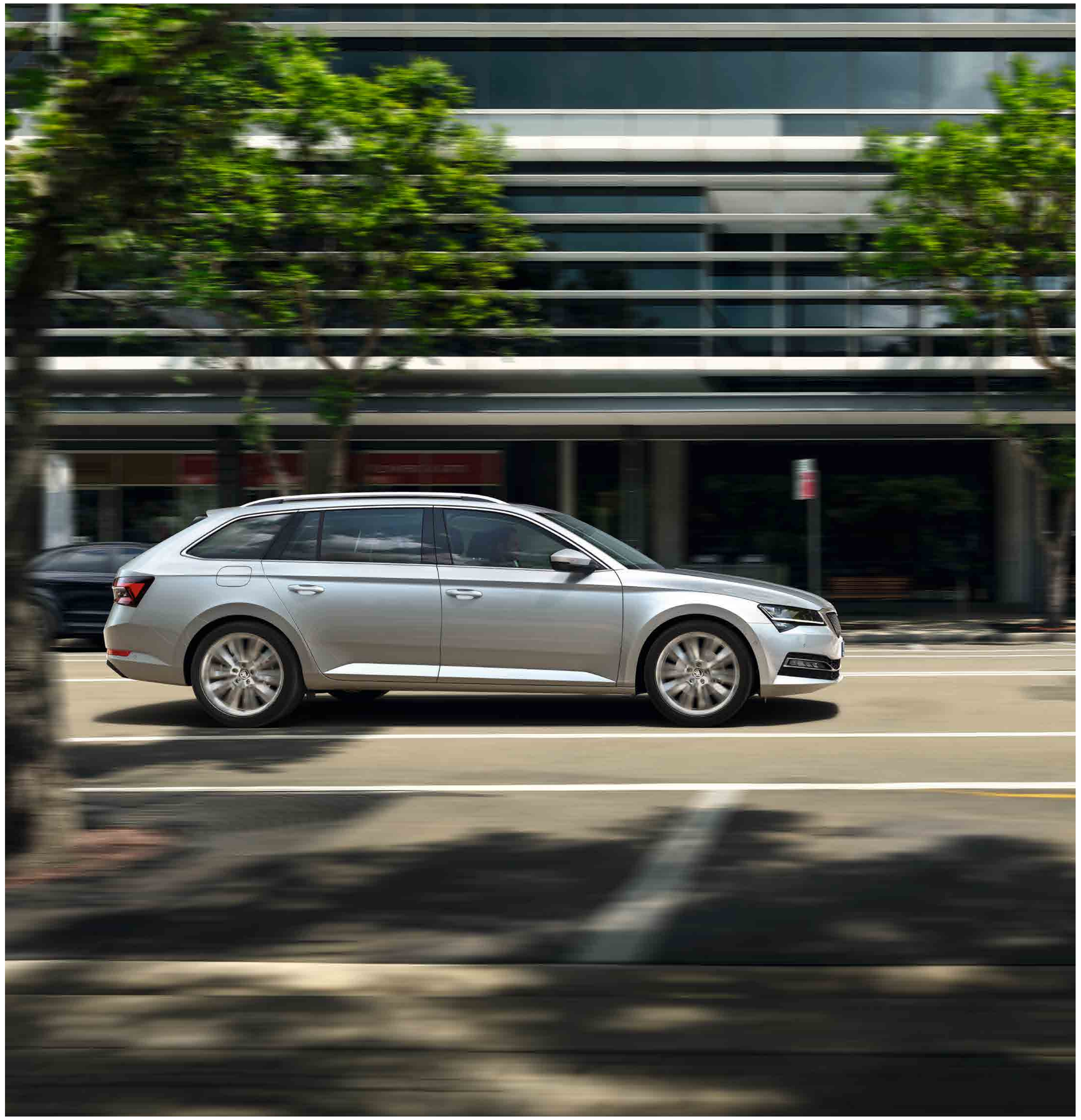
The model has also been available since 2022 in the stylish Monte Carlo version, paying tribute to the successes achieved by the Škoda brand in the rally world. Black accessories and distinctively shaped bumpers and sills on the body give the model a dynamic and attractive appearance.

Škoda Karoq

The upgraded Škoda Karoq was launched on the market in 2022, with a length of 4.38 metres, can be classed as a compact SUV. The Karoq comes with newly shaped headlights with Matrix technology and the characteristic "four-eye" design typical of Škoda's SUV models. The interior has also seen many improvements, with new upholstery, including environmentally friendly materials, enhanced ambient LED lighting and an 8-inch virtual cockpit as standard.

The Karoq features the VarioFlex system, which allows for a variable rear seat layout. With the rear seats removed, the luggage compartment can hold up to 1,810 litres. The standard version of the Karoq is joined by the Sportline model, bringing confidence and a dynamic appearance to this medium-sized SUV.





Škoda Scala

The compact Scala model boasts high levels of active and passive safety, Full LED headlights and taillights, plenty of room for passengers and luggage, and an array of Simply Clever features. There are five combustion engines to choose from, ranging in output from 70 kW to 110 kW, while the G-TEC natural gas version has an output of 66 kW. This five-door hatchback combines an emotional design with high-level functionality and state-of-the-art connectivity options. The Monte Carlo version is tailored to suit those who favour a sporty design.

Škoda Superb

The Škoda brand's flagship model is offered in a flatback or as an estate, in Scout and Sportline versions, and the iV version with a plug-in hybrid drive. Full LED matrix headlights and a comprehensive range of innovative assistance systems combine to ensure that the Škoda Superb is one of the safest and most comfortable cars in its class. It also continues to set the benchmark in terms of space.

Škoda Slavia

The Škoda Slavia is the second model in the India 2.0 project. The Slavia, built on the MQB-A0-IN platform, expanded the range of sedans made by the Czech automotive company in India with a model from the A0 segment. The car provides a high level of active and passive safety, with the passengers protected by up to six airbags. Customers can choose from one of two powerful and economical TSI spark ignition engines, with outstanding driving performance and exemplary economy.

Škoda Rapid

Excellent price-to-utility value, ample interior space, and a generously sized boot all characterise the Škoda Rapid models made for the Chinese market. As part of an upgrade to the model, the car was given a wider radiator grille and razor-sharp headlights, the traditional winged arrow logo was replaced on the back of the car with the Škoda logo, and there are new, sharper taillights in a horizontal design.

Škoda Kushaq

The Škoda Kushaq symbolises the beginning of a new era for Škoda Auto in India. This SUV is the first batch model to emerge from the INDIA 2.0 project, having been developed and manufactured in India exclusively for the local market. The Kushaq is built on the specially adapted MQB-A0-IN modular platform. Its sporty yet robust appearance is accentuated by headlights and taillights using advanced LED technology. While its compact outer dimensions make the KUSHAQ ideal for the Indian city, it is still able to boast the generous interior space so typical of the Škoda brand. The interior features exemplary ergonomics, fresh colours and ambient lighting. A wide range of assistance systems provides high-level active and passive safety, with multi-collision brakes, a system that checks tyre pressure and a hill-start assistant all as part of the package.

New for 2022 is a stylish and sporty Monte Carlo version, reviving the design both on the exterior and interior of the car.

Škoda Enyaq iV

The Škoda Enyaq iV, which premiered in Prague in September 2020, marks another step towards bringing the Company's electromobility strategy to fruition. With this model, the Company has further developed its emotive design language.

The all-electric SUV is Škoda's first batch-manufactured vehicle built on the Volkswagen Group's MEB modular platform for electric cars. The Enyaq iV combines rear-wheel or four-wheel drive, a practical range of more than 520 km in a WLTP cycle, and the generous interior space so typical of Škoda cars. The Enyaq iV electric SUV also brings an entirely new interior concept to the table, with customers able to choose the interior design instead of the traditional packages of extras, as well as a new structure to the range of models.

The Sportline variant is a mainstay of Škoda's model portfolio, and the Enyaq Sportline iV is particularly eye-catching with its black bodywork and sporty interior. The car offers an even sportier ride with agile handling and minimal body roll in fast cornering. The car achieves these characteristics thanks to specific chassis tuning and progressive steering, which comes as standard.

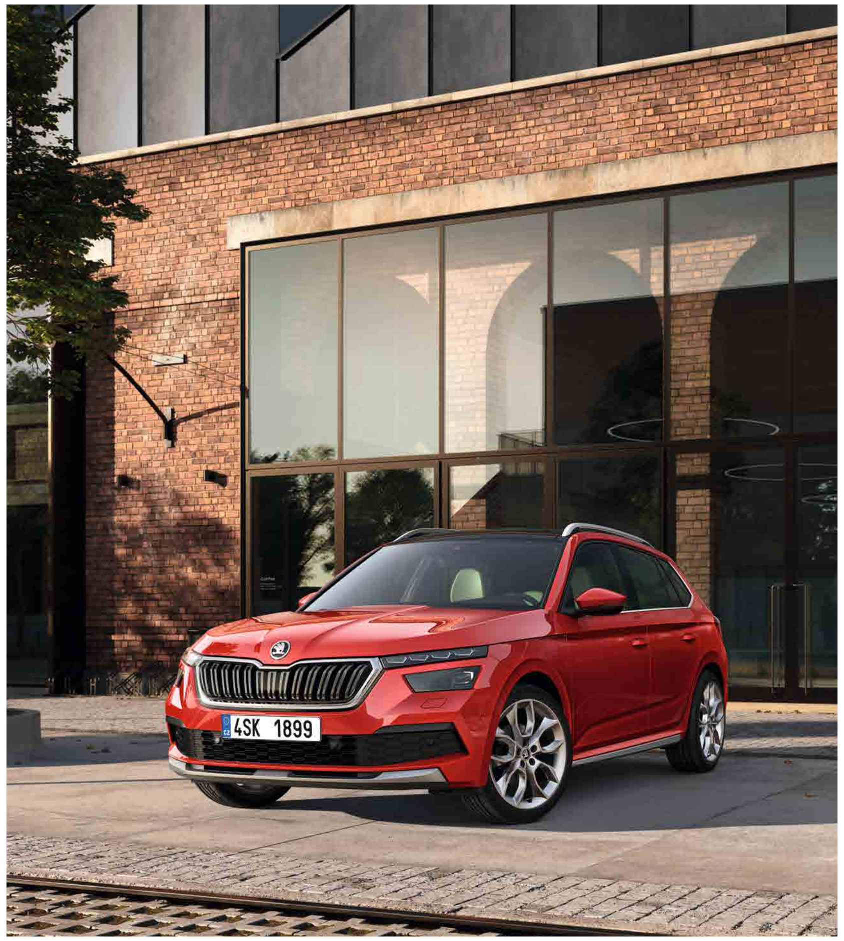
New for autumn 2022 was the RS model, which offers an attractive appearance and an electrifying sporting experience behind the wheel. Equipped with two electric motors, it boasts all-wheel drive and a system output of 220 kW. The Enyaq RS iV can accelerate from 0 to 100 km/h in just 6.5 seconds, reaching a top speed of 180 km/h. This version features a Crystal Face front grille as standard, with a total of 131 LEDs illuminating its vertical slats and horizontal line.

Škoda Octavia

The fourth generation Škoda Octavia, available in liftback and estate versions, is the best-selling Škoda model. Its distinctive design language, cutting-edge aerodynamic properties, a compact yet extraordinarily spacious body, advanced assistance systems, and a wide range of engines are just some of the highlights of the car. The Škoda Octavia now comes as a plug-in hybrid version, the Octavia iV, the mild-hybrid Octavia e-TEC, and a natural gas version, the Octavia G-TEC. The robust, versatile Octavia Scout model with four-wheel drive, underlines the practical nature of the range. The Octavia Sportline is particularly eye-catching with its painted black body features and thrills with its sporty interior design. The sporty Octavia RS is available in three different drive systems - a TSI spark ignition engine, a TDI compression ignition engine, and a plug-in hybrid powertrain in the Octavia RS iV, which also enables an all-electric drive.

Škoda Octavia PRO

Designed for the Chinese market, the model features the same emotive design as the fourth-generation European Octavia. It stands out from the crowd with its sculpted elements, precision lines and clean surfaces. Overall, it is a car whose lines evoke the shapes of a coupé. The model is 64 mm longer than the European version, which is appreciated by the passengers sitting in the back. The dynamic appearance of the Octavia PRO is underlined by the front and rear bumpers, in the style of the Octavia RS sports version, combined with a black roof, black side rear-view mirrors, and light alloy wheels up to an 18-inch diameter. The sharp headlights and taillights come with the typical Škoda crystalline elements and are fitted with LED technology as standard.

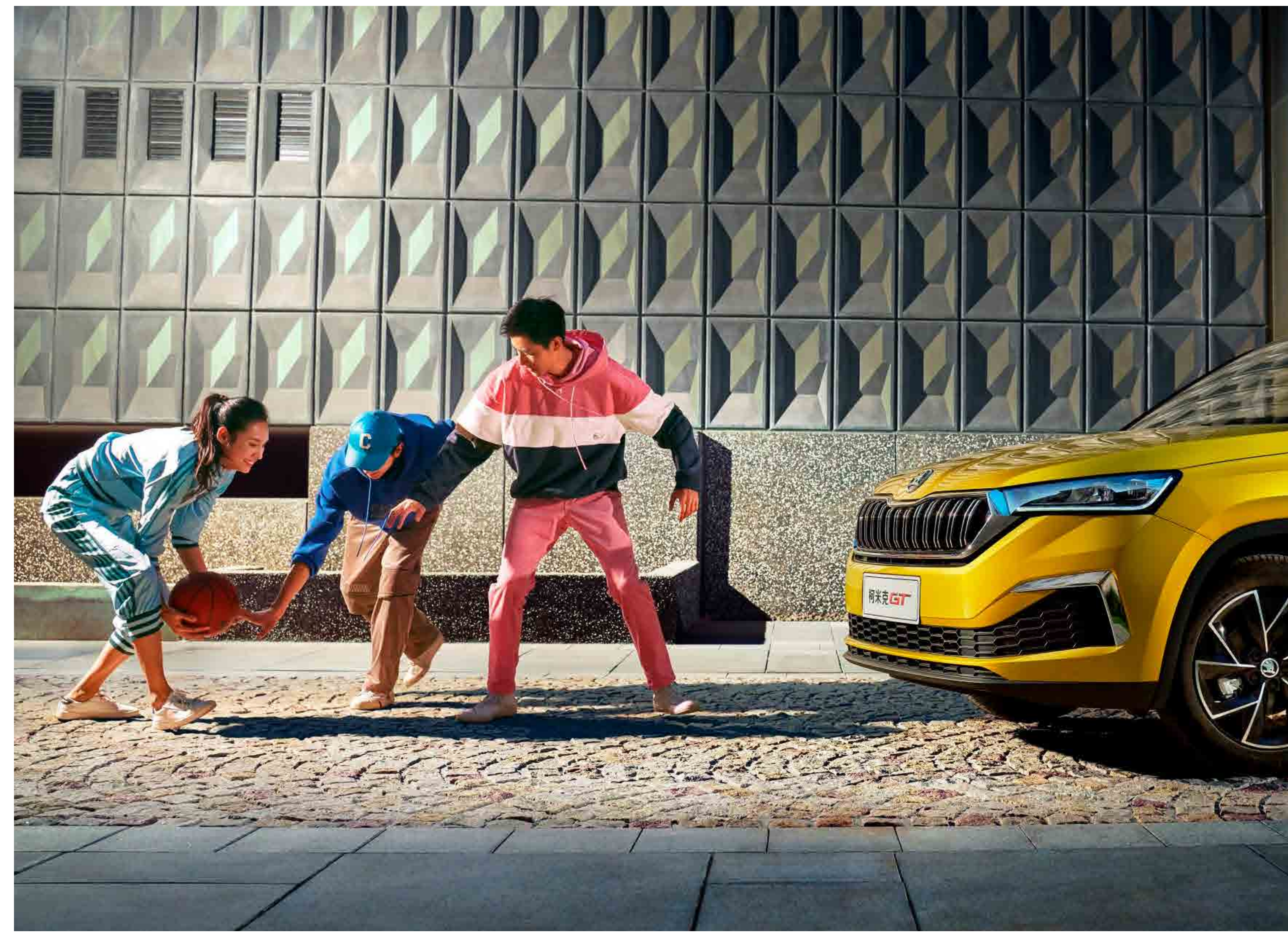


Škoda Kamiq

The Company broadened its successful range of European SUVs to include a third model, the Škoda Kamiq, and in doing so entered the fast-growing urban SUV segment. The Kamiq combines the classic benefits of sport utility models, such as greater headroom and raised seats, with the agility of a compact car and Škoda's characteristic emotional design. The state-of-the-art assistance and infotainment systems, generous space, and a wealth of Simply Clever features ensure that the Škoda Kamiq is a typical Škoda car that meets the demands of lifestyle-oriented customers and families alike. The Kamiq also comes in a sporty Monte Carlo version.

Škoda Kamiq GT

As with the larger Kodiaq GT, the Kamiq GT SUV coupé is only sold on the Chinese market. Its dynamic appearance, larger interior space and range of practical elements are ideal for young lifestyle-orientated customers. When developing this model, the designers placed particular emphasis on the driving experience and the emotive design. Advanced connectivity features and a modern infotainment system come as standard.



Škoda Kodiaq GT

Designed exclusively for the Chinese market, the car was given a makeover in 2022. The upgrade of this cropped sporty coupé is most evident in the interior, which is dominated by a 12-inch infotainment system display set into the newly shaped dashboard. The redesigned touch-operated air-conditioning panel and the new shape of the steering wheel are among the other unmissable new features.

The Kodiaq GT combines the robust exterior and versatility of an SUV and the elegance and dynamics of a coupé. The powerful appearance of the car is enhanced by LED headlights, a three-dimensional bumper, and a front spoiler with wide air intakes. There are two powerful spark-ignition engines to choose from: a 2.0 TSI engine with an output of 137 kW for front-wheel drive, while a 2.0 TSI engine with an output of 162 kW comes with four-wheel drive and a 7-speed DSG gearbox. With WiFi connectivity and a MirrorLink™, Apple CarPlay or Baidu CarLife interface, the Kodiaq GT is always online, providing the most advanced level of connectivity.

Škoda Kodiaq

The Company's first large SUV was upgraded in 2021. The most noticeable changes to the front of the car are its modified bumper and the newly shaped headlights, which use Matrix technology. The taillights were also upgraded, gaining more appeal, due to the animated direction indicators. In addition to the standard range of accessories, the new Kodiaq is also available in the Sportline version, as the luxury L&K, and as the popular, dynamic Kodiaq RS, which received a 180 kW output 2.0 TSI petrol engine combined with four-wheel drive and DSG transmission as part of the upgrade.

Financial Situation

The financial results at Škoda Auto are reported in accordance with IFRS, as adopted by the European Union. The year 2022 was significantly affected by the Russian-Ukrainian conflict, the impact of the Covid-19 pandemic and ongoing problems in the supply chain, particularly in the availability of semiconductors. Despite the tough conditions, the Company achieved a positive operating result and maintained stable financial performance.

The Commercial Development

A total of 731 thousand Škoda cars were delivered to customers worldwide in 2022 (2021: 878 thousand cars).

Škoda Auto deliveries to sales oragnizations remained stable (+0.6% year-on-year) with 696,000 cars. Meanwhile, Company revenues reached CZK 444.2 billion (+5.1%). Car sales accounted for 78.1% of the overall turnover (2021: 77.5%). The best-selling models were the Škoda Octavia, Škoda Kamiq, Škoda Kodiaq and Škoda Fabia. Deliveries of components and sets of disassembled cars including MEB and PHEV batteries to companies in the Volkswagen Group accounted for 12.0% of total revenues (2021: 12.1%). Business in original parts and accessories accounted for 5.7% of overall revenues as in the previous year. Remaining 4.2% (2021: 4.7%) were revenues from the sale of services (e.g. Škoda Connect), licences, and other revenues.

The cost of sales increased by 6.3% year-on-year to CZK 404.5 billion. The gross profit margin stood at 8.9% in 2022, meaning a slight decline of 1.0 percentage point year-on-year.

Distribution costs stood at CZK 11.1 billion, entailing a year-on-year increase of 7.9%. Administrative costs stood at CZK 12.3 billion in 2022, corresponding to the level in the previous reporting year.

The operating profit during the reference period amounted CZK 17.6 billion, marking a year-on-year drop of 32.8%. Profit before tax stood at CZK 16.0 billion (2021: CZK 27.3 billion). Meanwhile, profit after tax was CZK 12.9 billion (2021: CZK 22.4 billion) and the return on sales before tax fell to 3.2% (2021: 6.5%).

Cash Flow

Cash flow from operating activities in 2022 stood at CZK 37.25 billion, meaning a year-on-year lowering of 28.3%. Škoda Auto paid out a dividend amounting to CZK 22.4 billion (2021: CZK 15.2 billion).

Assets and Capital Structure

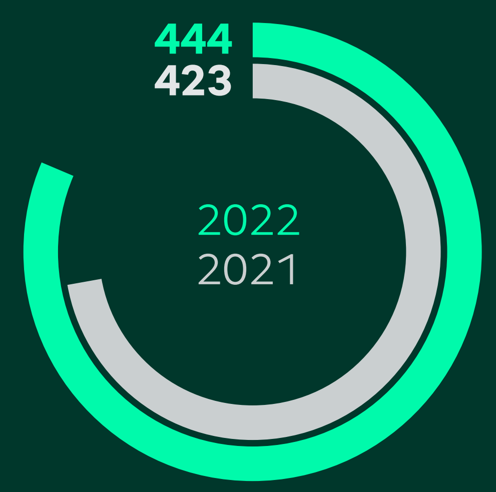
The Company's balance-sheet total as at 31 December 2022 amounted to CZK 236.3 billion, representing an increase of CZK 4.8 billion on the balance-sheet total at the end of the previous year. The value of non-current assets rose year-on-year by 9.7% to CZK 159 billion and current assets stood at CZK 77.3 billion on the record date (as at 31 December 2021: CZK 86.6 billion). Equity fell by CZK 9.1 billion during 2022 to a total of CZK 92.5 billion. Equity ratio in 2022 stood at 39.1%. The value of non-current liabilities remained year-on-year at CZK 26 billion. Current liabilities increased to CZK 117.6 billion in comparison with the previous year.

Investment Activity

Investments in 2022 (excluding development costs) accounted for a total of CZK 24.9 billion (2021: CZK 15.3 billion). The biggest portion was invested in new models, of which more than CZK 5.6 billion went into new technologies, particularly electromobility and digitalisation. The Company spent CZK 23.3 billion on research and development for new products in 2022 (2021: CZK 21.5 billion).

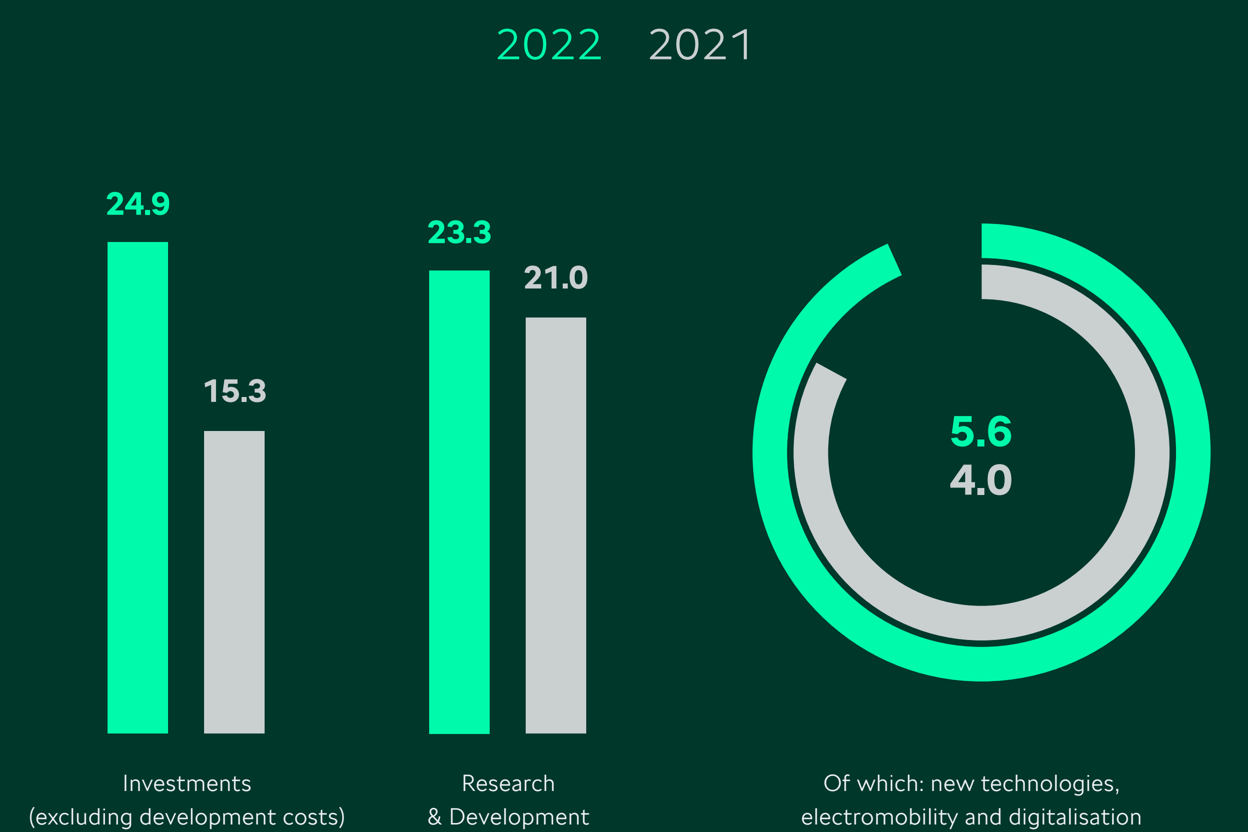
Revenues

in billion CZK



Investments

in billion CZK



Technical Development

In 2022, Technical Development successfully continued the transformation enabling it to respond flexibly to the demanding challenges ahead and embarked on the journey from traditional parts-focused development to function-focused development. It has commissioned part of the Model Building premises into operation and continued with the implementation of the Virtual Development Centre, which will provide state-of-the-art facilities for a broad spectrum of virtual activities.

Beginning the transformation

With today's ever-increasing legislative and customer requirements, the car has become a highly complex product. Rising demands on operational safety, sustainable transport, legislation, and last but not least, the user comfort of vehicles have brought about an entirely new approach to the development process, which is reflected in the strategy and direction of Technical Development.

The previous process of developing cars, which focused on parts and components, i.e. the hardware, is being replenished by a new development process focusing on functions and systems. This means that a car is no longer viewed as a functioning assemblage of individual parts but as a highly complex set of hundreds of functions that the car must provide. One of the upcoming main development tasks will be to ensure the compatibility of all system and subsystem sets. The software in the vehicle will become equally as important as its hardware.

For the Company to be able to meet all these new demands, Technical Development had to undergo a **radical transformation** from the organisational and procedural perspective and in terms of its remit.

Therefore, in 2022, Škoda Auto embarked on the process of identifying all areas of its remit and **began a transformation process that will strengthen functional development and system engineering, electromobility, and a whole host of new areas**. This transformation is essential to ensure that the Company maintains its competitiveness and that its products remain highly attractive to users.

Assuming responsibility

Back in 2021, Škoda Auto assumed Group-wide **responsibility for the global MQB-A0 platform**, which is designed for regions with high growth potential such as India, Africa, the ASEAN countries and Latin America. The year 2022 saw the active launch of managing development activities to nurture the series of models created on this global platform. Further reinforcement of areas of remit is tied to the **development of a successor for the MQB-A0(W) platform**, where the principal developmental challenges regarding the new requirements included the implementation of new E/E architecture and the search for new technological solutions to reduce CO_2 that complies with the legislation in place for the countries concerned. The acquired competencies also enable a possible takeover of the responsibility for this platform for the European market, which also underlines the trust and strong position of the Škoda Auto brand within the Group.

In line with the Company's strategy and Technical Development, a Memorandum of Understanding on assuming developmental responsibility for the development and integration of the EA211 and EA888 combustion engines within the MQB platforms, set to take place in the forthcoming years, was signed in September 2022.

Building development at the Česana complex

The prevailing task for Technical Development in terms of investment construction in 2022 was to ensure the problem-free execution of significant investment plans, which was particularly threatened by the extraordinarily turbulent and unpredictable changes in the construction market.

The second half of the year saw the phased and subsequent successful commissioning of the technological equipment into operation in part of the Model Building centre, which provides a modern, centralised and highly effective area for the creation of models at the early stages of development.

Technical Development is aware of the importance of new trends in digitisation and virtualisation, which no company today can do without, and for this reason worked intensively in 2022 on preparing the construction of the Virtual Development Centre, which will provide modern conditions for a whole range of virtual activities. It is planned to be in operation by mid-2023.

Technical Development also achieved considerable success in activities that support areas unrelated to work and tied to concepts known as the attractive city, the city of short distances, green infrastructure, sustainable development, and similar areas that support free-time potential, the permeability of the area, and partly biodiversity.

As the activities of the City of Mladá Boleslav, the Škoda Auto Endowment Fund, and the Company are interconnected, it meant that work could begin on creating a riverside cycling path and footbridge over the Jizera River at "Krásná louka". A study was also developed for the neighbouring parts of the area, which through the proposed landscaping, will support free-time activities among the inhabitants of Mladá Boleslav and Company employees and increase the recreational potential of the entire area beside the River Jizera.

New products

For Technical Development, 2022 was a year of launches and new products. It was a year that saw the market launch of the new Enyaq Coupé iV, with its aerodynamically-optimised body, broadening the range of all-electric cars. The Enyaq Coupé iV, the first all-electric Škoda coupé, also comes in a sporty RS version. The RS with four-wheel drive has a power output of 220 kW, making it the most powerful RS in Company history. The software used in the Enyaq "family" was also upgraded and enhanced with several new functions, such as Plug & Charge, which enables convenient charging at compatible charging stations by simply connecting a charging cable. The fast-charging process itself has also been significantly optimised.

220 kW

With a power output of 220 kW, the Enyaq Coupé RS iV became the most powerful model in Škoda's history.

The Company also launched the freshened up Škoda Karoq on the market in 2022, which brought improved design language, the use of sustainable materials and new technologies, a more economical new generation of Evo engines and significantly enhanced aerodynamics.

The Company launched another car developed especially for the Indian market as part of the India 2.0 project. Following the success of the Kushaq, the Company continued its Škoda model offensive with the Slavia, a sedan in the A0 segment.

More success for Škoda Motorsport

The Škoda Motorsport team moved into the final stages of the testing and development phase of the new Rally2 project in 2022 and introduced the brand new Škoda Fabia RS Rally2 at the world première in the catchy mamba green on home soil in June. Subsequently, the car successfully passed the homologation process and was awarded an approval by Fédération Internationale de l'Automobile (FIA) in September. The car was successfully premièred at the Lausitz Rally in the autumn, dominating with the crew of Andreas Mikkelsen and Torstein Eriksen. Its performance generated considerable interest among customers, with sales successfully underway by the end of the year. The car is fully compatible with the synthetic CO_2-neutral fuel prescribed for the World Rally Championship (WRC) by the FIA for the 2022 season. The use of synthetic fuel in this year's competitions marked a step toward sustainability in the field of motorsport and Škoda Motorsport also benefited from its new experience with this type of fuel.

In 2022, customers of Škoda Motorsport built on their successes of the previous year and despite the difficult conditions within supply chains, the Škoda Fabia Rally2 and Rally2 evo cars maintained their reputation as a best-seller project in the Rally2 category. In total, Škoda competed in 55 countries including Indonesia and New Zealand. Customers of Škoda Motorsport were joined in their success by the Toksport WRT factory team and four home Škoda teams. Emil Lindholm and co-driver Reeta Hämäläinen were champions in the WRC2 Open World Championship with Lindholm also winning the junior title. Mauro Miele and Luca Beltrame also dominated the WRC2 Masters category. The ERC title was won by Efrén Llarena and Sara Fernández, while Jan Kopecký and Jan Hloušek retained their Czech title.

Discover video ⟶

Procurement

Procurement is responsible for ensuring that materials, components and services are sourced in such a range and quality with regard to sustainability and reasonable costs, so that Škoda Auto meets customer requirements and builds a positive brand image. The emphasis is placed on a comprehensive approach to managing the supply chain, in contrast to the traditional concept of purchasing processes reduced to price negotiations. The Procurement strategy is fully aligned with the Next Level – Škoda Strategy 2030, which defines the development of the Company plan.

Support for batch production and new launches

The semiconductor supply situation remained highly volatile in 2022, primarily due to the recurring lockdown as a result of the Covid-19 pandemic in China and the associated difficulties and congestion of the transport routes. The Group launched the **COMPASS project** (Cross Operational Management Parts & Supply Security) at the beginning of 2022 to provide a comprehensive solution to the semiconductor crisis, entrusting the leadership of the project to Karsten Schnake, a Member of the Board of Management at Škoda Auto for Procurement. The numerous operative and strategic broker trading measures and strategic negotiations with semiconductor manufacturers made it possible to reduce the critical shortage of parts to secure car production while putting in place long-term measures for the coming years.

Of particular importance to Procurement in terms of the launch of batch production for 2022 was the preparatory stage for **the Kodiaq successor** and **Beta+, a joint Group project** (Superb and Passat). The Company will begin the batch production of these cars in the coming years.

Outage of supplies of wiring harnesses

The military conflict in Ukraine caused outages of supplies of wiring harnesses for all Škoda car models, leading to the production of the all-electric Enyaq iV being placed on hold for eight weeks. Škoda Auto declared its strong support for its supply partners in Ukraine. Considerable efforts and cooperation with the partners meant that production was able to resume again in Ukraine and the production capacity was significantly enlarged within a very short space of time. In collaboration with PEKM Kabeltechnik, we were able to move part of the wiring harness production and 35 Ukrainian workers from the plant in Lviv to production premises provided by the Company in Mladá Boleslav within just five weeks.

In order to best safeguard itself in the event of further supply disruptions and interruptions in supply chains, Škoda Auto has secured additional production capacity by duplicating the manufacture of wiring harnesses at supplier production plants in Europe and North Africa.

Digitisation and consolidation of office space

Cooperation was broadened with the suppliers of the Company's digital ecosystem on an ongoing basis in line with the continuing digitisation of the area. The focus in 2022 primarily centred on **expanding digital tools and platforms** (for example, Car Configurator and digital assistant Laura) to all markets where Škoda Auto is active. This approach meant that the tools reached places where their use is not common practice.

Another priority area was completing the consolidation of leased office space in Prague, which is gradually being concentrated in three locations. General Procurement ensured all modifications and fitting of the space for the new offices to suit a modern working environment.

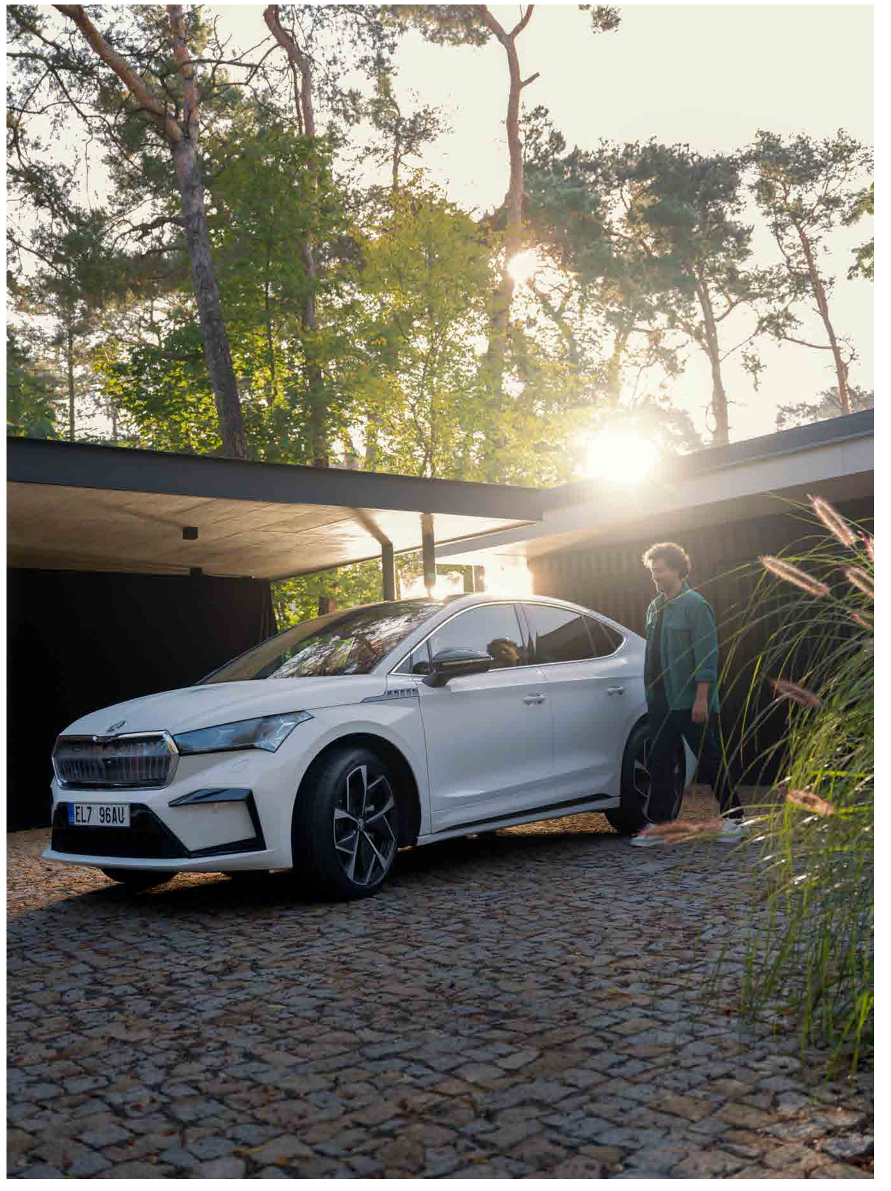
It was also necessary to secure equipment for the new Škoda Auto head office in Mladá Boleslav, the **Laurin & Klement Campus**, the construction of which began in 2022. The future head office will cover a total area of 44,000 m^2. Up to 1,700 employees will be able to work in four blocks of five storeys. Their existing offices will be integrated into the new building from eleven corporate and other spaces currently leased in Mladá Boleslav. The move will result in operational savings for the Company. In addition to the office space, the new complex will house a Company restaurant, with a capacity of 400 guests over an area of 2,100 m^2, and a conference zone. The underground garage will provide space to park up to 300 cars. The building and its operations will comply with the latest sustainability standards. A photovoltaic power plant will be installed on the roof of the building to supply the electricity required to power the building. The captured rainwater subsequently treated in filtration equipment will be used to water the surrounding greenery, which provides a natural habitat for many species of insects and animals.

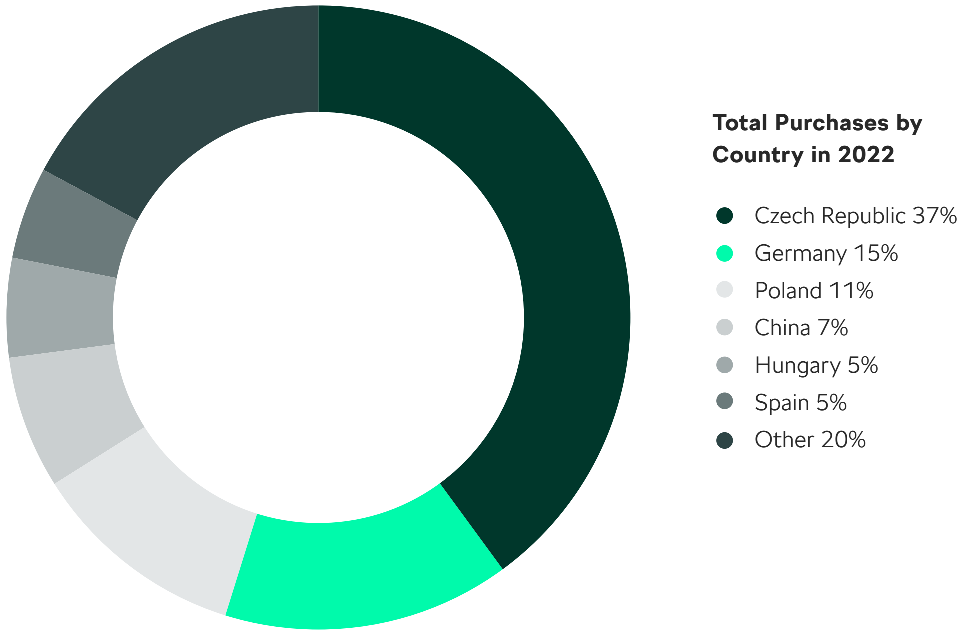
First two models for India

As part of its model offensive for the Indian market, and despite all the obstacles that lay in its path, the Company successfully launched batch production of another two models on the common MQB-A0 platform at the Pune plant in India in 2022 – the Škoda Slavia and the Volkswagen Virtus. Alongside its European cars, the Company now sells four models in India that have been developed especially for the local market. These are models that appeal in terms of their price and meet the specific requirements of local customers.
The level of localisation of components for these models was high, reaching almost 95%.

Sustainability and innovation

The basis for cooperation between Škoda Auto and its suppliers is the **Code of Conduct** and **the sustainability S-Rating assessment**. In addition, Procurement continued to focus its attention on sustainable products to increase customer product value. It also continued to expand cooperation with its partners on sustainable technological innovations. The suppliers and Technical Development came together at workshops to identify sustainable solutions. Dozens of innovative solutions emerged from previous workshops, of which seven were successfully implemented in 2022. Additional 17 ideas will be evaluated for future Škoda models.





Volume of purchasing

The Company spent CZK 230.5 billion on **procuring production materials** in 2022. This marks a year-on-year increase of CZK 27.7 billion. The majority of this was spent in the Czech Republic (29.3%), followed by Germany (15.1%) and Poland (12.5%). The total volume of **General Procurement** reached CZK 40.5 billion, meaning an increase of 20.7% on 2021. The database of suppliers at General Procurement held some 2,023 suppliers from all over the world in 2022. Moreover, General Procurement had more than 6,252 cooperating suppliers on its books from around the globe.

Market prices of key materials

Škoda Auto and the Group were forced to face up to the changes in the market prices of materials in 2022. Fortunately, hedging made it possible to considerably reduce the risks associated with developments in the raw material markets. In comparison with the previous year, there was another marked rise in the prices of aluminium, lead, steel, materials to produce plastic parts, and lithium for batteries. The price of energy for the manufacture of purchased parts also increased while the price of copper rose dramatically. Despite these external influences, the Company was able to achieve significant cost optimisation, which was crucial in helping the brand achieve a positive overall result.

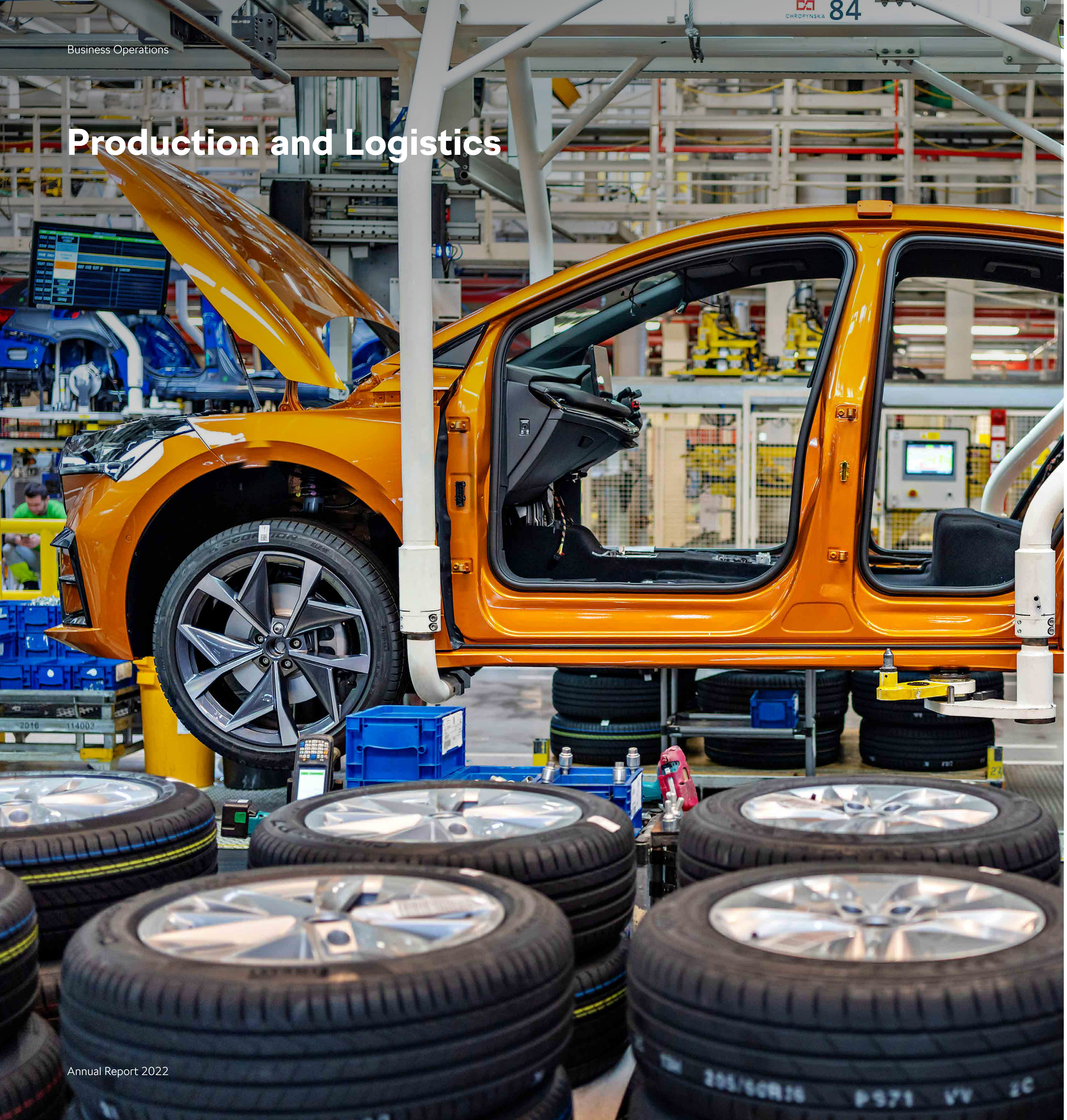
Fire at Grupo Antolin

A major fire on the premises of Škoda supplier Grupo Antolin disrupted the supply of door panels for Škoda Octavia cars at the end of January. Initial estimates suggested that production may have to shut down for up to nine months. However, a team of Škoda Auto and suppliers was able to relaunch production in just eight weeks. As a result, the Company was able to gradually begin the completion of unfinished cars and deliver them to customers in the shortest possible time. The production of door filler panels in Mladá Boleslav was restored to full capacity at the beginning of June.

Change of name

Procurement changed its English name from “Purchasing” to “**Procurement**” to reflect the development of advanced supply chain partnerships. The new name better encapsulates the modern concept of procurement. Well-established and functioning cooperation with supply partners is crucial to successfully secure supplies and through the active involvement of partners in the innovation process and the sustainable direction of the company, achieving the Company’s sustainable development targets, and thus managing the transformation of the entire industry.

Production and Logistics



Škoda Auto manufactured 764,994 Škoda cars worldwide in 2022 (2021: 802,266 cars). Last year, production came to a halt at the plant in Mladá Boleslav for 51 days and in Kvasiny for 28 working days. Production was affected for the entire year by the Covid-19 pandemic and the continuing semi-conductor crisis, while the situation surrounding the availability of parts was further exacerbated by events in Ukraine. These factors subsequently caused complications throughout the supply chain. The Company was forced to reduce the volume of car manufacturing and component production.

Together with its social partner, Kovo Trade Unions, the Company continued to implement preventive measures to combat Covid-19 in 2022. Measures were implemented directly at the workplace and packages with protective equipment were repeatedly distributed to employees, actively contributing to protecting the health of all Company employees.

Production strategy abroad

The overseas plants were continually preparing for the production launch of new or upgraded models, which commenced in 2022. The Company launched the batch production of the new Volkswagen Virtus sedan, the sister model to the Škoda Slavia launched last March at the Pune plant in India. In September, a left-hand drive version of the compact Škoda Kushaq SUV for export countries began rolling off the production line in Pune.

Due to the outbreak of war in Ukraine, the Company discontinued the production and launch of new models at both Russian plants in Kaluga and Nizhny Novgorod at the end of February.

The production of new models in the EU

The Company launched the production of its second all-electric Škoda model in the Czech Republic, the **Enyaq Coupé iV**, in early 2022. The model is manufactured on the same assembly line in Mladá Boleslav as its "sibling", the Enyaq iV, and the conventional Octavia. In February, Škoda Auto began the production of the **Monte Carlo** version of the fourth generation **Škoda Fabia**, following on from the successful launch of the fourth generation Škoda Fabia the year before. The plant in Kvasiny also contributed a new model to the portfolio, with the rejuvenated **Škoda Karoq** rolling of the production line in March. The Company launched simultaneous production of the model at two plants – Kvasiny in the Czech Republic and Bratislava in Slovakia.

Evolving parent plant

The Fabia, Scala, Kamiq, Octavia, and Enyaq iV were all manufactured at the plant in Mladá Boleslav in 2022, with the Enyaq Coupé iV expanding the portfolio in Boleslav during the year.

Due to the shortage of parts, the parent plant also temporarily produced incomplete cars, which were subsequently completed. However, **investments in electromobility and modernisation were not paused**. The MBI welding shop in which the Octavia and Enyaq are made saw the addition of Hall M12L, which will provide an increase in capacity for electric cars. This extension boasts two unique features – for the first time in the history of the Company, welding lines are located on the ground floor and on a raised level, which has resulted in significant savings on production space at the plant. The roof has been fitted with a photovoltaic power plant to supply the Škoda Auto network with electricity.

Modernised Kvasiny plant

The Kvasiny plant currently has the Škoda Superb, Superb iV, Karoq, Kodiaq and Seat Ateca models in its production portfolio. Both assembly lines underwent reconstruction at the Kvasiny plant during a plant-wide holiday in the summer of 2022, primarily to prepare for UN ECE (regulation on cybersecurity and software updates). As part of this operation, the Company, for example, modified some production technologies and increased the number of production takts. Another significant project involved increasing the automation level of processes and the production capacity in Welding Shop A.

Component production

In 2022, Škoda Auto produced a total of 893,892 gearboxes, of which 338,056 were MQ200 gearboxes, 18,224 MQ100 gearboxes and 537,612 DQ200 gearboxes. In addition, 365,893 engines and 127,099 batteries were manufactured for plug-in hybrid models and 78,685 for BEVs The Company produces components not only for its own use but also for the needs of other Group brands. In total, it manufactured 142,746 engines (39% of the total number of aggregates made), 572,211 gearboxes (64% of the total number of gearboxes produced) and 149,816 batteries (72% of the total number of batteries produced) for other Group brands.

The production of axles, of which Škoda Auto produced 6,060 per day, is another integral part of component production. A total of 1.39 million axles were produced in 2022 for the assembly plants in Mladá Boleslav, Kvasiny and Bratislava.

A second line for the manufacture of batteries for BEVs was also installed, with production expected to commence in 2023, while new pouring machines were procured for metallurgical production. Škoda Auto ceremonially opened a new engine warehouse in August. This will be used to store all the internal combustion engines made in Mladá Boleslav. The warehouse can hold up to 12,000 engines.

The production of Škoda cars abroad

In 2022, 55,750 Škoda cars were manufactured at the Aurangabad and Pune plants in India, 112.3% more than in 2021. Some 15,979 cars rolled off the production line at Russian partner plants. A total of 41,936 cars were manufactured in 2022 at partner plants in China.

Production of Škoda Cars

Czechia
2,1% **635,213 cars**

India
112,3% **55,750 cars**

Slovakia
29,0% **16,116 cars**

China
(23,0%) **41,936 cars**

Russia
(81,7%) **15,979 cars**

693,370

cars produced at Škoda Auto in 2022.

Škoda Enyaq iV

The only model series based on the MEB platform to be produced outside Germany.

2022 — **52,903** cars
2021 — 49,701 cars

Škoda Scala

The model features a generous amount of space in compact dimensions.

2022 — **42,542** cars
2021 — 44,229 cars

Škoda Enyaq Coupé iV

The electric SUV rolls off the production line at the main plant in Mladá Boleslav.

2022 — **4,310** cars
2021 — 110 cars

Škoda Octavia

Octavia was again the most significant model in 2022 in terms of volume.

2022 — **141,508** cars
2021 — 172,114 cars

Škoda Kamiq

The car combines the classic strengths of an SUV with the agility of a compact car.

2022 — **100,433** cars
2021 — 109,737 cars

Škoda Kodiaq

The Kodiaq impresses with its distinctive design and high off-road capability.

2022 — **99,633** cars
2021 — 88,408 cars

Škoda Kushaq

Production of the model began at the plant in Pune, India, at the end of 2020.

2022 — **26,723** cars
2021 — 16,353 cars

Škoda Slavia

Production of the model commenced at the Pune plant in India in 2021.

2022 — **24,664** cars
2021 — 134 cars

Škoda Rapid

The China-produced model offers modern connectivity via the Škoda Banma system.

2022 — **15,183** cars
2021 — 55,905 cars

Škoda Karoq

The practical family car offers a comfortable ride.

2022 — **94,519** cars
2021 — 109,497 cars

Škoda Fabia

Compared to the previous generation, the model on MQB-A0 platform is larger, more economical and safer.

2022 — **94,193** cars
2021 — 94,096 cars

Škoda Superb

Škoda's flagship embraces customers with comfort and luxury.

2022 — **64,786** cars
2021 — 57,721 cars

Škoda Kamiq GT

The model is manufactured at the Nanjing plant in China.

2022 — **3,049** cars
2021 — 1,225 cars

Škoda Kodiaq GT

The flagship for the Chinese market is produced at the Changsha plant.

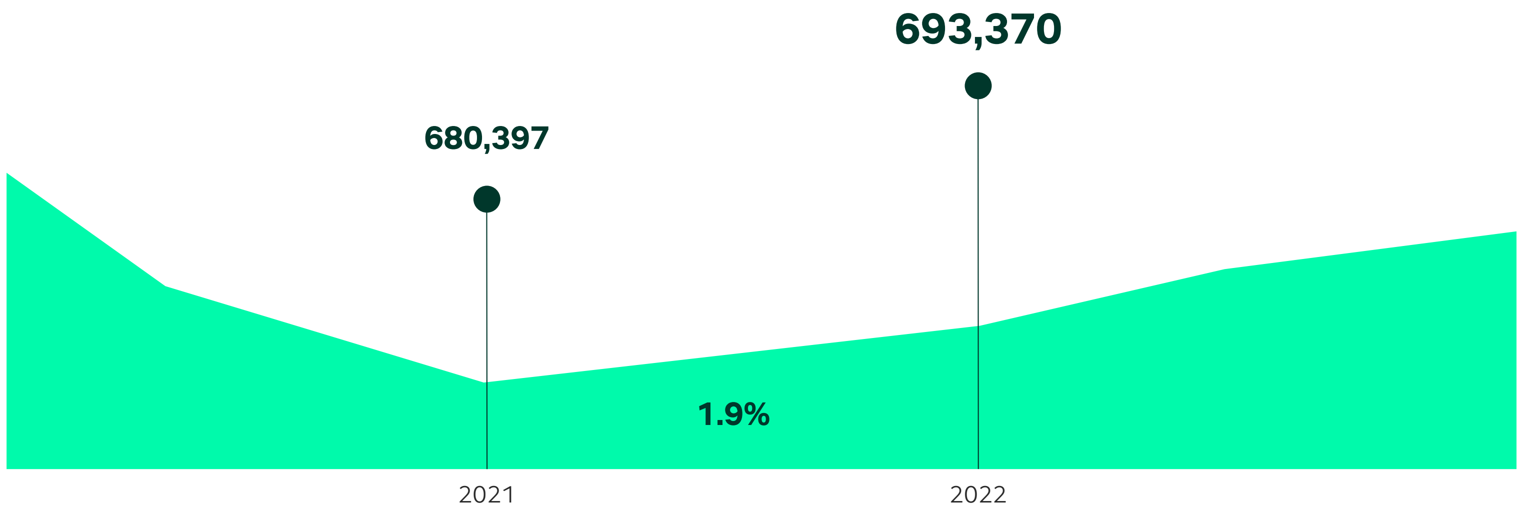
2022 — **548** cars
2021 — 149 cars

Production of Seat cars

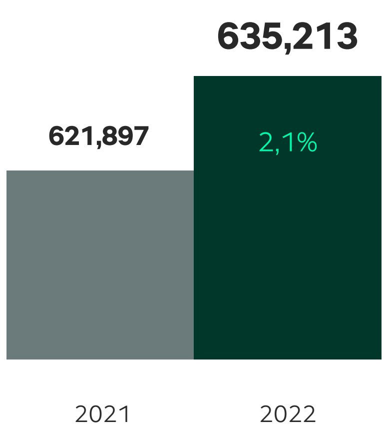
The Seat Ateca is produced at the Škoda Auto plant in Kvasiny.

2022 — **58,157** cars
2021 — 58,500 cars

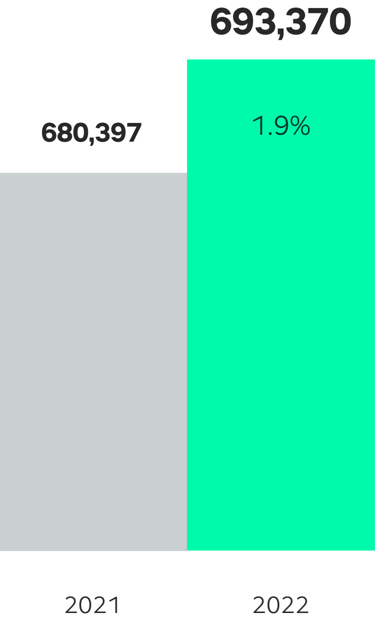
Production of Cars at Škoda Auto Company



Production of Škoda Cars



Total Škoda Auto Production *



* Production in the Czech Republic only in the Company's plants in Mlada Boleslav and Kvasiny.

Škoda Brand Production Worldwide

	Cars 2022	Cars 2021	Change (%) 2022 / 2021
Production of Škoda cars in India			
Škoda Rapid	—	6,259	—
Škoda Slavia	24,664	134	18,305.9%
Škoda Kushaq	26,723	16,353	63.4%
Škoda Octavia	1,417	1,670	(15.1%)
Škoda Superb	1,771	1,704	3.9%
Škoda Kodiaq	1,175	139	745.3%
Total Škoda in India	**55,750**	**26,259**	**112.3%**
Production of Škoda cars in Slovakia			
Škoda Citigo® iV	—	2,887	—
Škoda Karoq	16,111	9,610	67.6%
Škoda Superb	5	—	—
Total Škoda in Slovakia	**16,116**	**12,497**	**29.0%**
Production of Škoda cars in Russia			
Škoda Rapid	8,506	40,046	(78.8%)
Škoda Octavia	1,167	11,696	(90.0%)
Škoda Karoq	3,249	19,152	(83.0%)
Škoda Kodiaq	3,057	16,292	(81.2%)
Total Škoda in Russia	**15,979**	**87,186**	**(81.7%)**
Production of Škoda cars in China			
Škoda Rapid	6,677	9,600	(30.4%)
Škoda Octavia	9,351	13,144	(28.9%)
Škoda Superb	2,854	1,970	44.9%
Škoda Kamiq	9,255	16,796	(44.9%)
Škoda Kamiq GT	3,049	1,225	148.9%
Škoda Karoq	5,267	10,275	(48.7%)
Škoda Kodiaq	4,935	1,268	289.2%
Škoda Kodiaq GT	548	149	267.8%
Total Škoda in China	**41,936**	**54,427**	**(23.0%)**
Total Škoda Brand Worldwide *	**764,994**	**802,266**	**(4.6%)**
Total Škoda Production Worldwide, Including Other Group Brands **	**823,151**	**860,766**	**(4.4%)**

* Including production of Škoda cars at Škoda Auto company as well as at foreign plants in the rest of the world.
** Including pre-series cars.

Sales and Marketing

Škoda Auto delivered a total of **731,262 cars** to customers in 2022 despite the ongoing shortage of semiconductors, the war in Ukraine, supply chain difficulties, rising energy and material prices, and the continuing uncertainty on global markets. Deliveries fell 16.7% year-on-year (2021: 878,202 cars). The rising popularity of the all-electric Enyaq iV has shown that Škoda's electric offensive got off to a flying start. Customers also kept their faith in cars with combustion engines, with the Octavia remaining the best-selling model, followed by the popular Kamiq and Kodiaq SUVs. Škoda Auto also significantly stepped up its internationalisation work in 2022 and more than doubled sales on the strategically important and growing Indian market (+127.7%).

Central Europe

The Company delivered 147,937 cars to customers in Central Europe, a drop of 9.8% on the previous year. The Škoda brand achieved a market share of 16.5% in the region. On the domestic market, deliveries to customers fell by 11.0% to 71,152 cars (2021: 79,928 cars). The Czech Republic was therefore the Company's second-largest market worldwide, with a stable market share of 37.0%. Poland entered the brand's TOP 5 most important markets for the first time with 44,985 cars delivered.

Western Europe

The Company delivered a total of 376,953 cars to customers in Western Europe (2021: 408,970 cars; −7.8%). In Germany, the Company's largest market, it delivered 134,260 cars to customers, just 1.8% fewer than the previous year (2021: 136,781 cars). Great Britain, where Škoda Auto delivered 49,555 cars, maintained its position in the brand's TOP 5 most significant markets, moving from fifth to fourth.

Eastern Europe

In Eastern Europe, the 49,863 cars that the Company delivered marked a drop of 60.5% on the previous year (2021: 126,253 cars). Total sales in Eastern Europe excluding Russia fell by 11.9%. Despite this, the Company's market share in this region was the highest after Central Europe, at 5.4%. In Serbia, the market share reached 20.6% and in Moldova rose to 14.6%.

Overseas/Asia

In China, the Czech car manufacturer delivered 44,600 cars to customers in 2022, marking a drop of 37.4% (2021: 71,200 cars). This meant that after several years, China lost its position in the brand's TOP 5 strongest markets, dropping to sixth. In India, Škoda Auto has improved significantly after the launch of the Kushaq and the Slavia, models developed specifically for the Indian market. The Company delivered a total of 51,865 cars to customers, representing a year-on-year increase of 127.7% (2021: 22,779 cars). This meant that India moved into the brand's top 5 most significant markets for the first time, occupying the third position.

Customer Deliveries

Largest Markets	Cars 2022	Cars 2021	Change (%) 2022/2021
Germany	134,260	136,781	(1.8%)
Czech Republic	71,152	79,928	(11.0%)
India	51,865	22,779	127.7%)
Great Britain	49,555	55,839	(11.3%)
Poland	44,985	47,069	(4.4%)
China	44,600	71,200	(37.4%)
France	29,518	31,057	(5.0%)
Italy	25,035	25,242	(0.8%)
Spain*	22,191	24,642	(9.9%)
Austria	18,989	21,786	(12.8%)
Turkey	18,464	25,228	(26.8%)
Russia	18,299	90,443	(79.8%)
Switzerland	16,083	17,392	(7.5%)
Slovakia	15,102	16,344	(7.6%)
Netherlands	14,568	19,336	(24.7%)
Škoda Brand Total	**731,262**	**878,202**	**(16.7%)**

* Excluding the Canary Islands

Regions	Cars 2022	Cars 2021	Change (%) 2022/2021	Market Share (%) 2022**	Market Share (%) 2021**
Central Europe*	147,937	164,050	(9.8%)	16.52%	17.24%
Eastern Europe	49,863	126,253	(60.5%)	5.35%	6.47%
Western Europe	376,953	408,970	(7.8%)	3.69%	3.82%
Overseas/Asia	156,509	178,929	(12.5%)	0.27%	0.31%
Škoda Brand Total	**731,262**	**878,202**	**(16.7%)**	**1.05%**	**1.24%**

* Including the Czech Republic
** Shares on passenger car market shares, total markets

731,262

Total deliveries
to customers in 2022.

Škoda Superb

In addition to the Czech Republic, sales of the Superb model range have increased, especially in Germany and Slovakia.

2022 — **60,840** cars
2021 — 66,146 cars

Škoda Enyaq iV

The popularity of this all-electric SUV showed that the electric offensive got off to a flying start. Sales increased by 20%.

2022 — **53,678** cars
2021 — 44,718 cars

Škoda Octavia

The Octavia range remains the brand's best-seller, attracting customers with a wide range of engines.

2022 — **141,112** cars
2021 — 200,771 cars

Škoda Kamiq

The brand's second-highest-selling car in the urban SUV segment saw a significant increase in sales in Great Britain and Poland.

2022 — **96,269** cars
2021 — 120,742 cars

Škoda Scala

The model was most popular in Turkey in 2022, with the Company reporting significant sales growth.

2022 — **39,538** cars
2021 — 48,154 cars

Škoda Kushaq

Increased sales of the SUV in India considerably strengthen Škoda's position on the local market, making India the third largest.

2022 — **26,761** cars
2021 — 12,815 cars

Škoda Slavia

The sales launch of the second model developed for the Indian market contributed to a significant increase in deliveries in India.

2022 — **20,931** cars
2021 — 0 cars

Škoda Kodiaq

In addition to the Czech Republic, demand for the popular SUV increased in Germany, Poland, France and Italy in 2022.

2022 — **94,455** cars
2021 — 98,566 cars

Škoda Fabia

The Company offered customers an elite version of the model in 2022, with a wealth of equipment as standard and a wide range of engine options.

2022 — **92,663** cars
2021 — 99,104 cars

Škoda Karoq

This rejuvenated compact SUV, newly available in the Sportline version, generated strong interest among customers on the Company's largest market, Germany.

2022 — **87,716** cars
2021 — 119,156 cars

Škoda Rapid

The Rapid and Rapid Spaceback are fitted with modern connectivity via the Škoda Banma system.

2022 — **17,296** cars
2021 — 63,657 cars

Škoda Citigo[e] iV

This compact, eco-friendly electric city car has been discontinued.

2022 — **3** cars
2021 — 4,373 cars

The Škoda brand marketing strategy

The brand's communication strategy underwent significant changes in 2022, which will be evident across all markets in which Škoda Auto operates in the coming months. The change will not only affect the visual aspect, which customers will notice first, but will also be reflected in the Company's overall communication.

Škoda Auto's communication will be even more responsive to the needs of its customers – **Contemporary Explorers** – who are constantly moving forward, eager to discover new places and solutions that improve their lives. Škoda Auto wants to be their bold companion to explore the world. But despite all the changes, the brand continues to stand by its traditional and established values - it is human, simplifying and surprising.

New corporate identity

At the end of August, Škoda Auto unveiled elements of a new corporate identity that brings together its rich history and the future of mobility. The corporate identity is based on a modern, distinctive design and clearly demonstrates the Company's switch towards communicating in the digital environment. Employees across the Company were involved in its development under the guidance of Marketing. In addition, 2,200 respondents from six key markets – the Czech Republic, Germany, Italy, Norway, India, and Israel – commented on a total of 165 versions of the new logo, together helping to define its future appearance.

Rather than the picture mark of the winged arrow, the Škoda word mark is now taking on a more prominent role in marketing communication. The new style also employs entirely different typography, working with symmetry and a combination of rounded shapes and edges. As expected, the biggest challenge was shaping the accent above the letter S, an important part of the Czech historical heritage of the Škoda brand. Eventually, it was successfully and tastefully integrated into the letter S itself. Research has shown that a typographic logo is preferable when it comes to recognition and identification.

Discover video ⟶

A simpler two-dimensional picture mark

The symbol of the winged arrow also changed, albeit not to the same extent as the word mark. Its simplification is apparent at first glance, and the ŠKODA picture mark will now be drawn without 3D graphics. With this, the Company is responding to the shift towards the ever-greater digitisation of communication. The simpler two-dimensional mark is far more impressive on mobile devices and can be integrated into different formats with greater flexibility.

Before Škoda Auto presented the new word and picture mark to the public, it signed an agreement with the Škoda Group engineering firm to settle trademark disputes over the many years of the simultaneous use of the Škoda mark. The agreement sets out the Škoda Group's obligation to cease using the Škoda name and the symbol of the winged arrow from 2030.

New corporate colours

Surveys of respondents confirmed that the Company should retain its traditional green. The respondents associate the colour with ecology, sustainability and electromobility. Škoda Auto will now use two different shades of green: **emerald green** and **electric green**.

The Company will gradually introduce the new corporate identity to all platforms, first its information and communication materials and then, from 2024 onwards, in newly launched car models. The new design will also be reflected in the infotainment and other elements of Škoda cars. The modernisation will also include design changes at the premises of authorised partners.

Digital services

Electromobility means not only the production of electric vehicles. It needs to go hand-in-hand with the charging infrastructure and digital tools development. In 2022, The Company celebrated the first anniversary of the POWERPASS charging, reaching the milestone of 400 thousand charging points in Europe. Škoda Auto has also introduced the Plug & Charge function which makes charging even easier. The vehicle is identified at compatible charging points linked to the POWERPASS app or IONITY network and the charging process starts automatically.

After regrouping all digital customer activities in one collaboration hub and creating even closer cooperation with Škoda Auto DigiLab, the Company keep developing digital apps which make the journey of Škoda customer easier and much faster. Two Simply Clever examples from 2022 are Pay to Park and location based Offers. With Pay to Park the customer manages his parking in currently seven European countries directly from car's infotainment system. More than eight EU countries will follow in 2023. The plan is to offer this payment method in more than ten thousand European cities. The Offers app is informing Škoda drivers about special bargains available from our partners along the route. It can be discounts for example from authorized dealers, petrol stations or restaurants. All offers are available only to Škoda owners using the Offers app, which is free of charge.

A glimpse into the future

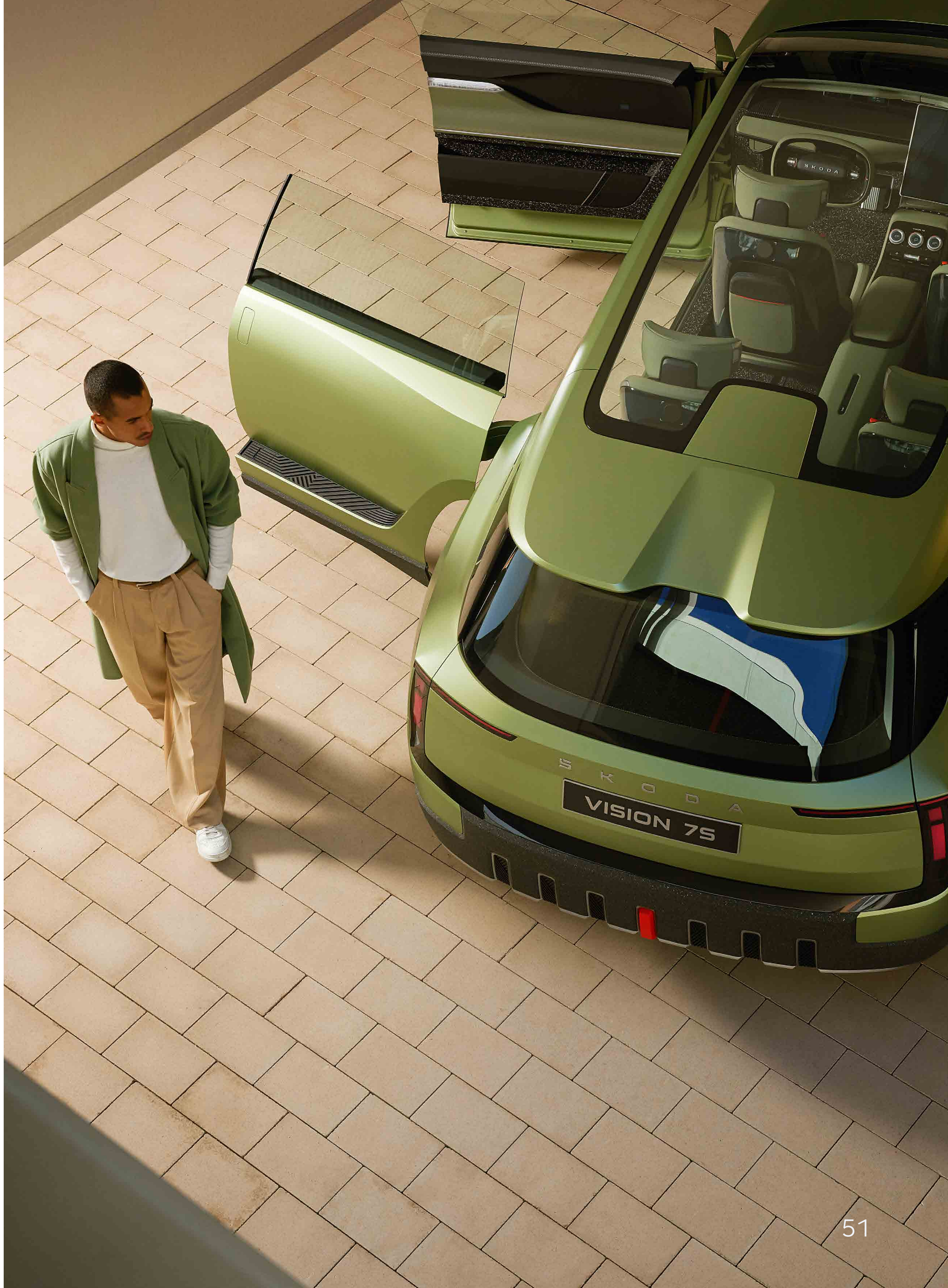
The seven-seater **Vision 7S** concept car, unveiled at the end of August at the Explore More event, offered the first opportunity to see into the Škoda brand's new design language, standing out from the crowd with its robust appearance, functionality, and authenticity. The Vision 7S is also **the first Škoda car to come with a matte body**. The 89 kWh battery provides the car with a range of more than 600 km in the WLTP cycle.

The interior is finished with **interactive surfaces** and **sustainable materials**. The materials used do not include leather; most are sustainably sourced and highly resistant as a result of smart combinations. For example, when making the floor for the Vision 7S concept car, the Company used recycled pieces of old tyres. The sustainable decorative elements inside the car, coated with a soft matte metal layer, and fabrics woven from 100% recycled polyester yarn combine to save valuable natural resources. Fans of the brand were able to stream the whole event at Explorer's Hub, the 360° cameras giving the feel of being there in person.

Finally - events once more live and in person

A number of internal marketing events were staged in 2022. After three long years, Škoda Auto was finally able to hold its traditional **Brand Day** live and in person. Almost 400 colleagues from 50 different Škoda brand markets attended the event. The main topics included the new range of Škoda models for the forthcoming years, the Modern Solid design language and its incorporation into the Next Level – Škoda Strategy 2030.

At the end of August, an international meeting of managers was held in Prague, attended by 350 senior employees at the Company. The conference delegates spoke about the electric car offensive, the future of combustion engines, customer orientation and diversity. Another event that soon followed was the MMK conference, where the Company's business partners could again meet in person after several years. The regular **World Dealer Conference** was this time staged in Prague over two weeks in September and attended by almost **4,000 business partners from 66 markets**. The event was conceived as a grand show to present the new visual appearance of the brand and the electric cars, with the delegates discussing issues that included the new design language and the new Škoda logo.



New products premiered

The Company unveiled its **Slavia** model to the public at the end of 2021, continuing the Škoda brand's product offensive **on the Indian market**. This traditional sedan was given a dynamic design and a host of modern solutions. Representatives from the media and fans of the Škoda brand were able to follow the world première of the new sedan live on the Škoda Storyboard platform.

On the final day of January 2022, the world première of the Enyaq Coupé iV took place and was broadcast in a digital online format. Those interested were able to join the digital presentation at **skoda-virtual-event.com**. In addition, the Czech Republic had the opportunity to see the new body version of the electric SUV in person at the Legends motor show in Prague Holešovice in May. Visitors to the event were able to test drive the car, with a parking test track in place to allow them to try out the assistance systems.

The Company also introduced the sporty Enyaq Coupé RS iV, which with four-wheel drive, two electric motors and a system output of 220 kW is currently the most powerful Škoda car. To mark the première, the Company **screened a film, The Way of Life**, which tells the story of a young woman longing for freedom and independence in 1980s Prague and shows her relationship with the Škoda brand. The film won a bronze medal at the Golden Drum festival in Portorož and four platinum awards at the Muse Awards in New York.

In February 2022, Škoda Auto offered a first look at the new **Fabia Monte Carlo** model in official design sketches. The sketch of the exterior of the new model showed how the characteristic visual details of this version of the model further enhance the emotional design language and the dynamic appearance of the new Fabia model.

Discover video ⟶

30 years as partner to the IIHF Ice Hockey World Championship

Škoda Auto has been **the official main sponsor of the Ice Hockey World Championship**, organised by the International Ice Hockey Federation (IIHF), for three decades. The Czech automotive company's involvement was entered in the Guinness Book of Records in 2017 as **the longest main sponsorship of a sporting world championship**. For the championship in May, this time held in the Finnish cities of Helsinki and Tampere, Škoda Auto provided the organisers with a fleet of 45 vehicles, among them the all-electric Enyaq Coupé RS iV, the Enyaq iV, the Superb iV and the Kodiaq.

In addition, the Design Department at the Company has been responsible for designing the glass trophy for the Most Valuable Player of the tournament since 2018. The design of the trophy is inspired by the marks left by skates on ice and combines the dynamics of ice hockey with the Czech automotive company's contemporary emotive design language. The Company was again the exclusive partner of the IIHF App in 2022, which provides hockey fans with exciting news from behind the scenes and interesting statistics.

On top of all that, the Company has long supported the development of hockey in the Czech Republic and is **an official partner to the Czech Team**, the Czech Ice Hockey Association – Czech Ice Hockey Team and the Tipsport extraliga.

NHL comes to Prague

When the San Jose Sharks squared up to Nashville Predators over two matches on the ice of the O2 Arena in Prague in October as part of the **NHL Global Series 2022**, the Škoda brand, as a long-term ice hockey partner, took advantage of this exceptional opportunity to activate marketing at the venue for both games and as part of the **NHL Fan Tour** in selected towns and cities throughout the Czech Republic.

During the NHL Global Series 2022, the Company presented in augmented reality two special cars to match the spirit of the two competing teams. The **Prediaq** drew on the Kodiaq SUV, while the **Sharyaq** was akin to the Enyaq iV electric car.

A proud partner to the Tour de France

Škoda Auto was again **the Official Main Partner** of the most famous cycling stage race in the world in 2022. The peloton of Le Tour de France 2022 was headed by a specially modified **Red Car, the Enyaq iV**. The car headed the peloton as the director's car on sixteen stages of the race, while the remaining stages were headed by a Škoda Superb iV with plug-in hybrid drive. The Company provided the race organisers with a total of 250 cars, including the Škoda Octavia and the Škoda Superb iV with plug-in hybrid drive.

The Company also sponsored the **Green Jersey**, meaning that the jersey worn by the leading rider on points bore the Škoda logo on the race around France for the eighth consecutive time. The Company was also responsible for making a 60-cm high trophy weighing 4 kilograms for the winner, created by Czech glassmakers. As is tradition, the design was created by members of the Škoda Design team, this time taking their inspiration from dynamics and energy.

In 2022, the first year of the **Tour de France Femmes avec ZWIFT** for women was held. Škoda Auto was the main partner to the peloton and provided the organisers and a number of teams with more than 50 cars, including the Škoda Octavia and the Škoda Superb iV with plug-in hybrid drive. And as with the men's race, the Company sponsored the **Green Jersey** for the leading rider on points.

In addition to Le Tour de France, the Company also provided its traditional support to La Vuelta and Vuelta Feminina, Paris–Nice, Paris-Roubaix, Volta Catalunya, Critérium du Dauphiné, La Flèche Wallonne, Liège–Bastogne–Liège, Paris–Tours, Deutschland Tour, Škoda Tour LuXembourg and la Volta.

From the Czech national team to the general public

The Škoda brand has had strong links to cycling since its inception – after all, **a bicycle was the Company's very first product back in 1895**. For this reason, it also sponsored a number of amateur races for the general public, including the Kolo pro život (Bike for Life) series of mountain bike races and the exceptional L'Etape Czech Republic by Tour de France. It also remained the general partner of the Czech national team in all cycling disciplines. Its links to the Czech Cycling Federation meant that the Company was the general partner to national teams in all eight disciplines of cycling. It, therefore, continued with its involvement in the sport, building on the team aspect and focusing on national teams. It was this relationship that gave rise to the multi-channel **WeLoveCycling.com** platform, which ties the Škoda brand to cycling and acts as an umbrella for all its activities in this field.

The global version of the platform allowed the Company to provide news of the world-renowned races it supports, such as Le Tour de France, La Vuelta, and Paris – Roubaix, and topics such as road safety and eMobility, and car models that are suitable for cyclists.

55 all-electric cars

A total of 55 Škoda Enyaq iV were used by the Government Office of the Czech Republic.

Škoda Auto at the exhibition in Brussels

The **Design and Transformation** exhibition staged in Brussels at the turn of September and October, showed that the concept of Czech design encompasses a whole range of remarkable products and works. The exhibition did not focus merely on objects of beauty, instead getting to the bottom of how they were created – the stories of the companies whose fate document the specifics of the situation in Central Europe, the centuries of culture and craft traditions, and the continuing transformations of state bodies and economic and political frameworks. Škoda Auto was one of the companies presented. The exhibition was held to mark the Presidency of the Czech Republic in the Council of the European Union.

Škoda cars for the Czech Presidency

Škoda Auto won the tender to provide cars to the Office of the Government of the Czech Republic, which used them **to transport leading European representatives throughout the Czech Presidency of the Council of the EU**. A total of 55 Škoda Enyaq iV cars were provided for the needs of the Office of the Government of the Czech Republic. The Company, therefore, followed up on the first Czech Presidency in 2009, when Škoda Superb cars served the same purpose.

Wallboxes were also installed in the garages of the Office of the Government of the Czech Republic specifically for the needs of the Czech Presidency. In addition, a mobile hub was created with fourteen AC charging points and a quick charger at the Congress Centre in Prague, where the majority of the meetings took place.

A year full of awards

Škoda models have traditionally been popular with both customers and the professional public. In 2022, the fourth generation Fabia was the most successful, topping the podium in the Car of the Year 2021/2022 poll in the Czech Republic. The latest hatchback drew praise from a panel composed of 23 motoring journalists, earning the car third place among the six finalists. The medal-winning position in this prestigious national poll, in which new cars from the past two years were evaluated after a one-year absence, underlined all the strengths of the new Fabia, the best-selling passenger car on the Czech market in 2022. This year of the traditional competition brought the Company further success, with the Enyaq iV winning the public poll in the medium-sized SUV and crossover model category.

The Enyaq iV and the Fabia also fared well in safety evaluations. The European New Car Assessment Programme (Euro NCAP) announced the all-electric Škoda Enyaq iV SUV and the fourth generation Škoda Fabia as the best cars in their class. With 86% of the total number of points available, the Enyaq iV is the safest SUV in this safety reference test to date. The new Fabia, with its score of 78%, came out on top among the compact cars tested. Both models were also successful in the Fleet Derby – Fleet of the Year 2022 poll, which has traditionally selected the best company cars.

The popular Fabia won a renowned Red Dot Award for its extraordinarily successful product design, the third time it has collected this award (following 2008 and 2015). The international panel of judges was impressed by the distinctive design, spaciousness, and overall appealing package.

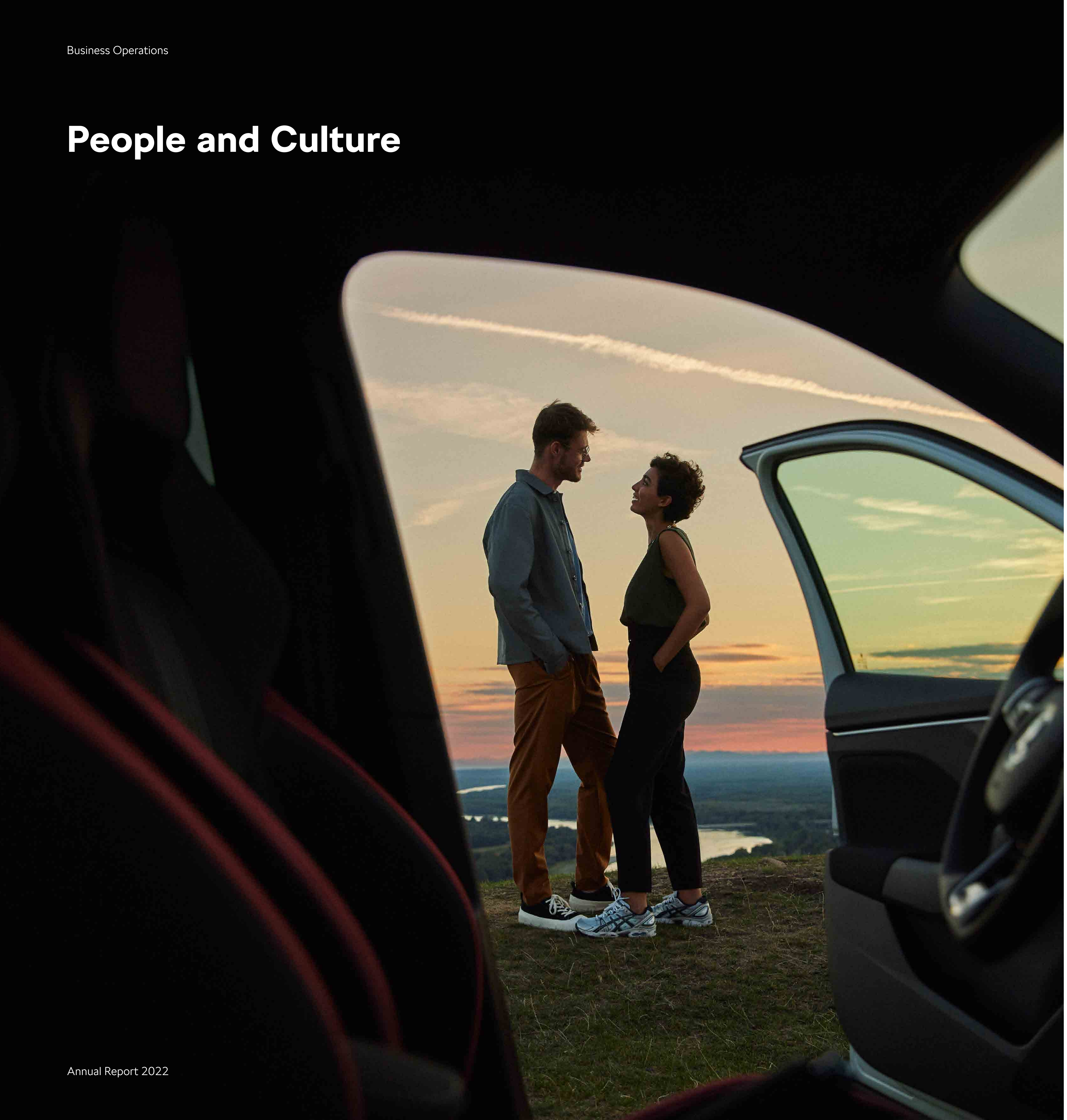
The Octavia was also highly successful, winning (for the tenth time, no less) the celebrated readers' Best Cars poll organised by the German car magazine Auto Motor und Sport.

Welcome to the Škodaverse

Škoda Auto began using the latest technology to interact with its fans and customers in 2022. It introduced its Tour de France **NFT collection**, provided new experiences through **augmented and virtual reality** and moved into the **metaverse**. Users can enter the **Škodaverse** from their mobile phones or the Internet, create their own avatar with Škoda skin, take a virtual test drive in an Enyaq Coupé RS iV and find out more about eMobility.

Explore Škodaverse ⟶

People and Culture

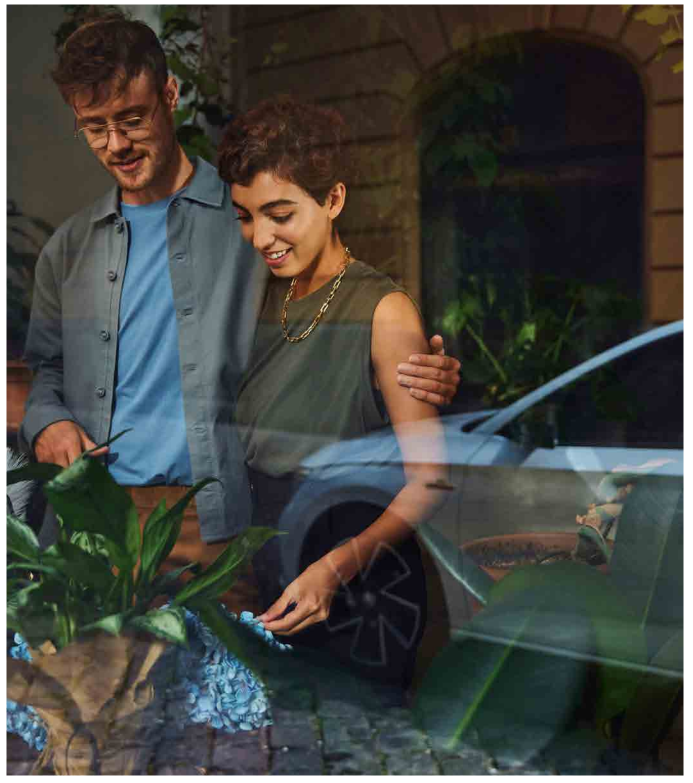


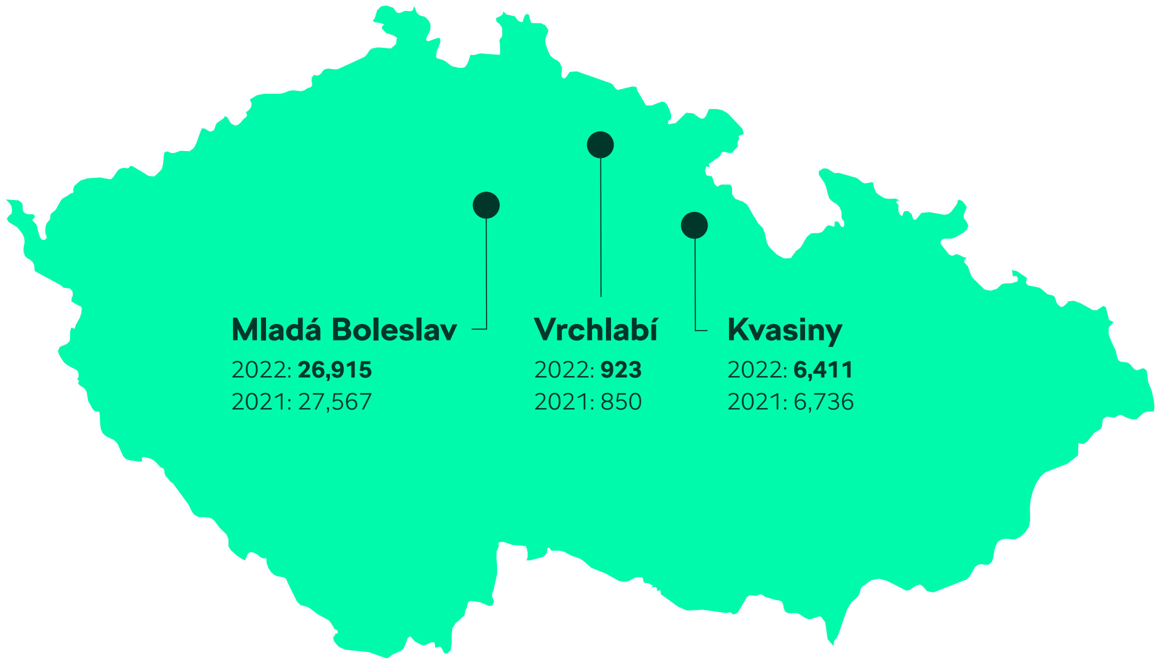
The year 2022 proved to be extraordinarily dynamic, having been affected by the Covid-19 pandemic, supply bottlenecks and the war in Ukraine. More than ever, it was shown that change is the only absolute certainty and the ability to adapt, learn something new, and be flexible is the path to success for the whole of society.

The automotive industry continues to undergo a massive transformation, technological changes associated with electromobility, changing of working methods and rapid digitisation in all areas. People and Culture plays a leading role in this change process partnering up with all business areas to manage fast operational needs and new challenges which Škoda Auto faces in terms of the specialisation of its employees. Among the most important tasks in 2022 were to prepare employees for digitisation, manage the digitisation of HR, and support diversity and the path to an open corporate culture.

Corporate culture

"Excellence with Joy" describes the Škoda Auto target culture defined in 2022. Various cultural projects have been implemented to promote an open and inclusive culture, including workshops and a diversity quiz, a shared workplace pilot project and other cultural formats such as Open Talks, Screw up Talks, Role Model Programme, etc. A Cultural Mindset Index (CMX) was introduced in two pilots with a participation rate of 49% and a total CMX value of 56%. Based on this mindset, the Company will focus on people empowerment related to transformation, qualification and lifelong learning.

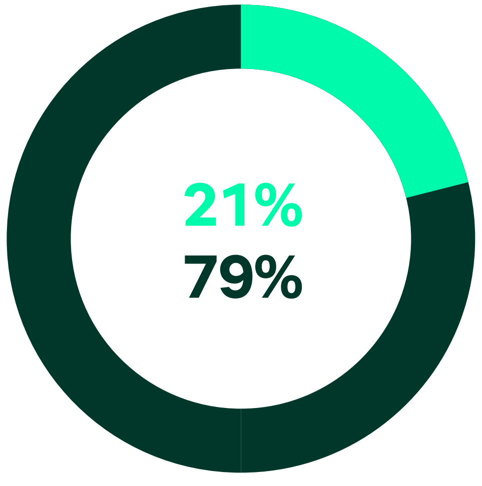




Company Workforce

Apprentices	Permanent Employees	Total *
814	34,249	35,063
		2021: 36,032 (2.7 %)

* The actual number of employees as of 31 December 2022 in the Czech Republic, including apprentices, excluding temporary staff (2,768 employees), excluding subsidiaries.



Proportion of Men and Women in Škoda Auto

Women Men

Employee-focused strategy

The year 2022 saw the implementation of the first objectives of the **functional Next Level S strategy** in the sphere of People and Culture, a strategy that primarily focuses on employees. Attention is therefore paid to their needs so that they can work in a safe, creative and friendly environment. Nine key initiatives were created as part of the three main pillars of Expand, Explore and Engage, corresponding to the Company-wide strategy, and these were divided into 24 projects. Monitoring and reporting on this strategic portfolio were entrusted to the newly established Transformation Department, which will also work on its ongoing review and updating.

Qualification structure of the Company's permanent employees as of 31 December 2022

- Primary school 7.6%
- Vocational school 42.4%
- High school with levels 32.2%
- University graduates 17.8%

Digitisation of HR processes

A number of internal processes were digitised in 2022 to make work easier for employees, reduce the administrative load on direct superiors, primarily in production, and support remote cooperation. The digitisation of HR processes and the implementation of HR information systems will make personnel services more accessible, faster and of a higher quality.

The area focused on creating the uniform One digi HR digital ecosystem, which aims to improve the quality and access to digital services for all employees. One pilot project in the year 2022 was DigiRoadshow – training employees in the area of digital skills, with participants improving their Internet services and application skills. Employees were guided through the training by their superiors. Some 22,000 employees from the area undertook the training during the year. The Company was able to reduce the number of printed pay slips by 72%.

The digitisation of employees' personal files also neared a successful conclusion. All documents in the files are scanned with the data extracted and stored in the data management system. This creates uniformly structured storage sites with simple online access to documents for HR staff and, in the future, for employees.

Drawing benefits

Broadening the opportunities for employees to draw points **in the cafeteria system** from a wide range of contractual partners and introducing points payments for a range of benefits offered by the Kovo Trade Unions marked a major employee development. They also received a total of 14,000 points (1 point = 1 CZK) in 2022 through cooperation between the Company and its social partner. Employees can earn extra points by actively looking after their health - providing proof of having been for preventive check-ups, for example, for voluntary CSR activities, donating blood etc. The points can be used in areas such as health, sport, culture, books, travel, experiences and relaxation, or can be used to pay for healthy meals at the plant canteen or transferred to supplementary retirement insurance.

Overview of employee benefits in 2022

Cafeteria Škoda Benefits

CZK 335 million

utilised by employees in 2022

Health 64%

Culture, sport and travel 19%

Pension savings 17%

24,000 Škodians used **T-Mobile Benefit program**

2,000 employees purchased a **MultiSport pass**

Promoting flexible and new forms of work

Škoda Auto has long focused on flexible and new forms of work, with the first agreement on flexible work signed between social partners back in 2016. Considering the demands of the ever-evolving labour market, the Company has accelerated its activities in these areas; for example, by including them in the strategic initiative Strive for New Work, or rather the **New Forms of Work** project.

The New Forms of Work portfolio, abbreviated as New Work, now encompasses a wide range of tools to support the strategic aims of the Company and the need to harmonise the working and personal lives of its employees. These tools include, for example, **the concept of mobile work, alternative working hours, and, most recently, Desk Sharing**, which offers employees the choice of the optimum working environment for their work activities.

Making sure employees work at a comfortable temperature

Over its many years of cooperation with the Kovo Trade Unions, the Company has devised a range of measures to make sure that employees can work in comfortable temperatures. Employees can choose to wear light t-shirts or cooling head scarves during the summer, and even buy a salad at a discounted price. In winter, the Company makes sure that employees are provided with enough warm clothing and more hot drinks in more places while also providing additional soup subsidies.

Zebra targets quality, speed, and effectiveness

The year 2022 brought one of the most significant transformations to the Zebra improvement programme in the last decade. The Company decided to follow the path that other brands in the Group have taken in recent years, focusing on quality over quantity, accelerating and increasing the effectiveness of the whole process, and motivating employees. The strategy was most evident on two levels – rewards and targets. The reward system has been redesigned to better reward the authors of successful proposals. Employees can now earn more than CZK 1 million for successful improvement ideas with quantifiable benefits. Savings of CZK 367 million were made in 2022 by these improvement initiatives.

Employer of the decade

The Company retained its title of Employer of the Decade, ten years after the last award. It also regularly features in leading positions in the Employer of the Year competition, winning the nationwide category of “Employer with more than 5,000 employees” five times in the last ten years. Škoda Auto repeatedly occupies leading positions in other polls that rank employers. For example, it came out top (for the eleventh time) in the TOP Employers 2022 study conducted at Czech universities.

Responsible and sustainable human resources

Sustainability is a top priority at Škoda Auto and forms part of its DNA. The Company aims to be a role model in terms of the environmental pillar of sustainability and to actively develop social issues – to be a good partner to its employees and their families, and its surroundings and communities. The Company defined five social pillars concerning caring for its employees and developing social responsibility, which it considers to be key and which it will focus on. These are **diversity, education, holistic health, volunteering and mobility**. An internal and external dimension of action is always considered, so that what is developed for the employees also adds value to the wider community of people.

Diversity

New diversity strategy

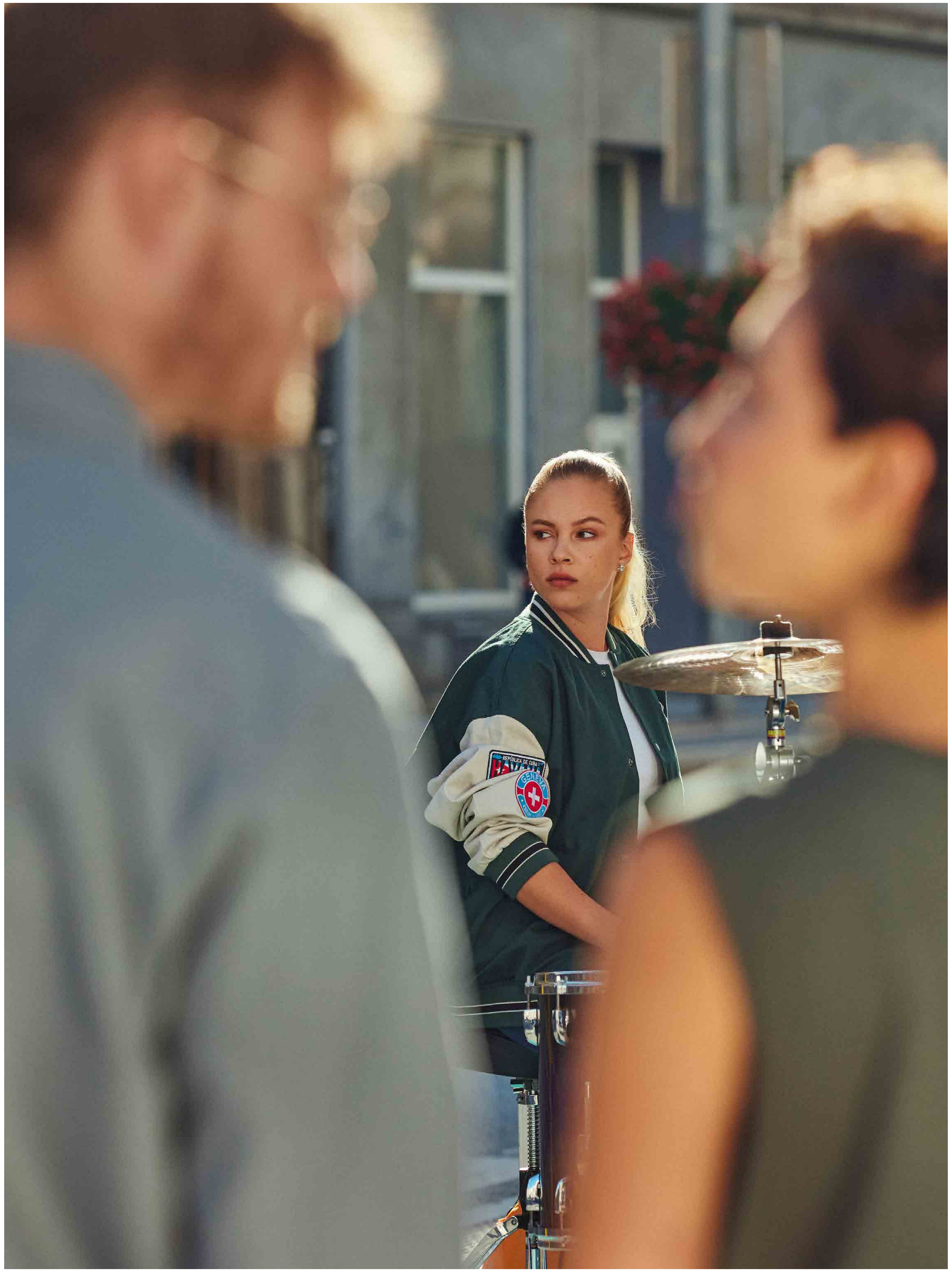
The Company created a new diversity strategy in 2022. The Diversity Strategy 2030, which defines the Company's direction in terms of diversity, equality and inclusion until 2030, introduced new key performance indicators and took account of future legislative and Group requirements.

As part of its new strategy, the Company advocates, among other things, gender balance and equal opportunities for its employees. By 2030, each fourth management position should be occupied by a woman. Furthermore, Škoda Auto undertakes to actively support and strengthen Employee Resource Groups (ERG). These bring together employees who share, for example, the same sexual orientation, geographic origin and ethnic origin. Examples include **Škoda Proud** and **Internationals@Škoda**, which focuses on employees from abroad. These build social contacts and provide each other with support to make acclimatising to the environment easier after taking up their duties at the Company.

The Diversity Strategy also supports employees from the LGBTQ+ community, introduces measures for colleagues with physical disabilities, aims to achieve better intergenerational cooperation, and puts in place a pro-family policy. Moreover, the strategy includes a role model programme and promotes co-existence without prejudice in an international work environment.

Škoda Auto achieved planned values of 23.4% in the main target of the **Diversity Index** while internationalisation in management at the end of 2022 stood at 30.9% and the share of women in management reached 16%. The Company introduced a number of support tools in 2022 to achieve the planned share of women in management. There were considerable successes in recruitment, with the proportion of women in external recruitment reaching 41%.

Škoda Auto, one of the largest private sector employers in the Czech Republic, supports a variety of initiatives to promote diversity and inclusion. The Company has been a signatory to the Czech and European Charter of Diversity since 2019. To underline its commitment to diversity and inclusion, the Company signed up to the Pride Business forum and became a partner to the conference to mark European Diversity Day at the Chamber of Deputies of the Czech Republic. In May, the Company celebrated European Diversity Month with the slogan "Each of us is unique! Diversity is what unites us". It earned recognition for this activity in the TOP Responsible Company 2022 competition.



Recruitment communication and cooperation with schools focusing on talent

Promoting diversity was the theme of the Employer Branding campaign, which was reflected in its narrative and visuals. The emphasis was on **increasing interest among women in Škoda Auto** as a modern technology employer. The authenticity of the communication was supported by the real stories of employees on the **Škoda Career blog**, with women playing a prominent role. The blog is one of the key employer branding tools at Škoda Auto, which uses content marketing to profile itself as a modern employer using the very latest technology. It tells the stories of the Company's employees in an attractive interactive format and follows the careers, professional challenges and projects of our experts. The blog features interviews with female technicians and shows that they most certainly belong to the automotive industry. It was voted the best electronic magazine of the year in 2021 and came first in the Golden Semicolon competition, which rates the best communication projects in the Czech Republic and Slovakia.

The Company **intensively supports technical education** and has long been cooperating with 40 secondary schools and 17 universities, donating 64 non-homologated cars, 274 computers, 90 gearboxes and other different items of apparatus. It also revitalised the classrooms at the Secondary School of Industry in Mladá Boleslav and the Technical University of Košice. Škoda Auto also cooperates with education competitions, including the Technology Competency, Technology Olympics, EDU.Lab, Auto Repair Junior and Formula Student Czech Republic.

Škoda Auto encourages its employees in the development of professional competences.

Education

Learning for the future

Digitisation and automation bring the need to retrain employees and increase the level of their qualifications. These lay the foundations for another initiative in the sphere of People and Culture, called **Change and Improving Qualifications for the Future**. Škoda Auto is investing over CZK 12 billion until 2030 in connection with education in electromobility.

The demand for workers with expertise in the field of information technology, technology, engineering and mathematics is growing, while the level of manual labour is decreasing with increasing automation. The labour market is changing and needs employees to acquire the relevant skills that are important for the challenges of the future. However, it is not a matter of common training and broadening competencies but rather **acquiring and developing entirely new skills and knowledge** (upskilling) or **improving existing qualifications** (reskilling) over the long term, both within a timescale of three to six months. In the next steps, People and Culture will take advantage of the synergy with the HR strategic planning project and the future re-training of staff as part of "skills management".

Qualification for transformation

For employees to be able to play an active part in the Company's transformation, they need to adapt to changes and develop their knowledge and skills according to new demands. The Škoda Academy is their partner in this, which also devotes parts of its work to transformation activities and training. It helps employees continually develop the skills required for their future work at the Company. The Škoda Academy also supports employee personal development and career-building. Employees and teams can choose different forms of education tailored to suit future needs in the automotive industry. This is due to the range of available options in the transformation catalogue of the supporting pillar in digitisation, culture, mindset change topics, work methods and products.

Education for system developers

Škoda Auto also supports educating talent, and for this reason jointly founded 42 Prague, a non-profit educational institute. Around 150 software developers have been preparing for new careers at the institute since September. The education institute focuses on lifelong learning and strengthening social skills, taking three different approaches. In addition to gamification, where the progress of every student is measured in stages, students are taught the concept of peer learning, team learning and working on their own. The third pillar is peer evaluation, where students assess each other to support the constructive exchange of information about the project results.

2022

The first Ergo chair at the paint shop was used by the workers of the Mladá Boleslav plant in chassis camouflaging workplaces.

Well-Being

Care for holistic health and mental well-being

The health of every employee is the highest priority to the Company and its social partner Kovo Trades Union, and as a result, they both did more than the government imposed in the battle against Covid-19 from the very beginning of the pandemic. Alongside holistic health, Škoda Auto focused on the mental well-being of its employees in 2022 because, without that, holistic health cannot be achieved. Employees were familiarised with a new topic in this area every month and advised on how to cope with the everyday demands on mental health. In addition, there were webinars and multimedia recordings in Mediatéka. Employees were also introduced to experts they can contact.

Controlled rotation for health

It is quite common for employees to constantly make the same movements all the time at production plants, particularly on the production line. This repeatedly burdens and frequently overloads certain body parts and creates the mental stress associated with monotonous work. This can result in problems with the skeletal and muscular systems or mental exhaustion, leading to higher sickness rates and a reduction in work productivity. These problems can be avoided by rotating workers on selected work operations during a shift. Controlled rotation has been implemented at the Company since 2021 when it was anchored in internal legislation. Controlled rotation was practised at three plants in 2022.

Employing ergonomic methods

Škoda Auto launched an “ergonomics offensive”, which by improving ergonomics contributes toward all-round care for the health of employees. Production representatives suggest what needs to be improved in their workplaces.

One of the proposals already put into practice is the new ergonomic chair at the paint shop, which is designed to improve employee comfort during work and reduce the risks of occupational injury and sickness. Operators in chassis camouflaging workplaces mask openings in the car body with covers. Until now, they have worked on fitting the covers by using a simple chair under the body, pushing it with their feet and installing the covers with their hands high above their heads. They can now use a modern chair that is operated by foot pedals with motorised movement. The chair has a wide range of individual settings, which means the operators can work in a position that is more ergonomically comfortable.

CZK 9 million

More than 1,600 employees participated in the Employee Collections. CZK 9 million was donated.

Volunteer work

Wearing our hearts on our sleeves

Employees at the Company are regularly involved in charity activities, for example, long-term Employee Collections. The third round of collections is currently underway (2020-2023). Each employee can regularly support the work of up to ten non-profit organisations, selected in a Company-wide vote, over the four years of the collections. Škoda Auto then doubles the money donated. Four-fifths of the money that the Company provides is credited to the accounts of non-profit organisations, the other fifth being used for social responsibility projects in Pune and Aurangabad in India. More than 1,600 employees signed up for the collections in 2022, their donations totalling CZK 4.5 million. With the money added by the Company, CZK 9 million were donated.

In collaboration with the Škoda Auto Endowment Fund and Kovo Trade Unions, a new volunteer group of employees was created at the Company in 2022, whose members were involved not only in activities in the regions in which the Company has its plants but throughout the whole country. Volunteering events are announced at the online Škoda Volunteers platform, which can also be initiated by members of the group.

Support for employee groups

Škoda Auto is committed to actively supporting and strengthening ERG (Employee Resource Groups), which brings together employees that share the same sexual orientation, and geographic and ethnic origin, for example. In 2022, the owners of the initiatives began working with ambassadors – employees who showed an interest in sharing the theme of the initiative or project, even though this is outside their work duties. Engaging the employees involved and their "out of the box" perspective is a valuable asset that provides the necessary feedback for their work. To broaden the group of ambassadors, representatives of the initiatives employed the new format of People Talks, informal meetings for which employees from across the Company can sign up and tune in to discussions for possible future cooperation.

Mobility

Employee traffic safety

The Company supports traffic safety among its employees. In 2022, it organised a traffic safety course for parents and created the Škoda Safely webinar together with traffic safety experts for the Mediatéka company. It also initiated an information campaign specifically targeted at those employees who have broken traffic rules in the past.

Sustainability for Škoda Auto means economic and social development in harmony with the surrounding ecosystems and preserving biological diversity for current and future generations. The Company's strategy is built on **social**, **environmental** and **economic pillars**.

These pillars include the social responsibility strategy, the GreenFuture environmental strategy, and the principles of ethical and transparent conduct.

Social Sustainability

Social sustainability strategy

The concept of social sustainability is one of the three pillars of the sustainability strategy. The move was made from the traditional CSR to CSV (Corporate Shared Value) in 2022 in cooperation with the social partner Kovo Trade Unions, which entails the creation of shared value between a company and its surroundings. This change also saw the redefinition of the area of focus of social responsibility. Priorities now mainly stem from areas in which the Company has considerable know-how. As a result, it does not only contribute financially but also with expertise and product. The Company is dedicated to developing diversity, education, well-being, volunteering, and safe and available mobility.

The Company established the Škoda Endowment Fund in 2018 to intensify long-term support for the development of the Mladá Boleslav region, and this fast became a local strategic partner to development activities and in 2021 expanded its activities into the other two regions in which the Company has production plants.

Diversity

Partner to the Prague Pride festival

Škoda Auto has stepped up its activities in the sphere of diversity and inclusion in recent years. In August 2022, it supported the Prague Pride Festival as an official partner, which is dedicated to LGBTQ+ rights issues. The extensive programme included almost 150 workshops, debates, theatre performances and concerts. Interested employees also had the opportunity to join the Škoda Proud employee group with their family and friends on the parade, one of the highlights of the festival.

Education

Support for technical education

Support for education is historically deep-rooted in Škoda Auto. The Company operates its own Secondary Vocational School and supports the Škoda Auto University. By supporting other organisations, the Company seeks to particularly popularise technical subjects. The Company is also a long-term partner to the Science has a Future programme, which is tasked with motivating teaching staff at primary schools and helping make lessons more appealing. Forty methodological materials were created as part of the project last year, which teachers can use to teach physics through exploration.

EDU.LAB mobile education laboratory

Škoda Auto EDU.LAB, a mobile laboratory in a truck trailer, was created in 2021 to popularise technical education. By visiting the laboratory, primary and secondary school pupils can broaden their awareness of modern technology in the sphere of robotics, thermal vision, electromobility, artificial intelligence, virtual reality and their use in practice. More than 6,000 primary and high school students visited the EDU.LAB mobile education laboratory in 2022. The lab appeared at events focused on popularising technology; for example, at NATO Days in Ostrava, the Maker Faire festival in Brno and Mladá Boleslav. The EDU.LAB was also available to pupils in Žilina and Bratislava in Slovakia for one week.

EDU Week for teachers

At the end of August, in cooperation with Škoda Auto University and the Škoda Auto Endowment Fund, the Company organised the second year of EDU lectures and seminars for teachers from schools and educational institutions. The in-person workshops took place in the regions that Škoda Auto calls home, while the online webinars were open to participants from all over the Czech Republic. Teachers were educated on current and pressing topics, such as non-threatening communication, bullying and aggression, and access to social networks. A child psychologist focused on the mental well-being of children, and teachers and instructors from the non-profit organisation People in Need also participated. Altogether, 568 teachers expressed interest in this free education activity.

Technological Literacy and Technology Olympics

The Company continued to be involved in the Technological Literacy and Technology Olympics projects in 2022. This is a series of specialised lectures and a follow-up nationwide competition for students and secondary schools under the auspices of the Faculty of Electrical Engineering at the Czech Technical University in Prague and the Ministry of Education, Youth, and Sport of the Czech Republic.

The Technological Literacy project aims to raise technical awareness and show that technology has a wide range of future applications. At the same time, it aims to show students that modern technology is not just about programming and mathematics, but about social sciences that also overlap with ethics. As the general partner, Škoda Auto provided experts from Technical Development, who helped created unified talks for schools and provided financial assistance for the execution of the project.

The project was followed by the Technology Olympics, which took place in April and involved teams from 400 schools.

Technical Days

In June, the Company organised a major educational event, Technical Days, at the plant in Kvasiny to introduce pupils at local primary schools to the prospects of studying technical disciplines. Some 269 pupils and teachers from primary schools in the region came to the plant over four days, taking the opportunity to learn close-up about the modern technologies of the automotive industry.

Well-Being

Cars for Zdravotní klaun

To mark the 20th anniversary of successful cooperation, the Company provided the Zdravotní klaun (Clown Doctors) non-profit organisation with two Škoda Enyaq Coupé iV electric cars and a financial contribution of CZK 1 million. The cars will be used to transport the clowns on their therapeutic journeys, in which they visit children and senior citizens in healthcare and social facilities and children with long-term illnesses at home. Expert designers created the appearance of the two cars and the children themselves determined the final design of the cars as part of the Clown for Health Car competition.

TERIBEAR got Prague moving

For the eighth time, the Company took on the role of the general partner to the TERIBEAR moves Prague (Fun Day with the Bear) charity run – powered by Škoda Auto. The main aim of the project is to raise funds through healthy physical activity to help children from orphanages or families or expectant mothers in need. Anyone could sign up and run or walk as far as their legs would carry them.

Partners to the event added CZK 25 to the foundation's account for each kilometre covered. More than 11,000 people took part, each paying a starting fee of CZK 250, and altogether covering almost 150,000 kilometres, meaning that the total raised from this week-long sporting event was more than CZK 3.7 million. The Tereza Maxová Foundation topped this up to CZK 5 million. Škoda Auto contributed financially and involved more than 100 employees and their families in the run, altogether running or walking more than 1,000 kilometres.

1,173,000

trees were planted by the Company in the Czech Republic for the same number of cars sold.

Volunteer work

Škoda Trees

The Company has been planting one seedling in the Czech Republic for each Škoda car sold in its home territory since 2007 as part of the Škoda Trees project. Some 1,173,000 trees had been planted as part of the project by the end of 2022, akin to more than 244 hectares of new forest. In recent years, employees and their families have been joined in the project by trainees and apprentices at the Škoda Secondary Vocational School of Engineering. Škoda Auto chose to plant trees, with considerable support from its employees, as a symbol of the Company's focus on social and environmental values.

Let's Clean Up Czechia

In 2022, a total of 322 volunteers from all three Škoda Auto plants and dozens of refugees from Ukraine to whom the Company is providing help to integrate into society signed up for Let's Clean Up Czechia, an event aimed at clearing litter from the countryside. April's event in the protected landscape of Milovice, close to Mladá Boleslav, was followed by cleaning up the countryside beside streams and rivers around Harrachov in May, which was jointly organised with the Krkonoše Mountains National Park. Following this, volunteers made for the surroundings of Šerlich Mountain on the ridge of the Orlické Mountains, where the collection of waste was organised by the Czech Union for Nature Conservation. In total, volunteers in all three places collected 18 tons of waste.

Helping Ukraine

The Company and its social partner Kovo Trade Unions were greatly affected by the situation in Ukraine; the Company has several suppliers in the Ukrainian and Russian markets and more than 600 Ukrainian employees working in the Czech Republic. For this reason, the Company and Kovo Trade Unions agreed to take further humanitarian steps over and above the general support provided by the Group. Support was established on three main pillars: Immediate humanitarian aid to people in Ukraine, the integration of Ukrainian refugees in the regions in which the Company is active and helping Ukrainian employees.

Help for the employees from Ukraine

The Company wants to help every Ukrainian employee build a base in the Czech Republic where his or her family can live safely. Specifically, it offered help in arranging visas, accommodation, language courses, healthcare, integration, education, and, in the ideal scenario, finding a job for the family members.

The Career Day for Women from Ukraine campaign, organised by the Škoda Auto Recruitment Centre, was aimed at the wives and partners of existing employees. Specialists introduced the women from Ukraine to job vacancies not only directly at the car plant, but also elsewhere in Mladá Boleslav and its surroundings, and throughout the Czech Republic. And to make sure those interested had it as easy as possible, they could attend the event with their children. Four specialists from the recruitment centre, speaking English, Ukrainian or Russian, were on hand to help the women.

Help in Ukraine

Humanitarian collections from the Czech Republic made their way to Solomonovo, Lviv, Odesa, and Tiachiv. Most were organised by partner towns, with Škoda Logistika providing the transport.

The integration of refugees in the Czech Republic

One example of an immediate reaction to the needs of refugee families was the opening of a learning centre by the town of Mladá Boleslav with the Company providing financial and material support. The capacity rose to 600 children and adults in the space of two weeks with 23 classrooms available throughout the town. During the school holidays, the Company opened Czech courses for Ukrainian students at secondary schools and universities, while children between 6 and 15 years old were able to learn the language and get to know the surroundings at day camps.

Mobility

Traffic safety

Škoda Auto not only focuses on the safety of the cars it makes but also supports the development of safe traffic infrastructure and projects aimed at educational and preventive activities at primary and secondary schools.

The Company offered its second year of support to the Start Driving project in 2022. The project, run by the Czech Association of Driving Schools, aims to reduce the accident rate by raising the level of knowledge, responsibility and driving skills among novice drivers. Some 2,098 novice drivers signed up for the project at driving test centres. The Company also supported special courses for driving school instructors.

Barrier-free mobility

Projects relating to barrier-free mobility aim to introduce available mobility to the people who need it to fundamentally improve the quality of their lives.

The specially trained dealers at Škoda Handy Centres in dealerships throughout the Czech Republic help clients with disabilities choose the right car and modifications and assist with applications for government contributions. The Vozejkmap (wheelchair map) information database, created in collaboration with the Czech Paraplegic Association, makes life easier for people with disabilities when planning journeys. The association has two adapted Škoda cars at its disposal to lend to people who do not have such a vehicle available to them at the time. In 2022, nearly 37,000 kilometres were driven using lent cars.

The Škoda Without Barriers grant programme was launched in 2022 to ensure that people with disabilities have access to mobility. This includes Škoda Neřídit grants (Shame Not to Drive), with eleven contributions towards obtaining a driving licence being paid out in 2022, and Cyklistka bez bariér grants (Cyclist Without Barriers), under which athletes were able to apply for financial support to buy a handbike. Five cyclists with disabilities obtained this support in 2022.

A series of three talks for drivers with disabilities at rehabilitation centres and institutions which ŠKODA has long supported was again organised in 2022 in cooperation with Cesta za snem (Journey to a Dream).

Škoda Auto Endowment Fund

The priorities of the Škoda Auto Endowment Fund since its establishment in 2018 include developing civic society and public space, traffic safety, supporting culture, healthcare and social services, and currently integrating refugees from Ukraine. Activities are centred on three programme pillars: grant programmes to strengthen civic society, cultural life, education and the development of social services, strategic projects with partners to revitalise public areas and historic monuments, philanthropic projects with a long-term impact including support for the belonging and engagement of the population, public collections, and developing the quality of primary schools and kindergartens. Among the most significant projects in which the Škoda Auto Endowment Fund was involved in 2022 are the launch of building a bridge for cyclists and pedestrians over the Jizera River by the Česany complex, transforming the disused open-air pool in Kosmonosy into a modern biotope, and supporting the evolution of shared bicycles in all the regions where the Company is active.

In 2022, the Region Without Barriers grant programme contributed to the Handicapped Skiers Centre, which for example, organises skiing courses for young people who find themselves in a wheelchair after accidents, thereby motivating them to spend their free time actively. The Museum Bunch (Muzejní parta) education club, organised by the Mladá Boleslav Regional Museum offers children and parents meaningful ways to spend their free time, and in doing so supports the strengthening of family ties, received a contribution from the Children Matter project.

The That's My Home programme focuses on the development of civic society and neighbourly relations. The Krkonoše Mountains Regional Tourist Information Centre in Vrchlabí was provided with support from the programme to build the Water Trail, which connects three pools in the town park and the surroundings. In the Rychnov area, the fund supported Pro Street Jam skateboard races in Kostelec nad Orlicí.

The Together for Ukraine programme had two rounds of calls in support of the social inclusion of children and adults fleeing Russian aggression in their own country. As a result, primary schools in Mladá Boleslav and Rychnov nad Kněžnou and a kindergarten in Jilemnice all received additional funds for equipment and additional teachers.

All up-to-date information regarding the Škoda Auto Endowment Fund including the annual report can be found at www.nfsa.cz.

Environmental Sustainability

The GreenFuture strategy

The philosophy of the GreenFuture strategy is to minimise the environmental impacts of all products and services, mobility included, to maintain untouched ecosystems, have a positive influence on society, and develop the entire region.

At the end of 2022, the Company approved the renewed environmental mission for this strategy, called **goTOzero**, which defines four priority areas: to protect the climate, to save resources, to preserve ecosystems, and to ensure compliance with environmental regulations. Adherence to environmental regulations, standards, and our own voluntary commitments is a fundamental prerequisite of all Company activities.

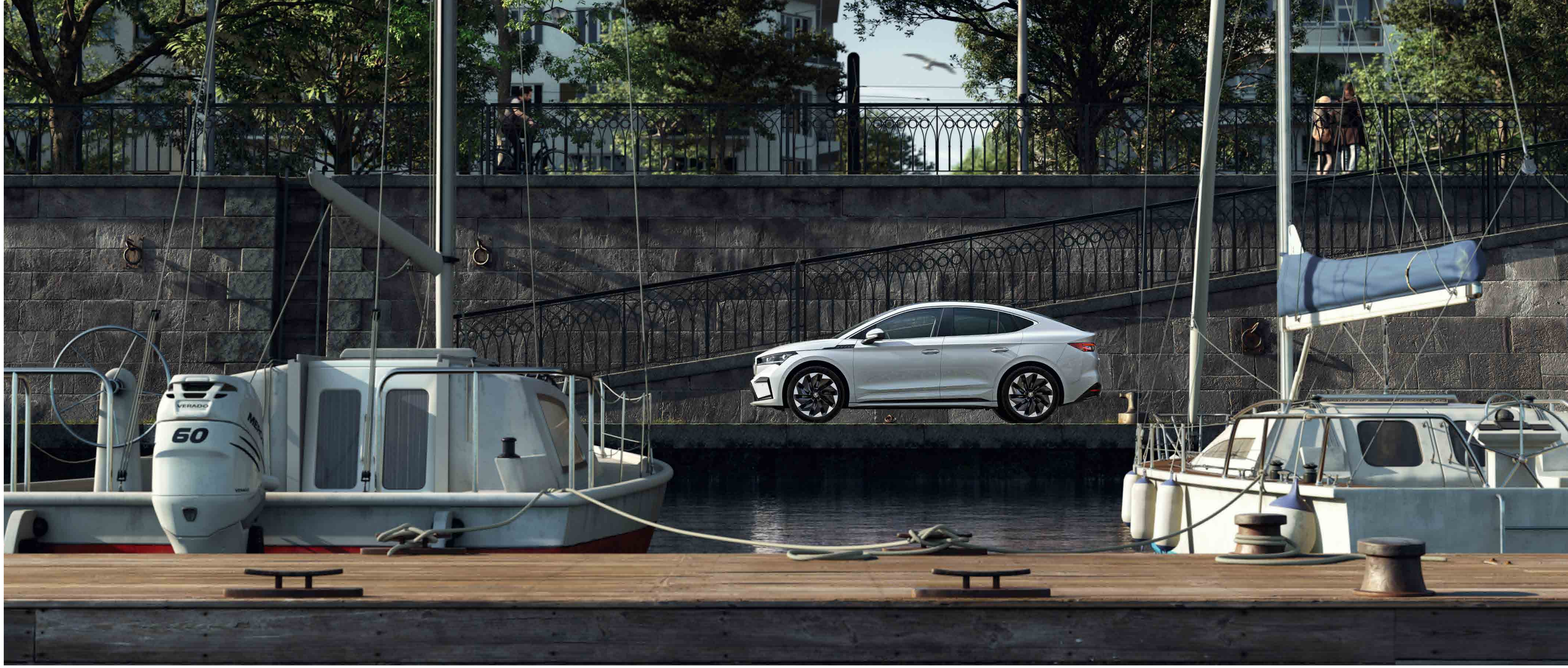
The path to carbon neutrality

The Company aims to maximise the effective use of resources and promote circular economy approaches when using materials, energy, water and land. The Company considers the most important goals in this area as **reducing CO_2 emissions** produced by its own fleet of vehicles **by more than 50% of the 2020 level by 2030** and transforming the Company's Czech production plants to **achieve a neutral CO_2 balance of energy consumption by 2030.**

By promoting sustainable development, the Company has succeeded in reducing the environmental impacts of production at its Czech plants by 43.2% in comparison with 2010. As another of its commitments on the road to sustainability, the Company has set itself the target of ensuring that **70% of the cars in its model portfolio are electric by the year 2030.**

Reducing energy consumption

Škoda Auto has progressively introduced a number of measures aimed at reducing the consumption of electricity, natural gas, heat and compressed air. These measures primarily involve reducing natural gas consumption in production processes, saving on thermal energy, accelerating the switch to LED technology, using alternative sources of energy, and preventing the wastage of energy and other resources in production operations and office buildings. The Company also motivates its employees to find further savings; for example, through a campaign to find energy savings as part of the Škoda Improvement programme, by providing training in energy management, and by raising awareness of energy and water issues in general.



Raising standards

In the area of integrity, the Company focused on raising standards, particularly for compliance and the environment. For example, in Procurement, environmental and sustainability criteria are as important to potential business partners as the quality of the services offered or logistics. This means that **each potential business partner must meet certain conditions on key social responsibility and sustainability** topics, including, for example, corporate governance, working conditions and human rights, health and safety, the environment and business ethics.

In terms of sustainability, Škoda Auto proceeds in line with ISO 14001 (environmental management) and ISO 50001 (energy management) standards at all stages of the product life cycle.

Waste as a resource in the circular economy

Škoda Auto is actively engaged in applying the **principles of the circular economy**, consistently applies a hierarchy of waste management, and favours the use of waste as material for energy over landfills. In 2022, the Company was able to maintain a situation where no production waste from its Czech plants was landfilled.

The Company's experience is that the best waste management measures are those where no waste is produced at all. Therefore, for example, in logistics, it audited the packaging of parts that arrive from suppliers and has significantly reduced the use of packaging in its canteens. Disposable plastic packaging has been replaced by reusable alternatives or non-plastic packaging. Employees can use what are known as REboxes to take meals away from the restaurant, paying a deposit before returning them. This step alone saves an average of 900 original disposable plastic packages a day.

The Company began the process of vigorously promoting sustainable development in the procurement of materials and components. It has been and continues to be involved in the development of innovative and environmentally friendly materials that are "Simply Clever", as is typical of the brand, prove themselves in everyday use, are easy to process and at the same time have an attractive design. A good example is the new upholstery in the interior of the all-electric Škoda Enyaq iV, which combines wool with recycled polyester from single-use plastic bottles.In June, the Company presented its innovative concepts of sustainability in Procurement at the GREENTECH festival in Berlin.

As part of the search for new ways to minimise waste, the Company carried out a "Circular waste scan" to find new ways of using any waste produced or preventing it from being generated. Five types of waste were audited during the scan.

Disclosure Pursuant to Act No 542/2020 Coll., on End-of-Life Products

Škoda Auto procures the take-back of waste tyres from end customers in the Czech Republic through its authorised service network and other partners. A list of take-back points is **available online**. In 2022, almost 2,069 tons of tyres have been taken back under an individual scheme. The majority of such waste has been processed into secondary raw materials suitable for further use, which has reduced the consumption of primary raw materials. Producer registration number: 00052/14-PCZ. The take-back rate in 2022 was 88.6%. The total cost of the take-back of waste tyre processing and recovery was CZK 7 million. The deposit provided under this law is CZK 2 million. The cost of the take-back is invoiced as a separate item for the product (CZK 30/piece).

Further measures to reduce air emissions

Volatile organic compounds (VOC) are the most significant pollutant released into the air. And paint shops are mostly accountable for the quantity of VOC emitted. To significantly reduce VOC emissions, the Company opened a new paint shop using advanced technologies that reduce the VOC emissions when drying the bodywork spray. As a result, the new paint achieves low values of 1.27 g per one m^2 of painted area, which is less than 4% of the permitted emission limit.

Using water with care

Škoda Auto emphasises the safe handling of substances that could endanger soil or groundwater if allowed to leak. Where technologically possible, it favours less hazardous substances and **tries to minimise water consumption per each car produced**.

Effective water management is aided, for example, by large retention tanks, which hold rainwater and then discharge the water in a regulated manner. The company uses part of the water captured in retention tanks to water the greenery at the plant and in the town of Mladá Boleslav.

Support for biodiversity

The immediate surroundings of Škoda Auto's three Czech production plants provide a natural habitat for a number of plants and animals. Around 356,000 flowers, 1,128 trees, and 70 bushes grow over a total area of approximately 23,000 square meters. In 2022, the Company installed dozens of birdhouses and insect houses on its grounds and took care of the listed trees in its surroundings.

This is the sixteenth year that the Company has enriched the Czech landscape with new trees. As has become tradition, it planted one tree for every car sold in the Czech Republic as part of the **Škoda Trees** grant programme. Through this project, by the end of 2022, it had planted a total of 1,173,000 trees, the equivalent of 372 football pitches, in more than 190 locations throughout the Czech Republic. It has also continued its cooperation with the Krkonoše Mountains National Park and through the Škoda Auto Endowment Fund, supported the revitalisation of the monastery gardens in Vrchlabí, for example, which will serve as a genebank for local plant species.

Employee involvement in environmental protection

This year, for the eighth time, Škoda Auto and its employees were involved in cleaning up the surroundings of its plants in Mladá Boleslav, Kvasiny and Vrchlabí as part of the **Let's Clean Up Czechia** project. Employees ventured into the precious countryside of the Orlické and Krkonoše Mountains and the protected landscape of Milovice to help clear away the environmental burden.

Škoda Auto again joined the Volkswagen Group's **#Project1Hour** initiative to mark **Earth Day**. This Company-wide challenge is a **reminder of the importance of personal engagement in climate preservation**, calling on employees to think about their own contribution to reducing their environmental footprint.

As part of the **GreenWeek** event organised by the Company, employees were given the opportunity to discuss issues with experts from different areas of the company and external guest experts from outside. The discussion of current projects was used to uncover as yet unexplored opportunities in the sphere of sustainability and raise awareness of the key importance of the circular economy.

356,000
flowers

1,128
trees

470
shrubs

Corporate Governance & Compliance

Corporate governance endeavours to ensure the responsible, qualified and transparent management of the Company, which focuses on the long-term success of the Company and protecting the interests of the relevant stakeholders.

Corporate governance is the system by which the Company is governed and supervised. Inter alia, it defines the distribution of rights and duties among the relevant stakeholders, such as shareholders, management, Company bodies, employees and business partners.

Corporate Governance & Sustainability

Corporate governance, as well as the Integrity Management System, the Compliance Management System and the Risk Management system, is an integral part of the Company's Sustainability Strategy. Together with other relevant areas of the Company, the strategy establishes and supports principles leading to the long-term sustainable functioning of the Company. This particularly concerns complying with the legislative requirements placed on the Company, for example, respecting human rights and compliance in the supply chain. Examples of the aims of the Sustainability Strategy are to support the Company's external rating, continually increase the level of business ethics standards, meet the requirements of the Company's legal and social responsibility, aid the development and economic stability of the Company, and prevent and mitigate risks to the Company.

The Company is governed by valid legal and internal regulations. An integral part of corporate culture is the voluntary commitment to ethical conduct at the Company, which is comprehensively codified in the Škoda Auto Group Code of Ethics and regularly updated and distributed to all employees. These principles and commitments apply to all internal and external Company activities. In doing so, the Company endeavours to ensure that it complies with the requirements arising from legal regulations applying to, for example, economic competition, the financial and tax sector, environmental protection and employee relations, including the promotion of equal opportunities and the protection and upholding of human rights.

To this end, the Company administers and develops a comprehensive and structured Integrity Management System and a Compliance Management System, which summarise all relevant measures, processes and systems in these areas. Particular emphasis is placed on the processes of verifying the integrity of business partners, preventing money laundering, compliance in the sphere of HR and the Company whistleblowing system. These measures include training that is regularly updated. For example, training in the aforementioned Code of Ethics, anti-corruption training, training in personal data protection, money laundering and training for employees involved in the operation of the whistleblowing system at the Company.

Whistleblowing system

In the course of its operations, the Company pays considerable attention to developing the whistleblowing system to account for the latest legislative requirements and the standards in place at the Volkswagen Group. The whistleblowing system provides Company and Group employees, and external parties, with a discrete and reliable way of raising concerns regarding possible breaches of valid legal regulations and/or the internal regulations in place at the Company. In 2022, the Company focused on actively communicating ways of bringing possible violations of valid legal and/or internal regulations to light. Activities included external communication with Company customers, dealers, and other relevant people and organisations, and communication directed at its employees.

Integrity principles in practice

Following on from the work of previous years, the Company continued to focus considerable efforts in 2022 on reinforcing the principles of integrity in working practice and all relevant processes. These principles aim to ensure that Company employees act in line with ethics standards of their own conviction with responsibility towards the Company while observing regulations and rules. The principles of integrity have become integral to the priorities, corporate strategy and sustainability strategy at the Company and are one of the criteria for decision-making at the Company management level and top management level. To promote awareness of the principles of integrity and their importance, the Company has included the topic of integrity in its staff development programmes in 2022.

Further development of the Company's corporate culture was a core theme. Company employees were encouraged to participate in workshops, and in voluntary activities and surveys, in which they were able to openly express their views on the application of integrity principles in their working practice and share their experiences with colleagues.

In 2022, Company employees were regularly updated with issues concerning integrity and compliance via the Company's many communication channels. To ensure that employees are aware of the importance of integrity and compliance to the success of the Company, these measures included communication from top management (Tone from the Top) and discussions at the level of individual areas and teams.

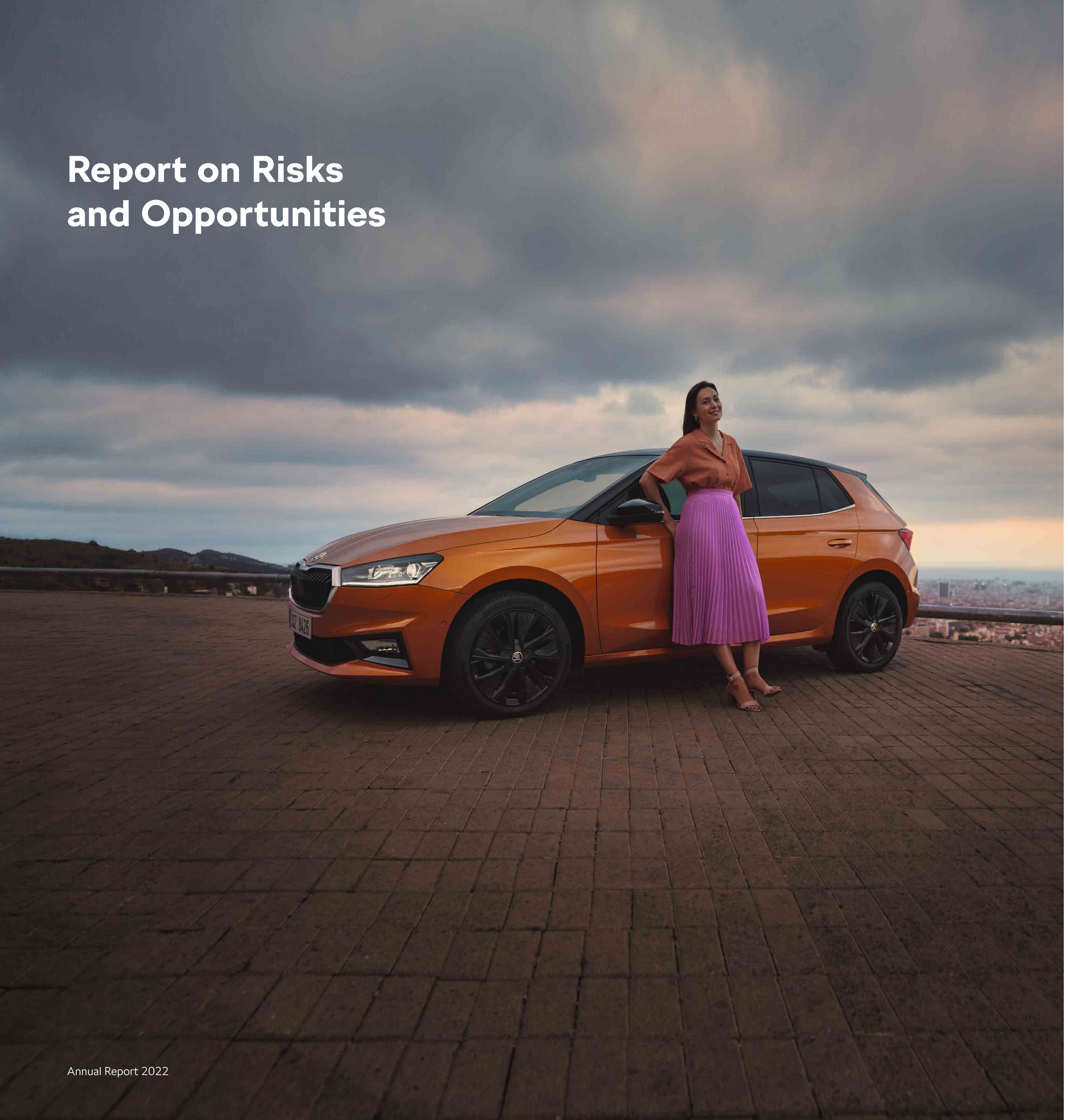
Integrity and Compliance risks

The Company also continued its regular evaluation of risks in the sphere of integrity and compliance in 2022, and in setting out appropriate measures to minimise those identified. The analysis of these risks was used for further systematic development of the Integrity Management System and Compliance Management System.

Subsidiaries and affiliates

As in previous years, the Company managed the implementation of the Integrity Management System, Compliance Management System and Risk Management System in its subsidiaries and affiliates. It continued to apply the system of central management at those companies, either through the methodological governance of local organisations or Service Level Agreements.

Report on Risks and Opportunities



Crucial to the long-term success of Škoda Auto is that the Company can recognise, forecast and manage any potential risks and opportunities that arise from its business. To this end, it has built a comprehensive risk management system and an internal control system (hereinafter "RMS" and "ICS"). The objective of RMS/ICS is to identify potential risks from the outset so the Company can take appropriate countermeasures in time, prevent damage and loss, and preclude any risks that could threaten the existence of the Company. Given that the likelihood and impact of future events are accompanied by a degree of uncertainty, not even the best RMS can predict all potential risks, in the same way that the best ICS cannot fully prevent any unforeseeable incidents.

Risk management system and internal control system structure

The RMS/ICS structure in place at Škoda Auto draws on the uniform principle of risk management at the Volkswagen Group, which follows on from the internationally recognised COSO Enterprise Risk Management Framework (COSO: Committee of Sponsoring Organizations of the Treadway Commission). RMS/ICS is centrally managed by the Governance, Risk & Compliance Division, in collaboration with the Controlling Division. The principles, responsibility and individual component parts are regulated by the Group's Risk Management System guidelines, followed by the relevant methodological guidelines. The final responsibility for the risk management system lies with the Board of Management at Škoda Auto. The day-to-day implementation of the system is the decentralised responsibility of the Company. At least once a year, each organisational unit must assess and identify risks, which are evaluated from the perspective of their potential negative impact on the objectives of the unit and the Company. When assessing risks, consideration must be made of possible financial losses, potential damage to the Company's reputation, legal repercussions and the likelihood that such risks will occur, as well as any other significant factors. Sub-proposals are then created, and countermeasures are put into place to reduce the likelihood that a risk will occur or to moderate the potential impact. Thereafter, management employees regularly check and assess these countermeasures. RMS/ICS also involves regular risk reporting to the Board of Management of the Company and the management of Volkswagen AG to secure information on the overall risk situation. The adequacy, effectiveness and transparency of the whole system are regularly and independently checked within processes that comprise an integrated part of RMS/ICS. Improvements are currently being made to the quality of all processes under the supervision of the Volkswagen Group, with an emphasis on documenting RMS/ICS activities.

The Company implemented a new Internal Control System (ICS) to introduce standardised management controls that cover key internal processes. The ICS ensures the execution of ongoing control activities, the quality and expertise of which are guaranteed by its anchoring in the common Group methodology. Among the main benefits of the system are the clear determination of competencies and responsibilities within individual internal processes, a high level of transparency across hierarchical structures, and support for understanding the Company as procedurally oriented.

Škoda Auto is also continuously implementing Business Continuity Management (BCM) to strengthen its resilience and ability to respond. BCM generally does not prevent business interruptions but ensures that core and time-critical business processes continue at a predefined minimum level in the event of failure or unavailability of resources. This measure aims to have a specific and working "plan B" in place for the most important business processes.

Risks at Škoda Auto

Škoda Auto addresses operative risks and the assurance of key processes in its internal control system. Operative risks are primarily considered to be short-term risks that generally pose a threat within a timescale of two years. These are the most significant and urgent situations where countermeasures must be taken. The Governance, Risk & Compliance Division informs the Board of Management at the Company of current threats every quarter when reporting operative risks. The existing RICORS system for monitoring systematic risks was replaced in 2021 by an internal control system (ICS) that focuses on covering key processes and allocated management controls.

Economic, political, and legislative risks

From the financial perspective, Škoda Auto is both an exporter and a local manufacturer and is influenced by the general global and European economic conditions and by the situation in individual economies. These include the state of the economy and the associated economic cycle, amendments to legislation, and changes in the political situation in the countries where the Company is active; for example, the current Russian-Ukrainian conflict. This creates a constant threat of risks associated with a high level of public debt, unemployment and fluctuations in the prices of precious metals, crude oil and plastics. The conflict between Russia and Ukraine brings risks in almost all areas, in particular legislative risks, the risk of commodity shortages and high commodity prices, and general uncertainty about future development and security risks, not only in IT but to society.

Other significant risks that can influence the Company's commercial activities on global markets are uneven economic development in different states or regions and a vulnerable banking system. Export contracts to countries with a potential territorial and political risk are identified by Škoda Auto and secured with standard approved financial and insurance products. The Company works in this field with Czech and international banking institutions, including the Export Guarantee and Insurance Corporation (EGAP). A further negative influence on the economic activity of the Company can arise in the form of additional technical development costs caused by amendments to legal regulations, for example, stricter legislative requirements on car safety, fuel consumption and pollutant emissions, as well as modifications to the standard specifications of vehicles. In terms of laws regarding environmental protection, the Company must take into account the tightening of EU legislation on exhaust emissions.

Emissions legislation

Non-compliance with the legal limits for average CO_2 emissions, particularly in EU member states, Norway, Switzerland, the UK and Iceland, poses a significant risk to Škoda Auto. Exceeding the targets is punishable by a fine of €95 per gram exceeded and per car sold in the relevant calendar year from the European Union.

Despite all the planned and approved technical measures, achieving the required values is associated with high uncertainty, particularly in 2025, when legislation regarding CO_2 limits will be tightened. In addition to the failure to meet the legislative targets, another risk in the CO_2 area is the loss of competitiveness that may result from the lack of supply of fully or partially electrified vehicles or conventional models with favourable CO_2 emissions. The situation is similar in other countries and regions. An analysis of the current development of expected CO_2 emissions is regularly presented to the Board of Management as a source of basic information for decision-making on the future product portfolio of models and batteries and the planned quantity in the form of annual or quarterly reports as part of risk management.

Demand risks

Rising and intensifying competition in the automotive sector requires ever-increasing sales support, a situation exacerbated by market risks related to changes in consumer demand, whose purchasing behaviour depends not only on real influences such as the level of real wages but also on psychological influences. Škoda Auto regularly analyses customer and competitor behaviour to minimise these particular risks.

Procurement risks

The extremely close and economically advantageous collaboration between vehicle manufacturers and their suppliers brings procurement risks that could disrupt production or lead to considerable financial losses. Examples of such risks are delays in deliveries, non-deliveries or qualitative defects to goods or, in extreme cases, when suppliers become insolvent and disappear from the supply chain. Other risks arise from the fiercer competition in the supply industry. Therefore, Škoda Auto collaborates with a number of suppliers in the procurement of assembly components to be able to operatively react to any negative developments. In addition, preventative measures are implemented within the risk management system to cover cases where a supplier is insolvent and regular checks are made regarding the financial stability of suppliers. These preventative and reactive measures combine to work actively towards the maximum possible reduction of risks as part of the supplier relations with the Company. Despite all measures and endeavours, Procurement is faced with the significant risk of a shortage of material, especially semiconductors. This lack of material combined with inflation drives prices upwards and threatens Škoda Auto and its suppliers alike.

Financial risks

Financial risks and the management of such risks are among those which are monitored the most at Škoda Auto. First, in terms of significance, is the risk associated with the development and impact of foreign exchange rates on cash flow, financing and the overall economic performance of the Company. The risk and impact of exchange rate fluctuations are regularly monitored, planned and managed using standard hedging instruments. Members of internal and Group committees discuss and ensure the approval of the products used and the strategies applied. In accordance with IFRS, specifically IFRS 9, the Company maintains hedge accounting for currency risk hedging instruments. These instruments meet the requirements of International Financial Reporting Standards for hedge accounting. Risks arising from procuring aluminium, copper and lead, materials procured for the manufacture of products at Škoda Auto, are addressed using similar procedures and strategies although the Company maintains these outside the hedge accounting regime from the perspective of IFRS.

Another significant risk is liquidity, which is managed using standard procedures and instruments to sufficiently cover activities and obligations for as long as required. The financial resources in place at Škoda Auto and the resources from the companies of the Volkswagen Group are the basis of this. The Company manages the export risk using standard hedging instruments, for example, documentary letters of credit, standby letters of credit, bank guarantees, etc.

Research and development risks

For new products, there is a risk that customers will not accept the product in question. To eliminate this risk, extensive analyses and customer surveys are conducted, which help the Company identify trends and check their relevance to the customers. The risk associated with a situation where new products are not launched at the planned time, in the envisaged quality and at the targeted cost, is minimised by regularly checking the project and comparing it with the desired condition. The result is that the required measures can be taken when any deviations are found. Key areas of future activity at the Company are electromobility, autonomous steering and digitalisation, which are all vital for successful and sustainable development. For the Company to address future transformation processes, support is required for research and development through targeted support programmes, such as testing autonomous vehicles under real conditions and on test tracks or government support for cars with alternative propulsion, particularly, electric cars. Other key steps are the deployment of charging infrastructure and high-speed Internet coverage on traffic routes. Certain specific risks come with these steps, which must be assessed regularly. Internal risks include, for example, the development of new technologies and the need to change existing processes. External risks include economic policy, technical legislation and unpopularity among customers.

Quality risks

Due to the ever-increasing competitive pressure, the increasing complexity of production technologies, the high number of suppliers and the use of Group-wide systems, the Company places considerable emphasis on the quality risk management system. From the early stages of product development, it strives to identify and eliminate any quality problems as quickly as possible to ensure there are no delays in launching production. It also ensures long-term quality and timely supplies from the very beginning of the supply chain using the risk management system to help the Company fulfil customer expectations. Alongside the ongoing digitalisation of products and processes at the Company, Quality Control continually follows trends in cybernetic security and reliability and ensures that software is up to date, for example, by identifying and minimising the risks associated with these areas on time and collaboration with the competent Company and Group specialised workplaces.

The quality of the products, processes and management system at the Company is audited annually by an independent, accredited certification company. The quality management system certificates successfully retained by Škoda Auto since 1993 guarantee that the processes work. These are also used as input documents for the approval of products, which are then subject to systematic production and operating conformity controls.

To timely identify deviations in internal procedures, the Company continually develops a qualified network of auditors and test engineers, while regional managers regularly update Company management on the status of tests and measurements. Škoda Auto is aware of its responsibility for its products and the Quality Management Division continually monitors the development of customer satisfaction and collates information on the current developments in particular markets. If negative deviations are found, measures are immediately implemented to ensure that any damage is kept to a minimum.

Human resource risks

The dynamic development of the automotive industry and ever-fiercer competition have forced the Company to secure a competitive advantage in the future in the form of stable, qualified and flexible personnel in both direct and indirect areas. This is why the People and Culture area is adopting a long-term strategy focusing on the full HR process, from human resource planning through recruitment and education to employee motivation. At the same time, it is necessary to correctly analyse and prevent potential risks, which include losing qualified staff who ensure key processes in the Company, risks stemming from amendments to legislation, legal risks and risks associated with long-term demographic changes.

Information technology risks

Information technology (IT) has an increasingly important role at Škoda Auto, a global company focused on continued growth. IT risks can include unauthorised data access or sensitive electronic data abuse, restricted access to systems and failure to comply with regulatory requirements (for example, GDPR). Heightened attention is paid to the risk of unauthorised data access and various measures are applied for employees and organisations, as well as applications, systems and data networks. These can take the form of a firewall, restricting the allocation of access rights to systems and backing-up crucial data sources. The Company employs only technical resources that have been tried and tested on the market and comply with internal standards. An Information Security Management System (ISMS) has been put in place at Škoda Auto to minimise IT risks and the potential impact on the Company's objectives.

Legal risks

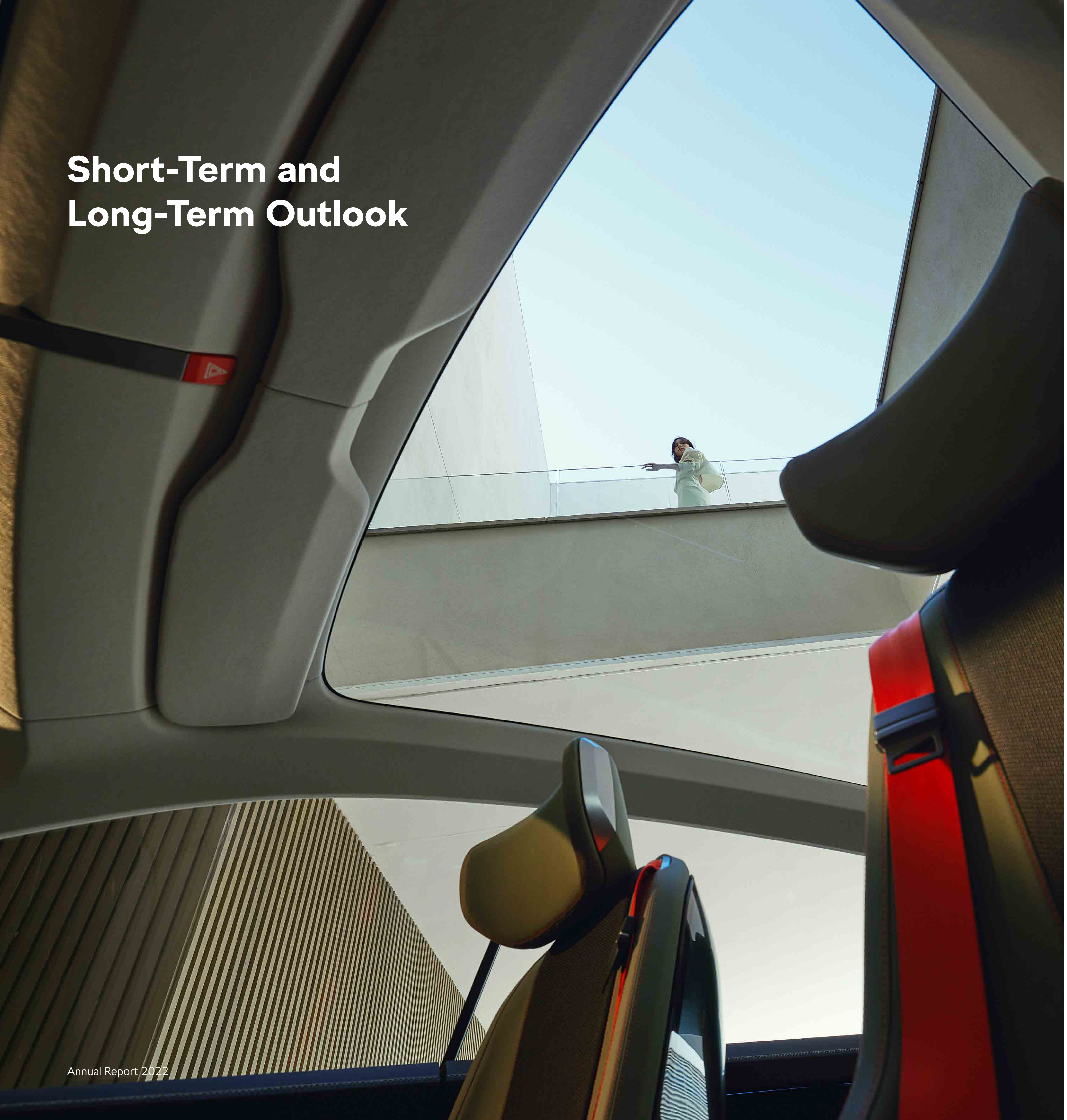
Škoda Auto conducts its business activities in more than 100 countries throughout the world, which may involve litigation risks associated with suppliers, dealers, employees, investors and customers, as well as the risk of administrative proceedings concerning individual areas of Company business.

Other operating risks

In addition to the above risks, some influences are unpredictable and could potentially affect future developments. These include natural disasters, epidemics, terrorism and the like.

Škoda Auto has had to face up to the impacts of the Covid-19 pandemic since 2020. This is not only the risk of a drop in demand in all markets but also the risk of delayed deliveries or non-delivery of parts from suppliers and the risk of staff shortages, i.e. problems in ensuring smooth production. Even in this difficult situation, the Company was able to respond rapidly and in doing so at least partially mitigate the impacts and other risks, and prepare for other scenarios for the development of the pandemic, something which places entirely new demands on the Company. For example, how to effectively set up work from home, how to set and adhere to strict hygiene measures, and how to flexibly respond to unexpected situations that the pandemic brings. Such risks cannot be effectively influenced in their entirety, only mitigated.

Short-Term and Long-Term Outlook



The world economy recorded positive growth in 2022 with global demand for vehicles at the same level as the previous year. The world economy is expected to grow at a slower pace in 2023. Global demand for passenger cars is likely to vary from region to region and increase significantly year-on-year. With a wide range of products, technologies and services, we are confident that we are well-prepared for future mobility challenges.

Our assumptions are based on current third-party estimates that include economic research institutes, banks, multinational corporations and consulting companies.

Development in the Global Economy

Our planning is based on the assumption that the world economy will grow more slowly in 2023. Persistent high inflation in many regions and the resulting restrictive monetary policy measures by central banks might have a negative impact on private demand. We continue to see risks from protectionist tendencies, financial market turbulence and country-specific structural deficits. Growth prospects are also weighed down by ongoing geopolitical tensions and conflicts. In particular, the Russia-Ukraine conflict continues to pose a risk. Risks associated with the possible emergence of new coronavirus variants, in particular regional outbreaks and related measures, cannot be excluded. We expect advanced economies and emerging markets to show positive dynamics on average, albeit with below-average GDP growth rates.

Furthermore, we expect the global economy to recover in 2024 and continue to grow at a steady pace until 2027.

In Western Europe, we expect low economic growth in 2023. A major challenge for consumers and companies is inflation, which is expected to decrease from historical high levels throughout 2023.

In Central Europe, we also expect a relatively low growth rate in 2023 with continuing price increases, while economic performance is not expected to recover after the sharp downturn in 2022.

For India, we expect a relatively high positive rate of change in GDP in 2023.

Trends in the Global Passenger Car Market

The development of the automotive industry is closely linked to the development of the world economy. We expect competition in the international automotive markets to further intensify. Uncertainties may arise from continuing shortages of primary products and raw materials, additionally intensified by the consequences of the Russia-Ukraine conflict, in particular rising prices and declining energy availability.

We expect the markets for passenger cars to develop unevenly across individual regions in 2023. Overall, the global sales volume of new vehicles is expected to be noticeably higher than in 2022.

In Western Europe, we expect the volume of new passenger car registrations to be significantly higher in 2023 than in 2022. Supply shortages of primary products and raw materials and the resulting limited availability of vehicles may affect the volume of new registrations. For the large individual markets of France, the United Kingdom, Italy and Spain, we expect significant growth in 2023.

In the passenger car markets in Central and Eastern Europe, the number of sales in 2023 is expected to significantly exceed the previous year's figure subject to further developments in the Russia-Ukraine conflict. New registrations are expected to increase significantly in key markets in the region.

We expect the market volume in China to increase slightly in 2023 compared to 2022.

We expect the Indian market to develop slightly above the 2022 level.

Škoda Auto Development Plans

Škoda Auto will intensively pursue the implementation of Next Level – Škoda Strategy 2030 and aims to become one of the top five best-selling brands in Europe by 2030 while expanding to become the leading European brand in the Indian market.

The Company will strive to comply with the European Union's emissions and CO_2 standards and the related portfolio adjustments, which will be further expanded to digital business models and mobility services. By 2026, the Company will expand its portfolio with at least another three all-electric models. The trio of all-electric models set to consist of a compact car on the A0 platform, a compact SUV and a seven-seater car. The share of electric vehicles in Škoda's European sales will exceed 70% by 2030. The Company aims to achieve a CO_2 neutral energy balance at its Czech production sites by 2030.

In the coming years, Škoda Auto will continue to focus on innovation, an open and agile corporate culture, enhancing employee qualifications and modern working methods.

Financial Section

Independent Auditor's Report

To the Shareholder of ŠKODA AUTO a.s.:

Opinion
We have audited the accompanying financial statements of ŠKODA AUTO a.s. (hereinafter also the "Company") prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the balance sheet as at 31 December 2022, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company, see notes to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of ŠKODA AUTO a.s. as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion
We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information
In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Company's Board of Directors and Supervisory Board for the Financial Statements
The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Audit, s.r.o.
License No. 401

Milan Kočka, Auditor
License No. 1994

27 February 2023
Prague, Czech Republic

A member firm of Ernst & Young Global Limited
Ernst & Young Audit, s.r.o. with its registered office at Na Florenci 2116/15, 110 00 Prague 1 – Nove Mesto, has been incorporated in the Commercial Register administered by the Municipal Court in Prague, Section C, entry no. 88504, under Identification No. 26704153.

Separate Financial Statements for the Year Ended 31 December 2022

Balance Sheet as at 31 December 2022

Assets (CZK million)	**Note**	**31 December 2022**	**31 December 2021**
Intangible assets	4	59,920	48,697
Property, plant and equipment	5	81,476	81,867
Investments in subsidiaries	6	4,006	228
Investments in associates	7	35	2,934
Other non-current receivables and financial assets	8	12,000	10,291
Deferred tax asset	14	1,557	885
Non-current assets		**158,994**	**144,902**
Inventories	9	40,487	31,901
Trade receivables	8	25,675	22,784
Other current receivables and financial assets	8	2,881	3,885
Current non-financial assets	8	6,573	5,333
Prepaid income tax		–	236
Cash and cash equivalents	10	1,665	22,422
Current assets		**77,281**	**86,561**
Total assets		**236,275**	**231,463**

Equity and liabilities (CZK million)			
Share capital	11	16,709	16,709
Share premium		1,578	1,578
Retained earnings	12	68,970	78,612
Other reserves	12	5,218	4,629
Equity		**92,475**	**101,528**
Current financial liabilities	13	3,568	2,322
Non-current non-financial liabilities	13	6,990	7,017
Non-current provisions	15	15,648	16,757
Non-current liabilities		**26,206**	**26,096**
Trade liabilities	13	65,296	58,230
Liabilities from short-term loans	13	3,377	–
Other current financial liabilities	13	1,759	1,720
Current non-financial liabilities	13	17,331	14,811
Current income tax liabilities		1,933	–
Current provisions	15	27,898	29,078
Current liabilities		**117,594**	**103,839**
Total equity and liabilities		**236,275**	**231,463**

The notes on pages 6 to 93 are an integral part of these financial statements.

Income Statement for the Year Ended 31 December 2022

CZK million	**Note**	**2022**	**2021**
Sales	**16**	**444,229**	**422,607**
Cost of sales	24	404,536	380,689
Gross profit		**39,693**	**41,918**
Distribution expenses	24	11,097	10,287
Administrative expenses	24	12,353	12,271
Other operating income	17	12,367	13,876
Other operating expenses	18	10,984	7,020
Operating profit		**17,626**	**26,216**
Financial income		2,052	2,460
Financial expenses		3,642	1,356
Net financial result	**19**	**(1,590)**	**1,104**
Profit before tax		**16,036**	**27,320**
Income tax expense	21	3,268	4,910
Profit for the year		**12,768**	**22,410**

Statement of Other Comprehensive Income for the Year Ended 31 December 2022

CZK million	**Note**	**2022**	**2021**
Profit for the year, net of tax		**12,768**	**22,410**
Items that will be reclassified to profit or loss:			
Net fair value gain / (loss) net of tax on financial derivatives designated as hedging instruments	12	1,787	(963)
Items that will not be reclassified to profit or loss:			
Net fair value gain / (loss) net of tax on equity instruments	12	(1,198)	331
Other comprehensive income / (loss) for the year, net of tax		**589**	**(632)**
Total comprehensive income for the year		**13,357**	**21,778**

The notes on pages 6 to 93 are an integral part of these financial statements.

Statement of Changes in Equity
for the Year Ended 31 December 2022

CZK million	Share capital	Share premium	Retained earnings	Other reserves*	Total equity
Balance as at 1 January 2021	**16,709**	**1,578**	**71,372**	**5,261**	**94,920**
Profit for the year	–	–	22,410	–	22,410
Other comprehensive income / (loss)	–	–	–	(632)	(632)
Total comprehensive income for the year	**–**	**–**	**22,410**	**(632)**	**21,778**
Dividends**	–	–	(15,170)	–	(15,170)
Balance as at 31 December 2021	**16,709**	**1,578**	**78,612**	**4,629**	**101,528**
Balance as at 1 January 2022	**16,709**	**1,578**	**78,612**	**4,629**	**101,528**
Profit for the year	–	–	12,768	–	12,768
Other comprehensive income / (loss)	–	–	–	589	589
Total comprehensive income for the year	**–**	**–**	**12,768**	**589**	**13,357**
Dividends**	–	–	(22,410)	–	(22,410)
Balance as at 31 December 2022	**16,709**	**1,578**	**68,970**	**5,218**	**92,475**

* Explanatory notes on Other reserves are presented in Note 12.

** The detailed information about dividends is presented in Note 11.

The notes on pages 90 to 141 are an integral part of these financial statements.

Cash Flow Statement
for the Year Ended 31 December 2022

CZK million	Note	2022	2021
Cash and cash equivalents as at 1 January	**10**	**22,422**	**18,669**
Profit before tax		16,036	27,320
Depreciation, amortisation, impairment loss and reversal of impairment loss of non-current assets	4,5,6,7	24,035	26,596
Change in provisions	15	(2,289)	2,324
(Gain) / loss of tangible and intangible assets		7	59
Net interest (income) / expense	19	(609)	(332)
Income from dividends and shares	19	(458)	(601)
Adjustments for non-cash transactions on derivatives and other adjustments for non-cash transactions		9,445	(1,445)
Change in inventories	9	(8,557)	(7,390)
Change in receivables		(4,702)	9,292
Change in liabilities		5,647	683
Income tax paid from operating activities		(1,911)	(4,874)
Interest paid		(611)	(254)
Interest received		1,220	586
Cash flows from operating activities		**37,253**	**51,964**
Purchases of tangible and intangible assets	4,5	(20,381)	(21,136)
Payment for increase in equity of subsidiaries and associates	6,7	(3,555)	(6)
Additions to capitalised development costs	4	(15,002)	(12,271)
Proceeds from sale of tangible and intangible assets		59	22
Proceeds from dividends and investments		458	906
Cash flows from investing activities		**(38,421)**	**(32,485)**
Net cash flows (operating and investing activities)		**(1,168)**	**19,479**
Dividends paid	11	(22,410)	(15,170)
Repayments of lease liabilities - principals		(555)	(556)
Utilisation of short-term loans		3,376	–
Cash flows from financing activities		**(19,589)**	**(15,726)**
Net change in cash and cash equivalents		**(20,757)**	**3,753**
Cash and cash equivalents as at 31 December	**10**	**1,665**	**22,422**

Total cash outflow from lease liabilities, short-term leases and leases of low-value assets was CZK 1,202 million in 2022 (2021: 905 million). For non-cash transactions from investing activities relating to leases under IFRS 16 see Note 5.

The notes on pages 90 to 141 are an integral part of these financial statements.

The following table shows the changes in liabilities arising from financing activities according to the classification as cash and non-cash transactions

CZK million	Balance as at 1 January 2022	Cash-effective changes	Non-cash changes - additions	Balance as at 31 December 2022
Lease liabilities - interest	–	(49)	49	–
Lease liabilities - principal	1,480	(555)	644	1,569
Lease liabilities total	**1,480**	**(604)**	**693**	**1,569**
Liabilities from short-term loans - interest	–	(15)	16	1
Liabilities from short-term loans - principals	–	3,376	–	3,376
Total liabilities from short-term loans	**–**	**3,361**	**16**	**3,377**

CZK million	Balance as at 1 January 2021	Cash-effective changes	Non-cash changes - additions	Balance as at 31 December 2021
Lease liabilities - interest	–	(51)	51	–
Lease liabilities - principal	1,839	(556)	197	1,480
Lease liabilities total	**1,839**	**(607)**	**248**	**1,480**

The notes on pages 90 to 141 are an integral part of these financial statements.

Notes to the Separate Financial Statements 2022

Company Information

Foundation and Company Enterprises

ŠKODA AUTO a.s. ("the Company") was incorporated as a joint-stock company on 20 November 1990. The Company's principal business activities are the development, production and sale of vehicles and related accessories.

Registered office:	tř. Václava Klementa 869, 293 01 Mladá Boleslav, Czech Republic
Identification number:	00177041
Website:	www.skoda-auto.cz

The Company is registered in the Commercial Register maintained with the Municipal Court in Prague, with File No. B 332.

The organisational structure of the Company is divided into the following main areas:

- Central Management
- Finance and IT
- People & Culture
- Procurement
- Sales and Marketing
- Technical Development
- Production and Logistics

The Company has its main production plant in Mladá Boleslav and two other production plants in Vrchlabí and Kvasiny.

ŠKODA AUTO a.s. is a subsidiary of VOLKSWAGEN FINANCE LUXEMBURG S.A. included in the consolidation group of its ultimate parent company and its ultimate controlling party, Volkswagen AG ("Volkswagen Group"), with its registered office in Wolfsburg, the Federal Republic of Germany (details disclosed in Note 29).

Note
The financial statements have been prepared in Czech and in English. In all matters of interpretation of information, views or opinions, the Czech version of these financial statements takes precedence over the English version.

1 Summary of Accounting Policies and Principles

1.1 Compliance Statement

These financial statements are separate financial statements of ŠKODA AUTO a.s. for the year ended 31 December 2022. Financial statements of the Company, its subsidiaries, and associates are included in the consolidated financial statements of Volkswagen Group for the year ended 31 December 2022.

The Company as a controlled entity is required to be consolidated by its ultimate parent company Volkswagen AG in its financial statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union that are available for public use. The Company prepares the separate financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") based on the Company's sole shareholder's decision in accordance with provisions of paragraph 19a Article 7 Act No. 563/1991 Coll., on Accounting.

The Company publishes these separate financial statements as its only financial statements prepared in accordance with IFRS*, and relied on the exemption from consolidation under paragraph 4(a) of IFRS 10 and exemption from applying the equity method in accordance with paragraph 17 of IAS 28. The consolidated financial statements of Volkswagen Group prepared in accordance with IFRS will be publicly available on the following website after their release at: https://annualreport2022.volkswagenag.com.

The Company publishes only separate financial statements in Collection of Documents of respective court maintaining the Commercial Register based on the exemption from consolidation under provisions of paragraph 22aa Article 1 and 2 Act No. 563/1991 Coll., on Accounting (effective as at 31 December 2022). Consolidated financial statements of Volkswagen AG and the auditor's report thereon will be published in the Czech language in the Collection of Documents in the Commercial Register.

For more information about the Company see the preceding Note "Company information".

For more information about the ultimate parent company Volkswagen AG see Note 29.

*The Company prepares the separate financial statements in accordance with IFRS as adopted by the European Union and as interpreted by the agenda paper issued by the European Commission Internal Market and Services for the meeting of the Accounting Regulatory Committee (document ARC/08/2007) about a relationship between the IFRS regulation and the 4th and 7th Company Law Directives, which were subsequently replaced by Directive 2013/34/EU of the European Parliament and of the Council. The Commission Services Department was of the opinion that, if a company chooses or is required to prepare its annual separate financial statements in accordance with IFRS as adopted by the European Union, it can prepare and file them independently from the preparation and filing of consolidated financial statements. At the time of preparation of these separate financial statements, the approved consolidated financial statements of Volkswagen Group have not been published.

1.2 New Standards, Amendments and Interpretations to Existing Standards

New Standards, Amendments and Interpretations to Existing Standards Mandatory for Accounting Periods Beginning on 1 January 2022

A summary of new standards, amendments, interpretations, and improvements of existing standards for which the Company either are not relevant, or which did not have a material impact on its separate financial statements.

IFRS, interpretation	Effective in EU
IAS 16 – Property, Plant and Equipment **Proceeds before Intended Use** Amendments to IAS 16 in part Proceeds before Intended Use amend the standard to prohibit deducting from the cost of a PPE any proceeds received from selling items produced by the PPE before it is ready for its intended use. The sales proceeds would have met the revenue definition and therefore should be recognised in profit or loss.	1 January 2022
IAS 37 – Provisions, Contingent Liabilities and Contingent Assets **Onerous Contracts-Cost of Fulfilling a Contract** The changes specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Such costs can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.	1 January 2022
IFRS 3 – Business Combinations **Reference to the Conceptual Framework** Amendments updating the Reference in the standard to the Conceptual Framework for Financial Reporting, without changing the requirements for Business Combinations.	1 January 2022
Annual Improvements 2018-2020 Amendments to the standards IFRS 1, IFRS 9, IFRS 16 and IAS 41.	1 January 2022

New Standards, Amendments and Interpretations to Existing Standards Published Not Yet Effective for Accounting Period Beginning on 1 January 2022

The following standards, amendments and interpretations to existing standards will not be relevant for the Company or will have no material impact on the separate financial statements of the Company. The Company expects their application at the same time as the effective date in the European Union.

IFRS, interpretation	Effective in EU
IAS 1 – Presentation of Financial Statements **Disclosure of Accounting Policies** Amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. An entity is required to disclose its material accounting policy information instead of its significant accounting policies.	1 January 2023
IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors **Definition of Accounting Estimates** Amendments estimates to help entities to distinguish between accounting policies and accounting estimates. Changes in accounting policies must be applied retrospectively while changes in accounting estimates are accounted for prospectively.	1 January 2023
IAS 12 – Income Taxes **Deferred Tax related to Assets and Liabilities arising from a Single Transaction** Amendments provide a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.	1 January 2023
IFRS 17 – Insurance Contracts The new standard represents a complete overhaul of the accounting for insurance contracts. It establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features that an entity issues.	1 January 2023
IFRS 17 – Insurance Contracts **Initial Application of IFRS 17 and IFRS 9 — Comparative Information** An amendment that enables companies to improve the usefulness of the comparative information presented on initial application of IFRS 17 and IFRS 9.	1 January 2023
IAS 1 – Presentation of Financial Statements **Classification of Liabilities as Current or Non-current** The amendment to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. **Long-term liabilities with covenants** The amendments clarify how the conditions that entities must meet within 12 months after the end of the accounting period affect the classification of liabilities.	1 January 2024*
IFRS 16 – Leasing **Lease liabilities from sale and leaseback transactions** Adjustments clarifying how a seller-lessee subsequently measures sales and leasebacks that meet the requirements of IFRS 15 for accounting as a sale of an asset.	1 January 2024*

* Not adopted by the European Union as at 31 December 2022 (this date represents the effective date under the IASB).

1.3 Impacts of the Russian-Ukrainian Conflict and the Covid-19 Pandemic on Reported Data

In 2022, the adverse effects of the Covid-19 pandemic were still lingering and were significantly amplified by the negative effects of the Russian-Ukrainian conflict. The Company also worked hard to address the delay in deliveries of Octavia car in the first half of the year due to a failure of door filler supply caused by a fire at a key supplier. Working closely with the supplier, these deliveries were fully restored during 2022.

With the start of the Russia-Ukraine conflict in February 2022, in addition to the humanitarian crisis, markets around the world were disrupted. Especially energy and commodity markets are experiencing significant price rises, and interest rates and inflation are rising worldwide. In this context, shortages in the supply of parts worsened immediately after the start of the conflict. The car production was mainly affected by the lack of supplies of cable harnesses from Ukraine, which were replaced within the production network. During the conflict, various sanctions were also imposed on Russia by the EU and especially the USA. The sanctions restricted economic transactions with Russia and affected both Russian and European companies and vehicle sales to Russia. In addition, Russia, as an energy exporter, has itself limited the gas supplies to Europe. Considering the overall consequences of the Russian-Ukrainian conflict, Volkswagen has decided to stop vehicle production in Russia. The export of vehicles to Russia has also been suspended. In addition, the supply of spare parts and the provision of technical support were also severely restricted in view of the sanctions that were gradually coming into force.

The partial mobilization in Russia and the subsequent strengthening of sanctions led to a further reassessment of the risks with regard to the possible development of the Company's business activities in Russia. Based on this reassessment, an impairment test was performed on OOO Volkswagen Group Rus, which resulted in a significant adjustment to the value of the financial investment in the separate financial statements. Further information on the performed test is disclosed in Note 7. In addition, a specific impairment allowance has been made for impairment of licence receivables, see section 3.1.5, and an impairment loss was recognised on tangible and intangible assets related to business activities in Russia, see sections 4 and 5. Provision has been made for the risks associated with future probable expenses related to significant reduction of activities in the region, see note 15. Further developments in the conflict cannot be foreseen at this time.

In addition to the effects of the Russian-Ukrainian conflict, the Company's results in 2022 were also negatively affected by the global spread of the Omicron variant of the SARS-CoV-2 coronavirus. In China in particular, very strict measures were taken under the "Zero Covid" strategy, which led to subsequent disruption of the global economy, including the supply of automotive parts. In addition to the uncertainty and the global measures taken in relation to the Covid-19 pandemic, there continued to be obstacles in the supply of semiconductors, resulting in limited availability of the Company's models in European and other markets.

Problems in the supply chain caused an amendment to the foreign exchange plan with implications for the Company's hedge accounting. A part of future planned cash outflows and inflows from forecast transactions have been postponed, for another part of cash flows their realization was assessed as highly improbable, with fact that transactions are no longer expected. Taking into account the specific situation, hedge accounting activities were either discontinued or cancelled and derivatives were reclassified as held for trading. Due to the ineffectiveness of the hedging relationship for selected derivative transactions, there was a one-off derecognition of the loss from other comprehensive income to other operating income in the amount of CZK 53 million. (In 2021, there was a one-off derecognition of a gain from other comprehensive income to other operating income in the amount of CZK 160 million). Details of the hedge ineffectiveness are disclosed in Note 12.1.

In the context of further deterioration of the overall economic situation caused mainly by the war conflict resulting in a global increase in the prices of input materials, energy and inflation, the Company identified risks that were taken into account by recognizing provisions for purchase risks. Further information is provided in Note 15.

The Company has also made appropriate amendments to its historical loss rates under the simplified approach to receivables impairment to reflect both the current economic environment and also forward-looking element. More information on rate adjustments is provided in Note 2.5.1.2.

In assessing the entity's ability to continue as a going concern, the Company's management assumed the temporary nature of the Russian-Ukrainian conflict and the related economic crisis. The outcome of the assessment is confirmation of the Company's ability to continue as a going concern.

1.4 Functional Currency Analysis and Its Impact on Currency Risk Hedging

The Company operates primarily in the economic and legal environment of the Czech Republic, but as a result of its foreign activities it is also exposed to the influences of other economic environments. The Company is mainly influenced by the economic and legal environment of the Eurozone which is a source for substantial part of its sales and from which a significant part of purchases of raw materials and parts to ensure the production of cars is also made.

In 2022, the Company's management assessed the ratio of currencies that mainly affect and will in the near future affect the selling prices of goods and services and the currency mix of costs in a regular analysis. The Company's management took into account all indications and trends in the primary economic environment that could affect its functional currency in the near future. The most significant indicator considered was the future purchases of EUR-denominated parts, which are related to the increased battery production.

The results of the analysis confirmed CZK as the functional currency for the accounting period ended 31 December 2022.

The evaluation of the time series of significant indicators (primarily from the relative proportions of the different currencies represented in sales and purchases) showed that increasing volume of purchases of battery modules denominated in EUR will already affect the relative proportion on the cost side in favour of EUR already in 2023. Based on the results of the above analysis, the Company's management confirmed the correctness of its August 2020 decision to switch to the new functional currency EUR on 1 January 2023.

Adjustment of the Currency Risk Hedging Strategy

Following the above-mentioned change of the functional currency, the Company's management has also identified a change in the definition of currency risk for the accounting periods beginning from 1 January 2023 onwards. Currency risk is newly defined after this date as the risk arising from changes in exchange rates against the EUR. Following the aforementioned management decision to change the Company's functional currency, the Company began hedging its future foreign currency sales and purchases for the accounting period beginning 1 January 2023 using derivative contracts denominated in EUR.

For newly contracted derivatives to hedge the risk of changes in exchange rates against the EUR, the Company applies hedge accounting, except for foreign exchange forwards relating to commodity swaps that are recorded in the trading regime. In the tax area, all financial derivatives to hedge the risk of changes in exchange rates against the EUR are recorded in the trading regime, which leads to temporary differences and effects on deferred tax.

1.5 Impact of Climate Change on Reported Data

In the context of climate change and the resulting stricter emissions regulations, the automotive industry is continuing its transformation towards e-mobility and further digitalisation. The Company considers the most important goals in this area to be the reduction of CO2 emissions produced by the vehicle fleet by more than 50% by 2030 compared to 2020 and the transformation of the Company's Czech production plants to achieve a CO2neutral energy balance by 2030. As one of its other sustainability commitments, the Company has set a target of at least 70% electric vehicles in its model portfolio in the European market by 2030. Both measures will contribute to the long-term reduction of greenhouse gases throughout the product lifecycle and thus to the main goal of becoming a CO2-neutral society by 2050. In preparing the separate financial statements, the Company's management has taken into account the potential impacts of climate change, current and future regulatory requirements in the area of emissions, and in particular the corresponding transformation towards e-mobility. Potential impacts, particularly on non-current assets and liabilities in respect of the provision for emission fee risks, have been included to the extent possible as part of the significant estimates and assumptions included in these separate financial statements, see Notes 2.19 and 15. In the coming years, the Company will spend increasing amounts to achieve a CO2 neutral balance from the automotive to e-mobility transition. One of the measures to reduce the overall carbon footprint of the production and operation of electric vehicles is the acquisition of EACs* certificates. This topic is reflected in Note 23 that discloses future commitments from contracts concluded for the purchase of these certificates.

The effects of the transformation towards e-mobility are taken into account in the medium-term planning and therefore in the calculation of future cash flows for the determination of the recoverable amount in the impairment tests for intangible assets, in particular in the planning of future vehicle models and in connection with investments in development costs and production facilities. In addition, the Company periodically evaluates whether these developments require adjustments to the useful lives of other tangible and intangible fixed assets.

Further and detailed information on how sustainability is considered within the Group's strategy is set out in the "Sustainability" and "Strategy" sections of Management Report in the Company's Annual Report.

* EACs (Energy Attribute Certificates) are certificates that are generated by renewable energy production.

2 Basis of Preparation of Financial Statements

These separate financial statements have been prepared under the historical cost convention, except for fair value measurement of equity instruments measured at fair value through other comprehensive income, of financial assets and financial liabilities at fair value through profit or loss, and of all derivative contracts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgment in the process of applying the Company's accounting policies. Amounts in the financial statements including the notes are disclosed in millions of Czech crowns (CZK million), unless stated otherwise.

2.1 Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Czech crowns (CZK), which is the Company's functional and presentation currency in the accounting period ended 31 December 2022 (31 December 2021).

Foreign currency transactions are translated into the functional currency using the exchange rates published by the Czech National Bank prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates published by the Czech National Bank are recognised in the income statement.

2.2 Intangible Assets

Separately purchased intangible assets with finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses. These are mainly software, patents and trademarks granted for a limited period of time. Separately purchased intangible assets with indefinite useful lives are stated at cost less accumulated impairment losses. These are mainly trademarks that do not have a finite useful life.

Separately purchased rights to production equipment are also capitalised as intangible assets. These are the rights to use 'common tools' (various specific machines, tools, moulds for casting or moulding, dies, etc.) used to manufacture parts for Volkswagen vehicles. Capitalised costs include direct costs and a corresponding proportion of the relevant overheads.

Research costs are recognised in the profit and loss account in the current period.

Development costs in connection with Škoda models and other product projects are recognised as intangible assets in accordance with IAS 38 if it is probable that the project will be successful in terms of its commercial and technical feasibility, if the related costs can be measured reliably and if the cash-generating unit (see section 2.4) to which the intangible asset can be allocated is not fully amortised. Capitalised development costs and other internally generated intangible assets are stated at cost less any accumulated amortisation and impairment losses. If the conditions for capitalisation are not met, the costs are recognised in the profit and loss account in the year in which they are incurred. As part of the Volkswagen Group's synergies, the Company participates with other Group brands in the development costs of joint Group projects. These development costs are monitored as a whole at Group level and are regularly allocated to the individual Group companies according to a predetermined allocation key. This cost allocation is reviewed in the event of changes, and adjustments may be made to previously invoiced cost amounts (e.g. if a new entity joins a project, the relevant financial amount will be refunded to the Company) or reallocation of development costs between the Company's development projects.

The cost of qualifying intangible assets also includes borrowing costs represented by interest and other costs that an entity incurs in connection with borrowing funds. A qualifying asset is an asset that necessarily takes at least one year to get ready for its intended use. The Company ceases capitalising borrowing costs when the qualifying asset is ready for its intended use or sale.

The Company applies straight-line amortisation to intangible assets. The development costs are amortised using the straight-line method from the start of production over the expected life cycle of the models or components. Amortisation recognised during the year is allocated to the relevant functions in the income statement.

Amortisation rates are based on the estimated useful lives of intangible assets. The useful lives are determined according to the following table:

Capitalised development costs	2–9 years according to the product life cycle
Software	3–5 years
Tooling rights	2–8 years according to the product life cycle
Other intangible fixed assets	3–8 years

Estimated useful lives and amortization method are reviewed on a regular basis, the effect of any changes in estimates are accounted for prospectively.

Intangible assets not yet available for use and intangible assets with indefinite useful lives (for example, trademarks with indefinite use) are not amortized but are tested annually for possible impairment. For the purpose of impairment testing, these intangible assets are allocated to the cash-generating unit that is expected to benefit from their use (see note 2.4). To determine the return on these intangible assets, the higher of their value in use and fair value less costs to sell the cash-generating unit to which the relevant intangible assets can be allocated is used.

Intangible assets are derecognised on sale or when no future economic benefits from individual intangible assets are expected from their use or sale. The gains or losses arising from derecognition of an intangible asset, which are determined as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the profit or loss when the assets are derecognised.

2.3 Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less cumulative depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. In particular, administrative and other general overhead costs are not part of the cost of acquisition, as well as any proceeds from the sale of items generated by the tangible asset before the time at which it is ready for its intended use.

All repairs and maintenance costs are charged to the income statement during the reporting period in which they are incurred. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

The cost of qualifying tangible assets also includes borrowing costs represented by interest and other costs that an entity incurs in connection with borrowing of funds. A qualifying asset is an asset that necessarily takes at least one year to get ready for its intended use. The Company ceases capitalising of borrowing costs when the qualifying asset is ready for its intended use or sale.

Land is not depreciated. Other assets are depreciated on a straight-line basis. Depreciation rates are determined on the basis of estimated useful lives. The useful lives are determined according to the following table:

Buildings	9–50 years
Technical equipment and machinery (incl. special tooling according to the product life cycle)	3–18 years
Other equipment, operating and office equipment	3–23 years
Means of transport	5–25 years

Estimated useful lives and depreciation method are reviewed on a regular basis, the effect of any changes in estimates are accounted for prospectively.

Items of property, plant and equipment are derecognised on sale or when no future economic benefits are expected from their use. The gains or losses arising from the derecognition of items of property, plant and equipment, which are determined as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the profit or loss when the assets are derecognised.

Property, plant and equipment also includes right of use assets arising from leases, see Note 2.13.

2.4 Impairment of Assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Assets are grouped at the lowest levels for which are separately identifiable cash inflows (cash-generating units) for purpose of impairment assessment. Due to the regulation of performance standards of emission limits, the individual models of the Company are to a large extent interdependent and the cash-generating unit is established at the level of tangible and intangible assets used for the automotive-related business of the Company at the brand level.

2.5 Financial Instruments

2.5.1 Financial Assets

2.5.1.1 Classification and Measurement

The Company classifies financial assets at the time of acquisition at initial recognition of financial asset. The Company classifies its financial assets into two primary groups, which are debt and equity instruments. Debt instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another entity. Equity instrument is a contract evidencing a residual interest in the assets after deducting all of its liabilities. The Company subsequently measures equity investments within a scope of IFRS 9 at fair value. Separate group of financial assets are financial derivatives with positive fair value.

Debt Instruments

Debt financial instruments are classified based on entity's business model and the contractual cash flow characteristics of the financial instrument. The Company classifies financial instruments according to whether it intends to hold them for the purpose of collecting all cash flows arising from them or whether the objective of the business model can be achieved by both holding and selling the financial assets. Furthermore, the Company examines whether the contractual characteristics related to the right to cash flows have only the character of principal and interest i.e. whether the debt instrument has only "basic loan features". Interest is compensation for the time value of money and credit risk associated with granting a loan for a given period in accordance with IFRS 9.

Within debt instruments, the Company classifies financial assets into the following categories:

a) Financial assets at amortised cost (portfolio AC)
In this category, the Company presents debt instruments, which are held under a business model, which aim is to collect all contractual cash flows and which also have contractual cash flows representing solely principal and interest on the outstanding principal. Subsequently, they are measured at amortised cost, as determined by the effective interest rate method (hereinafter the amortised cost). During the accounting period 2022 (2021), the Company had in this category other receivables and financial assets (see Note 8.1), trade receivables (see Note 8.2), deposits in Volkswagen Group companies and cash. Deposits in Volkswagen Group companies are included in cash equivalents (see Note 10).

b) Financial assets at fair value through other comprehensive income (portfolio FVOCI)
In this category, the Company presents debt financial instruments if they meet both of the following conditions: (a) they are held within a business model aimed at both to collect contractual cash flows and to sell financial assets (b) which have contractual cash flows representing solely principal and interest on the outstanding principal. They are measured at fair value through other comprehensive income. During the accounting period 2022 (2021) the Company did not have any financial assets classified in this category.

c) Financial assets at fair value through profit or loss (portfolio FVPL)
Within this category, the Company classifies all other debt instruments, which cannot be classified in the above-mentioned categories. These financial assets are held for trading purposes or their contractual cash flows do not represent solely payments of principal and interest on the principal amount outstanding. Subsequently, they are measured at the fair value through profit or loss. Within the debt instruments, the Company had only trade receivables in this category that were held for sale through factoring arrangement during the 2022 (2021) accounting period (see Notes 2.18 and 8.2). The realised and unrealised losses from the changes in the fair value of these receivables were included in the financial expenses in 2022 (2021).

Derivatives are classified in category FVPL, provided that they do not meet the conditions of hedge accounting. During the accounting period 2022 (2021), the Company had receivables from trading derivatives in this category (see Note 2.5.3 and 8.1). The realised and unrealised gains and losses from changes in the fair value of financial derivatives held for trading were included in other operating income or other operating expenses in 2022 (2021).

Equity Instruments

Within equity instruments, the Company classifies its financial assets into the following categories:

a) Financial assets at fair value through other comprehensive income (portfolio FVOCI)
For equity instruments that are not held for trading, the Company may elect at the time of initial recognition to recognize subsequent changes in fair value in other comprehensive income. This classification is irreversible. Realised gains or losses on these equity investments are not reclassified to current period gains and losses from the revaluation reserve from the revaluation of equity instruments at the date of derecognition of the equity investment. Dividends are included in profit or loss only to the extent that they represent a return on an investment. During the financial year 2022 (2021), the Company had investments in equity instruments of other entities (See Note 8.1) that did not have a quoted market price in an active market.

b) Financial assets at fair value through profit or loss (portfolio FVPL)
Equity investments for which the Company decides that they are held for trading or does not apply the option to recognise changes in fair value in other comprehensive income are measured at fair value through profit or loss. During financial year 2022 (2021), the Company did not have any financial assets classified in this category.

2.5.1.2 Impairment

The Company applies a model for the impairment which reflects expected credit loss (ECL). The expected loss model requires recognising an allowance before a credit loss is incurred. With the exception of trade receivables, the Company applies a general approach for impairment to the relevant financial assets (the debt instruments reported at the amortised cost in the portfolio AC and debt instruments in the portfolio FVOCI), i.e. general approach for impairment. The Company used the option to apply a simplified approach using an impairment matrix for trade receivables.

General Approach to Impairment

Under the general approach, an entity recognises an allowance for the life-time expected credit loss (ECL) of the financial instrument if there is a significant increase in a credit risk (determined by a probability of default) since initial recognition of a financial asset. If a credit risk of a financial instrument has not significantly increased since the initial recognition at the date of the financial statements, the entity reports an allowance based on 12-month expected credit loss. The life-time expected credit loss indicates the expected credit loss arising from all potential defaults till the expected maturity of the financial instrument. 12-month expected credit loss is a part of life-time expected credit which arises as a result of the financial instrument default which may occur within next 12 months after the balance sheet date.

The Company uses the three stages ECL model. When a financial asset is initially recognised, if there is no evidence of default, the Company will include the financial asset in stage 1 and will report an allowance corresponding to the 12-month expected loss. If a credit risk related to a financial instrument has not increased significantly since the initial recognition date, the financial asset will remain at stage 1 and an allowance at the balance sheet date will be quantified at the amount of 12-month expected loss. If there has been a significant increase in credit risk since the date of initial recognition, the Company will include the financial asset in stage 2 and will report the allowance at the balance sheet date at the amount of life-time expected credit loss of financial asset. If a financial asset is in default, the Company will move it to stage 3 and continues reports allowances at the amount of life-time expected credit loss of the financial asset.

The Company defines potential default cases when it will not be able to collect all amounts due according to the originally agreed conditions. The indicators of default are considered by the Company to be significant financial difficulties of a debtor, a likelihood of the debtor entering bankruptcy or financial restructuring, failure to comply with the maturity or being past due of the debt.

The Company calculates the expected credit loss as the probability-weighted results using the following formula for selected future scenarios of possible development:

Expected credit loss (ECL) = probability of default (PD) x loss given default (LGD) x exposure at default (EAD)

Simplified Approach to Impairment

The simplified approach allows the Company to report the life-time expected credit loss without the need to identify a significant increase in credit risk. For trade receivables and contract assets that do not contain a significant financial element, an entity recognises allowances for life-time expected credit loss (i.e. an entity must always apply the so-called simplified approach).

Simplified approach using provision matrix

The Company determines the amount of allowances using provision matrix for trade receivables without a significant financing element. The provision matrix is based on the application of the appropriate loss rate to the outstanding balances of trade receivables (i.e. the aging analysis of receivables).

The Company applies the following steps to estimate impairment allowances using the simplified approach. The Company first divides its individual trade receivables into groups of receivables with similar credit risk characteristics. The Company identifies the most important factors driving the credit risk of each group. In the second step, the Company establishes a historical loss rate for each group with similar credit risk characteristics. This rate is based on past 3 consecutive accounting periods. In the next step, the Company determines the expected loss rate for each group of receivables, which is further divided into subcategories based on the number of days past due (e.g. the loss rate for receivables that are not due, the loss rate for receivables 1–30 days past due, loss rate for receivables 31–60 days past due, etc.). When determining the expected loss rate, the Company takes into account whether the historical loss rates were incurred under economic conditions that correspond to the expected conditions during the exposure period of the given portfolio of receivables at the balance sheet date. In 2021 and 2022, the Company adjusted its historical loss rates by an expert estimate to more faithfully reflect current and future reality, namely the increased level of credit risk of receivables in the economic environment affected by the global pandemic.

In the last step, the Company calculates the amount of impairment allowances based on the current gross amount of receivables multiplied by the expected loss rate.

If a trade receivable is categorised as irrecoverable, the allowance is set for 100% of amount of trade receivable. A creation of allowances is recognised in other operating expenses in profit or loss. In cases where a receivable can no longer be subject to enforcement activity (e.g. the receivable ceases to exist, as a result of court resolution due to the lack of assets in the bankruptcy, the debtor perished without a legal successor, etc.), the receivables are written off against the impairment allowances.

2.5.1.3 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership of the Company neither transferred nor retained substantially all risks and rewards but transferred control.

2.5.2 Financial Liabilities

Classification

The classification depends on the nature and purpose of financial liabilities. The Company's management determines appropriate classification of financial liabilities on initial recognition.

The Company classifies financial liabilities into the following categories:

a) Financial liabilities measured at fair value through profit or loss
Financial liabilities at fair value through profit or loss are financial liabilities held for trading or so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedging instruments. Realised and unrealised gains and losses from changes in the fair value of financial liabilities at fair value through profit or loss were included in the other operating income in 2022 or in the other operating expenses. During the accounting period 2022 (2021), the Company only had financial derivatives in this category (Note 2.5.3 and 13.1).

b) Financial liabilities measured at amortised cost
Financial liabilities are measured at fair value net of transaction costs at initial recognition. Subsequent measurement is at amortised cost by applying the effective interest rate method. In this category, the Company recognises trade payables (see Note 13.2), loans payable and lease payables (see Note 13.1). For lease liabilities, specific valuation procedures apply at initial recognition, see Note 2.13.

Derecognition

The Company derecognises financial liabilities only when the contractual liabilities of the Company are discharged, cancelled or expired. The difference between the carrying amount of a derecognised financial liability and the consideration paid is recognised in profit or loss.

2.5.3 Financial Derivatives

The Company uses derivatives to hedge currency and price risks. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument or instrument held for trading. The Company designates as hedging instruments only those which fulfil the requirements of hedge accounting. The Company uses derivatives to hedge future cash flows. The hedged items in this case are highly probable future transactions.

The Company hedges against changes in cash flows from highly probable future transactions caused by changes in foreign exchange spot rates. The Company is using foreign currency forwards and swaps to hedge this risk. Based on the foreign currency plan, the Company determines the amount that is intended to hedge for a foreign currency risk (the so-called nominal value) and hedges 100% of its value. (The nominal value of a financial derivative corresponds to the nominal amount of the hedge item). The established hedge ratio is therefore 100%.

The main sources of ineffectiveness are:

- reduction in the total amount or price of the hedged item;
- significant change in the credit risk of either party to the hedging relationship;
- different discounting of the spot component of the hypothetical derivative and the hedging instrument;
- different maturities of hedged item and hedging instruments;

The Group Treasury monitors companies' and the banks' credit risk so the effect of credit risk does not dominate the value changes that result from the economic relationship between hedged item and hedging instrument at reporting date.

The changes in the spot component and the changes in the forward component of currency financial derivatives that qualify as effective cash-flow hedging instruments are recognised in other comprehensive income. Hedge ineffectiveness is recognised in profit or loss.

When a hedged forecast transaction subsequently results in the recognition of a non-financial asset (such as inventory), the Company transfers the amount from the cash flow hedge reserve in equity and includes it directly in the initial cost of the non-financial asset. The cumulative balance recognised in other comprehensive income is recycled into the income statement as a gain or loss in the period when the hedged item affects the income statement for other hedges (such as hedges of future sales).

If the timing of the hedged cash flow is deferred, in compliance with its hedging strategy the Company prolongs the maturity of the original hedging instrument only for hedges where a hedge item does not result in recognition of a non-financial asset. The Company transfers the amount from the cash flow hedge reserve in equity and includes it directly in the initial cost of the non-financial asset when a non-financial asset is recognised.

When a hedging instrument expires or is sold, or is early terminated (closed out) or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss arising on the hedging instrument previously recognised in other comprehensive income from the effective part of the hedging instrument remains there until the original forecasted transaction is ultimately recognised. The Company then proceeds according to the rules defined above. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement. The Company economically hedges a commodity risk using commodity swaps, however, its hedge accounting is not used. The changes in fair value of commodity swaps that do not qualify as effective cash-flow hedging instruments are recognised in the income statement and classified as a gain or loss.

If a trading derivative is early terminated (closed out), the value from the settlement is recognized immediately in the income statement and classified as income or expense for the period.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, such as the net present value of future cash flows. The fair value of currency forwards and swaps is determined as the present value of future cash flows based on market interest rates as at the balance sheet date. In 2021, IBOR rates used to determine the fair value of financial instruments were replaced by OIS (Overnight indexed swap) rates. The fair value of commodity swaps is calculated as the present value of future cash flows based on the rates of LME (London Metal Exchange).

2.5.4 Offsetting of Financial Instruments

The Company presents financial assets and financial liabilities offset in statement of financial position in net amount only when it has currently a legally enforceable right to set off the recognised financial asset and liability and intends to settle on net basis or to realise the asset and settle the liability simultaneously. Legal right must be enforceable both in the normal course of business, but also in the event of default, insolvency or bankruptcy of any contractual counterparty.

2.6 Investments in Subsidiaries and Associates

Subsidiaries are investees (including structured entities, if any) that are controlled by the Company.

The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The subsidiaries directly controlled by the Company as at 31 December 2021 (see Note 6):

- ŠKODA AUTO Slovensko s.r.o. (100%);
- ŠKODA AUTO DigiLab s.r.o. (100%);
- UMI Urban Mobility International Česká republika s.r.o. (100%);
- ŠKODA AUTO DigiServices s.r.o. v likvidaci (100%) *.

* ŠKODA AUTO DigiServices s.r.o. entered into liquidation on 1 January 2022. Further information on the liquidation of the company is disclosed in Note 6.

The subsidiaries directly controlled by the Company as at 31 December 2022 (see Note 6):

- ŠKODA AUTO Slovensko s.r.o. (100%),
- ŠKODA AUTO DigiLab s.r.o. (100%),
- ŠKODA AUTO Volkswagen India Pvt. Ltd. (based on 92.05 per cent of the voting power)
- UMI Urban Mobility International Česká republika s.r.o. (100%).

Associates are all entities in which the Company has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. This significant influence is generally connected with ownership of 20 to 50 per cent of the voting power or is usually evidenced in one or more of the following ways:

(a) representation on the Board of Management or equivalent governing body of the investee;
(b) participation in policy-making processes, including participation in decisions about dividend or other distributions;
(c) material transactions between the investor and the investee;
(d) interchange of managerial personnel; or
(e) provision of essential technical information.

The Company had significant influence as at 31 December 2021 in the following associates (see Note 7):

- OOO Volkswagen Group Rus;
- ŠKO-ENERGO FIN s.r.o. v likvidaci *;
- ŠKO-ENERGO s.r.o.;
- Digiteq Automotive s.r.o.;
- ŠKODA AUTO Volkswagen India Pvt. Ltd.
- Green:Code s.r.o. **

* ŠKO-ENERGO FIN s.r.o. v likvidaci entered into liquidation on 1 January 2022. Further information on the liquidation of the company is disclosed in Note 7.
** The company was established in 2021 and was incorporated by registration in the Commercial Register on 4 January 2022.

The Company had significant influence as at 31 December 2022 in the following associates (see Note 7):

- OOO Volkswagen Group Rus,
- ŠKO-ENERGO s.r.o.,
- Digiteq Automotive s.r.o.,
- Green:Code s.r.o.

Recognition, Measurement and Derecognition

Investments in subsidiaries and associates are carried in the separate financial statements at cost less any impairment loss.
The Company recognises a dividend from a subsidiary or associate in financial income when its right to receive the dividend is established. The cost of the investment represents the cost of the investment as agreed between the parties, which represents the consideration paid by the Company to the selling party.

The Company recognises a dividend from a subsidiary or associate within financial income when the right to receive the dividend is established.

Impairment

The Company determines at each reporting date whether there is objective evidence that the value of share on equity of subsidiaries and associates is impaired. In the event of impairment (or reversal of impairment) of investments in subsidiaries and associates, the impairment loss (or gain on reversal of impairment) is presented in the income statement in financial result.

2.7 Current and Deferred Income Tax

The income tax expense consists of current income tax and deferred income tax. The tax expense is recognised in the income statement with the exception of cases when it relates to items recognised in other comprehensive income or directly in equity. In such cases the current income tax and deferred income tax are recognised in other comprehensive income or directly in equity.

2.7.1 Current Income Tax

Current tax liabilities (receivables) for the current period and preceding periods are recognised in the amount of expected payments to or claims from tax offices, using the tax rates (and tax laws) valid in the respective period. Current income tax relating to the current accounting period and to preceding periods reduced by the amount already paid is recorded as a liability. If the amount already paid in the current and in preceding periods exceeds current income tax related to these periods, the difference is recorded as a receivable (prepaid income tax).

The situations, in which the expected amount of payment to the tax authorities (or expected receipt from them) is based on the interpretation of tax laws, are regularly reassessed and the expected payments to tax authorities (or expected receipt from them) are adjusted accordingly to reflect the best estimate of the amount to be paid to tax authorities (or to be received from them) based on legislation enacted or substantially enacted by the balance sheet date.

2.7.2 Deferred Income Tax

Deferred income tax is determined using the balance-sheet liability method, based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates and tax laws, that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

In accordance with IAS 12, deferred tax assets and liabilities are offset, where the Company has the enforceable right to offset the current tax assets and liabilities and if the deferred tax assets and liabilities relate to income taxes levied by the same tax authority. Deferred tax assets and deferred tax liabilities from lease transactions are initially recognised on gross basis see Note 14 and offset later at balance sheet level.

Deferred tax relating to items recognised in other comprehensive income (for example the effective portion of changes in the fair value of financial derivatives that are designated and qualify as cash flow hedges) is also recognised in other comprehensive income.

The Company recognises deferred income tax assets relating to unused tax credits from investment incentives against deferred tax income in the income statement to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised.

2.8 Inventories

Purchased inventories (raw materials, consumables, supplies and materials used in production, goods) are stated at the lower of cost and net realisable value. Costs include purchase costs and other acquisition costs (e.g. transport and packaging) and hedging effects (see Note 2.5.3).

Inventories generated from own production, i.e. work in progress and finished goods, are stated at lower of own production costs or net realisable value. Own production costs include direct material, direct wages and production overheads. The administration overhead expenses are not included in the valuation of work in progress and finished goods.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion less applicable variable selling expenses. Net realisable value reflects all risks of obsolete and redundant raw materials and excessive original parts.

A weighted-average calculation is used to account for the consumption of materials.

2.9 Cash and Cash Equivalents

The cash and cash equivalents disclosed in the cash flow statement also comprise, in addition to cash and short-term deposits in banks, short-term deposits in Volkswagen Group companies (mainly in Volkswagen International Belgium SA (VIB), the Regional Treasury Centre) with original maturity of less than three months, which are readily convertible to known amounts of cash, the risk of changes in value is not significant and are held to meet short-term financial liabilities rather than for investment or other purposes. When classifying Group deposits as cash equivalents, the Company also assesses the creditworthiness of Group companies in which free liquidity is deposited and takes into account the overall performance of the Volkswagen Group.

Detailed information relating to cash and cash equivalents is disclosed in Note 10.

Cash flows are presented in the cash flow statement and are classified into cash flows from operating activities, investing activities and financing activities.

Cash flows from operating activities are derived indirectly from profit before tax. Profit before tax is adjusted to eliminate non-cash expenses (mainly depreciation, losses and reversals of impairment losses on non-current assets and changes in provisions) and changes in working capital. Investing activities include additions to property, plant and equipment, financial assets, as well as to capitalised development cost. Financing activities include in addition to the outflows of cash from dividend payments, redemption of liabilities from financing, also outflows and inflows from other borrowings.

2.10 Provisions for Employee Benefits

Provisions for Other Long-Term Employee Benefits

The following types of long-term employee benefits are included in the provision for other long-term employee benefits:

- service jubilee benefits;
- termination gratuity benefit payable before retirement from the Company.

The entitlement to these benefits is usually conditional on the employee remaining in service for a certain service period or up to the moment of a certain work anniversary of the employee. The amount of provision corresponds to the present value of long-term employee benefits for past service at the balance sheet date determined using the projected unit credit method.

These obligations are valued annually by independent qualified actuaries. Actuarial remeasurements arising from changes in actuarial assumptions and experience adjustments are charged or credited to the income statement.

The present value of other long-term employee benefits is determined by discounting the estimated future cash outflows arising from their settlement using interest rates equal to market yields of Czech government bonds because there is no deep market of high-quality corporate bonds denominated in CZK. The term and currency of these bonds are consistent with the currency and term of the respective other long-term employee benefits.

2.11 Other Provisions

In accordance with IAS 37, provisions are recognised where a present obligation exists to third parties as a result of a past event; where a future outflow of resources is probable; and where a reliable estimate of that outflow can be made. Future outflows are estimated with respect to particular specific risks. Provisions not resulting in an outflow of resources within one year are recognised at their settlement value discounted to the balance sheet date. Discount rates reflect the current market interest rates, inflation and the specific risks of the respective liabilities. Where there is a number of similar obligations, the likelihood that an outflow occurs upon the settlement is determined by considering the class of obligations as a whole.

The provision for onerous contracts is created in the amount of all directly attributable contract performance costs. Costs directly related to the contract include both the incremental costs of performing the contract (e.g. direct personnel or material costs) and the allocation of other directly related costs (e.g. the allocation of depreciation of items of property, plant and equipment used in the performance of the contract).

2.12 Revenue and Expense Recognition

Revenue Recognition

At first, all contracts with customers are analysed to identify all performance obligations to a customer. Subsequently, the transaction price is determined which is, in case of identified multiple performance obligations, allocated according to a relevant key. Consequently, the revenue is recognised for the particular performance obligation in the appropriate amount either at a certain point in time or the revenue is deferred as a contract liability and afterwards allocated over certain time.

Revenue from the sale of cars, spare parts and car components is recognised when the control is transferred to the customer depending on the particular contractual terms where the amount of the revenue is agreed or can be reliably determined and the collection of the consideration is probable. This generally corresponds to the point when products are transferred to resellers or when they are transferred to final customers in case of direct sales.

If discounts are granted for sold cars (typically as sales support), the discount amount is estimated as reliably as possible already at the time of the sale of the car and thus the revenue from the sale of the cars is reduced by this amount. The consideration received (or receivable) from customer arising from the sold car, which represents an uninvoiced sales support for the Company (i.e. amounts not included in the transaction price) is recognised as a refund liability within trade liabilities.

The Company provides to other car manufacturers licences for the production of Škoda cars. These are divided into two main groups: one-off licences and per-piece licences. Because the transfer of the licence can be determined and the licence provides the right to use intellectual property, the performance obligation is fulfilled at a certain point in time.

Revenue from one-off licences is recognised only when the intellectual rights are transferred i.e. when the intellectual property is transferred or when partial delivery has been completed (e.g. delivery of technical documentation, technical support, etc.). Revenue from per-piece licences is recognised based on the number of cars produced in the respective reporting period.

Based on licence agreements with certain contractual parties, the royalties may be returned if licence is not utilised by the counterparty. This royalty revenue is recognised in the expected amount taking into account the estimate of the risk of a royalty refund.

Revenue arising from separate rendering of services (e.g. revenues from the sale of the prolongation of Škoda Connect services) is recognised when the services are rendered or on a straight-line basis over the period of time when the services are provided via an indeterminate number of acts over a specific time period. At first, the received consideration is recognised as a contract liability from the considerations received and subsequently the respective revenue is recognised on a straight-line basis depending on the duration of the service contract.

Revenue arising from rendering of services, which are sold together with a car but are separable from it (e.g. revenue from the sale of extended guarantee or of Škoda Connect services) which will be provided in future periods is identified as distinct performance obligation including the duration period. Subsequently, the transaction price is determined which is allocated between the car and other services. The transaction price attributable to the services is derived from the market prices at which these services can be purchased separately. Subsequently, a contract liability from the consideration received is recognised and the respective revenue is recognised depending on the way of consuming of the services by customers.

Expense Recognition

Costs of sales include production costs, costs of goods purchased for resale, and additions to warranty provisions and purchase risk provisions. Research and development costs not eligible for capitalisation in the period, depreciation and impairment charges for capitalised development costs and production equipment are likewise presented as cost of sales.

Distribution expenses include personnel and material costs, and depreciation and amortisation applicable to the distribution function, as well as the costs of shipping, advertising, sales promotion, market research and customer service.

Administrative expenses include personnel costs and overheads as well as depreciation and amortisation applicable to administrative functions.

2.13 Leases

The Company rents office space, storage facilities, transport equipment, transport pallets, office technical equipment (e.g. computers, multifunctional equipment, etc.) and other assets which are needed to operate its business activities.

The Company assesses from the lessee's perspective whether a contract is in a substance a lease or is a contract for a provision of services at lease inception. A contract is in substance a lease if the Company controls the use of an identifiable asset. The Company reassesses, whether a contract is a lease in substance; only when the terms and conditions of the contract change.

For a contract that contains more than one component, the consideration is allocated to the both a lease and a non-lease components on the basis of their relative standalone prices.

Short-term leases (leases for which the lease term is less than 12 months and cannot be extended) and leases of low-value assets are charged to profit or loss on a straight-line basis over the lease term (see Note 24). Assets with an acquisition cost of less than EUR 5,000, i.e. translated as at 31 December 2022: CZK 120,575 (as at 31 December 2021: CZK 124,300) when new are considered to be low-value assets by the Company.

For other leases, the Company reports a right of use asset and a lease liability.

Lease Liability

At the date of commencement of the lease, the Company recognises a lease liability at a present value of future lease payments not settled at that date and which include:

a) fixed payments less any lease incentives receivable;
b) variable lease payments depending on an index or a rate;
c) amounts expected to be paid by the Company under residual value guarantees;
d) the exercise price of a purchase option if it is reasonably certain that the Company will exercise the option;
e) penalties for the termination of a lease, provided that the lease term reflects the fact that the Company will exercise the option to terminate the lease.

Subsequently, the Company reports a lease liability using the effective interest method. Interest is included in profit or loss within finance costs.

The Company discounts lease payments over the lease term using incremental borrowing rate. The Company considers the maximum enforceable period of time, which is reasonably certain, as the lease term.

See Note 13.1 for further information on lease commitments.

Right of use assets

At the date of commencement of a lease, the Company recognised a right of use asset at acquisition cost. The acquisition cost includes the amount lease liability at lease commencement date, any lease payments made at or before the lease commencement date, less any lease incentives received, including any initial direct costs and an estimate of costs of restoring the underlying asset to the condition required by the terms of the lease contract.

Subsequently, the Company reports the right of use asset at cost less accumulated depreciation and impairment losses and adjusted for effects of remeasurements of lease liability upon lease modifications. The right of use asset is generally depreciated straight line over a shorter of useful life of the asset and the lease term. If the Company is reasonably certain to exercise the purchase option, the right of use the asset is depreciated over the useful life of the underlying asset.

Depreciation rates are determined based on estimated useful life. The estimated useful lives are as follows:

Buildings	33 years
Other equipment, operating and office equipment	5 years
Means of transport	5 years

Right of use assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. See Note 2.4. Further information on the rights of use assets can be found in Notes 5 and 24.

2.14 Subsidies and Government Grants

Subsidies of entrepreneurial activities, employee training, retraining costs and extraordinary government grants are recognised as a reduction of the costs for which they were intended to compensate. Government grants, including non-monetary grants related to the purchase of tangible and intangible assets, are recognised at fair value as reduction in the value of tangible and intangible assets. The Company recognizes a grant when it has an undisputable entitlement to the grant under the specific terms of each grant.

2.15 Related Parties

A related party is a person that has control or joint control over the reporting entity; has significant influence over the reporting entity; or is member of the key management personnel of the reporting entity or of a parent of the reporting entity. A related party is also an entity which is a member of the same group as the reporting entity and other entities as defined by IAS 24 article 9 par. b.

2.16 Equity

The substance of a financial instrument, rather than its legal form, governs its classification in the Company's statement of financial position. Ordinary shares are classified as share capital. The Company typically incurs various costs in issuing or acquiring its own equity instruments. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of related income tax deduction) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense.

Share premium is represented by the difference between the nominal value of shares issued on share capital increase and the market price of shares and is recognised within equity.

2.17 Share-Based Payments

Top Management

Share-based payments consist of performance shares. At a time of granting, an annual target amount is converted on a basis of an initial reference price of preference shares of Volkswagen AG into performance shares that are allocated to a relevant beneficiary for calculation purposes only. The resulting payment amount corresponds to the final number of performance shares multiplied by the closing reference share price at the end of a three-year period plus the dividend return equivalent for the relevant period. The payment amount under the Performance Shares Plan is capped at 200% of the target amount. Each Performance Period of the Performance Shares Plan lasts three years. Cash settlement is done at the end of the three-year period of the Performance Shares Plan.

Obligations arising from the share-based payment transactions are accounted for as cash-settled share-based payments in accordance with IFRS 2. Cash-settled share-based payment transactions are recognised as liabilities carried at a fair value until they are settled. The fair value is determined using recognised valuation methods. The costs are attributed to the period when service is rendered by the employee and are reported in administrative expenses in the income statement and as personnel costs in the analysis by nature of expenses in Note 24.

Middle Management

Share-based payments consist of an annual target amount (so called "bonus base") adjusted for the effects of the performance of Volkswagen AG's preferred shares. Each manager is assigned an annual target amount (so called "bonus base"). The resulting payment amount corresponds to the value of bonus base multiplied by the average EPS* for previous three accounting periods and share price development over three years including dividends. The value of the performance of shares is calculated as the ratio of the share price at the end of the period plus dividends and the share price at the beginning of the period. Each performance period lasts for three years. The bonus pay-outs are capped to 200% of the target amount. Cash settlement is performed once a year in the period following the accounting period for which the bonus is granted.

Share-based payments settled by cash are recognized as liabilities until the pay-out. In accordance with IFRS 2, Share-based payment liabilities are accounted for as cash-settled shares. Costs are allocated to the period of performance and are recognized in the income statement in administrative expenses and detail is disclosed in Expenses by nature – additional information (Note 24) in the line Personnel costs.

* EPS Earnings per share

2.18 Factoring

The Company had contractual arrangements in place in 2022 (2021) which may be referred to as customer financing or receivables financing arrangements. Selected receivables from foreign customers are assigned by the Company under a non-recourse factoring agreement to the factoring companies of the Volkswagen Group, namely Volkswagen International Belgium SA (VIB) and Volkswagen Finance Belgium S.A. The factoring companies assume the full risk of insolvency of the original customer/debtor. The Company derecognises the receivables at the time of assignment. The factoring fees, which consist of a fee for the receivables management service including a margin, the assumption of the risk of default and for financing (interest), are included in the Company's financial result at the time of assignment. Outstanding assigned receivables are recognised in Trade receivables.

The Company assigns receivables from domestic customers who are not part of the Volkswagen Group to the Group company ŠkoFIN s.r.o. under a non-recourse factoring agreement, but at the same time, based on the "delcredere risk" agreement, which defines the principle of risk sharing between the Company and the factor, the Company is exposed to partial risk due to non-payment of the receivable by the original debtor. The Company derecognises the receivables at the time of assignment, disclosing in Notes to the separate financial statements qualitative and quantitative information on its continuing exposure, see section 3.1.6. The factoring company's commissions are included in the Company's financial result at the time of their settlement by the factor. Outstanding assigned receivables are recognised in Trade receivables.

In 2022 (2021), the Company did not have any contractual arrangements that can be classified as vendor financing (reverse factoring).

2.19 Critical Accounting Estimates and Assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions are continuously assessed by management. The estimates and assumptions are based on historical experience and other factors, including the realistic assessment of future developments. In 2022, in particular as a result of the Russian-Ukrainian conflict (in 2021: as a result of the global pandemic Covid-19), the Company's management had to make a significantly more judgements in 2022 (2021) while also working with a higher degree of uncertainty than in the previous accounting period. The basic premises on which the Company's management based its estimates and assumptions in 2022 (2021) concerning the future are set out in Note 1.3.

Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Going Concern Assumption

With regard to the impact of the Russian-Ukrainian conflict on the economic environment in which the Company operates its business and the ongoing supply chain issues, the Company's management assessed in 2022 the Company's ability to continue as a going concern. In making this assessment, the management has taken into account all of the current and expected impacts of the armed conflict on its operations, particularly in the Russian and Ukrainian regions, including the negative impact on the Company's liquidity and profitability caused primarily by increases in commodity prices, interest rates and general inflation. As a result of the reduction in vehicle sales due to outages in the supply chain, there was a temporary deterioration in liquidity, which the Company eliminated by drawing down a short-term loan under an open line of credit with the Volkswagen Group, see section 3.2. The management has considered all information available about the future that has been obtained at and after the reporting date up to the date of preparation of these financial statements. The results of this assessment are set out in Note 1.3.

Impairment of Non-Current Assets

In the course of the product life cycle and in exceptional situations also before its commencement, there may be circumstances which indicate that “cash-generating units” (see Note 2.4) might have suffered impairment. To determine any possible impairment, the Company estimates value in use of the cash-generating units which is calculated as discounted expected future cash flows generated by the business attributable to each cash- generating unit. For determination of the estimated future cash flows, the Company applies estimates and assumptions regarding future sales of its products, economic development of the individual markets and development of the automotive industry during the next five or more years.

Although the Company estimates the value in use of the cash-generating units based on the best information and data currently available to the Company, the risk of future changes and uncertainty with respect to the future development of the applied assumptions in the following years remains significant. More detailed information about impairment losses is included in Note 4 and Note 5 in the section Impairment reviews.

Valuation of Investment at Fair Value

The Company holds equity instruments of another entity that fall within the scope of IFRS 9. The investment is measured at the fair value at the balance sheet date. The Company intends to hold it as the long-term investment, therefore the Company classifies it as fair value through the other comprehensive income and reports unrealized gains and losses from its revaluation in other comprehensive income. Up to 2021, the fair value of the financial investment was calculated based on the present value of the future free cash flow (FCF), that was discounted at a rate derived from the company’s weighted average cost of capital (WACC). As of 2022, the fair value of the investment is determined as the present value of future cash flows from dividends using a discount rate derived from the Company’s cost of equity. In determining the fair value of an investment, the Company considers the following significant unobservable inputs: business planning assumptions (e.g. cash flows from operating activities); the growth rate of the industry and the discount rate derived from the cost of equity. In determining the Company’s estimate of future dividends (until 2021: future FCF) of an entity in which equity instruments have been invested, the Company works primarily with expectations and assumptions about future sales of its products and the future development of the economic environment in which the entity operates.

Although the Company prepares an estimate of the fair value of the investment based on the best available information and data currently available, the risk of future changes and uncertainty about the further development of the assumptions used in the coming years remain significant. More detailed information on measuring this investment at fair value see Note 8.

Valuation of Investment at Cost

Investments in subsidiaries and associates are carried in the separate financial statements at cost less impairment loss. The Company tests subsidiaries and associates for which projected performance indicates a possible impairment loss. The carrying amount of the investment in the tested subsidiary or associate is compared against its recoverable amount. The recoverable amount is determined based on the higher of fair value less costs to sell and value in use. In determining the value in use of a financial investment, the Company considers the following significant unobservable inputs: assumptions relating to corporate planning (e.g. cash flows from operating activities); the industry growth rate used to estimate free cash flows after the end of the planning period; and the discount rate. Although the Company prepares its estimate of the recoverable amount of the financial investment based on the best information and data available to it at the time, the risk of future changes and uncertainty regarding the future development of the assumptions used in subsequent years remains significant.

Provision for Warranty Claims

The Company recognises provisions for warranty claims for future expenses connected with the basic guarantee (2 or 3 years), with the guarantee for corrosion (dependent on the model for 10 or 12 years) and other guarantees beyond the scope of basic guarantee, especially good-will repairs and service actions. The Company recognises the provisions for warranty claims at the moment of sale on the basis of the number of sold cars and in advance determined rates for individual model line. Provision for extraordinary service actions is recognized at the time of identification of a technical defect in relation to the number of cars sold and the respective estimated rates set for the elimination of defect.

The rates for the basic guarantee are determined on the basis of a management estimate of the average number of failures in the guarantee period and average single failure costs with regard to the specifics of individual countries and on the basis of other specific assumptions (inflation, customers groups development, etc.). The amount of the provision for corrosion is determined on the basis of the development of the guarantee costs for corrosion and the extrapolation of these costs for the relevant period. The amount of the provision for good-will repairs is determined on the basis of a management estimate of existing good-will repair costs and defined strategy of the good-will repair trademark policy with regard to specifics of individual countries. The amount of the provision for service actions is determined on the basis of a management estimate, particularly of material, personnel and possible other expenses necessary for eliminating the defects.

The estimates of the rates are continuously revised with the use of the most recent historical data about the number of failures and their repair costs. Changes in these estimates can significantly influence the total amount of the provision. The detailed analysis of the provision according to the single types, production years, guarantee types and the sales regions is prepared at the year end. More detailed information about the provision for warranty claims is included in Note 15.

Provision for Litigation Risks

Certain events relating to the economic activities of the Company might result in disputes resolved in court and out-of-court proceedings. The risk that future cash outflows will be required to settle the claim (damages, court fees, etc.) is assessed by the Company once it becomes involved in any court or out-of-court proceedings. The risk is assessed based on the Company’s experience with similar legal actions, reflecting the latest developments in the proceedings. A provision is recognised if it is more likely than not that an outflow of economic benefits will occur in the future (the risk is assessed as medium or high). The provision is measured based on the best estimate of the expected future cash outflows. Please see Note 15 for additional information. If the risk is assessed to be low (possible but not remote), the Company discloses further information on litigation risks under contingent liabilities. Information on contingent liabilities is disclosed in Note 27.

Provision for Purchase Risks

The provision for purchase risks is recognized for future probable expenses from open business negotiations, which are mainly caused by the global economic situation in the supply chain related to input material and energy prices, material supply disruptions and volatility of the production programme. The estimate of the provision is updated on an ongoing basis taking into account model and special equipment production limitations, input price increases, energy price developments and inflation.

Provision for Covering Emission Expenditures

The risk of future expenses on charges for exceeding CO_2 emission limits has arisen from the national legislation of some major countries and regions, notably the EU 27+2 *, the UK and Switzerland and, from 2022, India.

In the EU 27+2 * countries, it is the Regulation 2019/631 of the European Parliament and Commission of 17 April 2019 which sets CO_2 emission performance standards for new passenger cars and new light commercial vehicles ("EU Regulation"). With effect from 1 January 2020, this EU Regulation sets a fleet-wide weight-dependent target of average emissions from new passenger cars registered in the EU of 95 g CO_2/km, measured on the older NEDC** measurement cycle. This weight-dependent target is converted to the new WLTP emission cycle *** from 2021. This target will be gradually tightened in the following years. In Switzerland and the UK, local national legislation on CO_2 emissions performance standards for new passenger cars and new light commercial vehicles are being discussed, which should be similar to those in the EU. Car manufacturers whose average emissions exceed the limits are charged an excess emissions fee. In the EU 27+2*, the amount of the charge has been set at EUR 95 (in Switzerland at the equivalent of EUR 95 in Swiss francs, in the UK at the equivalent of EUR 95 in British pounds) for each gram that exceeds the permitted emission limit, multiplied by the number of vehicles registered in the relevant European regions from 1 January to 31 December of that year.

The Volkswagen Group companies that have to comply with the above-mentioned regulations and rules are grouped together in so-called emission pools, which allow them to share emission targets in order to achieve synergies from savings in excess emissions charges. This may give rise to liabilities for the Company on the one hand, or claims arising from settlements between members of the internal pool on the other. The Company establishes provisions to cover emissions expenses based on new car sales when the expense is probable and the Company will realize an outflow of economic benefit from the settlement of the liability. The Company establishes provisions based on the best estimate of future expenses due to the Company exceeding its assigned emission limits. In estimating the amount of the provision, the Company uses not only expected assumptions regarding sales of Škoda products, but also expected assumptions regarding sales of products from other brands, which introduces a higher degree of uncertainty into the estimated value of the provision.

As a result of the agreement, the Company became part of the EU 28+2* emission pool in 2020. This emission pool has an obligation directly to the EU authorities to meet the emission targets. Within this emission pool, the external CO_2 target of the entire emission pool is monitored separately with respect to the obligations to the EU and the internal obligations and receivables between the individual pool members. The internal settlement between the individual members of the emission pool is done at a reduced rate per gram corresponding to the current cost structure of the possible CO_2 - reduction measures. The Company has created a provision for future expenses arising from the internal settlement for EU registered cars in 2020. Information on this provision is disclosed in Note 15. In respect of the internal settlement for cars registered in 2022 (2021), the Company has recognised a receivable in 2022 (2021) from the EU 27+2* emission pool, see Note 25.

Based on the concluded agreements, the Company is also part of other European emission pools, the emission pool in Switzerland and the emission pool in Great Britain. Within these pools, similar to the EU 27+2* emissions pool, the external CO_2 target of the entire emissions pool is monitored separately with respect to commitments to the national authority and internal commitments and receivables between the individual pool members. In respect of internal settlement for cars registered in 2022 (2021), the Company has recognised a receivable in 2022 (2021) from the Swiss and UK pools.

In the Company's other major market, India, there is stricter emissions legislation from the Indian fiscal year 2023 (1 April 2022 to 31 March 2023). The legislation determining the financial implications for manufacturers when CO_2 emission (or consumption) thresholds are exceeded is different from other countries. Decisive is not the exact amount of emissions exceeded, but the emission range achieved and the number of vehicles sold. This legislation was passed in the Upper House of the Indian Parliament on 12 December 2022. The exact interpretation and commencement date is still under negotiation. ŠKODA AUTO a.s. is part of a "consortium" of Volkswagen companies that must submit to stricter emissions legislation due to the joint responsibility of the Indian manufacturer and dealer. In 2022, the Company has recognized a provision for future expenses arising from the internal settlement for vehicles sold in India in the Indian fiscal year 2023. Due to the currently unclear impact of the final interpretation of the Indian legislation regarding the determination of the penalty for exceeding emission targets, it was decided to recognise a provision equal to the most likely outcome of the penalty from all possible scenarios. Due to the time lag between the Indian fiscal year and the calendar year (in addition, compared to the European regions), the total future expenditure for the Indian fiscal year is converted to total expenditure in calendar years. Further information on this provision is provided in Note 15 and 25.

* EU 27+2 - 27 EU member countries + 2 non-member countries: Norway and Iceland; EU 28+2: 28 member countries including the UK + 2 non-member countries: Norway and Iceland

** NEDC = New European Driving Cycle

*** WLTP =Worldwide Harmonized Light-Duty Vehicles Test Procedure is a globally agreed test standard for the measurement of light-duty vehicles and describes new rules for determining the fuel consumption of cars

Other Provisions

Due to own economic activities in various countries, the Company is mainly affected by the impacts of the transnational tax customs environment, which brings tax and customs risks and uncertainty resulting from different interpretations and applications of tax and customs legislation. The risk is assessed based on the Company's experience with similar cases, reflecting the actual circumstances. A provision is recognised if it is more likely than not that an outflow of economic benefits will occur in the future. The provision is measured based on the best estimate of the expected future cash outflows.

In connection with the negative events of the last year arising from the Russian-Ukrainian conflict, the Company is exposed to the risk of outflow of future economic benefits from the concluded onerous contracts related to business activities in the region. The amount of the risk is assessed based on the actual development of the situation in the conflict area, with a potential provision being recognized in the amount of an estimate of all directly related contract performance costs. In addition, the Company is exposed to risks of future economic benefit from a change in the production programme. For further information on costs directly related to the contracts see Note 2.11.

See Note 15 for additional information related to Other provisions.

Useful Lives

The estimated useful lives of individual tangible and intangible assets or classes of assets are determined based on the Company's experience with similar assets and in accordance with the expected future economic benefits of the assets, taking into account also changes in production plan and expected utilisation of these assets. If the estimate of useful life changes during the review, the remaining useful life shall be adjusted, and unscheduled depreciation shall be taken as necessary. In January 2023, the useful lives of special tooling items were reassessed and extended. These adjustments are expected to be reflected as an increase in operating profit of CZK 2,884 million in 2023, and CZK 1,555 million in 2024.

Intangible assets show the highest uncertainty in estimating the useful life. Net book value of intangible assets was CZK 59,920 million as at 31 December 2022 (as at 31 December 2021: CZK 48,697 million). Average useful life of intangible assets was 6 years in 2022 (in 2021: 6 years).

Functional Currency

Items included in the Company's financial statements are measured in accordance with IAS 21 using the functional currency. The functional currency means the currency of the primary economic environment in which the entity operates. The Company operates primarily in the economic environment of the Czech Republic, but as a result of its foreign activities it is exposed also to other economic environments. The Company regularly performs analyses of the functional currency criteria in accordance with IAS 21. When determining the functional currency, the Company's management follows the general definition and other supporting criteria. In particular, it monitors the proportion of currencies that have a major impact on the selling prices of goods and services and evaluates the currency mix of costs. In determining the functional currency, the Company's management also takes into account the currency, in which sources of financing are generated and in which the operating income from the Company's activities is retained. The Company also regularly monitors and evaluates all indications and trends in the primary economic environment that could affect functional currency in the future. Detailed information on the results of the analysis carried out in 2022 (2021) is disclosed in Note 1.4.

3 Financial Risk Management

The Company operates in the automotive industry, sells its products in many countries around the world and therefore performs transactions connected with a variety of financial risks. The objective of the Company is to manage these risks through application of a flexible hedging strategy with utilisation of various instruments. The structure of financial risk management in the Company is based on the unified principle of risk management applied in the Volkswagen Group. The Volkswagen Group's risk management principles are in compliance with the requirements of the German Act on Control and Transparency in Enterprises (KonTraG).

In compliance with the Volkswagen Group policy all hedging operations are agreed and implemented in cooperation with the Treasury department of the Volkswagen Group.

Management of the Company is regularly informed of current financial and other related risks (liquidity, foreign exchange rates, interest rates, prices of commodities, invoice currencies, payment conditions, etc.), which is achieved through regular "liquidity meeting" attended by member of the Board of Management for Finance and IT (CFO) and representatives from Treasury, Controlling, Accounting. Inputs for meetings and decision making are discussed with Volkswagen Group Treasury, especially such that concerns FX hedging and commodity risks. These meetings have predefined agenda, which includes also information on the macroeconomic indicators. Meetings have a formalised structure and all minutes including the decisions are recorded and their fulfilment is periodically evaluated.

3.1 Credit Risk

Credit risk is a risk that one party to a financial instrument will cause a financial loss to other party by failing to discharge an obligation. Credit risk arises in the normal course of the Company's operations, as well as through activities connected with financial market transactions (money market, currency conversion, derivatives transactions, etc.). Credit risk arising from operations on the financial market is managed by Volkswagen Group Treasury through determination of maximal limits for individual counterparties.

The quantification of credit risks is based on several different primary criteria, of which the most significant are the country risk and the counterparty risk. The counterparty risk is monitored at the Volkswagen Group level.

The acceptance of new business partners is reliant on standard approval procedures. The Company's involvement with counterparties is managed by means of credit limits that are monitored and reassessed on a regular basis. A utilization of these limits is monitored and evaluated on a regular basis.

Active administration and management of receivables is incorporated into the credit risk management process. In respect of the trade receivables security strategy, trade receivables are divided into receivables from domestic customers, foreign customers and Volkswagen Group entities. Receivables are secured by preventative and supplemental instruments.

Preventive instruments for securing receivables are mainly used at the time of conclusion of the commercial contract. The mandatory securing instrument in a written contractual relationship is a penalty interest and furthermore chosen trade receivables are secured by an ownership title to the sold goods until full settlement of the purchase price. An integral part of the prepared contract is the determination and approval of payment terms, which is done by the Treasury Department.

Trade receivables from Volkswagen Group companies and from associates are considered to bear the least risk. Therefore, the supplies of goods are performed on credit terms or the receivables are transferred through factoring to factoring companies within the Volkswagen Group.

Trade receivables from customers located abroad include receivables from importers and other foreign customers. The receivables from importers are secured by the following financial security instruments: prepayments, payments in advance, standby letters of credit, documentary letters of credit, buyers credit, importer guarantees, bank guarantees and transfer of receivables to factoring without recourse or with partial recourse. For some domestic and foreign customers (scrap collection, motorsport) is also used proforma invoicing tool. Only an immaterial part of receivables from other customers arises on credit terms. The usual invoice maturity date for the sale of goods in this country is 14 or 30 days. For foreign sales, the maturity period ranges from 30 to 180 days depending on the type of goods, the country of the customer and the contractual payment terms. Interest on arrears is charged on unpaid trade receivables according to the contractual conditions.

Receivables from domestic customers are divided into two groups: receivables from contractual partners bound by sales or service agreements, and from other domestic customers. The receivables arising from sales of new and used vehicles to contractual partners are transferred to factoring without recourse or with partial recourse. The securing instrument for contractual partners with a lower creditworthiness is the deposit of technical licences at a banking institution until the purchase price is paid.

Credit limits are set up for the supplies of new and used vehicles, original parts and accessories. The new orders of goods are automatically blocked in case the customer fails to settle due balances when the credit limit is exceeded. Supplies to other domestic customers are realised on credit terms. If the receivable is not paid by the due date, reminders are sent to customers at regular intervals. In case of unsuccessful reminders, legal enforcement is initiated.

Different combinations of the following instruments are used as an additional security of high-risk receivables: confirmation of debt prolonging the statute of limitation, payment schedules, bills of exchange, pledges, or executory note. Loans to employees are secured by other employee guarantees.

As at 31 December 2022 (as at 31 December 2021), the Company did not hold any collateral for loans given.

In the following table, the reported figures represent either the carrying value of secured trade receivables, or the collateral value if this value is lower, determined individually for each instrument (both to third parties and related parties) presented in Note 8.2:

CZK million	2022	2021
Retention of legal ownership title to sold cars	1,495	816
Bank guarantee	1,876	877
Letters of credit	854	634
Documentary collection	127	82
Total	**4,352**	**2,409**

As at 31 December 2022, the Company recorded bank guarantees securing advance payments paid to suppliers in the amount of CZK 5,833 million (as at 31 December 2021: CZK 5,963 million).

3.1.1 Maximum Exposure to Credit Risk

The maximum exposure to credit risk in case of activities connected to business operations, granting of loans, supplier credits provided to customers and deposits in companies within Volkswagen Group and bank deposits is calculated as the gross carrying amount of the above mentioned financial assets less any impairment provisions and the value of guarantees unrecognised in the balance sheet. The exposure to credit risk of derivatives is measured at fair value of the derivative.

The amount of guarantee provided by the Company is CZK 75 million as at 31 December 2022 (as at 31 December 2021: CZK 75 million). Detailed information on the guarantee is listed in Note 3.1.6.

3.1.2 Risk Concentration

The Company monitors concentration of credit risk by distribution regions and denomination currency. The sensitivity of the Company to foreign exchange risk is disclosed in Note 3.4.1. As a result of the Russian-Ukrainian conflict, the Company has experienced a significant concentration of credit risk in the Russia sales region, see section 1.3.

A significant portion of financial assets is of an intra-group nature. The Company deposited free cash only in Volkswagen Group companies.

The total volume of deposits in Volkswagen Group companies amounted to CZK 1,661 million as at 31 December 2022 (as at 31 December 2021: CZK 22,417 million), out of which:

- deposits with original maturity less than three months included in balance sheet in the line Cash and cash equivalents (see Note 10) in total amount of CZK 0 million (as at 31 December 2021: CZK 19,700 million);
- overnight deposits from cash pooling included in balance sheet in the line Cash and cash equivalents (see Note 10) in total amount of CZK 1,661 million (as at 31 December 2021: CZK 2,717 million);

The Company did not consider probable that a default could occur in connection with the free cash deposited in 2022 (2021). The expected credit loss resulting from a possible default in the Russia sales region is presented in Section 3.1.5.

Possible risk of unpaid receivables from third parties was individually not significant (spread between various debtors and regions).

3.1.3 Credit Quality of Financial Assets

The following table shows the gross values of financial assets classified as financial assets at amortized costs (see classification in Section 2.5.1.1), which are classified according to credibility.

Solvency class 1 includes receivables and deposits in Volkswagen Group companies that are not individually impaired, further secured receivables from third parties and receivables that will be subject to factoring without recourse. There is no objective evidence indicating a default of these receivables. Solvency class 2 includes unsecured trade receivables from third parties for which there is no objective evidence indicating a default. Solvency class 3 includes unsecured trade receivables for which there is an objective evidence of a default and for which there are individual valuation allowances.

Credit Quality of Financial Assets Classified As Financial Assets at Amortised Cost

	General approach to impairment		Simplified approach to impairment		
CZK million	**Stage 1 12-month ECL***	**Stage 3 lifetime ECL* - individually impaired**	**Lifetime ECL* based on provision matrix**	**Lifetime ECL* - individually impaired**	**Total**
Balance as at 31 December 2022					
Solvency class 1, of which:	**2,461**	**–**	**22,306**	**–**	**24,767**
Trade receivables	–	–	22,306	–	22,306
Cash and cash equivalents	4	–	–	–	4
Cash pooling	1,661	–	–	–	1,661
Other	796	–	–	–	796
Solvency class 2, of which:	**–**	**–**	**444**	**–**	**444**
Trade receivables	–	–	444	–	444
Solvency class 3, of which:	**–**	**106**	**–**	**947**	**1,053**
Trade receivables	–	–	–	947	947
Other	–	106	–	–	106
Total	**2,461**	**106**	**22,750**	**947**	**26,264**
Balance as at 31 December 2021					
Solvency class 1, of which:	**23,347**	**–**	**19,934**	**–**	**43,281**
Trade receivables	–	–	19,934	–	19,934
Cash equivalents	19,705	–	–	–	19,705
Cash pooling	2,717	–	–	–	2,717
Other	925	–	–	–	925
Solvency class 2, of which:	**–**	**–**	**408**	**–**	**408**
Trade receivables	–	–	408	–	408
Solvency class 3, of which:	**–**	**107**	**–**	**140**	**247**
Trade receivables	–	–	–	140	140
Other	–	107	–	–	107
Total	**23,347**	**107**	**20,342**	**140**	**43,936**

* ECL – expected credit losses

In stage 2 of ECL model the Company included no financial assets in 2022 (2021). Besides the amounts presented above in the table Credit quality of financial assets classified as financial assets at amortised cost, the Company included in Solvency class 1 also receivables that will be subject to factoring without recourse (portfolio FVPL) in the amount of CZK 3,250 million (as at 31 December 2021: CZK 2,712 million).

3.1.4 Credit Risk Analysis

The following table provides a reconciliation of the gross values of each category of financial assets measured at amortised cost, including their allocation to ECL* grades reflecting their degree of impairment. Information on how the Company applies each method in the impairment of financial assets is provided in section 2.5.1.2.

Changes in Gross Carrying Amounts of Financial Assets at Amortised Cost

	General approach to impairment		Simplified approach to impairment		
CZK million	**Stage 1 12-month ECL***	**Stage 3 lifetime ECL* - individually impaired**	**Lifetime ECL* based on provision matrix**	**Lifetime ECL* - individually impaired**	**Total**
Trade receivables					
Balance as at 1 January 2022	**–**	**–**	**20,342**	**140**	**20,482**
Collected	–	–	(20,292)	(46)	(20,338)
Additions	–	–	22,700	853	23,553
Balance as at 31 December 2022	**–**	**–**	**22,750**	**947**	**23,697**
Cash equivalents and cash pooling					
Balance as at 1 January 2022	**22,422**	**–**	**–**	**–**	**22,422**
Collected	(22,422)	–	–	–	(22,422)
Additions	1,665	–	–	–	1,665
Balance as at 31 December 2022	**1,665**	**–**	**–**	**–**	**1,665**
Other receivables and financial assets					
Balance as at 1 January 2022	**925**	**107**	**–**	**–**	**1,032**
Collected	(519)	(1)	–	–	(520)
Additions	390	–	–	–	390
Balance as at 31 December 2022	**796**	**106**	**–**	**–**	**902**

* ECL – expected credit losses

	General approach to impairment		Simplified approach to impairment		
CZK million	**Stage 1 12-month ECL***	**Stage 3 lifetime ECL* - individually impaired**	**Lifetime ECL* based on provision matrix**	**Lifetime ECL* - individually impaired**	**Total**
Trade receivables					
Balance as at 1 January 2021	**–**	**–**	**25,377**	**139**	**25,516**
Collected	–	–	(25,294)	(10)	(25,304)
Additions	–	–	20,259	11	20,270
Balance as at 31 December 2021	**–**	**–**	**20,342**	**140**	**20,482**
Cash equivalents and cash pooling					
Balance as at 1 January 2021	**18,669**	**–**	**–**	**–**	**18,669**
Collected	(18,669)	–	–	–	(18,669)
Additions	22,422	–	–	–	22,422
Balance as at 31 December 2021	**22,422**	**–**	**–**	**–**	**22,422**
Other receivables and financial assets					
Balance as at 1 January 2022	**610**	**107**	**–**	**–**	**717**
Collected	(203)	–	–	–	(203)
Additions	518	–	–	–	518
Balance as at 31 December 2021	**925**	**107**	**–**	**–**	**1,032**

* ECL – expected credit losses

In stage 2 of ECL model the Company included no financial assets in 2022 (2021).

3.1.5 Impairment of Financial Assets at Amortised Costs

The following table provides a reconciliation of the allowance for trade receivables:

CZK million	Lifetime ECL* based on provision matrix	Lifetime ECL* - individually impaired	Total
Allowances for trade receivables			
Balance as at 1 January 2022	**(270)**	**(140)**	**(410)**
Additions	(203)	(853)	(1,056)
Reversals	148	46	194
Balance as at 31 December 2022	**(325)**	**(947)**	**(1,272)**
Allowances for trade receivables			
Balance as at 1 January 2021	**(372)**	**(139)**	**(511)**
Additions	(148)	(11)	(159)
Reversals	250	10	260
Balance as at 31 December 2021	**(270)**	**(140)**	**(410)**

* ECL – expected credit losses

The Company applies a simplified approach to impairment for trade receivables, therefore the 12-month ECL is not disclosed, see section 2.5.1.2 for further information. In 2022, the additions include in the column “Lifetime ECL - individually impaired” the creation of a specific impairment allowance for licenses receivable related to business activities in Russia includes in the amount CZK 748 million.

Impairment Matrix for Trade Receivables

CZK million	Not due	Past due	Total
Balance as at 31 December 2022			
Expected loss rate (%)	1.25%	2.5 – 4.75%	
Gross carrying amount	21,415	1,335	22,750
Loss allowance provision	**267**	**58**	**325**
Balance as at 31 December 2021			
Expected loss rate (%)	1.25%	1.5 – 3.75%	
Gross carrying amount	18,928	1,414	20,342
Loss allowance provision	**(237)**	**(33)**	**(270)**

Allowances for lifetime expected credit loss for other receivables and financial assets were CZK 4 million in stage 1 (as at 31 December 2021: CZK 4 million) and CZK 106 million in stage 3 (as at 31 December 2021: CZK 107 million). During the accounting period 2022 (2021) the Company had valuation allowances only on financial assets included in the category of financial assets at amortised cost.

3.1.6 Transferred Financial Assets Where the Company Has Continuing Involvement

The Company has concluded a factoring contract with the company ŠkoFIN s.r.o., under which the majority of risks and rewards relating to ownership of receivables arising from sale of new or used cars are transferred to ŠkoFIN s.r.o. Under certain conditions, the company ŠkoFIN s.r.o. can claim compensation relating to realised credit loss up to 2% of the total amount of transferred receivables during the year, however, not more than 49% of these losses and not more than CZK 75 million in 2022 (in 2021: CZK 75 million). This amount represents carrying amount and fair value of the recognised continuing involvement in these receivables, and related financial liabilities. At the same time, this amount represents the maximum exposure to credit risk. The loss from the transfer of the assets was CZK 206 million in 2022 (in 2021: CZK 70 million). This loss concerns the obligation to compensate for realised credit loss incurred by ŠkoFIN s.r.o.

3.1.7 Offsetting of Financial Assets and Financial Liabilities

CZK million	Gross amount of financial assets / liabilities recognised in the balance sheet	Gross amount of financial assets / liabilities set off in the balance sheet	Net amount of financial assets / liabilities recognised in the balance sheet	Related amount not set off in the balance sheet*	Net amount of financial assets / liabilities**
Balance as at 31 December 2022					
Receivables from financial derivatives	7,299	–	7,299	(3,757)	3,542
Liabilities from financial derivatives	3,758	–	3,758	(3,757)	1
Balance as at 31 December 2021					
Receivables from financial derivatives	4,986	–	4,986	(2,276)	2,710
Liabilities from financial derivatives	2,469	–	2,469	(2,276)	193

* Comprises the financial assets / liabilities (other than cash collateral) that are the subject of an enforceable master netting agreement or similar agreement, and which were not recognised in the balance sheet as offset because the conditions for their offsetting were not met.

** This is the net value of financial assets / liabilities recognised in the statement of financial position decreased by the value of related financial liabilities / assets that were not recognised on a net basis in the statement of financial position.

As at 31 December 2022 (as at 31 December 2021) the Company did not offset any trade receivables and trade liabilities in balance sheet because none of the trade receivables and trade liabilities fulfilled criteria for offsetting according to amendment to IAS 32.

There was no collateral held or given in respect of derivative financial assets / liabilities as at 31 December 2022 (as at 31 December 2021). The total amount of collateral value of trade receivables was CZK 4,352 million as at 31 December 2022 (as at 31 December 2021: CZK 2,409 million). Details related to types of collateral are presented in Note 3.1.

3.2 Liquidity Risk

Liquidity risk is a risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The objective of liquidity risk management is to ensure the balance between the funding of operating activities and financial flexibility in order to ensure that all claims of the Company's suppliers and creditors are settled timely.

Management of the Company monitors the liquidity and its development at regular monthly Liquidity Meetings attended by member of the Board for Finance and IT (CFO) and representatives of the Treasury, Controlling and Accounting departments. The predetermined agenda generally includes the information about development of liquidity and its structure. The Company's management is also presented with the short-term forecasts of the liquidity development.

Cash Management

The Company is integrated into the "Global Treasury Platform" (GTP) of Volkswagen Group which is operated by Volkswagen International Belgium SA (VIB), the Regional Treasury Centre, located in Brussels. Centralisation and optimisation of processes is ensured within the Volkswagen Group in the areas of cash management, payments system and liquidity management.

In the GTP, the outgoing payments are processed on behalf of the Company by VIB, based on payment orders placed by the Company and are transferred from a bank accounts held by VIB. The incoming payments are credited to Company's bank accounts and subsequently at the end of each working day they are automatically transferred to VIB's bank accounts (master account) where the difference between debit and credit balances of the collected financial resources are netted off. Terms of such transactions are defined within the cash pooling concept agreed upon between the Company, the bank and VIB.

Major instruments used to maintain sufficient liquidity resources are represented by short-term and long-term financial plans, coordination of free liquidity management within the GTP, active cooperation with banks and monitoring of the situation at money market and capital market. Sufficient resources of liquidity are ensured through resources from other Volkswagen Group companies integrated into the GTP.

As at 31 December 2022, the Company had an open credit line within the Volkswagen Group of up to EUR 700 million, i.e. converted to CZK as at 31 December 2022: CZK 16,881 million. As at 31 December 2022, the Company drawn down this credit line in the amount of EUR 140 million, i.e. converted to CZK as at 31 December 2022: CZK 3,376 million. Further information on short-term loans is disclosed in Notes 13.1 and 25.

The Company has not drawn any credit line from the Volkswagen Group as at 31 December 2021.

The Company has not drawn any credit line from the external banks as at 31 December 2022 (as at 31 December 2021).

Analysis of Contractual Maturity Undiscounted Cash Flows

The maturity analysis of contractual undiscounted cash flows shows the residual maturity of the Company's non-derivative and derivative financial liabilities with an agreed payment date. The contractual maturity is based on the earliest possible dates when the Company may be required to repay financial liabilities and guarantees.

The values in the analysis represent undiscounted cash outflows that results from the settlement of non-derivative and derivative financial liabilities in the future. Derivative financial liabilities that will be settled on a net basis are undiscounted net cash outflows. For derivative financial liabilities that will be settled on a gross basis, only undiscounted gross cash outflows are present (existing inflows against these outflows that are not present in the analysis).

The values presented in the item of the Financial Guarantee Agreement are the maximum amounts that the Company may be forced to settle in the event that the counterparty claims the full amount of the guaranteed value (see Note 3.1.6).

Contractual maturity analysis

	Less than 3 months	3 months–1 year	1–5 years	More than 5 years	Total
Balance as at 31 December 2022 (CZK million)					
Trade liabilities	(54,338)	(10,958)	–	–	(65,296)
Leasing liabilities	–	(575)	(897)	(325)	(1,797)
Liabilities from short-term loans	(3,377)	–	–	–	(3,377)
Derivatives:					
Currency forwards and swaps - gross cash outflows	(11,736)	(52,914)	(117,870)	(13,246)	(195,766)
Commodity swaps - net cash outflows	(63)	(136)	(206)	(9)	(414)
Financial guarantee contracts	–	–	(75)	–	(75)
Other financial liabilities	–	–	–	–	–
Total	**(69,514)**	**(64,583)**	**(119,048)**	**(13,580)**	**(266,725)**
Balance as at 31 December 2021 (CZK million)					
Trade liabilities	(49,109)	(9,121)	–	–	(58,230)
Leasing liabilities	–	(557)	(860)	(163)	(1,580)
Derivatives:					
Currency forwards and swaps - gross cash outflows	(24,441)	(65,918)	(83,807)	–	(174,166)
Commodity swaps - net cash outflows	–	–	–	–	–
Financial guarantee contracts	–	–	(75)	–	(75)
Other financial liabilities	–	(93)	–	–	(93)
Total	**(73,550)**	**(75,689)**	**(84,742)**	**(163)**	**(234,144)**

3.3 Market Risk

Market risk is a risk that the fair value of future cash flows will fluctuate because of changes in market prices. Market risk includes three types of risks: currency risk, interest rate risk and price risk. Developments on the financial markets are considered to be the most significant risk factor, especially the fluctuation of exchange rates.

3.3.1 Currency Risk

Currency risk is a risk that the fair value of future cash flows will fluctuate because of changes in foreign exchange rates.

The fluctuation of exchange rates represents significant risk in that the Company sells its products, and purchases material, parts and services concurrently in various foreign currencies. The Company actively manages this risk through continually updated market analysis, worldwide procurement of material and equipment and production of its products in some sales regions. Standard derivative hedging instruments are used by the Company to manage the currency risk.

The risk exposure, as determined by the analysis of income and expense structures by foreign currency, is hedged on the basis of expected future foreign currency cash flows. These expected cash flows are planned in the form of monthly foreign currency plans (FX plan), which are being updated regularly and they stretch over a time horizon up to 5 years.

The Company's management is regularly being updated about the currency risk status by means of the liquidity meeting, attended by member of the Board of Management for Finance and IT (CFO) and representatives of the Treasury, Controlling and Accounting. Inputs for meetings and decision making are discussed with Volkswagen Group Treasury, especially such that concerns FX hedging and commodity risks. In addition to the update of foreign currency plans, actual development of foreign currency cash flows and exchange rates fluctuations against CZK and against EUR*, suggestions for additional hedging are presented and agreed during these meetings.

Forward exchange contracts and currency swaps are used as hedging instruments for elimination of currency risk. The basic parameters of the hedging policy are defined by the hedging directive valid for the entire Volkswagen Group, which includes also the list of permitted financial products (derivatives). The risk resulting from changes in exchange rates against CZK is hedged for a total of 14 currencies. The most important currencies hedged against the risk of changes in exchange rates against the CZK are EUR, GBP, PLN and CHF. The risk arising from changes in exchange rates against EUR* is hedged for the same basket of currencies with the additional currency CZK and no longer against EUR. The Company also applies hedge accounting for currency risk. For the analysis of sensitivity to exchange rates please see Note 3.4.1.

* See Note 1.4. – Amendment of the currency risk hedging strategy

3.3.2 Interest Rate Risk

Interest rate risk is a risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The objective of the interest rate risk management is to eliminate the risk arising from fluctuations of interest rates of financial liabilities and receivables with floating interest rates by maintaining an appropriate structure of financial liabilities and receivables.

The management of the Company monitors the interest rate risk at regular monthly meetings attended by member of the Board of Management for Finance and IT and representatives of the Treasury, Controlling and Accounting departments. The meetings have a predetermined agenda that includes the information about current development of interest rates. The Company's management is also presented with forecasts of the interest rates development.

The exposure to interest rate risk arises from cash deposits and drawdown of short-term loans with Volkswagen Group companies and factoring transactions with receivables.

For the analysis of sensitivity to interest rates please see Note 3.4.2.

3.3.3 Price Risk

Price risk is a risk of changes in market prices, especially commodity prices (apart from that which results from currency and interest risk).

Due to continuous volatility in the prices of raw material commodities and limited accessibility to specific commodities, management has aimed to reduce these risks through target risk management strategies. In this regard, utilisation of alternative production materials and procedures as well as utilisation of recycled material is being examined. In addition, emphasis is placed on extending the international supply chain in co-operation with the Volkswagen Group. High price risk commodities include primarily aluminium, copper, palladium, lead, nickel, platinum, rhodium, lithium and cobalt.

The Company hedges price risks for base metals (copper, lead and aluminium) as a whole (due to changes in selected commodity prices and exchange rates) using commodity swaps and currency forwards. Precious metal price risks are reduced at Volkswagen Group level through long-term contracts with suppliers. Nickel and cobalt price risks associated with the purchase of batteries are reduced at Volkswagen Group level through commodity swaps and currency forwards agreed at regular meetings of the “Hedging Committee” with the participation of the Company.

The sensitivity analysis to changes in other price risks is disclosed in Note 3.4.3.

3.3.4 Derivative Financial Instruments

Nominal and Fair Value of Derivatives

CZK million	Nominal value of derivatives		Fair value of derivatives			
	Balance as at 31 December 2022	Balance as at 31 December 2021	Balance as at 31 December 2022		Balance as at 31 December 2021	
	With positive and negative fair value	With positive and negative fair value	Positive	Negative	Positive	Negative
Currency instruments						
Currency forwards and swaps for trading	10,820	5,262	385	68	146	128
Currency forwards and swaps – cash flow hedging	199,377	173,582	6,287	3,276	2,933	2,340
Commodity instruments						
Commodity swaps for trading	10,578	5,045	627	414	1,907	1
Total	**220,775**	**183,889**	**7,299**	**3,758**	**4,986**	**2,469**

Further information on fair value as required by IFRS 13 is disclosed in Note 3.6.

Nominal Amount of Derivatives Contracted in EUR in Detail per Currencies

CZK million Balance as at 31 December 2022	Due date: Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Total
Currency instruments						
Currency forwards and swaps – cash flow hedging						
AUD	2,219	3,922	2,182	399	–	8,722
CZK	6,539	7,115	9,714	7,879	7,885	39,132
GBP	20,218	18,674	9,170	2,785	–	50,847
CHF	10,913	10,925	9,777	8,550	5,877	46,042
JPY	2,431	1,851	1,292	251	–	5,825
NOK	4,955	5,406	5,006	2,075	–	17,442
PLN	8,908	2,299	–	–	–	11,207
SEK	4,673	3,907	2,366	–	–	10,946
TWD	2,538	2,195	1,899	1,653	929	9,214
Total	**63,394**	**56,294**	**41,406**	**23,592**	**14,691**	**199,377**

CZK million Balance as at 31 December 2021	Due date: Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Total
Currency instruments						
Currency forwards and swaps – cash flow hedging						
CZK	–	–	–	1,215	1,605	2,820
AUD	–	1,433	1,228	261	–	2,922
GBP	–	16,505	11,622	583	–	28,710
CHF	–	6,453	5,209	3,734	2,519	17,915
JPY	–	1,216	964	584	–	2,764
NOK	–	3,134	1,911	725	–	5,770
PLN	–	6,529	2,418	–	–	8,947
SEK	–	5,205	4,351	2,635	–	12,191
TWD	–	1,662	1,146	810	256	3,874
Total	**–**	**42,137**	**28,849**	**10,547**	**4,380**	**85,913**

Nominal Amount of Derivatives Contracted in CZK in Detail per Currencies

As at 31 December 2022, the Company did not have any currency derivatives contracted in CZK due to the change in functional currency from the financial year beginning 1 January 2023.

CZK million Balance as at 31 December 2021	Due date Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Total
Currency instruments						
Currency forwards and swaps – cash flow hedging						
EUR	24,216	–	–	–	–	24,216
AUD	2,577	–	–	–	–	2,577
GBP	21,215	–	–	–	–	21,215
CHF	8,324	–	–	–	–	8,324
JPY	1,938	–	–	–	–	1,938
NOK	5,894	–	–	–	–	5,894
PLN	14,230	–	–	–	–	14,230
SEK	7,582	–	–	–	–	7,582
TWD	1,693	–	–	–	–	1,693
Total	**87,669**	**–**	**–**	**–**	**–**	**87,669**

For additional information on hedging of currency risk exposure see Note 2.5.3 and for information about movement in reserve for cash flow hedges see Note 12.1.

3.4 Sensitivity Analysis

3.4.1 Sensitivity to Exchange Rates

The Company is exposed to the foreign currency risk arising mainly from transactions denominated in foreign currencies (especially EUR, GBP, CHF, SEK and PLN) and with transaction with business partners using USD as transaction currency.

Sensitivity to Exchange Rates of Foreign Currencies Against CZK

The foreign currency risk is measured in 2022 (2021) against the functional currency (CZK) at the balance sheet date, when the financial assets and liabilities denominated in foreign currencies are recalculated to CZK by applying the Czech National Bank exchange rate.

The sensitivity analysis includes analysis of exposure arising from derivative financial assets and liabilities and unpaid financial assets and liabilities denominated in foreign currencies and measures the impact from recalculation of these items as at balance sheet date by using adjusted exchange rates compared to those published by Czech National Bank. The sensitivity analysis is based on assumed possible exchange rate movements.

As at 31 December 2022 (2021) the Company considers as reasonably possible the movements of all exchange rates (the most significant being EUR, GBP, PLN, CHF and SEK) against CZK in the following period of +10% (appreciation of CZK) and -10% (depreciation of CZK).

The following tables present impact on profit before tax and on other comprehensive income before tax of expected possible appreciation or depreciation of CZK to foreign currencies:

CZK million 2022	CZK appreciation by 10% EUR	USD	CHF	GBP	SEK	PLN	Other currencies
Profit before tax							
Non-derivative financial instruments	1,227	(225)	(17)	8	2	(6)	47
Derivative financial instruments	–	(283)	–	–	–	–	–
Other comprehensive income before tax							
Derivative financial instruments	–	–	–	–	–	–	–

CZK million 2022	CZK depreciation by 10% EUR	USD	CHF	GBP	SEK	PLN	Other currencies
Profit before tax							
Non-derivative financial instruments	(1,227)	225	17	(8)	(2)	6	(47)
Derivative financial instruments	–	283	–	–	–	–	–
Other comprehensive income before tax							
Derivative financial instruments	–	–	–	–	–	–	–

The following tables present impact on profit before tax and on other comprehensive income before tax of expected possible appreciation or depreciation of CZK to foreign currencies:

CZK million 2021	CZK appreciation by 10%						
	EUR	USD	CHF	GBP	SEK	PLN	Other currencies
Profit before tax							
Non-derivative financial instruments	828	(262)	(10)	1	2	–	89
Derivative financial instruments	–	(448)	–	–	–	–	–
Other comprehensive income before tax							
Derivative financial instruments	(2,427)	–	835	2,113	758	1,394	816

CZK million 2021	CZK depreciation by 10%						
	EUR	USD	CHF	GBP	SEK	PLN	Other currencies
Profit before tax							
Non-derivative financial instruments	(828)	262	10	(1)	(2)	–	(89)
Derivative financial instruments	–	448	–	–	–	–	–
Other comprehensive income before tax							
Derivative financial instruments	2,427	–	(835)	(2,113)	(758)	(1,394)	(816)

Sensitivity to Exchange Rates of Foreign Currencies Against EUR

The foreign currency risk against the future functional currency (EUR*) for a portfolio of derivatives with a maturity date after 1 January 2023 is measured at the balance sheet date when the financial assets and financial liabilities denominated in foreign currencies are translated by applying the Volkswagen Group exchange rate (Volkswagen Fixing Rate, derived from the European Central Bank exchange rate) into EUR and subsequently translated at the Czech National Bank exchange rate into CZK.

*See Note 1.4. – Amendment of the currency risk hedging strategy

The sensitivity analysis includes analysis of exposure arising from derivative financial assets and liabilities and unpaid financial assets and liabilities denominated in foreign currencies and measures the impact from recalculation of these items as at balance sheet date by using adjusted exchange rates compared to Volkswagen Fixing Rate. The sensitivity analysis is based on assumed realistic movements in exchange rates.

As at 31 December 2022, the Company considers as reasonably possible the movements of all exchange rates (while most significant in 2022 are CZK, GBP, PLN, CHF and SEK) against EUR in the following period of +10% (appreciation of EUR) and -10% (depreciation of EUR).

The following tables present impact on profit before tax and on other comprehensive income before tax of expected possible appreciation or depreciation of EUR to foreign currencies:

CZK million 2022	EUR appreciation by 10%						
	AUD	USD	CHF	GBP	CZK	PLN	Other currencies
Profit before tax							
Derivative financial instruments	–	(956)	–	–	–	–	–
Other comprehensive income before tax							
Derivative financial instruments	816	–	4,452	4,780	(3,460)	1,058	3,009

CZK million 2022	EUR depreciation by 10%						
	AUD	USD	CHF	GBP	CZK	PLN	Other currencies
Profit before tax							
Derivative financial instruments	–	956	–	–	–	–	–
Other comprehensive income before tax							
Derivative financial instruments	(816)	–	(4,452)	(4,780)	3,460	(1,058)	(3,009)

CZK million 2021	EUR appreciation by 10%						
	AUD	USD	CHF	GBP	SEK	PLN	Other currencies
Profit before tax							
Derivative financial instruments	–	(219)	–	–	–	–	–
Other comprehensive income before tax							
Derivative financial instruments	285	–	1,815	2,814	1,210	834	415

CZK million 2021	EUR depreciation by 10%						
	AUD	USD	CHF	GBP	SEK	PLN	Other currencies
Profit before tax							
Derivative financial instruments	–	219	–	–	–	–	–
Other comprehensive income before tax							
Derivative financial instruments	(285)	–	(1,815)	(2,814)	(1,210)	(834)	(415)

3.4.2 Sensitivity to Interest Rates

The Company is exposed to interest risk mainly in relation with the provision of short-term deposits to companies of the Volkswagen Group and the drawing of short-term loans provided within the Volkswagen Group.

The analysis of sensitivity to changes in interest rates was based on exposure to derivative financial assets and liabilities as at balance sheet date in the same way as for the non-derivative financial assets and liabilities.

For current deposits and loans to Volkswagen Group companies, bank deposits and currency derivatives the Company assumed reasonably possible increase by 100 basis points of the yield curve and reasonably possible decrease by 100 basis points of the yield curve in 2022 (2021: +100/ -100 basis points). Currencies for which interest rates were 0% or negative only the increase of the yield curve was considered in 2022 (2021). If the calculated interest rates for the sensitivity analysis are negative, the interest rate 0% is used for calculation. Profit of the Company is most sensitive to movements of the EUR yield curve in 2022. Profit of the Company was most sensitive to movements of the CZK yield curve in 2021.

In the case of derivative financial instruments, the Company measures the impact on the change in fair value of these derivatives that results from the change in the yield curve. For non-derivative financial instruments, the impact on profit or loss is determined on the basis of defined change in the interest rate, which would arise at the beginning of the next accounting period and based on the assumption that no other changes in the interest rate would occur during the entire accounting period.

The following tables present impact on profit before tax of expected increase or decrease of interest rates:

2022 (CZK million)	Interest rate increased by 100 basis points	Interest rate decreased by 100 basis points
Profit before tax		
Non-derivative financial instruments	(18)	18
Derivative financial instruments	(6)	6
Total	**(24)**	**24**
Other comprehensive income before tax		
Derivative financial instruments	(58)	59
2021 (CZK million)		
Profit before tax		
Non-derivative financial instruments	227	(227)
Other comprehensive income before tax		
Derivative financial instruments	4	(5)

3.4.3 Sensitivity to Changes in Other Price Risks

The Company is exposed to a combination of commodity and currency risks due to volatility in prices of particular commodities traded in foreign currencies. This risk is hedged by a combination of commodity swaps and currency forwards. The sensitivity analysis to changes in commodity prices was determined based on the exposure to derivative financial assets and liabilities as at the balance sheet date.

In 2022 the Company assumes reasonably possible movements in prices of particular commodities in the following period of +/-10% (2021: +/-10%).

The Company considers changes in the fair values of derivative financial instruments due to changes in spot commodity prices. Other non-derivative financial assets and liabilities are deemed not to be sensitive to changes in commodity prices since the prices are fixed at the time of recognition of the financial liability or asset.

The following tables represent impact on profit before tax of expected increase or decrease of copper, aluminium and lead prices:

2022 (CZK million)	Increase of copper prices +10%	Decrease of copper prices (10%)	Increase of aluminium prices +10%	Decrease of aluminium prices (10%)	Increase of lead prices +10%	Decrease of lead prices (10%)
Profit before tax						
Derivative financial instruments	285	(285)	688	(688)	34	(34)
2021 (CZK million)						
Profit before tax						
Derivative financial instruments	158	(158)	486	(486)	47	(47)

The above values also include the impact on the change in fair value of commodity swaps classified as Level 3 due to a change in the spot price of the commodity. If the spot price of aluminium were to decrease by 10% on the commodity market, the revaluation of commodity swaps to fair value classified in Class 3 would result in a decrease in profit before tax of CZK 209 million (2021: CZK 44 million). Conversely, if the spot price of aluminium were to increase by 10% on the commodity market, the revaluation of the commodity swaps to fair value in Class 3 would result in increase of profit before tax by CZK 209 million (2021: CZK 209 million). If the spot price of copper had decreased by 10% on the commodity market, the revaluation of the commodity swaps to fair value in Class 3 would have reduced profit before tax by CZK 112 million (2021: CZK 4 million). Conversely, if the spot price of copper were to increase by 10% on the commodity market, the revaluation of commodity swaps to fair value in Class 3 would increase profit before tax by CZK 112 million (2021: CZK 4 million).

3.5 Capital Management

The objective of the capital management is to maintain the continuous Company's value growth for the shareholders. Management of the Company defines the capital as the equity and non-equity capital presented in these financial statements. The Company's capital is controlled at the Volkswagen Group level - see the consolidated financial statements of Volkswagen AG, which will be published in the Czech language in the Collection of Documents of the Commercial Register.

3.6 Fair Value Hierarchy for Financial Assets and Liabilities

3.6.1 Structure of Financial Instruments by Method of Determining Fair Value

The Company uses and discloses financial instruments in the following structure according to the method of determining fair value:

- Class 1: fair value measurement using market prices for identical assets and liabilities quoted in active markets.
- Class 2: fair value measurements using methods for which significant inputs are derived directly or indirectly from information observable in active markets.
- Class 3: fair value measurements using methods for which significant inputs are not derived from observable information in active markets.

Financial Assets Measured at Fair Value by Class

Balance as at 31 December 2022 (CZK million)	Class 1	Class 2	Class 3
Financial assets at fair value through other comprehensive income			
Equity instruments at fair value through other comprehensive income	–	–	6,790
Financial assets at fair value through profit or loss			
Debt instruments through profit and loss	–	3,250	–
Currency forwards and swaps for trading	–	385	–
Commodity swaps for trading	–	560	67
Financial instruments designated as hedging instruments			
Currency forwards and swaps – cash flow hedging	–	6,287	–
Total	**–**	**10,482**	**6,857**

Balance as at 31 December 2021 (CZK million)	Class 1	Class 2	Class 3
Financial assets at fair value through other comprehensive income			
Equity instruments at fair value through other comprehensive income	–	–	8,269
Financial assets at fair value through profit or loss			
Debt instruments through profit and loss	–	2,712	–
Currency forwards and swaps for trading	–	146	–
Commodity swaps for trading	–	1,829	78
Financial instruments designated as hedging instruments			
Currency forwards and swaps – cash flow hedging	–	2,933	–
Total	**–**	**7,620**	**8,347**

Financial liabilities measured at fair value by class

Balance as at 31 December 2022 (CZK million)	Class 1	Class 2	Class 3
Financial liabilities at fair value through profit or loss			
Currency forwards and swaps for trading	–	68	–
Commodity swaps for trading	–	315	99
Financial instruments designated as hedging instruments			
Currency forwards and swaps – cash flow hedging	–	3,276	–
Total	**–**	**3,659**	**99**

Balance as at 31 December 2021 (CZK million)	Class 1	Class 2	Class 3
Financial liabilities at fair value through profit or loss			
Currency forwards and swaps for trading	–	128	–
Commodity swaps for trading	–	1	–
Financial instruments designated as hedging instruments			
Currency forwards and swaps – cash flow hedging	–	2,340	–
Total	**–**	**2,469**	**–**

Fair value of financial assets and liabilities measured at amortised cost by class

Balance as at 31 December 2022 (CZK million)	Class 1	Class 2	Class 3
Financial assets at amortised cost			
Loans to employees	–	–	419
Financial liabilities at amortised cost			
Lease liabilities	–	1,507	–
Total	**–**	**1,507**	**419**

Balance as at 31 December 2021 (CZK million)			
Financial assets at amortised cost			
Loans to employees	–	–	417
Financial liabilities at amortised cost			
Lease liabilities	–	1,417	–
Total	**–**	**1,417**	**417**

The table above discloses the fair value of financial assets and liabilities carried at amortised cost for which fair value is determined using valuation methods. For other financial assets and liabilities carried at amortised cost in these separate financial statements, due to their short-term nature, the fair value approximates the amortised cost and therefore their fair value is not separately quantified. Further information on the amortised cost of financial assets and liabilities is provided in paragraphs 8 and 13.

In the Equity instruments at fair value through other comprehensive income a 1% interest in SAIC VOLKSWAGEN AUTOMOTIVE COMPANY LIMITED ("SAIC") is recognised, see Note 8.1. Up to 2021, the fair value of the financial investment was calculated based on the present value of the future free cash flow (FCF), that was discounted at a rate derived from the company's weighted average cost of capital (WACC). As of 2022, the fair value of this investment was determined as the sum of the present values of the future cash flows from dividends using a discount rate derived from SAIC's cost of equity. In determining the fair value, the Company considered the following significant unobservable inputs: assumptions relating to corporate planning (e.g. cash flows from operating activities); the growth rate used to estimate free cash flows beyond the end of the planning period; and the discount rate exempt from the cost of equity. A growth rate of 1.0% (1.0%) was used to extrapolate the future cash flows from dividends in 2022 (2021). A discount rate of 10.5% (11.1%) was used in 2022 (2021). The effect on fair value of the change in the remeasurement value of the investment was recognised in other comprehensive income.

Under Debt instruments at fair value through profit or loss, only trade receivables held for sale for factoring are recognised, see Note 8.2. The fair value of these receivables was determined as the present value of future cash flows based on market interest rates at the balance sheet date.

The classification of financial derivatives into classes of the fair value hierarchy is based on the availability of observable market prices. The fair values of financial derivatives that qualify for Class 2 under IFRS 13 are derived from market quotes, commodity prices and yield curves but are not directly tradable in active financial markets. In particular, forward exchange rates, yield curves and commodity prices that are observable in individual markets and can be obtained from price monitoring agencies are used as derived inputs. The fair values in Class 3 are calculated using valuation techniques that work with input variables that are not observable in an active market. In the Volkswagen Group, Class 3 includes commodity forward transactions, for the valuation of which an extrapolation of market rates has to be made. The extrapolation is made on the basis of observable inputs for different commodities that can be obtained through the agencies mentioned above. Further information on derivative financial instruments and their valuation methods is disclosed in Note 2.5.3.

The fair value of employee loans was determined as the present value of future cash flows based on market interest rates at the balance sheet date. The fair value of the lease liabilities was determined as the present value of future cash outflows based on market interest rates at the balance sheet date. The fair value of short-term loans was determined as the present value of future cash outflows based on market interest rates at the balance sheet date.

3.6.2 Summary of Changes in Financial Assets and Liabilities Measured at Fair Value at Class 3

CZK million	Equity instruments at fair value through other comprehensive income	Receivables from commodity swaps – for trading	Commodity swap liabilities – for trading
Balance as at 1 January 2021	**7,860**	**74**	**8**
Additions	–	25	–
Losses	–	(67)	(7)
Revaluation	409	46	(1)
Balance as at 31 December 2021	**8,269**	**78**	**–**
Additions		67	99
Losses	–	(78)	–
Revaluation	(1,479)	–	–
Balance as at 31 December 2022	**6,790**	**67**	**99**

Reclassifications between Classes of the fair value hierarchy are accounted for at the balance sheet date. Reclassifications from Class 3 to Class 2 include commodity transactions for which, given the remaining time to maturity, observable market prices are available for valuation so that extrapolations do not need to be made. In commodity swap receivables, CZK 78 million has been reclassified from Class 3 to Class 2 in 2022 (2021: CZK 67 million). In commodity swap liabilities, CZK 0 million was transferred from Class 3 to Class 2 in 2022 (2021: CZK 7 million).

3.6.3 Sensitivity of the Fair Value of Financial Assets and Liabilities Measured at Fair Value at Class 3 to Changes in the Parameter Values in the Valuation Model

Sensitivity of the Fair Value of Equity Instruments to Changes in the Long-Term Growth Rate

In 2022, the Company expects a realistic long-term growth rate movement of +/- 0.5 percentage points in the following period (2021: +/- 0.5 percentage points).

The following tables present the impact on the amount of balance sheet items when the long-term growth rate is expected to increase or decrease:

2022 (CZK million)	Increase by 0.5%	Decrease by 0.5%
Increase / (decrease) of the fair value of the investment	204	(184)
Increase / (decrease) of the other comprehensive income before tax	204	(184)

2021 (CZK million)		
Increase / (decrease) of the fair value of the investment	282	(255)
Increase / (decrease) of the other comprehensive income before tax	282	(255)

Sensitivity of the Fair Value of Equity Instruments to a Change in Discount Rate

In 2022, the Company expects a realistic movement in discount rate of +/- 0.5 percentage points in the following period (2021: +/- 0.5 percentage points).

The following tables present the impact on the amount of balance sheet items when discount rate is expected to increase or decrease:

2022 (CZK million)	Increase by 0.5%	Decrease by 0.5%
Increase / (decrease) of the fair value of the investment	(377)	419
Increase / (decrease) of the other comprehensive income before tax	(377)	419

2021 (CZK million)		
Increase / (decrease) of the fair value of the investment	(440)	487
Increase / (decrease) of the other comprehensive income before tax	(440)	487

There are no significant correlations between significant unobservable inputs.

An analysis of the sensitivity to changes in commodity prices, including the effects of these changes on the fair value of Class 3 commodity swaps included in profit before tax, is disclosed in Note 3.4.3.

4 Intangible Assets

CZK million	Capitalised development costs for products currently in use	Capitalised development costs for products under development	Other intangible assets **	Total
Costs				
Balance as at 1 January 2022	**55,036**	**11,967**	**16,539**	**83,542**
Additions	1,515	13,487	7,825	22,827
Disposals	(4,958)	(399)	(2,325)	(7,682)
Transfers	551	(551)	–	–
Balance as at 31 December 2022	**52,144**	**24,504**	**22,039**	**98,687**
Cumulative amortisation and impairment losses				
Balance as at 1 January 2022	**(24,264)**	**–**	**(10,581)**	**(34,845)**
Amortisation	(6,758)	–	(2,122)	(8,880)
Impairment losses*	(342)	(399)	(18)	(759)
Disposals	3,019	399	2,299	5,717
Balance as at 31 December 2022	**(28,345)**	**–**	**(10,422)**	**(38,767)**
Carrying amount as at 31 December 2022	**23,799**	**24,504**	**11,617**	**59,920**
Costs				
Balance as at 1 January 2021	**59,054**	**7,389**	**22,097**	**88,540**
Additions	1,891	10,380	1,177	13,448
Disposals	(11,525)	(186)	(6,735)	(18,446)
Transfers	5,616	(5,616)	–	–
Balance as at 31 December 2021	**55,036**	**11,967**	**16,539**	**83,542**
Cumulative amortisation and impairment losses				
Balance as at 1 January 2021	**(29,001)**	**–**	**(14,939)**	**(43,940)**
Amortisation	(6,788)	–	(2,377)	(9,165)
Impairment losses	–	(186)	–	(186)
Disposals	11,525	186	6,735	18,446
Balance as at 31 December 2021	**(24,264)**	**–**	**(10,581)**	**(34,845)**
Carrying amount as at 31 December 2021	**30,772**	**11,967**	**5,958**	**48,697**

* In 2022, under Impairment losses line item, losses from individually assessed impairment of intangible assets related to business activities in the Russia region are recognised, see section 1.3.

** Category Other intangible assets includes both finished and unfinished intangible assets, mainly trademarks, valuation rights to production equipment, software and licences. The value of other intangible assets in progress at 31 December 2022 was CZK 710 million (31 December 2021: CZK 423 million).

In intangible assets, development costs for developed projects in progress are reported under Capitalised development costs of products under development. These are intangible assets that were not ready for use at the reporting date. Further information on these intangible assets is disclosed in Note 2.2.

Purchased development costs capitalized as part of the additions to capitalized development costs of products manufactured and under development in 2022 amounted to CZK 7,991 million (2021: CZK 8,705 million).

Amortisation of intangible assets of CZK 9,247 million (2021: CZK 9,026 million) are included in the cost of sales, CZK 243 million (CZK 2021: 167 million) in distribution expenses, and CZK 149 million (2021: CZK 158 million) in administrative expenses.

Impairment Reviews

In connection with the Russian-Ukrainian armed conflict and the global Covid-19 pandemic, the Company tested the assets of a defined cash generating unit* (the Company's automotive business) for impairment. A comparison of the carrying amount and recoverable amount of the defined cash-generating unit did not result in 2022 (2021) in the identification of any impairment loss for intangible assets. The recoverable amount was determined based on a cash-based calculation budgets approved by the Company's management, which cover a period of 5 years and an estimate of cash flows after the end of the planning period using a growth rate 1.0% (2021: 1.0%). The WACC rate 8.2% (2021: 4.8%) was used to discount cash flows in 2022. This rate reflects the specific risks associated with the industry in which the Company operates.

* An intangible asset that was not ready for use at the balance sheet date and intangible assets with indefinite useful lives were also included in the test at the Class of the defined cash-generating unit.

Capitalisation of Borrowing Costs

No borrowing costs have been capitalised in the cost of intangible assets in 2022 or 2021 as they were not material.

The Following Amounts Were Recognised in the Income Statement as Research and Development Expenses

CZK million	2022	2021
Research and development costs expensed	8,251	9,224
Amortisation and impairment losses of development costs	7,499	6,974
Research and development costs recognised in profit or loss	**15,750**	**16,198**

5 Property, Plant and Equipment

CZK million	Land and buildings	Technical equipment and machinery	Tooling, office and other equipment	Leases	Advances paid and assets under construction**	Total
Costs						
Balance as at 1 January 2022	**56,404**	**103,179**	**108,102**	**2,792**	**10,475**	**280,952**
Additions	1,887	3,949	2,475	658	8,104	17,073
Disposals	(236)	(2,782)	(1,491)	(262)	–	(4,771)
Transfers	1,805	1,627	(518)	–	(2,914)	–
Balance as at 31 December 2022	**59,860**	**105,973**	**108,568**	**3,188**	**15,665**	**293,254**
Accumulated depreciation and impairment losses						
Balance as at 1 January 2022	**(27,895)**	**(82,163)**	**(87,686)**	**(1,341)**	**–**	**(199,085)**
Depreciation	(2,293)	(6,628)	(7,578)	(506)	–	(17,005)
Impairment losses*	–	–	(88)	–	–	(88)
Disposals	137	2,541	1,474	248	–	4,400
Balance as at 31 December 2022	**(30,051)**	**(86,250)**	**(93,878)**	**(1,599)**	**–**	**(211,778)**
Carrying amount as at 31 December 2022	**29,809**	**19,723**	**14,690**	**1,589**	**15,665**	**81,476**

CZK million	Land and buildings	Technical equipment and machinery	Tooling, office and other equipment	Leases	Advances paid and assets under construction**	Total
Costs						
Balance as at 1 January 2021	**53,362**	**99,302**	**102,370**	**2,679**	**11,866**	**269,579**
Additions	1,405	4,196	6,802	254	1,466	14,123
Disposals	(272)	(912)	(1,425)	(141)	–	(2,750)
Transfers	1,909	593	355	–	(2,857)	–
Balance as at 31 December 2021	**56,404**	**103,179**	**108,102**	**2,792**	**10,475**	**280,952**
Accumulated depreciation and impairment losses						
Balance as at 1 January 2021	**(25,965)**	**(76,437)**	**(80,664)**	**(881)**	**–**	**(183,947)**
Depreciation	(2,150)	(6,620)	(8,435)	(546)	–	(17,751)
Impairment losses	–	–	–	–	–	–
Disposals	220	894	1,413	86	–	2,613
Balance as at 31 December 2021	**(27,895)**	**(82,163)**	**(87,686)**	**(1,341)**	**–**	**(199,085)**
Carrying amount as at 31 December 2021	**28,509**	**21,016**	**20,416**	**1,451**	**10,475**	**81,867**

* In 2022, losses from individually assessed impairment of tangible assets related to business activities in the Russia region are recognised under Impairment losses, see section 1.3.

** Out of the total value recognised under Advances paid and assets under construction, the value of advances paid as at 31 December 2022 amounted to CZK 4,742 million (31 December 2021: CZK 4,817 million).

Right-of-Use Assets (by Class of Assets)

CZK million	Land and buildings	Tooling, office and other equipment	Total
Costs			
Balance as at 1 January 2022	**1,651**	**1,141**	**2,792**
Additions	616	42	658
Disposals	(40)	(222)	(262)
Balance as at 31 December 2022	**2,227**	**961**	**3,188**
Accumulated depreciation and impairment losses			
Balance as at 1 January 2022	**(718)**	**(623)**	**(1,341)**
Depreciation	(281)	(224)	(505)
Disposals	31	216	247
Balance as at 31 December 2022	**(968)**	**(631)**	**(1,599)**
Carrying amount as at 31 December 2022	**1,259**	**330**	**1,589**
Costs			
Balance as at 1 January 2021	**1,623**	**1,056**	**2,679**
Additions	136	118	254
Disposals	(108)	(33)	(141)
Balance as at 31 December 2021	**1,651**	**1,141**	**2,792**
Accumulated depreciation and impairment losses			
Balance as at 1 January 2021	**(484)**	**(397)**	**(881)**
Depreciation	(291)	(255)	(546)
Disposals	57	29	86
Balance as at 31 December 2021	**(718)**	**(623)**	**(1,341)**
Carrying amount as at 31 December 2021	**933**	**518**	**1,451**

Impairment Reviews

In connection with the Russian-Ukrainian armed conflict and the lingering global Covid-19 pandemic, which resulted in significant changes in the economic environment of entities operating in the automotive industry, the Company tested the assets of a defined cash-generating unit (the Company's automotive business) for impairment. A comparison of the carrying amount and the recoverable amount of the defined cash-generating unit did not result in the identification of any impairment loss for property, plant and equipment in 2022 (2021). The recoverable amount was determined based on a calculation of the value in use of this cash-generating unit using cash flow projections based on financial budgets approved by the Company's management covering a period of 5 years and an estimate of cash flows after the end of the planning period using growth rate 1.0% (2021: 1.0%). The WACC rate 8.2% (2021: 4.8%) was used to discount cash flows in 2022. This rate reflects the specific risks associated with the industry in which the Company operates.

Capitalisation of borrowing costs

No borrowing costs have been capitalised in the cost of property, plant and equipment in 2022 or in 2021 as they were not material.

6 Investments in Subsidiaries

Subsidiaries	Country of incorporation	Shareholding % 2022	Shareholding % 2021	Value of ownership interest (CZK million) 2022	Value of ownership interest (CZK million) 2021
ŠKODA AUTO Slovensko s.r.o.	Slovakia	100	100	49	49
ŠKODA AUTO Volkswagen India Pvt. Ltd.	India	12.07	–	3,781	–
ŠKODA AUTO DigiLab s.r.o.	Czech Republic	100	100	176	176
UMI Urban Mobility International Česká republika s.r.o.	Czech Republic	100	100	–	–
ŠKODA AUTO DigiServices s.r.o. v likvidaci	Czech Republic	–	100	–	3

The subsidiaries in which the Company holds an equity interest paid dividends to the Company in the total amount of CZK 41 million in 2022 (2021: CZK 61 million).

In 2022, the Company increased the value of its the share on registered capital of ŠKODA AUTO Volkswagen India Pvt. Ltd. by CZK 3,555 million to total costs of CZK 5,617 million. This increase in the share was due to the transfer of voting shares from related party Volkswagen International Finance N.V. to the Company. The preference shares were valued at cost, see Note 2.6. The legal effects of the transfer took effect on 7 June 2022. After the increase, the Company's interest on registered capital of ŠKODA AUTO Volkswagen India Pvt. Ltd. was 12.07% as at 31 December 2022 (31 December 2021: 3.47%). Excluding preference shares, the share was 28.28% as at 31 December 2022 (31 December 2021: 8.13%). After the increase of the share due to the transfer of voting shares the Company controls its subsidiary ŠKODA AUTO Volkswagen India Pvt. Ltd. (the share of voting rights is 92.05% as at 31 December 2022). As at 31 December 2021 the Company exercised significant influence on the basis of its share of voting rights of 26.46% and the share is reported under Investments in Associates (see note 7).

UMI Urban Mobility International Česká republika s.r.o. returned to the Company the contribution outside the registered capital in the amount of CZK 150 million in 2021. Due to indication of possible impairment, this subsidiary was tested for possible impairment loss in 2021 and its carrying amount was fully impaired. In 2022, the impairment loss that had been recognised in the previous financial year was confirmed, see Impairment reviews below.

On 16 December 2021, the Company decided to dissolve and liquidate ŠKODA AUTO DigiServices s.r.o. without a legal successor. In connection with the planned liquidation, ŠKODA AUTO DigiServices s.r.o. returned to the Company the contribution outside the registered capital of CZK 155 million in 2021. ŠKODA AUTO DigiServices s.r.o. entered into liquidation on 1 January 2022. The liquidator's final report on the liquidation process of ŠKODA AUTO DigiServices s.r.o. v likvidaci was approved by the sole shareholder on 5 December 2022 and on 13 December 2022 the liquidator paid the liquidation balance of CZK 3 million to the Company's account. The Company derecognised ŠKODA AUTO DigiServices s.r.o. v likvidaci in 2022, i.e. in the accounting period in which the proposal to delete the company in liquidation from the Commercial Register was filed. ŠKODA AUTO DigiServices s.r.o. v likvidaci was deleted from the Commercial Register on 4 January 2023.

Impairment Reviews

In 2022 and 2021, the Company tested the cash-generating unit ŠKODA AUTO Volkswagen India Pvt. Ltd. to determine the amount of the impairment loss. The carrying amount of the financial investment was compared against its recoverable amount. The recoverable amount was determined based on a value in use calculation using cash flow projections over a 5-year period based on financial budgets approved by the Company's management. Cash flows beyond the 5-year period were extrapolated using growth rate estimates that are no higher than the expected long-term average growth rate for the automotive industry. In determining the value in use of the financial investment in 2022, a growth rate of 1.0% (2021: 1.0%) was estimated. The discount rate used is pre-tax and reflects the specific risks relating to the industry segment and region in which the company operates. For 2022, a discount rate of 7.1% (2021: 5.8%) was used. A comparison of the carrying amount of ŠKODA AUTO Volkswagen India Pvt. Ltd. and its recoverable amount as at 31 December 2022 resulted in an impairment loss of CZK 872 million which was recorded against financial expenses and the value of allowance totals to CZK 1,836 million as at 31 December 2022. (A comparison of the carrying amount of ŠKODA AUTO Volkswagen India Pvt. Ltd. and its recoverable amount as at 31 December 2021 resulted in the reversal of the impairment loss recognized in previous accounting periods of CZK 1,098 million to financial income.)

The Company has performed an impairment review of the cash-generating unit UMI Urban Mobility International Česká republika s.r.o, for which the development and planned volumes of the provided services indicated a possible impairment loss in 2021. Carrying value of the financial investment in subsidiary has been compared with the relevant recoverable amount. The recoverable amount has been determined based on the calculation of the value in use applying cash flow projections over the following five years, reflecting financial plans approved by the Company's management. Cash flows beyond the five years period have been extrapolated with an estimated growth rate which is not higher than expected long-term average growth rate in the sector and the region in which the reviewed company operates. For determination of the value in use of the financial investment in 2021 estimated growth rate of 1% and a discount rate of 4.8% have been applied. The comparison of the carrying amount of the financial investment and its recoverable amount as at 31 December 2021 resulted in the identification of an impairment loss of CZK 67 million. This impairment loss has been included in financial expenses in 2021. In 2022, the Company did not observe any significant indicators that would indicate a possible change in the recoverable amount of the cash-generating unit UMI Urban Mobility International Czech Republic s.r.o., which could result in the dissolution of the impairment loss generated in the previous year.

7 Investments in Associates

CZK million	Country of incorporation	Costs		Impairments		Carrying amount	
		2022	2021	2022	2021	2022	2021
OOO Volkswagen Group Rus	Russia	1,823	1,823	(1,797)	–	26	1,823
ŠKODA AUTO Volkswagen India Pvt. Ltd.	India	–	2,062	–	(964)	–	1,098
ŠKO-ENERGO s.r.o.	Czech Republic	4	4	–	–	4	4
ŠKO-ENERGO FIN s.r.o. v likvidaci	Czech Republic	–	529	–	(525)	–	4
Digiteq Automotive s.r.o. *	Czech Republic	–	–	–	–	–	–
Green:Code s.r.o.	Czech Republic	5	5	–	–	5	5

* As at 31 December 2022, the cost and carrying amount of the Company's share amounted to CZK 98 ths. (31 December 2021: CZK 98 ths).

The Company's share in the registered capital of the company OOO Volkswagen Group Rus as at 31 December 2022 was 16.80% (31 December 2021: 16.80%). In 2022, the Company tested the cash-generating unit OOO Volkswagen Group Rus for which the development and planned volumes of vehicles in connection with sanctions and other restrictions arising from the Russia-Ukraine conflict indicated a possible impairment loss, see Impairment reviews below. OOO Volkswagen Group Rus did not pay any dividend to the Company in 2021 and 2022.

The Company's share in the registered capital of the company ŠKO-ENERGO FIN s.r.o. v likvidaci as at 31 December 2022 was 0% (as at 31 December 2021: 31.25%). On 15 December 2021, the General Meeting of ŠKO-ENERGO FIN s.r.o. decided to dissolve and liquidate the Company without a legal successor. ŠKO-ENERGO FIN s.r.o. entered into liquidation on 1 January 2022. In 2022, the Final Report about liquidation prepared on 21 October 2022 was approved by the shareholders and the liquidator's proposal for the use of the liquidation balance was also approved. The liquidation balance to be distributed to the shareholders amounted to CZK 10 million. On 15 December 2022, ŠKO-ENERGO FIN s.r.o. v likvidaci paid to the Company's account a pro rata part of the liquidation balance corresponding to its share of CZK 3 million. ŠKO-ENERGO FIN s.r.o. v likvidaci was deleted from the Commercial Register on 28 December 2022. Due to the liquidation, this associated company was tested for possible impairment loss in 2021, see Impairment reviews below.

The Company's share in the registered capital of the company ŠKO-ENERGO s.r.o. as at 31 December 2022 was 44.50% (as at 31 December 2021: 44.50%). ŠKO-ENERGO s.r.o. paid dividends to the Company in the amount of CZK 1 million (2021: CZK 1 million).

The Company's share in the registered capital of the company Digiteq Automotive s.r.o. as at 31 December 2022 was 49.00% (as at 31 December 2021: 49.00%). Digiteq Automotive s.r.o. paid dividends to the Company in the amount of CZK 58 million (2021: CZK 32 million).

The Company's share in the registered capital of Green:Code s.r.o. as at 31 December 2022 was 49.00% (as at 31 December 2021: 0%). Green:Code s.r.o. was incorporated on 4 January 2022, and prior to its incorporation the Company made a capital contribution to the Company's registered capital in the amount of CZK 319 thousand in December 2021. In 2021, the Company also made a capital contribution outside the registered capital in the amount of CZK 5.1 million.

Impairment Reviews

In 2022, the Company tested the cash-generating unit OOO Volkswagen Group Rus, for which the development and planned volumes of vehicles in connection with sanctions and other restrictions arising from the Russia-Ukraine conflict indicated a possible impairment loss. The carrying amount of the financial investment of the tested affiliate was compared against its recoverable amount. The recoverable amount was determined based on fair value less costs to sell. Fair value was determined based on the price derived from the sale of similar assets under conditions that reflected the market conditions at the date of pricing. By comparing the carrying amount of the financial investment to its recoverable amount at 31 December 2022, an impairment loss of CZK 1,797 million was identified as at 31 December 2022, which was included in financial expenses. (As at 31 December 2021, the recoverable amount of the share in the affiliated company OOO Volkswagen Group Rus was significantly higher than its carrying amount.)

The Company tested in 2021 the cash-generating unit ŠKO-ENERGO FIN s.r.o. for which the decision to liquidate indicated a possible impairment. Due to liquidation of the company valuation techniques based on the going concern assumption were not used to determine recoverable amount. The recoverable amount was determined on the basis of the adjusted liquidation value, where the adjusted liquidation value represents the sum of the selling prices of the individual assets less the liquidator's remuneration and the settlement of other liabilities. Due to the difference between the carrying amount of the financial investment and its recoverable amount, an impairment loss of CZK 525 million was identified in 2021, which was recognized in financial expenses. This impairment loss was recognized as decrease of financial costs after derecognition of the financial investment in 2022.

8 Other Receivables, Financial Assets, Trade Receivables and Available-for-Sale Financial Assets

8.1 Other Receivables and Financial Assets

Balance as at 31 December 2022 (CZK million)	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial instruments designated as hedging instruments	Total
Other non-current receivables and financial assets					
Loans to employees	–	406	–	–	406
Positive fair value of financial derivatives	402	–	–	4,402	4,804
Investments in equity instruments	–	–	6,790	–	6,790
Other non-current receivables and financial assets in total	**402**	**406**	**6,790**	**4,402**	**12,000**
Other current receivables and financial assets					
Loans to employees	–	62	–	–	62
Positive fair value of financial derivatives	610	–	–	1,885	2,495
Other	–	324	–	–	324
Other current receivables and financial assets in total	**610**	**386**	**–**	**1,885**	**2,881**
Total	**1,012**	**792**	**6,790**	**6,287**	**14,881**
Balance as at 31 December 2021 (CZK million)					
Other non-current receivables and financial assets					
Loans to employees	–	407	–	–	407
Positive fair value of financial derivatives	708	–	–	907	1,615
Investments in equity instruments	–	–	8,269	–	8,269
Other non-current receivables and financial assets in total	**708**	**407**	**8,269**	**907**	**10,291**
Other current receivables and financial assets					
Loans to employees	–	58	–	–	58
Positive fair value of financial derivatives	1,270	–	–	2,101	3,371
Other	–	456	–	–	456
Other current receivables and financial assets in total	**1,270**	**514**	**–**	**2,101**	**3,885**
Total	**1,978**	**921**	**8,269**	**3,008**	**14,176**

There are not any significant restrictions regarding the rights of use imposed on financial assets. Potential risks of delay or default are taken into account through accumulated impairment losses except for those financial assets that are carried at fair value.

Loans to employees and other financial assets are disclosed in the portfolio Financial assets at amortised cost. Information on the fair value of loans to employees as required by IFRS 13 is disclosed in Note 3.6.

In the column Financial derivatives designated as hedging instruments there is the spot component and the forward component relating to the derivatives for currency risk hedging. For detailed information on financial derivatives, including information relating to their fair value in accordance with IFRS 13, see Notes 3.3.4 and 3.6.

Under the "Financial assets at fair value through other comprehensive income", investments in the equity instruments of other entities are recognised. Within these equity instruments, the Company holds 1% share in the company SAIC VOLKSWAGEN AUTOMOTIVE COMPANY LIMITED (hereinafter referred to as SAIC), which is related party (as a joint venture of Volkswagen Group and a third party). The Company plans to hold this investment in the long-term and does not consider its sale, therefore, the Company opted that the relating realised and unrealised gains and losses would be recognised in other comprehensive income. The details of the equity instruments relating to its fair value as required by IFRS 13 are disclosed in Note 3.6.

8.2 Trade Receivables

Balance as at 31 December 2022 (CZK million)	**Financial assets at amortised cost**	**Financial assets at fair value through profit or loss**	**Total**
Trade receivables			
Third parties	1,685	618	2,303
Subsidiaries	3,879	–	3,879
Other related parties	16,861	2,632	19,493
Total	**22,425**	**3,250**	**25,675**
Balance as at 31 December 2021 (CZK million)			
Trade receivables			
Third parties	2,170	18	2,188
Subsidiaries	435	–	435
Other related parties	17,467	2,694	20,161
Total	**20,072**	**2,712**	**22,784**

Only trade receivable held to sell through factoring are disclosed in the portfolio Financial assets at fair value through profit or loss. Information on the fair value of these receivables, as required by IFRS 13, is disclosed in Note 3.6.

Other trade receivables held in order to collect contractual cash flows are disclosed in the portfolio Financial assets at amortised cost. Due to their current nature the carrying amount of these receivables after a deduction of allowance for impairment (if any) approximates their fair value. Allowances for trade receivables in amount of CZK 1,272 million (2021: CZK 410 million) are already included in these amounts. For detailed information on allowances for these receivables see Note 3.1.5.

8.3 Non-Financial Assets

CZK million	**2022**	**2021**
Current non-financial assets		
Tax receivables (excl. income tax)	5,260	4,188
Other	1,313	1,145
Total	**6,573**	**5,333**

The line "Other" includes in particular advances paid.

9 Inventories

CZK million	**Carrying value as at 31 December 2022**	**Carrying value as at 31 December 2021**
Structure of the inventories		
Raw materials, consumables and supplies	13,586	10,441
Work in progress	12,921	13,419
Finished products and goods	13,969	7,983
Hedges on inventories	11	58
Total	**40,487**	**31,901**

CZK million	**2022**	**2021**
Loss allowance inventories		
Balance as at 1 January	**(1,682)**	**(1,565)**
Additions / reversals allowance provisions for inventories:		
Raw materials, consumables and supplies	(187)	(137)
Work in progress	(5)	(16)
Finished products and goods	268	36
Balance as at 31 December	**(1,606)**	**(1,682)**

The amount of inventories (including production related personnel costs and overheads capitalised into inventories) recognised as an expense during 2022 was CZK 398,962 million (2021: CZK 372,370 million).

10 Cash and Cash Equivalents

CZK million	2022	2021
Cash in hand	1	1
Cash pooling	1,661	2,717
Bank accounts	3	4
Cash equivalents	–	19,700
Total	**1,665**	**22,422**

The line Cash pooling includes overnight deposits from the use of cash pooling (see Notes 3.1 and 3.2). The line Cash equivalents includes other current deposits with Volkswagen Group companies with an original maturity of three months or less. Deposits including cash pooling are included in portfolio Financial assets at amortized cost under IFRS 9.

The weighted average effective interest rate on cash equivalents including cash pooling, weighted by the carrying amount at 31 December 2022 was 4.25% p.a. (31 December 2021: 1.62% p.a.). The carrying value of the cash equivalents including cash pooling approximates their fair value. Of the total value of cash equivalents including cash pooling, CZK 862 million was denominated in CZK (31 December 2021: CZK 21,684 million) and in EUR: CZK 799 million (31 December 2021: CZK 733 million).

11 Share Capital

The issued share capital consists of 1,670,885 ordinary shares at a par value of CZK 10,000 per share.

The sole shareholder of the Company is VOLKSWAGEN FINANCE LUXEMBURG S.A. based in Strassen, Grand Duchy of Luxembourg. VOLKSWAGEN FINANCE LUXEMBURG S.A. is directly a 100% subsidiary of Volkswagen AG. Rights to vote on the Company’s general meetings and rights to receive dividends are attached to the ordinary shares.

The shareholder has the right for a share on liquidation balance upon a cancellation of the Company with liquidation. The liquidation balance is distributed among shareholders based on the ratio of the nominal value of their shares. The shareholder has the right for a share on profit (a dividend) which has been approved for distribution at the general meeting based on results of operations and in line with the respective stipulations of the Business Corporations Act. The shareholders do not have any right to claim their contribution back during the Company’s existence even in case of its cancellation.

There was no movement in the Company’s share capital during the accounting period 2022 (2021).

In 2022, the Company paid dividend in the amount of CZK 22,410 million from profit for the year 2021 (2021: CZK 15,170 million).

The dividend per share was CZK 13,412 in 2022 (2021: CZK 9,079).

12 Other Reserves and Retained Earnings

12.1 Other Reserves

CZK million	2022	2021
Revaluation reserve from equity instruments*	(650)	548
Reserves for cash flow hedges*	2,502	715
Statutory reserve fund	3,366	3,366
Total	**5,218**	**4,629**

* Net of deferred tax of 19%.

The Company has adopted the Business Corporations Act as a whole and has retained the rules for creation of statutory reserve fund. The statutory reserve fund may be used only to offset losses.

Movement in equity instruments revaluation reserve (CZK million):

Balance as at 1 January 2022	**548**
Total change in fair value in the period	(1,479)
Deferred tax on change in fair value	281
Balance as at 31 December 2022	**(650)**

Balance as at 1 January 2021	**217**
Total change in fair value in the period	409
Deferred tax on change in fair value	(78)
Balance as at 31 December 2021	**548**

Movement in reserve for cash flow hedges – currency risk exposure in accordance:

CZK million	Spot component designated for hedging	Term component designated for hedging	Total
Balance as at 1 January 2022	**386**	**329**	**715**
Total change in fair value in the period	5,836	(1,454)	4,382
Deferred tax on change in fair value	(1,109)	276	(833)
Total transfers to net profit in the period – effective hedging	(2,531)	292	(2,239)
Total transfers to net profit in the period – hedge ineffectiveness	51	2	53
Deferred tax on transfers to profit or loss – effective hedging	481	(56)	425
Deferred tax on transfers to profit or loss – hedge ineffectiveness	(10)	–	(10)
Basis adjustments to inventories carrying value – effective hedge	10	1	11
Deferred tax on transfers to inventories	(2)	–	(2)
Balance as at 31 December 2022	**3,112**	**(610)**	**2,502**

CZK million	Spot component designated for hedging	Term component designated for hedging	Total
Balance as at 1 January 2021	**1,492**	**186**	**1,678**
Total change in fair value in the period	(399)	41	(358)
Deferred tax on change in fair value	76	(8)	68
Total transfers to net profit in the period – effective hedging	(852)	123	(729)
Total transfers to net profit in the period – hedge ineffectiveness	(153)	(7)	(160)
Deferred tax on transfers to profit or loss – effective hedging	162	(23)	139
Deferred tax on transfers to profit or loss – hedge ineffectiveness	29	1	30
Basis adjustments to inventories carrying value – effective hedge	38	20	58
Deferred tax on transfers to inventories	(7)	(4)	(11)
Balance as at 31 December 2021	**386**	**329**	**715**

Transfers to profit or loss for the period – effective hedging (CZK million):

CZK million	2022	2021
Sales	(3,761)	(1,411)
Cost of sales	1,238	465
Other operating income	(182)	(119)
Other operating expense	466	336
Total transfers to profit or loss in the period – effective hedging	**(2,239)**	**(729)**

12.2 Retained Earnings

From the total amount of retained earnings of CZK 68,970 million (as at 31 December 2021: CZK 78,612 million) profit for the year 2022, net of tax, amounts to CZK 12,768 million (2021: CZK 22,410 million).

In compliance with the relevant regulation of the Business Corporations Act, the profit of the Company for the year 2022 (determined in accordance with IFRS) is going to be allocated based on the decision of the Company's annual general meeting. At the date of preparation of these financial statements, no dividend payments have been proposed, and the distribution of the Company's result for the year ended 31 December 2022 has not been approved.

13 Financial, Other and Trade Liabilities

13.1 Financial Liabilities

Balance as at 31 December 2022 (CZK million)	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Financial instruments designated as hedging instruments	Total
Financial non-current liabilities				
Negative fair value of financial derivatives	221	–	2,292	2,513
Leasing liabilities	–	1,055	–	1,055
Financial non-current liabilities in total	**221**	**1,055**	**2,292**	**3,568**
Financial current liabilities				
Negative fair value of financial derivatives	261	–	984	1,245
Leasing liabilities	–	514	–	514
Liabilities from short-term loans	–	3,377	–	3,377
Other	–	–	–	–
Financial current liabilities in total	**261**	**3,891**	**984**	**5,136**
Total	**482**	**4,946**	**3,276**	**8,704**

Balance as at 31 December 2021 (CZK million)	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Financial instruments designated as hedging instruments	Total
Financial non-current liabilities				
Negative fair value of financial derivatives	1	–	1,361	1,362
Leasing liabilities	–	960	–	960
Financial non-current liabilities in total	**1**	**960**	**1,361**	**2,322**
Financial current liabilities				
Negative fair value of financial derivatives	128	–	979	1,107
Leasing liabilities	–	520	–	520
Liabilities from short-term loans	–	–	–	–
Other	–	93	–	93
Financial current liabilities in total	**128**	**613**	**979**	**1,720**
Total	**129**	**1,573**	**2,340**	**4,042**

In the “Financial liabilities at fair value through profit or loss” portfolio is recognized the fair value of trading derivatives in 2022 (2021), see Note 3.3.4. Further information on the fair value of derivatives held for trading as required by IFRS 13 is disclosed in Note 3.6.

In the column Financial liabilities carried at amortised cost are reported lease liabilities and short-term loan liabilities from a company controlled by the ultimate parent company of the Volkswagen Group. Short-term loans bear interest at rates based on EURIBOR. The nominal value of short-term loans and interest payable are disclosed in note 25. The weighted average effective interest rate of the short-term loans, weighted by the carrying amount at 31 December 2022, was 2.16% (31 December 2021: 0%). Due to the short-term nature of the short-term loan payables, their carrying amount approximates their fair value. Further information on the fair value of financial liabilities at amortized cost as required by IFRS 13 is disclosed in Note 3.6.

In the column Financial derivatives designated as hedging instruments there are the spot and the forward components related to the derivatives for currency risk hedging. For detailed information on financial derivatives, including information on their fair value in accordance with IFRS 13, see Notes 3.3.4 and 3.6.

None of the financial liabilities are secured by a lien.

13.2 Trade Liabilities

All trade liabilities are current in nature.

Balance as at 31 December 2022 (CZK million)	**Financial liabilities at amortised cost**
Trade liabilities	
Third parties	39,107
Subsidiaries	954
Other related parties	25,235
Total	**65,296**
Balance as at 31 December 2021 (CZK million)	
Trade liabilities	
Third parties	28,499
Subsidiaries	65
Other related parties	29,666
Total	**58,230**

Liabilities to a factoring company within the Volkswagen Group in amount of CZK 3,395 million as at 31 December 2022 (as at 31 December 2021: CZK 2,004 million) are disclosed in line Trade liabilities to other related parties. These liabilities originated in the ordinary course of business and credit terms and maturity of the liabilities have not changed upon transfer to the factoring company.

Due to the short-term nature of trade liabilities, the carrying amount approximates the fair value. None of the trade liabilities are secured by a lien.

As part of trade liabilities there are advanced payments from customer contracts recognised as at 31 December 2022 in amount of CZK 10,379 million (as at 31 December 2021: CZK 8,390 million) which represents expected future payments to customers for sale bonuses.

13.3 Non-Financial Liabilities

CZK million	**2022**	**2021**
Non-current non-financial liabilities		
Contract liabilities from considerations received	6,990	7,017
Non-current non-financial liabilities from customer contracts in total	**6,990**	**7,017**
Current non-financial liabilities		
Contract liabilities from considerations received	3,654	3,334
Advances received	5,570	3,557
Other	497	744
Current non-financial liabilities from customer contracts in total	**9,721**	**7,635**
Liabilities to employees	6,698	6,322
Social security	883	848
Tax liabilities	29	6
Current non-financial liabilities in total	**17,331**	**14,811**
Total	**24,321**	**21,828**

In 2022 (2021), contract liabilities from considerations received include mainly consideration received from extended warranty and ŠKODA Connect services which will be rendered in future periods.

14 Deferred Tax Liabilities and Assets

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset the current tax assets against current tax liabilities, and when the deferred income taxes relate to income taxes charged by the same fiscal authority.

The movements in deferred tax liabilities and assets during the year, without taking into consideration the offsetting, are as follows:

CZK million	Amortisation and impairment losses	Right-of-use assets	Financial derivatives*	Provisions and refundable considerations	Equity instruments	Other**	Total
Deferred tax liabilities							
Balance as at 1 January 2021	**(7,207)**	**(342)**	**(468)**	**–**	**(51)**	**(234)**	**(8,302)**
Credited / (debited) to the income statement	(459)	66	(234)	–	–	154	(473)
Charged to other comprehensive income	–	–	(11)	–	(78)	–	(89)
Balance as at 31 December 2021	**(7,666)**	**(276)**	**(713)**	**–**	**(129)**	**(80)**	**(8,864)**
Credited / (debited) to the income statement	70	(26)	421	–	–	–	465
Charged to other comprehensive income	–	–	(597)	–	129		(468)
Balance as at 31 December 2022	**(7,596)**	**(302)**	**(889)**	**–**	**–**	**(80)**	**(8,867)**

CZK million	Amortisation and impairment losses	Lease liabilities	Financial derivatives*	Provisions and refundable considerations	Equity instruments	Other**	Total
Deferred tax assets							
Balance as at 1 January 2021	**–**	**350**	**97**	**7,760**	**–**	**1,362**	**9,569**
Credited / (debited) to the income statement	–	(69)	74	(98)	–	36	(57)
Charged to other comprehensive income	–	–	237	–	–	–	237
Balance as at 31 December 2021	**–**	**281**	**408**	**7,662**	**–**	**1,398**	**9,749**
Credited / (debited) to the income statement	161	17	289	(366)	–	245	345
Charged to other comprehensive income	–	–	177	–	152	–	329
Balance as at 31 December 2022	**161**	**298**	**874**	**7,296**	**152**	**1,643**	**10,424**

CZK million	Amortisation and impairment losses	Leases under IFRS 16	Financial derivatives*	Provisions and refundable considerations	Equity instruments	Other**	Total
Deferred tax liabilities and assets net							
Balance as at 31 December 2021	(7,666)	5	(305)	7,662	(129)	1,318	885
Balance as at 31 December 2022	**(7,435)**	**(4)**	**(15)**	**7,296**	**152**	**1,563**	**1,557**

* Further information on financial derivatives is disclosed in Note 2.5.3.

** As at 31 December 2022, the Other category mainly included deferred tax assets from temporary differences on valuation allowances in the amount of CZK 531 million (31 December 2021: CZK 315 million), from accruals of costs and income in the amount of CZK 449 million (31 December 2021: 362 million), from social security for employees in the amount of CZK 161 million (31 December 2021: CZK 150 million) and a deferred tax asset from incentives in the amount of CZK 401 million (31 December 2021: CZK 401 million).

15 Non-Current and Current Provisions

	Provisions						
CZK million	**Warranty claims and recycling**	**Emission risks**	**Employee benefits and share-based payment**	**Litigation risks**	**Purchase risks**	**Other business risks**	**Total**
Balance as at 1 January 2021	**22,801**	**8,097**	**5,005**	**1,119**	**2,357**	**4,132**	**43,511**
Utilised	(3,236)	(805)	(435)	–	(541)	(1)	(5,018)
Additions	5,075	45	519	222	3,984	1,811	11,656
Interest expense	(491)	–	–	–	–	–	(491)
Reversals	(2,322)	(406)	(517)	(37)	(159)	(382)	(3,823)
Balance as at 1 January 2022	**21,827**	**6,931**	**4,572**	**1,304**	**5,641**	**5,560**	**45,835**
Utilised	(3,667)	–	(583)	–	(3,753)	(599)	(8,602)
Additions	4,134	560	844	1	3,214	2,092	10,845
Interest expense	(151)	–	–	–	–	–	(151)
Reversals	(2,604)	(207)	(685)	(307)	(142)	(436)	(4,381)
Balance as at 31 December 2022	**19,539**	**7,284**	**4,148**	**998**	**4,960**	**6,617**	**43,546**

Non-current and current provisions according to the time of expected use of resources:

CZK million	**< 1 year**	**1–5 years**	**> 5 years**	**Total**
Balance as at 31 December 2022				
Provisions for warranty claims and recycling	7,267	11,040	1,232	19,539
Provisions for emission risks	7,284	–	–	7,284
Provisions for employee benefits and share-based payment	772	504	2,872	4,148
Provisions for litigation risks	998	–	–	998
Provisions for purchase risks	4,960	–	–	4,960
Provisions for other business risks	6,617	–	–	6,617
Total	**27,898**	**11,544**	**4,104**	**43,546**
Balance as at 31 December 2021				
Provisions for warranty claims and recycling	8,967	8,855	4,005	21,827
Provisions for emission risks	6,931	–	–	6,931
Provisions for employee benefits and share-based payment	675	387	3,510	4,572
Provisions for litigation risks	1,304	–	–	1,304
Provisions for purchase risks	5,641	–	–	5,641
Provisions for other business risks	5,560	–	–	5,560
Total	**29,078**	**9,242**	**7,515**	**45,835**

The provision for warranty claims and recycling includes mainly provision for basic guarantees (2-3 years), provision for corrosion guarantees (dependent on the model for 10 or 12 years) and other guarantees beyond the scope of basic warranty (except for extended warranty), especially good-will repairs. Furthermore, this provision includes expenses related to the ecological disposal of cars and batteries. This provision also includes expenses related to the ecological disposal of cars and batteries. The Company recognises the provisions for warranty claims at the moment of sale on the basis of the number of sold cars and in advance determined rates for individual model lines. Provision for extraordinary service actions is recognized at the time of identification of a technical defect in relation to the number of cars sold and the respective estimated rates set for the elimination of defect. Following emissions irregularities discovered at Volkswagen AG, provisions for warranty repairs also include provision for service action and other expenditures related to technical measures for cars equipped with EA189 engines. The total balance of the provision related to EA189 issue amounted to CZK 239 million in 2022 (as at 31 December 2021: CZK 940 million). Expenditures which relate to potential claim settlement will be partly reimbursed to the Company and in connection with the fact stated above, amount receivable from Volkswagen AG of CZK 163 million was reported in other receivables as at 31 December 2022 (as at 31 December 2021: CZK 208 million).

The provision for covering emission expenditures includes in particular the provision created on the basis of the Company's contractual obligation to the emission pool of the Volkswagen Group for the EU and Indian market. The Company recognizes a provision in the amount of the best possible estimate of future expenses due to exceeding the permitted emission limits monitored at the Class of the emission pool, which are allocated to the Company. Detailed information on this provision is disclosed in Note 2.19.

Provisions for employee benefits consist mainly of provision for other long-term employee benefits, provision for termination benefits and provision for share-based payments.

Provisions for litigation risks relate mainly to provision for risks arising from legal disputes, legal fees, penalty interest and other litigation risks. The Company provides for the probable cash outflows for existing legal, arbitration or other proceedings by means of a relevant provision. The Company is not involved in any legal cases, arbitration or other proceedings for which no provision has been created and which could have a material impact on the financial position and the financial results (financial statements) of the Company and there are no such proceedings expected in the near future.

The provision for purchase risks is made for future probable expenses from open business negotiations with suppliers, which in 2022 were further exacerbated mainly by the overall crisis triggered by the Russian-Ukrainian conflict. This armed conflict was the main cause of rising input and energy prices and inflation in Europe. Furthermore, in 2022 as well as in 2021, these risks were increased by the deterioration of the overall economic situation due to the ongoing pandemic of the Covid-19 disease and the global shortage of parts on the market, especially in semiconductors.

Other provisions include mainly provision for tax risks (other than income taxes) and customs risks in countries where the Company operates, and other business risks related to project feasibility. These includes provisions for onerous contracts taking into account the risks of winding down activities on the Russian market and the risks arising from changes in the production programme, see Note 2.19. In 2022, the Company recorded a provision for onerous contracts in the total amount of CZK 1,701 million.

16 Sales

CZK million	2022	2021
Cars	346,960	327,656
Spare parts and accessories	25,521	23,940
Supplies of components within Volkswagen Group	53,347	50,999
Income from licence fees within Volkswagen Group	1,290	2,215
Revenues from services	8,781	9,493
Other	4,569	6,893
Revenue from contracts with customers in total	**440,468**	**421,196**
Gains from derivative transactions - hedging of future sales	3,761	1,411
Total	**444,229**	**422,607**

In 2022 (2021) line Other relates mainly to sales of used cars, scrap and tooling.

The item Gains from derivative transactions - hedges of receivables includes effect from settlement of currency-risk hedging financial instruments upon selling of foreign currencies.

Revenue From Contracts with Customers by Geographical Regions:

2022 (CZK million)	Cars	Spare parts and accessories	Supplies of components within Volkswagen Group	Revenues from batteries (MEB, PHEV)	Income from licence fees within Volkswagen Group	Revenues from services	Other	Total
Main geographical regions								
Central and Eastern Europe	82,602	10,974	4,194	2,332	541	1,992	2,115	104,750
Western Europe	235,054	13,771	13,114	22,183	601	5,660	2,070	292,453
Overseas /Asia	29,304	776	11,524	–	148	1,129	384	43,265
Total	**346,960**	**25,521**	**28,832**	**24,515**	**1,290**	**8,781**	**4,569**	**440,468**
Timing of revenue recognition								
At a point in time	346,960	25,521	28,832	24,515	1,290	4,247	4,569	435,934
Over time	–	–	–	–	–	4,534	–	4,534
Total	**346,960**	**25,521**	**28,832**	**24,515**	**1,290**	**8,781**	**4,569**	**440,468**
2021 (CZK million)								
Main geographical regions								
Central and Eastern Europe	77,180	10,543	24,075	1,754	1,674	2,073	3,187	120,486
Western Europe	220,380	12,771	9,061	7,265	53	6,501	3,302	259,333
Overseas /Asia	30,096	626	8,844	–	488	919	404	41,377
Total	**327,656**	**23,940**	**41,980**	**9,019**	**2,215**	**9,493**	**6,893**	**421,196**
Timing of revenue recognition								
At a point in time	327,656	23,940	41,980	9,019	2,215	5,417	6,893	417,120
Over time	–	–	–	–	–	4,076	–	4,076
Total	**327,656**	**23,940**	**41,980**	**9,019**	**2,215**	**9,493**	**6,893**	**421,196**

The following table shows how much revenue recognised in current accounting period relates to transferred contract liabilities and how much relates to the performance obligations satisfied in prior periods:

CZK million	2022	2021
Revenue classified as contract liabilities at the beginning of the period	**3,411**	**3,267**
of which:		
Extended warranty	2,543	2,252
Services	868	862
Licence fees	–	153
Revenue recognised from the performance obligations satisfied in prior periods - release of provisions and accruals relating to change in transaction price	**1,075**	**2,920**

In the following table there are the amounts of the transaction price which have not yet been recognised as revenue at 31 December 2022 (31 December 2021) in relation to extended warranty, licences and services for which the realisation timing is in the following years:

CZK million	2023	2024 – 2027
Revenue arising from contractual liabilities expected to be satisfied in subsequent periods and included in the balance of non-financial liabilities at the end of the current financial year		
Extended warranty	2,479	5,780
Services	1,175	1,210
Licence fees	–	–
Total revenue	**3,654**	**6,990**

CZK million	2022	2023 – 2026
Revenue arising from contractual liabilities expected to be satisfied in subsequent periods and included in the balance of non-financial liabilities at the end of the current financial year		
Extended warranty	2,466	6,052
Services	868	965
Licence fees	–	–
Total revenue	**3,334**	**7,017**

In addition to Revenue arising from contract liability expected to be satisfied in the following periods the Company had in 2022 (2021) contractual obligations from open orders for cars. The Company did not use any practical expedient for revenue disclosures and did not incur any costs to obtain contracts with customers.

17 Other Operating Income

CZK million	2022	2021
Income from licence fees not relating to the ordinary activities	231	235
Foreign exchange gains	7,720	7,597
Gains from derivative transactions	2,232	3,757
Gains / (losses) on non-current assets disposal	(7)	11
Reversal of provisions	312	37
Reversal of loss allowance provision for receivables	194	260
Other	1,685	1,979
Total	**12,367**	**13,876**

Other in 2022 (2021) includes mostly re-invoicing of expenses.

Foreign exchange gains include mainly gains from differences in exchange rates between the dates of recognition and payment of receivables and payables denominated in foreign currencies, as well as exchange rate gains resulting from translation as at the balance sheet date of these receivables and payables. Foreign exchange losses from these items are included in other operating expenses.

18 Other Operating Expenses

CZK million	2022	2021
Foreign exchange losses	6,150	4,277
Losses from derivative transactions	2,811	1,257
Receivables write-offs and impairments	1,084	163
Additions to other provisions	221	239
Other	718	1,084
Total	**10,984**	**7,020**

19 Financial Result

CZK million	2022	2021
Interest income	1,220	586
Foreign exchange gains from cash	201	131
Foreign exchange gains from spot operations	79	43
Foreign exchange gains from loans	96	–
Dividend income	452	601
Reversal of impairment losses	–	1,098
Other financial income	4	1
Total financial income	**2,052**	**2,460**
Interest expense of lease liabilities	49	51
Interest expense of loans liabilities	16	–
Other interest expense	11	15
Foreign exchange losses from cash	232	430
Foreign exchange losses from spot operations	89	49
Factoring fees	535	188
Impairment losses	2,669	592
Other financial expenses	41	30
Total financial expenses	**3,642**	**1,356**
Net financial result	**(1,590)**	**1,104**

Dividend income in 2022 includes mainly dividend income of CZK 352 million from the investment in SAIC (2021: CZK 507 million).

20 Net Gains and Losses From Financial Instruments

CZK million	2022	2021
Financial instruments at fair value through profit or loss	(295)	2,717
Financial assets at amortised cost	(1,270)	(1,561)
Financial assets at fair value through other comprehensive income	352	507
Financial liabilities at amortised cost	1,503	2,063
Financial instruments designated as hedging instruments	2,181	783
Net gains / (losses) in profit or loss	**2,471**	**4,509**
Financial instruments designated as hedging instruments	2,207	(1,189)
Financial assets at fair value through other comprehensive income	(1,479)	409
Net gains / (losses) in profit or loss through other comprehensive income	**728**	**(780)**
Total net gains / (losses)	**3,199**	**3,729**

Gains less losses from financial derivatives held for trading are recognized in Financial instruments at fair value through profit or loss in 2022 (2021).

Unrealized and realized foreign exchange gains / losses on receivables, foreign exchange gains / losses on bank deposits, impairment losses on financial assets and losses on derecognition of financial assets at amortized cost are recognized in Financial assets at amortized cost in 2022 (2021). In 2022, the gain / loss on derecognized financial assets at amortized cost amounted to CZK 563 million (2021: CZK 192 million).

Unrealized and realized foreign exchange gains / losses from liabilities and interest expense from short term loans are mainly recognized in Financial liabilities at amortised cost in 2022 (2021).

In 2022 (2021), Financial assets at fair value through other comprehensive income include income from dividends from investments in equity instruments recognized in the income statement and gains / losses from revaluation of equity investments carried at fair value in other comprehensive income.

Financial instruments designated as hedging instruments include in 2022 (2021) gains and losses from financial instruments designated as hedging instruments recognized in the income statement and revaluation gains and losses on Financial instruments designated as hedging instruments recognized in other comprehensive income.

Further information on net gains and losses on financial instruments recognized in other comprehensive income is disclosed in Note 12.

21 Income Tax

CZK million	2022	2021
Current tax expense	**4,079**	**4,380**
of which: adjustment in respect of prior years	278	(7)
Deferred tax	**(811)**	**530**
Income tax total	**3,268**	**4,910**

Statutory income tax rate in the Czech Republic for the 2022 assessment period was 19% (2021: 19%).

As at 31 December 2022 and 31 December 2021, deferred income taxes attributable to the Czech tax jurisdiction were measured at a tax rate of 19% that corresponds with the statutory tax rates enacted for the future periods when realisation of deferred tax assets and liabilities is expected.

Reconciliation of Expected to Effective Income Tax Expense

CZK million	2022	2021
Profit before tax	16,036	27,320
Expected income tax expense	**3,047**	**5,191**
Proportion of taxation relating to:		
Permanent differences resulting from:		
Tax exempt income	(93)	(341)
Expenses not deductible for tax purposes	748	267
Tax allowances and other tax credits*	(209)	(269)
Adjustment to current tax expense relating to prior periods	(278)	(7)
Recognition of deferred tax assets from unused tax credits from investment incentives		(8)
Profit share	53	77
Income tax expense	**3,268**	**4,910**
Effective income tax rate	20%	18%

* Tax allowances and other tax credits represent mainly tax credits from double deduction of research and development costs.

22 Subsidies, Government Grants and Investment Incentives

In 2022, the Company recognised income from subsidies for non-investment projects in research and development, increased qualifications of employees and mobility of students and teachers from high schools (ŠKODA AUTO a.s., Střední odborné učiliště strojírenské, odštěpný závod) in the total amount of CZK 92 million (2021: CZK 83 million).

Investment incentives

To be granted the investment incentives, the Company has to meet the General conditions of paragraph 2 art. 2 of the Act No. 72/2000 Coll., on Investment Incentives, as amended and conditions of paragraph 6a art. 2 and 5 of the same act and Special conditions paragraph 35b of the Act No. 586/1992 Coll., on Income Tax as amended. For the investment incentives granted to the Company, the total amount of the incentive is always dependent on the amount invested.

The following table summarises granted investment incentives and their use in 2022 (CZK million):

Investment incentive	Maximum amount of the investment incentive	Recognised deferred tax asset from investment incentives	Utilisation of tax credits from investment incentives
Enlargement of the production assortment for the production of electric vehicles	401	401	–
Total	**401**	**401**	**–**

The following table summarises granted investment incentives and their use in 2021 (CZK million):

Investment incentive	Maximum amount of the investment incentive	Recognised deferred tax asset from investment incentives	Utilisation of tax credits from investment incentives
Enlargement of the production assortment for the production of electric vehicles	401	401	–
Total	**401**	**401**	**–**

23 Commitments and Contingencies

Capital expenditure and lease commitments as at balance sheet date are as follows:

CZK million	< 1 year	1–5 years	> 5 years	31 December 2022
Capital commitments – property, plant and equipment	9,359	1,918	–	11,277
Capital commitments – intangible assets	17,530	10,860	503	28,893
Future lease payments for short-term and low-value leases	284	424	500	1,208
Future environmental protection obligations	–	152	–	152

CZK million	< 1 year	1–5 years	> 5 years	31 December 2021
Capital commitments – property, plant and equipment	4,790	1,478	–	6,268
Capital commitments – intangible assets	14,774	11,865	–	26,639
Future lease payments for short-term and low-value leases	212	359	347	918

In 2022 (2021), the Company leased especially office equipment and pallets for transport based on the short-term and low-value lease agreements. Cash outflows from the options to extend leases were CZK 314 million (2021: CZK 201 million) in 2022 (2021) and cash flows from options for lease terminations were CZK 0 million (2021: CZK 1 million).

Under Future environmental commitments, future liabilities from contracts entered into for the acquisition of EACs* certificates are recognised.

The Company is committed to ensure the availability of spare parts for Škoda vehicles for a period of at least 10 years after the end of production of individual models or their import. Given the nature and substance of this commitment, it cannot be reliably measured.

* EACs certificates are certificates that are generated by renewable energy production.

24 Expenses by Nature

CZK million	2022	2021
Material costs – raw materials and other supplies, goods	318,318	294,388
Production related services	8,246	10,027
Personnel costs, of which:	42,956	39,746
Wages	32,492	30,162
Pension benefit costs (defined contribution plans) incl. employer's contribution	6,633	6,043
Social insurance and other personnel costs	3,831	3,541
Depreciation, amortisation, impairment losses and reversal of impairment losses	26,226	26,556
Depreciation, amortisation lease and impairment losses	506	546
Low-value leases expense	130	94
Short-term lease expense	154	93
Transport and other selling costs	6,400	5,741
Advertising and sales promotion costs	3,623	3,404
Maintenance and repair costs	3,077	2,931
Other services	18,350	19,721
Total cost of sales, distribution and administrative expenses	**427,986**	**403,247**
Number of employees		
Number of employees*	37,836	38,716

* Average number of employees including temporary employees and without apprentices

The item other services mainly includes costs for launching new products, cleaning services and consultancy.

25 Related Party Transactions

The sole shareholder of the Company was VOLKSWAGEN FINANCE LUXEMBURG S.A. during the whole accounting period ended 31 December 2022 (31 December 2021).

Volkswagen AG was the ultimate parent company and the ultimate controlling party during the whole accounting period ended 31 December 2022 (31 December 2021).

Items in category Other related parties are companies under joint control of Volkswagen AG, however, for the purposes of compiling the Report on relations they do not meet the definition of an entity controlled by the same controlling entity pursuant to paragraph 74 of the Act No. 90/2012 Coll., Business Corporations Act, as amended.

Capital transactions with subsidiaries and associates are disclosed in Notes 6 and 7.

The Company Participated in the Following Transactions With Related Parties

Sales to Related Parties

CZK million	2022	2021
Parent company		
VOLKSWAGEN FINANCE LUXEMBURG S.A.	–	–
Ultimate parent company		
Volkswagen AG	16,978	12,776
Subsidiaries		
ŠKODA AUTO Slovensko s.r.o.	7,941	6,581
ŠKODA AUTO Volkswagen India Pvt. Ltd.	8,618	–
ŠKODA AUTO DigiLab s.r.o.	–	–
ŠKODA AUTO DigiServices s.r.o. v likvidaci	–	–
UMI Urban Mobility International Česká republika s.r.o.	–	–
Associates		
OOO Volkswagen Group Rus	3,394	22,200
ŠKODA AUTO Volkswagen India Pvt. Ltd.	–	5,570
ŠKO-ENERGO s.r.o.	–	–
ŠKO-ENERGO FIN s.r.o. v likvidaci	–	–
Digiteq Automotive s.r.o.	–	–
Green:Code s.r.o.	–	–
Companies controlled by ultimate parent company	**273,558**	**246,027**
Other related parties	**687**	**607**
Total	**311,176**	**293,761**

The values disclosed in the Sales to related parties table are further detailed by individual contracts below:

CZK million	2022	2021
Cars	237,059	220,892
Spare parts and accessories	16,694	15,722
Supplies of components within Volkswagen Group	28,832	41,980
Revenues from batteries (MEB, PHEV)	24,515	9,019
Services	2,982	3,876
Other	1,094	2,272
Total	**311,176**	**293,761**

In addition to revenue specified in the table Sales to related parties, the Company also earned income from licence fees:

CZK million	2022	2021
Income from licence fees within Volkswagen Group		
Ultimate parent company	–	–
Subsidiaries	–	–
Associates	559	1,689
Other related parties	731	526
Total	**1,290**	**2,215**

In addition to the revenue specified in the table Sales to related parties, the Company also earned income from related parties transactions relating to interest from intercompany loans and deposits:

CZK million	2022	2021
Interest income from loans and deposits		
Ultimate parent company	–	–
Companies controlled by ultimate parent company	1,001	74
Total	**1,001**	**74**

Dividends received from subsidiaries are disclosed in Note 6. Dividends received from associates are disclosed in Note 7.

Dividends paid from other equity instruments are disclosed in Note 19.

Purchases From Related Parties

CZK million	2022	2021
Parent company		
VOLKSWAGEN FINANCE LUXEMBURG S.A.	–	–
Ultimate parent company		
Volkswagen AG	90,023	75,441
Subsidiaries		
ŠKODA AUTO Slovensko s.r.o.	149	127
ŠKODA AUTO Volkswagen India Pvt. Ltd.	2,084	–
ŠKODA AUTO DigiLab s.r.o.	245	232
ŠKODA AUTO DigiServices s.r.o. v likvidaci	–	8
UMI Urban Mobility International Česká republika s.r.o.	–	–
Associates		
OOO Volkswagen Group Rus	211	12
ŠKODA AUTO Volkswagen India Pvt. Ltd.	–	2,146
ŠKO-ENERGO s.r.o.	3,045	2,452
ŠKO-ENERGO FIN s.r.o. v likvidaci	–	–
Digiteq Automotive s.r.o.	726	719
Green:Code s.r.o.	51	–
Companies controlled by ultimate parent company	**34,211**	**30,005**
Other related parties	**–**	**16**
Total	**130,745**	**111,158**

Purchases related to activities connected to business operations are included in the table “Purchases from related parties”, in particular costs for acquisition of raw materials, goods and services.

In addition to the costs shown in the Purchases from related parties table, the Company also incurred interest expense on its short-term loan from related party transactions:

CZK million	2022	2021
Interest expenses on short-term loans		
Ultimate parent company	–	–
Companies controlled by ultimate parent company	16	–
Total	**16**	**–**

The amount of dividends paid and approved by the parent company is disclosed in Note 11.

Receivables From Related Parties

The receivables listed in the following table include only trade receivables and, where applicable, receivables from licenses for all listed categories of related parties.

CZK million	31 December 2022	31 December 2021
Parent company		
VOLKSWAGEN FINANCE LUXEMBURG S.A.	–	–
Ultimate parent company		
Volkswagen AG	3,616	3,010
Subsidiaries		
ŠKODA AUTO Slovensko s.r.o.	749	429
ŠKODA AUTO Volkswagen India Pvt. Ltd.	3,126	–
ŠKODA AUTO DigiLab s.r.o.	4	6
ŠKODA AUTO DigiServices s.r.o. v likvidaci	–	–
UMI Urban Mobility International Česká republika s.r.o.	–	–
Associates		
OOO Volkswagen Group Rus	250	2,218
ŠKODA AUTO Volkswagen India Pvt. Ltd.	–	2,688
ŠKO-ENERGO s.r.o.	9	21
ŠKO-ENERGO FIN s.r.o. v likvidaci	–	–
Digiteq Automotive s.r.o.	5	5
Green:Code s.r.o.	–	–
Companies controlled by ultimate parent company	**14,815**	**10,619**
Other related parties	**798**	**1,600**
Total	**23,372**	**20,596**

Receivables from licence fees are specified below.

CZK million	31 December 2022	31 December 2021
Receivables licence fees		
Ultimate parent company	–	–
Subsidiaries	–	–
Associates	42	347
Other related parties	400	1,287
Total	**442**	**1,634**

An individual allowance has been made for licence receivables from affiliates in 2022 see Note 3.1.5.

In addition to trade receivables and receivables from licence fees, the Company as at 31 December 2022 also had deposits including cash pooling in companies controlled by ultimate parent company in the nominal amount of CZK 1,661 million (as at 31 December 2021: CZK 22,417 million). Receivables from interest from the loans as at 31 December 2022 amounted to CZK 0 million (as at 31 December 2021: CZK 27 million). The weighted average effective interest rate on current deposits with original maturity less than three months (including cash pooling) is disclosed in Note 10. In addition to that, the Company also had receivable from its ultimate parent company Volkswagen AG amounting to CZK 265 million as at 31 December 2022 relating mainly to the claim refund necessary for settlement of the provision described in Note 15 (as at 31 December 2021: CZK 310 million).

Receivables from related parties are considered by the Company to be less risk. The products delivered to the related parties are supplied on credit terms or the resulting receivables are transferred to factoring companies. Amount of allowances for receivables due as stated in credit terms is determined according to simplified approach using provision matrix described in Note 3.1.5. No impairment loss was identified for any of the receivables transferred to factoring companies. The value of receivables from related parties that will be subject to factoring is stated in Note 8.2. Further information on these receivables classified in the FVPL portfolio is provided in Notes 2.5.1 and 3.1.3. As at 31 December 2022, the Company had open receivables from the factoring companies of the Volkswagen Group in the amount of CZK 241 million (as at 31 December 2021: CZK 0 million). Furthermore, in 2022, the Company assigned its trade receivables to these factoring companies in the amount of CZK 251,039 million (2021: CZK 237,813 million).

Further, in 2022, the Company, as a member of the EU Emissions Pool and the UK Emissions Pool, recognised receivables in respect of claims for internal settlement of realised emissions savings within the pool totalling CZK 125 million (31 December 2021: CZK 40 million).

Liabilities to Related Parties

The liabilities listed in the following table include only trade payables for all listed categories of related parties.

CZK million	31 December 2022	31 December 2021
Parent company		
VOLKSWAGEN FINANCE LUXEMBURG S.A.	–	–
Ultimate parent company		
Volkswagen AG	6,406	14,034
Subsidiaries		
ŠKODA AUTO Slovensko s.r.o.	11	8
ŠKODA AUTO Volkswagen India Pvt. Ltd.	894	–
ŠKODA AUTO DigiLab s.r.o.	49	55
ŠKODA AUTO DigiServices s.r.o. v likvidaci	–	2
UMI Urban Mobility International Česká republika s.r.o.	–	–
Associates		
OOO Volkswagen Group Rus	93	188
ŠKODA AUTO Volkswagen India Pvt. Ltd.	–	874
ŠKO-ENERGO s.r.o.	243	226
ŠKO-ENERGO FIN s.r.o. v likvidaci	–	–
Digiteq Automotive s.r.o.	144	134
Green:Code s.r.o.	13	–
Companies controlled by ultimate parent company	**18,314**	**12,620**
Other related parties	**22**	**1,590**
Total	**26,189**	**29,731**

Trade payables also include payables to a factoring company within the Volkswagen Group in the amount of CZK 3,395 million as at 31 December 2022 (31 December 2021: CZK 2,004 million). For more information on these payables see Note 13.2.

The Company has a factoring agreement with ŠkoFIN s.r.o., according to which ŠkoFIN s.r.o. can claim compensation for realized credit losses under certain conditions. Detailed information on this financial guarantee is disclosed in Note 3.1.6.

In addition to trade payables, the Company had short-term loan liability with a company controlled by the ultimate parent company with a nominal value of CZK 3,376 million as at 31 December 2022 (31 December 2021: CZK 0 million). Interest payable on short-term loans as at 31 December 2022 amounted to CZK 1 million (31 December 2021: CZK 0 million). The weighted average effective interest rate on short-term borrowings is disclosed in Note 13.

Other Related Party Transactions

In 2022 and 2021, the Company entered into internal derivative contracts directly with the ultimate parent company Volkswagen AG to hedge currency and price risk. As at 31 December 2022, the fair value of receivables from internal derivative contracts was CZK 7,086 million (31 December 2021: CZK 1,312 million). The fair value of liabilities from internal derivative contracts amounted to CZK 3,758 million as at 31 December 2022 (31 December 2021: CZK 1,361 million). Further information on internal derivatives for currency risk hedging is disclosed in Note 3.3.4. Information on Investments in subsidiaries is disclosed in Note 6, information on Investments in associates is disclosed in Note 7 and information on Investments in equity instruments issued by related parties is disclosed in Note 8.1.

Based on the contractual obligation arising from its membership of the EU Emissions Pool, the Company has recognized a provision to cover emissions expenditures in 2020. Total amount of the provision to cover emission expenditure within the EU was CZK 6,852 million as at 31 December 2022 (31 December 2021: CZK 6,931 million). Further information on this provision is disclosed in Note 15.

Outside of the European region, the Company is part of a "consortium" of VOLKSWAGEN companies that must comply with stricter emissions legislation due to joint responsibility for the Indian manufacturer and dealer. In 2022, the Company has recorded a provision for future expenses arising from internal settlements for vehicles sold in India in the Indian fiscal year 2023 of CZK 432 million.

CZK million	31 December 2022	31 December 2021
Contractual obligations and other future commitments		
Ultimate parent company	28,036	26,663
Subsidiaries	–	–
Associates	–	–
Companies controlled by ultimate parent company	1,854	745
Total	**29,890**	**27,408**

Contractual obligations to related parties include mainly commitments in respect of research and development costs and tooling rights.

Information on Key Management Personnel Remuneration

CZK million	2022	2021
Salaries and other short-term employee benefits*	553	757
Pension benefit costs (defined contribution plans)	26	22
Share-based payment	112	126
Total	**691**	**905**

* Salaries and other short-term employee benefits include besides wages, salaries, bonuses and non-monetary remuneration also health and social insurance paid by employer for employees.

Key management personnel include members of the Board of Management, the Supervisory Board and managers of the Company having authority and responsibility for planning, directing and controlling the activities of the Company.

CZK 280 million out of the total amount disclosed in the line Salaries and other short-term employee benefits was outstandingas at 31 December 2022 (31 December 2021: CZK 391 million).

The remuneration system for key management members consists of a fixed and variable part. Variable remuneration consists of an annual bonus dependent on the ROI and ROS result for Škoda Auto including its subsidiaries and for the Volkswagen Group within the one-year evaluation period and from long-term incentives in the form of so-called Performance Shares Plan with three-year period tied to the future development of priority shares of the company VOKLSWAGEN AG (share-based payments). For more details see Note 2.17. A total of 23,230 performance shares were allocated to key management members in 2022 (2021: 26,255 performance shares).

The total target amounts for certain key members of the Company's management for the 2022-2024 performance period amounted as of grant date 1 January 2022 to CZK 176 million (for the 2021 – 2023 period as of grant date 1 January 2021 amounted to CZK 117 million). The corresponding costs of CZK 127 million (2020: CZK 146 million) were reported as personnel costs (Note 24). Should the beneficiaries of the Performance Shares Plan leave the Company as of 31 December 2022, the intrinsic value of the vested share-based payments would amount to a total of CZK 12 million (2021: CZK 99 million).

The remuneration system was modified also for other key members of the Company's management at the end of 2019 effective from 1 January 2020. The new system of remuneration of these additional key management members consists of a fixed and variable part. Variable remuneration consists of an annual bonus dependent on the ROI and ROS result for Škoda Auto including its subsidiaries and also for the Volkswagen Group within the one-year evaluation period and from long-term bonus dependent on the price development of Volkswagen AG's preference shares (including dividend and EPS*) for the past three years. For more details see Note 2.17.

* EPS Earnings per share

26 Other Information

The compensation paid to the Company's auditors for the accounting period 2022 was CZK 58 million (2021: CZK 94 million) and covered the following services:

CZK million	**2022**	**2021**
Audit of Annual Financial Statements	22	18
Other Assurance Services	7	8
Tax and related services	–	1
Other advisory services	29	67
Total	**58**	**94**

27 Contingent Liabilities

The Company has noted contingent liabilities in connection with the EA189 diesel engines issue representing claims made through lawsuits against the Company. These claims meet the criteria of a contingent liability, but their value could not be disclosed, because it is not possible to reliably quantify the potential settlement conditions of such claims. Currently, these proceedings are at various stages and in number of them the claimants still have not specified the value of their claims. Chances of success of such claims may be currently assessed as less than 50%. The courts give the prosecutors and defendants room to find a settlement of disputes by dead of arrangement.

In some countries (especially in Belgium, the Netherlands and the Czech Republic), there are judicial proceedings conducted on the basis of collective actions or legal instruments of similar nature against the Company and other companies of the Volkswagen Group or also against other persons, which assert, inter alia, claims for monetary compensation. Given that in many cases the proceedings are not yet at a later stage, or the actions filed are seeking declaratory decisions, the amount of the claims asserted cannot yet be quantified with certainty. The last year has not brought any significant new knowledge, which would enable reliable specification of the claims.

In addition to the above, individual actions were filed in some countries against the Company, in which the claimants mostly seek alleged compensation for alleged damage or replacement of allegedly defective vehicles with defect-free vehicles.

Currently, it is impossible to reliably estimate the number of customers who will use the possibility to bring their alleged claims against the Company by filing a lawsuit in the future, nor what the chances of success of such claims will be. Likewise, it is not possible to reliably estimate how many customers bring their alleged claims against dealers, service partners and importers of Škoda brand, what actions they will seek and what will be the extent of their success. However, it can be expected that the chances of success will continue to decline as more time passes since the EA 189 diesel engines theme became known in September 2015. It can be also expected that dealers, service partners and importers of Škoda brand who would not be successful in disputes started by customers, could then exercise alleged recourse claims against the Company.

All potential costs arising from alleged claims and proceedings in connection with the EA189 would be fully compensated to the Company by the Volkswagen AG.

28 Significant Events After the Balance Sheet Date

By purchasing from SCANIA CV AKTIEBOLAG, the Company acquired shares in Scania Leasing on 13 February 2023, a limited liability company under Russian law with its registered office in Moscow, Russian Federation, in Scania Finance on 25 January 2023, a limited liability company under Russian law with its registered office in Moscow, Russian Federation, and in Scania Insurance on 25 January 2023, a limited liability company under Russian law with its registered office in Moscow, Russian Federation, and thus became a shareholder of these companies. The Company's interest in each of these companies is 16.8%.

The shares acquired by Škoda Auto in the above mentioned companies were contributed into OOO Volkswagen Group Rus on 22 February 2023.

On 10 February 2023, with effect from 28 February 2023, the resignation of Mr. Murat Aksel from the position of a member of the Company's Supervisory Board was taken into account within the scope of the Company's general meeting.

On 10 February 2023, with effect from 1 March 2023, based on the decision of the Company's general meeting, Mr. Dirk Große-Loheide was appointed a member of the Company's Supervisory Board.

These changes have not yet been entered into the commercial register.

29 Information About Volkswagen Group

ŠKODA AUTO a.s. is a subsidiary included in the consolidation group of its ultimate parent company, Volkswagen AG, with a registered office in Wolfsburg, the Federal Republic of Germany.

The Volkswagen Group consists of two divisions – Automotive and Financial Services. The activities related to the Automotive Division include the development of vehicles, engines and vehicle software, production and sale of passenger and commercial cars, trucks, buses and motorcycles as well as the business with spare parts, large-bore diesel engines, turbomachinery and propulsion components. The following brands belong to Volkswagen Group: Audi, Bentley, CARIAD, CUPRA, Ducati, Lamborghini, MAN, MOIA, Navistar, Porsche, Scania, SEAT, Škoda, TRATON, Volkswagen Passenger Cars and Volkswagen Commercial Vehicles.

The Financial Services Division includes activities related to the dealer and customer financing, vehicle leasing, banking and insurance activities, the fleet management and mobility services.

Škoda Auto and its subsidiaries (see Note 6) and its investments in associates (see Note 7) are included in the consolidation of Volkswagen Group's financial statements. These consolidated financial statements, and other information relating to the Volkswagen Group, are available in the annual report of Volkswagen AG and on its internet site (www.volkswagenag.com).

Mladá Boleslav, 27 February 2023

The Board of Management:

Klaus Zellmer

Maren Gräf

Martin Jahn

Johannes Neft

Michael Oeljeklaus

Christian Schenk

Karsten Schnake

Persons Responsible for Accounting:

Dana Němečková

Martina Janebová-Ciencialová

Report on Relations of the Company ŠKODA AUTO a.s.

Pursuant to the provisions of Section 82 of Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (hereinafter referred to as the “Business Corporations Act”)

The Board of Management of ŠKODA AUTO a.s., having its registered office tř. Václava Klementa 869, Mladá Boleslav II, 293 01 Mladá Boleslav, identification number 00177041, registered in the Commercial Register kept by Municipal Court in Prague, with File No. B 332 (hereinafter referred to as “the Company” or “Škoda Auto” or “Controlled entity”), prepared the following Report on Relations pursuant to the provision of § 82 of Business Corporations Act, in the accounting period 1 January – 31 December 2022 (hereinafter referred to as “the Period”).

1 Structure of Relations

The Company has been a part of VOLKSWAGEN Group (hereinafter referred to as “the Group”) for the whole Period, where the controlling entity is VOLKSWAGEN AKTIENGESELLCHAFT (hereinafter referred to as “VOLKSWAGEN” or “the Controlling Entity”).

Škoda Auto company was in the Period indirectly controlled by VOLKSWAGEN AG based at Berliner Ring 2, 384 40 Wolfsburg, Federal Republic of Germany through VOLKSWAGEN FINANCE LUXEMBURG S.A. seated in 19/21 route d'Arlon, L-8009, Luxembourg, Grand Duchy of Luxembourg, which is the sole shareholder of the Company.

The Controlling Entity is the ultimate parent company of the Group, the activities of which comprise especially the development of vehicles and aggregates, automotive software, the production and sale of passenger and commercial cars, trucks, buses, and motorcycles, as well as business with spare parts, large-bore diesel engines and turbo machinery (via brands Audi, Bentley, CARIAD, CUPRA, Ducati, Lamborghini, MAN, MOIA, Navistar, Porsche, SEAT, Škoda, TRATON, Volkswagen Passenger Cars and Volkswagen Commercial Vehicles). In addition, the Group engages in financial services segment in activities related to the dealer and customer financing, leasing, banking and insurance services, and the fleet management.

Information about the structure of relations is stated as at 31 December 2022, based on the information available to the statutory body of the Company acting with due managerial care. The ownership structure of Škoda Auto is graphically illustrated in the Appendix. The ownership structure between the Controlling Entity and the Controlled Entity and between the Controlled Entity and persons controlled by the same Controlling Entity is available on the website www.volkswagenag.com/ir.

2 Function of the Company within the Group

The Company operates in the Automotive Division of the Group and focuses particularly on the development, production and sale of vehicles of the Škoda brand, its spare parts and accessories, and the development and production of components for other Group companies. The Company holds interests in subsidiaries within Škoda Auto Group and in other companies. The overview of the interests is illustrated in the Appendix.

3 Means of Control

During the Period, the Company was indirectly controlled by the Controlling Entity through the sole shareholder VOLKSWAGEN FINANCE LUXEMBURG S.A. The Company is controlled mainly through decision of the sole shareholder during the general meetings. Important decisions influencing the Company’s operations are approved within the Group’s respective boards.

4 Overview of Transactions Realised at the Instigation or in the Interest of the Controlling Entity or Entities Controlled by the Controlling Entity, Involving Assets Exceeding 10% of the Company’s Equity as Determined by the Most Recent Separate Financial Statements Prepared as at 31 December 2021

Based on the Decision of the sole shareholder VOLKSWAGEN FINANCE LUXEMBURG S.A. from 23 August 2022, Škoda Auto paid a dividend of CZK 22,410 million on 1 September 2022 to the sole shareholder VOLKSWAGEN FINANCE LUXEMBURG S.A.

The Company has not carried out any other transactions during the Period at the instigation of or in the interests of the Controlling Person or persons controlled by it concerning assets exceeding 10% of the Company’s equity per the last individual financial statements as at 31 December 2021.

5 Overview of the Contracts within the Group

During the Period, the following contractual relationships were in force or newly concluded between Škoda Auto and VOLKSWAGEN and between Škoda Auto and companies controlled by VOLKSWAGEN in the following areas:

5.1 Sale of own products, goods and services

a) vehicles
In the context of car sales, Škoda Auto had contractual relationships in force in the Period (concluded in the Period or in previous years) with the following companies:

- OOO Volkswagen Group Rus
- Porsche Albania Sh.p.k.
- Porsche Austria GmbH & Co. OG
- Porsche BH d.o.o.
- Porsche Croatia d.o.o., Zagreb
- Porsche Hungaria Kereskedelmi Kft.
- Porsche Chile S.p.A.
- Porsche Inter Auto CZ spol. s r.o.
- Porsche Macedonia d.o.o.e.l. Skopje
- Porsche Romania S.R.L.
- Porsche Slovenija d.o.o.
- SEAT, S.A.
- SIVA – Sociedade de Importação de Veículos Automóveis, S.A.
- SKODA AUTO Deutschland GmbH
- ŠKODA AUTO Slovensko, s.r.o.
- ŠKODA AUTO Volkswagen India Pvt. Ltd.
- ŠkoFIN s.r.o.
- Volkswagen Group Australia Pty. Ltd.
- Volkswagen Group España Distribución, S.A.
- Volkswagen Group France S.A.
- Volkswagen Group Ireland Ltd.
- Volkswagen Group Italia S.p.A.
- Volkswagen Group Polska Sp. z o.o.
- Volkswagen Group Services GmbH
- Volkswagen Group Singapore Pte. Ltd.
- Volkswagen Group Sverige AB
- Volkswagen Group Taiwan Co., Ltd.
- Volkswagen Group United Kingdom Ltd.

b) genuine parts
In the context of genuine parts sales, Škoda Auto had contractual relationships in force in the Period (concluded in the Period or in previous years) with the following companies:

- Digiteq Automotive s.r.o.
- OOO Volkswagen Group Rus
- Porsche Albania Sh.p.k.
- Porsche BH d.o.o.
- Porsche Colombia S.A.S.
- Porsche Croatia d.o.o., Zagreb
- Porsche Česká republika s.r.o.
- Porsche Hungaria Kereskedelmi Kft.
- Porsche Chile S.p.A.
- Porsche Inter Auto CZ spol. s r.o.
- Porsche Konstruktionen GmbH & Co. KG
- Porsche Macedonia d.o.o.e.l. Skopje
- Porsche Romania S.R.L.
- Porsche Slovakia, spol. s r.o.
- Porsche Slovenija d.o.o.
- SEAT, S.A.
- SIVA – Sociedade de Importação de Veículos Automóveis, S.A.
- SKODA AUTO Deutschland GmbH
- ŠKODA AUTO Slovensko, s.r.o.
- ŠKODA AUTO Volkswagen India Pvt. Ltd.
- VOLKSWAGEN AG
- Volkswagen de México, S.A. de C.V.
- Volkswagen Group Australia Pty. Ltd.
- Volkswagen Group España Distribución, S.A.
- Volkswagen Group France S.A.
- Volkswagen Group Charging GmbH
- Volkswagen Group Ireland Ltd.
- Volkswagen Group Italia S.p.A.
- Volkswagen Group Polska Sp. z o.o.
- Volkswagen Group Singapore Pte. Ltd.
- Volkswagen Group Sverige AB
- Volkswagen Group Taiwan Co., Ltd.
- Volkswagen Group United Kingdom Ltd.
- Volkswagen of South Africa (Pty) Ltd.
- Volkswagen Original Teile Logistik GmbH & Co. KG

c) others
In the context of sale of services, licenses, aggregates, bodyworks and other products, Škoda Auto had contractual relationships in force in the Period (concluded in the Period or in previous years) with the following companies:

- AUDI AG
- Audi Hungaria Zrt.
- Automobili Lamborghini S.p.A.
- BeRider Services s.r.o.
- CARIAD SE
- Digiteq Automotive s.r.o.
- Dr. Ing. h.c. F. Porsche AG
- HoppyGo s.r.o.
- INIS International Insurance Service s.r.o.,
- MAN Truck & Bus SE
- OOO Volkswagen Group Rus
- OOO Volkswagen Komponenten und Services
- Porsche Austria GmbH & Co. OG
- Porsche BH d.o.o.
- Porsche Centre Beijing Central Ltd.
- Porsche Croatia d.o.o.
- Porsche Česká republika s.r.o.
- Porsche Hungaria Kereskedelmi Kft.
- Porsche Inter Auto CZ spol. s r.o.
- Porsche Romania S.R.L.
- Porsche Slovenija d.o.o.
- Scania Czech Republic s.r.o.
- SEAT CUPRA S.A.
- SEAT, S.A.
- Shanghai Volkswagen Powertrain Co., Ltd.
- SIVA – Sociedade de Importação de Veículos Automóveis, S.A.
- SKODA AUTO Deutschland GmbH
- ŠKODA AUTO DigiLab s.r.o.
- ŠKODA AUTO Slovensko, s.r.o.
- ŠKODA AUTO Volkswagen India Pvt. Ltd.
- ŠKO-ENERGO FIN s.r.o. v likvidaci
- ŠKO-ENERGO s.r.o.
- ŠkoFIN s.r.o.
- Volkswagen (China) Investment Co., Ltd.
- VOLKSWAGEN AG
- Volkswagen Argentina S.A.
- Volkswagen Autoeuropa, Lda.
- Volkswagen de México, S.A. de C.V.
- Volkswagen do Brasil Indústria de Veículos Automotores Ltda.
- Volkswagen Group Australia Pty. Ltd.
- Volkswagen Group France S.A.
- Volkswagen Group Charging GmbH
- Volkswagen Group Import Co., Ltd.
- Volkswagen Group Ireland Ltd.
- Volkswagen Group Italia S.p.A.
- Volkswagen Group Sverige AB
- Volkswagen Group Taiwan Co., Ltd.
- Volkswagen Group United Kingdom Ltd.
- Volkswagen Immobilien GmbH
- Volkswagen Motor Polska Sp. z o.o.
- Volkswagen Navarra, S.A.
- Volkswagen Nutzfahrzeuge
- Volkswagen of South Africa (Pty) Ltd.
- Volkswagen Osnabrück GmbH
- Volkswagen Poznan Sp. z o.o.
- Volkswagen Sachsen GmbH
- Volkswagen Slovakia, a.s.
- Weser-Ems Vertriebsgesellschaft mbH

5.2 Purchase of goods, services and non-current assets

a) production material
In the context of purchases of production material, Škoda Auto had contractual relationships in force in the Period (concluded in the Period or in previous years) with the following companies:

- AUDI AG
- Audi Brussels S.A./N.V.
- Audi Hungaria Zrt.
- OOO Volkswagen Group Rus
- OOO Volkswagen Komponenten und Services
- SEAT, S.A.
- Shanghai Volkswagen Powertrain Co., Ltd.
- SKODA AUTO Deutschland GmbH
- ŠKODA AUTO Volkswagen India Pvt. Ltd.
- ŠKO-ENERGO s.r.o.
- VOLKSWAGEN AG
- Volkswagen Argentina S.A.
- Volkswagen Autoeuropa, Lda.
- Volkswagen Automatic Transmission (Dalian) Co., Ltd.
- Volkswagen de México, S.A. de C.V.
- Volkswagen do Brasil Indústria de Veículos Automotores Ltda.
- Volkswagen Group Logistics GmbH
- Volkswagen Group Services Kft.
- Volkswagen Konzernlogistik GmbH & Co. OHG
- Volkswagen Motor Polska Sp. z o.o.
- Volkswagen Navarra, S.A.
- Volkswagen of South Africa (Pty) Ltd.
- Volkswagen Osnabrück GmbH
- Volkswagen Poznan Sp. z o.o.
- Volkswagen Sachsen GmbH
- Volkswagen Sarajevo d.o.o.
- Volkswagen Slovakia, a.s.
- Volkswagen Transmission (Shanghai) Co., Ltd.

b) overheads
In the context of purchases of indirect material and services (including research and development cooperation, IT services, software and hardware supplies, customer services consultancy), Škoda Auto had contractual relationships in force in the Period (concluded in the Period or in previous years) with the following companies:

- Audi (China) Enterprise Management Co., Ltd.
- AUDI AG
- Audi Business Innovation GmbH
- Audi Hungaria Zrt.
- Audi Volkswagen Middle East FZE
- Auto & Service PIA GmbH
- Autostadt GmbH
- CARIAD SE
- Digiteq Automotive s.r.o.
- Dr. Ing. h.c. F. Porsche AG
- EURO-Leasing GmbH
- HoppyGo s.r.o.
- Italdesign Giugiaro S.p.A.
- MHP Management- und IT-Beratung GmbH
- MMI Marketing Management Institut GmbH
- Nardò Technical Center S.r.l.
- OOO Volkswagen Group Rus
- Porsche Austria GmbH & Co. OG
- Porsche BH d.o.o.
- Porsche Consulting GmbH
- Porsche Croatia d.o.o.
- Porsche Česká republika s.r.o.
- Porsche Hungaria Kereskedelmi Kft.
- Porsche Chile S.p.A.
- Porsche Inter Auto CZ spol. s r.o.
- Porsche Macedonia d.o.o.e.l. Skopje
- Porsche Romania S.R.L.
- Porsche Slovenija d.o.o.
- Porsche Werkzeugbau GmbH
- Porsche Werkzeugbau s.r.o.
- Scania Czech Republic s.r.o.
- SEAT CUPRA S.A.
- SEAT, S.A.
- SIVA – Sociedade de Importação de Veículos Automóveis, S.A.
- SKODA AUTO Deutschland GmbH
- ŠKODA AUTO DigiLab s.r.o.
- ŠKODA AUTO Slovensko, s.r.o.
- ŠKODA AUTO Volkswagen India Pvt. Ltd.
- ŠkoFIN s.r.o.
- VAIVA GmbH
- Volkswagen (China) Investment Co., Ltd.
- VOLKSWAGEN AG
- Volkswagen AirService GmbH
- Volkswagen Argentina S.A.
- Volkswagen Autoeuropa, Lda.
- Volkswagen do Brasil Indústria de Veículos Automotores Ltda.
- VOLKSWAGEN FINANCIAL SERVICES AG
- Volkswagen Gebrauchtfahrzeughandels und Service GmbH
- Volkswagen Group Australia Pty. Ltd.
- Volkswagen Group España Distribución, S.A.
- Volkswagen Group France S.A.
- Volkswagen Group Future Center Europe GmbH
- Volkswagen Group Future Center Europe GmbH
- Volkswagen Group Charging GmbH
- Volkswagen Group Italia S.p.A.
- Volkswagen Group of America, Inc.
- Volkswagen Group Polska Sp. z o.o.
- Volkswagen Group Services GmbH
- Volkswagen Group Services Kft.
- Volkswagen Group Services, s.r.o.
- Volkswagen Group Singapore Pte. Ltd.
- Volkswagen Group Sverige AB
- Volkswagen Group Sverige AB
- Volkswagen Group Taiwan Co., Ltd.
- Volkswagen Group Technology Solutions India Pvt. Ltd.
- Volkswagen Group United Kingdom Ltd.
- Volkswagen Konzernlogistik GmbH & Co. OHG
- Volkswagen Motor Polska Sp. z o.o.
- Volkswagen Navarra, S.A.
- Volkswagen Nutzfahrzeuge
- Volkswagen of South Africa (Pty) Ltd.
- Volkswagen Osnabrück GmbH
- Volkswagen Sachsen GmbH
- Volkswagen Slovakia, a.s.
- Volkswagen Software Asset Management GmbH
- VW Kraftwerk GmbH

c) genuine parts
In the context of purchases of genuine parts, Škoda Auto had contractual relationships in force in the Period (concluded in the Period or in previous years) with the following companies:

- SEAT, S.A.
- VOLKSWAGEN AG
- Volkswagen Autoeuropa, Lda.
- Volkswagen do Brasil Indústria de Veículos Automotores Ltda.
- Volkswagen Motor Polska Sp. z o.o.
- Volkswagen Osnabrück GmbH
- Volkswagen Sachsen GmbH
- Volkswagen Slovakia, a.s.
- Volkswagen Zubehör GmbH

d) non-current assets
In the context of purchases of non-current assets, Škoda Auto had contractual relationships in force in the Period (concluded in the Period or in previous years) with the following companies:

- Digiteq Automotive s.r.o.
- Dr. Ing. h.c. F. Porsche AG
- INIS International Insurance Service s.r.o.,
- Porsche Česká republika s.r.o.
- ŠKODA AUTO DigiLab s.r.o.
- VOLKSWAGEN AG
- Volkswagen Group Charging GmbH
- Volkswagen Group Services GmbH
- Volkswagen Group Technology Solutions India Pvt. Ltd.
- Volkswagen International Finance N.V.

5.3 Other contractual relationships

In the context of other contractual relationships (relating to purchases and/or sales, in particular for marketing services, training, sales support, financial services, consultancy, purchase of capital interests, system and other support), Škoda Auto had contractual relationships in force in the Period (concluded in the Period or in previous years) with the following companies:

- AUDI AG
- BeRider Services s.r.o.
- CARIAD SE
- Digiteq Automotive s.r.o.
- Dr. Ing. h.c. F. Porsche AG
- HoppyGo s.r.o.
- INIS International Insurance Service s.r.o.,
- MAN Truck & Bus SE
- OOO Volkswagen Group Rus
- PHS Automotive Malaysia Sdn. Bhd.
- Porsche Albania Sh.p.k.
- Porsche Austria GmbH & Co. OG
- Porsche BH d.o.o.
- Porsche Colombia S.A.S.
- Porsche Croatia d.o.o.
- Porsche Digital, Inc.
- Porsche Hungaria Kereskedelmi Kft.
- Porsche Inter Auto CZ spol. s r.o.
- Porsche Macedonia d.o.o.e.l. Skopje
- Porsche Romania S.R.L.
- Porsche Slovenija d.o.o.
- Scania CV AB
- SIVA – Sociedade de Importação de Veículos Automóveis, S.A.
- SKODA AUTO Deutschland GmbH
- ŠKODA AUTO DigiLab s.r.o.
- ŠKODA AUTO DigiServices s.r.o. v likvidaci
- ŠKODA AUTO Slovensko, s.r.o.
- ŠKODA AUTO Volkswagen India Pvt. Ltd.
- ŠKO-ENERGO s.r.o.
- ŠkoFIN s.r.o.
- VDF Servis ve Ticaret A.S.
- Volkswagen (China) Investment Co., Ltd.
- VOLKSWAGEN AG
- Volkswagen Deutschland GmbH & Co. KG
- Volkswagen do Brasil Indústria de Veículos Automotores Ltda.
- VOLKSWAGEN FINANCIAL SERVICES AG
- Volkswagen Group Canada, Inc.
- Volkswagen Group España Distribución S.A.U.
- Volkswagen Group France S.A.
- Volkswagen Group Ireland Ltd.
- Volkswagen Group Italia S.p.A.
- Volkswagen Group Polska Sp. z o.o.
- Volkswagen Group Services GmbH
- Volkswagen Group Sverige AB
- Volkswagen Group United Kingdom Ltd.
- Volkswagen Insurance Brokers GmbH
- Volkswagen International Belgium S.A.
- Volkswagen International Finance N.V.
- Volkswagen Original Teile Logistik GmbH & Co. KG
- Volkswagen Osnabrück GmbH
- Volkswagen Slovakia, a.s.

6 Assessment of a Detriment and its Settlement

Contracts concluded in the Period and in previous years were concluded under conditions in the ordinary course of business.

The Company did not suffer from any damage or detriment as a result of the contracts concluded in the Period and in previous periods between the Company and other Group companies, or as a result of other transactions or measures realised during the Period by the Company at the instigation or in the interest of these entities.

7 Evaluation of the Relations and Risks within the Group

7.1 Evaluation of advantages and disadvantages of the relations within the Group

Involvement in the Group leads mainly to advantages for the Company. The Group is a world-leading automotive manufacturer. Involvement in the Group brings economies of scale to the Company, realised through shared platforms and modern technologies. At the same time, it provides shared know-how and distribution channels.

Currently, there is no apparent disadvantage for the Company emerging from involvement in the Group.

7.2 There are no risks for the Company arising from the relations within the Group.

Mladá Boleslav, 27 February 2023

The Board of Management:

Klaus Zellmer

Maren Gräf

Martin Jahn

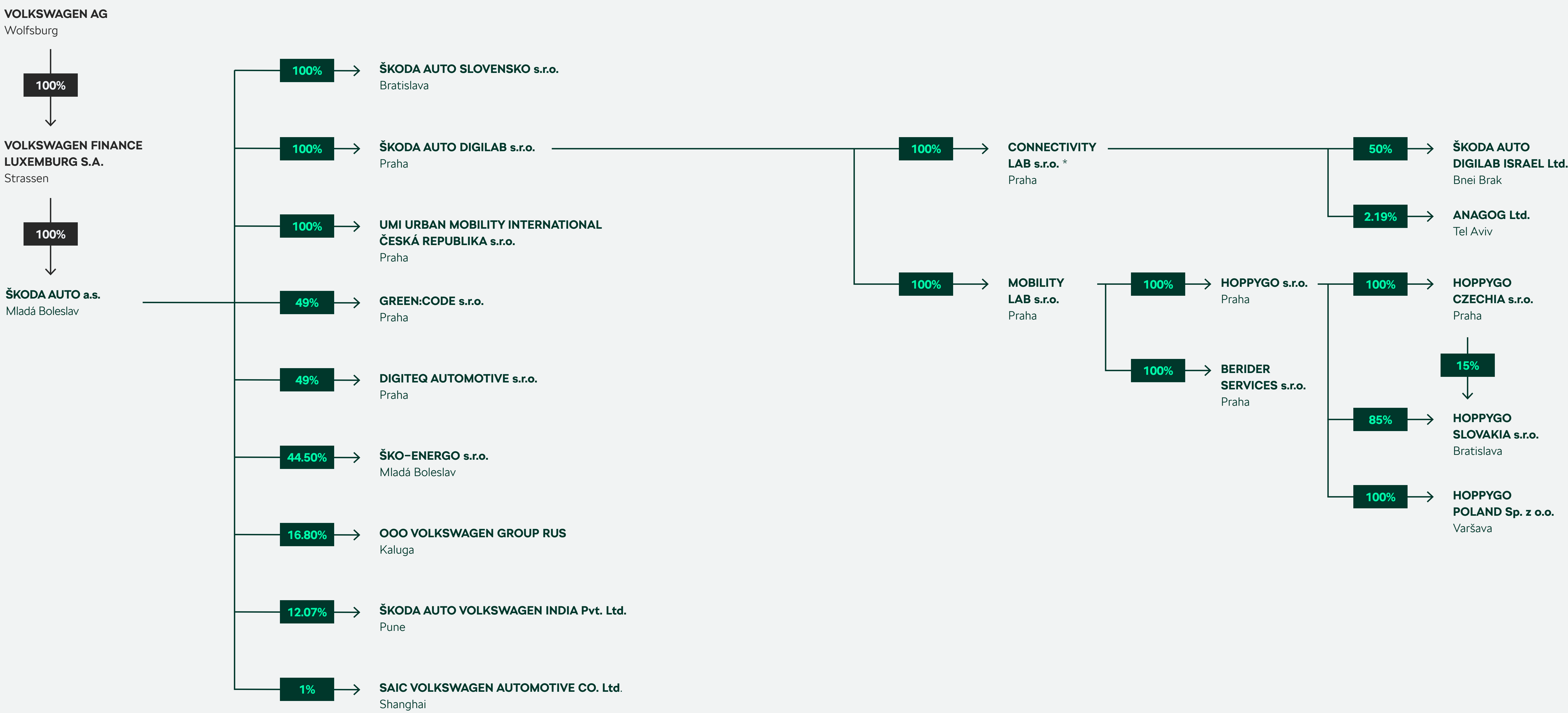
Johannes Neft

Michael Oeljeklaus

Christian Schenk

Karsten Schnake

Structure of Companies With Škoda Auto Participation as at 31 December 2022



* Effective 1 January 2023, a domestic merger by acquisition took place, as a result of which CONNECTIVITY LAB s.r.o. was dissolved by merger with ŠKODA AUTO DIGILAB s.r.o.

Glossary of Terms and Abbreviations

ASEAN
The Association of Southeast Asian Nations is a political and economic union comprising Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam

BEV
Battery electric vehicle

CGU
Cash-generating unit; the smallest group of assets that independently generates cash flow defined by IFRS

CNG
Compressed natural gas; methane fuel

Company
in the Annual Report, the term "the Company" is used as a synonym for the company ŠKODA AUTO a.s.

Consolidated group
in addition to ŠKODA AUTO a.s. with registered office in Mladá Boleslav, also includes all significant subsidiaries and associatesi

Deliveries to customers
number of Škoda brand vehicles delivered to end customers that were produced in Škoda Auto Group and/or partner plants

E/E
electrical/electronic architecture

EGAP
Exportní garanční a pojišťovací společnost, a.s.; Export Guarantee and Insurance Corporation

Euro NCAP
European New Car Assessment Programme; European consumer organisation that conducts safety tests

GDPR
General Data Protection Regulation; general regulation on the protection of personal data

GRC
Governance, Risk management and Compliance

Group
in the Annual Report, the term "the Group" is used as synonym for the VOLKSWAGEN Group

HR
Human Resource

IAS/IFRS
International Accounting Standards / International Financial Reporting Standards as adopted by the European Union

IASB
International Accounting Standards Board; independent international group of accounting experts

Infotainment
multimedia information system consisting of radio, navigation system and other multimedia devices in a vehicle

Investment ratio
ratio of capital expenditures (less capitalised development expenses) to total sales revenues

KonTraG
Gesetz zur Kontrolle und Transparenz im Unternehmensbereich; German Information Disclosure and Transparency Act

MEB
Modular Electric Drive Matrix; modular platform for electric vehicles

MQB
Modular Transverse Matrix; modular platform

Net liquidity
gross liquidity (cash and cash equivalents) less liabilities to a factoring company within the Volkswagen Group

OECD
Organization for Economic Cooperation and Development

PHEV
Plug-in hybrid electric vehicle; hybrid electric vehicle that uses batteries that can be recharged by plugging it in to an external source of electric power

Production
number of vehicles produced; the total production figure also includes production of vehicles for the VOLKSWAGEN Group brand Seat manufactured by the company Škoda Auto; for accuracy, vehicle assembly kits are reported in the vehicles segment

RMS/IKS
Risk Management System / Internal Control System

Sales
number of vehicles sold to importers and dealers; the unit sales figure also includes sales of vehicles of the VOLKSWAGEN Group brand Seat manufactured by the company Škoda Auto; for accuracy, vehicle assembly kits are reported in the vehicles segment

SUV
Sport utility vehicle in the mid-range category of cars

Temporary employes
employees of a labour agency who are temporarily seconded to work for a different employer

UNECE
United Nations Economic Commission for Europe

WLTP
Worldwide Harmonised Light Vehicle Test Procedure; new test cycle measuring CO_2 and other pollutant emissions as well as fuel consumption values

Persons Responsible for the Annual Report, Events After the Balance Sheet Date and Other Information

Events after the Balance Sheet Date
No material events have occurred between the balance sheet date and the date of preparation of this Annual Report that have had an impact on an assessment of the Company's assets, liabilities and equity or the results of its operations.

Other Information
The Company did not acquire any treasury shares during the relevant period. The Company as an accounting entity does not have a branch or part of a business plant abroad. The Company is subject to no further disclosure obligations pursuant to the provision of Section 21(2)(g) of Act No. 563/1991 Coll., on Accounting, as amended, with the exception of the obligations arising from Act No. 542/2020 Coll. on End-of-Life Products described in the Sustainability section.

Affirmation
The persons stated below, responsible for the preparation of this Annual Report, hereby declare that the information contained in this Annual Report is factual and that no substantive matters that could influence an accurate and correct evaluation of the company ŠKODA AUTO a.s. have been knowingly omitted or distorted.

Mladá Boleslav, 27 February 2023

The Board of Management:

Klaus Zellmer

Maren Gräf

Martin Jahn

Johannes Neft

Michael Oeljeklaus

Christian Schenk

Karsten Schnake

Key Figures and Financial Results of Škoda Auto According to IFRS in Brief

Sales, production and workforce		2018	2019	2020	2021	2022
Deliveries to customers	**vehicles**	**1,253,741**	**1,242,767**	**1,004,816**	**878,202**	**731,262**
Sales*	**vehicles**	**932,035**	**947,531**	**784,871**	**691,889**	**695,935**
Sales of Škoda cars*	vehicles	831,067	847,655	708,161	633,389	637,781
Production*	**vehicles**	**886,103**	**907,942**	**749,610**	**680,397**	**693,370**
Production of Škoda cars*	vehicles	785,128	808,066	672,900	621,897	635,213
Employees	persons	33,696	34,829	35,437	36,032	35,063

* Sales and production volumes are reported excluding kits shipped to foreign production plants not operated by Škoda Auto company. These kits are reported as other intragroup deliveries.

Income statement		2018	2019	2020	2021	2022
Sales revenue	**CZK million**	**416,695**	**459,122**	**424,292**	**422,607**	**444,229**
Cost of sales	CZK million	359,421	397,086	381,221	380,689	404,536
	% of revenues	86.3%	86.5%	89.8%	90.1%	91.1%
Gross profit	**CZK million**	**57,274**	**62,036**	**43,071**	**41,918**	**39,693**
	% of revenues	13.7%	13.5%	10.2%	9.9%	8.9%
Distribution expenses	CZK million	14,046	14,735	12,349	10,287	11,097
Administrative expenses	CZK million	12,366	13,234	13,565	12,271	12,353
Net other operating result	CZK million	2,978	3,153	159	6,856	1,383
Operating profit	**CZK million**	**33,840**	**37,220**	**17,316**	**26,216**	**17,626**
	% of revenues	8.1%	8.1%	4.1%	6.2%	4.0%
Net financial result	CZK million	1,291	1,278	547	1,104	(1,590)
Profit before tax	**CZK million**	**35,131**	**38,498**	**17,863**	**27,320**	**16,036**
Return on sales before tax	%	8.4%	8.4%	4.2%	6.5%	3.6%
Income tax expense	CZK million	6,239	6,809	2,688	4,910	3,268
Profit for the year	**CZK million**	**28,892**	**31,689**	**15,175**	**22,410**	**12,768**
Return on sales after tax	%	6.9%	6.9%	3.6%	5.3%	2.9%

Balance sheet / financing		2018	2019	2020	2021	2022
Non-current assets	CZK million	118,871	141,524	144,651	144,902	158,994
Current assets	CZK million	100,447	100,111	83,332	86,561	77,281
Equity	CZK million	111,674	109,626	94,920	101,528	92,475
Non-current and current liabilities	CZK million	107,644	132,009	133,063	129,935	143,800
Balance sheet total	**CZK million**	**219,318**	**241,635**	**227,983**	**231,463**	**236,275**
Net liquidity	**CZK million**	**43,333**	**42,321**	**16,478**	**20,418**	**(1,730)**
Cash flows from operating activities	CZK million	44,763	66,151	36,833	51,964	37,253
Cash flows from investing activities	CZK million	(25,758)	(36,912)	(31,709)	(32,485)	(38,421)
Net cash flows	**CZK million**	**19,005**	**29,239**	**5,124**	**19,479**	**(1,168)**
Investments	**CZK million**	**22,574**	**32,105**	**17,849**	**15,300**	**24,898**
Investment ratio	%	5.4%	7.0%	4.2%	3.6%	5.6%
Equity ratio	%	50.9%	45.4%	41.6%	43.8%	39.1%
Non-current asset to equity ratio	%	93.9%	77.5%	65.6%	70.1%	58.2%

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Annual Reports are available on the Company's website:
reporting.skoda-auto.com

Production

Etnetera Motion s.r.o. | Boomerang Communication s.r.o.