VOLKSWAGEN FINANCIAL SERVICES

AKTIENGESELLSCHAFT

Consolidated Interim Report

JANUARY – JUNE 2010

Volkswagen Financial Services AG at a glance

€ million	30.06.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Total assets	63,672	60,286	57,279	52,314	43,923
Receivables from customers arising from					
Retail financing	29,182	26,603	21,913	20,884	17,262
Wholesale financing	8,505	8,391	9,584	9,360	6,989
Leasing business	13,710	13,935	14,912	13,639	12,759
Leased assets	4,536	3,666	3,003	2,436	1,476
Customer deposits	18,811	18,309	12,835	9,620	8,827
Equity	6,780	6,311	6,780	6,012	4,603
€ million	1st half-year 2010	1st half-year 2009	1st half-year 2008	1st half-year 2007	1st half-year 2006
Pre-tax result	363	297	548	415	415
Net income	283	207	394	283	273
%	30.06.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Equity ratio	10.6	10.5	11.8	11.5	10.5
%	31.03.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Core capital ratio[1]	10.7	11.2	8.8	7.0	8.2
Overall ratio [1]	10.7	11.4	10.8	8.9	8.8
Number	30.06.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Employees	6,639	6,775	6,639	6,138	5,022
In Germany	4,149	4,290	4,128	3,856	3,602
Abroad	2,490	2,485	2,511	2,282	1,420

	STANDARD & POOR'S			MOODY'S INVESTORS SERVICE		
Rating as at 30.06.2010	short-term	long-term	outlook	short-term	long-term	outlook
Volkswagen Financial Services AG	A-2	A–	negative	Prime-2	A3	stable
Volkswagen Bank GmbH	A-2	A–	negative	Prime-1	A2[2]	stable[2]

1 The regulatory core capital ratio/overall ratio is calculated in accordance with the standardised approach to credit and operational risk.
2 Rating currently under review for possible downgrade pending final details around a combination with Porsche

Key facts

- **Volkswagen Financial Services AG increased its total assets by 5.6 % to € 63.7 billion between January and June 2010, the period under review. At € 1.1 billion, the net income from lending, leasing and insurance transactions before risk provisions was higher than in the same period the previous year.**
- **At € 363 million, pre-tax profit surpassed the previous year's level.**
- **The contract portfolio amounts to 6,044,000 contracts, with receivables from customers up by € 2.4 billion; this is essentially due to the expansion of the business volume in the customer financing segment.**
- **Since February 2010, Volkswagen Financial Services AG has been offering financial services (Lithuania, Latvia and Estonia) in cooperation with local Nordea Finance companies and the importer Auto Group Baltic.**
- **In July 2010, Volkswagen Financial Services AG established a subsidiary in South Korea. The new company is called Volkswagen Financial Services Korea Co., Ltd. and will offer financial services for the brands Volkswagen Passenger Cars, Audi and Bentley.**
- **With a growth rate of 2.7% during the reporting period and a deposit volume of € 18.8 billion, the direct banking activities of Volkswagen Bank GmbH made an important contribution to our ability to refinance.**
- **The German "Autohaus" trade magazine awarded the "AUTOHAUS BankenMonitor" prize to Volkswagen Bank GmbH for the third time in a row.**
- **Volkswagen Bank GmbH also won the "Best Brand" readers' poll sponsored by the German trade magazine, "auto motor und sport", for the fourth consecutive time.**
- **Volkswagen Leasing GmbH was named "Best Leasing Company" in connection with the fleet award sponsored by the German trade magazine "Autoflotte" for the fifth time in a row.**
- **Volkswagen Financial Services AG successfully participated in the employer competition, "Great Place to Work", and is among the top companies in its class. It was also awarded the special prize in the "Promoting Employee Health" category.**

Group Interim Management Report

Economic environment

GLOBAL ECONOMY

The global economy showed a clearly positive development during the first half of 2010. Growth rates in the emerging countries – particularly China, India and Brazil – were robust. Whilst the United States and Japan also recovered more rapidly than expected, the sovereign debt crisis dampened developments in Western Europe.

The economic upturn in the UNITED STATES continued in the past few months even though unemployment has remained very high and has fallen only slightly since the start of the year. The US dollar continued to gain on the euro. The upswing in the United States also benefited the Mexican economy, which posted strong growth.

Brazil's powerful growth momentum at the start of the year lost some of its steam in the course of the past few months.

China has enacted measures aimed at dampening economic growth. Whilst the Japanese upturn has solidified thanks to positive export figures and robust domestic demand, high budget deficits and deflation continue to have a restraining effect on the economy.

Growth in Western Europe region remained weak from January to June 2010. Several Central and Eastern European countries recovered substantially in the year's first half, but the fact that they are highly dependent on Western Europe limits them to a slow pace of economic expansion.

The German economy lost much of its momentum during the winter but it stabilised substantially during the second quarter of 2010. Exports, especially to the Asian markets, continued to generate most of the impetus in this regard. Domestic demand remained muted although the labour market developed better than expected. Private consumption was undermined in particular by the expiration of governmental economic stimulus packages, the uncertainties arising from the sovereign debt crisis and low income growth.

FINANCIAL MARKETS

The easing of conditions in the international financial markets that set in during 2009 continued at the start of the current financial year. The benign picture was influenced by positive expectations for real economies, especially those in East Asian and Latin American emerging countries. The central banks maintained their policy of providing generous liquidity to the banking system in the first six months of 2010. Interest rates remained at a historically low level.

Tension and uncertainty returned to the financial markets with the onset of Greece's sovereign debt crisis in March 2010 and the resulting crisis of confidence in the euro. The ability to refinance of Volkswagen Financial Services AG did not cause any limitations, because its diversified refinancing strategy is proving successful.

Whilst the scrapping bonus gave both automobile sales and the vehicle financing segment an extraordinary boost in Germany customised mobility packages turned out to drive sales in the retail business during the first six months of 2010. Package deals for which there is an increasing demand among car buyers were offered with brand specific features. We succeeded in generating interest for our new modular service packages among small and medium-sized enterprises, tradesmen as well as self-employed freelancers and professionals.

AUTOMOBILE MARKETS

There was a substantial year-on-year increase in the number of new passenger car registrations worldwide during the first six months of 2010. Above-average growth rates in both Asia Pacific and the US market fuelled automotive demand. In Western Europe, the overall market was only slightly higher year on year because the scrapping bonus expired in a number of countries. Passenger car sales in Central and Eastern Europe even dipped below the weak comparative figure for the first six months of 2009.

Vehicle sales rose substantially in the North American market between January and June 2010. Domestic demand in the United States continued to rise over the previous year's low level thanks to the economic recovery. June was already the eighth consecutive month during which new vehicle sales topped those of the preceding month. New registrations in Canada and Mexico also developed along a positive trajectory during the first half of 2010.

In the Brazilian passenger car market, sales rose slightly thanks to the tax breaks that the government has enacted.

The Asian markets once again served as the main growth drivers of global automotive demand in the year's first half. In China, sales of passenger cars recorded strong growth, fuelled especially by government incentives, but did weaken in the course of the year. The number of new registrations in the Japanese passenger car market rose substantially during the reporting period. Customers in that country benefited particularly from tax breaks and scrapping bonuses that will likely remain in place until the end of September 2010. Passenger car sales in India rose at a robust pace compared to the previous year. High economic growth, rising incomes as well as improved availability of low-interest loans triggered new sales records.

In Western Europe, new passenger car registrations were slightly higher in the first six months of 2010. Whilst demand continued to grow by double digits in the first quarter thanks to the positive effects of the governmental stimulus packages, sales of passenger cars were lower year on year throughout the second quarter. The number of new passenger car registrations continued to decline in Central and Eastern European countries, with the Hungarian, Romanian and Ukrainian passenger car markets experiencing the strongest downturn. In Russia, the downturn in sales during the year's first three months has been more than offset by the government's economic stimulus package that was launched in March 2010.

Following the expiration of the scrapping bonus that had been launched in January 2009, German consumers' anticipated reluctance between January and June 2010 to make new purchases led to the lowest number of new passenger car registrations since German reunification.

Equity investments of the Volkswagen Financial Services AG Group

In the first half of 2010, Volkswagen Financial Services AG executed capital increases of approximately € 1 million at VOLKSWAGEN FINANCE PRIVATE LIMITED, Mumbai, India and approximately € 10 million at VOLKSWAGEN MØLLER BILFINANS AS, Oslo, Norway. These campaigns serve to expand our business and support the growth strategy we are pursuing in tandem with both the Volkswagen Group and the sales organisations.

In July 2010, Volkswagen Financial Services AG established a subsidiary in South Korea. The new company is called Volkswagen Financial Services Korea Co., Ltd. and will offer financial services for the brands Volkswagen Passenger Cars, Audi and Bentley.

There were no other significant changes in equity investments.

Analysis of the Group's business performance and position

RESULTS OF OPERATIONS

The notes on the results of operations concern changes relative to the same period the previous year.

The companies of Volkswagen Financial Services AG did well during the first six months of 2010 although higher risk premiums continue to reflect the fallout of the crisis in the financial markets. At € 363 million, pre-tax profit surpassed the previous year's level (+22.2%). At € 1,105 million (+42.9%), the net income from lending, leasing and insurance transactions before risk provisions was up year on year. Provisions for risks amounted to € 369 million, which is substantially higher than in the previous year. The risks specific to wholesale financing were fully taken into account in this context. Local one-off effects as well as changes in foreign exchange rates also had a negative impact in this regard.

At € 535 million, general administration expenses were higher year on year. Volume effects arising from the expansion of business as well as the implementation of strategic projects are the main drivers in this connection.

Commission income is at the previous year's level; larger dealer bonuses, which were rooted in the positive sales figures for the previous year, triggered an increase in commission expenses.

At € 58 million, the net income from equity investments accounted for at equity was substantially above the previous year's level (+61.1%).

Taking into account the result from the measurement of derivative financial instruments in the amount of € 43 million (previous year: € -36 million) and the remaining earnings components, the net income for the half-year of the Volkswagen Financial Services AG Group was € 283 million, an increase of 36.7% over the previous year.

The German Volkswagen Financial Services AG Group companies succeeded in weathering the difficult market conditions and made a substantial contribution to the results of Volkswagen Financial Services AG.

We promoted sales in difficult times by systematically bundling excellent vehicles with attractive financial services, in effect integrating our customers even more closely into the value chain of both the Group and the dealer organisation.

With about 59% of the contract portfolio, they remain the companies with the highest business volume and earned a pre-tax result of € 244 million (previous year: € 193 million).

With the exception of Mexico (where local one-off effects had an impact), all fully consolidated foreign financial services companies of Volkswagen Financial Services AG generated a net income for the first half of the year.

ASSETS AND FINANCIAL POSITION

The notes on the assets and financial position concern changes relative to the balance sheet date 31 December 2009.

LENDING BUSINESS

Receivables from customers – which represent the core business of the Volkswagen Financial Services AG Group – plus leased assets amounted to € 57.8 billion, and thus accounted for approximately 91% of the consolidated total assets. The positive development is reflected in the expansion of business, particularly in Germany, Brazil and the United Kingdom.

The loan volume from retail financing increased by € 2.6 billion or 9.7% to € 29.2 billion. The number of new contracts was 509,000 (-3.0% compared to the first half of 2009). This means that the number of current contracts fell to 2,828,000 (+0,8%). With a volume of 1,891,000 contracts (previous year: 1,940,000), Volkswagen Bank GmbH remained the Group company with the highest business volume.

The loan volume in the wholesale financing business - which consists of receivables from Group dealers in connection with the financing of vehicles in stock plus equipment and investment loans - rose to € 8.5 billion (+1.4 %).

Receivables from leasing transactions amounted to € 13.7 billion, which is a slight decline compared to the previous year (-1.6%). Leased assets saw growth of € 0.9 billion, rising to € 4.5 billion (+23.7%).

In the period under review, a total of 216,000 new leasing contracts were signed, which is above the level of the first half of 2009 (+10.2%). As at 30 June 2010, there were 1,107,000 leased vehicles in stock, which is an increase of 0.5% compared to the previous year. As in previous years, Volkswagen Leasing GmbH once again made the largest contribution to the Group, with a current contract level of 779,000 leased vehicles (previous year: 764,000).

Compared to the previous year, the total assets of Volkswagen Financial Services AG rose to € 63.7 billion (+5.6%). This increase results from the rise in receivables from customers and in leased assets, reflecting the expanded business in the period just ended.

As at 30 June 2010, there were 2,110,000 service and insurance contracts on the books (previous year: 2,121,000).

At 336,000 contracts, the volume of new business was substantially below the level of the first half of 2009 (-46.2%).

CURRENT CONTRACTS, NEW CONTRACTS AND CONTRACT VOLUME

in thousands (as at 30.06.2010)	VW FS AG	Europe	of which Deutschland	of which Italy	of which United Kingdom	of which France	Asia Pacific	North America/ South America
Current contracts	6,044	5,196	3,621	297	469	171	176	673
Retail financing	2,828	2,247	1,581	144	282	79	114	467
Leasing	1,106	988	762	41	46	57	3	115
Service/insurance	2,110	1,961	1,278	112	141	35	59	90
New contracts	1,061	897	534	65	138	43	25	139
Retail financing	509	379	208	24	82	26	18	112
Leasing	216	205	165	7	10	11	0	11
Service/insurance	336	313	161	34	46	6	7	16
€ million (as at 30.06.2010)								
Receivables from customers arising from								
Retail financing	29,182	21,749	15,055	1,113	3,348	530	1,892	5,541
Wholesale financing	8,505	6,623	2,934	491	1,020	819	482	1,400
Leasing	13,710	12,616	10,609	513	49	718	112	982
Leased assets	4,536	4,535	3,299	297	633	170	1	–

DEPOSIT BUSINESS AND BORROWINGS

Significant items in liabilities and equity include liabilities to financial institutions in the amount of € 7.2 billion (+8.9%), liabilities to customers in the amount of € 24.6 billion (+7.1%), as well as securitised liabilities in the amount of € 20.6 billion (+1.1%).

Specifically, the deposit business of Volkswagen Bank GmbH, reported as part of the liabilities to customers, amounted to € 18.8 billion (+2.7%) as at 30 June 2010. Volkswagen Bank GmbH succeeded in further expanding its market leadership among automotive direct banks thanks to this level of deposits.

Aside from offering statutory deposit insurance, Volkswagen Bank GmbH is also a member of the Deposit Insurance Fund of the Association of German Banks (Bundesverband deutscher Banken e.V.).

EQUITY

The subscribed capital of € 441 million again remained unchanged in the period under review. IFRS equity is € 6.8 billion (previous year: € 6.3 billion). This yields an equity ratio of 10.6% relative to the total equity and liabilities of € 63.7 billion, which is above average in comparison to international banks.

Volkswagen AG did not increase the capital of Volkswagen Financial Services AG in the first two quarters of 2010.

Notes on capital adequacy

The slight decline in both the core capital ratio and the overall ratio stems especially from the expansion of the business volume (risk assets) and the expiration of the minimum residual maturity of subordinated borrowings as well as profit transfers to Volkswagen AG.

Risk report

RESIDUAL VALUE RISK

Almost all used car markets are showing first positive signs despite the persistently difficult economic environment, which can help reduce both losses and drawdowns from existing provisions.

RISKS AT THE REFINANCING LEVEL

Towards the middle of the year, the lending premiums charged to Volkswagen Financial Services AG on the international money and capital markets in the wake of the "crisis of the euro" rose only temporarily compared to the preceding months. The European Central Bank's collateral deposit account has turned out to be an efficient liquidity reserve for Volkswagen Bank GmbH.

There were no material changes in regards to the remaining risks and the risk management methods relative to the disclosures in the “Risk report” chapter of the 2009 annual report.

Opportunities

In terms of opportunities for the second half of 2010, the situation for the company has changed compared to the disclosures made in the chapter “Opportunities for Volkswagen Financial Services AG” in the 2009 annual report because the automobile sales of the Volkswagen Group are now expected to be substantially higher than in the previous year.

We continue to pursue our successful diversification strategy in refinancing. A Private Driver transaction serving to securitise credit receivables will be our first fixed interest bond. It is an innovation in the European automobile ABS market.

Personnel report

At 30 June 2010, Volkswagen Financial Services AG had 6,499 active employees. Besides active staff, in the first six months of this year Volkswagen Financial Services AG also had 45 employees who were in the passive phase of partial retirement, as well as 95 trainees. Hence the total number of employees of Volkswagen Financial Services AG on 30 June 2010 was 6,639, a decrease of some 2% compared to the year-end figure for 2009 (6,775 employees). The decline is due to the consolidation of customer care services provided by the German sales organisation of Volkswagen AG under the umbrella of AutoVision GmbH. The total number of employees in Germany at this time is 4,149.

In accordance with the substance-over-form principle, 274 employees of VOLKSWAGEN SERVICIOS SA DE CV, Puebla, Mexico, an unconsolidated company, are included in the overall personnel numbers.

Events after the balance sheet date

Aside from the events described above, no events of substantial significance occurred after completion of the consolidated interim report as at 30 June 2010.

Anticipated developments

GLOBAL ECONOMY

We expect the global economy to weaken slightly in the next few months, after recovering substantially in the first half of 2010. Pronounced differences between economic developments in emerging countries and industrialised countries will continue. In Western Europe, both the planned austerity programmes and the persistent problems in the banking and financial sector will enable only moderate economic growth. The export sector will continue to drive growth whilst domestic demand will recover but slightly, especially in terms of private consumption. Uncertainty prevails in regards to stable and sustained growth even though most countries are in the process of recovering. We cannot preclude that global economic growth will contract to a stronger degree given the considerable risks that remain.

FINANCIAL MARKETS

The central banks' expansive monetary policies are not expected to change, given the fragility of the macroeconomic environment. The banking system's liquidity remains adequate as a result. In contrast, the scope of the regulatory and/or fiscal interventions in the banking system that are planned by the leading industrialised countries, which may have an impact on the banks' liquidity management and liquidity reserves, are difficult to foresee.

As before, both a solid capital base and an integrated business model remain essential in such a weak environment in order to prevail in the mobility services provider segment in the long term.

AUTOMOBILE MARKETS

The total volume of the global automobile markets is expected to surpass the previous year's low level in 2010, thanks especially to strong growth in the Chinese market. But the uncertainty surrounding economic developments could have a negative impact on demand. The major automobile markets will develop at very different rates. We expect demand to decline substantially in Western Europe – especially in Germany – during the year's second half. We also expect the overall market in Central and Eastern Europe to decline year on year and the recovery in North America to continue. The South American market will probably surpass the high volume recorded in 2009. The year 2010 will pose a challenge to the automobile industry due to both fierce competition and ongoing economic problems.

DEVELOPMENT OF VOLKSWAGEN FINANCIAL SERVICES AG

The outlook for both the global economy and automobile sales has improved compared to the annual report for 2009. The resulting positive effects on the financial services business along the automotive value chain are expected to be above the previous year's level.

We will continue to pursue our national and international activities, paying particular attention to our collaboration with the Group brands, the optimisation of our refinancing strategy and strict risk management in the second half of 2010.

The Board of Management of Volkswagen Financial Services AG expects earnings in the 2010 financial year to surpass the previous year's level.

Income statement of the Volkswagen Financial Services AG Group

	Notes	01.01. – 30.06.2010 € million	01.01. – 30.06.2009 € million	Change %
Interest income from lending transactions		1,411	1,291	9.3
Net income from leasing transactions before provisions for risks		612	616	– 0.6
Interest expense		– 920	– 1,135	– 18.9
Net income from insurance business		2	1	100.0
Net income from lending, leasing and insurance transactions before provisions for risks	1	1,105	773	42.9
Provisions for risks arising from lending and leasing business		– 369	– 242	52.5
Net income from lending, leasing and insurance transactions after provisions for risks		736	531	38.6
Commission income		202	200	1.0
Commission expenses		– 110	– 79	39.2
Net commission income		92	121	– 24.0
Result from financial instruments		43	– 36	X
Result from available-for-sale assets		0	0	–
Result from joint ventures accounted for at equity		58	36	61.1
Result from other financial assets		5	6	– 16.7
General administration expenses	2	– 535	– 419	27.7
Other operating result		– 36	58	X
Pre-tax result		**363**	**297**	**22.2**
Taxes on income and earnings		– 80	– 90	– 11.1
Net income		**283**	**207**	**36.7**
Net income attributable to Volkswagen AG		283	207	36.7

Statement of recognised income and expense of the Volkswagen Financial Services AG Group

€ million	Notes	01.01.–30.06.2010	01.01.–30.06.2009
Net income		**283**	**207**
Actuarial gains and losses		–11	–4
deferred taxes thereon		3	1
Available-for-sale financial assets (securities):			
Fair value changes recognised in equity		0	1
Recognised in the income statement		0	0
deferred taxes thereon		0	0
Cash flow hedges:			
Fair value changes recognised in equity		1	5
Recognised in the income statement		3	–5
deferred taxes thereon		–9	1
Currency translation differences		171	120
Income and expense of shares measured at equity, recognised directly in equity, after taxes		27	13
Income and expense recognised directly in equity		**185**	**132**
Comprehensive income		**468**	**339**
Comprehensive income attributable to Volkswagen AG		468	339

Balance sheet of the Volkswagen Financial Services AG Group

Assets	Notes	30.06.2010 € million		31.12.2009 € million		Change %
Cash reserve			492		343	43.4
Receivables from financial institutions			1,371		1,461	– 6.2
Receivables from customers arising from						
Retail financing		29,182		26,603		9.7
Wholesale financing		8,505		8,391		1.4
Leasing business		13,710		13,935		– 1.6
Other receivables		1,905		2,018		– 5.6
Receivables from customers in total			53,302		50,947	4.6
Derivative financial instruments			778		797	– 2.4
Securities			96		98	– 2.0
Joint ventures accounted for at equity			1,607		1,545	4.0
Other financial assets			186		175	6.3
Intangible assets	3		123		130	– 5.4
Property, plant and equipment	3		221		220	0.5
Leased assets	3		4,536		3,666	23.7
Investment property			10		9	11.1
Deferred tax assets			239		160	49.4
Income tax assets			98		96	2.1
Other assets			613		639	– 4.1
Total			**63,672**		**60,286**	**5.6**

Equity and liabilities	Notes	30.06.2010 € million		31.12.2009 € million		Change %
Liabilities to financial institutions			7,206		6,615	8.9
Liabilities to customers			24,634		22,997	7.1
Securitised liabilities			20,569		20,355	1.1
Derivative financial instruments			624		629	– 0.8
Provisions			807		687	17.5
Deferred tax liabilities			612		706	– 13.3
Income tax obligations			213		118	80.5
Other liabilities			686		593	15.7
Subordinated capital			1,541		1,275	20.9
Equity			6,780		6,311	7.4
Subscribed capital		441		441		–
Capital reserve		2,809		2,809		–
Retained earnings		3,530		3,061		15.3
Total			**63,672**		**60,286**	**5.6**

Statement of changes in equity

€ million	Subscribed capital	Capital reserve	Retained earnings including consolidated net retained profits: Accumulated profits	Currency translation reserve	Reserve for cash flow hedges	Reserve for actuarial gains and losses	Market valuation securities	Shares measured at equity	Total equity
Balance as at 31.12.2008/01.01.2009	**441**	**2,809**	**3,922**	**–216**	**–59**	**–13**	**0**	**–104**	**6,780**
Payments into the capital reserve	–	–	–	–	–	–	–	–	–
Withdrawal from the capital reserve	–	–	–	–	–	–	–	–	–
Loss absorption by Volkswagen AG	–	–	–1,078	–	–	–	–	–	–1,078
Comprehensive income	–	–	395	176	12	–11	2	35	609
Other changes	–	–	–	–	–	–	–	–	–
Balance as at 31.12.2009/01.01.2010	**441**	**2,809**	**3,239**	**–40**	**–47**	**–24**	**2**	**–69**	**6,311**
Payments into the capital reserve	–	–	–	–	–	–	–	–	–
Withdrawal from the capital reserve	–	–	–	–	–	–	–	–	–
Distributions/profit transfer to Volkswagen AG	–	–	–	–	–	–	–	–	–
Comprehensive income	–	–	283	173	–6	–8	0	27	469
Balance as at 30.06.2010	**441**	**2,809**	**3,522**	**133**	**–53**	**–32**	**2**	**–42**	**6,780**

Cash flow statement of the Volkswagen Financial Services AG Group

€ million	01.01. – 30.06.2010	01.01. – 30.06.2009
Net income	**283**	**207**
Depreciation, value adjustments and write-ups	882	635
Changes in provisions	93	20
Change in other non-cash items	– 232	514
Result from the sale of financial assets and property, plant and equipment	0	0
Interest result and dividend income	– 1,046	– 707
Other adjustments	1	– 434
Change in receivables from financial institutions	123	– 1,743
Change in receivables from customers	– 1,004	– 247
Change in leased assets	– 1,264	– 666
Change in other assets from operating activities	41	134
Change in liabilities to financial institutions	– 204	– 2,239
Change in liabilities to customers	1,975	5,287
Change in securitised liabilities	– 185	– 865
Change in other liabilities from operating activities	64	27
Interest received	1,940	1,833
Dividends received	27	8
Interest paid	– 920	– 1,135
Income tax payments	– 155	– 79
Cash flow from operating activities	**419**	**550**
Cash inflows from the sale of investment property	–	–
Cash outflows from the purchase of investment property	0	–
Cash inflows from the sale of subsidiaries and joint ventures	–	0
Cash outflows from the purchase of subsidiaries and joint ventures	– 11	–2
Cash inflows from the sale of other assets	2	2
Cash outflows from the purchase of other assets	– 16	– 30
Change in investments in securities	3	– 45
Cash flow from investing activities	**– 22**	**– 75**
Cash inflows from changes in capital	0	– 600
Distribution/profit transfer to Volkswagen AG	– 478	–
Loss absorption by Volkswagen AG	–	2
Change in funds resulting from subordinated capital	230	– 10
Cash flow from financing activities	**– 248**	**– 608**
Cash and cash equivalents at the end of the previous period	**343**	**422**
Cash flow from operating activities	419	550
Cash flow from investing activities	– 22	– 75
Cash flow from financing activities	– 248	– 608
Effects from exchange rate changes	0	0
Cash and cash equivalents at the end of the period	**492**	**289**

Notes to the consolidated financial statements of the Volkswagen Financial Services AG Group as at 30.06.2010

General comments

Volkswagen Financial Services Aktiengesellschaft (VW FS AG) is a joint stock company. It has its head office in Gifhorner Strasse, Brunswick, and is registered in the Brunswick Register of Companies (under file number HRB 3790).

Volkswagen AG, Wolfsburg, is the sole shareholder in the parent company, VW FS AG. A control and profit transfer agreement exists between Volkswagen AG and VW FS AG.

Group accounting principles

VW FS AG prepared its consolidated financial statements for the 2009 financial year in accordance with the International Financial Reporting Standards (IFRS), as applicable in the European Union, and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC), as well as supplementary provisions that are applicable under § 315a Para. 1 German Commercial Code (HGB). Therefore, this consolidated interim report as at 30 June 2010 was also prepared in accordance with IAS 34.

This interim report has not been reviewed by an auditor.

Accounting policies

VW FS AG has implemented all accounting standards that had to be applied starting in the 2010 financial year.

Revised IAS 27 and IFRS 3 will lead to a change in the recognition of future business combinations. But these revisions do not affect these consolidated financial statements because there were no business combinations in the first six months of 2010.

All other accounting standards to be applied for the first time in the 2010 financial year do not have a significant impact on the assets, financial position and results of operations of the VW FS AG Group.

A discounting rate of 4.8% (31 December 2009: 5.4%) was applied to domestic provisions for pensions in the current interim financial statements. The reduction in the interest rate triggered an increase in the actuarial losses related to pension provisions recognised directly in equity.

Other than that, the same consolidation principles and accounting policies that were used in the consolidated financial statements for 2009 were applied to the preparation of the interim consolidated financial statements and the determination of the corresponding amounts for the previous year. A detailed description of these methods is contained in the notes to the consolidated financial statements of the 2009 annual report. It may be downloaded from our website at www.vwfs.com.

Basis of consolidation

In addition to VW FS AG, the consolidated financial statements include all Group companies whose financial and business policies VW FS AG can control, directly or indirectly, such that the Group companies benefit from the activities of these companies (subsidiaries).

Notes to the consolidated financial statements

1 | Net income from lending, leasing and insurance transactions before provisions for risks

€ million	01.01. – 30.06.2010	01.01. – 30.06.2009
Interest income from lending and money market transactions	1,411	1,291
Income from leasing transactions and service contracts	2,749	2,458
Expenses from leasing business and service contracts	– 1,680	– 1,462
Depreciation and impairment losses on leased assets and investment property	– 457	– 380
Interest expense	– 920	– 1,135
Net income from insurance business	2	1
Total	**1,105**	**773**

2 | General administration expenses

€ million	01.01. – 30.06.2010	01.01. – 30.06.2009
Staff costs	– 243	– 222
Non-staff costs	– 231	– 149
Costs of advertising, PR work and sales promotion	– 15	– 18
Depreciation of property, plant and equipment and amortisation of intangible assets	– 33	– 22
Other taxes	– 13	–8
Total	**– 535**	**– 419**

3 | Development of selected assets

€ million	Net carrying amount 01.01.2010	Additions	Disposals/ other changes	Depreciation/ amortisation	Net carrying amount 30.06.2010
Intangible assets	130	7	6	20	123
Property, plant and equipment	220	9	4	12	221
Leased assets	3,666	2,515	– 1,188	457	4,536

Segment reporting

4 | Division by geographical markets

€ million	01.01. – 30.06.2010 Germany	Europe	North and South America	Asia	Total segments	Consoli-dation	Total
Revenue from lending transactions with third parties	653	305	415	57	1,430	0	1,430
Revenue from intersegment lending transactions	79	7	0	–	86	–86	–
Segment revenue from lending transactions	732	312	415	57	1,516	–86	1,430
Revenue from leasing and service transactions	1,718	950	78	4	2,750	–5	2,745
Premiums earned from insurance business	15	–	–	–	15	–	15
Commission income	142	40	19	1	202	0	202
Revenue	**2,607**	**1,302**	**512**	**62**	**4,483**	**–91**	**4,392**
Cost of sales from lending, leasing and service transactions	–980	–713	–7	–1	–1,701	–	–1,701
Write-ups on leased assets and investment property	–	3	–	–	3	–	3
Depreciation and impairment losses on leased assets and investment property	–322	–135	0	0	–457	–	–457
of which impairment losses pursuant to IAS 36	–61	–1	–	–	–62	–	–62
Expenses from insurance business	–13	–	–	–	–13	–	–13
Interest expense	–542	–160	–261	–33	–996	76	–920
Provisions for risks arising from lending and leasing business	–163	–67	–136	–3	–369	–	–369
Commission expenses	–69	–28	–12	–1	–110	0	–110
Interest income not classified as revenue	2	1	–	0	3	0	3
Result from financial instruments	59	0	0	0	59	–16	43
Result from available-for-sale assets	0	–	–	–	0	–	0
Result from joint ventures accounted for at equity	–	–	–	–	–	58	58
Result from other financial assets	11	–	–	–	11	–6	5
General administration expenses	–328	–104	–64	–17	–513	–22	–535
Other operating result	–18	3	–10	1	–24	–12	–36
Pre-tax result	**244**	**102**	**22**	**8**	**376**	**–13**	**363**
Taxes on income and earnings	–78	–27	–17	–4	–126	46	–80
Net income	**166**	**75**	**5**	**4**	**250**	**33**	**283**
Assets	**31,967**	**13,681**	**7,923**	**2,486**	**56,057**	**7,615**	**63,672**
Liabilities	**37,123**	**12,733**	**6,869**	**2,498**	**59,223**	**–2,331**	**56,892**

The presentation for the previous year is as follows:

€ million	01.01.2009 – 30.06.2009 Germany	Europe	North and South America	Asia	Total segments	Consoli-dation	Total
Revenue from lending transactions with third parties	655	344	290	41	1,330	0	1,330
Revenue from intersegment lending transactions	120	9	–	–	129	– 129	–
Segment revenue from lending transactions	775	353	290	41	1,459	– 129	1,330
Revenue from leasing and service transactions	1,785	589	59	9	2,442	–5	2,437
Premiums earned from insurance transactions	18	–	–	–	18	–	18
Commission income	147	38	14	1	200	0	200
Revenue	**2,725**	**980**	**363**	**51**	**4,119**	**– 134**	**3,985**
Cost of sales from lending, leasing and service transactions	– 1,103	– 389	–3	–8	– 1,503	–	– 1,503
Write-ups on leased assets and investment property	–	21	–	–	21	–	21
Depreciation and impairment losses on leased assets and investment property	– 198	– 181	0	–1	– 380	–	– 380
of which impairment losses pursuant to IAS 36	– 34	– 58	–	–	– 92	–	– 92
Expenses from insurance business	– 17	–	–	–	– 17	–	– 17
Interest expense	– 786	– 223	– 220	– 24	– 1,253	118	– 1,135
Provisions for risks arising from lending and leasing business	– 139	– 37	– 64	–2	– 242	–	– 242
Commission expenses	– 51	– 22	–7	0	– 80	1	– 79
Interest income not classified as revenue	1	1	0	0	2	0	2
Result from financial instruments	– 40	1	–	0	– 39	3	– 36
Result from available-for-sale assets	0	–	–	–	0	–	0
Result from joint ventures accounted for at equity	–	–	–	–	–	36	36
Result from other financial assets	10	–	–	–	10	–4	6
General administration expenses	– 266	– 89	– 42	– 13	– 410	–9	– 419
Other operating result	57	7	4	1	69	– 11	58
Pre-tax result	**193**	**69**	**31**	**4**	**297**	**0**	**297**
Taxes on income and earnings	– 50	– 21	–7	–1	– 79	– 11	– 90
Net income	**143**	**48**	**24**	**3**	**218**	**– 11**	**207**
Assets	**32,544**	**12,013**	**5,059**	**1,690**	**51,306**	**9,107**	**60,413**
Liabilities	**39,155**	**11,489**	**4,458**	**1,738**	**56,840**	**– 2,946**	**53,894**

Other notes

5 | Cash flow statement

The cash flow statement of the VW FS AG Group documents the change in funds available due to the cash flows resulting from operating activities, investing activities and financing activities. Cash and cash equivalents, narrowly defined, comprises only the cash reserve, which is made up of the cash in hand and deposits at central banks.

6 | Off-balance sheet obligations

€ million	30.06.2010	31.12.2009
Contingent liabilities		
Liabilities from surety and warranty agreements	82	60
Liability arising from the provision of security for third-party liabilities	8	8
Other obligations		
Irrevocable credit commitments	2,073	1,725

7 | Corporate bodies of Volkswagen Financial Services AG

Mr. Detlef Wittig resigned from the Supervisory Board as of 19 May 2010.

Mr. Christian Klingler was appointed to the Supervisory Board of Volkswagen Financial Services AG effective 20 May 2010.

8 | Events after the balance sheet date

There were no significant events up to 16 July 2010.

9 | Responsibility statement of the Executive Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Brunswick, 16 July 2010
The Board of Management

Frank Witter

Frank Fiedler

Christiane Hesse

Dr. Michael Reinhart

Lars-Henner Santelmann

Note regarding forward-looking statements

This report contains statements concerning the future business development of Volkswagen Financial Services AG. These statements include, among others, assumptions about the development of the global economy, as well as the financial and automobile markets. Volkswagen Financial Services AG has made these assumptions on the basis of available information and believes that they can be currently said to offer a realistic picture. These estimates necessarily include certain risks, and actual development may differ from these expectations.

Should actual development therefore deviate from these expectations and assumptions, or should unforeseen events occur that impact the business of Volkswagen Financial Services AG, then the business development will be accordingly affected.

Published by

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You will find the consolidated interim report 2010 at www.vwfs.com/hy10

This consolidated interim report is also available in German.