

**VOLKSWAGEN
FINANCIAL SERVICES**
THE KEY TO MOBILITY

ANNUAL REPORT FOR 2019



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INTRODUCTION BY THE MANAGEMENT BOARD



Ladies and Gentlemen,

Volkswagen Financial Services has completed another year of prosperity, marked by positive results and successful development of many ambitious projects. In an increasingly competitive environment, we have managed to retain our lead in the field of vehicle financing.

We successfully concluded 53,818 agreements for the financing of both new and used cars in 2019. Net profit after tax has increased by 25% to CZK 408 million. This makes 2019 financially one of the best years in the 27 years of our existence.

We would like to use this opportunity and thank our employees for their results, for work well done and for the way they pass on our corporate values. We also wish to thank our network of dealers who are in the front line, helping us to pursue our visions and objectives and to uphold our values. Last but not least, we appreciate the professional approach and cooperation of all Group brands.

Vratislav Stražil took the position of Managing Director in charge of Front Office operations in January, replacing Joachim Ewald who has moved on to a different role in the Volkswagen Financial Services Group.

Last year was a year of innovation for Volkswagen Financial Services, with the deployment of robots taking centre stage. We have successfully implemented 4 robots, who are in charge of 21 automated processes and whose integration will assist us in maintaining high standards of customer care while bringing a significant cost reduction.

Our unique market position allows us to pioneer many areas that become increasingly important with every passing year, be it digitalization economy, electromobility or the use of robots in customer service. Accordingly, we plan on bringing fresh ideas to the market next year with new products and services that reflect our clients' preferences and needs in the best possible manner.

Our company's activities are geared towards ensuring that we are a reliable and responsible partner for all those who seek a convenient and safe method of car financing. We focus as much on improving our existing services as on the future of mobility. The year 2020 has major changes in store, foremost for our fleet section where we are implementing a new business strategy aiming to better respond to a rapidly evolving market. We also see a growing sales trend as well as many new opportunities in the used car segment. This is why we will offer our customers attractive products in terms of financing, insurance, extended warranty and many other benefits. We will also launch new digital solutions in 2020, primarily a new website and a mobile application, and the implementation of a new CRM project will bring us closer to our customers.



Ing. Jiřina Tapšíková, MBA
Managing Director



Ing. Vratislav Stražil
Managing Director

COMPANY PROFILE

VOLKSWAGEN FINANCIAL SERVICES

ŠkoFIN s.r.o. is a leading financial services company operating in the Czech market since 1992. Since its market launch, the company has remained number one in financing passenger and utility vehicles and providing operating leases. ŠkoFIN s.r.o. has been using the Volkswagen Financial Services brand for communication since 2015. The company's legal name remains unchanged.

The company's ownership structure changed in April 2019 and its sole current shareholder is Volkswagen Finance Overseas B.V., having its registered office at 1012RB Amsterdam, Paleistraat 1, Kingdom of the Netherlands, which is wholly owned by the Volkswagen AG Group.

ŠkoFIN s.r.o.'s business is focused on sales support for the Volkswagen, Audi, SEAT, ŠKODA, Porsche and DUCATI dealer network as well as for used cars of the Group brands. Close cooperation with the Volkswagen Group dealer network is an important part of the company's successful operation.



Principal products offered by ŠkoFIN s.r.o.

- Credit financing for all types of customers – consumers, sole traders, and legal entities.
- Operational, investment credit financing and factoring.
- Operating lease for retail customers (ŠKODA Bez starostí, IN Operating Lease) and fleet clients.
- Branded car maintenance packages – Volkswagen, SEAT, and Audi Maintenance Packages and ŠKODA Prepaid Service. This is a complementary service that covers the customers' costs associated with the mandatory maintenance of vehicles.
- Car insurance brokerage involving all major insurers on the Czech market including branded insurance products – ŠKODA, Volkswagen, Audi, and SEAT Insurance – such as motor third-party liability cover, accident insurance and other complementary covers including vehicle glass and GAP insurance.
- Other complementary products: repayment ability insurance and legal protection insurance ("Assistant") and extended warranty for used cars as part of the ŠKODA Plus and Das WeltAuto programmes.

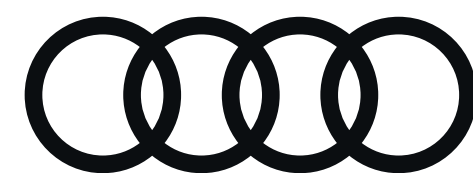
You can find more information at www.vwfs.cz.

GROUP STRUCTURE



ŠkoFIN s.r.o. is wholly owned by Volkswagen Finance Overseas B.V., which is a 100% subsidiary of VOLKSWAGEN FINANCIAL SERVICES AKTIENGESELLSCHAFT, having its registered office at 38112 Braunschweig, Federal Republic of Germany, Reg. No: HRB 3790.

VOLKSWAGEN FINANCIAL SERVICES AKTIENGESELLSCHAFT
is a 100% subsidiary of Volkswagen AG.



Užitkové
vozy



VOLKSWAGEN AKTIENGESELLSCHAFT

VOLKSWAGEN FINANCIAL SERVICES AKTIENGESELLSCHAFT

The Annual Report for VOLKSWAGEN FINANCIAL SERVICES AKTIENGESELLSCHAFT is available at www.vwfs.com.

STRUCTURE OF THE GOVERNING BODIES

An aerial photograph of a complex multi-level highway interchange. The interchange features several curved ramps and overpasses, with numerous cars visible on the roads. The surrounding area includes green trees, some with autumn-colored foliage, and urban buildings with red-tiled roofs. The overall scene is captured from a high angle, looking down on the infrastructure.

ŠkoFIN s.r.o. having its registered office at Pekařská 635/6, 155 00 Prague 5 was incorporated in the Commercial Register on 10 August 1992.

The company's principal business activities include the purchasing of goods for resale and sale (car leases) and providing consumer loans, including accompanying services.



Structure of governing bodies in 2019:

MANAGING DIRECTORS OF THE COMPANY

JIŘINA TAPŠÍKOVÁ, Managing Director

VRATISLAV STRAŠIL, Managing Director

Jiřina Tapšíková has been Managing Director of ŠkoFIN s.r.o. since 1 April 2018. She is responsible for Back Office operations.

Vratislav Strašil has been Managing Director of ŠkoFIN s.r.o. since 1 January 2019. He is responsible for Front Office operations.

Structure of supervisory bodies in 2019:

SUPERVISORY BOARD

Volker Anton Stadler's Supervisory Board membership ended in 2019 and Patrick Ortwin Welter and Jan Hurt were appointed new Board members.

MEMBERS OF THE SUPERVISORY BOARD AS AT 31 DECEMBER 2019:

- Martin Manfred Mehrgott, Chairman
- Patrick Ortwin Welter, Member
- Luboš Vlček, Member
- Jan Hurt, Member

PROXY

- Radek Cizner
- Radek Milštajn

OUR STRATEGY



As part of the Volkswagen Group, Volkswagen Financial Services CZ adheres to a strategy known and referred to as ROUTE 2025 through various initiatives and programmes. Pursuing our strategy, we also strive to promote our corporate values including the involvement of all our employees in corporate social responsibility.

The strategy underscores the entire Group’s vision:

Volkswagen Financial Services – The Key to Mobility.

We pursue our plans and goals exclusively in line with our corporate values:

customer focus, enthusiasm, accountability, courage and trust.



FIVE PRINCIPAL STRATEGIC PILLARS

CUSTOMERS

Through developing digital distribution channels, we can satisfy the ever-changing needs and preferences of our customers in a quick and flexible manner and with above-standard care.

VOLUME

We strive for growth within the Group as well as on the domestic market. We increase the number of contracts with the help of a number of measures we adopt.

PROFITABILITY

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

OPERATIONAL EXCELLENCE

Information technology is the cornerstone of future success in the digital field. We endeavour to make our processes fulfil our clients’ needs.

EMPLOYEES

As an employer, we value all our employees while realising the importance of their training and education. We at Volkswagen Financial Services appreciate all individual and team efforts. Everyone is important to us.

MAJOR EVENTS IN 2019



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

A decade of digitalisation

We wanted to open the new decade, in which the digital economy will certainly play the leading role, in a grand style, so our company underwent significant changes in 2019. Our customer service centre went through a major overhaul, with 4 automated robots implemented in its processes in order to save time and money for us and our customers alike.

Startbox launch

Last year, we introduced our customers to an easy to navigate and straightforward alternative for financing new cars using Startbox, our online shopping gallery. The service is unique in that it offers choice from the full range of Group brands based on the loan repayment amount defined by the client. Financing a chosen car using our new generation loan will enable even more people to buy the car of their dreams.

Awards

Our activities did not go unnoticed last year. Volkswagen Financial Services came third in the 17th edition of the Zlatá koruna competition in the Leasing for Entrepreneurs category with its Škoda bez starostí (Škoda Without Worries) operating lease product. The competition rates the best financial products on the Czech market, and the jury of experts appreciated above all the product's economic quality, convenience and safety.

Contract with the Czech Police

Last autumn, we succeeded in the Ministry of the Interior's tendering procedure for the financing of cars to be used by the Czech Police. This is the first time in the Police's history that they are using operating lease to finance their fleet, and they chose us in the public tendering process. We arranged the supply of 500 cars for the Czech Police in close cooperation with ŠKODA AUTO and, in addition to the actual vehicles, we will provide full maintenance services throughout the term of the contract.

More accessible maintenance packages

From a commercial viewpoint, 2019 was the year of maintenance packages. This complementary service frees customers of the concerns associated with the costs involved in maintaining and servicing their cars, including oil, filter and spark plug changes and other maintenance work. The new option of ordering packages online for all Volkswagen cars including those purchased earlier represents another step towards improving the availability of our services to customers.

BeRider scooter sharing

We offered Prague citizens a flexible and sustainable alternative to existing means of transport in the form of shared BeRider electric scooters in 2019. This smart solution that responds to the current trend of micromobility was devised in collaboration with ŠKODA Auto DigiLab and is a natural outcome of our ROUTE 2025 corporate strategy. .

Change of communication agency

In order to improving communication with our customers, we organised a call for tenders for the provider of a full range of PR services and product, internal and corporate communication support. We chose Ogilvy agency for their strong vision and comprehensive communication approach that reflects our company's values and missions.

CORPORATE SOCIAL RESPONSIBILITY



Our business model is built on a solid basis supported by our values such as customer focus, openness, accountability, enthusiasm and the courage to keep trying new things.

Volkswagen Financial Services' corporate responsibility and human resources policy is based on the global strategy and corporate values of the entire Volkswagen Group. To us, these are the rules that guide us in the pursuit of our long-term goals and in the fulfilment of our responsibilities towards all stakeholders. We aspire to maintain our reputation as one of the most reliable employers and trade partners in the Czech market.

This is why we place great emphasis on long-term and intensive in-house training with a primary focus on developing both individual qualities and teamwork. We devise and improve incentive programmes and upgrade the working environment, improving its comfort and safety to the satisfaction of our employees, because each of them is a unique individual to us.

Without exception we adhere to our Code of Conduct. We condemn any unlawful business practices. We care about the world outside our company, which is why we are committed to minimising the environmental impacts of our activity and considering the influence of every single step on our surroundings before actually taking it.

The security of our customers' personal data is one of our utmost priorities. We carefully adhere to the rules protecting consumers and the principles of fair competition.

Volkswagen Financial Services is a founding member of the Non-Banking Client Information Register. It is a responsible lender.

Research and Development Activities

The company is actively involved in developing IT systems and methods for financial services geared towards innovating reporting tools and defining procedures for financial risk identification.

Environmental Impact of the Company's Activity

Since the company is a provider of financial services, its activity does not affect the environment directly.

Foreign branches

The company has no branches abroad.

Acquisition of own shares

The company did not acquire its own shares during that period.

Subsequent events

No events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2019 and/or the facts set out in this Annual Report.

Sponsorship and Charitable Projects in 2019

In addition to car financing and sales, Volkswagen Financial Services also pays particular attention to supporting local communities. We have been a long-term sponsor to selected charitable projects, helping disabled people attain greater mobility, independence and satisfaction.

Centrum Paraple

For a quarter of a century, Volkswagen Financial Services has been one of the main partners to Centrum Paraple, an independent charity helping people with spinal cord damage. As we did in previous years, we supported Centrum Paraple this year both by volunteering and participating in the StarDance gala benefit, once again helping raise a record-breaking amount for funding the Centre's activities.

Sue Ryder

Since 2014, we've played football for aging with dignity in the Sue Ryder Charity Cup, and so we have last year. In total, we have supported the organization by the sum of CZK 176,293.

Before Christmas, we have received 2,600 gingerbread packages which, along with themes designed by the elderly, we used as neat little Christmas presents for our partners. As a thank you for their help with the presents, we supported the Sue Ryder volunteers with the amount of CZK 150,000. They are an essential part of the home and their presence helps to improve quality of care for the elderly as they not only keep them individual company but also help and assist them in their group activities.

LORM

Our employees took part in the Run for the Deaf and Blind, within the O2 Prague Relay, for the fifth consecutive year, with proceeds helping to improve their quality of life.

Fundraising for Kubík

Once again, our employees raised funds for little Kubík, the son of one of our employees, suffering from cerebral palsy and epilepsy. The total raised amount of CZK 33,500 was remitted to Kubík's account and will be used to finance his treatment. Today, Kubík is 10 years old and thanks to regular physical therapy both at his home and in specialized facilities he is continually moving on.

Volunteering Days

Each of our employees is also provided the chance of dedicate one day of the year to their volunteering activities. Owing to their enormous interest, we managed to tidy up the gardens of Bohnice Psychiatric Hospital and the grounds of Palata – Center for the Visually Impaired. And the upcoming year will also be marked by the spirit of solidarity and new opportunities to help wherever it is needed.

Children's Centre of Thomayer Hospital

Our employees decided to make Christmas merrier for underprivileged children through the Wishing Tree charitable initiative. They purchased dream gifts for the little residents of the Children's Centre in Thomayer Hospital, which gives care and shelter to abandoned and handicapped children.

FINANCIAL SITUATION IN 2019



**ŠkoFIN s.r.o. posted a net profit of CZK 408 million in 2019
(2018: CZK 326 million).**

Key figures for the year	2019	2018
TOTAL ASSETS	CZK 46,327 million	CZK 44,029 million
TOTAL EQUITY	CZK 7,057 million	CZK 6,642 million
AVERAGE NUMBER OF EMPLOYEES	238	232

OUTLOOK FOR 2020



Ever since the beginning of our operation on the Czech market more than a 25 years ago, we have been one of the key players in the car financing market. We expect to consolidate Volkswagen Financial Services' position as number one in the market for the financing of passenger cars in 2020, and we are fully aware that this role also brings a great deal of responsibility towards our partners, dealers and customers.

We know how important a role customer data and the proper handling of it will play in the near future. As the amount of data grows, so does the risk of it being misused by third parties. As the saying goes, "A chain is only as strong as its weakest link", so we plan on implementing comprehensive security measures throughout our entire process.

We will continue down the path of digitalisation in the upcoming year, as we believe that the future will favour those who go digital. We intend to continuously improve customer experience, so we use multiple agile projects to learn new and innovative processes whose results will be presented publicly as time goes by. In the course of the year, we will unveil a new design for our website, placing emphasis on ease of navigation and intuitive use. In addition, we plan to expand our offer of online maintenance packages to other Group brands and launch our online contract approval concept with a view to making sales faster and simpler.

The next step towards a modern system will be enhancing the transition from manual to automated activities assisted by specialised robots. We work hard to increase the ratio of automation every year, aiming to make full use of the potential that this innovative approach offers. The resultant improved and accelerated business processes will benefit both our employees and our clients.

We are fully aware of the growing trend towards electromobility, which is now starting to resonate with Czech customers after years of apparently lukewarm response. Since the demand for alternative energy sources in the automotive industry is growing and more and more electric vehicles made by Volkswagen Group are hitting the Czech market, including the new e-Citigo, the first mass-produced all-electric vehicle with the ŠKODA logo, it is necessary to stop fighting the trend and embrace it instead as another opportunity to make our customers happy.

Our priority for the years to come is the used car segment, combining the assurance of a high-quality and proven car with a good price point. We plan on offering our customers the specific advantages inherent in purchasing a pre-owned car in combination with unique benefits such as extended warranty and discounted insurance. Over time, we will digitalise our offer of used car financing.

In the new year, we want to pursue our charitable efforts with the same dedication and enthusiasm, whether continuing our successful long-term partnerships or embarking on entirely new good cause pursuits.

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 2019, the income statement, statement of changes in equity and statement of cash flows for the year ended 31 December 2019 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 2019, of its financial performance and its cash flows for the year ended 31 December 2019 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 therein. 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.

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Independent auditor's report

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 of the Company 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.

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 of the Company is responsible for overseeing the 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.




Independent auditor's report

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.

17 March 2020


represented by Partner


Petr Kříž
Statutory Auditor, Licence No. 1140

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

Note

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

31 December 2019

BALANCE SHEET

as at 31 December 2019

(CZK mil.)		Gross amount	Provision	2019 Net amount	2018 Net amount	
ASSETS						
B.		Fixed assets	15,298	(3,271)	12,027	11,751
B. I.		Intangible fixed assets	747	(448)	299	260
	2.	Software	494	(448)	46	42
	5.	Intangible fixed assets in the course of construction	253	-	253	218
B. II.		Tangible fixed assets	14,551	(2,823)	11,728	11,491
	2.	Equipment	14,146	(2,823)	11,322	11,328
	5.	Tangible fixed assets in the course of construction	405	-	405	163
C.		Current assets	35,126	(867)	34,259	32,236
C. I.		Inventories	-	-	-	2
C. II.		Receivables	35,125	(867)	34,258	32,206
	1.	Long-term receivables	9,753	(200)	9,553	9,671
	1. 1.	Trade receivables	8,581	(185)	8,397	8,191
	1. 5.	Receivables - other	1,172	(15)	1,157	1,480
	2.	Short-term receivables	25,372	(667)	24,705	22,535
	2. 1.	Trade receivables	24,443	(660)	23,783	21,461
	2. 4.	Receivables - other	929	(7)	922	1,074
C. IV.		Cash	1	-	1	28
D.		Prepayments and accrued income	41	-	41	42
D. 1.		Prepaid expense	4	-	4	6
D. 3.		Accrued income	37	-	37	36
TOTAL ASSETS			50,465	(4,138)	46,327	44,029

BALANCE SHEET

as at 31 December 2019

(CZK mil.)			2019 Net amount	2018 Net amount
LIABILITIES AND EQUITY				
A.		Equity	7,057	6,642
A.	I.	1.	Share capital	865
A.	II.	2.	Capital funds	-
A.	III.		Reserve fund and other reserves	257
		1.	Other reserve funds	110
		2.	Statutory and other reserves	147
A.	IV.	1.	Retained earnings	5,520
A.	V.		Profit for the current period	408
B.	+ C.		Liabilities	38,342
B.			Provisions - other	218
C.			Liabilities	38,124
C.	I.		Long-term liabilities	8,710
		2.	Liabilities due to financial institutions	5,300
		6.	Liabilities - subsidiaries and controlling parties	2,850
		8.	Deferred tax liability	560
C.	II.		Short-term liabilities	29,414
		1.	Debentures and bonds issued - other	1,176
		2.	Liabilities due to financial institutions	3,642
		4.	Trade payables	6,984
		6.	Liabilities - controlling parties	16,180
		8.	Liabilities - other	1,432
D.			Accruals and deferred income	928
D.		2.	Deferred income	928
TOTAL LIABILITIES			46,327	44,029

INCOME STATEMENT

for the year ended 31 December 2019

(CZK mil.)		2019	2018
I.	Sales of products and services	3,936	3,597
II.	Sales of goods	59	50
A.	Cost of sales	1,767	1,639
A. 1.	Cost of goods sold	59	47
A. 2.	Raw materials and consumables used	64	60
A. 3.	Services	1,644	1,532
D.	Staff costs	270	257
E.	Value adjustments in operating activities	1,586	1,609
III.	Operating income - other	5,840	6,145
III. 1.	Sales of fixed assets	5,172	5,627
III. 3.	Other operating income	668	518
F.	Operating expenses - other	6,147	6,558
F. 1.	Net book value of fixed assets sold	5,178	5,856
F. 3.	Taxes and charges from operating activities	67	63
F. 4.	Operating provisions and complex prepaid expenses	72	(7)
F. 5.	Other operating expenses	830	646
*	Operating result	64	(271)
VI.	Interest and similar income - other	982	919
J.	Interest and similar expenses	503	226
J. 1.	Interest and similar expense - controlling party	278	81
J. 2.	Other interest and similar expense	225	145
VII.	Other financial income	3	5
K.	Other financial expenses	10	11
*	Financial result	472	687
**	Net profit before taxation	535	416
L.	Tax on profit	127	90
L. 1.	Tax on profit - current	32	39
L. 2.	Tax on profit - deferred	95	51
***	Net profit for the financial period	408	326
	Net turnover for the financial period = I. + II. + III. + IV. + V. + VI. + VII.	10,820	10,716

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2019

(CZK mil.)	Note	Share capital	Capital funds	Other reserve fund	Retained earnings	Total
As at 1 January 2018		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
Revaluation of hedging instruments	6	-	6	-	-	6
Rounding		-	-	-	-	1
Net profit for the period	6	-	-	-	408	408
As at 31 December 2019		865	6	257	5,928	7,057

CASH FLOW STATEMENT

Year ended 31 December 2019

(CZK mil.)		2019	2018
	CASH FLOWS FROM OPERATING ACTIVITIES		
	Net profit on ordinary activities before tax	535	416
A.1	Adjustments for non-cash movements:		
A.1.1	Depreciation of fixed assets	1,580	1,514
A.1.2	Changes in provisions	77	74
A.1.3	Loss from disposal of fixed assets	6	228
A.1.5	Net interest (income)/ expense	(479)	(693)
A.1.6	Other non-cash movements	75	87
A*	Net cash flow from operating activities before tax and changes in working capital	1,794	1,626
A.2	Working capital changes:		
A.2.1	Changes in receivables and prepayments	(2,044)	(1,555)
A.2.2	Changes in short-term payables and accruals	3,166	419
A.2.3	Changes in inventories	2	-2
A**	Net cash flow from operating activities before tax	2,918	488
A.3	Interest paid	(451)	(177)
A.4	Interest received	982	919
A.5	Income tax paid	(32)	(50)
A***	Net cash flow from operating activities	3,417	1,180
	CASH FLOWS FROM INVESTING ACTIVITIES		
B.1	Acquisition of fixed assets	(7,116)	(7,950)
B.2	Proceeds from the sale of fixed assets	5,172	5,627
B***	Net cash flow from investing activities	(1,944)	(2,323)
	CASH FLOWS FROM FINANCING ACTIVITIES		
C.1	Changes in long- and short-term liabilities		
C.1.1	Changes in bank loans	3,600	(1,400)
C.1.2	Changes in loans provided by related parties	(5,020)	2,183
C.1.3	Income from issued debentures and bonds	49	317
C***	Net cash flow from financing activities	(1,371)	1,100
	Net increase/(decrease) in cash and cash equivalents	102	(43)
	Cash and cash equivalents as at the beginning of the year	(743)	(700)
	Cash and cash equivalents as at the end of the year	641	(743)

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 2019:

JIŘINA TAPŠÍKOVÁ

VRATISLAV STRAŠIL

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

PROXY AS AT 31 DECEMBER 2019:

RADEK CIZNER

RADEK MILŠTAIN

MEMBERS OF THE SUPERVISORY BOARD AS AT 31 DECEMBER 2019:

MARTIN MANFRED MEHRGOTT
LUBOŠ VLČEK

PATRICK ORTWIN WELTER
JAN HURT

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

THE COMPANY IS ORGANIZED AS FOLLOWS:

JIŘINA TAPŠÍKOVÁ
Statutory Director

VRATISLAV STRAŠIL
Statutory Director

INTERNAL AUDITOR



LEGAL DEPARTMENT



ACCOUNTING & TREASURY BO



CONTROLLING



CREDIT & RISK MANAGEMENT



HUMAN RESOURCES/ ORGANIZATION



IT

DEALERS, BRANDS & MARKETING



FLEET SALES & REMARKETING



PRODUCT & PROCESS



ADMINISTRATION

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 exceeding CZK 40,000 per item per year.

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 to all tangible fixed assets 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.

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.

The amount of provision is based on the probability of loss of individual contracts while in the previous years a provision for doubtful amounts was created on the basis of an ageing analysis and an individual evaluation of the credit worthiness of the customers. The difference from the change of estimate is stated in the current period Income statement.

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. Financial instruments - derivatives

The company enters into the financial derivatives to hedge the foreign exchange risk related to the cash flows of selected assets.

The company determines the derivative as a hedge only if, at the date of classification, it meets the conditions given for hedging instruments:

- (a) it is in line with the entity's risk management strategy;
- (b) at the beginning of the hedge, the hedge is documented incl. identification of hedged and hedging items, definition of the risk that is subject to hedge and there is the evidence of the hedge effectiveness;
- (c) the company determines whether the hedge relationship is effective at the beginning of the hedge and further assesses the effectiveness at the date of preparation of the financial statements;
- (d) in the case of cash flow hedges, the expected transaction which is the subject of hedge shall be highly probable and shall bear a risk that changes will occur in cash flows that affect profit or loss.

Derivatives are valued at fair value and recorded as assets if their fair value is positive or as liabilities in the event of negative fair value.

The Company applies an accounting method of cash flow hedges.

Changes in the fair values of hedging derivatives classified as cash flow hedges that are evaluated as effective are reported in Capital fund in the cash flow hedge reserve and Income statements are recognised in the period during which the hedged items will affect profit or loss. The ineffective part of the hedging is reported directly in Income statement in the Other finance income, other finance expenses, respectively.

If the hedging ceases to meet the criteria, the hedging instrument expires, the hedging instrument is sold, terminated or applied, the entity shall cancel the hedging relationship and the accumulated profit or loss from the hedging instrument shall remain recognised in the Capital fund until the expected transaction occurs.

If the Company ceases to expect the transaction, the accumulated profit or loss reported in the Capital fund will be posted in profit and loss.

2.7. 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.

2.8. 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 recognizes a provision for employee bonuses, payoffs, court proceedings and car fleet costs.

2.9. Employee benefits

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.

2.10. Revenue recognition

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

Sales 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 recognized when enforced.

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

Revenues from financing the dealer network are recognized 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.

2.11. 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.

2.12. Leases of assets used by the Company

The costs of assets held under operating leases, for which the Company is the lessee, 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.

2.13. Interest expense

All borrowing costs are expensed.

2.14. 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.

2.15. 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.

2.16. 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 but are not themselves recognised in the financial statements.

3. Intangible fixed assets

(CZK mil.)	1 January 2019	Additions / transfers	Disposals	31 December 2019
COST				
Software	463	35	4	494
Intangible fixed assets in the course of construction	218	66	31	253
Total	681	101	35	747
ACCUMULATED AMORTISATION				
Software	421	30	2	448
Total	421	30	2	448
Net book value	260			299

(CZK mil.)	1 January 2018	Additions / transfers	Disposals	31 December 2018
COST				
Software	431	32	0	463
Intangible fixed assets in the course of construction	109	171	62	218
Total	540	203	62	681
ACCUMULATED AMORTISATION				
Software	394	27	0	421
Total	394	27	0	421
Net book value	146			260

Additions to the cost of intangible fixed assets are represented mainly by acquisitions.
 Additions to accumulated amortization of intangible fixed assets are represented by amortizations charges.

4. Tangible fixed assets

(CZK mil.)	1 January 2019	Additions / transfers	Disposals	31 December 2019
COST				
Equipment	13,821	6,975	6,650	14,146
Tangible fixed assets in the course of construction	163	242	-	405
Total	13,984	7,217	6,650	14,551
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
Equipment	2,248	1,550	1,235	2,563
Impairment provision against fixed assets	245	135	121	260
Total	2,493	1,685	1,356	2,823
Net book value	11,491			11,727

(CZK mil.)	1 January 2018	Additions / transfers	Disposals	31 December 2018
COST				
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				
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

The net book value of tangible fixed assets subject to lease contracts amounted to CZK 11,651 mil. as at 31 December 2019 (2018: CZK 11,420 mil.).

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

(CZK mil.)	31 December 2019	31 December 2018
Impairment provision against residual values on operating lease assets as a results of the residual price risk	153	226
Impairment provisions against other equipment	107	19
Total amount of impairment provision against tangible fixed assets recognized in the balance sheet in the column "Provision"	260	245

Repair and maintenance expenses are recognized in the period when they are incurred. During 2019, these expenses amounted to CZK 108 mil. (2018: CZK 88 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 270 mil. as at 31 December 2019 (2018: CZK 196 mil.). The Company created an impairment provision of CZK 10 mil. (2018: CZK 18 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 2019, the cost of disposal through sale amounted to CZK 6,395 mil. (2018: CZK 7,123 mil.). The other reasons for disposals (mainly stolen and damaged cars) of tangible fixed assets in 2019 had an acquisition cost of the fixed assets of CZK 95 mil. (2018: CZK 136 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 2019 amounted to CZK 19 mil. (2018: CZK 10 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 2019	31 December 2018
LONG-TERM RECEIVABLES			
	Long-term trade receivables	8,581	8,380
	Long-term other receivables	1,172	1,515
	Total long-term receivables	9,753	9,895
	Provision for doubtful long-term receivables	(200)	(224)
	Net book value of long-term receivables	9,553	9,671
SHORT-TERM RECEIVABLES			
	Trade receivables		
	- current	23,645	21,233
	- overdue	798	863
	Total short-term trade receivables	24,443	22,096
	Other receivables		
	- current	610	713
	- overdue	12	62
	Total other short-term receivables	622	775
	Estimated receivables	307	314
	Total short-term receivables	25,372	23,185
	Provision for doubtful short-term receivables	(667)	(650)
	Net book value of short-term receivables	24,708	22,535
	Total receivables	35,126	33,080
	Total net book value of receivables	34,259	32,206

Receivables with maturity over 5 years as at 31 December 2019 amounted to CZK 536 mil. (2018: CZK 652 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 new cars 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 2019 for ŠKODA AUTO a.s. amounts to CZK 7,561 mil. (2018: CZK 6,765 mil.). The total amount of receivables resulting from these services provided as at 31 December 2019 for Porsche Česká republika s.r.o. amounts to CZK 6,728 mil. (2018: CZK 5,589 mil.).

Other short-term receivables include mainly short-term loans provided to dealers as at 31 December 2019 of CZK 585 mil. (2018: CZK 684 mil.). Penalties related to trade receivables as at 31 December 2019 amounting to CZK 5 mil. (2018: CZK 7 mil.) are also recognized in the balance sheet in short term receivables.

Other short-term receivables include also receivable from hedging as at 31 December 2019 amounting to CZK 8 mil. (2018: nil).

Tax receivables as at 31 December 2019 include VAT receivable amounting to nil (2018: CZK 14 mil.) and corporate tax receivable amounting to CZK 11 mil. (2018: CZK 11 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 credits provided to entrepreneurs and firms as at 31 December 2019 amounting to CZK 6,596 mil. (2018: CZK 6,359 mil.) and consumer credits provided to private individuals as at 31 December 2019 amounting to CZK 1,985 mil. (2018: CZK 2,021 mil.).

Other long-term receivables include long-term loans provided to dealers as at 31 December 2019 amounting to CZK 1,158 mil. (2018: CZK 1,506 mil.).

Other long-term receivables include also receivable from hedging as at 31 December 2019 amounting to CZK 3 mil. (2018: nil).

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

Receivables are secured by promissory notes amounting to CZK 1,736 mil. as at 31 December 2019 (2018: CZK 2,036 mil.), by the pledge of collateral of CZK 504 mil. (2018: CZK 701 mil.) and by ownership right transfers of CZK 11,034 mil. (2018: CZK 10,908 mil.).

Analysis of change in the provision for doubtful receivables:

(CZK mil.)	2019	2018
Opening balance as at 1 January	874	785
Charge for the year	265	397
Released during the year	(101)	(270)
Written off during the year	(171)	(38)
Closing balance as at 31 December	867	874

6. Equity

As at 31 December 2019 the Company is fully owned by Volkswagen Finance Overseas B.V. incorporated in Netherlands, and the ultimate holding company is VOLKSWAGEN AG, incorporated in Wolfsburg, Germany.

As at 31 December 2018 the Company was fully owned by Volkswagen Bank Gesellschaft mit beschränkter Haftung (“VW Bank GmbH”), incorporated in Braunschweig Germany, and the ultimate holding company was VOLKSWAGEN AG.

The change was recorded in Business register as at 25 April 2019.

The share capital of the Company of CZK 865 mil. was fully paid as at 31 December 2019 and 2018.

The Company VOLKSWAGEN FINANCIAL SERVICES AG, incorporated in Braunschweig Germany the sole owner of Volkswagen Finance Overseas B.V., 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 VOLKSWAGEN FINANCIAL SERVICES AG.

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. 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.

Capital funds include reserve from revaluation of financial derivatives related deferred tax as at 31 December 2019 amounting to CZK 6 mil. (as at 31 December 2018: nil).

The general meeting of shareholders approved on 26 March 2019 the financial statements for 2018 and decided to retain the profit earned in 2018 of CZK 326 million in earnings.

Until the date of preparation of these financial statements, the Company has not proposed distribution of the profit earned in 2019.

7. Provisions

(CZK mil.)	Fleet costs provision	Provision for business risks	Provision for untaken holiday, employee bonuses and payoffs	Court cases provision	Total
Opening balance as at 1 January 2018	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
Charge for the year	195	12	178	4	389
Used in the year	(121)	(39)	(159)	-	(319)
Closing balance as at 31 December 2019	132	11	69	6	218

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 2019 amounting to CZK 40 mil. (as at 31 December 2018: CZK 45 mil.) were netted off with the provision for income tax of CZK 29 mil. created as at 31 December 2019 (as at 31 December 2018: 34 mil. Kč).

Final receivable as at 31 December 2019 amounting CZK 11 mil. (as at 31 December 2018: CZK 11 mil.) is presented within short-term receivables see Note 5.

8. Payables, commitments and contingent liabilities

(CZK mil.)	31 December 2019	31 December 2018
LONG-TERM LIABILITIES		
Long-term bank loans due between 1 – 5 years	5,300	1,050
Long-term borrowings (Notes 9 and 13)	2,850	6,030
Deferred tax liability (Note 17)	560	464
Total long-term liabilities	8,710	7,544
SHORT TERM LIABILITIES		
Debentures and bonds issued - current	1,176	1,120
LIABILITIES DUE TO FINANCIAL INSTITUTIONS		
Bank overdrafts	642	771
Other bank loans due within one year (including current portion of long-term loans)	3,000	3,649
Total	3,642	4,420
Trade payables - current	6,983	4,110
Short-term borrowings (Notes 9 and 13)	16,180	18,020
OTHER SHORT-TERM LIABILITIES		
Liabilities to employees	10	10
Liabilities to social security and health insurance	7	6
Taxes and state subsidies payable	9	3
Estimated liabilities	1,406	1,077
Total	1,432	1,096
Total short-term liabilities	29,414	28,766
Total short-term and long-term liabilities	38,124	36,310

Trade liabilities include as at 31 December 2019 related party liabilities due to factoring of receivables of CZK 2,869 mil. (2018: CZK 650 mil.) (see Note 13).

As at 31 December 2019 the social security and health insurance liability amounted to CZK 7 mil. (2018: CZK 6 mil.). The Company has no overdue tax liabilities.

Issued short-term bonds amounting to CZK 1,176 mil. as at 31 December 2019 (2018: CZK 1,120 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 2019	31 December 2018
Bank overdrafts (Note 19)	642	771
Other bank loans due within 1 year (incl. current portion of long-term loans)	3,000	3,649
Long-term loans due between 1 – 5 years	5,300	1,050
Total bank loans and overdrafts	8,942	5,470
Short-term borrowings (Notes 8 and 13)	16,180	18,020
Long-term borrowings (Notes 8 and 13)	2,850	6,030
Total	27,972	29,520
of which – short-term	19,822	22,440
of which – long-term	8,150	7,080

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 2019 reached at most 2.50 % p.a. (2018: at most 2.59 % p.a.).

10. Commitments and contingent liabilities

The management of the Company is not aware of any contingent liabilities as at 31 December 2019.

The Company has the following rental commitments:

(CZK mil.)	31 December 2019	31 December 2018
Current within one year	11	12
Due after one year but within five years	9	20
Total commitments in respect of operational leases	20	32

Due to financial product for dealers the Company has commitment which corresponds to the undrawn part of credit limit amounting to CZK 228 mil. as at 31 December 2019 (2018: CZK 215 mil.).

11. Prepayments and accrued income

(CZK mil.)	31 December 2019	31 December 2018
Prepaid expenses	4	6
Accrued income	37	36
Total assets	42	42
Deferred income	928	929
of which - services	303	281
- unamortized part of the leasing down payment	26	45
- other deferred income	599	603
Total liability	928	929

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

12. Revenue analysis

Revenue analysis:

(CZK mil.)	2019	2018
SALES OF PRODUCTS AND SERVICES		
Leasing revenues - domestic	3,493	3,286
Factoring commission income	443	311
Total	3,936	3,597
Revenues from sales of goods	59	50
OTHER OPERATING INCOME		
Revenues from sale of cars - domestic	5,172	5,627
Other operating income	668	518
Total sales of own products and services	5,840	6,145
INTEREST AND SIMILAR INCOME		
Revenues from credits (interest income)	909	864
Other interest and finance income	73	55
Total	982	919
Other financial income	3	5
Total revenues	10,820	10,716

13. Related-party transactions

(CZK mil.)	2019	2018
REVENUES		
Sales of services	1,261	1,158
Sales of goods	216	255
Total	1,477	1,413
COSTS		
Purchase of services	296	156
Purchase of goods for resale	4,385	4,775
Interest costs	279	122
Total	4,960	5,053

The following related party balances were outstanding as at:

(CZK mil.)	31 December 2019	31 December 2018
RECEIVABLES		
Porsche Česká republika s.r.o.	12	17
ŠKODA AUTO a.s.	17	88
Porsche Inter Auto CZ s.r.o.	1,022	956
SCANIA CZECH REPUBLIC S.R.O.	2	3
VW Bank Polska	-	7
MAN Truck & Bus Czech Republic	-	1
Volkswagen Financial Services AG	-	1
Total	1,053	1,075
LIABILITIES		
Porsche Česká republika s.r.o.	2,621	312
ŠKODA AUTO a.s.	4,352	3,550
Porsche Inter Auto CZ s.r.o.	15	40
Volkswagen Bank GmbH	5,052	20,378
Volkswagen Financial Services N.V.	-	824
Volkswagen Financial Services AG	14,083	2,921
Volkswagen Financial Services Digital Solutions	8	45
Total	26,131	28,070

Other (CZK mil.)		2019	2018
Assigned receivables	- purchase - domestic	77,424	75,685
	- sales - domestic	9,485	8,927

Company cars at acquisition cost of CZK 46 mil. as at 31 December 2019 (2018: CZK 44 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 2019. To the Company's Expats there was benefit in form of financial contribution for housing and flight tickets. Except for the aforementioned remuneration and benefits, there was no other consideration provided to the Company's statutory directors, the proxies and management in 2019 and 2018.

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.)	2019	2018
Statutory audit of financial statements and audit of VW group reporting (PricewaterhouseCoopers Audit, s.r.o.)	3	2
Advisory services (PricewaterhouseCoopers Česká republika s.r.o.)	-	2
Total of fees paid and payable to the audit company and its network	3	4

15. Employees

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

	2019	2018
Average number of members of management during the year	24	25
Average number of other staff during the year	214	207
Total average number of employees during the year	238	232

(CZK mil.)	Management	Other staff	Total
2019			
Wages and salaries	65	136	201
Social security and health insurance costs	14	49	63
Other social costs	1	5	6
Total staff costs	80	190	270
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

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

16. Impairment in operating activities

(CZK mil.)	2019	2018
Impairment in intangible and tangible fixed assets – permanent (Note 4)	1,580	1,514
Impairment in intangible and tangible fixed assets – temporary (Note 4)	15	6
Impairment in receivables (Note 5)	(7)	89
Impairment in operating activities	1,588	1,609

17. Income tax

The income tax expense analysis:

(CZK mil.)	2019	2018
Current tax expense (19%)	29	34
Deferred tax expense (19%)	95	51
Adjustment of prior year tax expense based on final CIT return	3	5
Total income tax expense	127	90

Current tax can be analyzed as follows:

(CZK mil.)	2019	2018
Net profit before taxation	536	416
ADJUSTMENTS TO TAX BASE		
Additional tax-deductible costs	(2,578)	(2,600)
Non-tax-deductible costs	2,242	2,371
Non-taxable income	(163)	(175)
Additional taxable income	138	186
Research and development	(21)	(18)
Net taxable profit	155	180
Corporate income tax at 19%	29	34

Additional tax-deductible costs relate mainly to difference between accounting and tax depreciation of CZK 2,553 mil. (2018: CZK 2,575 mil.)

The deferred tax was calculated at 19% (the rate enacted for 2019 and subsequent years).

The deferred tax asset / (liability) analysis:

(CZK mil.)	31 December 2019	31 December 2018
DEFERRED TAX LIABILITY ARISING FROM:		
Accelerated tax depreciation of tangible fixed assets subject to lease	(712)	(606)
Other provisions	104	98
Other temporary differences	48	44
Net deferred tax liability	(560)	(464)

18. Contingent assets

In 2019, the Company received a bank guarantee of CZK 7 mil. (2018: CZK 6 mil.).
The Company does not expect to utilise 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 2019	31 December 2018
Cash in hand	-	1
Cash at banks	1	27
Bank overdrafts included in Short-term bank loans (Note 9)	(642)	(771)
Total cash and cash equivalents	(641)	(743)

20. Subsequent events

The existence of novel coronavirus (COVID-19) was confirmed in early 2020 and has spread across mainland China and beyond, including Czechia, causing disruptions to businesses and economic activity. The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company. The impact of this outbreak on the macroeconomic forecasts, our position and results, if any, will be incorporated into our estimates of asset impairment and other provisions in 2020.

No events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2019.

17 March 2020



Ing. Jiřina Tapšíková, MBA
Managing Director



Ing. Vratislav Stražil
Managing Director

REPORT ON RELATIONS



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 2019

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 2019 (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 ultimate controlling party is VOLKSWAGEN AG, with its registered office at Wolfsburg, Germany (the “Concern”). Information on the entities forming part of the Concern is stated as at 31. 12. 2019 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 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 Finance Overseas B.V. with the registered office in Amsterdam.

2. Role of the Company in the Concern

The Company provides financial services connected in particular with financing and support of Concern’s vehicles.

3. Methods and means of control

Volkswagen Finance Overseas B.V. as the sole shareholder replaced during the Relevant period the former sole shareholder Volkswagen Bank Gesellschaft mit beschränkter Haftung. 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:

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
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

Contractual counterparty	Contracts
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
VOLKSWAGEN FINANCIAL SERVICES N.V.	Credit facility agreement
	Loan agreement
VOLKSWAGEN FINANCIAL SERVICES AG	Contracts on providing services
	Providing of loans
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.

7. Evaluation of relations and risks within the Concern

- 7.1 Evaluation of advantages and disadvantages of relations within the Concern
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.

17 March 2020



Ing. Jiřina Tapšíková, MBA
Managing Director



Ing. Vratislav Stražil
Managing Director

Annex No. 1: The ownership structure of ŠkoFIN s.r.o.

