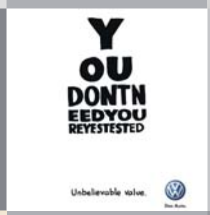
VOLKSWAGEN FINANCIAL SERVICES

AKTIENGESELLSCHAFT

Getting things done

The key to mobility.



Pioneering

Customer-focused

CONSOLIDATED INTERIM REPORT JANUARY – JUNE 2011

Volkswagen Financial Services AG at a glance

in € million	30.06.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Total assets	70,065	65,332	60,286	57,279	52,314
Receivables arising from					
Retail financing	31,777	30,505	26,603	21,913	20,884
Wholesale financing	9,770	8,828	8,391	9,584	9,360
Leasing business	13,925	13,643	13,935	14,912	13,639
Leased assets	5,746	4,974	3,666	3,003	2,436
Customer deposits[1]	20,132	20,129	19,532	12,835	9,620
Equity	7,670	6,975	6,311	6,780	6,012

in € million	1st half-year 2011	1st half-year 2010	1st half-year 2009	1st half-year 2008	1st half-year 2007
Pre-tax result	418	363	297	548	415
Net income	321	283	207	394	283

in %	30.06.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Equity ratio	10.9	10.7	10.5	11.8	11.5

in %	30.06.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Core capital ratio	10.3	10.5	11.2	8.8	7.0
Overall ratio	10.8	10.5	11.4	10.8	8.9

Number (as at 30.06.)	2011	2010	2009	2008	2007
Employees	7,066	6,797	6,775	6,639	6,138
In Germany	4,447	4,297	4,290	4,128	3,856
Abroad	2,619	2,500	2,485	2,511	2,282

RATING 2011	STANDARD & POOR´S			MOODY´S INVESTORS SERVICE		
	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–	stable	Prime-1	A2	stable

1 The year-end customer deposit figure for 2009 was adjusted to the customer deposit definition applicable from 2010 onwards.

Key facts

- **Volkswagen Financial Services AG increased its total assets by 7.2% year on year to € 70.1 billion between January and June 2011, the period under review. At approximately € 1.3 billion, the net income from lending, leasing and insurance transactions before risk provisions in the reporting period was higher than in the same period the previous year.**
- **At € 418 million, pre-tax profit surpassed the previous year's level by about 15.2%.**
- **The contract portfolio amounts to 6,596,000 contracts, with receivables from customers up by € 3.6 billion. This is essentially due to the expansion of the business volume in the customer financing segment.**
- **Volkswagen Versicherung AG has been offering its customers in Germany and in France comprehensive warranty insurance since the start of the year. This expansion of our range of services enables us to better leverage all opportunities along the automotive value chains.**
- **In March 2011 Volkswagen Financial Services AG was granted permission by India's Central Bank to offer financial services. This license will optimally support the marketing of the Volkswagen Group brands and its dealerships in India, an important growth market.**
- **According to a ranking published by Leaseurope, the European Federation of Leasing Company Associations, Volkswagen Leasing GmbH has been Germany's largest leasing company since 2010. Its new "long-term rental" project fulfils customers' desire for more flexibility at fixed predictable costs. Long-term rentals cover commercial customers' short-term mobility needs and close the gap between short-term rentals and leasing.**
- **With customer deposits of € 20.1 billion, the direct banking activities of Volkswagen Bank GmbH essentially continued to make an important contribution to our ability to refinance.**
- **The Driver España One securitisation transaction in Spain served to place € 687 million in Volkswagen Finance S.A.'s credit receivables in this market for the first time.**
- **Volkswagen Bank GmbH also won the "Best Brand" readers' poll sponsored by the German trade magazine, "auto motor und sport", for the fifth 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 sixth time in a row.**
- **Volkswagen's financial services providers were awarded a special prize in connection with the prestigious "Automobilwoche Awards Autohandel" for offering the best advice on financing, leasing and insurance products.**

Development of business

GLOBAL ECONOMY

The global economy continued to grow in the reporting period, however at a slower pace in the second quarter. The ramifications of the sovereign debt crisis in parts of Europe, the ongoing tensions in North Africa and the fallout from the natural disasters in Japan dampened economic growth. Whilst the growth momentum in emerging market countries remained strong, the expansion in industrialised countries was moderate.

The development in Western Europe in the first half year of 2011 was restrained. The debt crisis and the debate on its potential consequences for the European monetary system continued to darken the economic horizon. Growth in the Central and Eastern European countries stabilised in the first six months of the year.

The German economy expanded strongly in the reporting period, and the unemployment rate continued to drop. Besides exports, private consumption and demand for capital goods are increasingly becoming the main growth drivers.

The South African economy continued to recover during the period under review.

The economic recovery of the US continued in the first half of 2011 but its pace slowed down compared to earlier upswings. The country's unemployment rate has remained high since the start of the year, and the US dollar fell substantially against the euro during the same period. The Mexican economy, which is highly dependent on the US economy, lost some of its momentum.

Economic growth in Brazil and Argentina remained robust even though the upswing has slowed down in the past few months.

China and India generated economic growth in the high single digits between January and June 2011, with strong inflationary pressures persisting. The Japanese economy contracted sharply in the wake of the natural disasters.

FINANCIAL MARKETS

The international financial markets managed in the first six months of the current financial year to avoid a number of disruptive and in part powerful factors. Doubts about the stability of the euro which were triggered by the debt crisis in Ireland, Portugal and Greece – EU member states all – did not have any appreciable effects at first given the continuously improving economic outlook and solid corporate profits. By mid-year however, the fragility of the global stock markets exposed the underlying uncertainty surrounding the solidity of leading industrialised countries' sovereign debt, and the lack of clarity as to the situation in Greece had a negative impact on the mood in the financial markets. Growing fears of inflation also contributed to the prevailing uncertainty, given the highly liquid financial system.

The banking business in the industrialised countries stabilised in the first half of 2011 thanks to the economic recovery that continues on the whole. The funding situation has eased, and demand for credit is slowly starting to rise again. Credit risk provisions also returned to normal, in line with developments as regards credit risks. In Germany, the banks' gross interest margin during the year's first half remained stable overall.

The situation in the growth markets during the year's first half was largely determined by a return to normal after the global financial crisis. In the Region North America, Mexico benefited from low interest rates in the United States. The issuing business on the whole started to expand. In the Region South America, short-term interest rates continued to rise in Brazil due to the inflation policies of the country's central bank. Long-term interest rates remained stable however. The situation in the Region Asia Pacific was defined by strong momentum yet again. In China, the focus was on interest rate policies designed to fight inflation, limiting the growth of banks' balance sheets and the further development of the domestic capital market. India lifted interest rates substantially in response to high inflation triggered by the increase in prices for commodities and foodstuffs on account of economic growth. The financial markets in South Korea developed along a stable trajectory thanks to steady long-term interest rates. In the Region Europe, Russia, a growth market, benefited from rising commodities prices. The Russian financial markets remained attractive.

AUTOMOBILE MARKETS

In the first six months of 2011, new passenger car registrations were higher year on year worldwide even though the growth momentum weakened slightly in the second quarter. All regions with the exception of Western Europe showed a positive development. The highest increases compared to the previous year were registered in the United States, China and Russia.

In Western Europe the number of newly registered passenger cars was lower year on year in the first six months of 2011. The decline in the passenger car business, which had been expected for some countries, stems mainly from the termination of governmental economic stimulus packages.

The passenger car volume in the Region Central and Eastern Europe grew above average in the first half of 2011, especially due to the continued recovery of the Russian market, which benefits from both the positive macroeconomic environment and the Russian government's stimulus measures.

In Germany, the number of passenger car registrations between January and June 2011 substantially surpassed the previous year's very low level. This growth was largely fuelled by commercial customers.

The South African passenger car market continued to recover during the reporting period. June 2011 thus was the 18th consecutive month during which new car sales rose year on year.

The recovery in the Region North America continued between January and June 2011. In the United States the above-average rise in demand for fuel-efficient models resulted in a substantially larger market volume. The number of new registrations in the Canadian and Mexican markets also rose, with Mexico posting the more dramatic increases.

The previous year's record highs in the South American markets were broken again in the first half of 2011. Imported vehicles benefited most from the expansion of the Brazilian passenger car market during the reporting period. In Argentina the volume of new passenger car registrations during the year's first six months also rose to a new record high thanks to the advantageous economic climate overall.

In the Region Asia Pacific, between January and June 2011 growth rates in the passenger car markets were lower year on year, as expected. The discontinuation of governmental stimulus measures as well as regional restrictions on the number of new registrations slowed down the growth in demand for passenger cars in the Chinese automotive market. In Japan, the fallout from the natural disasters triggered a dramatic decline in the number of new registrations during the first half of 2011. A year earlier, the market had benefited from tax incentives and scrapping bonuses. Whilst demand for passenger cars in India has kept on growing, higher interest rates and petrol prices have put a slight damper on growth.

OVERALL APPRAISAL OF THE DEVELOPMENT OF BUSINESS

In the view of the Board of Management of Volkswagen Financial Services AG, business has shown a positive development so far in 2011. Earnings in the first half of the year were as forecast and are higher than in 2010.

Globally, new business has developed positively in the year's first half. The increase in funding costs is growing more slowly than expected, and it is accompanied by declining risk costs.

In the first half of 2011, Volkswagen Financial Services AG boosted its business volume year on year – especially in Germany, Brazil and the United Kingdom.

According to a ranking published by Leaseurope, the European Federation of Leasing Company Associations, Volkswagen Leasing GmbH has been Germany's largest leasing company since 2010.

The Basel Committee has published a new set of rules on the regulation of banks in response to the financial crisis. Besides stricter capital adequacy requirements and a leverage ratio, this comprehensive package of reforms known as Basel III for the first time contains concrete quantitative requirements in regards to liquidity risks that are intended to enhance banks' ability to weather crises. Basel III provides for step-by-step implementation of the reforms starting on 31 December 2011.

We consistently pursued our internationalisation strategy aimed at achieving sustainable and profitable growth. This entailed developing markets in regions with major potential as well as successfully expanding and consolidating existing business opportunities.

We successfully expanded our financial services business in India.

The French branch of Volkswagen Versicherung AG launched its warranty insurance business in February 2011.

In the first half of 2011, Volkswagen Financial Services AG executed capital increases at VOLKSWAGEN BANK S.A., Puebla, Mexico, VOLKSWAGEN FINANCE PRIVATE LIMITED, Mumbai, India, and VOLKSWAGEN MØLLER BILFINANS AS, Oslo, Norway, in each case to strengthen the company's equity base. These measures serve to expand our business and support the growth strategy we are pursuing in line with both the Volkswagen Group and the sales organisations.

Analysis of the Group's business development and position

RESULTS OF OPERATIONS

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

The first six months of 2011 were positive for the companies of Volkswagen Financial Services AG. At € 418 million, pre-tax profit surpassed the previous year's level (+15.2%). At € 1,267 million (+14.7%), the net income from lending, leasing and insurance transactions before risk provisions was up year on year. Provisions for risks amounted to € 325 million, which is less than in the previous year.

At € 617 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 and the preparation for Basel III are the main drivers in this connection.

Commission income – essentially from insurance agency services – was up from the previous year.

At € 69 million, the net income from equity investments accounted for at equity was above the previous year's level (+19.0%).

Taking into account the result from the measurement of derivative financial instruments in the amount of € -6 million (previous year: € 43 million) and the remaining earnings components, the net income for the half-year of the Volkswagen Financial Services AG Group was € 321 million, an increase of 13.4% over the previous year.

The German Volkswagen Financial Services AG Group companies succeeded in a saturated market environment and made a substantial contribution to the results of Volkswagen Financial Services AG. With about 57.2% of the contract portfolio, they remain the companies with the highest business volume and earned a pre-tax result of € 317 million (previous year: € 244 million).

With the exception of one company, 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 2010.

LENDING BUSINESS

Receivables from customers – which represent the core business of the Volkswagen Financial Services AG Group – plus leased assets amounted to € 64.5 billion, and thus accounted for approximately 92.0% 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 € 1.3 billion or 4.2% to € 31.8 billion. The number of new contracts was 563,000 (+10.6% compared to the first half of 2010). This means that the number of current contracts rose to 2,923,000 (+3.1%). With a volume of 1,825,000 contracts (previous year: 1,813,000), 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 € 9.8 billion (+10.7%).

Receivables from leasing transactions amounted to € 13.9 billion, which is a slight increase compared to the previous year (2.1%). Leased assets saw growth of € 0.7 billion, rising to € 5.7 billion (+15.5%).

In the period under review, a total of 254,000 new leasing contracts were signed, which is above the level of the first half of 2010 (+17.6%). As at 30 June 2011, there were 1,163,000 leased vehicles in stock, which is an increase of 3.8% 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 843,000 leased vehicles (previous year: 802,000).

Compared to the previous year, the total assets of Volkswagen Financial Services AG rose to € 70.1 billion (+7.2%). 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 2011, there were 2,510,000 service and insurance contracts on the books (previous year: 2,189,000). At 472,000 contracts, the volume of new business was 40.5% above the level of the first half of 2010.

CONTRACT VOLUME, CURRENT CONTRACTS AND NEW CONTRACTS AS WELL AS PENETRATION RATES

	VW FS AG	Europe	of which Germany	of which Italy	of which United Kingdom	of which France	Asia Pacific	North America / South America
in € million (as at 30.06.2011)								
Receivables from customers arising from								
Retail financing	31,777	22,639	14,759	1,345	3,710	844	2,041	7,097
Wholesale financing	9,770	7,807	3,570	498	1,154	937	548	1,415
Leasing business	13,925	13,063	10,713	594	89	802	109	753
Leased assets	5,746	5,745	4,245	352	692	191	0	1
in thousands (as at 30.06.2011)								
Current contracts	6,596	5,650	3,775	364	594	214	192	754
Retail financing	2,923	2,236	1,467	146	310	115	118	569
Leasing	1,163	1,062	824	47	53	59	3	98
Service/insurance	2,510	2,352	1,484	171	231	40	71	87
in thousands (from 1.1. - 30.06.2011)								
New contracts	1,289	1,099	654	85	164	56	31	159
Retail financing	563	411	220	34	76	35	22	130
Leasing	254	243	190	10	13	13	0	11
Service/insurance	472	445	244	41	75	8	9	18
in % (from 1.1. - 30.06.2011)								
Penetration rates*	31.1	32.0	48.6	28.4	31.3	27.4	27.2	28.9

*New contracts for new Group vehicles divided by deliveries of Group vehicles

DEPOSIT BUSINESS AND BORROWINGS

Significant items in liabilities and equity include liabilities to financial institutions in the amount of € 7.7 billion (+5.7%), liabilities to customers in the amount of € 24.9 billion (-4.0%), as well as securitised liabilities in the amount of € 24.6 billion (+19.4%).

Customer deposits, specifically those of Volkswagen Bank GmbH, reported as part of the liabilities to customers remained unchanged at € 20.1 billion as at 30 June 2011, thus making a significant contribution to refinancing.

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 was € 7.7 billion (previous year: € 7.0 billion). This yields an equity ratio of 10.9% relative to the total equity and liabilities of € 70.1 billion, which is above average in comparison to international banks.

In April Volkswagen AG increased the equity of Volkswagen Financial Services AG by € 400 million to secure the company's growth in business and meet the legal requirements in the banking business.

Opportunity and risk report

MACROECONOMIC OPPORTUNITIES

The management of Volkswagen Financial Services AG assumes that both the automotive market on the whole and the market share of the Volkswagen Group will continue to grow in the year's second half. Volkswagen Financial Services AG supports this positive trend through financial services products designed to boost sales.

STRATEGIC OPPORTUNITIES

In addition to entering new markets, Volkswagen Financial Services AG sees further opportunities in the development of innovative products that are aligned with customers' changed mobility requirements. The Group's targeted rates of return as well as the sales promotion potential are relevant for making decisions in this connection. Activities in growth areas such as new mobility (long-term rental, car sharing) will be expanded and intensified further.

RISK-BEARING CAPACITY

The analysis of risk-bearing capacity follows the going-concern approach. The findings of the so-called "range of practice", which were published by BaFin in November 2010, provides the basis for detailing the approach in house.

We have been determining financial risk for a confidence level of 90% (previously 99%) based on a one-year horizon since 2011. A fully positive correlation between individual risk types (i.e. assuming a correlation of 1) is used to that end. This ensures a sufficiently conservative approach for quantifying the financial risk of Volkswagen Financial Services AG.

The quantified risks are contrasted by the risk cover. This entails reducing the risk cover by deducting the capital adequacy requirements under the German Solvency Regulation.

EARNINGS RISKS

Since 2011, Volkswagen Financial Services AG has been quantifying its earnings risks based on a parametric earnings-at-risk (EaR) model, taking into account the confidence level determined in connection with the calculation of its risk-bearing capacity as well as a one-year forecasting horizon. The relevant income statement items provide the basis for these calculations. The earnings risks are estimated based on the observed relative deviations from targets for one and by determining the volatilities and interdependency of the individual items for another. Both components are included in the EaR quantification. In addition stress tests specific to risk types are conducted quarterly using historical and hypothetical scenarios.

There were no material changes regarding the other risk types and our risk management methods in the past few months. Insofar, see the disclosures in the "Opportunity and risk report" chapter of the 2010 annual report.

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 2011.

Personnel report

At 30 June 2011, Volkswagen Financial Services AG had 6,936 active employees. Besides active staff, in the first six months of this year Volkswagen Financial Services AG also had 36 employees who were in the passive phase of partial retirement, as well as 94 trainees. Hence the total number of employees of Volkswagen Financial Services AG on 30 June 2011 was 7,066, an increase of about 4.0% compared to the year-end figure for 2010 (6,797 employees). This increase stems from the hiring of risk management, IT and audit specialists, as well as from the continued expansion of our marketing activities, especially in leasing. An additional 50 positions were created for employing previously temporary personnel on a permanent basis. The input management activities (distribution of incoming post, e-mail and faxes) were spun off to AutoVision GmbH effective 1 February 2011. Mostly temporary staff were employed in this department. The total number of employees in Germany at this time is 4,447.

In accordance with the substance-over-form principle, 281 employees of VOLKSWAGEN SERVICIOS SA DE CV, Puebla, Mexico, an unconsolidated company, are included in the overall personnel numbers.

Anticipated developments

GLOBAL ECONOMY

The global economy continued to grow in the first six months of 2011. We expect this trend to persist in the second half of the year as well, even though the momentum is likely to weaken. In our view, the emerging market countries in Asia and Latin America will continue to offer the greatest potential whilst the industrialised countries will continue to grow at a moderate pace. However, the sovereign debt crisis in many countries, the ongoing debate on the stability of the European monetary system and rising inflation are clouding the economic outlook. There has been an improvement in our ability to assess the natural disasters in Japan and their potential consequences. We thus expect the fallout to be limited even though individual effects cannot be precluded.

FINANCIAL MARKETS

As before, the financial markets are governed by factors disclosed in the Group’s report on anticipated developments for 2011 and 2012, such as the substantial tightening of requirements that will be imposed on banks worldwide in connection with the reforms of the international banking regulatory framework starting in 2013. Aside from these important regulatory measures, which will trigger organisational costs and entail financial consequences, the European automobile financial services segment is expected to continue to recover overall in 2011 and 2012. Reconstruction in Japan is expected to have a negative impact on the global economy due to crude oil prices.

AUTOMOBILE MARKETS

The trends in the global automobile markets in the year’s first three months continued in the second quarter of 2011. On the whole the volume was higher year on year, although individual markets generated different results. Whilst Germany and France were the only major Western European markets to surpass the respective previous year’s level, Poland and Romania were the only Eastern European countries to fall short of the previous year’s volume. With the exception of Japan, the markets in North and South America as well as in Asia Pacific registered sales growth.

We expect developments in the world’s automotive markets to remain uneven in the second half of 2011 as well. The debt crisis in some euro zone states and the expiry of the economic stimulus packages will have a negative impact on demand for new vehicles in many Western European countries. In Central and Eastern European countries however, vehicle sales are expected to rise. The strategically important markets in China and India will continue their positive development, and new car registrations are also anticipated to increase in the North and South American markets. On the whole global demand for passenger cars in 2011 is likely to exceed the 2010 level.

DEVELOPMENT OF VOLKSWAGEN FINANCIAL SERVICES AG

The positive trends in the global economy that had made themselves felt in the 2010 financial year continued in the first half of 2011. The Volkswagen Group brands benefited disproportionally from the increase in automobile sales. For this reason we expect the transaction volume in our financial services business to exceed the previous year’s level.

We are pushing the expansion of our national and international activities in keeping with the WIR 2018 strategy. Besides expanding internationally, in the second half of 2011 our focus will be on intensifying our sales activities jointly with the Volkswagen Group brands, launching new products in existing markets, developing new products as part of the New Mobility strategy and ensuring consistent risk management.

The Board of Management of Volkswagen Financial Services AG expects earnings in the 2011 financial year to surpass the previous year's level.

Income statement
of the Volkswagen Financial Services AG Group

in € million	Note	1.1. – 30.06.2011	1.1. – 30.06.2010	Change in %
Interest income from lending transactions		1,575	1,411	11.6
Net income from leasing transactions before provisions for risks		621	612	1.5
Interest expense		–937	–920	1.8
Net income from insurance business		8	2	X
Net income from lending, leasing and insurance transactions before provisions for risks	1	1,267	1,105	14.7
Provisions for risks arising from lending and leasing business		–325	–369	–11.9
Net income from lending, leasing and insurance transactions after provisions for risks		942	736	28.0
Commission income		210	202	4.0
Commission expenses		–123	–110	11.8
Net commission income		87	92	–5.4
Result from financial instruments		–6	43	X
Result from available-for-sale assets		0	0	–
Result from joint ventures accounted for using the equity method		69	58	19.0
Result from other financial assets		9	5	80.0
General administration expenses	2	–617	–535	15.3
Other operating result		–66	–36	83.3
Pre-tax result		**418**	**363**	**15.2**
Taxes on income and earnings		–97	–80	21.3
Net income		**321**	**283**	**13.4**
Net income attributable to Volkswagen AG		321	283	13.4

Statement of comprehensive income

of the Volkswagen Financial Services AG Group

in € million	Note	1.1. – 30.06.2011	1.1. – 30.06.2010
Net income		**321**	**283**
Actuarial gains and losses		10	– 11
deferred taxes thereon		– 3	3
Available-for-sale financial assets (securities):			
Fair value changes recognised in equity		– 10	0
Recognised in the income statement		0	0
deferred taxes thereon		5	0
Cash flow hedges:			
Fair value changes recognised in equity		4	1
Recognised in the income statement		4	3
deferred taxes thereon		– 1	– 9
Currency translation differences		– 41	171
Income and expense of shares measured at equity, recognised directly in equity, after taxes		6	27
Income and expense recognised directly in equity		**– 26**	**185**
Comprehensive income		**295**	**468**
Comprehensive income attributable to Volkswagen AG		295	468

Balance sheet

of the Volkswagen Financial Services AG Group

in € million	Note	30.06.2011	31.12.2010	Change in %
Assets				
Cash reserve		488	193	X
Receivables from financial institutions		828	975	–15.1
Receivables from customers arising from				
Retail financing		31,777	30,505	4.2
Wholesale financing		9,770	8,828	10.7
Leasing business		13,925	13,643	2.1
Other receivables		3,260	2,146	51.9
Receivables from customers in total		58,732	55,122	6.5
Derivative financial instruments		528	637	–17.1
Securities		465	125	X
Joint ventures accounted for using the equity method		1,752	1,707	2.6
Other financial assets		285	265	7.5
Intangible assets	3	91	95	–4.2
Property, plant and equipment	3	218	218	0.0
Leased assets	3	5,746	4,974	15.5
Investment property		7	9	–22.2
Deferred tax assets		113	104	8.7
Income tax assets		127	135	–5.9
Other assets		685	773	–11.4
Total		**70,065**	**65,332**	**7.2**

in € million	Note	30.06.2011	31.12.2010	Change in %
Equity and liabilities				
Liabilities to financial institutions		7,702	7,284	5.7
Liabilities to customers		24,931	25,983	–4.0
Securitised liabilities		24,610	20,605	19.4
Derivative financial instruments		215	336	–36.0
Provisions		1,093	937	16.6
Deferred tax liabilities		358	542	–33.9
Income tax obligations		195	135	44.4
Other liabilities		939	810	15.9
Subordinated capital		2,352	1,725	36.3
Equity		7,670	6,975	10.0
Subscribed capital		441	441	–
Capital reserves		3,809	3,409	11.7
Retained earnings		3,420	3,125	9.4
Total		**70,065**	**65,332**	**7.2**

Statement of changes in equity
of the Volkswagen Financial Services AG Group

in € 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 31.12.2009/1.1.2010	**441**	**2,809**	**3,239**	**–40**	**–47**	**–24**	**2**	**–69**	**6,311**
Net income	–	–	623	–	–	–	–	–	623
Income and expense recognised directly in equity	–	–	–	166	34	–12	–1	64	251
Comprehensive income	–	–	623	166	34	–12	–1	64	874
Payments into the capital reserve	–	600	–	–	–	–	–	–	600
Distributions/profit transfer to Volkswagen AG	–	–	–810	–	–	–	–	–	–810
Balance as at 31.12.2010/1.1.2011	**441**	**3,409**	**3,052**	**126**	**–13**	**–36**	**1**	**–5**	**6,975**
Net income	–	–	321	–	–	–	–	–	321
Income and expense recognised directly in equity	–	–	–	–41	7	7	–5	6	–26
Comprehensive income	–	–	321	–41	7	7	–5	6	295
Payments into the capital reserve	–	400	–	–	–	–	–	–	400
Distributions/profit transfer to Volkswagen AG	–	–	–	–	–	–	–	–	–
Balance as at 30.06.2011	**441**	**3,809**	**3,373**	**85**	**–6**	**–29**	**–4**	**1**	**7,670**

Cash flow statement

of the Volkswagen Financial Services AG Group

in € million	1.1. – 30.06.2011	1.1. – 30.06.2010
Net income	**321**	**283**
Depreciation, value adjustments and write-ups	915	882
Change in provisions	161	93
Change in other non-cash items	243	– 232
Result from the sale of financial assets and property, plant and equipment	– 5	0
Interest result and dividend income	– 1,156	– 1,046
Other adjustments	– 1	1
Change in receivables from financial institutions	130	123
Change in receivables from customers	– 4,505	– 1,004
Change in leased assets	– 1,350	– 1,264
Change in other assets from operating activities	85	41
Change in liabilities to financial institutions	569	– 204
Change in liabilities to customers	– 154	1,975
Change in securitised liabilities	4,128	– 185
Change in other liabilities from operating activities	136	64
Interest received	2,059	1,940
Dividends received	34	27
Interest paid	– 937	– 920
Income tax payments	– 223	– 155
Cash flow from operating activities	**450**	**419**
Cash inflows from the sale of investment property	1	–
Cash outflows from the purchase of investment property	0	0
Cash inflows from the sale of subsidiaries and joint ventures	5	–
Cash outflows from the purchase of subsidiaries and joint ventures	– 20	– 11
Cash inflows from the sale of other assets	3	2
Cash outflows from the purchase of other assets	– 24	– 16
Change in investments in securities	– 350	3
Cash flow from investing activities	**– 385**	**– 22**
Cash inflows from changes in capital	400	0
Distribution/profit transfer to Volkswagen AG	– 810	– 478
Loss absorption by Volkswagen AG	–	–
Change in funds resulting from subordinated capital	640	230
Cash flow from financing activities	**230**	**– 248**
Cash and cash equivalents at the end of the previous period	**193**	**343**
Cash flow from operating activities	450	419
Cash flow from investing activities	– 385	– 22
Cash flow from financing activities	230	– 248
Effects from exchange rate changes	0	0
Cash and cash equivalents at the end of the period	**488**	**492**

Notes

to the consolidated financial statements of the Volkswagen Financial Services AG Group as at 30.06.2011

General comments

Volkswagen Financial Services Aktiengesellschaft (VW FS AG) has its head office in Gifhorner Strasse, Braunschweig, and is registered in the Braunschweig 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 2010 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 2011 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 were adopted by the EU and had to be applied from 1 January 2011. In particular, this concerns IAS 24, Related Party Disclosures, and IAS 34, Interim Financial Reporting.

Under the revised IAS 24, entities may choose to simplify their reporting with regard to public institutions and their subsidiaries. VW FS AG is not using this option. In addition the definitions of related companies and persons as well as reportable transactions were clarified. None of this has any effect on the interim consolidated financial statements.

Under the revised IAS 34, material reclassifications between the various stages of the fair value hierarchy, which are used to determine the fair value of financial instruments, as well as material changes in the classification of financial assets, must be disclosed in the interim financial statements.

All other accounting standards to be applied for the first time in the 2011 financial year do not have a significant impact on the assets, financial position and results of operations of the VW FS AG Group. A detailed listing of these accounting standards is contained in the notes to the consolidated financial statements of the 2010 annual report.

A discounting rate of 5.3% (31 December 2010: 4.9%) was applied to domestic provisions for pensions in the current interim financial statements. The increase in the interest rate triggered a decrease in the actuarial losses related to pension provisions recognised directly in equity.

The income tax expense for the interim reporting period is determined in accordance with IAS 34, Interim Financial Reporting, using the average tax rate expected for the financial year on the whole.

Other than that, the same consolidation principles and accounting policies that were used in the consolidated financial statements for 2010 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 2010 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

in € million	1.1. – 30.06.2011	1.1. – 30.06.2010
Interest income from lending and money market transactions	1,575	1,411
Income from leasing transactions and service contracts	3,700	2,749
Expenses from leasing business and service contracts	– 2,529	– 1,680
Depreciation on leased assets and investment property	– 550	– 457
Interest expense	– 937	– 920
Net income from insurance business	8	2
Total	**1,267**	**1,105**

2 | General administration expenses

in € million	1.1. – 30.6.2011	1.1. – 30.6.2010
Staff costs	– 284	– 243
Non-staff costs	– 280	– 231
Costs of advertising, PR work and sales promotion	– 20	– 15
Depreciation of property, plant and equipment and amortisation of intangible assets	– 22	– 33
Other taxes	– 11	– 13
Total	**– 617**	**– 535**

3 | Development of selected assets

in € million	Net carrying amount 1.1.2011	Additions	Disposals / other changes	Depreciation / amortisation	Net carrying amount 30.06.2011
Intangible assets	95	7	– 1	10	91
Property, plant and equipment	218	16	– 4	12	218
Leased assets	4,974	3,346	– 2,025	549	5,746

4 | Notes to the fair value hierarchy

There were no shifts between the different levels of the financial instruments measured at fair value in the first half of 2011.

Segment reporting

5 | Division by geographical markets

	Germany	Europe	North and South America	Asia	Total segments	Consoli-dation	Total
in € million (1.1. – 30.06.2011)							
Revenue from lending transactions with third parties	614	360	539	74	1,587	–	1,587
Revenue from intersegment lending transactions	78	19	–	0	97	– 97	–
Segment revenue from lending transactions	692	379	539	74	1,684	– 97	1,587
Revenue from leasing and service transactions	2,245	1,383	65	3	3,696	– 4	3,692
Premiums earned from insurance business	24	0	–	–	24	–	24
Commission income	138	48	23	1	210	–	210
Revenue	**3,099**	**1,810**	**627**	**78**	**5,614**	**– 101**	**5,513**
Cost of sales from lending, leasing and service transactions	– 1,418	– 1,132	– 5	– 1	– 2,556	–	– 2,556
Write-ups on leased assets and investment property	6	2	–	–	8	–	8
Depreciation and impairment losses on leased assets and investment property	– 395	– 155	0	0	– 550	–	– 550
of which impairment losses pursuant to IAS 36	17	0	–	–	17	–	17
Expenses from insurance business	– 16	0	–	–	– 16	0	– 16
Interest expense	– 482	– 168	– 317	– 44	– 1,011	74	– 937
Provisions for risks arising from lending and leasing business	– 48	– 96	– 116	– 1	– 261	– 64	– 325
Commission expenses	– 52	– 56	– 15	– 1	– 124	1	– 123
Interest income not classified as revenue	15	2	–	0	17	– 2	15
Result from financial instruments	3	– 7	3	0	– 1	– 5	– 6
Result from available-for-sale assets	0	–	–	–	0	–	0
Result from joint ventures accounted for using the equity method	–	–	–	–	–	69	69
Result from other financial assets	9	–	–	–	9	0	9
General administration expenses	– 350	– 127	– 75	– 20	– 572	– 45	– 617
Other operating result	– 54	25	– 5	1	– 33	– 33	– 66
Pre-tax result	**317**	**98**	**97**	**12**	**524**	**– 106**	**418**
Taxes on income and earnings	– 75	– 35	– 42	– 5	– 157	60	– 97
Net income	**242**	**63**	**55**	**7**	**367**	**– 46**	**321**
in € million (30.06.2011)							
Segment assets	**33,378**	**16,025**	**9,266**	**2,699**	**61,368**	**–**	**61,368**
of which non-current assets	**20,240**	**8,386**	**4,456**	**1,527**	**34,609**	**–**	**34,609**
Segment liabilities	**40,005**	**15,527**	**8,034**	**2,653**	**66,219**	**– 8,375**	**57,844**

The presentation for the previous year is as follows:

	Germany	Europe	North and South America	Asia	Total segments	Consoli-dation	Total
in € million (1.1. – 30.06.2010)							
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 using the equity method	–	–	–	–	–	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**
in € million (30.06.2010)							
Segment assets	**31,967**	**13,681**	**7,923**	**2,486**	**56,057**	**–**	**56,057**
of which non-current assets	**19,733**	**6,904**	**3,690**	**1,391**	**31,718**	**–**	**31,718**
Segment liabilities	**37,123**	**12,733**	**6,869**	**2,498**	**59,223**	**– 6,617**	**52,606**

Other notes

6 | 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.

7 | Off-balance sheet obligations

in € million	30.06.2011	31.12.2010
Contingent liabilities		
Liabilities from surety and warranty agreements	44	55
Liability arising from the provision of security for third-party liabilities	8	8
Other obligations		
Irrevocable credit commitments	3,217	2,821
Purchase obligations		
Property, plant and equipment and intangible assets	15	–

8 | Corporate bodies of Volkswagen Financial Services AG

Mr. Alfred Rodewald resigned from the Supervisory Board effective 2 April 2011.

Ms. Petra Reinheimer was appointed to the Supervisory Board of Volkswagen Financial Services AG effective 1 June 2011.

9 | Events after the balance sheet date

There were no significant events up to 13 July 2011.

10 | Responsibility statement of the Board of Management

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.

Braunschweig, 13 July 2011
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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CAT Consultants, Hamburg
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TYPESETTING:
Produced in-house with FIRE.sys

You will also find the consolidated interim report 2011 at www.vwfsag.com/hy11

This consolidated interim report is also available in German.

We apologise to our readers for using the masculine grammatical form solely for purposes of linguistic convenience.

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