

Financial report 2011

Volkswagen Financial Services N.V.

Amsterdam

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Management report

Volkswagen Financial Services N.V. ('FSNV' or 'the company') is one of the funding vehicles of Volkswagen Financial Services AG, Brunswick, Germany (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 Commercial Paper Programme. Both programmes are updated regularly. All issues are guaranteed by the mother company FSAG. Therefore, the FSNV rating by Moody's and Standard & Poor's is derived from the FSAG rating. 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 utilise a couple of uncommitted revolving credit facilities with international banks. This gives 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. The currency and interest rate exposures during and at the end of 2011 resulting from financing activities were within the limits approved by the Supervisory Board.

In 2011 FSNV placed issues under the DIP Programme with a total EUR equivalent volume of 2 billion (2010: 783 million), and under the CP Programme with a total EUR equivalent volume of 2.3 billion (2010: 667 million). The proceeds of these issues have been granted to the Volkswagen Financial Services group companies.

To strengthen FSNV's position as a group financing company FSAG decided to increase the capital reserve by contributing EUR 375 million in cash during the year. FSNV used these funds to finance Volkswagen group companies in Brazil (300 million) and Australia (75 million).

FSNV redeemed DIP issues with a total EUR equivalent volume of 604 million (2010: 822 million) and CP issues with a total EUR equivalent volume of 2.4 billion (2010: 225 million).

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 these risks. In 2011 no excesses in limits occurred. Further information on the risk management of the company is included in note 4 to the financial statements.

Due to higher issuing activities and the increase of the capital reserve mentioned above FSNV's business volume increased by EUR 1,846 million to EUR 4,979 million. Consequently interest result increased by EUR 15.3 million to EUR 22.2 million. The result after taxes adds up to EUR 16.8 million (2010: EUR 4.5 million).

According to a long-term business strategy the Volkswagen Financial Services group plans to develop new markets and to improve its competitive position in the old markets. Considering this background we expect a further extension in business volume for 2012. Taking into account the expected growth in business volume and the increase of the capital reserves, results are expected to be on a higher level than in previous years.

Amsterdam, 13 March 2012

Original signed by
Frank Mitschke, Managing Director

Financial statements

Balance sheet as at 31 December 2011

(after proposed appropriation of profit)

		31 December 2011		31 December 2010	
	Ref.	EUR'000	EUR'000	EUR'000	EUR'000
<i>Assets</i>					
Fixed assets					
Tangible fixed assets	5	1		-	
<i>Financial fixed assets:</i>					
Shares in participations	6	1		1	
Loans to Volkswagen group companies		1,914,932		1,615,792	
Loans to joint ventures of the Volkswagen group		153,212		81,839	
Loans to external parties		-		500	
Receivables due from Volkswagen group companies		-		1,171	
Prepaid and deferred charges		2,562		192	
Total fixed assets			2,070,708		1,699,495
Current assets					
Receivables due from Volkswagen group companies	7	2,140,529		918,579	
Receivables due from joint ventures of the Volkswagen group	7	728,796		499,178	
Loans to external parties	8	500		-	
Other assets	9	30,332		14,006	
Prepaid and deferred charges	10	6,736		1,399	
Cash at banks and in hand		1,793		364	
Total current assets			2,908,686		1,433,526
Total assets			4,979,394		3,133,021

The accompanying notes are an integral part of these financial statements.

	Ref.	31 December 2011		31 December 2010	
		EUR'000	EUR'000	EUR'000	EUR'000
<i>Shareholder's equity and liabilities</i>					
Shareholder's equity	11				
Share capital		454		454	
Share premium reserve		853,000		478,000	
Retained earnings		45,807		28,971	
Total shareholder's equity			899,261		507,425
Long-term liabilities	12				
Bonds		1,322,562		771,751	
Liabilities to Volkswagen group companies	12	162,905		462,919	
Deferred income		2,473		244	
Total long-term liabilities			1,487,940		1,234,914
Current liabilities	13				
Bonds		1,469,406		594,092	
Commercial papers		500,000		572,000	
Liabilities to banks		-		10,051	
Liabilities to Volkswagen group companies	13	572,244		193,338	
Other liabilities		41,204		19,345	
Deferred income		2,623		260	
Trade payables		21		34	
Current income tax		4,780		464	
Accrued liabilities		198		414	
Withholding tax		1,717		684	
Total current liabilities			2,592,193		1,390,682
Total shareholder's equity and liabilities			4,979,394		3,133,021

The accompanying notes are an integral part of these financial statements.

Income statement 2011

		2011		2010	
	Ref.	EUR'000	EUR'000	EUR'000	EUR'000
Income					
Interest and similar income	14	115,191		71,916	
Other operating income	15	2		15	
Total income			115,193		71,931
Expenses					
Interest and similar expenses	14	(92,974)		(64,984)	
Other operating expenses	16	(22)		(14)	
General and administrative expenses	17	(830)		(831)	
Depreciation and amortisation expenses	18	-		(3)	
Total expenses			(93,826)		(65,832)
Result before taxation			21,367		6,099
Taxation	23		(4,531)		(1,550)
Result after taxation			16,836		4,549

The accompanying notes are an integral part of these financial statements.

Cash flow statement 2011

		2011		2010	
	Ref.	EUR'000	EUR'000	EUR'000	EUR'000
Cash flow from operating activities					
Loans granted	6/7	(1,803,190)		(827,681)	
Loans taken	11/12	1,429,318		349,647	
<i>Net cash flow from lending activities</i>			(373,872)		(478,034)
Interest received	14	89,348		62,882	
Interest paid	14	(84,950)		(61,039)	
<i>Net cash flow from interest</i>			4,398		1,843
Cash flow from financing activities			375,000		478,000
Other operating activities	5/6/9/15	(1)		(7)	
Paid expenses	16/17/18	(864)		(780)	
Corporate income tax paid	23	(3,232)		(898)	
<i>Cash flow from other operating activities</i>			(4,097)		(1,685)
Net cash flow			1,429		124
Cash and cash equivalents at beginning of the year			364		240
Cash and cash equivalents at end of the year			1,793		364

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements

1 General

1.1 Activities

Volkswagen Financial Services N.V. ('FSNV' or 'the company') is a 100% subsidiary of Volkswagen Financial Services AG ('FSAG').

FSNV's registered office is located in Amsterdam, the Netherlands.

The main purpose of the company is the financing of and participation in group companies. FSNV has access to several funding sources such as bond loans, note loans and Euro Medium Term Loans as well as inter-company loans.

All external issues are guaranteed by FSAG. FSNV has lent the proceeds of these borrowings almost entirely to group companies or joint ventures.

1.2 Consolidation and shares in participations

FSNV holds one share in VW Finance Belgium SA, Brussels, Belgium with a cost price of EUR 500. The issued share is less than 20% of the total shares of VW Finance Belgium SA.

FSNV is part of the Volkswagen group. The ultimate parent company of this group is Volkswagen AG Wolfsburg, Germany. The consolidation, including the investment in VW Finance Belgium SA, Brussels, is performed at Volkswagen AG level. These consolidated financial statements can be obtained from the company.

Based on Article 2:408 of the Dutch Civil Code FSNV is exempt from consolidation.

1.3 Note to the cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement are comprised of cash and cash equivalents. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are included in the respective amounts. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognised as cash used in financing activities.

1.4 Estimates

Estimates used in the financial statements are limited to the use of provisions for general expenses and taxes based on experience and sound judgement.

2 Principles of valuation of assets and liabilities

2.1 General

The financial statements are prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the

Netherlands as issued by the Dutch Accounting Standards Board. The financial statements are denominated in EUR.

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or fair value. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred. The balance sheet, income statement and cash flow statement include references to the notes.

2.2 *Comparison with prior year*

The principles of valuation and determination of result remain unchanged compared to the prior year.

2.3 *Foreign currencies*

Functional currency

Items in the financial statements of group companies are stated with due observance of the currency of the primary economic environment in which the respective group company operates (the functional currency). The financial statements are denominated in EUR, i.e. the functional and reporting currency of FSNV.

Transactions, receivables and liabilities

Monetary assets and liabilities denominated in foreign currencies are translated at the mid-rate prevailing on the balance sheet date. Investments in participations are stated at the historical exchange rate.

Transactions denominated in foreign currencies in the reporting period are recognised in the financial statements at the exchange rate ruling at the transaction date.

In respect of any positions in the balance sheet that are covered by cross currency interest rate swaps or by foreign exchange forward contracts, the differences in values calculated at mid-rates at the end of the year and contract rates are allocated to the respective principals of the loans. If the loan taken is denominated in a currency other than EUR, the respective correction is allocated to this loan. Otherwise the respective loan granted is corrected.

2.4 *Intangible fixed assets*

Intangible fixed assets are carried at historical cost less amortisation. Any impairment as at the balance sheet date is taken into account; impairment exists if the carrying amount of the asset (or the cash-generating unit to which it belongs) exceeds its recoverable amount. For determining whether an impairment charge in respect of an intangible fixed asset applies, reference is made to note 2.7.

Computer software

Software licences acquired are capitalised at acquisition cost and amortised over the estimated economic life of three years. Expenditures incurred for the production of identifiable software products that are tailor-made for the group are capitalised. Expenditure in connection with maintenance of computer software and expenses related to research activities are recognised in the income statement.

2.5 *Tangible fixed assets*

Fixed assets are valued at acquisition or production cost including directly attributable expenses, less straight-line depreciation over the estimated useful economic life, or market value if lower. Directly attributable production costs include the costs of the raw materials and consumables, and also include installation costs.

For computer hardware a depreciation period of 3 years is used.

2.6 *Financial fixed assets*

Shares in participations

The investment in the group company is valued at the lower of cost and net realisable value.

Loans to Volkswagen group companies and joint ventures of the Volkswagen group and to third parties

Loans to Volkswagen group companies and joint ventures of the Volkswagen group and to third parties are loans with an original term of more than one year and are valued at their amortised cost value.

Receivables from joint ventures of the Volkswagen group

Interest receivables from joint ventures of the Volkswagen group are receivables with an original term of more than one year and are valued at their nominal value.

2.7 *Impairment of fixed assets*

On each balance sheet date, the company tests whether there are any indications of assets being subject to impairment. If any such indications are present, the recoverable amount of the asset is determined. If this proves to be impossible, the recoverable amount of the cash-generating unit to which the asset belongs is identified. An asset is subject to impairment if its carrying amount is higher than its recoverable value; the recoverable value is the higher of the net realisable value and the value in use.

Net realisable value is determined based on the active market. An impairment is directly recognised as an expense in the income statement.

If it is established that a previously recognised impairment no longer applies or has declined, the increased carrying amount of the assets in question is not set higher than the carrying amount that would have been determined had no asset impairment been recognised.

2.8 *Current assets*

Receivables due from Volkswagen group companies and joint ventures of the Volkswagen group

The receivables due from Volkswagen group companies and joint ventures of the Volkswagen group are valued at their amortised cost value. All receivables will be received within one year.

Other assets

The swap interest receivables and income tax receivables are shown under other assets and are valued at their amortised cost value.

Prepayments and accrued income

Accrued income is amortised over the remaining life of the bonds.

Cash at banks and in hand

Cash and bank balances denominated in foreign currencies are translated at the mid-rate prevailing on the balance sheet date.

2.9 Equity

The company has no statutory reserve.

2.10 Long-term liabilities

Bonds

The bonds are valued at their amortised cost value. All long-term bonds have a maturity of over one year. No assets were pledged as collateral by the company.

Liabilities to banks

The liabilities to banks are valued at their nominal value. All liabilities have a maturity of over one year.

Liabilities to Volkswagen group companies

The liabilities to Volkswagen group companies are valued at their nominal value. All liabilities have a maturity of over one year.

Other liabilities

The swap interest payables with a run-off period of more than one year are shown under other liabilities and are valued at their amortised cost value.

2.11 Current liabilities

Bonds

The bonds are valued at their amortised cost value. All short-term bonds are payable within one year.

Liabilities to banks

The liabilities to banks are valued at their amortised cost value. All liabilities are payable within one year.

Liabilities to Volkswagen group companies

The liabilities to affiliated companies are valued at their amortised cost value. All liabilities are payable within one year.

Other liabilities

The swap interest payables with a run-off period within one year are shown under other liabilities and are valued at their nominal value.

Deferred income

The deferred income concerns premiums and compensations and is amortised over the remaining life of the loans taken.

Deferred income tax

Deferred tax liabilities are recognised to provide for timing differences between the value of the assets and liabilities for financial reporting purposes on the one hand and for tax purposes on the

other. Deferred tax liabilities are calculated based on the tax rate prevailing on the balance sheet date or the rates that will apply in the future, insofar as these have been set down by law.

Current income tax

The current Dutch nominal tax rate of 25% has been applied.

Trade payables

The trade payables are valued at their amortised cost value and are payable within one year.

Other accrued liabilities

The accruals are stated at the amount required, based on sound business judgement and valued at the expected costs.

2.12 *Financial instruments*

Securities included in financial and current assets, as well as liabilities and derivative financial instruments, are stated at cost. The company applies hedge accounting to hedging interest and currency risk on borrowings and lendings. Both the derivative and the hedged item are stated at cost. The gain or loss relating to the ineffective portion is recognised in the income statement within finance cost. The company has no derivative financial instruments other than the ones used for hedging.

Fair value hedge

In applying fair value hedge accounting, both the hedging instrument and the hedged position are stated at fair value, at least where this is attributable to the hedged risk. The gain or loss from remeasuring the hedging instrument at fair value or the foreign currency component of its carrying amount on the balance sheet date shall be directly recognised in profit or loss. The company shall discontinue prospectively the hedge accounting if:

- the hedging instrument expires or is sold, terminated or exercised;
- the hedge no longer meets the criteria for hedge accounting;
- the company revokes the designation.

The company applies fair value hedge accounting to hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed-rate borrowings is directly recognised in the income statement within finance costs. The gain or loss relating to the ineffective portion is recognised in the income statement within finance costs.

Cost price hedge

In applying cost price hedge accounting, the initial recognition of, and the accounting policies for, the hedging instrument are dependent on the hedged item, which has the following implications:

- if the hedged item is recognised at cost in the balance sheet, the derivative instrument is also stated at cost;
- as long as the hedged item is not yet recognised in the balance sheet, the hedging instrument is not remeasured. This applies, for instance, to hedging currency risks on future transactions;
- if the hedged item qualifies as a monetary item denominated in a foreign currency, the derivative instrument, where it has currency elements, is also stated at the spot rate at the balance sheet date. If the derivative instrument has currency elements, the difference between the spot rate on the date the derivative instrument is contracted and the forward rate at which it will be settled is spread over the maturity of the derivative instrument.

The ineffective portion of the hedge is recognised directly in the income statement.

The company applies cost price hedge accounting to hedging fixed-interest risk on borrowings. The gain or loss relating to the ineffective portion is recognised in the income statement within finance costs.

3 Principles of determination of result

3.1 General

Result is determined as the difference between the realisable value of services rendered and the costs and other charges for the year. Results on transactions are recognised in the year in which they are realised; losses are taken as soon as they are foreseeable.

Profit or loss is determined taking into account the recognition of unrealised changes in fair value of:

- securities included in current assets;
- derivative financial instruments that have not been designated as hedges.

3.2 Revenue recognition

Revenue from interest income is allocated to the reporting period in which it occurs.

3.3 Exchange rate differences

Exchange rate differences arising upon the settlement of monetary items are recognised in the income statement in the period that they arise.

3.4 Interest income and similar income and interest expenses and similar expenses

Interest income and expense is recognised on a pro rata basis, taking into account the effective interest rate of the assets and liabilities concerned. When recognising the interest charges, the transaction cost on the loans received is taken into account.

3.5 Other operating income and expenses

Other operating income and expenses include income and expenses that are not directly attributable to the interest income and expenses and are valued at the realisable value.

3.6 General and administrative expenses

These expenses include expenses such as personnel expenses, office expenses, consulting and audit fees and depreciation and amortisation and are valued at cost.

Depreciation and amortisation

Intangible fixed assets are amortised and tangible fixed assets are depreciated over their expected useful lives as from the inception of their use. Future depreciation is adjusted if there is a change in estimated useful life.

Gains and losses upon the sale of tangible fixed assets are included in other operating income or other operating expenses respectively.

Labour and other costs third party

Services performed by Volkswagen International Finance N.V. ('VIF') for FSNV are charged at a fixed amount. These costs include for example salaries, rental costs and general costs.

3.7 Taxation

Profit tax is calculated on the profit before taxation in the income statement, taking into account any losses carried-forward from previous financial years (insofar as these are not included in deferred tax assets), tax-exempt items and non-deductible expenses. Account is also taken of changes in deferred tax assets and deferred tax liabilities owing to changes in the applicable tax rates.

4 Financial instruments and risks

4.1 Market risk

Currency risk

To avoid risk, the loans to Volkswagen group companies and to joint ventures of the Volkswagen group and related funding are generally matched in currency terms. If not, correcting swaps are executed to achieve the matched basis. The small exchange rate exposures during and at the end of 2011 were within the limits set by the supervisory board.

Interest rate risk

To avoid risk, the loans to Volkswagen group companies and to joint ventures of the Volkswagen group and related funding are generally matched in interest terms. If not, correcting swaps are executed to achieve the matched basis. The small interest rate exposures during and at the end of 2011 were within the limits set by the supervisory board.

4.2 Credit risk

The risk of default arising from financial assets and derivative financial instruments involves the risk of default by counterparties. The maximum loss from derivative instruments equals their positive fair value. Risk is additionally limited by a limit system based on credit assessments by the international rating agencies.

4.3 Liquidity risk

The company uses several banks which are selected at group level. The liquidity risk is monitored by assuring that the critical terms of the relevant items match.

5 Tangible fixed assets

	Tangible fixed assets (other installations, business and office equipment)
	EUR'000
Purchase cost	189
Additions	1
Depreciation (accumulated)	(189)
Book value as at 31 December 2011	<u>1</u>
Book value as at 31 December 2010	<u>-</u>
Depreciation current year	<u>-</u>

6 Financial fixed assets

Shares in participations

The company's interests in other companies comprise the following:

Company	Local (original) currency (LC)	Share in issued capital as %	31 December 2011		31 December 2010	
			LC'000	EUR'000	LC'000	EUR'000
VW Finance Belgium SA, Brussels	EUR	< 5	1	<u>1</u>	1	<u>1</u>

Loans to Volkswagen group companies and joint ventures of the Volkswagen group included in fixed assets

A breakdown of the loans to Volkswagen group companies and joint ventures of the Volkswagen group is as follows:

	Original currency	Weighted average interest rate (%)	31 December 2011	
			Book value	Market value
			EUR'000	EUR'000
Fixed asset loans to Volkswagen group companies	EUR	2.831	753,710	777,009
	GBP	2.787	1,002,708	1,053,207
	SEK	5.075	52,925	58,190
	RUB	7.866	1,711	3,015
	AUD	6.660	100,000	117,496
	CZK	2.403	3,878	3,971
			1,914,932	2,012,888
Fixed asset loans to joint ventures of the Volkswagen group	EUR	1.973	21,839	22,190
	TRY	9.510	131,373	131,609
			153,212	153,799
Total loans to Volkswagen group companies and joint ventures of the Volkswagen group			2,068,144	2,166,687

The market values are determined on the basis of discounted cash flows. Credit spreads were not included in the model used to determine the market value. Since all loans are to Volkswagen group companies and joint ventures of the Volkswagen group the credit spread applicable to these loans is equal to the credit spread for the Volkswagen group. As at December 31 the following credit spreads were applicable to the Volkswagen group:

	31 Dec 2011	31 Dec 2010
	BPS	BPS
For amounts payable within one year	8.25	6.92
For amounts payable between one year and five years	80.25	51.75
For amounts payable after five years	130.20	84.60

For comparison the overview of 2010:

	Original currency	Weighted average interest rate (%)	31 December 2010	
			Book value	Market value
			EUR'000	EUR'000
Fixed asset loans to Volkswagen group companies	EUR	2.110	865,160	880,915
	GBP	2.886	585,006	606,689
	SEK	2.323	55,752	56,362
	RUB	7.122	5,884	6,164
	AUD	6.660	100,000	113,519
	CZK	2.403	3,990	4,031
			<u>1,615,792</u>	<u>1,667,680</u>
Fixed asset loans to joint ventures of the Volkswagen group	EUR	2.028	81,839	82,960
				<u>81,839</u>
Total loans to Volkswagen group companies and joint ventures of the Volkswagen group			<u>1,697,631</u>	<u>1,750,640</u>
<i>Prepaid and deferred charges</i>				
			31 Dec 2011	31 Dec 2010
			EUR'000	EUR'000
Other prepaid and deferred charges			<u>2,562</u>	<u>192</u>

7 Receivables due from Volkswagen group companies and joint ventures of the Volkswagen group

	Original currency	Weighted average interest rate (%)	31 December 2011	
			Book value	Market value
			EUR'000	EUR'000
Current asset receivables due from Volkswagen group companies excluding interest	EUR	2.096	902,543	908,894
	GBP	2.766	690,659	721,313
	RUB	7.334	12,715	11,770
	CZK	1.077	39,903	38,660
	SEK	3.144	393,166	399,652
	AUD	5.887	73,790	81,132
Accrued and other receivables			27,753	27,753
			2,140,529	2,189,174
Current asset receivables due from joint ventures of the Volkswagen group excluding interest	EUR	1.749	244,459	245,866
	TRY	8.271	52,277	50,971
	NOK	3.375	423,931	428,330
Accrued and other receivables			8,129	8,128
			728,796	733,295
Total receivables due from Volkswagen group companies and joint ventures of the Volkswagen group			2,869,325	2,922,469

For the determination of the market values see note 6.

As mentioned in note 2.12 all outstanding loans to Volkswagen group companies and joint ventures of the Volkswagen group are hedged with cross currency interest rate swaps, interest rate swaps and forwards to the bonds and loans from Volkswagen group companies used to fund the financing activities. As a result the company has principally no exposure to interest rate risk and currency risk.

For comparison the overview of 2010:

	Original currency	Weighted average interest rate (%)	31 December 2010	
			Book value	Market value
			EUR'000	EUR'000
Current asset receivables due from Volkswagen group companies excluding interest	EUR	1.500	227,612	231,055
	GBP	1.950	579,470	589,260
	RUB	7.490	9,749	9,994
	CZK	1.350	42,830	42,749
	SEK	3.010	44,595	44,817
Accrued and other receivables			14,323	14,323
			918,579	932,198
Current asset receivables due from joint ventures of the Volkswagen group excluding interest	EUR	2.250	380,638	383,314
	USD	6.200	973	1,034
	NOK	2.650	114,616	120,077
Accrued and other receivables			2,951	2,951
			499,178	507,376
Total receivables due from Volkswagen group companies and joint ventures of the Volkswagen group			1,417,757	1,439,574

8 Loans to external parties

This balance sheet position contains loans to:

Company	Amount	Maturity
Pon Auto Import Nederland B.V., Leusden	EUR 100,000	24 December 2012
Pon Automotive B.V., Leusden	EUR 200,000	24 December 2012
Pon Holdings B.V., Almere	EUR 200,000	24 December 2012

These Dutch companies do not belong to the Volkswagen Group.

9 Other assets

	<u>31 Dec 2011</u>	<u>31 Dec 2010</u>
	EUR'000	EUR'000
Swap interest receivables from banks	25,472	12,959
Income tax receivable	4,860	1,047
	<u>30,332</u>	<u>14,006</u>

10 Prepaid and deferred charges

	<u>31 Dec 2011</u>	<u>31 Dec 2010</u>
	EUR'000	EUR'000
Prepaid and deferred charges	6,736	1,399

The prepaid and deferred charges mainly consist of deferred emission costs.

11 Shareholder's equity

	<u>Issued and paid-up share capital</u>	<u>Share premium reserve</u>	<u>Retained earnings</u>	<u>Total equity</u>
	EUR'000	EUR'000	EUR'000	EUR'000
Balance as at 31 December 2010	454	478,000	28,971	507,425
Contribution by FSAG	-	375,000	-	375,000
Result for the year 2011	-	-	16,836	16,836
Balance as at 31 December 2011	<u>454</u>	<u>853,000</u>	<u>45,807</u>	<u>899,261</u>

The shareholder's equity breaks down as follows:

Share capital

On 31 December 2011 the subscribed capital of the company amounted to EUR 2,270,000 of which an amount of EUR 454,000 was paid up. 454 registered shares of EUR 1,000 each have been issued.

Share premium reserve

FSAG contributed in 2011 to the share premium reserve of FSNV EUR 375 million in cash to strengthen FSNV's position as a group financing company.

Retained earnings

The management proposes to retain the 2011 profit in the amount of TEUR 16,836. At the end of 2011 the total retained earnings amounted to TEUR 45,807, the total equity to EUR 899.3 million.

12 Long-term liabilities

All long-term liabilities are payable within one to five years.

	31 Dec 2011	31 Dec 2010
	EUR'000	EUR'000
Bonds listed	1,297,123	619,584
Bonds unlisted	25,439	152,167
	<u>1,322,562</u>	<u>771,751</u>

A breakdown of the long-term bonds is as follows:

	Original currency	Average interest rate in percentage	31 December 2011	
			Book value	Market value
		%	EUR'000	EUR'000
Maturity within 1 to 5 years				
Bonds listed	EUR	2.148	160,000	161,756
Bonds listed	SEK	1.206	166,808	173,315
Bonds listed	AUD	5.800	198,534	218,792
Bonds listed	CZK	1.700	21,217	21,295
Bonds listed	GBP	2.500	299,294	305,944
Bonds listed	NOK	4.159	354,541	379,838
Bonds listed	NZD	4.625	72,171	82,584
Bonds listed	TRY	8.500	24,558	24,760
Bonds unlisted	USD	0.680	25,439	45,287
Total long-term bonds			<u>1,322,562</u>	<u>1,413,571</u>

Liabilities to Volkswagen group companies excluding interest

A breakdown of the long-term liabilities to Volkswagen group companies is as follows:

	31 Dec 2011	31 Dec 2010
	EUR'000	EUR'000
Volkswagen AG	71,017	290,026
Volkswagen Bank	50,976	172,393
Volkswagen Group Services	32,613	-
VIF	8,299	500
	<u>162,905</u>	<u>462,919</u>

13 Current liabilities

	31 Dec 2011	31 Dec 2010
	EUR'000	EUR'000
Bonds listed	1,218,728	322,247
Bonds unlisted	250,678	271,845
	<u>1,469,406</u>	<u>594,092</u>

A breakdown of the current bonds is as follows:

			31 December 2011	
	Original currency	Average interest rate in percentage	Book value	Market value
		%	EUR'000	EUR'000
Maturity less than 1 year				
Bonds listed	EUR	2.256	650,000	654,698
Bonds listed	SEK	3.092	405,131	413,328
Bonds listed	USD	1.474	19,787	19,917
Bonds listed	JPY	0.050	26,110	29,858
Bonds listed	NOK	3.333	117,700	119,288
Bonds unlisted	JPY	0.876	250,678	274,115
Total current bonds			<u>1,469,406</u>	<u>1,511,204</u>

Liabilities to Volkswagen group companies

A breakdown of the current liabilities, including accrued interest to Volkswagen group companies is as follows:

	31 Dec 2011	31 Dec 2010
	EUR'000	EUR'000
Volkswagen AG	258,338	186,882
Volkswagen FSAG	52,925	-
Volkswagen Group Services	254,858	-
VIF	500	-
Accrued interest	5,623	6,456
	<u>572,244</u>	<u>193,338</u>

14 Financial income and expenses

Interest and similar income

	2011	2010
	EUR'000	EUR'000
Interest and similar income	115,191	71,916
Interest and similar expenses	92,974	64,984
	<u>22,217</u>	<u>6,932</u>

15 Other operating income

	2011	2010
	EUR'000	EUR'000
Miscellaneous income previous years	2	15

16 Other operating expenses

	2011	2010
	EUR'000	EUR'000
Bank charges	19	10
Translation losses	3	-
Miscellaneous expenses	-	3
Miscellaneous expenses previous years	-	1
	<u>22</u>	<u>14</u>

17 General and administrative expenses

	2011	2010
	EUR'000	EUR'000
Labour and other costs third party	655	655
Consulting and auditing fees	100	102
EDP expenses	65	65
General office expenses	10	9
	<u>830</u>	<u>831</u>

The labour and other costs third party is a charge from VIF for services rendered to FSNV.

18 Depreciation expenses

Depreciation expenses can be broken down as follows:

	<u>2011</u>	<u>2010</u>
	EUR'000	EUR'000
Depreciation tangible fixed assets (note 5)	-	3

19 Auditor's fees

The following fees, based on invoices and estimated work orders for accounting and tax services from PwC Netherlands, occurred in the reporting year:

	<u>2011</u>	<u>2010</u>
	EUR'000	EUR'000
Audit of the financial statements	35	34
Other non-audit services	-	17
	<u>35</u>	<u>51</u>

20 Related parties

All loans are granted to other group companies. The interest income is mainly derived from these group companies.

For receivables due from Volkswagen group companies see notes 6 and 7.

For liabilities to Volkswagen group companies see notes 12 and 13.

21 Average number of employees

The employees are supplied by VIF. The costs regarding the work performed for FSNV are included in the service charges of EUR 655,200 which are shown under the general and administrative expenses.

22 Financial instruments

The company's policy is to fully hedge its interest rate and exchange rate exposures.

The financial instruments of the company had the following notional amounts:

	Interest swaps	Interest/ currency swaps	FX contracts	Total
	EUR'000	EUR'000	EUR'000	EUR'000
31 December 2011	148,361	2,485,662	683,558	3,317,581
31 December 2010	83,990	1,556,799	287,118	1,927,907

The financial instruments of the company had the following positive or negative market values:

	Interest swaps	Interest/ currency swaps	FX contracts	Total
	EUR'000	EUR'000	EUR'000	EUR'000
31 December 2011	-779	-770	-5,147	-6,696
31 December 2010	-1,120	844	-2,378	-2,654

23 Taxation

The taxation on the result of TEUR 4,531 can be specified as follows:

	2011	2010
	EUR'000	EUR'000
Result before taxation	21,367	6,099
Taxation on result	4,531	1,550
Effective tax rate	21.2%	25.4%
Applicable tax rate	25%	25.5%

24 Directors and supervisory directors

Management Board:

- Frank Mitschke, Amsterdam
- Bernd Bode, Hannover

Supervisory Board:

- Frank Fiedler, Braunschweig

The Management and Supervisory Board have not received any remuneration for 2011.

The Management Board has declared that to the best of its knowledge:

1. the financial statements 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 on the balance sheet date, the events that occurred during the year and the risks to which the company is exposed.

Amsterdam, 13 March 2012

Management Board

Supervisory Board

Original signed by
F. Mitschke

Original signed by
F. Fiedler

Original signed by
B. Bode

Other information

Profit appropriation according to the Articles of Association

The company's Articles of Association provide that appropriation of accrued profit is subject to the decision of the shareholders at the general meeting of shareholders. The company can only make distributions to the shareholders and other persons entitled up to an amount which does not exceed the amount of the distributable reserves. The general meeting may resolve to pay dividends from legally distributable reserves.

Proposed appropriation of profit

Management proposes to retain the 2011 profit of EUR 16,835,978.69.

Post balance sheet events

No post balance sheet events occurred.

Independent auditor's report



Independent auditor's report

To: the General Meeting of Shareholders of Volkswagen Financial Services N.V.

Report on the financial statements

We have audited the accompanying financial statements 2011 of Volkswagen Financial Services N.V., Amsterdam, which comprise the balance sheet as at 31 December 2011, the income statement for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the management report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Volkswagen Financial Services N.V. as at 31 December 2011, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

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Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Rotterdam, 20 March 2012
PricewaterhouseCoopers Accountants N.V.

Original signed by
dr. H.F.M. Gertsen RA