SIMPLY CLEVER

Cars for Life

ŠkodaAuto
Annual Report 2009

We perceive the world around us as inspiring and motivating. We put into our cars proven mechanisms, forms and structures, and effectively achieving perfection in both the whole and in the details is our greatest challenge and goal.

Škoda Auto
Annual Report 2009

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Introduction

We are continuing the legacy of our founders Laurin and Klement: "*Only the best that we can do is good enough for our customers*". In our work we focus attention on every detail. We are proud that, thanks to flexible production and adherence to the strategy of ongoing model development, we were able to carry on this important legacy through 2009, a year marked by a severe global economic crisis.

Foreword by the Chairman of the Board

Dear and valued friends of the Škoda brand:

Please let me begin this foreword by briefly looking back and assessing everything that happened to our Company in 2009.

The year 2008 saw many adverse events that impacted our business, such as the strong Czech Koruna and the growth in the prices of raw materials – to name a few. And suddenly nobody was willing to guess or to predict what kind of bad surprise would be coming next. As early as in the second half of 2008, the world of business started to feel the threat posed by the emergence of the global financial crisis, which clearly affected the worldwide business of the Škoda Auto Group, as well as the entire automotive industry.

Hitherto reliable forecasts became fraught with uncertainty. Economic recession was what shaped the whole year 2009 and only strong and healthy corporations managed to survive this period of risk and uncertainty. Thanks to the flexibility of our production and continuation of our strategy of periodic model upgrades, our sales results stabilised around the 2008 level. We are proud that we were able to preserve jobs and to keep our core employees.

Deliveries of vehicles to customers again increased, thanks primarily to China and the Western European markets, where the introduction of scrappage programmes supported sales. This year in China, the Škoda brand exceeded the magic threshold of 100,000 vehicles sold. The strongest market in Western Europe was Germany, where Škoda managed to significantly increase its market share. In addition to sales success, we continued with the launch of complete production of our vehicles abroad. In 2009, we began full production in Kaluga, Russia, as well as at a partner factory in Pune, India.

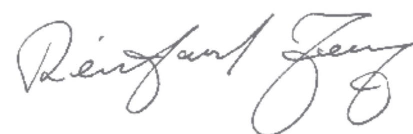
In the first half of the year, we introduced a new vehicle to the public and to the global markets in the completely new SUV segment – the Škoda Yeti. The reactions of dealers and customers indicate that we chose the right direction. During the year, the Škoda Yeti also scored high with the media and expert public. In the second half of the year, our flagship product got a new addition in the likeness of the Škoda Superb Combi. With its new body, the already spacious Superb gained enormous luggage space and numerous new technologies. From the derivatives of our existing models, I must mention not only the attractive Škoda Fabia Scout, but also the popular sporty and the somewhat faster Škoda Octavia RS in liftback and combi versions. The Škoda Octavia Scout found many fans thanks to the generous luggage space of its combi body and off-road ability made possible by its high ground clearance and four-wheel drive.

We were able to broaden our selection of ecological cars, which illustrates our responsible approach to the environment and our concern for the climate. A new product in this area is the Škoda Octavia GreenLine with a 1.6 diesel engine and Common Rail fuel–injection technology, whose CO2 emissions per kilometre amount to a mere 114 g. For alternative–fuel enthusiasts, we launched production of an LPG-powered Škoda Octavia.

In the meantime, during the second half of the year, we actively initiated discussions on many issues concerning the long-term sustainability of the automotive industry. We did that at a conference held in Mladá Boleslav which was attended by influential politicians from the European Union, academia and industry. Together we have outlined a feasible outlook for the future of the automotive industry, which we now must face responsibly.

Like us, the entire automotive industry expects a trying time in 2010. However, we see it as a year full of challenges and opportunities which will allow us to emerge from the crisis stronger and wiser.

In conclusion, I would like to extend my most heartfelt gratitude to everyone who helped us to get successfully through this challenging time, to everyone whom the future of our Company depends and who contributed through their hard work to the continued positive development of the Company and the success of the Škoda brand at home and abroad.



Reinhard Jung
Chairman of the Board

Key Figures and Financial Results according to IFRS

		Škoda Auto Group			Škoda Auto Company		
		2007	2008	2009	2007	2008	2009
Production, Sales and Technical Data*							
Deliveries to customers	vehicles	630,032	674,530	684,226	630,032	674,530	684,226
Sales	vehicles	619,635	625,819	551,604	623,085	622,090	539,382
Sales of Škoda cars	vehicles	617,269	621,683	545,690	623,085	622,083	539,380
Production	vehicles	623,291	606,614	522,542	623,529	603,247	519,910
Production of Škoda cars	vehicles	622,811	603,981	519,645	623,529	603,247	519,910
Employees	persons	29,141	26,695	26,153	27,753	25,331	24,817
of which: External persons	persons	4,680	1,759	2,035	4,194	1,709	1,986
Income Statement							
Sales	CZK million	221,967	200,182	187,858	211,026	188,572	170,666
Gross profit	CZK million	36,493	28,659	21,562	30,161	22,972	14,798
	% of revenues	16.4	14.3	11.5	14.3	12.2	8.7
Operating profit	CZK million	19,784	13,620	5,924	19,021	12,636	4,724
	% of revenues	8.9	6.8	3.2	9.0	6.7	2.8
Profit before income tax	CZK million	19,860	13,376	4,702	19,446	13,287	4,381
Profit before income tax-to-revenues ratio	%	8.9	6.7	2.5	9.2	7.0	2.6
Profit for the year**	CZK million	15,982	10,818	3,462	15,892	11,267	3,439
Profit for the year-to-sales ratio	%	7.2	5.4	1.8	7.5	6.0	2.0
Balance sheet/Financing							
Non-current assets	CZK million	56,767	60,017	59,083	56,903	60,119	59,926
Current assets	CZK million	59,014	62,439	59,293	48,658	51,276	48,099
of which: Lendings	CZK million	25,592	25,766	13,562	25,592	25,015	13,562
Equity**	CZK million	67,034	71,608	68,180	66,532	71,721	68,519
Non-current liabilities	CZK million	13,940	13,693	13,535	10,281	9,782	10,148
of which: Nominal value of bonds	CZK million	2,000	2,000	–	2,000	2,000	–
Current liabilities	CZK million	34,807	37,155	36,661	28,748	29,892	29,358
of which: Nominal value of bonds	CZK million	–	–	2,000	–	–	2,000
Total Assets	CZK million	115,781	122,456	118,376	105,561	111,395	108,025
Cash flows from operating activities***	CZK million	30,787	13,014	26,529	29,275	13,978	22,321
Cash flows from investing activities	CZK million	−13,785	−16,147	−10,942	−13,913	−14,445	−11,454
Cash flows from financing activities***	CZK million	−13,720	165	−9,608	−12,388	−8,652	−817
R&D expenditure	CZK million	5,459	5,461	5,733	5,459	5,461	5,733
Investment ratio	%	4.9	5.6	5.4	4.9	5.4	6.0
Net liquidity***	CZK million	29,736	19,413	29,595	26,283	18,676	24,109
Equity ratio	%	57.9	58.5	57.6	63.0	64.4	63.4
Equity-to-fixed assets ratio	%	118.1	119.3	115.4	116.9	119.3	114.3

* Definitions of volume indicators are provided in the summary of selected terms and abbreviations on page 221.

** Consolidated figures are given net of minority shares.

*** In 2009 part of the financial payables was reclassified in the category of trade payables, which affected the comparable data from 2008 and 2007. Detailed information including reclassifications of amounts is set forth in the financial section of the Annual Report in the chapter Consolidated Financial Statement and Separate Financial Statement in item 1.3.

Milestones of 2009

1st Quarter

JANUARY
- First ever start of the Škoda Fabia S2000 in the Rallye Monte Carlo.

FEBRUARY
- Anniversary – Fifty years since production of the first Octavia model began.

MARCH
- World premier of the new Škoda Yeti and Škoda Fabia Scout at the Geneva Motor Show in Switzerland.
- Annual press conference for 2008.

2nd Quarter

APRIL
- Production of the seven-millionth Škoda car since the merger with the Volkswagen Group in 1991.
- Škoda Auto participates in the Shanghai Motor Show in China.
- Škoda Auto is a general sponsor of the IIHF Ice Hockey World Championship in Switzerland.

MAY
- Series production of the Škoda Yeti begins.
- The Vrchlabí plant celebrates its 100th anniversary.
- Škoda Auto is a general sponsor of Giro ďItalia.

JUNE
- World premier of the rejuvenated Octavia RS and Octavia Scout at the Brno Motor Show in the Czech Republic.
- Škoda Auto is a general sponsor of the International Film Festival for Children and Youth in Zlín.
- Series production of the Škoda Superb begins in China.

Overview of selected awards presented to Škoda in 2009

- The Škoda Superb received the prestigious 2009 Car of the Year (COTY) award in Estonia, Bulgaria, Bosnia and Herzegovina, Serbia, Slovakia, Ukraine and the Czech Republic. The Škoda Superb was named Family Car of the Year in Belgium and won the Best Cars competition in Germany and the Czech Republic. The Škoda Superb GreenLine was named Ecological Car of the Year in Austria.
- The Škoda Fabia simultaneously won in two categories in India – Car of the Year 2009 and Compact Car of the Year.
- The Škoda Yeti received the Golden Steering Wheel award in Switzerland, where it was also recognised in the category "Best Price/Utility-Value Ratio for 2009". In Germany, the Škoda Yeti took first place in the Auto Trophy survey in the category "Off-Road Vehicle/Import priced up to EUR 30,000". In the Czech Republic, the Škoda Yeti was named Car of the Year by the Czech Motoring Journalists Club.
- Škoda was named the "Golden Brand of 2008" in Russia.
- Škoda Auto won the competition organised by the association Czech Top 100 "100 most important companies in the Czech Republic in 2008" and was also named Exporter of the Year.
- Škoda Auto received the Trebbia 2009 award for its support of culture and art in the Czech Republic.

3rd Quarter

JULY
- Škoda Auto is a general sponsor of the Tour de France.
- Modernised Škoda pavilion opened at Autostadt in Wolfsburg.

AUGUST
- Škoda Fabia S2000 participates in the Czech Rallye Zlín.

SEPTEMBER
- World premier of the Škoda Superb Combi at the Frankfurt Auto Show.
- Organisation of the international conference on the topic "Sustainability of the Automotive Industry"

4th Quarter

OCTOBER
- Full production of the Škoda Octavia begins in Kaluga, Russia.

NOVEMBER
- Series production of the Škoda Superb Combi begins.
- Production of the 1.2 TSI engine begins.
- Anniversary – 110 years since the start of production of L&K internal-combustion engines.

DECEMBER
- The Škoda brand enters another new market – Taiwan.

Škoda Auto Group Profile

Like Škoda Auto itself, our cars have covered much ground. Since the Company's entry into the Volkswagen Group, we have tripled production, substantially broadened the product portfolio and strengthened the image of the Škoda brand. Our cars provide high quality, timeless design, modern technologies and an attractive price/value relationship. These results both motivate us and represent an enormous challenge and goal for the coming years.

Who We Are

Škoda Auto is one of the most significant corporate groups in the Czech Republic. It comprises the parent company ŠKODA AUTO a.s., its fully consolidated subsidiaries Škoda Auto Deutschland GmbH, ŠKODA AUTO Slovensko, s.r.o., Skoda Auto Polska S.A. and Skoda Auto India Private Ltd., and the affiliated company OOO VOLKSWAGEN Group Rus.

ŠKODA AUTO a.s.

The parent company, ŠKODA AUTO a.s., is a Czech company with a tradition of automotive manufacturing dating back more than a century, making Škoda one of the world's oldest automotive brands. The Company's principal business consists in the development, manufacturing and sale of Škoda-brand automobiles, components and genuine parts and accessories and the provision of maintenance services. Since 18 July 2007, the sole shareholder of the parent company, ŠKODA AUTO a.s., has been Volkswagen International Finance N.V. with its seat in Amsterdam, the Kingdom of the Netherlands. Volkswagen International Finance N.V. is an indirect 100% subsidiary of VOLKSWAGEN AG.

Škoda Auto Deutschland GmbH

Škoda Auto Deutschland GmbH was established in 1991 and has been a subsidiary of ŠKODA AUTO a.s. since 1995. The company's principal business comprises the purchase and sale of vehicles, genuine parts and accessories.

ŠKODA AUTO Slovensko, s.r.o.

ŠKODA AUTO Slovensko, s.r.o. was established in 1993 as a subsidiary of ŠKODA AUTO a.s. Its principal business is focused on the purchase and sale of vehicles, genuine parts and accessories.

ŠKODA AUTO a.s.
based in Mladá Boleslav, the Czech Republic

Škoda Auto Deutschland GmbH
based in Weiterstadt, Germany
Škoda Auto stake: 100%

ŠKODA AUTO Slovensko, s.r.o.
based in Bratislava, Slovakia
Škoda Auto stake: 100%

Skoda Auto Polska S.A.
S.A. based in Poznan, Poland
Škoda Auto stake: 51%

Skoda Auto India Private Ltd.
based in Aurangabad, India
Škoda Auto stake: 100%

OOO VOLKSWAGEN Group Rus
based in Kaluga, Russia
Škoda Auto stake: 16.8%

Skoda Auto Polska S.A.

This company was established in 1994 and became a subsidiary of ŠKODA AUTO a.s. in the same year. It is engaged in the purchase and sale of vehicles, genuine parts and accessories.

Skoda Auto India Private Ltd.

This company was established as a subsidiary of ŠKODA AUTO a.s. in 1999 and began assembling vehicles in 2001. Its principal business consists in the purchase, manufacture and sale of vehicles, genuine parts, accessories and other goods.

OOO VOLKSWAGEN Group Rus

This company was established on 12 January 2009 through the merger of the affiliated company OOO VOLKSWAGEN Rus with OOO VOLKSWAGEN Group Rus, which became the company's successor. The merger resulted in the demise of the affiliate OOO VOLKSWAGEN Rus and an adjustment of the ŠKODA AUTO a.s. company share in the basic capital of the successor company OOO VOLKSWAGEN Group Rus, which amounted to 16.8% as at 31 December 2009. The company's principal business consists of the purchase, manufacture and sale of vehicles, genuine parts and accessories.

Where We Stand

Since becoming a part of the Volkswagen Group, Škoda Auto has more than tripled its production, has significantly expanded its product portfolio and has strengthened the image of the Škoda brand. Furthermore, it has built an extensive sales and service network while successfully establishing itself in advanced international markets.

Škoda Auto Group

– operates in more than 100 markets around the world, in which it delivered 684,226** vehicles to customers in 2009;

– is one of the largest corporate groups in the new European Union member states as measured by turnover, having achieved total revenues of CZK 188 billion in 2009;

– is a major employer; in 2009 the Company employed a total of 26,153 people, of which 1,336 were employed in subsidiaries;

– in the Czech Republic in recent years, the Company has placed at the top of the CZECH TOP 100 ranking of firms in the “Most Significant Company” and “Most Admired Company” categories;

– is the Czech Republic’s most significant exporter, with a 7%* share in the country’s exports;

– is a socially responsible company: in 2007, Škoda Auto committed itself to the principles of the Czech Code of Corporate Governance. The Company is a long-term supporter of a range of publicly beneficial projects in the social area, and unceasingly exerts maximum effort in caring for the environment.

* estimate for 2009

** including vehicles produced at partner factories

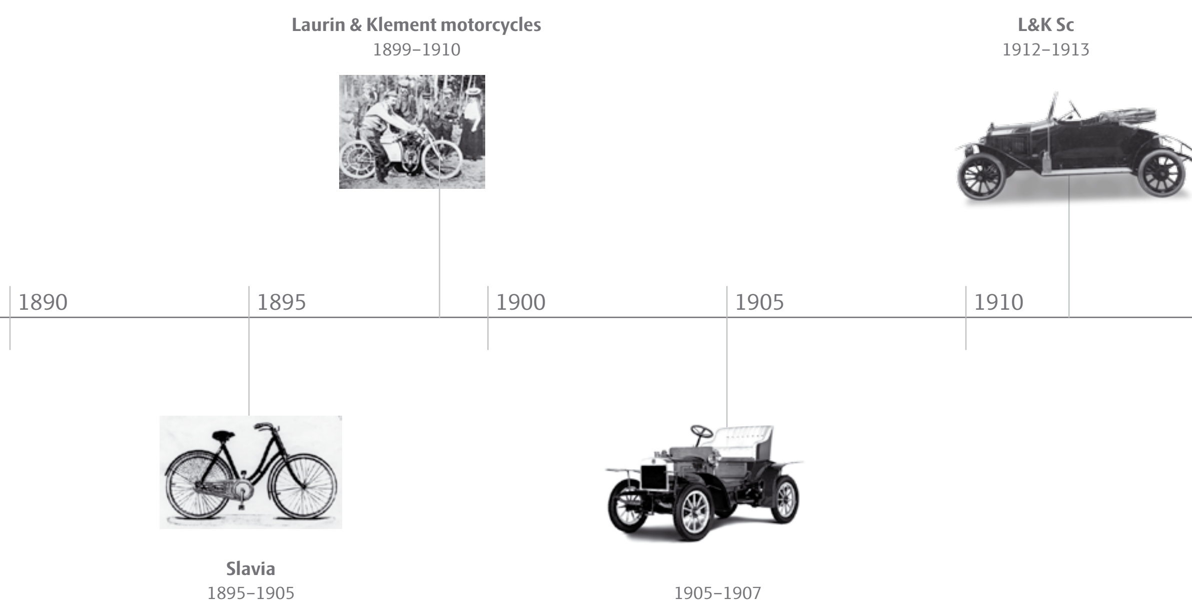
The ecological Škoda Superb GreenLine served for transporting ministers and delegations of member countries during working meetings when the Czech Republic held the European Union presidency. The ecological cars Škoda were used, for example, during the EU-US summit attended by President Barack Obama of the United States as well as for meetings of European environment ministers.

Whence We Come

Only a very small number of the world's carmakers can boast uninterrupted manufacturing of automobiles over a period of more than one hundred years. The path to the Company's present prosperity began in 1895, when Václav Laurin and Václav Klement began manufacturing bicycles under the Slavia brand. Four years later the firm Laurin & Klement commenced production of motorcycles.

1905
The first Laurin & Klement automobile, called the "Voiturette A", rolls out of the factory and thanks to its quality and attractive appearance soon gains a stable position in the emerging international automobile markets.

1907
The joint-stock company Laurin & Klement is established and exports cars to markets in nearly all corners of the world.



1908
Laurin & Klement celebrates a major sporting success. The racing version of the Company's "Model F" wins all classes in which it started on the race track in Semmering.

1925
Laurin & Klement merges with the Plzeň-based Škoda machine works.

1930
ASAP (Akciová společnost pro automobilový průmysl – Automotive Industry Joint-Stock Company) is established and commences then-revolutionary assembly line production.

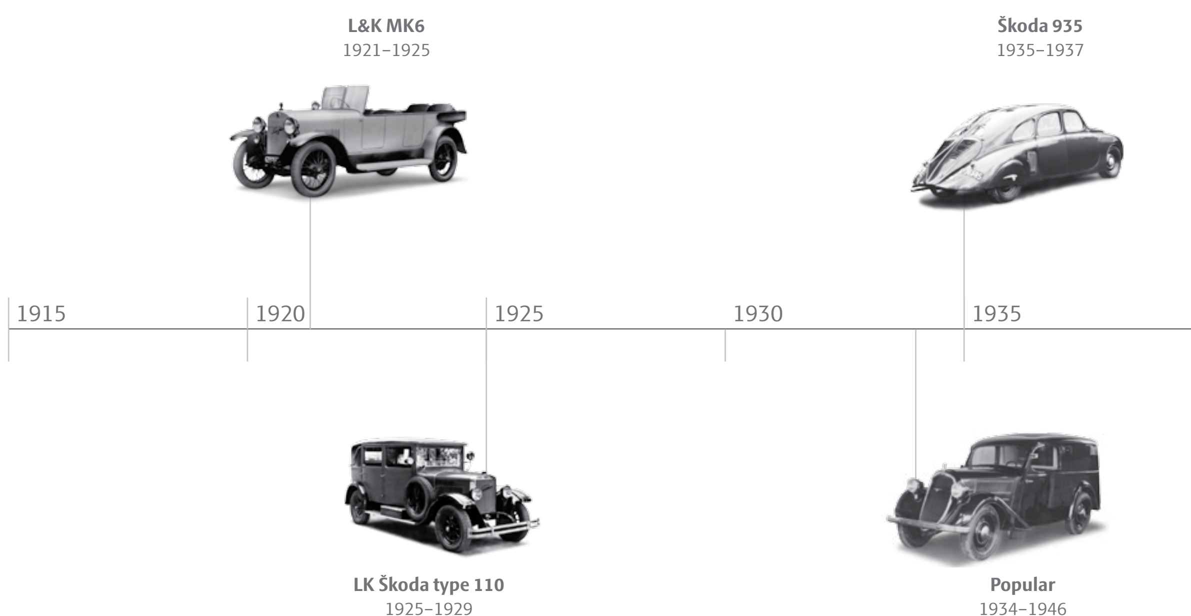
1945
The Company is nationalised in autumn 1945. Its post-war reconstruction is conducted under the name AZNP (Automobilové závody, národní podnik – Automotive Plants, National Enterprise).

1958
The Škoda 450 – forerunner of the legendary Škoda Felicia cabriolet, enters series production.

1987
Introduction of the long-awaited Škoda Favorit, a car with a modern design that later helped to transform Škoda Auto.

1991
A new chapter in the Company's history begins on 16 April, when it is acquired by the strategic partner Volkswagen. Škoda thus becomes the Volkswagen Group's fourth brand.

1998
The Mladá Boleslav-based carmaker changes its name from Škoda automobilová a.s. to the current ŠKODA AUTO a.s.



Product Portfolio

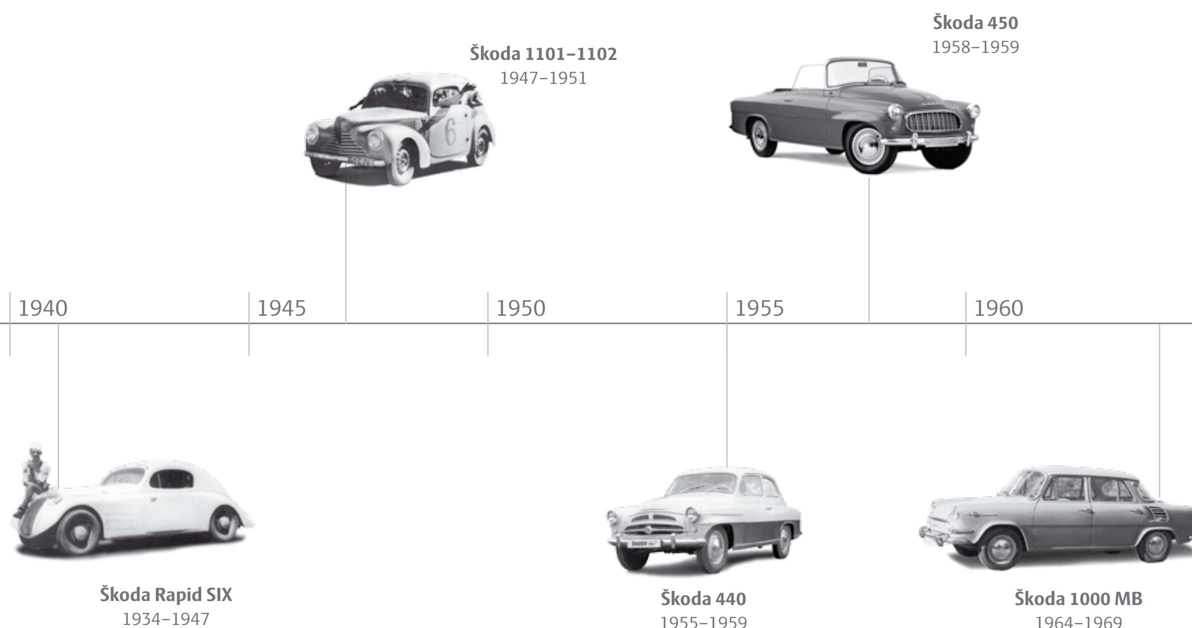
Škoda products and services are designed according to the customers' requirements and offer practical solutions for everyday driving. The extensive product range offers vehicles that optimally meet the needs of all customers, from families with children to young couples and businesspeople.

Development of the Škoda brand has advanced by leaps and bounds in recent years. New and modernised vehicle models covering various market segments have been introduced as sales have grown. Regardless of the model, customers always find the features that distinguish Škoda cars – abundant interior space accompanied by intelligent and practical technical solutions in keeping with principle of "Simply Clever", outstanding quality, bold and attractive design and an excellent price/value ratio. It is a matter of course that our vehicles are considerate of the environment, particularly the GreenLine variants, which more than fulfil statutory emissions requirements.

The Škoda product portfolio included the following model lines in 2009:

Škoda Fabia

Segment:	compact
In production since:	1999, 2nd generation since 2007
Models:	hatchback, combi
Variants:	Classic, Ambiente, Sport, Elegance, Scout*, SportLine, GreenLine
Engine options:	petrol engines 1.2 HTP/44 kW, 1.2 HTP/51 kW, 1.4 MPI 16 V/63 kW, 1.6 MPI 16 V/77 kW, diesel engines** 1.4 TDI PD/51 kW, 1.4 TDI PD/59 kW**, 1.9 TDI PD/77 kW



Škoda Roomster

Segment:	small MPV
In production since:	2005
Models:	hatchback
Variants:	Roomster, Style, Sport, Comfort, Scout, Praktik
Engine options:	petrol engines 1.2 HTP/51 kW, 1.4 MPI 16 V/63 kW, 1.6 MPI 16 V/77 kW, diesel engines** 1.4 TDI PD/51 kW, 1.4 TDI PD/59 kW, 1.9 TDI PD/77 kW

Škoda Octavia

Segment:	lower mid-range
In production since:	2004
Models:	liftback, combi
Variants:	Classic, Ambiente***, Elegance***, Laurin & Klement ***, RS, Scout*, GreenLine
Engine options:	petrol engines 1.4 MPI/59 kW, 1.4 TSI/90 kW, 1.6 MPI/75 kW, 1.8 TSI/118 kW, 2.0 TSI/147 kW, diesel engines** 1.6 TDI CR/77 kW, 1.9 TDI PD/77 kW, 2.0 TDI PD/103 kW, 2.0 TDI CR/125 kW*****

* combi model only,
** diesel engines with diesel particulate filter (DPF) for selected markets,
*** 4x4 version of the combi model is also available,
**** 4x4 only,
***** RS only,
****** liftback model only

Škoda 110R
1975–1980

Škoda 105
1976–1987

Škoda Favorit
1987–1995

1965 1970 1975 1980 1985

Škoda 1203
1968–1981

Škoda 130
1984–1988

Škoda Octavia Tour

Segment:	lower mid-range
In production since:	1996
Models:	liftback, combi
Engine options:	petrol engines 1.4 MPI/55 kW, 1.6 MPI/75 kW, 1.8 T/110 kW, diesel engines** 1.9 TDI PD/74 kW

Škoda Yeti

Segment:	compact SUV
In production since:	2009
Models:	hatchback
Variants:	Yeti, Active, Ambition****, Experience****
Engine options:	petrol engines 1.2 TSI/77 kW, 1.8 TSI/118 kW, diesel engines** 2.0 TDI CR/81 kW, 2.0 TDI CR/103 kW, 2.0 TDI CR/125 kW

Škoda Felicia
1994–2001

Škoda Superb
since 2001

1990 | 1995 | 2000 | 2005 | 2010

Škoda Octavia
since 1996

Škoda Yeti
since 2009

Škoda Superb

Segment:	upper mid-range
In production since:	2001,2nd generation since 2008
Models:	liftback, combi
Variants:	Comfort, Ambition, Elegance, Exclusive, GreenLine******
Engine options:	petrol engines 1.4 TSI/92 kW, 1.8 TSI/118 kW, 3.6 FSI/191 kW****, diesel engines** 1.9 TDI PD/77 kW, 2.0 TDI PD/103 kW, 2.0 TDI CR/125 kW***

Other production

Škoda Auto also produces other automotive components, which it delivers to other companies in the Volkswagen Group. The Company's product portfolio thus includes the 1.2 HTP 44 kW 6V and 1.2 HTP 51 kW 12V small-capacity engines. Beginning in the second half of the year, the 1.2 TSI 77 kW engine and MQ100 and MQ200 transmissions with high gear-shifting comfort and low noise were added to the portfolio. Škoda Auto concurrently manufactures metal semifinished products as well as engine and transmission components.

* combi model only,
** diesel engines with diesel particulate filter (DPF) for selected markets,
*** 4x4 version of the combi model is also available,
**** 4x4 only,
***** RS only,
****** liftback model only

Strategy and Short-term Outlook

What drives us forward is our desire for perfection in our cars and the satisfaction of our customers, to whom we give our best. We endeavour to achieve the highest level of quality in the cars we produce and all services that we provide in order to satisfy the ever rising demands of customers. We actively seek out ways to make them more comfortable, so that each ride is pleasant and carefree.

Where We Are Headed

Only a few of the world's carmakers can boast an uninterrupted tradition of manufacturing dating back more than a century. Škoda Auto is one of them. This tradition motivates us and serves as a symbol of our dedication. And it is something that we want to build on and further develop in future.

Strategy

"Strategy 2018" is an integral part of the planning process of the Škoda Auto Group as well as of the entire Volkswagen Group. It comprises the cornerstone for fulfilling the Group's vision and goals, as well as for maintaining its long-term prosperity and competitiveness. The strategy sets out the main points of the Company's philosophy, policy and relations with employees and interest groups, defines the basic competencies, image and identity of the Škoda brand and determines its position on the market. At the same time, it defines the Group's primary goals for the period until 2018 in the areas of regional and international production, sales markets, finance, quality and social responsibility. The objectives defined in "Strategy 2018" remain valid even in the currently unfavourable economic conditions.

Markets and Products

The strategic objective in the area of markets is to further strengthen the Company's position in Western Europe while concurrently maintaining its dominant position in Central Europe. Within the "Go East" strategy, the priority is to penetrate developing markets in Eastern Europe and Asia through, among other things, international projects and assembly plants.

The strategic objective in the product area is the ongoing modernisation and expansion of the product portfolio. Besides the modernisation of existing models and development of successor models, this objective will be achieved also by adding new models to the product line in prospective market segments where hitherto we have not been present. Another aspect of the strategy is the minimisation of our products' impact on the environment, particularly in the area of reducing exhaust-gas emissions and noise.

Finance

The strategic objective in the case of finance is to ensure sustained growth in the value of the Group's individual companies. This goal can be fulfilled only if we achieve earnings growth and long-term profitability. In this respect, it is certain that further developments in the global financial and economic crisis and their subsequent impact on the economy will be of major importance. The automotive industry is among the sectors that have been hit hard by the crisis. Thus, demand trends will be decisive for the Group in the coming years.

Capital renewal is important for ensuring the Group's continued development. In the area of financing, our primary goal is to internally generate sufficient financial resources to cover capital expenditures and to ensure a commensurate return on the invested capital.

Quality
We are following in the footsteps of our founders, Laurin and Klement, and carrying on the spirit of their legacy: "Only the best we can do is good enough for our customers". We want to thrill our customers so that they will confidently keep coming back to the Škoda brand.

The strategic objective in this area is to achieve the highest quality not only in our vehicles, but also in the services that we provide in order to satisfy the ever-increasing demands and needs of our customers. An important aspect of this is to achieve top quality in all internal processes, from product development to sales and after-sale services.

In the coming years, the central aspect of our activities will primarily consist of focusing on the customers' medium- and long-term satisfaction with the quality of Škoda products.

Social Responsibility
The Group's strategic objective in the field of social responsibility is to maintain the long-term balance between the economic, environmental and social areas, as this is a fundamental prerequisite for sustainable development.

Human Resources
In the area of human resources, the strategic objective is to build, stabilise and develop a motivated workforce throughout the entire Group while taking into account the current corporate strategy, social aspects and the situation on the labour market.

For human resources planning, it is necessary to plan staff development as realistically as possible with emphasis on the development of new plants and projects while taking into account the further increase in efficiency in direct and indirect areas.

In deploying the existing workforce and in recruiting new employees, emphasis is placed on securing the staff in the correct structure, skills and quality with maximum utilisation of in-house human resources.

In the areas of career development and stabilisation of human resources, the main activities will be focused on employees' adapting within the firm, stabilisation of the workforce in the regions where our plants are located, reinforcing loyalty to the Company and on the employees' development in accordance with the long-term strategy.

The aim of the Company's social policy is the comprehensive care for our employees and creation of a working environment that supports motivation, efficiency and a high degree of creativity among the employees.

The Environment
The strategic objective in this area is to minimise the negative environmental impacts of our production and commercial operations. In order to achieve this, products must comply with stringent environmental standards in all phases of their lifecycle. The Group will continue to place strong demands on its contractual partners, particularly in the areas of waste management and air and water protection.

Public Relations and Corporate Citizenship
In the area of public relations and corporate citizenship, the strategic objective is to contribute over the long term to raising the standard of living in the regions and countries where the Group directly operates. Achieving this goal require the creation of new, often high-skilled jobs, provision of long-term support for educational activities for the general public in our in-house educational facilities, support for regional culture, sport and other publicly beneficial activities. An integral part of this strategy is the expansion of research and development activities leading to the enhancement of the country's international reputation.

Short- and Medium-Term Outlook

Anticipated Development of the Economic Situation

In 2010 the global economy will gradually begin to recover following the crisis of 2009. This measured optimism derives from the results posted by the world's major economies in the second half of 2009, when signs of growth began to appear particularly in the Unites States, China and Europe, especially in Germany.

Czech Republic

The Czech economy should return to modest growth in 2010, whereas a more reliable recovery is expected in 2011. However, the recovery in 2010 will not be strong enough to reduce unemployment. The average unemployment rate should thus continue to rise, possibly to as high as 10%. Foreign demand in particular should contribute to the recovery, while domestic demand will probably act as a brake on the economy. In light of the continuing weak demand and surplus capacity, companies will probably not be motivated to invest until 2011. The average inflation rate will be around 1.4%, exhibiting an upward trend in the course of the year. The trade-balance surplus should increase depending on the development of foreign demand. It is expected that the value of the Czech koruna against the euro will be around CZK 26/EUR, while the crown/dollar exchange rate could be in the range of CZK 18/USD.

Europe

In connection with rising economic activity in the second half of 2009, the eurozone will return to growth in 2010. However, growth will be weak (around 1%), as the effects of government anti-crisis measures

implemented in 2009 will be beginning to fade in a number of countries. Development of the economy will be very uneven at the regional level. Whereas growth is predicted in Germany and France, some countries, such as Spain, Greece and Ireland, will likely remain in recession in 2010. Great Britain, Europe's second-largest economy, may have emerged from recession at the end of 2010. Central Europe should record growth of 1–2%. Thanks to economic-stimulus measures of the different governments, job losses have been averted (especially in Germany, France and the Netherlands). Of course, governments will have to contend with relatively rapidly rising public debt.

Asia

The most dynamically growing Asian economies will be China (more than 10%) and India (less than 10%). Japan's economy could grow by up to 2%.

Anticipated Development in the Automotive Market

The economic crisis is slowly abating, though the coming year will entail numerous uncertainties related, for example, to the expiration of government-sponsored scrappage programmes.

Czech Republic

The Group expects a slight recovery of the passenger-car market in 2010. It is expected that the market will reflect seasonal trends, with stronger spring months, a lull in the summer and modest growth in the autumn.

Europe

It is difficult to predict the course of market development in Western Europe due to the termination of the scrappage programmes, though a decline is expected. Analyses indicate that the German market alone will shrink by one million vehicles. Sales in Central Europe are estimated to remain at the same level as in 2009. Eastern Europe, which faced enormous problems in 2009, should see a recovery in 2010.

Asia

Substantial growth in the Chinese and Indian markets is expected in 2010.

Overview of Planned Activities and Goals

Technical Development, New Products

The main task in the area of technical development in 2010 will be the development of new products, while development activities focused on models already in series production will also continue. Where existing models are concerned, the biggest event of 2010 will be the modernisation of all derivatives of the Škoda Fabia model line. The engine portfolio will be further upgraded, where technologically outdated engines will be replaced with modern units featuring the TSI and Common Rail technologies.

Production and Logistics

In 2010, the main focus of activities in the areas of production and logistics will remain on ensuring optimal use of production lines and starts of production in Czech and foreign plants.

In Mladá Boleslav and Kvasiny, we will continue preparations aimed at ensuring the successful start of series production of the modernised versions of the Škoda Fabia and Škoda Roomster. For the second time in the history of the Škoda brand, the Škoda Fabia line will be enhanced in 2010 with the addition of an RS sport variant.

In Kaluga (Russian Federation), further steps will be taken that are necessary for the implementation of full production of the Škoda Fabia there; while in Shanghai (China), preparations will be made for licensed production of a facelifted version of the Škoda Octavia with an expanded choice of engines.

Markets, Sales and Marketing

In connection with the anticipated decline in demand in most Western and Central European markets, the main activities in 2010 will be focused on increasing current market shares and achieving a moderate increase in volumes in comparison with 2009. The Group will endeavour to strengthen its market positions, both on existing European markets and on markets where it is newly establishing itself, through further development of the sales and service network and the offering of new products.

A focus of interest will be the successful introduction of the Škoda Yeti and Škoda Superb Combi models and the rejuvenation of the Škoda Fabia and Škoda Roomster model lines. A very conscientious task will be to develop the offer of products in the GreenLine versions.

In 2010, the Group will endeavour to minimise the impact of the decline in major markets. The fundamental tool for achieving this will continue to be our individual approach to customer needs and upholding Škoda Auto's standards throughout the sales and service network.

Human Resources

Based on the assessment of the second-round results of the "Škoda – That's US" project, in the upcoming period adequate measures will be adopted in the area of employee motivation.

The year 2010 will see the implementation of the bulk of activities within the project of electronic attendance monitoring, which encompasses the electronic timecard and access system. The aim of the project is to replace the current system of paper timecards with an electronic system that makes use of the employees' multi-purpose chip-based identification cards.

Finance

In light of the anticipated unfavourable trend in the development of automobile markets, the Group will endeavour primarily to maintain its economic performance. Achieving this goal depends on the speed and intensity at which the financial crisis abates in the coming years. The development of input commodity prices will be of crucial importance, as will the

development of the Czech koruna's exchange rate against other currencies, particularly the euro.

In the medium-term horizon, the Group is planning to invest available funds primarily in product-related projects connected with new models and components or, as the case may be, in renovation and modernisation of plant and equipment.

In accordance with the long-term strategy, investments will be covered by internally generated resources.

The Environment

Also in the coming years, activities in all phases of the lifecycle of Škoda vehicles will be focused on the rational use of energy and natural resources, restriction of exhaust emissions, climate protection, water and soil protection, and minimisation of waste with a priority given to reuse and recycling. The Company's proven and effective environmental–protection system and the strict application of its principles beginning in the preparatory phase of projects involving new technologies and products provide a guarantee that the environmental impact of Škoda Auto's operations and products will be minimised in years to come.

Note: The chapter "Short- and Medium-Term Outlook" contains a forecast of the Škoda Auto Group's future development. The text was prepared on the basis of then-current estimates of the development of individual countries' economies, automobile markets, exchange rates and prices of individual commodities, as well as the automotive industry in general. There is a certain degree of risk that the utilised forecasts and anticipated trends may differ from actual future developments.

In 2009, the project "One Tree Planted For Each Car Sold in the Czech Republic" got again employees of Škoda Auto involved, and they helped to plant 58,908 young trees in regions where the Company has manufacturing plants.

Report on Operations

Customers expect great products, shareholders
a return on their investments, employees job security
and suppliers fair consideration for their services.
Therefore we use the resources entrusted to us with
the awareness of our responsibility for the entire Group's
development. Our goal is to continually increase
the value of the Škoda Auto Group in the long term
and to build a strong foundation for further growth.

Development of the Economy and Markets

Development of the Economy

Global

In the last decade the global economy was driven by consumption in several countries, especially the United States. However, this consumption was based on the unprecedented expansion of borrowing and indebtedness, which was additionally supported by cheap imports of goods and financing from Asia. The extreme loosening of monetary policy was one of the main causes of the global financial crisis, which initiated the economic crisis. In 2009, the global economy was fully mired in the financial crisis – the problems of banks brought about a substantial decline in GDP. The automotive industry was also very badly affected by the global economic crisis. Practically all major brands were forced to contend with double-digit falls in sales, which had the consequence of declining earnings and employment at the companies with a resulting multiplier effect for suppliers.

The American economy declined by 0.7% in the second quarter, which was a substantial improvement in comparison with the first quarter (–6.4%). The upswing in the American economy is the result of budgetary stimulus measures and improvement of the situation in the financial sector. Economic growth in the United States at the close of the year was driven by reserves and government programmes aimed at supporting the economy. Despite certain signs of possible recovery, however, the negative effects of the crisis remained, especially rising unemployment. Many central banks cut key interest rates to historically unprecedented lows, with the United States going so far as to lower the key interest rate to zero.

Czech Republic

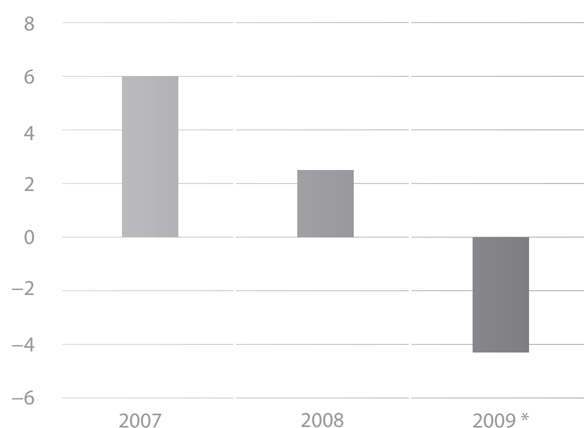
In the third quarter of 2009, the Czech Republic recorded a year-on-year GDP decline of 4.1%, whereas in the previous quarter GDP had actually risen by 0.8%. The key growth factor was foreign trade, which in 2009 reached a record surplus. (Exports were substantially aided by the introduction of scrappage programmes, whereas imports were dampened by falling domestic demand). Conversely, gross capital formation declined very dramatically and remained significantly below expectations. From the beginning of the year, the Czech National Bank (CNB)

progressively cut the key interest rate to 1%. The inflation rate in November reached 0.5%, while the average year-on-year rate of inflation in December was 1%*. The exchange rate of the koruna against the euro also had a significant effect on the Czech economy. In comparison with the end of 2008, when the Czech koruna traded at CZK 27/EUR, in the first two months of 2009 the koruna markedly weakened against the euro to just under CZK 29.50/EUR. From March, the koruna gained strength, reaching a level above CZK 25/EUR. In the last months of 2009, the koruna distinctively weakened and at the end of the year the koruna was around 26.50 CZK/EUR. The number of unemployed rose continuously and by the end of the year had exceeded the half-million mark (8.6%). Another unsettling factor was the rapidly growing national budget deficit, which, in 2009, greatly exceeded 3% of GDP (estimated at over 7%), the limit set forth in the Maastricht criteria for adoption of the common European currency.

Europe

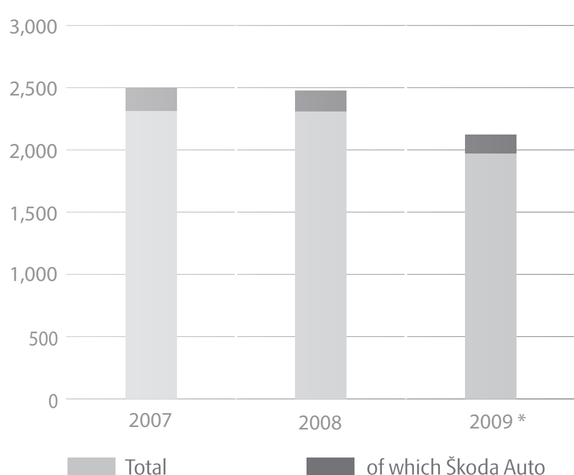
The crisis also fully impacted the countries of the European Union. A significant decline in exports occurred which had a very negative effect on the pro-export European economies. In comparison with the previous quarter, the first quarter of 2009 saw a 2.4% decline in GDP in the countries of the European Union, though in the second quarter GDP declined by only 0.2%. Thus, in the second quarter most European Union countries found themselves in a stabilisation phase, whereas some of them exhibited a slight growth trend. In the third quarter, the German economy grew by 0.7% quarter-on-quarter and thus emerged from recession. In 2009, German GDP declined by 5%* overall against the comparable period. Because Germany is the largest economy in Europe, its results to a certain extent determine the results for the entire region. These improving outlooks were in large part due to economic-stimulus measures, which brought about greater government spending and household consumption. However, investment activity continued to be very weak.

GDP growth in the Czech Republic (%)

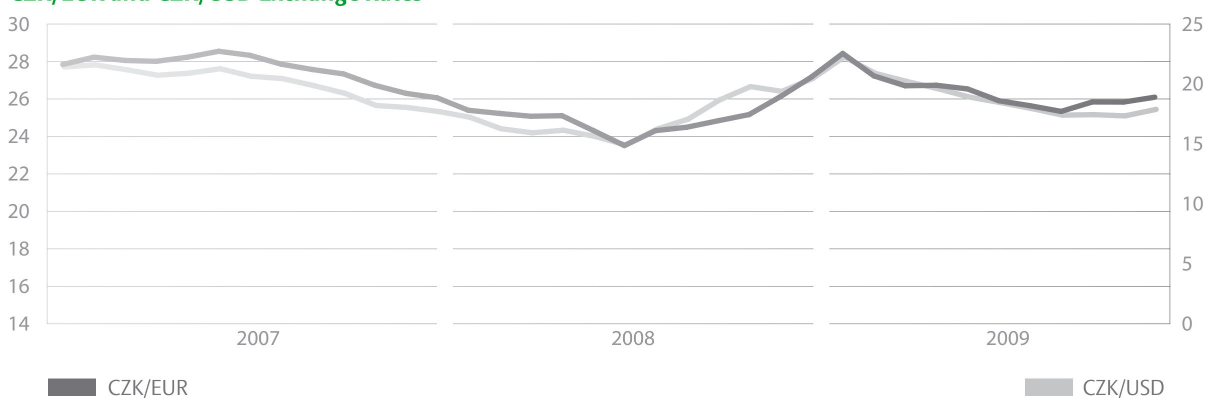


* estimated

Development of Exports of the Czech Republic (CZK billion)



CZK/EUR and CZK/USD Exchange Rates



And there were many other persistent negative factors, such as deflation, which lowered consumer prices over several consecutive months. Despite signs of a possible recovery of the European economy, unemployment continued to rise, reaching a ten-year high in excess of 9%* in the European Union as a whole.

Asia and overseas

The global economy was kept afloat in 2009 by Asia, with China in the forefront, while some countries in Latin America (especially Brazil) and the Middle East showed signs of stabilising. Even though China's GDP grew at its slowest rate of the past several years, it still rose by more than 8%*. The effect of loans hitherto provided was offset by significant growth in industry and domestic consumption. A positive sign is that loans were often used for projects where a strong multiplier effect was anticipated. Domestic consumption was very strong in China, though exports declined sharply due to the recession in the United States, Japan and Europe. India also achieved economic growth of more than 5%* in 2009, though not even this was enough for the global economy as a whole to achieve growth in 2009.

Development of Vehicle Markets

The impact of the global financial crisis grew noticeably in 2009, resulting in a decline in consumer confidence. Worldwide sales of passenger cars declined by 6.1% year-on-year to 52.3 million vehicles. Sharp declines in sales were recorded especially in North America and Central and Eastern Europe. Conversely, positive development continued in Asia. Whereas Western Europe stagnated, global automobile production declined in the monitored period by 13.2% to a total of 60.0 million vehicles, of which 49.4 million were passenger cars (2008: 69.2 million/57.5 million vehicles).

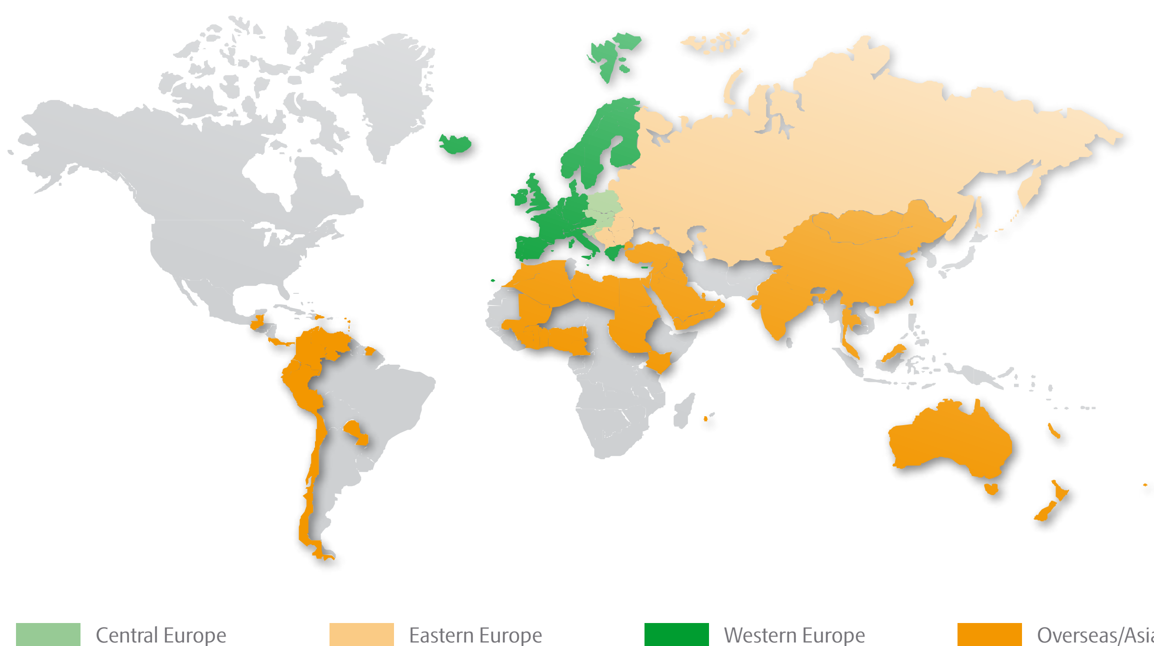
Czech Republic

The growth trend in the domestic passenger-car market of previous years came to a halt in 2009 when the market in the Czech Republic recorded an 8.3% year-on-year decline in registrations of new passenger cars, with total sales of 168,000 units. Demand for light utility vehicles fell by 35.9% in 2009 to 13,084 units, though this decline was largely due to a change in the VAT-deduction methodology. The passenger car market was also affected in 2009 by imports of used vehicles, 144,600 of which were registered during the year (year-on-year −37.4%). Despite this, the share of used vehicles in total registrations reached 46.3%.

Central Europe

Most markets in Central Europe recorded a decline in 2009. A total of 739,000 vehicles were sold in the region, which represents a decrease of 16.5% in comparison with 2008. Compared with the previous period, the Polish market stagnated with sales of 320,000 automobiles. In the monitored period, the market declined in Croatia (total sales of 43,500 vehicles, −49.3% year-on-year), Hungary (78,000 vehicles sold, −50.8% year-on-year)

Škoda Auto group production regions



Central Europe   Eastern Europe   Western Europe   Overseas/Asia

and Slovenia (55,000 vehicles sold, –18.9%). Conversely, Slovakia recorded year-on-year market growth (+6.4 %), thanks to the introduction of a scrappage programme and the amendment of laws pertaining to N1-category vehicles. A total of 74,500 new passenger cars were registered in Slovakia.

Eastern Europe

From January 2009, the new-passenger-car market declined dramatically due to the reverberating effects of the financial and economic crises that started in developed economies. In total, 1.87 million vehicles were sold in this region, which represents a dramatic year-on-on decline of 52.5%. The sharpest year-on-year decrease was seen in Russia (total sales of 1.35 million vehicles, –50.3%) and Ukraine (175,000 vehicles sold, –71.9%). In Bosnia and Herzegovina, the market declined overall by 32.7% year-on-year. The markets in Latvia (total sales of 3,800 vehicles, –80.2%), Estonia (8,200 vehicles sold, –66.2%) and Romania (131,000 vehicles sold, –51.0%) recorded enormous year-on-year declines for the second consecutive year.

Western Europe

In Western Europe, the total number of newly registered passenger cars grew by 0.5% in the monitored period, reaching the level of 13.64 million vehicles (2008: 13.58 million). Thanks to a scrappage programme, the German passenger car market – the largest in Western Europe – grew by 23.2% to 3.8 million units. The passenger-car market in France also recorded growth (+10.7% year-on-year) in comparison with the previous period due to incentives in the form of a bonus/malus system introduced in 2008. Positive changes were also seen in the Austrian market (+8.8% year-on-year). However, the financial crisis had a fundamentally negative impact on the volume markets of Spain (–17.4% year-on-year), Italy (–0.2%) and Great Britain (–6.4%). Nor could volume losses be avoided in the other Western European markets in Ireland (–62.1%), Sweden (–16.0 %), Greece (–17.5%), Norway (–10.8%), Finland (–35.2%) and Denmark (–27.3%). .

Asia

Growth in demand for new passenger cars continued in this region in 2009. A total of 8.5 million passenger cars (+53.9% year-on-year) were registered in China, the world's largest market. The Indian market also carried on the positive development of recent years. In comparison with 2008, the volume of new-car sales in India grew by 17.8% to 1.45 million units.

* estimate available as at the Annual Report closing date

Financial Situation

The Škoda Auto Group's consolidated financial statements are reported in accordance with the IAS/IFRS methodology. The consolidated financial statements include the statements of the parent company Škoda Auto, the statements of the subsidiaries SAD, SAS, SAP and SAIPL and a share on the result for the year of the affiliated company Volkswagen Group Rus.

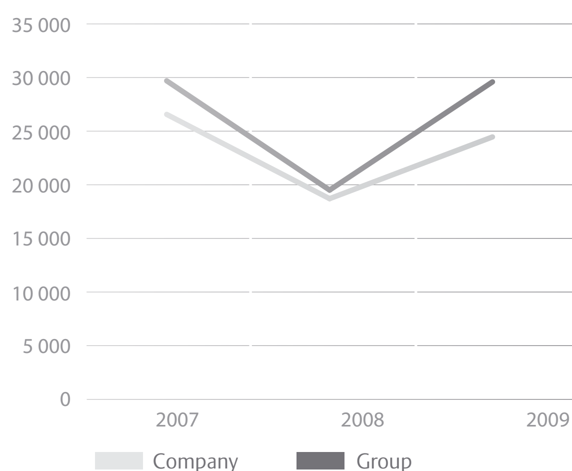
Due to the unfavourable developments in the world's automotive markets, ex works deliveries of Škoda cars declined (−12.2% year-on-year), which was reflected in the Group's results. The Group's revenues declined year-on-year by 6.2%, whereas the operating result fell to CZK 5.9 billion (−56.5% year-on-year) and profit before tax declined by 64.8%. A detailed analysis of the causes of the stated development is provided in the chapter Development of Results and Financing.

The value of total assets declined slightly from the beginning of the year, by CZK 4.1 billion (−3.3%) to CZK 118.4 billion. A detailed analysis of the causes of the status described above is provided in the Chapter Development of the Asset and Capital Structure.

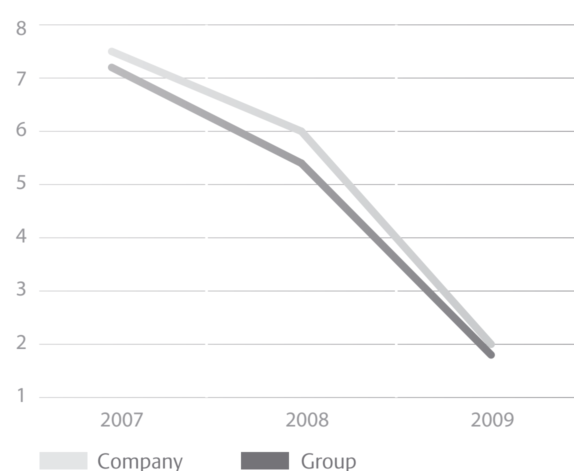
Development of Results and Financing

The Group's revenues declined by CZK 12.3 billion to CZK 187.9 billion. Vehicles accounted for 85.6% of total revenues, genuine parts and accessories 8.1% and

Development of Net Liquidity (CZK million)



Profit- to-revenues ratio development (%)



deliveries of parts to the Volkswagen Group 4.6%; the remaining 1.7% comprised revenues from other goods and services and royalties. The overall development of revenues reflects the effects of the global economic crisis, which had a significant impact on consumer markets. However, the decline in revenues was not in any way remarkable in comparison with the overall decline in automotive markets (see the chapter Development of Vehicle Markets). The reduction of revenues was due particularly to lower sales, a larger share of sales of lower-class vehicles and pricing measures aimed at supporting sales, which were necessary to stabilise the Group's market positions.

The costs of sold products, goods and services fell by 3.0% year-on-year, whereas the reduction was a logical outcome of the situation on the world automotive markets, when the Group was forced to partially cut production due to the decline in demand. Against the comparable period, distribution and administrative costs grew slightly. The growth of distribution costs (+2.7% year-on-year), which does not correspond to the overall fall in sales, resulted from the expenditure of additional costs to support sales. Administrative costs recorded year-on-year growth of 2.4%.

This growth was primarily caused by investing in new technologies and systems. The above-mentioned development of revenues and costs was reflected in the development of all derived financial variables. Gross profit for the first half of 2009 reached CZK 21.6 billion (–24.8% year-on-year), gross profit margin (gross profit to sales revenues ratio) declined only by 2.8 percentage points from 14.3% to 11.5%. The operating result fell to CZK 5.9 billion (–56.5% year-on-year) against the comparable period. The financial result also declined, from CZK 262 million to CZK –667 million. The financial result primarily reflected the effect of lower interest income from granted loans. Profit before tax, after accounting for a share of the loss incurred by the affiliated company Volkswagen Group Rus (CZK –555 million), was CZK 4.7 billion (–64.8% year-on-year). Profit after deduction of income tax was reported in the amount of CZK 3.5 billion (–68.0% year-on-year).

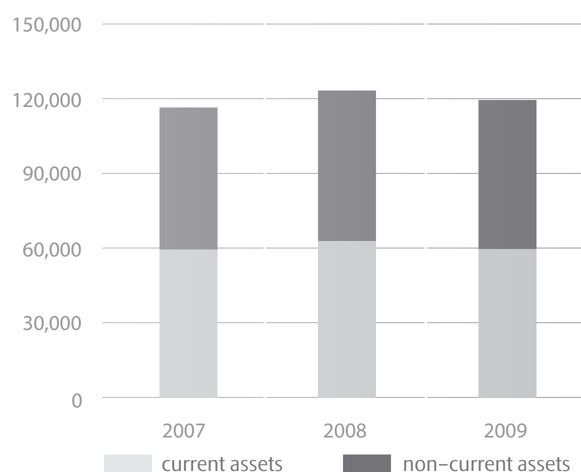
Cash-flow from operations recorded positive development, growing by CZK 13.5 billion (+ 103.8% year-on-year). This was primarily thanks to the positive development within the working capital. The stated development and lower investing activity of the Group was also reflected in the development of net cash flow, which increased by CZK 18.7 billion. Conversely, the financing flow recorded a substantial decline of CZK 9.7 billion, particularly due to the repayment of loans from the previous period. Total cash-flow (excluding the effect of exchange-rate differences) thus increased by a record CZK 8.9 billion year-on-year.

Development of the Asset and Capital Structure

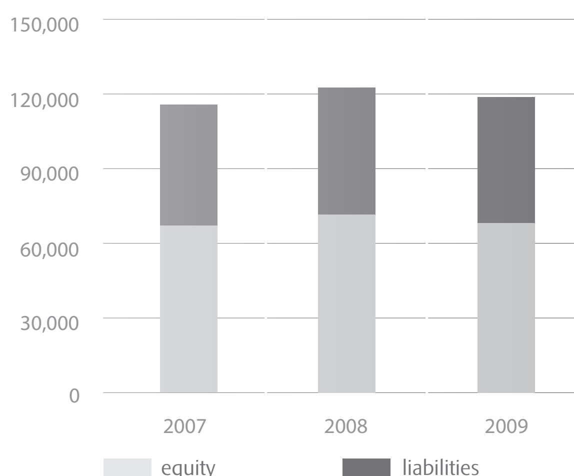
From the beginning of the year, long-term assets recorded a moderate decline of CZK 934 million to CZK 59.1 billion (–1.6%). A year-on-year decline of CZK 3.1 billion (–5.0%) was registered in the case of short-term assets, of which inventories fell by CZK 3.5 billion (–22.9%). This development was connected with the planned restriction of production and sell-off of vehicle inventories primarily due to the introduction of scrappage programmes. In connection with the disbursement of short-term loans provided to Volkswagen Group companies, significant movement occurred between the categories Other Receivables and Financial Assets (year-on-year decline of CZK 15.3 billion) and Cash (increase of CZK 16.5 billion). Against the comparable period, trade receivables recorded a decline of CZK 866 million (–9.3%) due particularly to the optimisation of the working capital..

Against the comparable period, equity decreased by CZK 3.4 billion (—4.8%). This decline was caused particularly by the settlement of dividends and reduction of the fund from revaluation of financial derivatives. In comparison with the previous period, liabilities recorded a slight decline (—1.3% year-on-year). The development of liabilities was due primarily to compensation of individual items within the below-mentioned categories. Growth in long-term financial liabilities and provisions was compensated by a decline in tax and other liabilities. The increase in short-term provisions, which was among other things due to the growth of provisions for market support, was eliminated by the reduction of short-term financial liabilities through the repayment of loans.

Development of Group Asset Structure (CZK million)



Development of Group Capital Structure (CZK million)



Consolidated Profit and Loss Account (CZK million)

	2007	2008	2009	2009/2008
Sales	**221,967**	**200,182**	**187,858**	**−6.2%**
Cost of goods, sold	185,474	171,523	166,296	−3.0%
Gross profit	**36,493**	**28,659**	**21,562**	**−24.8%**
Distribution expenses	13,201	12,804	13,153	2.7%
Administrative expenses	4,207	4,712	4,826	2.4%
Other operating income	4,368	8,826	7,942	−10.0%
Other operating expenses	3,669	6,349	5,601	−11.8%
Operating profit	**19,784**	**13,620**	**5,924**	**−56.5%**
Financial result	171	262	−667	<−100%
Profit before income tax	**19,860**	**13,376**	**4,702**	**−64.8%**
Income tax expense/income	3,878	2,558	1,240	−51.5%
Profit after income tax	**15,982**	**10,818**	**3,462**	**−68.0%**

Consolidated Balance Sheets (CZK million)

	31. 12. 2007	31. 12. 2008	31. 12. 2009	2009/2008
Non-current assets	56,767	60,017	59,083	−1.6%
Current assets	59,014	62,439	59,293	−5.0%
of which lendings*	25,592	25,766	13,562	−47.4%
Total assets	**115,781**	**122,456**	**118,376**	**−3.3%**
Equity**	67,034	71,608	68,180	−4.8%
Non-current liabilities	13,940	13,693	13,535	−1.2%
of which: nominal value of bonds	2,000	2,000	0	−100.0%
Current liabilities	34,807	37,155	36,661	−1.3%
of which: nominal value of bonds	–	0	2,000	100.0%
Total liabilities	**115,781**	**122,456**	**118,376**	**−3.3%**

* interest included

** minority shares included

Group Financing – Development (CZK million)

	2007	2008	2009	2009/2008
Cash and cash equivalents at 1. 1. *	**28,483**	**31,790**	**28,806**	**–9,4%**
Cash flows from operating activities *	**30,787**	**13,014**	**26,529**	**> 100%**
Cash flows from investing activities	**–13,785**	**–16,147**	**–10,942**	**–32.2%**
Cash flows from financing activities *	**–13,720**	**165**	**–9,608**	**< 100%**
Gross liquidity *	**31,790**	**28,806**	**34,809**	**20.8%**
Balance of financial liabilities *	–2,054	–9,393	–5,214	–
Net liquidity *	**29,736**	**19,413**	**29,595**	**52.4%**

* In 2009 part of the financial payables was reclassified in the category of trade payables, which affected the comparable data from 2008 and 2007. Detailed information including reclassifications of amounts is set forth in the financial section of the Annual Report in the chapter Consolidated Financial Statement and Separate Financial Statement in item 1.3.

From the beginning of the year, a total of CZK 10.2 billion (–18.4% year-on-year) was expended in the area of investments in tangible and intangible assets (excl. development costs). The largest part of this amount was focused on product investments (CZK 7.88 billion), particularly in the new Škoda Yeti model line and the combi version of the Škoda Superb. An additional CZK 386 million was invested in the modernisation of manufacturing plants and new infrastructure in this period.

Škoda Auto

Due to the fact that the parent company Škoda Auto played the most significant role in the financial results of the economic grouping, the development of the Company's financial performance and financial position corresponds to the development of the Group's financial performance and financial position.

Development of Results and Financing

Against the comparable period, revenues declined by CZK 17.9 billion (–9.5%) to CZK 170.7 billion. Costs of sold products, goods and services declined year-on-year by CZK 9.7 billion (–5.9%). As a result of the above-mentioned development, gross profit declined by 35.6% year-on-year to CZK 14.8 billion. Whereas distribution and administrative costs increased slightly in comparison with the comparable period, other operating costs declined by CZK 1.3 billion (–21.4% year-on-year), particularly due to the reduction of losses from the settlement of derivatives transactions. Other operating revenues declined against the comparable period by CZK 869 million (–11.2%) primarily thanks to the decline in realised exchange rate differences from receivables and liabilities. The Company's operating result was thus CZK 4.7 billion (–62.6% year-on-year).

The financial result declined by CZK 994 million (i.e. by more than 100% year-on-year), representing a loss in the amount of CZK 343 million. Profit before tax fell to CZK 4.4 billion (–67.0% year-on-year), whereas profit after tax declined by CZK 7.8 billion (–69.5%) to CZK 3.4 billion. The value of cash flows from operations in the amount of CZK 22.3 billion covered the value of investment expenses nearly two-fold. This was also reflected by the development of net cash flow, which in comparison with the previous period recorded significant growth of CZK 11.3 billion to CZK 10.9 billion. After taking into account the results of cash flows from financial activities (expenses growth of CZK 7.8 billion), total cash flow thus increased by CZK 3.5 billion year-on-year.

Development of the Asset and Capital Structure

Compared with the status as at 31 December 2008, the value of total assets declined slightly by CZK 3.4 billion (–3.0%). The value of long-term assets was nearly unchanged (–0.3% year-on-year), whereas short-term assets declined by a total of CZK 3.2 billion (–6.2%).

Tangible and intangible investments (excl. development costs) amounted to CZK 10.1 billion (–12.2% year-on-year) in 2009. Of this amount, growth of tangible assets accounted for CZK 9.0 billion and other intangible assets CZK 1.1 billion.

Against the comparable period, equity declined by CZK 3.2 billion (–4.5%). The total amount of short-term liabilities declined slightly by CZK 533 million (–1.8% year-on-year), whereas the value of long-term liabilities recorded growth of CZK 366 million (+3.7% year-on-year).

Škoda Auto Deutschland

For the Škoda brand, 2009 was another successful year on the German automobile market. Thanks to that country's scrappage programme, the brand's market share was 5%, as expressed by the number of newly registered vehicles. In a year-on-year comparison, sales in 2009 significantly surpassed the figures for the previous period, with 162,328 vehicles sold (growth of more than 40%). This result is due primarily to the Škoda Fabia and Škoda Octavia. The Škoda Fabia was the bestselling automobile imported into Germany. In 2009, the Škoda brand successfully introduced its fifth model line, the Škoda Yeti (SUV category), to the German market and unveiled the new Škoda Superb Combi at the Frankfurt Motor Show.

Škoda Auto Deutschland's revenues in 2009 increased by 41.1% to CZK 57.3 billion (EUR 2.2 billion), profit before tax rose by 28.6% to CZK 813.4 million (EUR 31.2 million).

The Škoda brand received the highest awards at a range of prestigious events in Germany. The Škoda Superb won the "Best Cars 2009" award in the upper-medium class/ import category and "Flotten-Award 2009" in the upper-medium class/import category. The 4x4 version of the Škoda Superb won the "Allradauto des Jahres 2009" in the category of passenger car in the EUR 25,000–40,000 price range. The Škoda Roomster won the Wertmeister 2009 prize in the micro delivery–vehicle category, the J.D. Power 2009 award in the delivery–vehicle category and "Flotten-Award 2009" in the compact delivery–vehicle/import category. The Škoda Fabia received the "Flotten-Award 2009" in the compact-car category and the Škoda Fabia Combi won the "Auto der Vernunft 2009" in the combi/delivery–vehicle category.

Skoda Auto Polska

Despite the unfavourable development on the Polish automobile market at the beginning of 2009, which was caused not only by the impacts of the economic crisis, but also by the weakening of the zloty against the euro, Skoda Auto Polska managed to take the leading position. Recovery of the Polish passenger-car market was, among other things, due to the introduction of a scrappage programme in several European countries.

In the course of the year, the company has safely handled the significant changes in the existing legislation, especially in the area of consumption tax and fleet sales. That the difficult situation of 2009 was successfully overcome is apparent in the fact that Škoda became the number-one brand on the Polish market. Car sales grew by 13% year-on-year to 38,305 vehicles, while market share also increased to 11.9% (2008: 10.5%).

The Škoda Fabia and Škoda Octavia models continue to be the main pillars of the brand's success, as they were the bestselling cars in Poland (no. 1 and no. 2) in 2009. Sales success was also achieved by the new Škoda Superb, of which the company sold 2,058 units. Of no less importance, the Škoda Roomster and Škoda Octavia Tour models enjoyed continual interest among customers. The brand's all-new Škoda Yeti did not remain in the background, as it received a positive reception upon its introduction to the market in October 2009.

In comparison with 2008, company's revenues increased by CZK 0.3 billion, reaching CZK 11.4 billion (PLN 1.9 billion). Profit before tax has reached CZK 127.7 million (PLN 21.2 million), which represents an increase of CZK 17.5 million in comparison with the previous year.

The Škoda Superb won several major awards in Poland in 2009 such as the Auto 1 Debut of the Year prize organised by the magazine Auto Świat (Auto Bild group) and the Innovation of the Year award in the Auto Leader competition organised by the magazines Motor and Auto Moto. Other Škoda models were also honoured, with the Škoda Octavia winning the Fleet Car of the Year 2009 award (in the mid-size car segment) in the Fleet Awards Polska competition organised by the magazine Flota and the new Škoda Yeti taking the prize for the best vehicle debut. The Yeti also came out on top in most comparison tests in the most important Polish car magazines, including Auto Świat; Auto, Motor i Sport and Auto Moto, among others.

Škoda Auto Slovensko

As was the case throughout Central Europe, the situation on the Slovak automobile market in 2009 was strongly influenced by the economic crisis, which caused a deep decline in the passenger-car market (by 40% year-on-year for the first two months). The government's subsequent response was the announcement of the first and later the second phase of the scrappage programme, thanks to which the market grew by 6.7% year-on-year to 74,717 vehicles.

Due to the scrappage programme, the greatest interest was in vehicles in the lowest price category, in which Škoda was unable to offer a competitive product.

Nevertheless, Škoda occupied the position of market leader with sales of 14,613 cars and a market share of 19.6%. In comparison with the previous year, these figures represent a decline of 3,196 cars sold and a 5.8 percentage points reduction in market share. With sales of 7,723 units, the Škoda Fabia was the absolute bestselling model on the passenger-car market, while the Škoda Octavia and Škoda Octavia Tour won the favour of 5,353 customers, making the Octavia the bestselling model in its class. The Škoda Superb excelled in its segment with sales of 564 units.

The new Škoda Yeti was introduced to the market in the autumn and was received positively by both the lay and expert public, selling 315 units within four months of its introduction.

The company's revenues in 2009 amounted to CZK 5.4 billion (EUR 203.2 million). Profit before tax was CZK 41.5 million (EUR 2.0 million).

Skoda Auto India

In 2009, Skoda Auto India delivered a total of 14,535 vehicles to customers, which in comparison with the previous year represents a decline of 9.5% (2008: 16,051). The Škoda brand's market share was thus 0.82% (2008: 1.07%). In connection with its market development initiatives, the company expanded its dealer network, bringing the number of sales locations to 65 (2008: 60).

In 2009, the Company's revenues increased by CZK 1.4 billion year-on-year to CZK 7.5 billion (INR 19.2 billion). This growth resulted primarily from the increased sale of VW brands (Passat, Jetta) and Audi. The company posted a loss for 2009 in the amount of CZK 253 million (INR 636 million). This was mainly due to the negative exchange-rate trend.

Skoda Auto India further expanded its spare parts warehouse in Aurangabad with the aim of supporting the Volkswagen Group's activities in this area.

Regional sales offices were opened in Mumbai, New Delhi and Bangalore in December 2008.

In 2009, the company participated in the launch of Škoda Fabia production at VW India in Pune.

The Škoda brand in India won several major awards in 2009. The Škoda Laura model (Octavia new generation) won 2010 Golden Steering Wheel for Best Model of the Year, while the Škoda Superb won the 2010 Golden Steering Wheel for Best Sedan of the Year as well as the 2010 Executive Car of the Year and Entry Premium Car of the Year Awards.

Volkswagen Group Rus

This company was established in 2009 through the merger of the company VOLKSWAGEN Rus in Kaluga, and the Group's vehicle importer and distributor in the Russian market, Volkswagen Group Rus.

Despite the unfavourable situation on the Russian market, which declined by 50 % year-on-year due to the financial crisis, the company continued the investment in new production capacities, particularly machinery and the welding and paintshop facilities. In October 2009, with top representatives of the Russian Federation in attendance, the company ceremoniously opened a new manufacturing plant in which the Škoda Octavia and VW Tiguan models are produced.

Assembly of the Škoda Octavia, Škoda Octavia Tour and Škoda Fabia models continued concurrently with production. Assembly of the Škoda Superb, Škoda Roomster and Škoda Yeti was commenced during the course of the year. In total 48,545 vehicles were manufactured and assembled in Kaluga in 2009. Of these, 27,451 units were Škoda-brand automobiles.

Even though sales of Škoda- and VW-brand cars experienced a substantial year-on-year decline, the company managed to increase its market share, whereas the Škoda brand's market share rose by 0.8 percentage point year-on-year to 2.7%. The brand's most successful models were the Škoda Fabia, Škoda Octavia Tour and Škoda Octavia.

The company's revenues totalled CZK 45.8 billion (RUB 76.4 billion) in 2009. The result before tax amounted to CZK −2.8 billion (RUB −4.7 billion). Besides decreased sales, the result also reflects the negative effect of high financing costs brought about by exceedingly high interest rates in the local financial market, particularly in the first half of the year. Expenditures for investments in new production capacities in Kaluga amounted to CZK 5.4 billion in 2009 (RUB 9.1 billion).

Value–Oriented Management

We use the resources entrusted to us with the awareness of our responsibility for the firm's growth. The objective is to continuously increase the value of the Škoda Auto Group over the long term and thus preserve its independence.

Long-Term Sustainable Economic Development

Every company is faced with numerous and often contradictory demands from the markets in which it operates, investors and owners, as well as from other interest groups. Customers expect great products, shareholders expect dividends and returns on their investments, employees expect job security and suppliers expect consideration for products delivered and services provided.

The fulfilment of various interest groups' expectations is possible only in the case that the Company has a healthy economic foundation. In the long-term perspective, this requires the Company to unceasingly generate sufficient resources beyond the capital costs for investments in products, quality and technology, and to thereby maintain its competitiveness.

Therefore the Group dedicates extraordinary attention to the effective use of resources as a means of achieving long-term sustainable economic growth.

Financial Management System

The basis of the internal financial management system is the focus on achieving continual growth in the Group's value. This goal is closely connected with the effective use of all available resources.

In order to optimise the asset and capital structure and, furthermore, to measure the effectiveness of invested resources, the return on capital employed (ROCE)

indicator is used. The ROCE indicator enables us to measure the success of the Company as a whole and is also used as a criterion for comparing, assessing and subsequently deciding on investment proposals, projects and products, and for evaluating individual areas. The Group uses the ROCE indicator for decision-making at the operational level with the aim of achieving planned short-term results, as well as for achieving strategic objectives.

Return on capital employed is defined as the ratio of the operating result after hypothetical tax and the value of the capital employed in achieving the operating result. The hypothetical tax liability is based on the Volkswagen Group's long-term effective tax rate. The capital employed corresponds to the average value of the operating assets (tangible and intangible assets, inventory, trade receivables and the portion of receivables reported in the item "Other") less the value of non-interest-bearing capital (trade payables with the exception of advances received and uninvoiced deliveries).

In 2009, the Group's ROCE was 6.5% (2008: 15.1%).

Group Return on Invested Capital (CZK million)

	2007	2008	2009
Operating profit before tax	19,784	13,620	5,924
Notional income tax *	6,924	4,086	1,777
Operating profit after notional tax	**12,860**	**9,534**	**4,147**
Capital employed	**57,214**	**63,095**	**64,009**
Return on capital employed (%)	**22.5**	**15.1**	**6.5**

* Long-term effective tax rate of the Volkswagen Group (2007: 35%; 2008 and 2009: 30%).

Risk Management System

The Škoda Auto Group operates in various countries of the world and is thus confronted with a full range of risks that can have a negative impact on the Group's financial results. Conversely, changes in the economic and legal environment can also bring forth opportunities that the Group endeavours to exploit in order to strengthen and further improve its competitive position.

Risk Management Organisation

The risk management structure within the Škoda Auto Group is derived from the unified principle of risk management within the Volkswagen Group. Overall risk management is centrally directed by the controlling unit in coordination with the internal audit unit. Uniform implementation of the risk management system is ensured by the "Risk Management" operational directive and the use of standardised procedures. Compliance with the approved regulation is enforced by, among other things, regular internal reviews conducted by the management of the individual companies in the Škoda Auto Group.

The risk monitoring system is based on decentralised accountability. Individual units within the Group are assigned specific areas for monitoring risk. These risks are identified, documented and quantified by the units responsible for risk management.

Provision of timely and relevant information to the management is a basic prerequisite for effective risk management. The management is regularly provided with a report containing a description of the most significant risks and an up-to-date summary of the risks to which individual companies in the Group are exposed. In accordance with the strategic objectives, measures leading to the elimination or reduction of risks are proposed and subsequently implemented. The results of these measures are continually monitored and assessed.

The risk management system is integrated into the planning, controlling and business processes system, and its effectiveness and suitability are regularly evaluated.

Description and Management of Risks

The most significant risks facing the Group are financial and sector-specific risks, risks resulting from changes in the economic and political conditions and changes in legislation, operating risks and other risks such as those deriving from changes in quality and risks in the area of human resources.

Financial Risks

Developments in financial markets are considered the most significant risk factor. Particularly, developments in exchange rates pose a major risk due to the fact that the Group generates a substantial portion of its cash flows in foreign currencies. Fluctuations in exchange rates can therefore comprise a significant risk for the development of economic performance. The Group uses standard derivative hedging instruments to manage exchange-rate risk.

Similarly as in the case of exchange-rate risk, the Company actively manages the potential impact of developments in the interest rates that it uses in its business activities. Exposure to interest-rate movements results from short-term obligations, particularly those deriving from issued bonds. Interest-rate swaps are used to hedge cash-flow risks in this area.

Other risks that threaten the Group's performance are brought about by ongoing price growth in international raw material markets. The Group uses standard derivative hedging instruments to manage commodities risks.

The Group guards against credit risks by using hedging instruments, both preventive (e.g. reserving the right of ownership, advance payment, documentary credit, etc.) and subsequent (e.g. recognition of obligation, payment calendars, bills of exchange).

The Group uses standard financial-market instruments to deal with risks that could occur as a result of payment-stream fluctuations (liquidity risk). Credit lines (with sufficient aggregate volume) are taken out with banks in order to cover potential shortfalls in liquidity over a period stipulated by internal rules.

Detailed information on the management of the Group's financial risks, including quantification of such risks, is provided in the financial section contained within the consolidated financial statements, in the chapter "Financial Risk Management within the Group".

Sector-Specific Risks

Growing and intensifying competition in the automotive sector necessitates the ongoing enhancement of sales support. This situation is further exacerbated by market risks. In order to maximally eliminate such risks, the Group regularly analyses the behaviour of customers as well as that of the competition.

Very close cooperation between vehicle manufacturers and their suppliers, though economically advantageous, poses certain risks that can disturb the flow of production, such as late deliveries, failure to deliver and defects in quality. Other risks ensue from rising competition among suppliers. Therefore, the Group engages with several suppliers when sourcing parts for assembly. In addition, measures are taken within the risk management system to address possible cases of supplier insolvency.

Economic, Political and Legislative Risks

With respect to the Group's business activities, its financial position is significantly influenced by general economic conditions, such as the state of the economy and the related economic cycle, changes in legislation and the political situation in the countries where the Group is active.

The Group operates in many countries not only as an exporter, but also as a local producer, and is thus affected by developments in both the global economy and in individual national economies. Economic stagnation or recession, particularly in Western and Central Europe, India and China, can have a direct impact on consumer behaviour in the automotive sector. The Group is thus vulnerable to the negative effects of cyclical fluctuations, where it is not possible to fully eliminate risks associated with diminished turnover resulting from downturns in individual economies and subsequent market contraction.

Export orders to countries with potential territorial or political risks are identified sufficiently in advance and hedged using standard, approved products available on the financial and insurance markets. The Group's partners in this area are Czech and international banking institutions, including EGAP. Intensifying political crises, terrorist activities and possible pandemics can have a negative impact on the situation in the world's automotive markets and thus on the Group's financial situation.

The Group's economic performance can also be negatively affected by additional technical–development costs incurred due to changes in legal regulations, e.g. stricter legislative requirements for vehicle safety, fuel consumption and restriction of harmful emissions, as well as changes in standard vehicle specifications. In the area of environmental legislation, it is necessary to take into consideration stricter European Union laws governing exhaust-gas emissions. Risks ensuing from legislation guaranteeing the free-of-charge liquidation of old cars through collection points designated by producers and importers are sufficiently covered by provisions.

Operating Risks

Day-to-day operations involve various risks that can potentially weaken the Group's financial position and performance.

Business risks that could result from production breakdowns (e.g. due to energy outages, technical failures, fires, floods, etc.) are adequately hedged by taking out appropriate insurance policies.

In the case of new products, there is the risk that customers will not accept them. Therefore, the Group conducts thorough analyses and customer surveys. Trends are identified in a timely manner and closely examined to determine their relevance for customers.

Another possible risk is that the Group may not launch new products within the planned timeframe, at a suitable quality level or within costs targets. This risk is eliminated through continual project monitoring and comparison of progress against the required outcome. Thus, necessary measures can be implemented in the event of discrepancies.

Quality Risk

Due to the growing complexity of production technologies and the large number of suppliers, quality assurance is an important part of the manufacturing process. Despite our effective and systematic approach to quality assurance, product–liability risks cannot be entirely eliminated. In order to reduce quality risks to a minimum from the very beginning, suppliers are involved in the development of new models. For the purpose of timely identification of trends, it is important to share know-how and, in cooperation with suppliers, develop control tools and opportunities for maintaining quality at a level that meets the demands of the Group's customers.

Human Resources Risk

The currently unfavourable situation in most developed and developing world markets is having an impact on the area of human resources management. Developments in the automotive market reflect the general diminished demand in most key economic sectors, thus negatively affecting stability in this area. As an employer with considerable social responsibility, the Škoda Auto Group exerts an extraordinary effort to preserve jobs and retain key personnel. Therefore, when production lines are not operating at full capacity, employees are temporarily transferred to other workplaces. Preserving employment and retaining existing personnel are two of the current priorities of human resources management.

Information Technology Risk

In the area of information systems and technologies, the Group takes great care to protect itself against risks involving data availability, confidentiality and integrity. Increased attention is focused on unauthorised access to and misuse of data through various measures relating to employees, the organisation, applications, systems and data networks. Employees are subject to Company's directives on handling information and internal regulations governing the safe use of information systems. Technical measures include standard activities such as the use of firewalls and controlling access to individual group systems and applications. Anti-virus protection, managed application administration and limited access rights constitute an additional level of protection against the misuse of sensitive information.

Legal Risk

The Group conducts business activities in more than one hundred countries all over the world. This can involve risks brought about by the differing legal systems of the various countries.

Technical Development

In 2009, Škoda Auto kept to its resolution to annually introduce a new model to the market, as the Company rolled out not one, but several new products in the course of the year. The new Škoda Yeti SUV was unveiled in the spring of 2009. The modernised Škoda Octavia RS and Škoda Octavia Scout were brought out at mid-year, followed by the long awaited Škoda Superb Combi in the autumn. During the year, selected units were moved to the new Technology Centre and new technologies were installed. Returning to rally sport competition after three years, the Škoda Motorsport factory team chalked up a successful season. In its debut in the IRC (Intercontinental Rally Challenge) series, our crew took second place in both the driver and team standings.

Škoda Auto Technical Development is the third-largest passenger-car development centre in the Volkswagen Group. A total of 1,562 employees were involved in the development of new models and the modernisation of existing ones in 2009. A big challenge in 2009 was optimisation of development and, mainly, material costs. Ongoing cooperation with other development centres within the Volkswagen Group contributed to the professional growth of employees and thus Škoda Auto's technical development in general. Our competence in the area of technical development is best illustrated by our work for other brands in the Volkswagen Group, which reached the value of CZK 315 million in 2009.

Expenditures on technical-development activities in 2009 totalled CZK 5.7 billion, i.e. 3.3% of the Company's total turnover (2008: 5.7 billion, 3.0%).

Technology, New Products

New Škoda Yeti

The Škoda Yeti made its first public appearance at the Geneva Motor Show. The Škoda Yeti sport utility vehicle (SUV) is the fifth model line in Škoda Auto's product portfolio. The Škoda Yeti is characterised by a symbiosis of unique styling, safety, functionality and comfort. With dimensions of 4223x1793x1691 mm, the Škoda Yeti's body has a very compact external appearance while offering surprising interior space. Ride comfort is one of the vehicle's main strengths. Especially on the highway, its ride quality is more reminiscent of a sedan than an SUV. The Škoda Yeti is also surprisingly nimble in the great outdoors thanks to its Off-road mode, which, with the push of a button, improves handling in off-road terrain and on unpaved surfaces. The Škoda Yeti is also the first Škoda model to feature an optional sliding panoramic sunroof. Even more importantly, the Škoda Yeti is safe, which is demonstrated by its maximum five–star rating in the independent Euro NCAP (new car assessment programme) tests.

Off-Road Capability

Pressing the Off-road button located on the instrument panel activates or changes the settings of the vehicle's systems. Thanks to its flatter response characteristic, the accelerator pedal delivers fuel more sensitively; the settings of the ABS, ASR and ESP electronic stability systems are changed to a more sensitive mode that is more suitable for off-road driving. Another very useful feature is the hill-driving assistant, which maintains constant speed on demanding slopes, allowing the driver to fully concentrate on driving.

Modernised Škoda Octavia RS

Two variants of the Škoda Octavia FL – the sport version Škoda Octavia RS and the outdoor version Škoda Octavia Scout – were introduced at the Brno Motor Show.

The Škoda Octavia RS is the fastest "Octavia" of all time, making it the perfect choice for sport-minded customers. Thanks to its outstanding 2.0 l TSI fuel-injected engine generating 147 kW of power and changes in the car's aerodynamics, the Škoda Octavia RS has a maximum speed of 242 km/h. Conversely, the 2.0 l TDI CR 125 kW diesel engine enables the vehicle to thrill drivers while boasting low fuel consumption of 5.7 l/100 km. The Škoda Octavia RS is the first Škoda model with LED daytime running lights.

Scout Design Line

The Scout design line occupies a strong position in the Škoda model portfolio. Exclusive interior and exterior elements signify its exceptional standing within individual model lines. In addition to the Škoda Octavia Scout and Škoda Roomster Scout, the Scout line-up now also includes the Škoda Fabia Combi Scout, which went into series production in May. The robust and self-confident Škoda Octavia Scout Facelift represents the Škoda brand's competence in the area of four-wheel-drive vehicles. Abundant power is provided by two reliable, high-performance engines joined with a six-speed manual transmission: 1.8 TSI/118 kW (EU 5) petrol engine and 2.0 TDI PD DPF/103 kW (EU 4) diesel engine.

Škoda Superb Combi

Shortly after the introduction of the new flagship Škoda Superb sedan, speculation about a combi (estate car) version began. The long advocated and eagerly anticipated Škoda Superb Combi was ceremoniously unveiled in autumn 2009 in Frankfurt am Main. The Škoda Superb Combi is the same length and width as the sedan version. Unlike the sedan, however, it is somewhat taller due, among other things, to the roof rack, which comes as standard equipment. Like the Škoda Yeti, the Škoda Superb Combi also features an optional electrically controlled sunroof. The Škoda Superb Combi is a multi-purpose upper–medium–class vehicle that offers above-average space and comfort and represents a new benchmark in this segment. The car offers 633 litres of standard luggage space and 1,865 litres when the rear seats are folded down, which is unparalleled in this class. The rear door can be equipped with an optional electric motor that enables variable automatic opening and closing of the fifth door. The roller cover with a switchable automatic release function is a standard (usually optional). After the rear door is opened, the blind goes from the back to the medium position, which ensures fast and easy access to luggage. Another clever detail found in the luggage space is the extendable floor section, which can be pulled out over the back bumper, thus facilitating the loading of large, heavy items. The aluminium straps, net programme and hooks in the luggage compartment make it possible to optimally secure cargo. The height of the luggage space, which is 600 mm from the floor, also facilitates convenient loading. Another simply clever feature is the removable LED light that serves primarily for illuminating the luggage space but can also be used as a hand-held light.

For the first time ever in a Škoda car, the Škoda Superb Combi features the KESSY system (Keyless Entry, Start and exit System). Starting the car is done by pressing a button located to the right under the steering wheel. Assistant systems were supplemented with a trailer stability assistant (TSA). The new Škoda Superb Combi with the 2.0 TDI CR DPF/125 kW engine with four-wheel drive or the 3.6 FSI V6/191 kW engine with four-wheel drive has towing capacity of up to 2,000 kilograms. The Škoda Superb Combi is thus not only highly elegant, but also highly practical.

Products and the Environment

Our environmentally friendly GreenLine models are a direct expression of our commitment to preserving the health of the environment. The first vehicle to bear the GreenLine badge appeared in 2008 with the introduction of the Škoda Fabia Combi GreenLine with low CO_2 emissions of 109 g per kilometre. At the end of 2008, the Škoda Superb GreenLine came onto the market with CO_2 emissions of 136 g/km and combined fuel consumption of 5.1 l/ 100 km. The GreenLine range was extended in 2009 with the addition of the Škoda Octavia GreenLine powered by a modern 1.6 l TDI Common Rail engine generating 77 kW and achieving low fuel consumption of only 4.4 l/100 km. Its level of CO2 emissions at only 114 g/km is also outstanding in this segment. Lower fuel consumption is achieved in all GreenLine models through

the selection of suitable efficient engines, modified gear ratios, enhanced aerodynamics and the use of special tires with reduced rolling resistance. Diesel particulate filters are a matter of course in all GreenLine models. The end of 2009 saw the introduction into series production of an Škoda Octavia model equipped with a 1.6 l 77 kW MPI LPG engine allowing the use of a mixture of propane and butane (LPG).

Certifications

In 2007, Škoda Auto obtained the "Preliminary assessment of the manufacturer certificate pursuant to Directive 2005/64/EC", which is a necessary prerequisite for receiving type–approval pursuant to Directive 2005/64/EC – Recycling. This type–approval has been granted for all model lines. In practice, this means that the vehicles are recyclable to a minimum of 85% by mass and reusable and/or recoverable to a minimum of 95% by mass. In 2009, selected engines received type-approval under the stricter Euro 5 emissions standards.

Also in 2009, Škoda Auto Technical Development successfully underwent ISO 9001 and ISO 14001 certification audits.

Škoda Motorsport

The Škoda brand ranks among the world's oldest race car manufactures. Historical records document the participation of Škoda race cars in all types of international competitions dating backing over a century.

In comparison with the past, 2009 brought a significant change in the strategy of the Škoda Motorsport project – besides purely competition-focused activities, a programme for selling vehicles to private customers was clearly defined. Both pillars of the project were underscored by the ongoing development of the Škoda Fabia Super 2000.

In 2009, two factory teams presented the Škoda Fabia Super 2000 at the IRC championship in the factory team category. In January, the crews of Jan Kopecký – Petr Starý and Juho Hänninen – Mikko Markkula competed in the Monte Carlo rally in the Škoda Fabia Super 2000. In the teams' terrific Monte Carlo debut, Jan Kopecký took fourth place, the first in a series of outstanding results for both crews. In the second event of the year, the Azores Rally in Portugal, Jan Kopecký reached the winners' podium when he raced to a second-place finish. He duplicated this feat at the Ypress Rally in Belgium. The Škoda team achieved another historic result at the Rally Russia, when Juho Hänninen and Jan Kopecký finished first and second, respectively. Probably the most important outcome of the season was Jan Kopecký's victory on his home turf at the Barum Rally, where the sport's top teams competed. A record-setting crowd of more than 250,000 spectators turned out to watch the race. Jan Kopecký followed up his victory at the Barum Rally with another win at the Principe de Asturias Rally in Spain, thanks to which he gained one point in the driver standings and could start thinking about winning the overall championship. Unfortunately, however, this hope dissolved at the beginning of the San Remo Rally, which Kopecký didn't finish. The Škoda Motorsport team finished the 2009 IRC season in second place overall in the team standings with Jan Kopecký in second place in the driver standings. Juho Hänninen finished in sixth place overall in the driver standings.

Thanks to the customer programme, the Škoda Fabia Super 2000 is also in the hands of several private teams, which over the course of the year participated in various national championships and came away with several important victories. During the 2009 season, the Škoda Fabia Super 2000 proved itself to be not only competitive and reliable, but also of interest to customers.

Quality

The ongoing optimisation of development, production, sales and product service processes and fulfilment of all requirements pertaining to the Company's quality-management system pursuant to the current EN ISO 9001:2008 standard with subsequent issuance of new ISO certificates were the main events of 2009 that contributed to end-consumer satisfaction with our products.

Quality Assurance

Quality is a fundamental key to earning customer satisfaction, trust and loyalty to the brand. It has a decisive impact on the brand's overall image and greatly influences customers' decision-making when purchasing a vehicle. In the highly complex automotive industry, the term "quality" represents an extensive system of processes and methods that affect all areas of the Company, ranging from technical development and purchasing activities, through actual production, to maintenance services. Škoda Auto is fully aware of the fundamental importance of quality, and thus fulfilment of requirements for the quality of our products and for the Company's managements was among our main tasks in 2009.

Product Quality

Product quality is understood primarily in terms of reliability, especially in the long-term horizon. In order to continually measure product quality and management effectiveness, we employ indicators such as "number of defects per vehicle" and "repair costs" over the course of the vehicle's service life.

In 2009, we continued the monthly gathering of information from the service network, focusing primarily on trends in vehicle defects and the costs arising from them. Knowledge of this information enabled a special team composed of representatives of quality management, technical development, production and service to quickly respond by taking corrective and preventive measures for all models in production.

In light of the stated goals, the effectiveness of these measures was continually monitored and regularly assessed, with the results submitted to the Company's management for approval.

Vehicle Development Quality

Final vehicle reliability is not only a matter of production and workmanship. Rather, it is primarily a matter of choosing the right design and employing appropriate technical solutions.

In the earliest development phases, we establish teams (Simultaneous Engineering Teams – SET) in which representatives of all areas use preventive methods to identify current trends and customer requirements, and to accordingly prepare optimal technical solutions. These conceptual solutions are further refined with the aim of minimising the future number of defects and achieving the anticipated satisfaction of customers with the new vehicle. In this regard, it is also important to cooperate with a renowned firm that allows us, in the initial prototype phase, to compare the concept against anticipated customer requirements and potential deviations, and to proceed accordingly with the product's development.

Production Process Quality

The quality of production processes is of fundamental importance for the quality of the resulting product. The purpose of production process quality is to consistently and reliably achieve planned levels of product quality. In 2009, the basic factor in achieving lasting vehicle quality was ongoing inspection of the production process, from the moment the initial design proposal was submitted until its final implementation. The monitored parameters included, in particular, production–flow organisation, positioning of machines and equipment, deployment of workers with the necessary skills and the use of appropriate control mechanisms with effective process–management feedback.

In series production, the quality of the production process is evaluated in terms of process stability, which means that the production process must function in such a way that the quality of every car produced corresponds to the planned parameters.

Process stability is verified through, among other things, a series of process audits conducted in accordance with Volkswagen Group methodology and it is also regularly assessed by the management.

Quality of Maintenance Services

From the moment a new vehicle is handed over to the customer, through regularly scheduled service check-ups, to possible repairs in the course of the vehicle's service life, high-quality customer care is our most important tool for building brand loyalty. Besides the actual purchase, a service-centre visit is one of the few possibilities for direct contact with the customer and is a unique opportunity to gain information on the customer's satisfaction with Škoda products. Knowledge and experience acquired in the area of maintenance services comprise a substantial portion of the information in the Company's quality management system.

Škoda Auto raised the quality of its maintenance services in 2009, especially in terms of their ongoing optimisation. Starting in the development phase, vehicle design was confronted with the future necessity of maintenance interventions. In 2009, work continued on the introduction of a globally accessible defects database that enables rapid diagnostics and substantial improvement of our service partners' performance.

Certifications

Škoda Auto's quality management system has been certified since 1994.

In September 2009, the Company successfully underwent the second follow-up audit of its quality management system in accordance with the ISO 9001:2008 standard and the certification company TÜV NORD Praha issued new certificates to the Company.

The validity of the VDA 6.1 certificate was confirmed for drivetrain production and the validity of the VDA 6.4 certificate was confirmed for production of tools and fixtures.

Purchasing

Successful cooperation in launching the series production of the Škoda Yeti and Škoda Superb Combi models, support for foreign projects and continuation of the tradition of supplier workshops contributed to the further enhancement of our relations with suppliers.

In 2009, the purchasing department continued developing existing suppliers and seeking out suitable new ones. As in the previous year, the main selection criteria were quality, reliability and price, as well as the ability to innovate and to ensure the required scope of deliveries. In order to exploit synergies and to achieve savings in materials costs, this was done in close cooperation with the Volkswagen Group's purchasing department. In the areas of supplier management, an important task was to build relations with suppliers with emphasis on optimising processes, quality and costs.

The primary task was to ensure delivery of supplies for production of the new Škoda Yeti, the first SUV in the brand's history. During the course of the year, we also began work connected with preparing the launch of the new Škoda Superb Combi. These activities involved support for foreign projects within the Group's expansion strategy.

Supplier Management

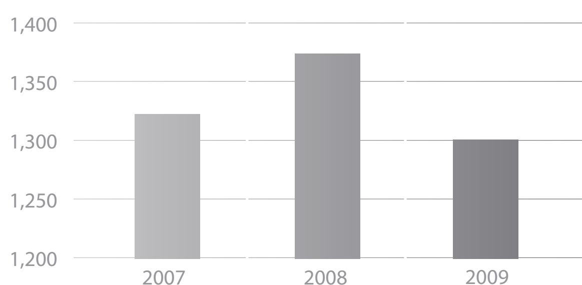
The Group recognises the indispensable role played by suppliers in the process of successful brand development. As such, we place extraordinary emphasis on strengthening relations, improving cooperation and know-how, and on further direct development of the partners' professional competencies.

In light of current developments in international markets, risk management is focused on timely identification of supplier problems. In the event that a supplier is insolvent, appropriate measures are taken to ensure the uninterrupted delivery of supplies for production.

Regularly held workshops with suppliers, in which technical–development and quality representatives also participate, provide a venue for exchanging experience and developing new projects, and identifying new standards and potential opportunities for optimising materials costs.

The third supplier workshop was held in July on the occasion of the unveiling of the new Škoda Yeti, with 58 key suppliers and the Company's Board of Directors in attendance.

Development of the total number of production purchasing suppliers



The main purpose of the workshop consisted in reinforcing quality, fostering open discussion on anticipated trends in the automotive industry, defining common goals and examining other topics of a strategic nature.

Development of the Supplier Network

In addition to the traditional supplier territories (the Czech Republic and Europe), there is a growing number of suppliers in countries such as Russia, India and China. On one hand, this trend is connected with the advantage provided by direct sourcing of local production plants. On the other hand, it also offers costs savings on deliveries to other Group factories. Development of the supplier network continued in 2009, with respect to the growing needs of foreign projects. In addition to cost and capacity factors, the criteria for assessing local suppliers include the development of currency exchange rates and local partners' know-how in the areas of quality and development.

General Purchasing

In 2009, general purchasing activities were directed not only at new projects, but also at support for ensuring the Company's economic stability. Significant new projects included the EA 211 engine and MQ100 transmission, which are intended for use in the Volkswagen Group's NSF (New Small Family) vehicle concept. Securing technology for the production of these products was one of the main tasks of general purchasing. Another important task involved new marketing communication and activities relating to the introduction of the new Škoda Yeti and Škoda Superb Combi models to the market. The date for beginning sales was moved forward for both models, which significantly increased demands on the purchasing process. In light of the very dynamic changes in the automotive market, general purchasing played an active role in the implementation of measures leading to greater production flexibility and in the SCOUT programme, which is aimed at optimising costs.

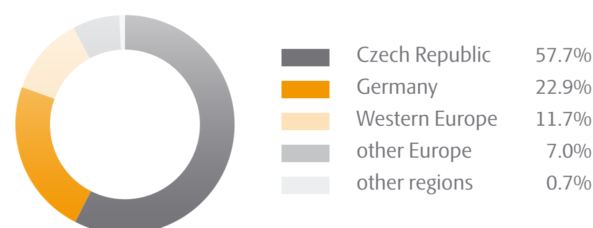
The total number of general purchasing suppliers was 5,306 in 2009 (2008: 5,460), whereas total general purchasing volume was CZK 13.6 billion (2008: CZK 17.4 billion).

Production Purchasing

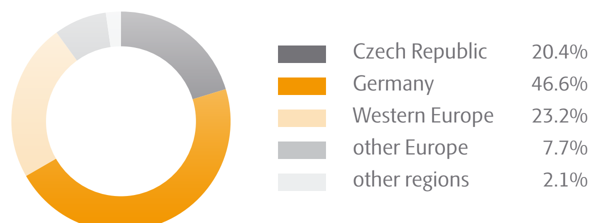
The Company's total production purchasing volume for 2009 was CZK 96.8 billion, which is CZK 11.5 billion less than in the previous year (CZK 108.3 billion). Local suppliers were of strategic significance for the Company, which is confirmed by their high long-term volume share (58%). With a nearly one-quarter share of production purchasing volume, German companies comprised another important supplier group.

A total of 1,301 suppliers (2008: 1,378) were involved in production-related deliveries in 2009. Of these, 265 were Czech companies, 14 of which are located in the immediate vicinity of Mladá Boleslav. With 908 partners, Western Europe was the strongest supplier region as measured by the number of corporate registered offices.

Regional distribution of production purchasing volume in 2009 (%)



Production Purchasing Volume by Region in 2009 (%)



Production and Logistics

The successful start of series production of the completely new Škoda Yeti model line, rejuvenation of the Škoda Octavia RS and Škoda Octavia Scout, launch of production of the Combi variant of the new-generation Škoda Superb and the further substantial expansion of foreign projects were the principal milestones in the production of Škoda vehicles in 2009.

At its manufacturing plants, the parent company Škoda Auto mainly produces finished vehicles and vehicle kits in various stages of disassembly. The vehicle kits are shipped to Group plants as well as to other foreign partner facilities, where they are assembled. A significant part of the Company's production programme consists of the manufacturing of drivetrains (engines and transmissions) and components thereof, as well as genuine parts and accessories.

The parent company Škoda Auto's traditional manufacturing plants are located in Mladá Boleslav, Vrchlabí and Kvasiny (Czech Republic), while the Group also has assembly plants in Aurangabad, India, and Kaluga, Russia.

In addition to its own manufacturing and assembly plants, the Group also cooperates with partner facilities in Solomonovo (Ukraine) and in Ust-Kamenogorsk (Kazakhstan). Production capacities at the Volkswagen plant in Bratislava (Slovakia) are also being used on a temporary basis. Škoda-brand vehicles are also produced under licence at the SVW plant in Shanghai (China).

The year 2009 constituted a period of significant expansion of foreign plants with full-scale production. Production of the Škoda Octavia was successfully launched at the factory operated jointly with Volkswagen in Kaluga, Russia, while a completely new factory was opened in Pune, India, where the Škoda Fabia is produced alongside Volkswagen vehicles.

In the interest of exploiting synergies within the Volkswagen Group, the Škoda Auto Group's product portfolio also includes Volkswagen and Audi-branded cars, which are assembled in Aurangabad, India, in addition to Škoda vehicles.

Vehicle Production in Group Plants

In 2009, a total of 522,542 vehicles rolled off the Group's assembly lines. The introduction of scrappage programmes in many European markets, particularly in Germany, significantly helped to minimise the overall decline in production, in comparison with 2008, resulting from the global financial crisis. Thus, the Group's production fell by 13.9% year-on-year (2008: 606,614 vehicles).

In the first half of 2009, attention was focused primarily on launching the completely new Škoda Yeti model line and the successful start of production of the facelifted Škoda Octavia RS and all-road Scout. The second half of the year was marked by the introduction of the new-generation Škoda Superb Combi.

Škoda Fabia

Strong demand for the Škoda Fabia, which was due primarily to the introduction of a scrappage programme in Germany, necessitated a sharp increase in production in the second quarter of 2009. In order to satisfy this demand, Škoda Fabias were turned out at the record rate of 1,200 cars a day for five full months.

In 2009, the Škoda Fabia model line accounted for 44.1% (230,349 units) of the Company's total production volume. This represents a decline of 5.8% in comparison with 2008 (244,602 cars).

Škoda Roomster

Production of the Škoda Roomster and Škoda Praktik remained at a relatively stable level. A total of 42,315 Škoda Roomster and Praktik vehicles were produced at the Kvasiny plant in 2009, which represents a decline of 14.6% in comparison with 2008.

Škoda Octavia

The very successful Škoda Octavia line, which was enhanced in May 2009 with the addition of the rejuvenated RS and Scout variants, reaffirmed its strong position in the production spectrum. As in 2008, the Škoda Octavia line accounted for 30% of total production volume. In total, the Group manufactured 159,874 vehicles in this model line in the monitored period (2008: 198,827). When the 18,666 vehicles assembled at the VW Bratislava partner plant are taken into account, the total was 178,540.

Škoda Octavia Tour

The Škoda Octavia Tour produced at the Vrchlabí plant in sedan (liftback) and combi versions remains a complementary part of the Škoda product portfolio. A total of 32,567 units were produced in 2009.

Škoda Yeti

The Škoda product portfolio was further strengthened in 2009 with the introduction of the completely new Škoda Yeti model line. Highly effective preparations made it possible to advance the production start date and ensured a more than sufficient number of vehicles for the model's introduction to the Czech and German markets in July 2009. A total of 19,672 Škoda Yetis were produced during the model's launch year.

Portfolio of models manufactured or assembled in Group plants (status as at 31 December 2009)

	Fabia II	Roomster	Octavia	Octavia Tour	Yeti	Superb II	VW Jetta	VW Passat	Audi A6	Audi A4
Mladá Boleslav (Czech Republic)	●		●							
Vrchlabí (Czech Republic)			●	●						
Kvasiny (Czech Republic)		●			●	●				
Aurangabad (India)	●		●	●		●	●	●	●	●
Kaluga (Russia)	●	●	●	●	●	●	●	●		●

Production of vehicles in Group plants

	2007	2008	2009	2009/2008
Fabia	33,296	–	–	–
Fabia Combi (incl. Praktik)	74,053	12	–	–
Fabia Sedan	13,137	2,844	–	–
Fabia II (incl. CKD India - Pune)	118,770	140,890	151,733	7.7%
Fabia II Combi	4,413	100,856	78,616	–22.1%
Fabia total	**243,669**	**244,602**	**230,349**	**–5.8%**
Roomster	69,637	43,247	39 665	–8.3%
Praktik	6,238	6,288	2 650	–57.9%
Roomster total	**75 875**	**49 535**	**42 315**	**–14.6%**
Octavia Tour	58,388	72,233	22,396	–69.0%
Octavia Tour Combi	14,692	11,520	10,171	–11.7%
Octavia Tour total	**73,080**	**83,753**	**32,567**	**–61.1%**
Octavia	101,891	94,117	67,177	–28.6%
Octavia Combi	106,957	104,710	92,697	–11.5%
Octavia total	**208,848**	**198,827**	**159,874**	**–19.6%**
Yeti	**–**	**–**	**19,672**	**–**
Superb	21,339	5,836	–	–
Superb II	–	21,428	32,925	53.7%
Superb II Combi	–	–	1,943	–
Superb total	**21,339**	**27,264**	**34,868**	**27.9%**
Total Škoda brand	**622,811**	**603,981**	**519,645**	**–14.0%**
VW Passat	426	608	394	–35.2%
VW Jetta	–	1,629	1,770	8.7%
Audi A6	54	266	311	16.9%
Audi A4	–	130	422	> 100%
Total VW Group brands	**480**	**2,633**	**2,897**	**10.0%**
Total production	**623,291**	**606,614**	**522,542**	**–13.9%**

Škoda Superb
The year 2009 was marked by the start of production of the Škoda Superb Combi, a new variant of the Škoda brand's flagship model. Production was successfully launched in October 2009, and a total of 34,868 Škoda Superbs in both variants were produced during the monitored period. The Škoda Superb's strong position in the Škoda portfolio of vehicles is confirmed by the robust growth in this model's production volume, which increased by 27.8% in 2008 as compared with 2007, whereas in 2009, the positive situation in terms of orders enabled a further 27.9% increase.

Volkswagen Group Models
Production of vehicles under the Volkswagen Group's Audi and Volkswagen brands in Aurangabad, India, increased by 10% in 2009. A total of 2,164 Volkswagen and 733 Audi vehicles were assembled there in 2009.

The Group's Foreign Projects
Major expansion of the Group's foreign projects continued in 2009. The main activities were focused not only on the realisation of complete manufacturing plants in Kaluga, Russia, and Pune, India, but also on launching new models.

Within a joint project of Škoda Auto and the Volkswagen Group, the assembly plant in Kaluga, Russia, was expanded into a plant with full-scale production capabilities and in June 2009 production of the Škoda Octavia was successfully launched there. Concurrently, the assembly of Škoda cars from disassembled-vehicle kits supplied by the parent company continued apace. This concerns the Škoda Octavia, Škoda Octavia Tour and new-generation Škoda Fabia models. Assembly of the Škoda Roomster, new-generation Škoda Superb and Škoda Yeti models began in 2009. In Russia in 2009, a total of 24,233 vehicles were assembled and 3,218 Škoda Octavias were manufactured.

In Aurangabad, India, assembly of the Škoda Fabia, Škoda Octavia, Octavia Tour and new-generation Škoda Superb models continued alongside assembly of models under other Volkswagen Group brands. A total of 8,986 Škoda-brand vehicles (2008: 18,342) and 2,897 vehicles of other Volkswagen Group brands (2008: 2,633) had rolled off the assembly lines by the end of the year.

As in Kaluga, Russia, a completely new plant with full-scale production capability was opened in India. Together with other Volkswagen Group models, we have produced the Škoda Fabia model in Pune, India, since August 2009. Four thousand Fabias had been produced there by the end of the monitored period.

Assembly or production of vehicles in partner plants

	2 007	2008	2009	2009/2008
Bosnia and Herzegovina *	2,579	2,720	–	–
Ukraine	23,337	30,172	3,546	–88.2%
Kazakhstan	1,557	281	179	–36.3%
Slovakia	–	18,278	18,666	2.1%
China **	38,664	55,920	131,779	> 100%
Total	**66,137**	**107,371**	**154,170**	**43.6%**

* assembly ended in 12/2008
** licensed production in the SVW plant

Vehicle Production at Partner Factories

A total of 154,170 vehicles were assembled or manufactured at partner facilities in the past year. In Shanghai, China, licensed production of the new–generation Škoda Superb began in June 2009. Together with the Škoda Fabia and Škoda Octavia models, a total of 131,779 vehicles rolled off the production lines, which represents enormous year-on-year growth of nearly 140%.

At the plants in Ukraine and Kazakhstan, vehicle assembly proceeded at a very low level due to the unfavourable economic situation. A total of 3,546 vehicles were assembled in Ukraine and 179 in Kazakhstan.

Production capacities at the Volkswagen Group's plant in Bratislava, Slovakia, were used for assembly of the Škoda Octavia model. A total of 18,666 Škoda Octavias were assembled there.

Logistics

Due to the global economic downturn, the area of logistics was faced with new challenges. The year 2009 was marked by radical optimisation of capital liability in inventories of purchased parts and in inventories of finished vehicles, sustained reduction of shipping costs and a more flexible approach to formulating the production programme and by the use of individual production capacities. All of these measures fell within the Volkswagen Group's new logistics concept strategy, elements of which are currently being intensively implemented at Škoda Auto.

In the area of logistics, a substantial effort was also made to ensure the timely implementation of projects involving foreign production, particularly where this concerned the launch of new, joint VW factories in Pune, India, and Kaluga, Russia.

As in the domestic environment, foreign activities already in progress underwent an ongoing cost-optimisation process and identification of synergies with other Volkswagen Group plants.

Power train Production

Škoda Auto reaffirmed its established position as a renowned supplier of engines, transmissions and components thereof within the Volkswagen Group. The year 2009 saw not only record production volumes of MQ 200 transmissions and 1.2l engines, but also the 110th anniversary of engine production. The first Laurin & Klement motorcycle was very successfully introduced in Prague on 18 November 1899.

In 2009, significant growth in demand for small-capacity engines not only in Škoda cars, but also in the vehicles of other Volkswagen Group brands, resulted in increased production of 1.2l engines, bringing the total to a record 352,981 units for the year, which represents year-on-year growth of 30.3%. Deliveries to the Volkswagen Group accounted for 59.5% of the total number of engines produced.

Within the strategy of introducing high-performance, low-capacity engines, production 1.2l, 77 kW TSI engines was successfully commenced. In the launch year, a total of 14,899 of these engines were manufactured, nearly half of which were delivered to Volkswagen Group brands.

Production of MQ 200 transmissions saw a similarly substantial year-on-year increase in volume. The 2008 total of 538,069 transmissions produced was exceeded by 6.1% in 2009, thus bringing the total to 571,054 units for the year. Deliveries to the Volkswagen group accounted for 55.5% of this volume.

Production of Power Trains

	2007	2008	2009	2009/2008
1.2 engine	306,783	270,875	352,981	30.3%
1.2 TSI engine	–	–	14,899	–
MQ 200 transmission	519,135	538,069	571,054	6.1%

Sales and Marketing

The further expansion of the sales and service network in world markets, successful introduction of the brand's first SUV, the Škoda Yeti, and the unveiling of the Škoda Superb Combi at the Frankfurt Motor Show contributed to the strengthening of the Škoda brand's position at the global level. This was achieved despite the negative impacts of the ongoing financial crisis, which in 2009 spread from Western Europe to the East, where it had a lethal effect on the development of vehicle markets and thus negatively influenced sales results.

Vehicle Sales by Region

The Škoda Auto Group managed to again increase sales volumes in 2009. In total, the Group delivered 684,226 vehicles to customers, which represents year-on-year growth of 1.4% and an improvement on the previous year's record sales.

Czech Republic

The Group unequivocally affirmed its leading position on the domestic market, with total sales of 56,504 vehicles, representing a slight decline of 2.6% in comparison with the previous year (2008: 58,001 vehicles).

Central Europe

Besides the domestic market, the Group also maintained its dominant position in Central Europe. Sales in Poland increased to 38,305 vehicles (2008: 33,986), corresponding to a growing market share of 11.9%. Škoda-brand vehicles held on to their long-time leading position on the Slovak market, despite a 17.9% decline in sales. A total of 14,613 vehicles were delivered to customers in Slovakia in 2009 (2008: 17,809). In connection with economic problems and declining overall passenger-car sales, there was a sharp fall in sales of Škoda-brand cars in Hungary (5,234 vehicles delivered to customers, i.e. −56.4 % compared with 2008).

Eastern Europe

The economic and financial crises had a lethal effect on the Eastern European vehicle markets in 2009.

A total of 60,464 vehicles were delivered to customers in this region, corresponding to a year-on-year decline of 51.1%. Despite a 34.9% drop in sales, the Russian market remained the biggest in Eastern Europe, with 33,000 vehicles sold. Market share grew by 31.2% to 2.45%, compared with 1.86% from the previous year. The Ukrainian market suffered a decline of 77.1% in 2009, with 6,533 vehicles sold. The reason for this dramatic decline was the collapse of the economy in the first half of the year, though it began to recover in the autumn. The crisis also seriously affected the other markets in the region. A total of 8,913 cars were sold in Romania (–61.1%); 2,740 in Serbia (–39.9%); 2,380 in Bosnia and Herzegovina (–30.0%); and 1,115 in Estonia (–39.9%).

Western Europe

Western Europe is traditionally the Group's biggest sales territory. In 2009, the Group sold 345,185 vehicles in this region, a year-on-year increase of 9.4%. The Group's market share increased to 2.5%, compared with 2.3% in the previous year. This recovery in sales was in large part due to government-sponsored scrappage programmes implemented in most Western European markets. The greatest positive effect of scrappage programmes on the Group's sales results was felt in Germany.

The Group managed to increase its market share in nearly all Western European countries, whereas the largest shares were achieved in Finland (6.81%), Denmark (5.24%), Austria (5.41 %) and Switzerland (4.33%). The Group sold its largest number of vehicles in Germany, 162,328 in total, corresponding to a 44.3% increase in comparison with 2008 and market share of 4.24%. In Great Britain, however, sales declined by 2.9%, with 36,012 vehicles delivered to customers (market share was 1.8% in 2009). A total of 18,215 vehicles were sold in Italy (–12.5% year-on-year) and 20,313 in France (+4.3%).

Overseas/Asia

The significant growth potential of the overseas/Asia region is reflected in the Group's sales results. In 2009, sales to customers in this region totalled 158,654 vehicles, up 52.2% over the previous year. With 122,556 vehicles sold (+106.7% year-on-year) in 2009, China affirmed its position as the Škoda brand's largest sales territory in the region and became the brand's second strongest market in term's of volume. Other traditionally strong sales territories include India, where the Group sold a total of 14,535 vehicles, down 9.4% in comparison with 2008. Škoda is the strongest European brand in India. Other important markets in this region include Israel (5,879 vehicles sold/–11.7% year-on-year), Egypt (2,009/–61.8%) and Turkey (3,137/–19.4%).

Vehicle Sales by Model Line

In 2009, the Group began selling the new Škoda Yeti, the first SUV in its production programme, and introduced the Škoda Superb Combi to the market. During the same period, we introduced the environmentally friendly GreenLine variants of the Škoda Octavia and Octavia Combi. As with all of our products, maximum emphasis was placed on quality and safety, intelligent functional details and a balanced price/performance ratio.

Škoda Fabia

This model line has long been the backbone of the Group's product range. Thanks to the enormous demand for small cars in Western Europe, especially in Germany, the Fabia was one of our strongest models in terms of volume in 2009, with total sales of 264,173 units (compared with 246,561 in 2008). The Škoda Fabia is offered in two body variants as well as in the ecological GreenLine and lifestyle-oriented Fabia Combi Scout versions.

Škoda Roomster

Development in the A0-MPV segment in 2009 had an adverse affect on sales of this model line. In spite of this, however, the Škoda Roomster fully established itself on the market, becoming the market leader in its segment in eight European countries. The number of units sold fell to 47,152 (2008: 57,467). The Škoda Roomster is also offered in the Scout lifestyle version.

Of the total number sold, the Škoda Praktik version accounted for 3,451 units (2008: 7,013).

Škoda Octavia Tour

Though it is the oldest model in the brand's product range, the Škoda Octavia Tour has remained strong over the long term, especially in Eastern European markets. This region suffered markedly from the economic crisis, which led to a year-on-year decline in sales of 43.6%, with sales totalling 43,745 units (2008: 77,590 units).

Škoda Octavia

The Škoda Octavia reaffirmed its position as the Group's bestselling model line in 2009 when customers purchased 273,590 units, including 97,091 in the combi version. The Škoda Octavia line thus recorded year-on-year sales growth of 2.4%.

The model has several variants including the ecological GreenLine, sporty RS and the outdoor-oriented Scout with all-wheel drive.

Škoda Superb

In 2009, the Škoda Superb model line was supplemented with the Škoda Superb Combi version. A total of 44,548 Škoda Superbs were sold, an increase of 73.7% year-on-year. By the end of the year, 735 units of the Škoda Superb Combi had been sold, which corresponds to sales in the introductory phase. There is also an ecological GreenLine version of the Škoda Superb.

Škoda Yeti

The Škoda Yeti is the brand's first model in the dynamically growing compact SUV segment. The new model received a very favourable reception from customers upon its introduction. A total of 11,018 units were sold in the launch year. Both front-wheel-drive and four-wheel-drive versions are available.

Deliveries to customers by region

	2007	2008	2009	2009/2008
Central Europe	142,483	131,084	119,923	−8.5%
Eastern Europe	95,032	123,630	60,464	−51.1%
Western Europe	327,222	315,571	345,185	9.4%
Overseas/Asia	65,295	104,245	158,654	52.2%
Total Škoda brand	**630,032**	**674,530**	**684,226**	**1.4%**

Deliveries to customers by model

	2007	2008	2009	2009/2008
Fabia	51,561	191	–	–
Fabia Combi (incl. Fabia Praktik)	80,799	5,533	–	–
Fabia Sedan	12,970	5,191	47	–99.1%
Fabia II	85,998	146,465	181,590	24.0%
Fabia II Combi	1,562	89,181	82,536	–7.5%
Fabia total	**232,890**	**246,561**	**264,173**	**7.1%**
Roomster	62,527	50,454	43,701	–13.4%
Praktik	4,134	7,013	3,451	–50.8%
Roomster total	**66,661**	**57,467**	**47,152**	**–17.9%**
Octavia Tour	58,287	65,544	32,825	–49.9%
Octavia Combi Tour	14,242	12,046	10,920	–9.3%
Octavia Tour total	**72,529**	**77,590**	**43,745**	**–43.6%**
Octavia	131,934	164,543	176,499	7.3%
Octavia Combi	105,488	102,724	97,091	–5.5%
Octavia total	**237,422**	**267,267**	**273,590**	**2.4%**
Superb	20,530	10,164	624	–93.9%
Superb II	–	15,481	43,189	> 100%
Superb Combi	–	–	735	–
Superb total	**20,530**	**25,645**	**44,548**	**73.7%**
Yeti	–	–	**11,018**	–
Total Škoda brand	**630,032**	**674,530**	**684,226**	**1.4%**

Deliveries to customers – largest markets

	2007	2008	2009	2009/2008
Total Škoda brand	**630,032**	**674,530**	**684,226**	**1.4%**
Germany	112,452	112,504	162,328	44.3%
China	27,325	59,284	122,556	106.7%
Czech Republic	66,806	58,001	56,504	–2.6%
Russia	27,535	50,733	33,002	–34.9%
Great Britain	40,430	37,072	36,012	–2.9%
Poland	33,210	33,986	38,305	12.7%
Ukraine	22,775	28,524	6,533	–77.1%
Romania	24,015	22,937	8,913	–61.1%
Italy	19,103	20,809	18,215	–12.5%
Spain*	26,920	19,519	16,906	–13.4%
France	19,404	19,480	20,313	4.3%
Slovakia	19,358	17,809	14,613	–17.9%
Austria	16,012	16,700	17,500	4.8%
India	12,170	16,051	14,535	–9.4%
Belgium	14,001	14,130	12,358	–12.5%

* excluding the Canary Islands

Sales of Genuine parts and Accessories

Sales of genuine parts and accessories comprise an important part of the Group's business policy and have a significant impact on customer satisfaction. The sales philosophy is based on offering top-quality products, a broad selection, availability and timely delivery. As our portfolio of models and variants expands, the range of parts and accessories delivered to markets around the world is also growing.

Revenues from sales of genuine parts amounted to CZK 13.5 billion in 2009, a year-on-year increase of 7.1%. With its range of original accessories, the Group is responding to the ever-growing segment of customers who require a higher degree of individuality while fulfilling strict quality criteria guaranteed by the manufacturer. Revenues from sales of original Škoda accessories totalled CZK 1.7 billion in 2009 (–21.6%). This development was significantly affected by a legislative amendment for the category of light utility vehicles for Central European markets.

Sales of genuine parts and accessories contributed substantially to the Group's overall financial results in 2009.

Sales and Service Network

Our high-quality sales and service network plays an integral role in the fulfilment of the Group's sales and growth strategy. The Škoda brand was represented in 102 world markets in 2009. Despite the adverse conditions found in most markets and the general recession in the automotive industry, the Škoda brand further expanded its sales and service network. At the end of 2009, there were a total of 5,098 registered sales and service partners worldwide (2008: 5,017). While maintaining our focus on existing markets, we continued to strengthen our

position on new markets, particularly in China and Russia. The year-on-year development for 2009 confirms the attractiveness of the Škoda brand among business partners and the success of the chosen sales strategy.

One of the key topics in 2009 was maintenance of the stability of the dealer network, its adaptation to the new conditions in the automotive sector and preparation for the anticipated growth phase. Important factors for success in this area include optimal planning of the sales and service network connected with the resulting implementation of the distribution methodology and ongoing development of the dealer network.

Further improvement in the quality and level of services provided by the sales and service network was achieved in 2009 via the "Human Touch" programme. This programme's main pillars are the willingness and helpfulness of personnel, the personal approach to customers and individual concept of customer care. Thanks to the programme, customer satisfaction is continually rising, which confirms the results of the surveys.

Sales of Vehicles to Fleet Customers

A total of 132,500 vehicles were delivered to fleet customers in 2009 (−18.1% year-on-year). The falling was largely due to the decline of overall markets, which were mired in the financial crisis. Decline in sales of vehicles to fleet customers was generally less significant than on the retail markets, where the scrappage programmes were not introduced. 87,500 were sold in Western Europe (−24.0% year-on-year) and 38,200 in Central Europe. More than 6,800 vehicles were sold on the biggest markets of Eastern Europe (Russia, Ukraine). The Group's biggest market in this segment, accounting for 26% of annual fleet sales, is Germany, followed by the Czech Republic, Poland, Great Britain and Spain. In comparison with sales to individual private customers, sales to large-volume buyers are generally less sensitive to changes in the economic environment, and thus in 2009 helped Škoda Auto to partially offset the negative effects in the private-customer segment on those markets which were not supported by government stimuli..

Marketing Communication

Škoda Auto introduced two new models in 2009 thereby penetrating market segments in which the Škoda brand had not been previously represented. The brand's new entrant in the SUV segment, the Škoda Yeti, was presented to the public at the Geneva Motor Show in the spring, and the Škoda Superb Combi made its debut at the Frankfurt Motor Show in the autumn.

The Škoda Yeti was presented to sellers from around the world in the Austrian Alps, where it could fully show off its off-road capability. The Yeti was at the centre of attention even at the 96th annual Tour de France bicycle race, which was realised with the Škoda brand's support for the sixth time. During the Tour, spectators could catch a glimpse 350 Škoda vehicles provided for the event, whereas ten Škoda Yetis were prominently featured in the promotional convoy ahead of the peloton. The Škoda Yeti's marketing communication emphasised the model as a new kind of SUV with the slogan "Be prepared for something wild".

Building on the success of the Škoda Superb sedan, the brand's new flagship model, the Škoda Superb Combi, exceeded all expectations. The international marketing campaign for the latest version of the Škoda Superb was focused on the small yet important successes in everyone's daily life with the slogan "Everything that made us big – now even bigger"

Škoda Auto Social Responsibility

As one of the largest companies in the country, we are aware of the impacts of our activities on the broader public and we endeavour to support selected socially beneficial projects as effectively as possible. We actively assist development in the areas of sport, culture, ecology and charitable activities. Our goal is not only to fulfil the public's expectations, but to also play an important role in the long-term, positive development of the quality of life in regions where we operate.

Škoda Auto Social Responsibility

Škoda Auto is fully aware of its responsibility not only toward its customers, employees, shareholders, and business partners, but also toward the greater civic society. As such, the Company considers responsible behaviour toward the above-mentioned groups to be an integral part of its corporate strategy. The Company also has a long-term policy of dedicating maximum effort to limiting the negative effects of its activities on the environment. This concerns not only the Company's own production and sales activities, but also favoured cooperation with suppliers fulfilling the most demanding ISO 14000 environmental standards. New products are developed with the aim of limiting CO2 emissions. By using alternative sources of energy (e.g. by burning biomass), Škoda Auto contributes to the reduction of negative impacts on the environment.

In line with the legacy of the Company's founders, Messrs. Laurin and Klement, stating that "…only the best that we can do is good enough for our customers", Škoda Auto offers its customers products that have successfully undergone quality and safety tests, and regularly monitors customer satisfaction. The Company requires that its business partners uphold the most demanding environmental and social standards, while at the same time building long-term commercial relationships based on mutual trust and high-quality products and services. Škoda Auto also focuses extraordinary attention on its employees with regard to work safety and healthcare, as well as issues pertaining to their professional development and their needs outside of work. The Company's activities are also focused on supporting equal opportunities, issues pertaining to the ageing population and the composition of nationalities within the workforce.

The "Healthcare Clown" project brightens children's hospital stays.

The Company operates safe and secure workplaces where disabled persons can find temporary or even permanent employment.

Škoda Auto performs sponsorship activities both at the local and regional levels, i.e. where it has operations, as well as on the international scale. Within the framework of cooperation with significant foundations and charitable organisations, the Group supports a range of social, cultural and humanitarian projects. In the case of support for sporting activities, space is made for disabled persons to participate. Škoda Auto has long been involved with raising standards in the area of education, particularly through its own secondary professional learning centre and operates a unique corporate university, which is also open to the general public, in the Czech Republic. The Company also conducts extensive activities in the area of transportation safety consisting in the development and production of products that receive the highest ratings in international safety tests, support for transportation-related education and training, promotion of transportation solutions for optimising traffic in municipalities and in conducting research in the area of transportation safety.

Škoda Auto adheres to the relevant recommendations and regulations set forth in the Code of Corporate Governance based on OECD principles, thereby declaring its openness to the external environment and the transparency of its internal processes and relations with the main shareholder.

A detailed overview of Škoda Auto's measures and activities relating to corporate social responsibility is contained in the Report on Sustainable Development 2007/2008, which was issued in June 2008 and is available on the Company's website (www.skoda-auto.cz).

Employees

As at the end of 2009, Škoda Auto Group's worldwide workforce comprised 26,153 employees working together to ensure the introduction of new models to the market and delivery of the required number of vehicles to customers.

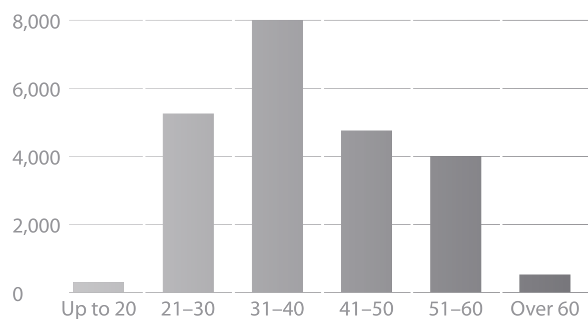
Development of Employment

In 2009, the Group provided work in the Czech Republic for 22,831 core employees and 1,986 temporary employees (status as at 31 December 2009). A total of 1,336 people were employed by the subsidiaries in Slovakia, Germany, Poland and India as at the end of the year.

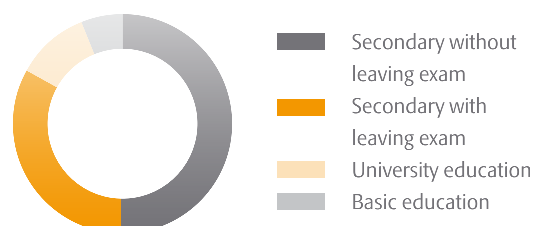
New Human Resources Concept

In the area of human resources management in 2009, implementation of a new human resources concept continued with the aim of closer cooperation with other areas of the Company in order to improve the quality and availability of employee care. Strong emphasis was placed primarily on the professional growth and development of employees. Within this approach, a new concept of employee development, called Fachlaufbahn, was formulated with the aim of enabling the career development of narrowly specialised employees.

Age structure of the Company's core employees



Qualification structure of the Company's core employees (%)



Group work force

	31. 12. 2007	31. 12. 2008	31. 12. 2009	2009/2008
Company – permanent employees	23,559	23,622	22,831	–3.3%
of which:				
Mladá Boleslav plant	19,548	19,790	18,886	–4.6%
Vrchlabí plant	1,205	1,133	1,050	–7.3%
Kvasiny plant	2,806	2,699	2,895	7.3%
Company – temporary employees	4,194	1,709	1,986	16.2%
Company – employees total	**27,753**	**25,331**	**24,817**	**–2.0%**
Subsidiaries – permanent employees	902	1,314	1,287	–2.1%
Subsidiaries – temporary employees	486	50	49	–2.0%
Subsidiaries – employees total	**1,388**	**1,364**	**1,336**	**–2.1%**
Škoda Auto Group employees total	**29,141**	**26,695**	**26,153**	**–2.0%**

The Company's customer-oriented approach and related personnel processes were further developed during the year. Cooperation between HR Business Partners and competency centres led to the improvement of a range of human resources tools and the Company's own HR processes. HR Business Partners enhanced their role as internal consultants and advisers in personnel matters for employees and management.

The Permanent Optimisation of HR Processes project was begun in mid-2009 with a pilot workshop on the topic Improvement of Processes in the Provision of Employee Benefits. The aim of this was to simplify the overall process, eliminate unnecessary, redundant activities of HR specialists and, in the final phase, to "free a hand for new projects". In accordance with the approved methodology and schedule, the optimisation activities will continue in other component processes in order for it to be possible to find simple solutions with additional investments and implement these solutions immediately, thus simplifying and accelerating component processes in the area of human resources. A high degree of attention was also dedicated to the ongoing internationalisation of the Company, resulting in the integration of employees of various nationalities and optimisation of programmes for sending Czech employees abroad and for their subsequent reintegration into the home Company.

Internal Communication

In 2009, the number of regularly held meetings, both formal and informal, between the members of the Board of Directors and upper and middle management was increased. Individual members of the Board of Directors also communicate with employees in the form of chats three to four times a year. Every senior executive regularly organises discussions with their subordinates in which they address operations issues and provide information in a "top-down" manner. Employees are motivated to use internal communication channels and are encouraged to participate in so-called skip-level conversations without their superiors. They can thus express their views on a predetermined topic (e.g. know-how, employee benefits, employee transportation, etc.). Human resources representatives thus gain valuable insights that they can incorporate into their work. In October 2009, the second round of the "Škoda jsme MY" ("Škoda – That's Us") project was conducted with the aim of regular monitoring of employee opinion and satisfaction. Employee participation is voluntary and anonymous. More employees participated in the project in 2009 than in the previous year.

Škoda Auto makes use of a broad range of information channels and tools. Information is shared electronically, in writing and in person. One of the most effective and flexible information channels is the Employee Portal (corporate intranet), which in 2009 also became one of the main forums for corporate internal electronic communication. In addition to the launch of a range of new functionalities, the content of the portal's information section was also enhanced with the necessary information. The Employee Portal has become a gateway to Škoda Auto's internal systems.

The portal's infrastructure uses numerous modern technologies that in many regards facilitate its users' work. All of these factors support the current trend of electronisation of processes. Other effective internal–communication tools include broadcasting information directly to the personal e-mail inboxes of various target groups of employees according to the type of information and the "Týdeník" ("Weekly") issued in electronic and printed form and containing exclusively internal information. "PC Information Islands" have been set up for employees who do not have their own computers. Information is made available on bulletin boards and distributed in the form of leaflets inserted into pay packets. The Company's monthly newsletter, „Škoda Mobil", is an important component of both internal and external communication.

The indisputably most important products of 2009 include the training workshop entitled "Internal Partnership", which is intended for everyone at the management level, from foremen to top managers, with the aim of improving attitudes to internal communication and cooperation among all participants. A ssecondary, though also important, product of the workshop was the initiation of seven company-wide measures for improving employee awareness, which was carried out with support from the Company's management. In addition, basic development programmes for team coordinators and foremen were innovated according to experience-based feedback.

Support for Employee Development

The year 2009 was focused on the innovation of key development activities and preparation of new aspects in the areas of supporting and utilising employees' potential.

Strong emphasis was placed on formulation and implementation of development measures that have a positive impact on employee attitudes as well as their business sense and flexibility in a time of recession.

Development of the organisation was further aided by innovation of the training system and support for quality project-related work.

In the area of analysing potential, the process of identifying and developing junior managers was innovated in accordance with not only the uniform standards of the Volkswagen Group, but also with the needs of Škoda Auto. The Company enables employees to develop in careers focused on leading people as well as in careers as specialists. Pilot measures were implemented in this area which will lead to career development on the horizontal level.

With the aim of supporting management knowledge, the so-called Technical Colloquia were introduced and featured the participation, in the role of lecturers and audience, of leading specialists in the fields of technical development, production and logistics. Expansion of this corporate activity is planned for the coming years.

The area of language education was substantially reassessed and a new concept is being formulated for clearer targeting, i.e. achievement of necessary language skills in the appropriate amount of time, so that those who need such skills will have them.

Study via the broad range of e-learning courses continued to receive significant support. All Company employees currently have the opportunity to select from 60 courses that can be studied at the workplace as well as at home. A total of 16,299 employees participated in e-learning courses in 2009.

It is standard for us to offer education and development programmes focused to key groups: specialists in the areas of development, marketing, controlling, IT, human resources and others.

In 2009, the Company invested CZK 150 million in the development and support of employees. A total of 31,913 employees took part in 4,301 development measures.

Training

In 2009, a total of 928 future employees were enrolled in the Company's secondary professional learning centre focused primarily on mechanical and electrical engineering. Of these, 241 successfully completed their preparation for employment. A total of 294 students were enrolled in the first year of study. Students at the learning

centre were also actively involved in the Enersol project, a nationwide competition of secondary schools in the area of ecological projects.

In 2008/2009, a total of 860 students were enrolled in bachelor's and master's programmes at Škoda Auto University. Of these, more than 100 Škoda Auto employees were engaged in a combined form of study. In the same period, 34 students graduated with a master's degree and 84 with a bachelor's degree. As in previous years, the university organised numerous specialist seminars for the business and academic spheres. More than 200 educational and social events (working meetings and trainings, Volkswagen Group meetings, conferences, workshops, trainings, concerts, exhibitions, etc.) were held in the newly renovated spaces. The Company further enhanced cooperation with technical universities in the Czech Republic and abroad, for example, in Germany, Austria and Spain.

Social Aspects

The main pillar in the social area is stabilisation of the workforce in the regions where manufacturing plants are located. Within this project in 2009, the Company provided repayable unguaranteed loans of up to CZK 350,000 for home construction and up to CZK 125,000 for home improvement. In this way, 612 employees received support totalling CZK 131 million in 2009.

The second important pillar in this area comprises support for employee mobility, which allows employees a discount when purchasing new vehicles, gives them priority in clearance sales of used vehicles and enables them to use employee leasing.

The Company demonstrates its commitment to social responsibility by contributing to the employees' pension fund, thus aiding their security in retirement. In 2009, the Company contributed CZK 125 million its employees' pension fund.

The full range of benefits and social programmes also includes a meal–voucher system and contributions for children's day care and employee recreation.

Health Management

Primary prevention of illness and support of employee health is realised through the creation of suitable working conditions, continual monitoring of employee health and offering programmes designed to improve their health.

In the course of preventive examinations at occupational medical facilities in 2009, a total of 13,717 employees were offered the opportunity to set up a personal health plan (Škoda Check-up). The aim of Škoda Check-up is to support employees in the active care of their health and thus to help them maintain good health for the entire period of their employment and beyond. The offer was accepted by 13,694 employees (99.8%). Throughout the year, doctors regularly assessed the employees' compliance with their personal health plans. Of the 12,854 health plans assessed, 59.6% of employees fully complied with the prescribed measures, 32% partially complied and 8.4% did not comply.

Free flu vaccinations were provided to 4,803 employees (20.2%) and all Company employees received vitamin C supplements for four months. Employees were also offered the opportunity to participate in reconditioning visits to spa facilities in the Czech Republic and abroad, as well to take preventive and curative rehabilitation at the Company's own rehabilitation facilities.

Occupational medical facilities also include a first-aid station staffed by five nurses who ensure the uninterrupted provision of first aid for employees.

Good Ideas Are Not Always Enough

In 2009, workshops were organised with the aim of permanently improving processes (elimination of inefficiency, reduction of all costs, improvement of working condition, occupational safety, ergonomics, etc.). The measures implemented were rewarded as optimisation proposals within the Z.E.B.R.A. motivation system.

In order to raise the motivation of employees to resolve problems, events under the title "Improvement Proposal for the Geneva and Frankfurt Motor Shows" were organised at workplaces. For the coming period, we are preparing to modify the system for rewarding improvement and optimisation suggestions and motivational events with the aim of increasing the employees' involvement in the Z.E.B.R.A. system, thus bringing about greater benefits. In 2009, a total of 10,782 proposals were registered with the involvement of 4,682 employees. The success rate of the proposals was 68.9% and, in financial terms, the benefits derived from those proposals implemented amounted to CZK 277 million.

Electronic Timecard, Access System

Preparations for the transition to an electronic timecard system were successfully continued in 2009. Škoda Auto will transition to this system in the second half of 2010. The new system will offer greater transparency of processes connected with recording attendance and working time as well as completely new functionalities including, for example, e-semaphore. According to the schedule, in the next two years the e-timecards will be connected with the electronic system for controlling access to the Škoda Auto complex.

Safety

Occupational Health and Safety

Škoda Auto places strong emphasis on ensuring health and safety in the working environment and therefore complies with all legal regulations in the area of occupational health. Protection of the employees' health is an important part of the Company's social policy.

Raising the level of safety and health protection is a process that requires the active cooperation of all employees. Therefore, Škoda Auto focuses a great deal of attention on promoting the employees' feelings of responsibility for protecting their own health. Another motivating factor is financially supported competitions for the best results in reducing work-related injuries. Over the long term, the Company has had one of the lowest injury rates among carmakers in Europe and worldwide.

The Company's high level of occupational safety is illustrated by the low injury rate, which in 2009 was 1.6 injuries per one million hours worked. In recent years, the number of minor injuries not resulting in an employee being incapacitated has been reduced by more than 50%.

Within the context of minimising the adverse effects of the working environment on the employees' health, the Company has implemented a wide variety of measures such as regular monitoring and measuring risk factors, modernisation and maintenance of machinery and technical equipment and a high level of organisation and cleanliness in all workplaces. The most serious and most common risk factor in production facilities is noise, and therefore the Company focuses a higher degree of attention on reducing it by applying a comprehensive approach to the acoustic solution, which includes, among other things, investment in new, quieter equipment and interventions in the organisation of work.

Active and Passive Safety in Škoda Brand Vehicles

It is possible to assess vehicle safety according to the following two criteria: active safety (prevention of traffic accidents) and passive safety (minimisation of the risk of injury to everyone involved in a traffic accident).

Active Safety

The reduction of accident risk is substantially aided by design measures that improve the driving characteristics and safety of vehicles (steering, suspension, brakes, drivetrain) and a pleasant driving climate that increases the driver's concentration and comfort (seats that do not cause fatigue, optimal view, good air-conditioning, lighting, etc.).

Passive Safety

In the event of an accident, passenger safety is increased by restraint systems and by the car's body, which absorbs a large part of the impact energy and protects the driver and passengers. These systems include driver-side and passenger-side airbags, side and head airbags, seat belts and child car seats. Škoda offers such restraint systems in all of its models, thus ensuring a high level of safety and, at the same time, user comfort, for example in the form of connection points for child car seats. The Škoda Superb and Škoda Yeti have received the maximum score of five stars in the independent E-NCAP collision tests.

Public Relations

Škoda Auto actively communicates with those around it, whether this concerns the media, the public or business partners. The Company thus maintains its reputation and establishes itself in new markets. Besides communication relating to products and corporate topics, Škoda Auto also profiles its corporate social responsibility.

Public relations management at Škoda Auto is entrusted to the Corporate Communication Department, which also closely cooperates with other departments within the Company. Škoda Auto is represented abroad by the communication departments of importers.

Škoda Auto's communication is divided into three levels: product, corporate and internal. The most important product-communication tools include exhibitions and car shows, where the Communication Department, in cooperation with the Marketing Department, presents not only existing models and new products, but also technical–development studies. In addition, test drives are organised for members of the media.

Corporate communication involves the economic, environmental and social areas – sponsoring and social responsibility. Regularly held events, realised through cooperation across the Company's entire horizontal structure, include the annual press conference and publication of the Annual Report and Report on Sustainable Development.

Internal communication is realised in cooperation with the Human Resources Department and involves publishing the "Škoda Mobil" newsletter, the internet weekly and other periodic publications, as well as active support for importers.

Sponsoring and Corporate Social Responsibility

Ongoing support for social, cultural and sport projects and cooperation with significant institutions and charitable organisations have led to strengthening of the Group's position in the field of social responsibility and to further reinforcement of the brand's image and that of its products.

Sponsoring

Sponsoring is an important part of the corporate communication strategy and corporate social responsibility. Support for organisations, institutions and top-level events at the international, national and regional levels is a reflection of the corporate philosophy of endeavouring to achieve top performance, stamina, the will to win and the spirit of teamwork.

Sport

Support for major international sporting events is among the brand's basic sponsoring activities. The strategic pillars of this area include support for cyclists and ice hockey. Škoda Auto has been the main official partner of the legendary Tour de France since 2004 and of the Giro d'Italia since 2006. At home in the Czech Republic, the Company supports the national cyclocross team, for example. Škoda Auto has sponsored the ice hockey world championship since 1992, and its contract was extended for the period 2008–2011. The fact that no commercial partner had ever sponsored the world championship in any sport from the position of the main official sponsor

for a longer period led to the Company's inclusion in the Guinness Book of Records. Besides the world championship, the Company also supports the Czech Ice Hockey Extraleague as an official partner and has long been a sponsor of the Czech ice hockey national team. Škoda Auto has been the general partner of the Czech Olympic Team since 1992.

Motorsport has a unique tradition within the brand's history dating back more than a century. This tradition is being continued with the development of the Škoda Fabia Super 2000. More information on the activities and successes of the Škoda brand in this area is available in the Development chapter.

Culture and the Arts

In this area, the Company supports top-level artistic performances and events that represent Czech culture and is a traditional partner of the Czech Philharmonic, the National Theatre, National Technical Museum and National Museum. In 2008, Škoda Auto entered partnerships with the F.X. Šalda Theatre in Liberec and with the Prague Symphony Orchestra.

Outside of Prague, Škoda Auto supports the Smetanova Litomyšl international music festival. In 2009, the Company continued in its role as the main partner and provider of the official vehicle for the International Film Festival for Children and the Youth in Zlín; this successful partnership dates back to 2002. Škoda Auto was also the general partner of the Festival of European Film Smiles in Mladá Boleslav for the seventh time.

Corporate Social Responsibility

Besides sport-related sponsoring, Škoda Auto is also intensely engaged in the support of culture and social areas, where it has long supported various significant institutions and organisations, including Healthcare Clown, a civic association that visits hospitalised children, and Car Club, an organisation that offers a comprehensive mobility programme for disabled people, including the Handy Car service, which is a transport service for immobile people and senior citizens. Centrum Paraple has been a member of the portfolio of organisations receiving social support from the Company since 1997. Škoda Auto thus endeavours to assist disabled people in their efforts to return to mainstream life and supports Centrum Paraple both financially as well as by providing vehicles with hand controls.

Other entities supported by the Company include the Klokánek Fund for Children at Risk; People in Need, in conjunction with Czech Television; and the Czech Paralympics Committee. On the regional level, the Company supports the Klaudián Regional Hospital in Mladá Boleslav.

In the area of increasing transportation safety, the Company continued its support for the children's "traffic–rules learning playgrounds" in regions where its manufacturing plants are located, and further developed its close cooperation with the Partnership Foundation as a general partner of the "City Paths" competition promoting high-quality transportation solutions aimed at improving traffic conditions in Czech cities and towns.

The project "One Tree Planted for Each Car Sold in the Czech Republic" involved employees who helped to plant 58,908 trees in the regions where the Company has manufacturing plants.

Environmental Protection

The Company's projects in this area in 2009 included the launch of new production capacities at the Kvasiny plant in accordance with environmental–protection requirements, decontamination works at the Company's other locations and measures aimed at protecting the Earth's climate. Together with the Company's proven and effective environmental management system, rational use of natural resources and implementation of environmentally friendly technologies, these projects helped the Company to maintain the favourable trend in the development of its environmental indicators.

Škoda Auto has a long-term programme aimed at minimising the impacts of its activities on the environment. In 2009, the Company fulfilled all statutory requirements in the area of environmental protection as well as the obligations set forth in the Škoda Auto Corporate Policy. The Company thus contributed to upholding the principles of sustainable development and demonstrated its considerate approach to life and nature. This was reaffirmed by the Company's retention of its ISO 14001:2004 certification for its environmental management system in a follow-up audit in the second half of 2009.

In 2009, the Company's well-established policy of environmental protection was influenced primarily by the introduction of new production capacities in its operation, legislative amendments and the application of the Volkswagen Group's principles of environmental protection. In connection with this, Škoda Auto, in accordance with the Act on Environmental Impact Assessment, gained the authorities' approval for the central warehouse for parts and accessories in Mladá Boleslav, for construction of a heat and electricity co-generation plant in Kvasiny and for the construction of an LPG filling station in Vrchlabí. The Company also gained amendments to the integrated permit for the body–painting facility in Kvasiny, allowing the increase of its capacity to 900 bodies/day and underwent proceedings on amendments to the integrated permit for foundry facilities in Mladá Boleslav in connection with the expansion of the range of castings for engines and transmissions.

Decontamination work continued at the Mladá Boleslav plant in connection with the clearing of production areas

for renovation in the older machining halls and foundry facilities, the final phase of which is preparation of floor surfaces preventing the leakage of harmful substances into the ground. The Kosmonosy training centre gained the status of an entity that trains and issues confirmation of training for recovering fluorinated greenhouse gases from vehicle air-conditioning systems. This will lead to minimised leakage of such gases in the service network.

Even though vehicle production more than tripled between 1991 and 2009, there has been no increase in the absolute growth level of environmental burdens; in fact, declines have been recorded in the case of air emissions and water consumption, for example.

Protection of Air Quality

All sources of air pollution operated by the Company in 2009 were in compliance with statutory emission limits. The main sources of emissions are the industrial body-painting facilities at the Mladá Boleslav and Kvasiny plants, which produce more than 90% of all emissions.

Volatile organic compounds (VOC) are critical air pollutants generated in the operation of body-painting facilities, accounting for more than 80% of the Company's total emissions. The Company's modern painting facilities to a great extent use water-soluble paints. A substantial portion of VOC emissions is eliminated by mixing the compounds with natural gas and burning them, with the generated heat being used for heating. In recent years, the Company has managed to optimise paint processes (expanded robotisation of paint spraying, painting in colour blocks), thereby maintaining the level of VOC emissions per square metre of painted area at far below the statutory limit even while the number of painted bodies has decreased (see Graph 1).

The use of modern sources of energy and innovations in the foundry facilities contribute significantly to reducing emissions of sulphur dioxide, nitrogen dioxide, solid pollutants and carbon dioxide.

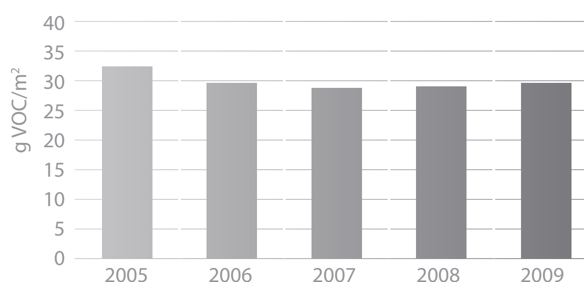
Through the implementation of rationalisation measures, the Company has managed to keep its energy consumption at roughly the same level over several years, thereby not burdening the environment with additional emissions, including emissions of greenhouse gases. Graph 2 illustrates the development of energy consumption per vehicle produced in the last five years.

Protection of Soil and Groundwater Quality, Water Management

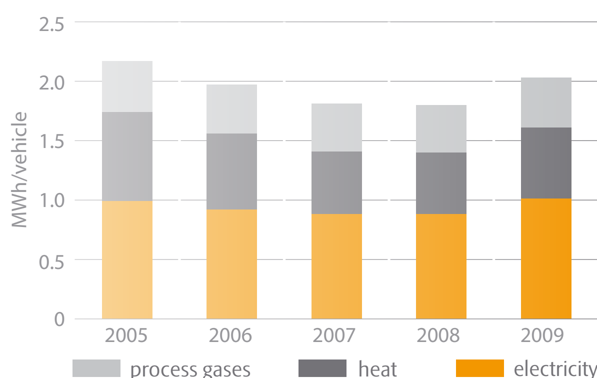
Škoda Auto has fully secured its operations against the occurrence of environmental damage and is successfully rectifying the consequences of insensitive industrial manufacturing practices that occurred prior to the merger with the Volkswagen Group.

Substances that could threaten water quality are only handled in sufficiently secured areas and facilities for which emergency plans have been put in place and which are equipped to deal with possible leaks.

Development of Volatile Organic Compounds (VOC) Emissions per m² of Vehicle Body Surface Area Painted



Development of Energy Consumption per Vehicle Produced



By the end of 2009, more than 80% of environmental damage requiring clean-up work had been rectified at a cost of CZK 587 million.

One of Škoda Auto's basic tasks consists of limiting water consumption to the minimum necessary for the Company's operations and returning water to the natural cycle with minimal impact on the environment. The success of measures implemented to accomplish this task is evident in the development of water consumption and wastewater discharge per vehicle produced (see Graph 3), as well as in the fact that due to the technologies utilised, the purity of discharged wastewater is substantially higher than that called for by the prescribed limits.

Waste Management

In the area of waste management, Škoda has long applied a strategy focused primarily on preventing the generation of waste and on reducing the volume and hazardous characteristics of waste. Priority is given to reusing waste materials and, if this is not possible, to disposing of such materials in the most environmentally friendly manner.

The effectiveness of the strategy is evident in the development of the amounts of waste generated (without metals) per vehicle produced. Whereas in 1997, this figure was 84 kg/vehicle, in 2009 it was only 37 kg/vehicle (see Graph 4). Only 8.4% of the total amount of waste produced in 2009 ended up in landfills and incinerators. Most waste, including metals, was reused or recycled; this concerns, for example, glass, paper, waste oils, solvents, cables, electronic waste, foundry sand, plastics and plastic film.

In 2009, particular attention was focused on separate collection of discarded electronic devices. Škoda Auto took part in the ZELENÁ FIRMA (GREEN COMPANY) project run by REMA Systém a.s., which has the aim of expanding the number of collection points for discarded household electronic devices. Škoda Auto's employees thus have the possibility to drop off household electronic waste for recycling at selected factory gates.

Products and the Environment

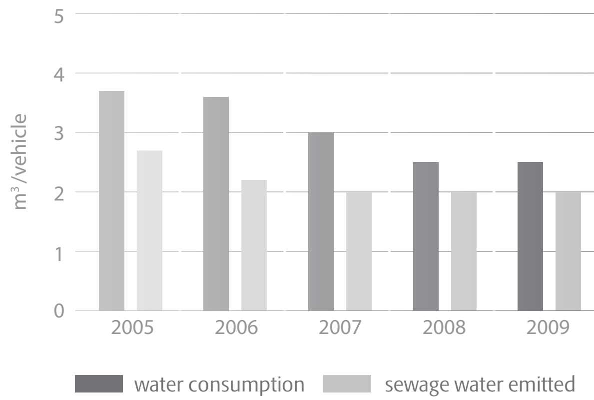
The Company fulfils the principles of sustainable development through its products, both in the appropriate selection of recyclable production materials as well as by using efficient technologies. By using modern drivetrains with the state-of-the-art TSI and Common Rail technologies, the Company contributes to the reduction of local emissions and greenhouse–gas emissions, while also substantially reducing dependence on limited oil resources. In 2009, the Company commenced series production of the Škoda Octavia LPG with a modified 1.6 l 77 kW MPI engine that can burn LPG as well as standard petrol.

All Škoda models currently in production fulfil the strict European Union recycling quota which stipulates that 85% of the mass of each vehicle must be reusable at the end of its lifecycle, for example, in the form of granulates, furniture, etc. Furthermore, the Company has set up processes that ensure fulfilment of statutory requirements banning or restricting the use of certain elements, such as lead, cadmium, mercury and hexavalent chromium. We rigorously mark components and material compositions for the purpose of easy and unambiguous identification thereof. Such marking enables rapid sorting of materials into groups and their subsequent recycling or use in power generation.

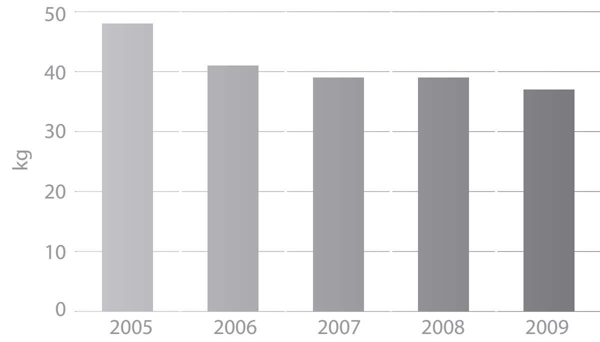
Investment

A total of CZK 92 million was invested in preventive environmental measures within the area of construction and modernisation in 2009. The total amount invested in the area of environmental protection has reached CZK 10.0 billion since 1991.

Development of Water Consumption and Wastewater Discharges Per Vehicle Produced



Development of Waste per Vehicle Produced



Administration and Management of the Company

Achieving our pre-defined goal in 2009, a year marked by complications and difficulties, required greater effort and more focus on analysis of markets, listening to employees and responding to the needs of the society as a whole. We take even greater pleasure in the fact that we successfully overcame all pitfalls and obstacles and thus strengthened our position in individual markets.

Statutory and Supervisory Boards of Škoda Auto

Board of Directors

as at 31 December 2009

Reinhard Jung
Chairman of the Board of Directors
(since 1 October 2007)

Holger Kintscher
Member, Commercial Affairs
(since 1 September 2005)

Reinhard Fleger
Member, Sales and Marketing
(since 1 June 2009)

Klaus Dierkes
Member, Human Resources Management
(since 1 April 2008)

Eckhard Scholz
Member, Technical Development
(since 1 April 2007)

Note: A Member of Board for Production and Logistics had not been appointed as at 31. December 2009.

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as at 1 January 2010

Karlheinz Hell
Member, Purchasing
(since 1 January 2010)

Division of Competencies

The Chairman of the Board's department is responsible for ensuring compliance with customer product–quality requirements. The department's other tasks are strategic product planning, active communication with the media and expert public and organisation of meetings of senior management panels.

The Commercial Affairs department is responsible for financial planning and management, and thus the effective use of financial resources. Its tasks also include securing information and systems to meet the needs of the Company's management.

The Production and Logistics department is responsible for the production of vehicles, genuine parts and accessories, engines and components thereof, as well as logistics activities and the preparation of production.

The Sales and Marketing department is responsible for marketing vehicles, genuine parts and accessories.

The Human Resources Management department is responsible for providing personnel services, ensuring that all of the Company's employees are optimally qualified, motivated and satisfied. It also handles communication with various interest groups.

The Technical Development Department is responsible for the development of new products, styling, design, testing, care of vehicles in production and continual improvement of the entire range of Škoda products. It bears the same responsibility in relation to engines and drive-train components produced for other Volkswagen Group brands.

The Purchasing department is responsible for arranging timely and economically advantageous deliveries.

Members of the Board of Directors

Dipl.-Ing. Reinhard Jung (*1951)

A graduate of Lemgo Institute of Technology with a degree in production technology, Reinhard Jung joined VOLKSWAGEN AG in January 1974. Until the end of 1984, he worked as a project engineer and later as the head of vehicle-production launch in various international projects. In January 1985, he accepted the position of project manager at Volkswagen's plant in Sarajevo. From 1986 to 1988, he was the VOLKSWAGEN AG head of international production and was responsible for the Europe area. From January 1989 to June 1993, Mr. Jung was in charge of various departments in the area of central planning in Wolfsburg and Salzgitter. From July 1993 to December 1995, he was in charge of Volkswagen brand production management. From January 1996 to February 2002, he managed the Volkswagen plant in Braunschweig. From March 2002 to July 2004, he served as president of Volkswagen de México, where he was also the member of the Board of Directors responsible for the technical area. From August 2004 to September 2007, he served as the member of the Volkswagen Passenger Cars Board of Directors responsible for production and logistics. Mr. Jung has been Chairman of the Board of Directors of ŠKODA AUTO a.s. since October 2007.

Dipl.-Ing. Holger Kintscher (*1960)

A graduate of the Lippe Institute of Technology, where he studied production engineering, Holger Kintscher joined VOLKSWAGEN AG in 1987 and worked in several positions in the areas of education/training and finance. From January 1994 to March 1995, he was Deputy Head of Finance at Volkswagen's plant in Poznan, Poland, where, from April 1995 to February 1997, he served as the member of the Board of Directors responsible for Commercial Affairs. From March 1997 to June 2000, he was in charge of Development and Product Controlling for the Volkswagen Nutzfahrzeuge brand in Hannover, and later served as the brand's Chief Financial Officer from July 2000 to August 2005. He has been the member of the Board of Directors of ŠKODA AUTO a.s. responsible for Commercial Affairs since September 2005.

Klaus Dierkes
Member
Human Resources Management

Reinhard Fleger
Member
Sales and Marketing

Karlheinz Hell
Member
Purchasing

Board of Directors

Reinhard Jung
Chairman of the Board
of Directors

Holger Kintscher
Member
Commercial Affairs

Eckhard Scholz
Member
Technical Development

Reinhard Fleger (*1957)
Reinhard Fleger joined the Volkswagen Group in 1976. He studied corporate management during the course of his employment at VW. In 1992, he accepted the position of Head of Controlling for the introduction of new models to the market, where he made good use of the experienced he had gained in previous rotations. In 1995, he became Head of Sales Controlling for the Volkswagen brand and later took on additional group-wide responsibility for coordinated controlling activities in sales and marketing. From 2002, Mr. Fleger was then presented an extraordinary professional opportunity to serve as a member of the Board of Directors of the then subsidiary Gedas (today's T-Systems) in Berlin, and thus enhanced his experience with an external outlook from the perspective of a provider of IT solutions for the parent company Volkswagen. From 2005 to June 2009, he served in Puebla, México as the member of the Board of Directors for finance at Volkswagen de Mexico, with additional responsibility for sales from 2007. Reinhard Fleger has served as the member of the ŠKODA AUTO a.s. Board of Directors responsible for Sales and Marketing since June 2009.

Klaus Dierkes (*1957)
Klaus Dierkes holds university degrees in civil engineering and social sciences. Upon completion of his studies, he joined Triumph Adler in Nuremburg in 1983. From 1989, he worked as an assistant to the company's management. In subsequent years he held various management positions and participated in management of the health–insurance company Volkswagen BKK. From 1995, he was in charge of the Central Tasks/Strategy Department of Volkswagen BKK. In January 1997, he was named deputy member of the Board of Directors and, from June of that year, served as director of the company Gründungs und Innovationszentrum Wolfsburg GmbH (Business and Innovation Centre). In July 1999, he was appointed to the position of member of the Board of Directors of Wolfsburg AG with responsibility for the innovation campus, the personnel service agency and the NHN Foundation. From April 2001 to December 2005, he served as spokesman for the management of AutoVision GmbH for the areas of strategy, development, relations and communications. In July 2002, he was named spokesman for the Board of Directors of Wolfsburg AG. From July 2006 he served with VOLKSWAGEN AG in the position of Personnel Director responsible for Volkswagen Deutschland and, from May 2007, as General Corporate Proxy of VOLKSWAGEN AG. He has served with ŠKODA AUTO a.s. since April 2008 as the member of the Board of Directors responsible for Human Resources Management.

Dr.-Ing. Eckhard Scholz (*1963)
A graduate of the Technical University in Braunschweig, where he studied energy and process technology, Eckhard Scholz received his doctorate from Martin Luther University in Halle-Wittenberg in 2005. Dr. Scholz joined VOLKSWAGEN AG at the beginning of 1991, when he worked in the area of passenger-car testing. From April 1995 to October 1996, he worked for IAV Gifhorn, where he was responsible for the management of vehicle testing. He returned to VOLKSWAGEN AG in November 1996 to head the Vehicle Body Engineering Department. Three years later he accepted the position of Head of Passenger Car Equipment and in May 2002 was made Head of Car Body Development. In 2005, Dr. Scholz was put in charge of development of the E2 product line (convertibles and luxury cars). He has been the member of the ŠKODA AUTO a.s. Board of Directors with responsibility for Technical Development since 1 April 2007.

Dipl. - Ing. Karlheinz Hell (*1963)
Karlheinz Hell is a graduate of the Advanced Technical School in Munich with a degree in mechanical engineering. He joined Audi AG in 1987 as a trainee and then began his career in production planning and in the pilot facility of Audi AG. In 1994 he took over responsibility for production of models and templates in the tool–making department. From 1996 to 1998, Mr. Hell was the AUDI A2 project manager. In this position he was responsible for scheduling and financing of the project for the production area. In 1998, he changed for purchase, became head of Global and Forward Sourcing and later served as head of Comodity Exterieur. From 2007 to 2009, Mr. Hell was the purchasing manager for Volkswagen AG South Africa. On 1 January 2010 he became the member of the ŠKODA AUTO a.s. Board of Directors responsible for purchasing.

Supervisory Board

Composition of the Supervisory Board
(as at 31 December 2009)

Hans Dieter Pötsch
Chairman (since 23 November 2007); Member of the Board of Directors of VOLKSWAGEN AG

Detlef Wittig
Member (since 1 November 2007); General Corporate Proxy of VOLKSWAGEN AG

Jochem Heizmann
Member (since 1 September 2007); Member of the VOLKSWAGEN AG Board of Directors

Martin Jahn
Member (since 1 April 2009); Deputy General Director Volkswagen Group Rus, Sales and Marketing

Jaroslav Povšík
Member (since 16 April 1993); Chairman of the Basic Organisation OS KOVO ŠKODA AUTO a.s.

Jan Miller
Member (since 16 April 1993); Secretary of the Basic Organisation OS KOVO ŠKODA AUTO a.s.

Carl H. Hahn, former Chairman of the Board of Directors of VOLKSWAGEN AG, is Honorary Chairman of the Supervisory Board, without the powers and responsibilities connected with Supervisory Board membership.

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as at 1 January 2010

Martin Winterkom
Member (since 1 January 2010); Chairman of the Board of Directors VOLKSWAGEN AG

Members of the Supervisory Board

Dipl.-Wirtsch.-Ing. Hans Dieter Pötsch (*1951)
A graduate of the Darmstadt Technical University with a degree in commercial engineering, Hans Dieter Pötsch began his professional career at BMW, where he worked from 1979 to 1987, finishing his stint there as Group Head of Controlling. He was subsequently named General Director responsible for Finance and Administration at Trumpf GmbH & Co. in Ditzingen. From 1991 to 1995, he was Chairman of the Board of Directors of Traub AG in Reichenbach. In July 1995 he joined Dürr AG in Stuttgart, where until the end of 2002 he served as Chairman of the Board of Directors. He has been the member of the VOLKSWAGEN AG Board of Directors responsible for Finance and Controlling since September 2003. He became a member of the ŠKODA AUTO a.s. Supervisory Board in January 2004 and has served as its Chairman since November 2007.

Dipl. Kfm. Detlef Wittig (*1942)
A graduate of the University of Göttingen with a degree in business administration, Detlef Wittig joined VOLKSWAGEN AG in 1968 and occupied several positions in marketing and sales planning. From 1975 to 1977, he was active in Tokyo as the “Resident Representative of Volkswagen”. In 1977, he became Head of Export Sales Planning at VOLKSWAGEN AG and three years later took over management of European Sales. From 1983 to 1987, he headed product marketing at AUDI AG. At the beginning of 1987 he transferred to Volkswagen Canada, where he first served as Vice President for Sales and Marketing and later, from 1988, as Chairman of the Board of Directors. From 1989 to 1995, he was again part of the management of VOLKSWAGEN AG as Head of Sales for the Volkswagen brand. He came to ŠKODA AUTO a.s. in 1995 as the member of the Board of Directors responsible for Sales and Marketing. He was subsequently appointed Vice Chairman of the Board of Directors and took over responsibility for Finance and Controlling. In 2000, he was named the member of the Board of Directors of the Volkswagen brand for Sales and Marketing and, at the same time, Chairman of the Supervisory Board of ŠKODA AUTO a.s. From October 2004 to August 2007, he served as Chairman of the Board of Directors of ŠKODA AUTO a.s. Since October 2007, he has

been the General Corporate Proxy of VOLKSWAGEN AG with responsibility for Sales and Marketing. He has been a member of the ŠKODA AUTO a.s. Supervisory Board since November 2007.

Prof. Dr. Jochem Heizmann (*1952)
Jochem Heizmann earned a degree in commercial engineering from Karlsruhe Technical University, from which he also received the title of Dr. rer. pol. in 1980. Two years later he joined Audi NSU AUTO UNION AG in Ingolstadt, where he served until 1991 in a number of management positions, including head of the main technological development department and head of the main vehicle assembly department. In October 1991, he joined VOLKSWAGEN AG, taking over leadership of Power Unit Production central planning in Wolfsburg. In August 1993, he was named Head of Production Planning for the Volkswagen brand. In this position he was responsible for planning, preparation of series production and launch of production facilities for new vehicles and drive-train components around the world. In January 2000, he was appointed Technical Director and Management Spokesman of Volkswagen Sachsen GmbH and Volkswagen Sachsen Immobilienverwaltung GmbH, where he was concurrently responsible for the manufacturing plants in Mosel, Zwickau and Chemnitz. From February 2001 until the end of January 2007, he was the member of the AUDI AG Board of Directors responsible for production. In December 2006, he was named Professor Emeritus at the Mechanical Engineering Faculty of the Technical University in Chemnitz. Since February 2007, Dr Heizman has been the member of the VOLKSWAGEN AG Board of Directors responsible for Group Production. He has been a member of the ŠKODA AUTO a.s. Supervisory Board since 2007.

Ing. Martin Jahn (*1970)
A graduate of the University of Economics in Prague and DePaul University in Chicago, Martin Jahn began his professional career at the Investment and Business Development Agency CzechInvest, where he led foreign investor projects in the Czech Republic and established the agency's foreign office in the United States. He became CzechInvest's CEO in 1999. In 2004, Mr. Jahn accepted the position of Deputy Prime Minister for Economics of the Czech Republic. His core responsibilities consisted of the development of the business environment, support for science, research and innovation, and strategy for developing human resources in the Czech Republic. From February 2006 to March 2008, he served as the member of the ŠKODA AUTO a.s. Board of Directors for Human Resources Management. In April 2008, he took over the leadership of Volkswagen Group Rus, with its seat in Moscow and, since 2009, has served as Deputy General Director of Volkswagen Group Rus. In the Czech Republic, Mr. Jahn is a member of the ŠKODA AUTO a.s. Supervisory Board, President of the Automotive Industry Association, Vice President of the Confederation of Industry and a member of the Government Council for Research, Development and Innovation. In Russia, he is Vice President of the Automotive Committee, Association of European Businesses. The President of France has made him a member of the Ordre National du Mérit.

Jaroslav Povšík (*1955)
A graduate of the Secondary Industrial School of Chemical Science in Most, Jaroslav Povšík joined ŠKODA AUTO a.s. in 1977 and went on to hold various positions in the areas of logistics and social services. From 1989, he also served as a member of the enterprise committee of the OS KOVO ŠKODA AUTO a.s. basic organisation. He was Vice Chairman of the OS KOVO ŠKODA AUTO a.s. basic organisation from 1991 to 1997 and became its Chairman in 1998. He has twice been reaffirmed in this position, in 2002 and 2006. Since 1994, he has served as Chairman of the Enterprise Committee (today's Council of Chairmen). He is a member of the Assembly of the Czech-Moravian Confederation of Trade Unions and serves on the worldwide council of Volkswagen Group trade-union representatives. Since 2001, he has been Chairman of the Supervisory Board of ZPŠ (Škoda Health Insurance Company). He was elected to the ŠKODA AUTO a.s. Supervisory Board in April 1993.

Ing. Jan Miller (*1948)
Jan Miller is a graduate of the Czech Technical University, Prague, Faculty of Mechanical Engineering, and studied at the post-graduate level at the University of Economics, Prague, Faculty of Production Economics. He has been employed with ŠKODA AUTO a.s. since 1971, having worked in the areas of development technology and construction as part of the coordination

group for launching new production facilities and head of construction of Škoda service centres, as well as in the Commercial Affairs section where, among other things, he headed the production planning department. He has served as an economist with the OS KOVO ŠKODA AUTO a.s. basic organisation since 1990. He has also served as Chairman of the Supervisory Board of ZPŠ (Škoda Health Insurance Company) and is currently the Vice President of ZPŠ Administrative Board. He was elected by employees to the ŠKODA AUTO a.s. Supervisory Board in April 1993.

Prof. Dr. Martin Winterkorn (*1947)
Dr. Winterkorn is a graduate of the University of Stuttgart, where he studied metallography and physics, and received his doctorate for metals research at the Max-Planck-Institut. He began his professional career in 1977 at Robert Bosch, where he worked in the research department. He joined Audi AG in 1981, initially as an assistant to the board of directors for quality management, later advancing to various management positions and eventually becoming the head of quality management in 1990. In 1993, Dr. Winterkorn was named group head of quality management at Volkswagen AG and three years later he accepted the position of member of the Volkswagen brand's board of directors responsible for technical development. Since 2000, he has been the member of the Volkswagen AG board of directors for the area of research and development and, in 2003, he also took over the position of chairman of the board of directors of Audi AG. On 1 January 2007, Dr. Winterkorn accepted the chairmanship of the Volkswagen AG board of directors and concurrently became the chairman of the supervisory board of Audi AG. Effective 1 February 2007, he was additionally given responsibility for the new group-wide research and development department. In addition to his existing positions, on 25 November 2009 he became chairman of the board of directors of Porsche Automobil Holding SE based in Stuttgart. Martin Winterkorn is a professor emeritus at the Technical and Economic University of Budapest, professor emeritus at the Technical University in Dresden and, since 2007, a holder of the title of professor emeritus at Tongji University in Shanghai. Dr. Winterkorn was named to the Supervisory Board of ŠKODA AUTO a.s. in January 2010.

Changes in the Company's bodies in 2009

In 2009
Appointed to the Board of Directors:
Reinhard Fleger – Member since 1 June 2009

Resigned from the Board of Directors:
Horst Mühl – Member from 1 May 2005 to 31 March 2009
Fred Kappler – Member from 1 January 2004 to 31 May 2009

Appointed to the Supervisory Board:
Martin Jahn – Member since 1 April 2009

Resigned from the Supervisory Board:
Horst Neumann – Member since 1 September 2007 to 31 March 2009

Hans Dieter Pötsch – Member of the Supervisory Board as of 1 January 2004, Chairman of the Supervisory Board from 23 November 2007 to 31 December 2009

In 2010
Appointed to the Board of Directors:
Karlheinz Hell – Member since 1 January 2010, newly established Purchasing Department

Appointed to the Supervisory Board:
Martin Winterkorn – Member since 1 January 2010; Chairman of the Board of Directors since 29 January 2010

Report of the Supervisory Board

During the past fiscal year, the Supervisory Board was regularly and comprehensively informed by the Board of Directors of the situation at ŠKODA AUTO a.s. and subsidiaries within the consolidated group, their financial performance, and their business policies.

Business processes which, due to legal regulations or the Articles of Association, require the Supervisory Board's approval or about which the Supervisory Board must be informed, or which were of extraordinary importance were discussed in detail at meetings of the Supervisory Board. Based on written and oral reports from the Board of Directors, the Supervisory Board was able to continuously oversee the activities of the Company's management as well as that of the entire Group, thus duly performing the function entrusted to it under the law.

Under its resolution of 18 March 2009, Volkswagen International Finance N.V., as the sole shareholder of ŠKODA AUTO a.s., approved the appointment of PricewaterhouseCoopers Audit, s.r.o., Prague as the auditor of the Company's financial statements for the 2009 accounting period.

The separate annual financial statements of the Company pursuant to IFRS, the consolidated Group financial statements pursuant to IFRS as at 31 December 2009 and the Report on Relations for 2009 were unreservedly certified by the auditors. At its meeting on 4 March 2010, the Supervisory Board discussed the financial results and positively assessed the proposal of the Board of Directors on the allocation of the attained profit of the Company's annual financial statements pursuant to IFRS. The Supervisory Board also reviewed the Report on Relations for 2009 and gave it an unreservedly positive assessment. The Supervisory Board authorised the Board of Directors to submit the annual financial statements for 2009 and the proposal on the allocation of profit to the sole shareholder, Volkswagen International Finance N.V.

Prof. Dr. Martin Winterkorn
Chairman of the Supervisory Board

Declaration of Compliance with the Recommendation of the Code of Corporate Governance

Škoda Auto is aware of its privileged position in the Czech business environment and its ever-growing credibility within the Volkswagen Group and among other, competing automobile manufacturers. Therefore, it is fundamentally important that Škoda Auto be perceived – by its employees, business partners and customers, and by the general public – as a successful, transparent and informationally open company. The Company is conscious of its tradition and reputation built up over many years, which we perceive as being of key importance for the further successful development of the Company's business activities.

In light of these facts, Škoda Auto is committed to complying with the relevant recommendations and rules set forth in the Code of Corporate Governance based on OECD principles (hereinafter referred to as the "Code") in the form in which it was updated in 2004 under the patronage of the Securities Commission. Through unceasing improvement of its internal processes and procedures in accordance with the Code, the Company's aim is to further promote transparency and ethical business practices in the Czech Republic.

Information on the degree of conformity with the recommendations of the Corporate Governance Code per the chapter headed Information and Particulars Disclosed Pursuant to the Act on Business Activities on the Capital Market.

Company Organisation

General Meeting

The General Meeting is the supreme body of the Company. Every shareholder has the right to participate in the General Meeting. According to the Articles of Association, the General Meeting has reached a quorum if it is attended by shareholders holding shares the combined nominal value of which exceeds 50% of the registered capital. Every share represents one vote. Resolutions of the General Meeting are passed by a majority of the votes of shareholders present at the meeting, unless another majority is required by the Commercial Code. The General Meeting passes resolutions in matters reserved to its competence by the Articles of Association and Act No. 513/1991 Coll., the Commercial Code, as subsequently amended

In view of the fact that Škoda Auto has a sole shareholder, a General Meeting is not held and its powers are executed by this sole shareholder. Resolutions of the sole shareholder are made in writing and shall take the form of a notarial record in cases prescribed by law.

Board of Directors

As the statutory body of the Company, the Board of Directors runs the Company's operations and acts on its behalf. The Board of Directors is responsible for the Company's long-term strategic direction, stipulates business and risk-management policies and ensures its business and operations management. The Board's competency is defined by the Articles of Association, the Company's internal regulations and by the legislation of the Czech Republic.

Pursuant to the Company's Articles of Association, the Board of Directors has seven members, all of whom have an executive role within the Company. Board members are appointed by the sole shareholder for terms of three years and may be reappointed for additional terms. All members of the Board possess the personal and professional qualifications and practical experience necessary for the performance of their duties. The extent to which they are responsible for performing such duties is governed by Czech legislation. The Board of Directors meets once a week.

In order to ensure its effective functioning, the Board of Directors delegates relevant powers and responsibilities to its subordinate levels of management – senior executives (see the Company's organisation structure on page 106).

As they hold key positions in the Company's structure, senior executives have the power and responsibility for planning, managing and supervising the Company's operations. As there is limited space available herein, the listing and professional biographies of senior executives, as well as descriptions of the key positions they hold within the Company, are published on the Company's website

(www.skoda-auto.cz). At the end of 2009, there were 34 senior executives in total.

Supervisory Board

The Supervisory Board oversees the activities of the Board of Directors and the Company's business operations in accordance with the applicable legal regulations, the principles of corporate governance, the Company's Articles of Association, the Supervisory Board's rules of order and the internal regulations of the Volkswagen Group. The Supervisory Board is particularly concerned with ensuring that appropriate systems are in place to protect the Company's interests and the entitlements of all stakeholders, as well as with the presentation of adequate financial information. In accordance with the law, the Škoda Auto Supervisory Board reviews the financial statements and Report on Relations, expresses its standpoint on the selection of an auditor, oversees financial reporting and assesses all financial transactions that have serious implications for Škoda Auto.

The Supervisory Board is composed of six members, of whom four are appointed by the sole shareholder and two are elected by Company employees in accordance with the law. Members of the Supervisory Board serve four-year terms, whereas reappointment or re-election for additional terms is possible. The Supervisory Board meets regularly three times a year.

In this regard, the independent functioning of the Škoda Auto Supervisory Board and the extent of the Company's strategic development are ensured by the corresponding organisational structure of the Volkswagen Group and the appropriate number of independent members present on the Supervisory Board of VOLKSWAGEN AG (see the VOLKSWAGEN AG Annual Report).

Audit Committee

Based on the decision of the sole shareholder of ŠKODA AUTO a.s. as at 11 December 2009, an audit committee was established as an independent Company body within ŠKODA AUTO a.s., an entity of public interest.

The basic rules for the activities of the audit committee are set forth in the Act on Auditors and in the Articles of Association. Pursuant to these rules, the audit committee monitors the process of compiling the financial statements and consolidated financial statements, assesses the effectiveness of the Company's internal supervision, internal audit and, as the case may be, risk-management systems, monitors the process of mandatory auditing of financial statements and consolidated financial statements, assesses the independence of the statutory auditor and auditing firm, and recommends an auditor.

The audit committee has three members, who are elected and recalled by the General Meeting. The term of service of individual members is four years, whereas re-election to additional terms is possible. Meetings of the audit committee are convened by the chairman of the audit committee as needed, though at least once a year. Meetings are also convened if requested by two members of the audit committee or by the Board of Directors with a statement of reasons.

Relations between the Company and the Shareholders

The Company rigorously endeavours to comply with all legal statutes in the extent necessitated by the fact that the Company's shares are not listed and that it has a specific shareholder structure in the form of a single shareholder – Volkswagen International Finance N.V.

Škoda Auto complies with the rules set forth by the legal regulations for extraordinary transactions (i.e. for transactions which in terms of their subject matter or value are significantly beyond the scope of ordinary business activities). Within the Company, there are rules that govern the relations between Company bodies in the preparation, approval and implementation of measures and actions of extraordinary or fundamental importance, such as financial and human resources planning, production and sales planning, the Company's participation as a partner or shareholder in the business of third parties, acquisition or disposal of assets beyond the scope of ordinary business activities, filling of key positions in the Company's management, etc.

Information Openness and Transparency

The Company rigorously adheres to and complies with all laws of the Czech Republic and the principles of the Code of Corporate Governance set forth in Chapter V, and regularly releases all important information on its business, financial and operating results, shareholder structure and other significant events. All information is prepared and released in accordance with the standards of accounting and publication of financial and non-financial information. Within the strategy of openness, the scope of the Company's disclosure of information is, in many areas, beyond that prescribed by law.

The Company regularly publishes annual and semi-annual reports. The Annual Report contains the audited financial statements and presents a detailed picture of the Company's business activities and financial situation. The Report on Relations forms a part of the Annual Report.

In order to prevent possible conflicts of interest, all members of the Board of Directors and the Supervisory Board and all senior executives are required by internal regulations to notify the Company in writing of any and all material interest they may have in transactions benefiting third parties and to refrain from exercising direct influence on decision-making in relation to such transactions. No incidents were recorded in 2009 that could have led to a conflict of interest in any of the relevant groups of Company employees.

Committees Formed by the Company's Administrative Bodies

Committees Formed by the Board of Directors

In order to support the activities of the Board of Directors, meet its internal needs and to ensure fulfilment of its responsibilities, the Company has set up the following committees and panels that report to the Board of Directors:

- Product Strategy Committee
- Strategic Planning and Integration Team
- Quality Committee
- Business Meeting and Financial Review
- Liquidity Management Committee
- Inventory Management Committee
- Investment Committee
- Production Programme Planning Committee
- Personnel Team
- Strategic Commission for the Environment
- Corporate Culture Team
- Sponsorship Management Circle
- Property Management Committee
- Products Committee

These committees are advisory bodies that the Board of Directors forms on the basis of resolutions. Their purpose is to initiate, prepare and submit to the Board of Directors recommendations pertaining to particular issues. The competency and composition of the committees are governed by their rules of procedure.

Company Policy toward Stakeholders

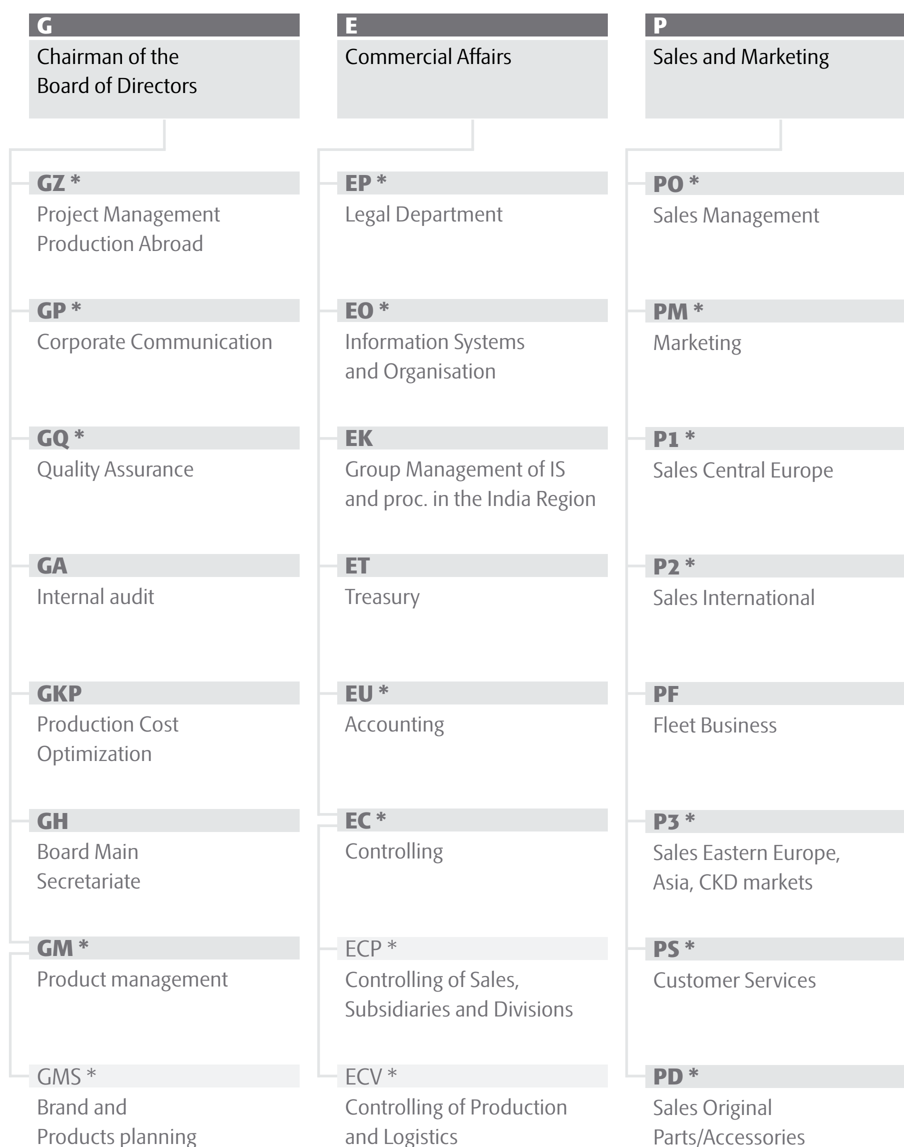
Škoda Auto is one of the largest companies in the Czech Republic and has an interest in the sustained development of the society of which it is a part. At the same time, the Company is fully aware of its responsibility for the stability of the business environment. Development of the Company's good reputation, credibility and reliability toward its business partners, employees and other stakeholders is of key importance. Škoda Auto openly proclaims its commitment to upholding the values of corporate social responsibility and, in accordance with these principles, is adapting its operations to reflect the needs of its surroundings.

Organisational Structure of Škoda Auto

The structure as at 1 January 2010

* key positions

Note:
New Area N, established 1 January 2010.
The key positions of this area had not been determined as of the closing date of the Annual Report.



V Production and Logistics

- **VV** New Products Manufacture Management
- **VC *** Production Basis Central Planning
- **VF *** Construction and Operating Technology
- **VN *** Tool Shop
- **VA *** Power Unit Production
- **VL *** Brand Logistics
- **VZ *** Production and Car Production Coordination – M. Boleslav
- **VR *** Car Production – Vrchlabí
- **VK *** Car Production – Kvasiny
- **VI** Industrial Engineering
- **VU** Production Technology

T Technical development

- **TC** Special Electric Strategic and Development Projects
- **TD *** Styling
- **TE** Planning and Coordination
- **TF** Frontloading
- **TK *** Car Body Development
- **TM *** Electric/Electronic Development and Servicing
- **TP *** Chassis and Power Train Development
- **TR *** Project Technical Management
- **TS** Škoda Motorsport
- **TZ *** Total Car Development

Z Human Resources Management

- **ZP *** Human Resources Planning
- **ZB *** Human Resources Business Support
- **ZS** Human Resources Service Centre
- **ZTT** Human Resources – Transformation
- **ZC** Development of Human Resources
- **ZII** Human Resources – Foreign Relations
- **ZR** External Affairs
- **ZO** Brand Security and Protection

N Purchase

- **NA** Power Train Purchase
- **NM** Metals Purchase
- **NV** General Purchasing
- **NI** Interior Chemicals Purchase
- **NX** Exterior Chemicals Purchase
- **NE** Electric Purchase
- **NF** Forward a Global Sourcing
- **NP** Purchase Project Management
- **NR** Purchased Part Management

Financial Section

For a better future, it is necessary to learn from the past and therefore it is necessary to stop for a moment and assess the achieved results. Only then can we continue to work on growing the Company and thus be a good and reliable partner for our customers, associates and suppliers.

Financial Section Contents

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AUDITOR'S REPORT ON THE ANNUAL REPORT AND THE REPORT ON RELATIONS

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ŠKODA AUTO A.S.

We have audited the financial statements of ŠKODA AUTO a.s., identification number 00177041, with registered office at Tř. Václava Klementa 869, Mladá Boleslav ("the Company") for the year ended 31 December 2009 disclosed in the annual report on pages 166 to 213 and issued the opinion dated 16 February 2010 and disclosed on page 165. We have also audited the consolidated financial statements of the Company for the year ended 31 December 2009 disclosed on pages 113 to 164 and issued the opinion dated 16 February 2010 and disclosed on page 112 (hereinafter collectively referred to as "the financial statements").

Report on the Annual Report

We have verified that the other information included in the annual report of the Company for the year ended 31 December 2009 is consistent with the financial statements referred to above. The Board of Directors is responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements based on our verification procedures.

Auditor's Responsibility
We conducted our verification procedures in accordance with the International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the verification procedures to obtain reasonable assurance about whether the other information included in the annual report which describes matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that the verification procedures performed provide a reasonable basis for our opinion.

Opinion
In our opinion, the other information included in the annual report of the Company for the year ended 31 December 2009 is consistent, in all material respects, with the financial statements.

Report on review of the Report on Relations

In addition we have also reviewed the accompanying report on relations between the Company and its controlling party and between the Company and the other persons controlled by the same controlling party for the year ended 31 December 2009 (the "Report"). The completeness and accuracy of the Report is the responsibility of the Board of Directors of the Company. Our responsibility is to review the accuracy of information included in the Report.

Scope of Review
We conducted our review in accordance with the International Standard on Review Engagements 2410 and related application guidance of the Chamber of Auditors of the Czech Republic for review of the report 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. A review is limited primarily to inquiries of Company personnel, analytical procedures and examination, on a test basis, of factual accuracy of data. A review therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Conclusion
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, in accordance with the requirements of Article 66a of the Commercial Code.

5 March 2010

PricewaterhouseCoopers Audit, s.r.o.
represented by

Petr Kříž
Partner

Pavel Kulhavý
Statutory auditor, Licence No. 1538

PricewaterhouseCoopers Audit, s.r.o., registered seat Kateřinská 40/466, 120 00 Prague 2, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No 021.

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AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ŠKODA AUTO A.S.

We have audited the accompanying consolidated financial statements of ŠKODA AUTO a.s., identification number 00177041, with registered office at Tř. Václava Klementa 869, Mladá Boleslav ("the Company") and its subsidiaries (together „the Group"), which comprise the consolidated balance sheet as at 31 December 2009, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and notes, including a summary of significant accounting policies ("the consolidated financial statements").

Board of Directors' Responsibility for the Consolidated Financial Statements
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors of the Czech Republic, International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2009, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

16 February 2010

PricewaterhouseCoopers Audit, s.r.o.
represented by

Petr Kříž
Partner

Pavel Kulhavý
Statutory auditor, Licence No. 1538

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Consolidated income statement for the year ended 31 December 2009 (CZK million)

	Note	2009	2008
Sales	**17**	**187,858**	**200,182**
Cost of sales		166,296	171,523
Gross profit		**21,562**	**28,659**
Distribution expenses		13,153	12,804
Administrative expenses		4,826	4,712
Other operating income	18	7,942	8,826
Other operating expenses	19	5,601	6,349
Operating profit		**5,924**	**13,620**
Financial income		1,342	1,431
Financial expenses		2,009	1,169
Financial result	**20**	**(667)**	**262**
Share on loss of associates		(555)	(506)
Profit before income tax		**4,702**	**13,376**
Income tax expense	22	1,240	2,558
Profit for the year		**3,462**	**10,818**
Attributable to:			
Equity holder of the Company		3,409	10,777
Minority interests		53	41
		3,462	**10,818**

Consolidated Statement of Comprehensive Income for the year ended 31 December 2009 (CZK million)

	2009	2008
Profit for the year	**3,462**	**10,818**
Cash flow hedges:		
Change in fair value in the period	599	3,152
Total transfers of fair value to net profit – effective hedging	(2,304)	(1,694)
Total transfers of fair value to net profit – ineffective hedging	(72)	(83)
Deferred tax	305	(245)
Exchange differences	(48)	(226)
Other comprehensive income	**(1,520)**	**904**
Total comprehensive income for the year	**1,942**	**11,722**
Total comprehensive income attributable to:		
Owner of the Company	1,898	11,683
Minority interests	44	39

The notes on pages 117 to 164 are an integral part of these consolidated financial statements.

Consolidated balance sheet as at 31 December 2009 (CZK million)

ASSETS	Note	31. 12. 2010	31. 12. 2009	1. 1. 2008
Intangible assets	5	13,081	13,912	14,039
Property, plant and equipment	6	43,871	43,548	41,197
Investment in associate	7	502	1,113	390
Other receivables and financial assets	8	1,208	1,131	798
Deferred tax assets	14	421	313	343
Non-current assets		**59,083**	**60,017**	**56,767**
Inventories	9	11,675	15,136	13,543
Trade receivables	8	8,485	9,351	7,874
Prepaid income tax		577	583	601
Other receivables and financial assets	8	17,309	32,649	30,798
Cash	10	21,247	4,720	6,198
Current assets		**59,293**	**62,439**	**59,014**
TOTAL ASSETS		**118,376**	**122,456**	**115,781**

LIABILITIES	Note	31. 12. 2010	31. 12. 2009	1. 1. 2008
Share capital	11	16,709	16,709	16,709
Share premium		1,578	1,578	1,578
Reserves	12	49,744	53,198	48,631
Equity attributable to owners of the Company		**68,031**	**71,485**	**66,918**
Minority interests		149	123	116
Equity		**68,180**	**71,608**	**67,034**
Non-current financial liabilities	13	3,000	1,998	1,997
Other non-current liabilities	13	1,403	1,805	1,136
Deferred tax liabilities	14	775	1,634	1,790
Other current tax liabilities		-	453	522
Non-current provisions	15	8,357	7,803	8,495
Non-current liabilities		**13,535**	**13,693**	**13,940**
Current financial liabilities	13	2,214	7,395	57
Trade payables	13	21,219	20,544	23,873
Other current liabilities	13	3,697	4,105	3,268
Other current tax liabilities		876	208	2,434
Current provisions	15	8,655	4,903	5,175
Current liabilities		**36,661**	**37,155**	**34,807**
TOTAL LIABILITIES		**118,376**	**122,456**	**115,781**

The notes on pages 117 to 164 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2009 (CZK million)

	Note	Share capital	Share premium	Retained earnings	Other reserves*	Equity attributable to owners of the Company	Minority interests	Total equity
Balance as at 1 January 2008		**16,709**	**1,578**	**45,634**	**2,997**	**66,918**	**116**	**67,034**
Total comprehensive income for the year		**-**	**-**	**10,777**	**906**	**11,683**	**39**	**11,722**
Dividends paid		-	-	(7,117)	-	**(7,117)**	(32)	**(7,149)**
Transfer to statutory reserve fund		-	-	(795)	795	-	-	**-**
Share option scheme	27	-	-	-	1	**1**	-	**1**
Balance as at 31 December 2008		**16,709**	**1,578**	**48,499**	**4,699**	**71,485**	**123**	**71,608**
Balance as at 1 January 2009		**16,709**	**1,578**	**48,499**	**4,699**	**71,485**	**123**	**71,608**
Total comprehensive income for the year		**-**	**-**	**3,409**	**(1,511)**	**1,898**	**44**	**1,942**
Dividends paid		-	-	(5,352)	-	**(5,352)**	(18)	**(5,370)**
Transfer to statutory reserve fund		-	-	(563)	563	**-**	-	**-**
Share option scheme	27	-	-	-	-	**-**	-	**-**
Balance as at 31 December 2009		**16,709**	**1,578**	**45,993**	**3,751**	**68,031**	**149**	**68,180**

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

The notes on pages 117 to 164 are an integral part of these consolidated financial statements.

Consolidated cash flow statement for the year ended 31 December 2009 (CZK million)

	Note	2009	2008
Cash and cash equivalents as at 1 January	**16**	**28,806**	**31,790**
Profit before income tax		4,702	13,376
Depreciation and impairment of non-current assets	5.6	12,166	10,842
Change in provisions	15	4,306	(964)
(Gain)/loss on disposal of non-current assets		(7)	29
Net interest (income)/expense		(51)	(362)
Change in inventories		3,461	(1,794)
Change in receivables		1,792	(1,105)
Change in liabilities		1,759	(3,323)
Income tax paid from operating activities		(1,680)	(5,234)
Interest paid		(489)	(901)
Interest received		633	1283
Share on loss of associate		555	506
Other gains from investing activities		(19)	(18)
Other adjustments for non-cash transactions		(599)	679
Cash flows from operating activities		**26,529**	**13,014**
Purchases of non-current assets	5.6	(11,196)	(12,451)
Additions to capitalised development costs	5	(1,493)	(2,066)
Increase (-) / decrease (+) in loans provided		1,677	(1,677)
Proceeds from sale of non-current assets		51	29
Proceeds from other investing activities		19	18
Cash flows from investing activities		**(10,942)**	**(16,147)**
Net cash flows (operating and investing activities)		15,587	(3,133)
Dividends paid		(5,352)	(7,149)
Loans received	13	3,099	7,355
Repayments of loans received		(7,355)	(41)
Cash flows from financing activities		**(9,608)**	**165**
Net change in cash and cash equivalents		**5,979**	**(2,968)**
Exchange gains/(losses) on cash and cash equivalents		**24**	**(16)**
Cash and cash equivalents as at 31 December	**16**	**34,809**	**28,806**

The notes on pages 117 to 164 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2009

Company information

Foundation and company enterprises:

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

Registered office: Tř. Václava Klementa 869
293 60 Mladá Boleslav
Czech Republic
IČ: 00177041
www address: www.skoda-auto.cz

The company is registered in the Commercial Register maintained with the Municipal Court in Prague, Section B, Insert 332, with File No. Rg. B 332.

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

- Chairman of the Board's department.
- Technical development.
- Production and logistic.
- Sales and marketing.
- Commercial affairs.
- Human resource management.

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

ŠKODA AUTO a.s. is a subsidiary included in the consolidation group of its ultimate parent company, VOLKSWAGEN AG ("Volkswagen Group"), with its registered office in Wolfsburg, the Federal Republic of Germany (for details see Note 30).

Note

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

1. Summary of significant accounting policies and principles

1.1 Compliance statement

The consolidated financial statements of ŠKODA AUTO a.s. ("the Company"), its subsidiaries and associate (together "the Group") for the year ended 31 December 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") as at 31 December 2009.

All International Financial Reporting Standards issued by the IASB and effective for the accounting periods beginning on or after 1 January 2009 have been adopted by the European Union through the endorsement procedure established by the European Commission, with the exception of IFRS 9, amendments to standards: IFRS 2 (Group cash-settled share-based payment transactions), IFRS 1 (Additional exemptions for first-time adopters; Limited exemption from comparative IFRS 7 disclosure for first-time adopters) and IAS 24. As at 31 December 2009, the Council of the European Union has not endorsed the following interpretations: IFRIC 19, Amendment to IFRIC 14, and Improvements to International Financial Reporting Standards issued on 16 April 2009.

The Company, as an issuer of listed bonds, is obliged under paragraph 19 (9) of Act No.563/1991 on Accounting to prepare financial statements and an annual report in accordance with IFRS as adopted by the European Union.

1.2 Adoption of new or revised standards, amendments and interpretations to existing standards*

1.2.1 New standards, amendments and interpretations to existing standards mandatory for accounting period 2009
The following standards, amendments and interpretations mandatory for accounting periods beginning on or after 1 January 2009 are not relevant to the Group's operations:

Amendment to IAS 32 – Financial instruments: Presentation and IAS 1 – Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation – IAS 1 – Amendment (effective from 1 January 2009). The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities.

IFRIC 13 – Customer Loyalty Programmes (effective from 1 January 2009). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

IFRIC 15 – Agreements for the Construction of Real Estate (effective from 1 January 2009). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions.

* the effective dates express the dates effective for the Company.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (effective from 1 January 2009). The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the gain or loss recycled from the currency translation reserve to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities will apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16.

IFRS 1 – Amendment – First-time Adoption of International Financial Reporting Standards and IAS 27 – Amendment – Consolidated and separate financial statements: The presentation of costs on investment to the subsidiaries at the first-time adoption of IAS/IFRS (effective from 1 January 2009). The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment.

Amendment to IFRS 2 – Share-based Payment – Vesting conditions and cancellations (effective from 1 January 2009). The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

The following standards, amendments and interpretations mandatory for accounting periods beginning on or after 1 January 2009 have been fully adopted by the Group:

IAS 1 – Revised – Presentation of Financial Statements (revised September 2007; effective from 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 affects the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances. In connection with this revised standard, the presented information has been supplemented with Statement of Comprehensive Income.

IAS 23 – Revised – Borrowing Costs (effective from 1 January 2009). The revised IAS 23 was issued in March 2008. The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The Group has performed an analysis of qualifying assets including determination of amount relating to borrowing costs, which should be allocated to cost of these assets. Due to immateriality of amount of borrowing costs, in 2009 the Group has not capitalised any of these costs as part of the cost of the qualifying assets.

IFRS 8 – Operating Segments (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group has performed an analysis of presentation of segments in accordance with the new requirements of IFRS 8 and has identified several segments, which have been aggregated, based on similarity of economic and other features, into one operating segment pursuing development, production and sale of passenger and commercial vehicles, engines and spare parts and accessories. The application of IFRS 8 does not have any material effect on the financial statements of the Group in 2009.

Improvements to International Financial Reporting Standards (issued in May 2008). The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment of a defined benefit plan under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. The amendments have no material effect on the financial statements of the Group.

Amendment to IFRS 7 – Financial Instruments – Disclosures: Improving Disclosures about Financial Instruments (effective from 1 January 2009). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity will be required to disclose an analysis of financial instruments measured at fair value using a three-level measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. In connection with this improvement, the Group has performed an analysis of financial instruments measured at fair value by hierarchy and has identified only financial instruments measured at fair value with level 2. Even before issue of the Improving Disclosures about Financial Instruments, the Group had regularly presented within contractual maturity analysis also maturity analysis of financial assets. In 2009, the Group has not provided any financial guarantees. Therefore, the amendments do not have material impact on the extent of the presented information or on the presented amounts.

1.2.2 New standards, amendments and interpretations to existing standards published not yet effective
The following standards, amendments and interpretations will be relevant for the Group but have not been early adopted by the Group:

Amendment to IAS 24 – Related Party Disclosures (effective from 1 January 2011). The main objective of the amendment is to provide a partial exemption from the disclosure requirements for government-related entities, and to clarify the definition of a related party. The amendment also clarifies the entity's obligation to disclose information about all commitments, associated with a related party, to do something if a particular event occurs or does not occur in the future, including executable contracts (recognised and unrecognised). The Group expects that the Amendment to IAS 24 will have impact on the extent of the disclosure of transactions with related parties. The Group is currently assessing all possible impacts of the amendment.

IFRS 9 – Financial instruments (effective from 1 January 2013). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets and changes also some disclosure requirements as set out by IFRS 7. Per IFRS 9, all financial assets, currently within scope of IAS 39, are required to be classified into two measurement categories – those to be measured subsequently at amortised cost, and those to be measured subsequently at fair value, in accordance with the following rules. An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss. In addition, all equity instruments within scope of IFRS 9 are to be measured subsequently at fair value through profit or loss. However, if an equity instrument is not held for trading, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss when the asset is derecognised. This election cannot be subsequently changed. Dividends are to be presented in profit or loss, as long as they represent a return on investment. The Group expects that the new IFRS 9 will have impact on classification, measurement and disclosure of financial instruments in the notes to the financial statements. However, without a detailed analysis it is not possible to perform reliable estimate of such impact as at the date of the financial statements.

The following standards, amendments and interpretations will not be relevant for the Group or are not expected to have a material impact on the Group's operations:

IAS 27 – Revised – Consolidated and Separate Financial Statements (effective from 1 January 2010). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value.

Amendment to IAS 32 – Financial Instruments – Presentation: Classification of Rights Issues (effective from 1 January 2011). The amendment deals with presentation of rights issues denominated in a currency other than the issuing entity's functional currency. The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives.

Amendment to IAS 39 – Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective from 1 January 2010). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment provides guidance for identification of inflation as a hedged item and hedging with options. Inflation is subject to hedging only in the case that changes in inflation are contractual portion of financial instrument cash-flows. The amendment also specifies effectiveness of hedging by options.

Amendment to IAS 39 – Financial Instruments: Recognition and measurement – Eligible hedged items, and IFRIC 9 – Re-assessment of Embedded Derivatives (effective from 1 January 2010). The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for.

Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment (effective from 1 January 2010). The amendment provides a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard.

Amendment to IFRS 1 – First-time Adoption of International Financial Reporting Standards (effective from 1 January 2010).The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes.

Amendment to IFRS 1 – First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (effective from 1 January 2010). The amendments exempt entities using the full cost method from retrospective application of IFRS for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result.

Amendment to IFRS 1 – First-time Adoption of International Financial Reporting Standards – Limited exemption from comparative IFRS 7 disclosures for first-time adopters (effective from 1 January 2011). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. The relief was provided because the amendments to IFRS 7 were issued after the comparative periods had ended, and the use of hindsight would have been required. The amendment to IFRS 1 provides first-time adopters with the same transition provisions (and thereby the same relief) as included in the amendment to IFRS 7 for other companies.

IFRS 3 – Revised – Business Combinations (effective from 1 January 2010). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone.

Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement.

IFRIC 17 – Distribution of Non-Cash Assets to Owners (effective from 1 January 2010). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable.

IFRIC 18 – Transfer of Assets from Customers (effective from 1 January 2010). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective from 1 January 2011). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective from 1 January 2010; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective from 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations:

Clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2;
Clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations;
Requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker;
Amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current;
Changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities;
Allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease;
Providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent;
Clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation;
Supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination;
Amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash-flow hedging instruments from equity to profit or loss and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender;
Amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and
Removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged

1.3 Comparative amounts

Due to the change in the method of presentation in 2009, the Group reclassified the liabilities to a factoring company within the Volkswagen Group which have arisen from the transfer of the Volkswagen intercompany payables to the factoring company within the Volkswagen Group from the line "Current financial liabilities" to the line "Trade payables". As a result of this reclassification the Balance sheet line "Trade payables" has been increased by CZK 1,141 million to CZK 20,544 million and the line "Current financial liabilities" has been decreased by CZK 1,141 million to CZK 7,395 million. Further, the Balance sheet balances for the beginning of the comparative period have been adjusted. The line "Trade payables" has been increased by CZK 2,333 million to CZK 23,873 million and the line "Current financial liabilities" has been decreased by the same amount to CZK 57 million. In Cash flow statement the line "Change in liabilities" has decreased in comparative period by CZK 1,192 million to CZK – 3,323 million and at the same time the line "Change in liabilities from other financing" has increased by the same amount to CZK 0 and was therefore excluded. As a result of this reclassification also subtotal lines changed. The line "Cash flows from operating activities" has decreased by CZK 1,192 million to CZK 13,014 million and the line "Cash flows from financing activities" increased by the same amount to CZK 165 million. Further, related disclosures in the Notes to the Consolidated Financial Statements have been adjusted accordingly.

Due to the change in the method of presentation of Contractual obligations and other future commitments (Note 25), comparative figures for line Operating leasing instalments have been changed. The column "Payable until year end 2009" has been increased by CZK 118 million to CZK 177 million and the column "Payable 2010-2013" has been increased by CZK 238 million to CZK 238 million and the total in the column "31. 12. 2008" has been increased by CZK 356 million to CZK 415 million. Adopted presentation discloses the future minimum payments from non-cancellable operating leasing as required by IAS 17. Furthermore, the line Other future commitments has been added. This category comprises unusual future commitments of the Group, either because of their nature or their size or duration.
As at 31 December 2008, these commitments amounted to CZK 327 million.

The change in the method of presentation of expenses by nature resulted in Note 26 - Expenses by nature in comparative figures reclassification. The line "Production related services" has been increased by CZK 5,580 million to CZK 7,866 million and the line "Other services" has been decreased by the same amount to CZK 16,395 million.

2. Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared under the historical cost convention, except for fair value measurement of available-for-sale financial assets, of financial assets and financial liabilities at fair value through profit or loss and of all derivative contracts.

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

2.1 Details of the Group

In addition to ŠKODA AUTO a.s. located in Mladá Boleslav, the consolidated financial statements include all significant subsidiaries and the associate.

See the "Company information" note on page 117 for the Company's details.

Subsidiaries are all companies in which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The controlled companies ("subsidiaries") are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control of the Group ceases.
The significant subsidiaries of the Company are as follows:

- ŠkodaAuto Deutschland GmbH (100 %);
- ŠKODA AUTO Slovensko, s.r.o. (100 %);
- Skoda Auto Polska S.A. (51 %);
- Skoda Auto India Private Ltd. (100 %).

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 % and 50 % of the voting rights.

The company ŠKODA AUTO a.s. exercises significant influence in an associate OOO VOLKSWAGEN Group Rus, the Russian Federation (Note 7).

2.2 Consolidation principles

The subsidiaries are consolidated using the full-scope consolidation method. Assets and liabilities of the subsidiaries are recognised in accordance with the uniform accounting policies used within the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of the acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values as at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Investments in associate are accounted for using the equity accounting and are initially recognised at cost. The Group's investment in associate includes goodwill identified on acquisition.

The Group's share of its associate's post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Foreign currency translation

2.3.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Czech crowns (CZK), which is the Company's functional and presentation currency.

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

2.3.2 Foreign subsidiaries and associate

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are recognised in the income statement as part of the gain or loss on sale.

Foreign subsidiaries and associate are subject to legal and accounting regulations in their respective country. The respective local currency is their functional currency. The exchange rates published by the Czech National Bank were used when incorporating their financial statements into the consolidated financial statements of the Group:

- Assets and liabilities for each balance sheet presented are translated at the closing rate as at the date of that balance sheet;
- Income and expenses for each income statement are translated at monthly average exchange rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case the income and expenses are translated on the dates of the transactions; and
- All resulting exchange differences are recognised as a separate component of other comprehensive income.
- Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Balance sheet foreign exchange rate as at 31 December			
	CZK/Currency	2009	2008
Poland	PLN	6,448	6,485
India	INR	0,396	0,397
Slovakia	EUR	26,465	0,893*
Germany	EUR	26,465	26,932
Russia	RUB	0,612	0,652

* Foreign exchange rate SKK/CZK.

2.4 Intangible assets

Purchased intangible assets are recorded at cost less accumulated amortisation and impairment losses. All research costs are recognised as expenses when incurred. In accordance with IAS 38, all development costs of new Škoda models and other products are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility, and costs can be measured reliably. Capitalised development costs and other internally generated intangible assets are carried at cost less accumulated amortisation and impairment losses. If the criteria for recognition as an asset are not met, the costs are recognised in the income statement in the year in which they are incurred. The right to use Volkswagen's tooling is capitalised as an intangible asset. Capitalised costs include all direct costs as well as an appropriate portion of development-related overheads.

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

The Group ceases capitalising borrowing costs when the qualifying asset is ready for its intended use or sale.

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

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate on the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, only tested annually for impairment and carried at cost less accumulated impairment losses.

Other intangible assets are amortised applying the straight-line method over their estimated useful lives as follows:

- Development costs — 2 – 9 years according to the product life cycle
- Software — 3 years
- Service and operating rights — 8 years
- Other intangible fixed assets — 5 years

Intangible assets not yet available for use are tested annually for impairment and are carried at cost less accumulated impairment losses.

2.5 Property, plant and equipment

All property, plant and equipment are stated at historical cost less cumulative depreciation and - if necessary - write-downs for impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

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

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

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method over their estimated useful lives, as follows:

- Buildings — 10 – 35 years
- Technical equipment and machinery (incl. special tooling) — 2 – 18 years
- Other equipment, operating and office equipment — 3 – 15 years

2.6 Impairment of assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units).

2.7 Financial instruments

2.7.1 Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading or so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedging instruments. Realised and unrealised gains and losses from changes in the fair value of financial assets valued at fair value through profit or loss are recognised under financial income or expenses in the period in which they arise. During the accounting period 2009 (2008), the Group only had financial derivatives within this category (Note 2.7.3).

b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade receivables, or other receivables and financial assets in the balance sheet (Note 8).

c) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Dividend income from these activities is included in other financial income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as a part of other operating revenues or expenses. In the accounting period 2009 (2008), the Group only had, within the category of available-for-sale financial assets only investments to equity instruments that did not have quoted price in an active market.

Purchases and sales of financial assets are recognised on trade–date – the date on which the Group commits to purchase or sell the asset. Financial assets, with the exception of financial assets carried at fair value through profit or loss, are initially recognised at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Equity instruments that do not have quoted prices in an active market and their fair value can not be reliably measured are valued at cost. Long-term loans and receivables are carried at amortised cost using the effective interest method.

The Group determines at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Initially the Group determines, in line with IAS 39, if objective evidence exists that individually material financial assets are impaired and performs the same assessment individually or collectively for individually immaterial financial assets. In the event that the Group does not find objective evidence of impairment for individually assessed financial assets, whether material or not, these assets are included in the group of financial assets with common credit risk characteristics and the group of financial assets is assessed collectively for impairment. Individual assets for which objective evidence of impairment has been identified are not included in a group of assets that are assessed collectively for impairment.

In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the security is impaired.

The trade receivables are considered to be impaired if objective evidence exists at the balance sheet date that the Group will not be able to collect all outstanding balances in accordance with initially agreed conditions. Significant financial difficulties, the probability that the debtor will enter bankruptcy or financial reorganisation, and default or delays in payment of liabilities are considered indicators that trade receivables are impaired. For trade receivables, the allowance is quantified on the basis of detailed information about the financial situation of the customer and payment history. When the receivable is assessed as uncollectible, an allowance equal to 100% of the receivable balance is created. For other receivables, the allowance is quantified on the basis of detailed information about the financial situation of the customer and payment history. The value of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate of the receivable. The value of the allowance is recognised in the income statement within Other operating expenses. When the receivable cannot be collected through legal action (i.e. the receivables have lapsed; insufficient assets due to bankruptcy of the debtor; debtor was liquidated without a legal successor, etc.), it is written off through profit and loss and the allowance is utilised.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2.7.2 Financial liabilities
a) Financial liabilities measured at fair value through profit and loss
Financial liabilities at fair value through profit or loss are financial liabilities that are derivatives, which do not fulfil the hedge accounting conditions. During the accounting period 2009 (2008), the Group only had financial derivatives in this category (Note 2.7.3).

b) Financial liabilities measured at amortised cost
Financial liabilities are measured at fair value net of transaction costs at initial recognition. Subsequent measurement is at amortised cost by applying the effective interest rate method.

2.7.3 Financial derivatives
The Group uses derivatives to hedge interest rate and currency risks and price risks. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument or instrument held for trading. The Group designates as hedging instruments only those which fulfil the requirements of hedge accounting.

The Group uses derivatives to hedge future cash flows. The hedged items are as follows:

- Highly probable future transactions; and
- Cash flow from selected liabilities.

The Group is hedging against changes in cash flows from selected liabilities caused by changes in interest rates and against changes in cash flows from highly probable future transactions caused by changes in foreign exchange spot rates and other price changes (arising especially from the combination of commodity and currency risk).

The changes in the spot component of currency financial derivatives that qualify as effective cash-flow hedging instruments are recognised in other comprehensive income. The changes in the forward points component of currency financial derivatives that qualify as effective cash-flow hedging instruments are recognised as a gain or loss in the income statement.

The changes in fair value of currency financial derivatives (interest and commodity) that qualify as effective cash-flow hedging instruments are recognised in other comprehensive income.

The cumulative balances recognised in other comprehensive income are recycled into the income statement as a gain or loss in the periods when the hedged item affects the income statement. If the timing of the hedged cash flow is deferred, in compliance with its hedging strategy the Group prolongs the maturity of the original hedging instrument. In such case the spot component of the original derivative contract is held in equity until the hedged item affects the income statement. At this moment, the balance of the spot component is recycled from other comprehensive income to the income statement and recognised as a gain or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income from the effective part of the hedging instrument at that time remains in other comprehensive income and is reclassified to income statement when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

Certain derivative instruments do not qualify for hedge accounting according to IAS 39. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, such as net present value of future cash flows. The fair value of currency forwards and swaps is determined as the present value of future cash flows based on forward exchange market rates as at the balance sheet date. The fair value of interest rate swaps is calculated as the present value of future cash flows based on market interest rates as at the balance sheet date. The fair value of commodity swaps is calculated as the present value of future cash flows based on commodity forward exchange market rates.

2.8 Current and deferred income tax

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

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

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

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

In accordance with IAS 12, deferred tax assets and liabilities are offset if the deferred tax assets and liabilities relate to income tax is levied by the same taxation authority, and where the companies of the Group have the enforceable right to offset the current tax assets and liabilities.

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

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

2.9 Inventories

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

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

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

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

2.10 Provisions for long-term employee benefits

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

- service jubilee;
- other long-service benefits.

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

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

The present value of the long-term employee benefits is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds to the balance sheet date. If a market of such bonds does not exist, the Group uses the market yield of treasury bonds. The term and currency of these corporate or treasury bonds are consistent with the currency and term of the respective other long-term employee benefits.

2.11 Other provisions

In accordance with IAS 37, provisions are recognised where a present obligation exists to third parties as a result of a past event; where a future outflow of resources is probable; and where a reliable estimate of that outflow can be made. Future outflows are estimated with respect
to particular specific risks. Provisions not resulting in an outflow of resources within one year are recognised at their settlement value discounted to the balance sheet date. Discounting is based on current market interest rates.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.12 Share based payments

The ultimate parent company VOLKSWAGEN AG provides the option for the acquisition of ordinary shares of VOLKSWAGEN AG to its employees in line with the share option plan established based on decision of the board of directors with the approval of the supervisory board of VOLKSWAGEN AG and authorization of the annual general meeting held on 19 June 1997. The share option plan entitles qualified employees for a subscription of convertible bonds of VOLKSWAGEN AG for a price of EUR 2.56 per convertible bond. Each convertible bond is convertible into 10 ordinary shares of VOLKSWAGEN AG.

The costs relating to share option plan are debited by the Group to the income statement and, as the costs are not reinvoiced by VOLKSWAGEN AG to the Group, the corresponding amounts are credited to the share option reserve in equity as a capital contribution.

These equity-settled share based payments are measured at fair value as at the date of being granted to the employees and are accrued over the vesting period. The fair value of the convertible bonds is estimated using a binomial option pricing model.

2.13 Revenue and expense recognition

Revenue comprises the fair value of consideration received or receivable for the goods sold and services provided, net of value-added tax, rebates and discounts and after elimination of sales within the Group.

Sales of goods are recognised only when the goods have been delivered, that is, when the significant risks and rewards have passed to the customer, the sales price is agreed or determinable and receipt of payment is probable. This corresponds generally to the date when the products are provided to dealers outside the Group, or to the delivery date in the case of direct sales to consumers.

Income from the royalties is recognised in accordance with the substance of the relevant agreements. Dividend income is generally recognised on the date at which the dividend is legally approved and when the payment is probable.

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

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

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

2.14 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.15 Investment incentives and subsidies

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

Subsidies of entrepreneurial activities and of employee training and retraining costs are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants, including non-monetary grants related to the purchase of tangible and intangible assets, are recognised at fair value as deferred income in non-current liabilities and amortised to the income statement in proportion to the depreciation charge for the related asset.

2.16 Related parties

Related parties as defined by IAS 24 are parties that the Group has the ability to control, are under common control, or over which it can exercise significant influence, or parties that have the ability to control or exercise significant influence over the Group.

2.17 Segment reporting

Operating segments are components of the Group, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The operating segments are reported in compliance with the aggregation and materiality criteria.

2.18 Share capital

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

2.19 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions are continuously assessed by management. The estimates and assumptions are based on historical experience and other factors, including the realistic assessment of future developments. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Capitalisation of development costs

The Group is continuously investing in research and development of new products, which are either developed internally within the Company's research and development centre or within the VOLKSWAGEN AG Group. In compliance with IAS 38, for each development project is the Group performing an assessment whether the project meets the intangible asset recognition criteria, especially the probability that the asset will generate future economic benefits. The Group's assessment is based on analysis and estimates for the next five and more years with respect to the products future sales, development of the individual markets and automotive industry itself. Despite the Group's analysis is prepared based on management' best estimate and currently available information, the risk of future significant changes and uncertainty with respect to future development of the assumptions applied remain significant. Please refer to Note 5 for additional information.

Provision for warranty claims

The Group recognises provisions for warranty claims for future expenses connected with the basic guarantee (2 years), with the guarantee for corrosion (dependent on the model for 10 or 12 years) and other guarantees beyond the scope of basic guarantee, especially good-will repairs (the 3rd and the 4th year). The Group recognises the provisions for warranty claims at the moment of sale on the basis of the number of sold cars and in advance determined rates for individual model line.

The amount of the rate for the basic guarantee is determined on the basis of a management estimate of the average number of failures in the guarantee period and average single failure costs with regard to the specifics of individual countries and on the basis of other specific assumptions (inflation, customers groups development, etc.). The amount of the provision for corrosion is determined through a mathematical model which extrapolates the curve of future costs development for the relevant period on the basis of weighted average of actual costs from previous calendar years of the model production. The amount of the provision for good-will repairs is determined on the basis of a management estimate of existing good-will repair costs and defined strategy of the good-will repair trademark policy with regard to specifics of individual countries.

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

3. Financial risk management

The Group operates in the automotive industry, sells its products in many countries around the world and performs transactions connected with a variety of financial risks. The objective of the Group is to minimize these risks through application of flexible hedging strategy with utilisation of various instruments. In compliance with the Volkswagen Group policy all hedging operations are reconciled and implemented in cooperation with the Treasury department of Volkswagen Group.

The Board of Directors of the Company is regularly informed of the current financial and other related risks (free liquidity, foreign exchange rates, interest rates, invoice currencies, payment conditions, taxes etc.), which is achieved through regular “liquidity meeting” attended by representatives from Treasury, Controlling and Accounting, Volkswagen Group Treasury, representatives of subsidiaries and management of Commercial affairs department. These meetings have predefined agenda, which includes also information on main macroeconomic indicators from all important countries, in which the Company sells its products. Meetings have a formalised structure and all minutes including the decisions are recorded and their fulfilment is periodically reviewed.

In 2009, the world economy was fully impacted by the global financial crisis, which started in 2007 and further deepened in 2008. The problems of financial institutions resulted in a significant decrease in GDP. The automotive industry was also seriously affected by the global economic and financial crisis.

However, as a result of the Group’s flexible response to the government’s efforts to support the economy (e.g. scrap premium) and of the cost-cutting measures introduced, the decrease in Group sales was not as significant as the decrease in sales of most competitors

The Group’s management is ready to use all necessary measures to support the sustainable development and growth of Group’s activities and to effectively react to chances, which the financial and economic crisis brings, especially to the decrease in prices of some key commodities and to potential future government supports for economy revitalisation.

The estimate of impacts of the global financial crisis on the financial position of the Company and other financial indicators are presented further in individual chapters of financial risk management.

3.1 Credit risk

Credit risk is a risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk arises in the normal course of the Group's operations, as well as through activities connected to the financial markets (money market, currency conversion, derivatives transactions, etc.).

The quantification of credit risks is based on several different primary criteria, of which the most significant are the country risk and the counterparty risk. In assessing these risks, attention is paid to the country in which the headquarters of the counterparties are situated. The credit rating of these countries is monitored closely and attention is focused on the analysis of macroeconomic indices. Apart from the Volkswagen Group's Risk Management Department, the Group also uses the services of external agencies (D&B, Creditreform, Reuters, etc.).

The acceptance of new business partners is reliant on standard approval procedures. The Group's involvement with counterparties is managed by means of credit limits that are monitored and re-evaluated on a regular basis.

Active administration and management of receivables is incorporated into the credit risk management process. In respect of the trade receivables security strategy, trade receivables are divided into receivables from domestic customers, foreign customers, Volkswagen Group entities and subsidiaries. The Group uses factoring and other standard financial market instruments such as forfeiting, bank guarantees, letters of credit and advance payments to reduce the risk. In addition, the following instruments and their combinations are used to secure high-risk receivables: acknowledgements of debt, payment schedules and bills of exchange.

Loans to employees are secured by other employee guarantee.

During the accounting period 2009 (2008) the Group did not accept any pledges to secure loans.

3.1.1 Maximum exposure to credit risk (CZK million)

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

	Carrying amount as at 31 December 2009			
	Non-impaired financial assets not yet due	Non-impaired financial assets past due	Impaired financial assets	Total
Loans to employees	365	-	-	365
Loans to Volkswagen Group companies	13,562	-	-	13,562
Positive fair value of financial derivatives	2,105	-	-	2,105
Others	78	-	1	79
Trade receivables	5,962	2,253	270	8,485
Cash	21,247	-	-	21,247
Total	**43,319**	**2,253**	**271**	**45,843**

	Carrying amount as at 31 December 2008			
	Non-impaired financial assets not yet due	Non-impaired financial assets past due	Impaired financial assets	Total
Loans to employees	339	-	-	**339**
Loans to Volkswagen Group companies	25,766	-	-	**25,766**
Positive fair value of financial derivatives	4,516	-	-	**4,516**
Others	553	-	4	**557**
Trade receivables	6,139	3,210	2	**9,351**
Cash	4,720	-	-	**4,720**
Total	**42,033**	**3,210**	**6**	**45,249**

In 2009 the Group holds an unconditional bank guarantee. The fair value of the guarantee was CZK 317 million as at 31 December 2009. In 2008 the Group did not hold any material bank guarantees.

3.1.2 Risk concentration

The Group monitors concentration of credit risk by distribution regions and by the denomination currency. The sensitivity of the Group to foreign exchange risk is disclosed in note 3.4.1. During the accounting period 2009 (2008), the Group did not identify a significant risk concentration on the basis of distribution region. Significant portion of financial assets was of intra-group nature and the Group did not consider as probable that a default could occur. Possible risk of unpaid receivables from third parties was individually not significant (spread between various debtors and regions).

3.1.3 Solvency of financial assets neither past due nor impaired (CZK million)

The Group uses the following criteria when setting ratings of financial assets that are neither past due nor impaired. Solvency class 1 includes receivables and loans from related parties and receivables from third parties (secured receivables and receivables that will be subject to factoring without recourse) for which there is no objective evidence indicating impairment. Solvency class 2 includes unsecured trade receivables from third parties for which there is no objective evidence indicating impairment (receivables from dealers and receivables from dealers with a schedule of payments).

Balance as at 31 December 2009	Solvency class 1	Solvency class 2	Total
Loans to employees	365	–	365
Loans to Volkswagen Group companies	13,562	–	13,562
Positive fair value of financial derivatives	2,105	–	2,105
Other receivables and financial assets	78	–	78
Trade receivables	4,974	988	5,962
Cash	21,247	–	21,247
Total	**42,331**	**988**	**43,319**

Balance as at 31 December 2008	Solvency class 1	Solvency class 2	Total
Loans to employees	339	–	**339**
Loans to Volkswagen Group companies	25,766	–	**25,766**
Positive fair value of financial derivatives	4,516	–	**4,516**
Other receivables and financial assets	553	–	**553**
Trade receivables	5,040	1,099	**6,139**
Cash	4,720	–	**4,720**
Total	**40,934**	**1,099**	**42,033**

3.1.4 Carrying amount of financial assets past due and not impaired (CZKmillion)

	Months past due			
	Less than 1 month	1 – 3 months	More than 3 months	Total
Trade receivables				
Balance as at 31 December 2009	**1,023**	**465**	**765**	**2,253**
Balance as at 31 December 2008	2,139	895	176	3,210

Receivables more than 3 months past due are represented mainly by receivables from Volkswagen Group companies. The Group did not identify any need for impairment of these receivables.

3.1.5 Valuation allowance for receivables and other financial assets (CZK million)

Impairment status and development of other receivables and trade receivables has been analysed as follows:

	2009	2008
Other receivables and financial assets		
Gross balance as at 31 December	162	295
Valuation allowance:		
Balance as at 1 January	(291)	(291)
Additions	(21)	(4)
Utilised	125	2
Released	26	2
Balance as at 31 December	**(161)**	**(291)**
Net balance as at 31 December	1	4
Trade receivables		
Gross balance as at 31 December	741	364
Valuation allowance:		
Balance as at 1 January	(362)	(321)
Additions	(183)	(75)
Utilised	58	10
Released	16	24
Balance as at 31 December	**(471)**	**(362)**
Net balance as at 31 December	270	2

During the accounting period 2009 (2008) the Group had valuation allowances on individual financial assets only for which a default risk was identified. During the accounting period 2009 (2008) the Group had valuation allowances only on financial assets included in category of loans and receivables.

3.1.6 Estimate of the impact of the global financial crisis on theGroup in the area of credit risk

The credit crisis could have an influence on payment discipline of debtors. The Group's debtors can be influenced by lower liquidity, which can influence their ability to pay outstanding amounts. The Group's management believes that under current circumstances it uses all necessary instruments in the area of credit risk management (especially hedging instruments) to support the sustainable development and growth of Group's activities.

The worsening operating position of debtors could also have an impact on judgment whether the financial assets should be impaired. With respect to the extent of available information, the Company's management considered this risk and found it insignificant.

3.2 Liquidity risk

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

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

Management of the Group monitors the liquidity and its development at the regular monthly meetings, so called "liquidity meetings", attended by the representatives of Treasury, Controlling and Accounting departments. The predetermined agenda generally includes the information about daily development of liquidity and its structure. The Group management is also presented with the short-term forecasts of the liquidity development.

The following important instruments are used to secure sufficient liquidity resources: the short term and long term financial plan, active cooperation with banks (credit lines) and monitoring of the situation on the money market and the capital market. The sufficient liquidity resources are ensured mainly by committed and uncommitted credit lines from external banks and by intercompany credit lines (resources within the Volkswagen Group).

The total amount of credit lines from banks as at 31 December 2009 was CZK 19,517 million (as at 31 December 2008: CZK 8,607 million) out of which CZK 9,600 million was withdrawn in Czech crowns and CZK 9,917 million was withdrawn in foreign currency (INR 1 430 million and EUR 53 million). The Group has not utilised any agreed bank credit lines as at 31 December 2009 (as at 31 December 2008: CZK 7,307 million).

During the year 2009 a credit line of CZK 3,000 million has been obtained from the Volkswagen Group in the total amount of CZK 3,000 million. As at 31 December 2009 the whole amount of the credit line was drawn.

Contractual maturity analysis (undiscounted amounts in CZK million)

Balance as at 31 December 2009	Less than 3 months	3 – 12 months	1 – 5 years	Longer than 5 years	Unspecified*	Total
Cash	21,262	-	-	-	-	21,262
Other receivables and financial assets (except derivatives)	13,666	85	280	68	2	14,101
Trade receivables	4,215	1,747	-	-	2,523	8,485
Financial liabilities	(138)	(2,046)	(3,552)	-	-	(5,736)
Other liabilities (except derivatives)	-	-	-	-	-	-
Trade payables	(15,670)	(2,763)	-	-	(2,240)	(20,673)
Derivatives with positive fair value:						
Currency forwards and swaps						
Inflow of financial resources	4,645	14,134	11,126	-	-	29,905
Outflow of financial resources	(4,355)	(13,227)	(10,381)	-	-	(27,963)
Commodity swaps	14	40	155	-	-	209
Derivatives with negative fair value:						
Currency forwards and swaps						
Inflow of financial resources	2,924	8,220	6,152	-	-	17,296
Outflow of financial resources	(3,112)	(8,648)	(6,373)	-	-	(18,133)
Interest swaps	**-**	**(36)**	**-**	**-**	**-**	**(36)**
Commodity swaps	-	-	-	-	-	**-**
Total	**23,451**	**(2,494)**	**(2,593)**	**68**	**285**	**18,717**

Balance as at 31 December 2008	Less than 3 months	3 – 12 months	1 – 5 years	Longer than 5 years	Unspecified*	Total
Cash	4,720	-	-	-	-	4,720
Other receivables and financial assets (except derivatives)	24,652	1,790	253	60	73	26,828
Trade receivables	6,139	-	-	-	3,212	9,351
Financial liabilities	(5,530)	(1,970)	(2,044)	-	-	(9,544)
Other liabilities (except derivatives)	-	-	-	-	(53)	(53)
Trade payables	(16,288)	(1,563)	-	-	(2,139)	(19,990)
Derivatives with positive fair value:						
Currency forwards and swaps						
Inflow of financial resources	10,811	26,779	11,364	-	-	48,954
Outflow of financial resources	(10,146)	(25,135)	(11,049)	-	-	(46,330)
Derivatives with negative fair value:						
Currency forwards and swaps						
Inflow of financial resources	1,896	5,141	3,602	-	-	10,639
Outflow of financial resources	(2,154)	(5,859)	(4,061)	-	-	(12,074)
interest swaps	**-**	**(1)**	**(39)**	**-**	**-**	**(40)**
Total	**14,100**	**(818)**	**(1,974)**	**60**	**1,093**	**12,461**

* Unspecified represents the un-discounted cash flows from un-invoiced deliveries where it is not possible to determine the invoice maturity (the usual maturity is six months) as well as past due receivables for which the timing of expected inflow cannot be determined.

3.2.1 Estimate of the global financial crisis impact onGroup's liquidity
The global financial crisis deepened the global liquidity crisis which resulted in i.e. a decrease of the level of bank sector liquidity, which resulted in tightening of credit conditions.

Just as in previous years, in 2009 cash and cash equivalents significantly exceeded the net debt of the Group (see Note 3.5). In previous years (2006 and 2007), the Group used mainly its own resources to finance its activities. The Group reported a record free liquidity several years in a row, which creates sufficient space for financing the business activities even in a period of recession.

With respect to the above-mentioned facts, and in spite of significant decrease in corporate financing, the Group does not expect that these circumstances could influence its ability to pay its liabilities. On the other hand, the worsening operating situation of the Group's debtors could influence the prognosis of cash flows prepared by the Group's management. With respect to the extent of available information, the Group's management considered the circumstances mentioned and adjusted estimates of future cash flows.

3.3 Market risk

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

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

The fluctuation of exchange rates represents significant risk in that the Group sells its products, and purchases material, parts and services concurrently in various foreign currencies. The Group actively manages this risk through continually updated market analysis, worldwide procurement of material and equipment and production of its products in the sales regions. Standard derivative hedging instruments are used by the Group to manage the currency risk. The risk exposure, as determined by the analysis of income and expense structures by foreign currency, is hedged on the basis of expected future foreign currency cash flows.

Forward exchange contracts and currency swaps are used hedging instruments. The basic parameters of the hedging policy are defined by the hedging directive valid for the entire Volkswagen Group, which includes also the list of permitted hedging instruments. Hedging contracts are concluded in the name of the individual Group companies by the Treasury Department of the Volkswagen Group. The most important trading currencies are USD, EUR, GBP and CHF. In addition to these currencies, currencies of the other European and non-European markets are hedged.

The Group applies hedge accounting for currency risk.

For the analysis of sensitivity to exchange rates please refer to Note 3.4.1.

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

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

The management of the Group monitors the interest rate risk at the regular monthly meetings attended by the representatives of Treasury, Controlling and Accounting departments. The predetermined agenda generally includes the following - information about current development of interbank interest rates (especially PRIBOR, EURIBOR and LIBOR) and information about central banks' interest rates in the regions where the Group operates. The Group management is also presented with the short-term forecasts of the interest rates development.

The exposure to interest rate risk arises from short-term loans provided to the Volkswagen Group companies, and from issued bonds with floating interest rate. Interest rate swaps are used to hedge against interest rate risks in this area.

The Group applies hedge accounting for cash flow interest rate risk.

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

3.3.3 Price risk

Price risk is a risk that the fair value of future cash flows from the financial instruments will fluctuate because of changes in market prices especially commodity prices (apart from that which result from currency risk and interest risk).

Due to the continuous volatility in the prices of the raw material commodities and limited accessibility to specific commodities, management has aimed to eliminate these risks through target risk management strategies. In this regard, utilisation of alternative production materials and procedures as well as utilisation of recycled material is being examined. In addition, emphasis is placed on extending the international supply chain in co-operation with the Volkswagen Group. High risk commodities include primarily aluminium, copper, palladium, lead, platinum and rhodium. Those commodities identified as high risk are controlled at the Volkswagen Group level through the long term supply contracts with the suppliers.

In 2009, the Group started hedging against price risks in general (as a consequence of changes in particular commodity prices and foreign exchange rates) through commodity swaps and currency forwards. Those financial derivatives are subject to hedge accounting – hedging of future cash flows. The Group had in 2009 (2008) no significant trading derivatives.

3.3.4 Derivative financial instruments

Nominal and fair value of derivatives (CZK million)

	Nominal value of derivatives				Fair value of derivatives			
	Balance as at 31 December 2009		Balance as at 31 December 2008		Balance as at 31 December 2009		Balance as at 31 December 2008	
	With positive fair value	With negative fair value	With positive fair value	With negative fair value	Positive	Negative	Positive	Negative
Interest rate instruments								
Interest rate swaps – cash flow hedging	–	2,000	–	2,000	–	38	–	37
Currency instruments								
Currency forwards – cash flow hedging	29,289	16,301	48,314	10,639	1,908	773	4,509	1,503
Currency swaps – cash flow hedging	–	1,037	–	–	–	49	–	–
Compound currency options	–	–	271	–	–	–	7	–
Commodity instruments								
Commodity swaps – cash flow hedging	771	–	–	–	197	–	–	–
Total	**30,060**	**19,338**	**48,585**	**12,639**	**2,105**	**860**	**4,516**	**1,540**

The fixed interest rates for interest rate swaps fluctuated between 4.06 % and 4.10 % as at 31 December 2009 (2008: 4.06 % and 4.10 %).

The fair values of financial derivatives fulfil the criteria of level 2 in compliance with the IFRS 7 hierarchy (the fair values are derived from market quotations of forward exchange rates, commodity prices and yield curves, however the financial derivatives are not traded on financial markets directly).

Volume of hedged cash flows (CZK million)

Balance as at 31 December 2009	Volume of hedged cash flows		
	Within 1 year	1 – 5 years	Total
Interest risk exposure			
Hedging of future cash flows – liabilities	(46)	-	(46)
Currency risk exposure			
Hedging of future cash flows – future receivables	21,053	15,388	36,441
Hedging of future cash flows – future liabilities	(8,720)	(841)	(9,561)
Other price risks (combination of commodity and currency risks)			
Hedging of future cash flows – future liabilities	(129)	(558)	(687)
Total	**12,158**	**13,989**	**26,147**

Balance as at 31 December 2008	Volume of hedged cash flows		
	Within 1 year	1 – 5 years	Total
Interest risk exposure			
Hedging of future cash flows – liabilities	(82)	(44)	(126)
Currency risk exposure			
Hedging of future cash flows – future receivables	25,352	7,984	33,336
Hedging of future cash flows – future liabilities	(18,340)	(7,369)	(25,709)
Other price risks (combination of commodity and currency risks)			
Hedging of future cash flows – future liabilities	-	-	-
Total	**6,930**	**571**	**7,501**

3.3.5 Estimate of the impact of the global financial crisis on theGroup in the area of market risk

The global financial crisis resulted in instability of stock and other financial markets. As a consequence of the current instability on financial markets, regular transactions do not occur under common market conditions and markets are becoming less liquid.
With respect to its foreign activities, the Group is exposed to the risk of fluctuation in foreign exchange rates. In the current situation the Group's management is not able to estimate reliably all impacts of further worsening and growing instability of financial markets on the financial position of the Group. However, the Group's management believes that under current circumstances it is using all necessary instruments in the area of risk management to support the sustainable development and growth of its activities.

The Group did not and does not invest its free liquidity into traded securities and therefore is not exposed to the risk of decrease of their prices.

3.4 Sensitivity analysis

3.4.1 Sensitivity to exchange rates

The Group is exposed to the foreign currency risk arising mainly from transactions performed with EU countries (EUR), with countries using USD as transaction currency. The foreign currency risk is measured against the functional currency (CZK) as at the balance sheet date, when the financial assets and liabilities denominated in foreign currencies are recalculated to CZK applying the Czech National Bank exchange rate.

The sensitivity analysis includes only the unpaid financial assets and liabilities denominated in foreign currencies, and measures the impact from recalculation of these items as at balance sheet date by using adjusted exchange rates compared to those published by Czech National Bank. The Group considers the movements of exchange rates EUR and GBP against CZK in the following period +10 % (appreciation of CZK) and -10 % (depreciation of CZK) as possible. The Group considers the movements of exchange rates USD and CHF against CZK in the following period +20 % (appreciation of CZK) and -20 % (depreciation of CZK) as possible.

The sensitivity analysis to exchange rate changes is based on the assumption of expected possible exchange rate movements.

The following table presents possible impact on profit and loss and on equity before tax of expected possible appreciation or depreciation of CZK to foreign currencies:

2009 (CZK million)	CZK appreciation by 20 %			CZK appreciation by 10 %			Total
	USD	CHF	Other currencies	EUR	GBP	Other currencies	
Income statement							
Non-derivative financial instruments	(183)	(8)	19	778	9	(210)	405
Derivative financial instruments	(20)	(7)	(21)	7	(13)	(22)	(76)
Equity							
Derivative financial instruments	2,115	865	888	(909)	872	718	4,549

2009 (CZK million)	CZK depreciation by 20 %			CZK depreciation by 10 %			Total
	USD	CHF	Other currencies	EUR	GBP	Other currencies	
Income statement							
Non-derivative financial instruments	183	8	(19)	(778)	(9)	210	(405)
Derivative financial instruments	20	7	21	(7)	13	22	76
Equity							
Derivative financial instruments	(2,115)	(865)	(888)	909	(872)	(718)	(4,549)

2008 (CZK million)	CZK appreciation by 20 %		CZK appreciation by 10 %			Total
	USD	RUB	EUR	GBP	Other currencies	
Income statement						
Non-derivative financial instruments	(138)	(904)	669	14	(2)	(361)
Derivative financial instruments						
Equity						
Derivative financial instruments	2,867	539	(2,399)	547	922	2,476

2008 (CZK million)	CZK depreciation by 20 %		CZK depreciation by 10 %			Total
	USD	RUB	EUR	GBP	Other currencies	
Income statement						
Non-derivative financial instruments	138	904	(669)	(14)	2	361
Derivative financial instruments						
Equity						
Derivative financial instruments	(2,867)	(539)	2,399	(547)	(922)	(2,476)

3.4.2 Sensitivity to interest rates

The Group is exposed to interest rate risk mainly in relation to short-term loans provided to Volkswagen Group companies and due to the existence of financial liabilities arising from issued bonds with floating interest rate. Cash flow interest rate risk on the issued bonds is mitigated by interest rate swaps.

The analysis of sensitivity to changes in interest rates was based on exposure to derivative financial assets and liabilities as at the balance sheet date, as well as to non-derivative financial assets and liabilities. The Group assumes for bonds and interest rate swaps possible movements of the yield curve in the following period by +/ -100 of basis points. The Group assumes possible movements of the yield curve in the following period for loans and bank deposits by +100/ -15 of basis points. The Group is most sensitive to movements of the CZK yield curve. In the case of derivative financial instruments, the Group measures the impact on the change in fair value of these derivatives that results from the change in the yield curve. For granted loans and issued bonds the impact on profit and loss is determined on the basis of defined change in the interest rate, which would arise at the beginning of the next accounting period and based on the assumption that no other changes in the interest rate would occur during the entire accounting period. Other non-derivative financial assets and liabilities are not considered to be sensitive to interest rate movements.

The following table presents possible impact on profit and loss and on equity before tax of expected increase (+100 basis points) or decrease (-100 basis points) of interest rates:

2009 (CZK million)	Interest rate increased by 100 basis points*	Interest rate decreased by 100/15 basis points*
Income statement		
Non-derivative financial instruments	278	(27)
Derivative financial instruments	16	(16)
Total	**294**	**(43)**
Equity		
Derivative financial instruments	10	10

*Due to low interest rates from loans and banks deposits their sensitivity was calculated using the increase of interest rates by 100 basis points and decrease by 15 basis points instead of 100 basis points used for other financial instruments.

2008 (CZK million)	Interest rate increased by 100 basis points	Interest rate decreased by 100 basis points
Income statement		
Non-derivative financial instruments	198	(198)
Derivative financial instruments	20	(20)
Total	**218**	**(218)**
Equity		
Derivative financial instruments	28	(29)

3.4.3 Sensitivity to changes in other price risks

The Group is exposed to a combination of commodity and currency risks due to volatility in prices of particular commodities traded in foreign currencies. This risk of change in cash flows is hedged by a combination of commodity swaps and currency forwards. The sensitivity analysis to changes in commodity prices was determined based on the exposure to derivative financial assets and liabilities as at the balance sheet date. The Group assumes potential movements in aluminium prices in the following period of +/ -10 %. The Group considers changes in the fair values of derivative financial instruments due to changes in spot commodity prices. Other non-derivative financial assets and liabilities are deemed to not be sensitive to changes in commodity prices since the prices are fixed at the time of recognition of the financial liability or asset.

The following table represents a possible impact on equity before tax of expected increase (+10 %) or decrease (-10 %) of aluminium prices (in the year 2008 the Group did not enter into any commodity derivative relationship):

2009 (CZK million)	Increase of aluminium prices +10 %	Decrease of aluminium prices (10) %
Equity		
Derivative financial instruments	80	(80)
Total	**80**	**(80)**

The possible impact on profit and loss was assessed by the Group as immaterial.

3.5 Capital risk management

The optimal capitalisation of the Group is the compromise between two interests – the return on capital and the ability to meet all liabilities when they become due.

The main objective of the Group in capital risk management is to keep a healthy ratio between the equity and liabilities in order to minimise the total cost of capital and in parallel maximise the Group value for the shareholder. The Group primarily monitors the capital structure by application of debt ratio, which is based on ratio of net debt to total capital. The net debt is a result of the difference between the total debt less cash and cash equivalents. Total debt includes long-term debts and short-term loans. Total capital is defined as sum of net debt and equity.

Balance as at 31 December	2009	2008
Total debt (CZK million)	5,214	9,393
Less cash and cash equivalents (CZK million)	34,809	28,806
Net debt (CZK million)	(29,595)	(19,413)
Equity (CZK million)	68,180	71,608
Total capital (CZK million)	38,585	52,195
Debt ratio in %	**-**	**-**

The debt ratio was nil during the accounting period 2009 (2008) as the net debt resulted in negative figure.

4. Segment reporting

Operating segments
As at 31 December 2009 the Group identified a single operating segment represented by the development, production and sale of passenger and commercial vehicles, engines and original spare parts and accessories. Other activities of the Group are not deemed to constitute a separate operating segment because either based on similar economic characteristics they can be aggregated into a single operating segment, or their financial results, revenues and total assets are immaterial when compared to the operating segment identified.

Geographical information
The Company and main production facilities are situated in the Czech Republic.

Sales are generated from five basic geographical regions: the Czech Republic; Germany, Western Europe-Other; Central and Eastern Europe; and Overseas/Asia/Africa/Australia. Overseas/Asia/Africa/Australia region is due to its immateriality reported as Unallocated.

In regions Western Europe-Other and Central and Eastern Europe there is no individual country which would have more than 10 % share on total sales.

2009 (CZK million)	Czech Republic	Germany	Western Europe - other	Central and Eastern Europe	Unallocated	Total
Sales – based on location of customers	21,359	63,504	54,909	32,424	15,662	187,858
Non-current assets*	55,508	201	-	533	1,212	57,454

2008 (CZK million)	Czech Republic	Germany	Western Europe - other	Central and Eastern Europe	Unallocated	Total
Sales – based on location of customers	23,899	45,942	60,063	54,873	15,405	200,182
Non-current assets*	55,778	231	-	1,153	1,411	58,573

*Non-current assets other than financial instruments and deferred tax assets.

5. Intangible assets (CZK million)

	Goodwill	Capitalised development costs for products currently in use	Capitalised development costs for products under development	Other intangible assets	Total
Costs					
Balance as at 1 January 2009	**80**	**18,686**	**3,448**	**4,106**	**26,320**
Additions	-	682	811	1,141	2,634
Disposals	-	-	-	(48)	(48)
Transfers	-	3,121	(3,121)	-	-
Foreign exchange differences	(1)	-	-	(2)	(3)
Balance as at 31 December 2009	**79**	**22,489**	**1,138**	**5,197**	**28,903**
Cumulative amortisation and impairment losses					
Balance as at 1 January 2009	-	**(9,671)**	-	**(2,737)**	**(12,408)**
Amortisation and impairment losses	-	(2,899)	-	(561)	(3,460)
Disposals and transfers	-	-	-	42	42
Foreign exchange differences	-	-	-	4	4
Balance as at 31 December 2009	**-**	**(12,570)**	**-**	**(3,252)**	**(15,822)**
Carrying amount as at 31 December 2009	**79**	**9,919**	**1,138**	**1,945**	**13,081**

	Goodwill	Capitalised development costs for products currently in use	Capitalised development costs for products under development	Other intangible assets	Total
Costs					
Balance as at 1 January 2008	**79**	**24,212**	**4,821**	**3,580**	**32,692**
Additions	-	512	1,554	579	2,645
Disposals	-	(8,965)	-	(62)	(9,027)
Transfers	-	2,927	(2,927)	7	7
Foreign exchange differences	1	-	-	2	3
Balance as at 31 December 2008	**80**	**18,686**	**3,448**	**4,106**	**26,320**
Cumulative amortisation and impairment losses					
Balance as at 1 January 2008	**-**	**(16,310)**	**-**	**(2,343)**	**(18,653)**
Amortisation and impairment losses	-	(2,326)	-	(427)	(2,753)
Disposals and transfers	-	8,965	-	35	9,000
Foreign exchange differences	-	-	-	(2)	(2)
Balance as at 31 December 2008	**-**	**(9,671)**	**-**	**(2,737)**	**(12,408)**
Carrying amount as at 31 December 2008	**80**	**9,015**	**3,448**	**1,369**	**13,912**

Other intangible assets include mainly rights to use the equipment of other companies from the Volkswagen group, software and software licences.

Amortisation of intangible assets of CZK 3,306 million (2008: CZK 2,431 million) is included in the cost of sales, CZK 14 million (CZK 2008:126 million) in distribution expenses, and CZK 140 million (2008: CZK 196 million) in administrative expenses.

Impairment tests of goodwill
Goodwill is allocated to ŠkodaAuto Deutschland GmbH as the cash-generating unit for the purpose of impairment testing. The recoverable amount of a cash-generating unit is calculated based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the management and covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate that does not exceed the long-term average growth rate for automotive industry. The expected growth rate for the impairment test in 2009 was 1 % (2008: 1 %). The discount rates used are pre-tax rates reflecting specific risks and characteristics of the segment where the cash-generating unit operates. For the year 2009, the discount rate of 9.8 % (2008: 9.0 %) was used.

The requirements of IAS 1, IAS 10 and IAS 36 standards have been assessed by the Group's management in relation to the global financial crisis and its potential impact on the carrying amount of the Group's long-term intangible assets. Due to substantial changes in the economic and market environment, the Group has experienced in 2009 a significant decrease in the planned volume of cars sold by one cash-generating unit (production of cars of a certain model). An impairment review of assets relating to this cash-generating unit has been performed. The carrying amount of the assets relating to the cash-generating unit has been compared with the recoverable amount. The recoverable amount has been determined based on the calculation of the value in use applying cash flow projections reflecting financial plans, approved by the Company's management, for the period that equals useful life of these assets. For discounting cash flows, the discount rate of 9.1 % has been applied, reflecting the specific risks associated with the sector in which the Group operates. The comparison of the carrying amount with the recoverable amount resulted in an impairment loss allocated to intangible assets in the amount of CZK 421 million, which has been posted to the income statement (within line Cost of sales) for the year ended 31 December 2009. In Note 5 Intangible assets, the amount is included in the category Capitalised development costs for products currently in use in the line Amortisation and impairment losses

Effective since 1 January 2009, IAS 23 Revised removed the option of immediately recognising borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale as an expense. The Group is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. For the capitalisation of borrowing costs in 2009, the Group applied the capitalisation rate of 4.6 %. No borrowing costs have been capitalised in the cost of intangible assets in 2009 as not material. In 2008, the Group immediately recognised borrowing costs as an expense, in accordance with IAS 23.

The following amounts were recognised in the income statement as research and development expenses (CZK million)

	2009	2008
Research and non-capitalised development costs	4,240	3,395
Amortisation of development costs	2,899	2,326
Research and development costs recognised in the income statement	**7,139**	**5,721**

6. Property, plant and equipment (CZK million)

	Land and buildings	Technical equipment and machinery	Tooling, office and other equipment	Payments on account and assets under construction	Total
Costs					
Balance as at 1 January 2009	**28,149**	**57,121**	**41,385**	**6,371**	**133,026**
Additions	431	2,506	3,164	2,984	9,085
Disposals	-	(542)	(1,350)	(6)	(1,898)
Transfers	1,260	2,103	2,446	(5,809)	-
Foreign exchange differences	(4)	(2)	(12)	6	(12)
Balance as at 31 December 2009	**29,836**	**61,186**	**45,633**	**3,546**	**140,201**
Cumulative depreciation and impairment losses					
Balance as at 1 January 2009	**(9,530)**	**(47,153)**	**(32,795)**	**-**	**(89,478)**
Depreciation and impairment losses	(1,097)	(3,414)	(4,195)	-	(8,706)
Disposals and transfers	-	542	1,308	-	1,850
Foreign exchange differences	-	(2)	6	-	4
Balance as at 31 December 2009	**(10,627)**	**(50,027)**	**(35,676)**	**-**	**(96,330)**
Carrying amount as at 31 December 2009	**19,209**	**11,159**	**9,957**	**3,546**	**43,871**

	Land and buildings	Technical equipment and machinery	Tooling, office and other equipment	Payments on account and assets under construction	Total
Costs					
Balance as at 1 January 2008	**26,708**	**54,954**	**38,037**	**5,816**	**125,515**
Additions	577	3,488	2,843	5,003	11,911
Disposals	(35)	(2,746)	(1,495)	-	(4,276)
Transfers	974	1,462	2,018	(4,461)	(7)
Foreign exchange differences	(75)	(37)	(18)	13	(117)
Balance as at 31 December 2008	**28,149**	**57,121**	**41,385**	**6,371**	**133,026**
Cumulative depreciation and impairment losses					
Balance as at 1 January 2008	**(8,513)**	**(45,765)**	**(30,040)**	**-**	**(84,318)**
Depreciation	(1,046)	(3,016)	(4,121)	-	(8,183)
Reversal of cumulative impairment losses	-	120	6	-	126
Disposals and transfers	20	1,496	1,359	-	2,875
Foreign exchange differences	9	12	1	-	22
Balance as at 31 December 2008	**(9,530)**	**(47,153)**	**(32,795)**	**-**	**(89,478)**
Carrying amount as at 31 December 2008	**18,619**	**9,968**	**8,590**	**6,371**	**43,548**

Total depreciation of the buildings and equipment of CZK 8,094 million (2008: CZK 7,393 million) is included in the cost of sales, CZK 198 million (2008: CZK 219 million) in distribution expenses, and CZK 414 million (2008: CZK 571 million) in administrative expenses.

The requirements of IAS 1, IAS 10 and IAS 36 standards have been assessed by the Group's management in relation to the global financial crisis and its potential impact on the carrying amount of the Group's long-term tangible assets. Due to substantial changes in the economic and market environment, the Group has experienced in 2009 a significant decrease in the planned volume of cars sold by one cash-generating unit (production of cars of a certain model). An impairment review of assets relating to this cash-generating unit has been performed.
The carrying amount of the assets relating to the cash-generating unit has been compared with the recoverable amount. The recoverable amount has been determined based on the calculation of the value in use applying cash flow projections reflecting financial plans, approved by the Company's management, for the period that equals useful life of these assets. For discounting cash flows, the discount rate of 9.1 % has been applied, reflecting the specific risks associated with the sector in which the Group operates. The comparison of the carrying amount with the recoverable amount resulted in an impairment loss allocated to tangible assets in the amount of CZK 308 million, which has been posted to the income statement (within line Cost of sales) for the year ended 31 December 2009. In Note 6 Property, plant and equipment, the amount is included in the category Tooling, office and other equipment in the line Depreciation and impairment losses.

Effective since 1 January 2009, IAS 23 Revised removed the option of immediately recognising borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale as an expense. The Group is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. For the capitalisation of borrowing costs in 2009, the Group applied the capitalisation rate of 4.6 %. No borrowing costs have been capitalised in the cost of property, plant and equipment in 2009 as not material. In 2008, the Group immediately recognised borrowing costs as an expense, in accordance with IAS 23.

7. Investment in associate (CZK million)

	2009	2008
OOO VOLKSWAGEN Group Rus/OOO VOLKSWAGEN Rus*:		
Total Assets	36,295	21,646
Total Liabilities **	33,493	21,646
Total Revenue	45,752	18,611
Loss	2,776	1,370
Statutory shareholding in %	16.8	32.9
Share of profits or losses in %	17.9	37.5

* Figures for 2008 relate to the associate OOO VOLKSWAGEN Rus, figures fo 2009 relate to the associate OOO VOLKSWAGEN Group Rus, which arose from the merger of OOO VOLKSWAGEN Rus and OOO VOLKSWAGEN Group Rus as at 12 January 2009.

** In 2008 the amount of liabilities equalled the amount of assets which reflected the fact that based on a puttable option:, equity holders of OOO companies with registered office in the Russian Federation had the right to sell their shareholding back to the company at any time. As a result of a change in Russian Commercial Code as at 1 July 2009, this right is no longer guaranteed to the equity holders.

Total Assets and Total Liabilities are translated at the Czech National Bank exchange rate as at 31 December 2009 (31 December 2008). Total Revenue and Loss is translated at the Czech National Bank exchange rate for the year 2009 (2008).

On 26 October 2006, the Company acquired a 37.5 % share in OOO VOLKSWAGEN Rus (Kaluga, Russian Federation) at cost of CZK 187 million. In 2007 the Company invested additional CZK 298 million to the share capital of this associate. In 2008 the Company increased the investment in share capital of OOO VOLKSWAGEN Rus in form of assets contribution in the amount of additional CZK 1,337 million. Effective from 12 January 2009, the merger of the company OOO VOLKSWAGEN Group Rus and the company OOO VOLKSWAGEN Rus (the associate), which ceased to exist through the merger, has been registered. As a result of the merger, the Company has become one of the shareholders of the company OOO VOLKSWAGEN Group Rus. As at the merger date, the Company's share of the share capital of the successor company OOO VOLKSWAGEN Group Rus was 16.80 %.

The Company exercises significant influence in the company OOO VOLKSWAGEN Group Rus based on the following factors: the Company has its representatives in the governing body; the Company is participating in policy-making processes, including participation in decisions about distribution of profit via dividends; material transactions are conduct between both companies; an interchange of managerial personnel takes places between both companies and the Company is providing essential technical information to the company OOO VOLKSWAGEN Group Rus.

The Company's share of profits or losses of the associate OOO VOLKSWAGEN Group Rus as at 31 December 2009 was 17.91 % (The Company's share of profits or losses of the associate OOO VOLKSWAGEN Rus as at 31 December 2008 was 37.5 %).

8. Other non-current and current receivables, financial assets and trade receivables (CZK million)

Balance as at 31 December 2009	Financial assets at fair value through profit or loss**	Loans and receivables	Available for sale financial assets	Financial assets designated as hedging instruments	Other*	Total
Other receivables and financial assets						
Loans to employees	–	365	–	–	–	365
Loans to companies within Volkswagen Group excl. associates	–	13,022	–	–	–	13,022
Loans to associates	–	540	–	–	–	540
Positive fair value of financial derivatives	88	–	–	2,017	–	2,105
Available for sale financial assets	–	–	6	–	–	6
Tax receivables (excl. income tax)	–	–	–	–	2,245	2,245
Others	–	79	–	–	155	234
Total	**88**	**14,006**	**6**	**2,017**	**2,400**	**18,517**
Trade receivables						
Third parties	–	3,512	–	–	–	3,512
Related parties	–	4,973	–	–	–	4,973
Total	**–**	**8,485**	**–**	**–**	**–**	**8,485**

Balance as at 31 December 2008	Financial assets at fair value through profit or loss**	Loans and receivables	Available for sale financial assets	Financial assets designated as hedging instruments	Other*	Total
Other receivables and financial assets						
Loans to employees	–	339	–	–	–	339
Loans to companies within Volkswagen Group excl. associates	–	25,246	–	–	–	25,246
Loans to associates	–	520	–	–	–	520
Positive fair value of financial derivatives	7	–	–	4,509	–	4,516
Available for sale financial assets	–	–	6	–	–	6
Tax receivables (excl. income tax)	–	–	–	–	2,452	2,452
Others	–	557	–	–	144	701
Total	**7**	**26,662**	**6**	**4,509**	**2,596**	**33,780**
Trade receivables						
Third parties	–	3,308	–	–	–	3,308
Related parties	–	6,043	–	–	–	**6,043**
Total	**–**	**9,351**	**–**	**–**	**–**	**9,351**

* The category Other does not meet a definition of financial instruments in terms of IAS 32.

** Financial assets held-for-trading.

The increase in line Positive fair value of financial derivatives in the portfolio Financial assets at fair value through profit or loss as at 31 December 2009, in addition to other factors is caused by the change in hedging strategy of the Group. In 2009 the Group started applying the hedge accounting only to the spot component of currency risk.

Fair value of Loans to employees is determined as present value of future cash flows based on PRIBID and interest rate swaps (IRS) yield curve and at 31 December 2009 was CZK 388 million (31 December 2008: CZK 349 million). The carrying amount net of impairment for each class
of financial assets which are not carried at fair value approximates fair value.

The weighted average effective interest rate based on the carrying amount of loans provided to Volkswagen Group companies as of 31 December 2009 was 1.48 % (31 December 2008: 3.69 %). From the total of loans provided to Volkswagen Group CZK 13,562 million are denominated in CZK (31 December 2008: CZK 24 569 million) and CZK 0 million in EUR (31 December 2008: CZK 677 million in EUR).

Line Others in other receivables and financial assets include mainly other receivables from employees and advances paid. There are no significant restrictions regarding the rights of use imposed on the other receivables and financial assets. Cumulative impairment losses reflect the incurred risks of the debtors' delays or defaults.

The allowance for the impairment of trade receivables of CZK 471 million (2008: CZK 362 million) has been deducted from presented carrying values of trade receivables. The carrying amount of trade receivables approximates the fair value at the balance sheet date after the valuation allowance is taken into account.

9. Inventories (CZK million)

Structure of the inventories	Carrying value as at 31 December 2009	Carrying value as at 31 December 2008
Raw materials, consumables and supplies	3,539	3,629
Work in progress	1,959	1,895
Finished products and goods	6,177	9,612
Total	**11,675**	**15,136**

The amount of inventories recognised as an expense during 2009 was CZK 161,092 million (2008: CZK 169,097 million).

10. Cash (CZK million)

	31.12. 2010	31.12. 2009
Cash in hand	5	5
Bank accounts	21,242	4,715
Total	**21,247**	**4,720**

The weighted effective interest rate based on carrying amount of bank deposits as at 31 December 2009 was 1.04 %
(31 December 2008: 1.54 %).

11. Share capital

The issued share capital consists of 1,670,885 ordinary shares at par value of CZK 10,000 per share. Volkswagen International Finance N.V., Amsterdam, The Kingdom of the Netherlands, holds 100% of the shares in the Company. The shares were purchased from VOLKSWAGEN AG on 18 July 2007 within the Volkswagen Group restructuring plan. Volkswagen International Finance N.V. is indirectly a 100% subsidiary of VOLKSWAGEN AG.

There was no movement in the Group's share capital during the accounting period 2009 (2008: no movement).

In 2009 the Company paid a dividend of CZK 5,352 million (2008: CZK 7,117 million). In 2009 the dividend per share was CZK 3,203 (2008:CZK 4,259).

12. Other reserves (CZK million)

	31. 12. 2010	31. 12. 2009
Currency translation reserve	(375)	(336)
Reserves for cash flow hedges*	922	2,394
Subtotal reserves representing capital maintenance	**547**	**2,058**
Statutory reserve fund	3,194	2,631
Funds contributed by owner	10	10
Total	**3,751**	**4,699**

* Net of deferred tax from financial derivatives.

Movement in reserve for cash flow hedges:

Balance as at 1 January 2009 (CZK million)	**2,394**
Total change in fair value in the period	599
Deferred tax on change in fair value	(130)
Total transfers to net profit in the period – effective hedging	(2,304)
Total transfers to net profit in the period – ineffective hedging	(72)
Deferred tax on transfers to net profit	435
Balance as at 31 December 2009	**922**

Balance as at 1 January 2008 (CZK million)	**1,264**
Total change in fair value in the period	3,152
Deferred tax on change in fair value	(522)
Total transfers to net profit in the period – effective hedging	(1,694)
Total transfers to net profit in the period – ineffective hedging	(83)
Deferred tax on transfers to net profit	277
Balance as at 31 December 2008	**2,394**

The statutory reserve fund may be used only to offset losses. According to relevant regulations of the commercial code of the Czech Republic, the Company is required to transfer 5 % of its annual net profits to the statutory reserve fund until the balance of this reserve reaches 20 % of the subscribed capital.

In compliance with the relevant regulations of the commercial code, the unconsolidated profit of the Company for the year 2009 (determined in accordance with IFRS) is going to be appropriated based on the decision of the Company's annual general meeting.

Minority interests on equity of the Group solely represent the minority shareholders of Skoda Auto Polska S.A.

13. Financial, other and trade liabilities (CZK million)

Balance as at 31 December 2009	Financial liabilities at fair value through profit or loss**	Financial liabilities carried at amortised costs	Financial liabilities designated as hedging instruments	Other*	Total
Financial liabilities					
Bonds	-	2,008	-	-	2,008
Loans	-	3,206	-	-	3,206
Total	-	**5,214**	-	-	**5,214**
Other liabilities					
Negative fair value of financial derivatives	(17)	-	877	-	860
Other tax liabilities (excl. income tax)	-	335	-	1,913	2,248
Liabilities to employees	-	-	-	1,520	1,520
Social security	-	-	-	325	325
Others	-	-	-	147	147
Total	**(17)**	**335**	**877**	**3,905**	**5,100**
Trade liabilities to					
Third parties	-	13,372	-	437	13,809
Related parties	-	7,301	-	109	7,410
Total	**-**	**20,673**	-	**546**	**21,219**

Balance as at 31 December 2008	Financial liabilities at fair value through profit or loss**	Financial liabilities carried at amortised costs	Financial liabilities designated as hedging instruments	Other*	Total
Financial liabilities					
Bonds	-	2,015	-	-	2,015
Loans	-	7,378		-	7,378
Total	-	**9,393**	**-**	-	**9,393**
Other liabilities					
Negative fair value of financial derivatives	-	-	1,540	-	1,540
Other tax liabilities (excl. income tax)	-	-	-	2,421	2,421
Liabilities to employees	-	-	-	1,596	1,596
Social security	-	-	-	300	300
Others	-	53	-	-	53
Total	-	**53**	**1,540**	**4,317**	**5,910**
Trade liabilities to					
Third parties	-	14,118	-	287	14,405
Related parties	-	6,065	-	74	6,139
Total	**-**	**20,183**	**-**	**361**	**20,544**

* The category Other includes items that are not financial iliabilities in terms of IAS 32.

** Financial liabilities held for trading.

Note: The line Negative fair value of financial derivatives in the portfolio Financial liabilities designated as hedging instruments is represented by the spot component of financial derivatives and in the portfolio Financial liabilities at fair value through profit and loss it is represented by the forward component of financial derivatives (see also Note 2.7.3). As the spot component exceeded the fair value as at 31 December 2009, the forward component is negative.

The fair value of issued bonds is determined based on quoted market prices as at 31 December 2009. The fair value of the issued bonds amounts to CZK 2,000 million (31 December 2008: CZK 2,000 million).
The line "Trade liabilities to related parties" includes liabilities to a factoring company within the Volkswagen Group of CZK 1,582 million as at 31 December 2009 (2008: 1,141 million). These liabilities arose in the ordinary course of business and do not represent financing of the Group.

The detailed information relating to the liabilities arising out of financial derivatives can be found under Note 3.3.4.

The carrying value for other classes of financial liabilities (other liabilities, trade payables and loans) approximates the fair value in all material respects.

None of the financial liabilities are secured by a lien.

The Group issued bonds with total nominal value of CZK 10 billion on 26 October 2000, each in a nominal value of CZK 100,000. The bonds are publicly traded without restrictions of transferability on the primary market of the Prague Stock Exchange. The bonds were issued pursuant to Czech legislation and are governed by Czech law. Commerzbank Capital Markets (Eastern Europe) a.s. was the lead manager and Československá obchodní banka, a.s. with its registered seat at Na Příkopě 14, 115 20, Prague 1, is the administrator of the issue. The issue was realised by registration at the Securities Centre in Prague.

	ISIN	Total nominal value in million CZK	Nominal value per bond in thousand CZK	No. of bonds in pcs	Issue rate
3rd tranche	CZ0003501199	2,000	100	20,000	100 %
Total		**2,000**		**20,000**	

Interests and principal of bonds are paid only in CZK through the administrator.

	ISIN	Due date for principal	Due date for interest	Bond yield
3rd tranche	CZ0003501199	26 October 2010	Semi-annually on 26 April and on 26 October	6M Pribor +0.22%

The first instalment of CZK 5,000 million related to the five-year issued bonds was settled as at 26 October 2005. The second instalment ofCZK 3,000 million was settled as at 26 October 2007.

In the table below, the financial conditions attached to loans received, bonds and liabilities to financial institutions are summarised at their carrying amounts:

Carrying amount as at 31 December 2009								
Currency	Interest terms	Interest commitment ending	Weighted average effective interest rate based on nominal amount	Nominal amount	Maturity			Total
					< 1 year	1 – 5 years	> 5 years	
CZK	floating	< 1 year	2.35 %	2,000	2,008	-	-	2,008
CZK	fixed	1 – 5 years	4.53 %	3,000	107	3,000	-	3,107
EUR	floating	< 1 year	-	99	99	-	-	99
Total financial liabilities				**5,099**	**2,214**	**3,000**	-	**5,214**

Carrying amount as at 31 December 2008								
Currency	Interest terms	Interest commitment ending	Weighted average effective interest rate based on nominal amount	Nominal amount	Maturity			Total
					< 1 year	1 – 5 years	> 5 years	
CZK	floating	1 – 5 years	4.65 %	2,000	17	1,998	-	2,015
CZK	floating	< 1 year	5.32 %	7,307	7,329	-	-	7,329
EUR	floating	< 1 year	-	49	49	-	-	49
Total financial liabilities				**9,356**	**7,395**	**1,998**	-	**9,393**

14. Deferred tax liabilities and assets (CZK million)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset the current tax assets against current tax liabilities, and when the deferred income taxes relate to the same fiscal authority.

As at 31 December 2009 the Group recognised on the balance sheet deferred tax asset in amount of CZK 421 million (2008: CZK 313 million) and deferred tax liability in amount of CZK 775 million (2008: CZK 1,634 million).

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting, are as follows:

Deferred tax liabilities	Depreciation	Financial derivatives	Provisions	Tax deductible losses	Consolidation differences	Other	Total
Balance as at 1 January 2008	**(3,433)**	**(288)**	**-**	**-**	**-**	**-**	**(3,721)**
Credited/(debited) to the income statement	12					5	17
Charged to other comprehensive income		(244)				(6)	(250)
Balance as at 31 December 2008	**(3,421)**	**(532)**	**-**	**-**	**-**	**(1)**	**(3,954)**
Credited/(debited) to the income statement	248					-	248
Charged to other comprehensive income		305				-	305
Balance as at 31 December 2009	**(3,173)**	**(227)**	**-**	**-**	**-**	**(1)**	**(3,401)**

Deferred tax assets	Depreciation	Financial derivatives	Provisions	Tax deductible losses	Consolidation differences	Other	Total
Balance as at 1 January 2008	**67**	**-**	**2,048**	**-**	**113**	**46**	**2,274**
Credited/(debited) to the income statement	(52)		(58)		(10)	494	374
Exchange differences	(15)		1			(1)	(15)
Balance as at 31 December 2008	**-**	**-**	**1,991**	**-**	**103**	**539**	**2,633**
Credited/(debited) to the income statement	-		488		(57)	(19)	412
Exchange differences	-		19			(17)	2
Balance as at 31 December 2009	**-**	**-**	**2,498**	**-**	**46**	**503**	**3,047**

As at 31 December 2009 the Group did not recognise deferred tax assets from unused investments tax credit in amount of CZK 441 million which expires in 2013. Further the Group did not recognised deferred tax asset from tax losses in the amount of CZK 53 million expiring in 2017 and deferred tax asset arising from depreciation and other deductible differences in the amount of CZK 451 million which can be carried forward unrestrictedly. As at 31 December 2008, the unrecognised deferred tax asset was CZK 64 million.

15. Non-current and current provisions (CZK million)

	Provisions for warranty claims	Provisions for other obligations arising from sales	Provisions for personnel costs	Provisions for the disposal of end-of-life vehicles	Other provisions	Total
Balance as at 1 January 2008	**10,255**	**1,578**	**902**	**333**	**602**	**13,670**
Utilised	(3,079)	(1,365)	(193)	(20)	(187)	(4,844)
Additions	3,411	1,185	332	59	337	5,324
Interest costs	87	-	-	(16)	-	71
Reversals	(1,208)	(218)	(3)	-	(69)	(1,498)
Foreign exchange differences	(2)	15	-	-	(30)	(17)
Balance as at 1 January 2009	**9,464**	**1,195**	**1,038**	**356**	**653**	**12,706**
Utilised	(3,107)	(975)	(257)	-	(234)	(4,573)
Additions	4,368	3,004	526	324	1,233	9,455
Interest costs	(37)	-	-	78	-	41
Reversals	(378)	(99)	(1)	-	(80)	(558)
Foreign exchange differences	(26)	(33)	-	(2)	2	(59)
Balance as at 31 December 2009	**10,284**	**3,092**	**1,306**	**756**	**1,574**	**17,012**

Non-current and current provisions according to the time of expected use of resources:

Balance as at 31 December 2009	< 1 year	> 1 year	Total
Provisions for warranty claims	3,452	6,832	10,284
Provisions for other obligations arising from sales	3,092	-	3,092
Provisions for personnel costs	563	743	1,306
Provisions for the disposal of end-of-life vehicles	-	756	756
Other provisions	1,548	26	1,574
Total	**8,655**	**8,357**	**17,012**

Balance as at 31 December 2008	< 1 year	> 1 year	Total
Provisions for warranty claims	2,703	6,761	9,464
Provisions for other obligations arising from sales	1,169	26	1,195
Provisions for personnel costs	287	751	1,038
Provisions for the disposal of end-of-life vehicles	91	265	356
Other provisions	653	-	653
Total	**4,903**	**7,803**	**12,706**

Provisions for disposal of end-of-life vehicles relate to costs of liquidation of end-of-life vehicles according to EU guideline no. 2000/53/EC and are determined mainly on the basis of registered cars in the country of the individual companies, official statistics, expected costs of the cars ecological scraping and legal requirements valid in individual countries.

Provisions for other obligations arising from sales include provision for sale discounts, sale bonuses and similar allowances incurred, settlement of which is expected after the balance sheet date, but for which there is a legal or constructive obligation attributable to sales revenue before the balance sheet date. The additions to provision for other obligations arising from sales are decreasing the revenues.

Provisions for personnel costs include provisions for other long-term employee benefits and severance payments.

Other provisions include mainly provision for retrospective changes in purchase prices, provision for legal fees, penalty interest and other risks followed from legal proceedings.

The Group provides for the probable cash outflows for existing legal and arbitration proceedings by means of a relevant provision. The Group is not involved in any other legal cases or arbitration proceedings that could have a significant impact on the financial position and the financial results (financial statements) of the Group and there are no proceedings expected in the near future.

16. Cash flow statement

The cash and cash equivalents contained in the cash flow statement also comprise, in addition to cash reported in the balance sheet, short-term loans to related parties (note 8) with original maturity of less than three months of CZK 13,562 million as at 31 December 2009 (31 December 2008: CZK 24,086 million). Cash flows are presented in the cash flow statement and are classified into cash flows from operating activities, investing activities and financing activities.

Cash flows from operating activities are derived indirectly from profit before tax. Profit before tax is adjusted to eliminate non-cash expenses (mainly depreciation and amortisation) and income and changes in working capital.

Investing activities include additions to property, plant and equipment, financial assets, as well as to capitalised development cost.

Financing activities include besides the outflows of cash from dividend payments, redemption of bonds and liabilities from other financing, also outflows and inflows from other borrowings.

17. Sales (CZK million)

	2009	2008
Cars	160,852	175,480
Spare parts and accessories	15,201	14,784
Supplies of components within Volkswagen Group	8,627	6,480
Revenue from royalties	861	732
Other	2,317	2,706
Total	**187,858**	**200,182**

18. Other operating income (CZK million)

	2009	2008
Foreign exchange gains	2,782	3,752
Income from derivative transactions, from which:	3,464	3,566
Total transfer to Income Statement for the period – effective hedging	3,290	3,284
Gains on non-current assets disposal and release of impairment losses	56	14
Reversal of receivables' impairment losses	42	14
Other	1,598	1,480
Total	**7,942**	**8,826**

Foreign exchange gains include mainly gains from differences in exchange rates between the dates of recognition and payment of receivables and payables denominated in foreign currencies, as well as exchange rate gains resulting from revaluation as at the balance sheet date of the monetary receivables and payables. Foreign exchange losses from these items are included in the other operating expenses.

Line Other includes among others also income from information systems and technology services in 2009, this income amounted to CZK 273 million (2008: CZK 202 million).

19. Other operating expenses (CZK million)

	2009	2008
Foreign exchange losses	2,821	4,283
Losses from derivative transactions, from which:	1,058	1770
Total transfer to Income Statement for the period – effective hedging	939	1563
Receivables write-offs	13	16
Other	1,709	280
Total	**5,601**	**6,349**

Line Other includes among others also expenses for additions to other provisions (see Note 15).

20. Financial result (CZK million)

	2009	2008
Interest income	613	1,282
Foreign exchange gains from cash	304	130
Foreign exchange gains from spot operations	166	-
Other financial income, thereof:	259	19
Total transfers to net profit in the period – ineffective hedging	183	-
Financial income total	**1,342**	**1,431**
Interest expenses, thereof:	562	920
Total transfers to net profit in the period – effective hedging	47	27
Foreign exchange losses from cash	677	177
Foreign exchange losses from spot operations	255	-
Other financial expenses, thereof:	515	72
Total transfers to net profit in the period – ineffective hedging	111	-
Financial expenses total	**2,009**	**1,169**
Net financial result	**(667)**	**262**

21. Net gains and losses from financial instruments (CZK million)

	2009	2008
Financial instruments at fair value through profit or loss	(101)	81
Loans and receivables	(212)	582
Available for sale financial assets	19	18
Financial liabilities carried at amortised costs	(192)	(770)
Financial instruments designated as hedging instruments	2,304	1,692
Net gains/(losses) total	**1,818**	**1,603**

The line Financial instruments at fair value through profit and loss includes net gain on financial derivatives on which hedge accounting could not be applied and a forward component of forward contracts. The interest component and the spot component of the forward contract were separated and only the spot component was hedged in 2009 (in 2008 both the interest component and the spot component of the forward contract were hedged). Consequently the line Financial instruments at fair value through profit or loss includes also net gain from the change in definition of the hedge relationship of CZK 92 million.

Other items contain mainly unrealised and realised foreign exchange gains and losses on trade receivables and liabilities, from hedging instruments, interest expense incurred on issued bonds, interest income from loans provided, net interest loss from derivative hedging instruments, foreign exchange gains/losses from bank deposits and impairment losses on financial assets. The decrease in line „Financial instruments at fair value through profit or loss" in the year 2009, in addition to other factors is caused by the change in hedging strategy of the Group. In the year 2009 the Group started applying the hedge accounting only to the spot component of currency risk.

22. Income tax (CZK million)

	2009	2008
Current tax expense – domestic	1,487	2,422
Current tax expense – foreign	413	527
Current tax expense – total	**1,900**	**2,949**
Deferred tax income – domestic	(488)	(402)
Deferred tax income – foreign	(172)	11
Deferred tax income – total	**(660)**	**(391)**
Income tax total	**1,240**	**2,558**

Statutory income tax rate in the Czech Republic for the 2009 assessment period was 20 % (2008: 21 %). Effective from 1 January 2010 the statutory income tax rate in the Czech Republic has changed to 19 %.

As at 31 December 2009, deferred income taxes attributable to the Czech tax jurisdiction were measured at a tax rate of 19 % (2008: 19.04 %) that corresponds with the weighted average of statutory tax rates enacted for the future periods when realisation of deferred tax assets and liabilities is expected. The local income tax rates applied for companies outside the Czech Republic vary between 19 % and 30.9 %.

Reconciliation of expected to effective income tax expenses (CZK million)

	2009	2008
Profit before income tax	4,702	13,376
Expected income tax expense	**941**	**2,809**
Effect of different tax rates outside the Czech Republic	182	207
Proportion of taxation relating to:		
Permanent differences resulting from:		
Tax exempt income	(60)	(142)
Expenses not deductible for tax purposes	336	231
Other permanent differences	-	19
Tax allowances and other tax credits	(391)	(467)
Prior-period current tax expense	86	308
Effect of tax rate changes	6	5
Investment tax credits	62	(453)
Other taxation effects	78	41
Effective income tax expense	**1,240**	**2,558**
Effective income tax rate	26 %	19 %

Line Tax allowances and other tax credits represents mainly tax credits from double deduction of research and development costs.

23. Investment incentives

In 2009 the Company received a grant for the support of the projects performed by the Development and Technology Centre in the amount of CZK 28 million (2008: CZK 19 million), a grant for the support of private schools of CZK 50 million (2008: CZK 54 million). In 2009 the Company was provided a promise of the grant from the European Regional Development Fund by the Ministry of Industry and Trade of the Czech Republic for the following projects: "Combined Production of Heat and Electricity in the Kvasiny Plant" in the amount of CZK 27 million and "Service Training Centre" in the amount of CZK 67 million.

In 2009, the Group received incentive in the form of deferred due date of sales tax. As at 31 December 2009 the discounted value of the liability, disclosed in Note 13, is CZK 335 million.

In accordance with Investment Incentives Law No. 72/2000 Coll., as amended based on resolution dated on 4 August 2008 the Company was granted an investment incentive for the SUV model in the plant Kvasiny in form of tax credit. The total amount of the subsidy is limited to the amount of CZK 561 million which corresponds to 40 % of the total eligible invested costs related to the investment project.

In accordance with Investment Incentives Law No. 72/2000 Coll., as amended based on resolution dated on 31 December 2007, the Company was granted an investment incentive for its project of engine 1.2 TSI production in the plant in Mladá Boleslav in form of a tax credit. The total amount subvention of CZK 548 million corresponds to 40 % of the total eligible invested costs related to the investment project.

To be granted the investment incentives, the Company has to meet the General conditions of § 2 art. 2 of the Investment Incentive Law no. 72/2000 Coll., as amended and Special conditions § 35 b of the Income Tax Law no. 586/1992 Coll., as amended. The Company expects to comply with all provisions necessary to receive the investment incentives.

24. Contingent liabilities (CZK million)

The tax authorities may at any time inspect the accounting books and records within thirteen years subsequent to the reported tax year, and may impose additional tax assessments and penalties.

The Group management is not aware of any circumstances that could result in material liabilities arising from current and potential future tax audits.

25. Contractual obligations and other future commitments (CZK million)

Future commitments as at the balance sheet date are as follows:

CZK million	Payable until year 2010	Payable 2011 – 2014	31. 12. 2010
Investment commitments – property, plant and equipment	1,339	147	1,486
Investment commitments – intangible assets	16	-	16
Operating leasing instalments	154	45	199
Other future commitments	229	243	472

CZK million	Payable until year 2009	Payable 2010 – 2013	31. 12. 2009
Investment commitments – property, plant and equipment	4,169	249	4,418
Investment commitments – intangible assets	6	-	6
Operating leasing instalments	177	238	415
Other future commitments	139	188	327

On the basis of non-cancellable operating lease agreements, the Group is allowed to rent different machine equipment. In the case of termination of these agreements all outstanding lease payments up to the original expiration date of the contract must be paid.

Category Other future commitments comprises future commitments that represent unusual risks to the Group, either because of their nature or their size or duration and is represented mainly by advertising and sponsoring contracts concluded for a period longer than one year.

26. Expenses by nature – additional information (CZK million)

	2009	2008
Material costs - raw materials and other supplies, goods	**129,929**	**138,889**
Production related services	9,871	7,866
Personnel costs	**14,457**	**14,953**
Wages	11,056	11,337
Pension benefit costs (defined contribution plans)	2,064	2,216
Social insurance and other personnel costs	1,337	1,400
Depreciation and amortization	**12,166**	**10,936**
Other services	**17,852**	**16,395**
Total cost of sales, distribution and administrative expenses	**184,275**	**189,039**
Number of employees		
Number of employees*	26,836	28,878

* Average number of employees (including temporary employees).

27. Related party transactions

On 5 January 2009, the company Porsche Automobil Holding SE, Germany increased its interest in ordinary share capital of the company VOLKSWAGEN AG to 50.76 % and became the ultimate parent company of the Company until 3 December 2009 when it lost its control over the company VOLKSWAGEN AG and all companies controlled by this entity. Effective from 3 December 2009, the company VOLKSWAGEN AG has become again the ultimate parent company and the ultimate controlling party of the Company.

The Group participated in the following transactions with related parties:

Sales to related parties (CZK million)

	2009	2008
Parent company		
Volkswagen International Finance N.V.	–	–
Ultimate parent company		
VOLKSWAGEN AG	5,269	3,844
Associates		
OOO VOLKSWAGEN Group Rus	6,357	12,982
Companies controlled by ultimate parent company		
Volkswagen Sachsen GmbH	606	297
VOLKSWAGEN Group United Kingdom Ltd.	7,944	10,066
Groupe VOLKSWAGEN France s.a.	5,544	6,027
VOLKSWAGEN SLOVAKIA, a.s.	1,215	1,146
Volkswagen Navarra, S.A.	1,749	1,423
Volkswagen Group Sverige AB	2,324	3,027
Import VOLKSWAGEN Group s.r.o.	893	831
Volkswagen do Brasil Indústria de Veículos Automotores Ltda.	1,253	817
AUDI AG	153	191
SEAT, S.A.	769	726
ŠkoFIN s.r.o.	173	972
Volkswagen Bank GmbH	–	72
Volkswagen Leasing GmbH	–	67
Volkswagen India Private Ltd.	206	54
Volkswagen Group Italia S.p.A	4,168	5,607
Volkswagen-Audi España S.A.	4,152	5,453
AUDI BRUSSELS S.A./N.V.	793	780
Volkswagen Motor Polska Sp.z o.o.	87	57
Volkswagen Group Australia Pty. Ltd.	411	281
Raffay GmbH & Co. KG	406	270
VOLKSWAGEN SARAJEVO, d.o.o.	–	643
ŠKO-ENERGO, s.r.o.	1	147
Eduard Winter Automobilbetriebe GmbH&Co. KG	–	348
Volkswagen de México, S.A. de C.V.,	58	–
Volkswagen of South Africa (Pty.) Ltd.,	49	–
AUTOEUROPA AUTOMÓVEIS LDA.	54	–
Volkswagen Original Teile Logistik GmbH & Co.	151	–
Volkswagen Group Sales India P.L.	2,139	–
Volkswagen Group Ireland Ltd.	314	–
Volkswagen Automobile Berlin-Tegel GmbH & Co. KG	533	–
Other	88	69
Other related parties*		
Intercar Austria GmbH	5,702	4,682
P.Z. Auto d.o.o., Zagreb	669	1,503
Porsche Albania Sh.p.k.	59	49
Porsche Hungaria Handels Kft.	1,249	2,811
Porsche Inter Auto CZ spol. s r.o.	1,362	1,434
Porsche InterAuto Slovak. spol	821	1,277
Porsche Konstruktion GmbH&CoKG	242	296
PORSCHE MACEDONIA DOOEL Skopje	167	263
Porsche Romania s.r.l.	1,805	6,082
Porsche Slovakia spol. s.r.o.	303	232
Porsche Slovenija d.o.o.	543	892
Auto & Service PIA GmbH	1,334	1,310
Shanghai Volkswagen Automotive Co. Ltd.	672	811
Other related parties	28	16
Total	**62,815**	**77,855**

* Items in category Other related parties do not meet the definition of a controlled entity pursuant to § 66a of the Act No. 513/1991 Coll., Commercial Code, as amended.

Out of sales to Shanghai Volkswagen Automotive Co. Ltd., in 2009 CZK 655 million (2008: CZK 591 million) relates to revenue from royalties.

The Group also realised in 2009 revenue from royalties of CZK 186 million (2008: CZK 78 million) from its ultimate parent company VOLKSWAGEN AG, and further CZK 6 million (2008: CZK 43 million) from the associate OOO VOLKSWAGEN Group Rus.

The Group also realised in 2009 revenue from intercompany loan interests, mainly CZK 16 million (2008: CZK 468 million) from VW International Payment Services N.V, CZK 6 million (2008: CZK 124 million) from ŠkoFIN s.r.o. and CZK 0 million (2008: CZK 501 million) from VOLKSWAGEN AG.

Purchases from related parties (CZK million)

	2009	2008
Parent company		
Volkswagen International Finance N.V.	-	-
Ultimate parent company		
VOLKSWAGEN AG	21,711	24,722
Associates		
OOO VOLKSWAGEN Group Rus	104	71
Companies controlled by ultimate parent company		
Volkswagen Sachsen GmbH	2,327	1,900
Volkswagen Versicherungsvermittlung GmbH	146	145
Volkswagen Versicherungsdienst GmbH	43	21
VOLKSWAGEN Group United Kingdom Ltd.	224	246
Groupe VOLKSWAGEN France s.a.	279	211
VOLKSWAGEN SLOVAKIA, a.s.	4,395	4,061
AUDI AG	365	556
Volkswagen Bank GmbH	-	926
Volkswagen Original Teile Logistik GmbH & Co. KG	2,625	1,798
AUDI HUNGARIA MOTOR Kft.	4,030	10,257
Import VOLKSWAGEN Group s.r.o.	126	103
ŠkoFIN s.r.o.	178	482
Volkswagen Group Sverige AB	73	111
SEAT, S.A.	1,514	1,615
Volkswagen Group Italia S.p.A	486	305
Gearbox del Prat, S.A.	344	25
Volkswagen-Audi España S.A.	466	253
Volkswagen Poznan PkW (Komponente)	289	68
Volkswagen Poznan Sp.z.o.o.	-	145
VOLKSWAGEN ZUBEHÖR, GmbH	104	18
Autostadt GmbH	18	20
Volkswagen Leasing GmbH	287	259
Volkswagen de Mexico S.A. de C.V.	513	723
Volkswagen Transport GmbH	-	276
Volkswagen Group of America, Inc.	21	31
ŠKO-ENERGO, s.r.o.	2,059	1,688
Volkswagen Motor Polska Sp.z o.o.	3,240	469
VOLKSWAGEN SARAJEVO, d.o.o.	51	20
Volkswagen Logistics GmbH & Co OHG	1,405	1,632
Volkswagen Argentina S.A.	102	280
Volkswagen India Private Ltd.	215	1
AUTOEUROPA Automóveis, Lda.	26	10
INIS International Insurance Service s.r.o.	47	61
Volkswagen Group Insurance and Risk Management Services Ltd.	-	245
Volkswagen Financial Services AG	79	172
Eduard Winter Automobilbetriebe GmbH&Co. KG	12	16
Volkswagen Bank Polska S.A.	30	82
Volkswagen Leasing Polska Sp.z o.o.	22	-
Volkswagen Group Sales India P.L.	2,201	1,007
Volkswagen Group Ireland Ltd.	51	-
Volkswagen Group Australia Pty. Ltd.	173	-
VW Procurement Services GmbH	22	-
Other	70	88
Other related parties*		
Intercar Austria GmbH	111	168
P.Z. Auto d.o.o.	22	24
Porsche Hungaria Handels Kft.	25	36
Porsche Inter Auto CZ spol. s r.o.	15	19
Porsche Romania s.r.l.	23	34
Porsche Slovenija d.o.o.	12	10
Auto & Service PIA GmbH	24	18
e4t electronics for transportation s.r.o.	78	53
SAIC-Volkswagen Sales Company Ltd.	178	-
Other related parties	14	9
Total	**50,975**	**55,490**

* Items in category Other related parties do not meet the definition of a controlled entity pursuant to § 66a of the Act No. 513/1991 Coll., Commercial Code, as amended.

The amount of dividends paid to the parent company is disclosed in Note 11.

Receivables from related parties (CZK million)

	31. 12. 2010	31. 12. 2009
Parent company		
Volkswagen International Finance N.V.	-	-
Ultimate parent company		
VOLKSWAGEN AG	216	226
Associates		
OOO VOLKSWAGEN Rus	2,057	4,529
Companies controlled by ultimate parent company		
Volkswagen Sachsen GmbH	33	15
VOLKSWAGEN Group United Kingdom Ltd.	73	8
Groupe VOLKSWAGEN France s.a.	31	10
VOLKSWAGEN SLOVAKIA, a.s.	142	33
Volkswagen Navarra, S.A.	126	70
Volkswagen Group Sverige AB	4	24
Volkswagen do Brasil Indústria de Veículos Automotores Ltda.	295	28
Import VOLKSWAGEN Group s.r.o.	77	59
Volkswagen Group Ireland Ltd.	11	-
ŠkoFIN s.r.o.	129	19
AUDI AG	78	31
SEAT, S.A.	83	62
Volkswagen Group Italia S.p.A	23	2
SKO-ENERGO s.r.o.	15	-
Volkswagen Original Teile Logistik GmbH & Co. KG	69	-
Volkswagen Group Australia Pty. Ltd.	65	48
Volkswagen Bank GmbH	-	10
Volkswagen Leasing GmbH	42	15
AUDI BRUSSELS S.A./N.V.	4	108
Volkswagen India Private Ltd.	521	47
VOLKSWAGEN SARAJEVO, d.o.o	-	130
Volkswagen de México, S.A. de C.V.,	59	-
Volkswagen of South Africa (Pty.) Ltd.,	50	-
AUTOEUROPA AUTOMÓVEIS LDA.	55	-
Volkswagen Group Sales India P.L.	200	-
VOLKSWAGEN Transmission (Shanghai) Company Ltd.	11	-
Other	47	51
Other related parties*		
Porsche Hungaria Handels Kft.	11	8
Porsche InterAuto Slovak. spol	12	32
Porsche Slovakia spol. s.r.o.,	-	7
Intercar Austria GmbH	64	-
P.Z. Auto d.o.o.	6	13
Shanghai Volkswagen Automotive Co. Ltd.	351	709
Other related parties	13	22
Total	**4,973**	**6,316**

* Items in category Other related parties do not meet the definition of a controlled entity pursuant to § 66a of the Act No. 513/1991 Coll., Commercial Code, as amended.

Receivables from related parties in all disclosed categories of related parties include only trade receivables, with an exception of the receivables from the following companies, which apart from trade receivable also include receivables from royalties: Shanghai Volkswagen Automotive Co. Ltd. in the amount of CZK 298 million (as at 31 December 2008: CZK 205 million), VOLKSWAGEN AG in the amount of CZK 40 million (2008: CZK 0 million), and OOO VOLKSWAGEN Group Rus in the amount of CZK 18 million (2008: CZK 0 million).

No impairment loss was identified for any of the receivables from related parties.
Receivables from related parties are considered by the Group to be of the least risk. The products are supplied with payment at a due date, secured by an advance payment or they are transferred to factoring companies.
In addition to receivables stated in the table above, the Group provided as at 31 December 2009 loans to VOLKSWAGEN AG of CZK 0 million (31 December 2008: CZK 22,127 million), ŠkoFIN s.r.o. of CZK 3,000 million (31 December 2008: CZK 3,000 million), VW International Payment Services N.V of CZK 10,000 million (31 December 2008: CZK 0 million), ŠKO-ENERGO, s.r.o. of CZK 540 million (31 December 2008: CZK 520 million) and Volkswagen India Private Ltd. of CZK 15 million (31 December 2008: CZK 74 million). Interest from these loans outstanding as at 31 December 2009 was CZK 22 million (31 December 2008: CZK 45 million). Average interest rate related to these loans is disclosed in Note 8. Investments in associates are disclosed in Note 7.

Liabilities to related parties (CZK million)

	31. 12. 2010	31. 12. 2009
Parent company		
Volkswagen International Finance N.V.	-	-
Ultimate parent company		
VOLKSWAGEN AG	917	1,239
Associates		
OOO VOLKSWAGEN Group Rus	38	2
Companies controlled by ultimate parent company		
Volkswagen Sachsen GmbH	142	98
Volkswagen Poznan PkW (Komponente)	24	-
Volkswagen Poznan Sp.z.o.o.	-	14
VOLKSWAGEN Group United Kingdom Ltd.	170	159
Groupe VOLKSWAGEN France s.a.	137	63
Volkswagen de Mexico S.A. de C.V.	216	339
VOLKSWAGEN SLOVAKIA a.s.	590	232
Volkswagen Group Sverige AB	12	90
Volkswagen-Audi España S.A.	486	316
AUDI AG	557	348
AUDI HUNGARIA MOTOR Kft.	684	284
Volkswagen Group Italia S.p.A	386	422
Volkswagen Bank GmbH	21	32
Volkswagen Original Teile Logistik GmbH & Co. KG	81	61
Volkswagen Leasing GmbH	9	31
Volkswagen Group of America, Inc.	10	18
Volkswagen Group Sales India P.L.	130	427
Volkswagen Group Services S.A.	1,582	1,141
Volkswagen Motor Polska Sp.z o.o.	16	170
Volkswagen Argentina S.A.	28	-
Gearbox del Prat, S.A.	41	-
Volkswagen Group Australia Pty. Ltd.	98	73
Volkswagen Logistics GmbH & Co OHG	570	489
Volkswagen Group Ireland Ltd.	79	-
ŠKO-ENERGO s.r.o.	157	-
Auto Vision GmbH	11	-
Volkswagen Procurement Service GmbH	13	-
Other	36	48
Other related parties*		
PORSCHE MACEDONIA DOOEL Skopje	8	4
Porsche Romania s.r.l.	55	70
e4t electronics for transportation s.r.o	20	-
SAIC-Volkswagen Sales Company Ltd.	80	-
Other related parties	6	51
Total	**7,410**	**6,221**

* Items in category Other related parties do not meet the definition of a controlled entity pursuant to § 66a of the Act No. 513/1991 Coll., Commercial Code, as amended.

Liabilities to related parties represent only trade liabilities for all the categories stated above.

In addition to the liabilities stated in the table above, the Group received a loan from VOLKSWAGEN AG of total amount of CZK 3000 million as at 31 December 2009. Interest payable relating to this loan amounts to CZK 107 million as at 31 December 2009. Interest rate on this loan is 4.53 %.

Also, as at 31 December 2009, the Group had a loan connected with factoring with recourse from Volkswagen Bank GmbH in amount of CZK 99 million (2008: CZK 49 million).

Information on key management personnel remuneration (CZK million)

	2009	2008
Salaries and other short-term employee benefits*	265	285
Post-employment benefits	9	9
Share-based payments	–	1
Total	**274**	**295**

* Salaries and other short-term employee benefits include besides the remuneration paid, payable or provided by the Company in the form of salaries, bonuses and non-monetary remuneration also health and social insurance paid by employer for employees.

The remuneration of the members of the Board of Directors, Supervisory Board and other key management personnel includes besides the remuneration paid, payable or provided by the Group in the form of salaries, bonuses and non-monetary remuneration also remuneration from other Volkswagen Group companies in exchange for services rendered to the Group. The remuneration from the other Volkswagen Group companies includes also awards to certain key management personnel in the form of share options to VOLKSWAGEN AG's shares.

Key management personnel include members of the Board of Directors, Supervisory Board and managers of the Company having authority and responsibility for planning, directing and controlling the activities of the Group. In 2009, the key management personnel included 47 persons (2008: 48 persons). CZK 92 million out of the total amount disclosed in the line Salaries and other short-term employee benefits was outstanding as at 31 December 2009 (31 December 2008: CZK 105 million).

28. Other information (CZK million)

The compensation paid to the Group's auditors for the accounting period was CZK 40 million (2008: CZK 29 million) and covered the following services:

	2009	2008
Audit and other assurance services	26	18
Tax and related services	3	5
Other advisory services	11	6
Total	**40**	**29**

29. Significant events after the balance sheet date

After the balance sheet date, there were no events that could have a significant impact on the consolidated financial statements of the Group for the year ended 31 December 2009.

30. Information about Volkswagen Group

ŠKODA AUTO a.s. is a subsidiary included in the consolidation group of its ultimate parent company, VOLKSWAGEN AG, with a registered office in Wolfsburg, the Federal Republic of Germany.

The Volkswagen Group consists of two divisions - Automotive and Financial Services. The activities related to the Automotive Division include the development of cars and aggregates, production and sale of passenger and commercial cars, trucks and buses as well as the business with spare parts. The following brands belong to Volkswagen Group: Volkswagen Passenger Cars, Audi, Škoda, SEAT, Volkswagen Commercial Vehicles, Bentley, Bugatti, Scania and Lamborghini.

The Financial Services Division includes activities related to the dealer and customer financing, leasing, banking and insurance services and the fleet management.

Škoda Auto and its subsidiaries (ŠkodaAuto Deutschland GmbH, Skoda Auto Polska S.A., ŠKODA AUTO Slovensko, s.r.o. and Skoda Auto India Private Ltd.) and associate OOO VOLKSWAGEN Group Rus are included in the consolidation of Volkswagen Group's financial statements. These consolidated financial statements, and other information relating to the Volkswagen Group, are available in the annual report of VOLKSWAGEN AG and on the internet site of VOLKSWAGEN AG (website: www.volkswagenag.com).

Mladá Boleslav, 16 February 2010

Reinhard Jung
Chairman of the Board
of Directors

Holger Kintscher
Member of the Board
of Directors
Commercial Affairs

Klaus Dierkes
Member of the Board
of Directors
Human Resources
Management

Eckhard Scholz
Member of the Board
of Directors
Technical Development

Reinhard Fleger
Member of the Board
of Directors
Sales and Marketing

Jana Šrámová
Director of Accounting

Jana Fernández Zambrano
Head of Closing Accounts
and External Reporting

AUDITOR'S REPORT ON THE SEPARATE FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ŠKODA AUTO A.S.

We have audited the accompanying separate financial statements of ŠKODA AUTO a.s., identification number 00177041, with registered office at Tř. Václava Klementa 869, Mladá Boleslav ("the Company"), which comprise the balance sheet as at 31 December 2009, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and notes, including a summary of significant accounting policies ("the separate financial statements").

Board of Directors' Responsibility for the Separate Financial Statements
The Board of Directors is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standars as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors of the Czech Republic, International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2009, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

16 February 2010

PricewaterhouseCoopers Audit, s.r.o.
represented by

Petr Kříž
Partner

Pavel Kulhavý
Statutory auditor, Licence No. 1538

PricewaterhouseCoopers Audit, s.r.o., registered seat Kateřinská 40/466, 120 00 Prague 2, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No 021.

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SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Income statement for the year ended 31 December 2009 (CZK million)

	Note	2009	2008
Sales	**18**	**170,666**	**188,572**
Cost of sales		155,868	165,600
Gross profit		**14,798**	**22,972**
Distribution expenses		7,702	7,590
Administrative expenses		4,320	4,223
Other operating income	19	6,881	7,750
Other operating expenses	20	4,933	6,273
Operating profit		**4,724**	**12,636**
Financial income		1,392	1,432
Financial expenses		1,735	781
Financial result	**21**	**(343)**	**651**
Profit before income tax		**4,381**	**13,287**
Income tax expense	23	942	2,020
Profit for the year		**3,439**	**11,267**

Statement of Comprehensive Income for the year ended 31 December 2009 (CZK million)

	2009	2008
Profit for the year	**3,439**	**11,267**
Cash flow hedges:		
Change in fair value in the period	713	2,740
Total transfers of fair value to net profit - effective hedging	(2,235)	(1,374)
Total transfers of fair value to net profit - ineffective hedging	(72)	(83)
Deferred tax income/(expense)	305	(245)
Other comprehensive income	**(1,289)**	**1,038**
Total comprehensive income for the year	**2,150**	**12,305**

The notes on pages 170 to 213 are an integral part of these financial statements.

Balance sheet as at 31 December 2009 (CZK million)

ASSETS	Note	31.12. 2009	31.12. 2008	1. 1. 2008
Intangible assets	5	12,967	13,779	13,908
Property, plant and equipment	6	42,541	41,999	40,323
Investments in subsidiaries	7	1,388	1,388	1,388
Investment in associate	8	1,822	1,822	485
Other receivables and financial assets	9	1,208	1,131	799
Non-current assets		**59,926**	**60,119**	**56,903**
Inventories	10	7,850	8,662	8,454
Trade receivables	9	7,635	8,452	7,268
Other receivables and financial assets	9	16,952	31,165	30,235
Cash	11	15,662	2,997	2,701
Current assets		**48,099**	**51,276**	**48,658**
TOTAL ASSETS		**108,025**	**111,395**	**105,561**

LIABILITIES	Note	31.12. 2009	31.12. 2008	1. 1. 2008
Share capital	12	16,709	16,709	16,709
Share premium		1,578	1,578	1,578
Reserves	13	50,232	53,434	48,245
Equity		**68,519**	**71,721**	**66,532**
Non-current financial liabilities	14	3,000	1,998	1,997
Deferred tax liabilities	15	775	1,625	1,777
Non-current provisions	16	6,136	5,658	6,496
Other non-current liabilities		237	501	11
Non-current liabilities		**10,148**	**9,782**	**10,281**
Current financial liabilities	14	2,115	6,335	14
Trade payables	14	19,118	17,050	20,364
Other current liabilities	14	2,548	2,945	2,300
Current income tax liabilities		208	49	2,354
Current provisions	16	5,369	3,513	3,716
Current liabilities		**29,358**	**29,892**	**28,748**
TOTAL LIABILITIES		**108,025**	**111,395**	**105,561**

The notes on pages 170 to 213 are an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2009 (CZK million)

	Note	Share capital	Share premium	Retained earnings	Other reserves*	Total equity
Balance as at 1 January 2008		**16,709**	**1,578**	**45,227**	**3,018**	**66,532**
Comprehensive income for the year		-	-	11,267	1,038	12,305
Dividends paid		-	-	(7,117)	-	(7,117)
Transfer to statutory reserve fund		-	-	(795)	795	-
Share option scheme	28	-	-	-	1	1
Balance as at 31 December 2008		**16,709**	**1,578**	**48,582**	**4,852**	**71,721**
Balance as at 1 January 2009		**16,709**	**1,578**	**48,582**	**4,852**	**71,721**
Comprehensive income for the year		-	-	3,439	(1,289)	2,150
Dividends paid		-	-	(5,352)	-	(5,352)
Transfer to statutory reserve fund		-	-	(563)	563	-
Share option scheme	28	-	-	-	-	-
Balance as at 31 December 2009		**16,709**	**1,578**	**46,106**	**4,126**	**68,519**

* Explanatory notes on Other reserves are presented in Note 13.

The notes on pages 170 to 213 are an integral part of these financial statements.

Cash flow statement for the year ended 31 December 2009 (CZK million)

	Note	2009	2008
Cash and cash equivalents as at 1 January	**17**	**27,009**	**28,293**
Profit before income tax		4,381	13,287
Depreciation and impairment of non-current assets	5.6	11,878	10,698
Change in provisions	16	2,333	(1,041)
(Gain)/loss on disposal of non-current assets		(7)	26
Net interest (income)/expense	21	(86)	(659)
Change in inventories	10	767	(208)
Change in receivables		1,645	(717)
Change in liabilities		3,276	(3,676)
Income tax paid from operating activities		(1,327)	(4,709)
Interest paid		(375)	(501)
Interest received		603	1,178
Dividends and other income from investing activities		(116)	(125)
Other adjustments for non-cash transactions		(651)	425
Cash flows from operating activities		**22,321**	**13,978**
Purchases of non-current assets	5.6	(11,128)	(11,534)
Additions to capitalised development costs	5	(1,493)	(2,066)
Increase (-) / decrease (+) in loans provided		1,000	(1,000)
Proceeds from sale of non-current assets		51	30
Proceeds from dividends and other investing activities		116	125
Cash flows from investing activities		**(11,454)**	**(14,445)**
Net cash flows (operating and investing activities)		10,867	(467)
Dividends paid		(5,352)	(7,117)
Loans received	14	3,000	6,300
Repayments of loans received		(6,300)	-
Cash flows from financing activities		**(8,652)**	**(817)**
Net change in cash and cash equivalents		**2,215**	**(1,284)**
Cash and cash equivalents as at 31 December	**17**	**29,224**	**27,009**

The notes on pages 170 to 213 are an integral part of these financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS 2009

Company information

Foundation and company enterprises:

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

Registered office:	Tř. Václava Klementa 869 293 60 Mladá Boleslav Czech Republic IČ: 00177041 www address: www.skoda-auto.cz

The company is registered in the Commercial Register maintained with the Municipal Court in Prague, Section B, Insert 332, with File No. Rg. B 332.

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

- Chairman of the Board's department.
- Technical development.
- Production and logistic.
- Sales and marketing.
- Commercial affairs .
- Human resource management.

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

ŠKODA AUTO a.s. is a subsidiary included in the consolidation group of its ultimate parent company, VOLKSWAGEN AG ("Volkswagen Group"), with its registered office in Wolfsburg, the Federal Republic of Germany (for details see Note 31).

Note

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

1. Summary of significant accounting policies and principles

1.1 Compliance statement

These financial statements are separate financial statements of ŠKODA AUTO a.s. ("the Company") for the year ended 31 December 2009 and relate to the consolidated financial statements of ŠKODA AUTO a.s. and its subsidiaries and associates for the year ended 31 December 2009. Users of these separate financial statements should read them together with the consolidated financial statements for the year ended 31 December 2009 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole.

The separate financial statements of the Company for the year ended 31 December 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") as at the day these separate financial statements are published.

Refer to the Company information note on page 170 for the Company details.

All International Financial Reporting Standards issued by the IASB and effective for the accounting periods beginning on or after 1 January 2009 have been adopted by the European Union through the endorsement procedure established by the European Commission, with the exception of IFRS 9, amendments to standards: IFRS 2 (Group cash-settled share-based payment transactions), IFRS 1 (Additional exemptions for first-time adopters; Limited exemption from comparative IFRS 7 disclosure for first-time adopters) and IAS 24. As at 31 December 2009, the Council of the European Union has not endorsed the following interpretations: IFRIC 19, Amendment to IFRIC 14, and Improvements to International Financial Reporting Standards issued on 16 April 2009.

The Company, as an issuer of listed bonds, is obliged under paragraph 19 (9) of Act No.563/1991 on Accounting to prepare financial statements and an annual report in accordance with IFRS as adopted by the European Union.

1.2 Adoption of new or revised standards, amendments and interpretations to existing standards*

1.2.1 New standards, amendments and interpretations to existing standards mandatory for accounting period 2009

The following standards, amendments and interpretations mandatory for accounting periods beginning on or after 1 January 2009 are not relevant to the Company's operations:

Amendment to IAS 32 – Financial instruments: Presentation and IAS 1 – Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation – IAS 1 – Amendment (effective from 1 January 2009). The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities.

IFRIC 13 – Customer Loyalty Programmes (effective from 1 January 2009). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

IFRIC 15 – Agreements for the Construction of Real Estate (effective from 1 January 2009). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions.

* the effective dates express the dates effective for the Company.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (effective from 1 January 2009). The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the gain or loss recycled from the currency translation reserve to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities will apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16.

IFRS 1 – Amendment – First-time Adoption of International Financial Reporting Standards and IAS 27 – Amendment – Consolidated and separate financial statements: The presentation of costs on investment to the subsidiaries at the first-time adoption of IAS/IFRS (effective from 1 January 2009). The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment.

Amendment to IFRS 2 – Share-based Payment – Vesting conditions and cancellations (effective from 1 January 2009). The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

The following standards, amendments and interpretations mandatory for accounting periods beginning on or after 1 January 2009 have been fully adopted by the Company:

IAS 1 – Revised – Presentation of Financial Statements (revised September 2007; effective from 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 affects the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances. In connection with this revised standard, the presented information has been supplemented with Statement of Comprehensive Income.

IAS 23 – Revised – Borrowing Costs (effective from 1 January 2009). The revised IAS 23 was issued in March 2008. The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The Company has performed an analysis of qualifying assets including determination of amount relating to borrowing costs, which should be allocated to cost of these assets. Due to immateriality of amount of borrowing costs, in 2009 the Company has not capitalised any of these costs as part of the cost of the qualifying assets.

IFRS 8 – Operating Segments (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Company has performed an analysis of presentation of segments in accordance with the new requirements of IFRS 8 and has identified several segments, which have been aggregated, based on similarity of economic and other features, into one operating segment pursuing development, production and sale of passenger and commercial vehicles, engines and spare parts and accessories. The application of IFRS 8 does not have any material effect on the financial statements of the Company in 2009.

Improvements to International Financial Reporting Standards (issued in May 2008). The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment of a defined benefit plan under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. The amendments have no material effect on the financial statements of the Company.

Amendment to IFRS 7 – Financial Instruments – Disclosures: Improving Disclosures about Financial Instruments (effective from 1 January 2009). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity will be required to disclose an analysis of financial instruments measured at fair value using a three-level measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. In connection with this improvement, the Company has performed an analysis of financial instruments measured at fair value by hierarchy and has identified only financial instruments measured at fair value with level 2. Even before issue of the Improving Disclosures about Financial Instruments, the Company had regularly presented within contractual maturity analysis also maturity analysis of financial assets. In 2009, the Company has not provided any financial guarantees. Therefore, the amendments do not have material impact on the extent of the presented information or on the presented amounts.

1.2.2 New standards, amendments and interpretations to existing standards published not yet effective
The following standards, amendments and interpretations will be relevant for the Company but have not been early adopted by the Company:

Amendment to IAS 24 – Related Party Disclosures (effective from 1 January 2011). The main objective of the amendment is to provide a partial exemption from the disclosure requirements for government-related entities, and to clarify the definition of a related party. The amendment also clarifies the entity's obligation to disclose information about all commitments, associated with a related party, to do something if a particular event occurs or does not occur in the future, including executable contracts (recognised and unrecognised). The Company expects that the Amendment to IAS 24 will have impact on the extent of the disclosure of transactions with related parties. The Company is currently assessing all possible impacts of the amendment.

IFRS 9 – Financial instruments (effective from 1 January 2013). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets and changes also some disclosure requirements as set out by IFRS 7. Per IFRS 9, all financial assets, currently within scope of IAS 39, are required to be classified into two measurement categories – those to be measured subsequently at amortised cost, and those to be measured subsequently at fair value, in accordance with the following rules. An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss. In addition, all equity instruments within scope of IFRS 9 are to be measured subsequently at fair value through profit or loss. However, if an equity instrument is not held for trading, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss when the asset is derecognised. This election cannot be subsequently changed. Dividends are to be presented in profit or loss, as long as they represent a return on investment. The Company expects that the new IFRS 9 will have impact on classification, measurement and disclosure of financial instruments in the notes to the financial statements. However, without a detailed analysis it is not possible to perform reliable estimate of such impact as at the date of the financial statements.

The following standards, amendments and interpretations will not be relevant for the Company or are not expected to have a material impact on the Company's operations:

IAS 27 – Revised – Consolidated and Separate Financial Statements (effective from 1 January 2010). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value.

Amendment to IAS 32 – Financial Instruments – Presentation: Classification of Rights Issues (effective from 1 January 2011). The amendment deals with presentation of rights issues denominated in a currency other than the issuing entity's functional currency. The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives.

Amendment to IAS 39 – Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective from 1 January 2010). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment provides guidance for identification of inflation as a hedged item and hedging with options. Inflation is subject to hedging only in the case that changes in inflation are contractual portion of financial instrument cash-flows. The amendment also specifies effectiveness of hedging by options.

Amendment to IAS 39 – Financial Instruments: Recognition and measurement, and IFRIC 9 – Re-assessment of Embedded Derivatives (effective from 1 January 2010). The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for.

Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment (effective from 1 January 2010). The amendment provides a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard.

Amendment to IFRS 1 – First-time Adoption of International Financial Reporting Standards (effective from 1 January 2010).The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes.

Amendment to IFRS 1 – First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (effective from 1 January 2010). The amendments exempt entities using the full cost method from retrospective application of IFRS for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result.

Amendment to IFRS 1 – First-time Adoption of International Financial Reporting Standards – Limited exemption from comparative IFRS 7 disclosures for first-time adopters (effective from 1 January 2011). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. The relief was provided because the amendments to IFRS 7 were issued after the comparative periods had ended, and the use of hindsight would have been required. The amendment to IFRS 1 provides first-time adopters with the same transition provisions (and thereby the same relief) as included in the amendment to IFRS 7 for other companies.

IFRS 3 – Revised – Business Combinations (effective from 1 January 2010). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone.

Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement.

IFRIC 17 – Distribution of Non-Cash Assets to Owners (effective from 1 January 2010). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable.

IFRIC 18 – Transfer of Assets from Customers (effective from 1 January 2010). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective from 1 January 2011). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective from 1 January 2010; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective from 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations:
Clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2;
Clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations;
Requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker;
Amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current;
Changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities;
Allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease;
Providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent;
Clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation;
Supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination;
Amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender;
Amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and
Removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged.

1.3 Comparative amounts

Due to the change in the method of presentation in 2009 the Company reclassified the liabilities to a factoring company within the Volkswagen Group which have arisen from the transfer of the Volkswagen intercompany payables to the factoring company within the Volkswagen Group from the line "Current financial liabilities" to the line "Trade payables". As a result of this reclassification the Balance sheet line "Trade payables" has been increased by CZK 323 million to CZK 17 050 million and the line "Current financial liabilities" has been decreased by CZK 323 million to CZK 6 335 million. Further, the Balance sheet balances for the beginning of the comparative period have been adjusted. The line "Trade payables" has been increased by CZK 1 129 million to CZK 20 364 million and the line "Current financial liabilities" has been decreased by the same amount to CZK 14 million. In Cash flow statement the line "Change in liabilities" has decreased in comparative period by CZK 806 million to CZK -3 676 million and at the same time the line "Change in liabilities from other financing" has increased by the same amount to CZK 0 and was therefore excluded. As a result of this reclassification also subtotal lines changed. The line "Cash flows from operating activities" has decreased by CZK 806 million to CZK 13 978 million and the line "Cash flows from financing activities" increased by the same amount to CZK -817 million. Further, related disclosures in the Notes to the Separate Financial Statements have been adjusted accordingly.
Due to the change in the method of presentation of Contractual obligations and other future commitments (Note 26), comparative figures for line Operating leasing instalments have been changed. The column "Payable until year end 2009" has been increased by CZK 118 million to CZK 177 million and the column "Payable 2010 – 2013" has been increased by CZK 238 million to CZK 238 million and the total in the column "31. 12. 2008" has been increased by CZK 356 million to CZK 415 million. Adopted presentation discloses the future minimum payments from non-cancellable operating leasing as required by IAS 17. Furthermore, the line Other future commitments has been added. This category comprises unusual future commitments of the Company, either because of their nature or their size or duration. As at 31 December 2008 these commitments amounted to CZK 296 million.

The change in the method of presentation of expenses by nature resulted in Note 27 - Expenses by nature in comparative figures reclassification. The line "Production related services" has been increased by CZK 5,567 million to CZK 7,016 million and the line "Other services" has been decreased by the same amount to CZK 11,233 million.

2. Basis of preparation of financial statements

The separate financial statements have been prepared under the historical cost convention, except for fair value measurement of available-for-sale financial assets, of financial assets and financial liabilities at fair value through profit or loss, and of all derivative contracts.
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgment in the process of applying the Company's accounting policies. Amounts in the financial statements and in the notes are disclosed in millions of Czech crowns (CZK million), unless stated otherwise.

2.1 Foreign currency translation

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

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

2.2 Intangible assets

Purchased intangible assets are recorded at cost less accumulated amortisation and impairment losses. All research costs are recognised as expenses when incurred. In accordance with IAS 38, all development costs of new Škoda models and other products are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility, and costs can be measured reliably. Capitalised development costs and other internally generated intangible assets are carried at cost less accumulated amortisation and impairment losses. If the criteria for recognition as an asset are not met, the costs are recognised in the income statement in the year in which they are incurred. The right to use Volkswagen's tooling is capitalised as an intangible asset. Capitalised costs include all direct costs as well as an appropriate portion of development-related overheads.

The cost of qualifying intangible assets also includes borrowing costs represented by interest and other costs that an entity incurs in connection with borrowing funds.

A qualifying asset is an asset that necessarily takes at least one year to get ready for its intended use. The Company ceases capitalising borrowing costs when the qualifying asset is ready for its intended use or sale.

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

Other intangible assets are amortised applying the straight-line method over their estimated useful lives as follows:

- Development costs	2 – 9 years according to the product life cycle
- Software	3 years
- Service and operating rights	8 years
- Other intangible fixed assets	5 years

Intangible assets not yet available for use are tested annually for impairment and are carried at cost less accumulated impairment losses.

2.3 Property, plant and equipment

All property, plant and equipment are stated at historical cost less cumulative depreciation and - if necessary - write-downs for impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

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

The cost of qualifying tangible assets also includes borrowing costs represented by interest and other costs that an entity incurs in connection with borrowing of funds.

A qualifying asset is an asset that necessarily takes at least one year to get ready for its intended use. The Company ceases capitalising of borrowing costs when the qualifying asset is ready for its intended use or sale.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method over their estimated useful lives as follows:

- Buildings 10 – 35 years
- Technical equipment and machinery (incl. special tooling) 2 – 18 years
- Other equipment, operating and office equipment 3 – 15 years

2.4 Impairment of assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units).

2.5 Financial instruments

2.5.1 Financial Assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading or so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedging instruments. Realised and unrealised gains and losses from changes in the fair value of financial assets valued at fair value through profit or loss are recognised under financial income or expenses in the period in which they arise. During the accounting period 2009 (2008), the Company only had financial derivatives within this category (Note 2.5.3).

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade receivables, or other receivables and financial assets in the balance sheet (Note 9).

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Dividend income from these activities is included in other financial income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as a part of other operating revenues or expenses. In the accounting periods 2009 (2008), the Company only had, within the category of available-for-sale financial assets only investments to equity instruments that did not have quoted price in an active market.

Purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets, with the exception of financial assets carried at fair value through profit or loss, are initially recognised at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Equity instruments that do not have quoted prices in an active market and their fair value can not be reliably measured are valued at cost. Long-term loans and receivables are carried at amortised cost using the effective interest method.
The Company determines at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Initially the Company determines, in line with IAS 39, if objective evidence exists that individually material financial assets are impaired and performs the same assessment individually or collectively for individually immaterial financial assets. In the event that the Company does not find objective evidence of impairment for individually assessed financial assets, whether material or not, these assets are included in the group of financial assets with common credit risk characteristics and the group of financial assets is assessed collectively for impairment. Individual assets for which objective evidence of impairment has been identified are not included in a group of assets that are assessed collectively for impairment.

In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the security is impaired.

The trade receivables are considered to be impaired if objective evidence exists at the balance sheet date that the Company will not be able to collect all outstanding balances in accordance with initially agreed conditions. Significant financial difficulties, the probability that the debtor will enter bankruptcy or financial reorganisation, and default or delays in payment of liabilities are considered indicators that trade receivables are impaired. For trade receivables, the allowance is quantified on the basis of detailed information about the financial situation of the customer and payment history. When the receivable is assessed as uncollectible, an allowance equal to 100% of the receivable balance is created. For other receivables, the allowance is quantified on the basis of detailed information about the financial situation of the customer and payment history. The value of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate of the receivable.

The value of the allowance is recognised in the income statement within Other operating expenses. When the receivable cannot be collected through legal action (i.e. the receivables have lapsed; insufficient assets due to bankruptcy of the debtor; debtor was liquidated without a legal successor, etc.), it is written off through profit and loss and the allowance is utilised.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

d) Investments in subsidiaries and associates
Investments in subsidiaries and associates are carried in the separate financial statements at cost.

2.5.2 Financial liabilities
a) Financial liabilities measured at fair value through profit and loss
Financial liabilities at fair value through profit or loss are financial liabilities that are derivatives, which do not fulfil the hedge accounting conditions. During the accounting period 2009 (2008) the Company only had financial derivatives in this category (Note 2.5.3).

b) Financial liabilities measured at amortised cost
Financial liabilities are measured at fair value net of transaction costs at initial recognition. Subsequent measurement is at amortised cost by applying the effective interest rate method.

2.5.3 Financial derivatives
The Company uses derivatives to hedge interest rate and currency and price risks. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument or instrument held for trading. The Company designates as hedging instruments only those which fulfil the requirements of hedge accounting.

The Company uses derivatives to hedge future cash flows. The hedged items are as follows:

- Highly probable future transactions; and
- Cash flow from selected liabilities.

The Company is hedging against changes in cash flows from selected liabilities caused by changes in interest rates and against changes in cash flows from highly probable future transactions caused by changes in foreign exchange spot rates and other price changes (arising especially from the combination of commodity and currency risk).

The changes in the spot component of currency financial derivatives that qualify as effective cash-flow hedging instruments are recognised in other comprehensive income. The changes in the forward points component of currency financial derivatives that qualify as effective cash-flow hedging instruments are recognised as a gain or loss in the income statement.

The changes in fair value of currency financial derivatives (interest and commodity) that qualify as effective cash-flow hedging instruments are recognised in other comprehensive income.

The cumulative balances recognised in other comprehensive income are recycled into the income statement as a gain or loss in the periods when the hedged item affects the income statement. If the timing of the hedged cash flow is deferred, in compliance with its hedging strategy the Company prolongs the maturity of the original hedging instrument. In such case the spot component of the original derivative contract is held in equity until the hedged item affects the income statement. At this moment, the balance of the spot component is recycled from other comprehensive income to the income statement and recognised as a gain or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income from the effective part of the hedging instrument at that time remains in other comprehensive income and is reclassified to income statement when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

Certain derivative instruments do not qualify for hedge accounting according to IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, such as the net present value of future cash flows. The fair value of currency forwards and swaps is determined as the present value of future cash flows based on forward exchange market rates as at the balance sheet date. The fair value of interest rate swaps is calculated as the present value of future cash flows based on market interest rates as at the balance sheet date. The fair value of commodity swaps is calculated as the present value of future cash flows based on commodity forward exchange market rates.

2.6 Current and deferred income tax

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

2.6.1 Current income tax

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

2.6.2 Deferred income tax

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

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

In accordance with IAS 12, deferred tax assets and liabilities are offset if the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority, and where the Company has the enforceable right to offset the current tax assets and liabilities.

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

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

2.7 Inventories

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

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

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

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

2.8 Provisions for long-term employee benefits

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

- service jubilee;
- other long-service benefits.

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

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

The present value of the long-term employee benefits is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds to the balance sheet date. If a market of such bonds does not exist, the Company uses the market yield of treasury bonds. The term and currency of these corporate or treasury bonds are consistent with the currency and term of the respective other long-term employee benefits.

2.9 Other provisions

In accordance with IAS 37, provisions are recognised where a present obligation exists to third parties as a result of a past event; where a future outflow of resources is probable; and where a reliable estimate of that outflow can be made. Future outflows are estimated with respect to particular specific risks. Provisions not resulting in an outflow of resources within one year are recognised at their settlement value discounted to the balance sheet date. Discounting is based on current market interest rates.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.10 Share based payments

The ultimate parent company VOLKSWAGEN AG provides the option for the acquisition of ordinary shares of VOLKSWAGEN AG to its employees in line with the share option plan established based on decision of the board of directors with the approval of the supervisory board of VOLKSWAGEN AG and authorization of the annual general meeting held on 19 June 1997. The share option plan entitles qualified employees for a subscription of convertible bonds of VOLKSWAGEN AG for a price of EUR 2.56 per convertible bond. Each convertible bond is convertible into 10 ordinary shares of VOLKSWAGEN AG.

The costs relating to share option plan are debited by the Company to the income statement and, as the costs are not reinvoiced by VOLKSWAGEN AG to the Company, the corresponding amounts are credited to share option reserve in equity as a capital contribution.

These equity-settled share based payments are measured at fair value as at the date of being granted to the employees and are accrued over the vesting period. The fair value of the convertible bonds is estimated using a binomial option pricing model.

2.11 Revenue and expense recognition

Revenue comprises the fair value of consideration received or receivable for the goods sold and services provided, net of value-added tax, rebates and discounts.

Sales of goods are recognised only when the goods have been delivered, that is, when the significant risks and rewards have passed to the customer, the sales price is agreed or determinable and receipt of payment is probable. This corresponds generally to the date when the products are provided to dealers outside the Company or to the delivery date in the case of direct sales to consumers.

Income from the royalties is recognised in accordance with the substance of the relevant agreements. Dividend income is generally recognised on the date at which the dividend is legally approved and when the payment is probable.

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

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

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

2.12 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.13 Investment incentives and subsidies

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

Subsidies of entrepreneurial activities and of employee training and retraining costs are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants, including non-monetary grants related to the purchase of tangible and intangible assets, are recognised at fair value as deferred income in non-current liabilities and amortised to the income statement in proportion to the depreciation charge for the related asset.

2.14 Related parties

Related parties as defined by IAS 24 are parties that the Company has the ability to control, are under common control, or over which it can exercise significant influence, or parties that have the ability to control or exercise significant influence over the Company.

2.15 Segment reporting

Operating segments are components of the Company, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The operating segments are reported in compliance with the aggregation and materiality criteria.

2.16 Share capital

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

2.17 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions are continuously assessed by management. The estimates and assumptions are based on historical experience and other factors, including the realistic assessment of future developments. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Capitalisation of development costs

The Company is continuously investing in research and development of new products, which are either developed internally within the Company's research and development centre or within the VOLKSWAGEN AG Group. In compliance with IAS 38, for each development project the Company is performing an assessment whether the project meets the intangible asset recognition criteria, especially the probability that the asset will generate future economic benefits. The Company's assessment is based on analysis and estimates for the next five and more years with respect to the products future sales, development of the individual markets and automotive industry itself. Despite the Company's analysis is prepared based on management' best estimate and currently available information, the risk of future significant changes and uncertainty with respect to future development of the assumptions applied remain significant. Please refer to Note 5 for additional information.

Provision for warranty claims

The Company recognises provisions for warranty claims for future expenses connected with the basic guarantee (2 years), with the guarantee for corrosion (dependent on the model for 10 or 12 years) and other guarantees beyond the scope of basic guarantee, especially good-will repairs (the 3rd and the 4th year). The Company recognises the provisions for warranty claims at the moment of sale on the basis of the number of sold cars and in advance determined rates for individual model line.

The amount of the rate for the basic guarantee is determined on the basis of a management estimate of the average number of failures in the guarantee period and average single failure costs with regard to the specifics of individual countries and on the basis of other specific assumptions (inflation, customers groups development, etc.). The amount of the provision for corrosion is determined through a mathematical model which extrapolates the curve of future costs development for the relevant period on the basis of weighted average of actual costs from previous calendar years of the model production. The amount of the provision for good-will repairs is determined on the basis of a management estimate of existing good-will repair costs and defined strategy of the good-will repair trademark policy with regard to specifics of individual countries.

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

3. Financial risk management

The Company operates in the automotive industry and sells its products in many countries around the world and performs transactions connected with a variety of financial risks. The objective of the Company is to minimise these risks through application of flexible hedging strategy with utilisation of various instruments. In compliance with the Volkswagen Group policy all hedging operations are reconciled and implemented in cooperation with the Treasury department of the Volkswagen Group.

The Board of Directors of the Company is regularly informed of the current financial and other related risks (free liquidity, foreign exchange rates, interest rates, invoice currencies, payment conditions, taxes etc.), which is achieved through regular "liquidity meeting" attended by representatives from Treasury, Controlling and Accounting, Volkswagen Group Treasury, representatives of subsidiaries and management of Commercial affairs department. These meetings have predefined agenda, which includes also information on main macroeconomic indicators from all important countries, in which the Company sells its products. Meetings have a formalised structure and all minutes including the decisions are recorded and their fulfilment is periodically reviewed.

In 2009, the world economy was fully impacted by the global financial crisis, which started in 2007 and further deepened in 2008. The problems of financial institutions resulted in a significant decrease in GDP. The automotive industry was also seriously affected by the global economic and financial crisis.

However, as a result of the Company's flexible response to the government's efforts to support the economy (e.g. scrap premium) and of the cost-cutting measures introduced the decrease in Company sales was not as significant as the decrease in sales of most competitors.

The Company's management is ready to use all necessary measures to support the sustainable development and growth of Company's activities and to effectively react to changes, which the financial and economic crisis brings, especially to the decrease in prices of some key commodities, and to potential future government supports for economy revitalisation.

The estimate of impacts of the global financial crisis on the financial position of the Company and other financial indicators are presented further in individual chapters of financial risk management.

3.1 Credit risk

Credit risk is a risk that one party to a financial instrument will cause a financial loss for the activities connected with other party by failing to discharge an obligation.

Credit risk arises in the normal course of the Company's operations, as well as through activities connected with financial market transactions (money market, currency conversion, derivatives transactions, etc.).

The quantification of credit risks is based on several different primary criteria, of which the most significant are the country risk and the counterparty risk. In assessing these risks, attention is paid to the country in which the headquarters of the counterparties are situated. The credit rating of these countries is monitored closely and attention is focused on the analysis of macroeconomic indices. Apart from the Volkswagen Group's Risk Management Department, the Company also uses the services of external agencies (D&B, Creditreform, Reuters, etc.).

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

Active administration and management of receivables is incorporated into the credit risk management process. In respect of the trade receivables security strategy, trade receivables are divided into receivables from domestic customers, foreign customers, Volkswagen Group entities and subsidiaries. The Company uses factoring and other standard financial market instruments such as forfeiting, bank guarantees, letters of credit and advance payments to reduce the risk. In addition, the following instruments and their combinations are used to secure high-risk receivables: acknowledgements of debt, payment schedules and bills of exchange.

Loans to employees are secured by other employee guarantees.

During the accounting period 2009 (2008), the Company did not accept any pledges to secure loans.

3.1.1 Maximum exposure to credit risk (CZK million)

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

	Carrying amount as at 31 December 2009			Total
	Non-impaired financial assets not yet due	Non-impaired financial assets past due	Impaired financial assets	
Loans to employees	365	-	-	365
Loans to Volkswagen Group companies	13,562	-	-	13,562
Positive fair value of financial derivatives	2,105	-	-	2,105
Others	88	-	-	88
Trade receivables	5,697	1,938	-	7,635
Cash	15,662	-	-	15,662
Total	**37,479**	**1,938**	**-**	**39,417**

	Carrying amount as at 31 December 2008			Total
	Non-impaired financial assets not yet due	Non-impaired financial assets past due	Impaired financial assets	
Loans to employees	339	-	-	339
Loans to Volkswagen Group companies	25,015	-	-	25,015
Positive fair value of financial derivatives	4,333	-	-	4,333
Others	457	-	2	459
Trade receivables	5,421	3,031	-	8,452
Cash	2,997	-	-	2,997
Total	**38,562**	**3,031**	**2**	**41,595**

3.1.2 Risk concentration

The Company monitors concentration of credit risk by distribution regions and by the denomination currency. The sensitivity of the Company to foreign exchange risk is disclosed in note 3.3.1. During the accounting period 2009 (2008) the Company did not identify any significant risk concentration on the basis of distribution region. Significant portion of financial assets was of intra-group nature and the Company did not consider as probable that a default could occur. Possible risk of unpaid receivables from third parties was individually not significant (spread between various debtors and regions).

3.1.3 Solvency of financial assets neither past due nor impaired (CZK million)

The Company uses the following criteria when setting ratings of financial assets that are neither past due nor impaired. Solvency class 1 includes receivables and loans from related parties and receivables from third parties (secured receivables and receivables that will be subject to factoring without recourse) for which there is no objective evidence indicating impairment. Solvency class 2 includes unsecured trade receivables from third parties for which there is no objective evidence indicating impairment (receivables from dealers without risk and receivables from dealers with schedule of payments).

Balance as at 31 December 2009	Solvency class 1	Solvency class 2	Total
Loans to employees	365	-	365
Loans to Volkswagen Group companies	13,562	-	13,562
Positive fair value of financial derivatives	2,105	-	2,105
Other receivables and financial assets	88	-	88
Trade receivables	5,407	290	5,697
Cash	15,662	-	15,662
Total	**37,189**	**290**	**37,479**

Solvency of financial assets neither past due nor impaired (CZK million)

Balance as at 31 December 2008	Solvency class 1	Solvency class 2	Total
Loans to employees	339	-	339
Loans to Volkswagen Group companies	25,015	-	25,015
Positive fair value of financial derivatives	4,333	-	4,333
Other receivables and financial assets	457	-	457
Trade receivables	5,128	293	5,421
Cash	2,997	-	2,997
Total	**38,269**	**293**	**38,562**

3.1.4 Carrying amount of financial assets past due and not impaired (CZK million)

	Months past due			
	Less than 1 month	1 – 3 months	More than 3 months	Total
Trade receivables				
Balance as at 31 December 2009	**872**	**329**	**737**	**1,938**
Balance as at 31 December 2008	2,009	700	322	3,031

Receivables more than 3 months past due are represented mainly by receivables from Volkswagen group companies. The Company did not identify any need for impairment of these receivables.

3.1.5 Valuation allowance for receivables and other financial assets (CZK million)
Impairment status and development of other receivables and trade receivables has been analysed as follows:

	2009	2008
Other receivables and financial assets		
Gross balance as at 31 December	158	288
Valuation allowance:		
Balance as at 1 January	(286)	(286)
Additions	(11)	(2)
Utilised	125	2
Released	14	-
Balance as at 31 December	**(158)**	**(286)**
Net balance as at 31 December	-	2
Trade receivables		
Gross balance as at 31 December	285	268
Valuation allowance:		
Balance as at 1 January	(268)	(245)
Additions	(71)	(36)
Utilised	52	4
Released	2	9
Balance as at 31 December	**(285)**	**(268)**
Net balance as at 31 December	-	-

During the accounting period 2009 (2008) the Company had valuation allowances on individual financial assets only for which a default risk was identified. During the accounting period 2009 (2008) the Company had valuation allowances only on financial assets included in category of loans and receivables.

3.1.6 Estimate of the impact of the global financial crisis on the Company in the area of credit risk
The credit crisis could have an influence on payment discipline of debtors. The Company's debtors can be influenced by lower liquidity, which can influence their ability to pay outstanding amounts. The Company's management believes that under current circumstances it uses all necessary instruments in the area of credit risk management (especially hedging instruments) to support the sustainable development and growth of Company's activities.

The worsening operating position of debtors could also have an impact on judgement whether the financial assets should be impaired. With respect to the extent of available information, the Company's management considered this risk and found it insignificant.

3.2 Liquidity risk

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

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

Management of the Company monitors the liquidity and its development at the regular monthly meetings, so called "liquidity meetings", attended by the representatives of Treasury, Controlling and Accounting departments. The predetermined agenda generally includes the information about daily development of liquidity and its structure. The Company management is also presented with the short-term forecasts of the liquidity development.

The following important instruments are used to secure sufficient liquidity resources: the short term and long term financial plan, active cooperation with banks (credit lines) and monitoring of the situation on the money market and the capital market. The sufficient liquidity resources are ensured mainly by committed and uncommitted credit lines from external banks and by intercompany credit lines (resources within the Volkswagen Group).

The total amount of credit lines from banks as at 31 December 2009 was CZK 9,600 million (as at 31 December 2008: CZK 7,600 million). All credit lines are contracted in Czech crowns. The Company has not utilised any agreed bank credit lines as at 31 December 2009 (as at 31 December 2008: CZK 6,300 million).

During the year 2009 a credit line of CZK 3,000 million has been obtained from the Volkswagen Group in the total amount of CZK 3,000 million. As at 31 December 2009 the whole amount of the credit line was drawn.

Contractual maturity analysis (undiscounted amounts in CZK million)

Balance as at 31 December 2009	Less than 3 months	3 – 12 months	1 – 5 years	Longer than 5 years	Unspecified*	Total
Cash	15,676	-	-	-	-	15,676
Other receivables and financial assets (except derivatives)	13,662	85	280	68	1	14,096
Trade receivables	5,376	321	-	-	1,938	7,635
Financial liabilities	(138)	(2,046)	(3,552)	-	-	(5,736)
Other liabilities (except derivatives)	-	-	-	-	-	-
Trade payables	(16,358)	(147)	-	-	(1,631)	(18,136)
Derivatives with positive fair value:						
Currency forwards and swaps						
Inflow of financial resources	4,446	14,134	11,126	-	-	29,706
Outflow of financial resources	(4,157)	(13,227)	(10,381)	-	-	(27,765)
Commodity swaps	14	40	155	-	-	209
Derivatives with negative fair value:						
Currency forwards and swaps						
Inflow of financial resources	2,924	8,220	6,152	-	-	17,296
Outflow of financial resources	(3,112)	(8,648)	(6,373)	-	-	(18,133)
Interest swaps	-	(36)	-	-	-	(36)
Commodity swaps	-	-	-	-	-	
Total	**18,333**	**(1,304)**	**(2,593)**	**68**	**308**	**14,812**

Contractual maturity analysis (undiscounted amounts in CZK million)

Balance as at 31 December 2008	Less than 3 months	3 – 12 months	1 – 5 years	Longer than 5 years	Unspecified*	Total
Cash	2,997	-	-	-	-	2,997
Other receivables and financial assets (except derivatives)	24,512	1,113	253	60	40	25,978
Trade receivables	5,421	-	-	-	3,031	8,452
Financial liabilities	(5,371)	(1,119)	(2,044)	-	-	(8,534)
Other liabilities (except derivatives)	-	-	-	-	(50)	(50)
Trade payables	(14,550)	(203)	-	-	(1,924)	(16,677)
Derivatives with positive fair value:						
Currency forwards and swaps						
Inflow of financial resources	9,893	25,649	11,364	-	-	46,906
Outflow of financial resources	(9,297)	(24,121)	(11,049)	-	-	(44,467)
Derivatives with negative fair value:						
Currency forwards and swaps						
Inflow of financial resources	1,896	5,141	3,602	-	-	10,639
Outflow of financial resources	(2,154)	(5,859)	(4,061)	-	-	(12,074)
interest swaps	-	**(1)**	**(39)**	-	-	**(40)**
Total	**13,347**	**600**	**(1,974)**	**60**	**1,097**	**13,130**

* Unspecified represents the un-discounted cash flows from un-invoiced deliveries where it is not possible to determine the invoice maturity (the usual maturity is six months) as well as past due receivables for which the timing of expected inflow cannot be determined.

3.2.1 Estimate of the global financial crisis impact on Company's liquidity

The global financial crisis deepened the global liquidity crisis which resulted, i.e. in a decrease in the level of bank sector liquidity, which led to tightening of credit conditions.

Just as in previous years, in 2009 cash and cash equivalents significantly exceeded the net debt of the Company (see note 3.5).
In previous years (2007 and 2008) the Company used mainly its own resources to finance its activities. The Company reported a record free liquidity several years in a row, which creates sufficient space for financing the business activities even in a period of recession.

With respect to the above-mentioned facts, and in spite of significant decrease in corporate financing, the Company does not expect that these circumstances could influence its ability to pay its liabilities. On the other hand, the worsening operating situation of the Company's debtors could influence the prognosis of cash flows prepared by the Company's management. With respect to the extent of available information, the Company's management considered the circumstances mentioned and adjusted estimates of future cash flows.

3.3 Market risk

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

3.3.1 Currency risk

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

The fluctuation of exchange rates represents significant risk in that the Company sells its products, and purchases material, parts and services concurrently in various foreign currencies. The Company actively manages this risk through continually updated market analysis, worldwide procurement of material and equipment and production of its products in the sales regions. Standard derivative hedging instruments are used by the Company to manage the currency risk. The risk exposure, as determined by the analysis of income and expense structures by foreign currency, is hedged on the basis of expected future foreign currency cash flows.

Forward exchange contracts and currency swaps are used hedging instruments. The basic parameters of the hedging policy are defined by the hedging directive valid for the entire Volkswagen Group, which includes also the list of permitted hedging instruments. Hedging contracts are concluded in the name of the Company by the Treasury Department of the Volkswagen Group. The most important trading currencies are USD, EUR, GBP and CHF. In addition to these currencies, currencies of the other European and non-European markets are hedged. The Company applies hedge accounting for currency risk.

For the analysis of sensitivity to exchange rates please refer to Note 3.4.1.

3.3.2 Interest rate risk

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

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

The management of the Company monitors the interest rate risk at the regular monthly meetings attended by the representatives of Treasury, Controlling and Accounting departments. The predetermined agenda generally includes the following – information about current development of interbank interest rates (especially PRIBOR, EURIBOR and LIBOR) and information about central banks' interest rates in the regions where the Company operates. The Company management is also presented with the short-term forecasts of the interest rates development.

The exposure to interest rate risk arises from short-term loans provided to the Volkswagen Group companies, and from issued bonds with floating interest rate. Interest rate swaps are used to hedge against interest rate risks in this area.

The Company applies hedge accounting for cash flow interest rate risk.

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

3.3.3 Price risk

Price risk is a risk that the fair value of future cash flows from the financial instruments will fluctuate because of changes in market prices especially commodity prices (apart from that which result from currency and interest risk).

Due to the continuous volatility in the prices of the raw material commodities and limited accessibility to specific commodities, management has aimed to eliminate these risks through target risk management strategies. In this regard, utilisation of alternative production materials and procedures as well as utilisation of recycled material is being examined. In addition, emphasis is placed on extending the international supply chain in co-operation with the Volkswagen Group. High risk commodities include primarily aluminium, copper, palladium, lead, platinum and rhodium. Those commodities identified as high risk are controlled at the Volkswagen Group level through the long-term supply contracts with the suppliers.

In 2009, the Company started hedging against price risks in general (as a consequence of changes in particular commodity prices and foreign exchange rates) through commodity swaps and currency forwards. Those financial derivatives are subject to hedge accounting – hedging of future cash flows.

The Company had in 2009 (2008) no significant trading derivatives.

3.3.4 Derivative financial instruments

Nominal and fair value of derivatives (CZK million)

	Nominal value of derivatives				Fair value of derivatives			
	Balance as at 31 December 2009		Balance as at 31 December 2008		Balance as at 31 December 2009		Balance as at 31 December 2008	
	With positive fair value	With negative fair value	With positive fair value	With negative fair value	Positive	Negative	Positive	Negative
Interest rate instruments								
Interest rate swaps – cash flow hedging	-	2,000	-	2,000	-	38	-	37
Currency instruments								
Currency forwards – cash flow hedging	29,090	16,301	46,450	10,639	1,908	773	4,326	1,503
Currency swaps – cash flow hedging	-	1,037	-	-	-	49	-	-
Compound currency options	-	-	271	-	-	-	7	-
Commodity instruments								
Commodity swaps – cash flow hedging	771	-	-	-	197	-	-	-
Total	**29,861**	**19,338**	**46,721**	**12,639**	**2,105**	**860**	**4,333**	**1,540**

The fixed interest rates for interest rate swaps fluctuated between 4.06 % and 4.10 % as at 31 December 2009 (2008: 4.06 % and 4.10 %).

The fair values of financial derivatives fulfil the criteria of level 2 in compliance with the IFRS 7 hierarchy (the fair values are derived from market quotations of forward exchange rates, commodity prices and yield curves, however the financial derivatives are not traded on financial markets directly).

Volume of hedged cash flows (CZK million)

	Volume of hedged cash flows		
Balance as at 31 December 2009	Within 1 year	1 – 5 years	Total
Interest risk exposure			
Hedging of future cash flows – liabilities	(46)	-	(46)
Currency risk exposure			
Hedging of future cash flows – future receivables	21,053	15,388	36,441
Hedging of future cash flows – future liabilities	(8,521)	(841)	(9,362)
Other price risks (combination of commodity and currency risks)			
Hedging of future cash flows – future liabilities	(129)	(558)	(687)
Total	**12,357**	**13,989**	**26,346**

	Volume of hedged cash flows		
Balance as at 31 December 2008	Within 1 year	1 – 5 years	Total
Interest risk exposure			
Hedging of future cash flows – liabilities	(82)	(44)	(126)
Currency risk exposure			
Hedging of future cash flows – future receivables	25,352	7,984	33,336
Hedging of future cash flows – future liabilities	(16,292)	(7,369)	(23,661)
Other price risks (combination of commodity and currency risks)			
Hedging of future cash flows – future liabilities	-	-	-
Total	**8,978**	**571**	**9,549**

3.3.5 Estimate of the impact of the global financial crisis on the Company in the area of market risk
The global financial crisis resulted in an instability of stock and other financial markets. As a consequence of the current instability on financial markets, regular transactions do not occur on arm's length basis and markets are becoming less liquid.

With respect to its foreign activities, the Company is exposed to the risk of fluctuation in foreign exchange rates. In the current situation, the Company's management is not able to estimate reliably all impacts of further worsening and growing instability of financial markets on the financial position of the Company. However, the Company's management believes that, under current circumstances, it is using all necessary instruments in the area of risk management to support the sustainable development and growth of its activities.

The Company did not and does not invest its free liquidity into traded securities and therefore is not exposed to the risk of decrease in their prices.

3.4 Sensitivity analysis

3.4.1 Sensitivity to exchange rates
The Company is exposed to the foreign currency risk arising mainly from transactions performed with the EU countries (EUR), with countries using USD as transaction currency, and with the subsidiary Skoda Auto India Private Ltd. located in India (EUR). The foreign currency risk is measured against the functional currency (CZK) as at the balance sheet date, when the financial assets and liabilities denominated in foreign currencies are recalculated to CZK by applying the Czech National Bank exchange rate.

The sensitivity analysis includes only the unpaid financial assets and liabilities denominated in foreign currencies, and measures the impact from recalculation of these items as at balance sheet date by using adjusted exchange rates compared to those published by Czech National Bank. The Company considers the movements of exchange rates EUR and GBP against CZK in the following period +10 % (appreciation of CZK) and -10 % (depreciation of CZK) possible. The Company considers the movements of exchange rates USD and CHF against CZK in the following period +20 % (appreciation of CZK) and -20 % (depreciation of CZK) possible.

The sensitivity analysis to exchange rate changes is based on the assumption of expected possible exchange rate movements.

The following table presents possible impact on profit and loss and on equity before tax of expected possible appreciation or depreciation of CZK to foreign currencies:

2009 (CZK million)	CZK appreciation by 20 %			CZK appreciation by 10 %			Total
	USD	CHF	Other currencies	EUR	GBP	Other currencies	
Income statement							
Non-derivative financial instruments	(183)	(8)	19	778	9	(210)	405
Derivative financial instruments	(20)	(7)	(21)	7	(13)	(22)	(76)
Equity							
Derivative financial instruments	2,115	865	888	(909)	872	718	4,549

2009 (CZK million)	CZK depreciation by 20 %			CZK depreciation by 10 %			Total
	USD	CHF	Other currencies	EUR	GBP	Other currencies	
Income statement							
Non-derivative financial instruments	183	8	(19)	(778)	(9)	210	(405)
Derivative financial instruments	20	7	21	(7)	13	22	76
Equity							
Derivative financial instruments	(2,115)	(865)	(888)	909	(872)	(718)	(4,549)

2008 (CZK million)	CZK appreciation by 20 %		CZK appreciation by 10 %			Total
	USD	RUB	EUR	GBP	Other currencies	
Income statement						
Non-derivative financial instruments	(138)	(904)	669	14	(2)	(361)
Equity						
Derivative financial instruments	2,867	539	(2,399)	547	922	2,476

2008 (CZK million)	CZK depreciation by 20 %		CZK depreciation by 10 %			Total
	USD	RUB	EUR	GBP	Other currencies	
Income statement						
Non-derivative financial instruments	138	904	(669)	(14)	2	361
Derivative financial instruments						
Equity						
Derivative financial instruments	(2,867)	(539)	2,399	(547)	(922)	(2,476)

3.4.2 Sensitivity to interest rates

The Company is exposed to interest rate risk mainly in relation to short-term loans provided to Volkswagen Group companies and due to the existence of financial liabilities arising from issued bonds with floating interest rate. Cash flow interest rate risk on the issued bonds is mitigated by interest rate swaps.

The analysis of sensitivity to changes in interest rates was based on exposure to derivative financial assets and liabilities as at balance sheet date, as well as to non-derivative financial assets and liabilities. The Company assumes possible movements of the yield curve in the following period for bonds and interest rate swaps by +/ -100 of basis points. The Company assumes possible movements of the yield curve in the following period for loans and bank deposits by +100/ -15 of basis points. The Company is most sensitive to movements of the CZK yield curve. In the case of derivative financial instruments, the Company measures the impact on the change in fair value of these derivatives that results from the change in the yield curve. For granted loans and issued bonds, the impact on profit and loss is determined on the basis of defined change in the interest rate, which would arise at the beginning of the next accounting period and based on the assumption that no other changes in the interest rate would occur during the entire accounting period. Other non-derivative financial assets and liabilities are not considered to be sensitive to interest rate movements.

The following table presents possible impact on profit and loss and on equity before tax of expected increase (+100 basis points) or decrease (-100 basis points) of interest rates:

2009 (CZK million)	Interest rate increased by 100 basis points *	Interest rate decreased by 100/15 basis points*
Income statement		
Non-derivative financial instruments	278	(27)
Derivative financial instruments	16	(16)
Total	**294**	**(43)**
Equity		
Derivative financial instruments	10	(10)

* Due to low interest rates from loans and banks deposits, their sensitivity was calculated using the increase of interest rates by 100 basis points and decrease by 15 basis points instead of 100 basis points used for other financial instruments.

2008 (CZK million)	Interest rate increased by 100 basis points	Interest rate decreased by 100 basis points
Income statement		
Non-derivative financial instruments	198	(198)
Derivative financial instruments	20	(20)
Total	**218**	**(218)**
Equity		
Derivative financial instruments	28	(29)

3.4.3 Sensitivity to changes in other price risks

The Company is exposed to a combination of commodity and currency risks due to volatility in prices of particular commodities traded in foreign currencies. This risk of change in cash flows is hedged by a combination of commodity swaps and currency forwards. The sensitivity analysis to changes in commodity prices was determined based on the exposure to derivative financial assets and liabilities as at the balance sheet date. The Company assumes potential movements in aluminium prices in the following period of +/ -10 %. The Company considers changes in the fair values of derivative financial instruments due to changes in spot commodity prices. Other non-derivative financial assets and liabilities are deemed to not be sensitive to changes in commodity prices since the prices are fixed at the time of recognition of the financial liability or asset.

The following table represents a possible impact on equity before tax of expected increase (+10 %) or decrease (-10 %) of aluminium prices (in 2008 the Company did not enter into any commodity derivative relationship).

2009 (CZK million)	Increase of aluminium prices +10 %	Decrease of aluminium prices (10) %
Equity		
Derivative financial instruments	80	(80)
Total	**80**	**(80)**

The possible impact on profit and loss was assessed by the Company as immaterial.

3.5 Capital risk management

The optimal capitalisation of the Company is the compromise between two interests – the return on capital and the ability to meet all liabilities when they become due.

The main objective of the Company in capital risk management is to keep a healthy ratio between the equity and liabilities in order to minimise the total cost of capital and in parallel maximise the Company value for the shareholder. The Company primarily monitors the capital structure by application of debt ratio, which is based on ratio of net debt to total capital. The net debt is a difference between the total debt less cash and cash equivalents. Total debt includes long-term debts and short-term loans. Total capital is defined as a sum of net debt and equity.

Balance as at 31 December	2009	2008
Total debt (CZK million)	5,115	8,333
Less cash and cash equivalents (CZK million)	29,224	27,009
Net debt (CZK million)	(24,109)	(18,676)
Equity (CZK million)	68,519	71,721
Total capital (CZK million)	44,410	53,045
Debt ratio in %	-	-

The debt ratio was nil during the accounting period 2009 (2008) as the net debt resulted in negative figure.

4. Segment reporting

Operating segments

As at 31 December 2009, the Company identified a single operating segment represented by the development, production and sale of passenger and commercial vehicles, engines and original spare parts and accessories. Other activities of the Company are not deemed to constitute a separate operating segment because either based on similar economic characteristics they can be aggregated into a single operating segment, or their financial results, revenues and total assets are immaterial when compared to the operating segment identified.

Geographical information

The Company's head office and main production facilities are situated in the Czech Republic.

The Company's sales are generated from five basic geographical regions: the Czech Republic; Germany; Western Europe-Other; Central and Eastern Europe; and Overseas/Asia/Africa/Australia. Overseas/Asia/Africa/Australia region is due to its immateriality reported as Unallocated. In regions Western Europe-Other and Central and Eastern Europe, there is no individual country which would have more than 10% share on total sales.

2009 (CZK million)	Czech Republic	Germany	Western Europe-Other	Central and Eastern Europe	Unallocated	Total
Sales – based on location of customers	21,359	52,921	54,908	29,075	12,403	170,666
Non-current assets*	55,508	198	-	1,872	1,140	58,718

2008 (CZK million)	Czech Republic	Germany	Western Europe-Other	Central and Eastern Europe	Unallocated	Total
Sales – based on location of customers	23,899	38,680	60,051	52,410	13,532	188,572
Non-current assets*	55,778	198	-	1,872	1,140	58,988

* Non-current assets other than financial instruments and deferred tax assets.

5. Intangible assets (CZK million)

	Capitalised development costs for products currently in use	Capitalised development costs for products under development	Other intangible assets	Total
Costs				
Balance as at 1 January 2009	**18,686**	**3,448**	**3,848**	**25,982**
Additions	682	811	1,130	2,623
Disposals	-	-	(45)	(45)
Transfers	3,121	(3,121)	-	-
Balance as at 31 December 2009	**22,489**	**1,138**	**4,933**	**28,560**
Cumulative amortisation and impairment losses				
Balance as at 1 January 2009	**(9,671)**	**-**	**(2,532)**	**(12,203)**
Amortisation and impairment losses	(2,899)	-	(532)	(3,431)
Disposals and transfers	-	-	41	41
Balance as at 31 December 2009	**(12,570)**	**-**	**(3,023)**	**(15,593)**
Carrying amount as at 31 December 2009	**9,919**	**1,138**	**1,910**	**12,967**

	Capitalised development costs for products currently in use	Capitalised development costs for products under development	Other intangible assets	Total
Costs				
Balance as at 1 January 2008	**24,212**	**4,821**	**3,347**	**32,380**
Additions	512	1,554	551	2,617
Disposals	(8,965)	-	(57)	(9,022)
Transfers	2,927	(2,927)	7	7
Balance as at 31 December 2008	**18,686**	**3,448**	**3,848**	**25,982**
Cumulative amortisation and impairment losses				
Balance as at 1 January 2008	**(16,310)**	**-**	**(2,162)**	**(18,472)**
Amortisation	(2,326)	-	(401)	(2,727)
Disposals and transfers	8,965	-	31	8,996
Balance as at 31 December 2008	**(9,671)**	**-**	**(2,532)**	**(12,203)**
Carrying amount as at 31 December 2008	**9,015**	**3,448**	**1,316**	**13,779**

Other intangible assets include mainly rights to use the equipment of other companies from the Volkswagen group, software and software licences.

Amortisation of intangible assets of CZK 3,278 million (2008: CZK 2,595 million) is included in the cost of sales, CZK 14 million (CZK 2008: 16 million) in distribution expenses, and CZK 139 million (2008: CZK 116 million) in administrative expenses.

The requirements of IAS 1, IAS 10 and IAS 36 standards have been assessed by the Company's management in relation to the global financial crisis and its potential impact on the carrying amount of the Company's long-term intangible assets. Due to substantial changes in the economic and market environment, the Company has experienced in 2009 a significant decrease in the planned volume of cars sold by one cash-generating unit (production of cars of a certain model). An impairment review of assets relating to this cash-generating unit has been performed. The carrying amount of the assets relating to the cash-generating unit has been compared with the recoverable amount. The recoverable amount has been determined based on the calculation of the value in use applying cash flow projections reflecting financial plans, approved by the Company's management, for the period that equals useful life of these assets. For discounting cash flows, the discount rate of 9.1 % has been applied, reflecting the specific risks associated with the sector in which the Company operates. The comparison of the carrying amount with the recoverable amount resulted in an impairment loss allocated to intangible assets in the amount of CZK 421 million, which has been posted to the income statement (within line Cost of sales) for the year ended 31 December 2009. In Note 5 Intangible assets, the amount is included in the category Capitalised development costs for products currently in use in the line Amortisation and impairment losses.

Effective since 1 January 2009, IAS 23 Revised removed the option of immediately recognising borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale as an expense. The Company is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. For the capitalisation of borrowing costs in 2009, the Company applied the capitalisation rate of 4.6 %. No borrowing costs have been capitalised in the cost of intangible assets in 2009 as not material. In 2008, the Company immediately recognised borrowing costs as an expense, in accordance with IAS 23.

The following amounts were recognised in the income statement as research and development expenses (CZK million)

	2009	2008
Research and non-capitalised development costs	4,240	3,395
Amortisation of development costs	2,899	2,326
Research and development costs recognised in the income statement	**7,139**	**5,721**

6. Property, plant and equipment (CZK million)

	Land and buildings	Technical equipment and machinery	Tooling, office and other equipment	Payments on account and assets under construction	Total
Costs					
Balance as at 1 January 2009	**27,630**	**56,282**	**40,720**	**6,325**	**130,957**
Additions	429	2,501	3,121	2,977	9,028
Disposals	-	(541)	(1,335)	-	(1,876)
Transfers	1,240	2,090	2,433	(5,763)	-
Balance as at 31 December 2009	**29,299**	**60,332**	**44,939**	**3,539**	**138,109**
Cumulative depreciation and impairment losses					
Balance as at 1 January 2009	**(9,447)**	**(47,054)**	**(32,457)**	**-**	**(88,958)**
Depreciation and impairment losses	(1,074)	(3,260)	(4,113)	-	(8,447)
Reversal of cumulative impairment losses	-	-	-	-	-
Disposals and transfers	-	541	1,296	-	1,837
Balance as at 31 December 2009	**(10,521)**	**(49,773)**	**(35,274)**	**-**	**(95,568)**
Carrying amount as at 31 December 2009	**18,778**	**10,559**	**9,665**	**3,539**	**42,541**

	Land and buildings	Technical equipment and machinery	Tooling, office and other equipment	Payments on account and assets under construction	Total
Costs					
Balance as at 1 January 2008	**26,161**	**54,729**	**37,466**	**5,811**	**124,167**
Additions	528	2,831	2,687	4,974	11,020
Disposals	(34)	(2,738)	(1,451)	-	(4,223)
Transfers	975	1,460	2,018	(4,460)	(7)
Balance as at 31 December 2008	**27,630**	**56,282**	**40,720**	**6,325**	**130,957**
Cumulative depreciation and impairment losses					
Balance as at 1 January 2008	**(8,443)**	**(45,677)**	**(29,724)**	**-**	**(83,844)**
Depreciation	(1,023)	(2,986)	(4,056)	-	(8,065)
Reversal of cumulative impairment losses	-	120	6	-	126
Disposals and transfers	19	1,489	1,317	-	2,825
Balance as at 31 December 2008	**(9,447)**	**(47,054)**	**(32,457)**	**-**	**(88,958)**
Carrying amount as at 31 December 2008	**18,183**	**9,228**	**8,263**	**6,325**	**41,999**

Total depreciation of the buildings and equipment of CZK 7,919 million (2008: CZK 7,532 million) is included in the cost of sales, CZK 162 million (2008: CZK 182 million) in distribution expenses, and CZK 366 million (2008: CZK 351 million) in administrative expenses.

The requirements of IAS 1, IAS 10 and IAS 36 standards have been assessed by the Company's management in relation to the global financial crisis and its potential impact on the carrying amount of the Company's long-term tangible assets. Due to substantial changes in the economic and market environment, the Company has experienced in 2009 a significant decrease in the planned volume of cars sold by one cash-generating unit (production of cars of a certain model). An impairment review of assets relating to this cash-generating unit has been performed. The carrying amount of the assets relating to the cash-generating unit has been compared with the recoverable amount.
The recoverable amount has been determined based on the calculation of the value in use applying cash flow projections reflecting financial plans, approved by the Company's management, for the period that equals useful life of these assets. For discounting cash flows, the discount rate of 9.1% has been applied, reflecting the specific risks associated with the sector in which the Company operates. The comparison of the carrying amount with the recoverable amount resulted in an impairment loss allocated to tangible assets in the amount of CZK 308 million, which has been posted to the income statement (within line Cost of sales) for the year ended 31 December 2009. In Note 6 Property, plant and equipment, the amount is included in the category Tooling, office and other equipment in the line Depreciation and impairment losses.

Effective since 1 January 2009, IAS 23 Revised removed the option of immediately recognising borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale as an expense. The Company is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. For the capitalisation of borrowing costs in 2009, the Company applied the capitalisation rate of 4.6 %. No borrowing costs have been capitalised in the cost of property, plant and equipment in 2009 as not material. In 2008, the Company immediately recognised borrowing costs as an expense, in accordance with IAS 23.

7. Investments in subsidiaries (CZK million)

	Country of incorporation	Book value		Shareholding
		31. 12. 2009	31. 12. 2008	%
Subsidiaries:				
ŠkodaAuto Deutschland GmbH	Germany	198	198	100
ŠKODA AUTO Slovensko, s.r.o.	Slovakia	49	49	100
Skoda Auto Polska S.A.	Poland	1	1	51
Skoda Auto India Private Ltd.	India	1,140	1,140	100
Total		**1,388**	**1,388**	

The results of the subsidiaries are included in the consolidated results of the Company.

The subsidiaries in which the Company has a financial investment paid dividend to the Company in the amount of CZK 97 million (2008: CZK 106 million).

8. Investment in associate (CZK million)

	2009	2008
OOO VOLKSWAGEN Group Rus/OOO VOLKSWAGEN Rus*:		
Total Assets	36,295	21,646
Total Liabilities**	33,493	21,646
Total Revenue	45,752	18,611
Loss	2,776	1,370
Statutory shareholding in %	16.8	32.9
Share of profits or losses in %	17.9	37.5

* Figures for 2008 relate to the associate OOO VOLKSWAGEN Rus, figures for 2009 relate to the associate OOO VOLKSWAGEN Group Rus, which arose from the merger of OOO VOLKSWAGEN Rus and OOO VOLKSWAGEN Group Rus as at 12 January 2009.

** In 2008, the amount of liabilities equalled the amount of assets which reflected the fact that based on a puttable option, equity holders of OOO companies with registered office in the Russian federation had the right to sell their shareholding back to the company at any time. As a result of a change in Russian Commercial Code as at 1 July 2009, this right is no longer guaranteed to the equity holders.

Total Assets and Total Liabilities are translated at the Czech National Bank exchange rate as at 31 December 2009 (31 December 2008). Total Revenue and Loss is translated at the Czech National Bank exchange rate for the year 2009 (2008).

On 26 October 2006, the Company acquired a 37.5 % share in OOO VOLKSWAGEN Rus (Kaluga, Russian Federation) at cost of CZK 187 million. In 2007, the Company invested additional CZK 298 million to the share capital of this associate. In 2008, the Company increased the investment in share capital of OOO VOLKSWAGEN Rus in form of assets contribution in the amount of additional CZK 1,337 million. Effective from 12 January 2009, the merger of the company OOO VOLKSWAGEN Group Rus and the company OOO VOLKSWAGEN Rus (the associate), which ceased to exist through the merger, has been registered. As a result of the merger, the Company has become one of the shareholders of the company OOO VOLKSWAGEN Group Rus. As at the merger date, the Company's share of the share capital of the successor company
OOO VOLKSWAGEN Group Rus was 16.80 %. The Company exercises significant influence in the company OOO VOLKSWAGEN Group Rus based on the following factors: the Company has its representatives in the governing body; the Company is participating in policy-making processes, including participation in decisions about distribution of profit via dividends; material transactions are conduct between both companies; an interchange of managerial personnel takes places between both companies and the Company is providing essential technical information to the company OOO VOLKSWAGEN Group Rus.

The Company's share of profits or losses of the associate OOO VOLKSWAGEN Group Rus as at 31 December 2009 was 17.91 % (The Company's share of profits or losses of the associate OOO VOLKSWAGEN Rus as at 31 December 2008 was 37.5 %).

9. Other non-current and current receivables, financial assets and trade receivables (CZK million)

Balance as at 31 December 2009	Financial assets at fair value through profit or loss**	Loans and receivables	Available for sale financial assets	Financial assets designated as hedging instruments	Other*	Total
Other receivables and financial assets						
Loans to employees	–	365	–	–	–	365
Loans to companies within Volkswagen Group excl. associates	–	13,022	–	–	–	13,022
Loans to associates	–	540	–	–	–	540
Positive fair value of financial derivatives	88	–	–	2,017	–	2,105
Available for sale financial assets	–	–	6	–	–	6
Tax receivables (excl. income tax)	–	–	–	–	1,938	1,938
Others	–	88	–	–	96	184
Total	**88**	**14,015**	**6**	**2,017**	**2,034**	**18,160**
Trade receivables						
Third parties	–	2,023	–	–	–	2,023
Subsidiaries	–	985	–	–	–	985
Other related parties	–	4,627	–	–	–	4,627
Total	**–**	**7,635**	**–**	**–**	**–**	**7,635**

Balance as at 31 December 2008	Financial assets at fair value through profit or loss**	Loans and receivables	Available for sale financial assets	Financial assets designated as hedging instruments	Other*	Total
Other receivables and financial assets						
Loans to employees	–	339	–	–	–	339
Loans to companies within Volkswagen Group excl. associates	–	24,495	–	–	–	24,495
Loans to associates	–	520	–	–	–	520
Positive fair value of financial derivatives	7	–	–	4,326	–	4,333
Available for sale financial assets	–	–	6	–	–	6
Tax receivables (excl. income tax)	–	–	–	–	2,052	2,052
Others	–	459	–	–	92	551
Total	**7**	**25,813**	**6**	**4,326**	**2,144**	**32,296**
Trade receivables						
Third parties	–	2,120	–	–	–	2,120
Subsidiaries	–	360	–	–	–	360
Other related parties	–	5,972	–	–	–	5,972
Total	**–**	**8,452**	**–**	**–**	**–**	**8,452**

* The category Other does not meet a definition of financial instruments in terms of IAS 32.
** Financial assets held for trading.

The increase in line „Positive fair value of financial derivatives" in the portfolio „Financial assets at fair value through profit or loss" as at 31 December 2009, in addition to other factors, is caused by the change in hedging strategy of the Company. In 2009, the Company started applying the hedge accounting only to the spot component of currency risk.

Fair value of Loans to employees is determined as present value of future cash flows based on PRIBID and interest rate swaps (IRS) yield curve and at 31 December 2009 was CZK 388 million (31 December 2008: CZK 349 million). The carrying amount net of impairment for each class of financial assets which are not carried at fair value approximates fair value.

The weighted average effective interest rate based on the carrying amount of loans provided to Volkswagen Group companies as at 31 December 2009 was 1.48 % (31 December 2008: 3.69 %). All loans provided to Volkswagen Group companies are denominated in CZK.

Line Others in other receivables and financial assets include mainly other receivables from employees and advances paid. There are no significant restrictions regarding the rights of use imposed on the other receivables and financial assets. Cumulative impairment losses reflect the incurred risks of the debtors' delays or defaults. The allowance for the impairment of trade receivables of CZK 285 million (2008: CZK 268 million) has been deducted from the presented carrying values of trade receivables. The carrying amount of trade receivables approximates the fair value at at the balance sheet date after the valuation allowance is taken into account.

10. Inventories (CZK million)

Structure of the inventories	Carrying value as at 31 December 2009	Carrying value as at 31 December 2008
Raw materials, consumables and supplies	2,393	2,625
Work in progress	1,824	1,807
Finished products and goods	3,633	4,230
Total	**7,850**	**8,662**

The amount of inventories recognised as an expense during 2009 was CZK 152,664 million (2008: CZK 163,676 million).

11. Cash (CZK million)

	31. 12. 2009	31. 12. 2008
Cash in hand	4	4
Bank accounts	15,658	2,993
Total	**15,662**	**2,997**

The weighted effective interest rate based on the carrying amount of bank deposits as at 31 December 2009 was 1.04 % (31 December 2008: 1.54 %).

12. Share capital

The issued share capital consists of 1,670,885 ordinary shares at a par value of CZK 10,000 per share. Volkswagen International Finance N.V., Amsterdam, The Kingdom of the Netherlands, holds 100% of the shares in the Company. The shares were purchased from VOLKSWAGEN AG on 18 July 2007 within the Volkswagen Group restructuring plan. Volkswagen International Finance N.V. is indirectly a 100 % subsidiary of VOLKSWAGEN AG.

There was no movement in the Company's share capital during the accounting period 2009 (2008: no movement).

In 2009, the Company paid a dividend of CZK 5,352 million (2008: CZK 7,117 million). In 2009, the dividend per share was CZK 3,203 (2008: CZK 4,259).

13. Other reserves (CZK million)

	31. 12. 2009	31. 12. 2008
Reserves for cash flow hedges*	922	2,211
Statutory reserve fund	3,194	2,631
Funds contributed by owner	10	10
Total	**4,126**	**4,852**

* Net of deferred tax from financial derivatives.

Movement in reserve for cash flow hedges:

Balance as at 1 January 2009 (CZK million)	2,211
Total change in fair value in the period	713
Deferred tax on change in fair value	(130)
Total transfers to net profit in the period – effective hedging	(2,235)
Total transfers to net profit in the period – ineffective hedging	(72)
Deferred tax on transfers to net profit	435
Balance as at 31 December 2009	**922**

Balance as at 1 January 2008 (CZK million)	1,173
Total change in fair value in the period	2,740
Deferred tax on change in fair value	(522)
Total transfers to net profit in the period – effective hedging	(1,374)
Total transfers to net profit in the period – ineffective hedging	(83)
Deferred tax on transfers to net profit	277
Balance as at 31 December 2008	**2,211**

The statutory reserve fund may be used only to offset losses. According to relevant regulations of the commercial code of the Czech Republic, the Company is required to transfer 5% of its annual net profit to the statutory reserve fund until the balance of this reserve reaches 20 % of the subscribed capital.

In compliance with the relevant regulations of the commercial code, the unconsolidated profit of the Company for the year 2009 (determined in accordance with IFRS) is going to be appropriated based on the decision of the Company's annual general meeting.

14. Financial, other and trade liabilities (CZK million)

Balance as at 31 December 2009	Financial liabilities at fair value through profit or loss**	Financial liabilities carried at amortised costs	Financial liabilities designated as hedging instruments	Other*	Total
Financial liabilities					
Bonds	-	2,008	-	-	2,008
Loans	-	3,107	-	-	3,107
Total		**5,115**	**-**	**-**	**5,115**
Other liabilities					
Negative fair value of financial derivatives	(17)	-	877	-	860
Other tax liabilities (excl. income tax)	-	-	-	-	-
Liabilities to employees	-	-	-	1,470	1,470
Social security	-	-	-	321	321
Others	-	-	-	134	134
Total	**(17)**	**-**	**877**	**1,925**	**2,785**
Trade liabilities					
Third parties	-	11,441	-	323	11,764
Subsidiaries	-	1,147	-	550	1,697
Other related parties	-	5,548	-	109	5,657
Total	**-**	**18,136**	**-**	**982**	**19,118**

Balance as at 31 December 2008	Financial liabilities at fair value through profit or loss**	Financial liabilities carried at amortised costs	Financial liabilities designated as hedging instruments	Other*	Total
Financial liabilities					
Bonds	-	2,015	-	-	2,015
Loans	-	6,318	-	-	6,318
Total	**-**	**8,333**	**-**	**-**	**8,333**
Other liabilities					
Negative fair value of financial derivatives	-	-	1,540	-	1,540
Other tax liabilities (excl. income tax)	-	-	-	-	-
Liabilities to employees	-	-	-	1,556	1,556
Social security	-	-	-	298	298
Others	-	52	-	-	52
Total	**-**	**52**	**1,540**	**1,854**	**3,446**
Trade liabilities					
Third parties	-	12,575	-	251	12,826
Subsidiaries	-	422	-	7	429
Other related parties	-	3,721	-	74	3,795
Total	**-**	**16,718**	**-**	**332**	**17,050**

* The category Other includes items that are not financial instruments in terms of IAS 32.
** Financial liabilities held for trading.

Note: The line Negative fair value of financial derivatives in the portfolio Financial instruments designated as hedging instruments is represented by the spot component of financial derivatives and in the portfolio Financial instruments at fair value through profit and loss it is represented by the forward component of financial derivatives (see also Note 2.5.3). As the spot component exceeded the fair value as at 31 December 2009, the forward component is negative.

The fair value of issued bonds is determined based on quoted market prices as at 31 December 2009. The fair value of the issued bonds amounts to CZK 2,000 million (31 December 2008: CZK 2,000 million).

The line "Trade liabilities to other related parties" includes liabilities to a factoring company within the Volkswagen Group of CZK 759 million as at 31 December 2009 (2008: CZK 323 million). These liabilities arose in the ordinary course of business and do not represent financing of the Company.

The detailed information relating to the liabilities arising out of financial derivatives can be found under note 3.3.4.

The carrying value for other classes of financial liabilities (trade payables and loans) approximates the fair value in all material respects.

None of the financial liabilities are secured by a lien.

The Company issued bonds with a total nominal value of CZK 10 billion on 26 October 2000, each in a nominal value of CZK 100,000. The bonds are publicly traded without restrictions of transferability on the primary market of the Prague Stock Exchange. The bonds were issued pursuant to Czech legislation and are governed by Czech law. Commerzbank Capital Markets (Eastern Europe) a.s. was the lead manager and Československá obchodní banka, a.s. with its registered seat at Na Příkopě 14, 115 20, Prague 1, is the administrator of the issue. The issue was realised by registration at the Securities Centre in Prague.

	ISIN	Total nominal value in million CZK	Nominal value per bond in thousand CZK	No. of bonds in pcs	Issue rate
3rd tranche	CZ0003501199	2,000	100	20,000	100.00 %
Total		**2,000**		**20,000**	

Interests and principal of bonds are paid only in CZK through the administrator.

	ISIN	Due date for principal	Due date for interest	Bond yield
3rd tranche	CZ0003501199	26 October 2010	Semi-annually on 26 April and on 26 October	6M Pribor + 0.22 %

The first instalment of CZK 5,000 million related to the five-year issued bonds was settled as at 26 October 2005. The second instalment of CZK 3,000 million was settled as at 26 October 2007.

In the table below, the financial conditions attached to loans received, bonds and liabilities to financial institutions are summarised at their carrying amounts:

Carrying amount as at 31 December 2009								
					Maturity			
Currency	Interest terms	Interest commitment ending	Weighted average effective interest rate based on nominal amount	Nominal amount	< 1 year	1–5 years	> 5 years	Total
CZK	floating	< 1 year	2.35 %	2,000	2,008	-	-	**2,008**
CZK	fixed	1–5 years	4.53 %	3,000	107	3,000		**3,107**
Total financial liabilities				**5,000**	**2,115**	**3,000**	**-**	**5,115**

Carrying amount as at 31 December 2008								
					Maturity			
Currency	Interest terms	Interest commitment ending	Weighted average effective interest rate based on nominal amount	Nominal amount	< 1 year	1–5 years	> 5 years	Total
CZK	floating	1–5 years	4.65 %	2,000	17	1,998	-	**2,015**
CZK	floating	< 1 year	5.32 %	6,300	6,318	-	-	**6,318**
Total financial liabilities				**8,300**	**6,335**	**1,998**	**-**	**8,333**

15. Deferred tax liabilities and assets (CZK million)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset the current tax assets against current tax liabilities, and when the deferred income taxes relate to the same fiscal authority.

As at 31 December 2009 the Company recognised on the balance sheet deferred tax liability (after offsetting by deferred tax asset) of CZK 775 million (2008: CZK 1,625 million).

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting, are as follows:

Deferred tax liabilities	Depreciation	Financial derivatives	Provisions, Valuation allowances	Other	Total
Balance as at 1 January 2008	**(3,428)**	**(288)**	**-**	**-**	**(3,716)**
Credited/(debited) to the income statement	13	-	-	5	18
Charged to other comprehensive income	-	(244)	-	(6)	(250)
Balance as at 31 December 2008	**(3,415)**	**(532)**	**-**	**(1)**	**(3,948)**
Credited/(debited) to the income statement	229	-	-	-	229
Charged to other comprehensive income	-	305	-	-	305
Balance as at 31 December 2009	**(3,186)**	**(227)**	**-**	**(1)**	**(3,414)**

Deferred tax assets	Depreciation	Financial derivatives	Provisions, Valuation allowances	Other	Total
Balance as at 1 January 2008	**-**	**-**	**1,912**	**27**	**1,939**
Credited/(debited) to the income statement	-	-	(69)	453	384
Balance as at 31 December 2008	**-**	**-**	**1,843**	**480**	**2,323**
Credited/(debited) to the income statement	-	-	324	(8)	316
Balance as at 31 December 2009	**-**	**-**	**2,167**	**472**	**2,639**

As at 31 December 2009, the Company did not recognise deferred tax asset from unused investments tax credit in amount of CZK 441 million which expires in 2013.

16. Non-current and current provisions (CZK million)

	Provisions for warranty claims	Provisions for other obligations arising from sales	Provisions for personnel costs	Provisions for the disposal of end-of-life vehicles	Other provisions	Total
Balance as at 1 January 2008	**8,270**	**652**	**847**	**79**	**364**	**10,212**
Utilised	(2,208)	(642)	(163)	-	(183)	(3,196)
Additions	2,604	160	295	3	323	3,385
Interest costs	76	-	-	9	-	85
Reversals	(1,208)	(43)	-	-	(64)	(1,315)
Balance as at 1 January 2009	**7,534**	**127**	**979**	**91**	**440**	**9,171**
Utilised	(2,107)	(127)	(228)	-	(227)	(2,689)
Additions	2,783	921	451	239	1,124	5,518
Interest costs	(25)	-	-	(13)	-	(38)
Reversals	(378)	-	-	-	(79)	(458)
Balance as at 31 December 2009	**7,807**	**921**	**1,202**	**317**	**1,258**	**11,505**

Non-current and current provisions according to the time of expected use of resources:

Balance as at 31 December 2009	< 1 year	> 1 year	Total
Provisions for warranty claims	2,721	5,086	7,807
Provisions for other obligations arising from sales	921	-	921
Provisions for personnel costs	469	733	1,202
Provisions for the disposal of end-of-life vehicles	-	317	317
Other provisions	1,258	-	1,258
Total	**5,369**	**6,136**	**11,505**

Balance as at 31 December 2008	< 1 year	> 1 year	Total
Provisions for warranty claims	2,618	4,916	7,534
Provisions for other obligations arising from sales	127	-	127
Provisions for personnel costs	237	742	979
Provisions for the disposal of end-of-life vehicles	91	-	91
Other provisions	440	-	440
Total	**3,513**	**5,658**	**9,171**

Provisions for disposal of end-of-life vehicles relate to costs of liquidation of end-of-life vehicles according to EU guideline no. 2000/53/EC and are determined mainly on the basis of registered cars, official statistics and expected costs of the cars ecological scraping.

Provisions for other obligations arising from sales include provision for sale discounts, sale bonuses and similar allowances incurred, settlement of which is expected after the balance sheet date, but for which there is a legal or constructive obligation attributable to sales revenue before the balance sheet date. The additions to provision for other obligations arising from sales are decreasing the revenues.

Provisions for personnel costs include provisions for other long-term employee benefits and severance payments.

Other provisions include mainly provision for retrospective changes in purchase prices, provision for legal fees, penalty interest and other risks followed from legal proceedings.

The Company provides for the probable cash outflows for existing legal and arbitration proceedings by means of a relevant provision. The Company is not involved in any other legal cases or arbitration proceedings that could have a significant impact on the financial position and the financial results (financial statements) of the Company and there are no proceedings expected in the near future.

17. Cash flow statement

The cash and cash equivalents contained in the cash flow statement also comprise, in addition to cash reported in the balance sheet, short-term loans to related parties (note 9) with original maturity less than three months of CZK 13,562 million as at 31 December 2009 (31 December 2008: CZK 24,012 million). Cash flows are presented in the cash flow statement and are classified into cash flows from operating activities, investing activities and financing activities.

Cash flows from operating activities are derived indirectly from profit before tax. Profit before tax is adjusted to eliminate non-cash expenses (mainly depreciation and amortisation) and income and changes in working capital.

Investing activities include additions to property, plant and equipment, financial assets, as well as to capitalised development cost. Financing activities include, in addition to the outflows of cash from dividend payments, redemption of bonds and liabilities from other financing, also outflows and inflows from other borrowings.

18. Sales (CZK million)

	2009	2008
Cars	148,417	168,011
Spare parts and accessories	11,047	11,300
Supplies of components within Volkswagen Group	8,644	6,479
Revenues from royalties	861	733
Other	1,697	2,049
Total	**170,666**	**188,572**

19. Other operating income (CZK million)

	2009	2008
Foreign exchange gains	2,631	3,708
Income from derivative transactions, from which:	3,391	3,215
Total transfer to Income Statement for the period – effective hedging	3,217	2,930
Gains on non-current assets disposal	56	14
Reversal of receivables' impairment losses	16	9
Other	787	804
Total	**6,881**	**7,750**

Foreign exchange gains include mainly gains from differences in exchange rates between the dates of recognition and payment of receivables and payables denominated in foreign currencies, as well as exchange rate gains resulting from revaluation as at the balance sheet date of these monetary receivables and payables. Foreign exchange losses from these items are included in other operating expenses.

Line Other includes among others also income from information systems and technology services. In 2009, this income amounted to CZK 273 million (2008: CZK 202 million).

20. Other operating expenses (CZK million)

	2009	2008
Foreign exchange losses	2,801	4,047
Losses from derivative transactions, from which:	1,054	1,736
Total transfer to Income Statement for the period – effective hedging	935	1,529
Receivables write–offs	9	16
Other	1,069	474
Total	**4,933**	**6,273**

Line Other includes among others also expenses for additions to other provisions (see note 16).

21. Financial result (CZK million)

	2009	2008
Interest income	566	1,177
Foreign exchange gains from cash	305	130
Foreign exchange gains from spot operations	166	-
Other financial income, thereof:	355	125
Total transfers to net profit in the period – ineffective hedging	183	-
Financial income total	**1,392**	**1,432**
Interest expenses, thereof:	480	518
Total transfers to net profit in the period – effective hedging	47	27
Foreign exchange losses from cash	677	174
Foreign exchange losses from spot operations	255	-
Other financial expenses, thereof:	323	89
Total transfers to net profit in the period – ineffective hedging	111	-
Financial expenses total	**1,735**	**781**
Net financial result	**(343)**	**651**

22. Net gains and losses from financial instruments (CZK million)

	2009	2008
Financial instruments at fair value through profit and loss	(101)	81
Loans and receivables	(260)	471
Available for sale financial assets	18	18
Financial liabilities carried at amortised costs	(237)	(170)
Financial instruments designated as hedging instruments	2,235	1,375
Net gains/(losses) total	**1,655**	**1,775**

The line Financial instruments at fair value through profit and loss includes net gain on financial derivatives on which hedge accounting could not be applied and a forward component of forward contracts. The interest component and the spot component of the forward contract were separated and only the spot component was hedged in 2009 (in 2008 both the interest component and the spot component of the forward contract were hedged). Consequently, the line Financial instruments at fair value through profit or loss includes also net gain from the change in definition of the hedge relationship of CZK 92 million.

Other items contain mainly unrealised and realised foreign exchange gains and losses on trade receivables and liabilities, from hedging instruments, interest expense incurred on issued bonds, interest income from loans provided, net interest loss from derivative hedging instruments, foreign exchange gains/losses from bank deposits and impairment losses on financial assets. The decrease in line „Financial instruments at fair value through profit or loss“ in the year 2009, in addition to other factors, is caused by the change in hedging strategy of the Company. In 2009, the Company started applying the hedge accounting only to the spot component of currency risk.

23. Income tax (CZK million)

	2009	2008
Current tax expense	**1,487**	**2,422**
of which: effect of adjustment of tax base of prior periods	124	(10)
Deferred tax income/(expense)	**(545)**	**(402)**
Income tax total	**942**	**2,020**

Statutory income tax rate in the Czech Republic for the 2009 assessment period was 20 % (2008: 21 %). Effective from 1 January 2010 the statutory income tax rate in the Czech Republic has changed to 19 %.

As at 31 December 2009, deferred income taxes attributable to the Czech tax jurisdiction were measured at a tax rate of 19 % (2008: 19.04 %) that corresponds with the weighted average of statutory tax rates enacted for the future periods when realisation of deferred tax assets and liabilities is expected.

Reconciliation of expected to effective income tax expense (CZK million)

	2009	2008
Profit before income tax	4,381	13,287
Expected income tax expense	**876**	**2,790**
Proportion of taxation relating to:		
Permanent differences resulting from:		
Tax exempt income	(56)	(56)
Expenses not deductible for tax purposes	327	216
Tax allowances and other tax credits	(391)	(467)
Prior-period current tax expense	124	(10)
Effect of tax rate changes	-	-
Investment tax credits	62	(453)
Other taxation effects	-	-
Effective income tax expense	**942**	**2,020**
Effective income tax rate	22 %	15 %

Line Tax allowances and other tax credits represents mainly tax credits from double deduction of research and development costs.

24. Investment incentives

In 2009, the Company received a grant for the support of the projects performed by the Development and Technology Centre in the amount of CZK 28 million (2008: CZK 19 million), a grant for the support of private schools of CZK 50 million (2008: CZK 54 million). In 2009, the Company was provided a promise of the grant from the European Regional Development Fund by the Ministry of Industry and Trade of the Czech Republic for the following projects: "Combined Production of Heat and Electricity in the Kvasiny Plant" in the amount of CZK 27 million and "Service Training Centre" in the amount of CZK 67 million.

In accordance with Investment Incentives Law No. 72/2000 Coll., as amended based on resolution dated on 4 August 2008 the Company was granted an investment incentive for the SUV model in the plant Kvasiny in form of tax credit. The total amount of the subsidy is limited to the amount of CZK 561 million which corresponds to 40 % of the total eligible invested costs related to the investment project.

In accordance with Investment Incentives Law No. 72/2000 Coll., as amended based on resolution dated on 31 December 2007 the Company was granted an investment incentive for its project of engine 1.2 TSI production in the plant in Mladá Boleslav in form of tax credit. The total amount subvention of CZK 548 million corresponds to 40 % of the total eligible invested costs related to the investment project.

To be granted the investment incentives, the Company has to meet the General conditions of § 2 art. 2 of the Investment Incentive Law no. 72/2000 Coll., as amended and Special conditions § 35 b of the Income Tax Law no. 586/1992 Coll., as amended. The Company expects to comply with all provisions necessary to receive the investment incentives.

25. Contingent liabilities

The tax authorities may at any time inspect the accounting books and records within thirteen years subsequent to the reported tax year, and may impose additional tax assessments and penalties.

The Company's management is not aware of any circumstances that could result in material liabilities arising from the tax audits in the future.

26. Contractual obligations and other future commitments

Future commitments as at balance sheet date are as follows:

CZK million	Payable until year 2010	Payable 2011 – 2014	31. 12. 2009
Investment commitments – property, plant and equipment	1,338	147	1,485
Investment commitments – intangible assets	16	-	16
Operating leasing instalments	151	43	194
Other future commitments	198	243	441

CZK million	Payable until year 2009	Payable 2010 – 2013	31. 12. 2008
Investment commitments – property, plant and equipment	4,165	249	4,414
Investment commitments – intangible assets	6	-	6
Operating leasing instalments	177	238	415
Other future commitments	108	188	296

On the basis of non-cancellable operating lease agreements, the Company is allowed to rent different machine equipment. In the case of termination of these agreements, all outstanding lease payments up to the original expiration date of the contract must be paid.

Category Other future commitments comprises future commitments that represent unusual risks to the Company, either because of their nature or their size or duration and is represented mainly by advertising and sponsoring contracts concluded for a period longer than one year.

27. Expenses by nature – additional information (CZK million)

	2009	2008
Material costs – raw materials and other supplies, goods	**121,916**	**134,231**
Production related services	**8,138**	**7,016**
Personnel costs	**13,569**	**14,141**
Wages	10,230	10,608
Pension benefit costs (defined contribution plans)	2,064	2,216
Social insurance and other personnel costs	1,275	1,317
Depreciation and amortisation	**11,878**	**10,792**
Other services	**12,389**	**11,233**
Total cost of sales, distribution and administrative expenses	**167,890**	**177,413**
Number of employees		
Number of employees*	25,500	27,514

* Average number of employees (including temporary employees).

28. Related party transactions

On 5 January 2009, the company Porsche Automobil Holding SE, Germany increased its interest in ordinary share capital of the company VOLKSWAGEN AG to 50.76 % and became the ultimate parent company of the Company until 3 December 2009 when it lost its control over the company VOLKSWAGEN AG and all companies controlled by this entity. Effective from 3 December 2009, the company VOLKSWAGEN AG has become again the ultimate parent company and the ultimate controlling party of the Company.

The Company participated in the following transactions with related parties:

Sales to related parties (CZK million)

	2009	2008
Parent company		
Volkswagen International Finance N.V.	-	-
Ultimate parent company		
VOLKSWAGEN AG	5,269	3,844
Subsidiaries		
Skoda Auto India Private Ltd.	3,364	4,146
ŠkodaAuto Deutschland GmbH	46,718	33,442
ŠKODA AUTO Slovensko, s.r.o.	3,754	5,517
Skoda Auto Polska S.A.	9,648	9,806
Associates		
OOO VOLKSWAGEN Group Rus	6,357	12,982
Companies controlled by ultimate parent company		
Volkswagen Sachsen GmbH	606	299
VOLKSWAGEN Group United Kingdom Ltd.	7,944	10,066
Groupe VOLKSWAGEN France s.a.	5,544	6,027
VOLKSWAGEN SLOVAKIA, a.s.	1,215	1,150
Volkswagen Navarra, S.A.	1,749	1,431
Volkswagen Group Sverige AB	2,324	3,027
Import VOLKSWAGEN Group s.r.o.	893	833
Volkswagen do Brasil Ltda.	1,253	817
AUDI HUNGARIA MOTOR Kft.	47	19
AUDI AG	153	191
SEAT, S.A.	769	729
Volkswagen Group Italia S.p.A	4,168	5,607
Volkswagen-Audi España S.A.	4,152	5,453
Gearbox del Prat, S.A.	30	28
AUDI BRUSSELS S.A./N.V.	793	785
Volkswagen Motor Polska Sp.z o.o.	87	58
Volkswagen Logistics GmbH & Co OHG	-	15
VOLKSWAGEN SARAJEVO, d.o.o.	-	643
Volkswagen of South Africa (Pty.) Ltd.	49	-
Volkswagen India Private Ltd.	830	54
Volkswagen Original Teile Logistik GmbH & Co. KG	151	-
Volkswagen de Mexico S.A. de C.V.	58	-
ŠkoFIN s.r.o.	173	972
Volkswagen Group Australia Pty. Ltd.	411	281
Volkswagen Group Ireland Ltd.	314	-
AUTOEUROPA-AUTOMÒVEIS LDA.	54	-
ŠKO-ENERGO, s.r.o.	1	147
Other	-	24
Other related parties*		
Intercar Austria GmbH	5,700	4,682
P.Z. Auto d.o.o.	669	1,503
Porsche Albania Sh.p.k.	59	49
Porsche Hungaria Handels Kft.	1,249	2,811
Porsche Inter Auto CZ spol. s r.o.	1,362	1,434
Porsche Konstruktion GmbH&CoKG	242	296
PORSCHE MAKEDONIJA DOOEL Skopje	167	263
Porsche Romania s.r.l.	1,805	6,082
Porsche Slovakia spol. s.r.o.	289	232
Porsche Slovenija d.o.o.	543	892
Bentley Motors TK	27	-
Shanghai Volkswagen Automotive Co. Ltd.	672	811
SAIC-Volkswagen Sales Company Ltd.	-	15
Other related parties	12	2
Total	**121,674**	**127,465**

* Items in category Other related parties do not meet the definition of a controlled entity pursuant to § 66a of the Act No. 513/1991 Coll., Commercial Code, as amended.

In 2009, sales to Skoda Auto India Private Ltd. include revenues from royalties in the amount of CZK 27 million (2008: CZK 20 million).

Out of sales to Shanghai Volkswagen Automotive Co. Ltd., in 2009, CZK 655 million (2008: CZK 591 million) relates to revenue from royalties. The Group also realised in 2009 revenue from royalties of CZK 186 million (2008: CZK 78 million) from its ultimate parent company VOLKSWAGEN AG, and further CZK 6 million (2008: CZK 43 million) from the associate OOO VOLKSWAGEN Group Rus.

The Company also realised in 2009 revenue from intercompany loan interests, mainly CZK 16 million (2008: CZK 468 million) from Volkswagen International Payment Services, CZK 6 million (2008: CZK 124 million) from ŠkoFIN s.r.o. and CZK 0 million (2008: CZK 501 million) from VOLKSWAGEN AG.

Dividends received from subsidiaries are disclosed in Note 7.

Purchases from related parties (CZK million)

	2009	2008
Parent company		
Volkswagen International Finance N.V.	-	-
Ultimate parent company		
VOLKSWAGEN AG	21,325	23,843
Subsidiaries		
Skoda Auto India Private Ltd.	10	18
ŠkodaAuto Deutschland GmbH	324	425
ŠKODA AUTO Slovensko, s.r.o.	81	86
Skoda Auto Polska S.A.	125	125
Associates		
OOO VOLKSWAGEN Group Rus	104	71
Companies controlled by ultimate parent company		
Volkswagen Sachsen GmbH	2,324	1,898
Volkswagen Versicherungsvermittlung GmbH	146	126
IAV Ingenieurgesellschaft GmbH	3	19
VOLKSWAGEN Group United Kingdom Ltd.	224	245
Groupe VOLKSWAGEN France s.a.	279	211
VOLKSWAGEN SLOVAKIA, a.s.	4,395	4,061
AUDI AG	365	213
VOLKSWAGEN SARAJEVO d.o.o.	51	20
AUDI HUNGARIA MOTOR Kft.	4,030	10,257
Import VOLKSWAGEN Group s.r.o.	126	103
ŠkoFIN s.r.o.	178	482
Volkswagen Group Sverige AB	73	111
SEAT, S.A.	896	813
Volkswagen Group Italia S.p.A	486	305
Gearbox del Prat, S.A.	344	25
Volkswagen-Audi España S.A.	466	253
Volkswagen Poznan PkW (Komponente)	285	63
Volkswagen Poznan Sp.z.o.o.	-	145
Volkswagen Motor Polska Sp.z o.o.	3,240	469
VOLKSWAGEN ZUBEHÖR GmbH	23	-
Autostadt GmbH	18	20
Volkswagen de Mexico S.A. de C.V.	58	117
Volkswagen Group of America Inc.	21	31
Volkswagen Group Ireland Ltd.	51	-
Volkswagen Group Australia Pty. Ltd.	173	-
ŠKO-ENERGO, s.r.o.	2,059	1,688
Volkswagen Argentina S.A.	102	280
AUTOEUROPA - AUTOMÓVEIS, LDA.	26	10
INIS International Insurance Service s.r.o.	47	61
Volkswagen Group Insurance and Risk Management Services Ltd.	-	245
Volkswagen Logistics GmbH & Co OHG	1,405	1,632
VW Procurement Services GmbH	22	-
Other	55	51
Other related parties*		
Intercar Austria GmbH	111	168
P.Z. Auto d.o.o.	22	24
Porsche Hungaria Handels Kft.	25	36
Porsche Inter Auto CZ spol. s r.o.	15	19
Porsche Romania s.r.l.	23	34
Porsche Slovenija d.o.o.	12	10
SAIC - Volkswagen Sales Company Ltd.	178	-
e4t electronics for transportation s.r.o.	78	53
Other related parties	-	4
Total	**44,404**	**48,870**

* Items in category Other related parties do not meet the definition of a controlled entity pursuant to § 66a of the Act No. 513/1991 Coll., Commercial Code, as amended.

The amount of dividends paid to the parent company is disclosed in Note 12.

Receivables from related parties (CZK million)

	31. 12. 2009	31. 12. 2008
Parent company		
Volkswagen International Finance N.V.	-	-
Ultimate parent company		
VOLKSWAGEN AG	216	226
Subsidiaries		
Skoda Auto India Private Ltd.	864	357
Skoda Auto Polska S.A.	68	-
ŠKODA AUTO Slovensko, s.r.o.	52	11
ŠkodaAuto Deutschland GmbH	1	-
Associates		
OOO VOLKSWAGEN Group Rus	2,057	4,529
Companies controlled by ultimate parent company		
Volkswagen Sachsen GmbH	33	16
VOLKSWAGEN Group United Kingdom Ltd.	73	8
Groupe VOLKSWAGEN France s.a.	31	10
VOLKSWAGEN SLOVAKIA, a.s.	142	33
Volkswagen Navarra, S.A.	126	70
Volkswagen Group Sverige AB	4	24
Volkswagen do Brasil Indústria de Veículos Automotores Ltda.	295	28
Import VOLKSWAGEN Group s.r.o.	77	59
Volkswagen Group Ireland Ltd.	11	-
Volkswagen de México, S.A. de C.V.	59	-
Volkswagen of South Africa (Pty.) Ltd.	50	-
ŠkoFIN s.r.o.	129	19
AUDI AG	38	31
Volkswagen India Private Ltd.	496	47
SEAT, S.A.	46	49
Volkswagen Group Italia S.p.A	23	2
AUDI BRUSSELS S.A./N.V.	4	108
Volkswagen Group Australia Pty. Ltd.	65	48
VOLKSWAGEN SARAJEVO, d.o.o	-	130
AUTOEUROPA-AUTOMÒVEIS LDA.	55	-
Volkswagen Original Teile Logistik GmbH & Co. KG	69	-
Other	72	18
Other related parties*		
Shanghai Volskwagen Automotive Co. Ltd	351	709
Intercar Austria GmbH	64	-
P.Z. Auto d.o.o.	6	13
Porsche Hungaria Handels Kft.	11	8
Other related parties	24	17
Total	**5,612**	**6,570**

* Items in category Other related parties do not meet the definition of a controlled entity pursuant to § 66a of the Act No. 513/1991 Coll., Commercial Code, as amended.

Receivables from related parties in all disclosed categories of related parties include only trade receivables, with exception of the receivables from the following companies, which apart from trade receivables also include receivables from royalties:
Shanghai Volkswagen Automotive Co. Ltd. in the amount of CZK 298 million (as at 31 December 2008: CZK 205 million), VOLKSWAGEN AG in the amount of CZK 40 million (2008: CZK 0 million), and OOO VOLKSWAGEN Group Rus in the amount of CZK 18 million (2008: CZK 0 million) and Skoda Auto India Private Ltd. in amount of CZK 27 million (2008: CZK 8 million).

No impairment loss was identified for any of the receivables from related parties.

Receivables from related parties are considered by the Company to be of the least risk. The products are supplied with payment at a due date, secured by an advance payment or they are transferred to factoring companies.

In addition to receivables stated in the table above, the Company provided as at 31 December 2009 loans to VOLKSWAGEN AG in the amount of CZK 0 million (31 December 2008: CZK 21,450 million), ŠkoFIN s.r.o. in the amount of CZK 3,000 million (31 December 2008: CZK 3,000 million), VW International Payment Services N.V. in the amount of CZK 10 000 million (31 December 2008: CZK 0 million) and ŠKO-ENERGO, s.r.o. of CZK 540 million (31 December 2008: CZK 520 million). Interest from these loans outstanding as at 31 December 2009 was CZK 22 million (31 December 2008: CZK 45 million). Average interest rate related to these loans is disclosed in Note 9. Investment in associate is disclosed in Note 8.

Liabilities to related parties (CZK million)

	31. 12. 2009	31. 12. 2008
Parent company		
Volkswagen International Finance N.V.	-	-
Ultimate parent company		
VOLKSWAGEN AG	762	939
Subsidiaries		
Skoda Auto India Private Ltd.	4	1
Skoda Auto Polska S.A.	35	104
ŠkodaAuto Deutschland GmbH	1,627	321
ŠKODA AUTO Slovensko, s.r.o.	30	3
Associates		
OOO VOLKSWAGEN Group Rus	38	-
Companies controlled by ultimate parent company		
Volkswagen Sachsen GmbH	142	98
Volkswagen Poznan PkW (Komponente)	24	-
Volkswagen Poznan Sp.z.o.o.	-	14
Volkswagen Motor Polska Sp.z o.o.	16	170
VOLKSWAGEN Group United Kingdom Ltd.	170	160
Groupe VOLKSWAGEN France s.a.	137	63
Volkswagen de Mexico S.A. de C.V.	12	13
VOLKSWAGEN SLOVAKIA, a.s.	590	233
Volkswagen Group Sverige AB	12	90
Volkswagen Group Ireland Ltd.	79	-
SKO-ENERGO, s.r.o.	157	-
Volkswagen Argentina S.A.	28	-
Gearbox del Prat S.A.	41	-
Volkswagen Group Australia Pty. Ltd.	98	73
Volkswagen-Audi España S.A.	486	316
AUDI AG	236	42
AUDI HUNGARIA MOTOR Kft.	684	284
Auto Vision GmbH	11	-
Volkswagen Group Italia S.p.A	386	422
Volkswagen Group Services S.A.	759	323
Volkswagen Logistics GmbH & Co OHG	570	466
Volkswagen Group of America Inc.	10	18
Other	43	41
Other related parties*		
Porsche Romania s.r.l.	55	70
Porsche Macedonia dooel, Skopje	8	4
e4t electronics for transportation s.r.o.	20	-
SAIC - Volkswagen Sales Company Ltd.	80	-
Other related parties	4	38
Total	**7,354**	**4,306**

* Items in category Other related parties do not meet the definition of a controlled entity pursuant to § 66a of the Act No. 513/1991 Coll., Commercial Code, as amended.

Liabilities to related parties represent only trade liabilities for all the categories stated above.

In addition to the liabilities stated in the table above, the Company received a loan from VOLKSWAGEN AG of total amount of CZK 3,000 million as at 31 December 2009. Interest payable relating to this loan amounts to CZK 107 million as at 31 December 2009. Interest rate on this loan is 4.53 %.

Information on key management personnel remuneration (CZK million)

	2009	2008
Salaries and other short-term employee benefits*	265	285
Post-employment benefits	9	9
Share-based payments	–	1
Total	**274**	**295**

* Salaries and other short-term employee benefits include besides the remuneration paid, payable or provided by the Company in the form of salaries, bonuses and non-monetary remuneration also health and social insurance paid by employer for employees.

The remuneration of the members of the Board of Directors, Supervisory Board and other key management personnel includes in addition to the remuneration paid, payable or provided by the Company in the form of salaries, bonuses and non-monetary remuneration also remuneration from other Volkswagen Group companies in exchange for services rendered to the Company. The remuneration from the other Volkswagen Group companies includes also awards to certain key management personnel in the form of share options to VOLKSWAGEN AG's shares.

Key management personnel include members of the Board of Directors, Supervisory Board and managers of the Company having authority and responsibility for planning, directing and controlling the activities of the Company. In 2009, the key management personnel included 47 persons (2008: 48 persons). CZK 92 million out of the total amount disclosed in the line Salaries and other short-term employee benefits was outstanding as at 31 December 2009 (31 December 2008: CZK 105 million).

29. Other information (CZK million)

The compensation paid to the Company's auditors for the accounting period was CZK 32 million (2008: CZK 22 million) and covered the following services:

	2009	2008
Audit and other assurance services	20	14
Tax and related services	3	2
Other advisory services	9	6
Total	**32**	**22**

30. Significant events after the balance sheet date

After the balance sheet date, there were no events that could have a significant impact on the separate financial statements of the Company for the year ended 31 December 2009.

31. Information about Volkswagen Group

ŠKODA AUTO a.s. is a subsidiary included in the consolidation group of its ultimate parent company, VOLKSWAGEN AG, with a registered office in Wolfsburg, the Federal Republic of Germany.

The Volkswagen Group consists of two divisions – Automotive and Financial Services. The activities related to the Automotive Division include the development of cars and aggregates, production and sale of passenger and commercial cars, trucks and buses as well as the business with spare parts. The following brands belong to Volkswagen Group: Volkswagen Passenger Cars, Audi, Škoda, SEAT, Volkswagen Commercial Vehicles Bentley, Bugatti, Scania and Lamborghini.

The Financial Services Division includes activities related to the dealer and customer financing, leasing, banking and insurance services and the fleet management.

Škoda Auto and its subsidiaries (ŠkodaAuto Deutschland GmbH, Skoda Auto Polska S.A., ŠKODA AUTO Slovensko, s.r.o. and Skoda Auto India Private Ltd.) and associate OOO VOLKSWAGEN Group Rus are included in the consolidation of Volkswagen Group's financial statements. These financial statements, and other information relating to the Volkswagen Group, are available in the annual report of VOLKSWAGEN AG and on its internet site (website: www.volkswagenag.com).

Mladá Boleslav, 16 February 2010

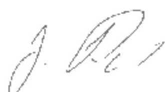
Reinhard Jung
Chairman of the Board
of Directors

Holger Kintscher
Member of the Board
of Directors
Commercial Affairs

Klaus Dierkes
Member of the Board
of Directors
Human Resources
Management

Eckhard Scholz
Member of the Board
of Directors
Technical Development

Reinhard Fleger
Member of the Board
of Directors
Sales and Marketing



Jana Šrámová
Director of Accounting

Jana Fernández Zambrano
Head of Closing Accounts
and External Reporting

REPORT ON RELATIONS

Report on relations between VOLKSWAGEN AG and ŠKODA AUTO a.s. and between ŠKODA AUTO a.s. and other entities controlled by VOLKSWAGEN AG in the accounting period 1 January 2009 - 31 December 2009

The report on relations between VOLKSWAGEN AG, having its registered office in Wolfsburg, Federal Republic of Germany, (hereinafter referred to as the "Controlling Entity" or "Volkswagen") and ŠKODA AUTO a.s., having its registered offices in Mladá Boleslav, Tř. Václava Klementa 869, Post code: 293 60, ID No.: 00177041 (hereinafter referred to as the "Controlled Entity" or "the Company" or "Škoda Auto"), and between Škoda Auto and other entities controlled by Volkswagen in the accounting period 1 January 2009 to 31 December 2009 (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.

Volkswagen was the sole shareholder of Škoda Auto with 100% voting rights till 18 July 2007. At the date Volkswagen International Finance N.V., having its registered offices in Amsterdam, The Kingdom of the Netherlands, became a new sole shareholder of Škoda Auto due to structural changes within the Volkswagen Group. Volkswagen International Finance N.V. is indirectly a 100% subsidiary of Volkswagen AG.

Contracts concluded

Škoda Auto and Volkswagen, and Škoda Auto and the companies controlled by Volkswagen concluded contracts in the following areas during the accounting period:

1. Sale of own products, goods and services

a) vehicles
Škoda Auto did not conclude any vehicle sale contracts in the accounting period.

b) genuine parts
Škoda Auto did not conclude any genuine part sale contracts in the accounting period.

c) other
Škoda Auto entered into service, licence and other products sale contracts with the following companies:

AUDI AG
VOLKSWAGEN AG
AUDI HUNGARIA MOTOR Kft.
OOO VOLKSWAGEN Group Rus
SEAT, S.A.
AUTOEUROPA-AUTOMÓVEIS Lda.
Volkswagen India Private Ltd.

2. Purchase of goods and services

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

AUDI AG
VOLKSWAGEN AG
Volkswagen de México S.A. de C.V.
Volkswagen India Private Ltd.
AUDI HUNGARIA MOTOR Kft.
AUTOEUROPA-AUTOMÓVEIS Lda.
Skoda Auto India Private Ltd.
Volkswagen Argentina 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, standardisation cooperation, rent of properties, rent of testing areas) with the following companies:

VOLKSWAGEN AG
Volkswagen Sachsen GmbH
AUDI AG
Volkswagen of South Africa (Pty.) Ltd.
Volkswagen Group of America, Inc.
Volkswagen Coaching GmbH
Auto 5000 GmbH
Gearbox del Prat, S.A.
Import VOLKSWAGEN Group s.r.o.
Skoda Auto Polska S.A.
Groupe VOLKSWAGEN France s.a.
Sitech Sp. z o.o.
Skoda Auto India Private Ltd.
ŠKODA AUTO Slovensko, s.r.o.
ŠkoFIN s.r.o.
OOO VOLKSWAGEN Group Rus
VOLKSWAGEN SLOVAKIA, a.s.
AUDI HUNGARIA MOTOR Kft.
VOLKSWAGEN Group Japan K.K.
Volkswagen-Audi España S.A.
SEAT, S.A.
Volkswagen India Private Ltd.
IAV GmbH – Ingenieursgesellschaft Auto und Verkehr
ŠkodaAuto Deutschland GmbH
Volkswagen Logistics GmbH
Autostadt GmbH
AUTOEUROPA-AUTOMÓVEIS Lda.
SITECH Sitztechnik GmbH
Volkswagen Motor Polska Sp.z o.o
AUDI BRUSSELS S.A./N.V.
Volkswagen Motorsport Verwaltungs GmbH
AutoVision GmbH
Audi Akademie GmbH
Volkswagen de México S.A. de C.V.
Volkswagen Argentina S.A.
Volkswagen Navarra, S.A.
Automobilmanufaktur Dresden GmbH
Fahrzeugteile Service – Zentrum Mellendorf GmbH

c) genuine parts
As part of genuine parts purchasing, Škoda Auto entered into contracts with the following companies:

AUDI AG
VOLKSWAGEN AG
Volkswagen do Brasil Indústria de Veículos Automotores Ltda.
Sitech Sp. z o.o.
Volkswagen Motor Polska Sp.z o.o.
AUDI HUNGARIA MOTOR Kft.
VOLKSWAGEN SARAJEVO, d.o.o.

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

VOLKSWAGEN AG
AUDI AG
Volkswagen Group of America, Inc.

3. Other contractual relationships

Škoda Auto also established contractual relationships (marketing services, training, sales support, financial services, system support, short-term loans, production of cars) with the following companies:

OOO VOLKSWAGEN Group Rus
AUDI AG
VOLKSWAGEN AG
VOLKSWAGEN Group Italia S.p.A.
Volkswagen Group Sverige AB
Volkswagen-Audi España S.A.
Import VOLKSWAGEN Group s.r.o.
ŠkoFIN s.r.o.
ŠkodaAuto Deutschland GmbH
Skoda Auto Polska S.A.
Volkswagen Group Australia Pty. Ltd.
ŠKO-ENERGO, s.r.o.
Groupe VOLKSWAGEN France s.a.
Volkswagen India Private Ltd.
VOLKSWAGEN SLOVAKIA a.s.
Volkswagen Group Ireland LTD.
ŠKODA AUTO Slovensko, s.r.o.
Volkswagen Coaching GmbH
VW Group Sales India P.L.
Sitech Sp. z o.o.

Other legal acts

In the accounting period no legal acts were reported which were carried out in favour of Volkswagen and entities controlled by Volkswagen, which went beyond the scope of standard legal acts carried out by Volkswagen while exercising its rights as the Controlling Entity of Škoda Auto.

Škoda Auto paid a dividend of CZK 5,352 million to Volkswagen International Finance N.V., as the sole shareholder, on 26 March 2009 based on the Decision of the sole shareholder Volkswagen International Finance N.V. from 13 March 2009.

In 2009 dividends and share in profit of CZK 97 million were paid out to the Company by the subsidiaries.

Other measures, their advantages and disadvantages

During the accounting period, Škoda Auto did not adopt or take any measures on the behalf of or at the incentive of Volkswagen, and other entities controlled by Volkswagen, other than steps normally taken vis-a-vis Volkswagen as the Controlling Entity of Škoda Auto.

Performance provided and counter-performance accepted

In the accounting period no other performance and counter-performance in favour or at the initiative of Volkswagen, and entities controlled by Volkswagen, which exceeded the scope of standard performance and counter-performance taken by Škoda Auto regarding Volkswagen, as the Controlling Entity of Škoda Auto, were taken or implemented by Škoda Auto.

Transactions with related parties during the accounting period are disclosed in the notes 7, 8, 9, 12, 14 and 28 of the notes to the separate financial statements.

The Board of Directors of the Controlled Entity declares that Škoda Auto did not suffer from any damage or detriment as a result of the conclusion of the above mentioned contracts, the other aforesaid legal acts, other measures, performance provided or accepted counter-performance.

INFORMATION AND PARTICULARS DISCLOSED PURSUANT TO THE ACT ON BUSINESS ACTIVITIES ON THE CAPITAL MARKET*

Information on the Code of Corporate Governance

Declaration of compliance with the recommendations of the Code of Corporate Governance

Škoda Auto abides by the relevant recommendations and rules of the Code of Corporate Governance based on OECD principles (hereinafter referred to as the "Code") in the form in which it was updated in 2004 under the patronage of the Securities Commission. The Code may be perused at the Company's registered office.

Degree of compliance with the recommendations of the Code of Corporate Governance

In line with best practice employed at the Volkswagen concern, a predominant part of the internal processes of the Company's corporate governance has, in the long-run, been established in accordance with the relevant rules of the Code. Given the shareholding structure of the Company (a sole shareholder – Volkswagen International Finance N.V., with its registered office in Amsterdam), the organisational structure of a concern (see the Annual Report of VOLKSWAGEN AG) and the fact that the Company's shares are not listed on any stock exchange, some of the recommendations contained in the Code are not relevant, or are transferred, to the corresponding degree, to the level of the concern within the framework of efficiency and synergies, as the case may be. At the same time, Škoda Auto's policies are based on the adopted Code of Conduct, which prescribes the principles of the conduct expected of Škoda Auto employees, based on the application of the Company's values and generally recognised values.

The Company is not in full compliance with the recommendations of the Code pursuant to Chapter VI-E-2 (in conjunction with point 18 of the commentary), according to which it should appoint committees, responsible for remuneration and appointments. In view of the Company's specific shareholding structure, the activities associated with the committees are in synergy and transferred to the effective degree to the level of the concern. The activities of the remuneration and appointment committee are undertaken by the personnel committee of the Board of Directors of VOLKSWAGEN AG, in cooperation with the relevant committees on the Supervisory Board of VOLKSWAGEN AG (see VOLKSWAGEN AG's Annual Report).

The Company is not in full compliance with the recommendations of the Code pursuant to Chapter VI-E-1, in conjunction with point 5 of the commentary, according to which the Board of Directors and/or the Supervisory Board should have a sufficient number of members who are not in the employ of the company and who are not in a close relationship with the company or its management by way of mutual business, family or other relationships.

* Act No. 256/2004 Coll., on Business Activities on the Capital Market, as subsequently amended

Other information disclosed pursuant to the Act on Business Activities on the Capital Market

Information on the principles and procedures governing internal audits and the rules governing the Company's approach to risks [Section 118(4)(b) of the Act on Business Activities on the Capital Market]

The objective of the internal audit processes at Škoda Auto is to ascertain the attainment of the defined economic objectives by the ongoing control of adherance to the internal rules and prescribed work procedures.In the event of errors being discovered, the necessary remedial measures shall be proposed, the performance of which shall be subsequently monitored. Written reports, stipulating the facts uncovered during the internal audit, shall be submitted to the affected members of the Board of Directors and executives. The internal audit, which represents the pivotal duty of the internal audit division, conducts review activities in accordance with the prescribed plans, which may, if need be, adapted or expanded on the basis of specific instigations. Detailed information on the rules governing Škoda Auto's approach to risks are contained in the chapter titled Risk Management System of the presentation section of the Annual Report, in the consolidated financial statements, chapter 3, titled Management of Financial Risks within the Group, of the financial section of the Annual Report, and in chapter 3, titled Management of Financial Risks within the Company, of the separate financial statement.

Description of the decision-making procedures and composition of the statutory body and of the Supervisory Board [Section 118(4)(c) of the Act on Business Activities on the Capital Market]

The statutory body is the Board of Directors. According to the Articles of Association, the Board of Directors has seven members, who are elected and recalled by the General Meeting. The Board of Directors has reached a quorum if attended by a majority of its members. Resolutions of the Board of Directors are adopted by a simple majority of its members present at the meeting of the Board of Directors. The Chairman of the Board of Directors shall have the casting vote in the event of votes being tied.

The supervisory body is the Supervisory Board. According to the Articles of Association, the Supervisory Board has six members. Four of these members are elected and recalled by the General Meeting, with the remaining two members elected and recalled by the Company's employees. The Supervisory Board has reached a quorum if attended by a majority of its members. Resolutions of the Supervisory Board are adopted by a simple majority of its members present at the meeting of the Supervisory Board. The Chairman of the Supervisory Board shall have the casting vote in the event of votes being tied.

Description of the rights and obligations associated with the relevant type of shares [Section 118(4)(d) of the Act on Business Activities on the Capital Market]

All of the shares of Škoda Auto are ordinary shares within the meaning of Section 155(6) of Act No. 513/1991 Coll., the Commercial Code, as subsequently amended. The rights and obligations associated with the shares of Škoda Auto ensue from the regulations contained in the relevant provisions of the Commercial Code and the Articles of Association of Škoda Auto.

Description of the decision-making procedures and the fundamental sphere of powers of the General Meeting [Section 118(4)(e) of the Act on Business Activities on the Capital Market]

The General Meeting's sphere of powers includes namely decisions on amendments to the Articles of Association, on increases or decreases in the registered capital, on the election, recall and remuneration of members of the Board of Directors, members of the Supervisory Board (save for the members elected by the Company's employees) and members of the audit committee, on the approval of the ordinary, extraordinary, consolidated or interim financial statements, on the distribution of profit or the settlement of a loss, on the winding down of the Company with liquidation, on the appointment, recall and amount of remuneration paid to the liquidator, on approving a petition for the distribution of the liquidation balance, on the merger, transfer of assets to one shareholderr or division, on a change in the legal form, on the approval of a controlling agreement, a profit transfer agreement or a silent partnership agreement, on the conclusion of an agreement on the transfer of the enterprise or part thereof or on the lease of the enterprise or part thereof and on other matters included within the powers of the Board of Directors by the Articles of Association or the Commercial Code.

The General Meeting has reached a quorum if it is attended by shareholders holding shares the combined nominal value of which exceeds 50 % of the registered capital. Every share represents one vote. Resolutions of the General Meeting are passed by a majority of the votes of shareholders present at the meeting, unless another majority is required by the Commercial Code.

In view of the fact that Škoda Auto has a sole shareholder, a General Meeting is not held and its powers are executed by this sole shareholder.

Information on remuneration principles and monetary and in-kind income of senior executives [Section 118(4)(f) and (h) of the Act on Business Activities on the Capital Market]

Within the meaning of Section 2(1)(b) of the Act on Business Activities on the Capital Market, the executives of Škoda Auto consist of the members of the Board of Directors and members of the Supervisory Board of the Company. In order to increase transparency, Škoda Auto discloses the above information not only for executives and supervisory board members, but also for senior executives (for more information on senior executives).

Remuneration Principles

The principles for remunerating members of the Board of Directors, senior executives and members of the Supervisory Board are in accordance with generally binding laws and regulations and fulfill all material aspects of the recommendations of the Code of Corporate Governance based on OECD principles.

Board of Directors

The system for remunerating members of the Board of Directors is defined by internal directives in accordance with Volkswagen Group procedures. In terms of form, the remuneration is based on four main pillars: fixed remuneration, variable remuneration, benefits, and other in-kind income provided by the Company. The specific conditions for remunerating individual members of the Board of Directors are set forth in the relevant contractual documents.

The basic portion of the remuneration consists of fixed cash income that enables members of the Board of Directors to carry out their duties in the Company's interests and with due care, without being dependent on meeting the Company's short-term targets. In addition to the fixed income component in the form of the base remuneration, their remuneration also includes variable income in the form of one-off bonuses. These variable components are dependent on the financial results of the Company and Volkswagen Group, as well as the fulfilment of individual goals set for the Board member, thereby ensuring the Board of Directors' interests are aligned with those of the sole shareholder.

In addition to the income described above, the company Škoda Auto provides the Board of Directors with a portfolio of benefits in a pre-defined amount,as well as other in-kind income. The latter include use of company cars, accommodation, educational programmes, and insurance.

Senior Executives

Similarly to the Board of Directors, the system for remunerating senior executives is defined by internal directives in accordance with Volkswagen Group procedures. Like the system for remunerating members of the Board of Directors, in terms of form, the remuneration is based on the four basic pillars mentioned above. The specific conditions for remunerating individual senior executives are set forth in the management contracts.

Supervisory Board

Members of the Supervisory Board are paid remuneration in the form of a fixed amount stipulated by the Company's sole shareholder. Members of the Supervisory Board also have the option of using company cars.

The Company does not provide any loans to members of the Board of Directors, senior executives and/or members of the Supervisory Board on the basis of their positions at the Company. Variable remuneration of members of the Board of Directors and senior executives, pertaining to the fulfilment of targets set for 2009, had not been approved as of the closing date of the Annual Report and will be paid in 2010. As such, the values set forth below include amounts of remuneration actually paid pertaining to the 2008 result.

The below summarised cash and in-kind income of members of the Board of Directors, senior executives and members of the Supervisory Board were received exclusively from the company Škoda Auto (CZK):

	2009			2008		
	Monetary income	In-kind income	Total income	Monetary income	In-kind income	Total income
Board of Directors	14,126,535	7,471,038	21,597,573	13,497,488	8,067,406	21,564,894
Supervisory Board	408,000	134,221	542,221	390,000	144,101	534,101
Key managers	96,639,479	16,778,144	113,417,623	90,169,466	18,632,124	108,801,590
Total	**111,174,014**	**24,383,403**	**135,557,417**	**104,056,954**	**26,843,631**	**130,900,585**

Information on shares owned by the Board of Directors, Supervisory Board, executives, and persons close to them
[Section 118(4)(g) of the Act on Business Activities on the Capital Market]

Members of the Board of Directors and Supervisory Board and executives and persons close to them own no shares issued by Škoda Auto. No option contracts or similar agreements are entered into with the above mentioned persons.

Information on fees paid to auditors for the accounting period [Section 118(4)(k) of the Act on Business Activities on the Capital Market]

Information on fees paid to auditors for the accounting period, broken down by individual types of services, appears in the financial section of the Annual Report, for the consolidated group in the consolidated financial statements – note 28, and for Škoda Auto in the separate financial statements – note 29.

GLOSSARY OF TERMS AND ABBREVIATION

A-SUV - Sport utility vehicle in the mid-range category of cars

CAS - Czech accounting standards for businesses and other accounting regulations valid in the Czech Republic, particularly Act No. 563/1991 Coll. on Accounting and Decree No. 500/2002 Coll., implementing selected provisions of the Accounting Act, as subsequently amended.

Company - in the Annual Report, the term "the Company" is used as a synonym for the company Škoda Auto

Consolidated group - in addition to ŠKODA AUTO a.s. with registered office in Mladá Boleslava, also includes all significant subsidiaries and associates

Deliveries to customers - number of Škoda-brand vehicles delivered to end customers that were produced in Škoda Auto Group and/or partner plants

e-learning - a training method based on electronic training programs running on personal computers

Gross liquidity - liquid funds, i.e. cash and cash equivalents including short-term lendings

Group - in the Annual Report, the terms "the Group" and "the Škoda Auto Group" are used as synonyms for the Škoda Auto Consolidated Group

IAS / IFRS - International Accounting Standards / International Financial Reporting Standards as adopted by the European Union

Investment ratio - ratio of capital expenditures (less capitalised development expenses) to total sales revenues

Net liquidity - gross liquidity less financial obligations

Production - number of vehicles produced. The total production figure also includes production of vehicles for other Volkswagen Group brands (Volkswagen- and Audi-brand vehicles produced by SAIPL). For accuracy, vehicle assembly kits are reported in the vehicles segment

Registrations - number of new Škoda-brand vehicles officially registered in a given country

Sales - number of vehicles sold to importers and dealers. The unit sales figure also includes sales of vehicles manufactured by other Volkswagen Group brands (SEAT vehicles sold by ŠAS; VW and AUDI vehicles sold by SAIPL). For accuracy, vehicle assembly kits are reported in the vehicles segment

TDI / TSI - Turbocharged diesel engine with direct fuel injection / Turbocharged petrol engine with direct fuel Injection

Temporary workers - employees of a labour agency who are temporarily seconded to work for a different employer

Z.E.B.R.A. - an internal corporate system of proposals for work improvements

LIST OF NON-CONSOLIDATED CAPITAL HOLDINGS OF ŠKODA AUTO A.S.

ŠKODA AUTO a.s.

ŠKO-ENERGO, s.r.o.

Mladá Boleslav, Czech Republic
Škoda Auto stake: 34%
Principal businesses: generation and distribution of heat energy, generation of power, trading in electricity, gas distribution, production of drinking and service water, operation of water mains and sewage systems.

e4t electronics for transportation s.r.o.

Prague, Czech Republic
Škoda Auto stake: 49%
Principal businesses: research and development in the field of natural, technical, and social sciences, training and consulting services.

ŠKO-ENERGO FIN, s.r.o.

Mladá Boleslav, Czech Republic
Škoda Auto stake: 10%
Principal businesses: letting of property and non-residential premises, industrial and office equipment.

On 16 July 2009, the liquidation of the ZAO Evroavto company was terminated. Škoda Auto held 75.1% stake of this company.

PERSONS RESPONSIBLE FOR THE ANNUAL REPORT AND POST-BALANCE SHEET EVENTS

Events after the Balance Sheet Date
No material events have occurred between the balance sheet date and the date of preparation of this Annual Report that have had an impact on an assessment of the Company's or Group's assets, liabilities and equity or the results of its operations.

Affirmation
The persons stipulated below, who are responsible for preparing the Annual Report, hereby declare, to their best knowledge, that the Annual Report gives a faithful and earnest view of the financial situation, business activities, and operational results of the Group and the Company for the elapsed accounting period and the outlook for the future development of the financial situation, business activities and operational results.

Mladá Boleslav, on 5 March 2010

Reinhard Jung
Chairman of the Board of Directors

Holger Kintscher
Member of the Board of Directors
Commercial Affairs Department

Jana Šrámová
Head of Accounting

Jana Fernández Zambrano
Head of Closing Accounts and External Reporting

This version of the Annual Report 2009 is a translation from the original, which was prepared in Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all maters of interpretation of information, views or opinions, the original language version of these Annual Report 2009 takes precedence over this translation.

KEY FIGURES AND FINANCIAL RESULTS AT A GLANCE*

Škoda Auto Key Figures and Financial Results According to CAS

Production, Sales and Technical Data

		1999	2000	2001	2002	2003	2004
Deliveries to customers	**vehicles**	**385,330**	**435,403**	**460,252**	**445,525**	**449,758**	**451,675**
Sales	**vehicles**	**376,329**	**448,394**	**460,670**	**440,572**	**438,843**	**441,820**
Production	**vehicles**	**371,169**	**450,910**	**460,886**	**442,469**	**437,554**	**444,121**
Employees	persons	22,030	25,833	24,129	23,470	22,798	24,561
of which:							
External persons	persons	1,708	3,245	2,735	2,179	2,308	3,664

Profit and Loss Account

		1999	2000	2001	2002	2003	2004
Sales	**CZK millions**	**110,409**	**136,283**	**153,271**	**145,694**	**145,197**	**153,550**
of which:							
Domestic	%	19	18	18	18	17	15
Export	%	81	82	82	82	83	85
Raw materials and consumables	CZK millions	80,426	105,996	116,350	109,868	108,283	115,382
	% of revenues	72.8	77.8	75.9	75.4	74.6	75.1
Value added	**CZK millions**	**18,513**	**18,977**	**22,296**	**22,056**	**23,343**	**24,884**
	% of revenues	16.8	13.9	14.6	15.1	16.0	16.2
Staff costs	CZK millions	6,629	7,465	7,583	7,834	8,060	8,500
Depreciation	CZK millions	6,516	7,768	9,646	10,826	10,296	10,606
Operating profit	**CZK millions**	**5,237**	**5,204**	**4,643**	**3,677**	**5,209**	**5,856**
	% of revenues	4.7	3.8	3.0	2.5	3.6	3.9
Financial result	CZK millions	(1,422)	(1,029)	(1,969)	(1,188)	(2,692)	(1,041)
Profit before income tax	**CZK millions**	**3,814**	**4,175**	**2,674**	**2,489**	**2,517**	**4,815**
Profit before income tax-to-revenues ratio	%	3.5	3.1	1.7	1.7	1.7	3.2
Tax on profit or loss	CZK millions	1177	839	545	664	1039	1318
Profit for the year	**CZK millions**	**2,637**	**3,336**	**2,129**	**1,825**	**1,478**	**3,497**
Profit for the year-to-revenues ratio	%	2.4	2.4	1.4	1.3	1.0	2.3

Balance sheet/Financing

		1999	2000	2001	2002	2003	2004
Fixed assets	**CZK millions**	**33,687**	**39,175**	**45,008**	**44,873**	**44,074**	**41,143**
Current assets and other assets	**CZK millions**	**21,923**	**27,486**	**21,603**	**21,945**	**22,077**	**30,694**
of which:							
Lendings	CZK millions	-	-	-	-	-	8600
Equity	**CZK millions**	**22,700**	**26,032**	**28,157**	**29,817**	**31,758**	**32,844**
Liabilities and other liabilities	**CZK millions**	**32,910**	**40,629**	**38,454**	**37,001**	**34,393**	**38,993**
of which:							
Bonds	CZK millions	-	10,000	10,000	10,000	10,000	10,000
Provisions under special regulations	CZK millions	4,949	4,284	3,939	4,398	5,108	6,522
Bank loans	CZK millions	3,000	4,850	2,000	5,000	-	-
Assets	**CZK millions**	**55,610**	**66,661**	**66,611**	**66,818**	**66,151**	**71,837**
Net liquidity	**CZK millions**	**(1,339)**	**(4,007)**	**(798)**	**(4,660)**	**2,495**	**4,534**
Investments	**CZK millions**	**11,313**	**13,873**	**16,235**	**11,586**	**10,248**	**8,430**
Investment ratio	%	10.2	10.2	10.6	8.0	7.1	5.5
Equity ratio	%	40.8	39.1	42.3	44.6	48.0	45.7
Equity-to-fixed assets ratio	%	67.4	66.5	62.6	66.4	72.1	79.8

Key Figures and Financial Results According to IFRS

Production, Sales and Technical Data

		Škoda Auto Group					Škoda Auto (company)				
		2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
Deliveries to customers	**vehicles**	**492,111**	**549,667**	**630,032**	**674,530**	**684,226**	**492,111**	**549,667**	**630,032**	**674,530**	**684,226**
Sales	**vehicles**	**498,467**	**562,251**	**619,635**	**625,819**	**551,604**	**493,119**	**555,202**	**623,085**	**622,090**	**539,382**
Sales of Škoda cars		496,387	559,821	617,269	621,683	545,690	493,119	555,202	623,085	622,083	539,380
Production	**vehicles**	**494,127**	**556,347**	**623,291**	**606,614**	**522,542**	**494,637**	**556,433**	**623,529**	**603,247**	**519,910**
Production of Škoda cars		494,127	556,347	622,811	603,981	519,645	494,637	556,433	623,529	603,247	519,910
Employees	persons	26,742	27,680	29,141	26,695	26,153	26,014	26,738	27,753	25,331	24,817
of which:											
External persons	persons	3,460	3,879	4,680	1,759	2,035	3,460	3,704	4,194	1,709	1,986

Profit and Loss Account

		Škoda Auto Group					Škoda Auto (company)				
		2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
Sales	**CZK millions**	**187,382**	**203,659**	**221,967**	**200,182**	**187,858**	**177,822**	**189,816**	**211,026**	**188,572**	**170,666**
of which:											
Domestic	%	13.3	12.6	11.8	11.9	11.5	14.0	13.5	12.4	12.7	12.5
Export	%	86.7	87.4	88.2	88.1	88.5	86.0	86.5	87.6	87.3	87.5
Cost of sales	**CZK millions**	**163,738**	**175,636**	**185,474**	**171,523**	**166,296**	**159,187**	**167,709**	**180,865**	**165,600**	**155,868**
	% of revenues	87.4	86.2	83.6	85.7	88.5	89.5	88.4	85.7	87.8	91.3
Gross profit	**CZK millions**	**23,644**	**28,023**	**36,493**	**28,659**	**21,562**	**18,635**	**22,107**	**30,161**	**22,972**	**14,798**
	% of revenues	12.6	13.8	16.4	14.3	11.5	10.5	11.6	14.3	12.2	8.7
Distribution expenses	CZK millions	10,611	11,903	13,201	12,804	13,153	6,558	6,905	7,964	7,590	7,702
Administrative expenses	CZK millions	3,676	3,587	4,207	4,712	4,826	3,329	3,161	3,701	4,223	4,320
Balance of other operating revenues/costs	CZK millions	1,503	2,069	699	2,477	2,341	1,256	1,735	525	1,477	1,948
Operating profit	**CZK millions**	**10,860**	**14,602**	**19,784**	**13,620**	**5,924**	**10,004**	**13,776**	**19,021**	**12,636**	**4,724**
	% of revenues	5.8	7.2	8.9	6.8	3.2	5.6	7.3	9.0	6.7	2.8
Financial result	CZK millions	(787)	(404)	171	262	(667)	(564)	(216)	425	651	(343)
Profit before income tax	**CZK millions**	**10,073**	**14,198**	**19,860**	**13,376**	**4,702**	**9,440**	**13,560**	**19,446**	**13,287**	**4,381**
Profit before income tax-to-revenues ratio	%	5.4	7.0	8.9	6.7	2.5	5.3	7.1	9.2	7.0	2.6
Income tax expense	CZK millions	2,180	3,136	3,878	2,558	1,240	2,077	2,678	3,554	2,020	942
Profit for the year**	**CZK millions**	**7,893**	**11,062**	**15,982**	**10,818**	**3,462**	**7,363**	**10,882**	**15,892**	**11,267**	**3,439**
Profit for the year-to-sales ratio	%	4.2	5.4	7.2	5.4	1.8	4.1	5.7	7.5	6.0	2.0

Balance sheet/Financing

		Škoda Auto Group					Škoda Auto (company)				
		2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
Non-current assets	**CZK millions**	**55,424**	**54,292**	**56,767**	**60,017**	**59,083**	**55,023**	**53,936**	**56,903**	**60,119**	**59,926**
Current assets	**CZK millions**	**34,331**	**50,920**	**59,014**	**62,439**	**59,293**	**28,956**	**43,499**	**48,658**	**51,276**	**48,099**
of which:											
Lendings	CZK millions	11,200	23,950	25,554	25,721	13,562	11,200	23,950	25,554	25,238	13,562
Equity**	**CZK millions**	**46,757**	**58,321**	**67,034**	**71,608**	**68,180**	**46,483**	**58,007**	**66,532**	**71,721**	**68,519**
Non-current and current liabilities	**CZK millions**	**42,998**	**46,891**	**48,747**	**50,848**	**50,196**	**37,496**	**39,428**	**39,029**	**39,674**	**39,506**
of which:											
Nominal value of bonds	CZK millions	5,000	5,000	2,000	2,000	2,000	5,000	5,000	2,000	2,000	2,000
Assets	**CZK millions**	**89,755**	**105,212**	**115,781**	**122,456**	**118,376**	**83,979**	**97,435**	**105,561**	**111,395**	**108,025**
Net liquidity***	**CZK millions**	**4,911**	**21,157**	**29,736**	**19,413**	**29,595**	**6,070**	**19,352**	**26,283**	**18,676**	**24,109**
Cash flows from operating activities	**CZK millions**	**23,550**	**27,420**	**30,787**	**13,014**	**26,529**	**21,421**	**24,203**	**29,275**	**13,978**	**22,321**
Cash flows from investing activities	**CZK millions**	**(11,566)**	**(11,090)**	**(13,785)**	**(16,147)**	**(10,942)**	**(11,299)**	**(10,910)**	**(13,913)**	**(14,445)**	**(11,454)**
Investment ratio	%	4.7	4.1	4.9	5.6	5.4	4.8	4.3	4.9	5.4	6.0
Equity ratio	%	52.1	55.4	57.9	58.5	57.6	55.4	59.5	63.0	64.4	63.4
Equity-to-fixed assets ratio	%	84.4	107.4	118.1	119.3	115.4	84.5	107.5	116.9	119.3	114.3

* The financial result reported according to CAS are not comparable with the financial results reported according to IFRS.

** Consolidated figures are given net of minority shares.

*** In 2009 part of the financial payables was reclassified in the category of trade payables, which affected the comparable data from 2008 and 2007. Detailed information including reclassifications of amounts is set forth in the financial section of the Annual Report in the chapter Consolidated Financial Statement and Separate Financial Statement in item 1.3

Published by:
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Annual Report 2009 is also available on Company's website:
www.skoda-auto.cz
www.skoda-auto.com

2009 Annual Report closing date: 5 March 2010

Financial section prepared in house using FIRE.sys

Contents, design and print production:
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