

Financial report June 2019

Volkswagen Financial Services N.V.

Amsterdam

Management report

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

Basis for the issuing activities are the € 35 billion Debt Issuance Programme that adheres to the European Prospectus Directive and a € 5 billion Multi Currency Commercial Paper Programme. All issues are guaranteed by the parent company FSAG. As per 30.6.2019 according to Moody's, FSAG's rating is set to P-2 (short term) and A3 (long term) with a stable outlook. Standard & Poor's assessed FSAG's creditworthiness as A-2 (short term) and BBB+ (long term) with a stable outlook.

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

In the first six months of 2019 the company placed under the DIP programme 7 issues with a total € equivalent of 1,558 million. Under the CP Programme the company placed 28 issues with a total € equivalent of 625 million. The proceeds of these issues have been granted to the FSAG Group companies.

The company redeemed DIP issues with a total € equivalent of 295 million and CP issues with a total € equivalent of 847 million.

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

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

Net interest income in the first half of 2019 was € 8.0 million compared to € 5.3 million in the first half of 2018. Result after taxes added up to € 5.4 million in the first six months of 2018 (2018: € 3.4 million)

For the whole year 2018 we expect a continuation of the first six months' level with regard to FSNV's business volume. Net interest income and result after taxes are expected to be lower than the 2017 figures.

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

Depending on the different emissions regulations in the various countries, Volkswagen will rectify the diesel engine software, apply technical measures, compensate owners for reduced residual values or buy-back affected cars.

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

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

1. the financial statements for the first half year of 2019 give a true and fair view of the assets, the liabilities, the financial position and the results of the company; and
2. the management report gives a true and fair view of the company's situation as at the balance sheet date, the events that occurred during the first half year and the risks to which the company is exposed.

Amsterdam, 31 July 2019

Original has been signed by

Thomas Fries, Managing Director

Bernd Bode, Managing Director

Balance sheet as at 30 June 2019

(unaudited)

	30 June 2019		31 December 2018	
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Assets</i>				
Fixed assets				
Financial fixed assets:				
Shares in participations	-		1	
Loans to Volkswagen group Companies	4,691,290		3,465,780	
Loans to joint ventures of the Volkswagen group	125,396		223,187	
Total fixed assets		4,816,686		3,688,968
Current assets				
Receivables due from Volkswagen group companies	1,441,276		1,668,427	
Receivables due from joint ventures of the Volkswagen group	381,587		504,486	
Loans to external parties	500		500	
Other assets	30,611		53,421	
Prepaid and deferred charges	13,389		8,912	
Total current assets		1,867,363		2,235,746
Cash at banks and in hand		3,842		5,209
Total assets		6,687,891		5,929,923

Balance sheet as at 30 June 2019

(unaudited)

	30 June 2019		31 December 2018	
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Shareholder's equity and liabilities</i>				
Shareholder's equity				
Share capital		454		454
Share premium reserve	1,115,000		1,115,000	
Retained earnings	139,195		139,195	
Current earnings		5,368		
Total shareholder's equity		1,260,017		1,254,649
Long-term liabilities				
Bonds	4,143,817		3,138,999	
Liabilities to Volkswagen group companies	97,000		97,000	
Total long-term liabilities		4,240,817		3,235,999
Current liabilities				
Bonds	931,903		678,288	
Liabilities to Volkswagen group companies	123		255,357	
Commercial papers	195,080		417,252	
Other liabilities	45,256		59,171	
Deferred income	14,695		29,207	
Total current liabilities		1,187,057		1,439,275
Total shareholder's equity and liabilities		6,687,891		5,929,923

Income statement 30 June 2019

(unaudited)

	30 June 2019		30 June 2018	
	EUR'000	EUR'000	EUR'000	EUR'000
Income				
Interest and similar income	88,113		71,748	
Interest and similar expenses	(80,162)		(66,432)	
Other operating income	38		-	
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Total income		7,989		5,316
Expenses				
Other operating expenses	(15)		(16)	
General and administrative expenses	(928)		(824)	
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Total expenses		(943)		(840)
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Result before taxation		7,046		4,476
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Taxation		(1,678)		(1,100)
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Result after taxation		5,368		3,376
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