

Financial report 2008

Volkswagen Financial Services N.V.

Amsterdam

Contents

Management Board report	2
Financial statements	3
Balance sheet as at 31 December 2008	4
Income statement 2008	6
Cash flow statement 2008	7
Notes to the financial statements	8
Other information	28
Profit appropriation according to the Articles of association	29
Proposed appropriation of profit	29
Post-balance sheet events	29
Auditor's report	30

Management Board report

Volkswagen Financial Services N.V. ('FSNV' or 'the company') is one of the funding vehicles of Volkswagen Financial Services AG 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 EUR 18 billion Debt Issuance Programme that adheres to the European Prospective Directive Standards and a EUR 10 billion Multi-Currency Commercial Paper Programme. Both programmes are updated on an annual basis. All issues are guaranteed by the parent company Volkswagen Financial Services AG, Braunschweig.

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

The financing activities are carried out in different currencies and interest terms. To avoid interest and currency risks, the company concludes interest and currency swaps. The small interest and exchange rate exposures during and at the end of 2008 were within the limits approved by the Supervisory Board.

The credit risk is remote due to the fact that the majority of assets is due from group companies.

The financial market crisis that intensified constantly in the course of the year 2008 had a severe influence on the refinancing conditions at the money and capital markets. Especially in the second half of the year the market participants felt more and more uncertain despite substantial interferences of governmental facilities. This situation caused a liquidity squeeze that has never been noted before and consequently a dramatic increase of refinancing costs.

The Volkswagen group could very well assert its position in this environment owing to the gained financial flexibility. Due to the further comfortable liquidity position of the group and the multiplicity of the disposable money and capital market instruments, it was possible to cover the liquidity need also in difficult phases. Thus Volkswagen was able to avoid particularly price sensitive markets and to reduce the, in general, increased level of the refinancing costs.

Considering this background FSNV's business volume decreased by EUR 0.7 billion to EUR 2.0 billion. Due to this development the interest income diminished (EUR 5.4 million in 2008 against EUR 5.7 million in 2007). The result after taxes amounts to EUR 4.1 million (2007: EUR 4.2 million).

For 2009 we expect business volume to grow again assuming that the financial market will recover in the course of the year.

Amsterdam, 25 February 2009


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(Frank Mitschke, Managing Director)

Financial statements

Balance sheet as at 31 December 2008

(after proposed appropriation of profit)

	Ref.	31 December 2008		31 December 2007	
		EUR'000	EUR'000	EUR'000	EUR'000
<i>Assets</i>					
Fixed assets					
Intangible fixed assets	5		-		1
Tangible fixed assets	5		11		27
Financial fixed assets:	6				
Shares in participations		1		1	
– Loans to Volkswagen group companies		600,196		431,974	
– Loans to joint ventures of the Volkswagen group		327,361		575,532	
– Receivables from joint ventures of the Volkswagen group		1,803		3,653	
– Prepaid and deferred charges		6		60	
Total financial fixed assets			929,367		1,011,220
Total fixed assets			929,378		1,011,248
Current assets					
Receivables due from Volkswagen group companies	7	578,219		1,161,265	
Receivables due from joint ventures of the Volkswagen group	7	490,591		594,647	
Other assets	8	10,842		9,761	
Prepaid and deferred charges	9	1,156		444	
Cash at banks and in hand		1,026		1,667	
Total current assets			1,081,834		1,767,784
Total assets			2,011,212		2,779,032

The accompanying notes are an integral part of these financial statements.

	Ref.	31 December 2008		31 December 2007	
		EUR'000	EUR'000	EUR'000	EUR'000
<i>Shareholders' equity and liabilities</i>					
Shareholders' equity	10				
Share capital		454		454	
Retained earnings		21,858		17,775	
Total shareholders' equity			22,312		18,229
Long-term liabilities					
Bonds	11	465,000		869,178	
Liabilities to banks		54,517		106,889	
Liabilities to Volkswagen group companies	11	404,293		32,000	
Other liabilities		1,571		3,629	
Deferred income		2		10	
Total long-term liabilities			925,383		1,011,706
Current liabilities					
Bonds	12	854,078		1,518,147	
Commercial papers		24,399		27,129	
Liabilities to banks		99,656		50,813	
Liabilities to Volkswagen group companies	12	37,000		99,657	
Other liabilities		47,270		52,842	
Deferred income		880		271	
Trade payables		26		1	
Current income tax		2		5	
Accrued liabilities		206		232	
Total current liabilities			1,063,517		1,749,097
Total shareholders' equity and liabilities			2,011,212		2,779,032

The accompanying notes are an integral part of these financial statements.

Income statement 2008

		2008		2007	
	Ref.	EUR'000	EUR'000	EUR'000	EUR'000
Income					
Interest and similar income	14	160,474		145,060	
Other operating income	15	4		12	
Total income			160,478		145,072
Expenses					
Interest and similar expenses	14	(155,026)		(139,379)	
Other operating expenses	16	(132)		(123)	
General and administrative expenses	17	(835)		(755)	
Depreciation and amortisation expenses	18	(16)		(16)	
Total expenses			(156,009)		(140,273)
Result before taxation			4,469		4,799
Taxation	23		(386)		(641)
Result after taxation			4,083		4,158

The accompanying notes are an integral part of these financial statements.

Cash flow statement 2008

		2008		2007	
	Ref.	EUR'000	EUR'000	EUR'000	EUR'000
Cash flow from operating activities					
Loans granted	6/7	768,901		(632,502)	
Loans taken	11/12	(772,500)		630,018	
<i>Cash (used by) lending activities</i>			(3,599)		(2,484)
Interest received	14	159,393		144,585	
Interest paid	14	(155,026)		(139,379)	
<i>Cash generated from interest</i>			4,367		5,206
Other operating activities	5/6/9/15	(637)		547	
Paid expenses	16/17/18	(386)		(1,213)	
Corporate income tax paid	23	(386)		(641)	
<i>Cash (used by) other operating activities</i>			(1,409)		(1,307)
Net cash flow			(641)		1,415
Cash and cash equivalents at beginning of the year			1,667		252
Cash and cash equivalents at end of the year			1,026		1,667

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements

1 General

1.1 Activities

Volkswagen Financial Services N.V. ('FSNV' or 'the company') is a 100% subsidiary of Volkswagen Financial Services AG ('FSAG').

FSNV's registered office is located in Amsterdam, the Netherlands.

The main purpose of the company is the financing of and participation in group companies. FSNV has access to several funding sources such as bond loans, note loans and Euro Medium Term Loans as well as intercompany loans.

All external issues are guaranteed by FSAG. FSNV has lent the proceeds of these borrowings to group companies.

1.2 Consolidation and shares in participations

FSNV holds one share in VW Finance Belgium SA, Brussels, Belgium with a cost price of EUR 500. The issued share is less than 20% of the total shares of VW Finance Belgium SA.

FSNV is part of the Volkswagen group. The ultimate parent company of this group is Volkswagen AG of Wolfsburg, Germany. The consolidation, including the investment in VW Finance Belgium SA, Brussels, is performed at Volkswagen AG level. These consolidated financial statements can be obtained from the company.

Based on Article 2:408 of the Netherlands Civil Code FSNV is exempt from consolidation.

1.3 Note to the cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement are comprised of cash and cash equivalents. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are included in the respective amounts. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognised as cash used in financing activities. The purchase consideration paid for the acquired group company was recognised as cash used in investing activities where it was settled in cash. Transactions not resulting in inflow or outflow of cash are not recognised in the cash flow statement.

1.4 Estimates

Estimates used in the financial statements are limited to the use of provisions for general expenses and taxes based on experience and sound judgement.

2 Principles of valuation of assets and liabilities

2.1 General

The financial statements were prepared in accordance with the statutory provisions of Part 9, Book 2 of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. The financial statements are denominated in EUR.

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or fair value. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred. The balance sheet, income statement and cash flow statement include references to the notes.

2.2 Comparison with prior year

The principles of valuation and determination of result remain unchanged compared to the prior year.

2.3 Foreign currencies

Functional currency

Items in the financial statements of group companies are stated with due observance of the currency of the primary economic environment in which the respective group company operates (the functional currency). The financial statements are denominated in EUR, i.e. the functional and reporting currency of FSNV.

Transactions, receivables and liabilities

Monetary assets and liabilities denominated in foreign currencies are translated at the mid-rate prevailing on the balance sheet date. Investments in participations are stated at the historical exchange rate.

Transactions denominated in foreign currencies in the reporting period are recognised in the financial statements at the exchange rate ruling at the transaction date.

In respect of any positions in the balance sheet that are covered by cross-currency interest rate swaps or by foreign exchange forward contracts, the differences in values calculated at mid-rates at the end of the year and contract rates are allocated to the respective principals of the loans. If the loan taken is denominated in a currency other than EUR, the respective correction is allocated to this loan. Otherwise the respective loan granted is corrected.

2.4 Intangible fixed assets

Intangible fixed assets are carried at historical cost less amortisation. Any impairment as at the balance sheet date is taken into account; an impairment exists if the carrying amount of the asset (or the cash-generating unit to which it belongs) exceeds its recoverable amount. For determining whether an impairment charge in respect of an intangible fixed asset applies, reference is made to note 2.7.

Computer software

Software licences acquired are capitalised at acquisition cost and amortised over the estimated economic life of three years. Expenditures incurred for the production of identifiable software products that are tailor-made for the group are capitalised. Expenditure in connection with maintenance of computer software and expenses related to research activities are recognised in the income statement.

2.5 Tangible fixed assets

Fixed assets are valued at acquisition or production cost including directly attributable expenses, less straight-line depreciation over the estimated useful economic life, or market value if lower. Directly attributable production costs include the costs of the raw materials and consumables, and also include installation costs.

The following depreciation period is used:

Asset	Number of years
Computer hardware	3

2.6 Financial fixed assets

Shares in participations

The investment in the group company is valued at the lower of cost and net realisable value.

The share in the group company is specified in note 1.2.

Loans to Volkswagen group companies and joint ventures of the Volkswagen group

Loans to Volkswagen group companies and joint ventures of the Volkswagen group are loans with an original term of more than one year and are valued at their amortised cost value. *Disagio* is capitalised and depreciated based on the effective yield of interest. We refer to noted 2.12 for further disclosure on these loans.

Receivables from joint ventures of the Volkswagen group

Interest receivables from joint ventures of the Volkswagen group are receivables with an original term of more than one year and are valued at their nominal value.

2.7 Impairment of fixed assets

On each balance sheet date, the company tests whether there are any indications of assets being subject to impairment. If any such indications are present, the recoverable amount of the asset is determined. If this proves to be impossible, the recoverable amount of the cash-generating unit to which the asset belongs is identified. An asset is subject to impairment if its carrying amount is higher than its recoverable value; the recoverable value is the higher of the net realisable value and the value in use.

Net realisable value is determined based on the active market. An impairment is directly recognised as an expense in the income statement.

If it is established that a previously recognised impairment no longer applies or has declined, the increased carrying amount of the assets in question is not set higher than the carrying amount that would have been determined had no asset impairment been recognised.

2.8 Current assets

Receivables due from Volkswagen group companies and joint ventures of the Volkswagen group

The receivables due from Volkswagen group companies and joint ventures of the Volkswagen group are valued at their amortised cost value. All receivables will be received within one year.

Other assets

The swap interest receivables and income tax receivables are shown under other assets and are valued at their amortised cost value.

Prepayments and accrued income

Accrued income is amortised over the remaining life of the bonds.

Cash at banks and in hand

Cash at banks and in hand represents cash in hand, bank balances and deposits with a maturity of less than one year.

Cash and banks denominated in foreign currencies are translated at the mid-rate prevailing on the balance sheet date.

2.9 Equity

The company has no statutory or mandatory reserves.

2.10 Long-term liabilities

Bonds

The bonds are valued at their amortised cost value. All long-term bonds have a maturity of over one year. No assets were pledged as collateral by the company.

Liabilities to banks

The liabilities to banks are valued at their nominal value. All liabilities have a maturity of over one year.

Liabilities to Volkswagen group companies

The liabilities to Volkswagen group companies are valued at their nominal value. All liabilities have a maturity of over one year.

Other liabilities

The swap interest payables with a run-off period of more than one year are shown under other liabilities and are valued at their amortised cost value.

2.11 Current liabilities

Bonds

The bonds are valued at their amortised cost value. All short-term bonds are payable within one year.

Liabilities to banks

The liabilities to banks are valued at their amortised cost value. All liabilities are payable within one year.

Liabilities to Volkswagen group companies

The liabilities to affiliated companies are valued at their amortised cost value. All liabilities are payable within one year.

Other liabilities

The swap interest payables with a run-off period within one year are shown under other liabilities and are valued at their nominal value.

Deferred income

The deferred income concerns premiums and compensations and is amortised over the remaining life of the loans taken.

Deferred income tax

Deferred tax liabilities are recognised to provide for timing differences between the value of the assets and liabilities for financial reporting purposes on the one hand and for tax purposes on the other. Deferred tax liabilities are calculated based on the tax rate prevailing on the balance sheet date or the rates that will apply in the future, insofar as these have been set down by law.

Current income tax

The current Dutch nominal tax rate of 25.5% has been applied. FSNV is part of a fiscal unity with Volkswagen International Finance N.V.

Trade payables

The trade payables are valued at their amortised cost value and are payable within one year.

Other accrued liabilities

The accruals are stated at the amount required, based on sound business judgement and valued at the expected costs.

2.12 Financial instruments

Securities included in financial and current assets, as well as liabilities and derivative financial instruments, are stated at cost. The company applies hedge accounting to hedging interest and currency risk on borrowings and lendings. Both the derivative and the hedged item are stated at cost. The gain or loss relating to the ineffective portion is recognised in the income statement within finance cost. For more information about the value of the assets see note 7, of the liabilities see notes 11 and 12, and of the financial instruments see note 22. The company has no derivative financial instruments other than the ones used for hedging.

Fair value hedge

In applying fair value hedge accounting, both the hedging instrument and the hedged position are stated at fair value, at least where this is attributable to the hedged risk. The gain or loss from remeasuring the hedging instrument at fair value or the foreign currency component of its carrying amount on the balance sheet date shall be directly recognised in profit or loss. The company shall discontinue prospectively the hedge accounting if:

- the hedging instrument expires or is sold, terminated or exercised;
- the hedge no longer meets the criteria for hedge accounting;
- the company revokes the designation.

The company applies fair value hedge accounting to hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed-rate borrowings is directly recognised in the income statement within finance costs. The gain or loss relating to the ineffective portion is recognised in the income statement within finance costs.

Cost price hedge

In applying cost price hedge accounting, the initial recognition of, and the accounting policies for, the hedging instrument are dependent on the hedged item, which has the following implications:

- If the hedged item is recognised at cost in the balance sheet, the derivative instrument is also stated at cost.
- As long as the hedged item is not yet recognised in the balance sheet, the hedging instrument is not remeasured. This applies, for instance, to hedging currency risks on future transactions.
- If the hedged item qualifies as a monetary item denominated in a foreign currency, the derivative instrument, where it has currency elements, is also stated at the spot rate at the balance sheet date. If the derivative instrument has currency elements, the difference between the spot rate on the date the derivative instrument is contracted and the forward rate at which it will be settled is spread over the maturity of the derivative instrument.

The ineffective portion of the hedge is recognised directly in profit or loss.

The company applies cost price hedge accounting to hedging fixed-interest risk on borrowings. The gain or loss relating to the ineffective portion is recognised in the income statement within finance costs.

3 Principles of determination of result

3.1 General

Result is determined as the difference between the realisable value of services rendered and the costs and other charges for the year. Results on transactions are recognised in the year in which they are realised; losses are taken as soon as they are foreseeable.

Profit or loss is determined taking into account the recognition of unrealised changes in fair value of:

- securities included in current assets;
- derivative financial instruments that have not been designated as hedges.

3.2 Revenue recognition

Revenue from interest income is allocated to the reporting period in which it occurs.

3.3 Exchange rate differences

Exchange rate differences arising upon the settlement of monetary items are recognised in the income statement in the period that they arise (note 16).

3.4 Interest income and similar income and interest expenses and similar expenses

Interest income and expense is recognised on a pro rata basis, taking account of the effective interest rate of the assets and liabilities concerned. On recognition of the interest charges, the transaction cost on the loans received is taken into account.

3.5 *Other operating income and expenses*

Other operating income and expenses include income and expenses that are not directly attributable to the interest income and expenses and is valued at the realisable value.

3.6 *General and administrative expenses*

These expenses include expenses such as personnel expenses, office expenses, consulting and audit fees and depreciation and amortisation and are valued at cost.

Depreciation and amortisation

Intangible fixed assets are amortised and tangible fixed assets are depreciated over their expected useful lives as from the inception of their use. Future depreciation is adjusted if there is a change in estimated useful life.

Gains and losses upon the sale of tangible fixed assets are included in other operating income or other operating expenses respectively.

Labour and other costs third party

Services performed by Volkswagen International Finance N.V. ("VIF") for FSNV are charged at a fixed amount. These costs include for example salaries, rental costs and general costs.

3.7 *Taxation*

Profit tax is calculated on the profit before taxation in the income statement, taking into account any losses carried forward from previous financial years (insofar as these are not included in deferred tax assets), tax-exempt items and non-deductible expenses. Account is also taken of changes in deferred tax assets and deferred tax liabilities owing to changes in the applicable tax rates.

4 **Financial instruments**

4.1 *Market risk*

Currency risk

To avoid risk, the loans to Volkswagen group companies and to joint ventures of the Volkswagen group and related funding are generally matched in currency terms. If not, correcting swaps are executed to achieve the matched basis. The small exchange rate exposures during and at the end of 2008 were within the mismatch guidelines.

Interest rate risk

To avoid risk, the loans to Volkswagen group companies and to joint ventures of the Volkswagen group and related funding are generally matched in interest terms. If not, correcting swaps are executed to achieve the matched basis. The small interest rate exposures during and at the end of 2008 were within the mismatch guidelines.

4.2 *Credit risk*

The risk of default arising from financial assets and derivative financial instruments involves the risk of default by counterparties. The maximum loss from derivative instruments equals their positive

fair value. Risk is additionally limited by a limit system based on credit assessments by the international rating agencies.

4.3 Liquidity risk

The company uses several banks which are selected at group level. The liquidity risk is monitored by assuring that the critical terms of the relevant items match.

5 Intangible and tangible fixed assets

	Intangible fixed assets (software)	Tangible fixed assets (other installations, business and office equipment)	Total
	EUR'000	EUR'000	EUR'000
Purchase cost	39	189	228
Amortisation/depreciation (accumulated)	39	178	217
Book value as at 31 December 2008	-	11	11
Book value as at 31 December 2007	1	27	28
Amortisation/depreciation current year	1	16	17

6 Financial fixed assets

Shares in participations

The company's interests in other companies comprise the following:

Company	Local (original) currency (LC)	Share in issued capital as %	31 December 2008		31 December 2007	
			LC'000	EUR'000	LC'000	EUR'000
VW Finance Belgium SA	EUR	< 5	1	1	1	1

Loans to Volkswagen group companies and joint ventures of the Volkswagen group included in fixed assets

A breakdown of the loans to Volkswagen group companies and joint ventures of the Volkswagen group is as follows:

	Original currency	Weighted average interest rate (%)	31 December 2008	
			Book value	Market value
			EUR'000	EUR'000
Fixed asset loans to Volkswagen group companies	EUR	5.48	503,196	525,499
	GBP	6.56	75,000	58,036
	CZK	4.25	15,000	16,320
	RUB	8.71	7,000	5,707
			600,196	605,562
Fixed asset loans to joint ventures of the Volkswagen group	EUR	5.48	278,400	287,057
	SKK	3.21	35,000	40,586
	TRY	22.13	13,961	16,421
			327,361	344,064
Total loans to Volkswagen group companies and joint ventures of the Volkswagen group			927,557	949,626
	Original currency	Weighted average interest rate (%)	31 December 2007	
			Book value	Market value
			EUR'000	EUR'000
Fixed asset loans to Volkswagen group companies	EUR	5.34	251,952	254,278
	GBP	6.29	150,000	142,686
	CZK	4.06	30,022	31,441
			431,974	428,405

	Original currency	Weighted average interest rate (%)	31 December 2007	
			Book value	Market value
			EUR'000	EUR'000
Fixed asset loans to joint ventures of the Volkswagen group	EUR	5.25	340,500	347,687
	USD	5.79	15,830	15,856
	SKK	4.34	35,000	34,729
	TRY	18.40	184,202	195,465
			575,532	593,737
Total loans to Volkswagen group companies and joint ventures of the Volkswagen group			1,007,506	1,022,142

Prepaid and deferred charges

	31 Dec 2008	31 Dec 2007
	EUR'000	EUR'000
Other prepaid and deferred charges	6	29
Emission costs	-	31
	6	60

**7 Receivables due from Volkswagen group companies and joint ventures of
the Volkswagen group**

	Original currency	Weighted average interest rate (%)	31 December 2008	
			Book value	Market value
			EUR'000	EUR'000
Current asset receivables due from Volkswagen group companies excluding interest	EUR	4.24	255,952	257,588
	GBP	6.37	239,144	209,355
	RUB	9.02	2,000	1,672
	CZK	3.69	14,884	15,231
	SEK	5.24	55,182	56,102
Accrued and other receivables			11,057	11,057
			578,219	551,005

	Original currency	Weighted average interest rate (%)	31 December 2008	
			Book value	Market value
			EUR'000	EUR'000
Current asset receivables due from joint ventures of the Volkswagen group excluding interest	EUR	4.94	275,784	281,784
	USD	4.88	25,948	26,681
	TRY	18.47	161,205	169,564
Accrued and other receivables			27,654	27,654
			490,591	505,683
Total receivables due from Volkswagen group companies and joint ventures of the Volkswagen group			1,068,810	1,056,688

As mentioned in note 2.12 all outstanding loans to Volkswagen group companies and joint ventures of the Volkswagen group are hedged with cross-currency interest rate swaps, interest rate swaps and forwards to the bonds and loans from Volkswagen group companies used to fund the financing activities. As a result the company has no exposure to interest rate risk and currency risk.

The market values are determined on the basis of discounted cash flows. Credit spreads were not included in the model used to determine the market value. Since all loans are to Volkswagen group companies and joint ventures of the Volkswagen group the credit spread applicable to these loans is equal to the credit spread for the Volkswagen group. As at December 31 the following credit spreads were applicable to the Volkswagen group:

For amounts payable within one year:	100.50 bps
For amounts payable between one year and five years:	191.25 bps
For amounts payable after five years	261.00 bps

	Original currency	Weighted average interest rate (%)	31 December 2007	
			Book value	Market value
			EUR'000	EUR'000
Current asset receivables due from Volkswagen group companies excluding interest	EUR	5.16	600,789	606,750
	GBP	5.87	281,960	272,726
	USD	6.38	455	473
	JPY	0.91	12,126	12,170
	SEK	4.53	252,958	252,240
Accrued and other receivables			12,977	12,977
			1,161,265	1,157,336

	Original currency	Weighted average interest rate (%)	31 December 2007	
			Book value	Market value
			EUR'000	EUR'000
Current asset receivables due from joint ventures of the Volkswagen group excluding interest	EUR	4.88	371,648	394,158
	USD	6.20	27,370	26,230
	SKK	4.49	26,999	27,137
	TRY	19.58	135,294	151,306
Accrued and other receivables			33,336	33,336
			<u>594,647</u>	<u>632,167</u>
Total receivables due from Volkswagen group companies and joint ventures of the Volkswagen group			<u>1,755,912</u>	<u>1,789,503</u>

8 Other assets

	31 Dec 2008	31 Dec 2007
	EUR'000	EUR'000
Swap interest receivables from banks	10,527	9,737
Income tax receivable	311	11
VAT receivable	-	2
Other interest receivable	4	11
	<u>10,842</u>	<u>9,761</u>

9 Prepaid and deferred charges

	31 Dec 2008	31 Dec 2007
	EUR'000	EUR'000
Other prepaid and deferred charges	253	238
Foreign exchange swap charges	875	45
Emission costs	28	161
	<u>1,156</u>	<u>444</u>

The increase in prepaid and deferred charges is due to new issues which included *disagio* that has been capitalised in the balance sheet.

10 Shareholders' equity

Share capital

On 31 December 2008 the subscribed capital of the company amounted to EUR 2,270,000 of which an amount of EUR 454,000 was paid up. 454 registered shares of EUR 1,000 each have been issued.

	Issued and paid-up share capital	Retained earnings	Total equity
	EUR'000	EUR'000	EUR'000
Balance as at 31 December 2006	454	13,617	14,071
Result for the year 2007	-	4,158	4,158
Balance as at 31 December 2007	454	17,775	18,229
Result for the year 2008	-	4,083	4,083
Balance as at 31 December 2008	454	21,858	22,312

11 Long-term liabilities

All long-term liabilities are payable within one to five years.

Bonds

A breakdown of the long-term bonds is as follows:

Bonds				31 December 2008		31 December 2007	
Counterparty	Local curr.	Maturity date	Interest %	EUR'000	LC'000	EUR'000	LC'000
Société							
Générale	EUR	19-02-2009	6.64			75,000	75,000
BBVA	EUR	28-02-2009	4.125			110,000	110,000
RBS	EUR	12-03-2009	5.653			50,000	50,000
Mizuho	JPY	16-03-2009	0.88			29,350	4,000,000
HSBC	TRY	19-03-2009	18.5			40,769	70,000
JP Morgan	JPY	24-03-2009	0.96			14,750	2,000,000
Barclays	JPY	24-03-2009	1.03			11,132	1,500,000
HVB	CZK	29-05-2009	3.56			15,022	400,000
Morgan Stanley	JPY	08-06-2009	1.075			19,125	2,600,000
RBS	EUR	03-08-2009	4.688			100,000	100,000
Morgan London	EUR	16-11-2009	4.825			70,000	70,000
Commerzbank	JPY	21-12-2009	0.965			34,030	5,500,000
RBS	EUR	23-03-2010	4.91	150,000	150,000	150,000	150,000
Calyon	EUR	02-08-2010	4.738	150,000	150,000	150,000	150,000
HSBC	EUR	23-08-2010	5.36	10,000	10,000		
KBC	EUR	05-05-2010	5.153	25,000	25,000		
Société							
Générale	EUR	24-11-2010	4.576	130,000	130,000		
Total long-term bonds				465,000		869,178	

Liabilities to Volkswagen group companies excluding interest

A breakdown of the long-term liabilities to Volkswagen group companies is as follows:

	31 Dec 2008	31 Dec 2007
	EUR'000	EUR'000
Volkswagen AG	31,000	32,000
Volkswagen Bank	373,293	-
	404,293	32,000

Liabilities to banks

Liabilities to banks relate to unsecured bank loans.

12 Current liabilities

Bonds

A breakdown of the short-term bonds is as follows:

Bonds	Counterparty	Local curr.	Maturity date	Interest %	31 December 2008		31 December 2007	
					EUR'000	LC'000	EUR'000	LC'000
	Barclays	JPY	28-01-2008	0.65			12,127	2,000,000
	WestLB	EUR	28-01-2008	4.743			50,000	50,000
	HSBC	JPY	03-03-2008	0.05			75,790	12,500,000
	Morgan Stanley	TRY	20-03-2008	12.2			46,593	80,000
	Deutsche Bank	TRY	04-04-2008	11.85			46,593	80,000
	Daiwa	JPY	04-04-2008	0.01			48,505	8,000,000
	Dresdner Bank	EUR	12-05-2008	4.679			60,000	60,000
	HVB	EUR	02-06-2008	5.151			100,000	100,000
	RBS	EUR	16-07-2008	4.871			100,000	100,000
	Mizuho	JPY	09-10-2008	1.111			30,425	5,000,000
	RBS	EUR	16-10-2008	4.721			75,000	75,000
	Deutsche Bank	JPY	20-10-2008	1.09			30,377	5,000,000
	SMBC	JPY	25-11-2008	1.15			395,538	50,000,000
	BNP Paribas	EUR	28-11-2008	4.843			150,000	150,000
	SEB	SEK	11-12-2008	4.77			52,958	500,000
	Commerzbank	JPY	17-12-2008	1.0375			61,576	10,000,000
	RBS	EUR	19-12-2008	4.959			100,000	100,000
	BNP Paribas	JPY	19-12-2008	1.135			29,707	5,000,000
	SEB	SEK	22-12-2008	4.29			52,958	500,000
	Barclays	JPY	24-03-2009	1.03	11,132	1,500,000		
	BBVA	EUR	28-02-2009	4.125	110,000	110,000		
	BBVA	EUR	23-10-2009	6.15	10,000	10,000		
	JP Morgan Ch	JPY	24-03-2009	0.96	14,750	2,000,000		
	Citybank Ltd	JPY	18-12-2009	0.5	16,244	2,500,00		
	Commerzbank	JPY	13-08-2009	0.895	35,438	6,000,000		
	Commerzbank	JPY	21-12-2009	0.9375	34,030	5,500,000		
	Svenska	SEK	05-11-2009	5.115	55,198	600,000		
	HSBC	TRY	19-03-2009	18.5	32,576	70,000		
	HVB	CZK	29-05-2009	3.56	14,884	400,000		
	Mizuho	JPY	16-03-2009	0.88	29,350	4,000,000		
	Morgan	EUR	16-11-2009	4.495	70,000	70,000		
	HSBC	JPY	14-07-2009	0.45	54,629	11,000,00		
	MS&Co	JPY	08-06-2009	1.075	19,125	2,600,000		
	RBS	EUR	03-08-2009	4.884	100,000	100,000		
	RBS	EUR	12-03-2009	4.552	50,000	50,000		
	Soc. Générale	CZK	08-07-2009	4.63	26,040	754,500		
	Soc. Générale	EUR	19-02-2009	4.251	75,000	75,000		
	LBBW	EUR	06-05-2009	5.05	60,000	60,000		
	LBBW	JPY	10-07-2009	0.42	35,682	6,000,000		
					<u>854,078</u>	<u>1,518,147</u>		

Liabilities to Volkswagen group companies

A breakdown of the current liabilities to Volkswagen group companies is as follows:

	<u>31 Dec 2008</u>	<u>31 Dec 2007</u>
	EUR'000	EUR'000
Volkswagen AG	37,000	89,657
Volkswagen International Finance N.V.	-	10,000
	<u>37,000</u>	<u>99,657</u>

Commercial paper

Commercial paper relates to commercial paper issued to third parties.

Liabilities to banks

Liabilities to banks relate to the short-term part of the unsecured bank loans.

Other liabilities

Other liabilities relate to interest payables on loans and swaps.

13 Commitments not included in the balance sheet

Fiscal unity

The company forms a fiscal unity for corporate income tax and turnover tax purposes with Volkswagen International Finance N.V. Under the Tax Collection Act, the company is jointly and severally liable for the taxes payable by the group.

14 Financial income and expenses

Interest and similar income

	<u>2008</u>	<u>2007</u>
	EUR'000	EUR'000
Interest and similar income	160,474	144,603
Interest and similar expenses	155,026	139,379
Other	-	457
	<u>5,448</u>	<u>5,681</u>

15 Other operating income

	<u>2008</u>	<u>2007</u>
	EUR'000	EUR'000
Miscellaneous income previous years	4	12

16 Other operating expenses

	<u>2008</u>	<u>2007</u>
	EUR'000	EUR'000
Portfolio fees	109	85
Miscellaneous expenses	1	15
Translation losses	10	-
Bank charges	8	5
Miscellaneous expenses previous years	4	18
	<u>132</u>	<u>123</u>

17 General and administrative expenses

	<u>2008</u>	<u>2007</u>
	EUR'000	EUR'000
Labour and other costs third party	576	550
Consulting and auditing fees	91	132
EDP expenses	105	69
General office expenses	63	4
	<u>835</u>	<u>755</u>

The labour and other costs third party consist of a charge from Volkswagen International Finance N.V. for services rendered to FSNV.

18 Depreciation and amortisation expenses

Depreciation and amortisation expenses can be broken down as follows:

	<u>2008</u>	<u>2007</u>
	EUR'000	EUR'000
Amortisation intangible fixed assets (note 5)	1	2
Depreciation tangible fixed assets (note 5)	16	14
	<u>16</u>	<u>16</u>

19 Auditor's fees

The following fees occurred in the reporting period:

	2008	2007
	EUR'000	EUR'000
Audit of the financial statements	36	36
Other non-audit services	10	19
	<u>46</u>	<u>55</u>

20 Related parties

All loans are granted to other group companies. The interest income is mainly received from these group companies.

For receivables due from Volkswagen group companies see note 7.

For liabilities to Volkswagen group companies see note 12.

21 Average number of employees

The employees are supplied by Volkswagen International Finance N.V. The costs regarding the work performed for FSNV are included in the service charges of EUR 576,000 which are shown under the general and administrative expenses.

22 Financial instruments

The company's policy is to fully hedge its interest rate and exchange rate exposures.

The financial instruments of the company had the following notional amounts:

	Interest swaps	Interest/ currency swaps	FX contracts	Total
	EUR'000	EUR'000	EUR'000	EUR'000
31 December 2008	230,000	556,058	22,998	809,056
31 December 2007	248,958	1,361,032	19,339	1,629,329

The financial instruments of the company had the following market values:

	Interest swaps	Interest/ currency swaps	FX contracts	Total
	EUR'000	EUR'000	EUR'000	EUR'000
31 December 2008	6,139	133,809	4,191	143,939
31 December 2007	1,161	(84,672)	(11)	(83,522)

23 Taxation

The taxation on the result of EUR 4,468,615 can be specified as follows:

	2008	2007
	EUR'000	EUR'000
Result before taxation	4,469	4,799
Taxation on result	386	641
Effective tax rate	8.6%	13.4%
Applicable tax rate	25.5%	25.5%

The low effective tax rate is caused by fiscal deduction of the unpaid guarantee commission of EUR 2,437,852. For fiscal purposes, income from this waived commission is added to the taxable income of the parent company.

24 Directors and supervisory directors

Management Board:
Frank Mitschke, Amsterdam
Bernd Bode, Hannover

The Management Board has not received any remuneration for 2008.

Supervisory Board:
Frank Fiedler, Braunschweig (from 25 September 2008)
Burkhard Breiing, Wolfenbüttel (until 15 September 2008)


The Supervisory Board has not received any remuneration for 2008.

The Management Board declares that to the best of their knowledge:

1. the financial statements give a true and fair view of the assets, the liabilities, the financial position and the results of the company; and
2. the Management Board report gives a true and fair view of the company's situation on the balance sheet date, the events that occurred during the year and the risks to which the company is exposed.

Amsterdam, 25 February 2009

Management Board,


.....
F. Mittermaier


.....
B. Bode

Supervisory Board,


.....
F. Fiedler

Other information

Profit appropriation according to the Articles of association

The company's Articles of Association provide that appropriation of accrued profit is subject to the decision of the shareholders at the general meeting of shareholders. The company can only make distributions to the shareholders and other persons entitled up to an amount which does not exceed the amount of the distributable reserves. The general meeting may resolve to pay dividends from legally distributable reserves.

Proposed appropriation of profit

Management proposes to retain the 2008 profit of EUR 4,083,000.

Post-balance sheet events

No post-balance sheet events occurred.

To the General Meeting of Shareholders of
Volkswagen Financial Services N.V.

PricewaterhouseCoopers
Accountants N.V.
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Auditor's report

Report on the financial statements

We have audited the accompanying 2008 financial statements of Volkswagen Financial Services N.V., Amsterdam, as set out on pages 4 to 27 which comprise the balance sheet as at 31 December 2008, the income statement for the year then ended, the cash flow statement and the notes.

The directors' responsibility

The directors of the company are responsible for the preparation and fair presentation of the financial statements and for the preparation of the management report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires 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 judgement, including the 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 and fair presentation of the financial statements 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 accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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PricewaterhouseCoopers is the trade name of among others the following companies: PricewaterhouseCoopers Accountants N.V. (Chamber of Commerce 34180285), PricewaterhouseCoopers Belastingadviseurs N.V. (Chamber of Commerce 34180284), PricewaterhouseCoopers Advisory N.V. (Chamber of Commerce 34180287) and PricewaterhouseCoopers B.V. (Chamber of Commerce 34180289). The services rendered by these companies are governed by General Terms & Conditions, which include provisions regarding our liability. These General Terms & Conditions are filed with the Amsterdam Chamber of Commerce and can also be viewed at www.pwc.com/nl.



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 Volkswagen Financial Services N.V. as at 31 December 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 27 February 2009

PricewaterhouseCoopers Accountants N.V.

A handwritten signature in black ink, appearing to be 'H.F.M. Gertsen RA'. The signature is written over a horizontal line that is part of the company's letterhead or a separator line.

H.F.M. Gertsen RA