

**Interim Financial Report June 2021**

**Volkswagen Financial Services N.V.**

**Amsterdam**

## Contents

<b>Management Report</b>	<b>2</b>
<b>Financial statements</b>	<b>5</b>
Balance sheet as of 30 June 2021	6
Income statement as of 30 June 2021	8

## Management Report

Volkswagen Financial Services N.V. ('FSNV' or 'the company'), founded in 1983, is one of the funding vehicles of Volkswagen Financial Services AG, Brunswick ('FSAG') and its subsidiaries. FSNV raises funds from the capital markets by issuing notes and lends the proceeds on to Group and Joint Venture companies.

Basis for the issuing activities are the Debt Issuance Programme of EUR 35 billion that adheres to the European Prospectus Directive and a EUR 7.5 billion Multi Currency Commercial Paper Programme. All issues are guaranteed by the parent company FSAG. As per 30.06.2021 according to Moody's, FSAG's rating is set to P-2 (short term) and A3 (long term) with a stable outlook. Standard & Poor's assessed FSAG's creditworthiness as A-2 (short term) and BBB+ (long term) with a stable outlook.

Besides these programmes FSNV can utilize several uncommitted revolving credit facilities with international banks. This grants more flexibility in providing the FSAG group with small volumes and/or frequent tranches of funds if required.

In the first six months of 2021 the company placed under the DIP programme 7 issues with a total EUR equivalent of 1.045 million. The proceeds of these issues have been granted to the FSAG Group companies. No new issues were placed under the CP Programme.

The company redeemed DIP issues with a total EUR equivalent of 802 million and CP issues with a total EUR equivalent of 30 million.

The financing activities are carried out in different currencies and interest terms. To avoid currency and interest risks, the company concludes interest- and currency swaps. The main business risks of FSNV are interest rate risk, currency risk, liquidity risk and credit risk. The Supervisory Board has set limits to restrict those risks. FSNV uses adequate tools to assess and to monitor them.

European Union regulations transformed into Dutch Law require the presentation of half year balance sheet figures in comparison to year-end figures of the previous year. Income statement figures compare the half year result with the corresponding half year result of the previous year.

Net interest income in the first half of 2021 was EUR 8.1 million compared to EUR 7.1 million in the first half of 2020. Result after taxes added up to EUR 5.5 million in the first six months of 2021 (2020: EUR 4.7 million).

For the whole year 2021 we expect a continuation of the first six months' level with regard to FSNV's business volume. Net interest income and result after taxes are expected to be higher than the 2020 figures.

## **Diesel issue**

In September 2015, the California Air Resources Board (CARB) and the US Environmental Protection Agency (EPA) publicly announced that irregularities in relation to nitrogen oxide emissions had been discovered in emissions tests on certain vehicles with Volkswagen Group diesel engines, resulting in violations of US environmental laws. On 22nd September 2015, the Volkswagen Group announced that around 11 million vehicles worldwide with type EA189 diesel engines were affected.

Depending on the different emissions regulations in the various countries, Volkswagen has rectified the diesel engine software, applied technical measures, compensated owners for reduced residual values or bought back affected cars.

The majority of FSNV's borrowers have either financed cars with affected diesel engines or had them in their lease car inventory. However, investors and the financial markets assess the risks FSNV is exposed to on the background of the guarantee by FSAG, since investors have full recourse to FSAG. FSNV management has also assessed the impact of the "diesel emission issue" on the borrowers of FSNV by analysing in detail the financial situation of the borrowers as well as budget forecasts and concluded that FSNV is not exposed to higher credit risk.

## **Compliance & Integrity**

Acting with Integrity, Compliance and honesty is an essential prerequisite for the success of the Volkswagen Group. For this reason, compliance with national and international laws and regulations, internal rules and guidelines and voluntary commitments is among FSNV's most important principles. The focus of FSNV's compliance organization is on preventing corruption, breaches of trust and money laundering and thereby reducing the risk of unlawful actions. The Volkswagen Group's Code of Conduct is established throughout the Group, and thus also within FSNV. It is the main tool for reinforcing awareness of good conduct, ethical principles and an integrity culture among the employees and providing them assistance, as well as suitable contacts in case of uncertainty. Next to the Volkswagen Group Code of Conduct, other Group policies and guidelines on specific compliance issues have been implemented within FSNV. Where laws and regulations have been violated, the Volkswagen Group Whistleblower System is a suitable tool for taking appropriate actions where misconduct is proven.

The Management Board declares to the best of their knowledge:

1. the financial statements for the first half year 2021 give a true and fair view of the assets, the liabilities, the financial position and the results of the company; and
2. the management report gives a true and fair view of the company's situation as at the balance sheet date, the events that occurred during the first half year 2021 and the risks to which the company is exposed.

Amsterdam, 29 July 2021

Original has been signed by  
Jozephine de Rijk-van Leeuwen , Managing Director

## **Financial statements**

## Balance sheet as of 30 June 2021

(unaudited)

	30 June 2021		31 December 2020	
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Assets</i>				
<b>Fixed assets</b>				
Financial fixed assets:				
Loans to Volkswagen Group companies	6,468,330		6,144,710	
Loans to affiliates of the Volkswagen Group	444,657		388,969	
<b>Total fixed assets</b>		6,912,987		6,533,679
<b>Current assets</b>				
Receivables due from Volkswagen Group companies	2,493,114		2,604,777	
Receivables due from affiliates of the Volkswagen Group	418,255		495,827	
Loans to external parties	500		500	
Other assets	52,422		48,110	
Prepaid and deferred charges	17,679		15,322	
<b>Total current assets</b>		2,981,970		3,164,536
<b>Cash at banks and in hand</b>		8,009		2,860
<b>Total assets</b>		9,902,966		9,701,075

<i>Liabilities</i>	<b>30 June 2021</b>		<b>31 December 2020</b>	
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Shareholder's equity and liabilities</i>				
<b>Shareholder's equity</b>				
Issued and paid-up share capital	454		454	
Share premium reserve	1,115,000		1,115,000	
Retained earnings	159,951		159,951	
Current earnings	5,485		-	
<b>Total shareholder's equity</b>		1,280,890		1,275,405
<b>Long-term liabilities</b>				
Bonds	5,406,371		5,087,921	
Liabilities to Volkswagen Group companies	1,283,907		1,283,908	
<b>Total long-term liabilities</b>		6,690,278		6,371,829
<b>Current liabilities</b>				
Bonds	1,626,944		1,406,507	
Liabilities to Volkswagen Group companies	210,188		533,712	
Commercial papers	-		30,015	
Other liabilities	81,633		68,474	
Deferred income	13,033		15,133	
<b>Total current liabilities</b>		1,931,798		2,053,841
<b>Total shareholder's equity and liabilities</b>		9,902,966		9,701,075



## Income statement as of 30 June 2021

(unaudited)

	30 June 2021		30 June 2020	
	EUR'000	EUR'000	EUR'000	EUR'000
<b>Net financial income</b>				
Interest income and similar income	96,461		77,268	
Interest expenses and similar expenses	(88,359)		(70,127)	
Other operating income	189		25	
<b>Total net financial income</b>		8,291		7,166
<b>Expenses</b>				
Other operating expenses	(10)		(21)	
General and administrative expenses	(1,104)		(1,014)	
<b>Total expenses</b>		(1,114)		(1,035)
<b>Profit and (loss) before income taxes</b>		7,177		6,131
Taxation on result on ordinary activities		(1,692)		(1,457)
<b>Net profit (loss) after taxation</b>		5,485		4,674