

VOLKSWAGEN FINANCIAL SERVICES

ÚVĚR. LEASING. POJIŠTĚNÍ. MOBILITA.



ANNUAL REPORT FOR 2018

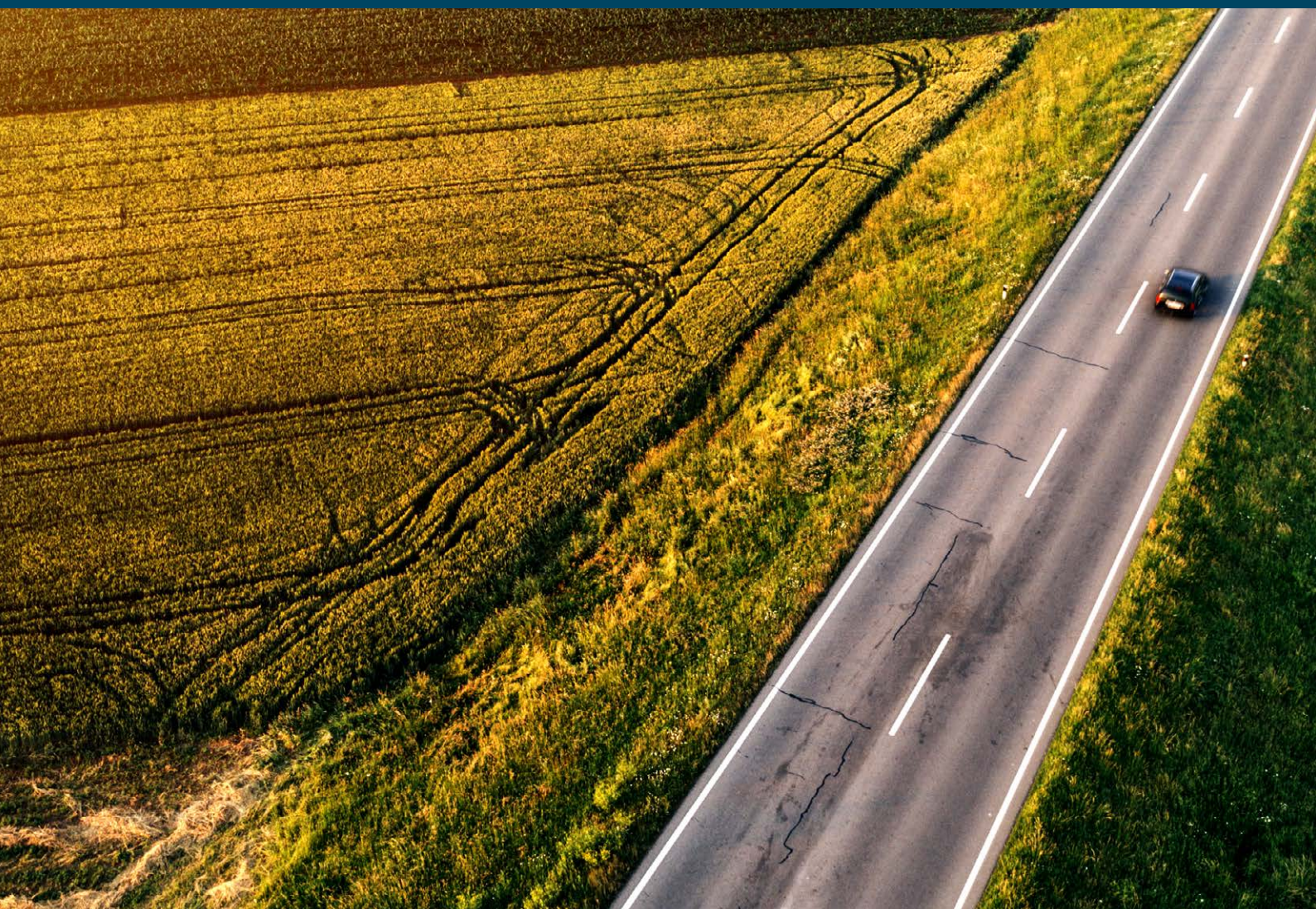


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INTRODUCTION BY THE BOARD OF MANAGEMENT



INTRODUCTION BY THE BOARD OF MANAGEMENT

Dear ladies, dear gentlemen,

We have followed another year of successful projects and extremely good economic results that have helped us to confirm our position as leader in the financing of cars. Volkswagen Group sells almost 45% of all passenger cars in the Czech Republic and our company has a 22% stake in the market. Thanks to this we hold a privileged position in the area of vehicle financing.

The number of concluded contracts for financing of new and used cars rose by almost 4 % compared to the previous year. This year we have the ambition to exceed this volume, despite the worsening economic outlook for the next period.

Today's time is going on the path of new trends, where digitization, electromobility, connectivity and mobile services are at the forefront. Both in the automotive sector and in the area of financing, these trends are gradually projected into a new form of business models where Volkswagen Financial Services has long been a pioneer of these services.

Digitization will undoubtedly be a key theme of the future. Fortune favors the prepared and digitized. What has been changing for decades has changed during very short time thanks to digitization. Customers' habits are changing – rental or fleet car sales grow instead of their ownership. We also see the change in the mode of transport, with emphasis being placed on zero emissions or the shift of cars out of the city centers.

Volkswagen Financial Services will continue to hold a high market position and great potential for growth

and development in the future. It will succeed thanks to a steady effort to improve existing and create new services and products for its customers and business partners. In the near future, we will focus on projects such as the Start box, online approvals, online service packages and B2C remarketing online. However, digitization does not only concern external factors, but also internal ones, and we want to save time and money by them.

It is an honor and commitment to be a number one financial provider for many companies and private individuals. We want to continue to be a transparent and reliable partner for clients seeking certainty and comfort in the financing of cars. At the same time, we work intensively on our vision to be one of the most attractive employers on the Czech market. If we stand up to these commitments, no challenge will be too big for us.

We would like to thank all our partners and customers for the trust they put into our business cooperation, and all our employees who helped us to live up to that trust.



Jiřina Tapšíková
Ing., MBA



Vratislav Stražil
Ing.

COMPANY PROFILE



COMPANY PROFILE

Volkswagen Financial Services is a leading financial services company operating on the Czech market since 1992. Since it entered to the market, the company has been number one in financing passenger and utility vehicles and providing operating leases.

As of September 1, 2017, the company has been 100 per cent subsidiary of Volkswagen Bank GmbH, fully owned company by Volkswagen AG. Its principal activity is financing of vehicles. Volkswagen Bank provides financing for retail and business customers and authorized dealers. Within Volkswagen Bank Group there are companies operating in finance and operating lease business.

ŠkoFIN s.r.o. specialises in sales support for the Volkswagen, Audi, SEAT, ŠKODA, Porsche, DUCATI dealer network and second hand company cars, an important part of its successful operation being close cooperation with the Volkswagen group dealer network.

Since 2015, it has used the Volkswagen Financial Services marketing brand. Volkswagen Financial Services is also used as a trademark. The legal name remains unchanged.

Principal Products of ŠkoFIN s. r. o.

- » Credit financing for all types of customers – private clients, entrepreneurs and legal entities.
- » Operational, investment and factoring credit financing.
- » Operative leasing for retail (ŠKODA Bez Starostí, operative leasing IN) and fleets customers.
- » Branded insurance products – ŠKODA, Volkswagen, Audi and SEAT insurance – including third party liability insurance, accident insurance and other additional insurance, as well as vehicle glass insurance or GAP insurance.
- » Car insurance brokerage with all major insurance companies on the Czech market.
- » Extended warranty for second-hand cars in ŠKODA Plus and Das Weltauto.
- » Branded Service packages – Volkswagen, SEAT and Audi service package and ŠKODA Prepaid Service. This is an additional service that covers the costs associated with the prescribed maintenance of the vehicle.
- » Other complementary products: insurance of payment obligations (PPP) and insurance of administrative and legal protection (assistant).

You can find more information at www.vwfs.cz.



THE GROUP'S STRUCTURE



THE GROUP'S STRUCTURE

ŠkoFIN s.r.o. is fully owned by Volkswagen Bank GmbH, a subsidiary of Volkswagen AG.



Volkswagen



Audi



ŠKODA



BENTLEY



PORSCHE



Užitkové
vozy



VOLKSWAGEN AKTIENGESELLSCHAFT

Volkswagen Bank GmbH

Volkswagen Financial Services AG

STRUCTURE OF THE GOVERNING BODIES



ŠkoFIN s.r.o., with its registered office at Pekařská 6, was recorded in the Commercial Register on 10 August 1992. The company's principal business activities include purchasing of goods for resale and sale (car leases) and providing consumer loans, including accompanying services.

Structure of statutory bodies in 2018

STATUTORY DIRECTORS OF THE COMPANY

Dipl. Kauf., Joachim Ewald, Statutory Director

Ing., Jiřina Tapšíková, Statutory Director

PROXY

Radek Cizner

Radek Milštajn



Joachim Ewald

Joachim Ewald has been a statutory director of ŠkoFIN s.r.o. since 1 March 2014. He is responsible for sales, marketing, project management and lean management.



Jiřina Tapšíková

Jiřina Tapšíková has been a statutory director of ŠkoFIN s.r.o. since 1 April 2018. She is responsible for managing the company's financial and administrative (back office) operations.

Until 31 March 2018 Reinhard Mathieu was responsible for the back office as managing director.

Vratislav Stražil has been appointed as the manager of the company responsible for sales and marketing on 1 January 2019.



OUR STRATEGY



OUR STRATEGY

As part of the Volkswagen Group, Volkswagen Financial Services CZ supports through various initiatives and programs a strategy called and known as ROUTE 2025. We strive to promote corporate values at the same time, including involving all our employees in social responsibility.

This strategy confirms the vision of the whole group: Volkswagen Financial Services is the key to mobility.

We implement our intentions and goals only in line with our corporate values: customer orientation, enthusiasm, accountability, courage and trust.



5 Key Strategic Pillars

CUSTOMERS

Through the development of digital distribution channels, we can continuously meet the changing needs and wishes of our clients in a fast and flexible manner with above standard care.

VOLUME

We look for growth across the entire group and on the local market. We increase the number of concluded contracts by adopting numerous measures.

PROFITABILITY

We strive to increase revenue while also focusing on providing comprehensive services.

OPERATIONAL EXCELLENCE

Information technologies are the basis of our future success in the digital area. We endeavour to make our processes conform to our clients' needs.

EMPLOYEES

We realise the importance of training and education, not only for new employees but for everyone. At Volkswagen Financial Services, we recognize that everybody's performance is vital, whether by an individual or as a team. Everyone is important to us.

MAJOR EVENTS IN 2018



MAJOR EVENTS IN 2018

Volkswagen Financial Services supports business development with a range of innovative products that are the main prerequisite for meeting the expectations of our clients in the area of mobility.

Used car financing

From a commercial standpoint, the year 2018 could mark the year of used cars. We have introduced a new strategy for the financing of used cars in our life, which brought nearly a revolution for our clients in this segment. The financing of second-hand cars is very specific and we are glad that we can offer for example extended warranty, discounted interest, zero fees and a number of other benefits.

Individualizing offers to different clients' groups

In the past year we have also brought special offers to non-traditional target groups. This was the example of the ŠKODA Handy programme, which is intended for disabled persons and their family members. We have also prepared an offer for ŠKODA Auto employees, or we have supported a unique Prague student car-sharing.

Insurance without financing

Key event of the year was the establishment of cooperation with insurance companies Generali, ČPP and Uniqa in February of 2018. Through dealers, Volkswagen Financial Services offers intermediation of insurance contract. Customers thus have the possibility to arrange a standard range insurance when buying a vehicle. These are compulsory or accident or other supplementary insurance services.

Service packages

Service packs became a hot new product last year. These have so far been available for Volkswagen cars, newly they are also offered for Audi and SEAT. This is an ancillary service covering the costs associated with servicing and maintenance of the vehicle. It can be purchased for a new vehicle of a given brand regardless of the method of financing. Due to the cost of all the prescribed maintenance of 5 years or the chosen mileage, customers do not need to deal with any additional expenses associated with the service. Depending on the selected package, the service may include cost of replacing the original parts due to normal wear and tear. The service can be purchased from any authorized service partner in the Czech Republic.

Practical integration of Smart solutions

Based on suggestions and experience, we have increased client friendliness of our services. Configurators have been improved, specifically with the Volkswagen, Audi and SEAT brands. Thanks to the new technical solution customers can calculate the amount of the instalment on-line through the choice of extraordinary equipment of the car.

Robotization of internal processes

During the year we also worked on further simplification and acceleration of internal processes. Already in the past we simplified activities in the areas of remarketing, support to the dealer network, marketing and archiving. Currently we are focusing on the corporate financing department.

CORPORATE SOCIAL RESPONSIBILITY



CORPORATE SOCIAL RESPONSIBILITY

The corporate responsibility and HR policy in Volkswagen Financial Services are interconnected with the global strategy and company values of the Volkswagen group.

Corporate social responsibility for all of us is a way of behaving that reflects responsibility and our long-term objectives. We believe that our success reflects not only this action, but also how we interact with needs and demands of our employees, customers and society as a whole.

Our goal is to be the best on the market, not only for our customers, but also for the employees for whom we want to be a quality and attractive employer. We know that every employee is important and extraordinary and we want him to be happy. Therefore, we place great emphasis on corporate education, training focused on the development of individual abilities, teamwork and communication. We develop incentive programs, modernize the working environment and change working conditions so that everyone feels good with us.

We are interested in the world around us. Although our activities are exclusively related to the provision of services without direct impact on the environment, with every step we consider the possible impact of our activities on the environment. We are

committed to adhering to our own code of ethics. Of course there is strict protection of the data of all our clients, prevention of corruption behavior and avoidance of illegal acts together with compliance with legislation, internal standards and rules, which are another indispensable part of our corporate culture. We carefully adhere to the rules protecting each consumer and the principles of competition.

ŠkoFIN s.r.o., as a subsidiary of Volkswagen Bank GmbH, fulfils all the rules specified by the holding company. At the same time we meet the obligations under the German Banking Act and other related regulations and national and international rules. ŠkoFIN s.r.o. is a founding member of the Non-Banking Register of Client Information (NRKI) and also a member of the Czech Lease and Financial Association, whose ethical standards are not only adhering to but also spreading, helping to create a quality and fair market environment. ŠkoFIN is a responsible provider of financing.

ŠkoFIN s.r.o. has been involved in development activities related to IT systems and procedures for financial services aimed at developing tools for reporting and establishing procedures for detecting financial risks.



CORPORATE SOCIAL RESPONSIBILITY

Sponsorship and charity events of the year 2018

In addition to car financing and sales, the company emphasizes social responsibility and local community support. Volkswagen Financial Service pays efforts and resources to help others. It has long supported important charitable movements and projects, helping handicapped people to achieve not only greater mobility and independence, but especially life satisfaction.

Centrum Paraple

For more than 20 years, Volkswagen Financial Services has been one of the main partners of Centrum Paraple, a charitable trust helping people with spinal cord injury and paralysis. The company is an annual partner of the Run for Paraple and in addition, as in previous years, at the end of the year we have donated CZK 250 000 to the centre.

Sue Ryder

Volkswagen Financial Services supports Sue Ryder through a series of charitable activities. In the last year it was the Sue Ryder Charity Cup or the Advent collection. We also contributed to the refurbishment of the home for seniors.

Archbishop of Prague

In 2018 we supported an increasingly popular event, in cooperation with the Archbishop of Prague, called the Night of churches. The latter makes the sacral spaces available to people often in unusual contexts. At the same time we supported the placement of nativity scenes in Prague churches as part of the Christian Christmas project. Thus, Volkswagen Financial Services helped to bring this part of our culture to the widest possible number of visitors.

Help provided by employees

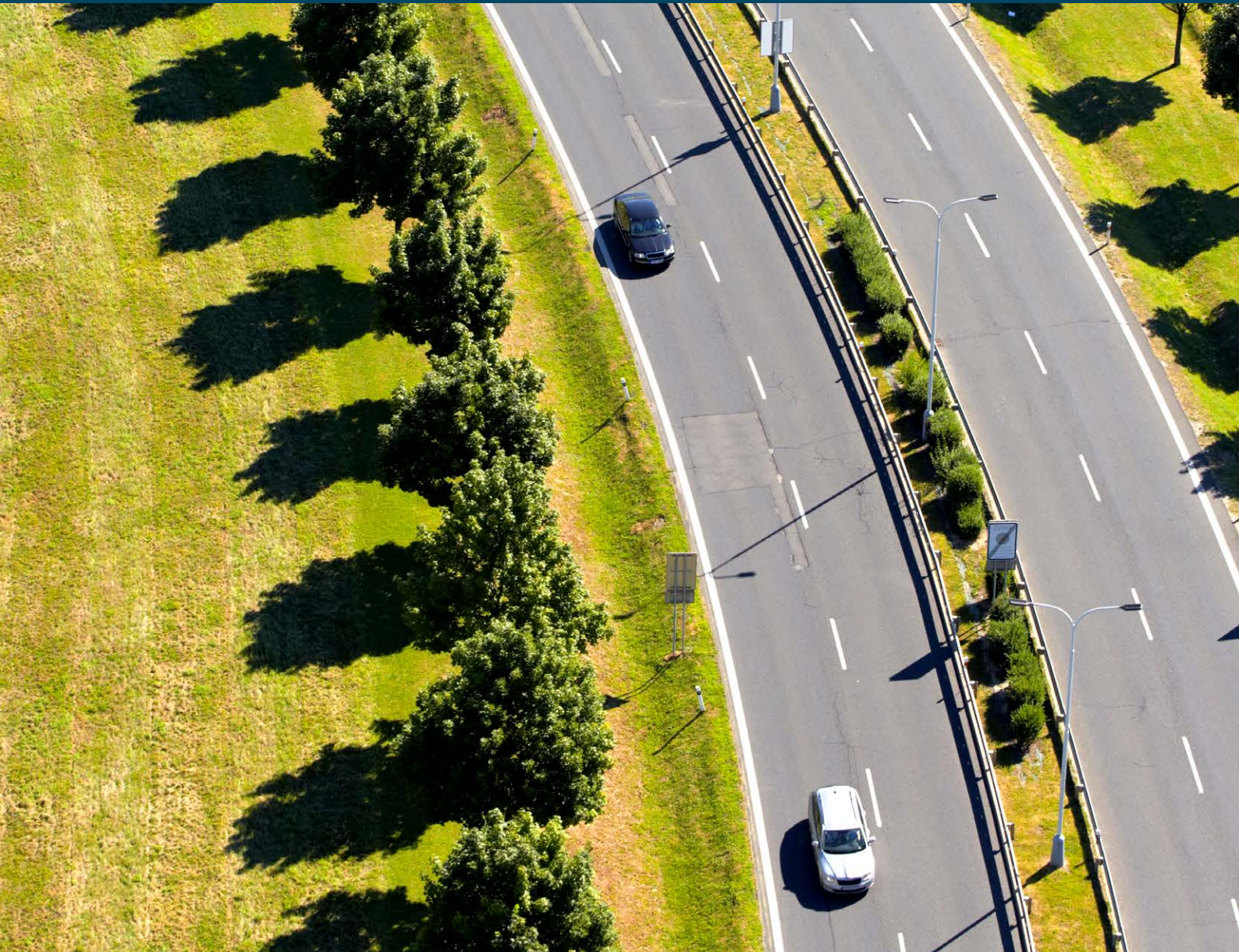
Even in 2018, the company did not miss smaller charitable events and volunteer activities.

The employees again supported their collection Kubík, the son of one of the employees. Under the auspices of the HESTIA Centre for Volunteering, they devoted their free time to charitable activities. In the ongoing volunteer days, for example, they helped at environmental centres, sheltered accommodation and other places where volunteer work is needed.

The following year will also be a year of solidarity, charity, and new opportunities to help where necessary.



FINANCIAL SITUATION IN 2018



FINANCIAL SITUATION IN 2018

ŠkoFIN s.r.o. achieved net profit
of CZK 326 million in 2018 (2017: CZK 416 million).

Key Figures	2018	2017
TOTAL AMOUNT OF ASSETS	CZK 44,029 million	CZK 42,037 million
TOTAL EQUITY	CZK 6,642 million	CZK 6,316 million
AVERAGE NUMBER OF EMPLOYEES	232	232



OUTLOOK FOR 2019



OUTLOOK FOR 2019

From the beginning of our activities we belong to the largest providers in the area of financing of passenger and utility vehicles, at the same time we have been the leader on the Czech market. In 2019 we expect further strengthening of the dominant position of Volkswagen Financial Services in the Czech Republic.

Also in 2019 we will be responding to the latest technological trends, such as digitization and automation. We will also significantly support our digital platforms such as ŠKODA online and special events such as Audi now.

We observe the increasing importance of branded financing on the market. We feel the need to support this trend, hence in the following year we will focus on strengthening the communication of Volkswagen Financial Services and building its strong name. This must be based primarily on quality products and services. For example, new products and services await us, as well as updates of existing ones, stabilization, professionalization, digitization, or focus on improving client services.

The dealer network will be a key development area for us. As part of the development of the dealer network we will integrate processes and streamline systems. The two largest projects of 2019 include NOIS and DWH. During the year, the first phase of the NOIS Core system exchange will be completed and then the second phase of implementation will be launched.

After cooling down the demand for alternative-powered vehicles in the previous years, we expect a more significant penetration of hybrid and electric cars. The new generation of electric vehicles from the Volkswagen Group, including the Volkswagen I.D. Neo, is gradually reaching the Czech market. At the same time we expect the success of electrical models Škoda. The demand for CNG is stable over the long term and we assume this to continue.

In the past year, the company started to focus more significantly on the segment of second-hand, newish and auction vehicles, and the development of financing for this type of cars. The flagship of these services are Das WeltAuto and ŠKODA Plus projects. In 2019, this will be the key segment and the company sees a great potential in it.

INDEPENDENT AUDITOR'S REPORT





Independent auditor's report

to the shareholder of ŠkoFIN s.r.o.

Opinion

We have audited the accompanying financial statements of ŠkoFIN s.r.o., with its registered office at Pekařská 635/6, Jinonice, Praha 5 ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2018, the income statement, statement of changes in shareholder's equity and cash flow statement for the year ended 31 December 2018 and notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, of its financial performance and its cash flows for the year ended 31 December 2018 in accordance with Czech accounting legislation.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic. These standards consist of International Standards on Auditing (ISAs) which may be supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and accepted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

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

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law and regulation.

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

Responsibilities of the Statutory Body and Supervisory Board for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation and for such internal control as the Statutory Body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers Audit, s.r.o., Hvězdova 1734/2c, 140 00 Praha 4, Česká republika T: +420 251 151 111, F: +420 252 156 111, www.pwc.com/cz

PricewaterhouseCoopers Audit, s.r.o., se sídlem Hvězdova 1734/2c, 140 00 Praha 4, IČ: 40785521, zapsaná v obchodním rejstříku vedeném Městským soudem v Praze, oddíl C, vložka 3837 a v seznamu auditorských společností u Komory auditorů České republiky pod evidenčním číslem 021.



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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the above stated requirements, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Statutory Body.
- Conclude on the appropriateness of the Statutory Body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

19 March 2019



represented by Partner



Petr Kříž

Statutory Auditor, Licence No. 1140

This report is addressed to the shareholder of ŠkoFIN s.r.o.

Nota

Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.

FINANCIAL STATEMENTS

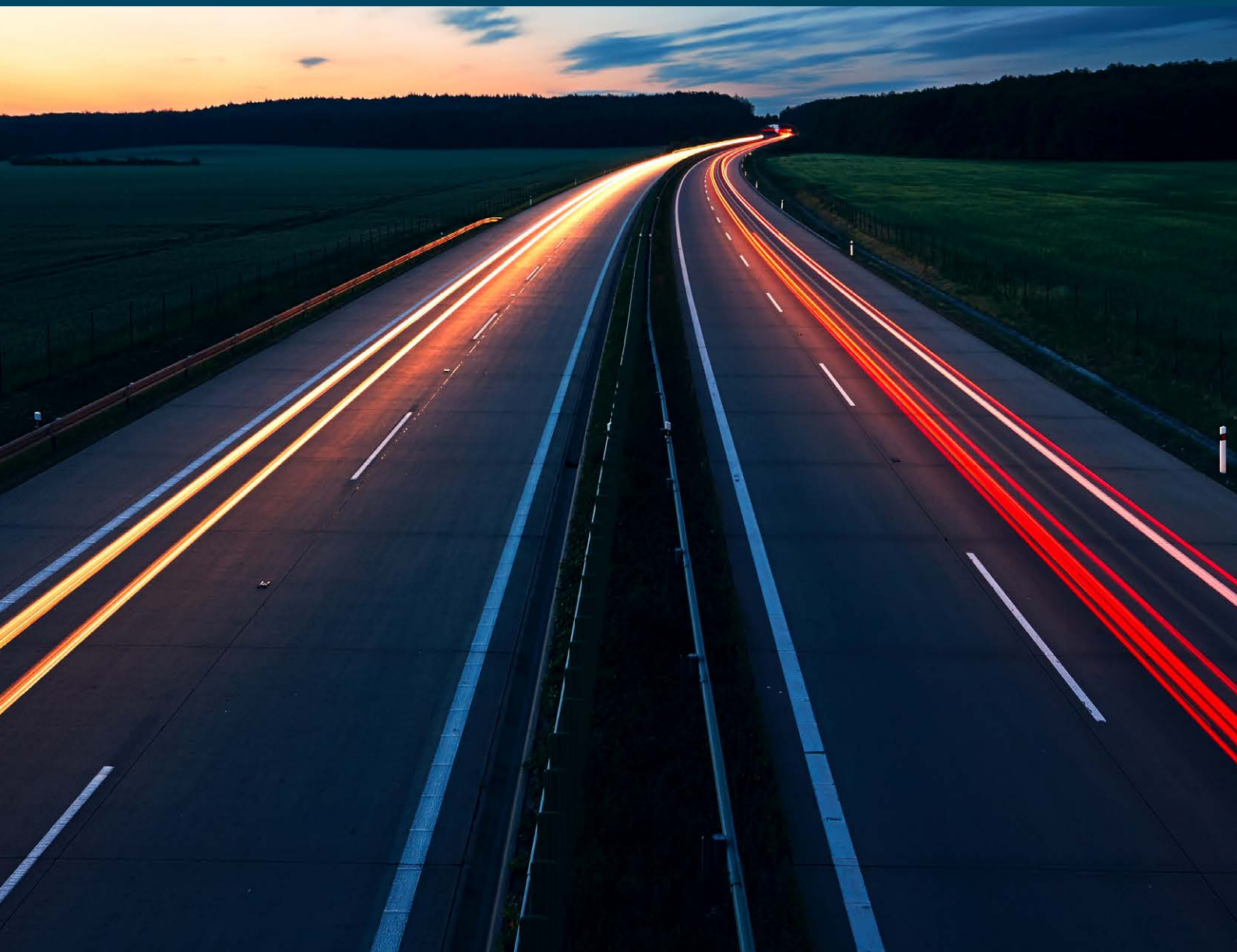
ŠkoFIN s.r.o.

CORPORATE ID: 458 05 369

Legal status: limited liability company

Balance sheet as of: 31 December 2018

Financial statements compilation date: 19 March 2019



BALANCE SHEET

AS AT 31 DECEMBER 2018

(CZK mil.)		Gross amount	Provision	2018	2017
				Net amount	Net amount
ASSETS					
B.	Fixed assets	14,665	(2,914)	11,751	11,263
B. I.	Intangible fixed assets	681	(421)	260	146
	2. Software	463	(421)	42	37
	5. Intangible fixed assets in the course of construction	218	-	218	109
B. II.	Tangible fixed assets	13,984	(2,493)	11,491	11,117
	2. Equipment	13,821	(2,493)	11,328	10,971
	5. Tangible fixed assets in the course of construction	163	-	163	146
C.	Current assets	33,110	(874)	32,236	30,728
C. I.	Inventories	2	0	2	0
C. II.	Receivables	33,080	(874)	32,206	30,726
	1. Long-term receivables	9,895	(224)	9,671	8,972
	1. 1. Trade receivables	8,380	(189)	8,191	7,431
	1. 5. Receivables - other	1,515	(35)	1,481	1,541
	2. Short-term receivables	23,185	(650)	22,535	21,754
	2. 1. Trade receivables	22,096	(635)	21,461	20,628
	2. 4. Receivables - other	1,089	(15)	1,074	1,126
C. IV.	Cash	28	-	28	2
D.	Prepayments and accrued income	46	-	46	46
D. 1.	Prepaid expense	6	0	6	12
D. 3.	Accrued income	36	0	36	34
Total assets		47,817	(3,788)	44,029	42,037

BALANCE SHEET

AS AT 31 DECEMBER 2018

(CZK mil.)		2018	2017
		Net amount	Net amount
LIABILITIES AND EQUITY			
A.	Equity	6,642	6,316
A. I. 1.	Share capital	865	865
A. III.	Reserve fund and other reserves	257	257
	1. Other reserve funds	110	110
	2. Statutory and other reserves	147	147
A. IV. 1.	Retained earnings	5,194	4,778
A. V.	Profit for the current period	326	416
B. +C.	Liabilities	36,458	34,877
B.	Provisions	148	169
B. 2.	Income tax provision	0	14
B. 4.	Other provisions	148	155
C.	Liabilities	36,310	34,708
C. I.	Long-term liabilities	7,544	8,863
	2. Liabilities due to financial institutions	1,050	900
	6. Liabilities - subsidiaries and controlling parties	6,030	7,550
	8. Deferred tax liability	464	413
C. II.	Short-term liabilities	28,766	25,845
	1. 2. Debentures and bonds issued - other	1,120	799
	2. Liabilities due to financial institutions	4,420	5,902
	4. Trade payables	4,110	3,765
	6. Liabilities - subsidiaries and controlling parties	18,020	14,317
	8. Liabilities - other	1,096	1,062
D.	Accruals and deferred income	929	844
D. 1.	Accrued expenses	0	0
D. 2.	Deferred income	929	844
Total liabilities and equity		44,029	42,037

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

(CZK mil.)		2018	2017
I.	Sales of products and services	3,597	3,055
II.	Sales of goods	50	35
A.	Cost of sales	1,639	1,429
A.	1. Cost of goods sold	47	35
A.	2. Raw materials and consumables used	60	55
A.	3. Services	1,532	1,339
D.	Staff costs	257	237
E.	Value adjustments in operating activities	1,609	1,496
III.	Operating income - other	6,145	5,554
III.	1. Sales of fixed assets	5,627	5,154
III.	3. Other operating income	518	400
F.	Operating expenses - other	6,558	5,756
F.	1. Net book value of fixed assets sold	5,856	5,263
F.	3. Taxes and charges from operating activities	63	51
F.	4. Operating provisions and complex prepaid expenses	(7)	82
F.	5. Other operating expenses	646	360
*	Operating result	(271)	(274)
VI.	Interest and similar income - other	919	883
J.	Interest and similar expenses	226	74
J.	1. Interest and similar income - subsidiaries or controlling party	81	16
J.	2. Other interest and similar expense	145	58
VII.	Other financial income	5	2
K.	Other financial expenses	11	13
*	Financial result	687	798
**	Net profit before taxation	416	524
L.	Tax on profit	90	108
L.	1. Tax on profit - current	39	46
L.	2. Tax on profit - deferred	51	62
***	Net profit for the financial period	326	416
	Net turnover for the financial period = I. + II. + III. + IV. + V. + VI. + VII.	10,716	9,529

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

(CZK mil.)	Note	Share capital	Other reserve fund	Retained earnings	Total
As at 1 January 2017		865	257	4,778	5,900
Net profit for the period	6	-	-	416	416
As at 31 December 2017		865	257	5,194	6,316
Net profit for the period	6	-	-	326	326
As at 31 December 2018		865	257	5,520	6,642

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

(CZK mil.)	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit on ordinary activities before tax	416	524
A.1 Adjustments for non-cash movements:		
A.1.1 Depreciation of fixed assets	1,514	1,319
A.1.2 Changes in provisions	74	263
A.1.3 Loss from disposal of fixed assets	228	109
A.1.5 Net interest (income)/ expense	(693)	(809)
A.1.6 Other non-cash movements	87	80
A* Net cash flow from operating activities before tax, changes in working capital	1,626	1,486
A.2 Working capital changes:		
A.2.1 Changes in receivables and prepayments	(1,555)	(910)
A.2.2 Changes in short-term payables and accruals	419	468
A.2.3 Changes in inventories	(2)	0
A** Net cash flow from operating activities before tax	488	1,044
A.3 Interest paid	(177)	(77)
A.4 Interest received	919	883
A.5 Income tax paid	(50)	(46)
A*** Net cash flow from operating activities	1,180	1,804
CASH FLOWS FROM INVESTING ACTIVITIES		
B.1 Acquisition of fixed assets	(7,950)	(8,591)
B.2 Proceeds from the sale of fixed assets	5,627	5,154
B*** Net cash flow from investing activities	(2,323)	(3,437)
CASH FLOWS FROM FINANCING ACTIVITIES		
C.1 Changes in long- and short-term liabilities		
C.1.1 Changes in bank loans	(1,400)	(5,880)
C.1.2 Changes in loans provided by related parties	2,183	10,691
C.1.3 Income from issued debentures and bonds	317	(2,944)
C*** Net cash flow from financing activities	1,100	1,867
Net increase/decrease in cash and cash equivalents	(43)	234
Cash and cash equivalents as at the beginning of the year	(700)	(934)
Cash and cash equivalents as at the end of the year	(743)	(700)

1. GENERAL INFORMATION

1.1. Background information about the Company

ŠkoFIN s.r.o ("the Company") was incorporated on 10 August 1992 by the Municipal Court in Prague, Section C, Insert 11881 and has its registered office at Pekařská 6, 635/6, Jinonice, Prague 5, zip code 155 00. The Company's primary business activities are the purchase of assets for resale, sale (leasing of cars) and the provision of consumer credits.

THE STATUTORY DIRECTORS AS AT 31 DECEMBER 2018:

Joachim Ewald

Jiřina Tapšíková

Jiřina Tapšíková has been appointed as the statutory director from 1st April 2018, replacing Reinhard Mathieu.

PROXY AS AT 31 DECEMBER 2018:

Radek Cizner

Radek Milštajn

THE COMPANY ESTABLISHED AS AT 22 DECEMBER 2016 A SUPERVISORY BOARD.

MEMBERS OF THE SUPERVISORY BOARD AS AT 31 DECEMBER 2018:

Volker Anton Stadler

Vratislav Stražil

Luboř Vlček

Martin Manfred Mehrgott

The Company is organised as follows:

JOACHIM EWALD

Statutory Director

➤ RETAIL SALES & CORPORATE FINANCING

➤ FLEET SALES & REMARKETING

➤ PRODUCT & PROCESS

➤ ADMINISTRATION

JIŘINA TAPŠÍKOVÁ

Statutory Director

INTERNAL AUDITOR

LEGAL DEPARTMENT

ACCOUNTING & TREASURY BO

BUSINESS, PROJECT & PROCESS CONTROLLING

CREDIT & RISK MANAGEMENT

HUMAN RESOURCES/ ORGANIZATION

INFORMATION TECHNOLOGY

During 2018 the Marketing & Brand management department was integrated into Retail Sales & Corporate Financing department as sub-department.

The Company is not an unlimited liability partner in any company.

2. ACCOUNTING POLICIES

2.1. Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the Czech Republic relevant for large companies and have been prepared under the historical cost convention. Amounts are stated in CZK mil.

2.2. Tangible and intangible fixed assets

All intangible and tangible assets with a useful life longer than one year and a unit cost of more than CZK 40,000 are treated as intangible and tangible fixed assets.

Purchased fixed assets are initially recorded at cost, which includes all costs related to their acquisition. The cost of intangible fixed assets includes technical improvements.

Intangible fixed assets are amortised applying the straight-line method over their estimated useful lives and anticipated residual value of the intangible fixed assets.

For the purpose of depreciation, the tangible fixed assets are divided into two groups - fixed assets for which a lease agreement was concluded with a customer - leasing fixed assets (further divided into financial lease, operating lease and operating lease with services) and fixed assets which are not the subject of the leasing business.

The Company's tangible fixed assets are depreciated using the following methods:

- » Accounting depreciation of tangible fixed assets subject to finance lease contracts is calculated on a daily straight line basis from the date of contract commencement to the date of termination of the leasing contract;
- » Accounting depreciation of tangible fixed assets subject to an operating lease contract is calculated so as to reduce the cost of the fixed asset down to its estimated residual value on a straight-line basis from the first day of the month the asset is delivered to the client over the lease term;
- » Accounting depreciation of tangible fixed assets subject to an operating lease contract with services is calculated on a straight-line basis using a daily method from the day the asset is delivered to client over the lease term;
- » Accounting depreciation of tangible fixed assets not subject to the lease business is calculated using the straight-line method over the fixed asset's estimated useful life.

The Company applies an annual depreciation charge of 11% - 50% (depending on the class of assets).

The amortisation / depreciation plan is updated during the useful life of the intangible and tangible fixed assets based on expected useful life change and anticipated residual value of the intangible and tangible fixed assets.

A provision for impairment is created when the carrying value of an asset is greater than its estimated recoverable amount. The estimated recoverable amount is determined based on expected future cash flows generated by this asset.

The provision to operating lease is determined based on the estimated recoverable amount and on the expected date of termination of the leasing contract.

Repairs and maintenance expenditures for tangible fixed assets are expensed as incurred.

Technical improvements of tangible fixed assets exceeding CZK 40,000 per item per year are capitalised.

2.3. Receivables

Receivables are stated at nominal value less a provision for doubtful amounts. Irrecoverable receivables are written-off on the basis of a court decision or completion of bankruptcy proceedings against the customer.

A provision for doubtful amounts is created on the basis of an ageing analysis and an individual evaluation of the credit worthiness of the customers. Receivables from VW Concern Companies have not been provided for.

2. ACCOUNTING POLICIES

2.4. Cash and cash equivalents

Cash and cash equivalents include cash in hand, stamps and vouchers and cash in banks, including bank overdrafts.

Cash equivalents are short-term highly liquid investments that can be exchanged for a predictable amount of cash and no significant changes of value over time are expected. Cash equivalents are, for example, deposits with a maturity of less than 3 months from the date of acquisition and liquid debt securities traded in public markets.

The Company has prepared a Cash-flow statement using the indirect method.

2.5. Foreign currency translation

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

Cash, receivables and liabilities balances denominated in foreign currencies have been translated at the exchange rate published by the Czech National Bank as at the balance sheet date. All exchange gains and losses on cash, receivables and liabilities balances are recorded in the income statement.

2.6. Changes in accounting policies and corrections of prior-period errors

Changes to accounting policies (inclusive of deferred tax impact) and corrections of errors arising from incorrect accounting or unrecorded expenses and income in prior periods, if material, are recorded in the financial statements on line Restatements of retained earnings.

2.7. Provisions

The Company recognises provisions to cover its obligations or expenses, when the nature of the obligations or expenses is clearly defined and it is probable or certain as at the balance sheet date that they will be incurred, however their precise amount or timing is not known. The provision recognised as at the balance sheet date represent the best estimate of expenses that will be probably incurred, or the amount of liability that is required for their settlement.

The Company recognises a provision for its income tax payable which is presented net of advances paid for the income tax. If advances paid are higher than the estimated income tax payable, the difference is recognised as a short-term receivable.

The Company recognises a provision for employee bonuses, payoffs, court proceedings and car fleet costs.

2.8. Employee benefits

The Company recognises a provision relating to untaken holidays and a provision relating to rewards and bonuses for employees.

Regular contributions are made to the state to fund the national pension plan. The Company also provides contributions to defined contribution plans operated by independent pension funds.

2.9. Revenue recognition

Sales are recognised upon the delivery of products and customer acceptance and are stated net of discounts and value added tax.

Sales of production represent revenues from leasing services provided by the Company. Leasing revenues are accounted for on a straight-line basis over the lease term from the date of commencement of the lease contract to the normal or early termination of the lease contract. Contractual fees and penalties are recognised when enforced.

Revenues from provided consumer credits are recognised as interest income using the effective interest rate method over the term of the contract depending on the total amount outstanding on the consumer credit provided.

Revenues from financing the dealer network are recognised in revenues using the effective interest rate method over the finance period depending on the outstanding total amount of finance provided.

Factoring commission is accrued in revenues using the straight-line method on a daily basis.

2. ACCOUNTING POLICIES

2.10. Related parties

The Company's related parties are considered to be the following:

- » parties, which directly or indirectly control the Company, their subsidiaries and associates;
- » parties, which have directly or indirectly significant influence on the Company;
- » members of the Company's or parent company's statutory and supervisory boards and management and parties close to such members, including entities in which they have a controlling or significant influence.

Material transactions and outstanding balances with related parties are disclosed in Notes 13 Related party transactions and 15 Employees.

2.11. Leases of assets used by the Company

The costs of assets held under operating leases are not capitalised as fixed assets. Lease payments are expensed evenly over the life of the lease. Future lease payments not yet due are published in the notes but not recognised in the balance sheet.

2.12. Interest expense

All borrowing costs are expensed.

2.13. Operating and financial results disclosure

The operating result and the result from financing activities in the income statement are affected by the fact that based on current accounting rules for entrepreneurs, interest income and expense are included in the result from financing activities, even though they represent Company's main activities.

2.14. Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax asset is recognised if it is probable that sufficient future taxable profit will be available against which the asset can be utilised.

2.15. Subsequent events

The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are recognised in the financial statements in the case that these events provide further evidence of conditions that existed as at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to the preparation of the financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are disclosed and their impacts quantified not but are not

3. INTANGIBLE FIXED ASSETS

(CZK mil.)	1 January 2018	Additions / transfers	Disposals	31 December 2018
COST				
Software	431	32	-	463
Intangible fixed assets in the course of construction	109	171	62	218
Total	540	203	62	681
ACCUMULATED AMORTISATION				
Royalties	394	27	-	421
Total	394	27	-	421
Net book value	146			260

(CZK mil.)	1 January 2017	Additions / transfers	Disposals	31 December 2017
COST				
Software	415	16	-	431
Intangible fixed assets in the course of construction	44	111	46	109
Total	459	127	46	540
ACCUMULATED AMORTISATION				
Royalties	370	24	-	394
Total	370	24	-	394
Net book value	89	-	-	146

Additions to the cost of intangible fixed assets are represented mainly by acquisitions.

Additions to accumulated amortisation of intangible fixed assets are represented by amortisation charges.

4. TANGIBLE FIXED ASSETS

(CZK mil.)	1 January 2018	Additions / transfers	Disposals	31 December 2018
COST				
Land	-	-	-	-
Constructions	-	-	-	-
Equipment	13,287	8,052	7,518	13,821
Tangible fixed assets in the course of construction	146	17	-	163
Total	13,433	8,069	7,518	13,984
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
Constructions	-	-	-	-
Equipment	2,076	1,488	1,316	2,248
Impairment provision against fixed assets	240	190	185	245
Total	2,316	1,678	1,501	2,493
Net book value	11,117	-	-	11,491

(CZK mil.)	1 January 2017	Additions / transfers	Disposals	31 December 2017
COST				
Land	5	-	5	-
Constructions	28	-	28	-
Equipment	11,305	8,832	6,850	13,287
Tangible fixed assets in the course of construction	193	-	47	146
Total	11,531	8,832	6,930	13,433
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
Constructions	27	-	27	-
Equipment	2,019	1,294	1,237	2,076
Impairment provision against fixed assets	103	192	55	240
Total	2,149	1,486	1,319	2,316
Net book value	9,382	-	-	11,117

4. TANGIBLE FIXED ASSETS

The net book value of tangible fixed assets subject to lease contracts amounted to CZK 11,420 mil. as at 31 December 2018 (2017: CZK 11,064 mil.).

The impairment provision against tangible fixed assets can be analysed as follows:

(CZK mil.)	31 December 2018	31 December 2017
Impairment provision against residual values on operating lease assets as a results of the residual price risk	226	209
Impairment provisions against equipment	19	31
Total amount of impairment provision against tangible fixed assets recognised in the balance sheet in the column "Provision"	245	240

Repair and maintenance expenses are recognised in the period when they are incurred. During 2018, these expenses amounted to CZK 88 mil. (2017: CZK 68 mil.). Service costs related to servicing of cars under operating lease are not part of repair and maintenance expenses and are recorded as other expenses.

Tangible fixed assets include also vehicles stemming from terminated operating lease contracts with a net book value of CZK 196 mil. as at 31 December 2018 (2017: CZK 466 mil.). The Company created an impairment provision of CZK 18 mil. (2017: CZK 47 mil.) against these assets. This provision is recorded in provisions against residual value risk.

Additions to the cost of tangible fixed assets are represented mainly by acquisitions. Additions to accumulated depreciation of tangible fixed assets are represented mainly by depreciation. Disposals of cost of tangible fixed assets are represented mainly

by disposals through sale. In 2018, the cost of disposal through sale amounted to CZK 7,123 mil. (2017: CZK 6,504 mil.). The other reasons for disposals (mainly stolen and damaged cars) of tangible fixed assets in 2018 had an acquisition cost of the fixed assets of CZK 136 mil. (2017: CZK 103 mil.).

The total amount of tangible fixed assets not included in the balance sheet and recognised directly as an expense (fixed assets up to CZK 40,000) as at 31 December 2018 amounted to CZK 10 mil. (2017: CZK 9 mil.).

The Company does not use any assets held under finance lease contracts.

Fixed assets of the Company are not burdened by any conditional transfer of ownership rights or collateral.

5. RECEIVABLES

(CZK mil.)

31 December 2018 31 December 2017

LONG-TERM RECEIVABLES

Long-term trade receivables	8,380	7,623
Long-term other receivables	1,515	1,569
Total long-term receivables	9,895	9,192
Provision for doubtful long-term receivables	(224)	(220)
Net book value of long-term receivables	9,671	8,972

SHORT-TERM RECEIVABLES

Trade receivables	- current	21,233	20,358
	- overdue	863	822
Total trade receivables		22,096	21,180
Other receivables	- current	713	785
	- overdue	62	98
Total other receivables		775	883
Estimated receivables		314	256
Total short-term receivables		23,185	22,319
Provision for doubtful short-term receivables		(650)	(565)
Net book value of short-term receivables		22,535	21,754
Total receivables		33,080	31,511
Total net book value of receivables		32,206	30,726

Receivables with maturity over 5 years as at 31 December 2018 amounted to CZK 652 mil. (2017: CZK 593 mil.).

The Company has no receivables nor provided any guarantees which are not included in the balance sheet.

Receivables from consumer credits are secured by the conditional transfer of ownership rights, the guarantor and pledged collateral, respectively. Factoring receivables are secured by the related car.

Short-term trade receivables include mainly factoring receivables and the short-term consumer credits

provided to customers. The Company provides a significant part of the financial services for new and used car financing (receivables factoring) of the ŠKODA brand for the distribution network of ŠKODA AUTO a.s. and financial services for the distribution network of Porsche Česká republika s.r.o. in the Czech Republic.

The total amount of receivables resulting from these services, as at 31 December 2018 for ŠKODA AUTO a.s. amounts to CZK 6,765 mil. (2017: CZK 6,954 mil.). The total amount of receivables resulting from these services provided as at 31 December 2018 for Porsche Česká republika s.r.o. amounts to CZK 5,589 mil. (2017: CZK 5,453 mil.).

5. RECEIVABLES

Other short-term receivables include mainly short-term loans provided to dealers as at 31 December 2018 of CZK 684 mil. (2017: CZK 702 mil.). Penalties related to trade receivables as at 31 December 2018 amounting to CZK 7 mil. (2017: CZK 8 mil.) are also recognised in the balance sheet in short term receivables.

Tax receivables include VAT receivable amounting to CZK 14 mil. (2017: CZK 82 mil.).

Estimated receivables include mainly estimated revenues from insurance and sale support from concern's group's car brands.

Long-term trade receivables include mainly the long-term portion of consumer credits provided to customers as at 31 December 2018 amounting

to CZK 8,380 mil. (2017: CZK 7,623 mil.).

Other long-term receivables include long-term loans provided to dealers as at 31 December 2018 amounting to CZK 1,506 mil. (2017: CZK 1,569 mil.).

Interest income from short-term and long-term consumer credits and commissions from the factoring of receivables are disclosed in Note 12.

Receivables are secured by promissory notes amounting to CZK 2,036 mil. as at 31 December 2018 (2017: CZK 2,021 mil.), by the pledge of collateral of CZK 701 mil. as at 31 December 2018 (2017: CZK 725 mil.) and by ownership right transfers of CZK 10,908 mil. as at 31 December 2018 (2017: CZK 10,430 mil.).

Analysis of change in the provision for doubtful receivables:

(CZK mil.)	2018	2017
Opening balance as at 1 January	785	745
Charge for the year	398	196
Released during the year	(270)	(118)
Written off during the year	(38)	(38)
Closing balance as at 31 December	874	785

6. EQUITY

The Company is fully owned by Volkswagen Bank Gesellschaft mit beschränkter Haftung ("VW Bank GmbH"), incorporated in Braunschweig, Germany, and the ultimate holding company is VOLKSWAGEN AG, incorporated in Wolfsburg, Germany.

The share capital of the Company of CZK 865 mil. was fully paid as at 31 December 2018 and 2017.

The Company VW Bank GmbH prepares the consolidated financial statements of the smallest group of entities of which the Company forms a part as a subsidiary. The consolidated financial statements of the smallest group of entities of which the Company forms a part as a subsidiary can be obtained in annual report of VW Bank GmbH.

The Company VOLKSWAGEN AG prepares the consolidated financial statements of the largest group of entities of which the Company forms a part as a subsidiary. The consolidated financial

statements of the largest group of entities of which the Company is a part can be obtained in annual report of VOLKSWAGEN AG.

The Company is fully governed by the new Corporations Act and used the option not to create a reserve fund. The reserve fund of CZK 110 million was created from the profit of the Company. Based on decision of General Meeting of the Company on 22 December 2016 the Company no longer creates a reserve fund. General meeting has not decided on the transfer of reserve fund to retained earnings of the company as of the date of financial statements.

The general meeting of shareholders approved on 25 May 2018 the financial statements for 2017 and decided to retain the profit earned in 2017 of CZK 416 million in earnings.

Until the date of preparation of these financial statements, the Company has not proposed distribution of the profit earned in 2018.

7. PROVISIONS

(CZK mil.)	Fleet costs provision	Provision for business risks	Provision for employee bonuses and payoffs	Court cases provision	Total
Opening balance as at 1 January 2017	20	-	50	4	74
Charge for the year	204	57	97	-	358
Used in the year	(181)	-	(96)	-	(277)
Closing balance as at 31 December 2017	43	57	51	4	155
Charge for the year	339	36	70	-	445
Used in the year	(324)	(55)	(71)	(2)	(452)
Closing balance as at 31 December 2018	58	38	50	2	148

For an analysis of the current and deferred income tax, see Note 17 – Income tax.

Tax advance payments paid by Company as at 31 December 2018 amounting to CZK 45 mil. (as at 31 December 2017: CZK 25 mil.) were netted off with the provision for income tax of CZK 34 mil. created as at 31 December 2018 (as at 31 December 2017: CZK 39 mil.). Final receivable as at 31 December 2018 amounting CZK 11 mil. (liability as at 31 December 2017: CZK 14 mil.) is presented within short-term receivables see Note 5 (31 December 2017: see Income tax pension).

8. PAYABLES, COMMITMENTS AND CONTINGENT LIABILITIES

(CZK mil.)

31 December 2018 31 December 2017

LONG-TERM LIABILITIES

Long-term bank loans due between 1 – 5 years	1,050	900
Long-term borrowings (Notes 9 and 13)	6,030	7,550
Deferred tax liability (Note 17)	464	413
Total long-term liabilities	7,544	8,863

SHORT TERM LIABILITIES

Debentures and bonds issued	– current	1,120	799
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LIABILITIES DUE TO FINANCIAL INSTITUTIONS

Bank overdrafts	771	702	
Other bank loans due within one year (including current portion of long term loans)	3,649	5,200	
Total	4,420	5,902	
Trade payables	– current	4,110	3,765
Short-term borrowings (Notes 9 and 13)	17,020	14,317	

OTHER LIABILITIES

Liabilities to employees	10	9
Liabilities to social security and health insurance	6	5
Taxes and state subsidies payable	3	2
Estimated liabilities	1,077	1,006
Other liabilities	-	40
Total	1,096	1,062
Total short-term liabilities	28,766	25,845
Total short-term and long-term liabilities	36,310	34,708

8. PAYABLES, COMMITMENTS AND CONTINGENT LIABILITIES

Trade liabilities include as at 31 December 2018 related party liabilities due to factoring of receivables of CZK 650 mil. (2017: CZK 691 mil.) (see Note 13).

As at 31 December 2018 the social security and health insurance liability amounted to CZK 6 mil. (2017: CZK 5 mil.). The Company has no overdue tax liabilities.

Issued short-term bonds amounting to CZK 1,120 mil. as at 31 December 2018 (2017: CZK 799 mil.) are guaranteed by Volkswagen Financial Services AG and are not publicly traded. The funds from issued bonds are used for short term refinancing with maturity within 1 year.

Estimated liabilities include estimated payables for services and supplies not yet invoiced and insurance relating to leasing contracts not yet invoiced and unpaid interest.

Payables have not been secured against any assets of the Company and are not due after more than 5 years.

The Company does not have any other liabilities which were not recorded in the balance sheet.

The Company did not provide any guarantees which were not disclosed in the notes.

9. BANK LOANS AND OTHER BORROWINGS

Bank loans can be divided this way:

(CZK mil.)	31 December 2018	31 December 2017
Bank overdrafts (Note 19)	771	702
Other bank loans due within 1 year (incl. current portion of long-term loans)	3 649	5 200
Long-term loans due between 1 – 5 years	1 050	900
Total bank loans and overdrafts	5 470	6 802
Short-term borrowings (Notes 8 and 13)	18 020	14 317
Long-term borrowings (Notes 8 and 13)	6 030	7 550
Total loans and borrowings	29 520	28 669
of which – short-term	22 440	20 219
of which – long-term	7 080	8 450

No Company loans or other borrowings are due after more than 5 years.

Interest rates charged on long-term loans newly drawn by the Company in 2018 reached at most 2.59 % p.a. (2017: at most 1.50 % p.a.).

10. COMMITMENTS AND CONTINGENT LIABILITIES

The management of the Company is not aware of any contingent liabilities as at 31 December 2018.

The Company has the following rental commitments:

(CZK mil.)	31 December 2018	31 December 2017
Current within one year	12	13
Due after one year but within five years	20	49
Total commitments in respect of operational leases	32	62

Due to financial product for dealers the Company has commitment which corresponds to the undrawn part of credit limit amounting to CZK 215 mil. as at 31 December 2018 (2017: CZK 192 mil.).

11. PREPAYMENTS AND ACCRUED INCOME

(CZK mil.)	31 December 2018	31 December 2017
Prepaid expenses	6	12
of which insurance related expenses	1	8
Accrued income	36	34
Total assets	42	46
Deferred income	929	844
of which - prepaid service	281	189
- unamortized part of the leasing down payment	45	55
- other deferred income	603	600
Total liability	929	844

Accruals and deferrals relate mainly to individual leasing and credit contracts. As a result, these costs and revenues are continually recognised in the Company's income statement over the length of these contracts.

12. REVENUE ANALYSIS

Revenue analysis:

(CZK mil.)	2018	2017
SALES OF PRODUCTS AND SERVICES		
Leasing revenues - domestic	3,286	2,838
Factoring commission income	311	217
Total	3,597	3,055
REVENUES FROM SALES OF GOODS		
Total	50	35
OTHER OPERATING INCOME		
Revenues from sale of cars - domestic	5,627	5,154
Other operating income	518	400
Total sales of own products and services	6,145	5,554
INTEREST AND SIMILAR INCOME		
Revenues from credits (interest income)	864	852
Other interest income	55	31
Total	919	883
OTHER FINANCIAL INCOME		
Total	5	2
TOTAL REVENUES		
	10,716	9,529

13. RELATED-PARTY TRANSACTIONS

(CZK mil.)	2018	2017
REVENUES		
Sales of services	1,158	1,012
Sales of goods	255	211
Total	1,413	1,223
COSTS		
Purchase of services	156	287
Purchase of goods for resale	4,775	4,935
Interest costs	122	22
Total	5,053	5,244

The following related party balances were outstanding as at:

(CZK mil.)	31 December 2018	31 December 2017
RECEIVABLES		
Porsche Česká republika s.r.o.	17	9
ŠKODA AUTO a.s.	88	87
Porsche Inter Auto CZ s.r.o.	956	1,196
Scania Czech Republic s.r.o.	3	2
VW Bank Polska	7	5
MAN Truck & Bus Czech Republic	1	1
Volkswagen Financial Services AG	1	1
Total	1,075	1,301
LIABILITIES		
Porsche Česká republika s.r.o.	312	261
ŠKODA AUTO a.s.	3,550	3,300
Porsche Inter Auto CZ s.r.o.	40	45
Volkswagen Bank GmbH	20,378	17,436
Volkswagen Financial Services N.V.	824	4,440
Volkswagen Financial Services AG	2,921	-
Volkswagen Financial Services Digital Solutions	45	-
Total	28,070	25,482

13. RELATED-PARTY TRANSACTIONS

(CZK mil.)		2018	2017
Assigned receivables	- purchase - domestic	75,685	80,637
	- sales - domestic	8,927	11,133

Company cars at acquisition cost of CZK 44 mil. as at 31 December 2018 (2017: CZK 46 mil.) are provided for business and private use by the statutory directors, the proxies, heads of the Company's departments and other employees of the Company.

Except for the aforementioned remuneration and benefits there was benefit in form of financial contribution for fuel provided to the Company's statutory directors, the proxies and the heads

of the Company's departments in 2018. To the Company's statutory directors there was benefit in form of financial contribution for housing and flight tickets. To the Company's Expats there was benefit in form of financial contribution for housing and flight tickets and kindergarten. Except for the aforementioned remuneration and benefits, there was no other consideration provided to the Company's statutory directors, the proxies and management in 2018 and 2017.

14. FEES PAID AND PAYABLE TO THE AUDIT COMPANY

The total fees paid and payable for a statutory audit of the financial statements performed by the audit company PricewaterhouseCoopers Audit, s.r.o. and its related parties:

(CZK mil.)	2018	2017
Statutory audit of financial statements and audit of VW Group reporting (PricewaterhouseCoopers Audit, s.r.o.)	2	3
Advisory services (PricewaterhouseCoopers Česká republika s.r.o.)	2	4
Total of fees paid and payable to the audit company and its related parties	4	7

15. EMPLOYEES

Members of management include statutory directors, proxies, heads of departments and sub-departments.

	2018	2017
Average number of members of management	25	26
Average number of other staff	207	206
Total number of employees	232	232

(CZK mil.)	Management	Other staff	Total
2018			
Wages and salaries	71	119	190
Social security and health insurance costs	16	45	61
Other social costs	1	5	6
Total staff costs	88	169	257
2017			
Wages and salaries	66	109	175
Social security and health insurance costs	15	41	56
Other social costs	1	5	6
Total staff costs	82	155	237

Wages and salaries for 2018 include paid bonuses amounting to CZK 9 mil. (2017: CZK 21 mil.).

Other transactions with the Company's management are described in Note13 - Related party transactions.

16. IMPAIRMENT IN OPERATING ACTIVITIES

(CZK mil.)	2018	2017
Impairment in intangible and tangible fixed assets – permanent (Note 4)	1,514	1,318
Impairment in intangible and tangible fixed assets – temporary (Note 4)	6	137
Impairment in receivables (Note 5)	89	41
Impairment in operating activities	1,609	1,496

17. INCOME TAX

The income tax expense analysis:

(CZK mil.)	2018	2017
Current tax expense (19%)	34	39
Deferred tax expense	51	62
Adjustment of prior year tax expense based on final CIT return	5	7
Total income tax expense	90	108

Current tax can be analysed as follows:

(CZK mil.)	2018	2017
Net profit before taxation	416	524
ADJUSTMENTS TO TAX BASE		
Additional tax deductible costs	(2,600)	(2,393)
Non-tax deductible costs	2,371	2,121
Non-taxable income	(175)	(145)
Additional taxable income	186	115
Research and development	(18)	(15)
Net taxable profit	180	207
Corporate income tax at 19%	34	39

Additional tax deductible costs relate mainly to difference between accounting and tax depreciation of CZK 2,575 mil. (2017: CZK 2,378 mil.)

The deferred tax was calculated at 19% (the rate enacted for 2018 and subsequent years).

17. INCOME TAX

The deferred tax asset / (liability) analysis:

(CZK mil.)	31. prosince 2018	31. prosince 2017
DEFERRED TAX LIABILITY ARISING FROM		
Accelerated tax depreciation of tangible fixed assets subject to lease	(606)	(539)
Other provisions	98	82
Other temporary differences	44	44
Net deferred tax liability	(464)	(413)

18. CONTINGENT ASSETS

In 2018 and 2017, the Company received a bank guarantee of CZK 6 mil.

The Company does not expect to utilize this guarantee.

19. CASH-FLOW STATEMENT

Cash and cash equivalents disclosed in the Cash-flow statement can be analysed as follows:

(CZK mil.)	31 December 2018	31 December 2017
Cash in hand	1	1
Cash at banks	27	1
Bank overdrafts of current accounts included in Short-term bank loans (Note 9)	(771)	(702)
Total cash and cash equivalents	(743)	(700)

20. SUBSEQUENT EVENTS

Vratislav Strašil has been appointed as the statutory director from 1st January 2019, replacing Joachim Ewald.

No other events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2018.

19th March 2019



Ing. Jiřina Tapšíková, MBA
Statutory Director



Ing. Vratislav Strašil
Statutory Director

REPORT ON RELATIONS

of the company ŠkoFIN s.r.o. Pursuant to Section 82 of the Act on Corporations For the accounting period of the calendar year 2018

Statutory Directors of ŠkoFIN s.r.o., with its registered office at Pekařská 6, 155 00, Praha 5, identification number: 45805369, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, File 11881 (in this Report also the "**controlled company**" or the "**Company**"), have prepared the following Report on Relations pursuant to Section 82 of Act No. 90/2012 Coll., the Corporations Act (the "**Corporations Act**"), for the accounting period of the calendar year 2018 (the "**Relevant period**").

1. Structure of relations

1.1

According to the information available to the Statutory Directors of the Company acting with due managerial care, for the whole of the Relevant period, the Company formed a part of a concern in which the controlling party is VOLKSWAGEN AG (the "**Concern**"). Information on the entities forming part of the Concern is stated as at 31. 12. 2018 according to the information available to the statutory body of the Company acting with due managerial care. The structure of relations within the Concern is graphically illustrated in the Annex No. 1.

1.1.1 Controlling Party

VOLKSWAGEN AG, with its registered office at Wolfsburg, Germany, (in this Report also the "**Controlling Party**") indirectly controls the Company through the company Volkswagen Bank Gesellschaft mit beschränkter Haftung with the registered office in Braunschweig which was the sole shareholder of the Company in the Relevant period.

2. Role of the Company in the Concern

The Company provides the financial services connected

in particular with the financing and support of the Concern's vehicles.

3. Methods and means of control

The Controlling Party indirectly controls the Company through the company Volkswagen Bank Gesellschaft mit beschränkter Haftung with the registered office in Braunschweig which was the sole shareholder in the Relevant period. The control of the Company occurs in particular through the decisions at the General Meeting.

4. Mutual Contracts within the Concern

4.1

Contracts entered into between the Company and the Controlling Party that were effective and valid in the Relevant period:

In the Relevant period, the Contract on business cooperation with the Controlling Party was valid and effective.

4.2

Contracts entered into between the Company and the other parties controlled by the Controlling Party that were effective and valid in the Relevant period:

In the Relevant period, the following contracts entered into with the other parties controlled by the Controlling Party were valid and effective:

REPORT ON RELATIONS

Contractual counterparty

Contracts

PORSCHE ČESKÁ REPUBLIKA S.R.O.

- » Contracts on business cooperation
- » Contracts on providing services
- » Factoring contract
- » Car leasing

PORSCHE INTER AUTO CZ S.R.O.

- » Agreement on providing target commissions
- » Contracts on providing services
- » Contracts on business cooperation
- » Loan agreement
- » Car leasing

ŠKODA AUTO A.S.

- » Contracts on business cooperation
- » Contracts on providing services
- » Car leasing
- » Subleasing contract
- » Factoring contract
- » General operative lease contract

SCANIA CZECH REPUBLIC S.R.O.

- » Car leasing
- » General operative lease contract

SCANIA FINANCE CZECH REPUBLIC, SPOL. S R.O.

- » Car leasing

PORSCHE CENTRAL EASTERN EUROPE S.R.O.

- » Car leasing
- » General operative lease contract

MAN TRUCK & BUS CZECH REPUBLIC S.R.O.

- » Car leasing
- » General operative lease contract

PORSCHE ENGINEERING SERVICES, S.R.O.

- » Car leasing

VOLKSWAGEN BANK GMBH

- » Credit facility agreement
- » Contracts on providing services

REPORT ON RELATIONS

Contractual counterparty

Contracts

VOLKSWAGEN INTERNATIONAL FINANCE N.V.

» Credit facility agreement

VOLKSWAGEN FINANCIAL SERVICES N.V.

» Credit facility agreement

» Loan agreement

VOLKSWAGEN FINANCIAL SERVICES AG

» Contracts on providing services

VOLKSWAGEN FINANCIAL SERVICES DIGITAL SOLUTIONS GMBH

» Framework agreement on providing IT services

VEHICLE TRADING INTERNATIONAL GMBH

» Framework agreement on providing services

5. Legal acts made at the instigation of or in the interest of the Controlling Party or other parties controlled by the Controlling Party

During the Relevant period, the Company did not make any legal acts and other measures in the interest, or at the instigation of, the Controlling Party or other parties controlled by the Controlling Party, which would involve assets exceeding in value 10% of the Company's equity reported in the latest Financial Statements.

6. Assessment of a detriment and its compensation

No detriment occurred to the Company on the basis of the agreements entered into in the Relevant period between the Company and other entities from the Concern, other acts or measures which were implemented in the interest, or at the instigation of, of such entities by the Company in the Relevant period.

19th March 2019



Ing. Jiřina Tapšiková, MBA
Statutory director

7. Evaluation of relations and risks within the Concern

7.1

In particular the following advantages arise from the participation within the Concern to the Company: The Concern is a world leading producer possessing a strong brand, strong financial background and access to the financing from which the Company benefits in particular during the entering into the transactions with its suppliers, customers and during negotiation with banks and other providers of facilities etc.

No disadvantages have arisen to the Company from the participation within the Concern.

7.2

No risks have arisen to the Company from the relations within the Concern.



Ing. Vratislav Stražil
Statutory director

ANNEX NO. 1: THE OWNERSHIP STRUCTURE OF ŠKOFIN S.R.O.

