Financial report June 2020

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 Debt Issuance Programme that adheres to the European Prospectus Directive and that was increased in March from € 25 billion to € 35 billion and a € 5 billion Multi Currency Commercial Paper Programme. All issues are guaranteed by the parent company FSAG. As per 30.6.2020 according to Moody`s, FSAG`s rating is set to P-2 (short term) and A3 (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 FSAG group with small volumes and/or frequent tranches of funds if required.

In the first six months of 2020 the company placed under the DIP programme 5 issues with a total € equivalent of 1,079 million. The proceeds of these issues have been granted to the FSAG Group companies. No new issues were placed under the CP Programme.

The company redeemed DIP issues with a total € equivalent of 646 million and CP issues with a total € equivalent of 20 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 2020 was € 7.1 million compared to € 8.0 million in the first half of 2019. Result after taxes added up to € 4.7 million in the first six months of 2018 (2018: € 5.4 million)

For the whole year 2020 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 2019 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 has rectified the diesel engine software, applied technical measures, compensated owners for reduced residual values or bought back affected cars.

The majority of FSNV's borrowers have either financed cars with affected diesel engines or had 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 2020 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, 28 July 2020

Original has been signed by

Thomas Fries, Managing Director

Balance sheet as at 30 June 2020

(unaudited)

	30 June 2020		31 December 2019	
	EUR'000	EUR'000	EUR'000	EUR'000
Assets				
Fixed assets				
Financial fixed assets:				
Shares in participations	-		-	
Loans to Volkswagen group Companies	4,944,092		5,743,490	
Loans to joint ventures of the Volkswagen group	229,019		244,954	
Total fixed assets		5,173,111		5,988,444
Current assets				
Receivables due from Volkswagen group companies	2,098,233		1,330,444	
Receivables due from joint ventures of the Volkswagen group	420,153		276,225	
Loans to external parties	500		500	
Other assets	36,726		42,972	
Prepaid and deferred charges	17,264		14,592	
Total current assets		2,572,876		1,664,733
Cash at banks and in hand		6,328		3,691
Total assets		7,752,315		7,656,868

(unaudited)

	30 June 2020		31 December 2019	
	EUR'000	EUR'000	EUR'000	EUR'000
Shareholder's equity and liabilities				
Shareholder's equity				
Share capital	454		454	
Share premium reserve	1,115,000		1,115,000	
Retained earnings	149,779		149,779	
Current earnings	4,674			
Total shareholder's equity		1,269,907		1,265,233
Long-term liabilities				
Bonds	4,955,452		4,996,578	
Liabilities to Volkswagen group companies	300,000		397,000	
Total long-term liabilities		5,255,452		5,393,578
Current liabilities				
Bonds	1,055,116		857,969	
Liabilities to Volkswagen group companies	98,086		45,625	
Commercial papers	-		20,012	
Other liabilities	59,850		59,909	
Deferred income	13,904		14,542	
Total current liabilities		1,226,956		998,057
Total shareholder's equity and liabilities		7,752,315		7,656,868

Income statement 30 June 2020

(unaudited)

	30 June 2020		30 June 2019	
	EUR'000	EUR'000	EUR'000	EUR'000
Income				
Interest and similar income	77,268		88,113	
Interest and similar expenses	(70,127)		(80,162)	
Other operating income	25		38	
Total income		7,166		7,989
Expenses				
Other operating expenses	(21)		(15)	
General and administrative expenses	(1,014)		(928)	
Total expenses		(1,035)		(943)
Result before taxation		6,131		7,046
Taxation		(1,457)		(1,678)
Result after taxation		4,674		5,368