



ŠkodaAuto
ANNUAL REPORT 2001





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ŠkodaAuto Highlights 2001

January

A jury of independent automobile journalists names the Fabia Combi "Car of The Year 2001" in the Czech Republic.

February

The Fabia Sedan celebrates its world premiere at the Geneva Motor Show. The Octavia Sedan 4x4 and the Montreux concept car also make their debut at auto shows.

March

ŠkodaAuto presents the results for the year 2000 and offers a preview of the 2001 fiscal year at its balance sheet press conference.

April

On April 5th the 500,000th Octavia rolls off the assembly line since this vehicle line was launched in 1996.

ŠkodaAuto is the main sponsor of the Czech National Team at the Ice Hockey World Championship in Germany. The Czech Republic team wins the championship.

May

ŠkodaAuto launches the Fabia Sedan on the home market.

June

ŠkodaAuto celebrates "100 Years of Motorsport". The production of a limited edition of 100 vehicles, the "Octavia WRC Special Edition", commemorates the occasion.

The three-millionth Škoda vehicle produced since Volkswagen and Škoda joined forces rolls off the assembly line on June 20th.

July

A new Internet Website - <http://www.autonaprani.cz> - is created. Customers can now

assemble cars themselves according to their own wishes; complete with purchase and leasing price.

September

World premiere of the Superb at the IAA in Frankfurt. With this vehicle ŠkodaAuto has created a link to the successful tradition of the '30s and '40s, when the company produced high-quality, elegant luxury sedans.

October

After only 14 months of construction the commissioning of the new plant in Kvasiny begins. The Fabia Junior, the least expensive model from ŠkodaAuto, enters the market.

November

Production launch of the Fabia Praktik, a utility vehicle based on the Fabia Combi.

December

Approximately 100 local and foreign journalists test two all wheel drive models – the Octavia Sedan 4x4 and Octavia Combi 4x4 – under polar conditions.



Key Performance Indicators

		1997	1998	1999	2000	2001
Vehicle production	cars	357,170	403,515	371,169	450,910	460,886
Vehicles sales	cars	373,451	400,269	376,329	448,394	460,670
of which imported *	cars	16,096	2,957	0	0	0
Total revenues	CZK mil.	90,095	105,704	110,409	136,283	153,271
of which domestic	%	37	23	19	18	18
export	%	63	77	81	82	82
Profit after tax	CZK mil.	1,168	2,239	2,637	3,336	2,129
Fixed assets	CZK mil.	26,836	29,482	33,687	39,175	45,008
Current assets, other assets	CZK mil.	21,009	21,893	21,923	27,486	21,603
Equity	CZK mil.	17,997	20,236	22,700	26,032	28,157
Liabilities, other liabilities	CZK mil.	29,848	31,139	32,910	40,629	38,454
Cash flow	CZK mil.	7,710	8,795	9,780	10,756	11,693
Capital expenditure	CZK mil.	7,069	8,658	10,709	13,248	15,438
Employees	personnel	22,205	22,768	22,030	25,833	24,129
of which external	personnel	3,228	2,327	1,708	3,245	2,735
Equity ratio	%	37.6	39.4	40.8	39.1	42.3
Fixed assets as a percentage of equity	%	67.1	68.6	67.4	66.5	62.6

* ŠKODA AUTO a. s. imported vehicles of other Volkswagen Group companies to the Czech Republic until March 31, 1998. The newly founded company Import Volkswagen Group, s.r.o. took over this activity on April 1, 1998.



Report of the Supervisory Board

The Supervisory Board was regularly and thoroughly informed during the past year by the Board of Directors on the position of the Company, the development of the business and business strategy.

Transactions subject to the approval of the Supervisory Board, as required by law and statutory regulations, as well as those of special importance, were discussed in detail at meetings of the Supervisory Board. The Supervisory Board continuously monitored the Company's management on the basis of written and oral reports by the Board of Directors, thereby fulfilling its obligations as prescribed by law.

On March 2, 2001, VOLKSWAGEN AG, as shareholder of ŠKODA AUTO a. s., appointed PricewaterhouseCoopers Audit, s.r.o., Prague, to conduct the audit for the fiscal year 2001.

The auditors issued an unqualified opinion on the financial statements of ŠKODA AUTO a. s. for

the year ending December 31, 2001. At its meeting held on February 20, 2002, the Supervisory Board discussed the financial results and accepted the proposal of the Board of Directors regarding the allocation of profit. Upon the recommendation of the Board of Directors, the Supervisory Board resolved to present for adoption the Financial Statements for the year 2001 to the shareholders.

On December 31, 2001, Dr. Ferdinand Piëch left the Supervisory Board. On November 27, 2001, the Supervisory Board appointed Detlef Wittig to the post of Chairman and Dr. Jens Neumann to the post of Deputy Chairman of the Supervisory Board of ŠKODA AUTO a. s. effective January 1, 2002.

Dr. Jens Neumann



Foreword by the Chairman of the Board of Directors

Ladies and Gentlemen,

During the fiscal year 2001 **Škoda**Auto was one of the few brands that was able to continue to grow dynamically in the face of increasingly difficult market conditions. Despite the recessionary economic factors that appeared from the beginning of the year and following the attack of September 11th, we were able to deliver 462,321 vehicles to customers representing an increase of 6.2 percent and a new sales record. Sales revenues rose by 12.5 percent. The continued strength of the Czech crown and the large investment in new products and production facilities had a considerable impact on profit, which amounted to CZK 2,129 million after tax (-36.2% compared to the previous year).

Until the 1940s Škoda enjoyed worldwide renown as a manufacturer of vehicles in the top

segment. With the world premiere of the **Škoda**Superb at the IAA in Frankfurt, the Company has resumed its tradition of producing large, luxurious automobiles. For **Škoda**Auto the Superb represents another important step on the road to becoming a manufacturer of cars that meet the highest demands in the segments ranging from the economy class to the upper class.

In April, the Fabia line was expanded with the addition of the Fabia Sedan, thereby giving customers a choice of three different models. Between April and the end of the year a total of 16,767 Fabia Sedans were delivered to customers – a clear sign of the popularity of this body style. The new Fabia model appeals to customers who prefer the classic, three-section body concept of a sedan.

Numerous innovations enhanced the attractiveness of the Octavia line. The new Octavia Sedan 4x4

offers significant advantages in the areas of traction and safe driving. The detailed improvements to the 2002 models focus on an increase in both active and passive safety.

ŠkodaAuto further expanded its position in the Czech home market where 82,405 vehicles were delivered to customers for a market share of 52.6 percent. Exports accounted for 82.0 percent of all deliveries to customers (379,916 units) with nearly two-thirds of total exports (246,048 units) going to Western Europe.

ŠkodaAuto accounts for ten percent of the total export volume of the Czech Republic, making the Company the country's largest exporter. We continued our efforts to protect the environment by making improvements that go far beyond the legal requirements. During the reporting year, the Company was certified as compliant with the international environmental standard ISO 14001.

Automobile markets worldwide will in all probability continue to decline in 2002. To offset this trend we are developing innovative and attractive products and constantly optimizing our cost structures. Increases in productivity and the implementation of new manufacturing technologies and new, constructive solutions are the basis for the continuing success story of ŠKODA AUTO a. s..

Ing. Vratislav Kulhánek

Supervisory Board

Dr. jur. Jens Neumann (*1945)

Chairman, Member of the Board of Directors VW AG, Wolfsburg, April 16, 1993¹⁾

Dr. techn. h. c. Dipl. Ing. ETH Ferdinand Piëch (*1937)

Deputy Chairmen, Chairman of the Board of Directors VW AG, Wolfsburg, January 1, 1993 - December 31, 2001²⁾

Dr. Robert Büchelhofer (*1942)

Member, Member of the Board of Directors VW AG, Wolfsburg, July 1, 1995¹⁾

Dr. rer. pol. h. c. Peter Hartz (*1941)

Member, Member of the Board of Directors VW AG, Wolfsburg, January 1, 1995¹⁾

Ing. Jan Miller (*1948)

Member, Union Secretary OS KOVO ŠKODA AUTO a. s., Mladá Boleslav, April 16, 1993¹⁾

Ing. Václav Petříček (*1944)

Member, Deputy Minister for Industry and Trade of Czech Republic, Prague, February 1, 1996¹⁾

Jaroslav Povšik (*1955)

Member, Chairman of the Organization of Unions OS KOVO ŠKODA AUTO a. s., Mladá Boleslav, April 16, 1993¹⁾

Ing. Jan Uhlíř (*1944)

Member, Chairman of the Union Association OS KOVO, Prague, July 11, 1994¹⁾

Dipl. Kfm. Detlef Wittig (*1942)

Member, Member of the Board of Management, Volkswagen Brand, Wolfsburg, July 1, 2000¹⁾

Departing the Supervisory Board on December 31, 2001:

Dr. techn. h. c. Dipl. Ing. ETH Ferdinand Piëch (*1937)

Board of Directors

Ing. Vratislav Kulhánek (*1943)

Chairman of the Board of Directors
April 16, 1997¹⁾

Prof. Host. Dipl. Ing. Wilfried Bockelmann (*1942)

Member
Technical Development
April 16, 1997¹⁾

Dipl. Ing. Karl-Günter Büsching (*1941)

Member
Production and Logistics
January 1, 1998¹⁾

Detlef Schmidt (*1944)

Member
Sales and Marketing
July 1, 2000¹⁾

Dr. Helmuth Schuster (*1954)

Member
Personnel
January 1, 2001¹⁾

Klaus Wulf (*1942)

Member
Commercial Affairs
July 1, 2000¹⁾

¹⁾ The date signifies the beginning of membership in the respective body.

²⁾ The date signifies the beginning and ending of membership in the respective body.



From the left side:
Karl-Günter Büsching,
Helmuth Schuster,
Klaus Wulf,
Wilfried Bockelmann,
Detlef Schmidt,
Vratislav Kulhánek

Report on the Company's Position







Economic Environment in the Czech Republic

The Czech economy developed positively in 2001. The gross domestic product rose by 3.5 percent.

The strongest growth was experienced by the industrial and construction sectors. The most successful industrial companies were those which are foreign invested.

During the last quarter, the decline in foreign demand, which is attributable to the terror attack on September 11th, led to a weakening of Czech growth. Industrial production as a whole grew by 6.8 percent in 2001. Construction, which is primarily dependent on domestic demand, grew by 9.6 percent.

Economic growth is attributable, to a large extent, to direct investment from abroad and growing consumer demand.

Slowing the rate of growth was the foreign trade deficit of CZK 119 billion, which was slightly less than the previous year.

EU countries accounted for 69 percent of exports. A sharp rise in the value of the Czech crown in relation to the euro and other foreign currencies hindered the development of exports.

ŠkodaAuto's exports grew by 12.5 percent to CZK 126 billion. **Škoda**Auto's exports accounted for 10 percent of the total exports of the Czech Republic. As in the previous year, **Škoda**Auto was by far the number one exporter in the Czech Republic.



Inflation was volatile throughout the entire reporting year. Consumer prices – especially food prices – rose sharply during the second quarter. Inflation leveled off during the second half of the year and finished out the year with an average rate of 4.7 percent. The unemployment rate remained virtually unchanged with an average 8.9 percent by the end of the year.

Continued progress was made in negotiations on entry into the European Union. The European Union's annual report underlined the country's macroeconomic development, the successful completion of the privatization of banks, the positive economic growth and the moderate rates of unemployment and inflation. However, the growing national debt came under criticism.



Technical Development

The Superb is the first automobile in the upper midsize segment to be offered by ŠkodaAuto in 52 years. The name stands for luxury and comfort. This new top model also meets the highest demands for quality. ŠkodaAuto also celebrated the world premieres of two new vehicles from the Fabia and Octavia lines: the Fabia Sedan, with its elegant notchback, and the all wheel drive Octavia Sedan 4x4. With its three vehicle lines, ŠkodaAuto now offers a complete range of automobiles. The dimensions of the Škoda models exceed the dimensions of other vehicles in their respective classes. Škoda's automobiles set new standards for roominess, comfort and customer utility. With a difference of some 30 centimeters in length, the various Škoda models meet buyer expectations and cover the volume segments of the automobile market.

Superb

The world premiere of the Superb notchback sedan was the highlight of the IAA presentation of ŠkodaAuto. The design and roominess of the Superb make it a vehicle to contend with in the upper midsize automobile segment. The vehicle's timeless, elegant design reflects the typical styling elements of the Škoda brand. With a wheelbase of 2,803 mm, the Superb offers a spacious interior. It is here that the automobile's utility, quality and technical sophistication are most fully expressed. Top-quality materials and original detailed solutions further enhance the luxuriousness of the Superb and give the automobile its unmistakable individuality. Examples include the CargoFlex transport system in the vehicle boot, the integral umbrella compartment located in the left-rear armrest and fitted with a high-quality umbrella, the front passenger seat featuring an integral foot support for a rear-seat passenger, illuminated interior

door openers, the illumination of the entryway through LEDs located in the exterior mirrors and the lower edge of the doors. Standard equipment includes airbags for the driver and front passenger as well as side airbags. The Superb is the first vehicle from ŠkodaAuto available with optional head airbags. The new automobile is being initially offered with three petrol engines delivering 85 kW (115 bhp), 110 kW (150 bhp) and 142 kW (193 bhp) and two diesel engines with 96 kW (130 bhp) and 114 kW (155 bhp). The 2.8-liter V6 engine propels the Superb to a top speed of 237 km/h and accelerates the sedan from 0 to 100 km/h in only eight seconds.

Octavia

Octavia Sedan 4x4
ŠkodaAuto expanded its range of vehicles with the launch of the Octavia Sedan 4x4 at the Geneva Motor Show. This midsize all wheel drive automobile offers outstanding traction and safety. The 1.8-liter turbocharged engine

with five valves per cylinder delivers 110 kW (150 bhp) and maximum torque of 210 Nm. Power from the engine is distributed to the two axles via an electrohydraulic Haldex clutch. Power is transferred to the rear wheels only when needed, such as when driving on slippery road surfaces. During normal operation the rear axle remains disconnected from the drive system. Parallel to the production launch of the Octavia Sedan 4x4, ŠkodaAuto also began production of right-hand drive versions of the all wheel drive combi and sedan.

2002 Model Year

The most important innovation to 2002 models was to increase both active and passive safety. The proof for the effectiveness of these measures is illustrated by the results of a test conducted by Euro NCAP. The ŠkodaOctavia, also in the version without front passenger and side airbags, was awarded an outstanding 25 points and four stars in the overall rating. The new "MBA" braking assistant



simulates the reaction of an experienced driver in an emergency braking situation, thereby optimizing the braking process. Maximum brake pressure is applied earlier, thereby shortening stopping distances. Numerous electronic improvements increase passive safety. For example, the mobile telephone holder has been relocated from the armrest to the instrument panel. The navigation system now also takes current traffic reports into account when recommending routes. Innovations for the 2002 model year include a multifunction steering wheel with integral controls that allow the driver to operate the most important functions without taking his or her hands off of the wheel.

Fabia

The biggest selling Škoda, the Fabia, was crowned "King of The Compacts" by the car magazine "Auto Bild" following comparative tests.

Fabia Combi

The Fabia Combi is enjoying success on international markets and has quickly gained popularity among experts and automobile journalists. Shortly after its launch it was named "Car of The Year 2001" in the Czech Republic. The numerous changes made to the Fabia line in 2001 include the addition of ESP to the 2-liter engine with 85 kW (115 bhp).

Fabia Sedan

With the notchback model of the Fabia Sedan, ŠkodaAuto offers a model for customers, who prefer a compact class automobile with a classic body shape and a separate boot. The Fabia Sedan is characterized by a cuneiform silhouette, which flows smoothly into a slightly elevated tail section. An unobtrusive spoiler adds a finishing touch to the rear edge of the boot lid, which conceals a generous 438 liters of luggage space. The Fabia Sedan is available with a choice of four petrol and two diesel engines.

Fabia Junior

With the Fabia Junior ŠkodaAuto has added an inexpensive entry-level model to its range of vehicles. This new model makes no sacrifices to quality, handling, safety or comfort. Customers can choose from two tried-and-tested engines: 1.0 liter with 37 kW (50 bhp) and 1.4 liter with 44 kW (60 bhp).

Fabia Praktik

At the end of the year ŠkodaAuto began production of the Fabia Praktik – a utility vehicle based on the Fabia Combi. The cargo section, which is separated from the cockpit by a wall, has numerous storage features, thereby making it ideal for use as a mobile office for a delivery company. The rear side windows have been replaced by metal paneling. With a cargo volume of 1,290 liters and a load surface of 1,587 mm in length, the Fabia Praktik can accommodate bulky objects.



Motorsport

In 2001 ŠkodaAuto celebrated its 100th anniversary of motorsport involvement. On September 29, 1901, the Company first entered one of its motorcycles in a competition: a long-distance race from Paris to Berlin.

In celebration of this historic occasion, ŠkodaAuto produced a limited series of 100 vehicles – the “ŠkodaOctavia RS – 100 Years of Motorsport Edition”. The “R” in the name stands for racing – a quality that is expressed down to the last

vehicle detail. The 1.8-liter turbocharged petrol engine delivers 132 kW (180 bhp) and accelerates the front wheel drive sport sedan from 0 to 100 km/h in 7.9 seconds. The top speed is 235 km/h. A performance/weight ratio of 7.3 kg/bhp elevates this anniversary model to the ranks of thoroughbred sport vehicles. This is also reflected in the exterior design: the Škoda Rallye décor transforms the sport sedan into a real eye-catcher.

Rallye World Championship

ŠkodaAuto entered twelve of the 14 racing events of the 2001 Rallye World Championship. The Škoda Motorsport Team earned 17 points for the fifth place in the overall constructors championship. The best individual performance was turned in by Armin Schwarz and co-driver Manfred Hiemer with a third-place finish in the Safari Rallye in Kenya. At the Czech Rallye Championship Roman Kresta drove a ŠkodaOctavia WRC EVO II to victory for the second consecutive time.

Improvements were again made to the Octavia WRC EVO II for the 2001 motorsport season with special emphasis on changes in the areas of controllability and handling.



Purchasing

In 2001 ŠkodaAuto certified its suppliers with respect to quality and innovation. The suppliers are also viewed positively by other brands of the Volkswagen Group.

Purchasing Volume

New vehicles, rising production figures, the demanding technology of the new models, and the tooling investment with suppliers led to an eight percent increase in purchasing volume to CZK 98.2 billion (previous year: CZK 91.1 billion). Deliveries from domestic suppliers totalled CZK 65.4 billion (previous year: CZK 60.6 billion).

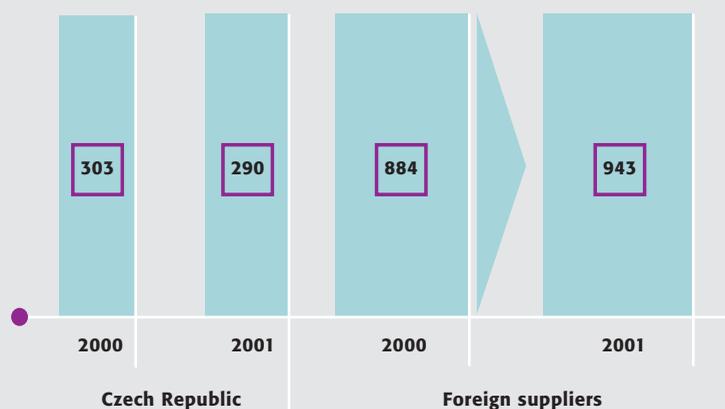
Underlying Conditions

Domestic suppliers came under increasing cost and price pressure as a result of the strength of the Czech crown in relation to major foreign currencies. In order to remain competitive, Czech suppliers must, at present, strive to increase productivity and optimize material and logistics costs. Only in this manner is it possible to counter a redistribution of purchasing volume in response to prices that are no longer competitive.

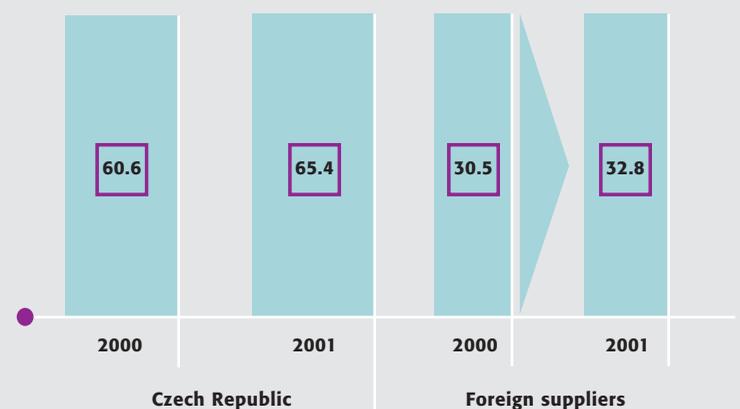
Regional Responsibility

ŠkodaAuto is responsible for the purchasing activities of the Volkswagen Group in the Central and Eastern European countries. In 2001 the purchasing volume in this region, for other brands of the Group, grew to EUR 1.78 billion. The suppliers were primarily from the Czech Republic, Slovak Republic, Poland and Slovenia.

Structure and Number of Suppliers
Purchases of production material



Purchasing Volume by Region (in CZK billions)
Purchases of production material excluding deliveries from the Volkswagen Group



Production and Logistics

ŠkodaAuto produced 460,886 vehicles in 2001 – more than ever before.

Products from the new engine and gearbox plant of ŠkodaAuto satisfied the Company's own demand for transmissions, which were also supplied to other members of the Volkswagen Group.

Vehicles

In 2001 a total of 460,886 units were produced for a 2.2 percent increase (+9,976 units) over the previous year. An average of 1,934 units per day were produced (+6.9%; previous year: 1,810 units/day).

Fabia

The growth in production is attributable primarily to the Fabia line, of which a total of 261,551 units were built. This amounts to 57.0 percent of total production

volume in 2001. Production of the Fabia Sedan began in February with a total of 26,214 units being produced by year's end. The average production rate of the Fabia line grew continuously over the course of the year from 936 units/day to 1,205 units/day.

Octavia

In 2001 Octavia production continued at a high level of 707 units/day (+12.6%; previous year: 628 units/day). In March, ŠkodaAuto began producing the Octavia

Sedan 4x4 at the Vrchlabí plant. On April 5th the 500,000th Octavia rolled off the assembly line. Production of this vehicle line started in 1996. The three-millionth Škoda vehicle built since Volkswagen and ŠkodaAuto joined forces was also an Octavia. It was produced on June 20th.

Felicia

At the end of June ŠkodaAuto discontinued production of the Felicia line.

Average daily production

	1998	1999	2000	2001
Felicia				
Mladá Boleslav	753	488	41	–
Vrchlabí	198	169	182	78
Kvasiny	171	152	172	40
Poznaň	87	118	93	3
Total	1,209	927	488	121
Fabia				
Mladá Boleslav	–	45	650	1,007
Poznaň	–	–	44	97
Total	–	45	694	1,104
Octavia				
Mladá Boleslav	428	474	471	489
Vrchlabí	28	114	157	218
Total	456	588	628	707
Superb				
Kvasiny	–	–	–	2
Total	1,665	1,560	1,810	1,934

Vehicle production

	1998	1999	2000	2001	01/00
Felicia	179,553	151,895	71,954	19,647	-72.7 %
Felicia Combi	68,889	45,527	26,081	5,467	-79.0 %
Felicia Pickup	27,847	17,182	17,743	3,981	-77.6 %
Felicia Fun	2,338	586	600	–	–
Felicia Vanplus	2,405	1,306	440	–	–
VW Caddy	4,749	4,204	4,522	–	–
Fabia	–	3,652	161,078	143,790	-10.7 %
Fabia Combi	–	–	14,702	91,547	x
Fabia Sedan	–	–	–	26,214	–
Octavia Limousine	93,593	90,136	92,411	99,998	8.2 %
Octavia Combi	24,141	56,681	61,379	69,661	13.5 %
Superb	–	–	–	581	–
Total	403,515	371,169	450,910	460,886	2.2%

Superb

The first Superb rolled off the assembly line in October. By the end of the year a total of 581 Superb automobiles had been manufactured.

Production Facilities

New Kvasiny Plant

It took ŠkodaAuto only 14 months to complete the construction of the new plant in Kvasiny for the production of the new top model Superb.

The new body hall was created by totally rebuilding existing halls, following the discontinuance of the Felicia line. The new manufacturing facility also comprises newly constructed halls for painting and assembly. The new plant maintains high standards for environmentally friendly production and manufacturing quality. In Kvasiny the assembly of the door, cockpit and suspension modules are directly linked to the new production line.

Engine and Gearbox Plant

In January ŠkodaAuto began producing transmissions at the new engine and gearbox plant in Mladá Boleslav. By March the plant was able to satisfy the Company's own transmission demand for the Fabia line. Over the course of the year the daily production rate grew as Fabia production increased. ŠkodaAuto also began supplying transmissions to the Volkswagen Group.

Ukraine

ŠkodaAuto concluded a license agreement with Evrocar in Ukraine. Evrocar will assemble selected vehicles exclusively for Ukraine.

Sales

The 462,321 vehicles delivered to customers represent a new sales record and a 6.2 percent increase over the previous year. The Fabia line was primarily responsible for this growth. Octavia models also continued to demonstrate their competitiveness. The new Superb notchback sedan celebrated its world premiere at the IAA in Frankfurt. With this new flagship model ŠkodaAuto renewed its ties with the successful brand tradition of producing exclusive sedans with powerful engines for the upper midsize automobile segment. ŠkodaAuto had 2,127 dealers in 73 countries in 2001.

Czech Republic

In the home market of the Czech Republic ŠkodaAuto saw deliveries to customers grow by 1.9 percent. A total of 82,405 vehicles were delivered to customers for a 52.6 percent share of the market (previous year: 52.6%).

Western Europe

Despite the general stagnation of the Western European market, which accounts for 53.2 percent of the Company's total volume, ŠkodaAuto was able to deliver 246,048 vehicles to customers for an increase of 7.4 percent over the previous year. The largest export market for ŠkodaAuto was again Germany with 68,886 vehicles for an increase of 5.6 percent over the previous year. The market share here in 2001 was 2.1 percent (previous year: 1.9%). Due to the quantitative and qualitative expansion of sales

capacity and due to a resolute product offensive, ŠkodaAuto was also able to strengthen its position on other Western European markets. Significant increases were recorded in Great Britain (+18.2%, 36,048 units), Italy (+24.5%, 28,643 units), Spain (+15.4%, 17,118 units), France (+13.9%, 13,727 units), the Netherlands (+52.7%, 9,466 units) and Belgium (+29.3%, 7,535 units).

Central and Eastern Europe

The situation in Poland was characterized by the drastic decline in the overall market (-31.2%).

ŠkodaAuto sales fell by 5.0 percent over the previous year to 37,354 vehicles. However, the Company's market share rose to an outstanding 11.2 percent (previous year: 7.9 %).

In Slovakia – a traditionally strong market for Škoda – customers took delivery of 37,523 vehicles for a 16.9 percent increase over the previous year. The market share here in 2001 was 52.8 percent.

In Russia ŠkodaAuto was the No. 1 import brand. The Company was able to more than double its sales to 8,391 vehicles.

Vehicle Lines

The strong growth of the Fabia line contributed significantly to the increase in sales of ŠkodaAuto. In 2001 the Fabia was the Company's best seller, accounting for 33.0 percent of all deliveries to customers (152,578 units, 23.0%). Of this, the Fabia Combi (82,521 units) accounted for 18.0 percent, the Fabia Sedan for 3.6 percent (16,767 units). The Fabia line therefore represented 54.5 percent share of total volume. Other ŠkodaAuto models also saw increases: the Octavia Sedan

(97,925 units, +1.7%) and Octavia Combi (67,386 units, +8.3%) accounted for 35.8 percent of all deliveries to customers.

The 44,963 vehicles of the Felicia line (including Pickup and Vanplus) represented 9.7 percent of deliveries to customers. The production of Felicia models was discontinued in 2001. Customers took delivery of 29,920 Felicia and 8,472 Felicia Combi vehicles.

On December 15th ŠkodaAuto launched the new Superb on the Czech market. By year's end 177 vehicles had been delivered to customers in the Czech Republic and Slovakia.

Product Offensive

The expertise behind the Škoda brand is immediately recognizable with a simple glance at the three automobile lines. With numerous new products this founding member of the global automobile family has reestablished the brand on world markets. In February, the Fabia Sedan – a compact vehicle for those with a preference for a classic notchback sedan – was introduced to the world at the Geneva Motor Show.

ŠkodaAuto continues to strengthen the competitiveness of the Octavia line through attractive innovations. With its ties to a long racing tradition, the Octavia RS underscores the Company's outstanding motorsport know-how. With all wheel drive and a powerful engine, the Octavia Sedan 4x4 combines driving fun with a high level of safety.

The presentation of the Superb at the International Automobile Show in Frankfurt was the most important development for the Škoda brand. This vehicle tops off the range of Škoda automobiles and

offers customers in the segment above the Octavia a high-quality automobile with a competitive price/performance ratio.

Outstanding characteristics, such as its timeless classic design, innovative technology and excellent quality, are the core values of the brand. These qualities point to future sales success for the new top model and thus a further increase in overall sales for the Company.

Deliveries to customers by region

Region	1998	1999	2000	2001	01/00
Czech Republic	81,729	75,952	80,882	82,405	1.9 %
Central and Eastern Europe	92,841	100,987	102,633	116,933	13.9 %
Western Europe	172,058	192,156	229,109	246,048	7.4 %
Overseas and Asia	16,872	16,235	22,779	16,935	-25.7%
Total	363,500	385,330	435,403	462,321	6.2 %

Deliveries to customers by model

Model	1998	1999	2000	2001	01/00
Fabia	–	823	124,064	152,578	23.0 %
Fabia Combi	–	–	4,808	82,521	x
Fabia Sedan	–	–	–	16,767	–
Fabia Praktik	–	–	–	4	–
Octavia Sedan	87,127	90,733	96,253	97,925	1.7 %
Octavia Combi	15,246	52,518	62,250	67,386	8.3 %
Superb	–	–	–	177	–
Felicia*	166,822	163,547	91,439	29,920	-67.3 %
Felicia Combi*	64,595	51,880	35,155	8,472	-75.9 %
Felicia Pickup**	26,789	22,132	19,863	6,501	-67.3 %
Felicia Vanplus	1,716	1,994	707	10	-98.6 %
Felicia Fun	1,205	1,703	864	60	-93.1 %
Total	363,500	385,330	435,403	462,321	6.2 %

* Production discontinued in June 2001.

** Production discontinued in March 2001.



Personnel

Producing and marketing products that meet the highest customer demands for quality and satisfaction require more than state-of-the-art technology. Every employee plays a role in making ŠkodaAuto a strong global competitor. The evolving work procedures and growing demand for quality also make it possible to achieve substantial improvements in quality and efficiency in the area of personnel. At the end of 2001 ŠkodaAuto employed 1,194 fewer workers than the year before. The new ŠkodaAuto tariff agreement offers employees

an opportunity to participate in a Company-sponsored pension plan for the first time. In its efforts to provide advanced training and job certification for employees, ŠkodaAuto intensified its international job rotation, employee coaching and university cooperation programs. The new ŠkodaAuto health management program improved the Company's health quota by 0.8 percentage points.

Workforce Development
ŠkodaAuto has created thousands of new jobs in past years. At the same time considerable sums were invested in optimizing work processes and developing new management models. Concerted personnel management efforts resulted in an improved 4.9 percent personnel cost/turnover ratio. At the end of the year ŠkodaAuto employed 21,394 workers or 1,194 (-5.3%) fewer than the year before. The number of external workers decreased by 15.7% over the previous year to 2,735. The blue collar/white collar ratio is 69:31.

Women account for 24.8 percent of the total workforce, for 5.9 percent of managers and 16.0 percent of management trainees. The average age of an employee is 37.6 years. The average employee has been employed for 11.5 years.



Development of the workforce (excluding external personnel)

Plant	1997	1998	1999	2000	2001
Mladá Boleslav	16,565	17,903	17,636	19,527	19,059
Vrchlabí	1,170	1,249	1,379	1,646	1,120
Kvasiny	1,242	1,289	1,307	1,415	1,215
Total	18,977	20,441	20,322	22,588	21,394

New Tariff Agreement

Against the backdrop of a change in Czech labor law, which became effective on January 1, 2001, ŠkodaAuto concluded a new two-year tariff agreement. The new authority invested in the union, as stipulated in the law, draws closer to the VW Group's tradition of codetermination. The new tariff agreement also contains pension benefits. An exclusive contract concluded with ABN AMRO Pension Funds provides additional pension benefits. The amount of compensation paid to workers laid off due to the development of operations was also increased. The basic amount of remuneration for

the period from April 1, 2001, to December 31, 2002, was raised by 10.1 percent. Other aspects of wage remuneration remain unaffected.

Personnel Development

ŠkodaAuto traditionally provides outstanding advancement opportunities for employees in the form of basic and advanced training as well as study at Škoda institutions of higher learning and the Business School IPFM (MBA degree from the Pfeiffer University). The uniform management qualification and selection standards, established for the Volkswagen Group worldwide, make it possible for

ŠkodaAuto employees to influence their own personal development and to participate in job rotation programs.

Advanced Training

The advanced training that ŠkodaAuto offers its employees is of strategic importance. The content of each training module is developed in concert with the objectives and requirements of defined Company projects and forms the foundation for successful employee advancement. The coaching programs in 2001 focused on preparation for the introduction of new products and manufacturing processes, such as

the Superb at the Kvasiny plant as well as engine and transmission production. Further areas of emphasis were management coaching, the development of master craftsmen and business training.

Idea Management

Productivity and quality objectives are achieved faster when good ideas are put to work. The "Z.E.B.R.A." system motivates employees to develop problem solutions and leads to a continuous optimization of products, work processes and costs. In 2001, employees submitted 8,309 suggestions of which

Number of graduates and interns

	1997	1998	1999	2000	2001
Interns from the Czech Republic	310	643	556	677	603
Interns from abroad	81	97	75	80	49
College graduates from the Czech Republic	31	41	39	34	50
College graduates from abroad	27	12	5	7	8

65.3 percent were put in to use. The result was a cost reduction of CZK 149.4 million.

Personnel Marketing

Maintaining a successful course takes more than just providing employees with ongoing advanced training. In view of rising qualification requirements, new employees must also be recruited, especially in the product development field. ŠkodaAuto is therefore now present in

institutions of higher learning in the Slovak Republic, namely in Bratislava, Žilina and Košice.

Health Management

Only healthy employees can perform up to their potential, and only healthy employees can take pride in occupational success. The objective of the new health management program is to motivate each employee to perform well. The medical care provided to employees is coordinated with their

work schedules. Health coaching is directed at six target groups: young employees, women, older employees, employees with long-term illnesses, employees with reduced performance capabilities, and the prevention of alcohol and drug abuse.

Work Safety

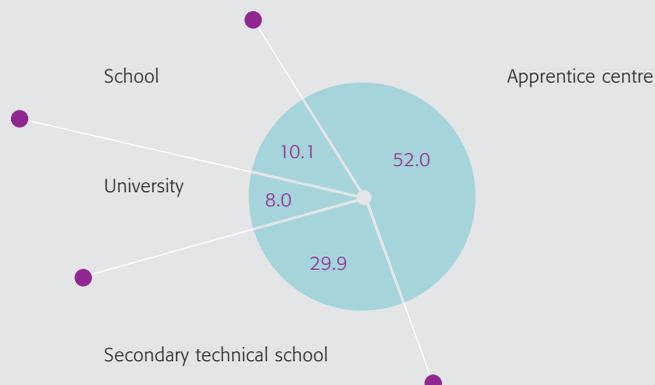
Work-related accidents have been declining since 1992 and again declined by 8.5 percent in 2001. With an accident index (number of

accidents per 1 million work hours) of 6, the accident rate at ŠkodaAuto is on a low level when compared internationally.

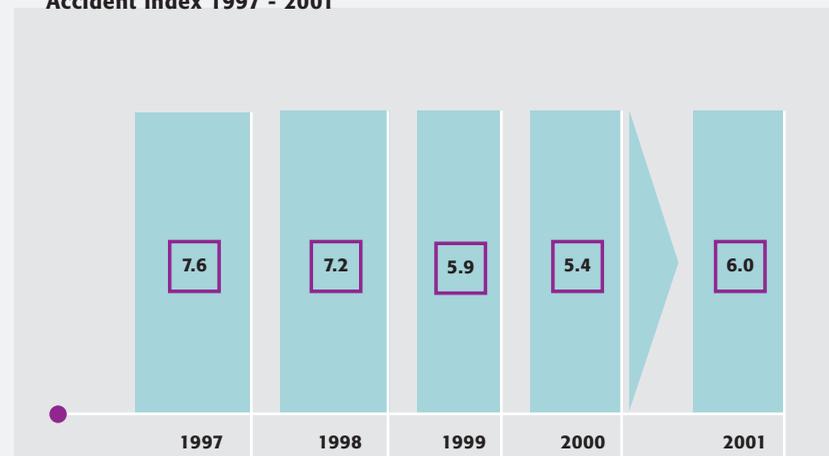
Health index (%)

2000	95.1
2001	95.9

Employee structure by qualification (%)



Accident index 1997 - 2001



Environment

ŠkodaAuto continues to make ongoing improvements in the field of environmental protection. The measures that the Company takes go far beyond legal requirements. ŠkodaAuto is committed to setting an example as an environmentally friendly company.

In 2001 the Company was certified as compliant with the world environmental standard ISO 14001. ŠkodaAuto maintains a high standard for environmental protection and applies the same environmental criteria in the selection of its suppliers and business partners. During the fiscal year 2001 ŠkodaAuto made a direct investment of CZK 1,090 million in environment protection. Another CZK 295 million was spent on operating environmental protection systems and the disposal of older residual waste. These funds were invested primarily in environmental measures

at the engine and gearbox plant in Mladá Boleslav and on the modernization of the plant in Kvasiny. Further environmental investments were made in expanding water recirculation facilities at the plant in Mladá Boleslav and increasing the capacity of the sorting system for waste recycling.

ŠkodaAuto replaces or deactivates old systems that are not compliant with the Company's environmental goals.

The Company is committed to working closely with those in responsible positions in the communities and government to

achieve comprehensive, sustainable environmental solutions. As a result of the many environmental activities of ŠkodaAuto, which include maintaining clean air, avoiding waste, recycling, protecting the soil and ground water, and minimizing energy consumption, the Company more than met the legal requirements for protecting the environment. ŠkodaAuto has laid out its environmental policy and related measures in a brochure.

Environmental investments 1991 to 2001 (in million CZK)

Waste water purification systems	714
New painting systems, environmental protection measures in painting facilities	1,537
Avoidance of emissions, energy management	5,511
Insulated roofs	234
Protection of soil and ground water resources from contamination	311
Environmental protection at the workplace	90
Total	8,397







Information Systems

ŠkodaAuto continued to expand its e-business activities in 2001, focusing on optimizing the value added aspect in the business-to-business (B2B) marketplace, business-to-consumer (B2C) activities, and Web-based capacity management (e-cap).

B2C

At the beginning of 2001 an E-Biz team was established for the purpose of combining know-how and resources. The team supports sales efforts within the overall process chain, initiates and carries out new B2C ideas, and coordinates the design and make-up of the Company Website in various markets and with sales partners.

ŠkodaAuto maintains an internet portal through which it supports its trading organization and other partners. An expanded version of the portal (<http://partner.skoda-auto.com>) was launched in the autumn. The **ŠkodaAuto** Website (<http://www.skoda-auto.cz>) was totally redesigned and enhanced with an expanded range of services and features. Each customer can now assemble the automobile of his or her choice, compare alternatives, check the price and explore finance options. Every day several thousand customers put together the Škoda of their choice (<http://www.autonaprani.cz>).

The ability to access a wide range of information on desired vehicles through the internet has become a permanent feature of the buying behaviour of a growing customer segment.

B2B Project Marketplace

Sourcing and logistics processes are now conducted electronically, both within the Company and in communication with business partners. This greatly simplifies the administrative process, which in turn leads to a potential reduction in costs and an increase in efficiency throughout the Company. Company-wide virtual B2B marketplaces on the Internet were launched to accommodate online ordering from predefined catalogues. Online internet auctions were used for the first time in 2001 in support of the procurement process. This process will become a permanent component of the way daily business is conducted in the future.



Communication

The public perception of ŠkodaAuto and its products and services has undergone significant change in past years. The “peerless renaissance” (Frankfurter Allgemeine Zeitung) of the Czech brand is reflected in the high-quality, comprehensive range of vehicles, numerous international awards and the opinions of European automobile journalists.

ŠkodaAuto in The Media

During the year 2001 ŠkodaAuto celebrated the launch of three new products. The Geneva Motor Show was the stage for the introduction of the Fabia Sedan and Octavia Sedan 4x4. The new top model Superb was unveiled at the IAA in Frankfurt.

ŠkodaAuto invited over 600 European automobile journalists to Athens to be the first to thoroughly test the Fabia Sedan. In presenting the two all wheel drive Octavia models to the press, ŠkodaAuto selected a region with challenging climatic conditions and demanding road surfaces: In Norway some 100 local and foreign journalists tested the Octavia Sedan 4x4 and Octavia Combi 4x4.

Employee Communication

“ŠkodaMobil”, the biweekly employee newsletter, was thoroughly revamped. With its new graphical design, the publication offers easier orientation and improved readability. The main topic cate-

gories have been expanded in order to generate greater reader-loyalty. The new “ŠkodaMobil” now contains a new segment entitled “ŠkodaMobil Intern”, which carries reports on specific topics from the various production locations as well as local news and a forum where readers can express their opinions.

In addition to the printed version, “ŠkodaMobil” is also available in electronic form via the Company’s intranet.

Sponsoring

As the largest company in the Czech Republic, ŠkodaAuto is very aware of its social responsibilities. The Company therefore supports art and cultural associations and institutions, sports and the humanities. The selection criteria applied here are the same qualities that have made ŠkodaAuto internationally competitive - readiness to perform, endurance, the will to win, and team spirit.

Sport

ŠkodaAuto has been the main sponsor of the Ice Hockey World Championship since 1993. At the 2001 World Championship in Germany, the Czech Republic – with the ŠkodaAuto logo on the team helmet – was crowned World Champion for the third consecutive time.

Art and Culture

ŠkodaAuto supports top artistic efforts representative of Czech culture. The Czech Philharmonic, the Opera of the National Theatre, The Prague National Opera, and the Tallich Quartett are among the organizations supported by ŠkodaAuto.

Humanitarian Activities

For years ŠkodaAuto has supported the Paraplegic Association as well as the Prague University Children’s Clinic for Oncology. The Company has lent its support to many projects through both donations and active assistance.



Financial Situation

The total assets of ŠkodaAuto for the fiscal year 2001 remained constant at CZK 66,611 million. Profit after tax was CZK 2,129 million (previous year: CZK 3,336 million). The equity ratio for 2001 rose from 39.1 to 42.3 percent.

Results

Sales Revenues

ŠkodaAuto's sales to dealers increased by 12.3 thousand vehicles to 460.7 thousand units (+2.7%) in 2001.

Sales revenues rose 17 billion in terms of volume and in monetary terms to CZK 153 billion (+12.5%). Automobile sales accounted for 93.5 percent of turnover, the sale of spare parts was 5.1 percent. The remaining 1.4 percent came primarily from deliveries to other

companies of the Volkswagen Group. Sales in the Czech home market increased to CZK 27.5 billion (previous year: CZK 24.1 billion, +14.1%). In Western Europe, ŠkodaAuto's sales grew from CZK 80.5 billion to CZK 90.3 billion (+12.2%). This market area constituted 58.9 percent of total sales revenues. Sales revenues in Central and Eastern Europe were CZK 30.1 billion, for an increase of 17.6 percent over the previous year.

Profit

Profit before tax for the fiscal year 2001 amounted to CZK 2,674 million (previous year: CZK 4,175 million, -35.9%). The continued strength of the Czech crown and the investment in new products and production facilities had a significant impact on profit in 2001.

Added value in 2001 increased by CZK 3,319 million over the previous year to CZK 22,296 million. Added value accounted for

Profit/(loss) after tax (in million CZK)



Return on sales after tax (%)





a 14.6 percent share of sales revenues for an increase of 0.7 percentage points over the previous year. Depreciation, resulting from the large volume of investment in 2001, rose by CZK 1,878 million (+24.2%) to CZK 9,646 million. Due to the high investment volume for new products in 2001, other costs and revenues totalled CZK -424 million. The previous year's total of CZK 1,460 million was significantly influenced by non-recurring items.

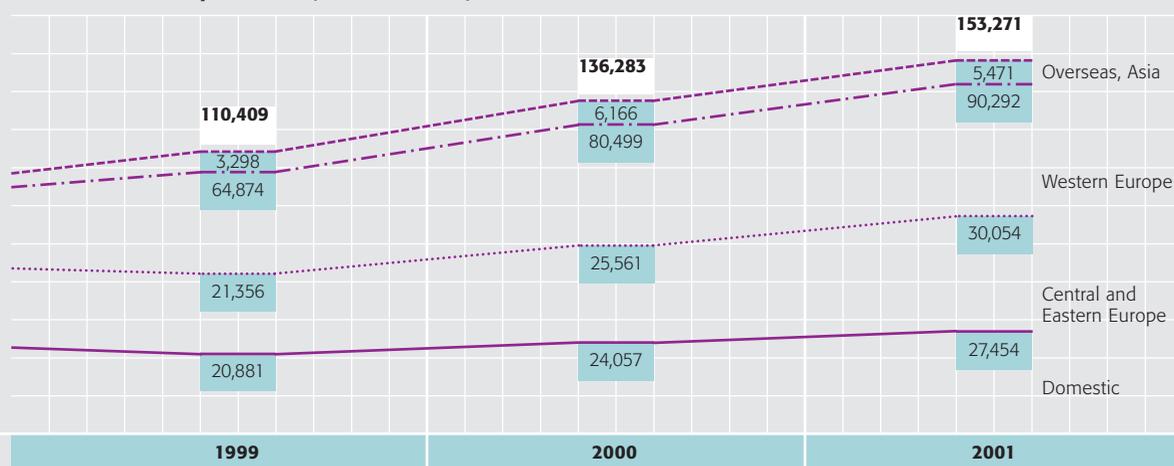
ŠkodaAuto's financial result declined by CZK 940 million over the previous year to CZK -1,969 million, as a result of the increased financing requirement. The previous year's amount included a foreign exchange gain from the repayment of an internal loan. As the result of a tax refund for the prior fiscal year, the tax expense decreased by CZK 294 million to CZK 545 million. Profit after tax was CZK 2,129 million.

Key Balance Sheet Items

The total assets of **ŠkodaAuto** for the fiscal year 2001 remained constant at CZK 66,611 million. Fixed assets grew by CZK 5.8 billion (+14.9%) to CZK 45.0 billion. Capital expenditure for the fiscal year 2001 totalled CZK 16.2 billion (previous year: CZK 13.8 billion). These investments were primarily for engine production in Mladá Boleslav and the production of the new Superb in Kvasiny.

Fixed assets represented 67.6 percent of total assets (previous year: 58.8%). Receivables declined by 29.0 percent to CZK 12.0 billion (previous year: CZK 16.9 billion) as a result of the increased use of factoring. Equity grew by 8.2 percent and thus represents 62.6 percent of fixed assets (2000: 66.5%). Net liquidity rose to CZK 3.2 billion.

Sales revenues by markets (in million CZK)



Subsidiaries

SkodaAuto Deutschland GmbH achieved a profit before tax for the fiscal year 2001 of EUR 1.4 million (CZK 46.4 million). The loss before tax for the previous year was EUR -1.5 million (CZK -54.7 million). A total of 66.5 thousand vehicles were sold (2000: 67.6 thousand units).

ŠKODA AUTO Slovensko, s.r.o. achieved a profit before tax of SKK 116.5 million (CZK 84.0 million) (previous year: SKK 83.7 million / CZK 69.6 million). The sales volume was 38.7 thousand vehicles (2000: 32.8 thousand units). SKODA AUTO POLSKA S.A. generated a profit before tax of PLN 12.2 million (CZK 113.1

million) (previous year: PLN 9.2 million / CZK 81.6 million). A total of 37.0 thousand vehicles were sold (2000: 41.2 thousand units).

Outlook for 2002

ŠkodaAuto expanded its vehicle range with the addition of the new Superb, thereby entering the upper midsize automobile

segment. The new vehicle further strengthens the Škoda brand. The new engine and gearbox plant also strengthens the Company's ties with the worldwide supplier network of the Volkswagen Group.

Income Statement (in million CZK)

	2001	% Sales	2000	% Sales	1999	% Sales
Revenues from sales	153,271	100.0	136,283	100.0	110,409	100.0
Added value	22,296	14.6	18,977	13.9	18,513	16.8
Personnel expenses	7,583	4.9	7,465	5.5	6,629	6.0
Depreciation	9,646	6.3	7,768	5.7	6,516	5.9
Other income and expenses	-424	-0.3	1,460	1.1	-132	-0.1
Financial results	-1,969	-1.3	-1,029	-0.8	-1,422	-1.3
Taxes on income	545	0.4	839	0.6	1,177	1.1
Net earnings	2,129	1.4	3,336	2.4	2,637	2.4

Added value (in million CZK)

	2001	% Sales	2000	% Sales	1999	% Sales
Revenues from sales	153,271	100.0	136,283	100.0	110,409	100.0
Change in stocks	-661	-0.4	103	0.1	304	0.3
Capitalized own work	1,774	1.2	2,370	1.7	1,120	1.0
Subtotal	154,384	100.8	138,756	101.8	111,833	101.3
Material and energy usage *)	116,350	75.9	105,996	77.8	80,426	72.8
Services	15,738	10.3	13,783	10.1	12,894	11.7
Added value	22,296	14.6	18,977	13.9	18,513	16.8

*) incl. acquisition costs of goods

Balance Sheet Structure (in million CZK)

Assets	Dec. 31, 2001	%	Dec. 31, 2000	%	Dec. 31, 1999	%
Fixed assets	45,008	67.6	39,175	58.8	33,687	60.6
Inventories	7,517	11.3	9,014	13.5	7,703	13.8
Accounts receivable, other assets	12,884	19.3	17,629	26.4	12,559	22.6
Liquid assets	1,202	1.8	843	1.3	1,661	3.0
Total assets	66,611	100.0	66,661	100.0	55,610	100.0
Equity and liabilities						
Equity	28,157	42.3	26,032	39.1	22,700	40.8
Liabilities and other liabilities	38,454	57.7	40,629	60.9	32,910	59.2
Total equity and liabilities	66,611	100.0	66,661	100.0	55,610	100.0

Change in net liquidity (in million CZK)

	2001	2000	1999
Net earnings	+2,129	+3,336	+2,637
Depreciation *	+9,732	+8,051	+6,712
Changes in medium and long-term reserves	-168	-631	+431
+ Gross cash flow	+11,693	+10,756	+9,780
Change in inventories	+1,497	-1,311	+154
Change in accounts receivables and other assets	+4,618	-5,361	-566
Change in short-term provisions and accrued liabilities	-303	-33	-275
Change in equity	-4	-4	-174
Change in trade and other liabilities (excluding change in loans)	+1,146	+6,533	+1,116
+ Other internal financing	+6,954	-176	+255
= Financing from ordinary activities	+18,647	+10,580	+10,035
Investments	-16,235	-13,873	-11,313
Asset disposals	+797	+625	+604
- Investments	-15,438	-13,248	-10,709
= Change in net liquidity	+3,209	-2,668	-674

*) Incl. offsetting of deferred expences for future periods in the amount of CZK 127 Mil. (2000: CZK 291 Mil., 1999: CZK 208 Mil.).

Financial Statements as per December 31, 2001





Octavia Combi 4x4

SKODA
4x4 TDI

Auditor's Report



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ID No. 40765521

PricewaterhouseCoopers Audit, s.r.o. is registered in the Commercial Register with the Municipal Court in Prague, part C, section No. 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No. 21.

Report of Independent Auditors to the Shareholder of ŠKODA AUTO a. s.

We have audited the balance sheet of ŠKODA AUTO a. s. as at December 31, 2001, the related income statement and notes, including the statement of cash flows, for the year then ended presented in the annual report of the Company on pages 38 - 61 ("the financial statements"). The financial statements and underlying accounting records are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the accompanying financial statements present fairly, in all material respects, the assets, liabilities and equity of ŠKODA AUTO a. s. as at December 31, 2001, and the results of its operations and its cash flows for the year then ended in accordance with the Act on Accounting and other relevant legislation of the Czech Republic.

We have examined whether the supplementary financial information included in the annual report of the Company on pages 4 - 33, which does not form part of the financial statements for the year ended December 31, 2001, is consistent with the audited financial statements of the Company. In our opinion, all other supplementary information included in the annual report is consistent with the audited financial statements in all material respects.

In addition we have also reviewed the accompanying report on relations between the Company and its controlling party and between the former and the other parties controlled by the same controlling party on pages 62 - 65 ("the Report"). The completeness and accuracy of the Report is the responsibility of the Board of Directors. Our responsibility is to

review the accuracy of information included in the report. We conducted our review in accordance with the auditing standards of the Chamber of Auditors of the Czech Republic related to review engagements. These standards require that we plan and perform the review to obtain moderate assurance as to whether the Report is free of material misstatement. Based on our review, nothing has come to our attention that causes us to believe that the accompanying Report has not been properly prepared, in all material respects.

January 25, 2002



PricewaterhouseCoopers Audit, s.r.o.,
represented by



Matthew Pottle
Partner



Ing. Pavel Kulhavý
Auditor, Licence No. 1538

Balance Sheet as at December 31, 2001 (in thousand CZK)

Assets	Note	Dec. 31, 2001	Dec. 31, 2000
Fixed assets		45,008,183	39,174,741
Intangible fixed assets	(3)	213,761	223,302
Tangible fixed assets	(4)	44,088,949	38,229,431
Long-term investments	(6)	705,473	722,008
Current assets		20,708,074	26,802,482
Inventories	(9)	7,517,274	9,014,089
Receivables	(10)	11,989,295	16,945,579
Financial assets		1,201,505	842,814
Other assets	(13)	894,358	683,754
Total assets		66,610,615	66,660,977
Equity and liabilities			
Equity		28,157,444	26,032,625
Share capital	(14)	16,708,850	16,708,850
Share premium and statutory reserves	(14)	2,055,363	1,888,548
Retained earnings	(14)	7,264,294	4,098,914
Profit for the current period	(14)	2,128,937	3,336,313
Liabilities		32,052,848	37,433,811
Provisions for future liabilities and charges	(18)	3,812,742	4,284,200
Long-term liabilities	(10)	10,000,000	10,000,000
Short-term liabilities	(10)	16,240,106	18,299,611
Loans and overdrafts	(17)	2,000,000	4,850,000
Other liabilities		6,400,323	3,194,541
Total equity and liabilities		66,610,615	66,660,977

Income Statement for the fiscal year ended December 31, 2001 (in thousand CZK)

	Note	2001	2000
Sales of purchased goods	(19)	7,229,702	6,079,724
Costs of goods sold		3,974,016	3,352,780
Sales margin		3,255,686	2,726,944
Sales of own products and services	(19)	146,041,078	130,203,513
Change in inventories		(660,603)	102,666
Own work capitalized		1,773,962	2,369,852
Sale of production		147,154,437	132,676,031
Material and energy consumption		112,376,368	102,643,387
Services		15,737,763	13,782,839
Cost of sales		128,114,131	116,426,226
Added value		22,295,992	18,976,749
Personnel expenses	(20)	7,582,947	7,464,855
Taxes and charges		44,646	42,336
Depreciation and amortisation of fixed assets		9,646,109	7,767,963
Revenue from sale of fixed assets and raw materials		1,927,847	1,862,988
Book value of fixed assets and raw materials sold		1,594,633	1,422,305
Other operating revenue		1,052,998	790,715
Other operating costs		735,606	717,015
Release of provisions and accruals		2,185,078	2,500,771
Creation of provisions and accruals		1,846,834	1,875,147
<i>of which: deferred costs</i>		<i>(127,525)</i>	<i>(290,743)</i>
Release of provisions		181,310	488,690
Creation of provisions		314,533	108,000
Operational profit		5,877,917	5,222,292
Loss from financial operations	(23)	(1,968,657)	(1,028,957)
Profit from ordinary activities before tax		3,909,260	4,193,335
Extraordinary loss		(1,234,958)	(17,946)
Profit before tax		2,674,302	4,175,389
Corporate taxes	(25)	545,365	839,076
Profit for the year after tax		2,128,937	3,336,313

Cash Flow Statement for the year ended December 31, 2001 (in thousand CZK)

	2001	2000
Cash and cash equivalents at the beginning of the year	842,814	1,661,423
Profit from ordinary activities before tax	3,909,260	4,193,335
Adjustments for non-cash transactions	11,547,956	7,133,408
Depreciation of fixed assets and write-off of receivables	9,778,780	8,076,433
Change in provisions, accruals and prepayments	888,851	(1,315,690)
Profit from disposal of fixed assets	(83,045)	(73,848)
Dividends received	(19,503)	(12,669)
Net interest expense	982,873	459,182
Net cash flow from operating activities before tax, changes of working capital and extraordinary items	15,457,216	11,326,743
Working capital changes:	3,241,642	(307,806)
Change in receivables	4,330,763	(4,501,537)
Change in short-term liabilities	(2,526,742)	5,431,970
Change in inventories	1,437,621	(1,238,239)
Net cash flow from operating activities before tax and extraordinary items	18,698,858	11,018,937
Interest paid	(1,160,641)	(614,745)
Interest received	220,268	217,041
Corporate tax paid	33,478	(1,246,608)
Extraordinary profit	(1,196,311)	(17,946)
Net cash flow from operating activities	16,595,652	9,356,679
Acquisition of fixed assets	(14,132,583)	(12,994,729)
Proceeds from the sale of fixed assets	739,604	612,964
Loans to related parties and employees	(9,367)	(16,457)
Net cash flow from investing activities	(13,402,346)	(12,398,222)
Change in bank credits	(2,850,000)	1,850,000
Change in long-term liabilities	0	364,255
Payments from reserves	(4,118)	(3,990)
Dividends received	19,503	12,669
Net cash flow from financial activities	(2,834,615)	2,222,934
Net movement in cash and cash equivalents	358,691	(818,609)
Cash and cash equivalents at the end of the year	1,201,505	842,814

Notes to the Financial Statements

1. Accounting and Valuation Principles

a) Accounting principles

The financial statements of ŠKODA AUTO a.s. ("the Company" or "ŠkodaAuto") as of December 31, 2001 were prepared in accordance with the provisions of the Accounting Act No. 563/1991 Coll. and the relevant provisions of the Ministry of Finance of the Czech Republic.

The Company complied in all material respects with the accounting and valuation principles that were used in the previous year. The amounts disclosed in the financial statements and notes are rounded to thousands of Czech Crowns (CZK) unless stated otherwise.

b) Intangible fixed assets

Intangible fixed assets are stated at acquisition cost less accumulated amortisation. Amortisation is provided on all intangible fixed assets so as to write off the cost of each asset over its expected useful economic life. Expected useful economic life is from 3 to 8 years.

If the carrying amount of an asset is greater than its estimated recoverable amount, a provision is established. No such provision was required.

Low-value intangible fixed assets with an acquisition cost of less than CZK 60,000 are charged directly to the profit and loss account.

c) Tangible fixed assets

Tangible fixed assets are stated at acquisition or at own manufacturing cost. Acquisition costs of tangible fixed assets include direct materials, direct wages and production overheads as well as proportionate administration costs in case that the useful life of fixed assets exceeds 1 year. Tangible fixed assets are depreciated on a straight-line basis over the following expected useful economic lives:

Buildings, including constructions on third party land	16-50 years
Machinery and equipment	6-14 years
Office equipment including tools and other equipment	4-8 years

If the carrying amount of an asset is greater than its estimated recoverable amount, a provision is established. No such provision was required.

Low-value tangible fixed assets with an acquisition cost ranging from CZK 20,000 to CZK 40,000 are fully depreciated and written off.

d) Securities and investments

Shareholdings and securities are stated at cost of acquisition. Other financial investments are shown in the balance sheet at their nominal value. Interest-free long-term loans to employees are discounted to their net present value.

e) Inventories

Raw materials and goods for resale are stated at acquisition cost, or the net realisable value, in case this amount is lower. Related customs duties, packaging and freight costs are included within the acquisition costs. Consumption of materials and all sales of goods are accounted for at average weighted cost.

Appropriate provisions were made for all risks relating to raw materials, excess supplies of spare parts and temporary decreases in the attainable sales value of goods.

The value of work in progress and finished goods include direct materials, direct wages and production overheads. Administration costs are not included in the value of inventories.

f) Receivables

Receivables are carried at nominal value less provision for doubtful receivables. In addition to the tax deductible provision calculated in compliance with §8 and §8a Act No. 593/1992 Coll., the provision takes into account all specific and general risks in compliance with §24 Act No. 563/1991 Coll. on accounting.

g) Financial assets

Financial assets relate primarily to short-term fixed deposits.

h) Provisions for liabilities

Provisions for liabilities were made for all risks of warranties, ongoing legal claims and other risks. Provisions to cover the maintenance planned for future years, as prescribed by §7, Act No. 593/1992 Coll., were also created.

i) Liabilities

Liabilities are stated at their nominal values. No guarantees/pledges were provided for any liabilities.

Issued bonds are stated at their nominal values. The bond discount and other costs relating to the issued bonds are treated as deferred expenditure and are released to the profit and loss account over the anticipated life of the bonds.

j) Translation of foreign currencies

During the year, transactions denominated in foreign currencies are translated at the rates applying on the transaction date. Foreign exchange differences arising from the settlement of receivables and payables are charged to profit and loss account. Receivables and payables denominated in foreign currencies are valued at the year-end at currency rates of the Czech National Bank applying at the balance-sheet date. Foreign exchange differences arising from the translation of cash, bank account balances and short-term securities at the year-end are charged to the profit and loss account. Unrealised foreign exchange differences are recorded in the balance sheet as other liabilities or other assets. A provision is created for unrealised foreign exchange losses and is included in other assets. The amount of this provision was calculated as the net difference of all unrealised gains and losses in each currency.

k) Deferred expenditure

Costs relating to the planning, preparation and extension of production plants ("preparation and start-up of production") are treated as deferred expenditures. These costs are amortised to the profit and loss account over a period of two years, starting from the date of the first pre-production series (or from the start of mass production) of a new model or from the start of production.

l) Deferred taxes

Deferred tax is recorded for all temporary differences between the net book values of assets and liabilities in the balance sheet and their tax written down values. A deferred tax asset is not recorded if there is a doubt about its realization in future taxable periods.

m) Leasing

Financial and operating lease instalments are fully expensed in the current accounting period. In compliance with the current accounting legislation, leased assets are not shown in the balance sheet.

n) Revenues

Sales are recognised when the goods are shipped and are shown net of Value Added Tax.

o) Changes in accounting policies

In 2001, there was a change in accounting for penalty interest due to a change in the accounting legislation. From 2001, penalty interest is recorded when invoiced. Prior to 2001, penalty interest was recorded on cash basis.

2. Fixed assets (in thousand CZK)

In 2000 and 2001, the movements in net book values of fixed assets were as follows:

	Balance as at Jan. 1, 2000	Additions	Disposals	Depreciation/ Amortisation	Balance as at Dec. 31, 2000
Intangible fixed assets	309,402	120,764	0	206,864	223,302
Tangible fixed assets	32,648,475	13,704,245	562,190	7,561,099	38,229,431
Financial assets	729,342	48,318	55,652	0	722,008
Total	33,687,219	13,873,327	617,842	7,767,963	39,174,741

	Balance as at Jan. 1, 2001	Additions	Disposals	Depreciation/ Amortisation	Balance as at Dec. 31, 2001
Intangible fixed assets	223,302	169,322	0	178,863	213,761
Tangible fixed assets	38,229,431	16,028,662	701,898	9,467,246	44,088,949
Financial assets	722,008	36,847	53,382	0	705,473
Total	39,174,741	16,234,831	755,280	9,646,109	45,008,183

3. Intangible fixed assets (in thousand CZK)

	Software	Development costs	Royalties	Intangible fixed assets in progress and other intangible assets	Total
Cost					
Balance at Jan. 1, 2000	244,132	1,109,431	33,000	0	1,386,563
Additions	84,501	0	36,263	0	120,764
Disposals	0	0	0	0	0
Balance at Dec. 31, 2000	328,633	1,109,431	69,263	0	1,507,327
Accumulated amortisation					
Balance at Jan. 1, 2000	214,044	841,461	21,656	0	1,077,161
Additions	61,810	136,396	8,658	0	206,864
Disposals	0	0	0	0	0
Balance at Dec. 31, 2000	275,854	977,857	30,314	0	1,284,025
Net book value 2000	52,779	131,574	38,949	0	223,302

	Software	Development costs	Royalties	Intangible fixed assets in progress and other intangible assets	Total
Cost					
Balance at Jan. 1, 2001	328,633	1,109,431	69,263	0	1,507,327
Additions	149,116	0	17,453	2,753	169,322
Disposals	0	0	0	0	0
Balance at Dec. 31, 2001	477,749	1,109,431	86,716	2,753	1,676,649
Accumulated amortisation					
Balance at Jan. 1, 2001	275,854	977,857	30,314	0	1,284,025
Additions	80,108	89,547	8,658	550	178,863
Disposals	0	0	0	0	0
Balance at Dec. 31, 2001	355,962	1,067,404	38,972	550	1,462,888
Net book value 2001	121,787	42,027	47,744	2,203	213,761

Financial leasing (in thousand CZK) - fixed assets acquired through financial leasing:

Fixed assets	Leasing instalments	Instalments due as at Dec. 31,2001	Instalments due as at Dec. 31,2000
Fork-lift truck	237,692	237,692	220,522
Computer hardware	49,120	49,120	49,120
Vehicles	5,376	5,376	5,376
Mobile phones	7,930	7,930	7,930
Other	20,771	20,771	20,771
Total	320,889	320,889	303,719

Leasing charges include VAT.

All financial leasing contracts fully paid before December 31, 2001.

5. Low-value fixed assets

The value of low-value fixed assets (up to CZK 20 thousand for tangible and up to CZK 60 thousand for intangible assets) charged to the profit and loss account was CZK 356,649 thousand in 2001 (2000: CZK 417,111 thousand).

6. Financial investments (in thousand CZK)

	Dec. 31, 2001	Dec. 31, 2000
Shareholdings	564,162	583,064
Securities	0	7,000
Other loans	181,311	171,944
Gross total	745,473	762,008
Provision	(40,000)	(40,000)
Net total	705,473	722,008

The provision in the amount of CZK 40,000 thousand relates to other loans.

7. Investments

ŠkodaAuto holds shares in the following companies:

	Book value (acquisition value) as at Dec. 31, 2001 in CZK thou.	Book value (acquisition value) as at Dec. 31, 2000 in CZK thou.	Equity share as at Dec. 31, 2000* %	Equity as at Dec. 31, 2000* in thou.	Profit/loss 2000* in thou.	Currency	
SkodaAuto Deutschland GmbH	197,739	197,739	100.0	7,499	418	(11,311)	DEM
ŠKODA AUTO Slovensko, s.r.o.	48,917	48,917	100.0	138,051	173,207	56,414	SKK
ŠKODA IMMO s.r.o.	261,718	261,718	100.0	273,091	273,091	(7,165)	CZK
ŠKODA AUTO BH d.o.o.	175	175	100.0	3,176	177	167	DEM
ZAO ŠKODA AUTO Udmurtija	100	100	75.1	99	100	-	RUR
SKODA AUTO POLSKA S.A.	838	838	51.0	34,785	7,477	1,502	PLN
Skoda Auto India Private Ltd.**	0	0	50.0	5,310	12,706	-	INR
e4t electronics for transportation s.r.o.	98	-	49.0	-	-	-	CZK
ŠKO-ENERGO, s.r.o.	3,400	3,400	34.0	5,780	17,000	2,269	CZK
ŠKO-ENERGO FIN, s.r.o.	51,177	70,177	10.0	69,157	691,574	33,969	CZK
Total	564,162	583,064					

* Information relates to December 31, 2000, as the audited financial statements of the above mentioned companies for the year 2001 were not available at the date of preparation of these financial statements.

** Information relates to March 31, 2001.

Skoda Auto India Private Ltd. was established on December 23, 1999 with a symbolic share capital. From 2001, the Company's activity is the assembly and distribution of Škoda cars in the Indian market.

On August 21, 2001, e4t electronics for transportation s.r.o. was incorporated as a joint venture between **ŠkodaAuto** and Český TÚV Süddeutschland s.r.o. The Company's principal activity is the research and development of vehicle electrical power engineering and electronics.

The above companies paid dividends totalling CZK 16,763 thousand in 2001 (2000: CZK 10,943 thousand).

Registered offices of companies in which ŠkodaAuto holds more than 20 % of their equity, are as follows:

SkodaAuto Deutschland GmbH	ŠKODA AUTO Slovensko, s. r. o.	ŠKODA IMMO s. r. o.	SKODA AUTO POLSKA S. A.	e4t electronics for transportation s.r.o.	ŠKO-ENERGO, s. r. o.	ŠKODA AUTO BH d.o.o.	ŠKODA AUTO Udmurtija ZAO	Skoda Auto India Private Ltd.
Weiterstadt, Germany	Bratislava, Slovak Republic	Mladá Boleslav, Czech Republic	Posen, Poland	Praha, Czech Republic	Mladá Boleslav, Czech Republic	Sarajevo- Vogošća, Bosnia and Herzegovina	Iževsk, Russian Federation	Aurangabad, India

8. Securities

At the beginning of the year, ŠkodaAuto owned shares of ČSOB with a total value of CZK 7,000 thousand (2000: CZK 7,000 thousand). These were represented by 7,000 shares with a nominal value of CZK 1,000.

Dividends received in 2001 amounted to CZK 2,740 thousand (2000: CZK 1,726 thousand). The ČSOB shares were sold in 2001.

9. Inventories (in thousand CZK)

	Dec. 31, 2001	Dec. 31, 2000
Raw materials	3,016,905	3,925,254
Work in progress	1,817,635	2,511,175
Finished goods	1,452,134	1,419,198
Merchandise	1,400,500	1,269,168
Gross total	7,687,174	9,124,795
Provision	(169,900)	(110,706)
Net total	7,517,274	9,014,089

10. Receivables and liabilities (in thousand CZK)

	Receivables		Liabilities	
	Dec. 31, 2001	Dec. 31, 2000	Dec. 31, 2001	Dec. 31, 2000
Trade receivables/liabilities	7,750,161	11,569,524	15,286,306	17,551,075
Taxes	4,002,224	4,994,484	180,442	54,621
Social security	0	0	188,635	188,529
Personnel expenses	4,850	7,914	320,281	40,466*
Other	232,060	373,657	10,264,442	10,464,920
"- of which long-term"	0	0	10,000,000	10,000,000
Total	11,989,295	16,945,579	26,240,106	28,299,611

*In 2000, the amount of CZK 272,727 thousand was shown in the line "Other".

11. Short-term trade receivables and liabilities (in thousand CZK)

	Receivables		Liabilities	
	Dec. 31, 2001	Dec. 31, 2000	Dec. 31, 2001	Dec. 31, 2000
Domestic	4,453,905	3,589,696	5,392,024	7,014,577
Foreign	3,922,929	8,594,776	9,894,282	10,536,498
<i>of which > 180 days overdue</i>	(693,327)	(939,849)	(100,255*)	(274,094*)
Gross total	8,376,834	12,184,472	15,286,306	17,551,075
Provisions	(626,673)	(614,948)		
Net total	7,750,161	11,569,524		

*Liabilities resulting from claims (liabilities not acknowledged by the Company).

12. Issued bonds (in thousand CZK)

The Company issued bonds on October 26, 2000 in total amount of CZK 10 billion, each of nominal value of CZK 100,000. These bonds are publicly traded without any restriction of convertibility in the secondary market of the Prague Stock Exchange - Burza cenných papírů Praha, a.s. and the RM System. The bonds were issued under and governed by Czech law. The chief manager of this emission is Commerzbank Capital Markets (Eastern Europe) a.s. and the administrator is Československá obchodní banka, a.s. The issuance is registered at the Securities Centre (Středisko cenných papírů) in Prague based on a contract signed before the issue date.

	ISIN	Amount in CZK thou.	Nominal value in CZK thou.	Bonds pieces	Issue rate
1st Portion	CZ0003501207	5,000,000	100	50,000	99.9%
2nd Portion	CZ0003501181	3,000,000	100	30,000	100.0%
3rd Portion	CZ0003501199	2,000,000	100	20,000	100.0%
Total		10,000,000		100,000	

Principal and interest of bonds are paid in CZK via the bond administrator:
Československá obchodní banka, a.s., Na Příkopě 14, 115 20 Praha 1.

	ISIN	Repayment period	Payment deadline interest	Bond yield
1st Portion	CZ0003501207	26.10.2005	annually on October 26th	7.25%
2nd Portion	CZ0003501181	26.10.2007	semi-annually on April 26th and on October 26th	6M Pribor + 0.14%
3rd Portion	CZ0003501199	26.10.2010	semi-annually on April 26th and on October 26th	6M Pribor + 0.22%

13. Other assets (in thousand CZK)

	Dec. 31, 2001	Dec. 31, 2000
Costs of planning, preparation and extensions of production plant		
– Prepaid expenses	2,475,233	2,422,452
– Write-downs	(2,160,575)	(2,033,050)
– Closing balance	314,658	389,402
Other deferred costs	290,987	151,221
Unrealised foreign exchange losses	140,846	93,304
Accrued income	147,867	49,827
Total	894,358	683,754

14. Equity (in thousand CZK)

In 2000 and 2001, the Company's equity developed as follows:

	Registered capital	Share premium	Statutory reserve fund	Retained earnings and profit for the current period	Total
Balance at Jan. 1, 2000	16,708,850	1,578,172	178,512	4,234,768	22,700,302
Transfer to stat. reserve fund from profit for 1999	0	0	131,864	(131,864)	0
Payment of bonuses	0	0	0	(3,990)	(3,990)
Profit for 2000	0	0	0	3,336,313	3,336,313
Balance at Dec. 31, 2000	16,708,850	1,578,172	310,376	7,435,227	26,032,625

	Registered capital	Share premium	Statutory reserve fund	Retained earnings and profit for the current period	Total
Balance at Jan. 1, 2001	16,708,850	1,578,172	310,376	7,435,227	26,032,625
Transfer to stat. reserve fund from profit for 2000	0	0	166,815	(166,815)	0
Payment of tantiems	0	0	0	(4,118)	(4,118)
Profit for 2001	0	0	0	2,128,937	2,128,937
Balance at Dec. 31, 2001	16,708,850	1,578,172	477,191	9,393,231	28,157,444

The Company is required by law to transfer 5 % of its annual net profits to the statutory reserve until the balance of this reserve reaches 20 % of the issued share capital.

15. Share capital

The share capital is composed of 1,670,885 registered shares of CZK 10,000 each. The sole shareholder of the Company is VOLKSWAGEN AG, Wolfsburg.

16. Retained earnings and profit for the current period (in thousand CZK)

During the Annual Meeting of stockholders, held on March 2, 2001, the following allocation of the profit for 2000 amounting to CZK 3,336,313 thousand was approved:

	2000	1999
Allocations to the legal reserve fund	166,815	131,864
Payment of bonuses	4,118	3,990
Profit assigned to undistributed profit	3,165,380	2,501,420
Profit after tax	3,336,313	2,637,274

The Annual Meeting of stockholders will approve the allocation of the profit for 2001 in 2002.

17. Bank loans

As at December 31, 2001, the Company has outstanding bank loans totalling CZK 2,000 million (2000: CZK 4,850 million). These are short-term operating loans denominated in Czech crowns.

18. Provisions (in thousand CZK)

In 2000 and 2001, provisions were created and utilised as follows:

	Repairs of fixed assets	Warranty	Losses from financial derivatives	Legal and other risks	Foreign exchange losses	Total
Balance at Jan. 1, 2000	409,465	4,055,520	37,665	435,800	10,259	4,948,709
Creation	215,996	1,319,250	7,348	41,809	86,332	1,670,735
Usage/Elimination	228,837	1,768,172	37,665	290,311	10,259	2,335,244
Balance at Dec. 31, 2000	396,624	3,606,598	7,348	187,298	86,332	4,284,200
Balance at Jan. 1, 2001	396,624	3,606,598	7,348	187,298	86,332	4,284,200
Creation	220,517	1,437,121	53,370	8,300	27,862	1,747,170
Usage/Elimination	256,061	1,846,616	7,348	22,271	86,332	2,218,628
Balance at Dec. 31, 2001	361,080	3,197,103	53,370	173,327	27,862	3,812,742

The provision for the repair of fixed assets is the only tax-deductible provision.

19. Revenues (in thousand CZK)

	2001	%	2000	%
Goods	7,229,702	4.7	6,079,724	4.5
Own products and services	146,041,078	95.3	130,203,513	95.5
Total	153,270,780	100.0	136,283,237	100.0
Cars	143,295,310	93.5	127,863,109	93.8
Spare parts	7,760,711	5.1	6,522,442	4.8
Other	2,214,759	1.4	1,897,686	1.4
Total	153,270,780	100.0	136,283,237	100.0
Domestic	27,453,763	17.9	24,056,640	17.7
Foreign	125,817,017	82.1	112,226,597	82.3
Total	153,270,780	100.0	136,283,237	100.0

20. Staff costs (in thousand CZK)

The average number of employees and related personnel expenses were as follows:

		Number	Wages and salaries	Social security costs	Other social costs
Staff	2001	21,459	5,195,222	1,861,118	104,576
	2000	21,531	5,192,672	1,785,221	96,613
Management	2001	351	316,231	102,619	2,767
	2000	337	294,049	93,134	2,669
Total	2001	21,810	5,511,453	1,963,737	107,343
	2000	21,868	5,486,721	1,878,355	99,282

21. Remuneration of Board of Directors and Supervisory Board members

No remuneration was paid to members of the Board of Directors in 2001. The salaries of the Board Members are included in the table in note 20.

6 company cars (2000: 6 cars) were made available for use of members of the Board of Directors. The remuneration for the members of the Supervisory Board was CZK 414 thousand (2000: CZK 497 thousand). A remuneration of CZK 138 thousand (2000: CZK 126 thousand) was paid to Supervisory Board members who are not employed by ŠkodaAuto.

3 company cars (2000: 3 cars) were made available for use of members of the Supervisory Board.

The salaries of the managers are disclosed in note 20.

22. Development costs

Cost of development for new passenger cars amounted to CZK 4,361 million (2000: CZK 2,337 million). In 2001 ŠkodaAuto incurred costs for prototypes and pre-production series totalling CZK 900 million (2000: CZK 885 million). Furthermore, CZK 90 million of development costs were amortised and charged to the profit and loss account (2000: CZK 136 million) (see also note 3).

23. Profit and loss from financial operations (in thousand CZK)

	2001		2000	
	Income	Expense	Income	Expense
Interest	248,686	1,231,559	218,130	677,312
Foreign exch. rate differences	1,988,947	1,739,451	2,266,337	1,514,543
Factoring fees and other financial expenses	0	1,349,548	0	1,258,166
Other income from financial investments	62,798	7,000	12,669	0
Provision for exch. rate losses	86,332*	27,862	10,260*	86,332
Total	2,386,763	4,355,420	2,507,396	3,536,353

* Profit from the elimination of provisions.

24. Financial instruments

At December 31, 2001 **Škoda**Auto held forward contracts that will be realised in 2002 and in 2003. These contracts include sales of GBP 43,800 thousand, USD 33,700 thousand, PLN 119,000 thousand, EUR 48,000 thousand, DKK 34,800 thousand, NOK 31,200 thousand, SEK 102,000 thousand and forward purchases of JPY 1,380,000 thousand, EUR 5,302 thousand. All these contracts will be realised in CZK.

In 2003, purchases worth EUR 5,459 thousand will be realised in CZK.

Provisions for losses from financial derivatives as at December 31, 2001 amounted to CZK 53,370 thousand (2000: CZK 7,348 thousand).

At December 31, 2001 **Škoda**Auto had entered into exchange rate swap contracts totalling to EUR 107,298 thousand and USD 2,500 thousand. These contracts will be realised in CZK. In addition to these contracts, the Company entered into interest rate swap contracts totalling CZK 3,000,000 thousand.

25. Corporate taxes (in thousand CZK)

Corporate income tax	2001	2000
Current tax expense	954,000	960,400
Additional tax charges and tax returns	0	104,501
Difference between preliminary and final tax calculation for previous periods	(408,635)	(225,825)
Total	545,365	839,076

A net deferred tax asset of CZK 610 million (2000: CZK 703 million) was not recognised as there exists a doubt whether sufficient future taxable profits will be available for the utilisation of this asset in future fiscal years.

The Company was granted investment incentives for the construction of a new engine and gearbox plant, which were not utilised in 2001.

26. Commitments

At December 31, 2001 **Škoda**Auto had entered into contracts for the purchase of fixed assets amounting to approximately CZK 7.2 billion (2000: CZK 25.9 billion).

27. Related party transactions (in thousand CZK)

ŠkodaAuto was involved in the following related party transactions:

	2001
Sales of vehicles	74,067,911
spare parts	3,402,714
others (miscellaneous)*	98,758,244
Total	176,228,869
Purchases of production material	25,124,139
overhead material and services	8,301,607
spare parts	1,054,939
fixed assets	717,092
Total	35,197,777

* Sale of engines, gearboxes, knocked down vehicles, services, development costs, factoring.

These transactions were exercised on an arm's-length basis and are shown including VAT.

Related party balances (in thousand CZK)

	Receivables		Liabilities	
	Dec. 31, 2001	Dec. 31, 2000	Dec. 31, 2001	Dec. 31, 2000
VOLKSWAGEN AKTIENGESELLSCHAFT	275,262	963,592	1,952,086	1,644,373
Volkswagen Sachsen GmbH	70,229	37,940	173,417	177,613
Volkswagen Poznan Sp. z o.o.	0	32,628	648,084	234,352
VOLKSWAGEN Group United Kingdom Ltd.	91,043	144,341	261,970	184,285
Groupe VOLKSWAGEN France s.a.	79,259	64,879	152,854	314,841
Volkswagen Transport GmbH	95	1,348	182,687	192,579
Coordination Center Volkswagen S.A.	0	0	2,389,215	3,396,354
AUDI AG	12,437	6,279	293,307	110,012
AUDI HUNGARIA MOTOR Kft.	5,724	72,951	255,168	464,428
Gearbox del Prat, S.A.	3,881	21,555	3,786	328,455
ROLLS-ROYCE & BENTLEY MOTOR CARS LIMITED	194,976	0	0	0
SkodaAuto Deutschland GmbH	143,884	157,995	125,117	39,966
SKODA AUTO POLSKA S.A.	160,547	43,813	261	39
ŠKODA AUTO Slovensko, s.r.o.	0	2,299,808	21,117	47,716
ŠKODA AUTO BH d.o.o. Sarajevo-Vogošća	172,414	229,707	2,112	0
ŠKO-ENERGO, s.r.o.	59,862	10,381	0	152,229
Svenska Volkswagen AB	11,890	129,170	0	0
Other companies	512,595	292,889	192,959	111,668
Total	1,794,098	4,509,276	6,654,140	7,398,910

Trade receivables and payables arose from transactions exercised on an arms-length basis.

28. Contingencies

Contingent liabilities from granted guarantees as at December 31, 2001 amounted to CZK 28 million (2000: CZK 28 million). Contingent liabilities have not been recognised and no provisions have been created for them.

29. Significant post-balance sheet events

No significant events occurred after the balance-sheet date which would have a significant impact on the 2001 financial statements.

30. General information on the Company

Principal Activities:

ŠkodaAuto was established as a legal entity on November 20, 1990. The Company's principal activities are development, production and sale of vehicles and related accessories.

Registered Office: ŠKODA AUTO a. s.
Tř. Václava Klementa 869
293 60 Mladá Boleslav
Czech Republic
ID No.: 00177041

The Company is registered in the Commercial Register at the Municipal Court in Prague, Section B, Entry 332.

Balance Sheet as at December 31, 2001 – full version (in thousand CZK)

a	ASSETS b	Row c	Current accounting period			Prior Net 4
			Gross 1	Provision 2	Net 3	
	TOTAL ASSETS	1	113,041,874	(46,431,259)	66,610,615	66,660,977
	A. Receivables for registered capital	2				
	B. Fixed assets	3	90,580,565	(45,572,382)	45,008,183	39,174,741
	B. I. Intangible fixed assets	4	1,676,649	(1,462,888)	213,761	223,302
B. I. 1.	Establishment costs	5				
2.	Research & development	6	1,109,431	(1,067,404)	42,027	131,574
3.	Software	7	477,749	(355,962)	121,787	52,779
4.	Royalties	8	86,716	(38,972)	47,744	38,949
5.	Other intangible fixed assets	9	2,753	(550)	2,203	
6.	Intangible assets in the course of construction	10				
7.	Advances paid for intangible assets	11				
	B. II. Tangible fixed assets	12	88,158,443	(44,069,494)	44,088,949	38,229,431
B. II. 1.	Land	13	947,925		947,925	944,851
2.	Buildings and constructions	14	15,871,577	(3,390,993)	12,480,584	11,419,558
3.	Equipment	15	62,357,115	(40,582,028)	21,775,087	18,253,299
4.	Cultivated areas	16				
5.	Livestock	17				
6.	Other tangible fixed assets	18	128,651	(96,473)	32,178	22,011
7.	Tangible assets in the course of construction	19	8,311,155		8,311,155	7,546,398
8.	Advances paid for tangible fixed assets	20	542,020		542,020	43,314
9.	Adjustment to acquired fixed assets	21				
	B. III. Long-term investments	22	745,473	(40,000)	705,473	722,008
B. III. 1.	Investments in subsidiaries	23	509,487		509,487	509,487
2.	Investments in associated companies	24	3,498		3,498	3,400
3.	Other investments in securities	25	51,177		51,177	77,177
4.	Intra-group loans	26				
5.	Other investments	27	181,311	(40,000)	141,311	131,944
	C. Current assets	28	21,566,951	(858,877)	20,708,074	26,802,482
	C. I. Inventories	29	7,687,174	(169,900)	7,517,274	9,014,089
C. I. 1.	Raw materials	30	3,016,905	(152,800)	2,864,105	3,817,254
2.	WIP and semi finished products	31	1,817,635	(1,600)	1,816,035	2,511,175
3.	Finished goods	32	1,452,134		1,452,134	1,419,198
4.	Animals	33				
5.	Goods for resale	34	1,400,500	(15,500)	1,385,000	1,266,462
6.	Prepayments for inventory	35				
	C. II. Long-term receivables	36				
C. II. 1.	Long-term trade receivables	37				
2.	Long-term receiv. from shareholders and consortias	38				
3.	Long-term receivables from subsidiaries	39				
4.	Long-term receivables from associated companies	40				
5.	Other long-term receivables	41				
	C. III. Short-term receivables	42	12,678,272	(688,977)	11,989,295	16,945,579
C. III. 1.	Trade receivables	43	8,376,834	(626,673)	7,750,161	11,569,524
2.	Receivables from shareholders	44				
3.	Receivables for social security	45				
4.	Tax receivables and state subsidies receivable	46	4,002,224		4,002,224	4,994,484
5.	Deferred tax asset	47				
6.	Other receivables from subsidiaries	48				
7.	Other receivables from associated companies	49				
8.	Other receivables	50	299,214	(62,304)	236,910	381,571
	C. IV. Financial assets	51	1,201,505		1,201,505	842,814
C. IV. 1.	Cash in hand	52	1,953		1,953	5,207
2.	Cash at bank	53	1,199,552		1,199,552	837,607
3.	Short-term investments	54				
	D. Other assets	55	894,358		894,358	683,754
	D. I. Accruals and deferrals	56	746,491		746,491	633,927
D. I. 1.	Prepaid expenses	57	605,645		605,645	540,623
2.	Accrued revenue	58				
3.	Unrealized exchange rate losses	59	140,846		140,846	93,304
	D. II. Anticipated assets	60	147,867		147,867	49,827
	Check number	999	452,019,629	(185,725,036)	266,294,593	266,594,081

EQUITY AND LIABILITIES		Row	Current accounting period	Prior
a	b	c	5	6
	TOTAL EQUITY AND LIABILITIES	61	66,610,615	66,660,977
A.	Equity	62	28,157,444	26,032,625
A. I.	Registered capital	63	16,708,850	16,708,850
A. I. 1.	Registered capital	64	16,708,850	16,708,850
2.	Own shares bought-in	65		
A. II.	Capital contributions	66	1,578,172	1,578,172
A. II. 1.	Share premium	67	1,578,172	1,578,172
2.	Other capital contributions	68		
3.	Asset revaluation	69		
4.	Investment valuation differences	70		
A. III.	Reserve funds	71	477,191	310,376
A. III. 1.	Statutory reserve fund	72	477,191	310,376
2.	Undistributable reserves	73		
3.	Statutory and other reserves	74		
A. IV.	Retained earnings	75	7,264,294	4,098,914
A. IV. 1.	Retained profits	76	7,264,294	4,098,914
2.	Accumulated losses	77		
A. V.	Profit (loss) for the current period	78	2,128,937	3,336,313
B.	Liabilities	79	32,052,848	37,433,811
B. I.	Provisions	80	3,812,742	4,284,200
B. I. 1.	Tax-deductible provisions	81	361,080	396,624
2.	Provision for exchange rate loss	82	27,862	86,332
3.	Non-deductible provisions	83	3,423,800	3,801,244
B. II.	Long-term liabilities	84	10,000,000	10,000,000
B. II. 1.	Long-term liabilities to subsidiaries	85		
2.	Long-term liabilities to associated companies	86		
3.	Long-term advances received	87		
4.	Debentures and bonds issued	88	10,000,000	10,000,000
5.	Long-term bills payable	89		
6.	Other long-term liabilities	90		
B. III.	Short-term liabilities	91	16,240,106	18,299,611
B. III. 1.	Trade payables	92	15,286,306	17,551,075
2.	Liabilities to shareholders and consortias	93		
3.	Payroll payable and other liabilities to employees	94	320,281	40,466
4.	Liabilities for social insurance	95	188,635	188,529
5.	Tax liabilities	96	180,442	54,621
6.	Deferred tax liability	97		
7.	Liabilities to subsidiaries	98		
8.	Liabilities to associated companies	99		
9.	Other payables	100	264,442	464,920
B. IV.	Bank loans & overdrafts	101	2,000,000	4,850,000
B. IV 1.	Long-term bank loans	102		
2.	Short-term bank loans	103	2,000,000	4,850,000
3.	Short-term overdrafts	104		
C.	Other liabilities	105	6,400,323	3,194,541
C. I.	Accruals and deferrals	106	315,130	19,894
C. I. 1.	Accruals	107		
2.	Deferred revenue	108	547	
3.	Unrealized exchange rate gains	109	314,583	19,894
C. II.	Anticipated liabilities	110	6,085,193	3,174,647
	Check number	999	258,228,330	260,132,948

Income Statement for the Fiscal Year ended December 31, 2001 – full version (in thousand CZK)

a	b	Row c	Current accounting period 1	Prior Net 2
A.	I. Sales of purchased goods	1	7,229,702	6,079,724
	Cost of goods sold	2	3,974,016	3,352,780
+	Gross profit	3	3,255,686	2,726,944
	II. Sale of production	4	147,154,437	132,676,031
	1. Sales of own products and services	5	146,041,078	130,203,513
	2. Change in inventory of finished goods and WIP	6	(660,603)	102,666
	3. Own work capitalised	7	1,773,962	2,369,852
B.	Cost of sales	8	128,114,131	116,426,226
	1. Raw materials and consumables	9	112,376,368	102,643,387
	2. Services	10	15,737,763	13,782,839
+	Added value	11	22,295,992	18,976,749
C.	Staff costs	12	7,582,947	7,464,855
	1. Wages and salaries	13	5,511,453	5,486,721
	2. Emoluments of board members	14	414	497
	3. Social security costs	15	1,963,737	1,878,355
	4. Other social costs	16	107,343	99,282
D.	Taxes and charges	17	44,646	42,336
E.	Depreciation of fixed assets	18	9,646,109	7,767,963
III.	Sale of fixed assets and raw materials	19	1,927,847	1,862,988
F.	Net book amount of F/A's and raw materials sold	20	1,594,633	1,422,305
IV.	Provisions written back to operating income	21	2,185,078	2,500,771
G.	Provisions for operating liabilities and charges	22	1,846,834	1,875,147
V.	Amounts written back to operating assets	23	181,310	488,690
H.	Amounts written off operating assets	24	314,533	108,000
VI.	Other operating income	25	1,052,998	790,715
I.	Other operating charges	26	735,606	717,015
VII.	Adjustments to operating income	27		
J.	Adjustments to operating expense	28		
*	Operating result	29	5,877,917	5,222,292

a	b	Row c	Current accounting period 1	Prior 2
VIII.	Income from sales of securities and shares	30	43,295	
K.	Securities and shares sold	31	7,000	
IX.	Income from long-term investments	32	19,503	12,669
	1. Income from shares in group undertakings	33	16,763	10,943
	2. Income from shares in other participating interests	34	2,740	1,726
	3. Income from other long-term investments	35		
X.	Income from short-term investments	36		
XI.	Provisions written back to financial income	37	86,332	10,260
L.	Provisions for financial liabilities and charges	38	27,862	86,332
XII.	Amounts written back to investments	39		
M.	Amounts written off investments	40		
XIII.	Interest income	41	248,686	218,130
N.	Interest expense	42	1,231,559	677,312
XIV.	Other financial income	43	1,988,947	2,266,337
O.	Other financial expense	44	3,088,999	2,772,709
XV.	Adjustments to financial income	45		
P.	Adjustments to financial expense	46		
*	Result from financial transactions	47	(1,968,657)	(1,028,957)
R.	Tax on profit or loss on ordinary activities	48	545,365	839,076
	1. - current	49	545,365	839,076
	2. - deferred	50		
		51		
**	Profit or loss on ordinary activities after taxation	52	3,363,895	3,354,259
XVI.	Extraordinary income	53	705,650	395,561
S.	Extraordinary charges	54	1,940,608	413,507
T.	Tax on extraordinary profit or loss	55		
	1. - current	56		
	2. - deferred	57		
*	Profit or loss on extraordinary items after taxation	58	(1,234,958)	(17,946)
U.	Profit share apportioned to partners (v.o.s. only)	59		
***	Net profit or loss for the financial period	60	2,128,937	3,336,313
	Profit or loss before taxation	61	2,674,302	4,175,389
	Check number	99	643,328,130	585,431,339

Controlling Report

Report on relations between VOLKSWAGEN AKTIENGESELLSCHAFT, the controlling entity, and ŠKODA AUTO a. s., the controlled entity, and between ŠKODA AUTO a. s. and other entities controlled by VOLKSWAGEN AKTIENGESELLSCHAFT in the accounting period 1.1.2001 - 31.12.2001

The report on relations between VOLKSWAGEN AKTIENGESELLSCHAFT, having its registered offices in Wolfsburg, Federal Republic of Germany, (hereinafter referred to as the "Controlling Entity") as the Controlling Entity and ŠKODA AUTO a. s., having its registered offices in Mladá Boleslav, Reg. No.: 00177041 (hereinafter referred to as the "Controlled Entity" or the "Company" or "**Škoda**Auto") as the Controlled Entity, and between the Controlled Entity and other entities controlled by the Controlling Entity in the accounting period 1.1.2001 - 31.12.2001 (hereinafter referred to as the "Accounting Period") was prepared pursuant to provision § 66a paragraph 9 of the Act No. 513/1991 Coll., Commercial Code, as amended.

The report was drawn up to meet the information disclosure requirement as stipulated by the provision § 66a paragraph 9 of the Act No. 513/1991 Coll., Commercial Code, as amended.

The Controlling Entity owned 1,670,885 shares totalling 100% of shares of the Controlled Entity in the given Accounting Period and held a corresponding share of voting rights.

Contracts concluded

The Controlled Entity and the Controlling Entity, and the Controlled Entity and the entities controlled by the Controlling Entity concluded contracts in the following areas during the Accounting Period:

1. Sale of own products, goods and services

a) vehicles

ŠkodaAuto concluded vehicle sale contracts with the following companies:

SkodaAuto Deutschland GmbH
VOLKSWAGEN Group United Kingdom Ltd.
AUTOGERMA S. p. A.
Groupe VOLKSWAGEN France s.a.
Volkswagen-Audi España S.A.

b) spare parts

ŠkodaAuto did not conclude any spare part sale contracts in the given Accounting Period.

c) other

ŠkodaAuto entered into service sale contracts (development cooperation, product import and distribution, education and provision of IT services) with the following companies:

AUDI AG
ROLLS-ROYCE & BENTLEY MOTOR CARS LIMITED
VOLKSWAGEN AKTIENGESELLSCHAFT
Volkswagen (China) Investment Company
Volkswagen do Brasil Ltda.
Volkswagen de México, S.A. de C.V.
Shanghai-Volkswagen Automotive Company Ltd.
Skoda Auto India Private Ltd.
ŠKO-ENERGO s.r.o.
VOLKSWAGEN SLOVAKIA, a.s.
INIS International Insurance Service s.r.o.
gedas ČR s.r.o.
gedas united kingdom ltd.

2. Purchase of goods and services

a) production material

ŠkodaAuto concluded production material purchase contracts with the following companies:

AUDI AG
AUDI HUNGARIA MOTOR Kft.
SEAT, S.A.
VOLKSWAGEN AKTIENGESELLSCHAFT
VOLKSWAGEN SLOVAKIA, a.s.
Volkswagen de México, S.A. de C.V.
Volkswagen Navarra, S.A.
Volkswagen Sachsen GmbH
Gearbox del Prat, S.A.
Volkswagen Bordnetze GmbH

b) indirect material and services

ŠkodaAuto entered into the following indirect material and service purchase contracts (indirect material and services, development cooperation, general consultancy, logistics systems consultancy, HW and SW supplies, licences issuance, IT consultancy, technical support in logistics):

VOLKSWAGEN AKTIENGESELLSCHAFT

VOLKSWAGEN OF AMERICA, INC.

AUDI AG

gedas ČR s.r.o.

SkodaAuto Deutschland GmbH

Autostadt GmbH

AUDI HUNGARIA MOTOR Kft.

AUTOGERMA S.p.A.

SEAT, S.A.

Volkswagen Bordnetze GmbH

Volkswagen Navarra, S.A.

Volkswagen Sachsen GmbH

VOLKSWAGEN SLOVAKIA, a.s.

Gearbox del Prat, S.A.

gedas deutschland GmbH

Volkswagen Coaching Gesellschaft mbH

Volkswagen Immobilien Service GmbH

VW Wohnungs GmbH & Co. KG

Volkswagen-Bildungsinstitut GmbH

c) spare parts

ŠkodaAuto did not conclude any spare part purchase contracts in the given Accounting Period.

d) investment

ŠkodaAuto entered into investment purchase contracts with the following companies:

AUDI AG

Import Volkswagen Group s.r.o.

VOLKSWAGEN AKTIENGESELLSCHAFT

3. Other contractual relationships

ŠkodaAuto also established contractual relationships (factoring, legal consultancy, Technology Transfer Agreement, financial services and marketing support) with the following companies:

VOLKSWAGEN AKTIENGESELLSCHAFT
Coordination Center Volkswagen S.A.
Skoda Auto India Private Ltd.
ŠkoFIN s.r.o.
AUTOGERMA S. p. A.
SkodaAuto Deutschland GmbH
Groupe VOLKSWAGEN France s.a.
VOLKSWAGEN Group United Kingdom Ltd.
EUROPCAR FRANCE S.A.
Volkswagen-Audi España S.A.

Other legal acts

In the given Accounting Period no legal acts carried out in favour of the Controlling Entity and entities controlled by the Controlling Entity exceeding the scope of standard legal acts executed by the Controlling Entity during the performance of its rights, as the Controlled Entity shareholder, were reported.

Other measures, their advantages and disadvantages

In the given Accounting Period no other measures in favour or at the incentive of the Controlling Entity, and entities controlled by the Controlling Entity, exceeding the scope of standard measures taken by the Controlled Entity regarding the Controlling Entity, as the Controlled Entity shareholder, were taken or implemented by the Controlled Entity.

Performance and counter-performance delivered

In the given Accounting Period no other performance and counter-performance in favour or at the incentive of the Controlling Entity, and entities controlled by the Controlling Entity, exceeding the scope of standard performance and counter-performance taken by the Controlled Entity regarding the Controlling Entity, as the Controlled Entity shareholder were taken or implemented by the Controlled Entity.

The total value of all transactions with related parties during the Accounting Period is disclosed in note 27 of the notes to the financial statements.

The Company confirms not to have incurred any detriment as a result of the conclusion of the above mentioned contracts, the other aforesaid legal acts, other measures, delivered performance or counter-performance.





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