Financial report 2014

Volkswagen Financial Services N.V.

Amsterdam

Contents

Management report	**2**
Financial statements	**4**
Balance sheet as at 31 December 2014	5
Income statement 2014	7
Cash flow statement 2014	8
Notes to the financial statements	9
Other information	**29**
Profit appropriation according to the Articles of Association	30
Proposed appropriation of profit	30
Post balance sheet events	30

Management report

Volkswagen Financial Services N.V. ('FSNV') is one of the funding vehicles of Volkswagen Financial Services AG ('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 EUR 25 billion Debt Issuance Programme ('DIP') that adheres to the European Prospective Directive Standards and is regularly updated, as well as the EUR 10 billion Commercial Paper ('CP') Programme. All issues are guaranteed by FSAG. Therefore, the FSNV rating by Moody's and Standard & Poor's is derived from the FSAG rating. According to Moody's, FSAG's rating is set to P-2 (short-term) and A3 (long-term) with a positive outlook. Standard & Poor's assessed FSAG's creditworthiness as A-1 (short-term) and A (long-term) with a stable outlook.

In 2014 FSNV placed issues under the DIP with a total EUR equivalent volume of 2.0 billion (2013: 1.8 billion), and under the CP Programme with a total EUR equivalent volume of 2.8 billion (2013: 3 billion). The proceeds of these issues have been granted to the Volkswagen Financial Services Group companies.

FSNV redeemed DIP issues with a total EUR equivalent volume of 978 million (2013: 709 million) and CP issues with a total EUR equivalent volume of 2.6 billion (2013: 3.8 billion).

FSNV's balance sheet increased by EUR 2,9 billion to EUR 8,4 billion. The parent company injected EUR 105 million into the share premium reserve. The interest result decreased by EUR 3,9 million to EUR 18,6 million due to lower margins. The result after taxation amounts to EUR 12,9 million.

Given the adequate capitalisation and profitability and the fact that issuances under the DIP and CP-programmes are guaranteed by FSAG, the financial position of FSNV is sound.

The main business risks of FSNV are interest rate risks, currency risks, liquidity risks and credit risks. The Supervisory Board has set limits to restrict those risks. FSNV uses adequate tools to assess and to monitor these risks. In 2014 the limits were not exceeded. Further information on the risk management of the company is included in note 4 to the financial statements.

In line with the long-term business strategy, the Volkswagen Financial Services Group plans to develop new markets and to improve its competitive position in other markets. We expect that FSAG will keep FSNV's capital reserve on an adequate level, as several companies are going to use the attractive European funding for their benefit. Based on this assumption we expect a moderate increase in total business volume for FSNV in 2015. Taking into account the expected growth in business volume and comparable capital reserves, the development should to be at a similar level as in previous years.

Currently, there are no female directors in the company. The company will investigate how to deal with this in the future.

The Management Board declares to the best of their knowledge:

1. the financial statements for 2014 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 2014 and the risks to which the company is exposed.

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Amsterdam, 6 March 2015

Original has been signed by
Thomas Fries, Managing Director

Original has been signed by
Bernd Bode, Managing Director

Financial statements

Balance sheet as at 31 December 2014

(after proposed appropriation of profit)

		31 December 2014		31 December 2013	
	Ref.	EUR'000	EUR'000	EUR'000	EUR'000
Assets					
Fixed assets					
Financial fixed assets:					
Shares in participations	4	1		1	
Loans to Volkswagen Group companies	5	4,567,377		2,925,268	
Loans to joint ventures of the Volkswagen Group	5	736,051		615,416	
Total fixed assets			5,303,429		3,540,685
Current assets					
Receivables due from Volkswagen Group companies	6	2,111,129		1,029,120	
Receivables due from joint ventures of the Volkswagen Group	6	971,001		885,532	
Loans to external parties	7	500		500	
Other assets	8	33,983		41,058	
Prepaid and deferred charges	9	12,714		13,825	
Cash at banks and in hand	10	1,735		804	
Total current assets			3,131,062		1,970,839
Total assets			8,434,491		5,511,524

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

Liabilities		31 December 2014		31 December 2013	
	Ref.	EUR'000	EUR'000	EUR'000	EUR'000
Shareholder's equity and liabilities					
Shareholder's equity	11				
Share capital		454		454	
Share premium reserve		625,000		520,000	
Retained earnings		98,882		85,940	
Total shareholder's equity			724,336		606,394
Long-term liabilities					
Bonds	12	3,387,520		2,979,383	
Liabilities to Volkswagen Group companies	12	1,629,740		108,624	
Total long-term liabilities			5,017,260		3,088,007
Current liabilities					
Bonds	13	1,672,928		947,426	
Liabilities to Volkswagen Group companies	13	60,465		102,718	
Commercial papers	13	878,651		691,000	
Other liabilities	14	63,119		65,618	
Deferred income	15	17,732		10,361	
Total current liabilities			2,692,895		1,817,123
Total shareholder's equity and liabilities			8,434,491		5,511,524

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

Income statement 2014

	Ref.	2014 EUR'000	2014 EUR'000	2013 EUR'000	2013 EUR'000
Income					
Interest and similar income	17	145,309		131,867	
Other operating income	18	5		209	
Total income			145,314		132,076
Expenses					
Interest and similar expenses	17	(126,747)		(109,450)	
Other operating expenses	19	(154)		(15)	
General and administrative expenses	20	(1,476)		(1,037)	
Depreciation and amortisation expenses	21	-		(1)	
Total expenses			(128,377)		(110,503)
Result before taxation			16,937		21,573
Taxation	26		(3,995)		(4,903)
Result after taxation			12,942		16,670

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

Cash flow statement 2014

	Ref.	2014 EUR'000	2014 EUR'000	2013 EUR'000	2013 EUR'000
Cash flow from operating activities					
Loans granted	5/6	(2,919,244)		(89,855)	
Loans taken	12/13	2,800,758		271,308	
Net cash flow from lending activities			(118,486)		181,453
Interest received	6/17	136,536		135,806	
Interest paid	14/17	(115,842)		(105,184)	
Net cash flow from interest			20,694		30,622
Cash flow from financing Activities			105,000		(205,000)
Other operating activities	8/18	5		210	
Paid expenses	19/20/21/	(1,519)		(1,210)	
Corporate income tax paid	26	(4,763)		(6,199)	
Cash flow from other operating activities			(6,277)		(7,199)
Net cash flow			931		(124)
Cash and cash equivalents at beginning of the year			804		928
Cash and cash equivalents at end of the year			1,735		804

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 at Herengracht 495, 1017 BT 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 inter-company loans.

All external issues are guaranteed by FSAG. FSNV has lent more than 95% of the proceeds of these borrowings to Group companies or joint ventures.

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, 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.There are no participations in which the company holds a share of more than 50%, therefore the company is not consolidating.

1.3 Note to the cash-flow statement

Consolidated cash flows for the whole Volkswagen Financial Services Group are included in the Volkswagen Financial Services AG consolidated financial statements, therefore a separate cash flow statement for the company is not required by Dutch law. The company has selected a hybrid variant as additional disclosure in its financial statement. 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. Cash from loans granted, bonds 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.

1.4 Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Dutch Civil Code, the nature of these estimates and judgements, including the related assumptions, is disclosed in the notes to the financial statement items in question. Estimates used for accounting of financial fixed assets and impairment of loans granted are disclosed under note 2.5 and 2.6

2 Principles of valuation of assets and liabilities

2.1 General

The financial statements are prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch 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 year are recognised in the financial statements at 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 closing 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.

Hedge accounting

FSNV. applies hedge accounting. Relationships between hedging instruments and hedged items are documented at the inception of the transaction. FSNV also assesses, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. This is done by comparing the critical characteristics of the hedge instrument with those of the hedged position. If there is an indication of ineffectiveness, the company measures this potentially ineffective part by conducting a quantitative ineffectiveness analysis

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; 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.

For computer hardware a depreciation period of 3 years is used.

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 and to third parties
These are loans to Volkswagen Group companies, other participating interests and third parties are loans with an original term of more than one year. Receivables disclosed under financial fixed assets are recognised initially at fair value of the amount owed. These receivables are subsequently measured at amortised cost. The main rule is that amortised cost equals the carrying amount of the asset net of any repayments on the principal and plus, or net of, the accumulated amortisation, calculated using the effective interest method, of the difference between the amount upon initial recognition (including transaction costs) and the repayments. Straight-line amortisation in determining amortised cost is allowed as an alternative if straight-line amortisation does not lead to significant discrepancies with the effective interest method. If loans are issued at a discount or premium, the discount or premium is recognised through profit or loss over the maturities of the loans using the effective interest method. Also transaction costs are included in the initial valuation and recognised in profit or loss as part of the effective interest method. Impairment losses are deducted from amortised cost and expensed in the income statement.

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.

The fair 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

Receivables are recognised initially at fair value and subsequently measured at amortised cost. 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.

Deferred charges

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 and bank balances.
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 reserve.

2.10 Long-term liabilities

Bonds

The bonds are initially valued at fair value with subsequent measurement 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 initially valued at fair value with subsequent measurement at their amortised cost value. All liabilities have a maturity of over one year.

Liabilities to Volkswagen Group companies

The liabilities to Volkswagen Group companies are initially valued at fair value with subsequent measurement at their amortised cost 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 initially valued at fair value with subsequent measurement valued at their amortised cost value. All short-term bonds are payable within one year.

Liabilities to banks

The liabilities to banks are initially valued at fair value with subsequent measurement valued at their amortised cost value. All liabilities are payable within one year.

Liabilities to Volkswagen Group companies

The liabilities to affiliated companies are *initially valued at fair value with subsequent measurement* 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% has been applied.

Trade payables

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

Other accrued liabilities

The accruals are based on sound business judgement and valued at the expected costs.

2.12 *Financial instruments*

Loans included in financial and current assets, as well as liabilities and derivative financial instruments, are stated at amortised cost. The company applies hedge accounting to hedging instruments when hedging interest and currency risk on borrowings and lendings. Both the derivative and the hedged item are stated at amortised cost. The gain or loss relating to any ineffective portion is recognised in the income statement within finance cost. For more information about the value of the assets, assigned as hedged item, see note 5 and 6, of the liabilities see notes 12 and 13 and of the financial instruments see note 25. The company has no derivative financial instruments other than the ones used for hedging.

Cost price hedge accounting

The company applies cost price hedge accounting to hedging -interest risk and FX-risk on borrowings.

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 mid-rate prevailing at the balance sheet date.

The ineffective portion of the hedge is recognised directly in the income statement.

Hedge effectiveness is assessed by comparing the critical characteristics of the hedge instrument with those of the hedged position. If there is an indication of ineffectiveness, the company measures this potentially ineffective part by conducting a quantitative ineffectiveness analysis.

Principles of determination of result

2.13 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.

2.14 Revenue recognition

Revenue from interest income is allocated to the reporting year in which it occurs. Exchange rate differences arising upon the settlement of monetary items are recognised in the income statement in the period that they arise

2.15 Exchange rate differences

Exchange rate differences arising upon the settlement of monetary items are recognised in the income statement in the year that they arise unless hedged (notes18 and 19).

2.16 Interest income and similar income and interest expenses and similar expenses

Interest income and expenses are recognised on a pro-rate basis, taking into account the effective interest rate of the assets and liabilities concerned. When recognising the interest charges, the transaction cost on the loans received is taken into account.

2.17 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.

2.18 General and administrative expenses

These expenses include expenses such as personnel expenses, office expenses, consulting and audit fees and depreciation and amortisation.

Depreciation
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.

2.19 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

3 Financial instruments and risks

3.1 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, swaps are executed to achieve the matched basis.

The Supervisory Board has set small currency limits, policies are closely monitored and enforced. Consequently, currency risk is comparatively remote. In 2014 the limits were not exceeded.

Interest rate risk

The Supervisory Board authorised FSNV to run a certain interest rate risk. A limit system and tools to monitor and manage the risk have been set up. Interest mismatches are permitted within a twelve-month period only. Therefore, the risk is comparatively low. In 2014 no limits were exceeded.

3.2 Credit risk

The risk of default arising from loans granted 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.

3.3 Liquidity risk

The Supervisory Board has set certain liquidity risk limits. The company monitors the limits on a regular basis. Against the background of the comparatively narrow limits and the strong financial solidity of the Volkswagen Group the liquidity risk is remote. In 2014 no limits were exceeded. Notes issued by FSNV have the benefit of a Guarantee and Negaritive Pledge (The Gurantee) given by Volkswagen Financial Services AG (The Guarantor).

4 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 2014	31 December 2013
			EUR'000	EUR'000
VW Finance Belgium SA,Brussels.	EUR	< 5	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 2014 Book value	31 December 2014 Market value
			EUR'000	EUR'000
Fixed asset loans to Volkswagen Group companies	EUR	0,753	1,787,031	1,821,524
	GBP	1,366	2,119,250	2,181,149
	SEK	0,706	399,162	401,834
	RUB	10,789	27,368	17,896
	KRW	2,783	205,000	220,586
	CZK	0,815	29,566	30,212
			4,567,377	4,673,201
Fixed asset loans to joint ventures of the Volkswagen Group	EUR	1,381	103,772	111,080
	TRY	10,595	189,899	204,454
	NOK	2,217	442,380	448,165
			736,051	763,699
Total loans to Volkswagen Group companies and joint ventures of the Volkswagen Group			5,303,428	5,436,900

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:

	31 Dec 2014 BPS	31 Dec 2013 BPS
For amounts payable within one year:	13,33	12,42
For amounts payable between one year and five years:	32,50	31.75
For amounts payable after five years	51,90	64.40

For comparison the overview of 2013:

	Original currency	Weighted average interest rate (%)	31 December 2013	
			Book value	Market value
			EUR'000	EUR'000
Fixed asset loans to Volkswagen roup companies	EUR	1.214	761,376	775,996
	GBP	1.573	1,662,332	1,699,031
	SEK	1.497	223,953	227,908
	RUB	7.616	22,607	22,731
	KRW	2.947	255,000	254,795
			2,925,268	2,980,461
Fixed asset loans to joint ventures of the Volkswagen Group	EUR	1.569	103,772	112,248
	TRY	7.847	123,027	109,796
	NOK	2.230	388,617	395,825
			615,416	617,869
Total loans to Volkswagen Group companies and joint ventures of the Volkswagen Group			3,540,684	3,598,330

5 Receivables due from Volkswagen Group companies and joint ventures of the Volkswagen Group

	Original currency	Weighted average interest rate (%)	31 December 2014	
			Book value	Market value
			EUR'000	EUR'000
Current receivables due from Volkswagen Group companies excluding interest	EUR	1,104	589,426	594,890
	GBP	1,783	930,628	950,197
	RUB	9,740	118,818	80,069
	KRW	3,014	155,000	170,046
	SEK	0,759	209,519	213,510
	CZK	0,091	85,641	85,289
Accrued and other receivables			22,097	22,097

			2,111,129	2,116,098
Current receivables due from joint ventures of the Volkswagen Group excluding interest	NOK	1,929	360,498	338,883
	EUR	0,353	344,151	344,625
	TRY	8,472	206,186	200,277
	USD	1,068	36,986	39,666
Accrued and other receivables			23,180	23,180
			971,001	946,631
Total receivables due from Volkswagen group companies and joint ventures of the Volkswagen group			3,028,130	3,062,729

For the determination of the market values see note 5.

As mentioned in note 2.12 the terms of all outstanding loans to Volkswagen Group companies and joint ventures of the Volkswagen Group are hedged with derivatives to the terms of the bonds and loans from Volkswagen Group companies used to fund the financing activities. As a result the company has principally no exposure to interest rate risk and currency risk.

For comparison the overview of 2013:

	Original currency	**Weighted average interest rate (%)**	**31 December 2013**	
			Book value	**Market value**
			EUR'000	EUR'000
Current receivables due from Volkswagen Group companies excluding interest	EUR	1.097	380,574	383,413
	GBP	2.366	397,728	430,454
	RUB	7.213	112,635	114,461
	SEK	1.591	112,878	113,137
	CZK	0.338	9,987	9,440
Accrued and other receivables			15,318	15,316
			1,029,120	1,066,221
Current receivables due from joint ventures of the Volkswagen Group excluding interest	NOK	1.787	370,841	363,415
	EUR	0.455	338,624	339,529
	TRY	9.143	158,035	148,715
Accrued and other receivables			18,032	18,032

	885,532	869,691
Total receivables due from Volkswagen group companies and joint ventures of the Volkswagen group	1,914,652	1,935,912

6 Loans to external parties

This balance sheet position contains loans to

Company	Original currency	Interest rate	Amount In EUR	Maturity
Pon Auto Import Nederland B.V., Leusden	EUR	1,459	150,000	25-05-2015
Pon Automotive B.V., Leusden	EUR	1,459	150,000	25-05-2015
Pon Holdings B.V., Almere	EUR	1,459	200,000	25-05-2015

For comparison the overview of 2013:

Company	Original currency	Interest rate	Amount In EUR	Maturity
Pon Auto Import Nederland B.V., Leusden	EUR	2,116	150,000	24-06-2014
Pon Automotive B.V., Leusden	EUR	2,116	150,000	24-06-2014
Pon Holdings B.V., Almere	EUR	2,116	200,000	24-06-2014

These Dutch companies do not belong to the Volkswagen Group. The loans are not guaranteed by FSAG.The fair value of these loans approximate the carrying value.

7 Other assets

	31 Dec 2014	31 Dec 2013
	EUR'000	EUR'000
Swap interest receivables from banks	30,728	32,465
Income tax receivable	2,300	8,593
Unrealized FX differences	955	-
	33,983	41,058

8 Prepaid and deferred charges

	31 Dec 2014	31 Dec 2013
	EUR'000	EUR'000
Prepaid and deferred charges	12,714	13,825
	12,714	13,825

The prepaid and deferred charges mainly consist of deferred emission costs.

9 Cash at banks and in hand

	31 Dec 2014	31 Dec 2013
	EUR'000	EUR'000
Cash at external bank accounts	879	804
Cash at internal bank accounts (cash pooling)	856	-
	1,735	804

All cash balances are at the free disposal of the company.

10 Shareholder's equity

	Issued and paid-up share capital	Share premium reserve	Retained earnings	Total equity
	EUR'000	EUR'000	EUR'000	EUR'000
Balance as at 1 January 2013	454	725,000	69,270	794,724
Repayment of Contribution to FSAG	-	(205,000)	-	(205,000)
Result for the year 2013	-	-	16,670	16,670
Balance as at 1 January 2014	454	520,000	85,940	606,394
Contribution from FSAG	-	105,000	-	105,000
Result for the year 2014	-	-	12,942	12,942
Balance as at 31 December 2014	454	625,000	98,882	724,336

The Shareholder's equity breaks down as follows:

Share capital

On 31 December 2014 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.

Share premium reserve

In 2014 an amount of EUR 105 million was newly contributed by FSAG. The balance of the share premium reserve at the end of 2014 amounted to EUR 625 million.

Retained earnings

At the end of 2014 the total retained earnings amounted to EUR 98.9 million.The total equity to EUR 724.3 million.

11 Long-term liabilities

	31 Dec 2014	31 Dec 2013
	EUR'000	EUR'000
Bonds listed	3,387,520	2,849,580
Bonds unlisted	-	129,803
	3,387,520	2,979,383

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

	Original currency	Average interest rate in percentage	31 December 2014 Book value	31 December 2014 Market value
			EUR'000	EUR'000
Maturity longer than 5 years				
Bonds listed	GBP	2,750	320,965	344,973
Maturity within 1 to 5 years				
Bonds listed	EUR	0,432	50,000	50,363
Bonds listed	CZK	0,690	29,565	30,045
Bonds listed	CAD	2,125	77,101	73,267
Bonds listed	GBP	1,898	1,733,213	1,789,202
Bonds listed	NOK	2,538	572,183	572,122
Bonds listed	NZD	4,875	65,071	67,786
Bonds listed	SEK	0,650	454,675	455,275
Bonds listed	TRY	9,063	84,747	86,561
Total long-term bonds			3,387,520	3,469,594

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.

Liabilities to Volkswagen Group companies excluding interest

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

	Original currency	Average interest rate in percentage	31 Dec 2014	31 Dec 2013
			EUR'000	EUR'000
Maturity longer than 5 years				
Volkswagen Financial Services AG	EUR	1,055	92,623	92,624
Maturity within 1 to 5 years				
Volkswagen Group Services	EUR	0,862	22,000	16,000
Skoda	CZK	0,364	300,427	-
VIF	EUR	0,454	49,990	-
VWGoAF	USD	1,654	1,164,700	-
			1,629,740	108,624

12 Current liabilities

	31 Dec 2014	31 Dec 2013
	EUR'000	EUR'000
Bonds listed	1,672,928	927,965
Bonds unlisted	-	19,461
	1,672,928	947,426

A breakdown of the current bonds is as follows:

	Original currency	Average interest rate in percentage	31 December 2014	
			Book value	Market value
			EUR'000	EUR'000
Maturity less than 1 year				
Bonds listed	EUR	0,786	375,000	377,355
Bonds listed	SEK	1,128	334,221	332,537
Bonds listed	GBP	1,674	449,351	454,695
Bonds listed	TRY	8,375	26,483	26,093
Bonds listed	CAD	2,500	81,567	72,801
Bonds listed	NOK	3,208	277,418	254,260
Bonds listed	AUD	6,250	128,888	105,980
Total current bonds			1,672,928	1,623,721

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.

Liabilities to Volkswagen Group companies

A breakdown of the current liabilities, including accrued interest to Volkswagen Group companies is as follows:

	Original currency	**Average interest rate in percentage**	**31 Dec 2014**	**31 Dec 2013**
			EUR'000	EUR'000
Volkswagen Group Services	EUR	0,621	57,573	101,613
Volkswagen FSAG	EUR		-	500
Accrued interest	EUR		2,892	605
			60,465	102,718

Commercial papers

A breakdown of the current liabilities,from issued commercial paper is as follows

	2014	**2013**
	EUR'000	EUR'000
Commercial paper in EURO	878,651	691,000
	878,651	691,000

13 Other liabilities

	2014	**2013**
	EUR'000	EUR'000
Loan interest payable	36,343	33,516
Swap interest payable	23,958	22,320
Current income tax	1,846	9,020
Witholding tax payable	798	700
Accrued liabilities	98	62
Accounts Payable	76	-
	63,119	65,618

14 Deferred income

	2014	2013
	EUR'000	EUR'000
Capitalised issue income	17,132	10,361
	17,132	10,361

15 Commitments not included in the balance sheet

The following revolving credit facilities are currently outstanding

Borrower	Currency	Amount	Effective date	Termination date
VW Leasing Polska	EUR	200,000	10.06.2010	10.06.2015
VW Bank Polska	EUR	200,000	22.03.2010	22.03.2015
VW Bank Rus	RUB	4,000,000	20.02.2012	Open
VW Group Finanz OOO	RUB	2,300,000	10.12.2007	Open
VW Finance Overseas BV	EUR	550	19.02.2009	Open
VW Finance Cooperation BV	EUR	550	29.09.2009	Open
VW Global Finance Holding BV	EUR	60	19.02.2009	Open
Global Automotive Finance CV	EUR	800	01.02.2009	Open
SkoFIN	CZK	4,000,000	03.09.2012	open
Banco Volkswagen SA	EUR	500,000	22.02.2010	22.02.2015

16 Financial income and expenses

	2014	2013
	EUR'000	EUR'000
Interest and similar income	145,309	131,867
Interest and similar expenses	126,747	109,450
	18,562	22,417

17 Other operating income

	2014	2013
	EUR'000	EUR'000
Translation gains	-	27
Miscellaneous income previous years	5	182
	5	209

18 Other operating expenses

	2014	2013
	EUR'000	EUR'000
Translation losses	97	-
Miscellaneous expenses previous years	37	-
Bank charges	20	15
	154	15

19 General and administrative expenses

	2014	2013
	EUR'000	EUR'000
Personnel and other costs third party	777	655
Consulting and auditing fees	151	99
EDP expenses	128	66
SAP FI Project	264	200
General office expenses	131	4
D&O insurance	25	13
	1,476	1,037

The personnel and other costs third party is a charge from VIF for services rendered to FSNV.

20 Depreciation and amortisation expenses

Depreciation and amortisation expenses can be broken down as follows:

	2014	2013
	EUR'000	EUR'000
Depreciation tangible fixed assets	-	1
	-	1

21 Independent auditor's fees

The following fees, based on invoices and estimated work orders for assurance services from PricewaterhouseCoopers Accountants N.V., occurred in the reporting year:

	2014	2013
	EUR'000	EUR'000
Audit of the financial statements	43	35
	43	35

No other services were rendered by PricewaterhouseCoopers Accountants N.V.

22 Related parties

Significant transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is required for to provide the true and fair view.

All loans are granted to other group companies, except for the loans mentioned in note 8. The interest income is mainly derived from these group companies.

For receivables due from Volkswagen Group companies see note 5 and 6.

For liabilities to Volkswagen Group companies see note 12 and 13.

23 Average number of employees

The employees are supplied by VIF. The costs regarding the work performed for FSNV are included in the service charges of EUR 655,200 which are shown under the general and administrative expenses.

24 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 2014	3,050,471	3,133,398	553,707	6,737,576
31 December 2013	1,850,967	1,935,335	495,717	4,282,019

The financial instruments of the company had the following positive or negative market values:

	Interest swaps	Interest/ currency swaps	FX contracts	Total
	EUR'000	EUR'000	EUR'000	EUR'000
31 December 2014	44,525	41,293	39,483	125,301
31 December 2013	-8,693	-51,767	13,420	-47,040

25 Taxation

The taxation of T EUR 3,995 on the result of T EUR 16,937 can be specified as follows:

	2014	2013
	EUR'000	EUR'000
Result before taxation	16,937	21,573
Taxation on result	3,995	4,903
Effective tax rate	23,6%	22,7%
Applicable tax rate	25%	25%

The difference between these rates has occurred because of tax returns for previous years.

26 Directors and supervisory directors

Management Board:

- Thomas Fries, Amsterdam
- Bernd Bode, Hannover

Supervisory Board:

- Frank Fiedler, Braunschweig

The Management and Supervisory Board have not received any remuneration for 2014.

The Management Board has declared that to the best of its 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 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, 6 March, 2015

Management Board,

Original has been signed by
T. Fries

Original has been signed by
B. Bode

Supervisory Board,

Original has been signed by
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 2014 profit of EUR 12,941,773.13

Post balance sheet events

No post balance sheet events occurred.

Independent auditor's report

To: the general meeting and the supervisory board of Volkswagen Financial Services N.V.

Report on the financial statements 2014

Our 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 2014, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2014 of Volkswagen Financial Services N.V., Amsterdam ('the company').

The financial statements comprise:

- the balance sheet as at 31 December 2014;
- the income statement for the year then ended;
- the cash flow statement for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of the company in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

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

Ref.: e0348550

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Our audit approach

Overview

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud.

The main purpose of the company is the financing of companies belonging to Volkswagen Financial Services AG. The company is financing these loans through bond offerings on the international capital markets. The repayment of these bonds to the investors is guaranteed by Volkswagen Financial Services AG as disclosed in note 1.1 to the financial statements. Loans are issued to group companies with financial instruments in place to mitigate both the interest rate risk as well as the currency risk.

Materiality

The scope of our audit is influenced by the application of materiality. Our audit opinion aims on providing reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 42,000,000 (2013: € 27,500,000). The general benchmark is 1% of total assets, based on our professional judgement we have used 0.5% of total assets, to ensure that all relevant balance sheet and income statement items are in scope. We use total assets given the company's main activity is intra-group lending. The materiality increased in 2014 because of the increase in the business of the company. The company facilitates the Volkswagen Financial Services AG group in its financing activities for which it receives a margin.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above € 2,100,000 (2013: € 1,375,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our audit

The company is financing companies belonging to Volkswagen Financial Services AG which activities are covered by our audit procedures. We are also in contact with the group auditor concerning the Volkswagen Financial Services AG companies. As part of our testing procedures we tested the existence of the loans by requesting the respective PwC network firms to confirm the outstanding intercompany loans.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Key audit matter	***How our audit addressed the matter***
Valuation of the loans issued We consider the valuation of the loans issued, as disclosed in note 5 to the financial statements for a total amount of € 5,303,428,000, as a key audit matter. This is due to the size of the loan portfolio and given that an impairment may have a material effect on the income statement.	Loans are initially recognised at its fair value and subsequently measured at amortised cost using the effective interest method. We have performed detailed audit work addressing the existence and valuation of the loans issued to Volkswagen Financial Services AG companies, through testing on a sample basis the input of contracts in the company's treasury management system, confirmation procedures, margin analysis, audit of data input to calculate the fair value and reconciliation of the treasury management system with the general ledger, and assessed whether there were any impairments triggers.
Management did not identify any impairment triggers regarding the loans issued to Volkswagen Financial Services AG companies.	We also did not identify any impairment triggers and therefore concur with management that no impairment losses are required to be recognised.
Derivative valuation We consider the fair value of the derivatives portfolio as disclosed in note 24 to the financial statements of € 125,301,000 and used in its hedge effectiveness testing as a key audit matter. This is due to the nature of the portfolio that includes longer dated interest rate swaps and cross currency interest rate swaps. The market for these swaps is not always fully liquid. In addition, the recent market developments including the volatility of the currency basis spread further increases the subjectivity of the valuation of these instruments as well as the number of input factors to take into account in the valuation.	We have tested the valuation of derivatives as well as the valuation of hedged items in hedge accounting relations by testing on a sample basis the input of contracts in the company's valuation system. We have reconciled the interest rate curves and other market data with our own independent sources. We have assessed whether the settings used in the valuation system and the models used are in line with market practice. We have also assessed the mathematical accuracy of the models used.

Key audit matter	*How our audit addressed the matter*
Derivative accounting We consider the accounting for derivatives as a key audit matter. Refer to note 2.12 to the financial statements. This is due to the detailed formal and technical requirements that are applicable to the application of hedge accounting and that inappropriate application of these requirements can lead to a material effect on the income statement.	We have tested on a sample basis whether hedge documentation and hedge effectiveness testing meet the requirements of RJ 290 *Financial Instruments* and whether the hedge effectiveness test is mathematically correct. We have reconciled the outcome of the effectiveness testing for the derivative portfolio as a whole to the financial statements.

Responsibilities of management and the supervisory board

Management is 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 Dutch Civil Code; and for
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit has been performed with a high but not absolute level of assurance which makes it possible that we did not detect all errors and frauds.

A more detailed description of our responsibilities is set out in the appendix to our report.

Report on other legal and regulatory requirements

Our report on the directors' report and the Other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management report and other information):

- We have no deficiencies to report as a result of our examination whether the management report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the management report, to the extent we can assess, is consistent with the financial statements.

Our appointment

We were appointed as auditors of the company in 2006 by the management following the passing of a resolution by the shareholders and our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of nine years.

Rotterdam, 11 March 2015
PricewaterhouseCoopers Accountants N.V.

Original has been signed by: M.P.A. Corver RA

Appendix to our auditor's report on the financial statements 2014 of Volkswagen Financial Services N.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among others of:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Concluding on the appropriateness of the management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.