

**Financial report 2007**

**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 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. Both programmes are updated on an annual basis. All issues are guaranteed by the mother company Volkswagen Financial Services AG, Braunschweig.

Besides these programmes FSNV can utilise 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.

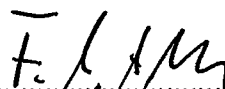
The financing activities are carried out in different currencies and interest terms. To avoid interest and currency risks, the company concludes interest and currency swaps. The small interest and exchange rate exposures during and at the end of 2007 were within the limits approved by the supervisory board.

Due to a higher credit demand from companies in the Volkswagen Financial Services group, the business volume of FSNV increased by almost 30%. In total FSNV issued notes with a EUR equivalent of 1.5 billion and took loans from banks (EUR equivalent: 163 million) and affiliated companies (EUR equivalent: 134 million). FSNV redeemed funds with a EUR equivalent of 1.1 billion.

In 2007 FSNV realised earnings of EUR 4.8 million before tax against EUR 3.9 million in 2006. The increase is mainly caused by a higher interest income due to the above mentioned extended business volume.

For the current year we expect a positive business development, assuming an increased level of financing demand of the Volkswagen Financial Services group companies.

Amsterdam, 22 February 2008

  
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(Frank Mitschke, Managing Director)

## **Financial statements**

## Balance sheet as at 31 December 2007

(after proposed appropriation of profit)

	Ref.	31 December 2007		31 December 2006	
		EUR'000	EUR'000	EUR'000	EUR'000
<b>Assets</b>					
<b>Fixed assets</b>					
Intangible fixed assets	5		1		3
Tangible fixed assets	5		27		28
Financial fixed assets:	6				
Shares in participations		1		1	
Loans to Volkswagen group companies		431,974		957,352	
Loans to joint ventures of the Volkswagen group		575,532		354,320	
Receivables from joint ventures of the Volkswagen group		3,653		-	
Prepaid and deferred charges		60		319	
<b>Total financial fixed assets</b>			<b>1,011,220</b>		<b>1,311,992</b>
<b>Total fixed assets</b>			<b>1,011,248</b>		<b>1,312,023</b>
<b>Current assets</b>					
Receivables due from Volkswagen group companies	7	1,161,265		155,707	
Receivables due from joint ventures of the Volkswagen group	7	594,647		667,191	
Other assets	8	9,761		9,286	
Prepaid and deferred charges	9	444		717	
Cash at banks and in hand		1,667		252	
<b>Total current assets</b>			<b>1,767,784</b>		<b>833,153</b>
<b>Total assets</b>			<b>2,779,032</b>		<b>2,145,176</b>

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

	Ref.	31 December 2007		31 December 2006	
		EUR'000	EUR'000	EUR'000	EUR'000
<i>Shareholders' equity and liabilities</i>					
<b>Shareholders' equity</b>	10				
Share capital		454		454	
Retained earnings		17,775		13,617	
<b>Total shareholders' equity</b>			18,229		14,071
<b>Long-term liabilities</b>	11				
Bonds		869,178		1,156,683	
Liabilities to banks		106,889		28,730	
Liabilities to Volkswagen group companies	11	32,000		75,467	
Other liabilities		3,629		87,100	
Deferred income		10		251	
<b>Total long-term liabilities</b>			1,011,706		1,348,231
<b>Current liabilities</b>	12				
Bonds		1,518,147		435,692	
Commercial papers		27,129		-	
Liabilities to banks		50,813		170,591	
Liabilities to Volkswagen group companies	12	99,657		36,571	
Other liabilities		52,842		139,460	
Deferred income		271		327	
Deferred income tax		-		8	
Trade payables		1		15	
Current income tax		5		113	
Accrued liabilities		232		97	
<b>Total current liabilities</b>			1,749,097		782,874
<b>Total shareholders' equity and liabilities</b>			2,779,032		2,145,176

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

## Income statement 2007

	Ref.	2007		2006	
		EUR'000	EUR'000	EUR'000	EUR'000
<b>Income</b>					
Interest and similar income	14	145,060		119,708	
Other operating income	15	12		42	
<b>Total income</b>			145,072		119,750
<b>Expenses</b>					
Interest and similar expenses	14	(139,379)		(114,946)	
Other operating expenses	16	(123)		(130)	
General and administrative expenses	17	(755)		(732)	
Depreciation and amortisation expenses	18	(16)		(21)	
<b>Total expenses</b>			(140,273)		(115,829)
<b>Result before taxation</b>			4,799		3,921
Taxation	22		(641)		(640)
<b>Result after taxation</b>			4,158		3,281

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

## Cash flow statement 2007

	Ref.	2007		2006	
		EUR'000	EUR'000	EUR'000	EUR'000
<b>Cash flow from operating activities</b>					
Loans granted	6/7	(632,502)		(41,660)	
Loans taken	11/12	630,018		33,723	
<i>Net cash flow from lending activities</i>			(2,484)		(7,937)
Interest received	14	144,585		124,483	
Interest paid	14	(139,379)		(114,946)	
<i>Net cash flow from interest</i>			5,206		9,537
Other operating activities	15	547		1,025	
Paid expenses	16/17/ 18	(1,213)		(1,975)	
Corporate income tax paid	22	(641)		(640)	
<i>Cash flow from other operating activities</i>			(1,307)		(1,590)
<b>Net cash flow</b>			<b>1,415</b>		<b>10</b>
Cash and cash equivalents at beginning of the year			252		242
<b>Cash and cash equivalents at end of the year</b>			<b>1,667</b>		<b>252</b>

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 to group companies.

#### *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 of 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 Netherlands Civil Code FSNV is exempt from consolidation.

### **2 Principles of valuation of assets and liabilities**

#### *2.1 General*

The financial statements were prepared in accordance with the statutory provisions of Part 9, Book 2 of the Netherlands 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 euro.

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or at 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.

The market value of the loans taken and loans granted is based on the discounted cash flow method.

## 2.2 Comparison with prior year

The principles of valuation and determination of result remained 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 euro, i.e. the functional and reporting currency of FSNV.

### *Transactions, receivables and liabilities*

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 exchange rate ruling at the transaction date.

In respect of any positions in the balance sheet which 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 euro, 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. An 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. The following depreciation period is used:

<b>Asset</b>	<b>Number of years</b>
Computer hardware	3

## 2.6 *Financial fixed assets*

### *Shares in participations*

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

The share in the group company is specified in note 1.2.

### *Loans to Volkswagen group companies and joint ventures of the Volkswagen group*

Loans to Volkswagen group companies and joint ventures of the Volkswagen group are loans with an original term of more than one year and are valued at their nominal 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 and its recognition*

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 nominal value. All receivables will be received within one year.

### *Other assets*

The swap interest receivable and tax receivable are valued at cost and will be received within one year.

### *Prepaid and deferred charges*

The prepaid and deferred charges are amortised over the remaining life of the bonds.

### *Cash at banks and in hand*

Cash at banks and in hand represents cash in hand, bank balances and deposits with a maturity of less than one year.

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

## 2.9 Long-term liabilities

### *Bonds*

The bonds are valued at their nominal value. All long-term bonds have a maturity of over one year.

### *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 nominal value.

## 2.10 Current liabilities

### *Bonds*

The bonds are valued at their nominal value. All bonds are payable within one year.

### *Liabilities to banks*

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

### *Liabilities to Volkswagen group companies*

The liabilities to affiliated companies are valued at their nominal 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. In 2006, the short-term unlisted Debt Issuance Programs were included in other liabilities; in 2007 they are included in bonds.

### *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.

Deferred taxes are recognised for timing differences concerning group companies, participating interests and joint ventures of the Volkswagen group, unless FSNV is able to determine the moment of expiry of the timing difference and it is not likely that the timing difference will expire in the foreseeable future.

### *Trade payables*

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

#### *Current income tax*

The current Dutch nominal tax rate of 25.5% has been applied. FSNV is part of a fiscal unity with Volkswagen International Finance N.V.

#### *Accrued liabilities*

The accruals are stated at the amount required, based on sound business judgement and valued at the expected 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 account of the effective interest rate of the assets and liabilities concerned. On recognition 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 is 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 depreciation.

#### *Labour and other costs third party*

Services performed by Volkswagen International Finance N.V. ('VIF') for FSNV are charged at a fixed amount based on 50% of the expected costs of VIF. These costs include for example salaries, rental costs and general costs.

### **3.7 *Movements in the value of financial instruments valued at market value***

Movements in the value of the following financial instruments are taken directly to the income statement:

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

A decline in the value of financial instruments measured at fair value is recognised in the income statement. Realised increases in the value of financial instruments measured at fair value and initially recognised in equity are taken to the income statement.

### **3.8 *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***

### **4.1 *Market risk***

#### *Currency risk*

To avoid risk, loans 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 2007 were within the mismatch guidelines.

#### *Interest rate risk*

To avoid risk, loans 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 2007 were within the mismatch guidelines.

### **4.2 *Risk of default***

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.

## 5 Intangible and tangible fixed assets

	Intangible fixed assets (software)	Tangible fixed assets (other installations, business and office equipment)	Total
	EUR'000	EUR'000	EUR'000
Purchase cost	38	177	215
Additions	-	12	12
Amortisation/depreciation (accumulated)	37	162	199
Book value as at 31 December 2007	<u>1</u>	<u>27</u>	<u>28</u>
Book value as at 31 December 2006	<u>3</u>	<u>28</u>	<u>31</u>
Amortisation/depreciation current year	<u>2</u>	<u>14</u>	<u>16</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 2007		31 December 2006	
			LC'000	EUR'000	LC'000	EUR'000
VW Finance Belgium SA	EUR	< 5	1	1	1	1
				<u>1</u>		<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 2007	
			Book value EUR'000	Market value EUR'000
<b>Fixed asset loans to Volkswagen group companies</b>	EUR	5.34	251,952	254,278
	GBP	6.29	150,000	142,686
	CZK	4.06	30,022	31,441
			<b>431,974</b>	<b>428,405</b>
<b>Fixed asset loans to joint ventures of the Volkswagen group</b>	EUR	5.25	340,500	347,687
	USD	5.79	15,830	15,856
	SKK	4.34	35,000	34,729
	TRY	18.40	184,202	195,465
			<b>575,532</b>	<b>593,737</b>
<b>Total loans to Volkswagen group companies and joint ventures of the Volkswagen group</b>			<b>1,007,506</b>	<b>1,022,142</b>
<i>Prepaid and deferred charges</i>			<b>31 Dec 2007</b>	<b>31 Dec 2006</b>
			EUR'000	EUR'000
Other prepaid and deferred charges			29	218
Emission costs			31	52
Foreign exchange swap charges			-	49
			<b>60</b>	<b>319</b>



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

	Original currency	Weighted average interest rate (%)	31 December 2007	
			Book value	Market value
			EUR'000	EUR'000
<b>Current asset receivables due from Volkswagen group companies excluding interest</b>	EUR	5.16	600,789	606,750
	GBP	5.87	281,960	272,726
	USD	6.38	455	473
	JPY	0.91	12,126	12,170
	SEK	4.53	252,958	252,240
Accrued and other receivables			12,977	12,977
			<b>1,161,265</b>	<b>1,157,336</b>
<b>Current asset receivables due from joint ventures of the Volkswagen group excluding interest</b>	EUR	4.88	371,648	394,158
	USD	6.20	27,370	26,230
	SKK	4.49	26,999	27,137
	TRY	19.58	135,294	151,306
Accrued and other receivables			33,336	33,336
			<b>594,647</b>	<b>632,167</b>
<b>Total receivables due from Volkswagen group companies and joint ventures of the Volkswagen group</b>			<b>1,755,912</b>	<b>1,789,503</b>

**8 Other assets**

	31 Dec 2007	31 Dec 2006
	EUR'000	EUR'000
Swap interest receivable from banks	9,737	9,218
Income tax receivable	11	58
VAT receivable	2	9
Other interest receivable	11	1
	<b>9,761</b>	<b>9,286</b>

## 9 Prepaid and deferred charges

	<u>31 Dec 2007</u>	<u>31 Dec 2006</u>
	EUR'000	EUR'000
Other prepaid and deferred charges	238	256
Foreign exchange swap charges	45	275
Emission costs	161	186
	<u>444</u>	<u>717</u>

## 10 Shareholders' equity

### *Share capital*

On 31 December 2007 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.

	<b>Issued and paid-up share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
	EUR'000	EUR'000	EUR'000
Balance as at 1 January 2006	454	10,336	10,790
Result for the year 2006	-	3,281	3,281
Balance as at 31 December 2006	<u>454</u>	<u>13,617</u>	<u>14,071</u>
Result for the year 2007	-	4,158	4,158
Balance as at 31 December 2007	<u>454</u>	<u>17,775</u>	<u>18,229</u>

## 11 Long-term liabilities

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

### Bonds

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

<b>Bonds</b>				<b>31 December 2007</b>		<b>31 December 2006</b>	
<b>Counterparty</b>	<b>Local curr.</b>	<b>Maturity date</b>	<b>Interest %</b>	<b>EUR'000</b>	<b>LC'000</b>	<b>EUR'000</b>	<b>LC'000</b>
WestLB	EUR	28-01-2008	3.678			50,000	50,000
Morgan Stanley	TRY	20-03-2008	12.2			42,919	80,000
Deutsche Bank	TRY	04-04-2008	11.85			42,919	80,000
Dresdner	EUR	12-05-2008	3.684			60,000	60,000
HVB	EUR	02-06-2008	4.011			100,000	100,000
RBS	EUR	16-07-2008	3.764			100,000	100,000
SMBC	JPY	25-11-2008	1.15			395,538	50,000,000
BNP Paribas	EUR	28-11-2008	3.726			150,000	150,000
SEB	SEK	11-12-2008	3.178			55,307	500,000
<b>Société</b>							
Générale	EUR	19-02-2009	6.64	75,000	75,000		
BBVA	EUR	28-02-2009	4.125	110,000	110,000	110,000	110,000
RBS	EUR	12-03-2009	5.653	50,000	50,000	50,000	50,000
Mizuho	JPY	16-03-2009	0.88	29,350	4,000,000		
HSBC	TRY	19-03-2009	18.5	40,769	70,000		
JP Morgan	JPY	24-03-2009	0.96	14,750	2,000,000		
Barclays	JPY	24-03-2009	1.03	11,132	1,500,000		
HVB München	CZK	29-05-2009	3.56	15,022	400,000		
Morgan Stanley	JPY	08-06-2009	1.075	19,125	2,600,000		
RBS	EUR	03-08-2009	4.688	100,000	100,000		
Morgan London	EUR	16-11-2009	4.825	70,000	70,000		
Commerzbank	JPY	21-12-2009	0.965	34,030	5,500,000		
RBS	EUR	23-03-2010	4.91	150,000	150,000		
Calyon	EUR	02-08-2010	4.738	150,000	150,000		
<b>Total long-term bonds</b>				<b>869,178</b>		<b>1,156,683</b>	

### Liabilities to Volkswagen group companies excluding interest

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

	<b>31 Dec 2007</b>	<b>31 Dec 2006</b>
	<b>EUR'000</b>	<b>EUR'000</b>
Volkswagen AG	32,000	65,467
Volkswagen International Finance N.V.	-	10,000
	<b>32,000</b>	<b>75,467</b>

## 12 Current liabilities

### Bonds

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

Bonds				31 December 2007		31 December 2006		
	Counterparty	Local curr.	Maturity date	Interest %	EUR'000	LC'000	EUR'000	LC'000
HVB	CZK	02-03-2007	3.50				18,192	500,000
BBVA	EUR	06-03-2007	3.679				50,000	50,000
WestLB	EUR	16-03-2007	3.709				50,000	50,000
Dresdner Bank	TRY	21-03-2007	14.25				42,918	80,000
HVB	EUR	23-03-2007	3.724				100,000	100,000
HVB	EUR	29-03-2007	2.76				40,000	40,000
Barclays Bank	EUR	03-04-2007	3.432				30,000	30,000
Morgan Stanley	PLN	10-04-2007	9.00				27,700	100,000
Nordea	SEK	10-04-2007	2.985				21,882	200,000
Société Générale	EUR	01-10-2007	3.498				55,000	55,000
Barclays	JPY	28-01-2008	0.65	12,127	2,000,000			
WestLB	EUR	28-01-2008	4.743	50,000	50,000			
HSBC	JPY	03-03-2008	0.05	75,790	12,500,000			
Morgan Stanley	TRY	20-03-2008	12.2	46,593	80,000			
Deutsche Bank	TRY	04-04-2008	11.85	46,593	80,000			
Daiwa	JPY	04-04-2008	0.01	48,505	8,000,000			
Dresdner Bank	EUR	12-05-2008	4.679	60,000	60,000			
HVB München	EUR	02-06-2008	5.151	100,000	100,000			
RBS	EUR	16-07-2008	4.871	100,000	100,000			
Mizuho	JPY	09-10-2008	1.111	30,425	5,000,000			
RBS	EUR	16-10-2008	4.721	75,000	75,000			
Deutsche Bank	JPY	20-10-2008	1.09	30,377	5,000,000			
SMBC	JPY	25-11-2008	1.15	395,538	50,000,000			
BNP Paribas	EUR	28-11-2008	4.843	150,000	150,000			
SEB	SEK	11-12-2008	4.77	52,958	500,000			
Commerzbank	JPY	17-12-2008	1.0375	61,576	10,000,000			
RBS	EUR	19-12-2008	4.959	100,000	100,000			
BNP Paribas	JPY	19-12-2008	1.135	29,707	5,000,000			
SEB	SEK	22-12-2008	4.29	52,958	500,000			
<b>Total short-term bonds</b>				<b>1,518,147</b>			<b>435,692</b>	

*Liabilities to Volkswagen group companies*

A breakdown of the current liabilities to Volkswagen group companies is as follows:

	<b>31 Dec 2007</b>	<b>31 Dec 2006</b>
	EUR'000	EUR'000
Volkswagen AG	89,657	14,848
Volkswagen Financial Services AG	-	21,622
Volkswagen International Finance N.V.	10,000	101
	<u>99,657</u>	<u>36,571</u>

In 2006 the unlisted Debt Issuance Programs were included in other liabilities; in 2007 these liabilities are included in bonds.

### **13 Commitments not included in the balance sheet**

*Fiscal unity*

The company forms a fiscal unity for corporate income tax and turnover tax purposes with Volkswagen International Finance N.V. Under the Tax Collection Act, the company is jointly and severally liable for the taxes payable by the group.

### **14 Financial income and expenses**

*Interest and similar income*

	<b>2007</b>	<b>2006</b>
	EUR'000	EUR'000
Interest on short-term loans	114,489	95,487
Interest on long-term loans	30,114	23,115
Other	457	1,106
	<u>145,060</u>	<u>119,708</u>

*Interest and similar expenses*

	<b>2007</b>	<b>2006</b>
	EUR'000	EUR'000
Interest on bonds	133,104	112,549
Interest to affiliated companies	6,275	2,393
Other	-	4
	<u>139,379</u>	<u>114,946</u>

**15 Other operating income**

	<b>2007</b>	<b>2006</b>
	EUR'000	EUR'000
Release of accruals previous years	-	29
Miscellaneous income previous years	12	13
	<u>12</u>	<u>42</u>

**16 Other operating expenses**

	<b>2007</b>	<b>2006</b>
	EUR'000	EUR'000
Portfolio fees	85	-
Miscellaneous expenses	15	121
Bank charges	5	6
Miscellaneous expenses previous years	18	3
	<u>123</u>	<u>130</u>

**17 General and administrative expenses**

	<b>2007</b>	<b>2006</b>
	EUR'000	EUR'000
Labour and other costs third party	550	550
Consulting and auditing fees	132	113
EDP expenses	69	67
General office expenses	4	2
	<u>755</u>	<u>732</u>

The labour and other costs third party is a charge from Volkswagen International Finance N.V. for services rendered to FSNV.

## 18 Depreciation and amortisation expenses

	2007	2006
	EUR'000	EUR'000
Amortisation intangible fixed assets (note 5)	2	1
Depreciation tangible fixed assets (note 5)	14	20
	<u>16</u>	<u>21</u>

## 19 Related parties

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

## 20 Average number of employees

The employees are supplied by Volkswagen International Finance N.V. The costs regarding the work performed for FSNV are included in the service charges of EUR 550,000 which are booked under the general and administrative expenses.

## 21 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 2007	248,958	1,361,032	19,339	1,629,329
31 December 2006	213,000	811,000	29,000	1,053,000

The financial instruments of the company had the following market values:

	Interest swaps	Interest/ currency swaps	FX contracts	Total
	EUR'000	EUR'000	EUR'000	EUR'000
31 December 2007	1,161	(84,672)	(11)	(83,522)
31 December 2006	2,000	(105,000)	571	(102,429)

## 22 Taxation

The taxation on the result of EUR 4,799,000 can be specified as follows:

	2007	2006
	EUR'000	EUR'000
Result before taxation	4,799	3,921
Taxation on result	641	640
Effective tax rate	13.4%	16.3%
Applicable tax rate	25.5%	29.6%

The low effective tax rate is caused by fiscal deduction of the unpaid guarantee commission of EUR 2,132,000. For fiscal purposes, income from this waived commission is added to the taxable income of the parent company.

## 23 Directors and supervisory directors

Management Board:

- Frank Mitschke, Amsterdam (from 1 November 2007)
- Alwin Kleindienst, Amsterdam
- Bernd Bode, Hannover

The Management Board has not received any remuneration for 2007.

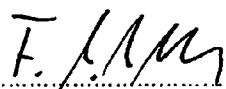
Supervisory Board:

- Burkhard Breiing, Wolfenbüttel

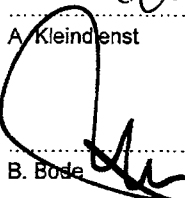
The Supervisory Board has not received any remuneration for 2007.

Amsterdam, 22 February 2008

Management Board

  
.....  
F. Mitschke

  
.....  
A. Kleindienst

  
.....  
B. Bode

Supervisory Board

  
.....  
B. Breiing



## **Other information**

### **Profit appropriation**

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 2007 profit of EUR 4,158,000.

### **Post balance sheet events**

No post balance sheet events occurred.

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

PricewaterhouseCoopers  
Accountants N.V.  
Fascinatio Boulevard 350  
3065 WB Rotterdam  
P.O Box 8800  
3009 AV Rotterdam  
The Netherlands  
Telephone +31 (10) 407 55 00  
Facsimile +31 (10) 456 43 33  
[www.pwc.com/nl](http://www.pwc.com/nl)

## Auditor's report

### Report on the financial statements

We have audited the accompanying financial statements 2007 of Volkswagen Financial Services N.V., Amsterdam as set out on pages 3 to 23 which comprise the balance sheet as at 31 December 2007, the income statement for the year then ended and the notes.

#### *Management board's responsibility*

Management board of the company is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 judgment, 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 board, 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*

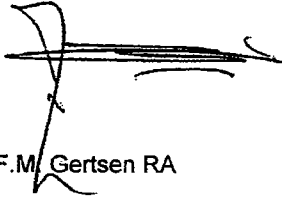
In our opinion, the financial statements give a true and fair view of the financial position of Volkswagen Financial Services N.V. as at 31 December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

**Report on other legal and regulatory requirements**

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 22 February 2008

PricewaterhouseCoopers Accountants N.V.



H.F.M. Gertsen RA