ŠKODA

Annual Report
2023

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Foreword of the Chairman of the Board of Management

Dear Readers,

in 2023, Škoda Auto made significant strides in future-proofing the company: We have accelerated our e-campaign, modernized our successful ICE portfolio, expanded our international footprint, and strengthened our sustainability initiatives. Škoda Auto has achieved a promising position in the evolving automotive industry.

Last year's financial figures underscore this: We achieved record sales revenue of €24 billion and an operating profit of €1.7 billion. We delivered 866,820 vehicles to customers, including 81,650 all-electric vehicles, marking an overall increase of 52.1% compared to the previous year. These results are vital for our ongoing transformation towards e-mobility and a strong foundation for challenging times ahead as global markets, competition and consumer confidence remain volatile. 2023 has confirmed the robustness of our business model and the resilience of Škodians in a challenging environment.

Our path is clearly laid out: The future of Škoda Auto is electric. By 2030, our goal is for more than 70% of cars sold in Europe to be fully electric. We've begun this journey with the success of the Enyaq and Enyaq Coupé, best sellers in many European markets. Anticipate the launch of six new all-electric models in the coming years, including the Elroq in 2024, the Small BEV in 2025, and the Space BEV in 2026.

Transitioning to e-mobility is a gradual process, and we remain committed to providing customers with options that suit their current needs, including efficient combustion engines and hybrids. Our blended strategy of "the best of both worlds" empowers customers to choose according to their preferences and accommodates varying transition speeds across markets. This approach ensures that we remainattentive to our customers' needs as we support them through the evolving mobility landscape, ultimately future-proofing our company and jobs in the Czech Republic.

Expanding our global footprint beyond European markets is crucial for Škoda Auto's growth. In 2023, we extended our internationalization strategy by entering the Vietnamese market, introducing the Karoq and Kodiaq SUVs. Our plans include expanding the dealership network to 30 by 2028 and introducing the all-electric Enyaq family to meet the growing demand for EVs. Additionally, local production of the Kushaq and Slavia from CKD kits will commence in 2024 and 2025, positioning Vietnam as a bridgehead to the dynamic ASEAN region, where Škoda Auto is strategically leading the Brand Group Core within Volkswagen Group.

In India, our strategic foothold, we maintain a long-term vision and defined strategy. The foundation of our internationalization ambitions is supported by strong products developed in India for both domestic and global markets. We expanded exports to the Middle East from India in 2023 and forged agreements to re-enter the market in Kazakhstan with a new trusted partner for production and delivery.

Our updated sustainability strategy covers all three pillars of Environment, Social and Governance. On the environmental side, for example, we installed more than 5,400 photovoltaic modules on our facilities in Mladá Boleslav as a step towards our net-zero CO_2 goal for production. In the social area, we are focused on diversity, our employees and local communities. In governance, building sustainable business relations with our suppliers is a key priority.

Škoda Auto has once again proven its resilience and success in a fast-moving competitive environment, staying true to our core values and remaining attractive to our customers. The Next Level Škoda Strategy 2030 is guiding our path, and we are committed to advancing even further in 2024 with our team, trusted dealers, and valued partners.

Kind regards,

Klaus Zellmer
Chairman of the Board of Management
Škoda Auto a.s.

Foreword of the Chairman of the Supervisory Board

Dear readers,

it is crunch time for the automotive industry. Despite ongoing challenges like geopolitical tensions, high inflation rates and rising energy costs, Škoda Auto can look back on a successful year marked by strong results and the launch of attractive new models; the new Kodiaq and Superb have been extremely well-received. Efficient ICE models with hybrid options remain crucial in the transition to widespread e-mobility later this decade.

Nevertheless, the future is going to be all-electric, sustainable and globally diversified. The Škoda Auto team is well-prepared for this transformation:

- The popular Enyaq series is just the beginning: Škoda's electric portfolio is set to rapidly expand with six new models in the coming years. Among these is the eagerly awaited compact Elroq, slated for 2024.
- Škoda Auto has made significant progress in terms of sustainability, including installing a new solar power system in Mladá Boleslav, which will generate over 2 GWh of emissions-free power. The brand's strong focus on the circular economy is another vital component in its journey towards CO_2 neutrality.
- Škoda Auto's internationalisation strategy is gaining momentum as the brand enters the Vietnamese market, re-enters Kazakhstan and strengthens exports from India to the Middle East.

With its wealth of ideas, can-do attitude and great team spirit, Škoda Auto has the right mindset to use this transformation as a significant opportunity.

This approach positions the brand as a strong and vital component within the Brand Group Core, alongside Volkswagen, Seat / Cupra, and Volkswagen Commercial Vehicles. Together, we form the core of the Volkswagen Group, offering the most desirable brands with top technology at competitive costs. We maximise synergies and collaborate to deliver the best solutions for our customers and the best financial results for our business.

A striking example is the Beta+ project: Škoda Auto's leadership in the joint development of the Škoda Superb and Volkswagen Passat has led to efficiency gains of €600 million. This, combined with its regional responsibility for the ASEAN region, stands out as a best practice case.

Škoda is strategically well-positioned and equipped for this decade of transformation and will continue to make significant and valuable contributions within the Brand Group Core.

My sincere thanks to the entire Škoda Auto family and its leadership team for navigating through a challenging, yet successful year. Their dedication and efforts have greatly advanced the company's strategic goals. Yes, 2024 will be another tough year for the whole industry. But Škoda is well-prepared, and I am convinced that the brand will again achieve sustainable success.

Kind regards,

Thomas Schäfer
Chairman of the Supervisory Board
Škoda Auto a.s.

Management Report

About the Company

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About the Company

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

Company Profile

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

Škoda Auto has long been a pillar of the Czech economy, currently employing almost 35,000 people in the Czech Republic. The Company is based in Mladá Boleslav, where one of its production plants is also located; another two can be found in Kvasiny and Vrchlabí. However, vehicles bearing the winged arrow are also manufactured in China, Slovakia and India, mostly via Group partnerships, and in Ukraine in collaboration with a local partner.

The business activity in which the Company is engaged in primarily focuses on the development, manufacture and sale of cars, and components. The latter also included battery systems for MEB platforms, original parts, Škoda brand accessories and the provision of servicing.

Škoda Auto is currently offering the broadest portfolio ever and provides the best of both worlds – electric and conventional powertrain options. Nevertheless, the future of Škoda is electric. The Company is implementing its clearly defined e-mobility roadmap, including six completely new e-models in the coming years.

The Company is further expanding its global footprint as a key element of its Next Level Škoda Strategy 2030. Škoda Auto intends to become one of the top five best-selling brands in Europe by 2030. As an integral part of Brand Group Core, the car manufacturer is leveraging its expertise in price-sensitive growth markets and contributes its know-how to unlock new growth potential for the Group in India and ASEAN.

Sustainability is an indispensable element of the Company's corporate long-term success and is firmly anchored in its strategy as one of the main priorities. Škoda Auto approaches this issue holistically, through three pillars focusing on the environment, social aspects, and corporate governance.
The Company is particularly focused on keeping the footprint of its business activities as small as possible and further promoting principles of circular economy e. g. through the incorporation of innovative and sustainable materials into its products. Additionally, it supports its employees, proactively engages with local communities, and aspires to serve as a model for ethical conduct and resilience in the face of crises.

Purpose

We will help the world live smarter.

Mission

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

1895

The Company used the patriotic name Slavia for its bicycles. The name was supplemented by the founders' surnames in the decorative logo: Laurin & Klement.

1905

With the advent of car production, an impressive circular logo with the initials L&K, framed by a laurel wreath, was born. It referred to the brand's success in motorsport.

1925

After the merger with Škoda Company, the Škoda logo and the Laurin & Klement typographic emblem appeared on the front of the cars.

1926

The winged arrow, a symbol of speed and progress, became the brand's new logo. It was probably inspired by the image of an Indian wearing a feather headband.

1993

Following the merger with the Volkswagen Group, a new logo with a modern typeface was created. The blue colour was replaced by black and green and the symbol of the brand's success in motorsport – the laurel wreath – returned.

2011

The outer ring has been significantly thinned and the arrow emblem in a light shade of Skoda Green has been given more space. Thanks to the use of a 3D element, the logo also appeared much more plastic.

2023

The typographic ŠKODA logo with an integrated accent above the letter S began to be used on car bonnets and in communication. The two-dimensional winged arrow symbol is simpler and adapted to digital communication.

Corporate Governance

The Company has a sole shareholder, a General Meeting is not held and its powers are executed by the sole shareholder VOLKSWAGEN FINANCE LUXEMBURG S.A. with its registered seat in Luxembourg, the Grand Duchy of Luxembourg. The Company bodies are the Supervisory Board and the Board of Management. The sole shareholder of VOLKSWAGEN FINANCE LUXEMBURG S.A. is VOLKSWAGEN AKTIENGESELLSCHAFT (hereinafter the "VW AG") with its registered office in Wolfsburg, Federal Republic of Germany.

Supervisory Board
As of 31 December 2023, the Supervisory Board had the following members:

Thomas Schäfer (* 1970)
- Chairman of the Supervisory Board since 15 July 2022 (Member from 1 July 2022)
- Member of the Board of Management of VW AG, Head of the Brand Group Core
- Appointed by the sole shareholder

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

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

Dirk Große-Loheide (* 1964)
- Member of the Supervisory Board since 1 March 2023
- Chief Purchasing Officer Volkswagen Group
- Appointed by the sole shareholder

Miloš Kovář (* 1964)
- Member of the Supervisory Board since 1 May 2015
- Production Coordinator of Odbory KOVO MB (Trade Unions Mladá Boleslav)
- Elected by the employees of the Company

Martin Lustyk (* 1965)
- Member of the Supervisory Board since 14 January 2019
- Chairman of Odbory KOVO KV z.s. (Trade Unions Kvasiny)
- Elected by the employees of the Company

Patrik Andreas Mayer (* 1970)
- Member of the Supervisory Board since 1 February 2023
- Member of the Board of Management of the Volkswagen Brand responsible for Finance
- Appointed by the sole shareholder

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

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

Changes to the Supervisory Board
In Škoda Auto a.s., the election of Supervisory Board members elected by employees took place between 1 December 2022 and 8 January 2023. As a result, Jaroslav Povšík, Miloš Kovář and Martin Lustyk were re-elected and their four-year term of office began on 15 January 2023.

Left the Supervisory Board:
Prof. Dr. Jochem Heizmann
- Member of the Supervisory Board from 1 February 2019 to 31 January 2023

Murat Aksel
- Member of the Supervisory Board from 1 May 2021 to 28 February 2023

Appointed to the Supervisory Board:
Patrik Andreas Mayer
- Member of the Supervisory Board from 1 February 2023

Dirk Große-Loheide
- Member of the Supervisory Board from 1 March 2023

Board of Management
As of 31 December 2023, the Board of Management had the following members:

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

Andreas Dick (* 1971)
- Member of the Board of Management since 1 September 2023, responsible for Production and Logistics
- previous position: Technical Vice President at FAW-Volkswagen

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

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

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

Holger Peters (* 1968)
- Member of the Board of Management since 1 June 2023, responsible for Finance, IT and Legal Affairs
- previous position: Chief Representative at Volkswagen Bank GmbH

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

Changes to the Board of Management

Left the Board of Management:
Christian Schenk
- Member of the Board of Management from 1 October 2021 to 30 April 2023

Dr. Michael Oeljeklaus
- Member of the Board of Management from 1 August 2010 to 31 August 2023

Appointed to the Board of Management:
Holger Peters
- Member of the Board of Management from 1 June 2023

Andreas Dick
- Member of the Board of Management from 1 September 2023

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Strategy

For more than two years now, the direction the Company is taking has been set by Next Level Škoda Strategy 2030, enabling the Company to achieve remarkable success despite extraordinarily tough times in the automotive industry. For example, approval has been given to the Škoda brand portfolio becoming fully electric in the future, and to the ongoing improvement of existing models. The Company also took a range of measures to ensure long-term profitability.

Advancements in individual strategic activities, combined with outside challenges and changes in strategy at the Volkswagen Group and the Brand Group Core, provided the impetus to update Next Level Škoda Strategy 2030. The modified strategy is based on three thematic pillars: **Brand and Market**, **Technology and Quality**, and **People and Company**.

Each of these pillars contains three strategic fields and constitutes a logical structure with clearly defined strategic priorities at Škoda Auto.

Brand and Market

As part of the Brand and Market pillar, the Company set its priorities to become the Most Attractive Brand for the group of customers designated Everyday Explorers, earning a Top-5 Market Share in Europe, and being the Leading European Brand in India and in the ASEAN region.

Most Attractive Brand for Everyday Explorers

The Company successfully continued to implement its new brand and corporate identity strategy. At the same time, it decided to look in more detail at existing and potential customers and their needs. This survey confirmed that "exploration" is the right direction for the Company, one that resonates with our customers. People from the main target group profess traditional values, as well as a desire to explore the world around them. They are known as Everyday Explorers. Škoda Auto would like to be a partner to them on their journey, one that inspires them, encourages their pursuit of knowledge and provides services and products that make it all possible.

Exploration, in fact, was also the central theme of a new brand campaign featuring the slogan Let's Explore. This was launched in almost 50 markets during the year. The campaign also met with an excellent response among the public and the media in India, where the content of the commercial was adapted to suit Indian customers. Communication was also localized in the countries of the Near East and Scandinavia. The outcome of the campaign shows that pursuing a global direction for the brand with slight local adaptations brings outstanding results.

Top 5 Market Share in Europe

Škoda Auto aspires to be one of the top 5 best-selling carmakers in Europe by the year 2030. A strong, electric range of models will be essential to achieving success on the continent. In April 2023, the Company announced that it would be accelerating the expansion of its portfolio of purely electric cars and would in the coming years bring six new fully electric models to the market, something for the entire spectrum of customers. Škoda Auto also announced that the official name of its new model would be the Elroq.

Leading European Brand in India and ASEAN

ASEAN is the fastest-growing region in the world, with the market as a whole expected to reach 4.1 million cars in 2030. As part of its strategy, the Company set out an ambitious plan to become the leading European brand in those markets.

In March 2023, Škoda Auto assumed the strategic management of the Group brands of the Brand Group Core in the region. Then, in September, it officially moved on to the Vietnamese market. The car market in Vietnam is growing rapidly and is the fourth biggest market in Southeast Asia. Although there are only 34 cars per 1,000 inhabitants, the population as a whole is close to 100 million. This, together with the economic development expected there, makes Vietnam the country with the biggest growth potential in the entire region. Moving into Vietnam opened the doors for the Škoda brand to the countries of ASEAN.

Škoda Auto anticipates annual sales of more than 30,000 cars by the year 2030 in Vietnam. To begin with, the Company's local offerings will comprise the Kodiaq and Karoq, imported from Europe. The next phase will expand the portfolio with other models, the Octavia and the Superb, again imported. The Company also expects to introduce its family of fully electric Enyaq cars, given that we can expect demand for electric cars to rise among Vietnamese customers.

The manufacture of Kushaq cars from completely knocked down units will be launched at a newly built local plant in 2024 (followed by Slavia in 2025), utilizing synergy with our existing production facilities. It is in India where sales of nearly 49,000 vehicles have been achieved in 2023, taking the total sales of India 2.0 cars to over 100,000 vehicles since their launch.

Another attractive opportunity to speed up internationalization was the Company's return to the market of Kazakhstan. Škoda Auto selected a new sales and production partner for the renewal of its business there. The Kodiaq will be launched in Kazakhstan in early 2024, followed later by the Kamiq, Octavia and Karoq. Škoda Auto was previously active in Kazakhstan from 2005–2021, selling more than 25,000 cars on the market.

Technology and Quality

There are also three priorities in the Technology and Quality pillar: Desirable and Accessible Mobility, the Simply Clever Customer Experience, and the Best-in-class Quality.

Desirable and Accessible Mobility

The Company assembles its portfolio in such a way as to offer its customers the best of both types of engines – combustion and electric. The Czech automotive company plans to broaden its range of purely electric cars in the coming years by introducing six new models, and Škoda Auto will invest €5.6 billion in electromobility in the coming years. Models with modern, economical combustion engines and plug-in hybrids will remain the bread and butter of the range during the transitional stage on the road to electromobility. Škoda Auto will therefore soon have the most diverse portfolio in its history, from the perspective of the technology used and from that of the customer segment.

The Simply Clever Customer Experience

The Škoda brand is renowned for its Simply Clever ideas, which make it easier to use the cars – for example, an umbrella in the door. The Company is taking this spirit into the digital world, where it is creating innovative solutions for customers. Among them is the Pay to Park service, which makes parking easier in several European countries and can be used in dashboard infotainment or by using the MyŠkoda application on a mobile phone. The Pay to Park service won the 2023 Car Connectivity Award in the Best Price-to-Performance Ratio category in a survey of readers of the renowned automotive magazine Auto Motor und Sport and its sister publication MO/OVE.

Škoda Auto systematically considers its customers' wishes, and it wants to be a leader in the sphere of customer experience and satisfaction. The Company is one of the few manufacturers to have created a Master Customer Journey Framework, which allows it to step into the customer's shoes, from the initial contact with the brand, the sale, the use of the car, connectivity, charging, servicing, and maintenance to buying another car. This Holistic User Experience (HUX) approach is a unique laboratory in which to design future customer experiences, and it also makes it possible to work together on how to create better and problem-free solutions for Škoda customers on a day-to-day basis.

Best-in-class Quality

The corporate strategy has the highest demands when it comes to quality. Continual emphasis on the quality of the product and, more than ever before, on the quality and advanced nature of software are crucial to satisfying the high expectations that our customers have and to ensuring a competitive advantage in the market. For this reason, the Company promotes quality in all areas and at all levels of the organization, and it pays even more attention to the reliability of cars in relation to elegance and innovative design, advanced safety features, comfort, cybersecurity, communication, and customer service.

People and Company

The final pillar, People and Company, consists of priorities that focus on Digital Skillset and Agile Mindset, Best-in-class in ESG, and Next Level Efficiency+.

Digital Skillset and Agile Mindset

One integral part of Next Level Škoda Strategy 2030 is the introduction of new technologies and support for digital skills and an agile mindset. The Company uses targeted HR processes to bring in new digital talents, and it takes their know-how even further. Employees have their own skills cards and access to a digital educational ecosystem for individual requalification and education. The democratization of technology is set in such a way that Škoda Auto employees become the winners when it comes to transformation. Data management throughout the Company aims to generate sustainable commercial value and support transparency.

Best-in-class in ESG

Škoda Auto aims to achieve the very best results in its class in three areas of sustainability: the environment, the social sphere, and corporate governance. Specifically, it wants to be an innovator in the reuse of resources using its Simply Clever solutions, to practically and proactively engage in strengthening the position of local communities, to emphasize people, and to be an example of ethical conduct and resilience in the face of crises.

As far as the environmental aspect is concerned, Škoda Auto wants to use set ecological standards and its own priorities to encourage partners to develop creative methods and procedures for production that are more considerate of the climate. At the same time, Procurement and Technical Development will work closely together on the development of its own innovations, which will increase the sustainability of existing and future products.

As for the social aspect, the updated sustainability strategy endeavours to gradually switch to a new approach based on the principles of shared value – Creating Shared Value (CSV) – which makes it possible to create shared value among the Company and its stakeholders in defined areas, such as education, mobility, employee volunteering and engagement, well-being, and diversity.

As far as corporate governance is concerned, Škoda Auto acts responsibly and transparently both inside the Company and outwardly. The requirements of environmental and social standards are thereafter projected in our relationships with business partners, specifically in the Code of Conduct for Business Partners.

Next Level Efficiency+

As part of its Next Level Efficiency+ programme, the Company is endeavouring to achieve sustainable financial results and has an ambitious target for return on sales. By taking targeted measures to optimize fixed costs for production and management, Škoda Auto is significantly and continually reducing costs and expenses in all areas of the business and freeing up the funds required for investment, including investing in the onward transformation of the business and its status as a going concern in the future. Significant data, RPA and AI projects are continually being launched to improve efficiency and effectiveness. Moreover, the Company is systematically simplifying its processes and focusing its attention even more on the customer.

Product portfolio

2023 was a significant year for Škoda Auto, marked by the world premieres of the all-new Škoda Kodiaq and Škoda Superb in the second half of the year. The latest iterations introduce completely redesigned exteriors, innovative interior concepts, and user-friendly Škoda Smart Dials, along with advanced assistance systems and a new generation of plug-in hybrid drive.

The summer of 2023 saw the launch of the updated Škoda Scala and Škoda Kamiq. Both models showcase a refreshed, more dynamic look, with revamped front and rear aprons and a new radiator grille. LED Matrix beam headlights also debut in these series.

Škoda Auto expanded its Enyaq family to include the Enyaq L&K, a range-topping variant of the all-electric SUV that pays homage to the company's founders, Václav Laurin and Václav Klement. This model is distinguished by its unique exterior and interior styling and an expansive list of standard features.

With the Enyaq L&K, Škoda Auto has also rolled out several technical advancements, including updated vehicle software, a more powerful battery-electric powertrain, and improved efficiency, all of which will be integrated into other models in this series.


Škoda Kodiaq


Škoda Kamiq


Škoda Enyaq Coupé


Škoda Superb


Škoda Scala


Škoda Rapid


Škoda Enyaq


Škoda Octavia


Škoda Kushaq


Škoda Slavia


Škoda Octavia PRO


Škoda Fabia


Škoda Karoq


Škoda Kodiaq GT


Škoda Kamiq GT

All-new Škoda Kodiaq

In the second half of 2023, Škoda Auto introduced the second-generation Kodiaq SUV, opening a new chapter in its success story. The latest Kodiaq not only emerges as the largest SUV in Škoda's portfolio with enhanced passenger and luggage capacity but also sports a completely new design. This model is equipped with advanced LED Matrix beam headlights and the innovative DCC Plus Dynamic Chassis Control, featuring dual independently controlled valves for a superior driving experience.

Available in both five- and seven-seater configurations, the second-generation Kodiaq offers a host of state-of-the-art assistance systems, including Turn Assist and Remote Park Assist. The interior now boasts a revamped ergonomic design, featuring a steering-column-mounted selector lever and innovative Škoda Smart Dials, which provide quick access to vehicle functions. Additionally, Design Selections have been rolled out in the Kodiaq, further expanding its customisation options.

The powertrain range includes an array of fuel-efficient petrol and diesel engines with outputs from 110 kW to 195 kW. For the first time, the Kodiaq is also available with hybrid technology; the Kodiaq iV offers an all-electric range of over 100 kilometres (WLTP). The top petrol and diesel engines come with all-wheel drive as standard. All engines are mated to a DSG transmission, ensuring a blend of performance and efficiency tailored to every driving style.

Explore video ⟶

All-new Škoda Superb

In autumn 2023, Škoda introduced the fourth-generation Superb, available in both hatchback and Combi estate versions. The latest iteration of the brand's ICE flagship showcases a more refined and streamlined design, sporting second-generation LED Matrix beam headlights. It also offers a wide range of cutting-edge assistance systems, such as Intelligent Park Assist, Turn Assist and Crossroad Assist.

The interior of the fourth-generation Superb has been completely revamped to improve ergonomics. Key updates include relocating the selector lever to the steering column and the introduction of new Škoda Smart Dials, allowing for easy access to vehicle functions. Design Selections featuring sustainable materials further enhance the cabin's aesthetic.

The Superb's comprehensive powertrain range includes fuel-efficient petrol and diesel engines, with power outputs from 110 kW to 195 kW. The second-generation PHEV version delivers an all-electric range of over 100 kilometres (WLTP) for the Superb Combi estate. Both the top petrol and diesel engines come with all-wheel drive as standard, with all engines across the range mated to a DSG transmission.

Explore video ⟶

Updated Škoda Enyaq and Škoda Enyaq Coupé

Representing a significant milestone in Škoda Auto's journey towards electromobility, the Škoda Enyaq showcases the brand's evolving and expressive design language. The all-electric Enyaq, launched in September 2020, is Škoda's first series-produced vehicle built on the Volkswagen Group's MEB modular platform for electric cars. The SUV combines options for rear-wheel or four-wheel drive with Škoda's signature spacious interiors.

The model line-up also introduces distinct versions like the Enyaq Sportline, featuring progressive steering, black bodywork, and a sports-oriented interior. Additionally, the Enyaq RS stands out with its dynamic sporty appearance, all-wheel drive, and powerful 250 kW output.

Completing the Enyaq series, the Enyaq Coupé offers a dynamic aesthetic aimed at lifestyle-focused customers. A distinguishing feature is its standard panoramic glass roof, the largest ever installed in a Škoda vehicle. The Enyaq Coupé line-up includes the 60, 85, and 85x variants, alongside special RS, Sportline, and L&K models.

The 2024 model year brings comprehensive technical and software updates for the Enyaq. These include enhanced vehicle software, a more powerful battery-electric powertrain, and improved efficiency. The system output has increased across the range, with the new 85 and 85x versions of both the Enyaq and Enyaq Coupé offering 210 kW, and the RS version stepping up to 250 kW. Thanks to advancements in battery cell chemistry, the 85x and RS versions now support a maximum charging power of 175 kW.

Excluding the Enyaq 60 and Enyaq Coupé 60, all versions now feature upgraded infotainment and a new rear electric motor. The maximum speed of the Enyaq 85, Enyaq Coupé 85, Enyaq 85x, and Enyaq Coupé 85x has risen to 180 km/h. The range has also increased, with the Enyaq 85 now exceeding 560 km and the Enyaq Coupé 85 surpassing 570 km (WLTP). Additionally, the new electric drive package improves acceleration. For 2024, there is also a new user interface, enhancing usability and sporting updated graphics in line with Škoda's new Corporate Identity.

Launched in late spring 2023, the premium L&K version of the Enyaq series features unique exterior and interior design elements, alongside comprehensive standard equipment. Key highlights include exclusive Platinum Grey detailing on the model-specific bumpers, diffuser and exterior mirrors. The standard equipment also includes LED Matrix beam headlights and a Crystal Face. The Enyaq L&K interior offers two exclusive Design Selections, along with ventilated and massaging front seats, exclusive to this variant.

Updated Škoda Scala

The compact Scala continues to impress with its emotive design combined with an exceptional balance of active and passive safety features, high-level functionality and state-of-the-art connectivity. While the Scala has a broad appeal, the Monte Carlo version is a nod to drivers with a passion for race-inspired design.

An updated version of the five-door hatchback was unveiled to the public in August, showcasing a more dynamic appearance with its newly designed front and rear bumpers, and grille. This updated look is further accentuated by slimmed-down headlights, now featuring LED Matrix beam technology for the first time. The interior has also been refreshed with new decor on the dashboard and door panels. A digital display with an 8-inch screen diagonal and an 8.25-inch Škoda infotainment display come as standard. In line with Škoda's commitment to sustainability, the Scala now incorporates a greater proportion of recycled materials; for example, the water channel below the windshield and the wheel arch linings are crafted from recycled plastics. The engine range for the revised Scala spans 70 kW (95 hp) to 110 kW (150 hp). All three modern TSI engines, including 1.0 TSI three-cylinder units, are from the highly efficient evo2 generation.

Updated Škoda Kamiq

The Kamiq combines the classic benefits of sport utility vehicles, such as greater headroom and raised seats, with the agility of a compact car and Škoda's signature design. Earning recognition in the urban SUV segment, the Kamiq continues to offer the Monte Carlo variant, available from its initial release and once again with the August facelift.

For the first time, the Kamiq is optionally available with LED Matrix beam headlights. The interior has also been updated with new dashboard and door panel designs. Standard features in the Kamiq now include an 8-inch digital display and an 8.25-inch Škoda infotainment system. Aligning with Škoda's sustainability initiatives, the updated Kamiq incorporates a higher percentage of recycled materials, particularly in areas like the water channel beneath the windshield and the wheel arch linings, now created from recycled plastics. Completing the refresh, the Kamiq's engine range extends from 70 kW (95 hp) to 110 kW (150 hp). The line-up includes the latest 1.0 TSI three-cylinder engines from the highly efficient evo2 generation.

Škoda Fabia

Introduced in 2021, the fourth-generation Škoda Fabia impresses with state-of-the-art technology, economical petrol engines and captivating design. Built on the VW Group's MQB-A0 platform, it ensures an unprecedented amount of space and outstanding safety for all occupants. The contemporary interior showcases a third-generation infotainment system with a digital display up to 9.2".

The Fabia boasts a spacious and efficiently designed interior, complemented by a range of signature Simply Clever features.

In 2022, the Monte Carlo edition was added to the Fabia line-up, celebrating Škoda's noteworthy rally achievements. Black accents and distinctively shaped bumpers and sills give the model a dynamic and attractive aesthetic.

Škoda Karoq

Released in 2022, the upgraded Škoda Karoq measures 4.38 metres in length, positioning it in the compact SUV segment. It sports redesigned headlights integrating Matrix beam technology and Škoda's recognisable "four-eye" design commonly seen across its SUV line-up. The upgraded interior boasts new upholstery, incorporating environmentally friendly materials, enhanced ambient LED lighting and an 8" virtual cockpit as standard.

The Karoq is equipped with the VarioFlex system, allowing for a variable rear seat layout. With the rear seats removed, the boot volume increases to 1,810 litres. Complementing the standard Karoq is the Sportline variant, bringing confidence and dynamic appeal to this mid-sized SUV.

Škoda Slavia

The Škoda Slavia was the second model launched as part of the India 2.0 initiative, strengthening the Czech automaker's presence in India's sedan market within the A0 segment. Built on the MQB-A0-IN platform, it emphasises robust active and passive safety, offering protection with up to six airbags. Customers can choose from one of two powerful TSI combustion engines, delivering both outstanding driving performance and exemplary economy.

Škoda Octavia

The fourth-generation Škoda Octavia, available in hatchback and estate versions, holds the title of Škoda's bestseller. This series boasts a unique design, exceptional aerodynamics, a deceptively spacious interior, state-of-the-art assistance systems, and a wide range of engines. The Octavia Sportline stands out with its black exterior details and sporty interior. The sports-oriented Octavia RS is available with three drive systems – a TSI petrol, a TDI diesel, and a plug-in hybrid powertrain in the Octavia RS iV, which also offers an all-electric mode.

Škoda Kushaq

The Škoda Kushaq heralds the beginning of a new era for Škoda Auto in India. Introduced in 2021, this SUV was the first series-produced model developed as part of the INDIA 2.0 project. Designed and manufactured in India exclusively for the local market, the Kushaq is built on the specially adapted MQB-A0-IN modular platform. Its sporty yet robust appearance is accentuated by headlights and taillights featuring advanced LED technology. Its dimensions are compact, suiting India's urban centres, yet inside the Kushaq delivers the spaciousness Škoda is known for. The interior combines efficient ergonomics with vibrant colours and ambient lighting.

Echoing other Škoda models, there is a stylish and sporty Monte Carlo version, refining both the interior and exterior aesthetics.

Škoda Octavia PRO

Tailored for the Chinese market, the Škoda Octavia PRO mirrors the emotive design of its fourth-generation European counterpart. It impresses with sculpted elements, precision lines and sleek surfaces, presenting a silhouette reminiscent of a coupé. The model is 64 mm longer than the European version, an appreciable difference for rear passengers. Embracing the sporty essence of the Octavia RS, the PRO's dynamic aesthetic is emphasised by its front and rear bumpers, coupled with a contrasting black roof, black side mirrors, and up to 18" alloy wheels. The model's striking headlights and taillights incorporate Škoda's signature crystalline design, and are equipped with LED technology as standard.

Škoda Kamiq GT

Akin to its larger counterpart, the Kodiaq GT, the Kamiq GT coupé SUV is exclusive to the Chinese market. Its dynamic appearance, larger interior and range of practical elements make it ideal for young lifestyle-oriented customers. The development process prioritised both an exhilarating driving experience and emotive design. Moreover, the model is equipped with the latest connectivity features and comes with a contemporary infotainment system as standard.

Škoda Kodiaq GT

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

The Kodiaq GT combines the robust exterior and versatility of an SUV and the elegance and dynamics of a coupé.

The car's powerful appearance is enhanced by LED headlights, a three-dimensional bumper, and a front spoiler with wide air intakes. There are two powerful petrol engines to choose from: a 2.0 TSI with an output of 137 kW for front-wheel drive, while a 2.0 TSI with an output of 162 kW comes with four-wheel drive and a 7-speed DSG transmission. With WiFi, Apple CarPlay, or the Baidu CarLife interface, the Kodiaq GT is always online, providing cutting-edge connectivity.

Financial Situation

The financial results of Škoda Auto are reported in accordance with the IFRS Accounting Standards as adopted by the European Union. As of 2023, the Company has changed its functional currency from the Czech crowns to the euro.

In 2023, the Company achieved record sales revenues and operating results, maintaining its strong financial performance and stability. This was mainly due to the increase in sales volume and improved sales structure, as well as the successful implementation of measures to enhance effectiveness.

The Commercial Development

A total of 867 thousand Škoda cars were delivered to customers worldwide in 2023 (2022: 731 thousand cars).

Škoda Auto deliveries to sales organizations increased by 30.7% year-on-year with 910 thousand cars. Meanwhile, Company revenues reached €24.0 billion (+32.8%). Car sales accounted for 80.8% of the overall turnover (2022: 78.1%). The Škoda Octavia, Škoda Kamiq, Škoda Kodiaq and Škoda Karoq were the best-selling models. Deliveries of components and sets of disassembled cars, including MEB and PHEV batteries to companies in the Volkswagen Group accounted for 11.8% of total revenues (2022: 12.0%). Business in original parts and accessories accounted for 4.9% of overall revenues (2022: 5.7%). The remaining 2.5% (2022: 4.2%) were revenues from the sale of services (e.g. Škoda Connect), licences, and other revenues.

The cost of sales increased by 28.5% year-on-year to €21.2 billion. The gross profit margin stood at 11.9% in 2023, representing a year-on-year increase of 2.9 percentage points.

Distribution costs amounted to €570 million, entailing a year-on-year increase of 26.1% mainly due to an increase in transport and insurance costs. Administrative costs increased by 18.7% year-on-year to €597 million, driven by increasing IT costs.

The operating profit in the period under review more than doubled year-on-year, reaching an all-time high of €1.73 billion. Profit before tax stood at €1.66 billion (2022: €653 million). Meanwhile, profit after tax was €1.32 billion (2022: €520 million) and the return on sales before tax grew to 6.9% (2022: 3.6%).

Cash Flow

As of 31 December 2023, net cash flows totalled €678 million (31 December 2022: −€48 million).

Assets and Capital Structure

The Company's balance sheet total as of 31 December 2023 amounted to €10.25 billion, representing an increase of €462 million on the balance-sheet total at the end of the previous year. The value of non-current assets rose year-on-year by 6.3% to €7 billion and current assets stood at €3.25 billion on the record date (as of 31 December 2022: €3.20 billion). Equity rose by €503 million during 2023 to a total of €4.33 billion. Equity ratio in 2023 stood at 42.3% (2022: 39.1%). The value of non-current liabilities amounted to €1.26 billion. Current liabilities declined to €4.66 billion in comparison with the previous year.

Investment Activity

Investments in 2023 (excluding development costs) accounted for a total of €810 million (2022: €1.01 billion). The biggest portion was invested in new models, of which €207 million went into new technologies, particularly electromobility and digitalisation. The Company spent €1.03 billion on research and development for new products in 2023 (2022: €947 million).

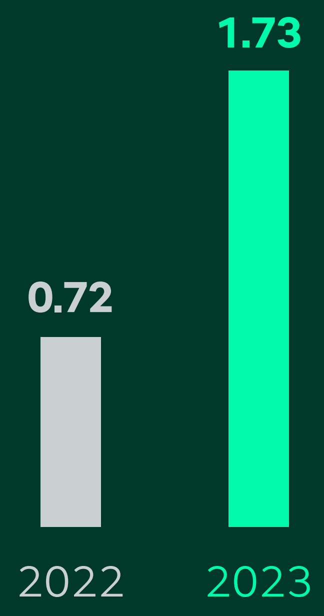
Detailed information is provided in the Financial Section of the Annual Report.

Revenues

in € billion

Operating Profit

in € billion



Technical Development

Technical Development successfully switched to a new method of developing control units in cars in 2023 and launched FUSE (Function-Oriented System Engineering), a Group program that brings the new development principles of functionally-oriented system engineering. It completed several significant investment plans and delivered them for operation, thereby modernising development and increasing capacity and technological facilities.

New methodology and Group program

Technical Development worked through all ongoing projects in 2023 using the function-oriented development method (Funktionsorientierte Entwicklung – FuorE). This methodology regulates the scope of development of all control units in a car, the functions of which are documented in what is known as a Function Sheet and controlled by a methodology in line with a logical V-Model process.

In parallel to this, Škoda Auto launched the Group's FUSE programme, which will replace FuorE in the next few years, implementing a new method of function-oriented system engineering at the Company. In this program, the car is seen as a system, built into the logic of the car, that moves within the ecosystem of surrounding systems (e.g., charging stations, surrounding cars, user mobile applications, etc.).

Building development at the Technical Development complex

Technical Development completed several significant investment plans and put them into operation in 2023. The new operations brought modernisation into the sphere of testing, and simultaneously brought an increase in capacity and technical facilities for carrying out emission tests, covering some of the legislative obligations brought about by emission standard Euro 7. The construction of a climate chamber with altitude simulation, entirely unique from a technological perspective, reached its final stages during the year. The Company will use the chamber to significantly broaden the comprehensive nature of simulation testing to include a full range of special tests for conventional types of cars, particularly in the sphere of electromobility.

Reconstructing the original Česana complex and securing the central facilities of the Model Building served to provide a modern, centralised, and highly effective space for making models at the early stage of development.

The Company also completed constructing one of the building blocks of the so-called virtual development campus, which will provide the facilities required, above all, during the conceptual development stage to ensure the full application of new trends in the sphere of digitisation and virtualisation. The technical facilities of a new VR studio were put into full operation in 2023, with the studio replacing facilities that were no longer satisfactory in terms of space and technology.

Contributions to the environment

In 2023, Technical Development again focused much of its attention on sustainability. It began by purchasing car washes for the Engine Centre, which are used to wash test cars after tests. Analyses can be conducted only on clean cars, so it is important that the test cars undergoing the analysis are first cleaned of any deposits, mud, or dirt. Whereas in previous years cars were washed by pressure-washing using potable water, cars are now washed using recycled water, with only 9% potable water now being used, and the remaining 91% being recycled water. This success is due to the introduction of state-of-the-art technology.

Technical Development has been engaged in the secondary use of batteries from test cars since 2021, working on this together with the After Sales department, which collects the used batteries. Technical Development set itself the target of handing over 25 batteries in 2023, to reduce the quantity of waste and simultaneously save on the cost of disposing of car batteries.

The use of scooters within the Technical Development complex not only protects the environment but also helps save on costs and improve the health of employees. This micromobility project went into pilot operation in 2019 and was again successful in 2023, with employees making use of eleven scooters. These save workers time when moving between buildings, so Technical Development decided to increase the number of scooters and the number of places where they are located.

Technical Development worked intensively on saving energy. Sticking to the Company-wide rules in place and making use of the discipline of users, who are regularly informed of measures, or indeed propose measures themselves, meant that we achieved a year-on-year reduction in the consumption of heat energy and gas. Technical Development also proposed further measures for the years to come to help contribute to the sustainability of the Company as a whole.

Digital Twin supports development

The Digital Twin initiative came into being at Technical Development in 2023 as part of digital transformation, with the aim being to manage and progressively connect up the data sources of individual development disciplines and support virtual car development. At the same time, a community of the same name was established, bringing together experts from the different areas at Škoda Auto engaged in the application of digital twins, defining synergic projects across the Company, and forming a common base for the use of artificial intelligence.

Integrating artificial intelligence

Cooperation with the Czech Institute of Informatics, Robotics, and Cybernetics at Czech Technical University (ČVUT) gave birth to a project that will help generate technical bills of materials for newly developed cars at the early conceptual stage of development. It harnesses the potential of artificial intelligence, using information from previous projects and data to anticipate cars sold and predict relevant variants and configurations of cars. This results in a corresponding database for early procurement processes, financial calculations of new projects, and lastly, the foundations for the creation of a virtual fleet of digital prototypes.

Assuming responsibility

A memorandum of understanding on assuming developmental responsibility for the development and integration of the EA211 and EA888 combustion engines within MQB platforms was signed in September 2022, in line with the Company's strategy and the sphere of Technical Development. The creation of new competencies and roles will reinforce the position of unit development at the Company as an important developmental workplace for the Group.

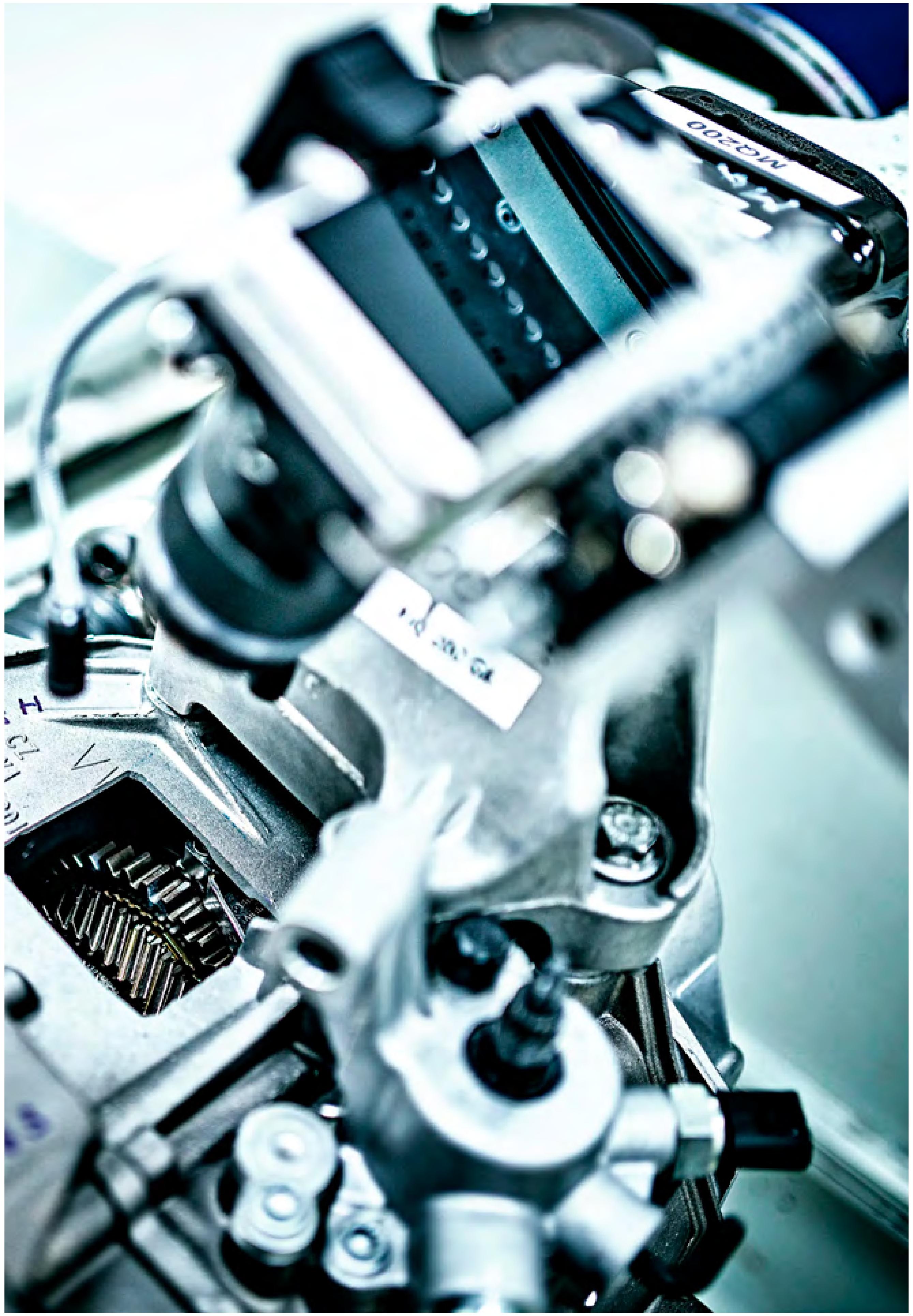
The main phase of assuming this responsibility began in 2023, with a view to assuming full responsibility for the development of EA211 engines and the application and integration of the EA888 model by 2027, respectively 2030+.

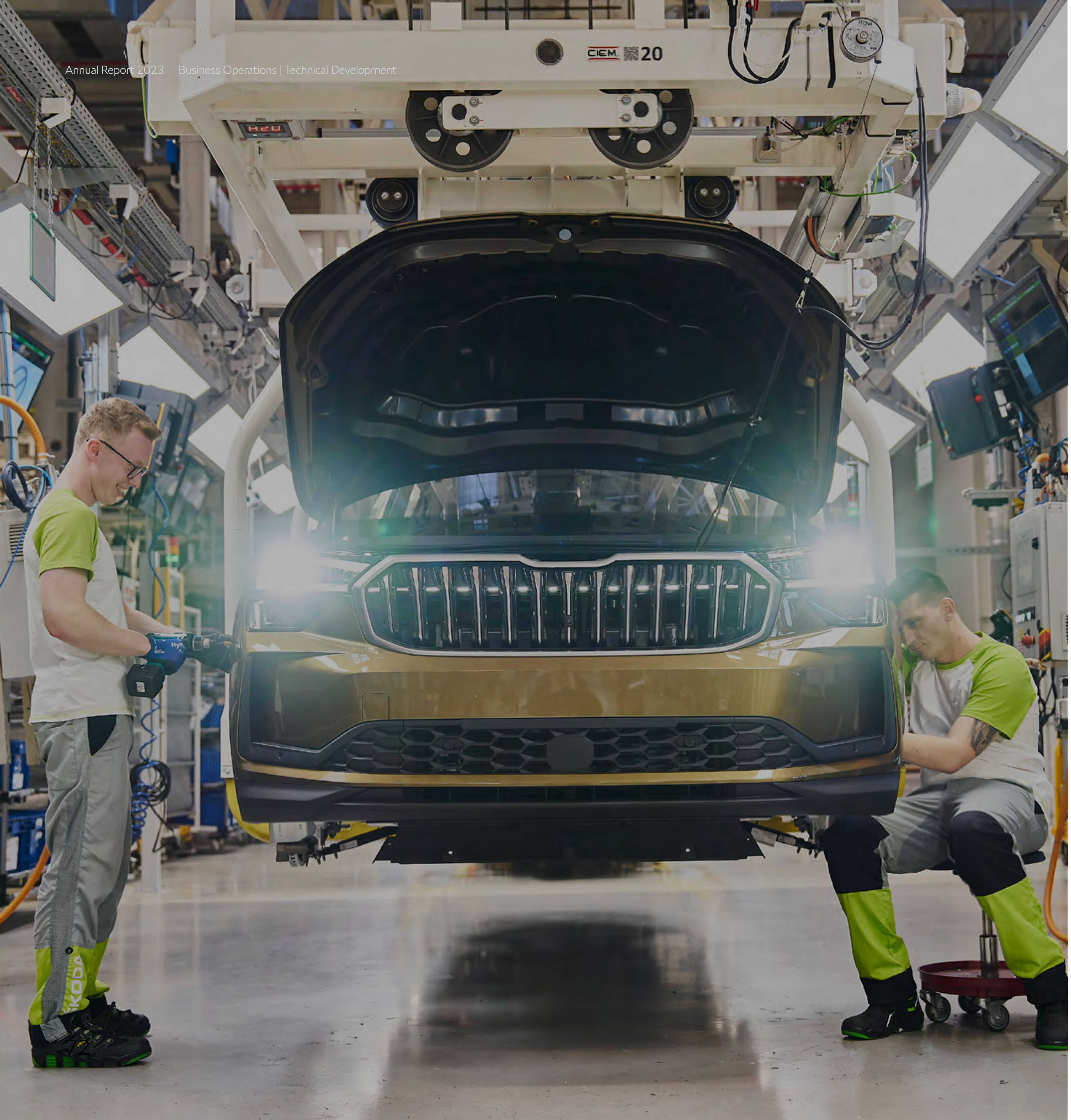
EA211 engines provide a suitable base for future emission regulations, given that they are fitted with electrification (hybridisation – mHEV, PHEV). Last but not least, these engines are modified for the particular conditions of dynamically developing markets, among them India, Vietnam, and the countries of ASEAN. The EA211 family of engines is the most commonly manufactured family in the Group, with production plants located all over the world.

Additionally, in 2021, Škoda Auto assumed responsibility for ongoing projects involving the MQB-A0 global platform, and in 2022, it successfully established the management of development activities to care for the series of models created on this global platform, in turn establishing a solid base for assuming responsibility for MQB-A0 platform projects for the European market in 2023. This completed Škoda Auto's assumption of worldwide responsibility for the MQB-A0 platform.

As for the European version of the MQB-A0 platform, work began on implementing technical regulations that stem from the Euro 7 standard and the associated legislation, valid from 2026. This makes it possible to prolong the life cycle of cars on this platform even beyond 2026, not only for Škoda, but also for Volkswagen and SEAT too.

Further transfer of responsibilities to Škoda Auto is being discussed as part of strategic planning.





Preparations for the Euro 7 emission standard

One of the most significant events of the year 2023, from the perspective of automotive legislation, was the discussion of the Euro 7 emission standard. This legislation, which will have far-reaching consequences for the entire automotive industry, is fundamental to the future planning of Company products. For the first time ever, the objective is to regulate exhaust emissions and non-exhaust emissions (in particular, emissions of brake particles and particles from tyre abrasion). The standard also significantly broadens requirements on the diagnostics and monitoring of a vehicle (OBM: On Board Monitoring). These new regulations will thus affect not only internal combustion engine vehicles, but also electric vehicles.

After intensive debates, the Council of the European Union voted on its common position in September, and the European Parliament in November. A trialogue between representatives of the European Commission, the Council of the European Union and the European Parliament began thereafter.

The Trialogue was concluded in December 2023 and the requirements of the Euro 7 regulation were agreed upon. At the time of publication of this report, the European Commission is finalising the secondary regulations (implementing acts) that will set out the details of the Euro 7 requirements. This will enable the Company to finalise the technical adjustments needed to be able to meet the requirements of the new emission standard.

New products

For Technical Development, 2023 was a year of launches and new products.

745 litres

The Kodiaq Plug-in Hybrid's boot has a capacity of 745 litres.

Škoda Superb

The touchscreen infotainment system complements the convenient Smart Dials controls.

Škoda Kodiaq

Customers will love the wireless dual-phone fast charge with cooling.

Success for Škoda Motorsport

The Škoda Motorsport team employed everything it learned from its début season in special stages to continue testing and developing the special Škoda Fabia RS Rally2 rally car in 2023. In addition to continuing its use of synthetic, CO_2-neutral – and therefore sustainable – fuel, work was also done on testing other operating fluids. Sustainable engine oil was followed up with function tests of transmission oils and tests of sustainable shock-absorber oil. In an attempt to replace the carbon-kevlar fabric, testing was also carried out on selected prototype parts made of natural fibres.

Last year was one in which the Škoda Motorsport customer program passed a significant milestone – specifically, the manufacture and delivery of the 500th car sold in the Rally2 project, purchased by the Italian Delta Rally team. The Škoda Motorsport team therefore again confirmed its position as the leader in its class, with Škoda rally cars still being the most successful and best-selling. This position was boosted by the successful sales launch of the latest rally car, the Škoda Fabia RS Rally2, which was homologated before the 2023 season, with sales passing the 50 mark in 2023. The cars competed in 29 markets during the year.

Customers deployed the new car to great success, proving its performance and reliability during the World Rally Championship and the European Rally Championship, and in national championships (including the Czech Rally Championship). Nine-time world champion Sébastien Loeb himself sat at the wheel of one of the cars, winning the Azores Rallye. Customers achieved some great results with the help of Škoda home dealer teams, and the cooperation with the Toksport WRT team. In the World Rally Championship Andreas Mikkelsen/Torstein Eriksen won the WRC2 category, Kajetan Kajetanowicz/Maciej Szczepaniak in the WRC2 Challenger, and Alexander Villanueva/José Murado Gonzáles in the WRC Masters Cup. The WRC2 Team title was awarded to the Toksport WRT3 team. A crew consisting of Jan Kopecký and Jan Hloušek again won the Czech championship. Another two continental and 11 national titles won provides yet another measure of the success achieved.

Discover video ⟶

Procurement

Procurement is responsible for securing material, components, and services in a quantity and quality that, with consideration for sustainability and reasonable cost, allows Škoda Auto to satisfy the demands made of it by customers and simultaneously build a positive brand image. It pursues a comprehensive approach to managing the supply chain, one that stands in contrast to the traditional concept of procurement processes, which are reduced to nothing more than negotiations over price. The Procurement strategy fully adheres to Next Level Škoda Strategy 2030, which defines the development of the Company plan.

Support for batch production and new launches

The launch of the joint Beta+ project, i.e., the Volkswagen Passat, with batch production beginning in October, and the Škoda Superb, with batch production beginning at the end of November at the Volkswagen Bratislava production plant required maximum effort from staff at Procurement. The Procurement team secured 1,227 new parts for the project from suppliers, in all existing colours. One hundred and thirty-seven suppliers were chosen during the selection procedure.

The Procurement team is also working on another electric project, for which a total of fifty-two suppliers for 631 procured parts were selected during the initial phase.

Leaving the Russian market

All activity by the Volkswagen Group on Russian soil came to an end in March 2022, following Russia's attack on Ukraine. The Group then pulled out of Russia entirely. The invasion was met with sanctions, imposed on Russia by the West, leading to the disruption of supply chains. More information is available in the Finance section of the Annual Report.

The digitisation and consolidation of office space

Construction work on a new head office for the Company, the Laurin & Klement Kampus, continued in early 2023. The shell was successfully completed in February 2023, and all work involving the façade, the interior infrastructure, elevators, and interior and structural elements reached the finishing line during the year. In the fourth quarter, work began on the interior fit-out and on furnishing the premises, as did outside work on landscaping.

The Laurin & Klement Kampus is part of a long-term strategic objective to consolidate office space in Mladá Boleslav. The huge number of buildings under the management of Škoda Auto and leased buildings place a financial and administrative load on the Company. Moving employees from different departments into a single building will ensure the consolidation of office space and more effective and easier cooperation across departments.

The introduction of a new concept, New Work, will create the ideal environment for concentrated work and for online meetings or team collaboration. One part of the concept is the new Desk Sharing work model, promoting a culture of sharing and effective cooperation in relation to the use of mobile work. The standard open workplace will be accompanied by several enclosed spaces, to be used when arranging meetings, whether big or small. In light of the results of the Desk Sharing pilot project, the Laurin & Klement Kampus will provide the opportunity to book workplaces and meeting rooms using a uniform booking system.

Activities in India and ASEAN

After successfully launching models developed specially for the local market and manufactured at the Škoda Auto plant in Pune, models which meet the specific requirements of local customers and attract them with their affordable prices, work has now begun on upgrading them. This will bring a fresh design and new equipment. In 2023, the cars earned the top rating of five stars in the Global NCAP rankings, thus becoming the safest cars in their class in India. Pre-batch production of a fifth model – a small, compact SUV that will go on sale at the beginning of 2025 – also got underway. Procurement remains focused on making maximum use of the potential of local suppliers, tied to a high degree of component localisation. The number of countries to which cars manufactured in India are exported rose to 17 in 2023, fulfilling the Company's ambition of turning India into a functioning export HUB.

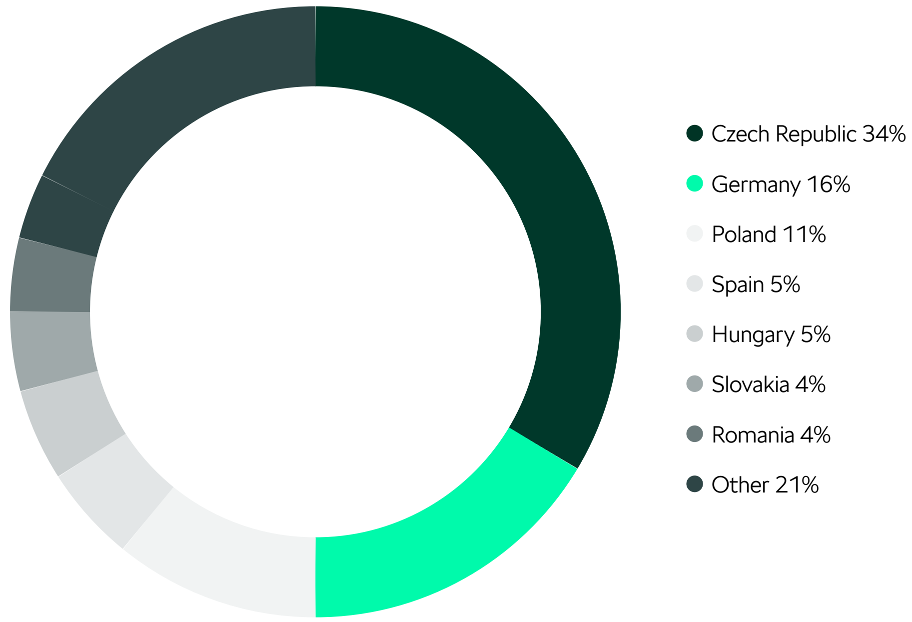
The priority country here is Vietnam, which Škoda Auto successfully moved into in 2023, first of all by shipping ready-made cars from Europe, which will complement the export of knocked-down cars of the successful Indian model Kushaq. This will be followed in 2025 by the Slavia, again in CKD format. By entering the Vietnamese market with its Indian models, Škoda Auto is achieving the internationalisation mapped out in the Next Level Škoda Strategy 2030. Procurement aims to research the supply chain in Vietnam and in the ASEAN region as a whole in great depth, given that this is vital for possible future localisation. This would in turn open up further export options for Škoda Auto in the region.

Sustainability and innovation

Cooperation between Škoda Auto and its suppliers is founded on a Code of Ethics and on the Volkswagen Group's S-Rating (sustainability rating). In addition to this, Procurement continued to focus its attention on sustainable products so as to increase the value of the product for customers. Working with its partners, it continued its expansive collaboration on sustainable technological innovations. Those newly implemented include the ecological use of coffee husks to make leather upholstery in the second-generation Kodiaq and an umbrella made of recycled materials, first appearing in batch production of the fourth-generation Superb. Procurement also pursues what is known as sustainable sourcing, as part of which it makes inquiries for all parts of the Space BEV project using a parallel process in such a way that suppliers offer the utmost sustainable solutions alongside the traditional ones. This process will also be used for all upcoming models, with a view to accelerating the implementation of solutions that are optimal regarding sustainability.

As part of the digitalization, the Purchasing department also focuses on automation, which has already been used in price negotiations with business partners. The area is researching the possibility of deploying artificial intelligence, which will significantly facilitate the daily workload of Purchasing employees in the future.

Total Purchases by Country in 2023



Volume of Procurement

The Company spent €9.9 billion on **procuring production material** in 2023. This marks a year-on-year increase of €536.7 billion. The Czech Republic accounted for a considerable portion of this (33.9%), followed by Germany (16.4%) and Poland (11.4%). The total volume of **General Procurement** stood at €1,443 million, meaning a decrease of 17% compared to 2022. There were 2,223 suppliers from all over the world in the General Procurement portfolio of suppliers in 2023. Moreover, General Procurement had 6,323 cooperating suppliers on its books from around the globe.

Market prices of key materials

The effect of inflation on the supply chain globally impacted the prices of individual parts. Škoda Auto and the Group were also forced to face up to changes in the market prices of materials in 2023. There was an increase in the price of materials for the production of plastic parts compared with the previous year. This was accompanied by volatility in the prices of lithium. However, in the final months of 2023, the price level of energy for the manufacture of procured parts stabilised. Despite these influences, the Company was able to achieve significant cost optimisation, and this was crucial in helping the brand achieve a positive overall result.

International semiconductor summit

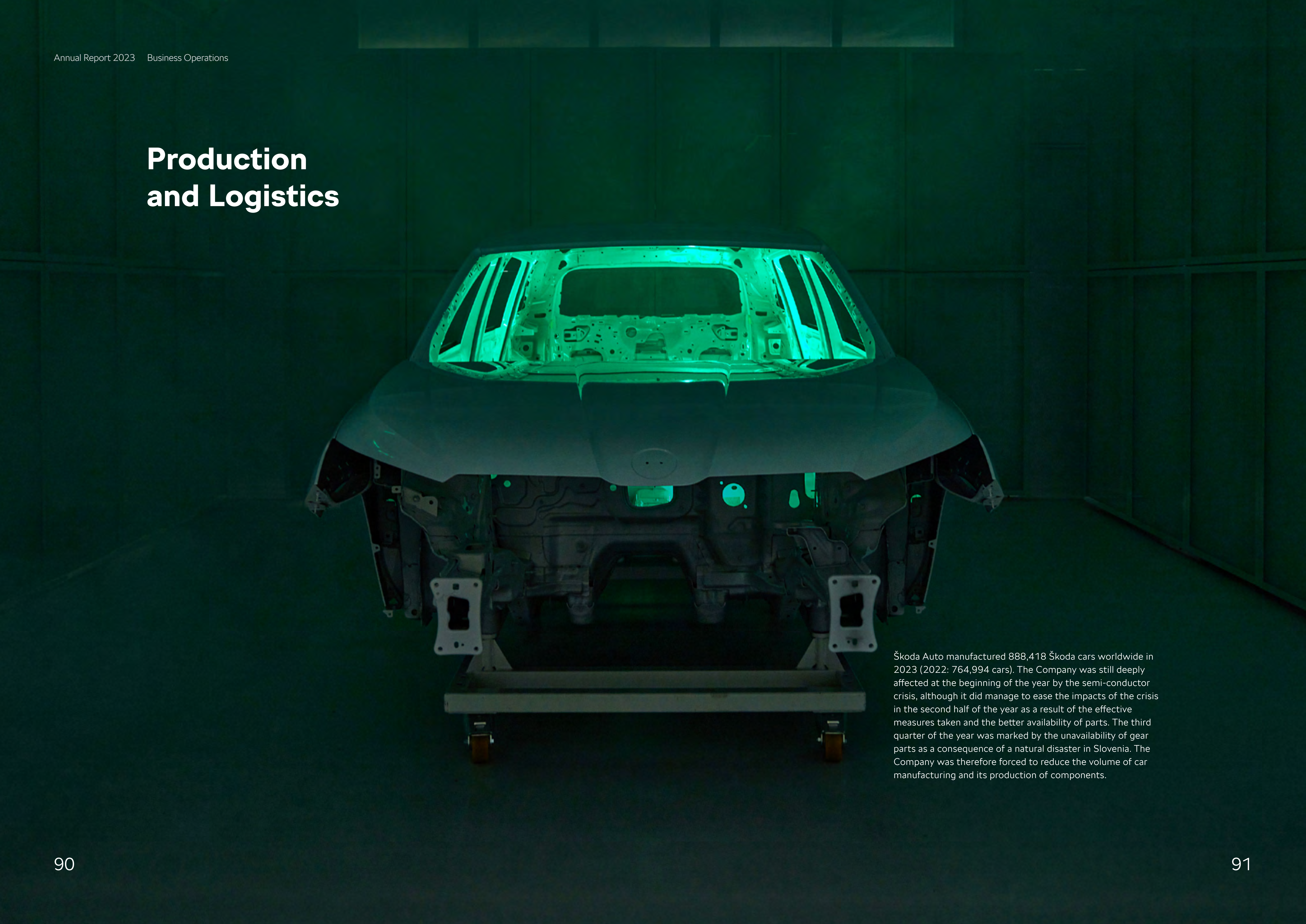
In May 2023, on behalf of the VW Group in Prague, Škoda Auto organised the international Semiconductor Supply Chain Summit, its motto being "Collaboration for a Better Future". Representatives of the Volkswagen Group, top representatives of the semiconductor industry (representatives of the manufacturers of wafers and chips, brokers, distributors, and developers), direct suppliers to the Group, and representatives of the European Commission all came together at the summit, the aim of which was to enhance cooperation and increase the resilience of the supply chain. Karsten Schnake, member of the Board of Management for Procurement at Škoda Auto and head of the Group's COMPASS project (Cross Operational Management Parts & Supply Security), which focuses on the semiconductor issue, was on hand to present the Group's new strategy for the procurement of electronic components and semiconductors. The Group intends to buy strategically important semiconductors directly from manufacturers.

Semiconductors are the driving force of innovation, and the need for them in the automotive industry is growing, as a result of electromobility, digitisation, connectivity, and more frequent usage of assistant features. They are also essential for the autonomous driving planned for the future. This all means that the automotive industry is becoming an even more attractive partner to the semiconductor industry.

Professional specialisation in Procurement accredited at Škoda Auto University

In the 2023/2024 academic year, Škoda Auto University worked together with Škoda Auto to open a new professional specialisation – that of Procurement. This comes in response to market demand and the Company's need for procurement specialists, an area that is growing significantly on a global scale. The role of a properly functioning supply chain is crucial to successfully coping with the incalculable risks and future challenges of modern procurement and Advanced Supply Chain Management, one that is based on cooperation between partners and excellent relations with supply partners. Educating and training young experts in the issues of procurement is a high-priority matter. Procurement managers at Škoda Auto provide some of the lectures on the course, and students have the opportunity to undertake their mandatory internship at the Procurement Division itself.

Production and Logistics



Škoda Auto manufactured 888,418 Škoda cars worldwide in 2023 (2022: 764,994 cars). The Company was still deeply affected at the beginning of the year by the semi-conductor crisis, although it did manage to ease the impacts of the crisis in the second half of the year as a result of the effective measures taken and the better availability of parts. The third quarter of the year was marked by the unavailability of gear parts as a consequence of a natural disaster in Slovenia. The Company was therefore forced to reduce the volume of car manufacturing and its production of components.

Mladá Boleslav

In 2023, the plant in Mladá Boleslav manufactured the Fabia, Scala, Kamiq, Octavia, Enyaq, and Enyaq Coupé models. The Company also continued on its journey towards innovation and quality at the parent plant throughout the year, focusing on fresh face-lifts for the Scala and Kamiq and conducting intensive preparation work on assembling cars in line with UNECE regulations, extending the production line and introducing new technological equipment. Additionally, it built a new multi-purpose hall, which holds a modern line for tuning and testing cars. There were also innovations in halls, with photovoltaic power stations put into operation on their respective roofs. Škoda Auto achieved these successes thanks to the determination and hard work of its employees – the foundation of its success into the future.

Škoda production strategy abroad

Intensive preparation work began in 2023 on the production launch of the Škoda Kushaq and Škoda Slavia models at a newly built production plant in Vietnam, with production set to begin in 2024.

The production of new models in the EU

November 2023 saw Škoda Auto launch the production of the next generation of the Company’s flagship car, the Superb. Production of the model is moving from Kvasiny, with the car now set to roll off the production lines of the Company’s plant in Bratislava, together with the Volkswagen Passat. The Kvasiny plant, meanwhile, engaged in intensive preparation work for the batch production of the new-generation Kodiaq, which will get underway in January 2024. There were also intensive preparations in 2023 for the launch of the rejuvenated Scala and Kamiq models, with production set to begin in January 2024.

Kvasiny

Škoda Auto also pursued its policy of innovation and excellence in production at Kvasiny, with the plant having the Superb, Karoq, Kodiaq, and Seat Ateca in its portfolio in 2023. The Company extended the assembly line in 2023 with a new conveyor for IBN3, which facilitated an increase in production capacity and effectiveness. The automation of the painting shop also successfully completed. This automation of all application lines, together with the new robotisation of filler application, will allow the plant to achieve steady quality and save on materials.

The first of two new next-generation control rooms to manage the flow of production was ceremonially opened in June 2023 as part of the Digital Control Room project. This project focuses on state-of-the-art technologies that make work in the management of car production easier and more effective.

Investments in modern technologies, automation, and digitisation all help the Company prepare for the future. One such project is DQF (Direct Quality Feedback), which, with the help of artificial intelligence, automated the addressing of errors and made it possible to take them back to the workplace where the operation in question is conducted. For this project, Škoda Auto won an award at the IDC Future Enterprise Awards in the “Best in Future of Digital Infrastructure” category.

Component production

In 2023, a total of 1,035,087 gearboxes were produced at Škoda Auto, of which 321,069 were MQ200 gearboxes, 27,952 MQ100 gearboxes, and 686,066 DQ200 gearboxes, as well as 469,935 engines. A total of 147,625 batteries were manufactured for plug-in hybrid models and 165,606 for fully electric cars. The Company manufactures components not only for its own needs, but also for the needs of other brands in the Group. For those brands, it manufactured 226,765 engines (48% of the total number of units produced), 641,192 gearboxes (62% of the total number of gearboxes produced), and 205,179 batteries (66% of the total number of batteries produced).

The production of axles, of which Škoda Auto made 7,500 per day, is another integral part of component production. A total of 1.7 million axles were made in 2023 for the assembly plants in Mladá Boleslav, Kvasiny, and Bratislava.

The Company installed a second line for the manufacture of batteries for electric cars, with the first components rolling off the production line in December 2023. Metallurgical production was enhanced with new pressure machines for the manufacture of EA211 1,0 TSI EVO2 engine blocks.

Škoda Auto celebrated a number of important jubilees in component production in the year 2023. The plant in Mladá Boleslav made its 500,000th battery system in April, while the Vrchlabí plant made its five-millionth DQ200 gearbox in September. Metallurgical production then celebrated 60 years of operation on 17 October 2023.

The production of Škoda cars abroad

In 2023, 52,121 Škoda cars were manufactured at the Aurangabad and Pune plants in India, meaning 6.5% less than in 2022 (2022: 55,750). A total of 36,757 Škoda cars rolled off the production line at the Bratislava plant in Slovakia in 2023 representing a year-on-year increase of 128% (2022: 16,116). And a total of 18,365 cars were manufactured in 2023 at partner plants in China (2022: 41,936).

Production of Škoda Cars

Czechia	864,889
India	52,121
Slovakia	36,757
China	18,365

864,889

Cars produced at Škoda Auto in 2023.

Production of Škoda Cars Worldwide

Škoda Octavia

The Škoda Octavia was again the most significant model in 2023 in terms of volume.

2023 — **205,764** 45.4%
2022 — 141,508

Škoda Kamiq

A car that combines the classic virtues of an SUV and the agility of a compact car.

2023 — **115,282** 14.8%
2022 — 100,433

Škoda Kodiaq

This popular top-of-the-range SUV awaits a successor within 2024.

2023 — **107,110** 7.5%
2022 — 99,633

Škoda Karoq

A practical family car and a comfortable drive.

2023 — **96,425** 2.0%
2022 — 94,519

Škoda Fabia

The model, operating on the MQB-A0 platform, is bigger, more economical, and safer than the previous generation.

2023 — **94,427** 0.2%
2022 — 94,193

Škoda Superb

The Škoda brand's flagship model attracts customers with its comfort and luxury.

2023 — **71,364** 10.2%
2022 — 64,786

Škoda Enyaq

The only series of models built on the MEB platform manufactured outside of Germany.

2023 — **72,750** 37.5%
2022 — 52,903

Škoda Scala

A model that boasts a generous amount of space for its compact size.

2023 — **61,169** 43.8%
2022 — 42,542

Škoda Enyaq Coupé

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

2023 — **13,982** 224.4%
2022 — 4,310

Škoda Kushaq

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

2023 — **27,800** 4.0%
2022 — 26,723

Škoda Slavia

Production of this model began at the plant in Pune, India, in 2021.

2023 — **19,932** (19.2%)
2022 — 24,664

Škoda Rapid

This model, made in China, provides modern connectivity using the Škoda Banma system.

2023 — **1,051** (93.0%)
2022 — 15,183

Škoda Kamiq GT

Made at the Nanjing plant in China.

2023 — **1,148** (62.3%)
2022 — 3,049

Škoda Kodiaq GT

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

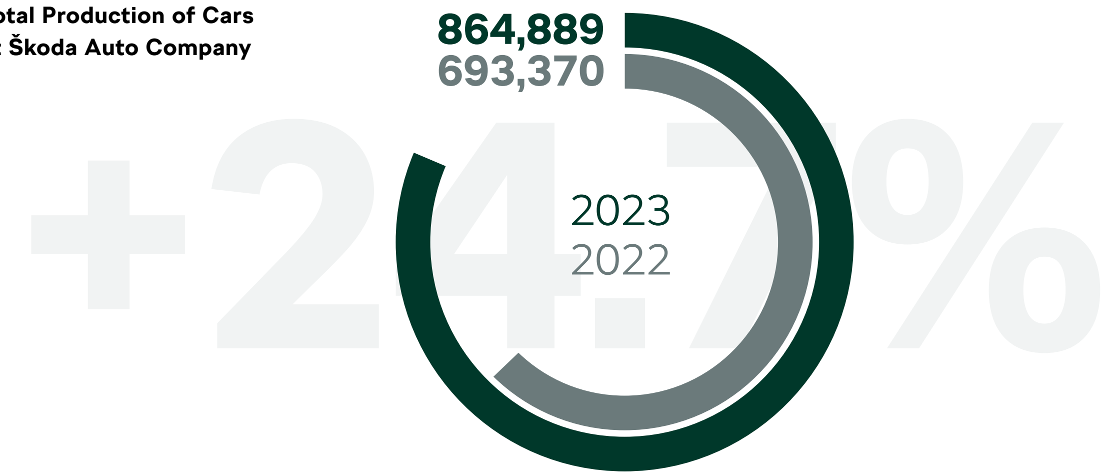
2023 — **214** (60.9%)
2022 — 548

Production of Seat cars

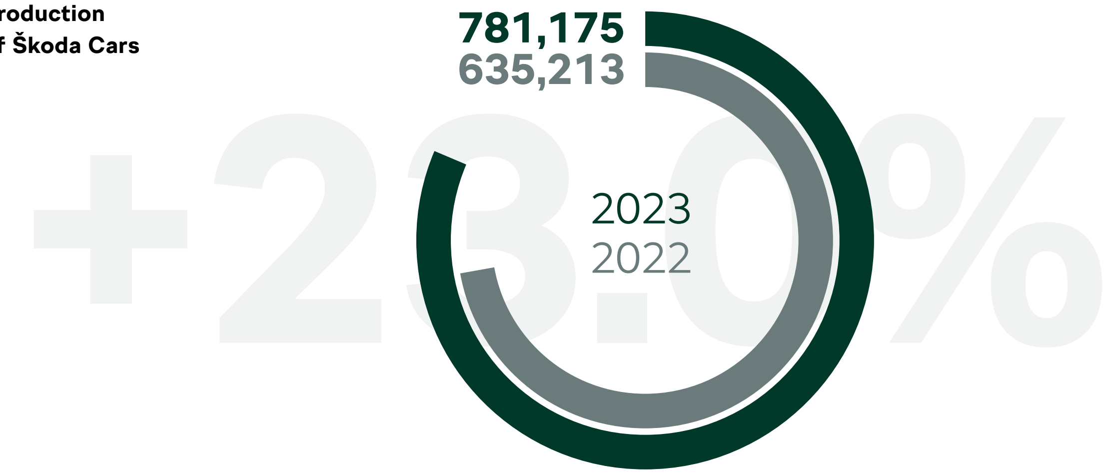
The Seat Ateca and Cupra Ateca are produced at the Škoda Auto plant in Kvasiny.

2023 — **83,714** 44.0%
2022 — 58,157

Total Production of Cars at Škoda Auto Company



Production of Škoda Cars



Škoda Brand Production Worldwide

	Cars 2023	Cars 2022	Change (%) 2023 / 2022
Production of Škoda cars in India			
Škoda Octavia	212	1,417	(85.0%)
Škoda Superb	266	1,771	(85.0%)
Škoda Kodiaq	3,911	1,175	232.9%
Škoda Kushaq	27,800	26,723	4.0%
Škoda Slavia	19,932	24,664	(19.2%)
Total Škoda in India	**52,121**	**55,750**	**(6,5%)**
Production of Škoda cars in Slovakia			
Škoda Karoq	36,455	16,111	126.3%
Škoda Superb	302	5	—
Total Škoda in Slovakia	**36,757**	**16,116**	**128.0%**
Production of Škoda cars in China			
Škoda Rapid	1,051	6,677	(84.3%)
Škoda Octavia	2,247	9,351	(76.0%)
Škoda Superb	3,421	2,854	19.9%
Škoda Kamiq	4,841	9,255	(47.7%)
Škoda Kamiq GT	1,148	3,049	(62.3%)
Škoda Karoq	2,747	5,267	(47.8%)
Škoda Kodiaq	2,696	4,935	(45.4%)
Škoda Kodiaq GT	214	548	(60.9%)
Total Škoda in China	**18,365**	**41,936**	**(56.2%)**
Production of Škoda cars in Russia			
Total Škoda in Russia	**0**	**15,979**	**—**
Total Škoda Brand Worldwide *	**888,418**	**764,994**	**16.1%**
Total Škoda Production Worldwide, Including Other Group Brands **	**972,132**	**823,151**	**18.0%**

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

Sales and Marketing

Despite economic and market troubles, Škoda Auto significantly increased its sales to customers in 2023 in a year-on-year comparison. In total, it delivered 866,820 vehicles, meaning an increase of 18.5% (2022: 731,262 vehicles).

Germany remained the Company's biggest market, with 157,837 vehicles (+17.6%), while the Czech market also posted solid results: 87,784 vehicles sold (+23.4%). The most significant absolute growth in sales of Škoda vehicles was registered in Germany, the United Kingdom, and the Czech Republic. Outside Europe, the Company reached an important milestone in India, where it passed 100,000 vehicles sold in the past two years.

The fully electric Enyaq returned sales figures of 81,650 (+52.1%), the record since its market launch, and was actually among the bestselling electric vehicles of all on several European markets.

Central Europe

The Company delivered 185,043 vehicles to its customers in Central Europe, an increase of 25.1% from the previous year. Here, the Škoda brand held a market share of 18.5%. On the home market, meanwhile, sales to customers increased by 23.4% to 87,784 vehicles (2022: 71,152 vehicles). The Czech Republic was therefore the Company's second biggest market worldwide, with a stable market share of 39.6%. Poland made it into the brand's TOP 5 most important markets for the second year running, with 53,907 vehicles delivered.

Eastern Europe

In Eastern Europe, the 46,794 vehicles that the Company delivered marked a drop of -6.2% from the previous year (2022: 49,863 vehicles). The Company's market share fell to 3.7%. In a number of countries, however, the Škoda brand held a successful market share – the market share in Serbia rose to 28.4% (the second highest after the Czech Republic), in Bosnia it leapt to 24.4%, and in Albania and Macedonia to 20.8%.

Western Europe

The Company delivered a total of 480,121 vehicles to customers in Western Europe (2022: 376,953 vehicles; +27.4%). This was the highest year-on-year percentage increase in all regions. In Germany, the Company's biggest market, it delivered 157,837 vehicles to customers, meaning a whole 17.6% more than in the previous year (2022: 134,260 vehicles). The United Kingdom, where Škoda Auto sold 70,266 vehicles, maintained its position in the brand's TOP 5 most significant markets, moving up, in fact, from fourth to third with a year-on-year increase of 41.8%, right behind the Czech Republic and Germany.

Overseas/Asia

The Czech vehicle manufacturer delivered 22,809 vehicles to its customers in China, marking a drop of -48.9% (2022: 44,600 vehicles). China, therefore, lost its position in the brand's TOP 10 strongest markets after several years, dropping to eleventh. In India, Škoda Auto more or less maintained its sales position after launching models specific to that market. It delivered a total of 48,843 vehicles to customers there, representing a year-on-year decrease of -5.8% (2022: 51,865 vehicles). India, however, held on to its position in the brand's top five most important markets, despite dropping from third to fifth. China and India were therefore the only two countries in which the Company registered a year-on-year decrease in the number of vehicles sold.

The Company fared very well in Turkey, for example, where vehicle sales rose by 81.2% from 18,464 in 2022 to 33,570, and in Taiwan, where the Company delivered 10,001 vehicles to its customers (2022: 6,600; +51.5%).

Customer Deliveries

Largest Markets	Cars 2023	Cars 2022	Change (%) 2023/2022
Germany	157,837	134,260	17.6%
Czech Republic	87,784	71,152	23.4%
Great Britain	70,266	49,555	41.8%
Poland	53,907	44,985	19.8%
India	48,843	51,865	(5.8%)
France	39,616	29,518	34.2%
Italy	33,840	25,035	35.2%
Turkey	33,570	18,464	81.8%
Spain*	30,122	22,191	35.7%
Austria	24,564	18,989	29.4%
China	22,809	44,600	(48.9%)
Netherlands	20,335	14,568	39.6%
Slovakia	20,002	15,102	32.4%
Switzerland	19,635	16,083	22.1%
Belgium	18,290	12,601	45.1%
Škoda Brand Total	**866,820**	**731,262**	**18.5%**

* Excluding the Canary Islands

Regions	Cars 2023	Cars 2022	Change (%) 2023/2022	Market Share (%) 2023**	Market Share (%) 2022**
Central Europe*	185,043	147,937	25.1%	18.49%	16.52%
Eastern Europe	46,794	49,863	(6.2%)	3.68%	5.28%
Western Europe	480,121	376,953	27.4%	4.12%	3.69%
Overseas/Asia	154,862	156,509	(1.1%)	0.25%	0.27%
Škoda Brand Total	**866,820**	**731,262**	**18.5%**	**1.13%**	**1.05%**

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

866,820

Total deliveries
to customers in 2023.

Škoda Enyaq

It was the bestselling electric vehicle in the Czech Republic in 2023, while in other European countries it was among the top five.

2023 — **81,650** 52.1%
2022 — 53,678

Škoda Superb

The Company launched the fourth-generation Superb, which comes in Liftback and Combi versions, in the autumn of 2023.

2023 — **67,446** 10.9%
2022 — 60,840

Škoda Octavia

The brand's bestseller, enticing customers with a wide choice of engines and motors.

2023 — **191,941** 36.0%
2022 — 141,941

Škoda Kamiq

The brand's second-highest-selling vehicle in the city SUV segment.

2023 — **116,461** 21.0%
2022 — 96,269

Škoda Scala

The compact Scala captivates the attention with its emotional design, combined with state-of-the-art connectivity options.

2023 — **59,229** 49.8%
2022 — 39,538

Škoda Kushaq

The SUV is the first batch model from the India 2.0 project developed and manufactured in India for the local market.

2023 — **26,603** (0.6%)
2022 — 26,761

Škoda Slavia

The sales launch of the second model developed for the Indian market again helped ensure that the number of vehicles delivered in India remained stable.

2023 — **19,904** (4.9%)
2022 — 20,931

Škoda Kodiaq

The second generation of this popular SUV, introduced at the end of 2023, also now comes in a plug-in hybrid version.

2023 — **105,857** 12.1%
2022 — 94,455

Škoda Karoq

The compact SUV, now also available in Sportline, again surpassed 100,000 units sold.

2023 — **100,052** 14.1%
2022 — 87,716

Škoda Fabia

The fourth-generation Fabia operates on the Group's MQB-A0.

2023 — **94,395** 1.9%
2022 — 92,663

Škoda Rapid

This Rapid provides modern connectivity using the Škoda Banma system.

2023 — **3,282** (81.0%)
2022 — 17,296

ŠKODA

The Škoda brand marketing strategy

Throughout the year 2023, the Company reflected the new Škoda brand strategy and the new logo that Škoda Auto introduced in 2022 in its communication elements. Considerable public interest was generated by a unique **audio logo**, which is used, for example, at the end of television and radio commercials, and in other audio-visual communications. Inspiration for the new audio logo was taken from the symphonic poem “Vltava” from the Má vlast (My Fatherland) cycle by Czech composer Bedřich Smetana.

The principal line of communication on more than 50 world markets is a new **brand campaign**, which shows customers a new identity and presents the Škoda brand as a fearless companion in exploring the world.

Award for new brand identity

Škoda Auto won a prestigious Red Dot Award in 2023, in the Brands & Communication category, for its new corporate identity, the elements of which it introduced in 2022. The face of the brand is based on a modern, distinctive design and clearly points to the Company's switch toward communication within the digital environment. The Company began gradually introducing the new corporate identity to all platforms in 2023, starting with its information and communication materials, and from 2024 onwards, it will gradually appear in the exteriors and interiors of newly introduced car models. The new design will also make its way into infotainment and other elements of Škoda cars. Design modifications to branches run by authorised partners were also part of the modernisation drive. Four thousand showrooms all over the world will gradually undergo this transformation. The Company opened its first showrooms with its new corporate identity in Vietnam, while the first modernised sales point in Europe is in Estonia. The very first Škoda City Store, again with the new corporate design, follows on from the modernised dealerships. This opened its doors to customers at the Galerija Beograd shopping centre in the capital of Serbia in October. Visitors to the City Store are able to get to know Škoda models, sit down to enjoy a cup of coffee, and buy clothes and small gift items from the Škoda Auto collection. A recently opened brand showroom in Kuwait demonstrates the efforts being made by the Škoda brand to involve digital technologies in the customer experience in the most impressive way imaginable. Visitors to the spacious showroom, in the style of the new identity, will find a wide range of digital functions, such as a video wall, a table with a touch screen, and digital information stands beside the cars.

ŠKODA X

Škoda X is coming

Digital services are playing an increasingly important role in the automotive world. Škoda Auto has been investing in this area for some time now, and is able to offer its customers an assortment of services. In 2023, the Company began developing those services under the name of Škoda X. The new centre for innovation and digital services emerged from the subsidiary Škoda Auto DigiLab, changing its name and focus, and above all the way it actually works.

The transformation of Škoda Auto DigiLab to Škoda X will allow the Company to move from what was predominantly an environment of development to the use of new technologies in everyday life. Škoda X, as a new brand, will independently operate newly evolved digital services and listen carefully to customers, allowing the Company to understand its clients' wishes, respond to them, and provide exactly those services that they require.

While most of the original services provided by the automotive company from Mladá Boleslav remain in the Škoda X portfolio, the Company will also be introducing other significant innovations. Among them is the Pay to Park service, which makes it easier for drivers to pay for parking.

The Pay to Fuel service will then be introduced on the same technological platform in six markets, the service designed to ensure simple filling. Both these services will save customers time, with all payments for the services made in the car itself through its infotainment solution. There is another Smart Solution in the shape of an application called Offers, which uses infotainment to tell customers and drivers of Škoda cars about special discounts provided by partners to the brand, depending on their location.

The letter X in the new division's name is not there just by chance. It is found in words and phrases that have plenty in common with the essence of Škoda X. In the words eXplore, eXpand, and eXtra, or perhaps in the phrase eXciting eXperience. The name thus indicates that Škoda X is tasked with creating and developing new services designed to bring customers a great experience. The letter X also has multiple meanings in the graphic form of the Škoda X logo. The visible arrow in the logo shows that the Company is moving its services forward and is looking to the future. The fact that the X in the logo is divided into individual parts signifies how it brings individual pieces of the ecosystem together and provides customers with a functional whole.

The Škoda brand expands on the Vietnamese market

Škoda Auto began sales on the Vietnamese market in September 2023, having already begun its preparations for production in the country itself. There were a number of reasons for choosing this particular Asian country: the positive relations between the two countries and their links to each other, the strong Vietnamese community in Czechia, the developing automotive industry in Vietnam, its qualified labour force, and the fact that companies there are not afraid to invest.

Support from the Czech embassy in Vietnam was key in choosing a local partner – Thanh Cong Motor Vietnam (TC Motor) – as was the fact that many Vietnamese people studied or worked in the former Czechoslovakia, meaning that Czech companies and the Czech language are not entirely unknown to them.

Moving into the Vietnamese market provides the opportunity for synergy with the India 2.0 project, as part of which models from multiple Group brands will be made under the leadership of the Škoda brand. Both countries have similar requirements when it comes to cars, and legislation in Vietnam supports the import of CKD (Completely Knocked Down) cars and their local assembly. Škoda Auto also plans to establish a chain of dealerships in Vietnam. The Company has set a target of opening up to twenty dealerships by 2025 and up to thirty sales points by 2028.

EV Lounge for electromobility

Electric car owners have needs which differ from those whose cars run on a combustion engine, and they are unafraid to ask questions about the day-to-day use of their cars. This is why Škoda Auto put together a team of specialists in 2023 to provide answers to the questions that customers ask on the Company's official social networks. September also saw the establishment of the private Facebook group EV Lounge, where electric SUV owners are able to communicate with the Company, find out what's new, and share their own experiences with each other.

In-house gatherings

A number of internal marketing events were also staged in 2023. In March, for example, the traditional Brand Day, sixty importers took part in the event, evaluating the results from 2022 together and presenting awards to the most successful.

Then, in May, an international meeting of managers was held with 350 participants. Delegates at the conference mainly talked about the updated Next Level Škoda 2030 strategy, the expansion of the Škoda brand into new markets, the electric offensive, some greatly anticipated world premières, and the issue of sustainability. During the event, representatives of the Škoda Explorers employee expert group, which supports the Company during its transformation, presented their proposals for the introduction of pragmatic improvements in four particular areas: the culture of negotiation in meetings; the Company's approach to sustainability, in line with the principles of Next Level; support for e-mobility at Škoda Auto; and getting rid of the mentality of power and hierarchy for the needs of future projects. Managers then voted online on those ideas they believed it would be advisable to prioritise. All proposals met with a positive response.

New products premiered

At a ceremonial world première in October, the Company unveiled the second generation of its popular Škoda Kodiaq SUV. Around 300 representatives of the international media were there in person, and the presentation was also broadcast online. This entirely new SUV, in which stylistic elements were used that draw on the brand's new design language, Škoda Modern Solid, comes with fresh bodywork and interior design. Among the other key innovations are the new Škoda inscription on the tailgate, in line with the Škoda brand's new corporate identity, an entirely new interior with multifunctional controllers (Smart Dials), and Driving Mode Select on the steering column beneath the steering wheel.

Only one month after that, the Company introduced the new-generation Škoda Superb in Dolní Břežany, in the presence of more than 250 representatives of the international media. What is now the fourth generation of the car builds on the strengths of the previous model and now comes with a more sophisticated design, more space and comfort, and state-of-the-art technology. Customers will again be able to choose between the estate and liftback versions.

Kodiaq in the service of the police

Škoda Auto is a traditional supplier of vehicles to the Czech Police. At the end of 2023, 289 specially modified Kodiaqs were added to the police fleet. The cars, which are powered by a 180 kW 2.0 TSI petrol engine combined with a DSG automatic gearbox, are equipped with a specially designed protective frame, which is used when chased cars are apprehended. Law enforcement officers can also benefit from radios, additional lighting, 230-volt sockets and other practical interior.

Exposition at Autostadt

Škoda Auto opened a new exposition in its pavilion at Autostadt in the German city of Wolfsburg in November. The presentation covers a wide range of matters that reflect the heritage of one of the oldest continuing car brands in the world. Visitors find out about how Škoda Auto has transformed itself over the years, about electromobility, and about the brand's plans for the future. There is also much interest and plenty of innovation from the world of mobile and digital services, as well as the chance to get to know Škoda's new cars. The central point of the exposition is a design sculpture of a large future electric SUV, drawing on the concept of Vision 7S. Visitors can explore the world of the Škoda brand with the help of a new interactive exposition. Children, meanwhile, can look forward to a small climbing wall, a separate wall on which they can colour in a giant picture, and our push bikes.

Škoda Auto is still partner to the IIHF Ice Hockey World Championship

For more than three uninterrupted decades now, Škoda Auto has been the official main sponsor of the Ice Hockey World Championship, organised by the International Ice Hockey Federation (IIHF). Indeed, the Czech automotive company's involvement was entered in the Guinness Book of Records in 2017 as the longest main sponsorship of a sporting world championship. Furthermore, the Company has extended its contract to at least 2027.

In May, the brand provided tournament organisers in Tampere, Finland, and in Riga, Latvia, with a fleet of 45 fully electric or plug-in hybrid cars. The Company also took this opportunity to fully introduce its new identity.

Right at the arena in Tampere, Škoda exhibited a striking Mamba Green Enyaq Coupé RS and a Phoenix Orange Enyaq RS. Spectators in Riga, meanwhile, were able to see a Phoenix Orange Enyaq Coupé Sportline and a Mamba Green Octavia Combi RS on the ice. On top of that, the Company also showed its electric models in expositions of the Škoda brand at designated official fan zones.

And once again, Škoda Auto took spectators into the digital world of the Škodaverse during the tournament. Virtual 3D reality let fans at home remotely and at the arenas in person experience the world of ice hockey all the more intensively. The aim of this creative approach is for ice hockey fans to associate their favourite sport with the Škoda brand.

A proud partner to the Tour de France

Cooperation between Škoda Auto and the most famous cycling race in the world, the Tour de France, celebrated its jubilee 20th year in 2023. For the third time in a row, the peloton in Tour de France 2023 was headed by a specially modified Red Car Enyaq, while VIPs had the Superb L&K at hand. In total, the Company provided organisers with 210 cars, focusing on the electrification of the fleet.

One considerable surprise for the public was the new Superb, which led the peloton on the final stage down the Champs-Élysées. To make sure the Company did not fully reveal the Superb before its long-awaited première, the car was covered in special camouflage that took its inspiration from map graphics.

The Company also sponsored the Green Jersey, meaning that the jersey worn by the leading rider on points bore the Škoda logo on the race around France for the ninth time in a row. On top of that, the Company was also responsible for making a 60-cm high trophy weighing 4 kilograms for the winner, created by Czech glassmakers. As has become the tradition, the design was created by members of the Škoda Design team, this time taking their inspiration from motifs that cycling represents: nature, the environment, and clean energy.

To mark the occasion of this exceptional jubilee, Škoda Auto and WeLoveCycling.com created a four-part documentary series that brought an original look at the Czech “footprint”, featuring Czech cyclists linked to the history of the Tour de France.

The year 2023 also witnessed the second year of the Tour de France Femmes avec ZWIFT for women, and Škoda Auto was again the main partner to the peloton. The Company provided the organisers with 34 plug-in hybrid and fully electric cars – specifically the Octavia iV, Superb iV, and Enyaq – with a fully electric car taking on the role of the Red Car for the race director. And as with the men’s race, the Company sponsored the Green Jersey for the leading sprinter on points and had a trophy made for the winner. The prize was designed by the Škoda Design team and made of Bohemian crystal, with the sharply defined straight lines of the trophy reminiscent of the spokes of a wheel.

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

From the Czech national team to the general public

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

Best cars 2023

The Škoda brand celebrated two victories in the renowned Best Cars readers' poll.

Octavia and Fabia win Best Cars 2023

The Škoda brand celebrated two victories in the renowned Best Cars poll, in which readers of the German car magazine Auto Motor und Sport chose the Fabia as the winner in the category of imported small cars and the Octavia in that of imported compact cars. The Company's bestseller won the Best Cars poll for the eleventh time, with the Fabia winning the favour of readers for the second time. More than 100,000 readers took part in the 47th year of the Best Cars poll, choosing their favourites from 422 models in thirteen categories.

An emphasis on safety

Since 2008, all new Škoda cars sold in Europe have earned the maximum five-star rating in Euro NCAP tests, with the Fabia and the Enyaq actually being the safest in their class. The Škoda Kushaq and Slavia for the Indian market passed the Global NCAP test as the first and only in the history of Global NCAP to earn the maximum five-star rating for protecting children and adult passengers alike.

Entertaining Škodaverse

Škoda Auto continued its interaction with its fans and customers of the metaverse in 2023. The "Škodaverse" is an entirely new way of getting to know the Škoda brand in more detail. Created within the virtual world of the metaverse, the brand's own space, dubbed the Škodaverse, gives fans and customers new opportunities to explore electromobility in fun and easy ways, including virtual test drives in a Škoda Enyaq Coupé RS. Visitors to the Škodaverse can also look forward to other features, such as the Škoda NFT gallery of digital objects, entertaining games, and a distinctive form of interaction with other users featuring your own avatar, with Škoda-brand skin.

Explore Škodaverse ⟶

People and Culture

People & Culture area managed to progress well with all strategic projects around personal transformation as well as delivering excellent operative HR services for our employees.

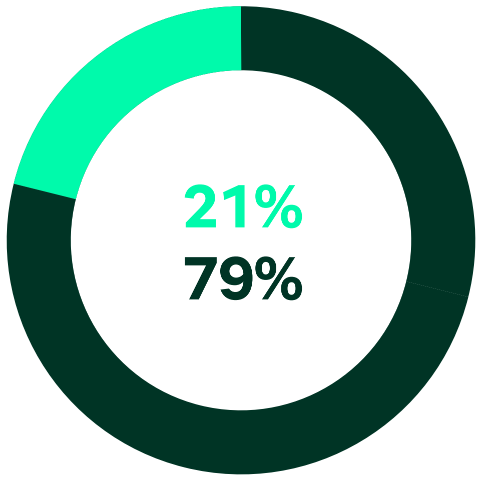
The year 2023 was again full of challenges and strategically planning employees' shifts played a crucial role in this demanding year, to ensure that customers got the cars they had ordered. Planning employee capacities and expertise was also required in light of the development of electromobility in the automotive sector. The Company was also forced to deal with part supplies on an ad hoc basis, and subsequently adjust production capacities and make changes to shift operation.

On top of all that, Europe battled inflation. Social dialogue between Škoda Auto and Kovo Trade Unions was more important than ever. Employees earned above-standard remuneration for their work, with the Company increasing tariff categories and providing a variety of additional payments.

In terms of People and Culture, among the most important tasks in the year 2023 were to prepare employees for digitisation, to manage the digitisation of HR itself, and to support diversity and the path to an open corporate culture.

Proportion of Men and Women in Škoda Auto

- Men
- Women



Qualification structure of the Company's permanent employees as of 31 December 2023

- Primary school 8.0%
- Vocational school 41.5%
- High school with A levels 32.1%
- University graduates 18.4%

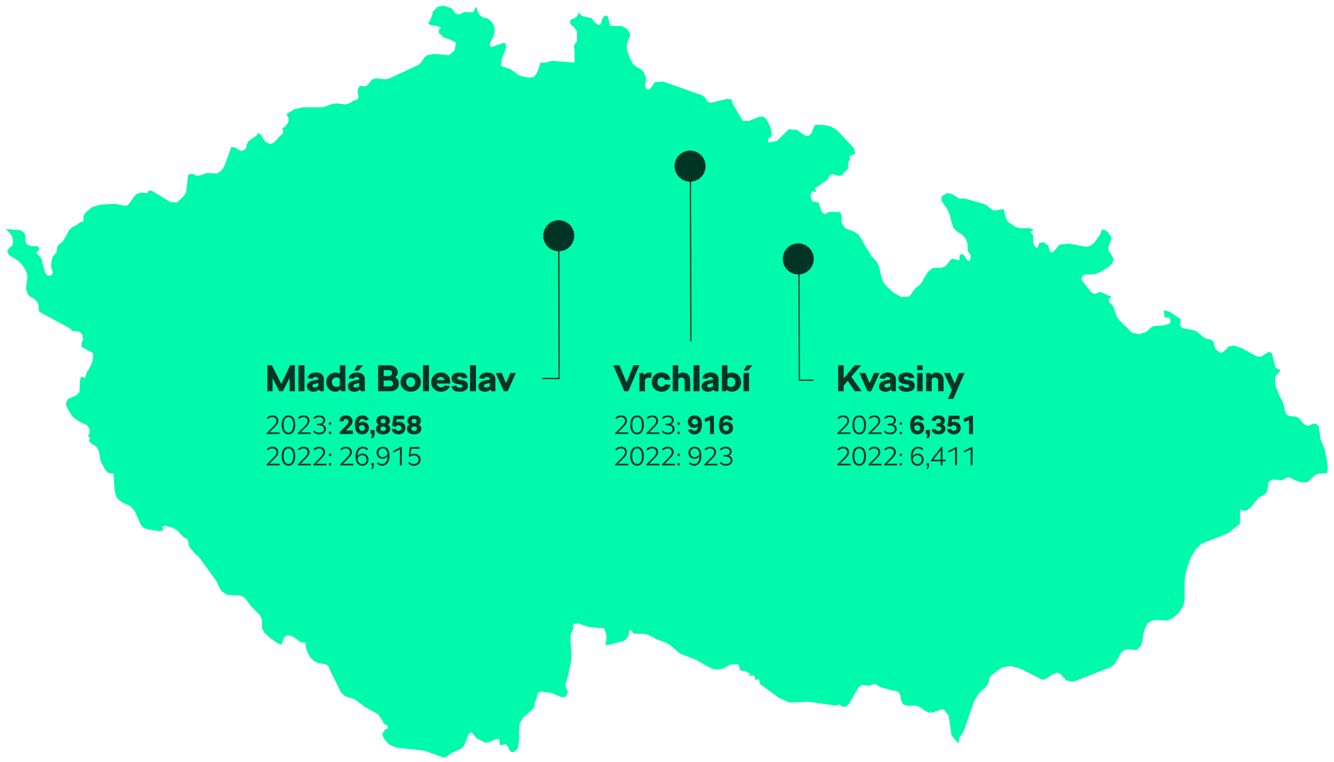
Company Workforce

Apprentices 759

Permanent Employees 34,125

Total* 34,884
2022: 35,063 (0.5%)

* The actual number of employees as of 31 December in the Czech Republic, including apprentices, excluding temporary staff (2,945 employees), excluding subsidiaries.



Employees in the spotlight

Work continued in 2023 on achieving the functional strategy Next Level S, which focuses primarily on employees and their needs so that they can work in a safe, creative, and friendly environment.

At Škoda Auto, employees are always given high priority. The Company values their work and endeavours to create the best conditions for them, both at work itself and outside of work, using an extensive package of benefits. The core values of the Company's corporate culture include team spirit, professionalism, innovation, responsibility, and equal opportunities for all.

In 2023, the non-commercial websites which the Company operates (Škoda Museum, Škoda Polyclinic, Škoda Vocational School) began running on a new standardised platform – one that harmonises the appearance to account for the new corporate identity. This platform makes it possible to edit existing web pages at speed and accelerate the process of creating new web pages.

The education section also underwent digitisation, introducing the new Degreed teaching platform and putting in place the new Moodle teaching management system for the Škoda Auto vocational school.

A pilot project involving physiotherapy and mental training in virtual and augmented reality was launched in the field of innovative technology. The Company also worked with Intelligent Video Analytics software, based on artificial intelligence, which is used to secure access to Company plants.

New, more effective HR

In 2023, operative HR underwent a significant transformation, the most important change being the separation of business into two key pillars: the HR Consulting Centre, a service designed to deal with the individual requirements of tariff employees, and HR Business Partnering, to support direct superiors in relation to concept and strategic changes.

The HR Consulting Centre was established with a view to making HR services faster, more effective, and higher quality. Whereas beforehand employees had to contact their own dedicated personnel manager, they can now visit any HR centre in Mladá Boleslav, Kvasiny, or Vrchlabí, or contact the centre by submitting an electronic request, by telephone, by e-mail, or indeed arrange a meeting with anyone from the HR centre using the reservation system.

The digitisation of personnel files means that services for employees will become considerably more flexible, with the digitisation of further personnel services remaining a priority.

Popular benefit programme

Škoda Auto provides a wide range of benefits, irrespective of whether employees work full-time or part-time. The Company regularly updates the system, emphasising digitisation and flexibility, in that it focuses on the needs of each and every employee.

Škoda Auto has introduced a system of equal remuneration, so as to ensure that female and male employees in the same or similar positions are paid the same. This principle is applied globally throughout the Group. A collective agreement, valid for all of the Company's permanent staff in the Czech Republic, sets out employees' wages. The pay system is made up of fixed basic pay and variable remuneration components. The Company also provides additional payments, for example for overtime work, being on-call, and working on public holidays. The wages and benefits paid for a standard working week will not drop below the relevant national or trade-union minimum wage in the relevant country.

The remuneration policy draws on the Labour Code and other regulations according to Czech legislation. The Charter of Agency Employment, meanwhile, governs the work of agency staff.

Among the most commonly used benefits are the Škoda Benefits Cafeteria, the option of volunteering, a contribution toward pension savings, a contribution toward meals in Company catering facilities, rewards for having worked at the Company for a certain number of years, contributions toward recreational or rehabilitation holidays, an interest-free loan for housing or to purchase a Škoda car, support for sporting activities, and preventive health programmes.

The Company also provided a variety of attractive benefits to agency staff, such as special prices on cars and accessories or participation in selected education courses.

Overview of Employee Benefits in 2023

Cafeteria
Škoda Benefits

€28.1 million

utilised by employees in 2023

Health
48%

Culture,
sport and travel
42%

Pension
savings
10%

25,700 Škodians used **T-Mobile Benefit program**

3,200 employees purchased a **MultiSport**

Promoting flexible forms of work

Again, flexibility was one of the main priorities at the Company in 2023. Its aim is to retain and find motivated and qualified employees on the labour market and boost the image of the employer's brand. Support for modern forms of work is an inherent part of the Company's Next Level Škoda Strategy 2030, and its New Forms of Work project, which emphasizes increasing the number of shared positions and increasing the number of part-time positions. Part-time positions mainly provide support to parents and employees who care for someone else and need to better harmonise their private and professional lives.

Another project that gained significance was the Desk Sharing project, particularly in tandem with the construction of the new Laurin & Klement Kampus office building, which will house more than 1,800 staff members. This project will bring a change for almost 15% of employees in the non-core area. Employees will now be able to share a workplace and use different workplaces in line with the nature of their work (what is known as an Activity Based Workplace). Such an office environment stimulates creativity, brings new ideas, supports cooperation across divisions, and last but not least, increases the effectiveness of work.

Remote (mobile) work has also become an established modern form of work, with an average of more than 5,000 employees taking advantage of this at least once a month.

Škoda Auto, outstanding reputation

Financial stability, an attractive level of pay, a host of benefits, and plenty of opportunities for career growth. These are the main qualities appreciated in Škoda Auto by respondents to Randstad Employer Brand Research 2023, an independent survey of the attractiveness of employers. According to the survey, the Company is the best employer in the automotive industry in the Czech Republic, and finished third in the competition as a whole. On top of that, the Company came second in the Sodexo Employer of the Year 2023 poll, also taking the Best Employer in the Central Bohemia Region award. The awards are presented by the Employers' Club, which praised such aspects as the long-term support provided to employees and their families. The Employers' Club also put Škoda Auto in first place in the "Most Popular Employer Among Students" category, both in the Central Bohemia Region and nationwide.

Idea Management celebrated 30 years of Raffle

Whereas the year 2022 brought considerable change in the shape of the new ZEBRA idea management strategy, focusing on quality over quantity, higher speed and effectiveness, the year 2023 was one of "rooting" these principles, a year of analysing data and paying old debts on the many ideas in the system. We worked intensively on further optimising the process, enhancing communication and providing more effective advice. The success rate of employee proposals was high at 47% in 2023. Improvements resulted in savings of €14.2 million.

The year 2023 also marked 30 years since the first Idea Raffle, as part of which employees regularly have the chance to win a car for a successful ZEBRA idea.

Sustainable HR

Sustainability is a top priority at Škoda Auto and is part of its DNA. As part of its development, the Company set out five pillars that focus on employees: diversity, education, general health, employee volunteering and engagement, and mobility.

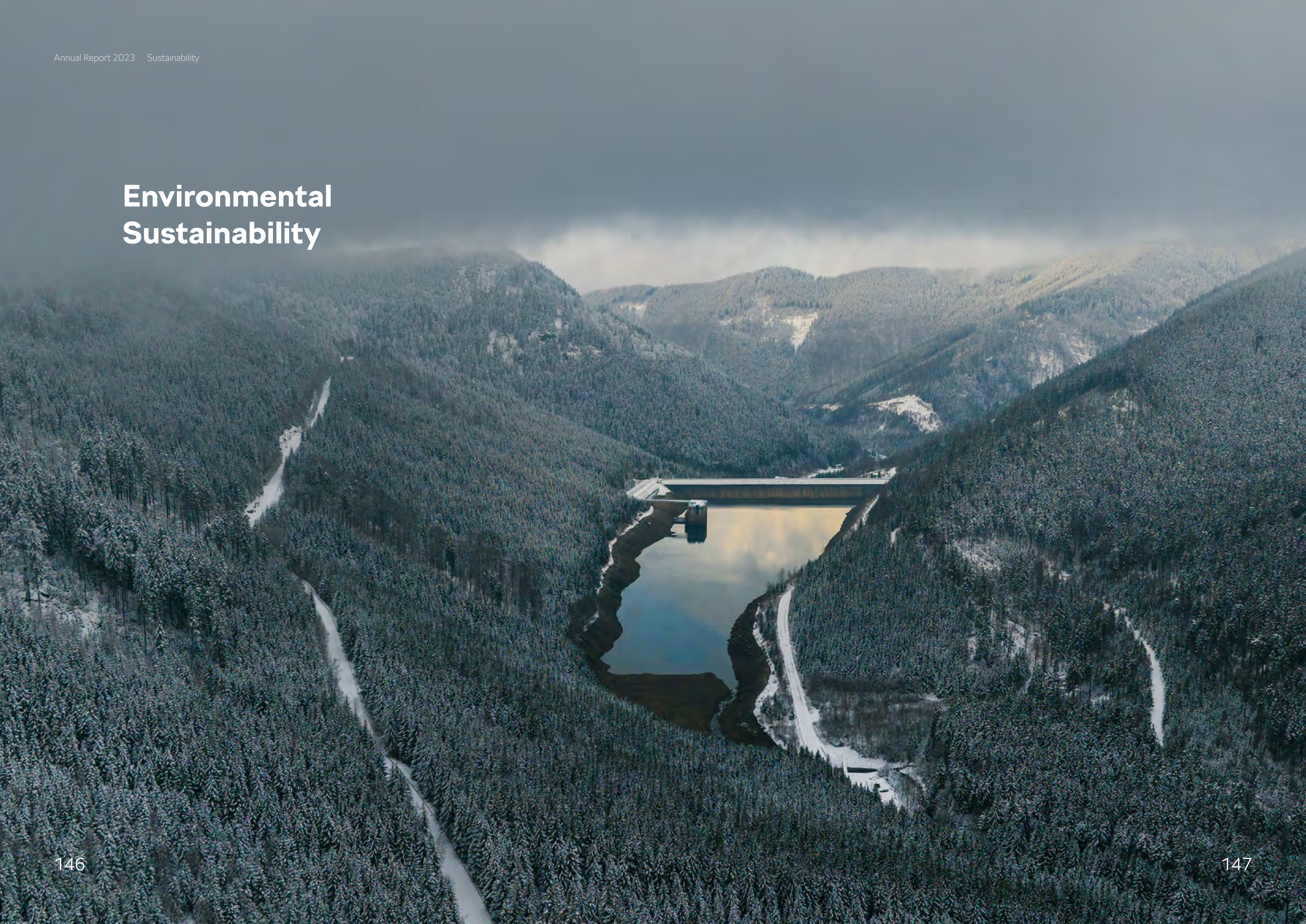
Management Report

About the Company
Business Operations
Sustainability

Sustainability

To Škoda Auto, sustainability means promoting economic and social development in line with surrounding ecosystems and preserving biological diversity for current and future generations. The Company's strategy is built on environmental, social, and governance pillars. These pillars include the social responsibility strategy, the GreenFuture environmental strategy, and principles of ethical and transparent conduct.

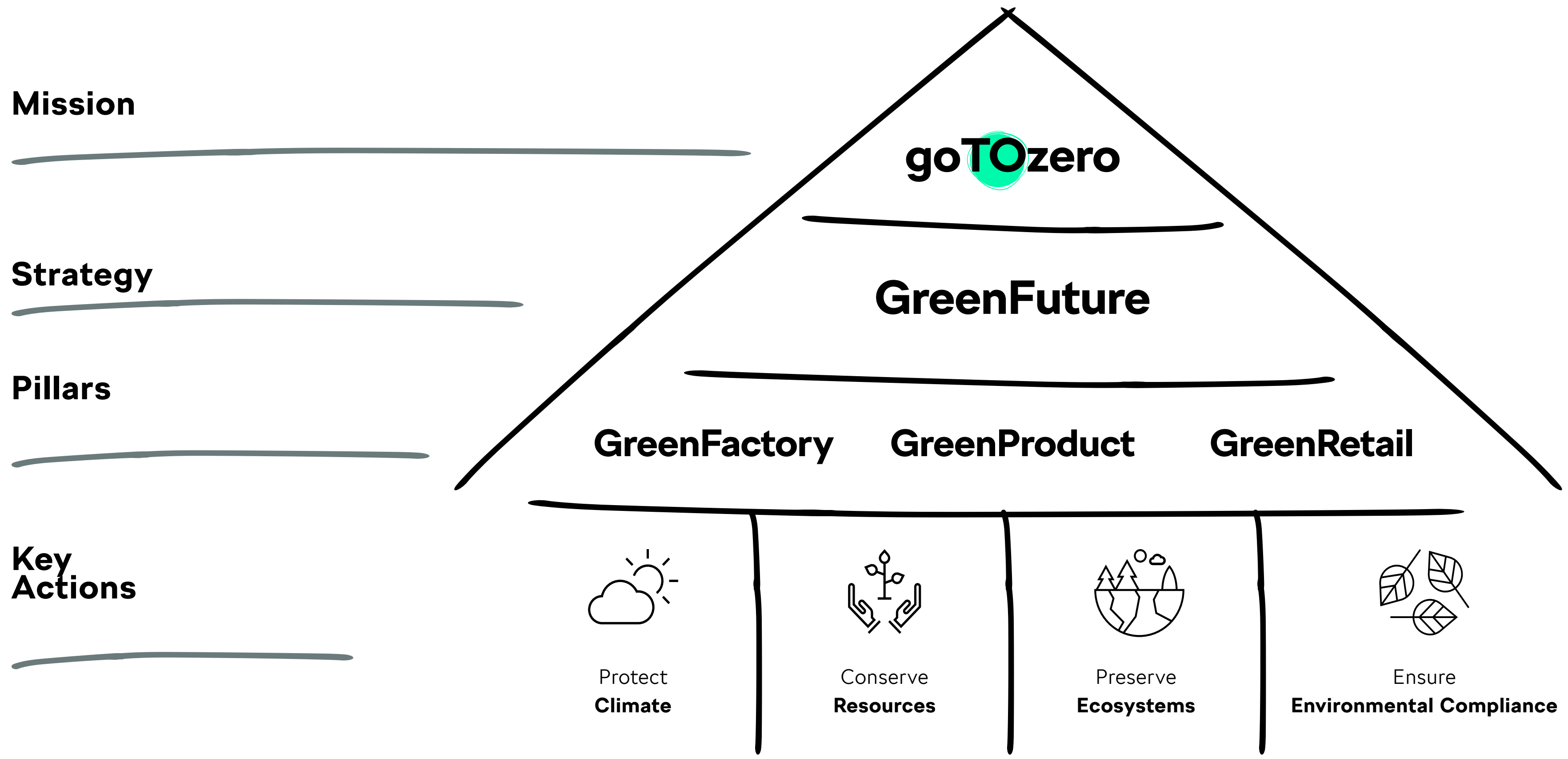
Environmental Sustainability



GreenFuture strategy

The philosophy of the Company's GreenFuture strategy is to minimise the environmental impacts of all products and services, mobility included, with the aim of maintaining untouched ecosystems, having a positive influence on society, and developing entire regions. It was back in 2013 that Škoda Auto brought together its sustainability objectives under the GreenFuture strategy, an extensive range of measures to ensure sustainable environmental protection. Over the ten years of its existence, the GreenFuture strategy has achieved a number of extraordinary successes. In addition to steps taken in production, vehicle design, and the targeted use of recycled materials, over time it took on programmes from the sphere of social responsibility.

The Company is also tied to the Group's environmental mission, entitled **goTOzero**, which defines four priority areas: to protect the climate, to save resources, to preserve ecosystems, and to make sure that environmental regulations are respected. Adherence to environmental regulations, standards, and our own voluntary commitments is therefore a fundamental prerequisite of all Company activity.



The journey towards carbon neutrality

The Company aims to maximise the effective use of resources and to promote the approaches of the circular economy when using materials, energy, water, and land. The automotive company sees the most important objectives in this area as being able to reduce the CO_2 emissions produced by its own fleet of vehicles by more than 50% of their 2020 level by 2030 and to transform the Company's Czech production plants to achieve a neutral CO_2 balance of used energy by the year 2030.

By promoting sustainable development, the Company was able to reduce the impacts of production on the environment in the five categories monitored in 2023 – water consumption, energy consumption, CO_2 emissions, production waste to landfill, and volatile organic compounds emissions – by 56.4% in comparison with 2010. As another of its commitments on the road to sustainability, Škoda Auto has set itself the target of ensuring that more than 70% of the cars in its model portfolio are electric by the year 2030.

56.4%

In 2023 – water consumption, energy consumption, CO_2 emissions, production waste to landfill, and volatile organic compounds emissions reduced by 56.4% in comparison with 2010.

In the Company's efforts to achieve carbon neutrality, the following steps have been taken. Affiliate Ško-Energo, which ensures across-the-board supplies of energy for the automotive company and heat for the town of Mladá Boleslav, launched a key project to upgrade a heating plant with a view to using 100% biomass. Construction work on the project is expected to begin in 2024, with the complete upgrading of the heating plant taking place within three years. All boilers will use biomass as their sole fuel – 70% wood chips and 30% plant residue pellets, which are known as phyto-pellets. The use of biomass will be certified in line with the requirements of European and Czech legislation. The entire supply chain will be certified according to PEFC, over and above the legislative framework, the emphasis here being on the sustainability of processes in forestry. The annual savings of carbon dioxide should reach 290,000 tons a year after completing the transition to the entirely ecological fuel mentioned.

The road to carbon neutrality will also be smoothed by three new rooftop photovoltaic systems at the plant in Mladá Boleslav and at the Škoda Parts Center logistics centre that the automotive company has opened. The newly installed solar electric power plant will cover a total area of more than 10,000 sqm, an area equivalent to more than fifteen tennis courts. It should generate more than 2 GWh of emission-free electricity per year, using more than 5,400 photovoltaic modules.

Reducing energy consumption

Škoda Auto has also progressively introduced a number of measures aimed at reducing the consumption of electricity, natural gas, heat, and compressed air. In 2023, Škoda Auto concentrated mainly on replacing old lighting technology (lighting in production halls and technological lighting) with LED, all as part of its efforts to reduce electricity consumption. Regarding heat savings, it lowered the heating temperature by around 2°C in all areas where the technology allowed it. The heating temperature was also lowered in office space. One integral part of making energy savings is the recovery of the heat produced in technological processes, both for additional heating of space and to heat other technology. Another major plus in terms of energy savings came with revaluation of the setting of all parameters in technological processes. Škoda Auto achieved significant reductions in this area, particularly in the consumption of natural gas. The Company also continues to motivate employees to find other ways of making savings, for example by providing training in energy management and general awareness-raising on the issues of energy and water.

Raising standards

As far as integrity is concerned, the Company pursues a policy of raising standards, mainly in relation to compliance, the environment, and energy management.

The urgency of the matter is also clear from the requirements of the Volkswagen Group, which stem from the German Supply Chain Due Diligence Act (known under the German abbreviation LkSG – Lieferkettensorgfaltspflichtengesetz), which outlines obligations in relation to human rights and the environment for German companies, their subsidiaries, and their supply chain, both in the home country and abroad.

Environmental protection and energy management are both key parts of the Integrated Management System (IMS) at Škoda Auto and are important pillars in the concept of sustainable development. The Environmental Compliance Management System (ECMS – according to EN ISO 14001) and the Energy Management System (EnMS – according to EN ISO 50001) are checked every year, both as part of internal audits in line with the Company's IMS Audit Plan and by an accredited outside certification company.

Waste as a resource

Škoda Auto is actively engaged in applying the principles of the circular economy, consistently applying a hierarchy of waste management, and favouring the use of waste as material and for energy over landfilling. Even in 2023, the Company was able to maintain a situation in which no production waste from its Czech plants was landfilled.

The Company actively pursues ways of preventing the production of waste. In logistics, for example, it regularly checks the packaging of delivered parts. One new instance of advancement in the hierarchy of waste management is the material use of waste antifreeze and brake fluid, which were previously used for energy purposes. In the same way, a material use has been found for selected IBC containers.

The Company also began the process of really pushing sustainable development in the Procurement of Materials and Components. It has been and remains involved in the development of innovative and environmentally friendly "Simply Clever" materials. These will be used in everyday operations, will be easy to process, and are attractive in terms of design. One fine example is the new seat upholstery for the interior of the fully electric Škoda Enyaq, which combines wool with recycled polyester from single-use plastic bottles. In June 2023, the Company presented its innovative concepts of sustainability in Procurement at the Greentech festival in Berlin.

As part of its attempts to seek out new possibilities in waste management, Škoda Auto became a member of the Czech Circular Hotspot, a platform that puts into practice the principles of the circular economy.

Reducing air emissions

Volatile organic compounds (VOC) are the most significant pollutants released into the air. And paint shops are mostly accountable for the quantity of VOC emitted. The Company significantly restricted VOC emissions by using a new paint shop that uses advanced technologies. These technologies reduce VOCs not only from the body drying process, but also from paint spraying.

Protecting soil and the economic management of water

Škoda Auto also places considerable emphasis on safely handling substances that could endanger soil or groundwater if allowed to leak. If technologically possible, it favours less hazardous substances and tries to minimise the consumption of water per manufactured car.

356,000

flowers grow around the Company's plants,

470

bushes,

1,244,080

of trees The company planted through the Škoda Trees project.

Support for biological diversity

The immediate surroundings of Škoda Auto's three Czech production plants provide the environment for a number of plants and animals. Around 356,000 flowers, 1,128 trees, and some 470 bushes grow there over a total area of approximately 23,000 sqm. In 2023, the Company installed insect houses on its grounds and took care of the listed trees in its surroundings.

The Company also enriched the Czech landscape with new trees, doing so for the seventh year in a row. As has become the tradition, it planted one tree for every car sold in the Czech Republic as part of the Škoda Trees grant programme. Through this project, it had by the end of 2023 planted a total of 1,244,080 trees, matching an area of 395 football pitches, in more than 240 places throughout the Czech Republic. As part of its support for biological diversity, the Company joined forces with the Škoda Auto Endowment Fund to open up the Krakonošovy zahrádky (Rübezahl's Gardens) grant programme, which aims to increase biological diversity in the Mladá Boleslav, Kvasiny, and Vrchlabí regions. Towns, local governments, and other organisations are able to obtain a grant of up to €10.2 thousand with which to finance their projects. Sixteen projects received support in 2023.

Involving employees in protecting the environment

For the ninth time, Škoda Auto and its employees were involved in cleaning up the surroundings of its plants in Mladá Boleslav, Kvasiny, and Vrchlabí as part of the Ukliďme Česko (Let's Clean Up Czechia) project. In 2023, employees ventured into areas of great natural value in the Orlické Mountains and the Krkonoše Mountains and into the former military zone of Ralsko to help alleviate the environmental burden. A total of 250 employees signed up for the clean-ups, collecting 8.5 tons of waste. Throughout the year 2023, a number of similar activities went ahead at different organisational units.

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

For the third time in a row, as part of the Company-organised GreenWeek event, employees were given the opportunity to discuss issues with experts from different areas of the Company and guest experts from outside. Discussion of current projects helped uncover as-yet untapped opportunities in the sphere of sustainability and raise awareness of sustainability within the Company and of what sustainability means in everyday life.

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

Škoda Auto procures the take-back of waste tyres from end customers in the Czech Republic through its authorised service network and other partners. A list of take-back points is available online. In 2023, almost 2,214 tons of tyres have been taken back under an individual scheme. Most of such waste has been processed into secondary raw materials suitable for further use, which has reduced the consumption of primary raw materials. Producer registration number: 00052/14-PCZ. The take-back rate in 2022 was 86.6%. The total cost of the take-back of waste tyre processing and recovery was €305.4 thousand. The deposit provided under this law is €81.4 thousand (CZK 2 million). The cost of the take-back is invoiced as a separate item for the product (CZK 30/piece i.e. 1€/piece).

Social Sustainability

Social sustainability is one of the three fundamental pillars within the Sustainability Strategy at Škoda Auto. The individual steps taken to achieve the set objectives are inspired by the principles of Creating Shared Value – CSV. In line with these principles, we evaluate, from the internal and external perspective, what added value projects and activities have for the Company, and for all stakeholders.

Regarding social sustainability, Škoda Auto identified five strategic areas in which it can help its employees and its own surroundings as effectively as possible. These priority areas are **education, mobility, employee volunteering and engagement, well-being, and diversity**.

The Company is also actively engaged in a great many national and regional initiatives, and it carries out a range of activities through the Škoda Auto Endowment Fund. This enables it to demonstrate its intense and long-term commitment to support the involvement of the entire community and to increase the resilience of the regions in which it works. The Company carried out several of the projects mentioned below with the support of its social partner, the KOVO Trade Unions.

Škoda Social Week 2023

For the first time, October's event provided the opportunity to bring together care for employees and their personal engagement with the services of social care and healthcare providers. It allowed employees and the lay public to learn crucial information about selected social and life events through video interviews, profiles, and accompanying events. It also raised awareness about the importance of social sustainability and what social service providers are offering within the regions in which Škoda Auto has its production plants.

Education

The Company's top priorities in this area include lifelong education and broadening employees' skillset. The Company, as the founder of the oldest vocational school in the Czech Republic, focuses primarily on technical education, digital technology, personal and cultural development, language skills, and it also supports the physical and mental health of its employees. Amongst the main strategic themes is the support of the culture of learning and leadership, which are both essential to the transformation of the automotive industry.

Škoda Auto invests in education over the long term, and in 2023 it committed itself to investing considerable sums in the education and development of its employees and to helping them successfully cope with the transformations associated with digitisation and the switch to electromobility by signing a Memorandum of Cooperation and Support for the Škoda Academy, doing so in collaboration with the KOVO Trade Unions.

A long tradition in education

The Škoda Auto vocational school opened its doors to the first 58 apprentices in Mladá Boleslav back in 1927. Since then, nearly 25,000 people have graduated from the school. Some 762 novice automotive specialists, including 113 women, studied 16 specialisations at the specialised vocational school during the 2023/2024 academic year. The Company also founded Škoda Auto University in 2000, where more than 1,200 students were studying in Mladá Boleslav and Prague in 2023.

Preparing for the future

Demand for workers with expertise in the fields of information technology, mechanics, engineering, and mathematics is on the rise, while the level of manual labour is decreasing as the degree of automation grows. This is just one of the reasons why Škoda Auto carried out a range of projects in 2023 aimed at supporting employees and working with partner secondary schools and universities, institutions at which current and future employees alike have the opportunity to improve and enhance their qualifications.

In doing so, the Company is continuing its support of employees in the onward development of their professional know-how as well as the targeted transfer of know-how in the way conceived by experts. At the same time, it highlights the importance of the teaching organisation and its culture of innovation.

Škoda Academy – building a strong community of education

For 10 years, Škoda Academy has been actively devoted to transformation and training sessions. It engages in conceptual and methodical activities, offering comprehensive education to all employees and to students of the Škoda Auto Vocational School in Mladá Boleslav.

Using the new "Degreed" platform, launched in 2023, Škoda Academy now offers another ideal education tool, which encompasses requalification, thereby increasing expertise, the possibility of personal development, and initiatives within the sphere of corporate culture. The new platform will be continuously modernised, aiming to keep up to date with the fast-changing environment in the automotive industry and the needs of the Company.

Cooperation in education

Support for educational activities at Škoda Auto is about providing education not only to its own employees but to the Czech Republic as a whole. The Company cooperates with schools, state institutions, public organisations, and other partners. By supporting these organisations and building new partnerships, Škoda Auto endeavours to help improve the quality of education and popularise, above all, technical and IT specialisations.

In addition to its support of 49 primary schools and – more intensively, as of 2023 – 15 kindergartens, Škoda Auto has also long been involved in cooperation with 44 secondary schools and 19 universities. It offers schools a range of unique projects that develop professional, social, and other pedagogical leadership skills in teachers, pupils, and students. The following are among the most important projects from 2023:

EDU.Lab mobile education laboratory

The mobile laboratory was created in 2021 to show students modern technology and encourage them to specialise in technical subjects in their future academic pursuits. More than 10,000 students from primary and secondary schools paid a visit to EDU.Lab in 2023. The Lab also appeared at events popularising technology; for example, at the SingularityU Czech Summit 2023, at EDUCA, and at the Maker Faire festival in Brno. EDU.Lab was also open to students in Slovakia for one week. The laboratory plans to visit all regions in the Czech Republic by the end of 2025.

Technological Literacy and Technology Olympics

Technological Literacy aims to educate young people in modern technologies. Some 12,000 students from secondary and primary schools attended talks in 2023. This project goes hand-in-hand with the Technological Olympics, which were held in April 2023 with the participation of 1,700 high school students.

EDU Week for Teachers

In August, the Company organised the third year of a series of workshops and webinars entitled EDU Week for teachers and employees of all types of schools and educational institutes, doing so in cooperation with Škoda Auto University and the Škoda Auto Endowment Fund. As has become the tradition, the event included workshops in Škoda Auto's home regions, with online webinars also available to anyone interested in the Czech Republic. The programme took place under the patronage of the Ministry of Education, Youth, and Sport of the Czech Republic for the first time in 2023, with a record 568 participants from more than 200 schools and institutions from throughout the country getting involved. The main topics, responding to the current needs of schools, were media education, a safe classroom climate, the method of storytelling, and the issue of mental resilience and social networks.

42 Prague

The 42 Prague non-profit education institute continued in its support of lifelong learning and improving social skills in the year 2023. The innovative concept of teaching, a milestone for the IT education sector in the Czech Republic as a whole, consists of reciprocal teaching and learning without teachers and a campus that is open 24/7.

The style of teaching stands out from common customs in three regards – the progress of each student is measured in levels, students learn collaboratively, individually, and cooperatively on projects, and they also correct each other, which promotes a constructive exchange of views.

Students earn a certificate in software engineering, a profession of extreme importance to the automotive industry, after two to four years. Some 100 students enrolled to study in 2023, and the institute continued to build ties with new partners. Škoda Auto, which founded the 42 Prague educational institute in 2022, has set out a target of training up to 450 future programmers over the next five years.

Škoda Roadiaq Student Car

Secondary school students in Mladá Boleslav again designed and built their own dream car in 2023. The ninth student car is called the Škoda Roadiaq, and it underscores the adventurous spirit of contemporary explorers, in line with the make's current brand concept, Let's Explore. A total of 29 apprentices this year decided to change the fully electric Škoda Enyaq into a multi-purpose mobile home including a mobile office, using sustainable materials in the interior.

Mobility

Škoda Auto makes efforts to secure barrier-free and safe mobility for all. In doing so, it endeavours to make roads safer for drivers, pedestrians, and cyclists. Its primary goal in this area is to provide accessible mobility for groups with restrictions and to promote safety on roads. Road traffic safety and prevention are two of the key long-term issues.

Traffic safety

The Company's programmes in 2023 were primarily preventive, mostly taking the form of education for the most vulnerable road users. It also promoted safety on roads with invitations to apply for grants from the Škoda Auto Endowment Fund, focusing both on prevention (in particular, educational and awareness-raising activities) and on supporting the infrastructure measures taken. It also employed other initiatives, among them a project entitled Start Driving implemented by the Czech Driving Schools Association, instructing driving school instructors and novice drivers in road traffic safety and teaching them how to drive a car safely in challenging situations. A total of 2,500 novice drivers participated in the project on eight test tracks in the Czech Republic. In the same year, the Company initiated for the first time Start Driving for Women courses for companies and women's collectives. The interest shown in these courses was enormous, with almost 50 female drivers from Škoda Auto taking part in the first two events.

Barrier-free mobility

For many years now, Škoda Auto has been helping people with disabilities to lead active lives without restrictions. Its aim is to motivate, inform, and educate people with disabilities in barrier-free mobility, and in doing so to help them enjoy life and independence.

The Škoda Handy programme helps people with disabilities by providing special financing and insurance and by adapting cars to suit their needs. Cooperation with organisations such as the Czech Paraplegic Association, Paraple Center and Journey to a Dream (Cesta za snem) helps people with disabilities even more. A series of four talks for handicapped drivers at rehabilitation centres and institutions was again organised in 2023, in partnership with Journey to a Dream.

Škoda Auto in cooperation with partners also announced the Škoda Without Barriers (Škoda Bez Bariér) grant programme, which for a second year ensured that people with disabilities have access to mobility, that helped individuals get their driving licences, and helped handicapped athletes buy specialised bicycles. The programme consists of two parts: Shame Not to Drive (Škoda Neřídit) grants, as a part of which eight contributions towards getting a driving licence were paid out in 2023 and Cycling Without Barriers (Cyklistika bez bariér) grants, as part of which athletes were able to apply for financial support to buy a handbike. Eighteen handicapped cyclists obtained this support in 2023.

Safe mobility for all

Škoda Auto provided 11 fully electric Škoda Enyaq and Enyaq Coupé RS cars to partners throughout the country for long-term use, the aim being to improve mobility among the workers at public benefit purpose organisations. By doing so, the Company wants to support sustainable mobility at those individual organisations. In the autumn, another 16 Škoda cars made their way to key providers of social care and healthcare in the regions in which the Company works. The aim is to increase the quality of care provided and improve accessibility to clients.

Employee volunteering and engagement

Employee volunteering and engagement is a stable part of the Company's culture, and has been for many years. Employees regularly take part in organised events, or engage in internal platforms such as Škoda Proud, the Woman to Woman mentoring programme, and Škoda Explorers. Individuals, and indeed entire departments, help public benefit purpose organisations with activities such as clean-ups, planting greenery, restoring original flora and fauna, maintaining amenities at organisations, and securing them from the material side of things. The Škoda Volunteers employee group was created to communicate information and bring together employees and organisations. More than 500 employees used this platform throughout the year, spending their free time helping those in need. The following were among the most prominent volunteer activities in the year 2023:

The Earth Day

Škoda Auto again signed up for Let's Clean Up Czechia (Ukliďme Česko) in 2023, with employees from all three plants heading out into the surrounding countryside to help rid it of waste. Almost 250 participants turned up for three weekend get-togethers. The clean-ups were done in cooperation with local environmental conservation societies, which targeted the most appropriate places. In total, volunteers in all three places collected 8.5 tons of waste.

TERIBEAR Moves Mladá Boleslav

For the ninth time, Škoda Auto provided its support to TERIBEAR, a charity that aims to collect money through healthy exercise to help disadvantaged children from children's homes with education and contact with their biological families. Anyone can sign up, running or walking as far as their legs will carry them.

Those interested in collective sporting activity were therefore able to head out along the route in Štěpánka Park the day before the event as part of TERIBEAR Moves Mladá Boleslav: powered by Škoda Auto. The Company supported the get-together with the sum of €16.3 thousand and by having more than 300 employees and their nearest and dearest at the starting line, with others involved in organisational work.

Tree Day

Tree Day with Škoda Auto, a traditional volunteer event that focuses on environmental issues, was again held in November. In cooperation with our regional partner, the Czech Association for the Preservation of Nature Klenice (Český svaz ochránců přírody Klenice), Company employees planted a new avenue of trees from Boseň to Lhotice in the Mladá Boleslav area. Sixty employees took part in planting the trees, joining forces with other volunteers to plant a total of 90 native varieties of fruit trees.

Škoda Trees

Since 2007, the Company has been planting one seedling in the Czech Republic for each Škoda car sold in its home territory, all as part of the Škoda Trees project in cooperation with the Partnership Environmental Foundation. As part of this initiative, 1,244,080 trees had been planted as of the end of 2023 in more than 240 places. One hundred and fifty plantings had been marked with the Škoda Avenue/Škoda Trees symbol as of the end of the year. Some 71,152 trees were planted in 2023 alone, at a cost of more than €122 thousand.

Employee collections

Company employees have been supporting selected organisations with social benefits ever since 2014, doing so through what is known as Employee Collections. The third round of collections took place in 2020–2023, with the employees themselves choosing ten organisations that focus on different issues or that are active in the region. Škoda Auto further doubles the money donated. Some of these funds also made their way to social responsibility projects in Pune and Aurangabad in India.

Some 1,587 employees got involved in the collections in 2023, their donations totalling €187 thousand. At the close of the year, employees took part in a Company-wide vote to choose which organisations with ties to the regions in which the Company is active to support in the fourth round of collections (2024–2028).

Well-Being

Care for physical health

One of the fundamental obligations of an employer in the Czech Republic is to create a safe working environment. For this reason, one inherent part of day-to-day work at Škoda Auto is systematically looking for and eliminating risks that could potentially threaten employees, or cause them discomfort, and in turn pose a risk to their health, well-being at work, and performance. The Company continues to innovate and modernise its working environment. This promotes the physical and mental well-being of its employees, and indeed entire communities in the regions in which it is active. To this end, it came up with a range of comprehensive preventive events, campaigns, and programmes. At the same time, the Company's activities encourage an active approach to health and promote a safe environment for open communication throughout Škoda Auto.

Škoda Auto, in collaboration with the KOVO Trade Unions, provided physiotherapy consultation for employees working in production. A total of 851 employees from all plants - Mladá Boleslav, Kvasiny, and Vrchlabí – completed the programme in 2023. And given that it is best to make sure that no risks occur at the workplace at all, preventive ergonomics are employed on new car models, in cooperation with Technical Development, and experts are on hand to point out risks as early as the development stage; for example, in the development of the new Škoda Kodiaq and new electric cars.

Caring for mental health

Psychosocial factors can be seen as relatively new risks. This is witnessed in the ever-rising interest shown by employees in the psychological consultation that the Company provides, with psychologists providing a total of 495 consultations in 2023. A new website, skodastresu.cz (which might translate as "shame on stress") was launched in the middle of the year. There, users can find all-encompassing information about how to better understand stress and learn how to cope with it effectively. To make sure that our promotion of mental health is as effective as possible, the Company kept an eye on what it is that stresses employees the most, doing so during Health Days (Dny zdraví) and other events. Those participating in the survey thereafter helped prepare targeted programmes for the year 2024. The Company also used a pilot project known as relaxation through virtual reality to promote the use of modern technology in maintaining well-being.

Prevention first

Each and every year, Škoda Auto comes up with a diverse range of preventive programmes in support of health. In autumn, it worked with regional partners to launch an intensive new campaign, Health Matters (Na zdraví záleží), which this time focused on support for men. The Škoda Auto Health Service Division, in cooperation with Klaudiánova Hospital, Škoda Health Insurance Company, Na Homolce Hospital, and the Škoda Auto Endowment Fund, prepared a preventive programme for employees that is designed to detect cardiovascular disease in time and ensure prompt care thereafter.

One of the most effective forms of disease prevention is vaccination. As in previous years, the Company offered free vaccination against the flu and Covid-19. Some 4,395 employees got vaccinated.

In September 2023, Škoda Auto launched an anti-drug campaign going by the name of Zero Tolerance to Drugs (Nulová tolerance drogám), which focused on preventing addiction to addictive substances and pointed out the medical and work-related aspects of drug use. A new employee benefit, Doctor Online 24/7 Plus (Lékař online 24/7 Plus), helped ensure maximum accessibility to medical care during the year.

The premises at the Škoda Polyclinic underwent reconstruction in 2023 as part of the modernisation of the occupational health service clinic. Some 81,520 examinations were provided at the polyclinic, confirming the major emphasis on quality, accessible healthcare in Mladá Boleslav. At the Kvasiny plant, meanwhile, the Company promoted the availability of top-class dental care by reconstructing and fitting out a new clinic. Last, but not least, it provided support to the dental clinic in Solnice, in cooperation with the town.

Support for the families of employees and communities in our regions

The Company is all too aware that employees are an integral part of their families and communities. As in previous years, it offered a whole range of activities in 2023 – activities associated with a healthy lifestyle for its employees, their family members, and friends. For example, the Company invited a representative of the Škoda Auto Health Service and Ergonomics Division to a camp in Nedamov for the very first time. There, health professionals provided interactive training in giving first aid, with the help of workers at the camp.

Škoda Auto donated a passenger car to Klaudiánova Hospital in Mladá Boleslav in 2023, to be used by the Rehabilitation Department to practise routine everyday activities tied to driving a car for patients of the orthopaedic and neurological departments.

Cars for Zdravotní klaun

Škoda Auto handed over a third fully electric Enyaq car to the Health Clown (Zdravotní klaun) non-profit organisation in June 2023. Together with this, it also provided a financial contribution of €41 thousand towards the running of the organisation. The car will be used to transport the clowns on their therapeutic journeys, on which they visit children and senior citizens in healthcare and social facilities, as well as children with long-term illnesses at home.

Diversity

Škoda Auto achieved the planned values of 24.6 in terms of the main target of the “Diversity Index”, while internationalisation in management at the end of 2023 stood at 31% and the percentage of women in management reached 18.3%. As part of its Family Friendly Policy, the Company provides active support to parents before they go on maternity or parental leave and after they return from it, and it keeps in touch with them throughout.

Maintaining the strategic course

The main theme in 2023 was the gradual implementation of the Company’s strategy of diversity: Next Level Škoda Diversity Strategy 2030, which was introduced in 2022. The Company also took steps aimed at achieving set objectives and commitments, particularly in the area of equal opportunities and gender balance, and raising general awareness of Škoda Auto as a responsible employer and partner, both internally and publicly.

Active all year round

Support of diversity, equality, and inclusion is the foundation on which the Company strategy is built. The Company signed the European Diversity Charter back in 2019, which actively supports equal opportunities and cultural diversity, and signed up for the Pride Business Forum. Then, in September 2023, it joined almost 70 companies in sending the Prime Minister of the Czech Republic an open letter calling for support for the adoption of a law on marriage equality.

Škoda Auto also focused its attention on another range of diversity issues, such as the equal representation of women and men, a pro-family policy, intergenerational cooperation, alternative forms of employment, and employee engagement. The aim of Škoda Auto is to ensure, with the support of the KOVO Trade Unions, that the ratio of women in management is at least 25% by the year 2030, and for this reason, the Company set up a variety of tools and measures in support of this objective. In addition to recruitment campaigns, setting and managing targets in all areas, and optimising talent for management, the Company also runs the Woman to Woman mentoring programme, for example, in which experienced female managers mentor younger talents, and a number of programmes at individual areas of the Company in support of and motivating women on their career paths.

Škoda Enyaq Coupé Respectline

In June, the Company introduced the Škoda Enyaq Coupé Respectline, a car characterised by its unique exterior and interior design elements. The aim is to underscore the importance of protecting human rights and promote respect for all people and for the environment. It was presented in public for the first time at an Open Air concert performance by the Czech Philharmonic.

Partner to the Prague Pride festival

In August 2023, for the second time, Škoda Auto was an official partner of Prague Pride, the festival celebrating diversity and focusing on the issues and needs of the LGBTQ+ community through a wide range of events and an extensive cultural programme. This year, the festival focused primarily on traditions and their influence on queer people. The festival was also attended by the Škoda Proud employee group and by many other Škoda Auto employees.

European Diversity Month

In May 2023, the Company got involved in European Diversity Month, the event aiming to raise awareness of the importance of diversity and inclusion through a variety of activities. It offered its employees a whole range of in-house activities under the motto “You Matter, We Matter, Diversity Matters” (Na tobě záleží, Na nás záleží, Na rozmanitosti záleží). The programme included presentations, workshops, online activities, and events intended for employees outside the Company premises. Among them, for example, was an interactive panel discussion entitled Don’t Be Afraid to Share (Nebojte se sdílet), organised to mark the International Day Against Homophobia, Biphobia, and Transphobia. Škoda Auto was also a partner to Fun & Run 2023, a run organised against homophobia.

Developing regions and communities

Škoda Auto is aware of its social responsibility, and it works particularly hard in support of sustainable growth in the regions of Mladá Boleslav, Kvasiny, and Vrchlabí, where its production plants are located. It had 3 regional development studies drawn up with a view to developing the regions. These were supplemented with surveys of public opinion and other data, all of which will help to ensure effective and targeted regional development and improve the lives of the residents of those regions (for example, Municipality in Figures [Obce v datech] and BehavioLabs).

Škoda Auto furthered its cooperation with the town of Mladá Boleslav in 2023 by signing a Memorandum of Cooperation between the KOVO Trade Unions and the Statutory Town of Mladá Boleslav. The aim is to strengthen relations and take common steps towards improving the quality of life of the residents of the town and its immediate surroundings. Among the priority areas are support for safety, kindergartens and children's groups, leisure time facilities, activities for senior citizens and socially disadvantaged residents, and alternative cultures. To ensure the cooperation successfully continues, the town of Mladá Boleslav set up a Committee for Cooperation with Škoda Auto and a District Economic Committee for the period 2022–2026, in which Škoda Auto, the KOVO Trade Union Organisation Mladá Boleslav, and other members are all represented. The Company and the unions contribute the sum of €163 thousand per year to their funds.

Cooperation with regional partners is also ongoing in the Rychnov and Vrchlabí areas, where Škoda Auto contributed a sum of €244 thousand to social responsibility projects. After renewing its Memorandum with the key towns of Rychnov nad Kněžnou, Solnice, and Kvasiny, a Memorandum of Cooperation was also signed in 2023 with Kostelec nad Orlicí, Dobruška, and Opočno.

Škoda Auto Endowment Fund

The Škoda Auto Endowment Fund continues in its support of the integrated development of the regions in which the Company has its production plants. Škoda Auto donated €30 million to the Fund. In 2018-2022, a further €148 thousand was provided by Škoda Auto and another €148 thousand was raised from external donors.

The Fund continued the philanthropic work of Company founders Václav Klement and Václav Laurin. Its activities are directed at achieving the Sustainable Development Goals (SDGs) set out by the United Nations, concentrating on three programme pillars. The first of these focuses on **strategic projects** with partners that, for example, help in the revitalisation of public space and historic monuments. The second pillar involves the **grant programmes** that the Endowment Fund announces in order to strengthen civic society, cultural life, road traffic safety, biodiversity, or the development of social services. This third pillar consists of **philanthropic projects** with a long-term impact, including support for the engagement of residents, public collections, and removing barriers and system changes in education, as well as the professionalisation of non-profit organizations.

ŠKODA Endowment fund

Strategic regional projects

One of the most significant projects in which the Endowment Fund was involved in 2023 was the completion of a footbridge over the D10 motorway near Mnichovo Hradiště, following the past route of a tree avenue that the construction of the motorway cut through. A footbridge was also completed at Česana in Mladá Boleslav, this one crossing the river Jizera, as was an attic conversion that provided three new classrooms for the primary school in Solnice. Extensive reconstruction work was completed at Pluhárna in Mladá Boleslav, as a result of which the summer and autumn programme was able to get going at full pelt. The Endowment Fund is also the initiator of and a partner to the emerging Impact Hub in Mladá Boleslav, which broadens community activity in the historic Klementinka building.

Grant calls

The Endowment Fund announced a total of eight grant calls in 2023, focusing on the development of civic society, road traffic safety, and support for culture or social services. It also built on the long-term Škoda Trees programme by announcing a grant call called Rübezahl's Gardens (Krakonošovy zahrádky) in support of biodiversity and nature conservation. The Endowment Fund supported a total of 144 projects in grant calls in 2023, providing €1 million in funding.

Philanthropy and education

The Endowment Fund is a partner to the Znesnáze21 platform, where it supports social counselling, and is also a patron of public collections for individuals focused on supporting difficult life stories. The Endowment Fund supports these collections, together with the ŠkoFit platform, with the kilometres covered in sporting challenges converted into money that goes directly to the collections. In 2023, the Fund sponsored a total of 17 collections, and thanks to the active involvement of employees and individuals from the regions, the total financial support of the Fund exceeded €21 thousand.

The Fund is also actively involved in educating public benefit purpose organisations, regularly organising workshops or them, launching the Academy for Non-profit Organisations in 2023, and becoming a partner to the Non-profit Organisation of the Year competition held by the Civil Society Development Foundation (Nadace rozvoje občanské společnosti). These activities aim to support the professionalisation of non-profit organisations, educate them, and raise awareness of their importance and of their specific activities among the general public.

The Škoda Auto Endowment Fund also works in the field of formal and informal education. Its programmes target schools at all levels of education, as well as the founding bodies that run schools in individual regions or the providers of leisure-time activities and school communities. In September 2023, the Fund became a partner to the We Donate Extra-Curricular Activities to Children project (Darujeme kroužky dětem), which helps families in financial difficulty provide their children with leisure-time activities.

The Endowment Fund also regularly organises events for the public. In 2023, for example, it organised the second Yoga Fest, as well as events focused on gaming and awareness-raising in modern technologies – Future Playground (formerly known as Gaming Day) – and again brought to town the town Street Art Festival, during which seven murals were created, including a work of art by Czech illustrator Toy Box that now adorns the wall of a Škoda Auto plant for the very first time. The Endowment Fund also provided support to the Maker Faire festival of do-it-yourselves and inventors, which was staged in all Škoda Auto regions for the very first time.

In the year under review, the Endowment Fund financed regional development projects in the total amount of €4.2 million. A further €322 thousand was donated by Škoda Auto and €65 thousand has been donated by external donors. In total, the fund raised an additional €383 thousand.

All up-to-date information about the Škoda Auto Endowment Fund, including annual reports, can be found at **www.nfsa.cz/en/**.

Škoda Auto helps

Škoda Auto regularly offers its help under the umbrella motto of #ŠkodaAutoPomáhá (#ŠkodaAutoHelps). In past years, the Company therefore became involved in providing extensive help to combat the Covid-19 pandemic, for example, or humanitarian aid following the destructive tornado in South Moravia, and actively helped during the refugee crisis sparked by the war in Ukraine.

Humanitarian Aid

Aid for Turkey

In February 2023, southern and central Turkey were struck by their biggest earthquake since 1950. Afterwards, the Volkswagen Group, Škoda Auto, and other Group brands immediately donated a sum of €1 million in emergency aid. Soon thereafter, they extended their help into material aid – for example, by buying 75 mobile homes at a total cost of €308 thousand for Turkish families from the ranks of regional partners. The project would not have been possible without the help of the Škoda Auto Endowment Fund, which championed cooperation among the individual partners.

Aid to Ukraine

Škoda Auto again continued dealing with the needs of refugees from Ukraine in 2023 and helping their integration into regional communities. It focused, in particular, on children and young people, primarily through the grant programmes of the Škoda Auto Endowment Fund. In 2023, Škoda Auto also joined forces with the Endowment Fund for Ukraine to donate a Škoda car to the Lviv Resocialisation Centre for the Handicapped. This humanitarian gift helps people affected by the military conflict regain their mobility.

Corporate Governance & Compliance

Corporate Governance endeavours to ensure that the Company is run in a way that is responsible, qualified, and transparent, in a way that focuses on achieving the long-term success of the Company and protecting the interests of all parties involved.

Corporate Governance is the system used to ensure that the Company is governed and supervised. Inter alia, it defines the distribution of rights and duties among the relevant parties, such as shareholders, management, Company bodies, employees, and Business Partners.

Corporate Governance and Sustainability

As is the case with Integrity & Compliance Management and the system of risk management, Corporate Governance is an integral part of the Company's Sustainability Strategy. Together with other relevant areas at the Company, this strategy establishes and supports principles that lead to the long-term sustainable functioning of the Company, particularly with regard to complying with the legislative requirements placed on the Company, for example in respecting human rights and compliance throughout the supply chain. The aims of the Sustainability Strategy are, for example to continually increase the level of business ethics standards, to meet requirements with respect to the Company's legal and social responsibility, to help the development and economic stability of the Company, and lastly, to prevent and mitigate risks at the Company.

The way in which the Company conducts itself complies with valid legal and internal regulations. The Company's voluntary commitments in the sphere of ethical conduct are an integral part of the corporate culture. These commitments are comprehensively codified in the Škoda Auto Group Code of Ethics, which is regularly updated and distributed to all employees. These principles and commitments apply to all activities inside and outside the Company. As such, the Company endeavours to ensure that the way in which it acts complies with requirements stemming from legal regulations applying to, for example, economic competition, the financial and tax sector, environmental protection, and employee relations, including the promotion of equal opportunities and the protection and upholding of human rights. It also regulates the internal whistleblowing system that is in place to ensure that situations can be reported should anyone at the Company suspect that these regulations and principles have been breached.

To this end, the Company administers and develops a comprehensive and structured Integrity & Compliance Management System, the aggregate of all relevant measures, processes, and systems in these areas. Particular emphasis is placed on the processes of verifying the integrity of business partners, preventing money laundering, compliance in the sphere of HR processes, and the whistleblowing system. The measures in question include training that is updated on a regular basis. For example, training in the Code of Ethics mentioned above, anti-corruption training, training in personal data protection, money laundering, or training provided to people involved in the functioning of the whistleblowing system in place at the Company.

The relevant internal regulations and processes were updated at Škoda Auto in 2023 to account for the new German Supply Chain Due Diligence Act, as a result of which the Company had to adopt a range of relevant measures. The Company also dealt with the issue at hand by providing tailored training sessions and internal communication. At the same time, it informed employees of the obligation to report suspected violations of the new law.

Company whistleblowing systems

The Company pays considerable attention to providing employees at the Company and in the Group, and indeed people and organisations from outside, with discreet and reliable ways of reporting any potential violation of valid legal regulations and/or the Company's internal regulations.

For this reason, the Volkswagen Group Central Whistleblowing System has been adopted at the Company. The system has been available to whistleblowers for a number of years now. Recently, however, the system has been expanded to take account of the option of whistleblowing in line with the principles of Act No. 171/2023 Sb. on the protection of whistleblowers.

In 2023, the Company actively communicated the ways of reporting any possible violation of valid legal regulations and/or the Company's internal regulations within both existing whistleblowing systems. These communication activities included external communication with the Company's customers, dealers, and other relevant people and organisations, and communication directed at the Company's own employees.

Further development of the corporate culture was another core theme. Company employees were motivated to attend workshops, get involved in voluntary activities, and take part in surveys, in which they were able to openly express their views on the application of integrity and compliance principles in their working practice and share their experiences with colleagues.

In 2023, the Company regularly informed employees of integrity and compliance issues using a number of existing channels of communication. To ensure that everyone is aware of the importance of these matters to the success of the Company, these measures encompassed communication at the top-management level and discussion within individual areas and teams at the Company.

Risks in Integrity and Compliance

In 2023, the Company again continued in its regular assessment of risks in the sphere of integrity and compliance, in turn setting out appropriate measures to minimise the risks identified. It then used an analysis of those risks to proceed with the onward systematic development of the Integrity & Compliance Management System.

Subsidiaries and affiliates

As in previous years, the Company supervised the implementation of the Integrity & Compliance Management System and the Risk Management System at subsidiaries and affiliates. It continued to apply a system of central governance of such companies, meaning the methodological governance of local organisations or the use of service-level agreements.

Declaration of Compliance with the Corporate Governance Code, Czech Republic

Škoda Auto is aware of its extraordinary position in the Czech Republic, of its key role within the Volkswagen Group, and of its stronger position amidst competing car manufacturers. It is therefore fundamentally important to the Company that its employees, business partners, customers, and the general public view it as a successful and transparent company that is open to providing information about its activities. The Company sees its long-standing tradition and the reputation it has built up over many years as a key value for the successful and sustainable development of its business activities into the future.

In light of all this, the Company complies with the recommendations of the Corporate Governance Code, Czech Republic 2018 (the "Code"), which can be viewed online at the Ministry of Finance of the Czech Republic website. The Code's general rules are inspired by comparable national corporate governance codes (in particular, the German and Austrian codes), and by international corporate governance standards (in particular, G20/OECD Principles of Corporate Governance). The core idea is that the Code brings best practice rules that should be followed at most companies, but at the same time leaves the door open to adapting the rules of governance and management to suit the specific conditions and needs of each and every company.

The Company complies with the Code based on the principle of "think through and follow". To the Company, the Code provides inspiration in situations when it might be appropriate and beneficial. The Company aims to continually improve internal processes and rules in accordance with the Code, to promote transparency, and to follow legal regulations and pursue ethical conduct in business practice in the Czech Republic.

In light of the fact that the Company has a sole shareholder, no general meeting is held and the sole shareholder acts in the capacity of the general meeting. The credibility, experience, and professional competence of the members of elected bodies is carefully assessed before their election. The Company leaves the task of evaluating whether those requirements are met, even during their term of office, to the members of individual bodies, under the provisions of Section 159 of the Civil Code.

The general meeting – in this case, the sole shareholder – appoints members of the Board of Management, primarily on the basis of their professional qualifications and expertise. However, the Company has no instrument in place that would make it possible to influence the composition of the Board of Management in accordance with its diversity policy. Since there is no general meeting, the nominated candidates do not participate in the session intended for the election to the respective body. The Company's Board of Management has seven members and is responsible for making sure the Company is governed in its interests. Each member of the Board of Management is responsible for one area of expertise. Members of the Board of Management must carry out their scope of activity with the diligence of a professional manager and are responsible for the execution of their work to the extent laid down by the legal regulations of the Czech Republic.

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

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

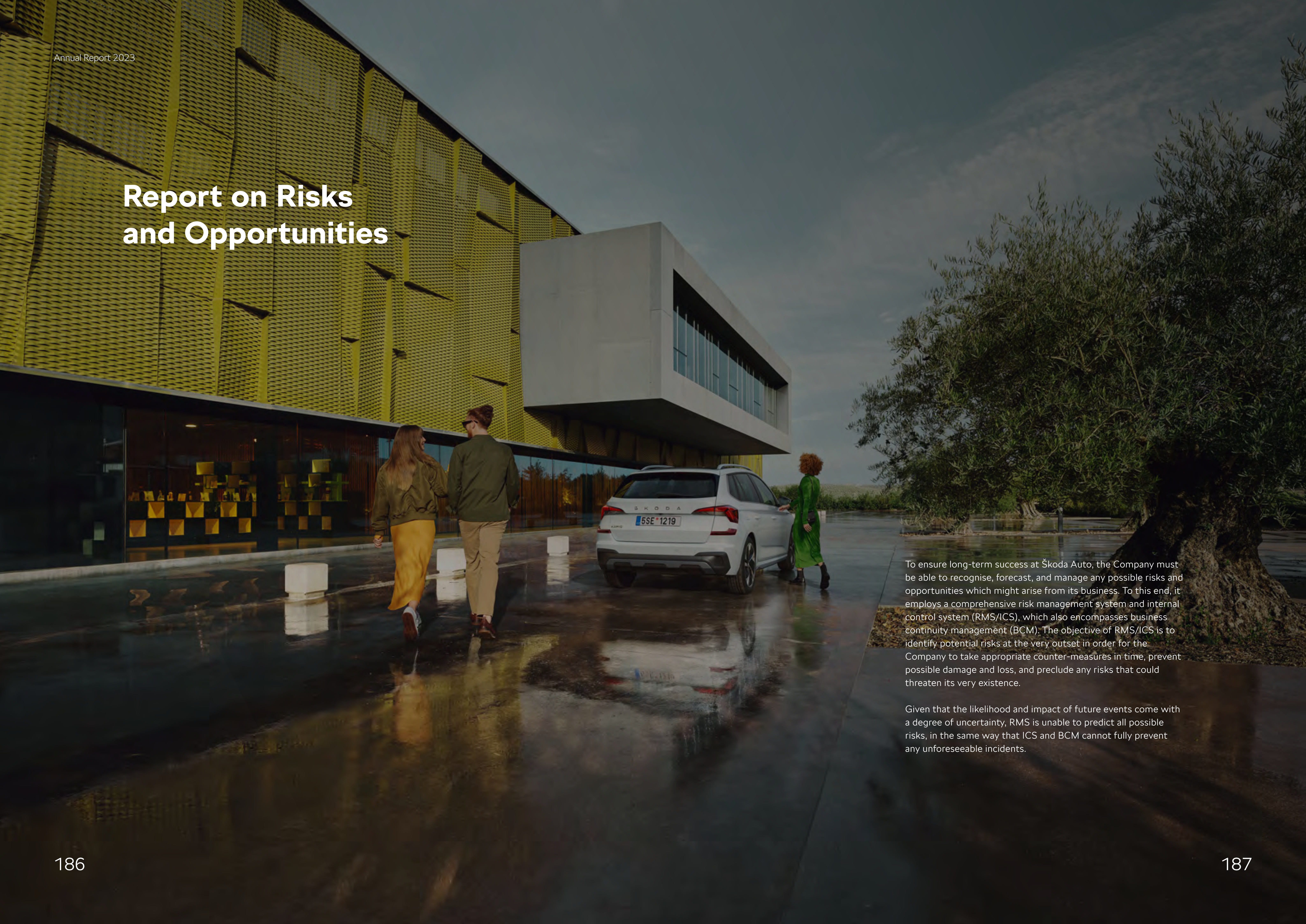
The Board of Management at the Company has established committees with the involvement of at least one member of the Board of Management at the Company. These committees are either advisory bodies or bodies with decision-making powers. Their purpose is to initiate, prepare, and submit to the Board of Management recommendations in specialized matters.

Information about the remuneration of members of bodies is made public in notes to the financial statements, in the Related Party Transactions section.

The Company has created and applies a proper and effective policy of preventing, identifying, and managing conflicts of interest involving persons at the Company. For more on this matter, see Corporate Governance & Compliance.

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

Report on Risks and Opportunities



To ensure long-term success at Škoda Auto, the Company must be able to recognise, forecast, and manage any possible risks and opportunities which might arise from its business. To this end, it employs a comprehensive risk management system and internal control system (RMS/ICS), which also encompasses business continuity management (BCM). The objective of RMS/ICS is to identify potential risks at the very outset in order for the Company to take appropriate counter-measures in time, prevent possible damage and loss, and preclude any risks that could threaten its very existence.

Given that the likelihood and impact of future events come with a degree of uncertainty, RMS is unable to predict all possible risks, in the same way that ICS and BCM cannot fully prevent any unforeseeable incidents.

The structure of the risk management system and of the internal control system

The structure of the RMS/ICS in place at Škoda Auto draws on the uniform principle of risk management at the Volkswagen Group, which itself is based on the internationally recognised COSO Enterprise Risk Management Framework (COSO: Committee of Sponsoring Organizations of the Treadway Commission). RMS/ICS is centrally managed by the Governance, Risk & Compliance Division, in collaboration with the Controlling Division. The principles, responsibility, and individual component parts are governed throughout the process by the Group's Risk Management System guidelines and the internal control system, with the relevant methodological guidelines following on from this. Ultimate responsibility for the risk management system lies with the board of directors at Škoda Auto. The day-to-day implementation of the system, however, is based on decentralised responsibility at the Company. At least once a year, each organisational unit must assess and recognise risks, which are evaluated from the perspective of their potential negative impact on accomplishing the objectives of that unit and of the Company as a whole. When assessing risks, consideration must be made of possible financial losses, potential damage to the Company's reputation, legal repercussions, and the likelihood that such risks will occur, as well as any other significant factors. Sub-proposals are then created and counter-measures put into place to reduce the likelihood that a risk will occur, or to moderate its potential impacts, and management employees thereafter check and assess such counter-measures regularly. RMS/ICS also involves regular risk reporting to the board of directors at the Company and to management at Volkswagen AG, the aim being to secure information on the overall picture of a particular risk situation. The adequacy, efficacy, and transparency of the entire system are regularly and independently checked within processes that make up an integrated part of RMS/ICS. Improvements are presently being made to the quality of all processes, under the supervision of the Volkswagen Group, with an emphasis on documenting activities related to RMS/ICS.

The new internal control system put into place in 2021 was fully employed in 2023. ICS ensures the execution of ongoing control activities, the quality and expertise of which is guaranteed by anchoring in the common Group methodology. Among the main benefits of the system are the clear determination of competencies and responsibilities within individual internal processes, an elevated level of transparency across hierarchical structures, and support for understanding the Company as procedurally oriented.

Škoda Auto also implements Business Continuity Management on an ongoing basis, so as to boost its resilience and ability to react. In general, while BCM does not prevent disruption to business activity, it does ensure the continuation of fundamental business processes and timely processes at a pre-defined minimum level, in the event of a breakdown, or when resources are unavailable. The aim here is to put a specific and functioning "backup plan" in place for the most important business processes.

Škoda Auto deals with operative risks and the assurance of key processes within its internal control system. Operative risks are primarily deemed to be short-term risks that generally pose a threat within a timescale of two years. These are the most significant and urgent situations for which counter-measures must be taken. The Governance, Risk & Compliance Division informs the board of directors at the Company of current threats on a quarterly basis when reporting operative risks, and once a year with regard to ICS and BCM.

Economic, political, and legislative risks

From a financial perspective, Škoda Auto is both an exporter and a local manufacturer in one. It is therefore influenced by general global and European economic conditions and by the situation in particular economies; for example, the condition of the economy and the economic cycle associated with this, the political situation in countries in which the Company is active, and amendments to legislation (for example, the legal regulations of the EU). Amendments to legal regulations might also lead to additional costs for technical development; for example, stricter legislative requirements on car safety, fuel consumption, or emissions of pollutants and modifications to the standard specifications of vehicles. Other significant risks which might influence the Company's commercial activities on world markets are uneven economic development in different states or regions and a vulnerable banking system. Škoda Auto identifies export contracts to countries with a potential geographical and political risk in advance and hedges them with standard approved financial and insurance products. The Company works with Czech and international banking institutions in this area, EGAP included.

Legislation to concern emissions

One significant risk that Škoda Auto faces is the failure to adhere to statutory limits for the average values of CO_2 emissions, particularly in European Union Member States, in Norway, Switzerland, Great Britain, and Iceland. €95 sanctions for each gram exceeded and vehicle sold in the relevant calendar year may be imposed by the European Union for exceeding the targets. Despite all planned or approved technical measures, achieving the required values comes with a degree of uncertainty considering ongoing legislation changes.

Alongside the failure to meet legislative targets, another risk in relation to CO_2 is the loss of competitiveness, something that might arise from an insufficient range of fully or partly electrified cars, or conventional models with favourable CO_2 emissions. CO_2 limits are also in place in other countries and regions. An analysis of the current development of expected CO_2 emissions is regularly presented to the board of directors as crucial information to be considered when making decisions on the future product portfolio of conventional and electrified models and the planned quantities of such models, and in annual or quarterly reports within the bounds of risk management.

Demand risks

Rising and intensifying competition in the automotive industry demands an ever-increasing level of sales promotion, whereby this situation is further affected by the market risks associated with a change in consumer demand, in that consumer purchasing behaviour depends both on actual influences, such as real wages, and on psychological influences. Škoda Auto regularly analyses how customers and competitors behave, and in doing so minimises these particular risks.

Procurement risks

Extremely close and economically advantageous collaboration between vehicle manufacturers and their suppliers brings with it procurement risks which could disrupt the fluidity of production, or indeed lead to considerable financial losses. For example, a delay in deliveries, failure to deliver goods at all, qualitative defects on goods, or, in extreme cases, suppliers becoming insolvent and disappearing from the supply chain. Other risks ensue from fiercer competition in the supply industry. Škoda Auto therefore, when buying assembly components, collaborates with multiple suppliers so as to make sure that it is able to react to any negative developments if and when needed. Moreover, preventive measures are taken within the risk management system to cover cases in which a supplier is insolvent, and regular checks are made on the financial stability of the Company's suppliers. All such preventive and reactive measures combine to actively reduce as far as possible the risks that come from relations with suppliers to the Company. Despite all measures and efforts, Procurement is faced with a considerable risk of material shortage. This lack of material, combined with inflation, drives prices upwards and threatens Škoda Auto itself and its suppliers.

Financial risks

Financial risks, and the management of those risks, are among those which the Company monitors most keenly. In the first place, as far as importance is concerned, is the risk associated with the exchange rate development of foreign currencies and the impact this has on cash flows, financing, and the overall economic performance of the Company. The risk and impact of changes in exchange rates are regularly monitored, planned for, and managed using standard hedging instruments. Members of internal and Group boards discuss and approve the products and strategies used. The Company maintains hedge accounting for derivative instruments in order to hedge currency risk in accordance with IFRS, and more specifically the requirements of IFRS 9. Risks arising from procuring aluminium, copper, and lead, materials that are bought for the manufacture of products at Škoda Auto, are dealt with using similar procedures and strategies, albeit the Company keeps them outside the regime of hedge accounting from the perspective of IFRS.

Another significant risk is the liquidity risk, which is managed using standard procedures and instruments so as to facilitate sufficient coverage of activities and obligations for the absolutely required period of time. The financial resources in place at Škoda Auto and resources from the companies of the Volkswagen Group form the base here. The Company manages the export risk using standard security instruments; for example, documentary credit, letter of credit, bank guarantees, and the like.

Research and development risks

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

Quality risks

The Company places substantial emphasis on the risk management system in relation to quality to account for ever-rising competitive pressure, the increasing complexity of production technologies, the high number of suppliers, and the use of Group-wide systems. It endeavours to identify and remove as quickly as possible any problems concerning quality, beginning with the very first stages of product development, so as to ensure there are no delays in launching production itself. Using its risk management system, the Company also ensures long-term quality and timely deliveries all the way down the supply chain. As the digitisation of Company products and processes advances ever further, so the Quality Control Division continually monitors trends in data security and processing, cybersecurity, and the reliability and freshness of software, all in line with the quality strategy, and it works with the relevant Company and Group centres of expertise in taking steps to limit the associated risks.

Every year, the quality of the products, processes, and management system at the Company is audited. This audit is conducted by an independent, accredited certification company. The quality management system certificates, which Škoda Auto has successfully retained since 1993, guarantee that processes work and are among the input documents for product approval procedures. The Company continues to develop a qualified network of auditors and test engineers with a view to identifying deviations in internal procedures in time. Regional managers, meanwhile, regularly provide Company management with reports on the results of tests and measurements. Škoda Auto is aware of the responsibility it has for its own products, and the Quality Management Division therefore continually monitors customer satisfaction and gathers information about current developments on individual markets. If negative deviations are found, measures are taken without delay to ensure that any potential damage is minimised.

Human resource risks

Dynamic developments in the automotive industry and ever-fiercer competition push the Company to secure the competitive advantage of having a stable, qualified, and flexible workforce in direct and indirect areas into the future. This can only be achieved by adopting the right long-term strategy, one which focuses on the HR process from start to finish – from human resource planning, through recruitment and education, to motivating and rewarding employees. At the same time, Škoda Auto needs to properly analyse and prevent possible risks, among them losing the qualified staff involved in key processes at the Company, risks stemming from amendments to legislation, legal risks, and risks associated with long-term demographic changes.

Information technology risks

Information technology (IT) is taking on an increasingly vital role at Škoda Auto, a global company focused on achieving further growth. IT risks might include unauthorised access to data or abuse of the Company's sensitive electronic data, restricted access to systems, and failure to comply with regulatory requirements (for example, GDPR). The Company pays heightened attention to the risk of unauthorised access to data, in that various measures are taken in relation to employees and organisations, applications, systems, and data networks. These might take the form of a firewall, restricting the allocation of access rights to systems, or backing up crucial data sources. The Company only uses technical resources that have been tried and tested on the market and that comply with internal standards. Škoda Auto established an Information Security Management System (ISMS) to minimise IT risks and their potential impact on Company objectives.

Legal risks

Škoda Auto undertakes its business activities in more than 100 countries around the world, a situation which could result in risks associated with judicial disputes with suppliers, dealers, employees, investors, or customers, as well as the risks of administrative proceedings related to individual areas of business activity at the Company.

Other operating risks

There are, of course, other influences besides the above-mentioned risks which are unforeseeable and could potentially affect onward development. These chiefly include natural disasters, epidemics, terrorism, and the like.

Short-Term and Long-Term Outlook

The world economy recorded positive growth in fiscal year 2023. Global demand for vehicles was noticeably higher than in the previous year. The global economy is expected to grow in 2024, albeit at a slower pace. Global demand for passenger cars will probably vary from region to region and increase slightly year-on-year. With a wide range of products, technologies and services, we are confident that we are well-prepared for future mobility challenges.

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

Development in the Global Economy

Our planning is based on the assumption that global economic output will grow overall in 2024 compared with 2023, albeit at a slower pace. The persistently high inflation in major economic regions and the resulting restrictive monetary policy measures taken by central banks are expected to continue to dampen consumer demand. We continue to believe that risks will arise from protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, continuing geopolitical tensions and conflicts are weighing on growth prospects; risks are associated in particular with the Russia-Ukraine conflict and the confrontations in the Middle East. We assume that both the advanced economies and the emerging markets will show positive momentum on average, but with below-average growth in gross domestic product (GDP).

We also expect the global economy to recover in 2025 and continue a path of stable growth until 2028.

In Western Europe, we expect a comparatively low rate of economic growth in 2024. The relatively high overall level of inflation, albeit projected to taper off further as the year goes on, poses a major challenge for consumers and companies alike, as do the relatively high interest rates.

We likewise anticipate a higher growth rate compared with the prior year in Central Europe in 2024 with continuing but less dynamic price increases. Meanwhile, economic output in Eastern Europe should recover further following the heavy slump in 2022 as a result of the Russia Ukraine conflict and the relatively strong increase in 2023.

For the Indian economy, we likewise expect a relatively high rate of positive GDP growth in 2024.

Trends in the Global Passenger Car Market

The trend in the automotive industry closely follows global economic developments. We assume that competition in the international automotive markets will further intensify. Crisis-related disruption to the global supply chain and the resulting impact on vehicle availability may weigh on the volume of new registrations. Uncertainty may also arise from shortages of intermediates and commodities.

We predict that trends in the markets for passenger cars in the individual regions will be mixed but predominantly positive in 2024. Overall, the global volume of new car sales is expected to be slightly higher than in the previous year. We are forecasting growing demand for passenger cars worldwide in the period from 2025 to 2028.

For 2024, we anticipate that the volume of new passenger car registrations in Western Europe will be slightly higher than that recorded in the reporting year. For the major individual markets of France, the United Kingdom, Italy and Spain, we expect growth in 2024 to varying degrees between slight and noticeable.

Sales of passenger cars in 2024 are expected to exceed the prior-year figures overall in markets in Central and Eastern Europe – subject to the further development of the Russia-Ukraine conflict. We expect a mixed development in the major markets of this region.

We estimate that the market volume in China will also be slightly higher than the comparative figure for 2023.

We project that the volume of new passenger car registrations in the Indian market will remain at the prior-year level.

Škoda Auto Development Plans

Škoda Auto will intensively pursue the implementation of Next Level Škoda Strategy 2030 with the aim to become the most attractive brand for Everyday Explorers both in its European home base and the fastest growing international markets.

The Company will provide its customers with the choice from the best of both worlds through a range of attractive BEV & ICE products with great value for money, quality and intuitive functionality.

In order to succeed, Škoda Auto will strengthen its company and culture by further upskilling its employees for the transformation, enhancing the role within the Group and becoming a benchmark for environmental, social and financial sustainable behaviour.

Financial Section

Translation of a report originally issued in Czech - see notes to the financial statements.

Independent Auditor's Report

To the Shareholders of Škoda Auto a.s.:

Opinion

We have audited the accompanying financial statements of Škoda Auto a.s. (hereinafter also the "Company") prepared in accordance with IFRS Accounting Standards as adopted by the European Union, which comprise the balance sheet as at 31 December 2023, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flows statement for the year then ended, and notes to the financial statements, including a material accounting policy information. For details of the Company, see notes to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Škoda Auto a.s. as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for Opinion

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

Other Information

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

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

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

— The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and

— The other information is prepared in compliance with applicable law or regulation.

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

Responsibilities of the Company's Board of Directors and Supervisory Board for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Milan Kočka, Auditor
License No. 1994

26 February 2024
Prague, Czech Republic

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

Separate Financial Statements for the Year Ended 31 December 2023

Balance Sheet as at 31 December 2023

Assets **€ million**	**Note**	**31 December 2023**	**31 December 2022**	**1 January 2022**
Intangible assets	4	2,899	2,482	1,959
Property, plant and equipment	5	3,491	3,374	3,293
Investments in subsidiaries	6	153	166	9
Investments in associates	7	0	1	118
Non-current trade receivables	8	83	–	–
Other non-current receivables and financial assets	8	345	497	414
Deferred tax asset	14	28	64	36
Non-current assets		**6,999**	**6,585**	**5,829**
Inventories	9	1,434	1,677	1,283
Current trade receivables	8	1,385	1,063	917
Other current receivables and financial assets	8	115	119	156
Current non-financial assets	8	244	272	215
Prepaid income tax		–	–	9
Cash and cash equivalents	10	73	69	902
Current assets		**3,251**	**3,201**	**3,482**
Total assets		**10,250**	**9,786**	**9,311**

Equity and liabilities **€ million**	**Note**	**31 December 2023**	**31 December 2022**	**1 January 2022**
Share capital*	11	692	692	672
Share premium*		65	65	63
Retained earnings	12	3,658	2,856	3,162
Other reserves	12	(82)	216	186
Equity		**4,333**	**3,830**	**4,084**
Current financial liabilities	13	255	148	93
Non-current non-financial liabilities	13	314	290	282
Non-current provisions	15	687	648	674
Non-current liabilities		**1,256**	**1,086**	**1,050**
Trade liabilities	13	2,924	2,704	2,342
Liabilities from short-term loans	13	–	140	–
Other current financial liabilities	13	153	73	69
Current non-financial liabilities	13	706	718	596
Current income tax liabilities		109	80	–
Current provisions	15	770	1,155	1,170
Current liabilities		**4,661**	**4,870**	**4,177**
Total equity and liabilities		**10,250**	**9,786**	**9,311**

* The difference between the equity items as at 31 December 2023 (2022) and 1 January 2022 is a foreign exchange difference arising from the methodology of translation of comparatives, see Note 2.1. Exchange differences arising from the translation of comparatives are recognised in Statement of Other Comprehensive Income under the item Exchange differences arising from the translation of comparatives.

The notes on pages 209 to 317 are an integral part of these financial statements.

Income Statement for the Year Ended 31 December 2023

€ million	Note	2023	2022
Sales	**16**	**24,012**	**18,086**
Cost of sales	24	21,166	16,470
Gross profit		**2,846**	**1,616**
Distribution expenses	24	570	452
Administrative expenses	24	597	503
Other operating income	17	359	504
Other operating expenses	18	306	447
Operating profit		**1,732**	**718**
Financial income		68	83
Financial expenses		141	148
Net financial result	**19**	**(73)**	**(65)**
Profit before tax		**1,659**	**653**
Income tax expense	21	338	133
Profit for the year		**1,322**	**520**

Statement of Other Comprehensive Income for the Year Ended 31 December 2023

€ million	Note	2023	2022
Profit for the year, net of tax		**1,322**	**520**
Items that will be reclassified to profit or loss:			
Net fair value gain/(loss) net of tax on financial derivatives designated as hedging instruments	12	(177)	73
Items that will not be reclassified to profit or loss:			
Net fair value gain/(loss) net of tax on equity instruments	12	(122)	(49)
Exchange differences arising from the translation of comparatives		–	114
Total Other Comprehensive Income		**(299)**	**138**
Total comprehensive income for the year		**1,023**	**658**

The notes on pages 209 to 317 are an integral part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 December 2023

€ million	Share capital	Share premium	Retained earnings	Other reserves*	Total equity
Balance as at 1 January 2022	**672**	**63**	**3,162**	**186**	**4,084**
Profit for the year	–	–	520	–	520
Other comprehensive income/(loss)***	20	2	87	30	138
Total comprehensive income for the year	**20**	**2**	**606**	**30**	**658**
Dividends**	–	–	(912)	–	(912)
Balance as at 31 December 2022	**692**	**65**	**2,856**	**216**	**3,830**
Balance as at 1 January 2023	**692**	**65**	**2,856**	**216**	**3,830**
Profit for the year	–	–	1,322	–	1,322
Other comprehensive income/(loss)	–	–	–	(299)	(299)
Total comprehensive income for the year	**–**	**–**	**1,322**	**(299)**	**1,023**
Dividends**	–	–	(520)	–	(520)
Balance as at 31 December 2023	**692**	**65**	**3,658**	**(83)**	**4,333**

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

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

*** The line Other comprehensive income also includes exchange differences from the translation methodology for individual equity items at 1 January 2022 and 31 December 2022 (see section 2.1). Exchange differences arising from the translation of comparatives are recognised in Statement of Other Comprehensive Income under the item Exchange differences arising from the translation of comparatives.

The notes on pages 209 to 317 are an integral part of these financial statements.

Cash Flow Statement for the Year Ended 31 December 2023

€ million	Note	2023	2022
Cash and cash equivalents as at 1 January	**10**	**69**	**902**
Profit before tax		1,659	653
Depreciation, amortisation, impairment loss and reversal of impairment loss of non-current assets	4,5,6,7	871	979
Change in provisions	15	(346)	(93)
(Gain)/loss of tangible and intangible assets and financial investments		121	–
Net interest (income)/expense	19	23	(25)
Income from dividends and shares	19	(17)	(19)
Adjustments for non-cash transactions on derivatives and other adjustments for non-cash transactions		188	385
Change in inventories	9	232	(348)
Change in receivables		(410)	(191)
Change in liabilities		(13)	230
Income tax paid from operating activities		(235)	(78)
Interest paid		(39)	(25)
Interest received		16	50
Cash flows from operating activities		**2,050**	**1,517**
Purchases of tangible and intangible assets	4,5	(667)	(830)
Payment for increase in equity of subsidiaries and associates	6,7	(67)	(145)
Additions to capitalised development costs	4	(667)	(611)
Proceeds from the sale of financial investments	7	21	–
Proceeds from sale of tangible and intangible assets		–	2
Proceeds from dividends and investments		17	19
Cash flows from investing activities		**(1,363)**	**(1,564)**
Net cash flows (operating and investing activities)		**687**	**(48)**
Dividends paid	11	(520)	(912)
Repayments of lease liabilities - principals		(23)	(23)
Repayment/utilisation of short-term loans		(140)	137
Cash flows from financing activities		**(683)**	**(798)**
Net change in cash and cash equivalents		**4**	**(845)**
Exchange differences arising from the translation of comparatives		–	12
Cash and cash equivalents as at 31 December	**10**	**73**	**69**

Total cash outflow from lease liabilities, short-term leases and leases of low-value assets was €41 million in 2023 (2022: €49 million). For non-cash transactions from investing activities relating to leases under IFRS 16 see Note 5.

The notes on pages 209 to 317 are an integral part of these financial statements.

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

€ million	Balance as at 1 January 2023	Cash-effective changes	Non-cash changes - additions	Balance as at 31 December 2023
Lease liabilities - interest	–	(3)	3	–
Lease liabilities - principal	65	(23)	21	63
Lease liabilities total	**65**	**(26)**	**24**	**63**
Liabilities from short-term loans - interest	–	(2)	2	–
Liabilities from short-term loans - principals	140	(140)	–	–
Total liabilities from short-term loans	**140**	**(142)**	**2**	**–**

€ million	Balance as at 1 January 2022	Cash-effective changes	Non-cash changes - additions	Non-cash changes - exchange differences	Balance as at 31 December 2022
Lease liabilities - interest	–	(2)	2	–	–
Lease liabilities - principal	60	(23)	27	1	65
Lease liabilities total	**60**	**(25)**	**28**	**2**	**65**
Liabilities from short-term loans - interest	–	(1)	1	–	–
Liabilities from short-term loans - principals	–	137	–	2	140
Total liabilities from short-term loans	**–**	**137**	**1**	**2**	**140**

The notes on pages 209 to 317 are an integral part of these financial statements.

Notes to the Separate Financial Statements 2023

Company Information

Foundation and Company Enterprises

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

* From 31 March 2023 the name of the company was changed from ŠKODA AUTO a.s. to Škoda Auto a.s.

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

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

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

— Central Management
— Finance, IT and Legal matters
— People & Culture
— Procurement
— Sales and Marketing
— Technical Development
— Production and Logistics

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

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

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

1 Summary of Accounting Policies and Principles

1.1 Compliance Statement

These financial statements are separate financial statements of Škoda Auto a.s. for the year ended 31 December 2023. Financial statements of the Company, its subsidiaries, and associates are included in the consolidated financial statements of Volkswagen Group for the year ended 31 December 2023.

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

The Company publishes these separate financial statements as its only financial statements prepared in accordance with IFRS* and relied on the exemption from consolidation under paragraph 4(a) of IFRS 10 and exemption from applying the equity method in accordance with paragraph 17 of IAS 28. The consolidated financial statements of Volkswagen Group prepared in accordance with IFRS will be publicly available on the following website after their release at: https://annualreport2023.volkswagenag.com.

The Company publishes only separate financial statements in Collection of Documents of respective court maintaining the Commercial Register based on the exemption from consolidation under provisions of paragraph 22aa Article 1 and 2 Act No. 563/1991 Coll., on Accounting (effective as at 31 December 2023). Consolidated financial statements of Volkswagen AG and the auditor's report thereon will be published in the Czech language in the Collection of Documents in the Commercial Register.

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

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

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

1.2 New Standards, Amendments and Interpretations to Existing Standards

New Standards, Amendments and Interpretations to Existing Standards Mandatory for Accounting Periods Beginning on 1 January 2023

A summary of new standards, amendments, interpretations, and improvements of existing standards that have an impact on the Company's separate financial statements.

IFRS, interpretation, impact	Effective in EU
IAS 1 – Presentation of Financial Statements **Disclosure of Accounting Policies** Amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. An entity is required to disclose material accounting policy information instead of significant accounting policies. As a result of this modification, the Company revised its accounting policy disclosures, removing those policies that did not have a material impact on the economic decisions users would make based on these separate financial statements and adding certain material accounting policies.	1 January 2023
IAS 12 – Income Taxes **International Tax Reform – Pillar Two Model Rules** The amendment includes a temporary mandatory relief from deferred taxes accounting resulting from the introduction of a global minimum level of taxation. In applying the exception, an entity will not report information about deferred tax assets and liabilities relating to Pillar Two income taxes. However, in periods when Pillar Two legislation is enacted or substantively enacted, but not yet in effect, an entity discloses in the notes information that is known or reasonably estimable that helps users of financial statements understand the entity's exposure to Pillar Two income taxes arising from that legislation. As a result of this amendment, the Company has not recognized deferred tax assets and liabilities resulting from the implementation of the global minimum tax level as of 31 December 2023. Information regarding the entity's exposure to income taxes payable under Pillar Two is disclosed in Note 21.	1 January 2023

New Standards, Amendments and Interpretations to Existing Standards Published Not Yet Effective for Accounting Period Beginning on 1 January 2023

The table below lists the new standards, amendments, interpretations and improvements to existing standards, which the Company will adopt, and which will have a material impact on its separate financial statements. The Company expects their application at the same time as the effective date in the European Union.

IFRS, interpretation	Effective in EU
IAS 7 - Statement of Cash Flow and IFRS 7 - Financial Instruments - Disclosures Supplier Finance Arrangements The amendments add a disclosure objective to IAS 7 and require an entity to disclose information about its supplier finance arrangements that enables users of the financial statements to assess the effects of these arrangements on the company's liabilities and cash flows and on its exposure to liquidity risk. The amendments add to the existing requirement in IFRS 7 to describe how liquidity risk is managed by disclosing whether the company has used or has access to supplier finance arrangements that provide it with extended payment terms or early payment to its suppliers. As a result of this amendment, the Company expects to expand its disclosure of how it manages liquidity risk to include information about supplier finance arrangements.	1 January 2024*

* Not adopted by the European Union as at 31 December 2023 (this date represents the effective date under the IASB).

1.3 Impacts of the Russian-Ukrainian Conflict and the Supply chain problems on the Reported Data

With the start of the Russia-Ukraine conflict in February 2022, in addition to the humanitarian crisis, markets around the world were disrupted, with a spike in prices, particularly in energy and commodity markets, resulting in a sharp rise in interest rates and inflation. In 2023, the adverse effects of the Russian-Ukrainian conflict continued to be reflected in global markets. The situation in the energy and commodity markets stabilised only partially, with energy and commodity prices falling but remaining at high levels compared to those before the surge. Internationally, inflation has fallen slightly, but all at the cost of a further rise in interest rates. In connection with the above price developments, the Company has identified risks which it has taken into account by making provisions for purchase risks. Details of these provisions are disclosed in Note 15.

In 2022, in the view of the sanctions imposed, the Company monitored the overall development of the situation in Russia, suspending not only the production of vehicles but also their export and the provision of technical information. In May 2023, in accordance with the Volkswagen Group's decision, the Company ceased all production and business activities in the region. In conjunction with the termination of all activities, the Company sold its shareholding in its affiliate OOO Volkswagen Group Rus. For further information on this transaction see Note 7.

In connection with the situation in Russia, the Company performed impairment tests on problematic financial assets in 2022 and made provisions for all known risks arising from existing contracts in the region. Information on the OOO Volkswagen Group Rus impairment test is provided in Note 7. In addition, a specific impairment allowance was created in 2022 for impairment of license receivables, see Note 3.1.5. In 2023, these receivables were written off in connection with the termination of activities in Russia, while the specific allowance made in the previous year was also utilized. A provision has been made for the risks associated with future probable expenses related to significant limitation of activities and subsequent closure in this region in 2022, which has been partially utilized in 2023 (see Note 15). Apart from the discontinued operations in connection with the sale of OOO Volkswagen Group Rus, no other significant costs related to the Russian-Ukrainian conflict were recognised in 2023.

In addition to the impact of the Russian-Ukrainian conflict, the Company's results in 2022 were negatively affected by the adoption of a "zero Covid-19" strategy in China, where very strict measures were taken that led to a subsequent disruption in the global economy, including the supply of automotive parts. In 2023, this strategy was reversed and supply from the China region was largely restored, however, particularly in the first quarter of 2023, semiconductor supply issues persisted.

Also, the catastrophic flooding in Slovenia in August 2023, which damaged a key sub-supplier of internal combustion engine components, had an overall adverse impact on the Company's manufacturing and trading activities. As a result of the disruption in the supply of these components, engine production at the Company's plants was interrupted in the third quarter, which negatively impacted the delayed delivery of vehicles to customers. Thanks to the diligent cooperation within the Volkswagen Group, it was possible to secure replacement subcontractors and restore the supply of components to the required level within a very short period of time to avoid further delivery delays.

Not only supply chain issues but also the closure of activities in the Russia region caused an adjustment to the foreign exchange plan with implications for the Company's hedge accounting. Part of the future planned cash outflows and inflows from forecast transactions were deferred, while another part of the cash flows was assessed as highly unlikely to be realised with transactions no longer expected. Taking into account the specific situation, hedge accounting was either discontinued or cancelled and the derivatives were designated for trading. As a result of the cancellation of the hedging relationship on selected derivative transactions, a one-off loss/gain from other comprehensive income was derecognized and accounted to other operating income of €2 million in 2023 (2022: €2 million). Details of the hedge ineffectiveness are disclosed in Note 12.1.

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

1.4 Change in Functional Currency and Its Impact on Currency Risk Hedging

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

The Company's management regularly evaluates, as part of its analysis, the ratio of currencies that mainly affect and will in the near future affect the selling prices of goods and services and the currency mix of costs. The Company's management takes into account all indications and trends in the primary economic environment that could affect its functional currency in the near future. A significant indicator of recent years is the future purchases of euro-denominated parts, which are related to the increased battery production.

The results of the analysis confirmed CZK as the Company's functional currency in the long term until 2022. However, an evaluation of a time series of significant indicators (primarily the relative ratio of the different currencies represented for sales and purchases) showed that the increasing volume of purchases of battery modules denominated in euros will affect the currency ratio on the cost side in favour of euros already in 2023. In accordance with the above analysis results, the functional currency of the Company for the accounting period started on 1 January 2023 became euros.

The Company adopted the euro as its new functional currency in accordance with IAS 21, section 35 prospectively from the date of change and translated all CZK denominated asset, liability and equity balances into the new functional currency EUR at the single conversion rate as at 1 January 2023. For the purposes of the conversion, the Group* EUR/CZK exchange rate applicable on 1 January 2023 was used, which is the same as the Group* closing EUR/CZK exchange rate applicable on 31 December 2022: 24.14500. The resulting translated amounts of non-cash items are considered to be their historical cost. The procedure for restating the data for the comparative period 2022 is disclosed in Note 2.1.

*The exchange rate of the Volkswagen Group, which is derived from exchange rates from the Refinitiv database (provider of financial market data).

Adjustment of the Currency Risk Hedging Strategy

Following the above-mentioned information, the Company's management has also identified a change in the definition of currency risk for the accounting periods beginning from 1 January 2023 onwards. Currency risk was newly defined after this date as the risk arising from changes in exchange rates against the euros for future foreign currency sales and purchases.

From 2020 onwards, when the Company's management decided, based on the currency ratio analysis above, to change its functional currency from 1 January 2023, the Company began to hedge its future foreign currency sales and purchases settled after that date using derivative contracts denominated in euros. For contracted derivatives to hedge the risk of changes in exchange rates against the euros, the Company applied in 2023 (2022) hedge accounting, except for foreign exchange forwards relating to commodity swaps that are recorded in the trading regime. In the tax area, all financial derivatives to hedge the risk of changes in exchange rates against the euros are recorded in the trading regime, which leads to temporary differences and effects on deferred tax.

1.5 Impact of Climate Change on Reported Data

In the context of climate change and the resulting stricter emissions regulations, the automotive industry is continuing its transformation towards e-mobility and further digitalisation. The Company considers the most important goals in this area to be the reduction of CO_2 emissions produced by the vehicle fleet by more than 60% by 2030 compared to 2020 and the transformation of the Company's Czech production plants to achieve a CO_2 neutral energy balance by 2030. As one of its other sustainability commitments, the Company has set a target of approximately 70% electric vehicles in its model portfolio in the European market by 2030. Both measures will contribute to the long-term reduction of greenhouse gases throughout the product lifecycle and thus to the main goal of becoming a CO_2 neutral company by 2050. In preparing the separate financial statements, the Company's management has taken into account the potential impacts of climate change, current and future regulatory requirements in the area of emissions, and in particular the corresponding transformation towards e-mobility.

Potential impacts, particularly on non-current assets and liabilities in respect of the provision for emission fee risks, have been included to the extent possible as part of the significant estimates and assumptions included in these separate financial statements, see Notes 2.19 and 15. In the coming years, the Company will spend increasing amounts to achieve a CO_2 neutral balance from the automotive to e-mobility transition. One of the measures to reduce the overall carbon footprint of the production and operation of electric vehicles is the acquisition of EACs* and VERs** certificates. This topic is reflected in Note 23 that discloses future commitments from contracts concluded for the purchase of these certificates.

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

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

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

** VERs (Voluntary/Verified Emission Reduction Certificates): These are certificates that are based on the principle of compensation. A company can compensate the greenhouse gases it emits in one place in another place, e.g., through a reforestation projects, where one VER certificate is issued for each tonne of CO_2 that the forest can compensate for.

2 Basis of Preparation of Financial Statements

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgment in the process of applying material accounting policies. The Company's separate financial statements disclose material accounting policies that, if omitted, misstated or obscured, could affect the economic decisions of users made on the basis of those separate financial statements.

Amounts in these separate financial statements including the notes are disclosed in millions of euros (€ million), unless stated otherwise. All amounts have always been rounded, which may lead to slight variations when added together.

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 2023 financial statements are presented in euros, which is the Company's functional and presentation currency from this financial year onwards, see Note 1.4. Transactions denominated in foreign currencies are translated into the functional currency based on the Group's exchange rates* prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date at the Group's exchange rate* ruling at that date. Exchange gains or losses arising from these transactions and from the translation of assets and liabilities at the balance sheet date are recognised in the income statement.

The 2022 financial statements are presented in euros for comparability purposes, which were obtained by converting items reported in the functional currency of CZK into the presentation currency of euros. The actual conversion of the comparative data was necessary due to the Company's transition to the new functional currency, therefore the Company used certain simplifications for the conversion to the presentation currency. The exchange rate used for the translation of the 2022 comparatives for the balance sheet items was the Group's EUR/CZK exchange rate* as at 31 December 2022, which is the same as the conversion rate (see Note 1.4). The exchange rate used to convert the 2022 comparative data in the items in the financial statements and the notes that reflect a year-on-year change in the item or represent cost, expense, income or revenue was the Group* annual average EUR/CZK exchange rate: 24.56172. The exchange rate used to translate the comparative data as at 1 January 2022 for the balance sheet items and the items in notes was the Group* EUR/CZK exchange rate as at 31 December 2021: 24.85900. The translation of the comparatives resulted in exchange differences amounted to €114 million, which have been recognised in other comprehensive income for 2022, see Statement of Other Comprehensive Income.

* The exchange rate of the Volkswagen Group, which is derived from exchange rates from the Refinitiv database (provider of financial market data).

2.2 Intangible Assets

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

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

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

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

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

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

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

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

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

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

2.3 Property, Plant and Equipment

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

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

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

— Buildings	9–50 years
— Machinery and equipment	3-18 years
— Special tooling*	Production cycle length, maximum 7 years
— Other equipment, operating and office equipment	3–23 years
— Means of transport	5–25 years

* These are tools that are used for the production of specific parts of a given model (various specific machines, tools, jigs, moulds for casting or shaping, dies, etc.). From 1 January 2023, the maximum depreciation period for these items was changed from 5 to 7 years.

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

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

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

2.4 Impairment of Assets

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

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

2.5 Financial Instruments

2.5.1 Financial Assets

2.5.1.1 Classification and Measurement

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

Debt Instruments

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

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

a) Financial assets at amortised cost (portfolio AC)
In this category, the Company presents debt instruments, which are held under a business model, which aim is to collect all contractual cash flows and which also have contractual cash flows representing solely principal and interest on the outstanding principal. Subsequently, they are measured at amortised cost, as determined by the effective interest rate method (hereinafter the amortised cost). During the accounting period 2023 (2022), the Company had in this category other receivables and financial assets (see Note 8.1), trade receivables (see Note 8.2), deposits in Volkswagen Group companies and cash. Deposits in Volkswagen Group companies are included in cash equivalents (see Note 10).

b) Financial assets at fair value through profit or loss (portfolio FVPL)
Within this category, the Company classifies all other debt instruments that are held for trading purposes or their contractual cash flows that do not represent solely payments of principal and interest on the principal amount outstanding. Subsequently, they are measured at the fair value through profit or loss. Within the debt instruments, the Company had only trade receivables in this category that were held for sale through factoring arrangement during the 2023 (2022) accounting period (see Notes 2.18 and 8.2). The realised and unrealised losses from the changes in the fair value of these receivables were included in the financial expenses in 2023 (2022).

Derivatives are classified in category FVPL, provided that they do not meet the conditions of hedge accounting. During the accounting period 2023 (2022), the Company had receivables from trading derivatives in this category (see Note 2.5.3 and 8.1). The realised and unrealised gains and losses from changes in the fair value of financial derivatives held for trading were included in other operating income or other operating expenses in 2023 (2022).

Equity Instruments

Within equity instruments, the Company classifies its financial assets as Financial assets at fair value through other comprehensive income (FVOCI portfolio).

For equity instruments that are not held for trading, the Company may elect at the time of initial recognition to recognize subsequent changes in fair value in other comprehensive income. This classification is irreversible. Realised gains or losses on these equity investments are not reclassified to current period gains and losses from the revaluation reserve from the revaluation of equity instruments at the date of derecognition of the equity investment. Dividends are included in profit or loss only to the extent that they represent a return on an investment. During the financial year 2023 (2022), the Company had investments in equity instruments of other entities (see Note 8.1) that did not have a quoted market price in an active market.

2.5.1.2 Impairment

The Company applies a model for the impairment which reflects expected credit loss (ECL). The expected loss model requires recognising an allowance before a credit loss is incurred. The Company used the option to apply a simplified approach using an impairment matrix for trade receivables.

Simplified Approach to Impairment

Simplified approach using provision matrix
The Company determines the amount of allowances using provision matrix for trade receivables. The provision matrix is based on the application of the appropriate loss rate to the outstanding balances of trade receivables (i.e., the aging analysis of receivables).

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

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

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

2.5.1.3 Derecognition

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

2.5.2 Financial Liabilities

Classification

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

The Company classifies financial liabilities into the following categories:

a) Financial liabilities measured at fair value through profit or loss
Financial liabilities at fair value through profit or loss are financial liabilities held for trading or so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedging instruments. Realised and unrealised gains and losses from changes in the fair value of financial liabilities at fair value through profit or loss are included in other operating income or in other operating expenses. During the accounting period 2023 (2022), the Company only had financial derivatives in this category (Note 2.5.3 and 13.1).

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

Derecognition

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

2.5.3 Financial Derivatives

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

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

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

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

The main sources of ineffectiveness are:

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

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

When a hedging instrument no longer meets the criteria for hedge accounting or is settled early, any cumulative gain or loss arising on the hedging instrument previously recognised in other comprehensive income from the effective part of the hedging instrument remains there until the original forecasted transaction is ultimately recognised. The Company then proceeds according to the rules defined above. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

The Company economically hedges a commodity risk using commodity swaps; however, its hedge accounting is not used. The changes in fair value of commodity swaps that do not qualify as effective cash-flow hedging instruments are recognised in the income statement and classified as a gain or loss.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, such as the net present value of future cash flows. The fair value of currency forwards and swaps is determined as the present value of future cash flows based on market interest rates as at the balance sheet date. In 2022 and 2023, IBORs (Interbank Offered Rates) used to determine the fair value of financial instruments were replaced by OIS (Overnight indexed swap) rates. The fair value of commodity swaps is calculated as the present value of future cash flows based on the rates of LME (London Metal Exchange).

2.5.4 Offsetting of Financial Instruments

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

2.6 Investments in Subsidiaries and Associates

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

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

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

Recognition, Measurement and Derecognition

Investments in subsidiaries and associates are carried in the separate financial statements at cost less any impairment loss. The cost of the investment represents the cost of the investment as agreed between the parties, which represents the consideration paid by the Company to the selling party.

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

Financial assets are derecognised from the balance sheet if the right to receive cash flows from the investments has expired or has been transferred and the Company has transferred substantially all the risks and rewards of ownership or if the Company has not transferred substantially all the risks and rewards but did not retain the control.

Impairment

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

2.7 Current and Deferred Income Tax

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

2.7.1 Current Income Tax

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

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

The income tax expense is determined on the basis of the result from the accounting records maintained in accordance with Czech legislation in CZK. For the purposes of presentation of the income tax expense in these separate financial statements, the current income tax expense in CZK is translated at the Group exchange rate* at the reporting date. When the tax payable is settled, a realised exchange difference arises from the difference in the Group exchange rate* between the closing date and the date of settlement.

*The exchange rate of the Volkswagen Group, which is derived from exchange rates from the Refinitiv database (provider of financial market data).

The model Pillar Two rules published by the OECD have already been enacted in the Czech Republic, where the Company operates, and will be effective for accounting periods beginning on or after 1 January 2024. For the assessment of the potential impact of these rules on current income tax see Note 21.

2.7.2 Deferred Income Tax

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

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

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

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

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

Deferred taxes resulting from the implementation of the Pillar Two model rules (introduction of the global minimum level of taxation) into the tax regulations of the Czech Republic are not recognised by the Company in accordance with the IAS 12 exemption, see Note 1.2.

2.8 Inventories

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

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

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

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

2.9 Cash and Cash Equivalents and Cash flow statement

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

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

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

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

2.10 Provisions for Employee Benefits

Provisions for Other Long-Term Employee Benefits

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

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

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

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

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

2.11 Other Provisions

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

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

2.12 Revenue and Expense Recognition

Revenue Recognition

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

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

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

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

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

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

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

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

Expense Recognition

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

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

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

2.13 Leases

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

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

For a contract that contains more than one component, the consideration is allocated to both a lease and a non-lease component on the basis of their relative standalone prices. The Company has not taken advantage of the practical expedient in IFRS 16 that allows a lessee not to separate the non-lease components and instead account for any lease and related non-lease components as a single arrangement.

Short-term leases (leases for which the lease term is less than 12 months and cannot be extended) and leases of low-value assets are charged to profit or loss on a straight-line basis over the lease term (see Note 24). Assets with an acquisition cost of less than €5,000 when new are considered to be low-value assets by the Company.

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

Lease Liability

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

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

Subsequently, the Company reports a lease liability using the effective interest method. Interest is included in profit or loss within financial expenses. The Company discounts lease payments over the lease term using incremental borrowing rate. The Company considers the maximum enforceable period of time, which is reasonably certain, as the lease term.

See Note 13.1 for further information on lease commitments.

Right-of-use assets

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

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

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

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

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

2.14 Subsidies and Government Grants

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

2.15 Related Parties

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

Related party transactions are generally conducted at arm's length basis.

2.16 Equity

The substance of a financial instrument, rather than its legal form, governs its classification in the Company's statement of financial position. Ordinary shares are classified as share capital.

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

2.17 Share-Based Payments

Top Management

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

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

Middle Management

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

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

* EPS Earnings per share

2.18 Factoring

The Company had contractual arrangements in place in 2023 (2022) which may be referred to as customer financing or receivables financing arrangements. Selected receivables from foreign customers are assigned by the Company under a non-recourse factoring agreement to the factoring companies of the Volkswagen Group, namely Volkswagen International Belgium SA (VIB) and Volkswagen Finance Belgium S.A. The factoring companies assume the full risk of insolvency of the original customer/debtor. The Company derecognises the receivables at the time of assignment. The factoring fees, which consist of a fee for the receivables management service including a margin, the assumption of the risk of default and for financing (interest), are included in the Company's financial result at the time of assignment. Outstanding assigned receivables are recognised in Trade receivables.

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

In 2023 (2022), the Company did not have any significant contractual arrangements that can be classified as supplier finance arrangements (reverse factoring).

2.19 Critical Accounting Estimates and Assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions are continuously assessed by management. The estimates and assumptions are based on historical experience and other factors, including the realistic assessment of future developments. In recent years, in particular as a result of the Russian-Ukrainian conflict and the lingering effects of the Covid-19 global pandemic, the Company's management had to make a significantly more judgements while dealing with a higher degree of uncertainty. The basic premises on which the Company's management based its estimates and assumptions in 2023 (2022) concerning the future are disclosed in Note 1.3.

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

Going Concern Assumption

With regard to the impact of the Russian-Ukrainian and Israeli-Palestinian conflicts on the economic environment in which the Company operates its business and the ongoing supply chain issues, the Company's management assessed in 2023 (2022) the Company's ability to continue as a going concern. In making this assessment, the management has taken into account all of the current and expected impacts of the armed conflicts on its operations, particularly in the Russian and Ukrainian regions, including the negative impact on the Company's liquidity and profitability caused primarily by increases in commodity prices, interest rates and general inflation. As a result of the reduction in vehicle sales due to outages in the supply chain, there was a temporary deterioration in liquidity in 2022, which the Company eliminated by drawing down a short-term loan under an open line of credit with the Volkswagen Group, see Note 3.2. The management has considered all information available about the future that has been obtained at and after the reporting date up to the date of preparation of these financial statements. The results of this assessment are set out in Note 1.3.

Impairment of Non-Current Assets

In the course of the product life cycle and in exceptional situations also before its commencement, there may be circumstances which indicate that "cash-generating units" (see Note 2.4) might have suffered impairment. To determine any possible impairment, the Company estimates value in use of the cash-generating units which is calculated as discounted expected future cash flows generated by the business attributable to each cash-generating unit.

For determination of the estimated future cash flows, the Company applies estimates and assumptions regarding future sales of its products, economic development of the individual markets and development of the automotive industry during the next five or more years. Although the Company estimates the value in use of the cash-generating units based on the best information and data currently available to the Company, the risk of future changes and uncertainty with respect to the future development of the applied assumptions in the following years remains significant. More detailed information about impairment losses is included in Note 4 and Note 5 in the section Impairment reviews.

Valuation of Investment at Fair Value

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

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

Valuation of Investment at Cost

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

Provision for Warranty Claims

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

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

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

Provision for Litigation Risks

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

Provision for Purchase Risks

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

Provision for Covering Emission Expenditures

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

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

As a result of the agreement, the Company became part of the EU 28+2* emission pool in 2020. This emission pool has an obligation directly to the EU authorities to meet the emission targets. Within this emission pool, the external CO_2 target of the entire emission pool is monitored separately with respect to the obligations to the EU and the internal obligations and receivables between the individual pool members. The internal settlement between the individual members of the emission pool is done at a reduced rate per gram corresponding to the current cost structure of the possible CO_2 - reduction measures. The Company has created a provision for future expenses arising from the internal settlement for EU registered cars in 2020, which was utilized in 2023. Information on this provision is disclosed in Note 15. In respect of the internal settlement for cars registered in 2023 (2022), the Company has recognised a receivable in 2023 (2022) from the EU 27+2* emission pool, see Note 25.

Based on the concluded agreements, the Company is also part of other European emission pools, the emission pool in Switzerland and the emission pool in Great Britain. Within these pools, similar to the EU 27+2* emissions pool, the external CO_2 target of the entire emissions pool is monitored separately with respect to commitments to the national authority and internal commitments and receivables between the individual pool members. In respect of internal settlement for cars registered in 2023 (2022), the Company has recognised a receivable in 2023 (2022) from the Swiss and UK pools, see Note 25.

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

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

Other Provisions

In connection with its economic activities in various countries, the Company is exposed to risks related to customs and tax issues. The risk is assessed based on the Company's experience with similar cases, reflecting the actual circumstances. A provision is recognised if it is more likely than not that an outflow of economic benefits will occur in the future. The provision is measured based on the best estimate of the expected future cash outflows.

In connection with the negative events arising from the Russian-Ukrainian conflict, the Company is exposed to the risk of outflow of future economic benefits from the concluded onerous contracts related to business activities in the region. The amount of the risk is assessed based on the actual development of the situation in the conflict area, with a potential provision being recognized in the amount of an estimate of all directly related contract performance costs.

In addition, the Company is exposed to risks of future economic benefit outflow from a change or modification in the production programme. For further information on costs directly related to the contracts see Note 2.11.

See Note 15 for additional information related to Other provisions.

Useful Lives

The estimated useful lives of individual tangible and intangible assets or classes of assets are determined based on the Company's experience with similar assets and in accordance with the expected future economic benefits of the assets, taking into account also changes in production plan and expected utilisation of these assets. If the estimate of useful life changes during the review, the remaining useful life shall be adjusted, and unscheduled depreciation shall be taken as necessary. In January 2023, the useful lives of special tooling items were reassessed and extended. This adjustment resulted in an increase of €119 million in operating profit in 2023.

Intangible assets show the highest uncertainty in estimating the useful life. Net book value of intangible assets was €2,899 million as at 31 December 2023 (as at 31 December 2022: €2,482 million). Average useful life of intangible assets was 8 years in 2023 (in 2022: 6 years).

Functional Currency

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

3 Financial Risk Management

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

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

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

3.1 Credit Risk

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

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

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

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

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

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

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

Receivables from domestic customers are divided into two groups: receivables from contractual partners bound by sales or service agreements, and from other domestic customers. The receivables arising from sales of new and used vehicles to contractual partners are transferred to factoring without recourse or with partial recourse. The securing instrument for contractual partners with a lower creditworthiness, technical documents for new and used cars are deposited with a banking institution until the purchase price is paid. (From 1 April 2023, C.O.C.* certificates are deposited for new cars, while the technical certificate continues to be deposited for used cars.) Credit limits are set up for the supplies of new and used vehicles, original parts and accessories. The new orders of goods are automatically blocked in case the customer fails to settle due balances when the credit limit is exceeded. Supplies to other domestic customers are realised on credit terms. If the receivable is not paid by the due date, reminders are sent to customers at regular intervals. In case of unsuccessful reminders, legal enforcement is initiated.

*C.O.C. (Certificate of Conformity) is the document used to register a vehicle for the first time in the relevant country.

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

As at 31 December 2023 (as at 31 December 2022), the Company did not hold any collateral for loans given.

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

€ million	2023	2022
Retention of legal ownership title to sold cars	38	62
Bank guarantee	116	78
Letters of credit	50	35
Documentary collection	4	5
Total	**209**	**180**

As at 31 December 2023, the Company recorded bank guarantees securing advance payments paid to suppliers in the amount of €164 million (as at 31 December 2022: €242 million).

3.1.1 Maximum Exposure to Credit Risk

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

The amount of guarantee provided by the Company is €3 million as at 31 December 2023 (as at 31 December 2022: €3 million). Detailed information on the guarantee is provided in Note 3.1.6.

3.1.2 Risk Concentration

The Company monitors concentration of credit risk primarily by the original currency of the transaction in which the financial assets are denominated and by distribution regions. The sensitivity of the Company to foreign exchange risk is disclosed in Note 3.4.1. As a result of the Russian-Ukrainian conflict, the Company has experienced a significant concentration of credit risk in the Russia sales region in 2022. Upon termination of all production and trading activities in this sales region in 2023, the credit risk has materialised, and the receivables were written off to other operating expenses on a one-off basis, see Note 3.1.5.

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

The total volume of deposits in Volkswagen Group companies amounted to €72 million as at 31 December 2023 (as at 31 December 2022: €69 million). All deposits were of the nature of overnight cash pooling deposits included in the balance sheet under Cash and cash equivalents, see Note 10.

The Company did not consider probable that a default could occur in connection with the free cash deposited in 2023 (2022). The expected credit loss resulting from a possible default in the Russia sales region is presented in Note 3.1.5.

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

3.1.3 Credit Quality of Financial Assets

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

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

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

	General approach to impairment		Simplified approach to impairment		
€ million	**Stage 1 12-month ECL***	**Stage 3 lifetime ECL* - individually impaired**	**Lifetime ECL* based on provision matrix**	**Lifetime ECL* - individually impaired**	**Total**
Balance as at 31 December 2023					
Solvency class 1, of which:	**128**	**–**	**1,291**	**–**	**1,419**
Trade receivables	–	–	1,291	–	1,291
Cash and cash equivalents	1	–	–	–	1
Cash pooling	72	–	–	–	72
Other	55	–	–	–	55
Solvency class 2, of which:	**–**	**–**	**22**	**–**	**22**
Trade receivables	–	–	22	–	22
Solvency class 3, of which:	**–**	**1**	**–**	**12**	**13**
Trade receivables	–	–	–	12	12
Other	–	1	–	–	1
Total	**128**	**1**	**1,313**	**12**	**1,453**
Balance as at 31 December 2022					
Solvency class 1, of which:	**102**	**–**	**924**	**–**	**1,026**
Trade receivables	–	–	924	–	924
Cash equivalents	0	–	–	–	0
Cash pooling	69	–	–	–	69
Other	33	–	–	–	33
Solvency class 2, of which:	**–**	**–**	**18**	**–**	**18**
Trade receivables	–	–	18	–	18
Solvency class 3, of which:	**–**	**4**	**–**	**39**	**44**
Trade receivables	–	–	–	39	39
Other	–	4	–	–	4
Total	**102**	**4**	**942**	**39**	**1,088**

* ECL – expected credit losses

In stage 2 of ECL model the Company included no financial assets in 2023 (2022). Besides the amounts presented above in the table Credit quality of financial assets classified as financial assets at amortised cost, the Company included in Solvency class 1 also receivables that will be subject to factoring without recourse (portfolio FVPL) in the amount of €170 million (as at 31 December 2022: €135 million).

3.1.4 Credit Risk Analysis

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

Changes in Gross Carrying Amounts of Financial Assets at Amortised Cost

	General approach to impairment		Simplified approach to impairment		
€ million	**Stage 1 12-month ECL***	**Stage 3 lifetime ECL* - individually impaired**	**Lifetime ECL* based on provision matrix**	**Lifetime ECL* - individually impaired**	**Total**
Trade receivables					
Balance as at 1 January 2023	**–**	**–**	**942**	**39**	**981**
Collected	–	–	(941)	–	(941)
Write-offs	–	–	–	(35)	(35)
Additions	–	–	1,312	8	1,320
Balance as at 31 December 2023	**–**	**–**	**1,313**	**12**	**1,326**
Cash equivalents and cash pooling					
Balance as at 1 January 2023	**69**	**–**	**–**	**–**	**69**
Collected	(69)	–	–	–	(69)
Additions	73	–	–	–	73
Balance as at 31 December 2023	**73**	**–**	**–**	**–**	**73**
Other receivables and financial assets					
Balance as at 1 January 2023	**33**	**4**	**–**	**–**	**37**
Collected	(15)	–	–	–	(15)
Write-offs	–	(3)	–	–	(3)
Additions	36	–	–	–	36
Balance as at 31 December 2023	**55**	**1**	**–**	**–**	**56**

* ECL – expected credit losses

	Simplified approach to impairment		Simplified approach to impairment		
€ million	**Stage 1 12-month ECL***	**Stage 3 lifetime ECL* - individually impaired**	**Lifetime ECL* based on provision matrix**	**Lifetime ECL* - individually impaired**	**Total**
Trade receivables					
Balance as at 1 January 2022	**–**	**–**	**818**	**6**	**824**
Collected**	–	–	(826)	(2)	(828)
Additions	–	–	924	35	959
Exchange differences	–	–	26	1	27
Balance as at 31 December 2022	**–**	**–**	**942**	**39**	**981**
Cash equivalents and cash pooling					
Balance as at 1 January 2022	**902**	**–**	**–**	**–**	**902**
Collected**	(913)	–	–	–	(913)
Additions	68	–	–	–	68
Exchange differences	12	–	–	–	12
Balance as at 31 December 2022	**69**	**–**	**–**	**–**	**69**
Other receivables and financial assets					
Balance as at 1 January 2022	**37**	**4**	**–**	**–**	**42**
Collected	(21)	–	–	–	(21)
Additions	16	–	–	–	16
Exchange differences	1	–	–	–	1
Balance as at 31 December 2022	**33**	**4**	**–**	**–**	**37**

* ECL – expected credit losses

** The line Settlement does not include foreign exchange differences from translation of comparable data in the amount of €9 million for the category Trade receivables according to the impairment matrix. Such exchange differences are allocated on a separate line Exchange differences. After taking into account the value of the exchange differences, the value of the trade receivables settled according to the impairment matrix would be €817 million. The line Settlement does not include exchange differences on translation of comparatives of €11 million for the category Cash equivalents and cash pooling. These exchange differences are allocated on a separate line Exchange difference. After taking into account the value of exchange differences, the value of cash equivalents and cash pooling receivables settled would be €902 million.

In stage 2 of ECL model the Company included no financial assets in 2023 (2022).

3.1.5 Impairment of Financial Assets at Amortised Costs

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

€ million	Lifetime ECL* based on provision matrix	Lifetime ECL* - individually impaired	Total
Allowances for trade receivables			
Balance as at 1 January 2023	**(13)**	**(39)**	**(53)**
Additions	(3)	(8)	(11)
Reversals	1	4	4
Utilised	–	31	31
Balance as at 31 December 2023	**(16)**	**(12)**	**(28)**
Allowances for trade receivables			
Balance as at 1 January 2022	**(11)**	**(6)**	**(17)**
Additions	(8)	(35)	(43)
Reversals	6	2	8
Exchange differences	–	(1)	(1)
Balance as at 31 December 2022	**(13)**	**(39)**	**(53)**

* ECL – expected credit losses

The Company applies a simplified approach to impairment for trade receivables, therefore the 12-month ECL is not disclosed, see Note 2.5.1.2 for further information. In 2023, the “Lifetime ECL - individually impaired” column includes the utilization of a specific impairment allowance for licenses receivable related to business activities in Russia in the amount of €31 million. (In 2022, the column “Lifetime ECL - individually impaired” included the addition to the specific impairment allowance for licenses receivable related to business activities in Russia in the amount of €31 million.)

Impairment Matrix for Trade Receivables

€ million	Not due	Past due	Total
Balance as at 31 December 2023			
Expected loss rate (%)	1.15%	1.5 – 3.0%	
Gross carrying amount	1,239	74	1,313
Loss allowance provision	14	2	16
Balance as at 31 December 2022			
Expected loss rate (%)	1.25%	2.5 – 4.75%	
Gross carrying amount	887	55	942
Loss allowance provision	11	2	13

Allowances for lifetime expected credit loss for other receivables and financial assets were €1 million in stage 3 (as at 31 December 2022: €4 million). During the accounting period 2023 (2022) the Company had valuation allowances only for financial assets included in the category of financial assets at amortised cost.

3.1.6 Transferred Financial Assets Where the Company Has Continuing Involvement

The Company has concluded a factoring contract with the company ŠkoFIN s.r.o., under which the majority of risks and rewards relating to ownership of receivables arising from sale of new or used cars are transferred to ŠkoFIN s.r.o. Under certain conditions, the company ŠkoFIN s.r.o. can claim compensation relating to realised credit loss up to 2% of the total amount of transferred receivables during the year, however, not more than 49% of these losses and not more than €3 million in 2023 (in 2022: €3 million). This amount represents carrying amount and fair value of the recognised continuing involvement in these receivables, and related financial liabilities. At the same time, this amount represents the maximum exposure to credit risk and concerns the obligation to compensate for realised credit loss incurred by ŠkoFIN s.r.o. Loss on assets transferred to ŠkoFIN s.r.o. from standard factoring activities was €14 million in 2023 (in 2022: €8 million).

3.1.7 Offsetting of Financial Assets and Financial Liabilities

€ million	Gross amount of financial assets/ liabilities recognised in the balance sheet	Gross amount of financial assets/ liabilities set off in the balance sheet	Net amount of financial assets/ liabilities recognised in the balance sheet	Related amount not set off in the balance sheet*	Net amount of financial assets/ liabilities**
Balance as at 31 December 2023					
Receivables from financial derivatives	238	–	238	(236)	2
Liabilities from financial derivatives	344	–	345	(236)	109
Balance as at 31 December 2022					
Receivables from financial derivatives	302	–	302	(156)	147
Liabilities from financial derivatives	156	–	156	(156)	0

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

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

As at 31 December 2023 (as at 31 December 2022) the Company did not offset any trade receivables and trade liabilities in balance sheet because none of the trade receivables and trade liabilities fulfilled criteria for offsetting according to amendment to IAS 32.

There was no collateral held or given in respect of derivative financial assets/liabilities as at 31 December 2023 (as at 31 December 2022). The total amount of collateral value of trade receivables was €209 million as at 31 December 2023 (as at 31 December 2022: €180 million). Details related to types of collateral are presented in Note 3.1.

3.2 Liquidity Risk

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

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

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

Cash Management

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

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

Major instruments used to maintain sufficient liquidity resources are represented by short-term and long-term financial plans, coordination of free liquidity management within the GTP and monitoring of the situation at money market and capital market. Resources from other group companies integrated into GTP are used to ensure sufficient liquidity.

As at 31 December 2023, the Company had no open credit line within the Volkswagen Group but had a possibility to use overdraft at the IHC account (In-House Cash) of up to €200 million (31 December 2022: €50 million). As at 31 December 2022, the Company had open credit line within the Volkswagen Group of up to €700 million, which was utilized in the amount of €140 million at the balance sheet date. Further information on short-term loans is disclosed in Notes 13.1 and 25.

The Company has not drawn any credit line from the external banks as at 31 December 2023 (as at 31 December 2022).

Analysis of Contractual Maturity Undiscounted Cash Flows

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

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

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

Contractual maturity analysis

€ million	Less than 3 months	3 months–1 year	1–5 years	More than 5 years	Total
Balance as at 31 December 2023					
Trade liabilities	(2,361)	(564)	–	–	(2,924)
Leasing liabilities	–	(19)	(39)	(15)	(72)
Liabilities from short-term loans	–	–	–	–	–
Derivatives:					
Currency forwards and swaps - gross cash outflows	(765)	(2,742)	(5,916)	(422)	(9,846)
Commodity swaps - net cash outflows	(4)	(7)	(6)	–	(16)
Financial guarantee contracts	–	–	(3)	–	(3)
Total	**(3,130)**	**(3,331)**	**(5,963)**	**(437)**	**(12,861)**
Balance as at 31 December 2022					
Trade liabilities	(2,250)	(454)	–	–	(2,704)
Leasing liabilities	–	(24)	(37)	(13)	(74)
Liabilities from short-term loans	(140)	–	–	–	(140)
Derivatives:					
Currency forwards and swaps - gross cash outflows	(486)	(2,192)	(4,882)	(549)	(8,108)
Commodity swaps - net cash outflows	(3)	(6)	(9)	–	(17)
Financial guarantee contracts	–	–	(3)	–	(3)
Total	**(2,879)**	**(2,675)**	**(4,931)**	**(562)**	**(11,047)**

3.3 Market Risk

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

3.3.1 Currency Risk

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

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

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

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

Forward exchange contracts are used as hedging instruments for elimination of currency risk. The basic parameters of the hedging policy are defined by the hedging directive valid for the entire Volkswagen Group, which includes also the list of permitted financial products (derivatives). Until the end of 2022, the Company hedged the risk arising from changes in exchange rates against CZK, which was hedged for a total of 14 currencies. The most significant currencies hedged against currency risk against the CZK included EUR, GBP, PLN and CHF. With the planned change to the new functional currency euros, from 2020 the Company has started to hedge in parallel the risk arising from changes in exchange rates against euros. Further information on the change of currency within the scope of currency hedging is provided in Note 1.4. With the change to the new functional currency euros, the Company has been hedging currency risk exclusively against the risk arising from changes in exchange rates against euros since 1 January 2023. This risk is hedged for a total of 13 currencies, with the most significant hedged currencies being CZK, GBP, PLN and CHF. The Company also applies hedge accounting for currency risk. For the analysis of sensitivity to exchange rates please see Note 3.4.1.

3.3.2 Interest Rate Risk

Interest rate risk is a risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The objective of the interest rate risk management is to eliminate the risk arising from fluctuations of interest rates of financial liabilities and receivables with floating interest rates by maintaining an appropriate structure of financial liabilities and receivables.

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

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

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

3.3.3 Price Risk

Price risk is a risk of changes in market prices, especially commodity prices.

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

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

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

3.3.4 Derivative Financial Instruments

Nominal and Fair Value of Derivatives

	Nominal value of derivatives		Fair value of derivatives			
€ million	**Balance as at 31 December 2023**	**Balance as at 31 December 2022**	**Balance as at 31 December 2023**		**Balance as at 31 December 2022**	
	With positive and negative fair value	**With positive and negative fair value**	**Positive**	**Negative**	**Positive**	**Negative**
Currency instruments						
Currency forwards and swaps for trading	898	448	8	18	16	3
Currency forwards and swaps – cash flow hedging	9,434	8,257	216	310	260	136
Commodity instruments						
Commodity swaps for trading	710	438	14	16	26	17
Total	**11,041**	**9,144**	**238**	**344**	**302**	**156**

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

Nominal Amount of Derivatives Contracted in Euros in Detail per Currencies

€ million Balance as at 31 December 2023	Due date: Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years	Total
Currency instruments							
Currency forwards and swaps – cash flow hedging							
AUD	153	160	53	–	–	–	366
CZK	288	394	319	319	–	–	1,320
GBP	965	1,035	472	–	–	–	2,473
CHF	522	510	461	389	302	60	2,243
JPY	46	32	9	–	–	–	88
NOK	210	194	80	–	–	–	484
PLN	720	523	316	128	33	–	1,720
SEK	231	130	35	–	–	–	397
TWD	110	101	66	51	17	–	345
Total	**3,245**	**3,079**	**1,812**	**887**	**352**	**60**	**9,434**

€ million Balance as at 31 December 2022	Due date: Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Total
Currency instruments						
Currency forwards and swaps – cash flow hedging						
AUD	92	162	90	17	–	361
CZK	271	295	402	326	327	1,621
GBP	837	773	380	115	–	2,106
CHF	452	452	405	354	243	1,907
JPY	101	77	54	10	–	241
NOK	205	224	207	86	–	722
PLN	369	95	–	–	–	464
SEK	194	162	98	–	–	453
TWD	105	91	79	68	38	382
Total	**2,626**	**2,331**	**1,715**	**977**	**608**	**8,257**

As of 31 December 2023 (31 December 2022), the following average forward rates were achieved for major currency pairs as part of the currency risk hedge: EUR/CZK: 28.10 (27.75); EUR/GBP: 0.89 (0.88), EUR/PLN: 4.77 (4.70). For additional information on hedging of currency risk exposure see Note 2.5.3 and for information about movement in reserve for cash flow hedges see Note 12.1.

3.4 Sensitivity Analysis

3.4.1 Sensitivity to Exchange Rates changes

The Company is exposed to currency risk mainly in connection with transactions in foreign currencies. With the change to the new functional currency euros, the Company became exclusively sensitive to the risk arising from changes in exchange rates against euros for foreign currency transactions after 1 January 2023. In the comparative period of 2022, the Company was mainly sensitive to the currency risk arising from changes in exchange rates against CZK and for hedging financial instruments contracted in euros to movements in exchange rates against euros, see Note 1.4 Change in Functional Currency and Its Impact on Currency Risk Hedging.

3.4.1.1 Sensitivity To Exchange Rate Changes In 2023

The foreign currency risk is measured against the new functional currency euros at the balance sheet date, when the financial assets and liabilities denominated in foreign currencies are recalculated to euros by applying the Group rate derived from the Refinitiv database (provider of financial market data).

The sensitivity analysis includes derivative financial instruments and outstanding financial assets and liabilities denominated in foreign currencies and measures the impact of translating these items at the balance sheet date at an adjusted rate compared to the rate at which the items are actually translated (see above). The sensitivity analysis is based on assumed realistic possible movements in exchange rates.

As at 31 December 2023 the Company considers as reasonably possible the movements of all exchange rates (the most significant being CZK, GBP, PLN and SEK) against EUR in the following period of +10% (appreciation of EUR) and -10% (depreciation of EUR).

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

€ million 2023	EUR appreciation by 10%: AUD	USD	CHF	GBP	CZK	PLN	Other currencies
Profit before tax							
Non-derivative financial instruments	(3)	(14)	(2)	(5)	25	–	(3)
Derivative financial instruments	–	(65)	–	–	–	–	–
Other comprehensive income before tax							
Derivative financial instruments	35	–	220	234	(123)	159	110

€ million 2023	EUR depreciation by 10%: AUD	USD	CHF	GBP	CZK	PLN	Other currencies
Profit before tax							
Non-derivative financial instruments	3	14	2	5	(25)	–	3
Derivative financial instruments	–	65	–	–	–	–	–
Other comprehensive income before tax							
Derivative financial instruments	(35)	–	(220)	(234)	123	(159)	(110)

3.4.1.2 Sensitivity To Exchange Rate Changes In 2022

Sensitivity to changes in foreign currency exchange rates against CZK

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

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

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

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

	CZK appreciation by 10%						
€ million 2022	**EUR**	**USD**	**CHF**	**GBP**	**SEK**	**PLN**	**Other currencies**
Profit before tax							
Non-derivative financial instruments	51	(9)	(1)	–	–	–	2
Derivative financial instruments	–	(12)	–	–	–	–	–
Other comprehensive income before tax							
Derivative financial instruments	–	–	–	–	–	–	–

	CZK depreciation by 10%						
€ million 2022	**EUR**	**USD**	**CHF**	**GBP**	**SEK**	**PLN**	**Other currencies**
Profit before tax							
Non-derivative financial instruments	(51)	9	1	–	–	–	(2)
Derivative financial instruments	–	12	–	–	–	–	–
Other comprehensive income before tax							
Derivative financial instruments	–	–	–	–	–	–	–

Sensitivity to Exchange Rates Changes of Foreign Currencies Against Euros

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

* See Note 1.4. – Amendment of the currency risk hedging strategy
**To ensure comparability, the data have been further converted into the unified presentation currency euros, see Note 2.1.

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

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

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

	EUR appreciation by 10%						
€ million 2022	**AUD**	**USD**	**CHF**	**GBP**	**CZK**	**PLN**	**Other currencies**
Profit before tax							
Non-derivative financial instruments	–	–	–	–	–	–	–
Derivative financial instruments	–	(40)	–	–	–	–	–
Other comprehensive income before tax							
Derivative financial instruments	34	–	184	198	(143)	44	125

	EUR depreciation by 10%						
€ million 2022	**AUD**	**USD**	**CHF**	**GBP**	**CZK**	**PLN**	**Other currencies**
Profit before tax							
Non-derivative financial instruments	–	–	–	–	–	–	–
Derivative financial instruments	–	40	–	–	–	–	–
Other comprehensive income before tax							
Derivative financial instruments	(34)	–	(184)	(198)	143	(44)	(125)

3.4.2 Sensitivity to Interest Rates

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

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

For current deposits and loans to Volkswagen Group companies, bank deposits and currency derivatives the Company assumed reasonably possible increase by 100 basis points of the yield curve and reasonably possible decrease by 100 basis points of the yield curve in 2023 (2022: +100/-100 basis points). Currencies for which interest rates were 0% or negative only the increase of the yield curve was considered in 2023 (2022). If the calculated interest rates for the sensitivity analysis are negative, the interest rate 0% is used for calculation. Profit of the Company is most sensitive to movements of the euro yield curve in 2023 (2022).

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

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

2023 **€ million**	**Interest rate increased by 100 basis points**	**Interest rate decreased by 100 basis points**
Profit before tax		
Non-derivative financial instruments	1	(1)
Derivative financial instruments	–	–
Total	**1**	**(1)**
Other comprehensive income before tax		
Derivative financial instruments	2	(2)

2022 **€ million**	**Interest rate increased by 100 basis points**	**Interest rate decreased by 100 basis points**
Profit before tax		
Non-derivative financial instruments	(1)	1
Derivative financial instruments	–	–
Total	**(1)**	**1**
Other comprehensive income before tax		
Derivative financial instruments	(2)	2

3.4.3 Sensitivity to Changes in Other Price Risks

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

In 2023 the Company assumes reasonably possible movements in prices of particular commodities in the following period of +/-10% (2022: +/-10%).

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

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

2023 **€ million**	**Increase of copper prices +10%**	**Decrease of copper prices (10%)**	**Increase of aluminium prices +10%**	**Decrease of aluminium prices (10%)**	**Increase of lead prices +10%**	**Decrease of lead prices (10%)**
Profit before tax						
Derivative financial instruments	26	(26)	40	(40)	–	–
2022 **€ million**						
Profit before tax						
Derivative financial instruments	12	(12)	28	(28)	1	(1)

The above values also include the impact on the change in fair value of commodity swaps classified as Level 3 due to a change in the spot price of the commodity. If the spot price of aluminium were to decrease by 10% on the commodity market, the revaluation of commodity swaps to fair value classified in Class 3 would result in a decrease in profit before tax of €12 million (2022: €9 million). Conversely, if the spot price of aluminium were to increase by 10% on the commodity market, the revaluation of the commodity swaps to fair value in Class 3 would result in increase of profit before tax by €12 million (2022: €9 million). If the spot price of copper had decreased by 10% on the commodity market, the revaluation of the commodity swaps to fair value in Class 3 would have reduced profit before tax by €5 million (2022: €5 million). Conversely, if the spot price of copper were to increase by 10% on the commodity market, the revaluation of commodity swaps to fair value in Class 3 would increase profit before tax by €5 million (2022: €5 million).

3.5 Capital Management

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

3.6 Fair Value Hierarchy for Financial Assets and Liabilities

3.6.1 Structure of Financial Instruments by Method of Determining Fair Value

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

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

Financial Assets Measured at Fair Value by Class

Balance as at 31 December 2023 € million	Class 1	Class 2	Class 3
Financial assets at fair value through other comprehensive income			
Equity instruments at fair value through other comprehensive income	–	–	165
Financial assets at fair value through profit or loss			
Debt instruments through profit and loss	–	170	–
Currency forwards and swaps for trading	–	8	–
Commodity swaps for trading	–	9	5
Financial instruments designated as hedging instruments			
Currency forwards and swaps – cash flow hedging	–	216	–
Total	**–**	**403**	**170**

Balance as at 31 December 2022 € million	Class 1	Class 2	Class 3
Financial assets at fair value through other comprehensive income			
Equity instruments at fair value through other comprehensive income	–	–	281
Financial assets at fair value through profit or loss			
Debt instruments through profit and loss	–	135	–
Currency forwards and swaps for trading	–	16	–
Commodity swaps for trading	–	23	3
Financial instruments designated as hedging instruments			
Currency forwards and swaps – cash flow hedging	–	260	–
Total	**–**	**434**	**284**

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

Balance as at 31 December 2023 € million	Class 1	Class 2	Class 3
Financial liabilities at fair value through profit or loss			
Currency forwards and swaps for trading	–	18	–
Commodity swaps for trading	–	17	(1)
Financial instruments designated as hedging instruments			
Currency forwards and swaps – cash flow hedging	–	310	–
Total	**–**	**345**	**(1)**

Balance as at 31 December 2022 € million	Class 1	Class 2	Class 3
Financial liabilities at fair value through profit or loss			
Currency forwards and swaps for trading	–	3	–
Commodity swaps for trading	–	13	4
Financial instruments designated as hedging instruments			
Currency forwards and swaps – cash flow hedging	–	136	–
Total	**–**	**152**	**4**

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

Balance as at 31 December 2023 € million	Class 1	Class 2	Class 3
Financial assets at amortised cost			
Loans to employees	–	–	19
Financial liabilities at amortised cost			
Lease liabilities	–	69	–
Total	**–**	**69**	**19**

Balance as at 31 December 2022 € million	Class 1	Class 2	Class 3
Financial assets at amortised cost			
Loans to employees	–	–	17
Financial liabilities at amortised cost			
Lease liabilities	–	62	–
Total	**–**	**62**	**17**

The table above discloses the fair value of financial assets and liabilities carried at amortised cost for which fair value is determined using valuation methods. For other financial assets and liabilities carried at amortised cost in these separate financial statements, due to their short-term nature, the fair value approximates the amortised cost and therefore their fair value is not separately quantified. For short-term trade receivables, due to their short-term nature, the carrying amount approximates fair value after any reduction for any allowances made. For non-current trade receivables, due to the insignificant difference between the market rate and the rate at which these receivables are discounted, their carrying amount approximates fair value, net of any allowances made. Further information on the amortised cost of financial assets and liabilities is provided in Notes 8 and 13.

In the Equity instruments at fair value through other comprehensive income a 1% interest in SAIC VOLKSWAGEN AUTOMOTIVE COMPANY LIMITED ("SAIC") is recognised, see Note 8.1. The fair value of this investment is determined as the sum of the present values of the future cash flows from dividends using a discount rate derived from SAIC's cost of equity. In determining the fair value, the Company considered the following significant unobservable inputs: assumptions relating to corporate planning (e.g., cash flows from operating activities); the growth rate used to estimate free cash flows beyond the end of the planning period; and the discount rate exempt from the cost of equity. A growth rate of 1.0% (1.0%) was used to extrapolate the future cash flows from dividends in 2023 (2022). A discount rate of 9.3% (10.5%) was used in 2023 (2022). The effect on fair value of the change in the remeasurement value of the investment was recognised in other comprehensive income.

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

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

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

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

€ million	Equity instruments at fair value through other comprehensive income	Receivables from commodity swaps – for trading	Commodity swap liabilities – for trading
Balance as at 1 January 2022	**333**	**3**	**–**
Additions	–	3	4
Losses	–	(3)	–
Revaluation	(60)	–	–
Exchange differences	9	–	–
Balance as at 31 December 2022	**281**	**3**	**4**
Additions		3	–
Losses	–	–	(4)
Revaluation	(116)	(1)	(1)
Balance as at 31 December 2023	**165**	**5**	**(1)**

Reclassifications between Classes of the fair value hierarchy are accounted for at the balance sheet date. Reclassifications from Class 3 to Class 2 include commodity transactions for which, given the remaining time to maturity, observable market prices are available for valuation so that extrapolations do not need to be made. In commodity swap receivables, €0 million has been reclassified from Class 3 to Class 2 in 2023 (2022: €3 million). In commodity swap liabilities, €4 million was transferred from Class 3 to Class 2 in 2023 (2022: €0 million).

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

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

In 2023, the Company expects a realistic long-term growth rate movement of +/- 0.5 percentage points in the following period (2022: +/- 0.5 percentage points).

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

2023 **€ million**	**Increase by 0.5%**	**Decrease by 0.5%**
Increase/(decrease) of the fair value of the investment	7	(6)
Increase/(decrease) of the other comprehensive income before tax	7	(6)

2022 **€ million**		
Increase/(decrease) of the fair value of the investment	8	(7)
Increase/(decrease) of the other comprehensive income before tax	8	(7)

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

In 2023, the Company expects a realistic movement in discount rate of +/- 0.5 percentage points in the following period (2022: +/- 0.5 percentage points).

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

2023 **€ million**	**Increase by 0.5%**	**Decrease by 0.5%**
Increase/(decrease) of the fair value of the investment	(11)	13
Increase/(decrease) of the other comprehensive income before tax	(11)	13

2022 **€ million**		
Increase/(decrease) of the fair value of the investment	(15)	17
Increase/(decrease) of the other comprehensive income before tax	(15)	17

There are no significant correlations between significant unobservable inputs.

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

4 Intangible Assets

€ 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 2023	**2,160**	**1,015**	**913**	**4,087**
Additions	85	582	64	731
Disposals	–	–	(2)	(2)
Transfers	217	(217)	–	–
Balance as at 31 December 2023	**2,461**	**1,380**	**975**	**4,817**
Cumulative amortisation and impairment losses				
Balance as at 1 January 2023	**(1,174)**	**–**	**(432)**	**(1,606)**
Amortisation	(262)	–	(54)	(316)
Impairment losses	–	–	–	–
Reversal of impairment losses	2	–	1	3
Disposals	–	0	1	1
Balance as at 31 December 2023	**(1,434)**	**0**	**(484)**	**(1,918)**
Carrying amount as at 31 December 2023	**1,028**	**1,380**	**491**	**2,899**
Costs				
Balance as at 1 January 2022	**2,214**	**481**	**665**	**3,361**
Additions	62	549	319	929
Disposals	(202)	(16)	(95)	(313)
Transfers	22	(22)	–	–
Exchange differences arising from the translation of comparatives	63	23	24	110
Balance as at 31 December 2022	**2,160**	**1,015**	**913**	**4,087**
Cumulative amortisation and impairment losses				
Balance as at 1 January 2022	**(976)**	**–**	**(426)**	**(1,402)**
Amortisation	(275)	–	(86)	(362)
Impairment losses*	(14)	(16)	(1)	(31)
Disposals	123	16	94	233
Exchange differences arising from the translation of comparatives	(32)	–	(12)	(44)
Balance as at 31 December 2022	**(1,174)**	**–**	**(432)**	**(1,606)**
Carrying amount as at 31 December 2022	**986**	**1,015**	**481**	**2,482**

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

** Category Other intangible assets includes both finished and unfinished intangible assets, mainly trademarks, valuation rights to production equipment, software and licences. The value of other intangible assets in progress at 31 December 2023 was €96 million (31 December 2022: €67 million and 1 January 2022 €17 million.).

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

Purchased development costs capitalized as part of the additions to capitalized development costs of products manufactured and under development in 2023 amounted to €437 million (2022: €325 million).

Amortisation and impairment losses of intangible assets of €305 million (2022: €376 million) are included in the cost of sales, €5 million (2022: €10 million) in distribution expenses, and €5 million (2022: €6 million) in administrative expenses.

Impairment Reviews

The Company tested the assets of a defined cash-generating unit* (the Company's automotive business) for impairment. A comparison of the carrying amount and recoverable amount of the defined cash-generating unit did not result in 2023 (2022) in the identification of any impairment loss for intangible assets. The recoverable amount was determined based on a cash-based calculation budgets approved by the Company's management, which cover a period of 5 years and an estimate of cash flows after the end of the planning period using a growth rate 1.0% (2022: 1.0%). The WACC rate 8.4% (2022: 8.2%) was used to discount cash flows in 2023. This rate reflects the specific risks associated with the industry in which the Company operates.

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

The Following Amounts Were Recognised in the Income Statement as Research and Development Expenses

€ million	2023	2022
Research and development costs expensed	367	336
Amortisation and impairment losses of development costs	260	305
Research and development costs recognised in profit or loss	**627**	**641**

5 Property, Plant and Equipment

€ million	Land and buildings	Technical equipment and machinery	Tooling, office and other equipment	Right-of-use assets	Advances paid and assets under construction**	Total
Costs						
Balance as at 1 January 2023	**2,479**	**4,389**	**4,497**	**132**	**649**	**12,146**
Additions	45	178	230	23	270	746
Disposals	(7)	(86)	(56)	(20)	(3)	(173)
Transfers	82	60	110	–	(252)	–
Balance as at 31 December 2023	**2,599**	**4,541**	**4,780**	**134**	**663**	**12,718**
Accumulated depreciation and impairment losses						
Balance as at 1 January 2023	**(1,245)**	**(3,572)**	**(3,888)**	**(66)**	**–**	**(8,771)**
Depreciation	(98)	(269)	(231)	(23)	–	(622)
Impairment losses	–	–	2	–	–	2
Disposals	4	85	56	19	–	164
Transfers	1	(1)	–	–	–	–
Balance as at 31 December 2023	**(1,338)**	**(3,757)**	**(4,062)**	**(71)**	**–**	**(9,227)**
Carrying amount as at 31 December 2023	**1,261**	**784**	**718**	**64**	**663**	**3,491**
Costs						
Balance as at 1 January 2022	**2,269**	**4,151**	**4,349**	**112**	**421**	**11,302**
Additions	77	161	101	27	330	695
Disposals	(10)	(113)	(61)	(11)	–	(194)
Transfers	73	66	(21)	–	(119)	–
Exchange differences arising from the translation of comparatives	70	125	129	4	16	343
Balance as at 31 December 2022	**2,479**	**4,389**	**4,497**	**132**	**649**	**12,146**
Accumulated depreciation and impairment losses						
Balance as at 1 January 2022	**(1,122)**	**(3,305)**	**(3,527)**	**(54)**	**–**	**(8,009)**
Depreciation	(93)	(270)	(309)	(21)	–	(692)
Impairment losses*	–	–	(4)	–	–	(4)
Disposals	6	103	60	10	–	179
Exchange differences arising from the translation of comparatives	(35)	(101)	(109)	(2)	–	(246)
Balance as at 31 December 2022	**(1,245)**	**(3,572)**	**(3,888)**	**(66)**	**–**	**(8,771)**
Carrying amount as at 31 December 2022	**1,235**	**817**	**608**	**66**	**649**	**3,374**

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

** Out of the total value recognised under Advances paid and assets under construction, the value of advances paid as at 31 December 2023 amounted to €135 million (31 December 2022: €196 million and 1 January 2022 €194 million).

Right-of-Use Assets (by Class of Assets)

€ million	Land and buildings	Tooling, office and other equipment	Total
Costs			
Balance as at 1 January 2023	**92**	**40**	**132**
Additions	16	6	23
Disposals	(12)	(8)	(20)
Balance as at 31 December 2023	**96**	**38**	**134**
Accumulated depreciation and impairment losses			
Balance as at 1 January 2023	**(40)**	**(26)**	**(66)**
Depreciation	(14)	(9)	(23)
Disposals	11	8	19
Balance as at 31 December 2023	**(43)**	**(27)**	**(71)**
Carrying amount as at 31 December 2023	**53**	**11**	**64**
Costs			
Balance as at 1 January 2022	**66**	**46**	**112**
Additions	25	2	27
Disposals	(2)	(9)	(11)
Exchange differences arising from the translation of comparatives	2	1	4
Balance as at 31 December 2022	**92**	**40**	**132**
Accumulated depreciation and impairment losses			
Balance as at 1 January 2022	**(29)**	**(25)**	**(54)**
Depreciation	(11)	(9)	(21)
Disposals	1	9	10
Exchange differences arising from the translation of comparatives	(1)	(1)	(2)
Balance as at 31 December 2022	**(40)**	**(26)**	**(66)**
Carrying amount as at 31 December 2022	**52**	**14**	**66**

Impairment Reviews

The Company tested the assets of a defined cash-generating unit (the Company's automotive business) for impairment. A comparison of the carrying amount and the recoverable amount of the defined cash-generating unit did not result in the identification of any impairment loss for property, plant and equipment in 2023 (2022). The recoverable amount was determined based on a calculation of the value in use of this cash-generating unit using cash flow projections based on financial budgets approved by the Company's management covering a period of 5 years and an estimate of cash flows after the end of the planning period using growth rate 1.0% (2022: 1.0%). The WACC rate 8.4% (2022: 8.2%) was used to discount cash flows in 2023. This rate reflects the specific risks associated with the industry in which the Company operates.

6 Investments in Subsidiaries

€ thousand	Country of incorporation	Costs 31 December 2023	Costs 31 December 2022	Costs 1 January 2022	Impairments 31 December 2023	Impairments 31 December 2022	Impairments 1 January 2022	Carrying amount 31 December 2023	Carrying amount 31 December 2022	Carrying amount 1 January 2022
Škoda Auto Slovensko s.r.o.*	Slovakia	2,026	2,026	1,971	–	–	–	2,026	2,026	1,971
Škoda Auto Volkswagen India Pvt. Ltd.	India	232,633	232,633	–	(89,000)	(76,041)	–	143,633	156,593	–
Škoda X s.r.o.**	Czech Republic	7,284	7,284	7,080	–	–	–	7,284	7,284	7,080
UMI Urban Mobility International Česká republika s.r.o.	Czech Republic	2,779	2,779	2,695	(2,779)	(2,779)	(2,695)	–	–	–
ŠKODA AUTO DigiServices s.r.o. v likvidaci	Czech Republic	–	–	121	–	–	–	–	–	121
Total		**244,722**	**244,722**	**11,867**	**(91,779)**	**(78,819)**	**(2,695)**	**152,943**	**165,903**	**9,172**

* From 23 August 2023, the name of the Company was changed from ŠKODA AUTO Slovensko s.r.o. to Škoda Auto Slovensko s.r.o.
** From 31 May 2023, the name of the Company was changed from ŠKODA AUTO DigiLab s.r.o. to Škoda X s.r.o.

Note: The difference between the acquisition cost of the shares as at 31 December 2022 and 1 January 2022 is a foreign exchange difference arising from the methodology of translation of comparatives, see Note 2.1.

The subsidiaries in which the Company holds an equity interest paid dividends to the Company in the total amount of €3 million in 2023 (2022: €2 million). The Company's interest in the registered capital of Škoda Auto Slovensko s.r.o. was 100% as at 31 December 2023 (31 December 2022 and 1 January 2022: 100% and 100%).

The Company's interest in the registered capital of Škoda Auto Volkswagen India Pvt. Ltd. was 12.07% as at 31 December 2023 (31 December 2022: 12.07% and 1 January 2022: 3.47%) and, excluding the preference shares, 28.28% as at 31 December 2023 (31 December 2022: 28.28% and 1 January 2022: 8.13%). In 2022, the Company increased the acquisition cost of share in the registered capital of the Škoda Auto India Volkswagen Pvt. Ltd. by €144 million from €83 million to a total acquisition cost of €233 million. (The difference between the acquisition cost of the share at 31 December 2022 increased by the contribution and at 1 January 2022 is the exchange rate difference resulting from the methodology for the translation of the comparatives, see Note 2.1.) The above increase in the shareholding is due to the transfer of voting shares from the related company Volkswagen International Finance N.V. to the Company. The voting ordinary shares were valued at cost, see Note 2.6. The legal effect of the transfer came into effect on 7 June 2022. Following the increase in the shareholding as a result of the transfer of the voting shares, the Company directly controls the subsidiary Škoda Auto Volkswagen India Pvt. Ltd. (the voting interest amounted to 92.05% as at 31 December 2023 and 92.05% as at 31 December 2022). As at 31 December 2021, the Company exercised significant influence based on its voting interest which was 26.46% and the value of the interest was recognised in interests in associates (see Note 7).

The Company's interest in the registered capital of Škoda X s.r.o. was 100% as at 31 December 2023 (31 December 2022: 100% and 1 January 2022: 100% and 100%). The Company's interest in the registered capital of UMI Urban Mobility International Česká republika s.r.o. was 100% as at 31 December 2023 (31 December 2022 and 1 January 2022: 100% and 100%). Due to indication of possible impairment, the subsidiary UMI Urban Mobility International Česká republika s.r.o. was tested for possible impairment loss in 2021 and its carrying amount was impaired to €0 million. In 2023 and 2022, the impairment loss that had been recognised in the previous financial year was confirmed by retesting, see Impairment reviews below.

The Company's share in the registered capital of ŠKODA AUTO DigiServices s.r.o. was 0% and 0% as at 31 December 2023 and 2022 (1 January 2022: 100%). ŠKODA AUTO DigiServices s.r.o. entered into liquidation on 1 January 2022. On 13 December 2022 the liquidator paid the liquidation balance of €122 thousand to the Company's bank account. The Company derecognised ŠKODA AUTO DigiServices s.r.o. v likvidaci in 2022, i.e., in the accounting period in which the proposal to delete the company in liquidation from the Commercial Register was filed. ŠKODA AUTO DigiServices s.r.o. v likvidaci was deleted from the Commercial Register on 4 January 2023.

Impairment Reviews

In 2023 and 2022, the Company tested the cash-generating unit Škoda Auto Volkswagen India Pvt. Ltd. to determine the amount of the impairment loss. The carrying amount of the financial investment was compared against its recoverable amount. The recoverable amount was determined based on a value in use calculation using cash flow projections over a 5-year period based on financial budgets approved by the Company's management. Cash flows beyond the 5-year period were extrapolated using growth rate estimates that are no higher than the expected long-term average growth rate for the automotive industry. In determining the value in use of the financial investment in 2023, a growth rate of 1.0% (2022: 1.0%) was estimated. The discount rate used is pre-tax and reflects the specific risks relating to the industry segment and region in which the company operates. For 2023, a discount rate of 6.7% (2022: 7.1%) was used. A comparison of the carrying amount of Škoda Auto Volkswagen India Pvt. Ltd. and its recoverable amount as at 31 December 2023 resulted in an impairment loss of €13 million which was recorded against financial expenses. (A comparison of the carrying amount of Škoda Auto Volkswagen India Pvt. Ltd. and its recoverable amount as at 31 December 2022 resulted in an impairment loss of €36 million being recognized to financial expenses. A comparison of the carrying amount of Škoda Auto Volkswagen India Pvt. Ltd. and its recoverable amount as at 31 December 2021 resulted in derecognition of impairment loss in the amount of €44 million to financial income.)

In 2023 (2022), the Company did not observe any significant indicators that would indicate a possible change in the recoverable amount of the cash-generating unit UMI Urban Mobility International Czech Republic s.r.o., which could result in the reversal of the impairment loss of €3 million created in previous years.

7 Investments in Associates

€ thousand		Costs			Impairments			Carrying amount		
	Country of incorporation	31 December 2023	31 December 2022	1 January 2022	31 December 2023	31 December 2022	1 January 2022	31 December 2023	31 December 2022	1 January 2022
OOO Volkswagen Group Rus	Russia	–	75,508	73,339	–	(74,417)	–	–	1,091	73,339
Škoda Auto Volkswagen India Pvt. Ltd.*	India	–	–	82,934	–	–	(38,765)	–	–	44,169
ŠKO-ENERGO, s.r.o.	Czech Republic	174	174	169	–	–	–	174	174	169
ŠKO-ENERGO FIN s.r.o. v likvidaci	Czech Republic	–	–	21,294	–	–	(21,135)	–	–	159
Digiteq Automotive s.r.o.	Czech Republic	–	–	–	–	–	–	–	–	159
Green:Code s.r.o.	Czech Republic	15	224	218	–	–	–	15	224	218
Total		**189**	**75,906**	**177,954**	**–**	**(74,417)**	**(59,900)**	**189**	**1,490**	**118,054**

* As at 31 December 2023 (2022), the Company directly controlled based on its voting interest which was 92.05% and the value of the interest was recognised in interests in subsidiaries (see Note 6).

Note: The difference between the acquisition cost of the shares as at 31 December 2022 and 1 January 2022 is a foreign exchange difference arising from the methodology of translation of comparatives, see Note 2.1.

On 18 May 2023, the Company, together with the other Volkswagen Group shareholders, completed the sale of its stake in OOO Volkswagen Group Rus to OOO ART-FINANCE, a Russian company supported by the Russian dealer AO Avilon Automotive Group. The shareholding of the Company in OOO Volkswagen Group Rus remained 16.8% at the date of sale, even after the increase in the value of the financial investment following the transaction with Scania, see Note 25. (The share of the Company on registered capital of OOO Volkswagen Group Rus as at 31 December 2022 and 1 January 2022 was 16.8% and 16.8%.) The transfer of the shares in OOO Volkswagen Group Rus from the Company to the buyer took place on the date of registration of the transaction on 22 May 2023. The sale price attributable to the Company's shareholding was €21 million. In 2022, the Company recognized an impairment loss in OOO Volkswagen Group Rus, which was utilised after the sale in 2023, see Impairment reviews below. Taking into account the release of the impairment loss on the financial investment recorded in 2022, the Company realised a total loss on sale of €47 million in 2023. OOO Volkswagen Group Rus did not pay any dividend to the Company in 2022 and 2023.

The Company's share in the registered capital of the company ŠKO-ENERGO FIN s.r.o. was 0% and 0% as at 31 December 2023 and 2022 (as at 1 January 2022: 31.25%). ŠKO-ENERGO FIN s.r.o. entered into liquidation on 1 January 2022. On 15 December 2022, ŠKO-ENERGO FIN s.r.o. v likvidaci paid to the Company's account a pro rata part of the liquidation balance corresponding to its share of €122 thousand. ŠKO-ENERGO FIN s.r.o. v likvidaci was deleted from the Commercial Register on 28 December 2022. Due to the liquidation, this associated company was tested for possible impairment loss in 2021, see Impairment reviews below.

The Company's share in the registered capital of the company ŠKO-ENERGO s.r.o. as at 31 December 2023 was 44.50% (as at 31 December 2022 and 1 January 2022: 44.50% and 44.50%). ŠKO-ENERGO s.r.o. paid dividends to the Company in the amount of €27 thousand (2022: €41 thousand).

The Company's share in the registered capital of the company Digiteq Automotive s.r.o. as at 31 December 2023 was 49.00% (as at 31 December 2022 and 1 January 2022: 49.00% and 49.00%). Digiteq Automotive s.r.o. paid dividends to the Company in the amount of €2.17 million (2022: €2.36 million).

The Company's share in the registered capital of Green:Code s.r.o. as at 31 December 2023 was 49% (as at 31 December 2022: 49% and as at 1 January 2022: 0% and 0%). In 2021, the Company made a capital contribution outside the registered capital in the amount of €207 thousand. This capital contribution was returned to the Company in 2023.

Impairment Reviews

In 2022, the Company tested the cash-generating unit OOO Volkswagen Group Rus, for which the development and planned volumes of vehicles in connection with sanctions and other restrictions arising from the Russia-Ukraine conflict indicated a possible impairment loss. The carrying amount of the financial investment of the tested affiliate was compared against its recoverable amount. The recoverable amount was determined based on fair value less costs to sell. Fair value was determined based on the price derived from the sale of similar assets under conditions that reflected the market conditions at the date of pricing. By comparing the carrying amount of the financial investment to its recoverable amount at 31 December 2022, an impairment loss of €75 million was identified as at 31 December 2022, which was included in financial expenses. As a result of the sale and subsequent derecognition of an interest in an associate OOO Volkswagen Group Rus the impairment loss was reversed and charged to financial expense in 2023.

The Company tested in 2021 the cash-generating unit ŠKO-ENERGO FIN s.r.o. for which the decision to liquidate indicated a possible impairment. Due to liquidation of the company valuation techniques based on the going concern assumption were not used to determine recoverable amount. The recoverable amount was determined on the basis of the adjusted liquidation value, where the adjusted liquidation value represents the sum of the selling prices of the individual assets less the liquidator's remuneration and the settlement of other liabilities. Due to the difference between the carrying amount of the financial investment and its recoverable amount, an impairment loss of €21 million was identified in 2021, which was recognized in financial expenses. This impairment loss was recorded as a reduction of financial expenses after derecognition of the financial investment in 2022.

8 Other Receivables, Financial Assets, Trade Receivables and Available-for-Sale Financial Assets

8.1 Other Receivables and Financial Assets

Balance as at 31 December 2023 € million	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial instruments designated as hedging instruments	Total
Other non-current receivables and financial assets					
Loans to employees	–	18	–	–	18
Positive fair value of financial derivatives	10	–	–	149	159
Investments in equity instruments	–	–	165	–	165
Other non-current receivables and financial assets in total	**10**	**18**	**165**	**149**	**342**
Other current receivables and financial assets					
Loans to employees	–	3	–	–	3
Positive fair value of financial derivatives	12	–	–	67	79
Other	–	33	–	–	33
Other current receivables and financial assets in total	**12**	**36**	**–**	**67**	**115**
Total	**22**	**54**	**165**	**216**	**457**

Balance as at 31 December 2022 € million	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial instruments designated as hedging instruments	Total
Other non-current receivables and financial assets					
Loans to employees	–	17	–	–	17
Positive fair value of financial derivatives	17	–	–	182	199
Investments in equity instruments	–	–	281	–	281
Other non-current receivables and financial assets in total	**17**	**17**	**281**	**182**	**497**
Other current receivables and financial assets					
Loans to employees	–	3	–	–	3
Positive fair value of financial derivatives	25	–	–	78	103
Other	–	13	–	–	13
Other current receivables and financial assets in total	**25**	**16**	**–**	**78**	**119**
Total	**42**	**33**	**281**	**260**	**616**

Balance as at 1 January 2022 € million	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial instruments designated as hedging instruments	Total
Other non-current receivables and financial assets					
Loans to employees	–	16	–	–	16
Positive fair value of financial derivatives	28	–	–	36	65
Investments in equity instruments	–	–	333	–	333
Other non-current receivables and financial assets in total	**28**	**16**	**333**	**36**	**414**
Other current receivables and financial assets					
Loans to employees	–	2	–	–	2
Positive fair value of financial derivatives	51	–	–	85	136
Other	–	18	–	–	18
Other current receivables and financial assets in total	**51**	**21**	**–**	**85**	**156**
Total	**80**	**37**	**333**	**121**	**570**

There are not any significant restrictions regarding the rights of use imposed on financial assets. Potential risks of delay or default are taken into account through accumulated impairment losses except for those financial assets that are carried at fair value.

Loans to employees and other financial assets are disclosed in the portfolio Financial assets at amortised cost. Information on the fair value of loans to employees as required by IFRS 13 is disclosed in Note 3.6.

In the column Financial derivatives designated as hedging instruments there is the spot component and the forward component relating to the derivatives for currency risk hedging. For detailed information on financial derivatives, including information relating to their fair value in accordance with IFRS 13, see Notes 3.3.4 and 3.6.

Under the “Financial assets at fair value through other comprehensive income”, investments in the equity instruments of other entities are recognised. Within these equity instruments, the Company holds 1% share in the company SAIC, which is related party (as a joint venture of Volkswagen Group and a third party). The Company plans to hold this investment in the long term and does not consider its sale, therefore, the Company opted that the relating realised and unrealised gains and losses would be recognised in other comprehensive income. The details of the equity instruments relating to its fair value as required by IFRS 13 are disclosed in Note 3.6.

8.2 Trade Receivables

Balance as at 31 December 2023 € million	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
Non-current trade receivables			
Other related parties	83		83
Non-current trade receivables in total	**83**		**83**
Current trade receivables			
Third parties	78	170	249
Subsidiaries	169	–	169
Other related parties	968	–	968
Current trade receivables in total	**1,214**	**170**	**1,385**
Total	**1,297**	**170**	**1,468**

Balance as at 31 December 2022 € million			
Trade receivables			
Third parties	70	26	95
Subsidiaries	161	–	161
Other related parties	698	109	807
Total	**929**	**135**	**1,063**

Balance as at 1 January 2022 € million			
Trade receivables			
Third parties	87	1	88
Subsidiaries	17	–	17
Other related parties	703	108	811
Total	**807**	**109**	**917**

Only trade receivable held to sell through factoring are disclosed in the portfolio Financial assets at fair value through profit or loss. Information on the fair value of these receivables, as required by IFRS 13, is disclosed in Note 3.6.

Other trade receivables held in order to collect contractual cash flows are disclosed in the portfolio Financial assets at amortised cost. The carrying amount of long-term and short-term trade receivables, where appropriate, is reduced by the established allowances, approximates their fair value, see Note 3.6.1. Allowances for trade receivables in amount of €28 million (31 December 2022: €53 million and 1 December 2022: €17 million) are already included in these amounts. For detailed information on allowances for these receivables see Note 3.1.5.

8.3 Non-Financial Assets

€ million	31 December 2023	31 December 2022	1 January 2022
Current non-financial assets			
Tax receivables (excl. income tax)	196	218	168
Other	47	54	46
Total	**244**	**272**	**215**

The line "Other" includes in particular advances paid.

9 Inventories

€ million	Carrying value as at 31 December 2023	Carrying value as at 31 December 2022	Carrying value as at 1 January 2022
Structure of the inventories			
Raw materials, consumables and supplies	729	563	420
Work in progress	250	535	540
Finished products and goods	454	579	321
Hedges on inventories	1	0	2
Total	**1,434**	**1,677**	**1,283**

€ million	2023	2022
Loss allowance inventories		
Balance as at 1 January	**(67)**	**(68)**
Additions/reversals allowance provisions for inventories:		
Raw materials, consumables and supplies	(7)	(8)
Work in progress	1	–
Finished products and goods	(6)	11
Exchange differences arising from the translation of comparatives	–	(2)
Balance as at 31 December	**(79)**	**(67)**

The amount of inventories (including production related personnel costs and overheads capitalised into inventories) recognised as an expense during 2023 was €20,724 million (2022: €16,243 million).

10 Cash and Cash Equivalents

€ million	31 December 2023	31 December 2022	1 January 2022
Cash in hand	0	0	0
Cash pooling	72	69	109
Bank accounts	1	0	0
Cash equivalents	–	–	792
Total	**73**	**69**	**902**

The line Cash pooling includes overnight deposits from the use of cash pooling (see Notes 3.1 and 3.2). The line Cash equivalents include other current deposits with Volkswagen Group companies with an original maturity of three months or less. Deposits including cash pooling are included in portfolio Financial assets at amortized cost under IFRS 9.

The weighted average effective interest rate on cash equivalents including cash pooling, weighted by the carrying amount at 31 December 2023 was 4.88% p.a. (31 December 2022: 4.25% p.a.). The carrying value of the cash equivalents including cash pooling approximates their fair value. Of the total value of cash equivalents including cash pooling, €27 million was denominated in CZK (31 December 2022: €36 million and 1 January 2022: €872 million) and in €: €45 million (31 December 2022: €33 million and 1 January 2022: €30 million).

11 Share Capital

The issued share capital consists of 1,670,885 ordinary shares at a par value of CZK 10,000 per share, i.e., translated as at 31 December 2023: €405.

The sole shareholder of the Company is VOLKSWAGEN FINANCE LUXEMBURG S.A. based in Strassen, Grand Duchy of Luxembourg. VOLKSWAGEN FINANCE LUXEMBURG S.A. is directly a 100% subsidiary of Volkswagen AG. The ordinary shares provide rights to vote on the Company's general meetings and rights to receive dividends.

The shareholder has the right for a share on liquidation balance upon a cancellation of the Company with liquidation. The liquidation balance is distributed among shareholders based on the ratio of the nominal value of their shares. The shareholder has the right for a share on profit (a dividend) which has been approved for distribution at the general meeting based on results of operations and in line with the respective stipulations of the Business Corporations Act. The shareholders do not have any right to claim their contribution back during the Company's existence even in case of its cancellation.

There was no movement in the Company's share capital during the accounting period 2023 (2022).

In 2023, the Company paid dividend in the amount of €520 million from profit for the year 2022 (2022: €912 million).

The dividend per share was €311 in 2023 (2022: €546).

12 Other Reserves and Retained Earnings

12.1 Other Reserves

€ million	31 December 2023	31 December 2022	1 January 2022
Revaluation reserve from equity instruments*	(149)	(27)	22
Reserves for cash flow hedges*	(73)	104	29
Statutory reserve fund	139	139	135
Total	**(82)**	**216**	**186**

* Net of deferred tax of 21% at 31 December 2023 and 19% at 31 December 2022 and 1 January 2022.

The Company has adopted the Business Corporations Act as a whole and has retained the rules for creation of statutory reserve fund. The statutory reserve fund may be used only to offset losses.

Movement in equity instruments revaluation reserve (€ million):

Balance as at 1 January 2023	**(27)**
Total change in fair value in the period	(116)
Deferred tax on change in fair value	(6)
Balance as at 31 December 2023	**(149)**

Balance as at 1 January 2022	**22**
Total change in fair value in the period	(60)
Deferred tax on change in fair value	11
Exchange differences	–
Balance as at 31 December 2022	**(27)**

Movement in reserve for cash flow hedges – currency risk exposure in accordance:

€ million	Spot component designated for hedging	Term component designated for hedging	Total
Balance as at 1 January 2023	**129**	**(25)**	**104**
Total change in fair value in the period	(199)	(16)	(215)
Deferred tax on change in fair value	42	3	45
Total transfers to net profit in the period – effective hedging	(45)	36	(9)
Total transfers to net profit in the period – hedge ineffectiveness	2	–	2
Deferred tax on transfers to profit or loss – effective hedging	9	(8)	1
Deferred tax on transfers to profit or loss – hedge ineffectiveness	–	–	–
Basis adjustments to inventories carrying value – effective hedge	1	–	1
Deferred tax on transfers to inventories	–	–	–
Effect from a change in the tax rate	(3)	1	(2)
Balance as at 31 December 2023	**(64)**	**(9)**	**(73)**

Balance as at 1 January 2022	**16**	**13**	**29**
Total change in fair value in the period	238	(59)	178
Deferred tax on change in fair value	(45)	11	(34)
Total transfers to net profit in the period – effective hedging	(103)	12	(91)
Total transfers to net profit in the period – hedge ineffectiveness	2	–	2
Deferred tax on transfers to profit or loss – effective hedging	20	(2)	17
Deferred tax on transfers to profit or loss – hedge ineffectiveness	–	–	–
Basis adjustments to inventories carrying value – effective hedge	–	–	–
Deferred tax on transfers to inventories	–	–	–
Exchange differences arising from the translation of comparatives	2	–	2
Balance as at 31 December 2022	**129**	**(25)**	**104**

Transfers to profit or loss for the period – effective hedging:

€ million	2023	2022
Sales	2	(153)
Cost of sales	(19)	50
Other operating income	(18)	(7)
Other operating expense	26	19
Total transfers to profit or loss in the period – effective hedging	**(9)**	**(91)**

12.2 Retained Earnings

From the total amount of retained earnings of €3,658 million (as at 31 December 2022: €2,856 million) profit for the year 2023, net of tax, amounts to €1,322 million (2022: €520 million).

In compliance with the relevant regulation of the Business Corporations Act, the profit of the Company for the year 2023 (determined in accordance with IFRS) is going to be allocated based on the decision of the Company's annual general meeting. At the date of preparation of these financial statements, no dividend payments have been proposed, and the distribution of the Company's result for the year ended 31 December 2023 has not been approved.

13 Financial, Other and Trade Liabilities

13.1 Financial Liabilities

Balance as at 31 December 2023 € million	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Financial instruments designated as hedging instruments	Total
Financial non-current liabilities				
Negative fair value of financial derivatives	17	–	191	208
Leasing liabilities	–	47	–	47
Financial non-current liabilities in total	**17**	**47**	**191**	**255**
Financial current liabilities				
Negative fair value of financial derivatives	18	–	119	136
Leasing liabilities	–	16	–	16
Liabilities from short-term loans	–	–	–	–
Other	–	–	–	–
Financial current liabilities in total	**18**	**16**	**119**	**153**
Total	**35**	**63**	**310**	**407**

Balance as at 31 December 2022 € million	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Financial instruments designated as hedging instruments	Total
Financial non-current liabilities				
Negative fair value of financial derivatives	9	–	95	104
Leasing liabilities	–	44	–	44
Financial non-current liabilities in total	**9**	**44**	**95**	**148**
Financial current liabilities				
Negative fair value of financial derivatives	11	–	41	52
Leasing liabilities	–	21	–	21
Liabilities from short-term loans	–	140	–	140
Other	–	–	–	–
Financial current liabilities in total	**11**	**161**	**41**	**213**
Total	**20**	**205**	**136**	**360**

Balance as at 1 January 2022 € million	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Financial instruments designated as hedging instruments	Total
Financial non-current liabilities				
Negative fair value of financial derivatives	–	–	55	55
Leasing liabilities	–	39	–	39
Financial non-current liabilities in total	**0**	**39**	**55**	**93**
Financial current liabilities				
Negative fair value of financial derivatives	5	–	39	45
Leasing liabilities	–	21	–	21
Liabilities from short-term loans	–	–	–	–
Other	–	4	–	4
Financial current liabilities in total	**5**	**25**	**39**	**69**
Total	**5**	**63**	**94**	**163**

In the “Financial liabilities at fair value through profit or loss” portfolio is recognized the fair value of trading derivatives in 2023 (2022), see Note 3.3.4. Further information on the fair value of derivatives held for trading as required by IFRS 13 is disclosed in Note 3.6.

In the column Financial liabilities carried at amortised cost are reported lease liabilities and short-term loan liabilities from a company controlled by the ultimate parent company of the Volkswagen Group. Short-term loans bear interest at rates based on EURIBOR. The nominal value of short-term loans and interest payable are disclosed in Note 25. The weighted average effective interest rate of the short-term loans, weighted by the carrying amount at 31 December 2023, was 0% (31 December 2022: 2.16%). Due to the short-term nature of the short-term loan payables, their carrying amount approximates their fair value. Further information on the fair value of financial liabilities at amortized cost as required by IFRS 13 is disclosed in Note 3.6.

In the column Financial derivatives designated as hedging instruments there are the spot and the forward components related to the derivatives for currency risk hedging. For detailed information on financial derivatives, including information on their fair value in accordance with IFRS 13, see Notes 3.3.4 and 3.6.

None of the financial liabilities are secured by a lien.

13.2 Trade Liabilities

All trade liabilities are current in nature.

Balance as at 31 December 2023 € million	Financial liabilities at amortised cost
Trade liabilities	
Third parties	1,664
Subsidiaries	8
Other related parties	1,252
Total	**2,924**

Balance as at 31 December 2022 € million	
Trade liabilities	
Third parties	1,620
Subsidiaries	40
Other related parties	1,045
Total	**2,704**

Balance as at 1 January 2022 € million	
Trade liabilities	
Third parties	1,146
Subsidiaries	3
Other related parties	1,193
Total	**2,342**

Liabilities to a factoring company within the Volkswagen Group in amount of €0 million as at 31 December 2023 (as at 31 December 2022: €141 million and 1 January 2022: €81 million) are disclosed in line Trade liabilities to other related parties. These liabilities originated in the ordinary course of business and credit terms and maturity of the liabilities have not changed upon transfer to the factoring company.

Due to the short-term nature of trade liabilities, the carrying amount approximates the fair value. None of the trade liabilities are secured by a lien.

As part of trade liabilities there are advanced payments from customer contracts recognised as at 31 December 2023 in amount of €544 million (as at 31 December 2022: €430 million and 1 January 2022: €338 million) which represent expected future payments to customers for sale bonuses.

13.3 Non-Financial Liabilities

€ million	31 December 2023	31 December 2022	1 January 2022
Non-current non-financial liabilities			
Contract liabilities from considerations received	314	290	282
Non-current non-financial liabilities from customer contracts in total	**314**	**290**	**282**
Current non-financial liabilities			
Contract liabilities from considerations received	182	151	134
Advances received	106	231	143
Other	6	21	30
Current non-financial liabilities from customer contracts in total	**293**	**403**	**307**
Liabilities to employees	366	277	254
Social security and health insurance	46	37	34
Tax liabilities	–	1	–
Current non-financial liabilities in total	**706**	**718**	**596**
Total	**1,020**	**1,007**	**878**

As at 31 December 2023 (as at 31 December 2022) and as at 1 January 2022, contract liabilities from considerations received include mainly consideration received from extended warranty and Škoda Connect services which will be rendered in future periods.

14 Deferred Tax Liabilities and Assets

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset the current tax assets against current tax liabilities, and when the deferred income taxes relate to income taxes charged by the same fiscal authority.

Based on the amendment to IAS 12, see Note 1.2, the Company did not recognize any deferred tax assets and liabilities resulting from the introduction of the global minimum level of taxation as at 31 December 2023.

The movements in deferred tax liabilities and assets during the year, without taking into consideration the offsetting, are as follows:

€ million	Amortisation and impairment losses	Right-of-use assets	Financial derivatives*	Provisions and refundable considerations	Equity instruments	Other**	Total
Deferred tax liabilities							
Balance as at 1 January 2022	**(308)**	**(11)**	**(29)**	**–**	**(5)**	**(3)**	**(357)**
Credited/(debited) to the income statement	3	(1)	17	–	–	–	19
Charged to other comprehensive income	–	–	(24)	–	5	–	(19)
Exchange differences arising from the translation of comparatives	(9)	–	(1)	–	–	–	(11)
Balance as at 31 December 2022	**(315)**	**(13)**	**(37)**	**–**	**–**	**(3)**	**(367)**
Credited/(debited) to the income statement	(68)	(1)	31	–	–	(3)	(41)
of which effect from a change in the tax rate	(36)	(1)	4	–	–	(1)	(34)
Charged to other comprehensive income	–	–	5	–	–	–	5
of which effect from a change in the tax rate	–	–	(4)		–	–	(4)
Balance as at 31 December 2023	**(383)**	**(14)**	**(1)**	**–**	**–**	**(6)**	**(403)**

€ million	Amortisation and impairment losses	Lease liabilities	Financial derivatives*	Provisions and refundable considerations	Equity instruments	Other**	Total
Deferred tax assets							
Balance as at 1 January 2022	**–**	**11**	**16**	**308**	**–**	**56**	**392**
Credited/(debited) to the income statement	7	1	12	(15)	–	10	14
Charged to other comprehensive income	–	–	7	–	6	–	13
Exchange differences arising from the translation of comparatives	–	–	1	9	–	2	12
Balance as at 31 December 2022	**7**	**12**	**36**	**302**	**6**	**68**	**432**
Credited/(debited) to the income statement	(4)	1	(75)	43	–	2	(33)
of which effect from a change in the tax rate		1	(6)	33	–	6	34
Charged to other comprehensive income	–	–	39	–	(6)	–	33
of which effect from a change in the tax rate	–	–	5	–	–	–	5
Balance as at 31 December 2023	**3**	**13**	**0**	**345**	**0**	**70**	**432**

€ million	Amortisation and impairment losses	Leases under IFRS 16	Financial derivatives*	Provisions and refundable considerations	Equity instruments	Other**	Total
Deferred tax liabilities and assets net							
Balance as at 1 January 2022	(308)	–	(12)	308	(5)	53	36
Balance as at 31 December 2022	(308)	–	(1)	302	6	65	64
Balance as at 31 December 2023	**(380)**	**–**	**(1)**	**345**	**(0)**	**64**	**28**

* Further information on financial derivatives is disclosed in Note 2.5.3.

** As at 31 December 2023, the Other category mainly included deferred tax assets from temporary differences on valuation allowances in the amount of €8 million (31 December 2022: €22 million and 1 January 2022: €13 million), from accruals of costs and income in the amount of €29 million (31 December 2022: 19 million and 1 January 2022: €15 million), from social security for employees in the amount of €10 million (31 December 2022: €7 million and 1 January 2022: €6 million) and a deferred tax asset from incentives in the amount of €15 million (31 December 2022: €17 million and 1 January 2022: €16 million).

15 Non-Current and Current Provisions

Provisions € million	Warranty claims and recycling	Emission risks	Employee benefits	Litigation risks	Purchase risks	Other business risks	Total
Balance as at 1 January 2022	**878**	**279**	**184**	**52**	**227**	**224**	**1,844**
Utilised	(149)	–	(24)	–	(153)	(24)	(350)
Additions	168	23	34	–	131	85	442
Interest expense	(6)	–	–	–	–	–	(6)
Reversals	(106)	(8)	(28)	(12)	(6)	(18)	(178)
Exchange differences arising from the translation of comparatives	24	8	5	1	6	7	53
Balance as at 1 January 2023	**809**	**302**	**172**	**41**	**205**	**274**	**1,804**
Utilised	(183)	(284)	(37)	(2)	(157)	(79)	(743)
Additions	234	3	53	1	102	40	432
Interest expense	–	–	–	–	–	–	–
Reversals	(24)	–	–	(1)	–	(12)	(37)
Balance as at 31 December 2023	**836**	**20**	**187**	**39**	**150**	**223**	**1,456**

Non-current and current provisions according to the time of expected use of resources:

€ million	< 1 year	1–5 years	> 5 years	Total
Balance as at 31 December 2023				
Provisions for warranty claims and recycling	302	480	55	836
Provisions for emission risks	20	–	–	20
Provisions for employee benefits	35	18	135	187
Provisions for litigation risks	39	–	–	39
Provisions for purchase risks	150	–	–	150
Provisions for other business risks	223	–	–	223
Total	**770**	**497**	**190**	**1,456**
Balance as at 31 December 2022				
Provisions for warranty claims and recycling	301	457	51	809
Provisions for emission risks	302	–	–	302
Provisions for employee benefits	32	21	119	172
Provisions for litigation risks	41	–	–	41
Provisions for purchase risks	205	–	–	205
Provisions for other business risks	274	–	–	274
Total	**1,155**	**478**	**170**	**1,804**
Balance as at 1 January 2022				
Provisions for warranty claims and recycling	361	356	161	878
Provisions for emission risks	279	–	–	279
Provisions for employee benefits	27	16	141	184
Provisions for litigation risks	52	–	–	52
Provisions for purchase risks	227	–	–	227
Provisions for other business risks	224	–	–	224
Total	**1,170**	**372**	**302**	**1,844**

The provision for warranty claims and recycling includes mainly provision for basic guarantees (2-3 years), provision for corrosion guarantees (dependent on the model for 10 or 12 years) and other guarantees beyond the scope of basic warranty (except for extended warranty), especially good-will repairs. Furthermore, this provision includes expenses related to the ecological disposal of cars and batteries. This provision also includes expenses related to the ecological disposal of cars and batteries. The Company recognises the provisions for warranty claims at the moment of sale on the basis of the number of sold cars and in advance determined rates for individual model lines. Provision for extraordinary service actions is recognized at the time of identification of a technical defect in relation to the number of cars sold and the respective estimated rates set for the elimination of defect.

The provision for covering emission expenditures includes in particular the provision created on the basis of the Company's contractual obligation to the emission pool of the Volkswagen Group for the EU and Indian market. The Company recognizes a provision in the amount of the best possible estimate of future expenses due to exceeding the permitted emission limits monitored at the Class of the emission pool, which are allocated to the Company. Detailed information on this provision is disclosed in Note 2.19.

Provisions for employee benefits consist mainly of provision for other long-term employee benefits and provision for termination benefits.

Provisions for litigation risks relate mainly to provision for risks arising from legal disputes, legal fees, penalty interest and other litigation risks. The Company provides for the probable cash outflows for existing legal, arbitration or other proceedings by means of a relevant provision. The Company is not involved in any legal cases, arbitration or other proceedings for which no provision has been created and which could have a material impact on the financial position and the financial results (financial statements) of the Company and there are no such proceedings expected in the near future.

The provision for purchase risks is made for future probable expenses from open business negotiations with suppliers, which in 2022 were further exacerbated mainly by the overall crisis triggered by the Russian-Ukrainian conflict. This armed conflict was the main cause of rising input and energy prices and inflation in Europe and prices only partially stabilized in 2023.

Other provisions include mainly provision for tax risks (other than income taxes) and customs risks in countries where the Company operates, and other business risks related to project feasibility. These includes provisions for onerous contracts taking into account the risks of winding down activities on the Russian market and the risks arising from changes in the production programme, see Note 2.19. In 2022, the Company recorded a provision for risk of reduced activities in the Russian market in the total amount of €70 million. In 2023, this provision was utilized in the amount of €53 million and a provision of €22 million has been added.

16 Sales

€ million	**2023**	**2022**
Cars	19,396	14,126
Spare parts and accessories	1,167	1,039
Supplies of components within Volkswagen Group	2,832	2,172
Income from licence fees within Volkswagen Group	81	53
Revenues from services	326	358
Other	212	186
Revenue from contracts with customers in total	**24,014**	**17,933**
Gains/(losses) from derivative transactions - hedging of future sales	(3)	153
Total	**24,012**	**18,086**

In 2023 (2022) line Other relates mainly to sales of used cars, scrap and tooling.

The item Gains from derivative transactions - hedges of receivables includes effect from settlement of currency-risk hedging financial instruments upon selling of foreign currencies.

Revenue From Contracts with Customers by Geographical Regions:

2023 € million	Cars	Spare parts and accessories	Supplies of components within Volkswagen Group	Revenues from batteries (MEB, PHEV)	Income from licence fees within Volkswagen Group	Revenues from services	Other	Total
Main geographical regions								
Central and Eastern Europe	4,756	503	66	93	–	89	104	5,611
Western Europe	12,920	623	715	1,513	79	195	105	16,150
Overseas /Asia	1,720	41	446	–	2	41	4	2,253
Total	**19,396**	**1,167**	**1,226**	**1,605**	**81**	**326**	**212**	**24,014**
Timing of revenue recognition								
At a point in time	19,396	1,167	1,226	1,605	81	126	212	23,814
Over time	–	–	–	–	–	200	–	200
Total	**19,396**	**1,167**	**1,226**	**1,605**	**81**	**326**	**212**	**24,014**

2022 € million	Cars	Spare parts and accessories	Supplies of components within Volkswagen Group	Revenues from batteries (MEB, PHEV)	Income from licence fees within Volkswagen Group	Revenues from services	Other	Total
Main geographical regions								
Central and Eastern Europe	3,363	447	171	95	22	81	86	4,265
Western Europe	9,570	561	534	903	24	230	84	11,907
Overseas /Asia	1,193	32	469	–	6	46	16	1,761
Total	**14,126**	**1,039**	**1,174**	**998**	**53**	**358**	**186**	**17,933**
Timing of revenue recognition								
At a point in time	14,126	1,039	1,174	998	53	173	186	17,749
Over time	–	–	–	–	–	185	–	185
Total	**14,126**	**1,039**	**1,174**	**998**	**53**	**358**	**186**	**17,933**

The following table shows how much revenue recognised in current accounting period relates to transferred contract liabilities and how much relates to the performance obligations satisfied in prior periods:

€ million	2023	2022
Revenue arising from contract liability expected to be satisfied settled in the following periods and are included in the balance of non-financial liabilities at the end of the financial year	**139**	**139**
of which:		
Extended warranty	94	104
Services	45	35
Revenue recognised from the performance obligations satisfied in prior periods - release of provisions and accruals relating to change in transaction price	**41**	**44**

In the following table there are the amounts of the transaction price which have not yet been recognised as revenue at 31 December 2023 (31 December 2022) in relation to extended warranty, licences and services for which the realisation timing is in the following years:

€ million	2024	2025 – 2028
Revenue arising from contract liability expected to be settled in the following periods and are included in the balance of non-financial liabilities at the end of the financial year		
Extended warranty	101	250
Services	81	64
Total revenue	**182**	**314**

€ million	2023	2024 – 2027
Revenue arising from contract liability expected to be settled in the following periods and are included in the balance of non-financial liabilities at the end of the financial year		
Extended warranty	103	239
Services	49	50
Total revenue	**151**	**290**

In addition to Revenue arising from contract liability expected to be settled in the following periods the Company had in 2023 (2022) contractual obligations from open orders for cars. The Company did not use any practical expedient for revenue disclosures and did not incur any costs to obtain contracts with customers.

17 Other Operating Income

€ million	2023	2022
Income from licence fees not relating to the ordinary activities	10	9
Foreign exchange gains	173	314
Gains from derivative transactions	66	91
Reversal of provisions	1	13
Reversal of loss allowance provision for receivables	7	8
Other	101	69
Total	**359**	**504**

Other in 2023 (2022) includes mostly reinvoicing of expenses and compensation costs.

Foreign exchange gains include mainly gains from differences in exchange rates between the dates of recognition and payment of receivables and payables denominated in foreign currencies, as well as exchange rate gains resulting from translation as at the balance sheet date of these receivables and payables. Foreign exchange losses from these items are included in other operating expenses.

18 Other Operating Expenses

€ million	2023	2022
Foreign exchange losses	162	250
Losses from derivative transactions	104	114
Receivables write-offs and impairments*	16	44
Additions to other provisions	18	9
Other	6	29
Total	**306**	**447**

* The line Receivables write-offs and impairments also includes the utilization of the specific allowance created in 2022 for impairment of receivables from licenses related to business activities in Russia in the amount of €31 million, see section 3.1.5. for the reduction of the total value of the above-mentioned expenses.

19 Financial Result

€ million	2023	2022
Interest income	16	50
Foreign exchange gains from cash	6	8
Foreign exchange gains from spot operations	8	3
Foreign exchange gains from loans	–	4
Dividend income	17	18
Income from the sale of Financial investments	21	–
Total financial income	**68**	**83**
Interest expense of lease liabilities	3	2
Interest expense of loans liabilities	2	1
Other interest expense	1	–
Foreign exchange losses from cash	11	9
Foreign exchange losses from spot operations	8	4
Factoring fees	33	22
Impairment losses on Financial investments	13	109
Derecognition of sold Financial investments*	68	–
Other financial expenses	2	2
Total financial expenses	**141**	**148**
Net financial result	**(73)**	**(65)**

* The line Derecognition of sold Financial investments includes, in addition to their derecognition value, the utilisation of the impairment provision created in 2022 for the impairment of these investments amounting to €74 million, which reduces the total derecognition cost.

Dividend income in 2023 includes mainly dividend income of €11 million from the investment in SAIC (2022: €14 million).

20 Net Gains and Losses From Financial Instruments

€ million	2023	2022
Financial instruments at fair value through profit or loss	(30)	(12)
Financial assets at amortised cost	(38)	(52)
Financial assets at fair value through other comprehensive income	11	14
Financial liabilities at amortised cost	18	61
Financial instruments designated as hedging instruments	8	89
Net gains/(losses) in profit or loss	**(32)**	**101**
Financial instruments designated as hedging instruments	(221)	90
Financial assets at fair value through other comprehensive income	(115)	(60)
Net gains/(losses) in profit or loss through other comprehensive income	**(336)**	**30**
Total net gains/(losses)	**(367)**	**130**

Gains resp. losses from financial derivatives held for trading are recognized in Financial instruments at fair value through profit or loss in 2023 (2022).

Foreign exchange gains/losses on deposits, interest income on deposits, impairment losses on financial assets and losses on derecognition of financial assets at amortized cost are recognized in Financial assets at amortized cost in 2023 (2022). In 2023, the gain/loss on derecognized financial assets at amortized cost amounted to €73 million (2022: €23 million).

The item Financial liabilities at fair value mainly includes unrealised and realised foreign exchange gains/losses on liabilities in 2023 (2022).

In 2023 (2022), Financial assets at fair value through other comprehensive income include income from dividends from investments in equity instruments recognized in the income statement and gains/losses from revaluation of equity investments carried at fair value in other comprehensive income.

Financial instruments designated as hedging instruments include in 2023 (2022) gains and losses from financial instruments designated as hedging instruments recognized in the income statement and revaluation gains and losses on Financial instruments designated as hedging instruments recognized in other comprehensive income.

Further information on net gains and losses on financial instruments recognized in other comprehensive income is disclosed in Note 12.

21 Income Tax

€ million	2023	2022
Current tax expense	**264**	**166**
of which: adjustment in respect of prior years	11	11
Deferred tax	**74**	**(33)**
Income tax total	**338**	**133**

Statutory income tax rate in the Czech Republic for the 2023 tax year was 19% (2022: 19%).

As at 31 December 2023, deferred income taxes attributable to the Czech tax jurisdiction were measured at a tax rate of 21% that corresponds to the statutory tax rates enacted for the future periods when realisation of deferred tax asset and liabilities is expected. As at 31 December 2022, deferred income taxes attributable to the Czech tax jurisdiction were measured at a tax rate of 19% that corresponded to the statutory tax rates enacted for the future periods when realisation of deferred tax assets and liabilities is expected.

Reconciliation between Expected and Effective Income Tax Expense

€ million	2023	2022
Profit before tax	1,659	653
Expected income tax expense	**315**	**124**
Proportion of taxation relating to:		
Permanent differences resulting from:		
Tax exempt income	(8)	(4)
Expenses not deductible for tax purposes	38	30
Tax allowances and other tax credits*	(18)	(9)
Adjustment to current tax expense relating to prior periods	(10)	(11)
Value adjustment of deferred tax assets from unused tax credits from investment incentives	2	–
Profit share	2	2
Effect from a change in the tax rate	0	–
Effect from a change of the functional currency	16	–
Income tax expense	**338**	**133**
Effective income tax rate	20%	20%

* Tax allowances and other tax credits represent mainly tax credits from double deduction of research and development costs.

The Company is subject to the enacted Pillar Two model rules relating to the global minimum level of taxation, see Note 2.7.1. These model rules have been adopted in Czech tax legislation with effect for tax years beginning after 31 December 2023. The Company has carried out an assessment of its potential income tax exposure under Pillar Two in 2023. Based on the Company's financial performance data for 2021 and 2022, the effective income tax rate under Pillar Two was above 15%. Based on the estimate, which is based on the available data, the Company does not expect any potential exposure to additional Pillar Two taxes.

22 Subsidies, Government Grants and Investment Incentives

In 2023, the Company recognised income from subsidies for non-investment projects in research and development, increased qualifications of employees and mobility of students and teachers from vocational school (Škoda Auto a.s., Střední odborné učiliště strojírenské, odštěpný závod) in the total amount of €3 million (2022: €4 million).

Investment incentives

To be granted the investment incentives, the Company has to meet the General conditions of paragraph 2 art. 2 of the Act No. 72/2000 Coll., on Investment Incentives, as amended and conditions of paragraph 6a art. 2 and 5 of the same Act and Special conditions paragraph 35b of the Act No. 586/1992 Coll., on Income Tax as amended. For the investment incentives granted to the Company, the total amount of the incentive is always dependent on the amount invested.

The following table summarises granted investment incentives and their use in 2023 (€ million):

Investment incentive	Maximum amount of the investment incentive	Recognised deferred tax asset from investment incentives	Utilisation of tax credits from investment incentives
Enlargement of the production assortment for the production of electric vehicles	15	15	–
Total	**15**	**15**	**–**

The following table summarises granted investment incentives and their use in 2022 (€ million):

Investment incentive	Maximum amount of the investment incentive	Recognised deferred tax asset from investment incentives	Utilisation of tax credits from investment incentives
Enlargement of the production assortment for the production of electric vehicles	17	17	–
Total	**17**	**17**	**–**

23 Commitments and Contingencies

At the balance sheet date, the Company had following commitments and contingencies:

€ million	< 1 year	1–5 years	> 5 years	31 December 2023
Capital commitments – land, property, plant and equipment	452	93	–	544
Capital commitments – intangible assets	653	433	6	1,092
Future lease payments for short-term and low-value leases	13	24	20	56
Future environmental protection obligations	–	8	5	13

€ million	< 1 year	1–5 years	> 5 years	31 December 2022
Capital commitments – land, property, plant and equipment	388	79	–	467
Capital commitments – intangible assets	726	450	21	1,197
Future lease payments for short-term and low-value leases	12	18	21	50
Future environmental protection obligations	–	6	–	6

In 2023 (2022), the Company leased especially office equipment and pallets for transport based on the short-term and low-value lease agreements. Cash outflows from the options to extend leases were €5 million (2022: €13 million).

Under Future environmental protection obligations, future liabilities from contracts entered into for the acquisition of EACs* certificates are recognised.

The Company is committed to ensure the availability of spare parts for Škoda vehicles for a period of at least 10 years after the end of production of individual models or their import to specific markets. Given the nature and substance of this commitment, it cannot be reliably measured.

* EACs certificates are certificates that are generated by renewable energy production.

24 Expenses by Nature

€ million	2023	2022
Material costs – raw materials and other supplies, goods	17,277	12,960
Production related services	594	336
Personnel costs, of which:	2,067	1,749
Wages	1,575	1,323
Pension benefit costs (defined contribution plans) incl. employer's contribution	298	270
Social insurance and other personnel costs	195	156
Depreciation, amortisation, impairment losses and reversal of impairment losses	912	1,068
Depreciation of right-of-use assets, and impairment losses	23	21
Low-value leases expense	6	5
Short-term lease expense	7	6
Transport and other selling costs	377	261
Advertising and sales promotion costs	158	148
Maintenance and repair costs	136	125
Other services	776	747
Total cost of sales, distribution and administrative and selling expenses	**22,332**	**17,425**
Number of employees		
Number of employees*	38,014	37,836

* Average number of employees including temporary employees and without apprentices

The item Other services mainly includes costs for launching new products, cleaning services and consultancy.

25 Related Party Transactions

The sole shareholder of the Company was VOLKSWAGEN FINANCE LUXEMBURG S.A. during the whole accounting period ended 31 December 2023 (31 December 2022). Volkswagen AG was the ultimate parent company and the ultimate controlling party during the whole accounting period ended 31 December 2023 (31 December 2022).

Items in category Other related parties are companies under joint control of Volkswagen AG, however, for the purposes of compiling the Report on relations they do not meet the definition of an entity controlled by the same controlling entity pursuant to paragraph 74 of the Act No. 90/2012 Coll., Business Corporations Act, as amended.

Škoda Auto a.s. acquired shares in the amount of €67 million in Scania Leasing, limited liability company under Russian law based in Moscow, Russian Federation, Scania Finance, limited liability company under Russian law based in Moscow, Russian Federation and Scania Insurance, limited liability company under Russian law based in Moscow, Russian Federation, through purchase from SCANIA CV AKTIEBOLAG and became a shareholder in the above companies. The Company's interest in each of these companies was 16.8%. Shares, which Škoda Auto a.s. acquired in the above-mentioned companies, were contributed to OOO Volkswagen Group Rus on 22 February 2023 that was sold in May 2023, see Note 7.

Other capital transactions with subsidiaries and associates are disclosed in Notes 6 and 7.

The Company Participated in the Following Transactions With Related Parties

Sales to Related Parties € million	**2023**	**2022**
Parent company		
VOLKSWAGEN FINANCE LUXEMBURG S.A.	–	–
Ultimate parent company		
Volkswagen AG	544	691
Subsidiaries		
Škoda Auto Slovensko s.r.o.*	454	323
Škoda Auto Volkswagen India Pvt. Ltd.	308	351
Škoda X s.r.o.**	–	–
ŠKODA AUTO DigiServices s.r.o. v likvidaci	–	–
UMI Urban Mobility International Česká republika s.r.o.	–	–
Associates		
OOO Volkswagen Group Rus	2	138
ŠKO-ENERGO, s.r.o.	–	–
ŠKO-ENERGO FIN s.r.o. v likvidaci	–	–
Digiteq Automotive s.r.o.	–	–
Green:Code s.r.o.	–	–
Companies controlled by ultimate parent company	**15,532**	**11,138**
Other related parties	**30**	**28**
Total	**16,870**	**12,669**

* From 23 August 2023, the name of the Company was changed from ŠKODA AUTO Slovensko s.r.o. to Škoda Auto Slovensko s.r.o.
** From 31 May 2023, the name of the Company was changed from ŠKODA AUTO DigiLab s.r.o. to Škoda X s.r.o.

The values disclosed in the Sales to related parties table are further detailed by individual contracts below:

€ million	**2023**	**2022**
Cars	13,158	9,652
Spare parts and accessories	758	680
Supplies of components within Volkswagen Group	1,226	1,174
Revenues from batteries (MEB, PHEV)	1,605	998
Services	64	121
Other	59	45
Total	**16,870**	**12,669**

In addition to revenue specified in the table Sales to related parties, the Company also earned income from licence fees:

€ million	**2023**	**2022**
Income from licence fees within Volkswagen Group		
Ultimate parent company	–	–
Subsidiaries	–	–
Associates	–	23
Other related parties	81	30
Total	**81**	**53**

In addition to the revenue specified in the table Sales to related parties, the Company also earned income from related parties transactions relating to interest from intercompany loans and deposits:

€ million	**2023**	**2022**
Interest income from loans and deposits		
Ultimate parent company	–	–
Companies controlled by ultimate parent company	3	41
Total	**3**	**41**

Dividends received from subsidiaries are disclosed in Note 6. Dividends received from associates are disclosed in Note 7.

Dividends paid from other equity instruments are disclosed in Note 19.

Purchases From Related Parties

€ million	2023	2022
Parent company		
VOLKSWAGEN FINANCE LUXEMBURG S.A.	–	–
Ultimate parent company		
Volkswagen AG	5,753	3,665
Subsidiaries		
Škoda Auto Slovensko s.r.o.*	7	6
Škoda Auto Volkswagen India Pvt. Ltd.	107	85
Škoda X s.r.o.**	10	10
ŠKODA AUTO DigiServices s.r.o. v likvidaci	–	–
UMI Urban Mobility International Česká republika s.r.o.	–	–
Associates		
OOO Volkswagen Group Rus	–	9
ŠKO-ENERGO, s.r.o.	151	124
ŠKO-ENERGO FIN s.r.o. v likvidaci	–	–
Digiteq Automotive s.r.o.	37	30
Green:Code s.r.o.	8	2
Companies controlled by ultimate parent company	**1,749**	**1,393**
Other related parties	**–**	**–**
Total	**7,822**	**5,323**

* From 23 August 2023, the name of the Company was changed from ŠKODA AUTO Slovensko s.r.o. to Škoda Auto Slovensko s.r.o.
** From 31 May 2023, the name of the Company was changed from ŠKODA AUTO DigiLab s.r.o. to Škoda X s.r.o.

The values presented in the table Purchases from Related Parties are further detailed by individual items:

€ million	2023	2022
Purchases related to:		
Production	5,212	3,547
Services and overhead costs	2,145	1,460
Transport	183	125
Spare parts and accessories	208	142
Investments	74	50
Total	**7,822**	**5,323**

In addition to the costs shown in the Purchases from related parties table, the Company also incurred interest expense on its short-term loan from related party transactions:

v mil. €	2023	2022
Interest expenses on short-term loans		
Ultimate parent company	–	–
Companies controlled by ultimate parent company	2	1
Total	**2**	**1**

In addition to the aforementioned purchases and interest expenses, in the year 2023 (2022), the Company also reported expenses related to gifts and contributions in the amount of €8 million(€4 million), which were realized through transactions with non-profit and public benefit organizations.

The amount of dividends paid and approved by the parent company is disclosed in Note 11.

Receivables From Related Parties

The receivables listed in the following table include only trade receivables and, where applicable, receivables from licenses for all listed categories of related parties:

€ million	31 December 2023	31 December 2022
Parent company		
VOLKSWAGEN FINANCE LUXEMBURG S.A.	–	–
Ultimate parent company		
Volkswagen AG	194	150
Subsidiaries		
Škoda Auto Slovensko s.r.o.*	41	31
Škoda Auto Volkswagen India Pvt. Ltd.	127	129
Škoda X s.r.o.**	1	–
ŠKODA AUTO DigiServices s.r.o. v likvidaci	–	–
UMI Urban Mobility International Česká republika s.r.o.	–	–
Associates		
OOO Volkswagen Group Rus	–	10
ŠKO-ENERGO, s.r.o.	–	–
ŠKO-ENERGO FIN s.r.o. v likvidaci	–	–
Digiteq Automotive s.r.o.	1	–
Green:Code s.r.o.	–	–
Companies controlled by ultimate parent company	**848**	**614**
Other related parties	**8**	**33**
Total	**1,219**	**967**

* From 23 August 2023, the name of the Company was changed from ŠKODA AUTO Slovensko s.r.o. to Škoda Auto Slovensko s.r.o.
** From 31 May 2023, the name of the Company was changed from ŠKODA AUTO DigiLab s.r.o. to Škoda X s.r.o.

Receivables from licence fees are specified below:

€ million	31. 12. 2023	31. 12. 2022
Receivables licence fees		
Ultimate parent company	–	–
Subsidiaries	–	–
Associates	–	2
Other related parties	3	17
Total	**3**	**18**

An individual allowance of €31 million has been made for licence receivables from affiliates in 2022. The individual allowance has been utilized in 2023 see Note 3.1.5.

In addition to trade receivables and receivables from licence fees, the Company as at 31 December 2023 also had deposits including cash pooling in companies controlled by ultimate parent company in the nominal amount of €72 million (as at 31 December 2022: €69 million). Receivables from interest from the loans as at 31 December 2023 amounted to €0 million (as at 31 December 2022: €0 million). The weighted average effective interest rate on current deposits with original maturity less than three months (including cash pooling) is disclosed in Note 10. In addition to that, the Company also had receivable from its ultimate parent company Volkswagen AG amounting to €11 million as at 31 December 2023 relating mainly to the claim refund necessary for settlement of the provision for service action and other expenditures related to technical measures for cars equipped with EA189 engines (as at 31 December 2022: €11 million).

Receivables from related parties are considered by the Company to be less risky. The products delivered to the related parties are supplied on credit terms or the resulting receivables are transferred to factoring companies. Amount of allowances for receivables due as stated in credit terms is determined according to simplified approach using provision matrix described in Note 3.1.5. No impairment loss was identified for any of the receivables transferred to factoring companies. The value of receivables from related parties that will be subject to factoring is stated in Note 8.2. Further information on these receivables classified in the FVPL portfolio is provided in Notes 2.5.1 and 3.1.3. As at 31 December 2023, the Company had open receivables from the factoring companies of the Volkswagen Group in the amount of €62 million (as at 31 December 2022: €10 million). Furthermore, in 2023, the Company assigned its trade receivables to these factoring companies in the amount of €9,270 million (2022: €10,221 million).

Further, in 2023, the Company, as a member of the EU Emissions Pool and the UK Emissions Pool, recognised receivables in respect of claims for internal settlement of realised emissions savings within the pool totalling €22 million (31 December 2022: €5 million).

Liabilities to Related Parties

The liabilities listed in the following table include only trade payables for all listed categories of related parties:

€ million	31 December 2023	31 December 2022
Parent company		
VOLKSWAGEN FINANCE LUXEMBURG S.A.	–	–
Ultimate parent company		
Volkswagen AG	580	265
Subsidiaries		
Škoda Auto Slovensko s.r.o.*	–	–
Škoda Auto Volkswagen India Pvt. Ltd.	7	37
Škoda X s.r.o.**	2	2
ŠKODA AUTO DigiServices s.r.o. v likvidaci	–	–
UMI Urban Mobility International Česká republika s.r.o.	–	–
Associates		
OOO Volkswagen Group Rus	–	4
ŠKO-ENERGO, s.r.o.	10	10
ŠKO-ENERGO FIN s.r.o. v likvidaci	–	–
Digiteq Automotive s.r.o.	6	6
Green:Code s.r.o.	1	1
Companies controlled by ultimate parent company	**652**	**759**
Other related parties	**1**	**1**
Total	**1,260**	**1,084**

* From 23 August 2023, the name of the Company was changed from ŠKODA AUTO Slovensko s.r.o. to Škoda Auto Slovensko s.r.o.
** From 31 May 2023, the name of the Company was changed from ŠKODA AUTO DigiLab s.r.o. to Škoda X s.r.o.

Trade payables also include payables to a factoring company within the Volkswagen Group in the amount of €0 million as at 31 December 2023 (31 December 2022: €141 million). For more information on these payables see Note 13.2.

The Company has a factoring agreement with ŠkoFIN s.r.o., according to which ŠkoFIN s.r.o. can claim compensation for realized credit losses under certain conditions. Detailed information on this financial guarantee is disclosed in Note 3.1.6.

In addition to trade payables, the Company had short-term loan liability with a company controlled by the ultimate parent company with a nominal value of €0 million as at 31 December 2023 (31 December 2022: €140 million). Interest payable on short-term loans as at 31 December 2023 amounted to €0 million (31 December 2022: €41 thousand). The weighted average effective interest rate on short-term borrowings is disclosed in Note 13.

Other Related Party Transactions

In 2023 and 2022, the Company entered into internal derivative contracts directly with the ultimate parent company Volkswagen AG to hedge currency and price risk. As at 31 December 2023, the fair value of receivables from internal derivative contracts was €238 million (31 December 2022: €293 million). The fair value of liabilities from internal derivative contracts amounted to €344 million as at 31 December 2023 (31 December 2022: €156 million). Further information on internal derivatives for currency risk hedging is disclosed in Note 3.3.4. Information on Investments in subsidiaries is disclosed in Note 6, information on Investments in associates is disclosed in Note 7 and information on Investments in equity instruments issued by related parties is disclosed in Note 8.1.

Based on the contractual obligation arising from its membership of the EU Emissions Pool, the Company has recognized a provision to cover emissions expenditures in 2020. This provision has been fully utilised in 2023 based on the final settlement of emission obligations. Total amount of the provision to cover emission expenditure within the EU was therefore €0 million as at 31 December 2023 (31 December 2022: €284 million).

Outside of the European region, the Company is part of a “consortium” of Volkswagen companies that must comply with stricter emissions legislation due to joint responsibility for the Indian manufacturer and dealer. As at 31 December 2023, the total provision for future expenses arising from internal settlements for vehicles sold in India was €20 million (31 December 2022: €18 million).

Further information on provisions for emission risks is disclosed in Note 15.

€ million	**31 December 2023**	**31 December 2022**
Contractual obligations and other future commitments		
Ultimate parent company	1,086	1,161
Subsidiaries	–	–
Associates	–	–
Companies controlled by ultimate parent company	68	77
Total	**1,154**	**1,238**

Contractual obligations to related parties include mainly commitments in respect of research and development costs and tooling rights.

As of 31 December 2023, the Company reported a liability related to a donation to the Nadační Fond Škoda Auto (Škoda Auto Endowment Found) in the amount of €4 million (31 December 2022: €0 million).

Information on Key Management Personnel Remuneration

€ million	**2023**	**2022**
Salaries and other short-term employee benefits*	25	23
Pension benefit costs (defined contribution plans)	1	1
Share-based payment	4	5
Total	**30**	**28**

* Salaries and other short-term employee benefits include besides wages, salaries, bonuses and non-monetary remuneration also health and social insurance paid by employer for employees.

Key management personnel include members of the Board of Management, the Supervisory Board and managers of the Company having authority and responsibility for planning, directing and controlling the activities of the Company.

€12 million out of the total amount disclosed in the line Salaries and other short-term employee benefits was outstanding as at 31 December 2023 (31 December 2022: €12 million).

The remuneration system for key management members consists of a fixed and variable part. Variable remuneration consists of an annual bonus dependent on the return on investment and return on sales result for Škoda Auto including its subsidiaries and for the Volkswagen Group within the one-year evaluation period and from long-term incentives in the form of so-called Performance Shares Plan with three-year period tied to the future development of priority shares of the company VOKLSWAGEN AG (share-based payments). For more details see Note 2.17. A total of 35,003 performance shares were allocated to key management members in 2023 (2022: 23,230 performance shares).

The total target amounts for certain key members of the Company’s management for the 2023–2024 performance period amounted as of grant date 1 January 2023 to €5 million (for the 2022–2023 period as of grant date 1 January 2022 amounted to €7 million). The corresponding costs of €6 million (2020: €5 million) were reported as personnel costs (see Note 24). Should the beneficiaries of the Performance Shares Plan leave the Company as of 31 December 2023, the intrinsic value of the vested share-based payments would amount to a total of €5 million (2022: €0 million).

The system of remuneration of additional key management members consists of a fixed and variable part. Variable remuneration consists of an annual bonus dependent on the ROI and ROS result for Škoda Auto including its subsidiaries and also for the Volkswagen Group within the one-year evaluation period and from long-term bonus dependent on the price development of Volkswagen AG’s preference shares (including dividend and EPS*) for the past three years. For more details see Note 2.17.

* EPS Earnings per share

26 Other Information

The compensation paid to the Company's auditors for the accounting period 2023 was €3 million (2022: €2 million) and covered the following services:

€ million	2023	2022
Audit of Annual Financial Statements	1	1
Other Assurance Services	–	–
Tax and related services	–	–
Other advisory services	2	1
Total	**3**	**2**

27 Contingent Liabilities

The Company has noted contingent liabilities in connection with the diesel engines issue representing claims made through lawsuits against the Company. These claims meet the criteria of a contingent liability, but their value could not be disclosed, because it is not possible to reliably quantify the potential settlement conditions of such claims. Currently, these proceedings are at various stages and in number of them the claimants still have not specified the value of their claims. Chances of success of such claims may be currently assessed as less than 50%. The courts give the prosecutors and defendants room to find a settlement of disputes by dead of arrangement.

In some countries (especially in Belgium, the Netherlands and the United Kingdom), there are judicial proceedings conducted or prepared on the basis of collective actions or legal instruments of similar nature against the Company and other companies of the Volkswagen Group or also against other persons, which assert, inter alia, claims for monetary compensation. Given that in many cases the proceedings are not yet at a later stage, or the actions filed are seeking declaratory decisions, the amount of the claims asserted cannot yet be quantified with certainty.

In addition to the above, individual actions were filed in some countries against the Company, in which the claimants mostly seek alleged compensation for alleged damage or replacement of allegedly defective vehicles with defect-free vehicles.

Currently, it is impossible to reliably estimate the number of customers who will use the possibility to bring their alleged claims against the Company by filing a lawsuit in the future, nor what the chances of success of such claims will be. Likewise, it is not possible to reliably estimate how many customers bring their alleged claims against dealers, service partners and importers of Škoda brand, what actions they will seek and what will be the extent of their success. It can be also expected that dealers, service partners and importers of Škoda brand who would not be successful in disputes started by customers, could then exercise alleged recourse claims against the Company.

Potential costs arising from alleged claims and proceedings in connection with the diesel engines would be compensated to the Company by the Volkswagen AG.

28 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 2023.

29 Information About Volkswagen Group

Škoda Auto a.s. is a subsidiary included in the consolidation group of its ultimate parent company, Volkswagen AG, with a registered office in Wolfsburg, the Federal Republic of Germany.

The Volkswagen Group consists of two divisions – Automotive and Financial Services. The activities related to the Automotive Division include the development of vehicles, engines and vehicle software, production and sale of passenger and commercial cars, trucks, buses and motorcycles as well as the business with spare parts, large-bore diesel engines, turbomachinery and propulsion components. The following brands belong to Volkswagen Group: Audi, Bentley, CARIAD, CUPRA, Ducati, Lamborghini, MAN, MOIA, Navistar, Porsche, Scania, SEAT, Škoda, TRATON, Volkswagen Passenger Cars and Volkswagen Commercial Vehicles.

The Financial Services Division includes activities related to the dealer and customer financing, vehicle leasing, banking and insurance activities, the fleet management and mobility services.

Škoda Auto and its subsidiaries (see Note 6) and its investments in associates (see Note 7) are included in the consolidation of Volkswagen Group's financial statements. These consolidated financial statements, and other information relating to the Volkswagen Group, are available in the annual report of Volkswagen AG and on its internet site www.volkswagen-group.com.

Mladá Boleslav, 26 February 2024

The Board of Management:

Klaus Zellmer

Andreas Dick

Maren Gräf

Martin Jahn

Johannes Neft

Holger Peters

Karsten Schnake

Persons Responsible for Accounting:

Dana Němečková

Zbyněk Halíř

Report on Relations of the company Škoda Auto a.s.

Pursuant to the provisions of Section 82 of Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (hereinafter referred to as the “Business Corporations Act”) for the accounting period 1 January – 31 December 2023

The Board of Management of Škoda Auto a.s., having its registered office tř. Václava Klementa 869, Mladá Boleslav II, 293 01 Mladá Boleslav, identification number 00177041, registered in the Commercial Register kept by Municipal Court in Prague, with File No. B 332 (hereinafter referred to as “the Company” or “Škoda Auto” or “Controlled entity”), prepared the following Report on Relations pursuant to the provision of § 82 of Business Corporations Act, in the accounting period 1 January – 31 December 2023 (hereinafter referred to as “the Period”).

1 Structure of Relations

The Company has been a part of VOLKSWAGEN Group (hereinafter referred to as “the Group”) for the whole Period, where the controlling entity is VOLKSWAGEN AKTIENGESELLCHAFT (hereinafter referred to as “Volkswagen AG” or “the Controlling Entity”).

Škoda Auto company was in the Period indirectly controlled by Volkswagen AG based at Berliner Ring 2, 384 40 Wolfsburg, Federal Republic of Germany through VOLKSWAGEN FINANCE LUXEMBURG S.A. seated in 19/21 route d‘Arlon, L-8009, Luxembourg, Grand Duchy of Luxembourg, which is the sole shareholder of the Company.

The Controlling Entity is the ultimate parent company of the Group, the activities of which comprise especially the development of vehicles and aggregates, automotive software, the production and sale of passenger and commercial cars, trucks, buses, and motorcycles, as well as business with spare parts, large-bore diesel engines and turbo machinery (via brands Audi, Bentley, CARIAD, CUPRA, Ducati, Lamborghini, MAN, MOIA, Navistar, Porsche, Scania, SEAT, Škoda, TRATON, Volkswagen Passenger Cars and Volkswagen Commercial Vehicles). In addition, the Group engages in financial services segment in activities related to the dealer and customer financing, leasing, banking and insurance services, and the fleet management.

Information about the structure of relations is stated as at 31 December 2023, based on the information available to the statutory body of the Company acting with due managerial care. The ownership structure of Škoda Auto is graphically illustrated in the Appendix. The ownership structure between the Controlling Entity and the Controlled Entity and between the Controlled Entity and persons controlled by the same Controlling Entity is available on the website www.volkswagen-group.com.

2 Function of the Company within the Group

The Company operates in the Automotive Division of the Group and focuses particularly on the development, production and sale of vehicles of the Škoda brand, its spare parts and accessories, and the development and production of components for other Group companies. The Company holds interests in subsidiaries within Škoda Auto Group and in other companies. The overview of the interests is illustrated in the Appendix.

3 Means of Control

During the Period, the Company was indirectly controlled by the Controlling Entity through the sole shareholder VOLKSWAGEN FINANCE LUXEMBURG S.A. The Company is controlled mainly through decision of the sole shareholder during the general meetings. Important decisions influencing the Company’s operations are approved within the Group’s respective boards.

4 Overview of Transactions Realised at the Instigation or in the Interest of the Controlling Entity or Entities Controlled by the Controlling Entity, Involving Assets Exceeding 10% of the Company’s Equity as Determined by the Most Recent Separate Financial Statements Prepared as at 31 December 2022

Based on the Decision of the sole shareholder VOLKSWAGEN FINANCE LUXEMBURG S.A. from 16 August 2023, Škoda Auto paid a dividend of €519.8 million on 1 September 2023 to the sole shareholder VOLKSWAGEN FINANCE LUXEMBURG S.A.

The Company has not carried out any other transactions during the Period at the instigation of or in the interests of the Controlling Person or persons controlled by it concerning assets exceeding 10% of the Company’s equity per the last individual financial statements as at 31 December 2022.

5 Overview of the Contracts within the Group

During the Period, the following contractual relationships were in force or newly concluded between Škoda Auto and Volkswagen AG and between Škoda Auto and companies controlled by Volkswagen AG in the following areas:

5.1 Sale of own products, goods and services

a) vehicles
In the context of car sales, Škoda Auto had contractual relationships in force in the Period (concluded in the Period or in previous years) with the following companies:

- Porsche Albania Sh.p.k.
- Porsche Austria GmbH & Co. OG
- Porsche BH d.o.o.
- Porsche Croatia d.o.o.
- Porsche Hungaria Kereskedelmi Kft.
- Porsche Chile S.p.A.
- Porsche Inter Auto CZ spol. s r.o.
- Porsche Macedonia d.o.o.e.l. Skopje
- Porsche Romania S.R.L.
- Porsche Slovenija d.o.o.
- SEAT, S.A.
- SIVA – Sociedade de Importação de Veículos Automóveis, S.A.
- Škoda Auto Deutschland GmbH
- Škoda Auto Slovensko s.r.o.
- Škoda Auto Volkswagen India Pvt. Ltd.
- ŠkoFIN s.r.o.
- Volkswagen Group Australia Pty. Ltd.
- Volkswagen Group España Distribución, S.A.
- Volkswagen Group France S.A.S.
- Volkswagen Group Ireland Ltd.
- Volkswagen Group Italia S.p.A.
- Volkswagen Group Polska Sp. z o.o.
- Volkswagen Group Singapore Pte. Ltd.
- Volkswagen Group Sverige AB
- Volkswagen Group Taiwan Co., Ltd.
- Volkswagen Group United Kingdom Ltd.

b) genuine parts
In the context of genuine parts sales, Škoda Auto had contractual relationships in force in the Period (concluded in the Period or in previous years) with the following companies:

- Audi Volkswagen Middle East FZE
- Digiteq Automotive s.r.o.
- OOO Volkswagen Group Rus
- Porsche Albania Sh.p.k.
- Porsche BH d.o.o.
- Porsche Colombia S.A.S.
- Porsche Croatia d.o.o.
- Porsche Česká republika s.r.o.
- Porsche Hungaria Kereskedelmi Kft.
- Porsche Chile S.p.A.
- Porsche Inter Auto CZ spol. s r.o.
- Porsche Konstruktionen GmbH & Co. KG
- Porsche Macedonia d.o.o.e.l. Skopje
- Porsche Romania S.R.L.
- Porsche Slovakia, spol. s r.o.
- Porsche Slovenija d.o.o.
- SEAT, S.A.
- SIVA – Sociedade de Importação de Veículos Automóveis, S.A.
- Škoda Auto Deutschland GmbH
- Škoda Auto Slovensko s.r.o.
- Škoda Auto Volkswagen India Pvt. Ltd.
- ŠkoFIN s.r.o.
- Volkswagen Group Australia Pty. Ltd.
- Volkswagen Group España Distribución, S.A.
- Volkswagen Group France S.A.S.
- Volkswagen Group Charging GmbH
- Volkswagen Group Ireland Ltd.
- Volkswagen Group Italia S.p.A.
- Volkswagen Group of America, Inc.
- Volkswagen Group Polska Sp. z o.o.
- Volkswagen Group Singapore Pte. Ltd.
- Volkswagen Group Sverige AB
- Volkswagen Group Taiwan Co., Ltd.
- Volkswagen Group United Kingdom Ltd.
- Volkswagen of South Africa (Pty) Ltd.
- Volkswagen Original Teile Logistik GmbH & Co. KG
- Volkswagen Slovakia, a.s.

c) others
In the context of sale of services, licenses, aggregates, bodyworks and other products, Škoda Auto had contractual relationships in force in the Period (concluded in the Period or in previous years) with the following companies:

- AUDI AG
- Audi Brussels S.A./N.V.
- Audi Hungaria Zrt.
- Automobili Lamborghini S.p.A.
- Bentley Motors Ltd.
- Bugatti Rimac d.o.o.
- CARIAD SE
- Digiteq Automotive s.r.o.
- Dr. Ing. h.c. F. Porsche AG
- INIS International Insurance Service s.r.o.
- MAN Truck & Bus SE
- OOO Volkswagen Group Rus
- Porsche Albania Sh.p.k.
- Porsche Austria GmbH & Co. OG
- Porsche BH d.o.o.
- Porsche Centre Beijing Central Ltd.
- Porsche Croatia d.o.o.
- Porsche Česká republika s.r.o.
- Porsche Hungaria Kereskedelmi Kft.
- Porsche Chile S.p.A.
- Porsche Inter Auto CZ spol. s r.o.
- Porsche Macedonia d.o.o.e.l. Skopje
- Porsche Romania S.R.L.
- Porsche Slovakia, spol. s r.o.
- Porsche Slovenija d.o.o.
- PowerCo SE
- SEAT CUPRA S.A.
- SEAT, S.A.
- Shanghai Volkswagen Powertrain Co., Ltd.
- SIVA – Sociedade de Importação de Veículos Automóveis, S.A.
- Škoda Auto Deutschland GmbH
- Škoda Auto Slovensko s.r.o.
- Škoda Auto Volkswagen India Pvt. Ltd.
- Škoda X s.r.o.
- ŠKO-ENERGO, s.r.o.
- ŠkoFIN s.r.o.
- VOLKSWAGEN AG
- Volkswagen Argentina S.A.
- Volkswagen Autoeuropa, Lda.
- Volkswagen de México, S.A. de C.V.
- Volkswagen do Brasil Indústria de Veículos Automotores Ltda.
- Volkswagen Deutschland GmbH & Co. KG
- Volkswagen Financial Services Digital Solutions GmbH
- Volkswagen Group Australia Pty. Ltd.
- Volkswagen Group España Distribución, S.A.
- Volkswagen Group France S.A.S.
- Volkswagen Group Charging GmbH
- Volkswagen Group Info Services AG
- Volkswagen Group Ireland Ltd.
- Volkswagen Group Italia S.p.A.
- Volkswagen Group Japan K.K.
- Volkswagen Group Korea Ltd.
- Volkswagen Group of America Chattanooga Operations, LLC
- Volkswagen Group Polska Sp. z o.o.
- Volkswagen Group Real Estate Czech Republic s.r.o.
- Volkswagen Group Singapore Pte. Ltd.
- Volkswagen Group Taiwan Co., Ltd.
- Volkswagen Group United Kingdom Ltd.
- Volkswagen Immobilien GmbH
- Volkswagen International Belgium S.A.
- Volkswagen Motor Polska Sp. z o.o.
- Volkswagen Navarra, S.A.
- Volkswagen Nutzfahrzeuge
- Volkswagen of South Africa (Pty) Ltd.
- Volkswagen Osnabrück GmbH
- Volkswagen Poznan Sp. z o.o.
- Volkswagen Sachsen GmbH
- Volkswagen Slovakia, a.s.
- Weser-Ems Vertriebsgesellschaft mbH

5.2 Purchase of goods, services and non-current assets

a) production material
In the context of purchases of production material, Škoda Auto had contractual relationships in force in the Period (concluded in the Period or in previous years) with the following companies:

- Allmobil GmbH
- AUDI AG
- Audi Brussels S.A./N.V.
- Audi Hungaria Zrt.
- Brose Sitech GmbH
- Brose Sitech Sp. z o.o.
- OOO Volkswagen Group Rus
- OOO Volkswagen Komponenten und Services
- SEAT, S.A.
- Škoda Auto Deutschland GmbH
- Škoda Auto Volkswagen India Pvt. Ltd.
- ŠKO-ENERGO, s.r.o.
- VOLKSWAGEN AG
- Volkswagen Argentina S.A.
- Volkswagen Autoeuropa, Lda.
- Volkswagen de México, S.A. de C.V.
- Volkswagen do Brasil Indústria de Veículos Automotores Ltda.
- Volkswagen Motor Polska Sp. z o.o.
- Volkswagen Navarra, S.A.
- Volkswagen of South Africa (Pty) Ltd.
- Volkswagen Osnabrück GmbH
- Volkswagen Poznan Sp. z o.o.
- Volkswagen Sachsen GmbH
- Volkswagen Sarajevo d.o.o.
- Volkswagen Slovakia, a.s.
- Volkswagen Zubehör GmbH

b) overheads
In the context of purchases of indirect material and services (including research and development cooperation, IT services, software and hardware supplies, customer services consultancy), Škoda Auto had contractual relationships in force in the Period (concluded in the Period or in previous years) with the following companies:

- AUDI AG
- Audi Hungaria Zrt.
- Audi Interaction GmbH
- Autostadt GmbH
- Bertrandt Ingenieurbüro GmbH
- CARIAD SE
- Digiteq Automotive s.r.o.
- Dr. Ing. h.c. F. Porsche AG
- EURO-Leasing GmbH
- Italdesign Giugiaro S.p.A.
- Nardò Technical Center S.r.l.
- Porsche Austria GmbH & Co. OG
- Porsche BH d.o.o.
- Porsche Consulting GmbH
- Porsche Croatia d.o.o.
- Porsche Česká republika s.r.o.
- Porsche Deutschland GmbH
- Porsche Digital, Inc.
- Porsche Hungaria Kereskedelmi Kft.
- Porsche Inter Auto CZ spol. s r.o.
- Porsche Romania S.R.L.
- Porsche Slovenija d.o.o.
- Porsche Werkzeugbau GmbH
- Porsche Werkzeugbau s.r.o.
- Scania Czech Republic s.r.o.
- SEAT, S.A.
- SIVA – Sociedade de Importação de Veículos Automóveis, S.A.
- Škoda Auto Deutschland GmbH
- Škoda Auto Slovensko s.r.o.
- Škoda Auto Volkswagen India Pvt. Ltd.
- Škoda X s.r.o.
- ŠkoFIN s.r.o.
- VAIVA GmbH
- VDF Servis ve Ticaret A.S.
- Volkswagen (China) Investment Co., Ltd.
- VOLKSWAGEN AG
- Volkswagen AirService GmbH
- Volkswagen de México, S.A. de C.V.
- Volkswagen do Brasil Indústria de Veículos Automotores Ltda.
- VOLKSWAGEN FINANCIAL SERVICES AG
- Volkswagen Gebrauchtfahrzeughandels und Service GmbH
- Volkswagen Group España Distribución, S.A.
- Volkswagen Group France S.A.S.
- Volkswagen Group Charging CZ s.r.o.
- Volkswagen Group Charging GmbH
- Volkswagen Group Italia S.p.A.
- Volkswagen Group of America Chattanooga Operations, LLC
- Volkswagen Group of America, Inc.
- Volkswagen Group Services GmbH
- Volkswagen Group Services Kft.
- Volkswagen Group Singapore Pte. Ltd.
- Volkswagen Group Sverige AB
- Volkswagen Group Technology Solutions India Pvt. Ltd.
- Volkswagen Immobilien GmbH
- Volkswagen Konzernlogistik GmbH & Co. OHG
- Volkswagen Motor Polska Sp. z o.o.
- Volkswagen of South Africa (Pty) Ltd.
- Volkswagen Osnabrück GmbH
- Volkswagen Sachsen GmbH
- Volkswagen Slovakia, a.s.
- Volkswagen Software Asset Management GmbH
- Volkswagen Zubehör GmbH

c) genuine parts
In the context of purchases of genuine parts, Škoda Auto had contractual relationships in force in the Period (concluded in the Period or in previous years) with the following companies:

- Brose Sitech Sp. z o.o.
- SEAT, S.A.
- VOLKSWAGEN AG
- Volkswagen Autoeuropa, Lda.
- Volkswagen do Brasil Indústria de Veículos Automotores Ltda.
- Volkswagen Motor Polska Sp. z o.o.
- Volkswagen Osnabrück GmbH
- Volkswagen Sachsen GmbH
- Volkswagen Slovakia, a.s.
- Volkswagen Zubehör GmbH

d) non-current assets
In the context of purchases of non-current assets, Škoda Auto had contractual relationships in force in the Period (concluded in the Period or in previous years) with the following companies:

- Digiteq Automotive s.r.o.
- Dr. Ing. h.c. F. Porsche AG
- Porsche Česká republika s.r.o.
- ŠKO-ENERGO, s.r.o.
- VOLKSWAGEN AG
- Volkswagen Autoeuropa, Lda.
- Volkswagen Group Services GmbH
- Volkswagen Group Technology Solutions India Pvt. Ltd.
- Volkswagen Osnabrück GmbH
- VW Kraftwerk GmbH

5.3 Other contractual relationships

In the context of other contractual relationships (relating to purchases and/or sales, in particular for marketing services, training, sales support, financial services, consultancy, purchase of capital interests, system and other support), Škoda Auto had contractual relationships in force in the Period (concluded in the Period or in previous years) with the following companies:

- 42 Prague z. ú.
- AUDI AG
- Audi Singapore Pte. Ltd.
- Audi Volkswagen Middle East FZE
- Auto & Service PIA GmbH
- Auto Union GmbH
- CARIAD SE
- Cellforce Group GmbH
- Cubic Telecom GmbH
- Digiteq Automotive s.r.o.
- Dr. Ing. h.c. F. Porsche AG
- HoppyGo s.r.o.
- INIS International Insurance Service s.r.o.
- Konnect with the Volkswagen Group Ltd.
- MAN Truck & Bus SE
- MHP Management- und IT-Beratung GmbH
- Nadační fond Škoda Auto
- Porsche Austria GmbH & Co. OG
- Porsche BH d.o.o.
- Porsche Croatia d.o.o.
- Porsche Česká republika s.r.o.
- Porsche Hungaria Kereskedelmi Kft.
- Porsche Chile S.p.A.
- Porsche Inter Auto CZ spol. s r.o.
- Porsche Konstruktionen GmbH & Co. KG
- Porsche Romania S.R.L.
- Porsche Slovenija d.o.o.
- Porsche Werkzeugbau GmbH
- Scania CV AB
- Scout Motors Inc.
- SEAT, S.A.
- SIVA – Sociedade de Importação de Veículos Automóveis, S.A.
- Škoda Auto Deutschland GmbH
- Škoda Auto Slovensko s.r.o.
- Škoda Auto Volkswagen India Pvt. Ltd.
- Škoda Auto Vysoká škola o.p.s.
- Škoda X s.r.o.
- ŠKO-ENERGO, s.r.o.
- ŠkoFIN s.r.o.
- Volkswagen-Bildungsinstitut GmbH
- Volkswagen (China) Investment Co., Ltd.
- VOLKSWAGEN AG
- Volkswagen Autoeuropa, Lda.
- Volkswagen Automatic Transmission (Tianjin) Co., Ltd.
- Volkswagen Deutschland GmbH & Co. KG
- VOLKSWAGEN FINANCIAL SERVICES AG
- Volkswagen Financial Services Digital Solutions GmbH
- Volkswagen Group Australia Pty. Ltd.
- Volkswagen Group Canada, Inc.
- Volkswagen Group España Distribución, S.A.
- Volkswagen Group France S.A.S.
- Volkswagen Group Charging GmbH
- Volkswagen Group Ireland Ltd.
- Volkswagen Group Italia S.p.A.
- Volkswagen Group Polska Sp. z o.o.
- Volkswagen Group Real Estate Czech Republic s.r.o.
- Volkswagen Group Sverige AB
- Volkswagen Group Taiwan Co., Ltd.
- Volkswagen Group United Kingdom Ltd.
- Volkswagen Insurance Brokers GmbH
- Volkswagen International Belgium S.A.
- Volkswagen Original Teile Logistik GmbH & Co. KG
- Volkswagen Slovakia, a.s.
- VW Kraftwerk GmbH

6 Assessment of a Detriment and its Settlement

Contracts concluded in the Period and in previous years were concluded under conditions in the ordinary course of business.

The Company did not suffer from any damage or detriment as a result of the contracts concluded in the Period and in previous periods between the Company and other Group companies, or as a result of other transactions or measures realised during the Period by the Company at the instigation or in the interest of these entities.

7. Evaluation of the Relations and Risks within the Group

7.1 Evaluation of advantages and disadvantages of the relations within the Group

Involvement in the Group leads mainly to advantages for the Company. The Group is a world-leading automotive manufacturer. Involvement in the Group brings economies of scale to the Company, realised through shared platforms and modern technologies. At the same time, it provides shared know-how and distribution channels.

Currently, there is no apparent disadvantage for the Company emerging from involvement in the Group.

7.2 There are no risks for the Company arising from the relations within the Group.

Mladá Boleslav, 26 February 2024

The Board of Management:

Klaus Zellmer

Andreas Dick

Maren Gräf

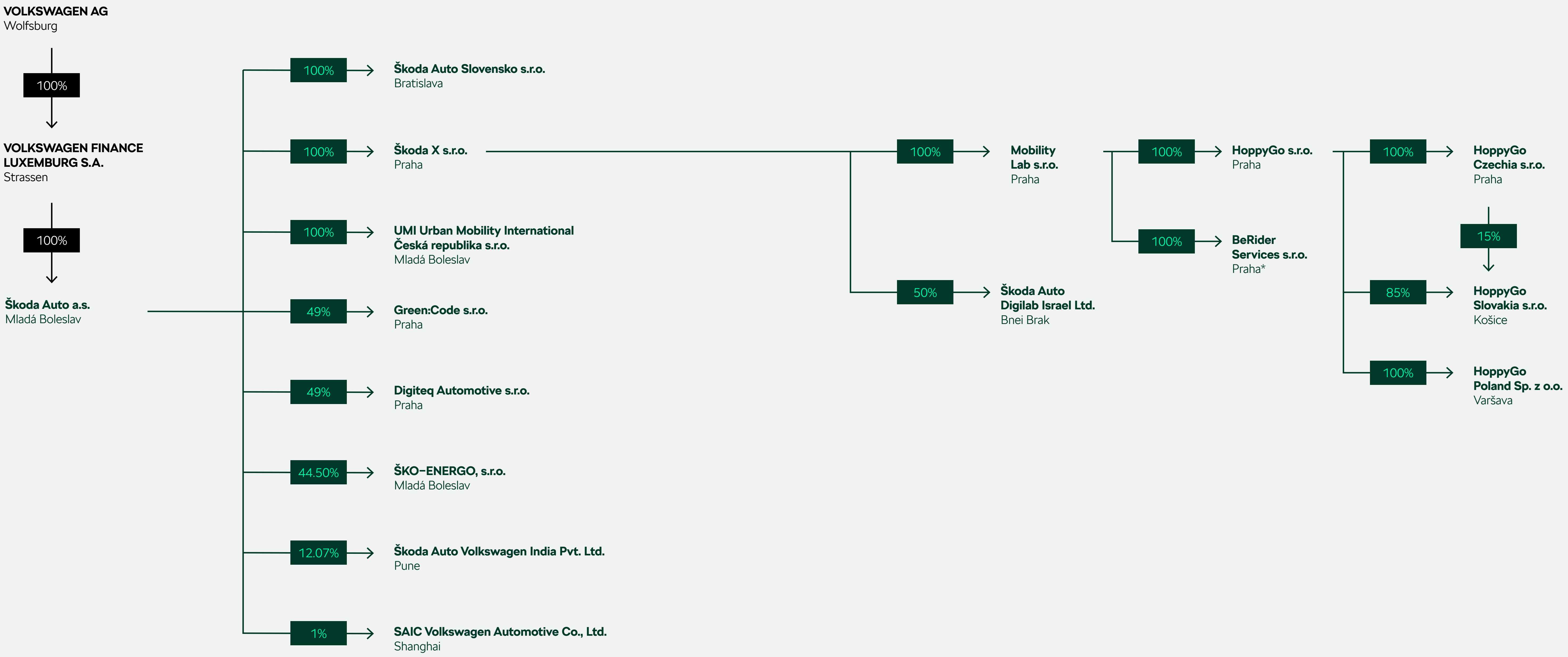
Martin Jahn

Johannes Neft

Holger Peters

Karsten Schnake

Structure of Companies With Škoda Auto Participation as at 31 December 2023



Škoda Auto a.s. has also established the following non-profit organisations: 42 Prague z. ú., Nadační fond Škoda Auto (Škoda Auto Endowment Fund) and Škoda Auto Vysoká škola o.p.s. (Škoda Auto University).

* Effective 1 January 2024, a domestic merger by acquisition took place, as a result of which BeRider Services s.r.o. was dissolved by merger with HoppyGo s.r.o.

Glossary of Terms and Abbreviations

ASEAN
The Association of Southeast Asian Nations is a political and economic union comprising Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam

BEV
Battery Electric Vehicle

Company
in the Annual Report, the term "the Company" is used as a synonym for the company Škoda Auto a.s.

Deliveries to customers
number of Škoda brand vehicles delivered to end customers that were produced in Škoda Auto Group and/or partner plants

EGAP
Exportní garanční a pojišťovací společnost, a.s.; Export Guarantee and Insurance Corporation

Euro NCAP
European New Car Assessment Program; European consumer organisation that conducts safety tests

GDPR
General Data Protection Regulation; general regulation on the protection of personal data

GRC
Governance, Risk management and Compliance

Group
in the Annual Report, the term "the Group" is used as synonym for the Volkswagen Group

HR
Human Resource

IAS/IFRS Accounting Standards
International Accounting Standards / International Financial Reporting Standards as adopted by the European Union

IASB
International Accounting Standards Board; independent international group of accounting experts

Infotainment
multimedia information system consisting of radio, navigation system and other multimedia devices in a vehicle

Investment ratio
ratio of capital expenditures (less capitalised development expenses) to total sales revenues

MEB
Modular Electric Drive Matrix; modular platform for electric vehicles

MQB
Modular Transverse Matrix; modular platform

Net liquidity
gross liquidity (cash and cash equivalents)less liabilities to a factoring company within the Volkswagen Group

OECD
Organization for Economic Cooperation and Development

PHEV
Plug-in Hybrid Electric Vehicle; hybrid electric vehicle that uses batteries that can be recharged by plugging it in to an external source of electric power

Production
number of vehicles produced; the total production figure also includes production of vehicles for the Volkswagen Group brand Seat manufactured by the company Škoda Auto; for accuracy, vehicle assembly kits are reported in the vehicles segment

RMS/IKS
Risk Management System/Internal Control System

Sales
number of vehicles sold to importers and dealers; the unit sales figure also includes sales of vehicles of the Volkswagen Group brand Seat manufactured by the company Škoda Auto; for accuracy, vehicle assembly kits are reported in the vehicles segment

SUV
Sport Utility Vehicle in the mid-range category of cars

Temporary employes
employees of a labour agency who are temporarily seconded to work for a different employer

UNECE
United Nations Economic Commission for Europe

WLTP
Worldwide Harmonised Light Vehicle Test Procedure; new test cycle measuring CO_2 and other pollutant emissions as well as fuel consumption values

Persons Responsible for the Annual Report, Events After the Balance Sheet Date and Other Information

Events after the Balance Sheet Date
No material events have occurred between the balance sheet date and the date of preparation of this Annual Report that have had an impact on an assessment of the Company's assets, liabilities and equity or the results of its operations.

Other Information
The Company did not acquire any treasury shares during the relevant period. The Company as an accounting entity does not have a branch or part of a business plant abroad. The Company is subject to no further disclosure obligations pursuant to the provision of Section 21(2)(g) of Act No. 563/1991 Coll., on Accounting, as amended, with the exception of the obligations arising from Act No. 542/2020 Coll. on End-of-Life Products described in the Sustainability section.

Affirmation
The persons stated below, responsible for the preparation of this Annual Report, hereby declare that the information contained in this Annual Report is factual and that no substantive matters that could influence an accurate and correct evaluation of the company Škoda Auto a.s. have been knowingly omitted or distorted.

Mladá Boleslav, 26 February 2024

The Board of Management:

Klaus Zellmer

Andreas Dick

Maren Gräf

Martin Jahn

Johannes Neft

Holger Peters

Karsten Schnake

Key Figures and Financial Results of Škoda Auto a.s. at a Glance

Sales, Production and Workforce

		2019	2020	2021	2022	2023
Deliveries to customers	**vehicles**	**1,242,767**	**1,004,816**	**878,202**	**731,262**	**866,820**
Sales*	**vehicles**	**947,531**	**784,871**	**691,889**	**695,935**	**909,656**
Sales of Škoda cars*	vehicles	847,655	708,161	633,389	637,781	825,939
Production*	**vehicles**	**907,942**	**749,610**	**680,397**	**693,370**	**864,889**
Production of Škoda cars*	vehicles	808,066	672,900	621,897	635,213	781,175
Employees	persons	34,829	35,437	36,032	35,063	34,884

Income statement

		2019**	2020**	2021**	2022	2023
Sales revenue	**€ million**	**17,886**	**16,036**	**16,476**	**18,086**	**24,012**
Cost of sales	€ million	15,469	14,409	14,842	16,470	21,166
	% of revenues	86.5	89.8	90.1	91.1	88.1
Gross profit	**€ million**	**2,417**	**1,628**	**1,634**	**1,616**	**2,846**
	% of revenues	13.5	10.2	9.9	8.9	11.9
Distribution expenses	€ million	574	467	401	452	570
Administrative expenses	€ million	516	513	478	503	597
Net other operating result	€ million	123	6	267	56	54
Operating profit	**€ million**	**1,450**	**654**	**1,022**	**718**	**1,732**
	% of revenues	8.1	4.1	6.2	4.0	7.2
Net financial result	€ million	50	21	43	(65)	(73)
Profit before tax	**€ million**	**1,500**	**675**	**1,065**	**653**	**1,659**
Return on sales before tax	%	8.4	4.2	6.5	3.6	6.9
Income tax expense	€ million	265	102	191	133	338
Profit for the year	**€ million**	**1,234**	**574**	**874**	**520**	**1,322**
Return on sales after tax	%	6.9	3.6	5.3	2.9	5.5

Balance sheet/Financing

		2019**	2020**	2021**	2022	2023
Non-current assets	€ million	5,570	5,513	5,829	6,585	6,999
Current assets	€ million	3,940	3,176	3,482	3,201	3,251
Equity	€ million	4,315	3,618	4,084	3,830	4,333
Non-current and current liabilities	€ million	5,196	5,071	5,227	5,956	5,917
Balance sheet total	**€ million**	**9,511**	**8,689**	**9,311**	**9,786**	**10,250**
Net liquidity	**€ million**	**1,666**	**628**	**821**	**(72)**	**73**
Cash flows from operating activities	€ million	2,604	1,404	2,090	1,517	2,050
Cash flows from investing activities	€ million	(1,453)	(1,208)	(1,307)	(1,564)	(1,363)
Net cash flows	**€ million**	**1,151**	**195**	**784**	**(48)**	**687**
Investments	**€ million**	**1,264**	**680**	**615**	**1,014**	**810**
Investment ratio	%	7.0	4.2	3.6	5.6	3.4
Equity ratio	%	45.4	41.6	43.9	39.1	42.3
Non-current asset to equity ratio	%	77.5	65.6	70.1	58.2	61.9

* Sales and production volumes are reported excluding kits shipped to foreign production plants not operated by Škoda Auto. These kits are reported as other intragroup deliveries.

** Due to the change of the functional currency, an informative recalculation of comparatives from Czech crowns to euros was performed in 2019-2021. The EUR/CZK Group exchange rate valid as of December 31 of the respective year was used as the exchange rate for the translation of comparable data for the balance sheet items. For translation of comparable data, which express a year-on-year change in the item or represent cost, expense, income or revenue, the Group annual average EUR/CZK exchange rate for the relevant year was used. Volkswagen Group exchange rates are derived from exchange rates from the Refinitiv database (provider of financial market data).

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Infoline +420 800 600 000

The Annual Report 2023 is published in Czech and English. In all matters of interpretation of information, views or opinions, the Czech version takes precedence over the English version. The Annual Report is prepared in-house using firesys.

Annual Reports are available on the Company's website:

reporting.skoda-auto.com