

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 EUR 18 billion Debt Issuance Programme that adheres to the European Prospective Directive Standards and a EUR 10 billion Multi Currency Commercial Paper Programme. All issues are guaranteed by the mother company FSAG. 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-2 (short term) and A- (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 Volkswagen group with small volumes and/or frequent tranches of funds if required.

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.

Within the first six months of the year FSNV placed 9 bonds under the DIP Programme with a total € equivalent of 899.5 million. Under the CP Programme the company placed 35 issues with a total € equivalent of 1.741 billion.

The proceeds of these issues have been granted to the Volkswagen Financial Services Group companies.

On the other hand the company redeemed DIP issues with a total EUR equivalent of 424.7 million and CP issues with a total EUR equivalent of 1.3 billion.

The main business risks of FSNV are the interest rate risk, currency risk, liquidity risk and the credit risk. The Supervisory Board has set limits to restrict those risks. FSNV uses adequate tools to assess and to monitor them.

The average volume in the back to back finance business increased by € 1.3 billion to € 4.4 billion. Interest income increased from € 9.2 million in the first half of 2011 to € 15.7 million in the first half of 2012. Main reasons are the increase in business volume and higher equity. Result after taxes added up to € 11.9 in the first six months of 2012 (2011: € 7.0 million)

For the whole year 2012 we expect a further increase in FSNV's business volume. Interest income and result after taxes should exceed the 2011 figures significantly.

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

1. the financial statements for the first half year of 2012 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, 23 July 2012

Original has been signed by

Bjoern Baetge, Managing Director

Financial statements

Balance sheet as at 30 June 2012

(unaudited)

	30 June 2012		30 June 2011	
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Assets</i>				
Fixed assets				
Tangible fixed assets		1		-
Financial fixed assets:				
Shares in participations	1		1	
Loans to Volkswagen group Companies	2,208,604		2,378,901	
Loans to joint ventures of the Volkswagen group	413,459		77,229	
Loans to external parties	-		500	
Prepaid and deferred charges	5,246		950	
Total financial fixed assets		2,627,310		2,457,581
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Current assets				
Receivables due from Volkswagen group companies	1,776,915		1,187,468	
Receivables due from joint ventures of the Volkswagen group	989,671		414,021	
Other assets	44,213		16,989	
Loans to external parties	533		-	
Prepaid and deferred charges	7,174		4,310	
Cash at banks and in hand	712		720	
Total current assets		2,819,218		1,623,508
Total assets		5,446,529		4,081,089

(unaudited)

	30 June 2012		30 June 2011	
	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	853,000		753,000	
Retained earnings	45,806		28,971	
Current earnings	11,928		6,970	
Total shareholder's equity		911,188		789,395
Long-term liabilities				
Bonds	2,079,402		1,565,554	
Liabilities to banks	-		-	
Liabilities to Volkswagen group companies	129,430		179,683	
Other liabilities	-		-	
Deferred income	5,144		580	
Total long-term liabilities		2,213,976		1,745,817
Current liabilities				
Bonds	1,235,595		757,925	
Commercial papers	903,000		330,297	
Liabilities to Volkswagen group companies	110,540		422,826	
Other liabilities	58,262		29,614	
Deferred income	3,549		716	
Trade payables	-		21	
Current income tax	8,140		2,599	
Accrued liabilities	196		184	
Withholding Tax	2,083		1,695	
Total current liabilities		2,321,365		1,545,877
Total shareholder's equity and liabilities		5,446,529		4,081,089

Income statement 30 June 2012

(unaudited)

	2012		2011	
	EUR'000	EUR'000	EUR'000	EUR'000
Income				
Interest and similar income	76,541		47,868	
Other operating income	75		-	
Total income		76,616		47,868
Expenses				
Interest and similar expenses	(60,793)		(38,647)	
Other operating expenses	-		(23)	
General and administrative expenses	(423)		(418)	
Total expenses		(61,216)		(39,088)
Result before taxation		15,400		8,780
Taxation		(3,472)		(1,810)
Result after taxation		11,928		6,970