

VOLKSWAGEN
FINANCIAL SERVICES
THE KEY TO MOBILITY

ANNUAL REPORT FOR 2021



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INTRODUCTION



Dear ladies, dear gentlemen,

Let us first thank our clients for their support and the confidence they put in us in 2021.

The past year, like the previous year, was marked by the ongoing Covid-19 pandemic, with the whole world watching with tension the disruptions in supply chains in a wide range of sectors, not excluding the automotive industry. Rising inflation and the resulting rising interest rates were also putting wrinkles on the foreheads of companies and individuals alike.

These challenging circumstances have generally been reflected in the volume of orders placed. The market was restrained, and stakeholders postponed key decisions in view of the uncertain future. Despite all this, however, there has been some positive news in the past year. The favorable development of the used car market and the continued low risk costs led to an increase in net profit. Advances in digitalization brought our services closer to our clients than ever before.

All of this was only possible thanks to the hard work of our employees who, despite the challenging conditions, did everything in their power to ensure that we as a company maintained the high standard of service to which our clients are accustomed. For this we owe them our great thanks.

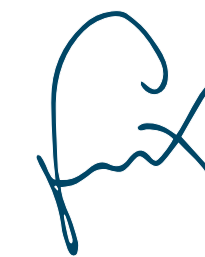
We greatly appreciate the trust and loyalty of our clients, whose satisfaction remains our priority. Therefore, we are constantly trying to come up with new product innovations and we place great emphasis on the gradual digitalization of our services. We believe that all of these steps will be appreciated by our clients and their benefits will be reflected in a further increase in interest in car financing with Volkswagen Financial Services.



Ing. Vratislav Stražil
Managing Director



Axel Herrmann
Managing Director



Hans-Peter Seitz
CFO

COMPANY PROFILE



ŠkoFIN s.r.o. is operating in the Czech market since 1992 and provides financing contracts for passenger and utility vehicles as well as operating lease contracts. ŠkoFIN s.r.o. has been using the Volkswagen Financial Services brand for communication since 2015. The company's legal name remains unchanged.

The sole shareholder of Volkswagen Financial Services is Volkswagen Finance Overseas B.V., having its registered office at 1012RB Amsterdam, Paleistraat 1, Kingdom of the Netherlands, which is also 100% owned by Volkswagen AG.



Principal products offered by ŠkoFIN s.r.o.

- Credit financing for all types of customers – consumers, sole traders and legal entities.
- Operational, investment and factoring credit financing.
- Operating lease for retail customers (ŠKODA Bez starostí, IN Operating Lease) and fleet clients.
- Extended warranty for used cars as part of the ŠKODA Plus and Das WeltAuto programmes.
- 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 including branded insurance products – ŠKODA, Volkswagen, Audi, and SEAT Insurance, 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").

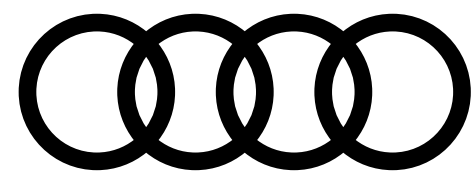
You can find more information at www.vwfs.cz.

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.



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

A photograph of a modern building's entrance. The foreground is dominated by a glass facade with a revolving glass door. The ground is paved with light-colored tiles. In the background, there are more modern buildings, green trees, and a clear sky. The overall scene is bright and clean, suggesting a corporate or institutional setting.

ŠkoFIN s.r.o., having its registered office at Pekařská 635/6, 155 00 Praha 5, was incorporated in the Commercial Register on 10 August 1992. The company's principal business activities include the purchasing of goods for resale, sale (car leasing) and providing consumer loans, including accompanying services.

Structure of governing bodies in 2021

MANAGEMENT TEAM



**VRATISLAV
STRAŠIL**

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



**AXEL ROLF
HERRMANN**

Axel Herrmann has been a Managing Director of ŠkoFIN s.r.o. since 1 September 2020. He is in charge of Middle Office.



**HANS-PETER
SEITZ**

Hans-Peter Seitz has been the Chief Financial Officer of ŠkoFIN s.r.o. since 1 November 2020, responsible for Back Office. He was appointed Managing Director of ŠkoFIN s.r.o. on 15 March 2021, without any change in the area of responsibility.

Structure of supervisory bodies in 2021

SUPERVISORY BOARD

MEMBERS OF THE SUPERVISORY BOARD AS OF 31 DECEMBER 2021:

- Martin Manfred Mehrgott, Chairman
- Jiří Maláček, Member
- Jan Ebert, Member
- Jan Hurt, Member

PROXY

PROXY AS OF 31 DECEMBER 2021:

- Kamila Brunclíková
- Radek Milštajn
- Pavel Kučera

MAJOR EVENTS IN 2021



In 2021, Volkswagen Financial Services successfully concluded a total of 44,504 new and used car-financing contracts.

The results achieved are mainly due to the excellent work of our employees and the way they fulfil and pass on our corporate values. Many thanks are also due to our wide network of dealers who help our clients find their dream car, as well as to all the group brands whose professionalism and close collaboration enable us to provide our services at the highest possible level.

The innovations that we used to meet the unusual situation of our customers in a difficult pandemic period brought significantly positive feedback. Whether the new "Financování CHYTŘE" loan or short-term operating leases for vehicles immediately available from our in-house used car warehouse, our products serve first and foremost as a response to the real needs of our clients.

The company's values are embodied in the new address of Volkswagen Financial Services in the prestigious Centrum Bořislavka in Prague 6 from October 2021. The airy interiors, together with the distinctive architecture and modern office design, underline the flexibility, agility and creativity of the more than 250 employees of Volkswagen Financial Services. The entire complex boasts International LEED Gold certification, which confirms the company's commitment to more sustainable business.

CORPORATE SOCIAL RESPONSIBILITY



Our business model is built on a solid footing 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, they 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 individual qualities and teamwork. We devise and improve incentive programmes and upgrade working environment, improving its comfort and safety to the satisfaction of our employees, because each of them is a unique individual to us.

We insist on unconditional observance of 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 impact of our activity and considering the influence of each individual step on our surroundings before actually taking it.

The security of our customers' personal data is our utmost priority. 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. ŠkoFIN is a responsible lender.

Research and development activities

Volkswagen Financial Services 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 conducts business in the field of financial service provision, its activity does not affect the environment directly.

Organisational units abroad

Volkswagen Financial Services has no organisational units abroad.

Acquisition of own shares

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

Subsequent events

There have been no significant events subsequent to year-end that would have an impact on the financial statements as of 31 December 2021 and/or on the matters set out in this annual report.

Sponsorship and Charitable Projects in 2021

In addition to car financing, sales and providing related services, Volkswagen Financial Services also puts particular emphasis on supporting local communities. We have been a long-term partner of selected charitable projects, helping handicapped people attain better mobility, independence, and quality of life. Moreover, we participated in new charitable projects.

LONG-TERM PARTNERSHIPS

Centrum Paraple

In the tradition of our longstanding partnership with Centrum Paraple, charitable organisation helping people with spinal cord injury and paralysis, we have decided to further our charitable activities by launching a long-term project called "Exercise helps". For each kilometre walked, run, biked, hiked, or swum we sent 5 CZK to help Centrum Paraple with financing the reconstruction of its facility for clients with spinal injury. More than 80 employees took part in the project, which spanned from January to October 2021. We managed to surpass our pre-determined target of 57,000 kilometres as our staff eventually scored 61,147 kilometres.

We also increased our financial support by another CZK 500,000 this year. The charity's representatives received the contribution at the StarDance for Paraple evening gala.

Sue Ryder

We have regularly supported the organisation providing services to the elderly with reduced mobility since 2015. For the seventh time, we took part in the Sue Ryder Charity Cup football match. Volkswagen Financial Services also participated in Sue Ryder Travel Agency, a project that gave the public the opportunity to contribute to the funding of Sue Ryder's activities by purchasing a virtual holiday trip. To each individual donation Volkswagen Financial Services added an extra 50% contribution and donated more than CZK 260,000 that went towards much needed physical therapy for the elderly. We also supported the organization through the purchase of creative Christmas cards for our employees.

Breakfaststory

Since 2020 we supported Breakfaststory, platform focusing on helping the disadvantaged, the elderly and single parents through catering. We used the services provided by the platform to provide refreshments for internal events and meetings through the "Breakfast for a better day" project. Moreover, we purchased gifts for partners and staff from associated social and sheltered workshops.

CHARITY FUND-RAISING

Fund-raising for Kubík

Our employees raised funds for Kubík, the son of one of the employees, who suffers from epilepsy and cerebral palsy, as they have for several years in a row. The CZK 34,000 raised will go towards his costly treatment. Kubík is now 12 years old and he is making steady progress thanks to regular physical therapy both at home and at dedicated facilities.

Children's Centre at Thomayer Hospital and Sue Ryder

As part of a regular charity event called the Wishing Tree, our employees decided to make Christmas more pleasant for the clients of Sue Ryder retirement homes as well as for the patients of the Children's Centre at Thomayer Hospital that provides care to abandoned and handicapped children. At their own expense, they purchased gifts worth more than CZK 36,000. Senior citizens received medical aids, dietary supplements and interior decorations, while the children found toys or musical instruments under the tree.

HELPING TORNADO VICTIMS

ADRA

In response to the devastating tornado that struck South Moravia on 24th of June, we donated CZK 300,000 to ADRA, a charitable organization providing comprehensive care to the affected. The money raised went, among other things, towards immediate on-site help or long-term psychological support.

ČLOVĚK V TÍSNI

Volkswagen Financial Services loaned five cars from its fleet to the organisation's volunteers, which helped with distributing essential food and other items to those most affected by the tornado.

For our company, the upcoming year will also be marked by solidarity and finding new opportunities to help where it is needed.



FINANCIAL SITUATION IN 2021

**ŠkoFIN s.r.o. posted a net profit of CZK 925 million in 2021
(2020: CZK 420 million).**

Key figures for the year	2021	2020
TOTAL AMOUNT OF ASSETS	CZK 39,237 million	CZK 43,513 million
TOTAL EQUITY	CZK 5,796 million	CZK 7,472 million
AVERAGE NUMBER OF EMPLOYEES	234	233

OUTLOOK FOR 2022

2022

A perspective view of a paved road stretching towards a bright sun at the horizon. The road has a dashed yellow center line and solid white edge lines. In the foreground, the numbers '2022' and a large upward-pointing arrow are painted on the asphalt. The arrow points from the '0' towards the sun. The scene is surrounded by lush green trees and vegetation under a cloudy sky.

In 2022, Volkswagen Financial Services will celebrate 30 years on the Czech market. This significant milestone confirms the company's stability and leading position in the domestic market as a traditional and reliable partner for car financing. To mark this anniversary, the company is preparing a number of interesting events for its clients and partners, which will commemorate the company's rich history and broad portfolio across the past decades.

In 2022, we will continue to be a responsible partner for all those seeking convenient and reliable car financing. We see the future of mobility financing as an ever-deeper interconnection of digital and contact services, so that the customer journey is as comfortable as possible and in line with modern trends. In 2022, we will provide to all our clients online portal with the overview of their contracts, transactions and other information about their financing.

The automotive financing segment is undergoing dynamic changes that need not only to be responded to, but to be met. We will therefore focus not only on improving our existing services, but also on the future of car financing. We are talking in particular about the expanding range of alternative-fuel vehicles and the increasing demand for sustainable solutions for personal and corporate mobility.

The challenging market environment in the dynamically changing world of automotive financing requires us to go above and beyond to offer customers affordable, reliable and attractive solutions to their mobility needs.

INDEPENDENT AUDITOR'S REPORT





(Translation of a report originally issued in Czech - see Note 2 to the financial statements.)

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. (the Company) prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2021, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company, see Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

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

Other Information

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

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

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

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

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has been incorporated in the Commercial Register administered by the Municipal Court in Prague.
Section C, entry no. 88504, under Identification No. 26704153.



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

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

The Statutory Representatives are responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic and for such internal control as the Statutory Representatives determine 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 Representatives are 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 Representatives either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Statutory Representatives.
- Conclude on the appropriateness of the Statutory Representatives' 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.

2

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Section C, entry no. 88504, under Identification No. 26704153.



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

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

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

Roman Hauptfleisch
Electronically signed by Roman Hauptfleisch, Auditor
License No. 2009

30 March 2022
Prague, Czech Republic

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Section C, entry no. 88504, under Identification No. 26704153.

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FINANCIAL STATEMENTS

A large concrete dam with a spillway, surrounded by lush green trees and a clear blue sky. Two ziplines are visible in the sky.

31 December 2021

BALANCE SHEET

as at 31 December 2021

(CZK mil.)		Gross amount	Provision	2021 Net amount	2020 Net amount	
ASSETS						
B.		Fixed assets	15,835	(3,147)	12,688	11,928
B. I.		Intangible fixed assets	961	(503)	458	384
	2.	Software	536	(503)	33	43
	5. 2.	Intangible fixed assets in the course of construction	425	-	425	341
B. II.		Tangible fixed assets	14,874	(2,644)	12,230	11,544
	2.	Equipment	14,578	(2,644)	11,934	11,273
	5. 2.	Tangible fixed assets in the course of construction	296	-	296	271
C.		Current assets	27,388	(877)	26,511	31,544
C. II.		Receivables	27,377	(877)	26,500	31,543
	1.	Long-term receivables	9,270	(183)	9,087	9,504
	1. 1.	Trade receivables	8,302	(160)	8,142	8,405
	1. 4.	Receivables – other	968	(23)	945	1,099
	2.	Short-term receivables	18,107	(694)	17,413	22,039
	2. 1.	Trade receivables	17,198	(685)	16,513	21,084
	2. 4.	Receivables – other	909	(9)	900	955
C. IV.		Cash	11	-	11	1
D.		Prepayments and accrued income	38	-	38	41
D.	1.	Prepaid expense	6	-	6	6
D.	3.	Accrued income	32	-	32	35
TOTAL ASSETS			43,261	(4,024)	39,237	43,513

BALANCE SHEET

for the year ended 31 December 2021

(CZK mil.)			2021 Net amount	2020 Net amount
LIABILITIES AND EQUITY				
A.		Equity	5,796	7,472
A.	I.	1.	Share capital	865
A.	II.	2.	Capital funds	0
A.	III.		Reserve fund and other reserves	257
		1.	Other reserve funds	110
		2.	Statutory and other reserves	147
A.	IV.	1.	Retained earnings	3,749
A.	V.		Result for the current period	925
B.	+ C.		Liabilities	32,624
B.			Provisions	232
C.			Liabilities	32,392
C.	I.		Long-term liabilities	10,158
		2.	Liabilities due to financial institutions	6,250
		6.	Liabilities – subsidiaries and controlling parties	3,047
		8.	Deferred tax liability	861
C.	II.		Short-term liabilities	22,234
		1.	Debentures and bonds issued	332
		2.	Liabilities due to financial institutions	4,150
		4.	Trade payables	5,696
		6.	Liabilities – subsidiaries and controlling parties	10,850
		8.	Liabilities – other	1,206
D.			Accruals and deferred income	817
D.		2.	Deferred income	817
TOTAL LIABILITIES			39,237	43,513

INCOME STATEMENT

for the year ended 31 December 2021

(CZK mil.)		2021	2020 RESTATED*
I.	Sales of products and services	3,959	3,890
II.	Sales of goods	121	38
A.	Cost of sales	1,836	1,823
A. 1.	Cost of goods sold	120	40
A. 2.	Raw materials and consumables used	54	58
A. 3.	Services	1,662	1,725
D.	Staff costs	300	298
E.	Value adjustments in operating activities	1,252	1,596
III.	Operating income – other	7,358	7,149
III. 1.	Sales of fixed assets	5,605	5,359
III. 3.	Other operating income	1,753	1,790
F.	Operating expenses – other	7,479	7,283
F. 1.	Net book value of fixed assets sold	5,340	5,365
F. 3.	Taxes and charges from operating activities	61	61
F. 4.	Operating provisions and complex prepaid expenses	7	12
F. 5.	Other operating expenses	2,071	1,845
*	Operating result	571	77
VI.	Interest and similar income	852	957
J.	Interest and similar expenses	320	472
J. 1.	Interest and similar income – subsidiaries or controlling party	151	238
J. 2.	Other interest and similar expense	169	234
VII.	Other financial income	11	8
K.	Other financial expenses	10	18
*	Financial result	533	475
**	Result before taxation	1,104	552
L.	Tax on profit	179	132
L. 1.	Tax on profit – current	(4)	14
L. 2.	Tax on profit – deferred	183	118
***	Result for the financial period	925	420
	Net turnover for the financial period	12,301	12,042

* Viz poznámka 2. 7.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

(CZK mil.)	Share capital	Capital funds	Other reserve fund	Retained earnings	Total
As at 1 January 2020	865	6	257	5,929	7,057
Revaluation of hedging instruments	-	(5)	-	-	(5)
Net profit for the period	-	-	-	420	420
As at 31 December 2020	865	1	257	6,349	7,472
Termination of hedging instruments	-	(1)	-	-	(1)
Paid retained profit share	-	-	-	(2,600)	(2,600)
Net profit for the period	-	-	-	925	925
As at 31 December 2021	865	-	257	4,674	5,796

CASH FLOW STATEMENT

for the year ended 31 December 2021

(CZK mil.)		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
	Net profit on ordinary activities before tax	1,105	552
A.1	Adjustments for non-cash movements:		
A.1.1	Depreciation of fixed assets	1,449	1,513
A.1.2	Changes in provisions	(191)	90
A.1.3	Loss from disposal of fixed assets	(265)	4
A.1.5	Net interest (income) / expense	(532)	(485)
A.1.6	Other non-cash movements	48	88
A*	Net cash flow from operating activities before tax, changes in working capital	1,614	1,762
A.2	Working capital changes:		
A.2.1	Changes in receivables and prepayments	5,188	2,571
A.2.2	Changes in short-term payables and accruals	(1,017)	(613)
A.2.3	Changes in inventories	0	-
A**	Net cash flow from operating activities before tax	5,785	3,720
A.3	Interest paid	(295)	(486)
A.4	Interest received	852	957
A.5	Income tax paid	17	(34)
A***	Net cash flow from operating activities	6,359	4,157
CASH FLOWS FROM INVESTING ACTIVITIES			
B.1.	Acquisition of fixed assets	(7,554)	(6,791)
B.2.	Proceeds from the sale of fixed assets	5,605	5,359
B***	Net cash flow from investing activities	(1,949)	(1,432)
CASH FLOWS FROM FINANCING ACTIVITIES			
C.1.	Changes in long- and short-term liabilities		
C.1.1.	Changes in bank loans	1,100	150
C.1.2.	Changes in loans provided by related parties	(2,555)	(2,580)
C.1.3.	Income from issued debentures and bonds	(549)	(299)
C.2.	Changes in equity		
C.2.6.	Paid retained profit share	(2,600)	-
C***	Net cash flow from financing activities	(4,604)	(2,729)
	Net increase/decrease in cash and cash equivalents	(194)	(4)
	Cash and cash equivalents as at the beginning of the year	(645)	(641)
	Cash and cash equivalents as at the end of the year	(839)	(645)

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 635/6, Jinonice, Prague 5, zip code 155 00, ID: 45805369. 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 2021:

VRATISLAV STRAŠIL
AXEL ROLF HERRMANN

HANS-PETER SEITZ

PROXY AS AT 31 DECEMBER 2021:

KAMILA BRUNCLÍKOVÁ
PAVEL KUČERA

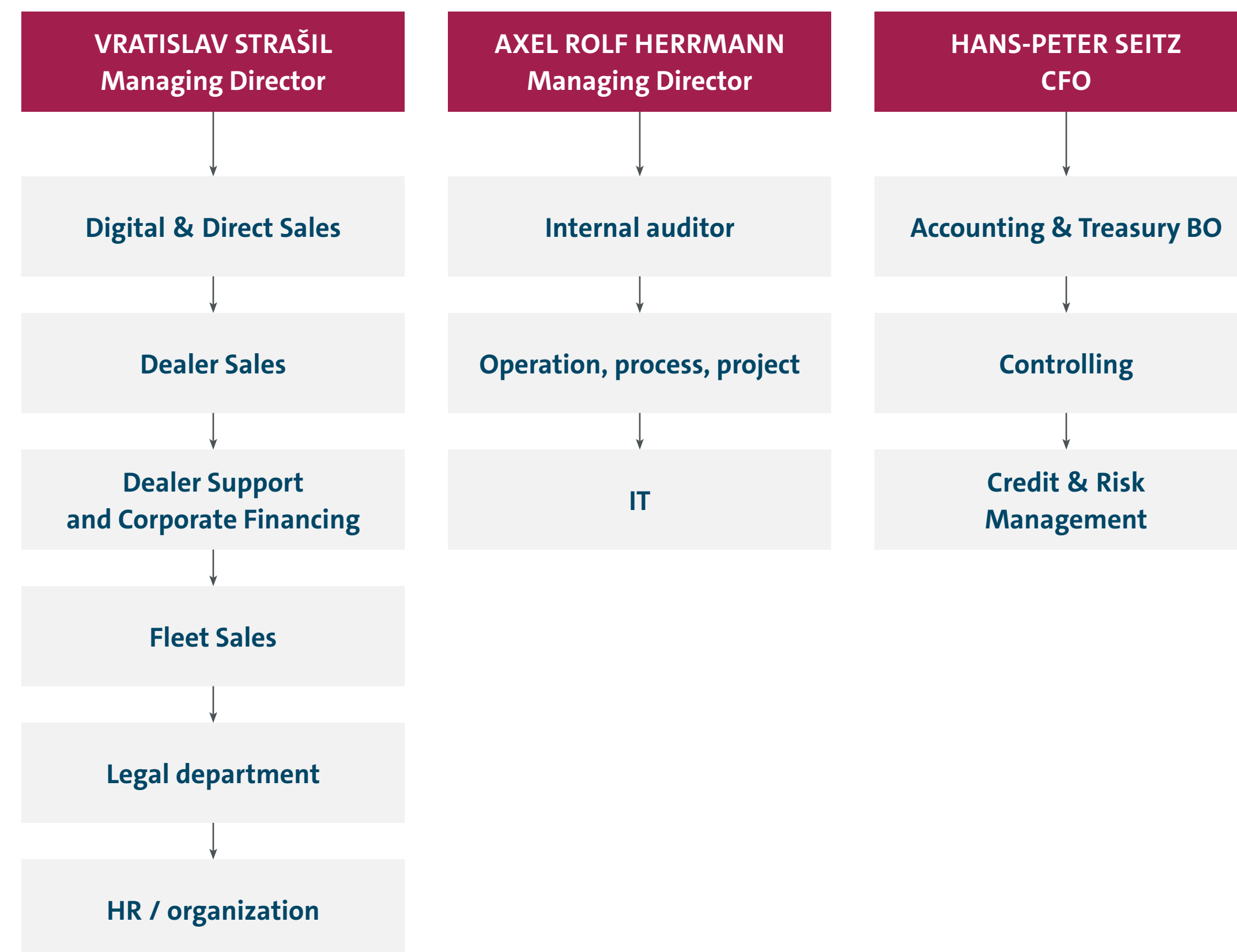
RADEK MILŠTAIN

MEMBERS OF THE SUPERVISORY BOARD AS AT 31 DECEMBER 2021:

MARTIN MANFRED MEHRGOTT
JAN HURT

JAN EBERT
JIŘÍ MALÁČEK

THE COMPANY IS ORGANIZED AS FOLLOWS:



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

2. Accounting policies

2. 1. Basis of preparation

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

The financial statements have been prepared assuming that the Company will continue as a going concern.

Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles.

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 80 000 are treated as intangible and tangible fixed assets. The unit cost limit has been increased from CZK 40 000 applied in the year 2020.

Purchased fixed assets are initially recorded at cost, which includes all costs related to their acquisition.

The cost of tangible fixed assets includes technical improvements.

Intangible fixed assets are recorded at acquisition value and related costs. They are amortised applying the straight-line method over their estimated useful lives and anticipated residual value of the intangible fixed assets. The cost of intangible assets includes technical improvements.

Expenditure on research, as well as expenditure on self-generated development, is included in the cost of the accounting period in which it is incurred. Expenditures purchased from third parties are capitalized in intangible fixed assets if they meet the defined criteria: except for the financial limit for capitalization of intangible assets and sufficient economic benefits related to the use of development results, in particular existing company intent and ability to complete development, existing technical feasibility and reliability 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, i.e. leasing fixed assets (further divided into financial lease, operating lease and operating lease with services) and fixed assets which are not the subject of the leasing business.

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

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

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

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

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

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

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

Technical improvements of tangible fixed assets exceeding CZK 80,000 per item per year are capitalised.

2. 3. Receivables

Receivables are initially measured at nominal value, purchased receivables at cost. Receivables are stated 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 determined as the difference between the carrying amount and the present value of future cash flows discounted by the original effective interest rate of the receivable. Statistical models and methods are used for the calculation of amount of impairment.

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 revaluated to fair value at the balance sheet date. The fair value of a derivative is determined as the market value (hereinafter referred to as the "market price") announced on the date of determination of the fair value. If a derivative is admitted to trading on a regulated market, the market price means the price on that market at which it is traded at the time of valuation. If the regulated market does not operate at the time of valuation, the price valid on the last working day preceding the moment of valuation shall be used. If a market price is not available, the entity uses a qualified estimate to measure the derivative. Determining the market price of a derivative or its components by a qualified estimate may be derived by an entity from a similar derivative or its components for which the market price is known.

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 income, Other 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

In 2021, the company revised the correctness of the accounting and presentation of items in the Income statement in accordance with the requirements of the Generally Accepted Accounting Principles in the Czech Republic. On the basis of the revision, the prior-period error was corrected and the accounting policy was changed so that the accounting principles and presentation comply with the requirements of the Generally Accepted Accounting Principles in the Czech Republic.

In 2021, the company changed the way it accounts for income and expenses for insurance, which are part of the loan contracts provided. Instead of the balance sheet recognition, which was originally used due to the re-invoicing of insurance costs to clients in full, the insurance costs paid to insurance companies or insurance received are accounted for as expenses and revenues in the Income statement, in total it is an adjustment of 2020 values on the lines Other operating income and Other operating expenses by CZK 1,086 million. The reason for the change is the different amount of costs and related insurance income for part of the loan contracts (correction of the error of previous years) and the unification of the method of accounting for costs and related insurance income with other products provided (change in the accounting method).

(CZK mil.)		31.12.2020 Before restatement	Restatement	31.12.2020 Restated
III.	Operating income – other	6,063	1,086	7,149
III.3.	Other operating income	704	1,086	1,790
F.	Operating expenses – other	6,197	1,086	7,283
F.5.	Other operating expenses	759	1,086	1,845

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

The Company recognises a provision relating to untaken holidays and a provision relating to rewards and bonuses for employees. Regular contributions are made to the state to fund the national pension plan. The Company also provides contributions to defined contribution plans operated by independent pension funds.

2. 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 of production represent revenues from leasing services provided by the Company and revenues from the administration and financing of receivables in the form of factoring. 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 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 on a straight-line basis because the maturity of the majority of liabilities is less than 1 year.

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. Income tax

Income tax expense is calculated using the applicable tax rate on accounting profit increased or decreased by permanently or temporarily non-deductible expenses and non-taxable income (e.g. creation and settlement of other provisions and adjustments, entertainment expenses, difference between accounting and tax depreciation etc.). In addition, items reducing the tax base (gifts), deductible items (tax loss, costs of implementing research and development projects) and income tax rebates are taken into account.

2. 16. 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. 17. Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. The company management prepared these estimates and predictions based on all available relevant information. These estimates and assumptions are based on information available as at the date of the financial statements and may differ from actual results.

2. 18. Impact of COVID

The financial impact of the COVID pandemic on the Company to date has not affected its assumption that it will continue as a going concern.

2. 19. Subsequent events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

3. Intangible fixed assets

(CZK mil.)	1 January 2021	Additions/transfers	Disposals	31 December 2021
COST				
Software	521	15	0	536
Intangible fixed assets in the course of construction	341	167	83	425
Total	862	182	83	961
ACCUMULATED AMORTISATION				
Royalties	478	25	-	503
Total	478	25	-	503
Net book value	384			458

(CZK mil.)	1 January 2020	Additions/transfers	Disposals	31 December 2020
ACQUISITION PRICE				
Software	494	27	-	521
Intangible fixed assets in the course of construction	253	163	75	341
Total	747	190	75	862
ACCUMULATED AMORTISATION				
Royalties	448	30	-	478
Total	448	30	-	478
Net book value	299			384

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

4. Tangible fixed assets

(CZK mil.)	1 January 2021	Additions / transfers	Disposals	31 December 2021
COST				
Equipment	14,071	7,429	6,922	14,578
Tangible fixed assets in the course of construction	271	25	-	296
Total	14,342	7,454	6,922	14,874
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
Equipment	2,619	1,425	1,534	2,510
Impairment provision against fixed assets	179	99	144	134
Total	2,798	1,524	1,678	2,644
Net book value	11,544			12,230

(CZK mil.)	1 January 2020	Additions / transfers	Disposals	31 December 2020
COST				
Equipment	14,146	6,601	6,676	14,071
Tangible fixed assets in the course of construction	405	-	134	271
Total	14,551	6,601	6,810	14,342
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
Equipment	2,563	1,483	1,427	2,619
Impairment provision against fixed assets	260	124	205	179
Total	2,823	1,607	1,632	2,798
Net book value	11,728			11,544

The net book value of tangible fixed assets subject to lease contracts amounted to CZK 12,108 mil. as at 31 December 2021 (2020: CZK 11,469 mil.).

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

(CZK mil.)	31 December 2021	31 December 2020
Impairment provision against residual values on operating lease assets as a results of the residual price risk	101	122
Impairment provisions against equipment	33	57
Total amount of impairment provision against tangible fixed assets recognized in the balance sheet in the column "Provision"	134	179

Repair and maintenance expenses are recognised in the period when they are incurred. During 2021, these expenses amounted to CZK 175 mil. (2020: CZK 180 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 108 mil. as at 31 December 2021 (2020: CZK 202 mil.). The Company created an impairment provision of CZK 1 mil. (2020: CZK 10 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 2021, the cost

of disposal through sale amounted to CZK 6,835 mil. (2020: CZK 6,766 mil.). The other reasons for disposals (mainly stolen and damaged cars) of tangible fixed assets in 2021 had an acquisition cost of the fixed assets of CZK 87 mil. (2020: CZK 114 mil.).

The total amount of tangible fixed assets not included in the balance sheet and recognised directly as an expense as at 31 December 2021 amounted to CZK 15 mil. (2020: CZK 19 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 2021	31 December 2020
LONG-TERM RECEIVABLES			
Long-term trade receivables		8,302	8,583
Long-term other receivables		968	1,117
Total long-term receivables		9,270	9,700
Provision for doubtful long-term receivables		(183)	(196)
Net book value of long-term receivables		9,087	9,504
SHORT-TERM RECEIVABLES			
Trade receivables	– current	16,512	21,037
	– overdue	686	875
Total trade receivables		17,198	21,912
Other receivables	– current	520	634
	– overdue	4	7
Total other receivables		524	641
Estimated receivables		385	321
Total short-term receivables		18,107	22,874
Provision for doubtful short-term receivables		(694)	(835)
Net book value of short-term receivables		17,413	22,039
Total receivables		27,377	32,574
Total net book value of receivables		26,500	31,543

Receivables with maturity over 5 years as at 31 December 2021 amounted to CZK 413 mil. (2020: CZK 518 mil.).

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

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

Short-term trade receivables include mainly factoring receivables and the short-term consumer credits provided to customers. The Company provides a significant part of the financial services for new and used car financing (receivables factoring) of the Škoda brand for the distribution network of ŠKODA AUTO a.s. and financial services for the distribution network of Porsche Česká republika s.r.o. in the Czech Republic.

The total amount of receivables resulting from these services, as at 31 December 2021 for ŠKODA AUTO a.s. amounts to CZK 5,332 mil. (2020: CZK 7,136 mil.). The total amount of receivables resulting from these services provided as at 31 December 2021 for Porsche Česká republika s.r.o. amounts to CZK 2,661 mil. (2020: CZK 4,478 mil.).

Other short-term receivables include mainly short-term loans provided to dealers as at 31 December 2021 of CZK 459 mil. (2020: CZK 531 mil.). Penalties related to trade receivables as at 31 December 2021 amounting to CZK 4 mil. (2020: CZK 5 mil.) are also recognised in the balance sheet in short term receivables.

Analysis of change in the provision for doubtful receivables:

(CZK mil.)	2021	2020
Opening balance as at 1 January	1,031	867
Charge for the year	396	555
Released during the year	(461)	(346)
Written off during the year	(89)	(45)
Closing balance as at 31 December	877	1,031

Tax receivables include corporate tax receivable amounting to CZK 18 mil. (2020: CZK 31 mil.) and VAT receivable amounting to CZK 33 mil. (2020: 61).

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 2021 amounting to CZK 6,419 mil. (2020: CZK 6,564 mil.) and consumer credits provided to private individuals as at 31 December 2021 amounting to CZK 1,884 mil. (2020: CZK 2,019 mil.). Other long-term receivables include long-term loans provided to dealers as at 31 December 2021 amounting to CZK 959 mil. (2020: CZK 1,107 mil.).

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 1,332 mil. as at 31 December 2021 (2020: CZK 1,796 mil.), by the pledge of collateral of CZK 124 mil. as at 31 December 2021 (2020: CZK 345 mil.) and by ownership right transfers of CZK 11,094 mil. as at 31 December 2021 (2020: CZK 11,146 mil.).

During 2021, the Company stopped using financial derivatives to hedge the currency risk associated with the cash flows of selected assets. As at 31 December 2021, other short-term receivables no longer include receivables arising from hedging derivatives (2020: CZK 3 mil.).

6. Equity

As at 31 December 2021 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.

The share capital of the Company of CZK 865 mil. was fully paid as at 31 December 2021 and 2020.

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 on web page www.volkswagenag.com.

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

Capital funds include reserve from revaluation of Financial derivatives for hedging of the foreign exchange risk and related deferred tax as at 31 December 2021 amounting to CZK 1 mil. (2020: CZK 6 mil.).

The general meeting of shareholders approved on 16 April 2021 the financial statements for 2020 and decided to retain the profit earned in 2020 of CZK 420 million in earnings.

On 1 December 2021, Volkswagen Finance Overseas B.V., the sole shareholder of the Company, decided, on the basis of a proposal by the Company's directors and the opinion of the Supervisory Board of the Company, to pay the amount of CZK 2,600 million from retained earnings of previous years of the Company towards Volkswagen Finance Overseas B.V., the sole shareholder of the Company. The amount was paid as decided by Volkswagen Finance Overseas B.V. as of 14 December 2021.

In the year 2021, the Company terminated hedging currency risk by financial derivatives.

The item Capital funds as at 31 December 2021 no longer contains a reserve from the revaluation of financial derivatives including the effect of deferred tax (as of 31 December 2020: CZK 1 million).

Until the date of preparation of these financial statements, the Company has not proposed distribution of the profit earned in 2021.

An overview of changes in equity is provided in a separate statement.

7. Provisions

(CZK mil.)	Fleet costs provision	Provisions for business risk and VAT	Provision for employee bonuses and payoffs	Court cases provision	Total
Opening balance as at 1 January 2020	132	11	69	6	218
Charge for the year	156	9	100	-	265
Used in the year	(150)	(10)	(98)	(1)	(259)
Closing balance as at 31 December 2020	138	10	71	5	224
Charge for the year	97	54	127	-	278
Used in the year	(152)	(4)	(115)	-	(271)
Closing balance as at 31 December 2021	83	60	83	5	231

The provision for business risks also includes a provision to cover the potential loss from the provided lease contracts due to an increase in input costs.

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 2021 amounting to CZK 93 mil. (as at 31 December 2020: CZK 71 mil.) were netted off with the provision for income tax of CZK 75 mil. created as at 31 December 2021 (as at 31 December 2020: CZK 40 mil.). Final receivable as at 31 December 2021 amounting CZK 18 mil. (as at 31 December 2020: CZK 31 mil.) is presented within short-term receivables, see Note 5.

8. Payables, commitments and contingent liabilities

(CZK mil.)		31 December 2021	31 December 2020
LONG-TERM LIABILITIES			
Long-term bank loans due between 1–5 years		6,250	4,450
Long-term borrowings (Notes 9 and 13)		3,047	1,750
Deferred tax liability (Note 17)		861	678
Total long-term liabilities		10,158	6,878
SHORT TERM LIABILITIES			
Debentures and bonds issued	– current	332	880
LIABILITIES DUE TO FINANCIAL INSTITUTIONS			
Bank overdrafts		850	646
Other bank loans due within one year (including current portion of long-term loans)		3,300	4,000
Total		4,150	4,646
Trade payables	– current	5,696	6,630
Short-term borrowings (Notes 9 and 13)		10,850	14,700
OTHER LIABILITIES			
Liabilities to employees		13	11
Liabilities to social security and health insurance		6	6
Taxes and state subsidies payable		2	2
Estimated liabilities		1,184	1,133
Total		1,206	1,152
Total short-term liabilities		22,234	28,008
Total short-term and long-term liabilities		32,392	34,886

Trade liabilities include as at 31 December 2021 related party liabilities due to factoring of receivables of CZK 2,135 mil. (2020: CZK 2,908 mil.), see Note 13.

As at 31 December 2021, the social security and health insurance liability amounted to CZK 6 mil. (2020: CZK 6 mil.). The Company has no overdue tax liabilities.

Issued short-term bonds amounting to CZK 332 mil. as at 31 December 2021 (2020: CZK 880 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 2021	31 December 2020
Bank overdrafts (Note 19)	850	646
Other bank loans due within 1 year (incl. current portion of long-term loans)	3,300	4,000
Long-term loans due between 1–5 years	6,250	4,450
Total bank loans and overdrafts	10,400	9,096
Short-term borrowings (Notes 8 and 13)	10,850	14,700
Long-term borrowings (Notes 8 and 13)	3,047	1,750
Total loans and borrowings	24,297	25,546
of which – short-term	15,000	19,346
of which – long-term	9,297	6,200

No Company loans or other borrowings are due after more than 5 years. The longest loan tenor is 4.8 years as at 31 December 2021 (2020: CZK 4 years).

The Total Credit Limit of the Company as of 31 December 2021 is CZK 31,997 mil. (2020: CZK 43,100 mil). In the course of 2021, there was a change in the method of reporting credit limits provided by related parties, consisting in reporting the limit only in the amount of the current drawdown. However, the Company may draw loans from related party resources as needed in excess of the current drawdown. According to the new method, the credit limit as of 31 December 2020 amounted CZK 34,550 mil.

Interest rates charged on long-term loans newly drawn by the Company in 2021 reached at most 3.89 % p.a. (2020: at most 2.70 % p.a.).

10. Commitments and contingent liabilities

The management of the Company is not aware of any contingent liabilities as at 31 December 2021.

The Company has the following rental commitments:

(CZK mil.)	31 December 2021	31 December 2020
Current within one year	1	9
Due after one year but within five years	3	-
Due after five years	2	-
Total commitments in respect of operational leases	6	9

Due to financial product for dealers the Company has commitment which corresponds to the undrawn part of credit limit amounting to CZK 264 mil. as at 31 December 2021 (2020: CZK 226 mil.).

11. Prepayments and accrued income

(CZK mil.)	31 December 2021	31 December 2020
Prepaid expenses	6	6
Accrued income	32	35
Total assets	38	41
Deferred income	817	931
of which – services	246	283
– unamortised part of the leasing down payment	4	12
– other deferred income	567	636
Total liability	817	931

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

12. Revenue analysis

Revenue analysis:

(CZK mil.)	2021	2020 RESTATED*
SALES OF PRODUCTS AND SERVICES		
Leasing revenues – domestic	3,741	3,584
Factoring commission income	218	306
Total	3,959	3,890
Revenues from sales of goods	121	38
OTHER OPERATING INCOME		
Revenues from sale of cars – domestic	5,605	5,359
Other operating income	1,753	1,790
Total sales of own products and services	7,358	7,149
INTEREST AND SIMILAR INCOME		
Revenues from credits (interest income)	803	891
Other interest income	49	66
Total	852	957
Other financial income	11	8
Total revenues	12,301	12,042

13. Related-party transactions

(CZK mil.)	2021	2020
REVENUES		
Sales of services	832	837
Sales of goods	283	206
Total	1,115	1,043
COSTS		
Purchase of services	420	386
Purchase of goods for resale	4,768	4,969
Interest costs	151	238
Total	5,339	5,593

The following related-party balances were outstanding as at:

(CZK mil.)	31 December 2021	31 December 2020
RECEIVABLES		
Porsche Česká republika s.r.o.	2	16
ŠKODA AUTO a.s.	41	25
Porsche Inter Auto CZ s.r.o.	518	725
Scania Czech Republic s.r.o.	2	2
Volkswagen Financial Services AG	-	2
Total	563	770
LIABILITIES		
Porsche Česká republika s.r.o.	2,135	2,339
ŠKODA AUTO a.s.	3,550	4,178
Porsche Inter Auto CZ s.r.o.	14	16
Volkswagen Bank GmbH	754	2,311
Volkswagen Financial Services AG	12,196	14,206
Volkswagen Financial Services N.V.	1,007	-
Total	19,656	23,050

Other (CZK mil.)		2021	2020
Assigned receivables	– purchase – domestic	70,767	66,812
	– sales – domestic	8,380	7,947

Company cars at acquisition cost of CZK 58 mil. as at 31 December 2021 (2020: CZK 52 mil.) are provided for business and private use by the managing 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 managing directors, the proxies and the heads of the Company's departments in 2021. 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 managing directors, the proxies and management in 2021 and 2020.

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 Ernst & Young Audit, s.r.o. and its related parties:

(CZK mil.)	2021	2020
Statutory audit of financial statements and audit of VW Group reporting	2	2
Advisory services	-	-
Total fees paid and payable to the audit company and its related parties	2	2

15. Employees

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

	2021	2020
Average number of members of management during the year	24	25
Average number of other staff during the year	210	208
Total average number of employees during the year	234	233

(CZK mil.)	Management	Other staff	Total
2021			
Wages and salaries	58	165	223
Social security and health insurance costs	14	57	71
Other social costs	2	4	6
Total staff costs	75	226	300
2020			
Wages and salaries	69	153	222
Social security and health insurance costs	16	52	68
Other social costs	2	6	8
Total staff costs	87	211	298

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

16. Impairment in operating activities

(CZK mil.)	2021	2020
Impairment in intangible and tangible fixed assets – permanent (Note 3 and 4)	1,450	1,513
Impairment in intangible and tangible fixed assets – temporary (Note 3 and 4)	(44)	(81)
Impairment in receivables (Note 5)	(154)	164
Impairment in operating activities	1,252	1,596

17. Income tax

The income tax expense analysis:

(CZK mil.)	2021	2020
Current tax expense (19%)	4	-
Deferred tax expense	183	118
Adjustment of prior year tax expense based on final CIT return	(8)	14
Total income tax expense	179	132

Current tax can be analysed as follows:

(CZK mil.)	2021	2020
Net profit before taxation	1,104	552
ADJUSTMENTS TO TAX BASE:		
– additional tax-deductible costs	(3,477)	(3,028)
– non-tax-deductible costs	2,502	2,428
– non-taxable income	(161)	(155)
– additional taxable income	97	152
– research and development	(46)	-
Net taxable profit	19	(31)
Corporate income tax at 19%	4	-

Additional tax-deductible costs relate mainly to difference between accounting and tax depreciation of CZK 3,396 mil. (2020: CZK 2,975 mil.).

The final tax loss reported in the corporate income tax return for the 2020 tax period in the amount of CZK 25 million was deducted (as a loss carry-back) from the tax base in the additional tax return for the 2019 tax period filed in 2021. Other tax losses are not recorded by Company.

The deferred tax was calculated at 19% (the rate enacted for 2020 and subsequent years).

The deferred tax asset / (liability) analysis:

(CZK mil.)	31 December 2021	31 December 2020
Total deferred tax liability:	989	841
Arising from: Accelerated tax depreciation of tangible fixed assets subject to lease	989	841
Total deferred tax asset:	128	163
Arising from: Other provisions	86	103
Other temporary differences	42	60
Net deferred tax liability	861	678

18. Contingent assets

In 2021, the Company received a bank guarantee of CZK 7 mil. (2020: CZK 7 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 2021	31 December 2020
Cash in hand	1	-
Cash at banks	10	1
Bank overdrafts of current accounts included in Short-term bank loans (Note 9)	(850)	(646)
Total cash and cash equivalents	(839)	(645)

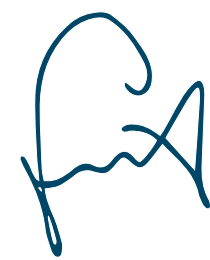
20. Subsequent events

No other events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2021.

30 March 2022



Ing. Vratislav Stražil
Managing Director



Hans-Peter Seitz
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 2021

Managing 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 2021 (the "**Relevant period**").

1. Structure of relations

1. 1. According to the information available to the Managing 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 (the "Concern"). Information on the entities forming part of the Concern is stated as at 31. 12. 2021 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

The Controlling Party indirectly controls the Company through the company Volkswagen Finance Overseas B.V. 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:

Contractual counterparty	Contracts
ŠKODA AUTO A.S.	Contracts on business cooperation
	Contracts on providing services
	Car leasing
	Subleasing contract
	Factoring contract
	General operative lease contract
PORSCHE ČESKÁ REPUBLIKA S.R.O.	Contracts on business cooperation
	Contracts on providing services
	Factoring contract
	Provision of facilities in the event of an accident
PORSCHE INTER AUTO CZ S.R.O.	Agreement on providing target commissions
	Contracts on providing services
	Contracts on business cooperation
	Contract on car stocking
	Loan agreement
	Car leasing
SCANIA CZECH REPUBLIC S.R.O.	General operative lease contract
	Car leasing

Contractual counterparty	Contracts
SCANIA FINANCE CZECH REPUBLIC, SPOL. S R.O.	Car leasing
PORSCHE CENTRAL EASTERN EUROPE S.R.O.	General operative lease contract
	Car leasing
MAN TRUCK & BUS CZECH REPUBLIC S.R.O.	General operative lease contract
	Car leasing
PORSCHE ENGINEERING SERVICES, S.R.O.	Car leasing
VOLKSWAGEN BANK GMBH	Credit facility agreement
	Contracts on providing services
	Providing of loans
VOLKSWAGEN FINANCIAL SERVICES N.V.	Credit facility agreement
	Providing of loans
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 paid out CZK 2,600 million of retained earnings to Volkswagen Finance Overseas B.V., the Company's sole shareholder.

Except mentioned above, 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.

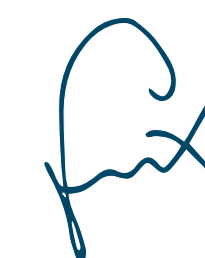
No disadvantages have arisen to the Company from the participation within the Concern.

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

30 March 2022



Ing. Vratislav Stražil
Managing Director



Hans-Peter Seitz
Managing Director

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

