

Financial report June 2016

Volkswagen Financial Services N.V.

Amsterdam

Management report

Volkswagen Financial Services N.V. ('FSNV' or 'the company') 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 € 25 billion Debt Issuance Programme that adheres to the European Prospective Directive Standards and a € 10 billion Multi Currency Commercial Paper Programme. All issues are guaranteed by the parent company FSAG. As per 30.6.2016 according to Moody's, FSAG's rating is set to P-1 (short term) and A1 (long term) with a negative outlook. Standard & Poor's assessed FSAG's creditworthiness as A-2 (short term) and BBB+ (long term) with a negative outlook.

Besides these programmes FSNV can utilize 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.

Under the CP Programme the company placed 47 issues with a total € equivalent of 1,4 billion. The proceeds of these issues have been granted to the Volkswagen Financial Services Group companies.

The company redeemed DIP issues with a total € equivalent of 885 million and CP issues with a total € equivalent of 876 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

Interest income of € 10,6 million in the first half of 2015 decreased to € 8,8 million in the first half of 2016. Result after taxes added up to € 5,6 million in the first six months of 2016 (2015: € 7,3 million)

For the whole year 2016 we expect a continuation of the first six months' level with regard to FSNV's business volume. Interest income and result after taxes are expected to be lower than the 2015 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. Violations of US environmental laws had occurred as a result. On September 22nd, 2015 the Volkswagen Group announced that around 11 million vehicles worldwide with type EA189 diesel engines were affected. Volkswagen is working to resolve the irregularities with technical measures.

The majority of FSNV's borrowers have either financed cars with affected diesel engines or have them in their leased car inventory. The Management Board and the Supervisory Board of FSNV discussed the issue and came to the conclusion that 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 analyzing in detail the financial situation of the borrowers as well as budget forecasts and concluded that FSNV is not exposed to higher credit risk. This is further evidenced by the fact that although the credit spreads in the capital markets widened for Volkswagen risk after the diesel emission revelations, the prices of listed bonds have come back and the paper trade slightly below the levels before the announcements.

As a result of the recent investigations, FSNV as an issuer may in the future face risks arising from legal disputes with investors claiming damages for alleged breaches of capital market laws.

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

1. the financial statements for the first half year of 2016 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, 29- July 2016

Original has been signed by

Thomas Fries, Managing Director

Original has been signed by

Bernd Bode, Managing Director

Balance sheet as at 30 June 2016

(unaudited)

	30 June 2016		31 December 2015	
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Assets</i>				
Fixed assets				
Financial fixed assets:				
Shares in participations	1		1	
Loans to Volkswagen group Companies	3,838,636		5,135,842	
Loans to joint ventures of the Volkswagen group	214,541		372,402	
Total fixed assets		4,053,178		5,508,245
Current assets				
Receivables due from Volkswagen group companies	2,835,662		2,618,109	
Receivables due from joint ventures of the Volkswagen group	1,210,739		1,009,109	
Loans to external parties	500		500	
Other assets	40,399		36,711	
Prepaid and deferred charges	6,278		7,807	
Cash at banks and in hand	2,536		1,495	
Total current assets		4,096,114		3,673,731
Total assets		8,149,292		9,181,976

(unaudited)

	30 June 2016		31 December 2015	
	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	735,000		1,096,000	
Retained earnings	112,080		112,081	
Current earnings	5,563		-	
Total shareholder's equity		853,097		1,208,535
Long-term liabilities				
Bonds	2,279,892		2,929,868	
Liabilities to Volkswagen group companies	1,456,906		2,362,012	
Total long-term liabilities		3,736,798		5,291,880
Current liabilities				
Bonds	1,174,970		1,781,646	
Commercial papers	1,125,135		509,296	
Liabilities to Volkswagen group companies	1,180,660		317,329	
Other liabilities	45,486		61,808	
Deferred income	33,146		11,482	
Total current liabilities		3,559,397		2,681,561
Total shareholder's equity and liabilities		8,149,292		9,181,976

Income statement 30 June 2016

(unaudited)

	30 June 2016		30 June 2015	
	EUR'000	EUR'000	EUR'000	EUR'000
Income				
Interest and similar income	78,024		82,561	
Other operating income	-		2	
Total income		78,024		82,563
Expenses				
Interest and similar expenses	(69,186)		(71,940)	
Other operating expenses	(503)		-	
General and administrative expenses	(919)		(988)	
Total expenses		(70,608)		(72,927)
Result before taxation		7,416		9,636
Taxation		(1,853)		(2,338)
Result after taxation		5,563		7,298