



annual report
výroční zpráva

2010

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*"We are developing, innovating
and broadening our horizons
in the interests of our clients."*

Company Profile

It gives us great pleasure to be able to state that since its establishment in 1992 ŠkoFIN has maintained a stable position on the Czech automotive credit and lease financing market. This was again the case in 2010, as the Company demonstrated that leasing and financing can be a successful venture even in times of economic crisis. ŠkoFIN again reinforced its leading position in the financing of passenger and commercial vehicles, as well as in the category of business lending by non-banking institutions. We of course would like to continue this trend in future, as we do not want simply to remain at the level we already have attained. On the contrary, we aim to continue developing our services further in the interest of our existing and future clients.

Lease and credit financing plays an essential role in the acquisition of new and used vehicles. In recent years, however, fleet financing through operational leasing also has grown in importance. ŠkoFIN is active in all three of these financing areas. Indeed, the range of our services is even more comprehensive and is continually being expanded in order to meet the needs of our existing and potential clients. An important key to success is the close cooperation both with the VW Group brands (VW, Škoda, SEAT and Audi) as well as with the VW Group dealer network.

ŠkoFIN's portfolio includes the following standard products:

- › **Credit**, i.e. purchase with loan repayment in a set time frame, has one great advantage for the client over leasing: the borrower immediately owns the acquired car. We offer advantageous insurance along with this product.
- › **Leasing**, i.e. financial lease with subsequent purchase of the vehicle. The advantage for the client lies in the reduced initial outlay upon acquiring the vehicle and the extended period for payment in fixed instalments. We offer advantageous insurance along with this product.
- › **Operational Leasing** encompasses a car lease, including additional services, with the possibility of choosing the lease period. This service is also offered in the variants Full Service Leasing and Fleet Management.
- › **Factoring** is a modern, flexible method of operational financing based on the assignment of accounts receivable. By assigning accounts receivable, the customer/seller of the vehicles becomes

entitled to financing of up to 100% of their value. ŠkoFIN also uses this product to strengthen the financial stability of Volkswagen Group car dealers.

- › **Supplementary Products:** The client centre offers current customers additional products such as complementary insurance, general-purpose loans and other customer care services.

In addition to products targeted towards end-users, ŠkoFIN also offers services designed for fleet clients and bulk purchasers under the ŠkoFIN Fleet Services registered trademark. In addition to standard leasing, loans, and operational leasing, ŠkoFIN Fleet Services also includes full service leasing and fleet management. These services are gaining in popularity, not only among large corporations but also increasingly among smaller companies. Comprehensive analysis and advisory on how to maximise the efficiency of our clients' car fleets are yet another component of our fleet services.

At ŠkoFIN, we strive to satisfy our customers' needs and to ensure their satisfaction by enabling straightforward acquisition of a new or used car, even if the client's

financial resources are limited. Our services are thus combined into economically beneficial packages which, in addition to financing, also include insurance and maintenance services. We know from experience that our customers value such comprehensive solutions for acquiring a vehicle, and we therefore wish to continue our efforts to approach our clients in this way.

Our goal is to maximise our clients' long-term satisfaction and loyalty, not merely short-term profit. That is why we pride ourselves on our outstanding orientation to the market, a strategy that is well-prepared and continuously fine-tuned to the actual market situation, our broad portfolio of appropriately differentiated products, and the pro-customer attitude of all ŠkoFIN employees. We believe these to be essential factors that contribute to our leading market position, positive brand recognition, and the satisfaction of our customers and business partners.

More information is available at www.skofin.cz.

The Group's Structure

ŠkoFIN s.r.o. is a fully owned subsidiary of Volkswagen Financial Services AG, whose history and experience date back to 1948. "Volkswagen Versicherungsdienst GmbH" (VVD) was the initial predecessor of the current-day titan. The company, located in Wolfsburg, had as the subject of its business activity to intermediate the insurance of motor vehicles and to care for the customer in case of a loss. With the foundation of the company "Volkswagen Leasing GmbH" in 1966, there was created the first German leasing company specialised in the financing of motor vehicles. In 1973, the company was ambitiously renamed "VW Kredit Bank GmbH", and in 1975 it expanded its client portfolio through a merger, adding the car owners and dealers of the Audi brand. Since November 1990, VW Bank GmbH has offered Volkswagen/Audi credit cards; it was also

the first "Autobank" in Germany to offer EUROCARD and VISA credit cards. In 1994, its product line was further expanded to include, for example, the provision of general-purpose loans and by introduction of the Autokredit product – vehicle financing with low monthly instalments. The Volkswagen financial company gradually expanded to foreign markets, corresponding with the international activities of the Volkswagen Group, and it became a joint-stock company. In 1995, VW Bank GmbH became a subsidiary of "Volkswagen Financial Services AG", which today is a fully owned subsidiary of Volkswagen AG. Currently, Volkswagen Financial Services AG has more than EUR 60.3 billion in assets and more than 6,775 employees, thus making it Europe's largest financial services provider in association with automobile sales (as at 31 December 2010).

Volkswagen Group

Automotive Division

Volkswagen
Škoda
Volkswagen commercial vehicles
SEAT
Audi
Bentley
Bugatti
Lamborghini
Scania

Remaining Companies

Financial Services Division

Volkswagen Financial Services AG
Europe, North and South America
Asian-Pacific region

ŠkoFIN s.r.o.
a fully owned subsidiary of VW FS AG

Financial Services USA,
Canada and Spain

Scania Financial Services

Our Worldwide Customer Core Values

Customer Orientation

We offer convincing financial services that suit our customers' individual needs, possibilities and opportunities. Our goal is to fulfil all of our customers' wishes comprehensively, quickly and efficiently. Towards this end, we work hand in hand with our external partners.

Top Performance

Our intelligent financial services provide our customers financial flexibility. First-class results can only be achieved by demanding the best from ourselves. Therefore, we regard our employees' professional knowledge as essential to ensuring the competence of the financial advice that we and our partners provide.

Responsibility

The low risk and loss measures in our customer receivables show that we are very careful and attentive about the financing schemes for lending to our customers. In

cases of unforeseen incidents that might hamper a customer from fulfilling his or her financial obligations ensuing from the financing plan, we endeavour together with the client to find a responsible solution.

Respect

The purchase of an automobile represents an important event in our customers' lives. We endeavour to render this purchase possible by providing custom-tailored propositions for mobility. We regard respectful behaviour, as well as efficient communication both within the Company and especially with our customers, to be of great and unequivocal importance.

Continuous Innovation

Our customers can rely on our products and services to reflect our vast experience. Our know-how will continue to provide for innovative mobility solutions, flexible financing, as well advantageous pricing.

Creating Value

We convey to our customers exceptional value in mobility embracing both financial and automotive aspects. In many cases, this mobility is enabled through our financial service products. Their satisfaction is the distinctive value we receive in return from our customers.

Continuity

We aspire to establish long-lasting partnerships with our customers. We consider fair conduct, reflected in the feeling that we can always look our customers in the eyes, to be the basis for satisfied customers and lasting corporate success. Customer satisfaction and the company's success are interconnected values that guide us in everything we do!

“Customer satisfaction and corporate success – values that guide us in what we do.”

Structure of the Governing Body as at 31 December 2010

ŠkoFIN s.r.o. was entered into the Commercial Register on 10 August 1992, having its registered office at Pekařská 6, Prague 5. The Company's primary business activities are the purchase of goods for the purpose of their resale, sale (leasing) of automobiles, and the provision of consumer credit.

The structure of the statutory body as at 31 December 2010 was as follows:

Stefan Rasche Ing. Jiřina Tapšíková, MBA	Statutory Representative Statutory Representative
Jana Gregorová Dušan Fornůsek	Authorised Signatories Authorised Signatories

Jiřina Tapšíková, MBA Statutory Representative

Mrs Tapšíková joined the Company in 1993 and as a senior manager was responsible for ŠkoFIN Group's accounting department until 2003. From 2003 to 2005, she was a Managing Director at the VW FS AG Group's Turkish subsidiary in Istanbul. She has held the post of statutory representative of ŠkoFIN s.r.o. since 1 January 2006

and is responsible for managing the Company's financial and administrative operations. This area includes managing the Credit and Risk Management departments, Finance Department, IT Department, Legal Department, Human Resources and Internal Audit.



Stefan Rasche Statutory Representative

Mr Rasche became a new statutory representative at ŠkoFIN on 1 August 2008. Before coming to ŠkoFIN, he was responsible for the accounting and administrative affairs in Volkswagen Bank Polska S.A. During 1986–1990, he worked at Deutsche Bank, where he was responsible for trade finance. Since 1990, Mr Rasche has held

various positions within Volkswagen AG. During 1999–2000, he worked as senior manager of the Treasury Department at Škoda Auto in Mladá Boleslav, Czech Republic. Today, Mr Rasche is responsible for sales and marketing management at ŠkoFIN, which incorporates the Marketing, Sales and Administration departments.



Company Organisational Structure

As at 31 December 2010, the Company's organisational structure was as follows:

Stefan Rasche	Jiřina Tapříková
Assistant Manager	Secretary
Marketing Department	Compliance Officer
Sales	Finance Department
Administration	Credit & Risk Management
	Legal Department
	Human Resources
	Information Technologies

As at 31 December 2010, the Company was divided into the following departments with their respective managers:

Jiřina Tapříková – Managing Director

Compliance Officer	Václav Barbořák
Finance Department	Jana Gregorová
Credit & Risk Management	Radek Milřtain
Information Technologies	Pavel řvec
Human Resources	Dana Formánková
Legal Department	Tamara Janouřková

Stefan Rasche – Managing Director

Marketing Department	Jan Kloud
Sales	Duřan Fornůsek
Administration	Roman Bukač

Changes to the Organisational Structure in 2010:

With effect from 1 January 2010, Mrs Dana Formánková was appointed Manager of Human Resources.

On 1 January 2010, Internal Services was incorporated into the Information Technologies department.

As at 1 April 2010, Mr Jan Kloud was appointed Manager of the Marketing Department.

On 1 April 2010, the Accounting and Controlling departments were merged into the single Finance Department, managed by Mrs Jana Gregorová.

As from 9 March 2010, the Credit & Risk Management Department is directed by Mr Radek Milřtain.

On 23 August 2010, sales activities were merged in order to ensure the maximum efficiency of the newly defined business strategy for the dealer network. The Corporate Finance Department and group of regional representatives were incorporated into the newly established Sales Department directed by Mr Duřan Fornůsek.

Due to the expansion of activities and co-operation with the Internal Audit of VW FS AG, Mr Barbořák's position was renamed "Internal Auditor" effective from 1 September 2010.

As from 7 September 2010, the Administrative Department is comprised of the Accounts Receivable, Contract Approval and Activation and Client Care sections.

With effect from 7 September 2010, Mrs Tamara Janouřková was appointed Manager of the Legal Department.

Long-Term Company Strategy

In 2008, Volkswagen Financial Services presented its WIR 2018 Strategy, which is a part of the Volkswagen Group's global strategy. The vision of this long-term strategy is to become the best provider of financial services in the world. The main goals of the WIR 2018 Strategy were presented to řkoFIN's employees in March 2009. VW aspires to sell more than 10 million vehicles a year through 2018 and thereby assume the position of the world leader on the automotive market. The development of hybrid and electric cars also comprises a part of this plan.

Based on the goals of the group strategy, an action plan was custom-designed for řkoFIN that is directed toward meeting the goals of the WIR 2018 Strategy. The strategy emphasises four chief pillars: employees, customers, sales volume and profitability.

Employees

The main focus here is the customer-oriented approach adopted by employees, with the slogan "We Support and Demand the Best from Our Employees".

Customers

Our strong partners are key to our success in this area, be they group brands, dealer networks or our business partners. In providing financial support for sales of group brands, we strive for a leading position in

the quality of the products and services we offer customers and dealers in the Volkswagen network.

Sales Volume

Our main goal continues to be the financing of new and used automobiles of group brands with an emphasis on further expanding supplementary services for customers. Our slogan is "At least every second Volkswagen Group automobile sold will come with one or more of our financial services products".

Profitability

Competitiveness in terms of costs, productivity growth, and maximising profit per customer are our chief goals in this area.



Transformation Programme

Since 2008, the structure of financial products has been gradually but markedly shifting as credit financing assumes an ever more prominent position. Today, this form of financing accounts for more than 80% of new business. Legislative changes were especially conducive to this shift. On the other hand, the importance of operational leasing is growing from year to year, and ŠkoFIN sees great potential for the future in this area. The financial crisis led to a change in the behaviour of customers: the share of customers paying in cash grew substantially, and it was necessary to respond by modifying our financial products. Those were the chief reasons why the company chose to revise the existing business model and to make its cost structures more efficient.

The ŠkoFIN Transformation Programme was launched in June 2010. The main objectives of the programme are to review the existing business model and to optimise costs connected to business processes. In the initial phase, ŠkoFIN's key business and support areas were analysed and a selected sample of dealerships

was visited. The opinions of our business partners Škoda Auto and IVG are crucial for us, for without them our new business model would not be effective. Five key areas were then defined and developed in greater detail. At present, measures have been established and some are currently being implemented.

The first area concerns the specification of a sales and marketing strategy in connection with WIR 2018, which was presented by the parent company in 2009. Here, ŠkoFIN is focusing, for example, on active work with existing customers, client segmentation, and a review of products and campaigns.

Secondly, the Company is focusing attention on an active sales orientation across the entire company. Here, ŠkoFIN has been working to simplify business channels, as well as to review the dealership motivational programme, the concept of active sales, and a remarketing strategy.

The third area concerns ŠkoFIN's emphasis on Customer Relationship Management

(CRM). The main issues here were the analysis of customer portfolios, client segmentation, and strategies for a selling approach to client groups.

Additionally, ŠkoFIN has been concentrating on the direct sale of fleet services and operational leasing. The basis for success is a well-developed sales strategy for fleet services and well-chosen sales channels.

Finally, the Company has aimed at cost optimisation including a detailed analysis of cost opportunities and an analysis of resources and systems usage. The success of this work is indicated by the fact that savings on overhead costs of 12% compared to the original budget were identified for 2011 and subsequent years.

The WIR 2018 Strategy is highly ambitious, and we believe that these measures, implemented as part of the Transformation Programme, will help in reaching those goals.

Events in 2010

Awards obtained in 2010



Zlatá koruna, winner of the Leasing category for the product LIGHT – Financing as Light as a Feather



1st place in the "Credit Institution" category



4th place in the category "Other Financial Institutions"

Support for Flood Victims

In 2010, ŠkoFIN contributed to the relief effort for victims of the August floods and storms. ŠkoFIN offered favourable conditions to victims of natural disaster to help them deal with this difficult situation in their lives.

Existing clients whose possessions were all lost or significantly damaged due to

flooding or whose automobiles were damaged by the storms were not charged fees for selected services or penalties connected to vehicle financing or the issue of new documents. Victims were supported in their difficult situation with a payment holiday of four rather than two months and a general-purpose loan.

We fully understand how painful a situation many of our clients found themselves in due to the disaster, and we tried our utmost to accommodate their needs.



Communications Strategy

ŠkoFIN has conducted extensive research to analyse the Company's market position and brand awareness among consumers, which has confirmed the great attractiveness of the brand and an outstanding profit potential for the future. Even with such a positive result, we wish to devote even greater attention to the needs of existing customers and to raise potential customers' awareness of our company and products. We have decided to innovate our corporate culture and have been informing the general public about new developments through the media and the new "Make yourself happy!" microsite (www.udelejtesiradost.cz). The internet campaign aims to present an interesting and widely accessible form of credit and lease financing to anyone interested in acquiring a new vehicle. The information is presented clearly and comprehensibly, but with a bit of humour and hyperbole. We advertised for the site with a banner campaign, the "ŠkoFIN – Make yourself happy" Facebook page, and e-cards which visitors could easily compose and supplement with their own picture and then send to their friends as a funny message.

As the new "Road to Mobility" logo attests, ŠkoFIN not only enables a wide group of potential clients to purchase a high-quality vehicle, but also offers a broad spectrum of services connected to its maintenance. The wide range of products offered by ŠkoFIN are Škoda Finance, Volkswagen Finance, Audi Finance, SEAT Finance, ŠkoFIN Used Cars, ŠkoFIN Insurance and ŠkoFIN Fleet Services. Each of these products has its own logo. The Company's logo and all printed communications also have received a new, more modern appearance.

The innovation in corporate culture was accompanied by introduction of a new communications strategy. ŠkoFIN has started a new method of communication through which it hopes to appeal to potential customers with the offer of financial services in a highly targeted way and to take up an intensive dialogue with existing clients. Communication directed at individual groups, clarity of communication, and the use of non-traditional and modern channels of communication all should contribute to achieving these goals.



Study of Customer Behaviour

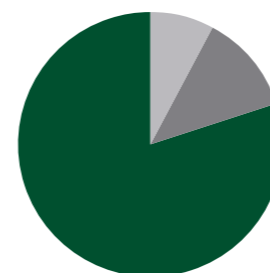
As part of our market analysis, we conducted a study of customer behaviour in the area of vehicle financing with emphasis on quantitative and qualitative components. The qualitative research was carried out by means of six discussion groups involving interviews with customers who had purchased a vehicle within the preceding 18 months. The interviewees did not have to be ŠkoFIN customers, and indeed most of them were not.

The quantitative research was carried out among ŠkoFIN clients as well as potential

customers planning to purchase a vehicle on credit or lease.

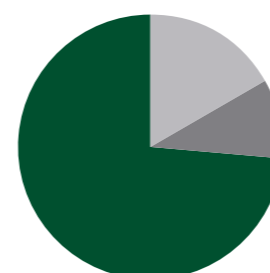
ŠkoFIN received top marks in the "brand awareness" category. We also scored high in the "brand potential index", which measures customer opinion using categories of emotion (popularity, trust), rationality (quality, uniqueness) and behaviour (interest in using, willingness to recommend). This study confirmed that ŠkoFIN is on the right path. The market environment and product structure are changing rapidly and we must be flexible in reacting to these developments.

In 2010, credit financing accounted for 80% of all newly concluded sales, an increase of nearly 7 percentage points from 2009. Financial leasing is decreasing year after year, being replaced by credit financing and operational leasing. A look at the portfolio structure shows that the proportion of credit financing has grown from 41% in 2009 to 56.5% in 2010. We can expect to see continued growth in loans as a proportion of our overall portfolio in future.



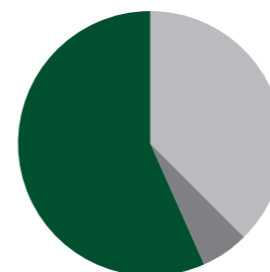
New Sales Structure in 2010

Financial leasing	8.0%
Operational leasing	12.0%
Loans	80.0%



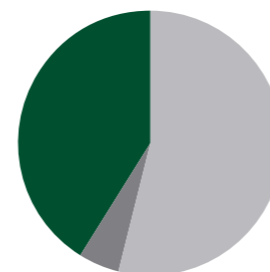
New Sales Structure in 2009

Financial leasing	16.9%
Operational leasing	9.7%
Loans	73.4%



Portfolio Structure in 2010

Financial leasing	37.5%
Operational leasing	6.0%
Loans	56.5%



Portfolio Structure in 2009

Financial leasing	54.2%
Operational leasing	4.8%
Loans	41.0%

Products and Services

ŠkoFIN is today one of the most prominent players in the automotive finance and leasing market, offering its clients a wide range of products and services directed to purchasing new or used cars of both Group and non-Group brands. Our clientele, whether business clients, companies or private individuals, may choose from a comprehensive range of financial products to best suit their needs and possibilities, including service packages combining financing, insurance and maintenance services such that every client receives an appropriate offer.

In 2010, ŠkoFIN introduced to the market a number of attractive offers, many of which are still valid during 2011.

Škoda Finance Special Offers

For 2010, we prepared the attractive Škoda Credit/Leasing LIGHT – Financing as Light as a Feather as part of the Škoda Finance offer. Subsidised interest rates and a 0% mark-up on all Škoda personal and utility vehicles were established for legal entities and entrepreneurs for car loans as well as leasing. As part of this attractive offer, car insurance from Česká pojišťovna was included in the instalments (minimally accident insurance with copayment of 5% or 10% and third party motor insurance). Additional ŠkoFIN Insurance services, such as ŠkoFIN Assistant, ŠkoFIN GAP and ŠkoFIN PPP, could be arranged optionally.

Another financing offer for Škoda vehicles with exceptionally low interest rates, in some cases with a 0% mark-up, was Škoda Edition Credit/Leasing. For the models Škoda Fabia and Škoda Roomster, this

product offered as an attractive additional benefit a set of winter tyres and an extended guarantee (4 years/60,000 km) free of charge. As part of the monthly instalments, the package also included car insurance from Česká pojišťovna featuring mandatory insurance and accident insurance (in case of theft, accident, natural disaster or vandalism). It always was possible also to arrange such additional insurance products as ŠkoFIN Assistant, ŠkoFIN GAP and ŠkoFIN PPP when taking advantage of this offer.

Škoda TSI START Credit/Leasing enabled fans of the turbocharged four-cylinder TSI engine to purchase a Škoda Fabia, Fabia Combi or Roomster with a 63 kW TSI engine under very attractive conditions. The length of financing (6–72 months) and down payment (10–90%) were flexible. In the interest of financial security, it was possible to take out payment protection insurance in order

ŠkoFIN
ŠKODA FINANCE

POŘÍDIT SI NOVÝ VŮZ ŠKODA JE HRAČKA...

... s originálním financováním od ŠkoFINu

... s originálním financováním od ŠkoFINu

... s originálním financováním od ŠkoFINu

to safeguard customers against the consequences of unforeseen circumstances, such as loss of employment or illness.

VW Finance Special Offers

The new offer Volkswagen DEFER for Utility Vehicles provided exceptionally simple financing of VOLKSWAGEN utility vehicles with deferral of the first 6 instalments and a 0% mark-up. For the first 6 months of the vehicle's use for personal or business purposes, the client pays only the insurance. Thereafter, the vehicle can be financed at attractive conditions or purchased outright with a single payment. All that is needed at the time of sale is a deposit of 20% of the sticker price. The client then has 6 months to decide how to finance the repayment of the remaining cost: in instalments over the following 6 to 60 months, in a single cash payment with no interest or mark-up, or by sale / exchange of the vehicle at the Volkswagen dealership.

In spring 2010, we also offered advantageous financing of Volkswagen Polo vehicles. With the offer POLO for Half, the customer could pay just one third to one half of the retail price up front with the remainder due up to a year later with no mark-up. During that time, the customer pays only the insurance and then decides when that period ends how to pay the remainder: in a single cash payment with no interest or mark-up, in instalments over the following 6 to 48 months, or using ŠkoFIN's standard products Volkswagen Credit or Leasing under the conditions valid at that time. Another offer, POLO 0%, enabled customers to pay up to one half of the vehicle price immediately and the remainder in instalments over 24 to 48

ŠkoFIN
VOLKSWAGEN FINANCE

PODÍVEJTE SE S NÁMI DO BUDOUCNOSTI

Jsme tady pro Vás s nabídkou šitou na míru všem modelům značky Volkswagen.

months, with 0–9.45% APR depending on the method of payment.

The successful offer LIGHT – Financing as Light as a Feather also was available for Volkswagen vehicles, in the case of both

credit and leasing. The offer included an insurance package from either Česká pojišťovna or Allianz, depending on the brand (accident insurance with a 5–10% co-payment, third party motor insurance, supplementary windscreen insurance,

and others as appropriate). Of course, the services of ŠkoFIN Assistant (now also offering legal expenses insurance) could also be used throughout the repayment period.

SEAT Finance Special Offers

Customers were also offered attractive conditions for the purchase of SEAT-brand cars, specifically the SEAT Alhambra. In addition to advantageous financing and insurance, the special offer SEAT Alhambra Leasing / Credit with CCS Card provided a CCS fuel card in the amount of CZK 5,000 to be used to purchase fuel, refreshments, car wash services and groceries. It is possible to top up and continue using

the card after the prepaid amount has been exhausted. Another integral feature of the offer was attractive car insurance from Allianz (accident insurance and third party insurance) with the guarantee that the instalments will stay the same over the entire contract period. The offer is valid as from 1 October 2010 until discontinued. Our offer LIGHT – Financing as Light as a Feather also applies for SEAT vehicles.

ŠkoFIN
SEAT FINANCE

PŘIPRAVTE SE NA POŘÁDNOU JÍZDU

Audi Finance Special Offers

Tax changes and a VAT deduction for personal cars were among reasons for the introduction in 2009 of the new offer Audi Leasing / Credit A – 19%, designated for all A3, A4, A5 and A6 models. This was followed up in 2010 with the offer Audi Leasing/Audi Credit A – 20%. Variable financing with highly affordable instalments thanks to low interest and insurance rates (from Allianz and Česká pojišťovna) made the offer accessible for all customers. The credit variant for businesses and corporations included an option for VAT deductions on any vehicle with a 19% down payment – “Put 19% Down and Get a 19% Government Refund” (the VAT on the sticker price).

A similar offer with low interest and insurance rates that ran for the whole year was Audi Leasing / Credit Q also for Q5 and Q7 models. This highly flexible offer of operational financing from Audi Finance features attractive interest rates as well as exclusive car insurance conditions from Kooperativa and Allianz. Accident insurance, third party insurance and windscreen insurance were also part of the package.

The subsidised interest rates of the LIGHT offer also apply to Audi cars.

Audi Finance
Audi

PLNÍME VAŠE PŘEDSTAVY

Special Offers for Used Cars

As part of its efforts to diversify its offers in order to accommodate all client segments, ŠkoFIN has substantially expanded its services for used car sales in recent years. The Company also offers advantageous financing methods in this area.

In 2010, we created the special offer An Extra Year's Guarantee with ŠkoFIN together with CarGarantie, a specialist for used car guarantees. The offer was valid at auto-plus and ŠkodaPlus for used Volkswagen, Audi, Seat and Škoda vehicles no

more than 5 years old and with maximum mileage of 150,000 km. The client was able to set his or her own flexible conditions, such as the repayment period and amount of the first and subsequent instalments. Each customer also received attractive insurance rates as well as administrative legal assistance from the ŠkoFIN Assistant programme free of charge.

Another attractive opportunity presented in 2010 for acquiring a used car was the special offer Used Cars Light. The offer

of financial leasing or credit for used cars up to 6 years old also included accident and third party insurance from Česká pojišťovna with attractive rates included in the instalments, as well as optional insurance from ŠkoFIN Insurance: ŠkoFIN Assistant, ŠkoFIN GAP and ŠkoFIN PPP. The offer gave clients room for setting the parameters individually: repayment period of 24, 36, 48, 60 or 72 months; initial payment of 10% to 95%; and a residual value of up to 10%.

ŠkodaPlus ✓
VYZKOUŠENÉ OJETÉ VOZY



Joint Special Offers

In autumn 2009, the successful special offer LIGHT – Financing as Light as a Feather was launched for Škoda, Volkswagen, SEAT, Audi and non-Group vehicles financed under the AutoFIN brand. Close

co-operation with our partners allowed us to offer advantageous interest rates and a mark-up as low as 0% for the purchase of any new vehicle financed by a lease or credit at any time during 2010. This offer

not only provided our clients with excellent interest rates, but also with advantageous insurance from Česká pojišťovna. The offer also appealed to many customers paying in cash.

Insurance

(Supplementary Product with Credit and Leasing)

In addition to vehicle financing, ŠkoFIN long has offered advantageous car insurance (accident and third party). The advantage of this insurance is not only the low price achieved thanks to the discounts that ŠkoFIN obtains from insurance companies and passes on to the client, but also the customer's ability to repay the credit or lease in monthly instalments rather than all at once. For example, ŠkoFIN GAP – 100% Insurance guarantees our clients' protection in the following areas: insurance of financial losses in case

of theft or total loss, when the insurance benefit covers the difference between the vehicle price at the time of the incident and the original price of the vehicle when it was purchased; and co-payment insurance, through which the total co-payment is deducted from the accident insurance claim benefit that is paid.

Moreover, if requested by the client, the insurance package also included one of the variants of payment protection insurance (PPP) – insurance protecting the

client in case of loss of income – or ŠkoFIN Assistant administrative legal service.

All clients now have the possibility to use the ŠkoFIN Assistant service, regardless of the brand of the financed vehicle. The ŠkoFIN Assistant service offers, for example, interpreting and translation services, assistance in dealing with authorities or police abroad, assistance in case of losing one's identification documents or at court proceedings, and many other services directed to helping our clients.



“Varied offers, diverse advantages and clear benefits. We are devoted to these.”

Fleet Services

Under its ŠkoFIN Fleet Services registered trademark, ŠkoFIN offers services and products intended for the target group of fleet and wholesale customers. In addition to purchasing vehicle, these customers require all manner of services related to their operation. In addition to the services mentioned above (credit, financial leasing, operational leasing and full service leasing), ŠkoFIN Fleet Services also provides these customers with fleet management and comprehensive analysis and advisory on how to optimise car fleet costs and increase overall efficiency. Regardless of company size, our clients thus receive professional solutions for the acquisition, maintenance and administration of any type of car fleet that is custom-tailored to their individual needs.

Our fleet services provide clients with many advantages and savings. There is no advance payment, and clients can use available funds for their own business activities. No new staff is needed to manage their car fleets, and the company takes responsibility for ensuring that all vehicles are in perfect condition. The regular and fixed instalments of an operating lease include all costs connected with vehicle operation (maintenance, administration, mandatory and accident insurance, assistance service, courtesy car, various fees, etc.).

In 2010, the clients of ŠkoFIN Fleet Services had the following services available:

Credit and financial leasing are standard products for the financing of vehicle purchases with the possibility to arrange individual conditions and additional services.

Operating lease comprises a car lease with the possibility to choose a lease period of between 6 and 60 months. After the end of the lease, the vehicle is not transferred to the leaseholder's ownership but remains the property of the leasing company, which then bears the risk regarding the remaining value.

Full service lease is a variant of the operating lease extended with additional

services. Based on clients' individual requirements, it is possible to include, for example, the following services into the car lease: full insurance coverage, insurance claims settlement, maintenance and service, summer and winter tyres (including rims), courtesy car, roadside assistance, fuel payment cards, and other options. If the client wishes, the services can be supplemented further with a detailed cost overview and other statistics that simplify clients' overview of their car fleets and reduce their administration costs.

Fleet management provides clients with full care of their car fleets, along with complementary services as in a full service lease. In this case, however, the car fleet is owned by the client or is purchased on loan or lease from other companies.

Through its sale and lease back programme, ŠkoFIN Fleet Services initially buys a car fleet from the client and then leases the vehicles back to the client. The fleet operator thus receives its funds back to be used for other purposes and still enjoys all the advantages of company cars, even as it has the additional possibilities available from the full service lease offer.

Apart from the aforementioned financial and insurance services, ŠkoFIN Fleet Services offers its clients as a separate product comprehensive analysis and advisory in order to optimise the costs of their car fleets.



The Dealer Network and Its Financing

The long-term strategy and mission of ŠkoFIN is to support the operations of Volkswagen Group as a whole. Maximising vehicle sales is a primary goal of the VW authorised dealer network. ŠkoFIN supports this objective with its financing products, as well as with follow-up customer care. Dealers are thus able to expand their offerings by including financial services which make the acquisition of a new car much easier for many customers. The dealer network thus forms an important link in the sale of ŠkoFIN products and services to customers.

During 2010, 225 of the Group's authorised dealers co-operated with ŠkoFIN, and some of them had more than one Group brand in their portfolios.

The breakdown of dealers by the brands offered in 2010 is as follows:

Škoda	197
VW	56
Audi	27
Seat	31

In recent years, an increasing number of dealers is offering both Group and non-Group brands. This number was 62 in 2010, while the total number of points of sale with non-Group brands reached 96. It is anticipated that the number of these multi-brand dealers and their points of sale will continue to grow. In the past, ŠkoFIN responded to this trend by launching new and competitive products specifically intended for financing vehicles of non-Group brands.

As part of the efforts to make our business activities more efficient and to raise the quality of communication with our dealers, all sales activities of ŠkoFIN were merged into the single Sales Department on 1 September 2010. This department will encompass the division responsible for both the corporate financing of the dealer network as well as the sales section, including Group remarketing. In the area of remarketing, we were able to make our post-sales activities more efficient by means of a joint product with the Porsche Inter Auto Praha Group.

The goal of this measure is to concentrate all business activities regarding dealers into one department and thereby to identify the greatest possible synergy effects between products offered by ŠkoFIN for financing business activities and ŠkoFIN products offered by our Group dealers to our customers in common.

Corporate Financing of Dealers

The department of corporate clients financing first came into existence at ŠkoFIN in 2000. Since that time, it has significantly expanded its portfolio of product offerings and has grown each year the amount of business financed. This testifies to the quality of the corporate product offering for the dealer network.

The principal mission of the Corporate Financing Unit is to safeguard the financial stability of authorised Volkswagen group dealers in the Czech Republic. In spite of enduring turbulence in the political and economic environments, ŠkoFIN is continuing its established long-term trend of offering products designed to help our partners get through these tough times and stabilise the day-to-day operations of their companies.

ŠkoFIN's corporate clients financing product line currently covers all the operating and investment needs of the

Volkswagen Group dealership network. Our broad range of standard products was expanded in 2010 to include a new product: factoring finance for the brands VW, Audi, SEAT, and VW Utility Vehicles. ŠkoFIN also has recorded significant interest in products that take into account as effectively as possible the current needs of the dealer network. ŠkoFIN Power Credit, for example, offers a means of financing photovoltaic power plants.

The yearly increases in total financing also testify to the satisfaction with our wide range of products, from factoring to operating and credit financing.

We provide our partners with custom-tailored financing products, and we are flexible both as to the amount financed and the collateral required. For example, we do not ordinarily demand a great deal of collateral for factoring products, as is often the case for loans from banking institutions. Volkswagen Group dealerships are able to obtain indisputable competitive advantages thanks to our easy, transparent, and reliable financing.

Customer Care

In the interest of strengthening its long-term relationships, ŠkoFIN continued in 2010 to optimise its already established services that clients can use in communicating with the Company (e.g. electronic forms, the automated self-service system on the toll-free client line, and VIP line). By analysing all activities and client processes that influence consumer behaviour, the Company was able to identify the clients' actual needs and wishes. In addition, based on the results of research as to the Company's position and perception, activities were prepared with the objective of improving tools for a proactive approach to clients by means of the Mystery Call and Mystery Visit tools. The Company places great emphasis on the speed and quality of customer service. It actively ascertains its customers' requirements and needs when interacting with them. The Company is of course working to standardise

methods for determining customer satisfaction and to expand the range of solutions for clients with payment difficulties. We strive to do our utmost in the interest of satisfying customers, both large and small, as they are all important to us. Furthermore, ŠkoFIN has introduced the possibility of a general-purpose loan for those clients having trouble-free payment histories.

The client centre is not solely passive in communicating with its clients. Indeed, it actively contacts a selected group of clients with attractive offers of services and products pertaining to their contracts. Customer relationship management (CRM) is a process for collecting, processing and utilising information about the Company's clients that is supported by database technology. It enables the Company to identify, understand and anticipate

customers' needs, wishes and purchasing habits and, at the same time, to support two-way communication between itself and its customers. In 2010, therefore, we concentrated on, among other things, updating our databases. The relevance and accuracy of the clients' contact information is a key prerequisite for the success of marketing campaigns, such as the CRM "Loyalty" campaign through which 30,000 clients were contacted with the offer of a new contract.

In the effort to increase the efficiency of the Company's processes, information systems for retail and fleet clients were simplified in order to standardise their administration. Moreover, the Accounts Receivable Section was created as part of the Administration Department, thereby merging the management of all receivables.

Human Resources

The fundamental human resources tools are established and monitored centrally within the Group using the so-called Human Resources Strategy Card and by key indicators of human resource performance. This central strategy is then further developed and specified in a local human resources strategy, which complements the central strategy with local factors and requirements.

The following human resources projects were successfully implemented in 2010:

- › A study of employee satisfaction – the so-called mood barometer – which is a yearly analysis of staff perception about their jobs and how the Company treats them
- › Introduction of the managerial training programme ŠkoFIN Manager and coaching for top management, providing an assessment of managerial potential by means of the Assessment Centre for Management
- › Introduction of new internal communication tools (e.g. company magazine, company-wide meetings between management and staff)
- › Evaluation and classification of managerial positions using Volkswagen Group's new job evaluation methodology
- › Internal and external audit of remuneration fairness
- › Through the systematically prepared succession programme, several managers were able successfully to switch, for example, to other branches within the Group.

Employee Structure

Our employees' age structure is about equally spread within the range between new graduates and employees approaching retirement. Women account for 56% of the staff and hold 32% of the positions in top management (first and second line).

Employee Benefits

The benefits system is updated each year, based upon the Company's results and needs as well as labour market surveys.

ŠkoFIN focuses on three main pillars of employee benefits:

Financial:

- › Advantageous credit and lease financing for cars
- › Designated-purpose and general-purpose loans for employees
- › Contribution to supplemental pension insurance
- › Travel insurance

- › Discounts on car purchases and products from various suppliers
- › Corporate-rate tariffs from T-Mobile

Work-life Balance:

- › One extra week of holiday
- › Flexible working hours
- › Cultural and sporting activities
- › Events for employees' children
- › Above-standard health care
- › Regular vaccinations
- › Sick leave

Employee Development:

- › Contribution to language courses
- › Contribution to tuition – university studies during employment
- › MBA for managers



“Employees are essential pillar of our success.”

Sponsorship and Charity Activities

As a large business organisation, ŠkoFIN considers itself morally obligated to be engaged not just in its own business pursuits but also in non-profit activities and to help those in need. Each year, we support several interesting projects related to sports and culture and take part in charity projects. It is our belief that we cannot stand aside when we have the opportunity to provide help and bring happiness to the lives of those less fortunate.

Co-operation with Car Club

Co-operation with Car Club began already in 2006 and continued to develop successfully in 2010. Car Club is a protected workplace that provides services and advice to handicapped members of the community. One area where it helps is the mobility project, in which ŠkoFIN participates by way of special financial products. For example, ŠkoFIN provides long-term lease of Škoda cars with the option to use 50% of the lease price as facultative compensation.

Two products directed at companies and institutions with more than 25 employees for financing Škoda car leases are the One-year Handy Operating Lease and Two-year Handy Operating Lease. The monthly lease price includes accident insurance, third party motor insurance, road tax, roadside assistance, maintenance and service, insurance claims settlement, and provision of a courtesy car. Moreover, these companies may use 50% of the lease price as facultative compensation.

The Handy Loan product is intended for people with disabilities to use in financing a car purchase. Moreover, this product brings numerous benefits, such as a discount on the purchase price, favourable insurance rates, assistance service, and others.

Co-operation with the Leontinka Foundation

Through the Leontinka Foundation, ŠkoFIN supports the fieldwork of the programme "Early Care for Families of Visually Impaired Children in the Czech Republic". ŠkoFIN supports the operation of eight Škoda Fabia Combi cars, of which seven are used by care consultants from the Association for Early Care. They use the vehicles so that they may have consultations with blind and partially sighted children and their families in their natural environments. The eighth car is fully at the disposal of the Leontinka Foundation.

Charitable Activities by Employees

ŠkoFIN employees also got involved in charity projects, both on the organisation side and by providing funding. They chose three projects:

"Project Panenka"
– providing healthcare support to developing countries

"Distance Adoption"
– providing educational opportunities and enhancing the quality of life of children in developing countries

"Zvířátko"
– a project whose aim is to maintain the numbers of exotic and endangered animals at the Prague Zoo, as well as to enhance their care

Financial Situation in 2010

During 2010, ŠkoFIN concluded 20,455 new contracts in a value totalling CZK 6.931 billion. The acquisition cost value of those items was CZK 7.126 billion.

As in the year previous, new business was dominated by non-lease financing. The number of newly concluded credit contracts rose by 17% from the previous year.

The value of new contracts concluded in the areas of consumer credit and credit financing of businesses rose by 25% (to total CZK 5.503 billion, of which credit financing of businesses accounted for CZK 4.295 billion). The number of new contracts for consumer credit and non-lease financing of businesses rose from 15,331 in 2009 to 16,358 in 2010.

Fully 54% of new credit contracts were business loans. The remaining 46% were contracts concluded with end consumers. Loans to businesses saw growth of 35% from the previous year.

The proportion of credit financing at ŠkoFIN grew from 73% (2009) to 80% (2010) during the last 2 years.

ŠkoFIN registered growth of 21% in the number of newly concluded contracts over 2010 in the area of operational leasing (from 2,023 in 2009 to 2,453 in 2010). Nearly 90% of new contracts pertained to personal automobiles and just 10% to utility vehicles.

On the other hand, the interest in financial leasing fell by 46% over the year. Despite the downward trend, financial leasing of personal automobiles is still an attractive financing method for specific target groups. The sales volume of CZK 629 million corresponds to a total of 1,481 leasing contracts.

ŠkoFIN achieved sales in 2010 totalling CZK 6.309 billion (2009: 8.643 billion), primarily from lending and leasing contracts. Growth in sales volume by nearly one fifth was recorded in the area of consumer lending, from CZK 706 million in 2009 to CZK 847 million in 2010.

The Company's total equity reached CZK 4.675 billion as at the end of 2010. Hence, ŠkoFIN remains over the long term one of the strongest capitalised companies on the Czech market among non-banking financial service providers.

Key 2010 Figures

	2010	2009
Number of new financing contracts	20,455	20,887
Total business volume (CZK billion)	6,931	6,709
Sales (CZK billion)	6,309	8,643
Profit after tax (CZK billion)	521	528
Average (number of employees)	222	230



Outlook for 2011

ŠkoFIN begins the year 2011 with optimism. We expect further reinvigoration in the automobile market, in reaction to which we aim to introduce new offers and our fully innovated business and marketing communication.

We see considerable room for the development of fleet services, especially of operational and full service leasing. Even smaller companies are gradually becoming aware of the advantages this method offers for financing their fleets. In this area, we will focus on preparing special offers for various segments of fleet customers, as well as on strengthening the communication of these products in order to heighten the awareness of existing and potential clients. Likewise, we see room for development in the area of insurance products and services ensuring the mobility of our customers.

A new website is being developed in 2011 in order to make our communication with customers more efficient and in the interest of improving the presentation of the company and its services. It will provide not only a maximum of information about our product range, but, through a variety of interactive and online applications, it will allow our customers, for example, to choose and configure a specific vehicle, select the method of its financing, and calculate the amount of the monthly payments. Our corporate website will thus be

transformed into a comprehensive communication portal that will inform about all of ŠkoFIN's financial products and services in a clear and comprehensible way. It will target groups of customers according to segment (individuals and fleet customers).

We will co-operate closely with our existing customers, aiming to ensure their satisfaction and hence their loyalty to the brand. We will strive to approach each client individually, accommodating his or her requirements and resources. Communication needs to be personal and effective, and grievances resolved quickly and constructively. We also plan to initiate an extensive image campaign by which we want to inscribe ŠkoFIN into the public's consciousness as a comprehensive financial company with a wide range of services, both in vehicle financing and in insurance. At the same time, we want to strengthen our lending activities. We plan to offer insurance as an independent product, i.e. without being attached to vehicle financing. This will broaden our product range to reach as many customers as possible.

In 2011, we will continue to support the improvement and broadening of our dealer network as our chief distribution channel. Nonetheless, our own acquisition of end consumers will also rise in significance. We expect growth in sales and hence decrease in average vehicle age, and we will endeavour to reflect this trend in our financial services in order to maximise the share in sales volume. We will continue the close co-operation with our brands through joint campaigns and unified external communication.

In the used car financing area, we will continue our work with the ŠkodaPlus and auto-plus programmes which have proven successful both for us and our clients.

Last but not least, we plan to support the financing of new technologies within the Group during 2011 and in the years to come, such as the sale of electric vehicles. As a large business organisation in the automotive industry, we feel it is our moral duty to contribute to improving the environment. We intend to realise this aim in actual practice.

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 2010 at its disposal. Considering the accounting records, the auditors, PricewaterhouseCoopers Audit, s.r.o., have audited the financial statements and given their unqualified opinion.


The shareholder's meeting agrees to the audited result and approves the financial statements showing a CZK 521.3 million net profit.

Braunschweig 31 March 2011

VOLKSWAGEN FINANCIAL SERVICES AG



Lars-Henner Santelmann
Member of the Board of Management



Norbert Dorn
Head of Region Europe East

"We look at the road ahead with optimism and positive expectations."

Independent Auditor's Report on the Annual Report



We have audited the financial statements of ŠkoFIN s.r.o., identification number 458 05 369, with registered office at Pekařská 6, Praha 5 ("the Company") for the year ended 31 December 2010 disclosed in the annual report on pages 30–55 and issued the opinion dated 26 January 2011 and disclosed on pages 28–29.

Report on the Annual Report

We have verified that the other information included in the annual report of the Company for the year ended 31 December 2010 is consistent with the financial statements referred to above. The Statutory Representative is responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements based on our verification procedures.

Auditor's Responsibility

We conducted our verification procedures in accordance with the International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the verification procedures to obtain reasonable assurance about whether the other information included in the annual report which describes matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that the verification procedures performed provide a reasonable basis for our opinion.

Opinion

In our opinion, the other information included in the annual report of the Company for the year ended 31 December 2010 is consistent, in all material respects, with the financial statements.

Report on Review of the Report on Relations

In addition we have also reviewed the accompanying report on relations between the Company and its controlling party and between the Company and the other persons controlled by the same controlling party for the year ended 31 December 2010 (the "Report"). The completeness and accuracy of the Report is the responsibility of the Statutory Representative of the Company. Our responsibility is to express our opinion on the Report based on performed review.

Scope of Review

We conducted our review in accordance with Audit standard 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the Report is free of material factual misstatement. A review is limited primarily to inquiries of Company personnel, analytical procedures and examination, on a test basis, of factual accuracy of data. A review therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Report has not been properly prepared, in all material respects, in accordance with the requirements of Article 66a of the Commercial Code.

31 March 2011

PricewaterhouseCoopers Audit, s.r.o.
represented by

Paul Inman
Director

Irena Zelená
Statutory Auditor, Licence No. 2073

Translation 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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Independent Auditor's Report on the Financial Statements



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 2010, 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 ("the financial statements").

Statutory Representative's Responsibility for the Financial Statements

The Statutory Representative 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 controls as the Statutory Representative 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 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 2010, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

26 January 2011

PricewaterhouseCoopers Audit, s.r.o.
represented by

Paul Inman
Director

Irena Zelená
Statutory Auditor, Licence No. 2073

Translation note

Our report has been prepared in 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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Balance Sheet as at 31 December 2010 (CZK'000)

Assets		2010		2009	
	Note	Gross amount	Provision	Net amount	Net amount
B. Fixed assets		13,673,232	(7,975,354)	5,697,878	8,807,869
B. I. Intangible fixed assets	3	425,180	(358,293)	66,887	75,946
B. II. Tangible fixed assets	4	13,248,052	(7,617,061)	5,630,991	8,731,923
C. Current assets		15,624,976	(916,416)	14,708,560	12,938,321
C. I. Inventories	5	1,139	–	1,139	1,581
C. II. Long-term receivables	6	6,680,297	(203,191)	6,477,106	5,416,331
C. III. Short-term receivables	6	8,939,552	(713,225)	8,226,327	7,511,819
C. IV. Financial assets		3,988	–	3,988	8,590
D. I. Accruals and deferrals	9	82,514	–	82,514	81,943
TOTAL ASSETS		29,380,722	(8,891,770)	20,488,952	21,828,133
Liabilities and Equity		2010		2009	
	Note	Net amount	Net amount	Net amount	Net amount
A. Equity	7	4,674,640		4,153,365	
A. I. Share capital		865,000		865,000	
A. II. Capital funds		1,735,848		1,735,848	
A. III. Reserve funds		257,200		257,200	
A. IV. Profit of previous years		1,295,317		767,601	
A. V. Profit for the current period		521,275		527,716	
B. Liabilities		14,364,246		15,205,361	
B. I. Provisions	8	147,844		216,839	
B. II. Long-term liabilities	10	517,498		506,108	
B. III. Short-term liabilities	10	2,300,609		4,787,182	
B. IV. Bank loans & overdrafts	11	11,398,295		9,695,232	
C. I. Accruals and deferrals	9	1,450,066		2,469,407	
TOTAL LIABILITIES AND EQUITY		20,488,952		21,828,133	

Income Statement for the Year Ended 31 December 2010 (CZK'000)

	Note	2010	2009
I. Sales of goods	13	77,684	57,339
A. Cost of goods sold		85,210	60,683
+ Gross profit		(7,526)	(3,344)
II. Sales of production	13	5,047,324	7,389,415
B. Cost of sales		699,246	783,245
+ Added value		4,340,552	6,602,826
C. Staff costs	14	203,654	190,011
D. Taxes and charges		7,281	13,194
E. Depreciation of long-term assets	3, 4	3,803,024	5,796,766
III. Sale of long-term assets and raw materials		801,466	1,712,447
F. Net book amount of long-term assets and raw materials sold		890,449	2,001,906
G. Change in provisions for operating liabilities and charges	3, 4, 5, 6, 8	35,257	(17,574)
IV. Other operating income	13	312,211	455,107
H. Other operating charges		299,024	326,793
* Operating result		215,540	459,284
K. Expense related to financial investments		–	452
X. Interest income	13	872,045	741,603
N. Interest expense		341,066	477,459
XI. Other financial income		1,216	2,225
O. Other financial expense		51,257	26,587
** Financial result		480,938	239,330
Q. Tax on profit or loss on ordinary activities	12	175,203	170,898
** Profit on ordinary activities after taxation		521,275	527,716
*** Net profit for the financial period		521,275	527,716
*** Net profit before tax		696,478	698,614

Statement of Changes in Shareholder's Equity Year Ended 31 December 2010

(CZK'000)

Note	Share capital	Other Capital funds	Statutory reserve fund	Other funds	Retained earnings	Total
At 1 January 2009	865,000	1,735,848	110,000	147,200	767,601	3,625,649
Net profit for the current period	-	-	-	-	527,716	527,716
At 31 December 2009	865,000	1,735,848	110,000	147,200	1,295,317	4,153,365
Net profit for the current period	-	-	-	-	521,275	521,275
At 31 December 2010	865,000	1,735,848	110,000	147,200	1,816,592	4,674,640

Cash Flow Statement Year Ended 31 December 2010

(CZK'000)

	2010	2009
Cash Flows from Operating Activities		
Net profit on ordinary activities before tax	696,478	698,614
A.1 Adjustments for non-cash movements:		
A.1.1 Depreciation of fixed assets	3,905,935*	5,943,533*
A.1.2 Increase / (Decrease) in provisions	105,461	(39,013)
A.1.3 Loss on disposal of fixed assets	88,983	289,459
A.1.4 Interest income less interest expense	(530,979)	(264,144)
A.* Net cash flow from operating activities before tax, changes in working capital and extraordinary items	4,265,878	6,628,449
A.2 Working capital changes:		
A.2.1 Increase in receivables and prepayments	(1,853,876)	(2,950,523)
A.2.2 Decrease in short-term payables and accruals	(4,207,706)	(1,669,930)
A.2.3 Decrease in inventories	442	2,026
A.** Net cash flow from operating activities before tax and extraordinary items	(1,795,262)	2,010,022
A.3 Interest paid	(284,152)	(441,461)
A.4 Interest received	872,045	741,603
A.5 Income tax on ordinary activities paid	(332,232)	(367,209)
A*** Net cash flow from operating activities	(1,539,601)	1,942,955
*) Figure contains depreciation charge and residual value of disposed fixed assets due to damages.		
Cash Flows from Investing Activities		
B.1 Acquisition of fixed assets	(1,714,408)	(2,320,309)
B.2 Proceeds from the sale of fixed assets	801,466	1,712,447
B*** Net cash flow from investing activities	(912,942)	(607,862)
Cash Flows from Financing Activities		
C.1 Change in long and short-term liabilities		
C.1.1 Increase in bank loans	1,703,063	(839,698)
C.1.2 Decrease in long-term loans	-	-
C.1.3 Increase / (Decrease) in loans provided by related parties	744,878	(400,000)
C.1.4 Increase / (Decrease) in liabilities from issued securities	-	(99,555)
C*** Net cash flow from financing activities	2,447,941	(1,339,253)
Net (decrease)/increase in cash and cash equivalents	(4,602)	(4,160)
Cash and cash equivalents at the beginning of the year	8,590	12,750
Cash and cash equivalents at the end of the year	3,988	8,590

Notes to Financial Statements Year Ended 31 December 2010

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. The Company's business activities are the purchase of assets with intended use for sale, sale (leasing of cars) and the provision of consumer credits.

The statutory representatives as at 31 December 2010 were as follows:

Statutory representatives	Function
Stefan Rasche	Statutory representative
Jiřina Tapšíková	Statutory representative

Authorised signatory	Function
Jana Gregorová	Authorised signatory
Dušan Fornůsek	Authorised signatory
Martin Kofroň	Authorised signatory (effective till 24 September 2010)

Except for the above mentioned there were no other changes entered in the Register of Companies.

The Company is organised as follows:

Stefan Rasche Statutory Representative	Jiřina Tapšíková Statutory Representative
Assistant	Secretary
Marketing	Internal Auditor
Sales	Finance
Administration	Credit & Risk Management
	Legal Department
	Human Resources
	Information Technologies

Changes in the organisation structure during the year 2010:

During 2010 Corporate financing was integrated into Sales and Contract approval into Administration. The position Compliance Officer was renamed Internal auditor. Accounting department was renamed Finance. Controlling – previously part of Controlling / Credit & RiskManagement – was integrated into Finance.

2. Accounting Policies

(a) Basis of Preparation

The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in the Czech Republic and Czech Accounting Standards. The financial statements have been prepared under the historical cost convention. Figures are stated in CZK '000.

Translation Note

This version of notes to financial statements is a translation from the original, which was prepared in Czech. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of notes to financial statements takes precedence over this translation.

(b) Intangible Fixed Assets

Purchased intangible fixed assets are recorded at cost, which include costs incurred in bringing the assets to their present location and condition. Intangible fixed assets valuation is increased by property enhancements.

Intangible fixed assets are amortised using the straight-line method over the fixed asset's estimated useful life.

Intangible fixed assets with a unit cost less than CZK 40,000 are expensed upon acquisition.

A provision for impairment is established when the carrying value of an asset is greater than its estimated recoverable amount.

(c) Tangible Fixed Assets

Acquired tangible fixed assets are recorded at cost, which includes costs incurred in bringing the assets to their present location and condition.

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 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 daily straight line basis from the date of contract inception 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 client over the lease term;
- › Accounting depreciation of tangible fixed assets subject to an operating lease contract with services is calculated evenly on daily basis from the day the asset is delivered to client over the lease term;
- › Accounting depreciation of tangible fixed assets not subject to lease are 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 tangible fixed 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.

Repairs and maintenance expenditure relating to tangible assets are expensed as incurred.

Property enhancements 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.

(d) Inventories

Inventories are stated at the lower of cost and net realisable amount. Cost includes the appropriate overheads incurred to bring inventory to its present condition and location (mainly transport, etc.).

(e) Receivables

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

A provision for bad debts is recognised on the basis of an individual evaluation of the receivable.

(f) 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, long-term deposits with a maturity date of less than 3 months and liquid commercial papers held for sale on a financial market.

(g) Foreign Currency Translation

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

All monetary assets and liabilities denominated in foreign currencies have been translated at the year-end exchange rate as published by the Czech National Bank. All foreign exchange gains and losses from translation of receivables and payables are recognised in the income statement.

(h) Revenue Recognition

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 inception of the lease contract to the normal or early termination of the lease contract. Contractual fees and penalties are recognised when enforced.

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

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

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

(i) Leases for Assets Used by the Company

The cost of assets held under operating leases, where the Company is a lessee, are recorded as expenses evenly over the life of the lease. Amounts payable in future periods but not yet due are disclosed in the notes but are not recognised in the balance sheet.

(j) 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. Unpaid income tax liability is recognised in provisions.

(k) 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 expenses are included in the result from financing activities.

(l) Deferred Taxation

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

(m) Related Parties

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

- › group companies;
- › shareholders, of which the Company is a subsidiary or an associate, directly or indirectly, and other subsidiaries and associates of these shareholders;
- › members of the Company's or parent company's statutory and supervisory bodies 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 Note 15.

(n) Cash Flow Statement

The Company has prepared a cash flow statement following the indirect method. Cash equivalents represent short-term liquid investments, which are readily convertible for a known amount of cash.

(o) 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 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.

3. Intangible Fixed Assets

Cost CZK'000	1 January 2010	Additions / transfers	Disposals	31 December 2010
Software	452,339	16,205	88,764	379,780
Royalties	37,817	–	–	37,817
Intangible assets in the course of construction	6,825	26,767	26,009*	7,583
Total	496,981	42,972	114,773	425,180

Accumulated Amortisation CZK'000	1 January 2010	Additions / amortisation	Disposals / release	31 December 2010
Software	382,133	26,529	87,991	320,671
Royalties	37,475	147	–	37,622
Total	419,608	26,676	87,991	358,293
Net book amount before impairment provision	77,373			66,887
Impairment provision against software	1,427	–	1,427	–
Net book amount	75,946			66,887

Cost CZK'000	1 January 2009	Additions / transfers	Disposals	31 December 2009
Software	439,363	22,726	9,750	452,339
Royalties	37,817	–	–	37,817
Intangible assets in the course of construction	13,474	33,920	40,569*	6,825
Total	490,654	56,646	50,319	496,981

Accumulated Amortisation CZK'000	1 January 2009	Additions / amortisation	Disposals / release	31 December 2009
Software	345,553	46,333	9,753	382,133
Royalties	37,327	148	–	37,475
Total	382,880	46,481	9,753	419,608
Net book amount before impairment provision	107,774			77,373
Impairment provision against software	3,670	–	2,243	1,427
Net book amount	104,104			75,946

*) Disposals of intangible assets in the course of construction are represented mainly by additions to software (transfers).

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

Additions to accumulated amortisation of intangible fixed assets are represented mainly by amortisation charges. Disposals of cost and accumulated amortisation of intangible fixed assets are represented mainly by disposals.

4. Tangible Fixed Assets

Cost CZK'000	1 January 2010	Additions / transfers	Disposals	31 December 2010
Land	41,299	–	–	41,299
Buildings, halls and constructions	465,280	–	–	465,280
Individual tangible fixed assets	19,642,069	1,658,690	8,584,706	12,716,053
Tangible fixed assets in the course of construction	4,528	246,760	225,868	25,420
Total	20,153,176	1,905,450	8,810,574	13,248,052

Accumulated Depreciation CZK'000	1 January 2010	Additions / depreciation	Disposals / release	31 December 2010
Buildings, halls and constructions	205,338	48,505	–	253,843
Individual tangible fixed assets	10,995,826	3,706,972	7,518,903	7,183,895
Total	11,201,164	3,755,477	7,518,903	7,437,738
Net book amount before impairment provision	8,952,012			5,810,314
Impairment provision against tangible fixed assets	220,089	178,871	219,637	179,323
Net book amount	8,731,923			5,630,991

Cost CZK'000	1 January 2009	Additions / transfers	Disposals	31 December 2009
Land	41,299	–	–	41,299
Buildings, halls and constructions	599,100	–	133,820	465,280
Individual tangible fixed assets	27,916,521	2,427,022	10,701,474	19,642,069
Tangible fixed assets in the course of construction	7,372	896,725	899,569	4,528
Total	28,564,292	3,323,747	11,734,863	20,153,176

Accumulated Depreciation CZK'000	1 January 2009	Additions / depreciation	Disposals / release	31 December 2009
Buildings, halls and constructions	278,168	56,991	129,821	205,338
Individual tangible fixed assets	13,760,821	5,708,358	8,473,353	10,995,826
Total	14,038,989	5,765,349	8,603,174	11,201,164
Net book amount before impairment provision	14,525,303			8,952,012
Impairment provision against tangible fixed assets	447,261	432,763	659,935	220,089
Net book amount	14,078,042			8,731,923

The net book amount of tangible fixed assets subject to lease contracts totalled to CZK 5,648,443,000 as at 31 December 2010 (2009: CZK 8,724,024,000).

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

CZK'000	31 December 2010	31 December 2009
Impairment provisions against buildings	10,099	6,728
Impairment provision against residual values on operating lease assets	89,435	104,276
Impairment provisions against individual tangible assets	79,789	109,085
Total amount of impairment provisions against tangible fixed assets recognised in the balance sheet in the column "Provisions"	179,323	220,089

Repair and maintenance expenses are recognised in the period when they are incurred. During 2010, these expenses amounted to CZK 119,937,000 (2009: CZK 106,997,000).

Tangible fixed assets also include vehicles stemming from terminated operational lease contracts with a residual value of CZK 25,161,000 as at 31 December 2010 (2009: CZK 65,769,000). The Company created an impairment provision of CZK 7,610,000 (2009: CZK 18,190,000) 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 and accumulated amortisation of tangible fixed assets are represented mainly by disposals through sale. In 2010, the cost of disposal through sale amounted to CZK 8,310,659,000 (2009: 10,301,800,000). The other reasons for disposals (mainly stolen and damaged cars) of tangible fixed assets in 2010 had an original cost of the fixed assets of CZK 207,606,000 (2009: CZK 334,483,000).

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) for the year ended 31 December 2010 totalled CZK 22,944,000 (2009: CZK 22,601,000).

The Company does not use any assets held under finance lease contracts. Commitments arising from operating lease contracts are disclosed in Note 17.

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

5. Inventories

CZK'000	31 December 2010	31 December 2009
Goods for resale	1,139	1,581
Provision for diminution in value	-	-
Net book amount	1,139	1,581

Goods for resale represents recovered cars from leasing in amount CZK 378,000 (2009: CZK 677,000) and advertising materials. There was no charge of provisions for diminution in value.

6. Receivables

CZK'000		31 December 2010	31 December 2009
Trade receivables	– current	7,290,711	6,438,097
	– overdue		
	– up to 5 years	882,226	845,791
	– above 5 years	29,059	37,459
		8,201,996	7,321,347
Other receivables	– current	658,384	766,554
	– overdue		
	– up to 5 years	10,785	6,144
	– above 5 years	–	–
		669,169	772,698
Estimated receivables		68,387	109,936
Short-term receivables – gross		8,939,552	8,203,981
Provision for doubtful receivables		(713,225)	(692,162)
Net short-term receivables		8,226,327	7,511,819
Long-term trade receivables		4,699,966	4,329,895
Other long-term receivables		1,980,331	1,232,669
Long-term receivables – gross		6,680,297	5,562,564
Provision for doubtful receivables		(203,191)	(146,233)
Net long-term receivables		6,477,106	5,416,331
Net total receivables		14,703,433	12,928,150

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

Short-term trade receivables include mainly factoring receivables and the short-term portion of consumer credits provided to customers. The Company provides a comprehensive portion of financial services of the Škoda 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 Import Volkswagen Group s.r.o. in the Czech Republic. The total amount of receivables resulting from these services, as at 31 December 2010 for ŠKODA AUTO a.s. amounts to CZK 2,180,618,000 (2009: CZK 2,118,762,000). The total amount of receivables resulting from these services provided, as at 31 December 2010 for Import Volkswagen Group s.r.o. amounts to CZK 1,414,758,000 (2009: CZK 1,240,203,000).

Other short-term receivables include mainly short-term loans as at 31 December 2010 amounting to CZK 3,302,000 (2009: CZK 4,285,000) and short-term loans provided to dealers as at 31 December 2010 of CZK 604,689,000 (2009: CZK 685,150,000).

Short-term receivables and advances paid as at 31 December 2010 are secured by promissory notes amounting to CZK 101,050,000 (2009: CZK 285,654,000). Receivables for consumer credits are secured by the pledge of collateral with a cost of CZK 622,079,000 as at 31 December 2010 (2009: CZK 679,164,000) and ownership rights of CZK 926,639,000 as at 31 December 2010 (2009: CZK 970,550,000).

Estimated receivables principally include estimated revenues from prematurely terminated leasing contracts.

Long-term trade receivables include mainly the long-term portion of consumer credits provided to customers as at 31 December 2010 amounting to CZK 4,699,966,000 (2009: CZK 4,329,895,000). Penalties related to trade receivables as at 31 December 2010 amounting to CZK 22,296,000 (2009: CZK 20,936,000) are recognised in the balance sheet in short term receivables. Other long-term receivables include mainly long-term loans provided to dealers as at 31 December 2010 amounting to CZK 1,978,783,000 (2009: CZK 1,230,246,000).

Interest income from short-term and long-term consumer credits and commissions from the cession of receivables are disclosed in Note 13.

Long-term receivables are secured by promissory notes totalling to CZK 769,594,000 as at 31 December 2010 (2009: CZK 572,713,000).

Changes in the provision against doubtful short-term and long-term receivables may be analysed as follows:

CZK'000	2010	2009
Opening balance as at 1 January	838,395	625,581
Charge for the year	601,815	551,430
Written off during the year	(523,794)	(338,616)
Closing balance as at 31 December	916,416	838,395

7. Equity

The Company is wholly-owned by VOLKSWAGEN FINANCIAL SERVICES AG, incorporated in Braunschweig, Germany, and the ultimate holding company is VOLKSWAGEN AG, incorporated in Wolfsburg, Germany.

The statutory reserve fund is created according to law from the profit of the Company and may not be distributed to the shareholder, but may be used to offset losses.

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

According to the General meeting decision, the net profit of the year 2009 of CZK 527,716,000 was transferred to retained profits during 2010.

8. Provisions

CZK'000	Income tax provision	Other provisions	Total
Opening balance as at 1 January 2009	273,346	3,378	276,724
Charge for the year	300,435	970	301,405
Used in the year	(359,346)	(1,944)	(361,290)
Closing balance as at 31 December 2009	214,435	2,404	216,839
Charge for the year	261,513	–	261,513
Used in the year	(329,933)	(575)	(330,508)
Closing balance as at 31 December 2010	146,015	1,829	147,844

Provision for corporate income tax of CZK 261,513,000 (2009: CZK 300,435,000) was reduced by advance payments made related to corporate income tax of CZK 115,498,000 (2009: CZK 86,000,000). The current and deferred income tax calculation is included in Note 12.

The Company created other provisions against court cases of CZK 1,829,000 (2009: CZK 2,404,000).

9. Accruals and Deferrals

CZK'000	31 December 2010	31 December 2009
Prepaid expense	46,875	49,972
Accrued revenue	35,639	31,971
Total	82,514	81,943
Deferred revenue	1,450,066	2,469,407
Accrued expense	-	-
Total	1,450,066	2,469,407

Accruals and deferrals relate mainly to individual leasing contracts. Based on this, 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 43,182,000 as at 31 December 2010 (2009: CZK 45,659,000).

Deferred revenue includes mainly the unamortized part of the leasing downpayment.

10. Liabilities

CZK'000	31 December 2010	31 December 2009
Trade payables	406,508	422,437
Short-term borrowings (Note 11 and 15)	1,068,778	423,900
Other payables	28,488	3,030,889
Estimated liabilities	796,835	909,956
Total short-term payables	2,300,609	4,787,182
Long-term borrowings (Note 11 and 15)	100,000	-
Deferred tax liability (Note 12)	414,798	503,408
Other payables	2,700	2,700
Total long-term liabilities	517,498	506,108
Total short- and long-term liabilities	2,818,107	5,293,290

The Company has no overdue short-term liabilities as at 31 December 2010. Trade and other payables have not been secured over any assets of the Company.

Trade liabilities include advances received for financial lease contracts amounting to CZK 5,732,000 as at 31 December 2010 (2009: CZK 7,442,000) and related party liabilities due to factoring of receivables of CZK 202,095,000 (2009: CZK 133,613,000) (see note 15).

As at 31 December 2010 the social security and health insurance liability amounted to CZK 4,051,000 (2009: CZK 3,693,000). The Company has no tax arrears.

The Company during 2010 stopped drawing and repaid a short-term loan from ŠKODA AUTO a.s. (2009: CZK 3,000,000,000) (see Note 15).

Estimated liabilities include estimated payables for services and supplies not yet invoiced and insurance relating to leasing contracts not yet invoiced, employee bonuses, including social and health insurance and unpaid interest.

11. Bank Loans and Other Borrowings

CZK'000	31 December 2010	31 December 2009
Bank overdrafts	549,646	772,052
Other bank loans due within 1 year (including the current portion of long-term loans)	7,678,649	4,762,531
Long-term loans due between 1 – 5 years	3,170,000	4,160,649
Total bank loans and overdrafts	11,398,295	9,695,232
Total short-term borrowings (Notes 10 and 15)	1,068,778	423,900
Total long-term borrowings (Notes 10 and 15)	100,000	–
Total	12,567,073	10,119,132
of which – short-term loans	9,297,073	5,958,483
of which – long-term loans	3,270,000	4,160,649

All Company loans and other borrowings are due within 5 years.

Interest rates charged on loans drawn in 2010 varied between 0.84% p.a. and 3.73% p.a. During 2009, this interest rate varied between 1.30% p.a. and 6.08% p.a.

12. Taxation

The income tax expense consists of the following:

CZK'000	2010	2009
Current tax expense (Note 8)	261,513	300,435
Deferred tax credit	(88,610)	(137,400)
Tax charge from different periods	2,300	7,863
Total	175,203	170,898

Current tax can be analysed as follows:

CZK'000	2010	2009
Net profit before taxation	696,478	698,614
Adjustments to tax base:		
– additional tax deductible costs	(11 637)	(282,902)
– non-tax deductible costs	711,019	1,238,468
– non-taxable income	(83,366)	(180,571)
– additional taxable income	63,916	28,992
Net taxable profit	1,376,410	1,502,601
Adjustments to tax base:		
– gifts	(25)	(425)
Adjusted tax base	1,376,385	1,502,176
Corporate taxation at 19 % (2009: 20 %)	261,513	300,435

The deferred tax liability can be analysed as follows:

CZK'000	31 December 2010	31 December 2009
Deferred tax liability:		
Accelerated tax depreciation of long-term tangible fixed assets subject to financial lease	502,259	603,568
Deferred tax asset:		
Other provisions	67,652	82,583
Other temporary differences	19,809	17,577
Net deferred tax liability	414,798	503,408

Deferred tax as at 31 December 2010 was calculated using the tax rate 19% (tax rate valid for year 2010 and following years) depending on the period when the deferred tax liabilities or assets are expected to be used.

13. Revenue Analysis

Revenue from ordinary activities has been generated as follows:

CZK'000		2010	2009
Leasing revenues	– Domestic	4,943,933	7,262,725
Factoring commission income		103,391	126,690
Sales of production		5,047,324	7,389,415
Revenues from sale of cars	– Domestic	77,684	57,339
Other operating income		312,211	455,107
Total		5,437,219	7,901,861
Revenues from consumer credits (interest income)		846,538	705,918
Other interest income		25,507	35,685
Interest income		872,045	741,603
Total		6,309,264	8,643,464

14. Employee Analysis

Employee numbers	2010	2009
Average number of management	10	12
Average number of other staff	212	218
Total	222	230

The Company's management includes the statutory representatives, the authorised signatories and the heads of the Company's departments.

2010		Management	Other staff	Total
CZK'000				
Wages and salaries		22,721	127,906	150,627
Social security costs		6,001	43,190	49,191
Other social costs		515	3,321	3,836
Total		29,237	174,417	203,654

2009		Management	Other staff	Total
CZK'000				
Wages and salaries		25,647	115,705	141,352
Social security costs		2,979	41,777	44,756
Other social costs		594	3,309	3,903
Total		29,220	160,791	190,011

Other transactions with the Company's employees are described in Note 15 Related party transactions.

15. Related Party Transactions

The Company was involved in the following related party transactions:

Revenues			
CZK'000		2010	2009
Sale of goods	– Domestic	12,020	41,148
Sale of services	– Foreign	4,798	6,203
	– Domestic	5,683,965	4,748,338
Total		5,700,783	4,795,689
Costs			
CZK'000		2010	2009
Purchase of goods	– Domestic	351,192	495,854
Purchase of services and receivables factoring:			
	– Foreign	20,212	25,703
	of which – parent company	4,261	2,096
	– Domestic	27,840,280	26,082,662
Total		28,211,684	26,604,219

The following related party balances were outstanding at:

Trade Receivables			
CZK'000		31 December 2010	31 December 2009
IMPORT VOLKSWAGEN GROUP s.r.o.		1,066	2,497
ŠKODA AUTO a.s.		4,454	495
VOLKSWAGEN LEASING GMBH		201	–
PORSCHE INTER AUTO CZ s.r.o.		881,568	668,392
SCANIA CZECH REPUBLIC s.r.o.		–	109
VOLKSWAGEN BANK POLSKA		–	12
VW FINANCE INDIA		114	–
Total		887,403	671,505

Trade Payables			
CZK'000		31 December 2010	31 December 2009
IMPORT VOLKSWAGEN GROUP s.r.o.		119,993	20,210
ŠKODA AUTO a.s. (Note 10 and 11)		120,691	3,131,187
INIS INTERNATIONAL INSURANCE SERVICE s.r.o.		12,355	14,582
PORSCHE INTER AUTO CZ s.r.o.		1,489	3,940
VOLKSWAGEN COACHING GMBH		–	42
VOLKSWAGEN LEASING GMBH		–	15
VOLKSWAGEN FINANCIAL SERVICES N.V. (Note 10 and 11)		1,170,549	431,462
Total		1,425,077	3,601,438

Others			
CZK'000		2010	2009
Interest expense VOLKSWAGEN FINANCIAL SERVICES N.V., VOLKSWAGEN INTERNATIONAL FINANCE N.V., ŠKODA AUTO a.s., INIS INTERNATIONAL INSURANCE SERVICE s.r.o.		51,522	110,708

The aforementioned transactions arose under the same terms and conditions as with unrelated parties. The loans 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. No provision against receivables from related parties has been recognised.

Cars under the Company's ownership, with an acquisition cost of CZK 37,225,000 are made available for the business and private use of the statutory representatives, the Company's other managers and other staff as at 31 December 2010 (2009: CZK 47,516,000).

In 2010 loans have been provided to the management of the Company with a balance of CZK 58,000 as at 31 December 2010 (2009: CZK 280,000). Loans are provided under common market conditions.

Except for the aforementioned remuneration and benefits, there was no other consideration provided to the Company's statutory representatives and management in 2010 and 2009.

16. Fees Paid and Payable to the Audit Company and Its Related Parties

The total fees paid and payable for services performed by the audit company and its related parties can be analysed as follows:

CZK'000	2010	2009
Statutory audit of financial statements and audit of VW Group reporting (PricewaterhouseCoopers Audit, s.r.o.)	2,785	3,731
Tax consultancy (PricewaterhouseCoopers ČR, s.r.o.)	-	143
Other consultancy (PricewaterhouseCoopers ČR, s.r.o.)	11,127	-
Total fees paid and payable to the audit company and its related parties	13,912	3,874

17. Commitments

Capital commitments resulting from operating lease contracts entered into by the Company are summarised as follows:

CZK'000	31 December 2010	31 December 2009
Current within one year	19,329	19,254
Due after one year but within five years	33,826	52,949
Due after five years	-	-
Total	53,155	72,203

Due to the credit product for dealers, a future commitment of the Company of CZK 67,150,000 came into existence and equates to the unused part of the agreed credit facility (2009: CZK 98,651,000).

18. Contingent Assets

In 2010, the Company received a bank guarantee of CZK 6,050,000 (2009: CZK 6,200,000). The Company does not expect to utilise this guarantee.

19. Contingent Liabilities

The management of the Company is not aware of any other significant unrecorded contingent liabilities as at 31 December 2010.

20. Recent Volatility on Czech Financial Markets in 2010

Management continuously assesses the impacts of the current economic situation on the financial position and results of the Company, the valuation of its assets and evaluation of the adequacy of the Company's internal processes.

To the extent that information is available, management has reflected in these financial statements the impact of market conditions on customer credit risk and asset residual values.

21. Subsequent Events

No events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2010.

Statutory Approvals

These financial statements have been approved and signed by the Company's statutory representatives:

26 January 2011



Stefan Rasche
Statutory Representative



Ing. Jiřina Tapšíková, MBA
Statutory Representative

Report on Relations Between Related Parties

(between the controlling entity and the controlled entity and about relationships between the controlled entity and other entities controlled by the same entity), pursuant to provision § 66a paragraph 9 of the Act No. 513/1991 Coll., Commercial Code, as amended (hereinafter "Commercial Code" / hereinafter "Report on relations")

In accordance with the Commercial Code, the statutory body of ŠkoFIN s.r.o., with its registered office at Prague 5, Pekařská 6, 155 00, ID No.: 45805369, prepared the Report on relations pursuant to provision § 66a paragraph 9 of the Act No. 513/1991 Coll., Commercial Code, as amended, between VOLKSWAGEN AG, with its registered office in Wolfsburg, Germany, (hereinafter referred to as the "Controlling Entity" or "Volkswagen") and ŠkoFIN s. r. o. (hereinafter referred to as the "Controlled Entity" or "ŠkoFIN"), and between ŠkoFIN and other entities controlled by Volkswagen (hereinafter referred to as the "other related parties") for the accounting period 2010 (hereinafter referred to as the "accounting period").

VOLKSWAGEN AG is the entity that indirectly controls ŠkoFIN via VOLKSWAGEN FINANCIAL SERVICES AG which was sole shareholder of ŠkoFIN during the whole accounting period.

The Report on relations includes all contracts concluded between related parties in specified areas, other legal acts carried out on behalf of these parties and all other measures adopted or taken on the behalf of or at the incentive of these parties by the Controlled Entity in the accounting period 2010.

Contracts Concluded in 2010 Contractual counterparty

Contractual counterparty	Contracts
IMPORT VOLKSWAGEN GROUP s.r.o.	Contracts on providing services Factoring contracts
ŠKODA AUTO a.s.	Contracts on business cooperation Contract on providing services
PORSCHE INTER AUTO CZ s.r.o.	Contracts on business cooperation
INIS INTERNATIONAL INSURANCE SERVICE s.r.o.	Contracts on business cooperation
Other	
VOLKSWAGEN FINANCIAL SERVICES N.V.	Loans provided to ŠkoFIN
VOLKSWAGEN INTERNATIONAL FINANCE N.V.	Loans provided to ŠkoFIN
ŠKODA AUTO a.s.	Loans provided to ŠkoFIN
INIS INTERNATIONAL INSURANCE SERVICE s.r.o.	Loans provided to ŠkoFIN
SCANIA CZECH REPUBLIC s.r.o.	Car leasing
PORSCHE INTER AUTO CZ s.r.o.	Car leasing
PORSCHE CENTRAL EASTERN EUROPE s.r.o.	Car leasing

Other Legal Acts

In the accounting period no legal acts were reported which were carried out in favour of Volkswagen and/or entities controlled by Volkswagen, which went beyond the scope of standard legal acts carried out by Volkswagen while exercising its rights as the Controlling Entity.

Other Measures

During the accounting period no other measures were adopted or taken on the behalf of or at the incentive of Volkswagen and/or other entities controlled by Volkswagen, other than steps normally taken vis-a-vis Volkswagen as the sole shareholder of ŠkoFIN.

Performance Provided and Counter – Performance Accepted

The amount of individual performances and counter-performances are disclosed in note 15 of the notes to the financial statements.

Declaration of the Statutory Body of ŠkoFIN s.r.o.

The statutory representatives of ŠkoFIN, as a collective statutory body, declare that the information stated in this Report on relations pursuant to provision § 66a paragraph 9 of the Act No. 513/1991 Coll., Commercial Code, as amended, is complete, true and correct. At the same time, they declare that ŠkoFIN did not suffer from any damage or detriment as a result of the conclusion of the above mentioned contracts, the other aforesaid legal acts, other measures, performance provided or accepted counter-performance and thus there is no reason to enforce the detriment on any related party.



Stefan Rasche
statutory representative



Ing. Jiřina Tapšíková, MBA
statutory representative

Prague, 31 March 2011



Contact

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Consulting, design and production: B.I.G. Prague, 2011