

**Financial report June 2017**

**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 30.6.2017 according to Moody's, FSAG's rating is set to P-1 (short term) and A2 (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 DIP Programme the company placed 5 issues with a total € equivalent of 1.3 billion. Under the CP Programme the company placed 33 issues with a total € equivalent of € 847 million. 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 394 million and CP issues with a total € equivalent of 1,3 bln .

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 € 8.8 million in the first half of 2016 decreased to € 6.2 million in the first half of 2017. Result after taxes added up to € 4.0 million in the first six months of 2017 (2016: € 5.6 million)

For the whole year 2017 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 2016 figures.

Government authorities in a number of jurisdictions have commenced investigations regarding findings of irregularities in relation to nitrogen oxide emissions that had been discovered in emissions tests on certain vehicles with Volkswagen Group diesel engines.

In December 2016 Volkswagen AG and the US Department of Justice, the US Environmental Protection Agency (EPA) and the California Air Resources Board (CARB) agreed that Volkswagen will pay fines of approximately 19 billion EUR, settling the legal cases.

Further provisions for fines and pending legal cases in other countries are evaluated and are going to be taken into consideration.

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 2017 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, 26 July 2017

Original has been signed by

Thomas Fries, Managing Director

Bernd Bode, Managing Director

## Balance sheet as at 30 June 2017

(unaudited)

	30 June 2017		31 December 2016	
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Assets</i>				
<b>Fixed assets</b>				
Financial fixed assets:				
Shares in participations	1		1	
Loans to Volkswagen group Companies	3,212,553		3,252,324	
Loans to joint ventures of the Volkswagen group	208,884		165,071	
<b>Total fixed assets</b>		3,421,438		3,417,396
<b>Current assets</b>				
Receivables due from Volkswagen group companies	2,644,831		2,816,117	
Receivables due from joint ventures of the Volkswagen group	898,244		1,125,280	
Loans to external parties	500		500	
Other assets	25,238		32,339	
Prepaid and deferred charges	5,639		4,629	
<b>Total current assets</b>		3,574,452		3,978,865
<b>Cash at banks and in hand</b>		5,005		2,093
<b>Total assets</b>		7,000,895		7,398,354

(unaudited)

	30 June 2017		31 December 2016	
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Shareholder's equity and liabilities</i>				
<b>Shareholder's equity</b>				
Share capital	454		454	
Share premium reserve	1,115,000		995,000	
Retained earnings	121,626		121,626	
Current earnings	4,020		-	
<b>Total shareholder's equity</b>		1,241,100		1,117,080
<b>Long-term liabilities</b>				
Bonds	2,908,187		1,766,202	
Liabilities to Volkswagen group companies	267,367		1,151,193	
<b>Total long-term liabilities</b>		3,175,554		2,917,395
<b>Current liabilities</b>				
Bonds	544,879		854,687	
Commercial papers	797,307		1,230,687	
Liabilities to Volkswagen group companies	1,178,237		1,215,889	
Other liabilities	32,581		34,408	
Deferred income	31,237		28,208	
<b>Total current liabilities</b>		2,584,241		3,363,879
<b>Total shareholder's equity and liabilities</b>		7,000,895		7,398,354

## Income statement 30 June 2017

(unaudited)

	30 June 2017		30 June 2016	
	EUR'000	EUR'000	EUR'000	EUR'000
<b>Income</b>				
Interest and similar income	69,019		78,024	
Other operating income	1		-	
<b>Total income</b>		69,020		78,024
<b>Expenses</b>				
Interest and similar expenses	(62,810)		(69,186)	
Other operating expenses	(20)		(503)	
General and administrative expenses	(880)		(919)	
<b>Total expenses</b>		(63,710)		(70,608)
<b>Result before taxation</b>		5,310		7,416
Taxation		(1,290)		(1,853)
<b>Result after taxation</b>		4,020		5,563