

# VOLKSWAGEN FINANCIAL SERVICES

ÚVĚR. LEASING. POJIŠTĚNÍ. MOBILITA.



## Annual report 2015

# CONTENTS

<b>INTRODUCTION</b>	<b>3</b>
<b>COMPANY PROFILE AND MAIN PRODUCTS</b>	<b>4</b>
<b>GROUP STRUCTURE</b>	<b>6</b>
<b>STRUCTURE OF THE GOVERNING BODY</b>	<b>7</b>
<b>OUR STRATEGY – ROUTE 2025 AND COMPANY VALUES</b>	<b>8</b>
<b>MAJOR ACHIEVEMENTS IN 2015</b>	<b>9</b>
<b>CORPORATE RESPONSIBILITY</b>	<b>10</b>
<b>SPONSORSHIP AND CHARITY ACTIVITIES</b>	<b>11</b>
<b>FINANCIAL SITUATION IN 2015</b>	<b>12</b>
<b>OUTLOOK FOR 2016</b>	<b>13</b>
<b>SHAREHOLDER’S MEETING REPORT</b>	<b>14</b>
<b>INDEPENDENT AUDITOR’S REPORT</b>	<b>15</b>
<b>FINANCIAL STATEMENTS</b>	<b>17</b>
BALANCE SHEET	17
INCOME STATEMENT	19
STATEMENT OF CHANGES IN SHAREHOLDER’S EQUITY	20
CASH FLOW STATEMENT	21
NOTES TO FINANCIAL STATEMENTS	22
<b>REPORT ON RELATIONS</b>	<b>48</b>

# INTRODUCTION

Ladies and gentlemen,

ŠkoFIN s.r.o. is pleased to announce another successful year in 2015 with regard to its market position and financial results. Our Company generated 17 percent more new financing contracts compared to the preceding year. According to the statistics of the Czech Financial and Leasing Association ŠkoFIN s.r.o. kept its 23 percent market share and expanded its overall portfolio by 18 percent. The net profit increased by 41 percent.

**The business and financial result has been achieved not only through our business activities but also because of the efforts of our employees. Investments in our Company, investments in training and our corporate values are our motivation.**

In 2015 we further extended our range with new products: in addition to brand insurance, we have successfully introduced the ŠKODA Prepaid Service, flexible loans and an online calculation tool for operating leases within our Volkswagen Group dealers' network. Also Brand financing of Ducati motorcycles was launched in 2015.

One key milestone in 2015 was the re-branding from ŠkoFIN s.r.o. to Volkswagen Financial Services as part of the Volkswagen Group's unification to support our global image, strengthen our corporate culture and intensify know-how sharing. The new brand name "Volkswagen Financial Services" has been used in marketing communication since mid September 2015, including a new sub-brand for each brand such as ŠKODA Financial Services.

After almost 10 years as a Board Member of ŠkoFIN s.r.o. Jiřina Tapšíková accepted a new position with the Volkswagen Financial Services Group in Poland. On 1 October 2015, Reinhard Mathieu was appointed as the new Managing Director of ŠkoFIN s.r.o. replacing Jiřina Tapšíková.

The results of last year fill us with optimism and confidence that 2016 will continue to see our business developing positively.

**Reinhard Mathieu**  
Dipl. Wirtsch.-Ing.



**Joachim Lutz Ewald**  
Dipl. Kauf.



# COMPANY PROFILE AND MAIN PRODUCTS

ŠkoFIN s.r.o. is a unique financial institution that has been operating on the Czech market since 1992. Right from the very beginning it was the leader in financing passenger and commercial vehicles and the company is also number one on the operating lease market.

ŠkoFIN s.r.o. is part of Volkswagen Financial Services, which is currently represented in 49 countries, has 11.1 million contracts and employs 11,300 people worldwide.

**The company supports Volkswagen Group Brands, mainly ŠKODA Auto, Volkswagen, Audi, SEAT and Porsche, with financial services under the new name of Volkswagen Financial Services.**

Close cooperation with the exclusive distribution network - allows us to offer our products to the customers of VW Group brands cars and also other cars on the local market.

**Volkswagen Financial Services is registered as the new business brand of ŠkoFIN s.r.o., the legal name of the Company has not been changed.**



# COMPANY PROFILE AND MAIN PRODUCTS

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## Main products:

- » End customer financing products for retail (private) and fleet (corporate) customers such as credit, financial leases and operating leases including service and maintenance products
- » In addition to financing car purchases, the credits can also be used to finance the operational and investment needs of Volkswagen Group car dealers; investment loans can be used to finance auto showrooms and service centres
- » Branded motor insurance (ŠKODA Insurance)
- » Extended warranty for used vehicles – Guarantee Das WeltAuto and ŠKODA Plus
- » Additional products: complementary accident insurance and third party motor insurance, credit insurance (ŠkoFIN PPP), administrative legal protection insurance (ŠkoFIN Assistant) and other customer care services.



More information is available at [www.vwfs.cz](http://www.vwfs.cz)

# GROUP STRUCTURE

ŠkoFIN s.r.o. is 100 percent owned by Volkswagen Financial Services AG, a business division of Volkswagen AG.

The annual report of Volkswagen Financial Services AG is available at [www.vwfsag.de](http://www.vwfsag.de)



## Financial Services

Volkswagen Financial Services

### VOLKSWAGEN FINANCIAL SERVICES

Europe / Asia – Pacific / North and South America

### FINANCIAL SERVICES

USA / Canada / Spain / Argentina

Scania Financial Services  
MAN Financial Services  
Porsche Holding Financial Services  
Porsche Financial Services

# STRUCTURE OF THE GOVERNING BODY

ŠkoFIN s.r.o. was entered in the Commercial Register on 10 August 1992, with its registered office at Pekařská 6, Prague 5. The Company's primary business activities are purchasing of goods for resale, selling (leasing) automobiles, and providing consumer credit including additional services.

The structure of the statutory body in 2015 was as follows:

## **Statutory Representatives:**

Joachim Ewald, Statutory Representative

Jiřina Tapříková, Statutory Representative (until 30/09/2015)

Reinhard Mathieu, Statutory Representative (from 01/10/2015)

## **Authorised Signatories**

Jana Gregorová (until 10/3/2015 )

Radek Cizner

Radek Milřtain



**Joachim Ewald** became ŠkoFIN's statutory representative on 01/03/2014. He is responsible for strategy, sales, marketing, project management and lean management.



**Jiřina Tapříková** was ŠkoFIN's statutory representative until 30/09/2015 responsible for managing the Company's financial and administrative operations back office. She was a board member of Czech Leasing and Financial Association and chairperson of the association until 30/09/2015 as well. On 01/10/2015 she became a board member of Volkswagen Bank Polska S.A.



**Reinhard Mathieu** is ŠkoFIN's statutory representative from 01/10/2015. He is responsible for managing the Company's financial and administrative back office operations including IT, controlling, accounting, legal, compliance, internal audit and HR activities.

# OUR STRATEGY – ROUTE 2025 AND COMPANY VALUES

Our Company has underpinned by the various initiatives and programs the new strategy of the Volkswagen Financial Services Group - ROUTE 2025. The strategy confirms the vision: "Volkswagen Financial Services is the key to mobility".

We feel committed realizing our goals and targets based on the Company's values: Customer Orientation, Enthusiasm, Responsibility, Courage, Trust.



The ROUTE 2025 strategy is anchored in five dimensions:

## **Customers:**

Through the targeted expansion of digital channels, we are adopting an increasingly state-of-the-art approach to meet the changing needs of our customers .

## **Volume:**

Our goal is to grow worldwide. We support contract growth through a range of measures.

## **Profitability:**

In the traditional core business, we continuously strive to improve earnings and focus our strengths increasingly on the service business.

## **Operational excellence:**

Our future success in the digital age is rooted in information technology. To achieve this, we want to align our processes better and more efficiently with the needs of our customers.

## **Employees:**

Whether as part of the team or as an individual: Performance counts and is rewarded. As a leading employer, we at Volkswagen Financial Services know the importance of recruiting and continuously training the best employees.

# MAJOR ACHIEVEMENTS IN 2015

Volkswagen Financial Services has built its business on a number of innovative products, which are the base for meeting our customers' expectations about future mobility services.

## **Operating lease for private individuals celebrated one year on the Czech market**

The product was extraordinarily popular in 2015. Volkswagen Financial Services was the first company to introduce a product of this type. More than 2,500 contracts were signed within one year. Customers like the affordable instalments, zero down payment and quicker car exchange. Operating lease gives the customer the convenient use of a new car without expenses and effort spent on operating, servicing or selling the used car. Customers can lease cars of any Group brand through operating lease; the most popular were ŠKODA - Yeti, Rapid Spaceback, Rapid and Octavia.

## **ŠKODA Prepaid Service**

ŠkoFIN s.r.o. created a new product together with ŠKODA Auto. The ŠKODA Prepaid Service covers the costs of servicing. The service includes, for example, inspections, oil changes and replacement spare parts. Customers can choose from two types (Standard and Plus) for five years or for a selected mileage up to 60,000 km, 100,000 km, or 150,000 km.

## **EFFIE Award**

ŠkoFIN s.r.o. became third in a prestigious contest for the most efficient advertising communication in the Financial Services category. The award confirmed the success of the IT STANDS TO REASON campaign, which combined a long-term concept bringing together car financing and education.

More information is available at [www.effie.org](http://www.effie.org)



# CORPORATE RESPONSIBILITY

We believe that our business model can only be successful if we act in a sustainable, responsible way. For us corporate responsibility means acting in accordance with the requirements of society, our clients, our employees and our shareholder.

Our human resources policy is substantially linked to the Volkswagen Group's strategy and the values affecting its processes. The Company aims to be one of the best employers on the Czech market. We are continuing our programs to strengthen employee motivation and supporting training to develop individual skills, team co-operation and communication. All employees receive performance-based remuneration.

Even though our business consists exclusively of services without any direct impact on the environment, we consider the influence of our activities in this area as well.

ŠkoFIN s.r.o. has been involved in developing IT systems and procedures for financial services. The aim of this research is to develop tools that help to set reporting and procedures to reveal financial risks and meet all the regulatory requirements.

Needless to say: the company's basic principle is to comply with the law and the internal procedures and principles of the Company's culture.

The key Compliance areas for us are personal data protection, protection against corrupt practices, avoiding money laundering and financing terrorism, protection against violating consumers and anti-competitive behaviour, and applying the Company's code of ethics.

ŠkoFIN s.r.o. is part of the Volkswagen Financial Services Group, which includes Volkswagen Bank GmbH. The Group must comply with the requirements of the German banking act and other national and international rules. ŠkoFIN s.r.o. complies with all the rules and limits stipulated by its parent company.

Our Company is a responsible provider of financing. It is a founding member of the Czech Non-Banking Credit Bureau, and, as a member of CLFA, it endorses this association's code of ethics.



# SPONSORSHIP AND CHARITY ACTIVITIES

In addition to financing and selling cars, we focus on funds to help those in need. Therefore we have been supporting several carefully selected charity projects long-term. Through these projects, our company helps handicapped people achieve more mobility, independence and satisfaction in their lives.

ŠkoFIN s.r.o. was the main partner of the Paraple Centre, sponsored the Sue Ryder Charity Cup football tournament and the Nativity Scenes publication – a guide for everyone who wants to explore the nativity scenes in Prague's churches. The Company supports Mladá Boleslav first-league football club but we also take advantage of small opportunities to help. Thus, we bought all Christmas gifts for clients through the "Srdcerváči" project that is used to fund new jobs for handicapped people.



# FINANCIAL SITUATION IN 2015

ŠkoFIN s.r.o. achieved a net profit of CZK 484,6 million in 2015.

The emissions level irregularities that the Volkswagen Group faced in 2015, have not affected the Company's figures.

## Key 2015 Figures:

Number of new financing contracts: 46,634 (2014: 39,756)

Sales: CZK 6,348 mil. (2014: CZK 5,594 mil.)

Total assets: CZK 33,386 mil. (2014: CZK 26,512 mil.)

Total equity: CZK 5,238 mil. (2014: CZK 4,753 mil.)

Average number of employees: 206 (2014: 195)



# OUTLOOK FOR 2016

Volkswagen Financial Services expects to continue its growth in 2016 together with our automotive Group Brands.

Besides the expected growth of GDP and the industry as a whole, we plan to expand our portfolio by adding new mobility products to even better meet the needs of our customers and make mobility reliable and affordable.

As early as January, branded insurance products were launched for **Volkswagen**, **Audi** and **SEAT**; this insurance offers our clients unique cover. The **IN Operating Lease** is also a new, progressive service for small and medium-sized enterprises; it shortens the time needed to prepare an operating lease quote in a dealership to an incredibly good 30 minutes from the moment the customer addresses our dealer. In line with our long-term strategy, we will continue looking for new solutions: externally to improve our services and satisfy our retail and fleet customers' needs even better. Internally to optimise and simplify our processes and last but not least to bring our company values to life.



# SHAREHOLDER'S MEETING REPORT

The Board of Management regularly informed the shareholder about the Company's situation, business development and business policy over the reporting period. Based on written records and oral information, the Board of Management was supervised by the shareholder.

The shareholder's meeting had the financial statements of ŠkoFIN s.r.o., Prague, as of 31 December 2015 at its disposal.

The auditors, PricewaterhouseCoopers Audit, s.r.o., have audited the financial statements.

The shareholder's meeting agrees to the audited result and approves the financial statements showing a CZK 484.6 million net profit.

Braunschweig, 31 March 2016

VOLKSWAGEN FINANCIAL SERVICES AG



Dr. Ch. Dahlheim  
Member of the Management Board



R. Teichman  
proxy holder



# INDEPENDENT AUDITOR'S REPORT



## to the shareholder of ŠkoFIN s.r.o.

We have audited the accompanying financial statements of ŠkoFIN s.r.o., identification number 458 05 369, with registered office at Pekařská 6, Praha 5 ("the Company"), which comprise the balance sheet as at 31 December 2015, the income statement, statement of changes in equity and cash flow statement for the year then ended and notes, including a summary of significant accounting policies and other explanatory information ("the financial statements").

## Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation of the financial statements that give a true and fair view 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.

## Auditor's Responsibility

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

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

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

## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

# INDEPENDENT AUDITOR'S REPORT

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## Other information

The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. 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 not materially inconsistent with the financial statements or our knowledge about the Company obtained in the course of the audit of the financial statements, whether the annual report was prepared in compliance with legal requirements, and whether the other information does not appear to be otherwise materially misstated.

If, based on the work we have performed, we conclude that the aforementioned requirements of the other information are not met, we are obliged to report that fact herein.

We have nothing to report in this regard.

15 April 2016



represented by partner



Petr Kříž

Statutory Auditor, Evidence No. 1140

### 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.

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PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Evidence No 021.

# FINANCIAL STATEMENTS

## BALANCE SHEET

As at 31 December 2015

(CZK mil.)				2015	2014
Assets	NOTE	Gross amount	Provision	Net amount	Net amount
<b>B.</b>	<b>Fixed assets</b>	<b>9,415</b>	<b>(2 413)</b>	<b>7,002</b>	<b>5,489</b>
<b>B.I.</b>	<b>Intangible fixed assets</b>	<b>3</b>	<b>(350)</b>	<b>42</b>	<b>55</b>
	3. Software	382	(350)	32	51
	7. Intangible fixed assets in the course of construction	10	0	10	4
<b>B.II.</b>	<b>Tangible fixed assets</b>	<b>4</b>	<b>(2 063)</b>	<b>6,960</b>	<b>5,434</b>
	1. Land	5	0	5	27
	2. Constructions	61	(56)	5	15
	3. Equipment	8,749	(2 007)	6,742	5,294
	7. Tangible fixed assets in the course of construction	208	0	208	98
<b>C.</b>	<b>Current assets</b>	<b>27,139</b>	<b>(847)</b>	<b>26,292</b>	<b>20,930</b>
<b>C.II.</b>	<b>Long-term receivables</b>	<b>5</b>	<b>(249)</b>	<b>8,246</b>	<b>7,202</b>
	1. Trade receivables	6,495	(223)	6,272	5,464
	7. Other receivables	2,000	(26)	1,974	1,738
<b>C.III.</b>	<b>Short-term receivables</b>	<b>5</b>	<b>(598)</b>	<b>18,043</b>	<b>13,723</b>
	1. Trade receivables	17,433	(587)	16,846	12,274
	6. Taxes – receivables from the state	160	0	160	175
	7. Short-term advances paid	7	0	7	12
	8. Estimated receivables	249	0	249	234
	9. Other receivables	792	(11)	781	1,028
<b>C.IV.</b>	<b>Financial assets</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>5</b>
	1. Cash in hand	3	0	3	3
	2. Cash at bank	0	0	0	2
<b>D.I.</b>	<b>Prepayments and accrued income</b>	<b>8</b>	<b>0</b>	<b>92</b>	<b>93</b>
	1. Prepaid expenses	56	0	56	57
	3. Accrued income	36	0	36	36
<b>Total assets</b>		<b>36,646</b>	<b>(3,260)</b>	<b>33,386</b>	<b>26,512</b>

# FINANCIAL STATEMENTS

## BALANCE SHEET

(CZK mil.)			2015	2014
Liabilities and equity		Note	Net amount	Net amount
<b>A.</b>	<b>Equity</b>	<b>6</b>	<b>5,238</b>	<b>4753</b>
<b>A.I.</b>	<b>Share capital</b>		<b>865</b>	<b>865</b>
<b>A.III.</b>	<b>Reserve fund and other reserves</b>		<b>257</b>	<b>257</b>
1.	Reserve fund		110	110
2.	Statutory and other reserves		147	147
<b>A.IV.</b>	<b>Retained earnings</b>		<b>3,631</b>	<b>3,288</b>
<b>A.V.</b>	<b>Profit for the current period</b>		<b>485</b>	<b>343</b>
<b>B.</b>	<b>Liabilities</b>		<b>27,365</b>	<b>20,945</b>
<b>B.I.</b>	<b>Other provisions</b>	<b>7</b>	<b>63</b>	<b>106</b>
<b>B.II.</b>	<b>Long-term liabilities</b>	<b>9</b>	<b>1,884</b>	<b>974</b>
2.	Liabilities – subsidiaries/ controlling parties		1,636	820
5.	Long-term advances received		0	6
10.	Deferred tax liability		248	148
<b>B.III.</b>	<b>Short-term liabilities</b>	<b>9</b>	<b>13,445</b>	<b>9,545</b>
1.	Trade payables		2,348	793
2.	Liabilities – subsidiaries/ controlling parties		7,809	5,015
5.	Liabilities to employees		7	8
6.	Liabilities for social security and health insurance		5	4
7.	Taxes and state subsidies payable		2	2
9.	Debentures and bonds issued		2,496	3,094
10.	Estimated payables		730	626
11.	Other payables		48	3
<b>B.IV.</b>	<b>Bank loans &amp; overdrafts</b>	<b>10</b>	<b>11,973</b>	<b>10,320</b>
1.	Long-term bank loans		2,350	1,950
2.	Short-term bank loans and overdrafts		9,623	8,370
<b>C.I.</b>	<b>Accruals and deferred income</b>	<b>8</b>	<b>783</b>	<b>814</b>
1.	Accrued expenses		2	2
2.	Deferred income		781	812
<b>Total liabilities and equity</b>			<b>33,386</b>	<b>26,512</b>



# FINANCIAL STATEMENTS

## INCOME STATEMENT

For the year ended 31 December 2015

(CZK mil.)		Note	2015	2014
I.	Sales of goods	12	39	63
A.	Cost of goods sold		89	149
<b>+</b>	<b>Gross profit</b>		<b>(50)</b>	<b>(86)</b>
I.	1. Sales of own products and services	12	2,445	2,411
B.	Cost of sales		1,272	1,171
B.	1. Raw materials and consumables used		66	82
	2. Services		1,206	1,089
<b>+</b>	<b>Added value</b>		<b>1,123</b>	<b>1,154</b>
C.	Staff costs	13	207	201
C.	1. Wages and salaries		153	150
	3. Social security and health insurance costs		51	48
	4. Other social costs		3	3
D.	Taxes and charges		36	33
E.	Depreciation and amortization expense		1,241	1,368
III.	1. Sales of fixed assets		2,707	1,942
F.	1. Net book value of fixed assets sold		2,661	1,915
G.	Changes in operating provisions		(96)	(53)
IV.	Other operating income		278	320
H.	Other operating expenses		259	252
<b>*</b>	<b>Operating result</b>		<b>(200)</b>	<b>(300)</b>
X.	Interest income		878	858
N.	Interest expense		84	102
XI.	Other financial income		1	1
O.	Other financial expenses		10	9
<b>*</b>	<b>Financial result</b>		<b>785</b>	<b>748</b>
Q.	Tax on profit or loss on ordinary activities	11	100	105
Q.	1. - current		0	70
	2. - deferred		100	35
<b>**</b>	<b>Profit or loss on ordinary activities after taxation</b>		<b>485</b>	<b>343</b>
<b>***</b>	<b>Net profit for the financial period</b>		<b>485</b>	<b>343</b>
<b>****</b>	<b>Net profit before taxation</b>		<b>585</b>	<b>448</b>

# FINANCIAL STATEMENTS

## STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

Year ended 31 December 2015

(CZK mil.)	Note	Share capital	Reserve fund	Other funds	Retained earnings	Total
<b>As at 1 January 2014</b>		<b>865</b>	<b>110</b>	<b>147</b>	<b>3,288</b>	<b>4,410</b>
Net profit for the current period	6	0	0	0	343	343
<b>As at 31 December 2014</b>		<b>865</b>	<b>110</b>	<b>147</b>	<b>3,631</b>	<b>4,753</b>
Net profit for the current period	6	0	0	0	485	485
<b>As at 31 December 2015</b>		<b>865</b>	<b>110</b>	<b>147</b>	<b>4,116</b>	<b>5,238</b>



# FINANCIAL STATEMENTS

## CASH FLOW STATEMENT

Year ended 31 December 2015

(CZK mil.)	2015	2014
<b>Cash flows from operating activities</b>		
	<b>585</b>	<b>448</b>
	<b>585</b>	<b>448</b>
A.1	<b>Adjustments for non-cash movements:</b>	
A.1.1	1,241	1,368
A.1.2	(86)	(53)
A.1.3	(46)	(27)
A.1.5	(795)	(756)
A.1.6	57	41
<b>A*</b>	<b>956</b>	<b>1,021</b>
<b>A.2</b>	<b>Working capital changes:</b>	
A.2.1	(5,336)	(2,384)
A.2.2	1,671	248
<b>A**</b>	<b>(2,709)</b>	<b>(1,115)</b>
A.3	(84)	(105)
A.4	878	858
A.5	33	(136)
<b>A***</b>	<b>(1,882)</b>	<b>(498)</b>
<b>Cash flows from investing activities</b>		
B.1	(5,487)	(4,367)
B.2	2,707	1,942
<b>B***</b>	<b>(2,780)</b>	<b>(2,425)</b>
<b>Cash flows from financing activities</b>		
<b>C.1</b>	<b>Changes in long- and short-term liabilities</b>	
C.1.1	1,565	(315)
C.1.2	3,609	2,926
C.1.3	(602)	97
<b>C***</b>	<b>4,572</b>	<b>2,708</b>
	<b>(90)</b>	<b>(215)</b>
	<b>(630)</b>	<b>(415)</b>
	<b>(720)</b>	<b>(630)</b>

# NOTES TO FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

ŠkoFIN s.r.o. ("the Company") was incorporated on 10 August 1992 and has its registered office at Pekařská 6, 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 Company updated its Articles of Association that are now fully governed by the new Corporations Act. This fact became effective as at the date of its registration in the Commercial Register, specifically as at 7 July 2014.

During 2015 the Company changed its brand name to Volkswagen Financial Services.  
Per Commercial Register, ŠkoFIN s.r.o. remains to be Company's name as at 31 December 2015.

During 2015 the departments "Marketing and business" and "Management of sales support" were transformed and four new departments were created: Retail Sales & Corporate Financing, Fleet Sales & Remarketing, Marketing & Brand, Product & Process. Finance department was divided into two new departments - Accounting & Treasury BO and Controlling.

### The Statutory Directors as at 31 December 2015:

Joachim Ewald  
Reinhard Mathieu (appointed on 1 October 2015)

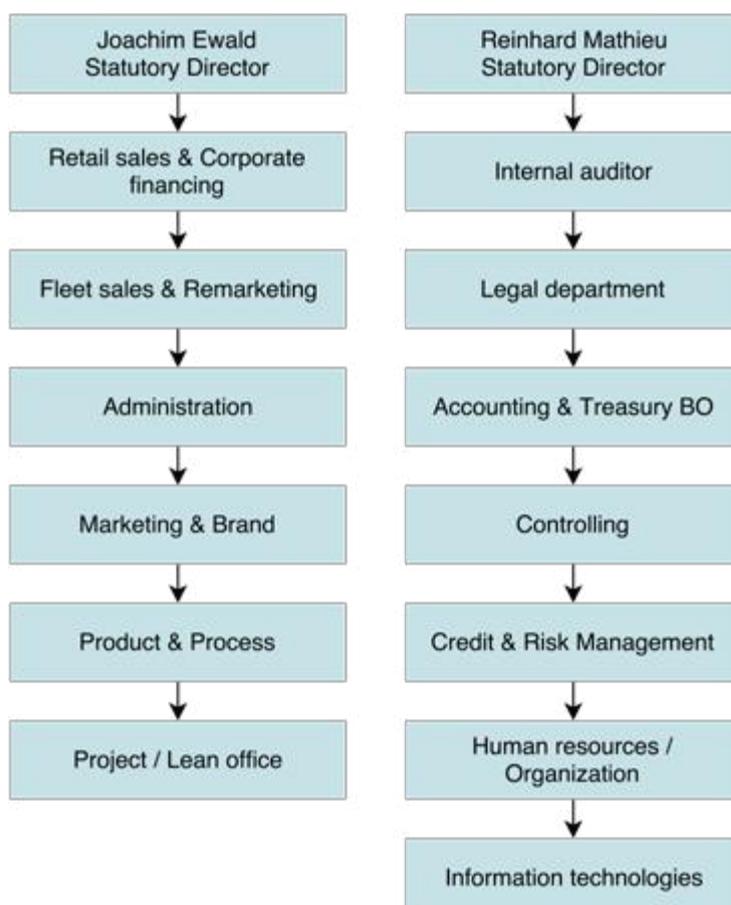
### The Statutory Directors as at 31 December 2014:

Jiřina Tapříková (appointed till 30 September 2015)  
Joachim Ewald

### Proxy as at 31 December 2015:

Radek Cizner  
Radek Milřtain

The Company is organised as follows:



# NOTES TO FINANCIAL STATEMENTS

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## 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 and have been prepared under the historical cost convention. Amounts are stated in CZK mil.

### 2.2. Intangible fixed assets

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

Purchased intangible fixed assets are initially recorded at cost, which includes all costs related with its 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.

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 the certain asset.

### 2.3. Tangible fixed assets

Acquired tangible fixed assets are initially recorded at cost, which includes all costs related with its acquisition. 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.

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).

Land is not depreciated.

A provision for impairment is established 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 the certain 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 of tangible fixed assets are expensed as incurred.

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

Tangible fixed assets with a unit cost less than CZK 40,000 are treated as inventory and are expensed upon consumption.

# NOTES TO FINANCIAL STATEMENTS

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## 2.4. 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 individual evaluation of the credit worthiness of the customers. Receivables from related parties have not been provided for.

## 2.5. 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.

## 2.6. 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 foreign exchange gains and losses on cash, receivables and liabilities balances are recorded in the income statement.

## 2.7. Revenue analysis

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.



# NOTES TO FINANCIAL STATEMENTS

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

## 2.8. 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 disclosed in the notes but not recognised.

## 2.9. Provisions

Provisions are recognised when the Company has a present obligation, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. All possible predictable risks and losses are taken into consideration by the Company.

The Company recognises a provision for its future 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 charges and penetration bonuses for business partners.

## 2.10. 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.

## 2.11. 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.

## 2.12. Related parties

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

- » group companies,
- » 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 and 14.

## 2.13. Cash flow statement

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

## 2.14. Changes of accounting policies and corrections of prior period

Changes of accounting policies (inclusive deferred tax impact) and corrections of errors arising from incorrect accounting or unrecorded expenses and income in the prior periods is reflected in the balance sheet line. Restatements of retained earnings, if these changes and corrections are material.

# NOTES TO FINANCIAL STATEMENTS

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## **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, but are not themselves recognised in the financial statements.

# NOTES TO FINANCIAL STATEMENTS

## 3. INTANGIBLE FIXED ASSETS

(CZK mil.)	1 January 2015	Additions / transfers	Disposals	31 December 2015
<b>Cost</b>				
Software	433	16	67	382
Royalties	38	0	38	0
Intangible fixed assets in the course of construction	4	43	37	10
<b>Total</b>	<b>475</b>	<b>59</b>	<b>142</b>	<b>392</b>
<b>Accumulated amortisation</b>				
Software	382	36	68	350
Royalties	38	0	38	0
<b>Total</b>	<b>420</b>	<b>36</b>	<b>106</b>	<b>350</b>
<b>Net book value</b>	<b>55</b>			<b>42</b>

(CZK mil.)	1 January 2014	Additions / transfers	Disposals	31 December 2014
<b>Cost</b>				
Software	407	26	0	433
Royalties	38	0	0	38
Intangible fixed assets in the course of construction	16	0	12	4
<b>Total</b>	<b>461</b>	<b>26</b>	<b>12</b>	<b>475</b>
<b>Accumulated amortisation</b>				
Software	357	25	0	382
Royalties	38	0	0	38
<b>Total</b>	<b>395</b>	<b>25</b>	<b>0</b>	<b>420</b>
<b>Net book value</b>	<b>66</b>			<b>55</b>

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.

# NOTES TO FINANCIAL STATEMENTS

## 4. TANGIBLE FIXED ASSETS

(CZK mil.)	1 January 2015	Additions / transfers	Disposals	31 December 2015
<b>Cost</b>				
Land	27	0	22	5
Buildings, halls and other constructions	241	1	181	61
Equipment	7,458	5,406	4,115	8,749
Tangible fixed assets in the course of construction	98	110	0	208
<b>Total</b>	<b>7,824</b>	<b>5,517</b>	<b>4,318</b>	<b>9,023</b>
<b>Accumulated depreciation</b>				
Buildings, halls and other constructions	217	14	175	56
Equipment	2,107	1,192	1,363	1,936
<b>Total</b>	<b>2,324</b>	<b>1,206</b>	<b>1,538</b>	<b>1,992</b>
<b>Net book value before impairment provision</b>	<b>5,500</b>			<b>7,031</b>
Impairment provision against fixed assets	66	39	34	71
<b>Net book value</b>	<b>5,434</b>			<b>6,960</b>

(CZK mil.)	1 January 2014	Additions / transfers	Disposals	31 December 2014
<b>Cost</b>				
Land	27	0	0	27
Buildings, halls and other constructions	291	1	51	241
Equipment	6,778	4,414	3,734	7,458
Tangible fixed assets in the course of construction	118	0	20	98
<b>Total</b>	<b>7,214</b>	<b>4,415</b>	<b>3,805</b>	<b>7,824</b>
<b>Accumulated depreciation</b>				
Buildings, halls and other constructions	238	28	49	217
Equipment	2,530	0	423	2,107
<b>Total</b>	<b>2,768</b>	<b>28</b>	<b>472</b>	<b>2,324</b>
<b>Net book value before impairment provision</b>	<b>4,446</b>			<b>5,500</b>
Impairment provision against fixed assets	84	42	60	66
<b>Net book value</b>	<b>4,362</b>			<b>5,434</b>

The net book value of tangible fixed assets subject to lease contracts amounted to CZK 6,910 mil. as at 31 December 2015 (2014: CZK 5,396 mil.).

# NOTES TO FINANCIAL STATEMENTS

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

(CZK mil.)	31 December 2015	31 December 2014
Impairment provisions against buildings	0	9
Impairment provision against residual values on operating lease assets	28	11
Impairment provisions against equipment	43	46
<b>Total amount of impairment provision against tangible fixed assets recognised in the balance sheet in the column "Provision"</b>	<b>71</b>	<b>66</b>

Repair and maintenance expenses are recognised in the period when they are incurred. During 2015, these expenses amounted to CZK 249 mil. (2014: CZK 193 mil.).

Tangible fixed assets include also vehicles stemming from terminated operating lease contracts with a net book value of CZK 98 mil. as at 31 December 2015 (2014: CZK 20 mil.). The Company created an impairment provision of CZK 2 mil. (2014: CZK nil) 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 2015, the cost of disposal through sale amounted to CZK 4,278 mil. (2014: CZK 3,674 mil.). The other reasons for disposals (mainly stolen and damaged cars) of tangible fixed assets in 2014 had an acquisition cost of the fixed assets of CZK 85 mil. (2014: CZK 71 mil.).

The total amount of tangible fixed assets not included in the balance sheet and recognised directly as an expense in the income statement (fixed assets whose unit cost is up to CZK 40,000) as at 31 December 2015 amounted to CZK 9 mil. (2014: CZK 9 mil.).

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

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

# NOTES TO FINANCIAL STATEMENTS

## 5. RECEIVABLES

(CZK mil.)	31 December 2015	31 December 2014
Trade receivables - current	16,712	12,020
Trade receivables - overdue	721	871
<b>Total trade receivables</b>	<b>17,433</b>	<b>12,891</b>
Other receivables - current	872	1,136
Other receivables - overdue	87	95
<b>Total other receivables</b>	<b>959</b>	<b>1,231</b>
Estimated receivables	249	234
<b>Total short-term receivables</b>	<b>18,641</b>	<b>14,356</b>
Provision for doubtful receivables	(598)	(633)
<b>Net book value of short-term receivables</b>	<b>18,043</b>	<b>13,723</b>
Long-term trade receivables	6,495	5,714
Long-term other receivables	2,000	1,760
<b>Total long-term receivables</b>	<b>8,495</b>	<b>7,474</b>
Provision for long-term receivables	(249)	(272)
<b>Net book value of long-term receivables</b>	<b>8,246</b>	<b>7,202</b>
<b>Total net book value of receivables</b>	<b>26,289</b>	<b>20,925</b>

Receivables with maturity over 5 years as at 31 December 2015 amounted to CZK 554 mil. (2014: CZK 587 mil.).

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 brand new and used car financing (receivables factoring) of the Škoda brand for the distribution network of ŠKODA AUTO a.s. in the Czech Republic 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 2015 for ŠKODA AUTO a.s. amounts to CZK 4,670 mil. (2014: CZK 4,006 mil.). The total amount of receivables resulting from these services provided as at 31 December 2015 for Porsche Česká republika s.r.o. amounts to CZK 5,442 mil. (2014: CZK 2,853 mil.).

Tax receivables include advances for income tax netted off with the provision for income tax of CZK 94 mil. (2014: CZK 127 mil.) and VAT receivable amounting to CZK 66 mil. (2014: CZK 48 mil.).

Other short-term receivables include mainly short-term loans provided to dealers as at 31 December 2015 of CZK 689 mil. (2014: CZK 947 mil.). Penalties related to trade receivables as at 31 December 2015 amounting to CZK 11 mil. (2014: CZK 13 mil.) are also recognised in the balance sheet in short term receivables.

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

Long-term trade receivables include mainly the long-term portion of consumer credits provided to customers as at 31 December 2015 amounting to CZK 6,495 mil. (2014: CZK 5,713 mil.). Other long-term receivables include mainly long-term loans provided to dealers as at 31 December 2015 amounting to CZK 1,999 mil. (2014: CZK 1,759 mil.).

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

# NOTES TO FINANCIAL STATEMENTS

Receivables are secured by promissory notes amounting to CZK 3,020 mil. as at 31 December 2015 (2014: CZK 2,553 mil.), by the pledge of collateral of CZK 68 mil. as at 31 December 2015 (2014: CZK 82 mil.) and by ownership rights of CZK 12,627 mil. as at 31 December 2015 (2014: CZK 7,661 mil.).

Analysis of change in the provision for doubtful receivables:

(CZK mil.)	2015	2014
<b>Opening balance as at 1 January</b>	<b>905</b>	<b>949</b>
Charge for the year	152	771
Released during the year	(140)	(715)
Written off during the year	(70)	(100)
<b>Closing balance as at 31 December</b>	<b>847</b>	<b>905</b>



# NOTES TO FINANCIAL STATEMENTS

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## 6. EQUITY

The Company is fully owned by VOLKSWAGEN FINANCIAL SERVICES AKTIENGESELLSCHAFT, 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 2015 and 2014.

The Company is fully governed by the new Corporations Act; however, it did not use the option not to create a reserve fund. The reserve fund was created from the profit of the Company according to law.

As of the date of preparation of the financial statements there was no resolution of the General Meeting to pay any dividend.

On 5 February 2015 the general meeting of shareholders approved the financial statements for 2014 and decided about the allocation of profit earned in 2014 of CZK 343 mil. to retained earnings.



# NOTES TO FINANCIAL STATEMENTS

## 7. PROVISIONS

(CZK mil.)	Fleet costs provision	Provision for employee bonuses and payoffs	Penetration bonuses provision	Court cases provision	Total
<b>Opening balance as at 1 January 2014</b>	<b>0</b>	<b>48</b>	<b>47</b>	<b>1</b>	<b>96</b>
Charge for the year	0	59	65	0	124
Used in the year	0	(65)	(48)	(1)	(114)
<b>Closing balance as at 31 December 2014</b>	<b>0</b>	<b>42</b>	<b>64</b>	<b>0</b>	<b>106</b>
Charge for the year	82	62	28	9	181
Used in the year	(77)	(55)	(86)	(5)	(223)
<b>Closing balance as at 31 December 2015</b>	<b>5</b>	<b>49</b>	<b>6</b>	<b>4</b>	<b>64</b>

For an analysis of the current and deferred income tax, see Note 11 – Income tax.

Advances for income tax of CZK 97 mil. paid by the Company as at 31 December 2015 (as at 31 December 2014: CZK 186 mil.) are netted off with the provision for income tax of CZK 3 mil. as at 31 December 2015 (as at 31 December 2014: CZK 59 mil.). The resulting receivable of CZK 94 mil. is as at 31 December 2015 (as at 31 December 2014: CZK 127 mil.) presented within short-term receivables (see Note 5).



# NOTES TO FINANCIAL STATEMENTS

## 8. ACCRUALS AND DEFERRALS

(CZK mil.)	31 December 2015	31 December 2014
Prepaid expenses	56	57
Accrued income	36	36
<b>Total assets</b>	<b>92</b>	<b>93</b>
Accrued expenses	2	2
Deferred income	781	812
<b>Total liability</b>	<b>783</b>	<b>814</b>

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.

Prepaid expenses include mainly costs related to insurance of CZK 52 mil. as at 31 December 2015 (2014: CZK 55 mil.). Deferred income includes the unamortized part of the leasing down payment of CZK 76 mil. as at 31 December 2015 (2014: CZK 110 mil.).



# NOTES TO FINANCIAL STATEMENTS

## 9. LIABILITIES

(CZK mil.)	31 December 2015	31 December 2014
Trade payables - current	2,348	793
Short-term borrowings (Notes 10 and 14)	7,809	5,015
Other payables	62	17
Debentures and bonds issued	2,496	3,094
Estimated liabilities	730	626
<b>Total short-term liabilities</b>	<b>13,445</b>	<b>9,545</b>
Long-term borrowings (Notes 10 and 14)	1,636	820
Deferred tax liability (Note 11)	248	148
Other long-term payables	0	6
<b>Total long-term liabilities</b>	<b>1,884</b>	<b>974</b>
<b>Total short-term and long-term liabilities</b>	<b>15,329</b>	<b>10,519</b>

The Company has no overdue liabilities as at 31 December 2015 and 2014. Trade and other payables have not been secured over any assets of the Company and are not due after more than 5 years.



Trade liabilities include as at 31 December 2015 and related party liabilities due to factoring of receivables of CZK 149 mil. (2014: CZK 459 mil.) (see Note 14).

As at 31 December 2015 the social security and health insurance liability amounted to CZK 5 mil. (2014: CZK 4 mil.). The Company has no overdue tax liabilities.

Issued short-term bonds amounting to CZK 2,496 mil. as at 31 December 2015 (2014: CZK 3,094 mil.) are guaranteed by Volkswagen Financial Services AG and are not publicly traded. Financial resources 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.

# NOTES TO FINANCIAL STATEMENTS

## 10. BANK LOANS AND OTHER BORROWINGS

(CZK mil.)	31 December 2015	31 December 2014
Bank overdrafts	723	635
Other bank loans due within 1 year (incl. current portion of long-term loans)	8,900	7,735
Long-term loans due between 1 – 5 years	2,350	1,950
<b>Total bank loans and overdrafts</b>	<b>11,973</b>	<b>10,320</b>
Other short-term borrowings (Notes 9 and 14)	7,809	5,015
Other long-term borrowings (Notes 9 and 14)	1,636	820
<b>Total loans and borrowings</b>	<b>21,418</b>	<b>16,155</b>
of which – short-term	17,432	13,385
of which – long-term	3,986	2,770

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 2015 reached at most 1.00 % p.a. (2014: at most 1.37 % p.a.).



# NOTES TO FINANCIAL STATEMENTS

## 11. INCOME TAX

Analysis of the income tax expense:

(CZK mil.)	2015	2014
Current tax expense	2	59
Deferred tax expense	100	35
Adjustment of prior year tax expense based on final CIT return	(2)	11
<b>Total income tax expense</b>	<b>100</b>	<b>105</b>

Current tax can be analysed as follows:

(CZK mil.)	2015	2014
Net profit before taxation	585	448
Adjustments to tax base:		
- additional tax deductible costs	(1 053)	(658)
- non-tax deductible costs	448	478
- non-taxable income	(85)	(87)
- additional taxable income	122	129
- research and development	(8)	0
<b>Net taxable profit</b>	<b>9</b>	<b>310</b>
<b>Corporate income tax at 19%</b>	<b>2</b>	<b>59</b>

Additional tax deductible costs relate mainly to accounting and tax depreciation difference of CZK 963 mil. (2014: CZK 503 mil.)

The deferred tax was calculated at 19% (the rate enacted for 2014 and subsequent years).

Analysis of deferred tax asset/ (liability):

(CZK mil.)	31 December 2015	31 December 2014
<b>Deferred tax liability arising from:</b>		
Accelerated tax depreciation of tangible fixed assets subject to lease	(322)	(225)
<b>Total deferred tax liability</b>	<b>(322)</b>	<b>(225)</b>
<b>Deferred tax asset arising from:</b>		
Other provisions	33	52
Other temporary differences	41	25
<b>Total deferred tax asset</b>	<b>74</b>	<b>77</b>
<b>Net deferred tax liability</b>	<b>(248)</b>	<b>(148)</b>

# NOTES TO FINANCIAL STATEMENTS

## 12. REVENUE ANALYSIS

Revenue from operating activities can be analysed as follows:

(CZK mil.)	2015	2014
Leasing revenues - domestic	2,317	2,316
Factoring commission income	128	95
Revenues from sale of cars - domestic	2,746	2,005
Other operating income	278	320
<b>Total sales of products and services</b>	<b>5,469</b>	<b>4,736</b>
Revenues from credits (interest income)	851	832
Other interest and financial income	28	26
<b>Total</b>	<b>6,348</b>	<b>5,594</b>



# NOTES TO FINANCIAL STATEMENTS

## 13. EMPLOYEES

(CZK mil.)	2015	2014
Average number of members of management	24	22
Average number of other staff	182	173
<b>Total number of employees</b>	<b>206</b>	<b>195</b>

The Company's management includes the statutory directors, the proxies, heads of the Company's departments and heads of the Company's sections.

(CZK mil.)	Management	Other staff	Total
<b>2015</b>			
Wages and salaries	50	103	153
Social security costs	12	39	51
Other social costs	1	2	3
<b>Total staff costs</b>	<b>63</b>	<b>144</b>	<b>207</b>
<b>2014</b>			
Wages and salaries	44	106	150
Social security costs	11	37	48
Other social costs	1	2	3
<b>Total staff costs</b>	<b>56</b>	<b>145</b>	<b>201</b>

Wages and salaries for 2015 include paid bonuses amounting to CZK 15 mil. (2014: CZK 16 mil.). Provision for these bonuses of CZK 19 mil. was created as at 31 December 2015 (2014: CZK 27 mil.) (see Note 7).

Other transactions with the Company's management are described in Note 14 - Related party transactions.

# NOTES TO FINANCIAL STATEMENTS

## 14. RELATED PARTY TRANSACTIONS

(CZK mil.)	2015	2014
<b>Revenues</b>		
Sales of services		
- foreign	26	2
of which – parent company	0	0
- domestic	731	948
Sales of goods		
- domestic	85	63
<b>Total</b>	<b>842</b>	<b>1,013</b>
<b>Costs</b>		
Purchase of services:		
- foreign	37	27
of which – parent company	37	25
- domestic	1,706	1,235
Purchase of goods		
- domestic	2,250	2,132
Interest costs		
- foreign	17	14
- domestic	0	0
<b>Total</b>	<b>4,010</b>	<b>3,408</b>



# NOTES TO FINANCIAL STATEMENTS

The following related party balances were outstanding as at

(CZK mil.)	31 December 2015	31 December 2014
<b>Receivables</b>		
Porsche Česká republika s.r.o.	67	47
ŠKODA AUTO a.s.	42	81
Auto Heller s.r.o.	0	86
Porsche Inter Auto CZ s.r.o.	1,266	719
Scania Czech Republic s.r.o.	1	0
VW Bank Polska	1	0
<b>Total</b>	<b>1,377</b>	<b>933</b>
<b>Payables</b>		
Porsche Česká republika s.r.o.	101	109
ŠKODA AUTO a.s.	2,129	564
Porsche Inter Auto CZ s.r.o.	114	14
Volkswagen Financial Services AG	0	6
Volkswagen Bank GmbH (notes 9 and 10)	1,880	2,650
Volkswagen Financial Services N.V. (see notes 9 and 10)	7,566	3,187
Auto Heller s.r.o.	0	2
<b>Total</b>	<b>11,790</b>	<b>6,532</b>
<b>Other (CZK mil.)</b>		
purchase - domestic	64,973	46,543
sales - domestic	10,763	6,454

The loans and borrowings payable bear interest at market interest rates. Trade receivables and payables from these transactions arose under the same terms and conditions as with unrelated parties.

Cars under the Company's ownership, with an acquisition cost of CZK 31 mil. are made available for the business and private use of the statutory directors, the proxies, and the heads of the Company's departments as at 31 December 2015 (2014: CZK 32 mil.).

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 2015. 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 2015 and 2014.

# NOTES TO FINANCIAL STATEMENTS

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## 15. FEES PAID AND PAYABLE TO THE AUDIT COMPANY

The total fees paid and payable for services performed by the audit company PricewaterhouseCoopers Audit, s.r.o. and its related parties:

(CZK mil.)	2015	2014
Statutory audit of financial statements and audit of VW Group reporting (PricewaterhouseCoopers Audit, s.r.o.)	2	2
Advisory services (PricewaterhouseCoopers Česká republika s.r.o.)	5	0
<b>Total fees paid and payable to the audit company and its related parties</b>	<b>7</b>	<b>2</b>



# NOTES TO FINANCIAL STATEMENTS

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## 16. COMMITMENTS

The Company has the following rental commitments:

(CZK mil.)	31 December 2015	31 December 2014
Current within one year	12	17
Due after one year but within five years	0	13
<b>Total commitments in respect of operational leases</b>	<b>12</b>	<b>30</b>

Due to financial product for dealers the Company has commitment which corresponds to the undrawn part of credit limit amounting to CZK 96 mil. as at 31 December 2015 (2014: CZK 104 mil.).



# NOTES TO FINANCIAL STATEMENTS

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## **17. CONTINGENT ASSETS**

In 2015, the Company received a bank guarantee of CZK 7 mil. (2014: CZK 7 mil.). The Company does not expect to utilise this guarantee.

# NOTES TO FINANCIAL STATEMENTS

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## **18. CONTINGENT LIABILITIES**

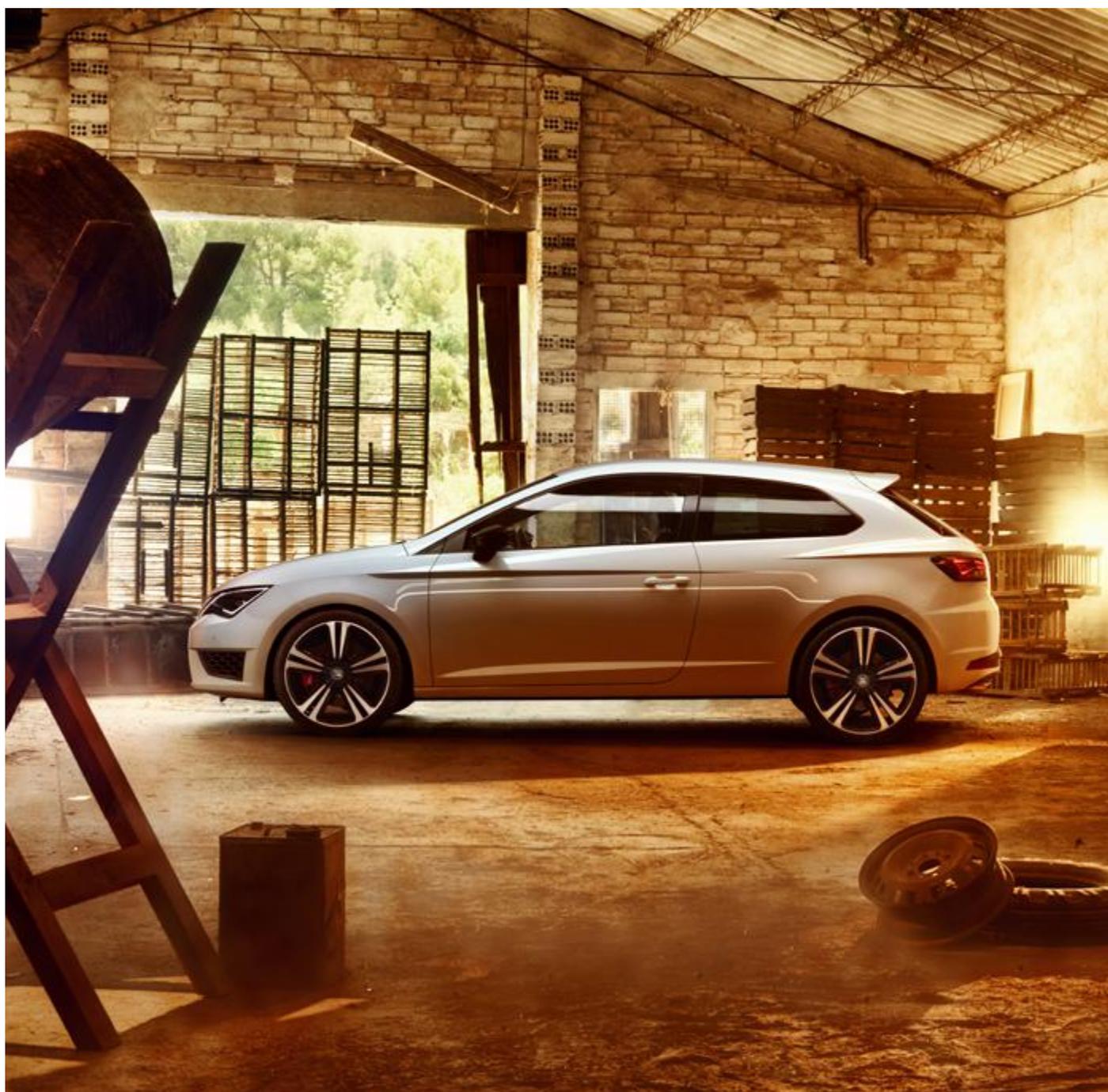
The management of the Company is not aware of any significant unrecorded contingent liabilities as at 31 December 2015 and 2014.

# NOTES TO FINANCIAL STATEMENTS

## 19. CASH FLOW STATEMENT

Analysis of cash and cash equivalents disclosed in the Cash flow statement:

(CZK mil.)	31 December 2015	31 December 2014
Cash on hand and in transit	3	3
Cash at bank	0	2
Overdraft of current accounts included in Short-term bank loans	(723)	(635)
<b>Cash and cash equivalents</b>	<b>(720)</b>	<b>(630)</b>



# NOTES TO FINANCIAL STATEMENTS

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## 20. SUBSEQUENT EVENTS

No events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2015.

15 April 2016



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Dipl. Kauf. Joachim Ewald  
Statutory director



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Dipl.-Wirtsch.-Ing. Reinhard Mathieu  
Statutory director

# REPORT ON RELATIONS

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 2015 (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. 2015 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 FINANCIAL SERVICES AG 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 FINANCIAL SERVICES AG 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.	<ul style="list-style-type: none"> <li>• Contracts on business cooperation</li> <li>• Contracts on providing services</li> <li>• Factoring contract</li> </ul>
PORSCHE INTER AUTO CZ S.R.O.	<ul style="list-style-type: none"> <li>• Agreement on providing target commissions</li> <li>• Contracts on providing services</li> <li>• Contracts on business cooperation</li> </ul>
ŠKODA AUTO A.S.	<ul style="list-style-type: none"> <li>• Contracts on business cooperation</li> <li>• Contracts on providing services</li> <li>• Car leasing</li> <li>• Subleasing contract</li> <li>• Factoring contract</li> <li>• General operative lease contract</li> </ul>
SCANIA CZECH REPUBLIC S.R.O.	<ul style="list-style-type: none"> <li>• Car leasing</li> <li>• General operative lease contract</li> </ul>
SCANIA FINANCE CZECH REPUBLIC, SPOL. S R.O.	<ul style="list-style-type: none"> <li>• Car leasing</li> </ul>
PORSCHE CENTRAL EASTERN EUROPE S.R.O.	<ul style="list-style-type: none"> <li>• Car leasing</li> </ul>
MAN TRUCK & BUS CZECH REPUBLIC S.R.O.	<ul style="list-style-type: none"> <li>• Car leasing</li> <li>• General operative lease contract</li> </ul>
PORSCHE ENGINEERING SERVICES, S.R.O.	<ul style="list-style-type: none"> <li>• Car leasing</li> </ul>
VOLKSWAGEN BANK GMBH	<ul style="list-style-type: none"> <li>• Credit facility agreement</li> </ul>
VOLKSWAGEN INTERNATIONAL FINANCE N.V.	<ul style="list-style-type: none"> <li>• Credit facility agreement</li> </ul>
VOLKSWAGEN FINANCIAL SERVICES N.V.	<ul style="list-style-type: none"> <li>• Credit facility agreement</li> <li>• Loan agreement</li> </ul>
VOLKSWAGEN FINANCIAL SERVICES AG	<ul style="list-style-type: none"> <li>• Contract on providing services</li> </ul>

## 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.

# REPORT ON RELATIONS

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## 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 and customers.

No significant 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.

31 March 2016



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Dipl. Kauf. Joachim Ewald  
Statutory director

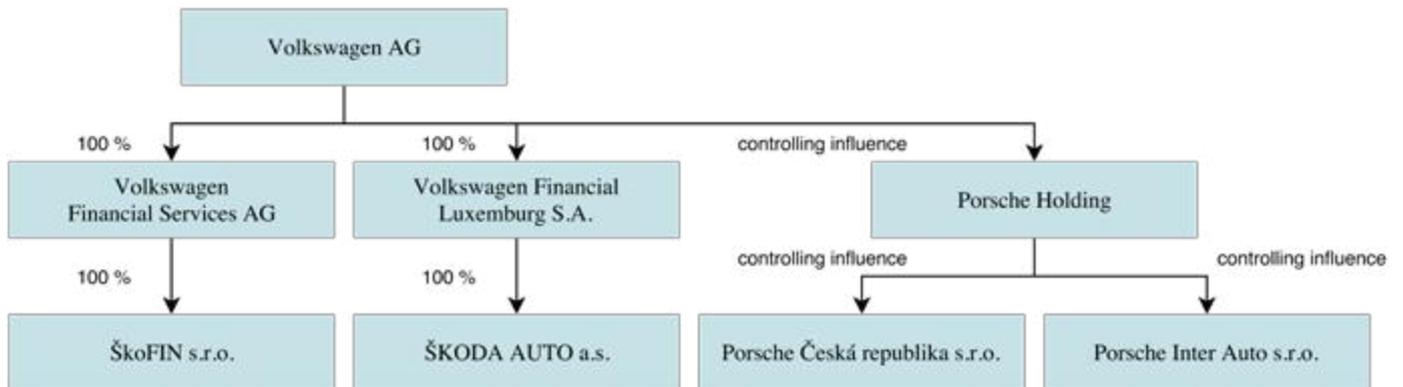


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Dipl.-Wirtsch.-Ing. Reinhard Mathieu  
Statutory director

# ANNEXES

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



# ANNUAL REPORT 2015

