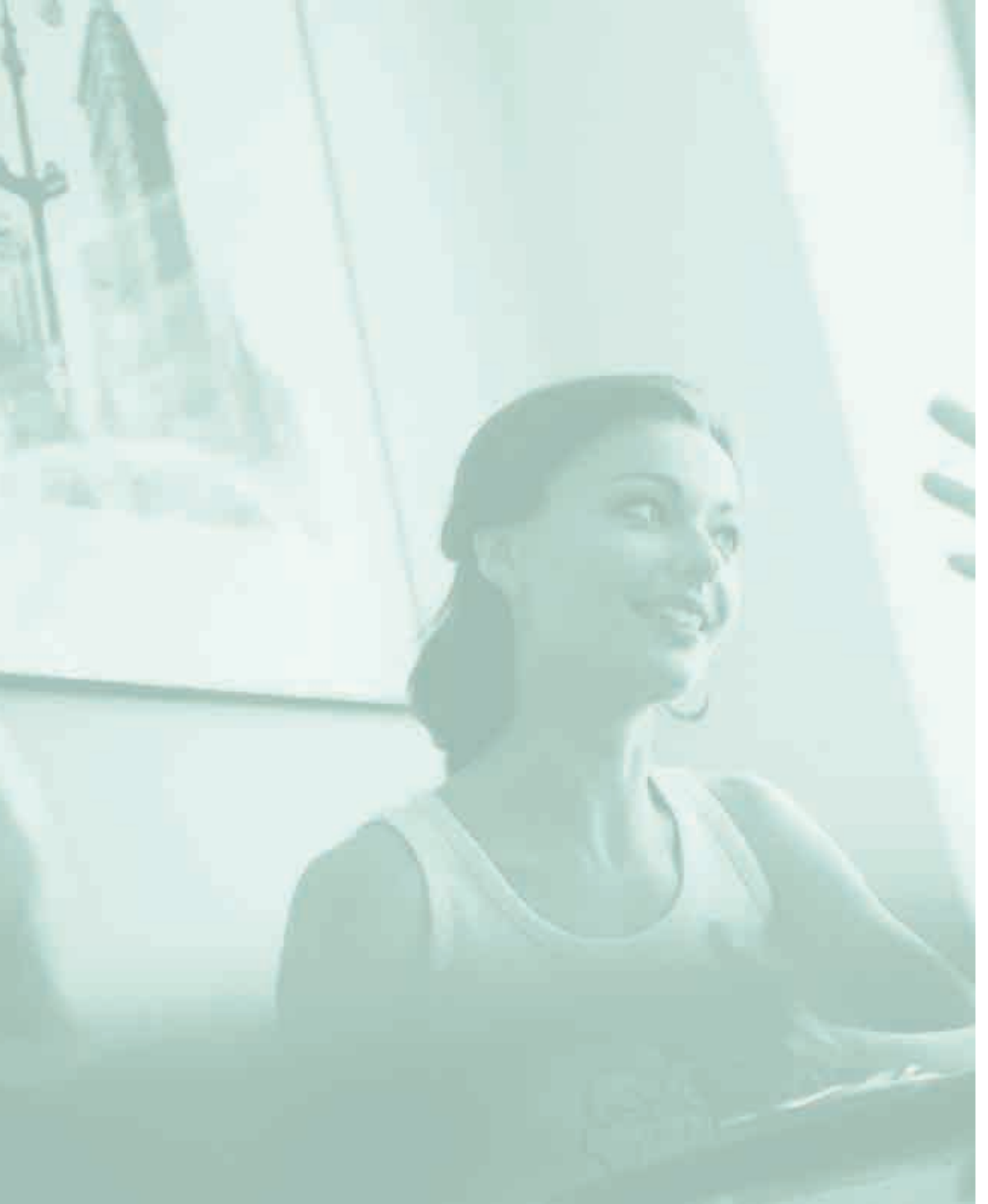


ŠkodaAuto
Annual Report 2000







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ŠkodaAuto Significant Events of 2000



January | ŠkodaAuto embarks on the World Rally Championship season with a newly formed racing team: the Spanish driver Luis Climent and his co-pilot Alex Romani fight for WC points for ŠkodaAuto for the first time; veterans Armin Schwarz and his co-pilot Manfred Hiemer remain mainstays of the team.

February | ŠkodaAuto expands the engine selection for the Fabia with its own aluminum power plant with a displacement of 1.4 litres and 44 kW (60 bhp) of power. This economical engine provides outstanding elasticity.

March | The Fabia “Geneva” is the star at the Company’s stand at the Geneva Automobile Show. With this automobile ŠkodaAuto emphasizes the sporty, elegant design features of the Fabia line. The production of the Felicia line is discontinued at the assembly plant in Mladá Boleslav. The vehicle continues to be assembled in Kvasiny.

At the balance sheet press conference ŠkodaAuto presents the results for the past fiscal year and outlines its ambitious plans through to 2002.

April | Dedication of its own college with the course of study “Business and Management”. The private institute offers 68 students a practice-oriented direct study programme. Ice Hockey World Championships in Russia: ŠkodaAuto is the main sponsor of this popular worldwide tournament – and the main sponsor of the Czech National Team. The Czech Republic becomes World Champion.

May | Ninety-one per cent of Škoda drivers in Germany report that they are “thoroughly satisfied” or “very satisfied” with their automobiles. ŠkodaAuto thus earns first place in the category of brand satisfaction. This is the result of a readership survey conducted by the car magazine auto motor und sport.

ŠkodaAuto took top honours in the category “Good Price-Performance Ratio” in Germany, Poland, Romania, Sweden, the Slovak Republic and the Czech Republic. Volkswagen AG begins negotiations with the government of the Czech Republic for the purpose of acquiring the remaining 30 per cent of Škoda shares and thereby making it the sole owner of ŠKODA AUTO a. s.

June | New car deliveries total 210,423 for the first half-year. This is a 5.5 per cent increase over the 199,399 units delivered during the previous year. This is the best half-year result to date.

July | Volkswagen AG names the Mladá Boleslav plant the “Plant of the 2nd Quarter 2000” within the Volkswagen AG.

September | World première of the Fabia Combi at the Paris Automobile Show. The Combi version of the Fabia line is also characterized by dynamics, elegance and ruggedness. On September 14th the 100,000th Fabia rolls off the assembly line. Stringent quality controls were implemented from the first day of series production. The emphasis has thus been on “quality before quantity” from the very beginning. The Fabia repeatedly comes out on top in comparative tests conducted by the automobile press.

October | To satisfy its capital requirements ŠkodaAuto issues bonds valued at CZK 10 billion. The periods of maturity are five, seven and ten years.

November | The British automobile magazine Autocar names ŠkodaAuto “Manufacturer of the Year”. Autocar awards this designation as an expression of recognition of the completed transition to a high-quality manufacturer during the past nine years.



Key Performance Indicators

		1996	1997	1998	1999	2000
Vehicle production	cars	263,193	357,170	403,515	371,169	450,910
Vehicle sales	cars	279,363	373,451	400,269	376,329	448,394
of which imported*	cars	16,907	16,096	2,957	0	0
Total revenue	CZK mill.	58,898	90,095	105,704	110,409	136,283
of which domestic	%	45	37	23	19	18
export	%	55	63	77	81	82
Profit after tax	CZK mill.	163	1,168	2,239	2,637	3,336
Fixed assets	CZK mill.	25,116	26,836	29,482	33,687	39,175
Current assets	CZK mill.	17,324	21,009	21,893	21,923	26,802
Equity	CZK mill.	26,469	17,997	20,236	22,700	26,032
Liabilities	CZK mill.	15,971	29,848	31,139	32,910	37,434
Cash flow	CZK mill.	5,179	7,710	8,795	9,780	10,756
Capital expenditure	CZK mill.	10,417	7,069	8,658	10,709	13,248
Employees	personnel	17,992	22,205	22,768	22,030	25,833
of which temporary	personnel	1,271	3,228	2,327	1,708	3,245
Equity as a percentage of equity and total liabilities	%	62.4	37.6	39.4	40.8	39.1
Fixed assets as a percentage of equity	%	105.4	67.1	68.6	67.4	66.5

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

Report of the Supervisory Board

Foreword by the Chairman of the Board of Directors



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

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

At the Annual General Meeting held on March 8, 2000, in Prague, the auditing firm of PricewaterhouseCoopers, Prague, was appointed to conduct the annual audit for the year ending December 31, 2000.

The auditors issued an unqualified opinion on the financial statements of ŠKODA AUTO a. s. for the year ending December 31, 2000. At its session on March 2, 2001, the Supervisory Board discussed the financial results and accepted the proposal of the Board of Directors regarding the allocation of profit. Upon the recommendation of the Board of Directors, the Supervisory Board resolved to present for adoption the Annual Report for the year 2000 to the shareholders.

A handwritten signature in black ink, appearing to read 'Jens Neumann', written over a horizontal line.

Dr Jens Neumann
Chairman of the Supervisory Board

Ladies and Gentlemen,

For **Škoda**Auto the year 2000, which now exceeds, was in many respects a successful year in the one hundred years history of the Company. For the first time over 400,000 vehicles were delivered during a single year, despite negative tendencies on the global automobile market. We further intensified the investment activities of past years, investing a total of CZK 13.2 billion in new products, production facilities and technology. The most important investment with respect to the future development of the brand is the construction of a new engine plant with a total investment of CZK 17.5 billion. This is the most costly industrial project in the Czech Republic to date. Through our extensive investments we are laying the groundwork for our ambitious goal of increasing annual sales and production to over 500,000 vehicles.

The Fabia line was faced with competitive challenges during 2000. The high demand for the vehicle, the numerous awards bestowed upon it by the automobile press and the excellent opinions expressed in reader surveys in demanding Western European markets emphasize the attractiveness of our products and services. At the year end we added the Fabia Combi to our range of models. Its interior – and above all cargo capacity – are exemplary for this class of vehicle. With its rounded, flowing lines the Fabia Combi projects the image of an elegant Limousine. It again demonstrates that **Škoda**Auto is a manufacturer of high-quality vehicles, which offer much more than just an outstanding price-performance ratio.

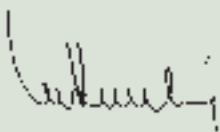
We have enhanced the Octavia line and added a sporty "RS" model. The Octavia RS is the fastest production vehicle ever produced by **Škoda**Auto.

ŠkodaAuto was able to increase its market share in the Czech Republic to 52.6 per cent. Western Europe accounts for more

than half of total vehicle sales. The strongest export market remained Germany, which accounted for 81.5 per cent (354,521 units) of sales abroad. **Škoda**Auto's products account for 10 per cent of all exports from the Czech Republic. Sales increased by 23 per cent to CZK 136 billion. The increase in sales was accompanied by an increased demand for more sophisticated models and more luxuriously appointed automobiles. The demand for better-equipped models increased greatly in Western European markets in particular. Profit after tax grew by 26.5 per cent over the previous year to CZK 3 billion.

For **Škoda**Auto business success goes handinhand with protecting the environment. Our engines already meet the European standards that will not go into effect until two to four years from now. Vehicle recycling also plays an important role. **Škoda**Auto works closely with all its suppliers to achieve an ongoing consensus for developing environmental solutions. Environmental certification according to ISO 14001 will be completed for the entire company in 2001. We keep our brand alive and attractive through continuous innovation. Only in this way can we acquire new customers. The long-term success of our company requires that we continue to offer high-quality vehicles.

ŠkodaAuto has the required potential to continue to write the Company's success story well into the future – and under difficult market conditions at that.



Ing. Vratislav Kulhánek
Chairman of the Board of Directors

Supervisory Board

Dr. jur. Jens Neumann (*1945)

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

Dr. rer. pol. Carl H. Hahn (*1926)

Honorary Chairman
Former Chairman of the Board of Directors VW AG
Wolfsburg
April 16, 1991¹⁾

Dr. techn. h. c. Dipl.-Ing. ETH Ferdinand Piëch

(*1937)
Deputy Chairman
Chairman of the Board of Directors VW AG
Wolfsburg
January 01, 1993¹⁾

Dr. Robert Büchelhofer (*1942)

Member
Member of the Board of Directors VW AG
Wolfsburg
July 01, 1995¹⁾

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

Member
Member of the Board of Directors VW AG
Wolfsburg
January 01, 1995¹⁾

Ing. Václav Petříček (*1944)

Member
Deputy Minister for Industry and Trade of Czech Republic
Prague
February 01, 1996¹⁾

Ing. Jan Müller (*1948)

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

Jaroslav Povšik (*1955)

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

Ing. Jan Uhlíř (*1944)

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

Dipl. Kfm. Detlef Wittig (*1942)

Member
Member of the Board of Management, Volkswagen
Wolfsburg
July 01, 2000¹⁾

Departing the Supervisory Board:

Hans Dieter Wiederhold (*1937)

Member
Authorized signatory VW AG
Wolfsburg
January 01, 1999 – June 30, 2000²⁾

Board of Directors



Left side
from the top:

Pavel Nováček,
Karl-Günter Büsching,
Detlef Schmidt

Right side
from the top:

Klaus Wulf,
Vratislav Kulhánek,
Wilfried Bockelmann

Ing. Vratislav Kulhánek (*1943)

Chairman of the Board of Directors
April 16, 1997¹⁾

Dipl. Ing. Karl-Günter Büsching

(*1941)
Member
Production and Logistics
January 01, 1998¹⁾

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

Member
Technical Development
April 16, 1997¹⁾

Klaus Wulf (*1942)

Member
Commercial Affairs
July 01, 2000¹⁾

Detlef Schmidt (*1944)

Member
Sales and Marketing
July 01, 2000¹⁾

JUDr. Pavel Nováček (*1949)

Member
Personnel
April 16, 1991 – December 31, 2000²⁾

Departing of the Board of Directors:

Dipl. Kfm. Detlef Wittig (*1942)

Deputy Chairman of the Board of Directors
Sales and Marketing, Commercial Affairs
July 01, 1995 – June 30, 2000²⁾

*Joining the Board of Directors
on January 01, 2001:*

Dr. Helmuth Schuster (*1954)

Member
Personnel
January 01, 2001¹⁾

¹⁾ The data signifies the beginning of membership of the respective body.

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





**Report on the
Company's
Position**





Economic Environment in Czech Republic

The Czech economy is back on a growth track again. For the first time since 1996, gross national product has positive growth, and a further acceleration in economic growth is anticipated in 2001. The comparatively low inflation rate of 3.9 per cent approximates that found in Western European industrial countries. Unemployment declined slightly to 8.8 per cent by the year end.

The Czech Republic is becoming increasingly more attractive to investors and is the favoured Eastern European country for direct foreign investments.

The Czech economy, as a whole, is developing quite positively. However, numerous reforms, primarily with respect to legislation and laws, still have to be carried out in preparation for entry into the EU. This also includes the privatization and restructuring of banks and large companies.

The key business indicators improved faster than anticipated during the reporting period. Gross domestic product grew by 2.7 per cent over the previous year. For the second consecutive year the Czech Republic topped the list of Eastern European countries for foreign direct investment. Investment incentives such as tax exemptions and more importantly favourable privatization policies have attracted numerous investors to the Czech Republic. The largest investors were companies from the EU, Japan and the USA.

The recovery of economic growth, which was already evident at the end of 1999, accelerated throughout the reporting period.

Industrial production rose by 5.1 per cent. For the first time in three years the building industry began to grow, albeit by 5.3 per cent.

Real wages grew at a slower rate than productivity, thereby indicating that the growth of the Czech economy was stable. This kept Czech exports competitive despite the relatively strong exchange rate of the Czech crown to the euro. Although exports grew, the foreign trade deficit increased. This was primarily due to the increase in the price of crude oil during the second half of the year as well as to the strong US dollar.

A total of 68.5 per cent of all exports went to EU countries. The largest export market was Germany, where **Škoda**Auto exports grew by 25.3 per cent to CZK 112,226 million. **Škoda**Auto's share of total exports from the Czech Republic rose to 10 per cent. As in past years **Škoda**Auto by a substantial margin remains the country's no. 1 exporter.

The rate of inflation increased slightly during the year 2000 to an average of 3.9 per cent (previous year: 2.1 per cent). This was caused by price deregulation and increase of the prices.

The positive development of the economy was also reflected in a decline in unemployment, which registered 8.8 per cent at the year's end (previous year: 9.4 per cent).

Technical Development



The essential challenge for the 1,229 **Škoda**Auto employees engaged in technical development is the development of innovative products characterized by a high degree of quality, comfort, safety, economy and environmental compatibility.

Three new products played a major role in 2000:

- Fabia Combi
- Model enhancements and the facelift of the Octavia line
- Octavia RS

Customer Satisfaction

Ninety-one per cent of all **Škoda**Auto drivers report that they are "thoroughly satisfied" or "very satisfied" with their automobiles. In a readership survey entitled "The Best Automobiles" conducted in 2000 by the car magazine auto motor und sport **Škoda**Auto took top honours in the category of "Brand Satisfaction". Over 125,000 readers took part in the survey.

Thirteen brand profile surveys were also conducted in thirteen European countries. **Škoda**Auto took first place in the category of "Good Price-Performance Ratio" in six countries (Germany, Poland, Romania, Sweden, the Slovak Republic and the Czech Republic).

Fabia

Numerous Awards

The honours awarded the Fabia by the automobile press are indeed impressive: the British magazines What Car? and Auto Express proclaimed the Fabia "Car of the Year", and in Germany it was awarded the "Golden Steering Wheel". In the Czech Republic and Austria the Fabia was rated first in respective national surveys by the readers of Auto 1, and finished an impressive third in international comparison.

The Fabia also did very well in the category of "Car of the Year" by the European automobile press. It finished first in the Slovak Republic, Croatia and Lithuania and fourth overall Europe-wide.

Safety Rating Euro NCAP

The Fabia demonstrated its safety qualities in crash tests conducted by Euro NCAP. In a field of 100 vehicles the Fabia had the third highest results in the class "Supermini und City-Cars." The 26 points earned by the Fabia placed it in the four-star category.

Fabia Combi

One year after the première of the Fabia **Škoda**Auto unveiled the Fabia Combi at the Paris Automobile Show in October 2000. A hand's width longer than the Fabia, the Combi sets an impressive example in its class for roominess and cargo space. With a slanted rear window and rounded, flowing lines, the Fabia Combi radiates the elegance of a Limousine.

With the Fabia Combi **Škoda**Auto has again demonstrated its expertise as a manufacturer of high-quality vehicles that offer much more than just an outstanding price-performance ratio. The Fabia Combi is built around impressive automobile technology combined with an attractive interior and exterior design that radiate a strong emotional appeal.

The new Combi appeals to a new buyer segment – families, which want an attractively designed spacious automobile that is both compact and agile – and with low price and low maintenance costs.

With the Fabia Combi **Škoda**Auto has also taken aim at buyers, who need more transport capacity for their business,



leisure and hobby needs than offered by the Limousine. This new vehicle from **Škoda**Auto offers far more back-seat roominess and cargo space than is normally the case with small combis. The maximum cargo capacity of 1,225 litres and a load limit of 500 kg approaches the level of the next highest vehicle class.

The Fabia Combi comes with the same technical qualities as the Limousine. It offers outstanding safety and luxurious appointments combined with low maintenance costs and a long vehicle life. The latter is evident in its 10-year anti-corrosion warranty and a life-long mobility guarantee. Both the Fabia Combi and Limousine are available in three models: Classic, Comfort and Elegance. Buyers have a choice of four petrol engines with maximum outputs ranging from 50 kW/68 bhp to 85 kW/115 bhp and two economical diesels: the 47 kW/64 bhp SDI with direct fuel injection and the TDI-PD, which delivers 74 kW/101 bhp. The 74 kW SDI engine features the latest pump jet technology.

Octavia Series

The launch of the Octavia in 1996 again projected **Škoda**Auto to the front rank of European automobile manufacturers. This new vehicle incorporated the latest developments with respect to design, technology, performance, safety and environmental protection. The Octavia Combi followed in 1998 and quickly became a big seller. Today, more Octavia Combis than Limousines are sold in some markets. With the Octavia Combi 4x4, which was introduced in 1999, **Škoda**Auto offers an excellently crafted, rugged and safe vehicle in the growing all-wheel drive segment. This spacious vehicle boasts

greater cargo capacity than many combis in its class without all-wheel drive – all for a very reasonable price. For customers in search of that extraordinary automobile **Škoda**Auto makes the “Laurin & Klement”, the flagship of the Octavia series. This exclusive model is luxuriously appointed and radiates an elegant, noble understatement all of its own.

The Octavia is also available in an elongated version as well as in a model featuring light armour.

Octavia Model Year 2001

ŠkodaAuto has given the 2001 Octavia models a new facelift and extensive enhanced appointments. The redesigned interior offers more roominess and greater luxury, and both vehicle quality and safety have been improved.

With the exception of a few styling enhancements, the exterior design remains unchanged. The front and rear bumpers have a new look, and the grill projects a more powerful image. Other exterior changes include new protective side mouldings, redesigned headlamps and “brilliant effect” tail lights.

The more streamlined body boasts a lower drag coefficient 0.30 (previously: 0.31). The crash characteristics were further improved through a number of design changes to the front of the vehicle.

The upholstery and interior decor feature new colours and a new design, and rear seat passengers now enjoy more roominess.

With new exterior colours and an expanded range of interior appointments, the new Octavia offers the customer greater choice.





The power choice now ranges from an engine with 44 kW/60 bhp to a turbocharged power plant that delivers 110 kW/150 bhp. Models equipped with powerful yet economical diesel engines are also in strong demand. In addition to diesels with 50 kW/68 bhp, 66 kW/90 bhp and 81 kW/110 bhp, the Octavia Combi 4 x 4 is available with a TDI with 74 kW/101 bhp and featuring the latest pump jet technology. This engine is coupled with a six-speed manual transmission. The Combi 4 x 4 is now available in a luxurious "Laurin and Klement" model as well as with a 1.8-litre turbocharged power plant delivering 110 kW/150 bhp.

Octavia RS

The Octavia RS is the fastest production automobile ever built by **Škoda**Auto. Drivers who are willing to pay a little extra for the ultimate in sportiness and performance dynamics are certain to like the RS, which embodies the know-how and experience acquired during 100 years of racing. The driving force is supplied by a 132 kW/180 bhp 1.8-litre turbo power plant coupled with a road-hugging sports-tuned suspension.

The maximum torque of 235 Nm is available over a broad power spectrum ranging from 1,950 to 5,000 rpm. The Octavia RS reaches a top speed of 235 km/h and accelerates from 0 to 100 km/h in 7.9 seconds. This sporty automobile consumes a relatively low 8.0 l/100 km. The RS features a stiffer suspension and sits 15 mm lower than other Octavia models with front-wheel drive. Large-format four-wheel disc brakes featuring inside ventilation deliver outstanding stopping power. Light alloy 16 and 17-inch wheels with brake calipers painted in **Škoda**Auto

green and an interior in exclusive RS design emphasize the sporty sophistication of the Octavia RS.

Octavia Limousine and Octavia Combi as taxis

The Octavia Limousine and Octavia Combi are now available in special, appropriately equipped taxi versions. With the Octavia taxi **Škoda**Auto hopes to satisfy the market demand of Central and Eastern Europe for a roomy vehicle with outstanding reliability, a long life and high degree of passenger comfort – all for a price-performance ratio typical of Škoda. This vehicle is tailor-made to the customer needs in these regions.

Electronic Strategy

The designers and engineers at **Škoda**Auto believe that 80 per cent of all innovations in the coming years will be in the area of electronics and software. The company has therefore developed an electronic strategy aimed at consolidating the know-how in this field, training specialists, and improving communication and the transfer of knowledge.

Motor Sport



The V in the badge of the **Škoda**Auto Motorsport Department stands for "Victory" – for triumphs on asphalt, on gravel and dirt, on snow and ice. For **Škoda**Auto motor sport means much more than simply comparing raw power with competitiveness brands. Because only the toughest conditions are good enough when it comes to developing automobiles. The focus is on ruggedness, technical expertise and competitiveness. Following major successes with the Felicia and Octavia Kit-Car, the Motorsport team embarked on the 2000 season with the new Octavia WRC 2.0 I. This vehicle, which embodies the technical expertise of the **Škoda**Auto brand, fared very well against the best competitors in its class, thereby further enhancing the brand image.

ŠkodaAuto entered the 2000 Rally World Championship season with a new team. Veterans Armin Schwarz and co-pilot Manfred Hiemer were joined for the first time by the Spanish drivers Luis Climent and co-pilot Alex Romani in their debut for **Škoda**Auto. The Škoda Motorsport Team scored WC points in four of eight competitiveness, won a special check and reached 8 WC points at the end of the WC.

ŠkodaOctavia WRC – World Rally Car

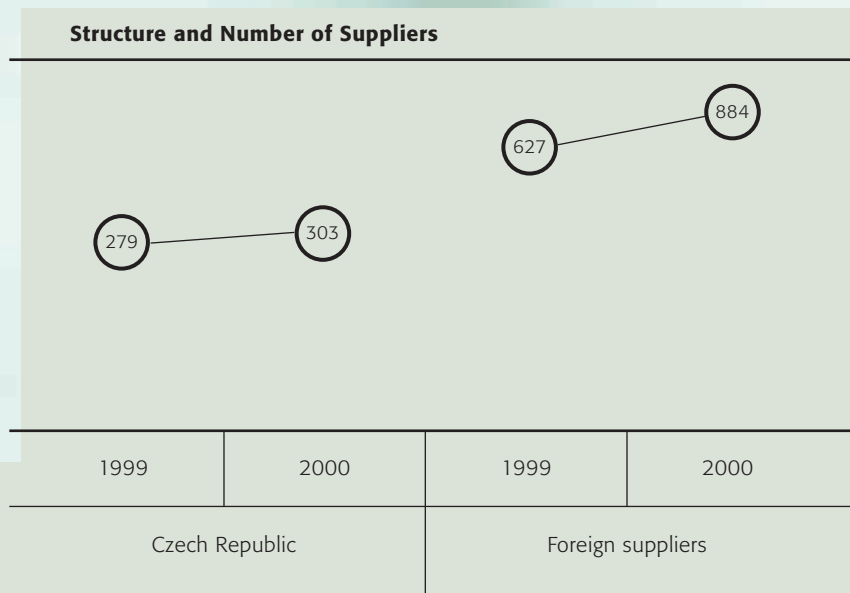
The **Škoda**Octavia WRC with all-wheel drive is based on the production car of the same name. It is powered by a 2-litre, four-cylinder engine with dual overhead camshafts, turbocharger and five-valve technology. The engine, which is based on the 1.8-litre Octavia 20V turbo power plant, delivers 221 kW/300 bhp and meets FIA regulations. The maximum torque of 600 Nm is reached at 3,250 rpm. The turbocharger is capable of momentarily creating charge pressure of up to 330 kPa in over-boost mode.

Power is transferred to the four wheels via a dual disc dry clutch and sequential six-speed gearbox. The suspension features McPherson struts and rugged wishbones. The shock absorbers can be individually adjusted to the road surface of the course. Electronically controlled differentials provide surefooted all-wheel drive.

Motor Sport Tradition

Škoda has a long and proud racing tradition that began when the Company's founders displayed the capabilities of their vehicles in road races. In 1901 the Company driver Narcis Podsedníček rode a Laurin & Klement motorcycle in a Paris-to-Berlin race. In the following years Škoda's company riders were victorious in numerous motorcycle races. The brand also scored victories in numerous automobile races. Škoda pilots won the Grand Alpine prize five times between 1910 and 1914.





To remain competitive in the face of ever-increasing global competition it is also necessary to develop new purchasing strategies. Priority number one is quality, which forms the basis of all purchasing activities. **Škoda**Auto has thus integrated the purchasing process into the departments of Quality Assurance, Technical Development and Marketing and Production.

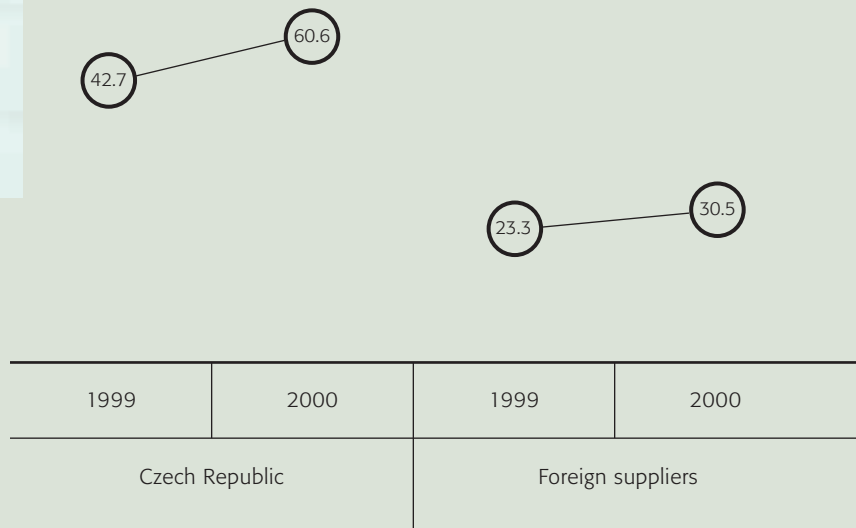
ŠkodaAuto maintains an open and fair relationship with its supplier partners. This relationship goes far beyond the simple granting of production orders. The know-how and creativity of the supplier industry are becoming increasingly integrated into the development of product and production innovations.

Purchasing Volume

The increase in production volume and customer demand for better equipped automobiles led to a 38 per cent increase in purchasing volume for production materials to CZK 91.1 billion (previous year: CZK 66.0 billion). Domestic suppliers accounted for 66 per cent (previous year: 65%) of all deliveries.

Due to the many investment activities, especially the new engine plant, and the efforts involved in the field of technical development, the purchasing volume for investments and services rose by 66 per cent to CZK 22.8 billion (previous year: CZK 13.7 billion). Domestic suppliers accounted for 49 per cent (previous year: 51%).

Purchasing Volume by Region (in CZK billions) 2000



New Models

The purchasing activities during the reporting period were heavily influenced by the preparation of new models: Fabia Combi, the Octavia facelift, Octavia RS and Octavia taxi.

Material Costs

The platform strategy of the Volkswagen AG has yielded considerable synergetic benefits. To fully exploit the advantages of this strategy **Škoda**Auto has assumed the responsibility for handling certain important aspects of the corporate activities. The competitive advantages presented by the existing supplier structure in the Czech Republic were utilized and expanded.

Purchasing Markets

During the reporting period the purchasing volume of other corporate brands in Central and Eastern Europe grew to € 813 million. The suppliers were located primarily in the Czech Republic, the Slovak Republic, Poland and Slovenia.

Production and Logistics

Vehicle production	1997	1998	1999	2000	00/99
Felicia	182,179	179,553	151,895	71,954	-53%
Felicia Combi	77,797	68,889	45,527	26,081	-43%
Felicia Pickup	32,132	27,847	17,182	17,743	3%
Felicia Fun	468	2,338	586	600	2%
Felicia Vanplus	850	2,405	1,306	440	-66%
VW Caddy	3,154	4,749	4,204	4,522	8%
Fabia	-	-	3,652	161,078	x
Fabia Combi	-	-	-	14,702	-
Octavia Limousine	60,540	93,593	90,136	92,411	3%
Octavia Combi	50	24,141	56,681	61,379	8%
Total	357,170	403,515	371,169	450,910	21%

During the reporting period **Škoda**Auto considerably improved quality and productivity and set a new production record. VW Group management bestowed the quality-based distinction "Volkswagen AG Plant of the Quarter 2000" for the second quarter on the Mladá Boleslav plant.

In addition to the successful launch of the new Fabia **Škoda**Auto began production of the new Fabia Combi. The assembly of Felicia models at the Mladá Boleslav plant was discontinued. The production of transmissions was begun at the new engine plant in Mladá Boleslav.

Vehicles

ŠkodaAuto built more vehicles than ever before during the reporting period. A total of 450,910 units were produced for a 21 per cent increase over the previous year. The average production rate was 1,810 vehicles per day (previous year: 1,560 vehicles per day).

Fabia

The increase in production is attributable to a large extent to the successful launch of the Fabia. A total of 175,780 units were manufactured. The daily production of Fabia models grew steadily during the year from 186 to 950

vehicles per day. On September 14, 2000, the 100,000th Fabia rolled off the assembly line. The most stringent quality standards were applied from the first day of production onward. The focus was on "quality before quantity".

From April **Škoda**Auto also began assembling the new Fabia in Poland at VW Poznań, which is supplied with painted bodies from the painting facility in Mladá Boleslav. In August **Škoda**Auto began production of the Fabia Combi at the Mladá Boleslav plant. The production rate increased to 307 vehicles per day by the year end. A total of 14,702 Fabia Combis were produced during the reporting period.

Octavia

ŠkodaAuto was also able to increase the production rate of the Octavia line. At the end of 1999 595 units per day were being produced. One year later daily production had increased to 697 vehicles. The 17 per cent growth is attributable primarily to the expansion of the assembly capacity at the Vrchlábí plant to 207 vehicles per day.

Felicia

After eight years of production **Škoda**Auto discontinued the assembly of the Felicia line at the Mladá Boleslav plant.

Average daily production	1997	1998	1999	2000
Felicia				
Mladá Boleslav	809	753	488	41
Vrchlabí	196	198	169	182
Kvasiny	164	171	152	172
Poznaň	37	87	118	93
Total	1,206	1,209	927	488
Fabia				
Mladá Boleslav	-	-	45	650
Poznaň	-	-	-	44
Octavia				
Mladá Boleslav	246	428	474	471
Vrchlabí	-	28	114	157
Total	1,452	1,665	1,560	1,810

Since March 2000 only the bodies for this model have been produced at the main plant. These are subsequently painted and assembled at the plants in Vrchlabí and Kvasiny.

Production Facilities

Quality Awards

VW Group management bestowed the distinction of "Volkswagen AG Plant of the Quarter 2000" on Mladá Boleslav for the second quarter. The plant in Mladá Boleslav had previously received numerous awards for vehicle production and outstanding quality, but this was the first major award of its kind in the long history of the plant. It is recognition of the indefatigable efforts of the employees of **Škoda**Auto.

The receipt of the company's highest quality award was due to a large degree to the highly successful launch of the Fabia. Quality has been the top priority for the Fabia from the very beginning. All participating parties were integrated into the overall quality concept: developers, the manufacturer, quality controllers and suppliers. The daily production rate was subordinate to achieving quality objectives. Excellent quality was achieved from the beginning by adhering to an optimal rate of production. Only after the production process had been stabilized did **Škoda**Auto increase the rate of production. The result was top quality from the very beginning.

Painting Facility

With its new final coat painting line **Škoda**Auto was able to increase the capacity of the painting facility in Mladá

Boleslav. The new final coat painting line, which went into operation in March, was successively employed in accordance with the planned final production capacity.

New Engine Plant

ŠkodaAuto began construction of a new engine plant in November 1999. In September 2000 the production of first transmissions for the Fabia line was begun at the new plant. The new engine plant is destined to play a vital role for **Škoda**Auto in its quest to reach the targeted sales and production goal of 500,000 units annually. Once the new 80,000 m² facility has been completed, it will be able to produce 500,000 engines and 500,000 transmissions annually for **Škoda** vehicles and other Volkswagen AG brands.

Modernization of the Kvasiny Plant

The modernization of the production facility in Kvasiny began with the laying of the cornerstone for a new assembly hall. The extensive modernization concept includes the construction of a new painting facility based on innovative technologies and exemplary protection for the environment. The modern water-soluble paints used at the facility reduce solvent emissions considerably. Thanks to the sealed water and heating systems there is no waste water disposal requirement and no loss of energy.

Structure of deliveries to customers by model

Model	1997	1998	1999	2000	00/99
Felicia	181,642	166,822	163,547	91,439	-44.1%
Felicia Combi	77,634	64,595	51,880	35,155	-32.2%
Felicia Pickup	28,341	26,789	22,132	19,863	-10.3%
Felicia Vanplus	714	1,716	1,994	707	-64.5%
Felicia Fun	127	1,205	1,703	864	-49.3%
Fabia	-	-	823	124,064	X
Fabia Combi	-	-	-	4,808	-
Octavia Limousine	47,876	87,127	90,733	96,253	6.1%
Octavia Combi	-	15,246	52,518	62,250	18.5%
Total	336,334	363,500	385,330	435,403	13.0%

Deliveries of **Škoda**Auto automobiles again exceeded the previous year's results, thereby setting a new company record. This was due primarily to the strengthened sales organization and a comprehensive product campaign. The new **Škoda**Fabia was enthusiastically received on the market. Numerous enhancements to the Octavia line added to the vehicle's competitiveness. The sporty Octavia RS and the Fabia Combi celebrated their debut at the Paris Automobile Show. By the year end the latter had already been introduced on some markets.

During the reporting period **Škoda**Auto was represented by 2,143 dealers in 71 countries.

Growth of the Brand

ŠkodaAuto sales rose by 13 per cent to record a high of 435,403 units. This increase in deliveries further expanded the Company's market position.

Success in Western Europe

ŠkodaAuto enjoyed its strongest growth in Western Europe, where customers took delivery of 229,109 vehicles. This represents a 19.2 per cent increase over the previous year. Western European markets thereby accounted for more than half of the global sales volume. The strongest export market was again Germany, where sales rose by 15.9 per cent to 65,219 vehicles. Significant sales increases were also recorded in Great Britain (+31.8%, 30,509 vehicles), Spain (+12.9%, 14,834 vehicles), Italy (+16.8%, 23,005 vehicles), Austria (+21.9%, 19,466 vehicles) and Sweden (+9.2%, 18,827 vehicles).

Good Results in Central Europe

Despite the stagnating passenger car market in the Czech Republic, **Škoda**Auto was able to increase its domestic sales by 6.5 per cent to 80,882 vehicles. Market share grew accordingly to 52.6 per cent (previous year: 49.6%). This result underscores the outstanding position that the brand enjoys on the domestic market.

ŠkodaAuto also experienced light growth in Central and Eastern Europe. The 1.6 per cent growth in these regions was due primarily to a marked downward trend in the car

Structure of deliveries to customers by region

Region	1997	1998	1999	2000	00/99
Czech Republic	100,459	81,729	75,952	80,882	6.5%
Central and Eastern Europe	85,502	92,841	100,987	102,633	1.6%
Western Europe	125,388	172,058	192,156	229,109	19.2%
Overseas and Asia	24,985	16,872	16,235	22,779	40.3%
Total	336,334	363,500	385,330	435,403	13.0%

markets as a whole in Poland (-25%) and the Slovak Republic (-3%). Still, **Škoda**Auto managed to expand its market position in both of these countries. Although sales in Poland declined to 39,326 vehicles (-11.5%), market share grew here to 7.9 per cent (previous year: 6.6%).

This makes Poland the second strongest export market for Škoda vehicles after Germany. The 32,095 units (+2.1%) sold in the Slovak Republic gives **Škoda**Auto a commanding market share of 57.2 per cent (previous year: 53.8%). Notable increases were also achieved by **Škoda**Auto in Hungary (+13.2%, 7,707 vehicles) and Croatia (+78.4%, 6,732 vehicles).

The economic growth in Russia is reflected in the sales increase achieved by **Škoda**Auto in that country's passenger car market, where sales doubled to 2,924 vehicles.

Successful Octavia Line

Octavia models claimed the lion's share of **Škoda**Auto deliveries: the Octavia accounted for 36.4 per cent of global sales: Octavia Limousine (96,253 vehicles, +6.1%) and Octavia Combi (62,250 vehicles, +18.5%).

The **Škoda**Fabia was successfully launched on all markets. The fact that 124,064 customers took delivery of the new

vehicle is proof of the model's strong competitive position.

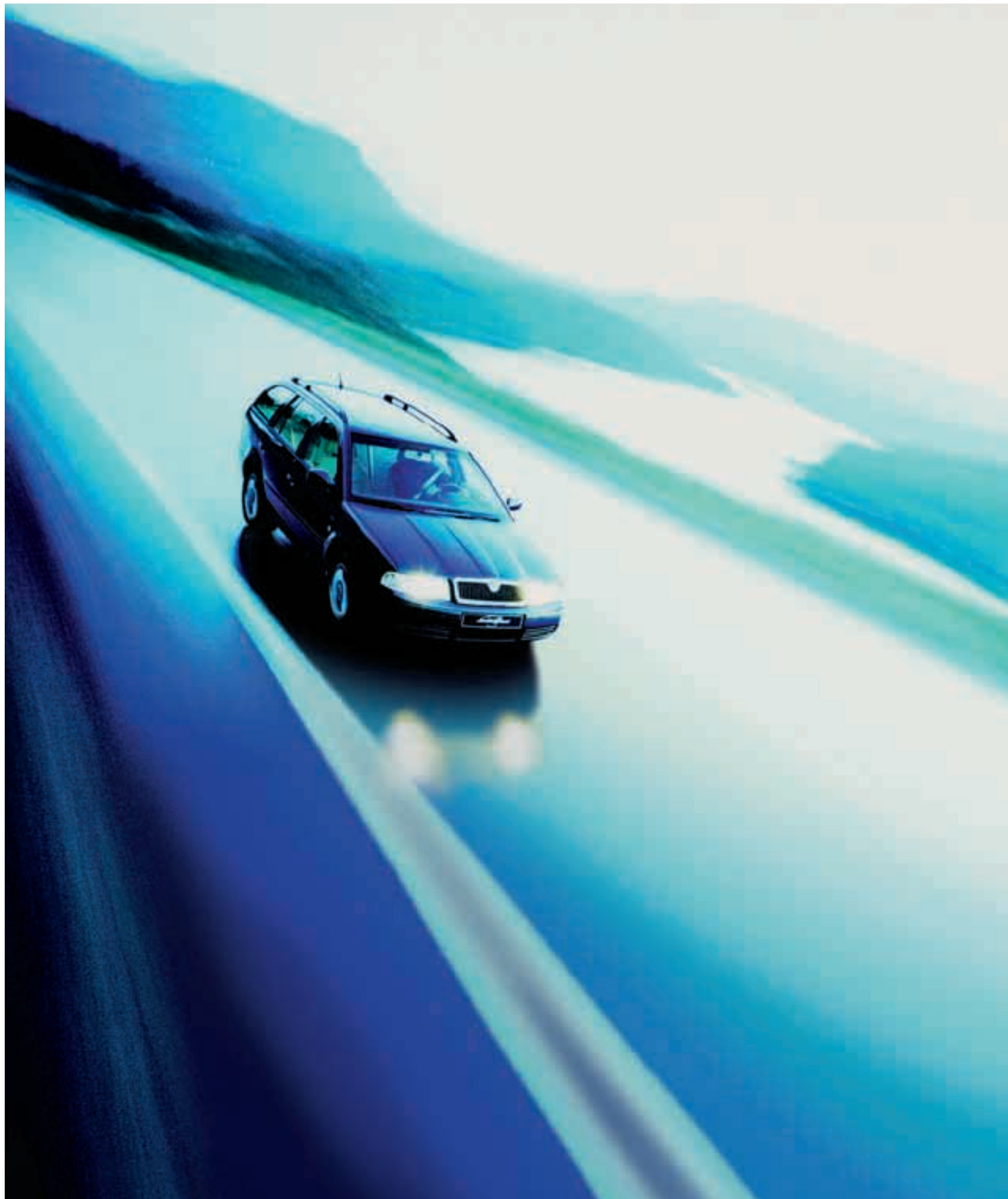
ŠkodaAuto launched the Fabia Combi in mid-November in the Czech Republic, Switzerland, Germany, Austria and the Slovak Republic. France and Italy followed in December. At the year end 4,808 Fabia Combis had been sold. Fabia models accounted for 29.6 per cent of the Company's total volume.

The Felicia series, which is being replaced by the Fabia line, claimed a 29.1 per cent share of total volume. A total of 91,439 Felicia (-44.1%) and 35,155 Felicia Combi (-32.2%) were delivered to customers.





Octavia RS





Environmental investments on the period from 1991 to 2000 (CZK mill.)

Waste water purification systems	610
New painting systems, environmental protection measures in painting facilities	790
Avoidance of emissions, energy management	5,310
Insulated roofs	230
Protection of water resources from contamination	290
Environmental protection at the workplace	80
Total	7,310

Environment

We have always felt a strong responsibility to protect the environment and conserve resources. ŠkodaAuto has made it its goal to set an example as an environmentally friendly company – even when this requires significant investment. To achieve this goal we have established guidelines to which all employees must adhere. Our employees are required to take personal responsibility for following the laws and regulations applicable at each company location in addition to the policies of ŠkodaAuto.

Environmental Protection within the Company

Our efforts to protect the environment go far beyond legal requirements. ŠkodaAuto has taken upon itself the obligation of acting as the driving force behind socially responsible development. We do this by devoting an equal effort to achieving both business and ecological goals.

ŠkodaAuto works closely with all groups and government agencies concerned to create consistent, uniform environmental solutions for each region.

In 1995 ŠkodaAuto established an environmental policy which was updated in 1999. This policy applies to all employees from members of the Board of Directors to production line workers. The “Strategic Environment Commission”, headed by the Chairman of the Board of Directors monitors all operations to ensure compliance with our environmental policy.

The investment in environmental protection since 1991 totals CZK 7,310 million. In past years ŠkodaAuto has steadily replaced old systems that were no longer compatible with the company’s environmental goals with new, environmentally friendly technologies. Despite the twofold increase in production since 1992 it has been

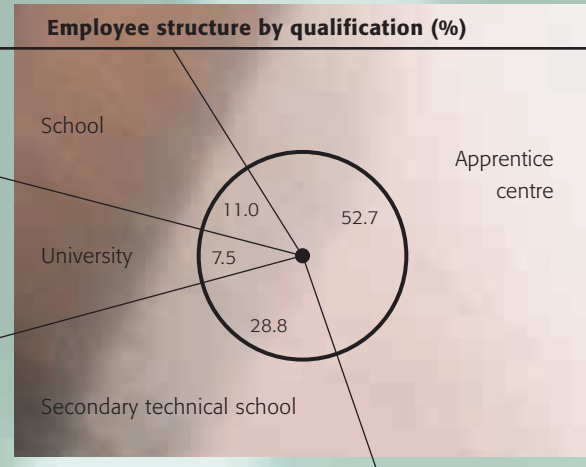
possible to reduce the burden on the atmosphere and water resources to a fraction of what it once was.

ŠkodaAuto is also engaged in the disposal of old ecological hazards.

Risk-related jobs, which expose workers to noise, dust particles and chemical substances, are being continually eliminated. Such jobs have been nearly cut in half over the last nine years.

Environmental certification in accordance with ISO 14001 will be completed for the entire company in 2001.

Personnel



The success enjoyed by **Škoda**Auto has made it possible to create some 2,000 new jobs in past years. The industriousness and creativity of our employees are the key to the success of **Škoda**Auto.

ŠkodaAuto needs a very performance-oriented employee structure in order to carry out the wide range of tasks it undertakes at home and abroad. Experienced employees must be able to support and encourage younger personnel in a positive mutual learning environment from which all can benefit. This prepares new and experienced employees alike for future challenges. For this reason we place considerable emphasis on personnel affairs – on recruiting and developing our leaders and top performers of tomorrow.

ŠkodaAuto has further intensified its training programmes for all employees. In doing so the company is laying the foundation for continued growth and future success.

Workforce Development

The growth of **Škoda**Auto continually creates new jobs. At the end of 2000 the Company employed 22,288 workers (previous year: 20,322). This 11 per cent growth is due in a large part to the hiring of engineers, technicians and office personnel – partly with work experience, partly new college graduates – for the new Fabia line.

The blue collar/white collar ratio is 71:29.

Women represent 25 per cent of the total workforce and 5.5 per cent of management positions. The average age of all employees is 37:36.2 for blue collar workers, 38.9 for white collar workers. The average employee has been employed for 10.8 years.

Advanced Training

ŠkodaAuto bases its training concept on employee motivation, optimization strategies and monitoring progress. All of this is designed to prepare employees for future tasks and challenges. **Škoda**Auto focuses on an employee-oriented qualification concept. Training measures are tailored to individual requirements and specific tasks. The company utilizes a variety of educational concepts and training methods, which can be freely combined as desired. The quality of personnel development measures is maintained through ongoing analysis of the knowledge gained and an evaluation of the methods, projects and programmes.

The training programmes conducted in 2000 focused on the start-up of new manufacturing processes, such as those at the new engine plant. Advanced training in the field of

Development of the Workforce (excluding foreign personnel)

Plant	1996	1997	1998	1999	2000
Mladá Boleslav	14,428	16,565	17,903	17,636	19,527
Vrchlabí	1,088	1,170	1,249	1,379	1,646
Kvasiny	1,205	1,242	1,289	1,307	1,415
Total	16,721	18,977	20,441	20,322	22,588

Number of Theses and Interns

	1996	1997	1998	1999	2000
Interns from the Czech Republic	164	310	643	556	677
Interns from abroad	76	81	97	75	80
College graduates from the Czech Republic	17	31	41	39	34
College graduates from abroad	41	27	12	5	7

electronics, the “master training” project, administrative training and management coaching were areas of emphasis during the reporting period.

Management Development

International orientation and global integration of personnel matters are growing in importance – we view them as the core of corporation-wide thinking and activities. The most important tasks during the reporting period included the corporation-wide project “Qualification Standards”. The main objective of this project is the definition of minimum personal qualification standards for management and junior managers within the Volkswagen AG. International secondments and rotations are also an integral part of this concept. This leads to a further internationalization of the corporation and with it ŠkodaAuto.

Joint selection and evaluation procedures and qualification measures were defined. This enables us to record important personal, social and methodical expertise characteristics and to provide a comparison with respect to corporate standards. These criteria also form the basis for the instruments for measuring potential, follow-up planning, support for young employees and the development of managers.

New College Established

In April 2000 ŠkodaAuto founded a new institution of higher learning with the approval of the Czech government. This is the first and to date the only private college in the

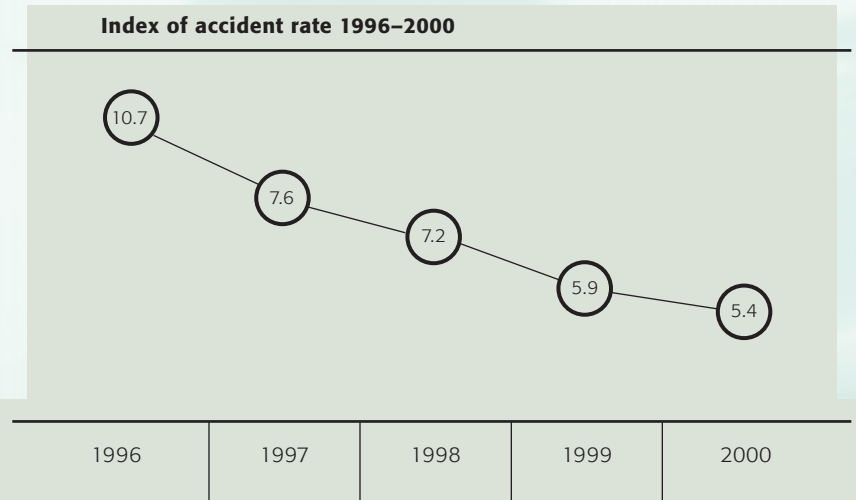
Czech Republic. A total of 68 students – including seven employees from ŠkodaAuto – have been studying “Business and Management” at the new institute located in Mladá Boleslav. The course of study lasts for three-and-a-half years. The advantage of this programme is that it is highly job-oriented with special emphasis on the automobile industry. During their five semesters of study students will receive on-the-job experience directly at ŠkodaAuto or another brand of the Volkswagen AG.

Institute for Industrial and Financial Management (IPFM)

From November 1998 ŠkodaAuto and partner companies established an MBA programme based on the US model. The institute, which is headquartered in Prague, recruits engineers from Central European companies. The programme has a decided international flavour and is very job-oriented. IPFM works with professors from renowned universities and institutes.

In 2000 IPFM established a joint programme with an American university with the goal of offering a “double degree” – MBA degrees from both IPFM and the partner university in the USA. The modular designed course of study consists of 24 courses each of 24 semester hours. In 2000, 10 students completed their studies, 7 of them are working at ŠkodaAuto. Currently 18 students are enrolled in the programme, 13 of whom are from ŠkodaAuto.

Index of accident rate 1996–2000



Personnel Marketing

For years **Škoda**Auto has concentrated its personnel marketing efforts on institutions of higher learning. These activities were intensified during the reporting period. For example, the Universities of Pardubice and Ústí n.L. have been integrated into the programme. **Škoda**Auto recruits young, talented and motivated students while they are still studying, thereby providing them with an ideal starting point for their subsequent entry into the world of work. The number of these and interns at **Škoda**Auto rose again in 2000.

Health and Social Affairs

The modernization of the entire health care and social system which began in 1999 was completed during the reporting period.

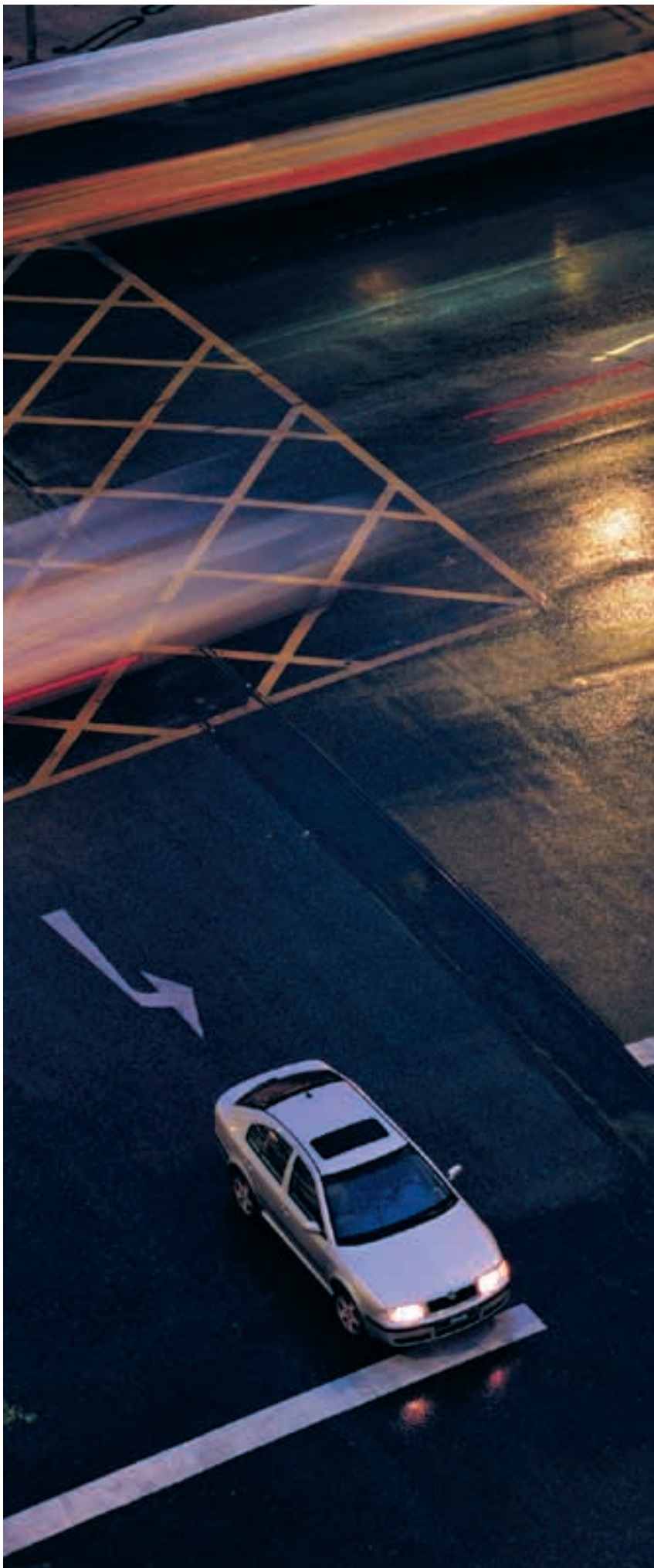
ŠkodaAuto invited employees and their families as well as guests to an “open house” – over 40,000 people attended the event to find out more about the company and its products.

Work Safety

The number of job-related accidents has been steadily declining since 1992, and the trend continued in 2000. This continual decline is undoubtedly the result of the long-term efforts to improve working conditions and better employee training. Productivity increases in past years have been accompanied by a continual improvement in safety conditions at the workplace as well as health protection.

The accident index (number of accidents per 1 million work hours) declined to 5.4 (previous year: 5.9). The frequency of accidents at **Škoda**Auto is thus quite low.





The transformation from a traditional industrial company to one based on the information and scientific age has been completed. At **Škoda**Auto the latest information technologies play an indispensable role. The goal of the ongoing digitalization effort is to further increase productivity at all levels of the Company and thereby ensure the continued growth of **Škoda**Auto.

Over 300,000 people within Volkswagen AG are linked together at their workplaces every day via the Group's intranet. This enables them to exchange information with one another quickly and efficiently. The integration of company-wide business processes also enables **Škoda**Auto to work efficiently with other brands of the Volkswagen AG.

E-Business

The **Škoda**Auto intranet and extranet and the Internet, as work and communication tools, play an important role in daily company activities. Our goal is to network all business processes within the Company with external partners via digital data links. The Company's market share and success are becoming increasingly tied to high-speed IT systems and networks. Making efficient and flexible use of available IT resources is the key to creating new, smooth-flowing processes along the value-added chain.

Technical Development Processes

In order to further accelerate product development, **Škoda**Auto reorganized the digital process chain within the Technical Development Department. Classic CAD technologies for design, construction and calculation have been expanded to include the display of the entire automobile on the computer screen. This makes it possible to test virtual prototypes. In addition to testing

Information Systems

geometric aspects, sophisticated simulation procedures allow the virtual automobile to be “road-tested” on the virtual road or test track. Digital prototypes can thus be put through their paces with the help of the latest virtual reality technologies.

Purchasing and Logistics Processes

Business-to-Business

Business-to-business processes between ŠkodaAuto and its partners are performed and supported through electronic channels. Construction and planning data are available to all participating parties from a central source. Through the Global Enquiry System (GES) and the networking of all ŠkodaAuto suppliers (ESL), enquiries concerning production materials can be processed through electronic channels. The initial step in the direction of e-business has thus been taken. Orders are digitally recalled by suppliers. Over 90 per cent of our suppliers are now linked to ŠkodaAuto online. An Electronic Data Interchange (EDI) link is maintained with all just-in-time suppliers; 74 per cent of the production material is automatically retrieved via EDI with the rest procured through other electronic channels. Payment procedures are also handled through EDI, and an EDI-based customs declaration procedure for the Czech customs authorities is currently in preparation.

Sales Processes:

Business-to-Consumer

ŠkodaAuto has coordinated its e-commerce activities with its sales partners in order to achieve a uniform Internet image in all markets. ŠkodaAuto offers a selection of modules for use in various virtual marketplaces in individual

countries. For example, customers wishing to order an automobile can select the model and equipment they want online and then send the order directly to the dealer of their choice. Customers can also request offers for existing new and used vehicles online.

Thousands of prospective customers every day click through the pages found at www.skoda-auto.com. Here they can find detailed information about the Company and its products. Over half of all people in the Czech Republic who bought automobiles from ŠkodaAuto collected information about their dream cars online prior to the purchase.

ŠkodaAuto maintains a regularly updated multimedia database on the Internet for journalists and sales partners. Interested parties can download information from the database in text form and as pictures, audio files and video clips.

Supporting Processes

Business-to-Employee

The Company intranet has become the most important portal for information for employees. Here they can access information about their activities for ŠkodaAuto as well as about cooperative activities with other brands of the Volkswagen AG. The primary goal is to make information and knowledge available as quickly as possible and to support business processes via the intranet.

Communication



Company communication plays an important role in the success of **Škoda**Auto. The focus of these communication efforts is on the Company's social activities as well as on the new models and business developments of **Škoda**Auto. Communicating the successful transition is the top priority in all company communication measures. **Škoda**Auto is committed to dealing openly and fairly with the public.

ŠkodaAuto in the Press

ŠkodaAuto has kept the foreign press informed about new models through numerous product presentations. The enhanced Octavia and the sporty Octavia RS were unveiled in Budapest, and **Škoda**Auto celebrated the world première of its new Fabia Combi at the Paris Automobile Show.

Press coverage of **Škoda**Auto increased again in 2000. The positive developments of past years were covered by both the Czech and foreign press. Numerous awards from the automobile press as well as the glowing results of reader surveys emphasize the competitiveness and market position of **Škoda**Auto automobiles.

Employee Communication

An open communication structure is in no small part responsible for the high knowledge level and motivation of our employees and their identification with the Company. For this purpose, **Škoda**Auto utilizes both traditional and modern forms of media. Each employee newsletter plays a key role. It is available in print and in digital form on the intranet.

Sponsoring

ŠkodaAuto is the largest company in the Czech Republic. The resulting social responsibility is taken very seriously by **Škoda**Auto. The Company therefore sponsors institutions and people. The Company also supports sports, cultural and artistic activities in addition to charitable and social organizations.



Sports

ŠkodaAuto has a long tradition of supporting sports activities. Ice hockey – the world's fastest team sport – is a world permeated with speed, elegance and the will to win. It is precisely these characteristics that have bonded the sport with **Škoda**Auto in a long-term relationship. The Company's first engagement with ice hockey dates back to the 1992 Ice Hockey World Championships. Since then **Škoda**Auto has become a partner to the Czech National Ice Hockey Team (world champions in Vienna and Olympic champions in Nagano). **Škoda**Auto has been the main sponsor of the Ice Hockey World Championships since 1993.

The 2000 Ice Hockey World Championships in St. Petersburg were again a big success for both the Czech National Team and **Škoda**Auto: the Czech Republic – with the **Škoda**Auto logo on both jerseys and helmets – became world champions.

Art and Culture

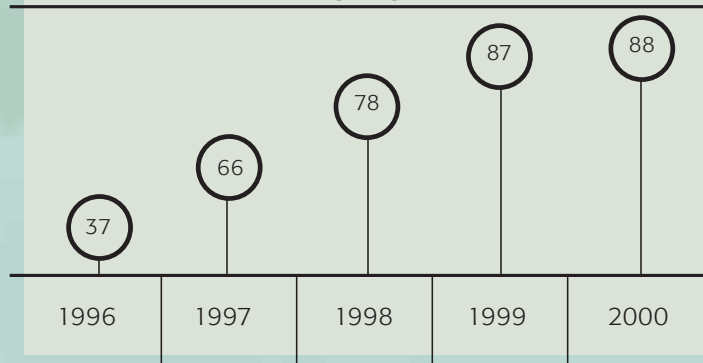
Cultural events require the financial backing of a strong partner. **Škoda**Auto therefore supports top artistic efforts, which represent Czech culture. As government financial support for cultural events continues to decline, the efforts private industry plays are taking on an increasingly more important role. The Czech Philharmonic, the Opera of the National Theatre and the Prague State Opera are some of the organizations that **Škoda**Auto supports.

Humanitarian Activities

ŠkodaAuto has supported the Paraplegic Association for years. The Company has lent its support to many projects both through donations and active assistance. During the reporting period, **Škoda**Auto also became a partner to the Prague University Children's Clinic for Oncology.

The ŠkodaAuto Brand Experience

Accumulated visitor capacity (in thousands)



ŠkodaAuto makes it possible to experience its brand philosophy up close in the new pavilion in Wolfsburg's "Autostadt", the Customer Centre and ŠkodaAuto Museum in Mladá Boleslav, and at the permanent exhibit in Berlin's Lindenkorso. Here the visitor can experience a unique symbiosis of innovative power and living tradition. And visitors to these centres will also find forums which promote a dialogue between ŠkodaAuto and its guests.

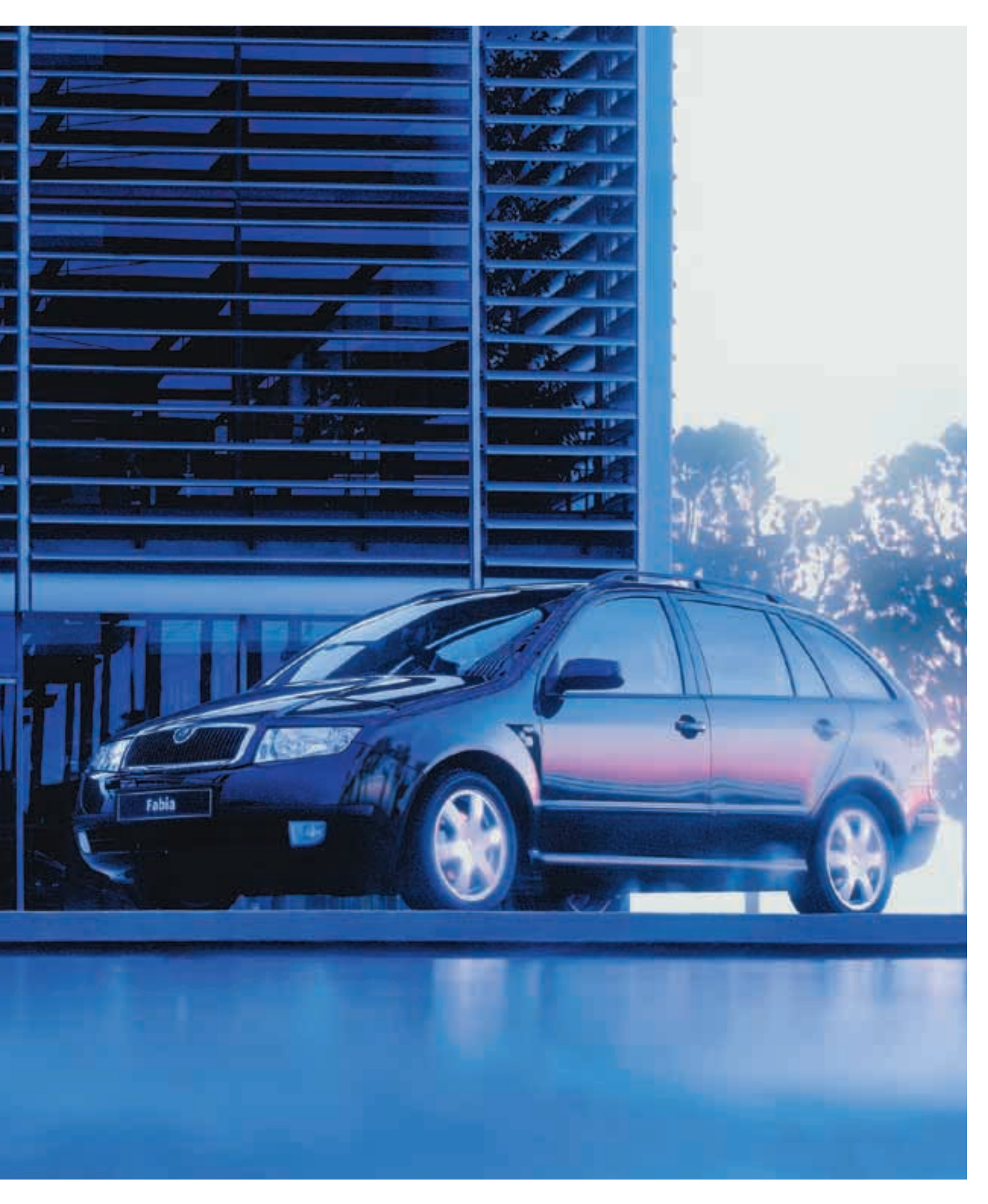
The New Pavilion in the Autostadt

Billed as the "World Forum of Automobility", the Autostadt in Wolfsburg opened its doors to visitors simultaneously with the world fair EXPO 2000. Like dealer organizations, it is designed to promote customer ties and loyalty. ŠkodaAuto also has its own brand pavilion here. The architecture, themes and exhibits of the Škoda Pavilion represent the rich diversity and creative potential of ŠkodaAuto. Through multimedia presentations visitors discover a brand with a long tradition of products associated not only with Czech culture but also with the cultural development. The interactive multimedia presentation in the dome was awarded first prize by Ars Electronica of Linz. The ŠkodaAuto Pavilion is one of the main attractions of the Autostadt. During the first seven months of operation over 280,000 visitors took advantage of this opportunity to become better acquainted with Škoda.

The ŠkodaAuto Museum

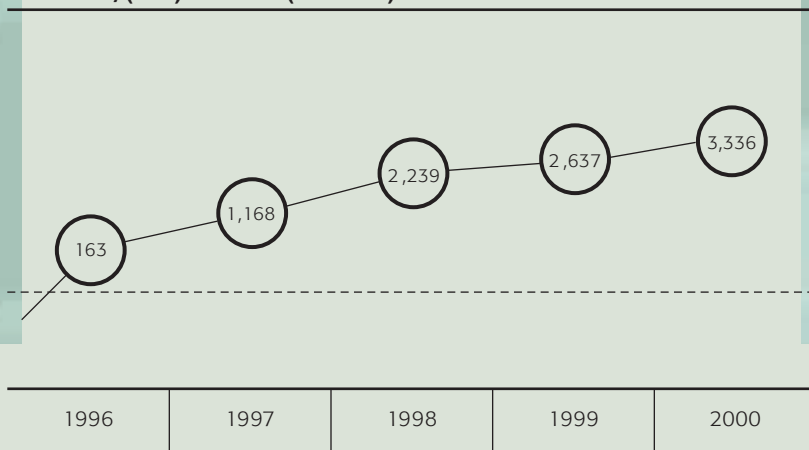
The ŠkodaAuto Museum – the traditional presentation venue for the brand – celebrated its fifth birthday during the reporting period. During this year some 350,000 visitors from all over the world visited the museum to experience the Company's history of more than 100 years and to experience the modern presence of Škoda. The tradition of unveiling new vehicles to sales partners here was continued during the reporting year with the presentation of the Fabia Combi.

The exhibits at the museum were again expanded during the reporting period. Following its painstaking restoration efforts, museum visitors can now view a Škoda 645 luxury Limousine from 1931.

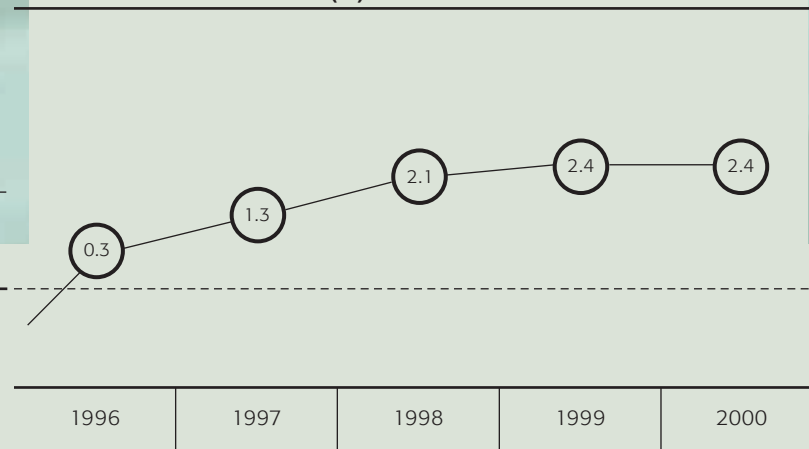


Financial Situation

Profit/(loss) after tax (CZK mill.)



Return on sales after tax (%)



Total assets of **Škoda**Auto again rose sharply during the reporting period by CZK 11,051 million to CZK 66,661 million. The 20 per cent growth in sales reflects the expansion of business volume and increased capital expenditure. Profit after tax rose to CZK 3,336 million. This is a 27 per cent increase over the previous year. Fixed assets, as percentage of equity, remain high at 66.5 per cent (previous year: 67.4%). CZK 2,539 million more was invested in the development of new products and technologies than in 1999 with capital expenditure totaling CZK 13,248 million. Gross cash flow increased by 10 per cent and covered 81.2 per cent of capital expenditure.

Profit

Sales Revenues

Parallel to the development of deliveries to customers, unit sales to dealers grew from 376.3 thousand to 448.4 thousand vehicles (+19%). Sales revenues rose significantly to CZK 136 billion (1999: CZK 110 billion). The increase in sales revenues was achieved through a changed country, model and equipment mix. More vehicles were sold in Western Europe; the Octavia line's share of total sales rose to 43.8 per cent. Vehicle sales accounted for 93.8 per cent of sales revenues with the remaining 6.2 per cent claimed by components (1.4%) and accessories (4.8%). Sales revenues underwent the most positive growth in Western Europe with a 24 per cent increase to CZK

80,499 million. The sales revenues for these markets represented 59.1 per cent of total sales.

The Czech Republic also saw sales revenues grow from CZK 20,881 to CZK 24,057 million (+15%). This constituted 17.7 per cent of total sales during the reporting period. Despite only slight improvements in the market overall, **Škoda**Auto enjoyed an increase in vehicle sales in the Czech Republic.

Sales of CZK 25,561 million were recorded in Central and Eastern Europe for a 20 per cent increase over the previous year.

Profit

Profit before tax amounted to CZK 4,175 for the fiscal year 2000. The strong Czech crown had a significant influence on profit.

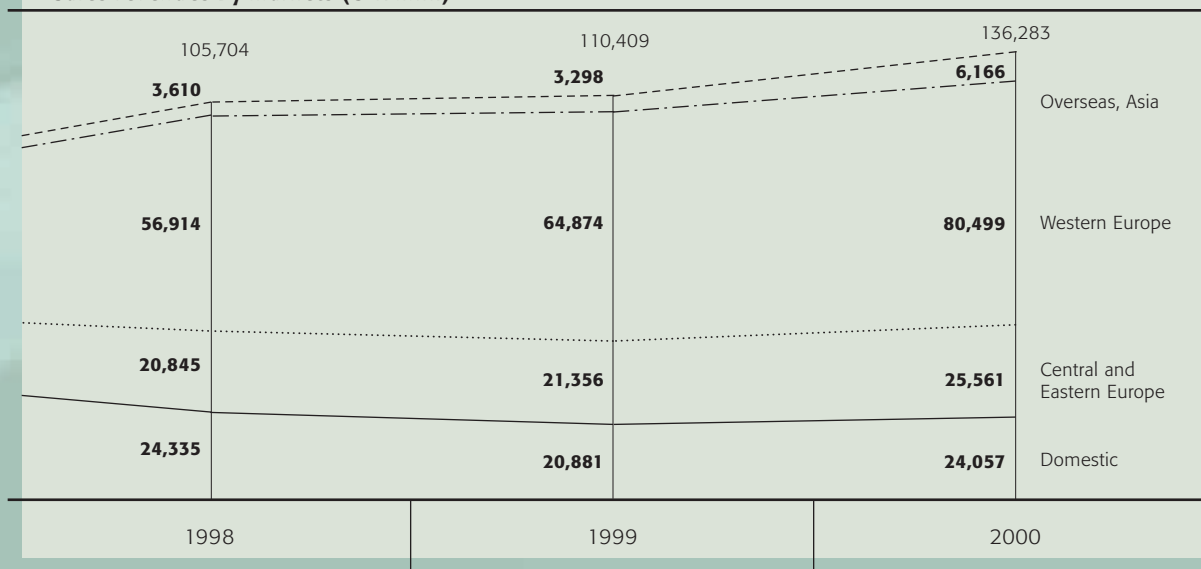
Value added increased by CZK 464 million over the previous year to CZK 18,977 million.

Depreciation, resulting from the large investment volume, rose by CZK 1,252 million (+19 %) to CZK 7,768 million. Personnel costs also increased by significantly less than the growth in sales.

The financial result with CZK -1,029 million improved by CZK 393 million (+28%) over the previous year.

To cover its capital requirements **Škoda**Auto issued bonds valued at CZK 10 billion. The bonds are traded on the secondary market of the Prague Stock Exchange; the maturity periods are five, seven and ten years. The loan

Sales revenues by markets (CZK mill.)



Profit and loss statement for the year ending December 31, 2000 (CZK mill.)

	2000 CZK mill.	% sales	1999 CZK mill.	% sales	1998 CZK mill.	% sales
Revenue from sales	136,283	100.0	110,409	100.0	105,704	100.0
Value added	18,977	13.9	18,513	16.8	17,516	16.6
Personnel expenses	7,465	5.5	6,629	6.0	5,803	5.5
Depreciation	7,768	5.7	6,516	5.9	6,018	5.7
Other income and expenses	1,460	1.1	-132	-0.1	-389	-0.4
Net financial results	-1,029	-0.8	-1,422	-1.3	-1,604	-1.5
Tax charge	839	0.6	1,177	1.1	1,463	1.4
Profit after tax	3,336	2.4	2,637	2.4	2,239	2.1
Value added (CZK mill.)						
Revenue from sales	136,283	100.0	110,409	100.0	105,704	100.0
Change in stocks	103	0.1	304	0.3	1,533	1.4
Own work capitalized	2,370	1.7	1,120	1.0	1,362	1.3
Subtotal	138,756	101.8	111,833	101.3	108,599	102.7
Material and energy usage*	105,996	77.8	80,426	72.8	78,899	74.6
Services	13,783	10.1	12,894	11.7	12,184	11.5
Value added	18,977	13.9	18,513	16.8	17,516	16.6
*Incl. acquisition costs of goods						

Balance sheet structure (CZK mill.)

Assets	Dec. 31, 2000	%	Dec. 31, 1999	%	Dec. 31, 1998	%
Fixed assets	39,175	58.8	33,687	60.6	29,482	57.4
Inventories	9,014	13.5	7,703	13.8	7,857	15.3
Accounts receivable, other assets	17,629	26.4	12,559	22.6	12,201	23.7
Liquid assets	843	1.3	1,661	3.0	1,835	3.6
Total assets	66,661	100.0	55,610	100.0	51,375	100.0
Equity and liabilities						
Shareholders' equity	26,032	39.1	22,700	40.8	20,236	39.4
Liabilities	40,629	60.9	32,910	59.2	31,139	60.6
Total liabilities and shareholders' equity	66,661	100.0	55,610	100.0	51,375	100.0

from VW Investments Ltd. was thereby cancelled. Profit after tax for the reporting period was CZK 3,336 million (+27%).

Key Balance Sheet Items

Total assets grew from CZK 55,610 million to CZK 66,661 million as a result of the increased business volume and high investments. The value of fixed assets increased by CZK 5,488 million (+16%).

With profit after tax of CZK 3,336 million, shareholders' equity grew to CZK 26,032 million (1999: CZK 22,700 million). Fixed assets, as percentage of equity, now represent 66.5 per cent (1999: 67.4%).

The amount of capital expenditure increased again to CZK 13,248 million for the fiscal year 2000. Gross cash flow rose to CZK 10,756 million (1999: CZK 9,780 million), thereby covering 81.2 per cent of capital expenditure.

Subsidiaries

The results recorded by subsidiaries reflect the development in their respective markets.

ŠkodaAuto Deutschland GmbH enjoyed sales of 67.6 thousand vehicles (1999: 57.1 thousand), thereby continuing the growth trend from the previous year. Profit before tax, which was affected for the first time by the EU requirement to take back old vehicles, was CZK -54.7 million (1999: CZK 159.8 million).

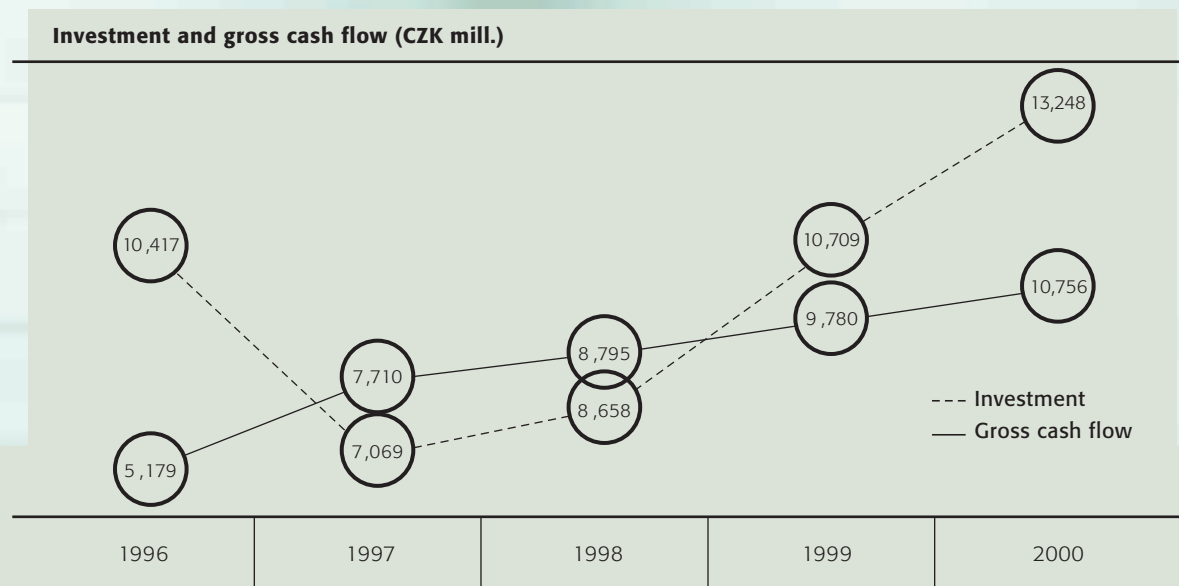
ŠKODA AUTO Slovensko, s.r.o. saw its profit before tax improve by 94 per cent to CZK 69.6 million for an increase of CZK 33.8 million over the previous year. The sales volume was 32.8 thousand vehicles (1999: 31.3 thousand).

ŠKODA AUTO Polska, S.A. recorded profit before tax of CZK 81.6 million (1999: CZK 60.4 million). The overall strong negative development of the market overall (-25%) led to a decline in sales for Škoda Auto Polska to 41.2 thousand vehicles (1999: 44.9 thousand). However, the decline was a disproportionately low 8 per cent.

Stock Acquisitions

During the first half of the year Volkswagen AG acquired the remaining 30 per cent of **Škoda**Auto shares from Konsolidační banka a.s. following negotiations with the Czech government.

Development of net liquidity (CZK mill.)	Dec. 31, 2000	Dec. 31,1999	Change
Liquid assets	843	1,661	-818
Bank loans	-4,850	-3,000	-1,850
Net liquidity	-4,007	-1,339	-2,668



Change in net liquidity (CZK mill.)	2000	1999	1998
Profit after tax	+3,336	+2,637	+2,239
Depreciation*	+8,051	+6,712	+6,032
Changes in medium and long-term reserves	-631	+431	+524
+ Gross cash flow	+10,756	+9,780	+8,795
Change in inventories	-1,311	+154	-1,218
Change in accounts receivable and other assets	-5,361	-566	-308
Change in short-term provisions and accrued liabilities	-33	-275	+154
Change in equity	-4	-174	0
Change in trade and other liabilities (excluding change in loans)	+6,533	+1,116	+1,012
+ Other internal financing	-176	+255	-360
= Financing from ordinary activities	+10,580	+10,035	+8,435
Investments	-13,873	-11,313	-9,317
Assets disposals	+625	+604	+659
- Investment	-13,248	-10,709	-8,658
= Change in net liquidity	-2,668	-674	-223

* Incl. costs incurred trough prepaid expenses to the amount of CZK 291 mill. (1999: CZK 208 mill., 1998: CZK 20 mill).



Octavia

**Financial Statements for the Year
Ending December 31, 2000**



Auditor's Report



PRICEWATERHOUSECOOPERS 

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**REPORT OF INDEPENDENT AUDITORS
TO THE SHAREHOLDERS OF ŠKODA AUTO a. s.**

We have audited the accompanying balance sheet of ŠKODA AUTO a. s. as at 31 December 2000, the related income statement and notes, including the statement of cash flows, for the year then ended ("the financial statements") presented in the annual report of the Company on pages 50 to 63. The financial statements and underlying accounting records are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the accompanying financial statements present fairly, in all material respects, the assets,

liabilities and equity of ŠKODA AUTO a. s. as at 31 December 2000, and the results of its operations and of its cash flows for the year then ended in accordance with the Act on Accounting and other relevant legislation of the Czech Republic.

We have examined whether the supplementary financial information included in the annual report of the Company on pages 6 to 45, which does not form part of the financial statements for the year ended 31 December 2000, is consistent with the audited financial statements of the Company. In our opinion, this information is consistent with the audited financial statements in all material respects.

1 February 2001

PricewaterhouseCoopers Audit, s.r.o.
represented by

Matthew Pottle
Partner

Jaroslav Dubský
Auditor, Licence No. 1659

Balance Sheet (as at December 31, 2000)

(in CZK thousand)	Note	31.12.2000	31.12.1999
Assets			
Fixed assets		39,174,741	33,687,219
Intangible assets	(3)	223,302	309,402
Tangible assets	(4)	38,229,431	32,648,475
Financial assets	(6)	722,008	729,342
Current assets		26,802,482	21,362,401
Inventories	(9)	9,014,089	7,702,590
Receivables	(10)	16,945,579	11,998,388
Cash and cash equivalents		842,814	1,661,423
Other assets	(14)	683,754	560,704
Total assets		66,660,977	55,610,324
Liabilities and shareholders' equity			
Equity		26,032,625	22,700,302
Share capital	(15)	16,708,850	16,708,850
Share premium and legal reserves	(15)	1,888,548	1,756,684
Profit/loss of the previous years	(15)	4,098,914	1,597,494
Profit/loss of the current year	(15)	3,336,313	2,637,274
Liabilities		37,433,811	29,027,069
Provisions for future liabilities and charges	(19)	4,284,200	4,948,709
Long-term liabilities	(10)	10,000,000	9,033,297
Short-term liabilities	(10)	18,299,611	12,045,063
Loans and overdrafts	(18)	4,850,000	3,000,000
Other liabilities		3,194,541	3,882,953
Total liabilities and shareholders' equity		66,660,977	55,610,324

Profit and Loss Account (as at December 31, 2000)

(in CZK thousand)	Note	2000	1999
Revenue from sales of merchandise	(20)	6,079,724	5,315,966
Costs of sales of merchandise		3,352,780	3,090,215
Sales margin		2,726,944	2,225,751
Revenue from sale of own products and services	(20)	130,203,513	105,092,907
Change in stocks of own production		102,666	304,289
Own work capitalized		2,369,852	1,120,344
Production		132,676,031	106,517,540
Material and energy consumption		102,643,387	77,335,789
Services		13,782,839	12,894,575
Consumption for production		116,426,226	90,230,364
Value added		18,976,749	18,512,927
Personnel expenses	(21)	7,464,855	6,628,853
Taxes and charges		42,336	44,286
Depreciation and amortisation of fixed assets		7,767,963	6,516,311
Revenue from sale of fixed assets and raw materials		1,862,988	1,102,763
Book value of fixed assets and raw materials sold		1,422,305	855,090
Other operating revenue		790,715	275,179
Other operating costs		717,015	653,741
Release of provisions and accruals		2,500,771	1,744,643
Creation of provisions and accruals of which deferred costs		1,875,147 (290,743)	1,812,049 (207,842)
Release of provisions		488,690	426,994
Creation of provisions		108,000	301,011
Operating profit		5,222,292	5,251,165
Loss from financial operations	(23)	-1,028,957	-1,422,579
Profit from ordinary activities before tax		4,193,335	3,828,586
Extraordinary (loss)/profit		-17,946	-14,383
Profit before tax		4,175,389	3,814,203
Corporate taxes	(24)	839,076	1,176,929
Profit for the year after tax		3,336,313	2,637,274

Cash Flow Statement

(for the year ending December 31, 2000)

(in CZK thousand)	2000	1999
Cash and cash equivalents at the beginning of the year	1,661,423	1,835,264
Profit from ordinary activities before tax	4,193,335	3,828,586
Adjustments for non-cash movements	7,133,408	8,253,949
Depreciation of fixed assets and write-off of receivables	8,076,433	6,829,289
Change in provisions, accruals and prepayments	-1,315,690	953,579
Profit from disposal of fixed assets	-73,848	-76,385
Dividends received	-12,669	-2,180
Net interest expense	459,182	549,646
Net cash flow from operating activities before tax, changes of working capital and extraordinary items	11,326,743	12,082,535
Working capital changes:	-307,806	618,284
Change in receivables	-4,501,537	-415,655
Change in short-term liabilities	5,431,970	860,171
Change in inventories	-1,238,239	173,768
Net cash flow from operating activities before tax and extraordinary items	11,018,937	12,700,819
Interest paid	-614,745	-722,233
Interest received	217,041	172,587
Corporate tax paid	-1,246,608	-2,549,594
Extraordinary profit	-17,946	-14,381
Net cash flow from operating activities	9,356,679	9,587,198
Acquisition of fixed assets	-12,994,729	-10,681,511
Proceeds from the sale of fixed assets	612,964	608,331
Loans to related parties and employees	-16,457	-15,219
Net cash flow from investing activities	-12,398,222	-10,088,399
Change in bank credits	1,850,000	500,000
Change in long-term liabilities	364,255	-1,280
Change in equity	-3,990	-173,540
Dividends received	12,669	2,180
Net cash flow from financial activities	2,222,934	327,360
Net movement in cash and cash equivalents	-818,609	-173,841
Cash and cash equivalents at the end of the year	842,814	1,661,423



Notes to the Financial Statements

1. Accounting and Valuation Principles

a) Accounting principles

The financial statements of ŠKODA AUTO a. s. (hereinafter referred to as the Company or **Škoda**Auto) as of December 31, 2000 were prepared in accordance with the provisions of the Accounting Act No. 563/1991 Coll. and the relevant instructions of the Ministry of Finance of the Czech Republic.

The Company adhered in all material respects to the accounting and valuation principles as employed in the preceding financial year. The amounts stated in the Financial Statements and Notes are all in thousands of Czech crowns (CZK), unless stated otherwise.

b) Intangible fixed assets

Intangible fixed assets are valued at acquisition costs, less depreciation. Depreciation is principally linear and time-proportional. The estimated useful lives are from 3 to 8 years. All intangible fixed assets of unit value less than CZK 60,000 were fully written off as costs at the time of acquisition.

Development costs recorded for the period until December 31, 1994 as intangible assets are amortised over 5 years on a straight-line basis. Beginning in 1995, development costs are charged directly to the Profit and Loss account in full.

c) Tangible fixed assets

Tangible fixed assets are valued at the cost of acquisition or at actual costs. Acquisition costs of tangible fixed assets produced internally include direct materials, direct wages and production overheads and proportional administration costs in the case of internally produced fixed assets of a long-term nature (over 1 year). Tangible fixed assets are depreciated on a straight-line basis as planned, taking into account the utilization of production capacities and based on the following periods of usage:

Buildings, including buildings on property not owned by Škoda Auto	16–50 years
Machinery and equipment	6–14 years
Business and office equipment including tools and fixtures	4–8 years

Tangible fixed assets of unit value less than CZK 40,000 are treated as tangible fixed assets of low value and depreciated fully when their utilisation begins.

d) Financial investments

Shareholdings and securities are valued at cost of acquisition. Other financial investments are shown in the balance sheet at nominal value.

The discounting of interest-free long-term loans to employees is recorded through the creation of provisions.

e) Inventories

Raw materials and goods are valued at cost or net realisable value – whichever is lower. Related customs duties, packing and freight costs are included within acquisition costs. Consumption of materials and all sales are accounted for at average weighted cost.

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

Unfinished and finished products are valued at an amount including direct materials, direct wages and production overheads. Administration costs were not included in the value of own production (finished and unfinished).

f) Receivables

Receivables are carried at nominal value, lowered by a provision for doubtful receivables. In addition to provisions calculated on the basis of the latest wording of §8 and §8a Act No. 593/1992 Coll. on provisions, all discernible individual risks and general risks and losses were taken into account by means of further provisions, according to the latest wording of §24 Act No. 563/1991 Coll. on accounting.

g) Bank account balances

Bank account balances mainly relate to short-term fixed deposits.

h) Provisions

Provisions were made for all discernible risks of warranties, ongoing legal proceedings and other risks. Further provisions were made to cover the maintenance planned for future years, as prescribed by the latest wording of §7, Act No. 593/1992 Coll. on provisions.

i) Liabilities

Liabilities are shown in their nominal value. No security was provided for any payable.

The bonds issued are recorded at the amount of the principal. The issue discount and the other costs relating to the bond issue are treated as deferred expenditure and will be released to the Profit and Loss account on a straight-line basis over the period of the related bonds.

j) Translation of foreign currencies

Positions in the Balance Sheet and Profit and Loss account are always shown at currency rates applying on the date of transaction. Currency fluctuations arising from the settlement of receivables and payables are included in the Profit and Loss account. Receivables and payables denominated in foreign currencies are valued at the end of the year at currency rates of the Czech National Bank applying at the Balance Sheet date. Currency rate gains arising on the translation of cash, bank account balances and short-term securities are shown in the Profit and Loss account. Unrealized currency gains arising on these items are shown in the balance as other liabilities. A provision is made for unrealized currency rate losses that are included in other assets. The amount of this provision was calculated by mutual set-off of the unrealized gains and losses in each currency.

k) Interest on overdue payments

Interest on overdue payments and receivables is accounted for on a cash basis in accordance with the valid regulation of the Ministry of Finance of the Czech Republic.

l) Deferred expenditure of future accounting periods

Costs relating to the planning, preparation and extension of production plant ("preparation and start-up of production") are treated as deferred expenditure of future accounting periods. These costs will be written off in the Profit and Loss account as costs equally over a period of two years, beginning each time with the first pre-production series (or, from the start of mass production) of a new automobile model or when a plant goes into operation.

m) Deferred tax

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

n) Leasing

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

2. Fixed Assets (in CZK thousand)

In 2000, the net book value of fixed assets developed as follows:

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

3. Intangible Assets (in CZK thousand)

	Software	Development costs	Royalties	Assets under construction	Total
Cost					
Balance at Jan. 1, 2000	244,132	1,109,431	33,000	0	1,386,563
Additions	84,501	0	36,263	0	120,764
Disposals	0	0	0	0	0
Balance at Dec. 31, 2000	328,633	1,109,431	69,263	0	1,507,327
Accumulated amortisation					
Balance at Jan. 1, 2000	214,044	841,461	21,656	0	1,077,161
Additions	61,810	136,396	8,658	0	206,864
Disposals	0	0	0	0	0
Balance at Dec. 31, 2000	275,854	977,857	30,314	0	1,284,025
Net book value 1999	30,088	267,970	11,344	0	309,402
Net book value 2000	52,779	131,574	38,949	0	223,302

4. Tangible Fixed Assets (in CZK thousand)

	Land and buildings	Machinery and equipment	Fixtures and fittings	Assets under construction and advances	Total
Cost					
Balance at Jan. 1, 2000	12,284,202	26,147,348	13,720,239	9,332,231	61,484,020
Additions	390,243	3,229,885	3,788,842	6,295,275	13,704,245
Reclassifications	2,598,431	3,220,719	2,218,644	-8,037,794	0
Disposals	-49,321	-321,305	-917,344	0	-1,287,970
Balance at Dec. 31, 2000	15,223,555	32,276,647	18,810,381	7,589,712	73,900,295
Accumulated depreciation					
Balance at Jan. 1, 2000	2,419,550	17,087,359	9,328,636	0	28,835,545
Additions	452,084	4,237,415	2,871,600	0	7,561,099
Disposals	-12,488	-323,399	-389,893	0	-725,780
Balance at Dec. 31, 2000	2,859,146	21,001,375	11,810,343	0	35,670,864
Net book value 1999	9,864,652	9,059,989	4,391,603	9,332,231	32,648,475
Net book value 2000	12,364,409	11,275,272	7,000,038	7,589,712	38,229,431

Leasing (in CZK thousand) – fixed assets acquired by finance leasing

Fixed assets	Leasing charges total	Actual leasing charges at Dec. 31, 2000	Future leasing charges in 2001	Future leasing charges after 2001
Fork-lift truck	237,692	220,522	17,170	0
Computer hardware	49,120	49,120	0	0
Vehicles	5,376	5,376	0	0
Mobile telephones	7,930	7,930	0	0
Other	20,771	20,771	0	0
Total	320,889	303,719	17,170	0

Leasing charges are shown including VAT.

5. Low Value Fixed Assets

Low value fixed assets, not recognized in the Balance Sheet as at December 31, 2000 total an acquisition costs CZK 2,616,748 thousand (1999: CZK 2,225,279 thousand) in the case of tangible fixed assets, and CZK 69,879 thousand (1999: CZK 44,237 thousand) in the case of intangible fixed assets.

6. Financial Investments (in CZK thousand)

	Dec. 31, 2000	Dec. 31, 1999
Shareholdings	583,064	610,564
Securities	7,000	7,000
Other loans	171,944	151,778
Gross total	762,008	769,342
Provisions	-40,000	-40,000
Net total	722,008	729,342

7. Holdings

ŠkodaAuto holds shares in the following companies:

	Book value (acquisition value) at Dec. 31, 2000 in CZK thou.	Book value (acquisition value) at Dec. 31, 1999 in CZK thou.	%	Equity share at Dec. 31, 1999 in CZK thou.	Cur- rency	Equity at Dec. 31, 1999* in thou.	Profit/loss 1999* in thou.
Škoda Auto Deutschland	197,739	197,739	100.0	216,688	DM	11,730	4,016
Škoda Auto Slovensko	48,917	48,917	100.0	99,534	SKK	116,993	5,842
Škoda IMMO	261,718	261,718	100.0	280,256	CZK	280,256	-243,010
Škoda Auto BH	175	175	100.0	4,027	DM	218	208
Škoda Auto Udmurtija	100	100	75.1	98	RUR	100	0
Škoda Auto Polska	838	838	51.0	34,395	PLN	7,767	3,607
ŠKO ENERGO	3,400	3,400	34.0	5,510	CZK	16,205	2,894
ŠKO ENERGO-FIN	70,177	97,677	10.0	93,261	CZK	932,605	-1,307
Total	583,064	610,564					

*The data above relate to December 31, 1999, as the audited financial statements of the above companies for the year 2000 were not yet available at the date of preparing these financial statements.

The new subsidiary Škoda Auto India Private Limited Co. was founded on December 23, 1999 with a symbolic authorized share capital.

The above companies paid dividends totalling CZK 10,943 thousand in 2000 (1999: CZK 2,180 thousand).

The registered offices of companies in which ŠkodaAuto holds more than 20% of the equity are located as follows:

ŠkodaAuto Deutschland, GmbH	ŠKODA AUTO Slovensko, s. r. o	ŠKODA IMMO, s. r. o.	ŠKODA AUTO Polska, S. A.	ŠKO-ENERGO, s. r. o.	ŠKODA AUTO BH, djl	ŠKODA AUTO Udmurtija, ZAO	ŠKODA AUTO INDIA Private Limited
Weiterstadt, Germany	Bratislava, Slovak Republic	Mladá Boleslav, Czech Republic	Poznań, Poland	Mladá Boleslav, Czech Republic	Sarajevo -Vogosca, Bosnia and Herzegovina	Izhevsk, Russian Federation	Mumbai, India

8. Securities

ŠkodaAuto owns securities of ČSOB with a total value of CZK 7,000 thousand (1999: CZK 7,000 thousand). These are composed of 7,000 bank shares of nominal value CZK 1,000.

The dividend yield received in 2000 amounted to CZK 1,726 thousand (1999: CZK 0).

9. Inventories (in CZK thousand)

	31.12.2000	31.12.1999
Raw materials	3,925,254	2,817,371
Work in progress	2,511,175	2,866,788
Finished goods	1,419,198	960,917
Merchandise	1,269,168	1,241,480
Gross total	9,124,795	7,886,556
Provisions	-110,706	-183,966
Net total	9,014,089	7,702,590

10. Receivables and Liabilities (in CZK thousand)

	Receivables		Liabilities	
	Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999
Goods and services	11,569,524	8,880,531	17,551,075	11,166,098
Taxes	4,994,484	2,948,924	54,621	45,848
Social security	0	0	188,529	163,911
Personnel expenses	7,914	7,707	40,466	52,320
Other	373,657	161,226	10,464,920	9,650,183
– of which long-term	0	0	(10,000,000)	(9,033,297)
Total	16,945,579	11,998,388	28,299,611	21,078,360

11. Issued Bonds (in CZK thousand)

In 2000, ŠkodaAuto issued bonds with a total value of CZK 10 billion. The bonds were issued on October 26, 2000 in three portions with different repayment periods. The bonds are traded on the secondary market of the Prague Securities Exchange.

	Amount	Repayment period	Bond yield
1 st . Portion	5,000,000	2005	7.25%
2 nd . Portion	3,000,000	2007	6M Pribor + 0.14%
3 rd . Portion	2,000,000	2010	6M Pribor + 0.22%
Total	10,000,000		

12. Short-Term Trade Receivables and Trade Liabilities (in CZK thousand)

	Receivables		Liabilities	
	Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999
Domestic	3,589,696	3,884,373	7,014,577	4,196,157
Foreign	8,594,776	5,918,535	10,536,498	6,969,941
– of which > 180 days overdue	(939,849)	(1,195,978)	(274,094)*	0
Gross total	12,184,472	9,802,908	17,551,075	11,166,098
Provisions	-614,948	-922,377		
Net total	11,569,524	8,880,531		

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

13. Receivables from and Liabilities to Companies in the Group (in CZK thousand)

	Receivables		Liabilities	
	Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999
Škoda Auto Deutschland	157,995	499,035	39,966	45,846
Škoda Auto Slovensko	2,299,808	1,741,020	47,716	37,119
Škoda Auto Polska	43,813	45,263	39	41
Škoda Auto BH	229,707	75,418	0	0
Škoda IMMO	1,856	0	0	0
ŠKO-ENERGO	10,381	6,751	152,229	40,569
Volkswagen AG	963,592	560,475	1,644,373	1,308,191
Total	3,707,152	2,927,962	1,884,323	1,431,766

14. Other Assets (in CZK thousand)

	Dec. 31, 2000	Dec. 31, 1999
Costs of planning, preparation and extensions to production plant		
– Prepaid expenses	2,422,452	2,246,666
– Write-downs	-2,033,050	-1,742,306
– Closing balance	389,402	504,360
Exchange rate differences	93,304	14,754
Other deferred costs	151,221	28,932
Accrued income	49,827	12,658
Total	683,754	560,704

15. Equity (in CZK thousand)

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

	Share capital	Share premium	Legal reserve fund	Retained profit/loss	Total
Balance at Jan. 1, 2000	16,708,850	1,578,172	178,512	4,234,768	22,700,302
Transfer to legal reserve fund from profit for 1999	-	-	131,864	-131,864	0
Payment of executive bonuses	-	-	-	-3,990	-3,990
Profit for 2000	-	-	-	3,336,313	3,336,313
Balance at Dec. 31, 2000	16,708,850	1,578,172	310,376	7,435,227	26,032,625

16. Share Capital

The share capital is composed of 1,670,885 shares of CZK 10,000 each. In May 2000, the Volkswagen AG, Wolfsburg became the only shareholder of the Company. When the remaining 30 per cent of the shares were purchased based on the "Agreement on the transfer of ŠKODA AUTO a. s. Shares" of May 17, 2000.

17. Capital Funds and Profit/Loss

The General Meeting of Shareholders held on March 8, 2000 approved the following appropriation of the profit for 1999 amounting to CZK 2,637,274 thousand:

- In accordance with §217 Commercial Code the amount of CZK 131,864 thousand to be transferred to the legal reserve fund.
- Bonuses totalling CZK 3,990 thousand to be paid to the Supervisory Board Members.
- The balance of CZK 2,501,420 thousand to be carried forward as retained earnings.

18. Bank Credits

As at December 31, 2000 the Company recognizes bank credits totalling CZK 4,850 million (1999: 3,000 million). These are short-term operation credits denominated in Czech crowns.

19. Provisions (in CZK thousand)

In 2000, provisions were made and utilized as follows:

Item	Balance at Jan. 1, 2000	Allocation	Use/ release	Balance at Dec. 31, 2000
For repairs to fixed assets	409,465	215,996	228,837	396,624
Total legal provisions	409,465	215,996	228,837	396,624
For warranties	4,055,520	1,319,250	1,768,172	3,606,598
For foreign currency forwards future transactions	37,665	7,348	37,665	7,348
For ongoing legal proceedings and other risks	435,800	41,809	290,311	187,298
For currency losses	10,259	86,332	10,259	86,332
Total provisions	4,948,709	1,670,735	2,335,244	4,284,200

20. Revenues (in CZK thousand)

	2000		1999	
	in CZK thou.	%	in CZK thou.	%
Merchandise	6,079,724	4.5	5,315,966	4.8
Own products and services	130,203,513	95.5	105,092,907	95.2
Total	136,283,237	100.0	110,408,873	100.0
Vehicles	127,863,109	93.8	102,476,181	92.8
Spare parts	6,522,442	4.8	5,788,807	5.3
Other	1,897,686	1.4	2,143,885	1.9
Total	136,283,237	100.0	110,408,873	100.0
Domestic	24,056,640	17.7	20,881,009	18.9
Foreign	112,226,597	82.3	89,527,864	81.1
Total	136,283,237	100.0	110,408,873	100.0

21. Structure of Personnel Expenses (in CZK thousand)

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

		Numbers	Wages and salaries	Social security costs	Other costs
Staff	2000	21,531	5,192,672	1,785,221	96,613
	1999	19,755	4,593,949	1,588,402	102,590
Managers	2000	337	294,049	93,134	2,669
	1999	311	260,203	81,950	1,475
Total	2000	21,868	5,486,721	1,878,355	99,282
	1999	20,066	4,854,152	1,670,352	104,065

22. Development Costs

In 2000, development costs for new passenger car models amounted to CZK 2,337 million (1999: CZK 2,725 million). In 2000 ŠkodaAuto incurred costs of prototypes and pre-production series cars totalling CZK 885 million (1999: CZK 627 million). Furthermore, development costs totalling CZK 136 million were charged in the Profit and Loss account of 2000 (1999: CZK 212 million) (see also note 3).

23. Profit and Loss from Financial Operations (in CZK thousand)

	2000		1999	
	Income	Expenditures	Income	Expenditures
Interest	218,130	677,312	172,587	722,233
Currency rate differences	2,266,337	1,514,543	1,879,472	1,949,449
Factoring fees and other financing expenditure	0	1,258,166	-	857,551
Other income from financial investments	12,669	0	2,180	0
Provision for exchange rate losses	10,260	86,332	62,675	10,260
Total	2,507,396	3,536,353	2,116,914	3,539,493

24. Corporate Tax (in CZK thousand)

Corporate income tax	2000	1999
Current	839,076	1,176,929
Total	839,076	1,176,929

The deferred tax liability as calculated amounts to CZK 703 million (1999: CZK 1,173 million). The deferred tax asset is not recorded in 2000, as doubts exist about its realization against future taxable profit.

The Company was granted investment incentives for the construction of a new engine and gearbox production plant, which were not utilized in 2000.

25. Remuneration of Board of Directors and Supervisory Board Members

No special remuneration was paid to members of the Board of Directors in 2000. The salaries of the Board Members are included in the table (see note 21). 6 cars (1999: 8 cars) were placed at the disposal of members of the Board of Directors. The remuneration paid to Supervisory Board members in 2000 amounts to CZK 497 thousand (1999: CZK 284 thousand). A total of CZK 126 thousand (1999: CZK 95 thousand) was paid to Supervisory Board members who are not employed by **Škoda**Auto.

3 cars (1999: 3 cars) were placed at the disposal of Supervisory Board members.

26. Capital Commitments

At December 31, 2000 **Škoda**Auto had entered into contracts for the purchase of fixed assets amounting to approximately CZK 25.9 billion (1999: CZK 17.1 billion).

At December 31, 2000 **Škoda**Auto held future sales contracts, which will be realized in 2001. These contracts include the sale of USD 26,000 thousand against CZK, GBP 43,800 thousand against CZK.

At December 31, 2000 **Škoda**Auto had also entered into exchange rate swap contracts totalling EUR 23,000 thousand against CZK, CZK 147,100 thousand against EUR, GBP 63 thousand against CZK and into interest rate swap contracts totalling CZK 3,000,000 thousand.

27. Contingent Liabilities

At December 31, 2000 **Škoda**Auto had incurred liabilities from guarantees amounting to CZK 28 million (1999: CZK 33 million), which are not shown in the balance sheet and for which no provision was made. The total of the contingent liabilities corresponds to the amounts guaranteed.

28. Significant Post-Balance Sheet Events

No significant events occurred after the balance sheet date which would have a significant impact on the 2000 Financial Statements.

29. General Information on the Company

Foundation and authorized activities:

ŠkodaAuto was founded as a legal entity on November 20, 1990. The main authorized activities are production and sales of vehicles and accessories.

Registered office: ŠKODA AUTO a. s.
Tř. Václava Klementa 869
293 60 Mladá Boleslav
Czech Republic

Organizational structure of the Company:

The Company is subdivided into three plants for automobile manufacture. The main plant is at Mladá Boleslav, the Company also produces automobiles in the Vrchlábí and Kvasiny plants. Sales and general administration activities are concentrated in Mladá Boleslav.









