

ŠkodaAuto
ANNUAL REPORT 2002



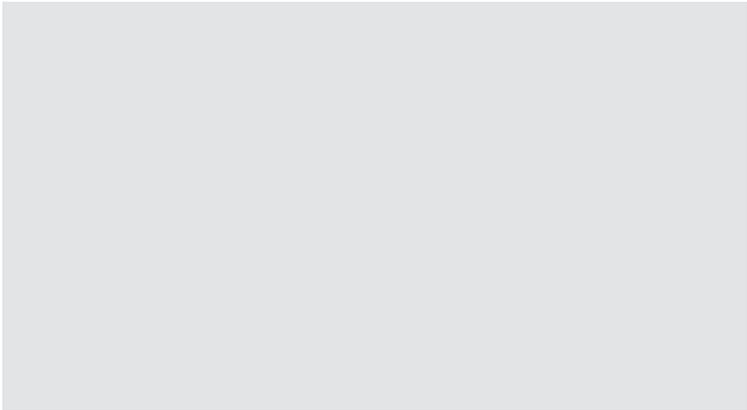




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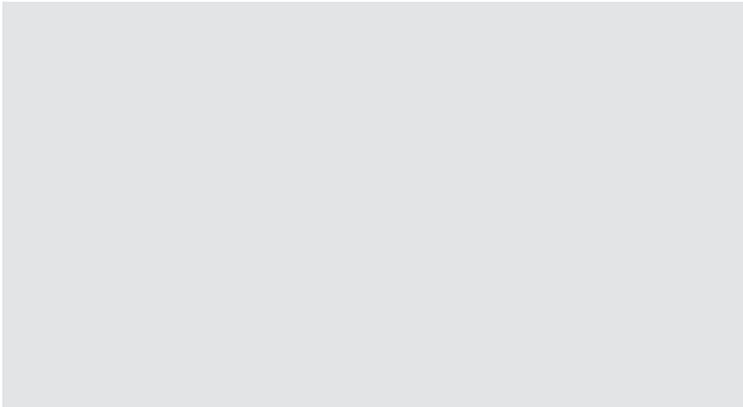
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Škoda Auto Highlights 2002

January

- Return to the luxury limousine segment
- Launch of the Superb model on the Czech market

February

- Entry on the Indian market
- Škoda Fabia named WhatCar?'s Supermini of the Year for the third time in a row

March/September

- Designer studies Škoda Tudor (Geneva) and Fabia Paris (Paris) presented to the public

April

- Inauguration ceremony at the new plant in Kvasiny

June

- Fabia assembly line launched in the Ukraine (Octavia assembly launched in December 2001)

July

- Škoda Auto named 'e-Company of the Year 2001', a prize awarded to the top company in the field of applying new information and computing technologies
- 600,000 Fabias produced

August

- Introduction of the Octavia Combi RS and the modern three-cylinder engine 1.2 HTP
- 750,000 Octavias produced

September

- Launch of the first digital navigation map of the Czech Republic; joint project with Škoda Auto

November

- Škoda Auto is a Partner of the NATO Summit in Prague



Key Performance Indicators

		1997	1998	1999	2000	2001	2002
Profit and Loss Account							
Production	vehicles	357,170	403,515	371,169	450,910	460,886	442,469
Employees	persons	22,205	22,768	22,030	25,833	24,129	23,470
of which external	persons	3,228	2,327	1,708	3,245	2,735	2,179
Sales	vehicles	373,451	400,269	376,329	448,394	460,670	440,572
of which imported vehicles *	vehicles	16,096	2,957	-	-	-	-
Total revenues	CZK million	90,095	105,704	110,409	136,283	153,271	145,694
of which domestic	%	37	23	19	18	18	18
export	%	63	77	81	82	82	82
Profit before tax	CZK million	2,875	3,702	3,814	4,175	2,674	2,489
Net operating margin before tax	%	3.2	3.5	3.5	3.1	1.7	1.7
Profit after tax	CZK million	1,168	2,239	2,637	3,336	2,129	1,825
Net operating margin after tax	%	1.3	2.1	2.4	2.4	1.4	1.3
Balance Sheet/Financing							
Fixed assets	CZK million	26,836	29,482	33,687	39,175	45,008	44,873
Current assets and other assets	CZK million	21,009	21,893	21,923	27,486	21,603	21,945
Equity	CZK million	17,997	20,236	22,700	26,032	28,157	29,817
Liabilities and other liabilities	CZK million	29,848	31,139	32,910	40,629	38,454	37,001
Gross cash flow	CZK million	7,710	8,795	9,780	10,756	11,693	12,854
Capital expenditure	CZK million	7,069	8,658	10,709	13,248	15,438	10,786
Investment ratio	%	7.8	8.2	9.7	9.7	10.1	7.4
Equity ratio	%	37.6	39.4	40.8	39.1	42.3	44.6
Equity-to-fixed assets ratio	%	67.1	68.6	67.4	66.5	62.6	66.4

* Škoda Auto imported vehicles of other Volkswagen Group companies into 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 kept regularly and thoroughly informed by the Board of Directors during the past year on the position of the Company, its business development and 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 the 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 properly fulfilling its obligations as prescribed by law.

On February 20, 2002, VOLKSWAGEN AG, as shareholder of ŠKODA AUTO a.s., appointed PricewaterhouseCoopers Audit, s.r.o., Prague, to conduct the audit for the fiscal year 2002.

The auditors issued an unqualified opinion on the financial statements of ŠKODA AUTO a.s. for the year ending December 31, 2002. At its meeting held on February 20, 2003, the Supervisory Board discussed the financial results and accepted the proposal of the Board of Directors regarding the allocation of profit. On the recommendation of the Board of Directors, the Supervisory Board resolved to submit the Financial Statements for the year 2002 for approval by the shareholder.

A handwritten signature in black ink, appearing to read 'D. Wittig'.

Dipl. Kfm. Detlef Wittig
Chairman of the Supervisory Board



Report of the Board of Directors

After ten years of continued growth with two-digit growth rates, Škoda Auto entered a phase of consolidation in the 2002 business year. In addition to weak economic development in Europe, the devastating floods in August led to a decline in demand in important markets such as Germany, Austria and the Czech Republic.

In comparison to the prior year, sales fell by 3.2% to 445,525 vehicles delivered to customers worldwide. Sales revenues remained stable at a level of approximately EUR 5 billion. Expressed in the domestic currency, revenues fell slightly (CZK 7.6 billion). Under the influence of the strong exchange rate of the Czech crown as compared to the Euro and the high depreciation expenses, the operating result after tax amounted to CZK 1,825 million (-14.3%). Profit on sales remained stable year-on-year at 1.7%.

The management of Škoda Auto reacted to the weakened demand and stronger domestic currency with a variety of measures. Improvements in the organisation and a reduction in the number of temporary workers adapted production to the market situation. Programmes to reduce cost were established and implemented in order to strengthen our Company's earning power going forward.

Our product offer was expanded by a series of special models. Attractive prices and additional equipment were new buying incentives. The warranty period was extended to 24 months for all products of Škoda Auto. The warranty extension was first introduced in the Czech Republic. The introduction of the Superb started the third model series in all major markets. For 2003 a quick recovery of economic activity is not to be expected. Our goal for the year 2003 is for a similar result as in the previous year. In the medium term, we expect positive stimuli from the imminent EU enlargement to the East, which should end the consolidation phase.

On behalf of the Board of Directors of ŠKODA AUTO a.s., I would like to thank our customers for their trust in our products. I am indebted to the women and men working on our staff who contributed to the success of our business.

Ing. Vratislav Kulhánek
Chairman of the Board of Directors



Members of the Supervisory Board

Dipl. Kfm. Detlef Wittig (* 1942)
Chairman, Member of the Board of Management,
Volkswagen Brand, Wolfsburg
July 1, 2000¹⁾

Dr. rer. pol. Carl H. Hahn (* 1926)
Honorary Chairman, Former Chairman of the
Board of Directors of VOLKSWAGEN AG, Wolfsburg
April 16, 1991¹⁾

Dr. jur. Jens Neumann (* 1945)
Deputy Chairman, Member of the Board of Directors
of VOLKSWAGEN AG, Wolfsburg
April 16, 1993¹⁾

Dr. Robert Büchelhofer (* 1942)
Member of the Board of Directors of VOLKSWAGEN AG,
Wolfsburg
July 1, 1995¹⁾

Dr. rer. pol. h. c. Peter Hartz (* 1941)
Member of the Board of Directors of VOLKSWAGEN AG,
Wolfsburg
December 19, 1994¹⁾

Ing. Jan Miller (* 1948)
Union Secretary of OS KOVO ŠKODA AUTO a.s., Mladá Boleslav
April 16, 1993¹⁾

Ing. Václav Petříček (* 1944)
Deputy Minister of Industry and Trade of the Czech Republic,
Prague
February 1, 1996¹⁾

Jaroslav Povšík (* 1955)
Chairman of the Organization of Unions
OS KOVO ŠKODA AUTO a.s., Mladá Boleslav
April 16, 1993¹⁾

Ing. Jan Uhlíř (* 1944)
Chairman of the Association of the Organization of Unions
OS KOVO, Prague
July 11, 1994¹⁾

Dr.-Ing. E. h. Folker Weißgerber (* 1941)
Member of the Board of Directors of VOLKSWAGEN AG,
Wolfsburg
January 1, 2002¹⁾

Members of the Board of Directors

Ing. Vratislav Kulhánek (* 1943)
Chairman
April 16, 1997¹⁾

Dipl. Ing. Karl-Günter Büsching (* 1941)
Production and Logistics
January 1, 1998¹⁾

Dr.h.c. Detlef Schmidt (* 1944)
Sales and Marketing
July 1, 2000¹⁾

Dr. Helmuth Schuster (* 1954)
Personnel
January 1, 2001¹⁾

Dipl. Ing. Winfried Vahland (* 1957)
Deputy Chairman³⁾
Commercial Affairs
August 1, 2002¹⁾

Departing from the Board of Directors:
Prof. Host. Dipl. Ing. Wilfried Bockelmann (* 1942)
Technical Development
April 16, 1997 – February 28, 2002²⁾

Klaus Wulf (* 1942)
Commercial Affairs
July 1, 2000 – July 31, 2002²⁾

¹⁾ This is the date the member joined the Board.

²⁾ These are the dates the member joined and subsequently left the Board of Directors.

³⁾ February 1, 2003



From left: Winfried Vahland, Vratislav Kulhánek, Karl-Günter Büsching, Helmuth Schuster, Detlef Schmidt

Status Report



Development of the Czech Economy in 2002

Despite the complicated international environment and the floods in August, the development of the Czech economy was positive. The gross domestic product grew by only 2.5%, which is the most modest rise in the past three years, but the strong domestic consumer demand significantly contributed to the growth of the GDP. Industrial production rose by 4.5% compared to the previous year. The construction industry saw an increase in economic activity by 3.5%.

In 2002, the trade deficit fell by CZK 42.2 billion, with a total value of CZK 74.5 billion. Škoda Auto was again the Czech Republic's top exporter. Throughout the year vehicles and spare parts worth CZK 120 billion were exported, which corresponds to a share of 9.6% of the Czech Republic's total exports.

The rise in consumer prices in the reporting year was small. The decline in food and fuel prices, influenced by the significant strengthening of the Czech crown, prevented higher inflation. Standing at 1.8% in December 2002, the average inflation rate fell to its lowest level ever since 1990.

Unemployment reached a record level of 9.8% in December 2002. 514 thousand people were registered unemployed.

In its annual evaluation report for the Czech Republic, the European Commission recommended the completion of accession negotiations and joint EU admission in 2004 along with nine other candidate countries.



Technical Development

The development of new products and the ongoing improvement of existing products are the core tasks of the nearly 1,300 Technical Development employees. Technical Development is responsible for the design, construction, testing, serial technical support and continuous improvement of the whole product range of Škoda vehicles, and for Group engines and transmissions manufactured by Škoda Auto. The Technical Development Department fully exploits the advantages of Group strategy, consisting of common parts and modules. This facilitates inter alia a reduction in direct costs required by development and production, and the use of cost-effective modern technologies. High reliability, functional safety, longevity and high quality are characteristic features of Škoda Auto vehicles. Škoda vehicles are the result of Škoda's own development and have their own specific characteristics in terms of driving dynamics, handling and utility value. It is the goal of the Technical Development to satisfy our customers' wishes for even more reliable and user-friendly cars at better value.



In 2002, CZK 5 billion from sales revenue was channelled into development projects, in particular serial support, model upgrading and pre-development projects. Intensive effort was put into improving the numerous new models launched in the previous year, which led to new technical solutions and measures improving the quality and reliability of Škoda vehicles.

The brand's success indicates that the Company took the right path ten years ago in opting for an autonomous and expressive brand design. All vehicles are moulded in the same style concept typical for the Škoda brand. The most recent proof of expertise in this area is the Škoda design presented at the car show in Geneva, where Škoda's Tudor design study featured among the most successful exhibits and met with a very positive response from the press.

Unmistakable design, technical sophistication and excellent quality are typical features of our vehicles. All models offer outstanding utility value and numerous 'intelligent' solutions much appreciated by our customers. Two examples are the cooled glove compartment in the Fabia, the smallest vehicle, and the umbrella in the armrest of our 'flagship' Superb.



Technical Development Skills

Technical Development at Škoda applies modern acknowledged development methods. The employees are highly skilled and qualified. Comprehensive development based on CAD/CAE (Computer Aided Design/Computer Aided Engineering) and the FEM analysis (Finite – Element – Methode) is one of our main strengths. The costs of demanding physical tests can be reduced through the integration of modern methods, virtual tests and simulations at an early development stage, which saves considerable time prior to serial production. New prototypes are being built with outstanding technical expertise, at inexpensive prices and in a time-efficient manner at the Company's revamped centre for the construction of data control models and prototypes. This improves the development quality and reduces development cycles.

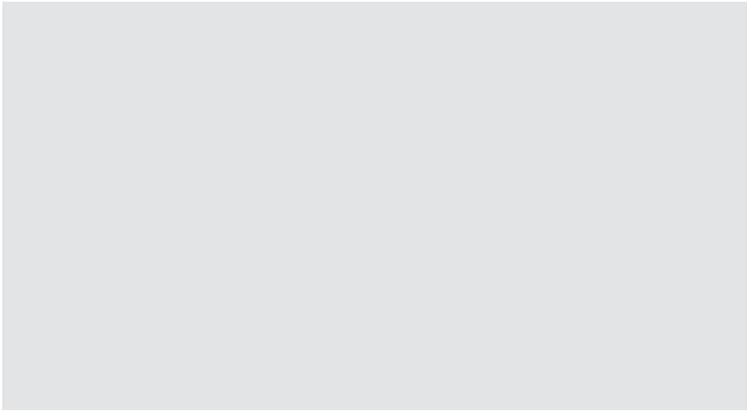
In addition to the development of Škoda vehicles development projects are also performed for other Group brands. This promotes co-operation and the exchange of experience in various fields. Development projects for other Group brands are an intelligent use of existing capacities, and strengthen our own know-how and experience. Škoda not only develops prototype parts and modules, but also builds them. The creativity, workmanship and improvisation skills of the Škoda staff are highly acknowledged throughout the Group.

All vehicles incorporate to state-of-the art technology and attract customers by offering inexpensive options including active safety systems such as ESP, ABS, EDR and modern equipment like navigation and telecommunication systems. Future legal requirements such as exhaust emission standards, recycling capability or the ban on environmentally unfriendly substances have been met in advance.

Škoda's Technical Development Department proved its competence in the independent development of the new 1.2 l three-cylinder engine. In 2002, the development was successfully completed and serial production was launched. The new engine and transmission unit propels group vehicles such as the VW Polo, the Seat Ibiza and, of course, the Škoda Fabia.

1.2 l 40 kW Three-cylinder Engine

The brand new engine developed from the EA 111 series, which first used the three-cylinder concept, was designed with power versions of 40 and 47 kW. Common parts were used for the two versions as far as possible; the power differentiation is achieved through the use of two- and four-valve technologies. Škoda Auto took on responsibility for the initial and on-going development and serial production of the two-valve option.





The engine is particularly convincing as an entry level engine due to its smooth running and a powerful maximum torque of 106 Nm, which is already available at 3,000 rpm. This ensures fast driving and high maneuverability, especially in urban conditions. It goes without saying that the new three-cylinder meets the high requirements placed on modern engines from the point of view of economic efficiency, long-term quality and the required emission standard (EU IV).

Octavia Combi RS

In October 2002, another new development from the Octavia line was exhibited at the international car show in Paris: the sporty Octavia Combi RS. It combines the dynamics of the Octavia RS sedan with the outstanding utility value and maximum comfort of the Octavia Combi.

Both the Octavia Combi RS and Octavia RS are equipped with the time-tested 1.8 l 5-valve turbo engine delivering 132 kW (180 bhp) at 5,500 rpm and a maximum torque of 235 Nm at speeds between 1,950 and 5,000 rpm. The sporty chassis and aerodynamic elements provide the vehicle with excellent stability, performance and handling. The distinctive, sporty interior emphasises driving pleasure.

Safety

In the previous year, all models from the product range of Škoda Auto gained a reputation of being robust, reliable and particularly safe vehicles. A new series of the demanding consumer crash tests, EuroNCAP, confirmed this "new tradition" of a high standard of active and passive safety. In the overall assessment, the Superb achieved more than 25 points and four stars. All Škoda models were awarded four stars in this demanding and complex assessment, which proves that from the safety point of view they belong to the top world class.

Electronics Strategy

The share of electric and electronic components in passenger cars is increasing at a steady pace. It is expected that soon 90% of changes and innovations in the automobile industry will take place in the field of electronics, of which 80% will be software-related.

As a brand of the Volkswagen Group, Škoda Auto joined the Group's electronics strategy programme in 1999. The objective of the programme is to strengthen know-how through the development and application of software and hardware components, as well as the proper use of innovation capabilities. All divisions will be integrated into this programme on an interdisciplinary basis, ranging from Research and Development, Quality Assurance, and Production to Service & After Sales Service. Only a completely integrated and networked approach will allow us to meet future requirements of electronic equipment and to make optimal use of the existing possibilities for the benefit of our customers.

The foundations of the Škoda Auto electronics strategy were laid in April 2001 when Škoda Auto, in association with the Czech Technical Monitoring Association ("Český TÜV"), established the enterprise e4t electronics for transportation. Thanks to business orders from Škoda, VW and third parties, this company is working now on innovative electronics concepts for tomorrow. A cornerstone of the company's business concept is the integration of all the parts of the business ranging from Technical Development, Quality, Production, Finances and Marketing to Sales in a single team focusing on a specific development project. One of the projects implemented in the framework of electronics development is the first digital navigation map of the Czech Republic, launched in September.



Škoda Motorsport

During the 2002 season of the FIA World Rally Championship, Škoda further expanded its motor sport activities. For the first time, the motor sport team entered all 14 races with two Škoda Octavia WRCs.

The team nominated for the whole season consisted of the experienced Swede Kenneth Eriksson and his co-driver Tina Thörner, plus the young Finns Toni Gardemeister and Paavo Lukander. This core team was supported in eleven races by a third Škoda Octavia WRC with an alternating crew. The Stig Blomqvist/Ana Goni crew entered three races, Roman Krešta and Jan Tománek and/or Miloš Hůlka six races, and the Gabriel Pozzo/Daniel Stillo and Matthias Kahle/Michael Göbel crews entered one world championship race each.

In the early 2002 season the Škoda Octavia WRC started with the vehicle used for the world championship races in 2001. After demanding pre-season tests our vehicles were adapted to improve driving dynamics, handling and performance while maintaining their excellent driving qualities.

Further development of the chassis, optimised aerodynamics, and in particular new engine control were recognised by a new homologation category first used for the Finnish Rally. Through these improvements the Octavia WRC not only confirmed its reputation as an extremely reliable and robust car but also proved that it is a fast car by maintaining its position among the leading group of strong competitors.

In the overall rankings, the Octavia drivers earned nine points, and the Škoda Motorsport team ranked fifth. Major achievements in the 2002 season were third places in the most demanding races, the Argentina Rally and the Safari Rally in Kenya.

The requirements for the use of vehicles under different climatic and extreme conditions demand intelligent detail solutions from the engineers of Škoda Auto Technical Development, and offer an opportunity to implement ideas directly and independently from series requirements. The experience and knowledge gained will be further used to improve production vehicles.

For the upcoming season Škoda Motorsport has prepared numerous changes for even better results in world championship races. The new French team Didier Auriol/Denis Giraudet and the young Finns Toni Gardemeister/Paavo Lukander will work on further development and improvement of the driving qualities and the performance of our vehicles.



Purchasing

The volume of production purchases for Škoda Auto amounted to CZK 91.5 billion (previous year: CZK 98.2 billion). The share of domestic supplies accounted for 66% (previous year: 67%).

Underlying Conditions

As in the previous year, the economic situation in 2002 was characterised by the strong exchange rate of the Czech crown in relation to the Euro. Domestic suppliers came under high cost pressure. Czech companies had to reduce cost to maintain the competitiveness of the local production sites.

New Organisational Structure

In March, the organisation of Purchasing was restructured in line with the Volkswagen Group. The existing areas of chemicals, metal and electrical components were supplemented by engines and transmissions. Chemicals purchasing was divided into two separate divisions: interior and exterior.

Business-to-Business Activities (B2B)

One of the main applications of the Business-to-Business platform – online negotiations – is performed through the internet. During the year 80 online deals were concluded, amounting to a total value of EUR 235 million. Compared to the previous year, this is an increase of 156.5% and reflects the growing importance of B2B tools in the co-operation between Škoda Auto and suppliers.

Major efforts were made to implement catalogue management. From 2002, administrative materials and services will primarily be ordered through the Electronic Buyer Professional System (SAP-EBP).

Production and Logistics

Škoda Auto produced 442,469 vehicles in 2002. In comparison to 2001 production fell by 4.0% (18,417 units). This difference was caused both by the discontinuance of the Felicia line in June 2001, and the weakening of economic activity over the course of the year. The Production and Logistics Division responded to market developments through the optimal and flexible adjustment of its own capacities. The daily average production decreased from 1,934 units/day in 2001 to 1,919 units/day in 2002 (-0.8%).



Fabia

A total of 254,966 Škoda Fabias were built in the hatchback, estate and sedan versions (-2.5%). As in the previous year, the Fabia model line was the cornerstone of overall Škoda production with a share of 58% in total vehicle output. On average, 1,112 Fabias were built per day in 2002, which is consistent with 2001.

Octavia

In 2002, a total of 163,198 Octavias were built, which is a decline of 3.8% compared to the previous year (169,659 units). Daily average production (697 units) was 1.4% below the 2001 level of 707 units/day. Contrary to original expectations, approximately 16,000 additional Octavias were built at Škoda locations in Mladá Boleslav and Vrchlabí, thanks to organisational measures. On August 30, 2002, the 750,000th Octavia since SOP (Start of Production) rolled off the assembly line. This figure comprises 500,000 Octavias and 250,000 Octavia Combis. In June 2002, the serial production of the Octavia Combi RS was successfully launched.

Superb

2002 saw the launch of the new Škoda luxury model, the Superb. Since start of production the number of units produced has continuously increased and reached the target capacity of 150 units per day by the end of April 2002. In 2002 a total of 24,305 Superb cars were built under conditions meeting the highest quality requirements (581 units in 2001). On average, 110 units per day rolled off the assembly line.

Engines and Transmissions Production

In February 2002 gearbox production in the new plant in Mladá Boleslav reached the preliminary capacity limit of 1,000 units per day. The production sequence for the rest of the year was adapted to demand and was slightly lower than the capacity limit. The production of new engines and transmissions meets Škoda's in-house needs and additional output is also delivered to Group companies (approx. 65% of the annual volume).



In December 2001 serial production of the 2-valve version of the 3-cylinder engine was launched in the new engines and transmissions plant and rose steadily over the course of 2002. From August 2002, this engine was included in Fabia serial

production. It is also delivered to other Group plants. In November, serial production of the 4-valve version of the 3-cylinder engine began.

Average Daily Production

	1998	1999	2000	2001	2002
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	1,037
Vrchlabí	-	-	-	-	30
Poznaň	-	-	44	97	45
Total	-	45	694	1,104	1,112
Octavia					
Mladá Boleslav	428	474	471	489	527
Vrchlabí	28	114	157	218	170
Total	456	588	628	707	697
Superb					
Kvasiny	-	-	-	2	110
Total	1,665	1,560	1,810	1,934	1,919

Vehicle Production

	1998	1999	2000	2001	2002	2002/2001
Felicia - line	281,032	216,496	116,818	29,095	-	-
VW Caddy	4,749	4,204	4,522	-	-	-
Fabia	-	3,652	161,078	143,790	147,671	+2.7%
Fabia Combi	-	-	14,702	91,547	79,353	-13.3%
Fabia Sedan	-	-	-	26,214	27,942	+6.6%
Fabia Total	-	3,652	175,780	261,551	254,966	-2.5%
Octavia	93,593	90,136	92,411	99,998	100,058	+0.1%
Octavia Combi	24,141	56,681	61,379	69,661	63,140	-9.4%
Octavia Total	117,734	146,817	153,790	169,659	163,198	-3.8%
Superb	-	-	-	581	24,305	-
Total	403,515	371,169	450,910	460,886	442,469	-4.0%

Sales

In line with the international economy, the automotive industry registered no major reinvigorating effects in 2002.

Faced with strong competition on 78 world markets and at home, Škoda Auto sold a total of 445,525 vehicles in the 2002 financial year, a decline of 3.2% from the previous year.

This decrease is mainly due to the general stagnation on important markets, the negative impact of the devastating floods in Central Europe and discontinuance of the Felicia model in 2001.



Czech Republic

On the domestic market of the Czech Republic, import brands gained a favourable position due to the strong Czech crown. Despite these adverse circumstances Škoda Auto took the first five ranks in the sales statistics of models sold, thanks to effective sales support measures, and thus maintained its dominant position on the passenger car market with a share of 50.0%. However the decline of the overall market by 2.9% and the consequences of the devastating floods in August also had a negative influence on the domestic sales, which fell by 9.6% to 74,466 units.

Western Europe

Western Europe is the strongest market by volume for Škoda Auto, accounting for 53% of sales. Despite declining demand on most markets, sales fell only slightly. In 2002 customers took delivery of 238,323 vehicles which is 2.4% less than in the previous year. However, although the overall market declined by 3%, it was possible to maintain the market share in Western Europe at 1.6%.

Germany remains the main export market. Škoda Auto was able to increase its market share to 2.1% (2001: 2.0%) in one of the most demanding markets by selling 67,656 vehicles (+1.1%).

Among the markets that suffered most from the decline in overall demand were Italy (total Škoda Auto sales: 23,051 vehicles, compared to the previous year -19.5%), Austria (15,552 vehicles, -17.6%) and Spain (15,549 vehicles, -9.2%).



The market in the United Kingdom developed well, with record sales of 38,251 vehicles and a 6.1% increase on the previous year; a positive trend was also evident on the markets in France (16,607 vehicles, +21.0%), Sweden (9,008 vehicles, +1.7%), and Denmark (7,068 vehicles, +16.2%).

Central and Eastern Europe

Apart from Hungary, sales continued to stagnate on the automobile markets of Central and Eastern Europe. Škoda Auto delivered 109,773 vehicles (-6.1%) in the region (excluding the Czech Republic). In Poland, the major Central European market, Škoda Auto kept to a market share of 11.1% with 34,301 vehicles sold, and ranked second among the brand leaders in volume, despite the recession on the automobile market over the last three years.

In Hungary, Škoda Auto recorded a significant sales increase with 11,507 vehicles delivered to customers (+37.7%).

Activities on the Eastern European markets developed successfully. In the Russian Federation Škoda Auto was again the number one import brand with 10,093 vehicles sold (+20.3%). In the Ukraine the launch of Octavia and Fabia assembly significantly helped to increase sales by 32.5% to a total of 5,583 units.

Expansion onto New Markets

In order to offset the stagnation on the major European automobile markets, Škoda Auto is eager to open up new market territories with growth potential. In 2002 Škoda Auto strengthened its position on the Indian market by delivering 4,401 Octavias assembled in the Aurangabad plant. Further sales activities were developed in New Zealand, Sri Lanka and Qatar.

Successful Model Range

With 264,641 units sold (+5.4%), the Fabia line remains the bestseller in the product portfolio of the brand comprising Fabia, Fabia Combi and Fabia Sedan. The success and popularity of the Fabia model was again demonstrated in an assessment by the renowned British magazine "What Car?" in which Fabia ranked best, for the third consecutive time, in the survey "Car of the Year in the United Kingdom" and won the title "Best Supermini" (best car among town cars).

Other models such as the Octavia and Octavia Combi also registered longstanding popularity with a total of 164,017 units sold in 2002 (-0.1%). The logical response to the sales success of the sports version, the Octavia RS, which transferred sports commitment onto the road, was an expanded offer including the Octavia Combi RS, which was presented to the world at the Autosalon Paris in September.

When the new Superb entered the demanding upper midsize automobile segment, Škoda Auto renewed its ties with the successful brand tradition of the 1930s exclusive sedans. Over the course of 2002 the Superb was gradually launched on nearly 40 international markets where it met with a very warm reception from customers and the press. In total, this sedan was sold to 16,867 customers.

Leading international state and government representatives were given the opportunity of trying out for themselves the top quality, comfort and outstanding service of the Superb in November 2002, when Škoda Auto contributed 171 Superbs and 25 Octavias to the NATO Summit in Prague as an official partner of the organiser.



Deliveries to Customers per Region

Region	1998	1999	2000	2001	2002	2002/2001
Czech Republic	81,729	75,952	80,882	82,405	74,466	-9.6%
Central and Eastern Europe (Czech Republic excl.)	92,841	100,987	102,633	116,933	109,773	-6.1%
Western Europe	172,058	192,156	229,109	244,099	238,323	-2.4%
Overseas and Asia	16,872	16,235	22,779	16,815	22,963	36.6%
Total	363,500	385,330	435,403	460,252	445,525	-3.2%

Deliveries to Customers by Model

Model	1998	1999	2000	2001	2002	2002/2001
Felicia - Line	261,127	241,256	148,028	44,963	-	-
Fabia	-	823	124,064	152,601	150,319	-1.5%
Fabia Combi	-	-	4,808	81,641	81,996	0.4%
Fabia Sedan	-	-	-	16,732	31,185	86.4%
Fabia Praktik	-	-	-	4	1,141	-
Fabia total	-	823	128,872	250,978	264,641	5.4%
Octavia	87,127	90,733	96,253	97,679	98,766	1.1%
Octavia Combi	15,246	52,518	62,250	66,455	65,251	-1.8%
Octavia total	102,373	143,251	158,503	164,134	164,017	-0.1%
Superb	-	-	-	177	16,867	-
Total	363,500	385,330	435,403	460,252	445,525	-3.2%

Development of the Market Share 1998 - 2002 (%)

	1998	1999	2000	2001	2002	2002/2001
Czech Republic	54.9	49.6	52.6	52.6	50.0	-4.9%
Slovak Republic	44.7	53.8	57.2	52.8	44.2	-16.3%
Poland	6.0	6.6	7.9	11.2	11.1	-0.9%
Hungary	3.4	4.6	5.3	5.5	6.6	20.0%
Central Europe	15.6	14.4	17.6	20.8	19.1	-8.2%
Germany	1.2	1.5	1.9	2.0	2.1	5.0%
France	0.5	0.5	0.6	0.6	0.8	33.3%
United Kingdom	0.9	1.0	1.3	1.5	1.5	-
Italy	1.2	0.8	0.9	1.2	1.0	-16.7%
Spain	0.7	0.9	1.1	1.3	1.2	-7.7%
Austria	5.1	4.8	6.1	6.4	5.5	-14.1%
Denmark	4.0	4.6	5.3	6.3	6.4	1.6%
Sweden	4.2	4.8	5.0	3.4	3.5	2.9%
Western Europe	1.1	1.2	1.5	1.6	1.6	-



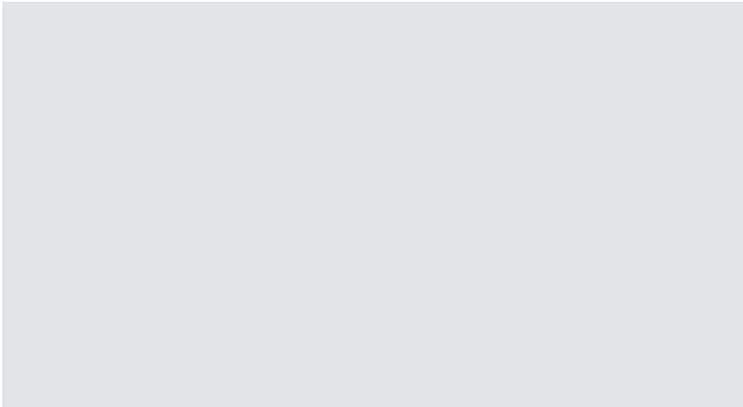
Marketing

The key event of 2002 was the European market launch of the Superb. The launch of this brand “flagship” further enhanced the image and public awareness of the brand.

In preparation for this important event various measures in the field of communication, dealer network development and customer relations and care were defined and implemented.

The international implementation of these concepts contributed not only to the successful launch of the product but also to an increasingly identical brand image beyond our borders. This development promotes the positive image change of our brand.

Besides the launch of the Superb, the choice of the Octavia and Fabia ranges was further expanded. The Octavia Combi RS appeals to a new target group of customers who lead a modern, active lifestyle with a sporty touch. The introduction of the 1.2 l 40 kW Škoda engine generated additional interest in the Fabia. Both product developments demonstrate that Škoda Auto can offer modern and innovative products responding to current market trends by focusing on target customer groups.



Organisation and Information Systems

The innovative process of organisation and the consistent use of modern information technologies are viewed by Škoda Auto as a company-wide challenge and opportunity. Strategic importance lies in the integral networking of current structures and processes focused on both cost optimisation and increases in quality and efficiency.

This requires the close integration of all partners in the value added and service chains – ranging from development partners and suppliers to sales partners.

The structure of the Volkswagen Group, consisting of the brand Group Volkswagen encompassing Volkswagen, Škoda, Bentley and Bugatti, and the brand Group Audi including Audi, SEAT and Lamborghini, speeds up the implementation of unified core processes and system solutions to ensure further synergies and flexible use of resources.

Growing Importance of E-business

Major milestones were achieved in the continuing implementation of the e-business strategy adopted across the Group. Online auctions were introduced to assist procurement processes for all product divisions. The first stage of electronic ordering from central catalogues with comprehensive process control was successfully completed, and electronic payment processing was implemented. Other examples that demonstrate the progress made in business-to-customer activities: further development and internationalisation of car configuration and ordering and/or direct ordering from stock, customer solutions in the accessory business or the launch of the Škoda used car marketplace (www.vyzkouseno.cz). In the future all applications for sales partners will be integrated into a new internet portal for dealers. The first modules, such as central spare parts ordering or after sales service functions, have been introduced.

New Technologies for Product Development

The productive use of new IT technologies for digital prototypes in the entire design process is an essential step towards complete virtual vehicle development. Consistent communication and database systems allow the complete integration of Škoda Auto into the Group design and development structure. The general use of virtual reality technologies in downstream processes of production planning and tool manufacturing is an important element for the emerging implementation of the Virtual Vehicle.



Group Integrated Product Manufacturing Process

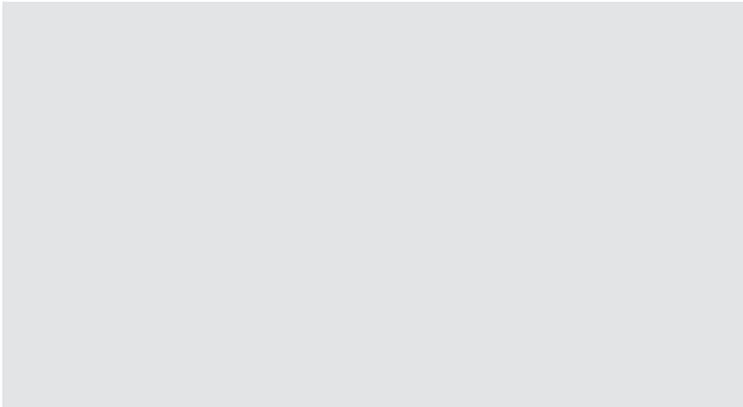
The complete introduction of the most recent version of the Group production control system is an important step towards further plant integration. Integrated systems account for group-wide manufacturing and materials planning. New logistics systems optimise internal operations and demand-oriented just-in-time call orders for online connected suppliers via WEB-EDI. The use of standard software was further promoted for administrative processes. Integrated data warehouse solutions allow for task specific assessments and an analysis of productive data to control both individual processes and the whole organisation.

The Customer in Focus

New systems and processes are prerequisites for an effective increase in the flexibility to change individual customer orders and the implementation speed of the entire planning and order process. An emphasis is placed on the enhanced customer orientation of newly created system structures across all sales distribution levels. Centralised and uniform data structures are the basis for the further development of our customer care strategy.

IT Security

The expansion of IT infrastructure and capacities in the field of networks, data centres, servers and workstations is a basic prerequisite if we are to meet future requirements. Measures have been taken to ensure the maximum availability of IT operations. Škoda Auto protects the system and its users against unauthorised data access and abuse through various technical and organisational measures. These measures include the combined use of virus scanners, the extension of firewall systems, authorisation and access control covering the operating system, the user and data levels. A group-wide Public Key Infrastructure (PKI) for the personnel of Škoda Auto and the users of the central IT systems is being prepared with our partners.



Personnel

Employment stability is the aim of the long-term employment policy adopted by Škoda Auto and the Volkswagen Group. In 2002, the flexibility of the Company and its locations was put to the test both by the launch of Superb production and by the weakened market development. With a workforce of 21,291, Škoda Auto is one of the major employers in the Czech Republic. Škoda Auto also employs 2,179 temporary workers. The average employee has been employed for 11.8 years and is 38 years old.

Social Dialogue

Globalisation is a challenge and a decisive factor when it comes to ensuring the international competitiveness and future prosperity of a business enterprise. The re-election of employee representatives facilitated the co-operative continuation of social dialogue between Škoda Auto and the OS KOVO Union. Thanks to the constructive attitude of the Unions positive solutions could be found for all challenges. In the last few months of the year negotiations on the new collective agreement were initiated.

Vocational and Advanced Training

Modern technologies and in particular information technologies are developing at a rapid pace. Innovative, competitive products require IT competence. Up-to-date IT knowledge is one of the key elements in business competition. At the beginning of 2002 Škoda Auto launched the major IT offensive "Surfer", aimed at giving employees the skills they need to use information technologies.

Personnel Development and Succession Planning

Top-quality products and services must be accompanied by future-oriented personnel development programmes. In February 2002, Škoda Auto adopted an optimised personnel development strategy aimed primarily at retaining and developing talent based on Group programmes and projects. The active integration of Škoda Auto into such programmes significantly increased throughout the reporting year. The International Trainee Meeting at Škoda Auto also endorsed the creation of operational communication networks and continued co-operation between all Group brands. Škoda's high-potential management participated in 2002 in further modules of the Group development programme "Group Junior Executive Programme" of the Volkswagen. Top management group meetings were hosted for the first time by Škoda Auto in Prague and in Mladá Boleslav (Group Executive Forum).



Idea Management

In order to make more efficient use of the potential of ideas and creativity of all employees, the "Z.E.B.R.A." system promotes a pro-active and critical approach to existing work processes with regard to their improvement. In the 2002 business year, 4,381 employees participated in the system. They submitted 11,403 ideas, out of which 67% were put into practice. The cost savings amounted to CZK 155.4 million.

Health Management

The promotion of employee health is an important feature of personnel policy. The healthcare system is based on a common strategy adopted by the Company, the Unions and the Company's general practitioners. Health coaching is directed at the following target groups: young employees, women, older employees, employees with long-term illnesses, and employees with reduced performance capabilities. Health management also includes measures for the prevention of alcohol and drug abuse. Individual coaching contributed with individual healthcare measures such as vaccinations against influenza to reach a health quota of 96.3% in the year under review.

Work Safety

Škoda Auto's strategy in the field of health and safety at work enjoys fundamental priority. The strategy is based on the sound expertise of personnel specialising in health and safety at work and work-related accidents, as well as on regular meetings of the work safety commission at Company level and in production plants, attended by the competent managers, area managers and union representatives.

The excellent key indicators reached in the field of work safety, the fulfilment of the accident prevention programme, the yearly definition of improvement goals with regard to the accident rate, and the competition for the best results are convincing elements of the efforts taken in the area of work safety.

Currently and in the long-term perspective, Škoda Auto ranks among the top European automobile companies as far as the number of work-related accidents (114) and the accident index 4.8 (prorated to 1 million work hours) are concerned.

Number of Graduates and Interns

	1998	1999	2000	2001	2002
Interns from the Czech Republic	643	556	677	603	443
Interns from abroad	97	75	80	49	58
University graduates from the Czech Republic	41	39	34	50	39
University graduates from abroad	12	5	7	8	7

Employee Structure by Education (%)

Primary Education
9.4%

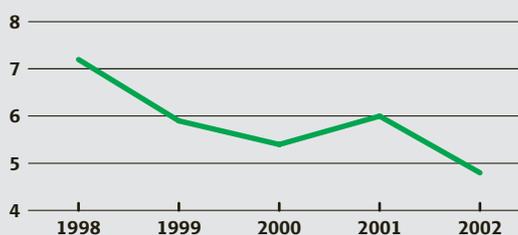
University Education
8.4%



Secondary Technical School + Skilled Workers with Secondary School Final Exam
30.4%

Vocational School + Skilled Workers
51.8%

Accident Index (1998-2002)



Environment

In all areas of activity, Škoda Auto made ongoing improvements in the field of environmental protection. The success of this strategy was confirmed by the positive control audit carried out under the world environmental standard ISO 14001. The measures taken go beyond legal requirements and boost the development of the Company while ensuring that suppliers and dealers act in an environmentally responsible manner.



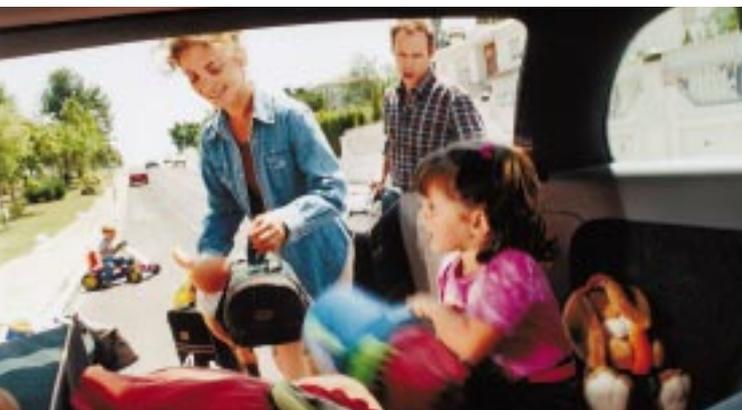
In 2002, Škoda Auto had to implement the more stringent provisions of the revised environmental law in its organisational standards and comply with them in all areas of activity. An application for the integrated approval of the modern paint shops in Mladá Boleslav and Kvasiny was submitted, and the launch of an environmental information system was prepared.

Protection of the environment is indispensable if we are to safeguard our common future. In the 2002 fiscal year, Škoda Auto invested CZK 213 million directly into the protection of the environment. These funds were used mainly for the equipment and modernisation of existing production facilities and the elimination of replaced technologies and objects. Conditioned by the realisation of two complex projects (an ecological testing facility and landscape revitalisation), the erection of testing facilities in Pozorovatelna-Mladá for the Technical Development Department was approved by the Ministry of the Environment

Environmental Investments of Škoda Auto from 1991 to 2002 (in million CZK):

Waste water purification systems	734
New painting systems, environmental protection measures in painting facilities	1,552
Avoidance of emissions, energy management	5,522
Insulated roofs	234
Protection of soil and ground water resources from contamination	397
Environmental protection at the workplace	171
Total	8,610

Maintaining clean air, avoiding waste, recycling, protecting the soil and ground water, minimising energy consumption, running an efficient ecological control system and co-operating with concerned parties made it possible for Škoda Auto to comply with the legal requirements for protection of the environment, and in many cases Škoda Auto went far beyond these requirements. This is clear proof of the fact that Škoda Auto takes environmental policy seriously. This involves taking responsibility for sustainable development of nature.



Sponsorship

Sponsorship is an important marketing tool for Škoda Auto. The image of a dynamic, rapidly evolving brand is best embodied by ice-hockey as a very popular team sport. For 10 years, Škoda's circle with the winged arrow in the centre of the playing area has been an inseparable element of the world championships. Co-operation with the international ice-hockey federation will continue in upcoming years. The Škoda Auto logo crowns the helmets of the Czech national team and was also featured by the new world champions – the Slovak national team.

Ice-hockey is a sports discipline that interests the typical Fabia and Octavia customer. This is one of the reasons why Škoda Auto sponsors the top flight of the ice-hockey league.

The new Superb model generated a new and important segment of customers who like to play golf, a sport that has become popular during recent years.

Significant prestige is linked to the partnership of Škoda Auto and the Czech Olympic Committee. Škoda Auto also supports individual athletes and has become a partner of numerous sport events.

Culture is another important and prestigious area of sponsorship. Our traditional partner is the National Theatre in Prague. Škoda Auto also supports the Czech Philharmonic Orchestra. Of the wide range of cultural events on offer, we try to select the most interesting ones, such as the music festival "Smetana in Litomyšl", or the largest such as the film festival for children and youth in Zlín. Not least, Škoda Auto is aware of its social responsibility and sponsors projects in the community sphere. Projects like the "hospital clown" for long-term hospitalised children or the "Paraplegic Centre" are well known to the public.



Financial Situation

In the previous year, the financial situation of Škoda Auto was influenced by the stagnating world economy and the progressive strengthening of the Czech crown. The Company countered the unfavourable conditions with significant cost optimising measures.

Total assets increased during current period by CZK 207 million to CZK 66,818 million. Fixed assets were covered by equity to 66.4%. The equity ratio was 44.6%, representing a continuous development over the prior reporting period.

In 2002, profit before tax was CZK 2,489 million, which is by CZK 185 million less than the year before. Thanks to cost reduction, net operating margin before tax was 1.7% which corresponds to the level of the previous year.

Sales

Sales to dealers amounted to 441 thousand vehicles, a decline of 20 thousand units, caused by the stagnation in the automobile industry which hit most manufacturers worldwide.

Sales Revenues

The decline in sales is reflected by a decrease of 4.9% in sales revenues, which amounted to CZK 145.7 billion. 82.3% of sales revenue comes from foreign markets. However, based on the currency development and an improved vehicle mix, sales in EUR increased by 4.9% to EUR 4,738 million. Vehicle sales make up 90.4% of total revenues. The sale of spare parts and accessories was 6.0%, while 2.8% came from deliveries to other companies of the Volkswagen Group, and the remaining 0.8% from other goods and services.

Škoda Auto was affected by the recession on most world markets, including the Czech Republic. A major negative impact was felt on the most important markets in Western Europe through the drop in demand. Sales revenues in Western Europe were CZK 83,968 million, which represents a decrease of 7% over the previous year.

The situation on the domestic market developed unfavourably because of the devastating floods in August 2002. Sales in the Czech Republic came to CZK 25,708 million, which represent a 6.4% decline (CZK 1,746 mil.) over the year 2001.

The markets in Central and Eastern Europe were equally hit by stagnating demand and strong Czech crown, and sales revenues fell from CZK 30,054 million in 2001 to CZK 28,628 million in 2002 (-4.7%).

In Asia and overseas Škoda Auto achieved an increase in sales of CZK 5,471 million on the previous year to reach CZK 7,390 million, a gain of 35%.





Profit

In 2002 the Company profit was influenced by the decline in the number of vehicles sold on world markets and the resulting drop in sales revenues. The further strengthening of the Czech crown had a negative effect on the amount of turnover.

The negative impact of the currency effects of the strong crown amounted to approx. CZK 4.4 billion. This negative effect could be fully compensated by optimisation measures. Value added was CZK 22,056 million (-1.1% decline). The value added share of sales revenues came to 15.1% (14.6% in 2001).

Personnel costs increased by 3.3% compared to the prior year and amounted to CZK 7,834 million (2001: CZK 7,583 million).

The high level of investment into new products in previous years, led to an increase in depreciation. Depreciation came to CZK 10,826 million, an increase of CZK 1,180 million on the previous year.

Other costs and revenues rose from CZK -424 million to CZK 281 million, a result which was significantly influenced by high investments in future products.

Škoda Auto's financial result developed successfully to stand at CZK -1,188 million (+CZK 781 million). One of the influential factors in this respect was the new accounting method applied to unrealised exchange differences, based on the amended statutory accounting requirements as of January 1, 2002.

Profit before tax was CZK 2,489 million in the reporting year, a decrease of 6.9% on the previous year. However, net operating margin before tax could be maintained at 1.7%. Tax expenses totalled CZK 664 million (CZK -119 million compared to 2001). Profit after tax was CZK 1,825 million (2001: CZK 2,129 million).

Balance Sheet

The total assets of Škoda Auto increased in 2002 in comparison to the previous period by CZK 207 million to CZK 66,818 million (+3.1%). The total amount of assets was influenced by the decline in fixed assets (CZK 44,873 million; -3.0%), due to reduced investments in 2002. Capital expenditure amounted to CZK 11,586 million and was the result of the expansion of the engine plant. Receivables and other assets increased by 8.3% to CZK 13,947 million. The increase was principally due to the recognition of a deferred tax asset amounting to CZK 978 million.

Equity rose as a result of the profit in the current business year. The equity ratio is 44.6%. A newly created position is the valuation of differences resulting from derivative financial instruments, which influenced equity in the amount of CZK -1,006 million. Due to a change in accounting methods from January 1, 2002 the deferred tax asset amounting to CZK 610 million which was disclosed as at December 31, 2001 was booked against equity.

The value of gross cash flow increased by CZK 12,854 million. Up to 119% of the reduced investment activity in 2002, which totalled CZK 10,786 million, was covered by gross cash flow.

Net liquidity came to CZK -4,660 million (CZK -798 million in 2001).



Subsidiaries

The developments in profit recorded by the subsidiaries were also influenced by the declines on the automobile market.

In 2002, ŠkodaAuto Deutschland GmbH sold 64.9 thousand vehicles to dealers, which is a decline of 1.6 thousand on the previous year. The loss before tax was CZK -124.0 million (EUR -4.0 million), compared to CZK 46.4 million (EUR 1.4 million) in 2001.

In Poland sales to dealers declined by 37.0 thousand vehicles to 35.9 thousand units. The profit before tax posted by SKODA AUTO POLSKA, S.A. was CZK 106.1 million (PLN 13.3 million), compared to CZK 113.1 million (PLN 12.2 million) in the previous year.

The Slovak importer ŠKODA AUTO Slovensko s.r.o. sold 26.0 thousand vehicles, a decline of 12.7 thousand vehicles on 2001. Profit before tax was CZK 12.5 million (SKK 17.3 million), compared to CZK 84.0 million (SKK 116.5 million) in 2001.

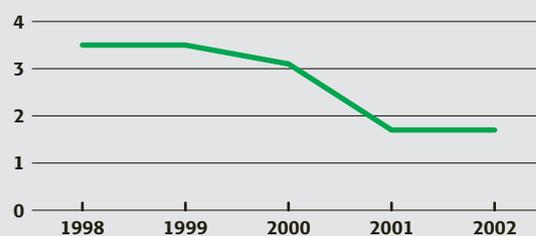
Outlook for 2003

In the near future, no upturn of the automobile market is to be expected. Therefore the Škoda Auto plans to increase sales volumes on the home market and abroad. The negative influences of the exchange rate of the Czech crown in relation to third currencies outside the European Union and the cost pressure resulting from investment activities in previous years will be offset by a reduction in operational costs and other optimisation measures in order to maintain profit at the level of 2002. We do not expect any stimulus for growth from the overall economy in the short term period. In 2002, we adapted our strategy to these new circumstances. The successfully launched cost reduction programmes will be continued in the next two years. In the middle term period, we expect a recovery in demand and therefore further growth for Škoda Auto.

Profit Before Tax (in million CZK)



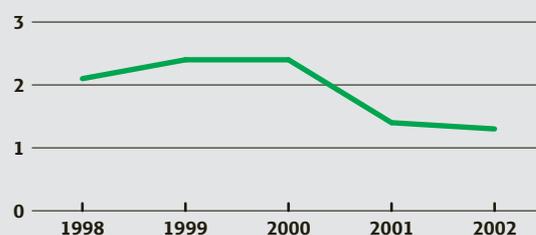
Net Operating Margin Before Tax (%)



Profit After Tax (in million CZK)



Net Operating Margin After Tax (%)



Income Statement (in million CZK)

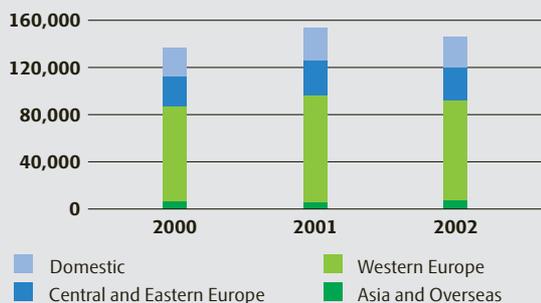
	2002	% of Sales	2001	% of Sales	2000	% of Sales
Revenues from sales	145,694	100.0	153,271	100.0	136,283	100.0
Value added	22,056	15.1	22,296	14.6	18,977	13.9
Personnel expenses	7,834	5.4	7,583	5.0	7,465	5.4
Depreciation	10,826	7.4	9,646	6.3	7,768	5.7
Other income and expenses	281	0.2	-424	-0.3	1,460	1.1
Financial results	-1,188	-0.8	-1,969	-1.3	-1,029	-0.8
Profit before tax	2,489	1.7	2,674	1.7	4,175	3.1
Taxes on income	664	0.4	545	0.3	839	0.6
Net earnings	1,825	1.3	2,129	1.4	3,336	2.4
Return on investment after tax		5.68		8.44		9.32

Value Added (in million CZK)

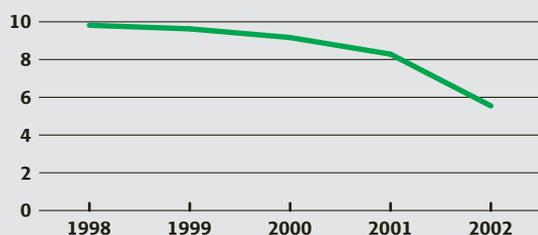
	2002	% of Sales	2001	% of Sales	2000	% of Sales
Revenues from sales	145,694	100.0	153,271	100.0	136,283	100.0
Change in stocks	63	0.0	-661	-0.4	103	0.1
Capitalised own work	1,776	1.2	1,774	1.2	2,370	1.7
Subtotal	147,533	101.2	154,384	100.8	138,756	101.8
Material and energy usage *	109,868	75.4	116,350	75.9	105,996	77.8
Services	15,609	10.7	15,738	10.3	13,783	10.1
Value added	22,056	15.1	22,296	14.6	18,977	13.9

* incl. acquisition costs of goods

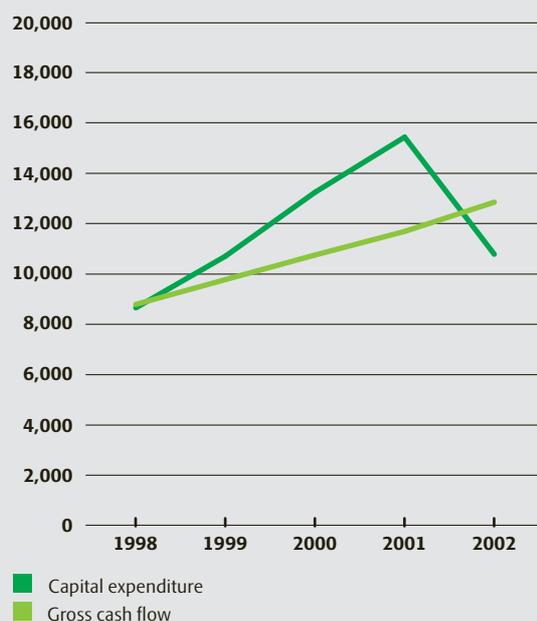
Market Sales Development (in million CZK)



Return on Investment After Tax (%)



Capital Expenditure and Gross Cash Flow (in million CZK)



Balance Sheet Structure (in million CZK)

	31. 12. 2002	%	31. 12. 2001	%	31. 12. 2000	%
Assets						
Fixed assets	44,873	67.1	45,008	67.6	39,175	58.8
Inventories	7,658	11.5	7,517	11.3	9,014	13.5
Accounts receivable, other assets	13,947	20.9	12,884	19.3	17,629	26.4
Liquid assets	340	0.5	1,202	1.8	843	1.3
Total assets	66,818	100.0	66,611	100.0	66,661	100.0
Equity and liabilities						
Equity	29,817	44.6	28,157	42.3	26,032	39.1
Debt and other liabilities	37,001	55.4	38,454	57.7	40,629	60.9
Total equity and liabilities	66,818	100.0	66,611	100.0	66,661	100.0

Change in Net Liquidity (in million CZK)

	2002	2001	2000
Net earnings	+1,825	+2,129	+3,336
Depreciation *	+11,102	+9,732	+8,051
Changes in medium and long-term reserves	-73	-168	-631
+ Gross cash flow	+12,854	+11,693	+10,756
Change in inventories	-140	+1,497	-1,311
Change in accounts receivable and other assets	-591	+4,618	-5,361
Change in short-term provisions and accrued liabilities	+582	-303	-33
Change in equity	0	-4	-4
Change in trade and other liabilities (excluding change in loans)	-5,781	+1,146	+6,533
+ Other internal financing	-5,930	+6,954	-176
= Financing from ordinary activities	+6,924	+18,647	+10,580
Investments	-11,586	-16,235	-13,873
Asset disposals	+800	+797	+625
- Investments	-10,786	-15,438	-13,248
= Change in net liquidity	-3,862	+3,209	-2,668

* Incl. offsetting of deferred expenses for future periods in the amount of CZK 182 million (2001: CZK 127 million, 2000: CZK 291 million).

Financial Section



Auditor's Report



PricewaterhouseCoopers Audit, s.r.o.
Kateřinská 40
120 00 Prague 2
Czech Republic
Telephone +420 251 151 111
Facsimile +420 251 156 111
ID No. 40765521

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

We have audited the accompanying balance sheet of ŠKODA AUTO a.s. as at 31 December 2002, 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 – 65 ("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 give a true and fair view, in all material respects, of the assets, liabilities and equity of ŠKODA AUTO a.s. as at 31 December 2002, 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 – 35, which does not form part of the financial statements for the year ended 31 December 2002, 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 VOLKSWAGEN AG and between the Company and the other parties controlled by VOLKSWAGEN AG on pages 66 – 68 ("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 reviews of reports on relations. 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 24, 2003

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

Matthew Pottle
Partner

Pavel Kulhavý
Auditor, Licence No. 1538

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.

Balance Sheet

(in thousand CZK)

as at December 31	Note	2002	2001	2000
ASSETS				
Fixed assets		44,873,430	45,008,183	39,174,741
Intangible fixed assets	(3)	891,864	213,761	223,302
Tangible fixed assets	(4)	43,322,436	44,088,949	38,229,431
Long-term investments	(5)	659,130	705,473	722,008
Current assets		21,589,947	20,708,074	26,802,482
Inventories	(8)	7,657,486	7,517,274	9,014,089
Long-term receivables	(9)	977,863	0	0
Short-term receivables	(9)	12,614,486	11,989,295	16,945,579
Financial assets		340,112	1,201,505	842,814
Other assets	(12)	354,971	894,358	683,754
Total assets		66,818,348	66,610,615	66,660,977
EQUITY AND LIABILITIES				
Equity		29,816,971	28,157,444	26,032,625
Share capital	(13)	16,708,850	16,708,850	16,708,850
Share premium and statutory reserves	(13)	1,385,850	2,055,363	1,888,548
Retained earnings	(13)	9,897,130	7,264,294	4,098,914
Profit for the current period	(13)	1,825,141	2,128,937	3,336,313
Liabilities		32,322,609	32,052,848	37,433,811
Provisions for future liabilities and charges	(17)	4,397,973	3,938,801	4,284,200
Long-term liabilities	(10)	10,000,000	10,000,000	10,000,000
Short-term liabilities	(10)	12,924,636	16,114,047	18,299,611
Loans and overdrafts	(16)	5,000,000	2,000,000	4,850,000
Other liabilities	(18)	4,678,768	6,400,323	3,194,541
Total equity and liabilities		66,818,348	66,610,615	66,660,977

Income Statement

(in thousand CZK)

as at December 31	Note	2002	2001	2000
Sales of purchased goods	(19)	8,568,724	7,229,702	6,079,724
Costs of goods sold		4,349,789	3,974,016	3,352,780
Sales margin		4,218,935	3,255,686	2,726,944
Sales of own products and services	(19)	137,124,802	146,041,078	130,203,513
Change in inventories		63,422	(660,603)	102,666
Own work capitalized		1,776,229	1,773,962	2,369,852
Sale of production		138,964,453	147,154,437	132,676,031
Material and energy consumption		105,518,478	112,376,368	102,643,387
Services		15,608,769	15,737,763	13,782,839
Cost of sales		121,127,247	128,114,131	116,426,226
Added value		22,056,141	22,295,992	18,976,749
Personnel expenses	(20)	7,833,945	7,582,947	7,464,855
Taxes and charges		33,344	44,646	42,336
Depreciation and amortisation of fixed assets		10,826,268	9,646,109	7,767,963
Revenue from sale of fixed assets and raw materials		1,707,832	1,927,847	1,862,988
Book value of fixed assets and raw materials sold		1,379,677	1,594,633	1,422,305
Other operating revenue		1,269,349	1,758,648	1,186,276
Other operating costs		830,657	2,676,214	1,130,522
Release of provisions and accruals		2,332,564	2,185,078	2,500,771
Creation of provisions and accruals		2,760,277	1,846,834	1,875,147
of which: deferred costs		(181,518)	(127,525)	(290,743)
Release of provisions		426,746	181,310	488,690
Creation of provisions		451,723	314,533	108,000
Operating profit		3,676,741	4,642,959	5,204,346
Loss from financial operations	(23)	(1,187,968)	(1,968,657)	(1,028,957)
Profit from ordinary activities before tax		2,488,773	2,674,302	4,175,389
Extraordinary loss		0	0	0
Profit before tax		2,488,773	2,674,302	4,175,389
Corporate taxes	(25)	663,632	545,365	839,076
Profit for the year after tax		1,825,141	2,128,937	3,336,313

Cash Flow Statement

(in thousand CZK)

	2002	2001	2000
Cash and cash equivalents at the beginning of the year	1,201,505	842,814	1,661,423
Profit on ordinary activities before tax	2,488,773	2,674,302	4,175,389
Adjustments for non-cash transactions	12,103,503	10,193,744	7,134,593
Depreciation of fixed assets	10,826,268	9,651,654	7,807,126
Change in provisions	336,322	(338,235)	(1,045,198)
Profit from disposal of fixed assets	(76,975)	(83,045)	(73,848)
Dividend income	(22,494)	(19,503)	(12,669)
Net interest expense and income	1,040,382	982,873	459,182
Net cash flow from operating activities before tax, changes of working capital and extraordinary items	14,592,276	12,868,046	11,309,982
Working capital changes	(3,409,865)	4,595,854	(308,991)
Change in receivables and prepayments	(207,050)	4,247,285	(4,355,280)
Change in short-term payables and accruals	(3,044,933)	(1,089,052)	5,284,528
Change in inventories	(157,882)	1,437,621	(1,238,239)
Net cash flow from operating activities before tax and extraordinary items	11,182,411	17,463,900	11,000,991
Interest paid	(1,316,160)	(1,160,641)	(614,745)
Interest received	183,512	220,268	217,041
Corporate income tax on ordinary activities paid	(680,045)	33,478	(1,246,608)
Net cash flow from operating activities	9,369,718	16,557,005	9,356,679
Acquisition of fixed assets	(13,999,895)	(14,093,936)	(12,994,729)
Proceeds from the sale of fixed assets	760,458	739,604	612,964
Loans to related parties and employees	(14,168)	(9,367)	(16,457)
Net cash flow from investing activities	(13,253,605)	(13,363,699)	(12,398,222)
Change in bank credits	3,000,000	(2,850,000)	1,850,000
Changes in other long-term liabilities	0	0	364,255
Changes in equity	0	(4,118)	(3,990)
Dividends received	22,494	19,503	12,669
Net cash flow from financing activities	3,022,494	(2,834,615)	2,222,934
Net movement in cash and cash equivalents	(861,393)	358,691	(818,609)
Cash and cash equivalents at the end of the year	340,112	1,201,505	842,814

The Company has prepared a cashflow statement following the indirect method, acquisition of fixed assets the brutto method.

Notes to Financial Statements 2002

1. Information about the accounting policies used, general accounting principles, and the methods of valuation and depreciation

a) Basic accounting principles

The annual financial statements of ŠKODA AUTO a.s., a joint-stock company, as of December 31, 2002, hereinafter referred to as "the Company" or "Škoda Auto" have been prepared in accordance with the provisions of the Accounting Act No. 563/1991 Coll. In 2002, the Company adopted new principles and methods in accordance with the Accounting Act and relevant legal regulations of the Czech Republic valid as of January 1, 2002. The impact of these new principles and methods is summarised in a review of changes in the shareholders' equity and further information is disclosed under item s) Changes of accounting policies.

Unless stated otherwise, amounts disclosed in the Financial Statements and in the Notes are given in thousands of Czech crowns (CZK).

b) Intangible fixed assets

Acquired intangible fixed assets are valued at acquisition cost less accumulated amortization. All research costs are expensed in the income statement as incurred. The right to use Volkswagen Group tooling for the development of new platform is capitalised as part of intangible fixed assets. All other development costs are expensed as incurred.

The Company applies straight-line amortisation over the estimated useful lives of the intangible fixed assets:

Development expenditures	5 years
Software	3 years
Valuable rights (royalties)	8 years
Other intangible fixed assets	5 years

Intangible assets with acquisition costs that are less than CZK 60 thousand are charged directly to the profit and loss account as an expense upon consumption.

If the net book value of an asset exceeds its estimated recoverable amount, an adjusting provision is created against the asset.

c) Tangible fixed assets

The tangible fixed assets are stated at acquisition or at the cost to manufacture. Acquisition costs of tangible fixed assets include direct material, direct wages and production overheads, as well as proportionate administration costs in the case that the useful life of the fixed assets exceeds 1 year.

Tangible fixed assets are depreciated on a straight-line basis. The depreciation rates are based on the estimated useful economic life of assets. The annual depreciation rates are as follows:

Buildings and constructions	16-50 years
Plant, machinery and equipment (incl. special tools)	2-14 years
Office equipment including tools and other production equipment, inventory	5-8 years

The tangible assets with acquisition costs that are less than CZK 20 thousand are charged directly to the profit and loss account as an expense upon consumption.

If the net book value of an asset exceeds its estimated recoverable amount, an adjusting provision is created to such asset.

In accordance with the Accounting Act and the relevant legislation, the low value fixed assets with values between CZK 20 thousand and 40 thousand were re-classified to the appropriate categories within fixed assets as of January 1, 2002.

d) Investments in subsidiaries and associated undertakings

A company with controlling influence (subsidiary) is an enterprise that is controlled by Škoda Auto, which means that Škoda Auto has the power to govern the financial and operating policies in order to obtain benefits from its activities.

A company with significant influence (as associated company) is a company, in which Škoda Auto has the power to participate both in financial and operating policy decisions, but not control.

Equity investments in subsidiaries and associated undertakings are recorded at cost less provision for diminution in value.

A consolidation of subsidiaries and associates has not been performed as the share of the subsidiaries in the consolidation (balance sheet, shareholders' equity, turnover, profit before tax) is not material. In accordance with Section 80a (6) of the Securities Act, the Company is allowed to publish non-consolidated financial statements for 2002.

e) Other securities and long-term financial assets – investments

Commencing January 1, 2002, the Company classified securities and investments, other than capital interests in subsidiaries and associated undertakings, into the following categories: trading securities, realizable securities, debentures and bonds available for sale and held-to-maturity. Prior to January 1, 2002, the securities and interest investments were not classified as noted above but instead were recorded at acquisition cost less a provision for diminution in value.

Other long-term financial assets are stated at nominal values in the balance sheet.

f) Inventories

Purchased inventories, including raw materials, consumables, supplies and materials used in production, and goods, are valued at acquisition costs or at net realisable value in case this amount is lower. Acquisition costs also include customs duty, packing expenses and freight charges. A weighted average calculation is used to account for consumption of material inventories and for all sales.

Inventories generated from own production, including work in progress and finished goods, are valued at their production costs, which includes direct materials, direct wages and production overhead. Administrative overhead expenses are not included in the valuation of work in progress and finished goods.

The value of inventories is reduced by provisions to recognizing all known risks relating to obsolete raw materials and consumables, excessive spare part inventories and temporary reductions in the realisable value of goods.

g) Receivables

Receivables are carried at nominal value less a provision for doubtful receivables and bad debts. In addition to tax-deductible provisions set out pursuant to Sections 8 and 8a of Act No. 593/1992 Coll., as amended, the value of receivables is reduced by provisions created for specific and general risks and losses in compliance with Section 24 of the Accounting Act No. 563/1991 Coll., as amended.

h) Financial assets

The balances of cash in banks primarily consists of short-term deposits.

i) Provisions

Provisions are created when the Company has an existing obligation and it is probable that an outflow of resources will be required to settle such obligation and a reliable estimate of the amount can be made.

Provisions are created for significant future repairs of fixed assets in compliance with Section 7 of Act No. 593/1992 Coll., on provisions.

j) Liabilities

Liabilities are stated at their nominal values. The Company did not cover any liabilities by a pledge or a security.

The bonds issued are stated at nominal value. Share discount and other costs connected with the issue of securities are stated as accruals according to the maturity of bonds issued.

k) Foreign currency translations

Individual transactions denominated in a foreign currency are translated and recorded at the rate of exchange ruling at the date of transaction.

All monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rate published by the Czech National Bank at the date of the financial statements. From January 1, 2002, all exchange gains and losses on translations of monetary assets and liabilities are recorded in the profit and loss account.

Prior to January 1, 2002, unrealised exchange gains and losses and the related provision for exchange losses were recorded as other assets, other liabilities and/or provisions.

Investments in subsidiaries and associated undertakings along with investments and securities, which are denominated in a foreign currency, are translated at the exchange rate published by the Czech National Bank at the date of the balance sheet. Any translation difference is booked to equity.

l) Derivative financial instruments

Derivative financial instruments, comprising currency and interest swaps, forwards and currency options, are initially recognised on the balance sheet at acquisition costs and subsequently are re-valued to their fair value.

Derivative financial instruments are used only to hedge interest and currency exposures and are classified either as trading derivatives or hedging derivatives for accounting purposes. Changes in the fair value of derivative instruments are recognised in equity. The Company treats the derivatives relating to cash flows as hedging derivatives provided that the qualifying criteria for hedge accounting in relation to the required documentation and hedging effectiveness are met. An amount from equity is transferred to expenditures or revenues on settlement of the derivative instrument.

The fair value of forwards and swaps is calculated as the actual value of estimated future cash flows. Option pricing models are used to determine the fair value of options.

m) Complex prepaid expenses

Costs related to production planning, preparation and extension ("preparation and start-up of production") are classified as complex prepaid expenses. These expenses are evenly amortised to the profit and loss account for two years from the launch of the first pre-production series (or commencement of series production) of a new car model or from the start of production of new production capacities.

n) Deferred tax

Deferred corporate income tax is recognised on all temporary differences between the residual book value (carrying amount) of an asset or liability in the balance sheet and its tax base. A deferred tax asset is recognised if it is probable that sufficient future taxable profits will be available against which the asset can be utilised.

o) Leasing

Finance and operating lease installments are fully expensed in the current accounting period, allocated evenly over the life of the lease. In accordance with valid accounting policies, the subjects of leasing are not recorded in the fixed assets of the balance sheet.

p) Revenues

Sales are recognised upon shipment of products net of value added tax.

r) Related parties

The Company's related parties are categorized as follows:

- Companies forming a group of companies with Škoda Auto;
- Shareholders who directly or indirectly have a significant or controlling influence over Škoda Auto and other companies over which the shareholders have a significant or controlling influence;
- Members of the statutory and supervisory bodies and management and parties related to such members, as well as companies over which these members and their related parties have a significant or controlling influence;
- Enterprises with common management.

Material transactions, outstanding balances and transaction pricing policies with related parties are disclosed in section 28 of the Notes.

s) Extraordinary items and changes in accounting policies

Extraordinary revenues and expenses include one-off effects of events not related to the business activity of the Company and the effects of changes in accounting policies.

The changes result from the adoption of the principles required by the Act on Accounting effective January 1, 2002, and affect the equity and profit and loss account as follows:

	2002 (in thousand CZK)
Shareholders' Equity reported at Dec. 31, 2001	28,157,444
Impact of change in accounting principles:	
I. Valuation differences from revaluation of derivatives	(148,783)
II. Release of provision for loss from foreign currency translations in the income statement	27,862
III. Release of provision for loss from options and forward contracts in the income statement	53,370
IV. Deferred Tax	610,346
Restated shareholders' equity at Jan. 1, 2002 (reflecting mentioned changes)	28,700,239

The following is a summary of changes in the accounting policies resulting from the adoption of the principles required by the Act on Accounting effective January 1, 2002:

- Low value fixed assets previously classified under "Other tangible fixed assets" and "Other intangible fixed assets" were reclassified to the appropriate categories within fixed assets.
- From January 1, 2002 the deferred tax asset is recognized if it is probable that sufficient future taxable profit will be available against which the asset can be utilized. Until December 31, 2001 the deferred tax asset was not recorded if there was a doubt about its realization in future taxable periods.
- The expected liability from corporate income tax for the year ended December 31, 2002 is classified in the balance sheet under "provisions" and the tax charge is recorded in the profit and loss account under "Current tax on profit or loss on ordinary activities" or "Current tax on extraordinary profit or loss". The comparatives were reclassified according to the 2002 rules.
- Commencing January 1, 2002, all foreign exchange gains and losses on monetary assets and liabilities are recorded in the profit and loss account. Until December 31, 2001, unrealised exchange gains and losses and the related provisions were deferred in the balance sheet within other assets, other liabilities and provisions, respectively.
- Certain revenues and expenses (e.g. claims from insurance companies, shortages and damages to inventories, etc.) previously classified as "extraordinary" expenses are recorded as "Other operating charges" or "Other operating income" in 2002. The comparatives were reclassified according to the 2002 rules.

The following is a summary of changes in the cash flow statement. The comparative figures were reclassified accordingly:

- Write-offs of receivables are included in the summary of cash flows for the year ended December 31, 2002 in the line "Change in receivables and prepayments", while in the prior years ended December 31, 2001 and 2000, they were included in the line "Depreciation of fixed assets, write-off of receivables".
- Changes in other assets are included in the cash flow line "Change in receivables and prepayments" for the year ended December 31, 2002, while they were included in the line "Change in provisions, accruals and prepayment" for the prior years ended December 31, 2001 and 2000.
- Changes in other liabilities are included in the cash flow line "Change in short-term payables and accruals", for the year ended December 31, 2002, while they were included in the line "Change in provisions, accruals and prepayments", for the years ended December 31, 2001 and 2000.

2. Fixed assets (in thousand CZK)

The fixed assets may be analysed as follows in 2000 – 2002:

	Intangible fixed assets	Tangible fixed assets	Long-term investments	Total
Balance at Jan. 1, 2000	309,402	32,648,475	729,342	33,687,219
Additions	120,764	13,704,245	48,318	13,873,327
Disposals	0	(562,190)	(55,652)	(617,842)
Depreciation/Amortisation	206,864	7,561,099	0	7,767,963
Balance at Dec. 31, 2000	223,302	38,229,431	722,008	39,174,741
Additions	169,322	16,028,662	36,847	16,234,831
Disposals	0	(701,898)	(53,382)	(755,280)
Depreciation/Amortisation	178,863	9,467,246	0	9,646,109
Balance at Dec. 31, 2001	213,761	44,088,949	705,473	45,008,183
Additions	821,133	10,721,438	43,589	11,586,160
Disposals	0	(702,349)	(40,838)	(743,187)
Depreciation/Amortisation/Provision	143,030	10,785,602	49,094	10,977,726
Balance at Dec. 31, 2002	891,864	43,322,436	659,130	44,873,430

Assets with a cost of CZK 20 thousand to CZK 40 thousand, formerly classified as low value tangible fixed assets, are recorded in the appropriate categories within fixed assets in 2002.

Intangible and tangible assets expensed on consumption were as follows:

	Acquired in 2002	Acquired in 2001	Acquired in 2000
Intangible assets up to CZK 60,000	39,026	32,846	25,642
Tangible assets up to CZK 20,000	232,853	323,803	391,469
Total	271,879	356,649	417,111

3. Intangible fixed assets (in thousand CZK)

	Software	Development costs	Royalties	Intangible fixed assets in progress and other intangible assets	Total
Acquisition 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
Acquisition 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
Acquisition cost					
Balance at Jan. 1, 2002	477,749	1,109,431	86,716	2,753	1,676,649
Additions	176,971	0	14,282	629,880	821,133
Disposals	(2,702)	0	0	0	(2,702)
Balance at Dec. 31, 2002	652,018	1,109,431	100,998	632,633	2,495,080
Accumulated amortisation					
Balance at Jan. 1, 2002	355,962	1,067,404	38,972	550	1,462,888
Additions	114,526	16,268	9,552	2,684	143,030
Disposals	(2,702)	0	0	0	(2,702)
Balance at Dec. 31, 2002	467,786	1,083,672	48,524	3,234	1,603,216
Net book value 2002	184,232	25,759	52,474	629,399	891,864

Additions to the acquisition costs of intangible fixed assets in construction during 2002 also include an amount of CZK 610,688 thousand representing the purchase of the right to use tooling of the Volkswagen Group for the development of new platform.

4. Tangible fixed assets (in thousand CZK)

	Land and buildings	Technical equipment and machinery	Other equipment	Construction in progress and advance payment	Total
Acquisition cost					
Balance at Jan. 1, 2000	12,284,202	26,147,348	13,720,239	9,332,231	61,484,020
Additions	390,243	3,229,885	3,788,842	6,295,275	13,704,245
Reclassifications	2,598,431	3,220,719	2,218,644	(8,037,794)	0
Disposals	(49,321)	(321,305)	(917,344)	0	(1,287,970)
Balance at Dec. 31, 2000	15,223,555	32,276,647	18,810,381	7,589,712	73,900,295
Accumulated depreciation					
Balance at Jan. 1, 2000	2,419,550	17,087,359	9,328,636	0	28,835,545
Additions	452,084	4,237,415	2,871,600	0	7,561,099
Reclassifications	0	0	0	0	0
Disposals	(12,488)	(323,399)	(389,893)	0	(725,780)
Balance at Dec. 31, 2000	2,859,146	21,001,375	11,810,343	0	35,670,864
Net book value 2000	12,364,409	11,275,272	7,000,038	7,589,712	38,229,431
Acquisition cost					
Balance at Jan. 1, 2001	15,223,555	32,276,647	18,810,381	7,589,712	73,900,295
Additions	673,528	5,588,338	2,825,939	6,958,162	16,045,967
Reclassifications	970,937	3,204,677	1,500,857	(5,693,776)	(17,305)
Disposals	(48,518)	(639,987)	(1,081,086)	(923)	(1,770,514)
Balance at Dec. 31, 2001	16,819,502	40,429,675	22,056,091	8,853,175	88,158,443
Accumulated depreciation					
Balance at Jan. 1, 2001	2,859,146	21,001,375	11,810,343	0	35,670,864
Additions	544,910	5,545,394	3,376,942	0	9,467,246
Reclassifications	0	0	0	0	0
Disposals	(13,063)	(646,069)	(409,484)	0	(1,068,616)
Balance at Dec. 31, 2001	3,390,993	25,900,700	14,777,801	0	44,069,494
Net book value 2001	13,428,509	14,528,975	7,278,290	8,853,175	44,088,949
Acquisition cost					
Balance at Jan. 1, 2002	16,819,502	40,429,675	22,056,091	8,853,175	88,158,443
Additions	1,336,579	4,325,626	3,154,144	1,940,479	10,756,828
Reclassifications	1,568,717	2,872,557	1,617,564	(6,094,228)	(35,390)
Disposals	(11,543)	(3,047,850)	(1,529,776)	0	(4,589,169)
Balance at Dec. 31, 2002	19,713,255	44,580,008	25,298,023	4,699,426	94,290,712
Accumulated depreciation					
Balance at Jan. 1, 2002	3,390,993	25,900,700	14,777,801	0	44,069,494
Additions	626,689	6,219,263	3,837,286	0	10,683,238
Reclassifications	26	8,507	(8,533)	0	0
Disposals	(7,248)	(3,061,421)	(818,151)	0	(3,886,820)
Balance at Dec. 31, 2002	4,010,460	29,067,049	17,788,403	0	50,865,912
Provision*	70,008	32,356	0	0	102,364
Net book value 2002	15,632,787	15,480,603	7,509,620	4,699,426	43,322,436

* A provision was posted to the tangible fixed assets balance during 2002 to account for the estimated recoverable value of buildings (places of business).

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

Fixed assets	Lease installments	Installments paid Dec. 31, 2001	Installments paid 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

Installments are stated inclusive of VAT.

All financial leases were paid as of December 21, 2001.

No assets were acquired by the Company through financial leases in 2002.

5. Long-term investments (in thousand CZK)

	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000
Shareholdings	552,744	564,162	583,064
Securities	0	0	7,000
Other financial assets	195,480	181,311	171,944
Gross total	748,224	745,473	762,008
Provisions for diminution in value of shareholdings	(49,094)	0	0
Provisions for diminution in value of other loans	(40,000)	(40,000)	(40,000)
Total net	659,130	705,473	722,008

A provision of CZK 49,094 thousand was created during 2002 to reflect a diminution in the realisable value of the investment in ŠKODA IMMO s.r.o. Provisions in an amount of CZK 40,000 thousand relate to other loans.

6. Investments in subsidiaries and associates

Škoda Auto has investment interests in the following subsidiaries and associated undertakings:

	Book value (acquisition value)		%	Equity share	Shareholders'	Profit/	Currency
	Dec. 31, 2002 in CZK thousand	Dec. 31, 2001 in CZK thousand		Dec. 31, 2001*	Equity Dec. 31, 2001*	loss 2001*	
				in CZK thousand	in thousand	in thousand	
ŠkodaAuto Deutschland GmbH	197,739	197,739	100.0	(12,280)	(384)	(598)	EUR
ŠKODA AUTO Slovensko s.r.o.	48,917	48,917	100.0	177,008	236,623	63,916	SKK
ŠKODA IMMO s.r.o.	212,906	261,718	100.0	271,263	271,263	(1,828)	CZK
ŠKODA AUTO BH d.o.o.	175	175	100.0	164	10	371	DEM
ZAO ŠKODA AUTO Udmurtija	100	100	75.1	90	100	0	RUR
SKODA AUTO POLSKA, S.A.	838	838	51.0	83,460	17,885	9,038	PLN
Skoda Auto India Private Ltd.**	0	0	50.0	1,630	4,334	(17,038)	INR
e4t electronics for transportation s.r.o.	98	98	49.0	202	413	213	CZK
ŠKO-ENERGO, s.r.o.	3,400	3,400	34.0	6,060	17,823	2,263	CZK
ŠKO-ENERGO FIN, s.r.o.	39,477	51,177	10.0	50,365	503,653	2,079	CZK
Total	503,650	564,162					

* The data stated are as of December 31, 2001 as audited financial statements for 2002 were not available at the date of preparation of the Notes to the Financial Statements of Škoda Auto.

** The data stated are as of March 31, 2002.

The financial situation of Škoda Auto Deutschland was considerably influenced during the year by the recession on the world market. Given that the Company expects an improvement of the situation no provision was made against the investment.

Enterprises and companies with investments of Škoda Auto have paid dividends in an amount of CZK 22,494 thousand in 2002 (2001: CZK 16,763 thousand, 2000: CZK 10,943 thousand).

The registered office of companies in which Škoda Auto owns over 20% of share capital:

ŠkodaAuto Deutschland GmbH	Weiterstadt, Federal Republic of Germany
ŠKODA AUTO Slovensko s.r.o.	Bratislava, Slovakia
ŠKODA IMMO s.r.o.	Mladá Boleslav, Czech Republic
SKODA AUTO POLSKA, S.A.	Poznan, Poland
e4t electronics for transportation s.r.o.	Prague, Czech Republic
ŠKO-ENERGO, s.r.o.	Mladá Boleslav, Czech Republic
SKODA AUTO BH d.o.o.	Sarajevo-Vogošča, Bosnia – Herzegovina
ZAO ŠKODA AUTO Udmurtija	Iževsk, Russian Federation
Skoda Auto India Private Ltd.	Aurangabad, India

7. Securities

Škoda Auto owned shares of Československá obchodní banka, a.s. with a total nominal value of CZK 7,000 thousand as at December 31, 2000. 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 shares of Československá obchodní banka, a.s. were sold in 2001.

8. Inventories (in thousand CZK)

	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000
Raw materials	3,005,192	3,016,905	3,925,254
Work in progress	1,579,365	1,817,635	2,511,175
Finished goods	1,752,226	1,452,134	1,419,198
Goods for resale	1,508,273	1,400,500	1,269,168
Gross total	7,845,056	7,687,174	9,124,795
Provision for diminution in value	(187,570)	(169,900)	(110,706)
Total net	7,657,486	7,517,274	9,014,089

9. Receivables (in thousand CZK)

	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000
Trade receivables			
Domestic	4,063,436	4,453,905	3,589,696
Foreign	5,225,303	3,922,929	8,594,776
of which > 180 days overdue	730,324	693,327	939,849
Gross trade receivables	9,288,739	8,376,834	12,184,472
Provisions	(502,293)	(626,673)	(614,948)
Net trade receivables	8,786,446	7,750,161	11,569,524
Other receivables			
Taxes	3,512,138	4,002,224	4,994,484
Social security	0	0	0
Personnel expenses	9,896	4,850	7,914
Other	1,283,869	232,060	373,657
of which long-term	977,863	0	0
Total receivables	13,592,349	11,989,295	16,945,579

10. Liabilities (in thousand CZK)

	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000
Trade liabilities			
Domestic	4,522,952	5,392,024	7,014,577
Foreign	6,864,968	9,894,282	10,536,498
of which > 180 days overdue	105,687*	100,255*	274,094*
Total trade liabilities	11,387,920	15,286,306	17,551,075
Other liabilities			
Taxes	55,872	54,383	54,621
Social security	193,413	188,635	188,529
Personnel expenses	326,070	320,281	40,466**
Other	10,961,361	10,264,442	10,464,920
of which long-term	10,000,000	10,000,000	10,000,000
Total liabilities	22,924,636	26,114,047	28,299,611

* Liabilities on account of claims (liabilities not acknowledged by the Company).

** The amount of CZK 272,727 thousand in 2000 is stated in line "Other".

In accordance with the changes in the accounting regulations from January 1, 2002 the corporate tax liability is disclosed as a provision for corporate taxation. The comparative figures as at December 31, 2001 and December 31, 2000 were reclassified.

11. Bonds issued (in thousand CZK)

The Company has issued bonds, with a total value of CZK 10 billion on October 26, 2000, each with nominal value of CZK 100 thousand. The bonds are publicly traded without restriction of transferability on the secondary market of the Prague Stock Exchange and the RM Systém. The bonds were issued pursuant to the Czech legislation and are governed by Czech law. Commerzbank Capital Markets (Eastern Europe) a.s. is the lead manager, and Československá obchodní banka, a.s. is the administrator of the emission. The issuance was performed by registration in the Securities Centre in Prague under an agreement entered into before the date of issuance.

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

Both the interest and the nominal value of bonds are paid solely in Czech crowns through the administrator: Československá obchodní banka, a.s., Na Příkopě 14, 115 20 Praha 1.

	ISIN value repayments	Nominal of interests	Maturity	Bond yield
1 st portion	CZ0003501207	Oct. 26, 2005	always on Oct. 26	7.25%
2 nd portion	CZ0003501181	Oct. 26, 2007	semi-annually on Apr. 26 and on Oct. 26	6M Pribor + 0.14%
3 rd portion	CZ0003501199	Oct. 26, 2010	semi-annually on Apr. 26 and on Oct. 26	6M Pribor + 0.22%

12. Other assets (in thousand CZK)

	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000
Costs of planning, preparation and extensions of production plant			
Total	2,519,151	2,475,233	2,422,452
Expensed	(2,342,093)	(2,160,575)	(2,033,050)
Closing balance	177,058	314,658	389,402
Other deferred costs	135,894	431,833	244,525
Accrued income	42,019	147,867	49,827
Total	354,971	894,358	683,754

Unrealised foreign exchange losses amounting to CZK 140,846 thousand as at December 31, 2001 and CZK 93,304 thousand as at December 31, 2000 were reclassified as at December 31, 2002 as "Prepaid expenses".

13. Equity (in thousand CZK)

The equity may be analysed as follows for 2000 – 2002:

	Registered capital	Capital contributions	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 statutory reserve fund	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
Transfer to statutory reserve fund	0	0	166,815	(166,815)	0
Payment of bonuses	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
Transfer to statutory reserve fund	0	0	106,447	(106,447)	0
Valuation differences from revaluation of financial derivatives	0	(1,005,849)	0	0	(1,005,849)
Deferred Tax	0	229,889	0	610,346	840,235
Payment of bonuses	0	0	0	0	0
Profit for 2002	0	0	0	1,825,141	1,825,141
Balance at Dec. 31, 2002	16,708,850	802,212	583,638	11,722,271	29,816,971

The statutory reserve fund may only be used to cover losses. In accordance with the relevant provisions of the Commercial Code, Škoda Auto creates a statutory reserve fund in an amount of 5% of net profit annually until this reserve reaches 20% of the share capital.

14. Share capital

The share capital consists of 1,670,885 registered shares, with a nominal value of CZK 10 thousand per share. VOLKSWAGEN AG, Wolfsburg is the sole shareholder of the Company.

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

According to the resolution of the Annual General Meeting held on February 20, 2002, the profit for 2001 of CZK 2,128,937 thousand was allocated as follows:

	2001	2000	1999
Allocation to statutory reserve fund	106,447	166,815	131,864
Payment of bonuses	0	4,118	3,990
Profit allocated to retained profit	2,022,490	3,165,380	2,501,420
Profit after tax	2,128,937	3,336,313	2,637,274

The Annual General Meeting of the Company will decide upon the distribution of profit for 2002 in 2003.

16. Bank loans

The Company recorded bank loans in the amount of CZK 5,000 million at December 31, 2002 (2001: CZK 2,000 million, 2000: CZK 4,850 million). These are short-term operating loans made available in CZK. The bank loans were not secured by any assets of the Company.

17. Provisions (in thousand CZK)

Provisions may be analysed as follows in 2000 – 2002:

Type	Balance at Jan. 1, 2000	Creation	Release/use	Balance at Dec. 31, 2000
Tax deductible provisions				
Fixed asset repairs	409,465	215,996	228,837	396,624
Other provisions				
Warranty repairs	4,055,520	1,319,250	1,768,172	3,606,598
Financial derivatives	37,665	7,348	37,665	7,348
Legal and other risks	435,800	41,809	290,311	187,298
Provisions for currency losses	10,259	86,332	10,259	86,332
Provisions total	4,948,709	1,670,735	2,335,244	4,284,200

	Balance at Jan. 1, 2001	Creation	Release/use	Balance at Dec. 31, 2001
Tax deductible provisions				
Fixed asset repairs	396,624	220,517	256,061	361,080
Other provisions				
Warranty repairs	3,606,598	1,437,121	1,846,616	3,197,103
Financial derivatives	7,348	53,370	7,348	53,370
Legal and other risks	187,298	8,300	22,271	173,327
Provisions for currency losses	86,332	27,862	86,332	27,862
Provision for income tax	0	954,000	827,941	126,059
Provisions total	4,284,200	2,701,170	3,046,569	3,938,801

	Balance at Jan. 1, 2002	Creation	Release/use	Balance at Dec. 31, 2002
Tax deductible provisions				
Fixed asset repairs	361,080	24,641	228,685	157,036
Other provisions				
Warranty repairs	3,197,103	2,413,018	1,927,784	3,682,337
Financial derivatives	53,370	0	53,370	0
Legal and other risks	173,327	141,100	3,100	311,327
Provisions for currency losses	27,862	0	27,862	0
Provision for income tax	126,059	924,759	803,545	247,273
Provisions total	3,938,801	3,503,518	3,044,346	4,397,973

In accordance with the changes in the accounting regulations from January 1, 2002 the corporate tax liability is disclosed as a provision for corporate taxation. The comparative figures as at December 31, 2001 and December 31, 2000 were reclassified. The Provision for corporate taxation is created by charging tax expense in the income statement.

Calculation of income tax and deferred tax is analysed in note 25 – Income tax.

18. Other liabilities

Unrealised foreign exchange gains amounting to CZK 314,583 thousand as at December 31, 2001 and CZK 19,894 thousand as at December 31, 2000 were reclassified as at December 31, 2002 as "Deferred revenue".

19. Sales (in thousand CZK)

Sales from ordinary activities in 2000 – 2002 are as follows:

	2002		2001		2000	
		%		%		%
Goods	8,568,724	5.9	7,229,702	4.7	6,079,724	4.5
Own products	137,124,802	94.1	146,041,078	95.3	130,203,513	95.5
Total	145,693,526	100.0	153,270,780	100.0	136,283,237	100.0
Cars	131,756,405	90.4	143,295,310	93.5	127,863,109	93.8
Spare parts	8,742,241	6.0	7,760,711	5.1	6,522,442	4.8
Other	5,194,880	3.6	2,214,759	1.4	1,897,686	1.4
Total	145,693,526	100.0	153,270,780	100.0	136,283,237	100.0
Domestic	25,707,722	17.7	27,453,763	17.9	24,056,640	17.7
Foreign	119,985,804	82.3	125,817,017	82.1	112,226,597	82.3
Total	145,693,526	100.0	153,270,780	100.0	136,283,237	100.0

20. Staff costs (in thousand CZK)

The average number of employees and the executives and corresponding personal costs are as follows:

		Number	Wages and salaries	Social security expenditures	Other social expenses
Personnel	2002	21,089	5,407,611	1,852,957	104,717
	2001	21,459	5,195,222	1,861,118	104,576
	2000	21,531	5,192,672	1,785,221	96,613
Management	2002	363	353,806	110,318	4,101
	2001	351	316,231	102,619	2,767
	2000	337	294,049	93,134	2,669
Total	2002	21,452	5,761,417	1,963,275	108,818
	2001	21,810	5,511,453	1,963,737	107,343
	2000	21,868	5,486,721	1,878,355	99,282

The management of the Company includes members of the Board of Directors and senior management.

21. Remunerations to members of the Board of Directors, Supervisory Board and to senior management

The members of the Board of Directors did not receive any remuneration for 2002. 7 company cars were made available for the Board Members in 2002 (2001: 6 cars, 2000: 6 cars). The salaries of the Board members are included in the table in note 20.

The members of the Supervisory Board received remuneration in the amount of CZK 435 thousand in 2002 (2001: CZK 414 thousand, 2000: CZK 497 thousand). Of this remuneration amount, CZK 145 thousand (2001: CZK 138 thousand, 2000: CZK 126 thousand) was paid to members of the Supervisory Board who are not employed by Škoda Auto.

3 company cars (2001: 3 cars, 2000: 3 cars) were made available to the members of the Supervisory Board.

The salaries of senior management are given in the table in section 20. Company cars are available to senior management.

The Company has not provided any loans to the members of the Board of Directors and of the Supervisory Board.

22. Research and development costs

Research and development related to new models of passenger cars amount to CZK 4,304 million in 2002 (2001: CZK 4,361 million, 2000: CZK 2,337 million). In 2002, Škoda Auto posted expenses amounting to CZK 485 million (2001: CZK 900 million, 2000: CZK 885 million) for the production of prototypes and test vehicles. Additionally, development costs have been amortised by CZK 16 million (2001: CZK 90 million, 2000: CZK 136 million) in 2002 (see also note 3).

23. Financial income and expense (in thousand CZK)

	2002		2001		2000	
	Income	Expense	Income	Expense	Income	Expense
Interest	153,604	1,193,986	248,686	1,231,559	218,130	677,312
Foreign exch. rate differences	3,562,613	2,268,078	1,988,947	1,739,451	2,266,337	1,514,543
Factoring fees and other financial expenditure	0	1,443,665	0	1,349,548	0	1,258,166
Other income from financial investments	22,494	48,812	62,798	7,000	12,669	0
Provision for exch. rate losses	27,862	0	86,332	27,862	10,260	86,332
Total	3,766,573	4,954,541	2,386,763	4,355,420	2,507,396	3,536,353

24. Derivative financial instruments (in thousand CZK)

The fair value of the Company's derivative financial instruments is recognised under "Other receivables" if the balance is positive and in "Other liabilities" if it is negative.

	Fair value		Dec. 31, 2002 Nominal value
	Positive	Negative	
Hedging derivatives			
Currency forwards	49,634	438,132	23,624,019
Currency swaps	6,371	808	597,350
Interest rate swaps	0	380,515	2,000,000
Trading derivatives			
Currency options	21,872	0	9,461,525
Total	77,877	819,455	35,682,894

Škoda Auto uses interest swaps for the hedging of floating interest rate bonds cash flow. Currency instruments are utilised for foreign exchange rate exposure hedging resulting from anticipated and contracted foreign exchange sales revenues as well as operational and investment payments.

Škoda Auto has accounted for the fair value of financial derivatives since January 1, 2002. Before this date any such instruments were recorded as off-balance sheet items. Škoda Auto is a holder of certain currency options serving as an efficient hedging tool in compliance with the corporate strategy of exposure management. However, they cannot be recorded in the accounts as hedging derivatives pursuant to Czech accounting rules as they do not meet the requirements for hedge accounting. Therefore, these options are recorded in the above table as traded derivatives. The impact on equity of the adoption of the changes in accounting methods and policies, effective from January 1, 2002, is described in note 1 s).

25. Income tax (in thousand CZK)

The tax expense includes following amounts:

	2002	2001	2000
Current tax	924,759	954,000	960,400
Deferred tax	(137,627)	0	0
Additional tax charges and tax returns	0	0	104,501
Defference between preliminary and final tax calculation for previous periods	(123,500)	(408,635)	(225,825)
Total	663,632	545,365	839,076

The Company has recognised a deferred tax asset amounting to CZK 977 million as it is believed probable that sufficient future taxable profits will be available against which the asset can be utilised.

In previous periods, in accordance with regulations valid at that time, the Company did not recognize a deferred tax asset because there was doubt as to its recoverability.

Due to the change in the accounting regulations on January 1, 2002 the deferred tax asset amounting to CZK 610 million which was calculated as at December 31, 2001 was recognised as at January 1, 2002 as part of equity.

The deferred tax asset amounting to CZK 230 million relating to financial derivatives whose fair value as at December 31, 2002 is shown as part of equity is also included in equity.

The deferred tax asset was calculated at a tax rate of 31% (tax rate for 2003) and can be analysed as follows:

	2002	2001	2000
Deferred tax liability due to			
Accelerated tax depreciation	552,713	482,895	460,236
Financial derivatives	24,142	0	0
Other temporary differences	127,987	159,983	189,694
Total	704,842	642,878	649,930
Deferred tax asset due to			
Provisions	1,423,901	1,253,224	1,352,444
Financial derivatives	254,031	0	0
Other temporary differences	4,773	0	0
Total	1,682,705	1,253,224	1,352,444
Net deferred tax asset	977,863	610,346	702,514

26. Other financial obligations

As at December 31, 2002 Škoda Auto had entered into contracts for the purchase of fixed assets amounting to approximately CZK 4.5 billion (2001: CZK 7.2 billion, 2000: CZK 25.9 billion).

27. Contingent liabilities

At December 31, 2002 Škoda Auto has contingent liabilities arising from guarantees granted in an amount of CZK 27 million (2001: CZK 28 million, 2000: CZK 28 million), which are not recorded in the balance sheet and for which no provision has been created. The value of the potential liabilities corresponds to amounts for which the Company has granted guarantees.

28. Related party transactions (in thousand CZK)

Škoda Auto was involved in the following related party transactions:

		2002	2001
Sales of	vehicles	69,495,825	74,067,911
	spare parts	9,388,128	3,402,714
	others*	121,820,932	98,758,244
Total		200,704,885	176,228,869
Purchases of	production materials	23,114,133	25,124,139
	overhead material and services	7,598,326	8,301,607
	spare parts	1,087,258	1,054,939
	fixed assets	468,010	717,092
Total		32,267,727	35,197,777

* Sale of engines, gear boxes, SKD cars, services, development costs, factoring.

These transactions were concluded at normal market terms and are inclusive of VAT.

Receivables from related parties (in thousand CZK)

	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000
VOLKSWAGEN AG	260,232	275,262	963,592
Volkswagen Sachsen GmbH	14,252	70,229	37,940
VOLKSWAGEN Group United Kingdom Ltd.	21,026	91,043	144,341
Groupe VOLKSWAGEN France s.a.	70,138	79,259	64,879
Volkswagen-Audi España, S.A.	52,272	88,267	115,059
VOLKSWAGEN SLOVAKIA, a.s.	111,911	89,907	671
AUDI AG	66,054	12,437	6,279
ROLLS-ROYCE & BENTLEY MOTOR CARS LIMITED	131,626	194,976	0
SkodaAuto Deutschland GmbH	85,561	143,884	157,995
SKODA AUTO POLSKA, S.A.	12,118	160,547	43,813
ŠKODA AUTO Slovensko s.r.o.	0	0	2,299,808
Import VOLKSWAGEN Group s.r.o.	37,990	49,976	36,347
Skoda Auto India Private Limited	1,270,489	19,092	0
ŠKODA AUTO BH	250,234	172,414	229,707
ŠkoFIN s.r.o.	25,855	11,450	11,523
ŠKO-ENERGO, s.r.o.	8,835	59,862	10,381
Volkswagen Navarra, S.A.	82,941	2,292	409
Svenska Volkswagen AB	21,625	11,890	129,170
Other companies	39,000	261,311	257,362
Total	2,562,159	1,794,098	4,509,276

Liabilities to related parties (in thousand CZK)

	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000
VOLKSWAGEN AG	1,463,674	1,952,086	1,644,373
Volkswagen Sachsen GmbH	190,259	173,417	177,613
Volkswagen Poznan Sp. z o.o.	43,390	648,084	234,352
VOLKSWAGEN Group United Kingdom Ltd.	148,755	261,970	184,285
Groupe VOLKSWAGEN France s.a.	478,383	152,854	314,841
VOLKSWAGEN OF AMERICA, INC.	23,661	29,336	25,873
Volkswagen de México, S.A. de C.V.	87,962	42,966	12,586
Volkswagen Transport GmbH	188,211	182,687	192,579
Coordination Center Volkswagen S.A.	287,269	2,389,215	3,396,354
AUDI AG	127,626	293,307	110,012
AUDI HUNGARIA MOTOR Kft.	347,131	255,168	464,428
AUTOGERMA S.p.A.	335,424	61,728	10,768
SkodaAuto Deutschland GmbH	38,699	125,117	39,966
ŠKODA AUTO Slovensko s.r.o.	12,697	21,117	47,716
ŠKO-ENERGO, s.r.o.	0	0	152,229
gedas ČR s.r.o.	51,813	33,403	0
Other companies	36,983	31,685	390,935
Total	3,861,937	6,654,140	7,398,910

The receivables from, and liabilities to, related parties were realised at normal market terms.

29. Significant post-balance sheet events

No events have occurred subsequent to the date of the financial statements that would have any material impact on the financial statements for 2002.

30. Information about the Volkswagen Group

Škoda Auto is a subsidiary included in the consolidation of its parent, VOLKSWAGEN AG, with a registered office in Wolfsburg, Federal Republic of Germany. The Volkswagen Group consists of the following Brand Groups:

- Volkswagen with product lines:
 - Volkswagen passenger cars, Škoda, Bentley, Bugatti
- Audi with product lines: Audi, Seat and Lamborghini
- Commercial vehicles
- Financial services and Europcar
- Other companies

The principal activity of Volkswagen Group is the development, production and sale of passenger and commercial vehicles, engines, spare parts and accessories. Financial services are offered through Volkswagen Financial Services AG, a subsidiary.

Škoda Auto and its subsidiaries are included in the consolidation of Volkswagen Group's financial statements. Data from these consolidated financial statements, and other information regarding the Volkswagen Group, is available in the annual report of VOLKSWAGEN AG and on the internet sites of VOLKSWAGEN AG (website: www.volkswagen-ir.de).

31. General information about the Company

Establishment and basis of Company's business:

Škoda Auto was established as a legal entity on November 20, 1990. The Company's principal economic activities are the 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 maintained with the Municipal Court in Prague, Section B, Inset 332, with File No. Rg. B 332.

Organisational structure:

The organisational structure of the Company consists of the following main areas:

- Technical development
- Production and Logistics
- Quality
- Sales and Marketing
- Finance
- Personnel

Except for the main production site in Mladá Boleslav, the Company has two other production sites in Vrchlabí and Kvasiny.

Balance Sheet – Unabridged Version as at December 31

(in thousand CZK)

ASSETS		Row number	Current accounting period			2001	2000
			Gross	Provision	Net	Net	Net
a	b	c	1	2	3	4	5
	TOTAL ASSETS	001	120,260,424	(53,442,076)	66,818,348	66,610,615	66,660,977
A.	Receivables for subscribed capital	002					
B.	Fixed assets	003	97,534,016	(52,660,586)	44,873,430	45,008,183	39,174,741
B. I.	Intangible fixed assets	004	2,495,080	(1,603,216)	891,864	213,761	223,302
B. I. 1.	Establishment costs	005					
2.	Research & development	006	1,109,431	(1,083,672)	25,759	42,027	131,574
3.	Software	007	652,018	(467,786)	184,232	121,787	52,779
4.	Royalties	008	100,998	(48,524)	52,474	47,744	38,949
5.	Other intangible fixed assets	009	21,945	(3,234)	18,711	2,203	
6.	Intangible assets in the course of construction	010					
7.	Advances paid for intangible assets	011	610,688		610,688		
B.II.	Tangible fixed assets	012	94,290,712	(50,968,276)	43,322,436	44,088,949	38,229,431
B.II. 1.	Land	013	956,763		956,763	947,925	944,851
2.	Constructions	014	18,756,492	(4,080,468)	14,676,024	12,480,584	11,419,558
3.	Equipment	015	69,841,407	(46,887,808)	22,953,599	21,775,087	18,253,299
4.	Cultivated areas	016					
5.	Livestock	017					
6.	Other tangible fixed assets	018	36,624		36,624	32,178	22,011
7.	Tangible assets in the course of construction	019	4,171,975		4,171,975	8,311,155	7,546,398
8.	Advances paid for tangible fixed assets	020	527,451		527,451	542,020	43,314
9.	Adjustment to acquired fixed assets	021					
B.III.	Long-term investments	022	748,224	(89,094)	659,130	705,473	722,008
B.III. 1.	Investments in subsidiaries	023	509,769	(49,094)	460,675	509,487	509,487
2.	Investments in associates	024	3,498		3,498	3,498	3,400
3.	Other long-term investments in securities	025	39,477		39,477	51,177	77,177
4.	Intragroup loans	026					
5.	Other financial investments	027	195,480	(40,000)	155,480	141,311	131,944
6.	Long-term investments in progress	028					
7.	Advances paid for long-term investments	029					
C.	Current assets	030	22,371,437	(781,490)	21,589,947	20,708,074	26,802,482
C.I.	Inventories	031	7,845,056	(187,570)	7,657,486	7,517,274	9,014,089
C.I. 1.	Raw materials	032	3,005,192	(115,958)	2,889,234	2,864,105	3,817,254
2.	Work in progress and semi-finished products	033	1,579,365	(2,849)	1,576,516	1,816,035	2,511,175
3.	Finished goods	034	1,752,226	(51,974)	1,700,252	1,452,134	1,419,198
4.	Livestock	035					
5.	Goods for resale	036	1,508,273	(16,789)	1,491,484	1,385,000	1,266,462
6.	Prepayments for inventory	037					
C.II.	Long-term receivables	038	977,863		977,863		
C.II. 1.	Long-term trade receivables	039					
2.	Long-term receivables from shareholders/owners	040					
3.	Long-term receivables from subsidiaries	041					
4.	Long-term receivables from associates	042					
5.	Other long-term receivables	043	977,863		977,863		
C.III.	Short-term receivables	044	13,208,406	(593,920)	12,614,486	11,989,295	16,945,579
C.III. 1.	Trade receivables	045	9,288,739	(502,293)	8,786,446	7,750,161	11,569,524
2.	Receivables from shareholders/owners	046					
3.	Receivables for social security	047					
4.	Taxes and state subsidies receivable	048	3,512,138		3,512,138	4,002,224	4,994,484
5.	Receivables from subsidiaries	049					
6.	Receivables from associates	050					
7.	Other receivables	051	407,529	(91,627)	315,902	236,910	381,571
C.IV.	Financial assets	052	340,112		340,112	1,201,505	842,814
C.IV. 1.	Cash in hand	053	3,296		3,296	1,953	5,207
2.	Cash at bank	054	336,816		336,816	1,199,552	837,607
3.	Short-term investments	055					
4.	Short-term investments in progress	056					
D.	Other assets	057	354,971		354,971	894,358	683,754
D.I.	Accruals and deferrals	058	312,952		312,952	746,491	633,927
D.I. 1.	Prepaid expenses	059	312,952		312,952	746,491	633,927
2.	Accrued revenue	060					
D.II.	Anticipated assets	061	42,019		42,019	147,867	49,827

LIABILITIES AND EQUITY		Row number	Current accounting period	2001	2000
a	b	c	6	7	8
TOTAL LIABILITIES AND EQUITY		062	66,818,348	66,610,615	66,660,977
A.	Equity	063	29,816,971	28,157,444	26,032,625
A.I.	Registered capital	064	16,708,850	16,708,850	16,708,850
A.I.	1. Registered capital	065	16,708,850	16,708,850	16,708,850
	2. Own shares held	066			
	3. Changes in registered capital not yet registered	067			
A.II.	Capital contributions	068	802,212	1,578,172	1,578,172
A.II.	1. Share premium	069	1,578,172	1,578,172	1,578,172
	2. Other capital contributions	070			
	3. Assets and liabilities revaluation	071	(775,960)		
	4. Merger revaluation reserve	072			
A.III.	Reserve funds	073	583,638	477,191	310,376
A.III.	1. Statutory reserve fund	074	583,638	477,191	310,376
	2. Non-distributable reserves	075			
	3. Statutory and other reserves	076			
A.IV.	Retained earnings	077	9,897,130	7,264,294	4,098,914
A.IV.	1. Retained profits	078	9,897,130	7,264,294	4,098,914
	2. Accumulated losses	079			
A.V.	Profit (loss) for the current period	080	1,825,141	2,128,937	3,336,313
B.	Liabilities	081	32,322,609	32,052,848	37,433,811
B.I.	Provisions	082	4,397,973	3,938,801	4,284,200
B.I.	1. Tax-deductible provisions	083	157,036	361,080	396,624
	2. Income tax provision	084	247,273	126,059	
	3. Non-deductible provisions	085	3,993,664	3,451,662	3,887,576
	4. Deferred tax liability (asset)	086			
B.II.	Long-term liabilities	087	10,000,000	10,000,000	10,000,000
B.II.	1. Long-term liabilities to subsidiaries	088			
	2. Long-term liabilities to associates	089			
	3. Long-term advances received	090			
	4. Debentures and bonds issued	091	10,000,000	10,000,000	10,000,000
	5. Long-term bills of exchange payable	092			
	6. Other long-term liabilities	093			
B.III.	Short-term liabilities	094	12,924,636	16,114,047	18,299,611
B.III.	1. Trade payables	095	11,387,920	15,286,306	17,551,075
	2. Liabilities to shareholders/owners	096			
	3. Payroll payable and other liabilities to employees	097	326,070	320,281	40,466
	4. Liabilities for social insurance	098	193,413	188,635	188,529
	5. Taxes and state subsidies payable	099	55,872	54,383	54,621
	6. Liabilities to subsidiaries	100			
	7. Liabilities to associates	101			
	8. Other payables	102	961,361	264,442	464,920
B.IV.	Bank loans & overdrafts	103	5,000,000	2,000,000	4,850,000
B.IV.	1. Long-term bank loans	104			
	2. Short-term bank loans and overdrafts	105	5,000,000	2,000,000	4,850,000
	3. Other short-term borrowings	106			
C.	Other liabilities	107	4,678,768	6,400,323	3,194,541
C.I.	Accruals and deferrals	108	2,641	315,130	19,894
C.I.	1. Accruals	109			
	2. Deferred revenue	110	2,641	315,130	19,894
C.II.	Anticipated liabilities	111	4,676,127	6,085,193	3,174,647

Income Statement – Unabridged Version for the Period ended December 31

(in thousand CZK)

		Row number	Current accounting period	2001	2000
a	b	c	1	2	3
i.	Sales of goods	01	8,568,724	7,229,702	6,079,724
A.	Cost of goods sold	02	4,349,789	3,974,016	3,352,780
	Gross profit	03	4,218,935	3,255,686	2,726,944
II.	Sales of production	04	138,964,453	147,154,437	132,676,031
II. 1.	Sales of own products and services	05	137,124,802	146,041,078	130,203,513
2.	Change in inventory of finished goods and work in progress	06	63,422	(660,603)	102,666
3.	Own work capitalised	07	1,776,229	1,773,962	2,369,852
B.	Cost of sales	08	121,127,247	128,114,131	116,426,226
B. 1.	Raw materials and consumables	09	105,518,478	112,376,368	102,643,387
B. 2.	Services	10	15,608,769	15,737,763	13,782,839
	Added value	11	22,056,141	22,295,992	18,976,749
C.	Staff costs	12	7,833,945	7,582,947	7,464,855
C. 1.	Wages and salaries	13	5,761,417	5,511,453	5,486,721
C. 2.	Emoluments of board members	14	435	414	497
C. 3.	Social security costs	15	1,963,275	1,963,737	1,878,355
C. 4.	Other social costs	16	108,818	107,343	99,282
D.	Taxes and charges	17	33,344	44,646	42,336
E.	Depreciation of long-term assets	18	10,826,268	9,646,109	7,767,963
III.	Sale of long-term assets and raw materials	19	1,707,832	1,927,847	1,862,988
F.	Net book amount of long-term assets and raw materials sold	20	1,379,677	1,594,633	1,422,305
IV.	Provisions written back to operating income	21	2,332,564	2,185,078	2,500,771
G.	Provisions for operating liabilities and charges	22	2,760,277	1,846,834	1,875,147
V.	Amounts written back to operating assets	23	426,746	181,310	488,690
H.	Amounts written off operating assets	24	451,723	314,533	108,000
VI.	Other operating income	25	1,269,349	1,758,648	1,186,276
I.	Other operating charges	26	830,657	2,676,214	1,130,522
VII.	Adjustments to operating income	27			
J.	Adjustments to operating expense	28			
*	Operating result	29	3,676,741	4,642,959	5,204,346

		Row number	Current accounting period	2001	2000
a	b	c	1	2	3
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	22,494	19,503	12,669
IX. 1.	Income from investments in subsidiaries	33	22,494	16,763	10,943
2.	Income from investments in other participating interests	34		2,740	1,726
3.	Income from other long-term investments	35			
X.	Income from short-term investments	36			
L.	Loss on investments	37			
XI.	Gain on revaluation of securities	38			
M.	Loss on revaluation of securities	39			
XII.	Provisions written back to financial income	40	27,862	86,332	10,260
N.	Provisions for financial liabilities and charges	41		27,862	86,332
XIII.	Amounts written back on investments	42			
O.	Amounts written off investments	43	48,812		
XIV.	Interest income	44	153,604	248,686	218,130
P.	Interest expense	45	1,193,986	1,231,559	677,312
XV.	Other financial income	46	3,562,613	1,988,947	2,266,337
Q.	Other financial expense	47	3,711,743	3,088,999	2,772,709
XVI.	Adjustments to financial income	48			
R.	Adjustments to financial expense	49			
*	Financial result	50	(1,187,968)	(1,968,657)	(1,028,957)
S.	Tax on profit or loss on ordinary activities	51	663,632	545,365	839,076
S. 1.	- current	52	801,259	545,365	839,076
2.	- deferred	53	(137,627)		
**	Profit or loss on ordinary activities after taxation	54	1,825,141	2,128,937	3,336,313
XVII.	Extraordinary income	55			
T.	Extraordinary charges	56			
U.	Tax on extraordinary profit or loss	57			
U. 1.	- current	58			
2.	- deferred	59			
*	Profit (loss) on extraordinary items after taxation	60			
W.	Profit (loss) share apportioned to partners [partnership only]	61			
***	Net profit (loss) for the financial period	62	1,825,141	2,128,937	3,336,313
	Profit (loss) before taxation	63	2,488,773	2,674,302	4,175,389

Controlling Report

Report on relations between VOLKSWAGEN AG, the controlling entity, and ŠKODA AUTO a.s., the controlled entity, and between ŠKODA AUTO a.s. and other entities controlled by VOLKSWAGEN AG in the accounting period January 1, 2002 – December 31, 2002

The report on relations between VOLKSWAGEN AG, 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 January 1, 2002 – December 31, 2002 (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

Škoda Auto concluded vehicle sale contracts with the following companies:

SkodaAuto Deutschland GmbH

VOLKSWAGEN Group United Kingdom Ltd.

Svenska Volkswagen AB

AUTOGERMA S. p. A.

Groupe VOLKSWAGEN France s.a.

Volkswagen-Audi España, S.A.

b) spare parts

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

c) other

Škoda Auto entered into service sale contracts (IT services, research and development cooperation, education) with the following companies:

VOLKSWAGEN AG

ŠKO-ENERGO, s.r.o.

Import VOLKSWAGEN Group s.r.o.

ŠKODA AUTO Slovensko s.r.o.

ROLLS-ROYCE & BENTLEY MOTOR CARS LIMITED

INIS International Insurance Service s.r.o.

VOLKSWAGEN SLOVAKIA, a.s.

2. Purchase of goods and services

a) production material

Škoda Auto concluded production material purchase contracts with the following companies:

AUDI AG
AUDI HUNGARIA MOTOR Kft.
Automobilmanufaktur Dresden GmbH
SEAT, S.A.
VOLKSWAGEN AG
Volkswagen Argentina S.A.
Volkswagen Bordnetze GmbH
Volkswagen de México, S.A. de C.V.
Volkswagen do Brasil Ltda.
Volkswagen Navarra, S.A.
Volkswagen Poznan Sp. z o.o.
Volkswagen Sachsen GmbH
VOLKSWAGEN SLOVAKIA, a.s.
Gearbox del Prat, S.A.

b) indirect material and services

Škoda Auto entered into the following indirect material and service purchase contracts (indirect material and services purchase, research and development cooperation, IT services, licences, software and hardware supplies, customer services consultancy, logistic systems support, logistic systems consultancy, standardization cooperation, rent of realties, rent of testing areas) with the following companies:

VOLKSWAGEN AG
gedas ČR s.r.o.
VOLKSWAGEN OF AMERICA, INC.
Volkswagen of South Africa (Pty.) Ltd.
gedas deutschland GmbH
VW Wohnungs GmbH & Co. KG
AUDI HUNGARIA MOTOR Kft.
AUDI AG
Volkswagen-Bildungsinstitut GmbH
Volkswagen Coaching Gesellschaft mbH
Volkswagen Immobilien Service GmbH
Volkswagen do Brasil Ltda.
Volkswagen de México, S.A. de C.V.
MMI Marketing Management Institut GmbH
VOLKSWAGEN Group Japan K.K.

c) spare parts

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

d) investment

Škoda Auto entered into investment purchase contracts with the following companies:

gedas ČR s.r.o.
VOLKSWAGEN AG
AUDI AG
Import VOLKSWAGEN Group s.r.o.

3. Other contractual relationships

Škoda Auto also established contractual relationships (marketing services, support, financial services) with the following companies:

VOLKSWAGEN AG

Volkswagen Coaching Gesellschaft mbH

Groupe VOLKSWAGEN France s.a.

SkodaAuto Deutschland GmbH

ŠkoFIN s.r.o.

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.

Total value of all transactions with related parties during the Accounting Period is disclosed in note 28 of the notes to financial statements.

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

ŠKODA AUTO a.s.
Tř. Václava Klementa 869
293 60 Mladá Boleslav
Czech Republic
Telephone: +420/326 831 144
Fax: +420/326 817 849
www.skoda-auto.com