

# VOLKSWAGEN FINANCIAL SERVICES

AKTIENGESELLSCHAFT

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## Consolidated Interim Report

JANUARY – JUNE 2009

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## **PUBLISHING INFORMATION**

## Volkswagen Financial Services AG at a glance

€ million	30.6.2009	31.12.2008	31.12.2007	31.12.2006
Total assets	60,413	57,279	52,314	43,923
Receivables from customers arising from				
Retail financing	24,159	21,913	20,884	17,262
Wholesale financing	8,976	9,584	9,360	6,989
Leasing business	14,663	14,912	13,639	12,759
Leased assets	3,372	3,003	2,436	1,476
Customer deposits	19,085	12,835	9,620	8,827
Equity	6,519	6,780	6,012	4,603
€ million	1st half-year 2009	1st half-year 2008	1st half-year 2007	1st half-year 2006
Pre-tax result	297	548	415	415
Net income	207	394	283	273
%	30.6.2009	31.12.2008	31.12.2007	31.12.2006
Equity ratio	10.8	11.8	11.5	10.5
%	31.3.2009	31.12.2008	31.12.2007	31.12.2006
Core capital ratio <sup>1</sup>	12.5	8.8	7.0	8.2
Overall ratio <sup>1</sup>	14.4	10.8	8.9	8.8
Number	30.6.2009	31.12.2008	31.12.2007	31.12.2006
Employees	6,635	6,639	6,138	5,022
In Germany	4,156	4,128	3,856	3,602
Abroad	2,479	2,511	2,282	1,420

Rating as at 30.6.2009 <sup>2</sup>	Standard & Poor's			Moody's Investors Service		
	short-term	long-term	outlook	short-term	long-term	outlook
Volkswagen Financial Services AG	A-2	A-	stable	Prime-2	A3	stable
Volkswagen Bank GmbH	A-1	A	negative	Prime-1	A2	stable

<sup>1</sup> The regulatory core capital ratio/overall ratio is calculated in accordance with the standardised approach to credit and operational risks.

<sup>2</sup> Ratings 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 5.5 % to € 60.4 billion between January and June 2009, the period under review. At € 773 million, the net income from lending, leasing and insurance transactions before risk provisions was lower than in the same period the previous year.
- › At € 297 million, pre-tax profit was down year on year. Adjusted for extraordinary factors from the measurement of derivatives, pre-tax profit decreased by € 177 million (– 34.7 %).
- › The increases in the overall contract portfolio by 205,000 contracts (3.8 %) and in receivables from customers by € 1.0 billion (2.1 %) essentially resulted from the expansion of the business volume in the customer financing segment.
- › On 16 January 2009, VOLKSWAGEN FINANCE PRIVATE LIMITED launched its operations, offering financial services products for customers and dealers in India.
- › A growth rate of 48.7 % during the reporting period and a portfolio of € 19.1 billion have lifted the deposit volume of Volkswagen Bank GmbH to a new record high.
- › The readers of the German magazine, auto motor und sport, once again voted Volkswagen Bank GmbH the “Best Brand”.
- › Volkswagen Leasing GmbH repeatedly managed to win leasing industry awards: it won the fleet award as “Best Leasing Company” from the Autoflotte magazine for the third time, and it won the award from the Firmenauto magazine in the “Leasing and Fleet Management” category for the fourth time.

# Group interim management report

## ECONOMIC ENVIRONMENT

### Global economy

The global economic recession continued in the first six months of 2009. Very few countries managed to grow; indeed, both the major industrialised countries and most emerging countries recorded substantial declines in their gross domestic product (GDP). Inflation rates in most countries continued to fall during the reporting period – despite the fact that monetary policies remained expansive and oil prices began to rise again.

The economic downturn caused the unemployment rate in the United States to increase sharply. However, as a result of very expansive monetary and fiscal policies, some economic leading indicators have improved markedly in recent months. Mexico's economy contracted dramatically due to its extreme dependence on the US economy.

Argentina managed to post slight economic growth at the start of the year but has followed an increasingly negative trajectory since then. In contrast, the Brazilian economy is on the road to recovery following a sharp decline in economic growth at the start of the year.

An increasing number of signs are indicating that the Chinese economy is headed for a major recovery in the course of the year, after weaker growth in the first quarter. India's GDP growth has declined less than expected to date thanks to substantial state expenditures. Japan continues to be in the grips of a severe economic crisis.

The recessionary development continued in Western Europe in the first six months of 2009. In May, the unemployment rate in the euro zone reached its highest level for the past ten years. Conditions in both Central and Eastern Europe also deteriorated further.

In Germany, the downturn in overall economic output intensified during the reporting period. Current leading indicators point to a continued decline in production and an increase in unemployment figures.

### Financial markets

The distortions in the international financial markets continued in the year's first six months. At the same time, the recessionary development of the global economy has deepened, especially in those industrialised countries that are dependent on exports.

The international money and capital markets have been driven by the attempts in the leading economies to prevent the banking system from collapsing. These efforts entail measures by individual governments to help the banks deal with toxic assets as well as by central banks to help ease the credit crunch in the banking system.

The massive state interventions have slightly eased conditions in the financing sector since mid-March 2009. In turn, this has relieved some of the downward pressure on bank securities on the global stock and bond markets. The mood in the international stock markets improved by the end of the second quarter against the backdrop that the economy is expected to bottom out.

The liquidity policies of the European Central Bank (ECB) in the first six months of 2009 also helped to improve matters for European automobile banks in regards to refinancing. Given their direct banking approach, automobile banks engaged in the deposit business are among the banks that can potentially offer higher interest rates than commercial banks that operate branches while providing comparable levels of deposit security. In an environment of declining interest rates, both aspects have proved favourable to the deposit business, boosting the automobile banks' liquidity as a result.

In Germany, the scrapping bonus that has been paid for old passenger cars since the German government enacted its second stimulus package has led to new contracts in the first six months of 2009, particularly for financing small- and medium-size vehicles. The current depth of the recession is not yet fully reflected in the automobile banks' economic development due to the extraordinary economic boost provided by this measure and given the attendant financing terms, which usually run for four years.

German leasing companies were faced with a special challenge arising from the implementation of requirements under the Annual Tax Act 2009. In particular, gearing the companies' business activities to the requirements of the German Banking Act and complying with the requirements of the Federal Financial Supervisory Authority (BaFin) required extensive preparations.

### Automobile markets

Worldwide registrations of new cars were substantially lower year on year in the reporting period. With the exception of the Region Asia Pacific, all sales regions posted declines. Particularly North America and both Central and Eastern

Europe have seen demand collapse. While sales of passenger cars were lower year on year in Western Europe too, the decline was not as extreme overall given the positive effects of governmental actions aimed at supporting the economy. The Region Asia Pacific recorded slight growth due to the substantial increase in the number of newly registered cars in China in the second quarter of 2009.

While vehicle sales in the US market during the first six months of 2009 dropped substantially below the previous year's level, the introduction of a bonus for scrapping used vehicles is expected to stimulate demand somewhat in the year's second half. New registrations in both Canada and Mexico remained very weak during the reporting period.

Passenger car sales in Brazil rose slightly in the first six months of 2009, particularly due to the reduction in the industrial product tax. In Argentina, however, new passenger car registrations fell substantially below the previous year's level.

Demand for passenger cars rose sharply in China during the first six months of the year, especially in the wake of the state's economic stimulus package. The number of new registrations in the Japanese automotive market fell to its lowest level since 1977 during the reporting period. Sales on the Indian passenger car market rose slightly over the comparable period the previous year thanks to substantially lower interest rates and reductions in the value-added tax.

In Western Europe as a whole, the number of newly registered cars in the first six months of 2009 was substantially lower year on year. However, the downturn slowed noticeably in the second quarter. By now, Spain, the United Kingdom, the Netherlands, Austria and Greece have followed the example of Germany, France, Italy and Portugal in enacting stimulus packages aimed at spurring growth in the automobile markets through buyer incentives. Yet only the German and the French markets succeeded in surpassing the level of new registrations year on year during the reporting period.

Demand for passenger cars has plummeted in Central and Eastern Europe. Especially the Russian market is suffering from difficult macroeconomic conditions and high interest rates on new car loans.

In Germany, the positive demand levels that were triggered by the scrapping bonus sparked very strong growth in passenger car sales in the year's first six months.

## **EQUITY INVESTMENTS OF THE VOLKSWAGEN FINANCIAL SERVICES AG GROUP**

In the first half of 2009, Volkswagen Financial Services AG increased the capital of Volkswagen Bank GmbH, Brunswick, by € 300 million, the capital of VOLKSWAGEN FINANCIAL SERVICES AUSTRALIA PTY LIMITED, Botany, Australia, by € 25 million, and the capital of VDF Servis Holding A.Ş., Istanbul, Turkey, by € 1 million, to strengthen the respective company's capital base.

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 first six months of 2009 were positive overall for the Volkswagen Financial Services AG Group, although continuing fierce competition and the continuing pressure on margins as well as the economic environment resulting from negative developments in the international financial markets did have an effect on earnings. At € 297 million (-45.8 %), pre-tax profit was considerably below the high level recorded for the same period the previous year. At € 773 million (-9.6 %), the net income from lending, leasing and insurance transactions before risk provisions was down year on year. Provisions for risks amounted to € 242 million, which was substantially higher than in the previous year.

Commission income rose by 4.7 %, continuing the positive development in recent years. Commission expenses were below the previous year's level, resulting in a rising net income from commissions in absolute terms. The general administration expenses of € 419 million were on a par with the previous year's figure.

At € 36 million, the net income from equity investments accounted for at equity was substantially below the previous year's level (-48.6 %).

Taking into account the result from the measurement of derivative financial instruments in the amount of € -36 million (previous year: € 38 million) and the remaining earnings components, the net income for the half-year of the Volkswagen Financial Services AG Group was € 207 million, a decrease of 47.5 % over the previous year.

As in previous years, the German Group companies made substantial contributions to the earnings of Volkswagen Financial Services AG. With about 61 % of the contract portfolio, they remain the companies with the highest business volume and earned a pre-tax result of € 218 million (previous year: € 394 million).

All but one of the fully consolidated foreign financial services companies belonging to Volkswagen Financial Services AG generated positive income for the half-year.

#### Assets and financial position

The notes on the assets and financial position concern changes relative to the balance sheet date 31 December 2008.

#### Lending business

Receivables from customers – which represent the core business of the Volkswagen Financial Services AG Group – plus leased assets amounted to € 53.0 billion, and thus accounted for approximately 88 % of the consolidated total assets. The increase compared to the end of 2008 is essentially due to the expanded new vehicle business.

The loan volume from retail financing increased by € 2.2 billion or 10.2 % to € 24.2 billion. The number of new contracts reached a new record high of 525,000 (+ 17.4 % versus the first six months of 2008). This means that the number of current contracts rose to 2,518,000 (+ 5.4 %). With a volume of 1,732,000 contracts (previous year: 1,639,000), 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 – fell to € 9.0 billion (– 6.3 %).

Receivables from leasing transactions amounted to € 14.7 billion, which is a slight decline compared to the previous year (– 1.7 %). Leased assets saw growth of € 0.4 billion, rising to € 3.4 billion (+ 12.3 %).

In the period under review, a total of 196,000 new leasing contracts were signed, which is below the level of the first half of 2008 (– 16.6 %). As at 30 June 2009, there were 1,095,000 leased vehicles in stock, which is an increase of 0.3 % 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 763,000 leased vehicles (previous year: 742,000).

Compared to the previous year, the total assets of Volkswagen Financial Services AG rose to € 60.4 billion (+ 5.5 %). For one, this increase results from the rise in receivables from customers and in leased assets, reflecting the expanded business in the period just ended; for another, the increase is due to the rise in receivables from financial institutions, i. e. the investment of excess liquidity as at the balance sheet date.

As at 30 June 2009, there were 2,007,000 service and insurance contracts on the books (previous year: 1,933,000).

The volume of new business reached a new all-time high of 624,000 contracts, which was 82.5 % above the level of the first half of 2008.

#### CURRENT CONTRACTS, NEW CONTRACTS AND CONTRACT VOLUME

	VW FS AG	Europe	of which Germany	of which Italy	of which United Kingdom	of which France	Asia Pacific	North America/South America
<b>in thousands (as at 30.6.2009)</b>								
<b>Current contracts</b>	<b>5,620</b>	<b>4,879</b>	<b>3,437</b>	<b>321</b>	<b>383</b>	<b>134</b>	<b>161</b>	<b>580</b>
Retail financing	2,518	2,036	1,433	162	243	63	107	375
Leasing	1,095	977	749	35	42	57	3	115
Service/insurance	2,007	1,866	1,255	124	98	14	51	90
<b>New contracts</b>	<b>1,345</b>	<b>1,195</b>	<b>838</b>	<b>94</b>	<b>95</b>	<b>70</b>	<b>21</b>	<b>129</b>
Retail financing	525	420	287	23	64	19	15	90
Leasing	196	176	143	8	7	10	1	19
Service/insurance	624	599	408	63	24	41	5	20
<b>€ million (as at 30.6.2009)</b>								
<b>Receivables from customers arising from</b>								
Retail financing	24,159	19,738	14,149	1,138	2,663	393	1,320	3,101
Wholesale financing	8,976	7,726	4,327	490	803	776	274	976
Leasing	14,663	13,585	11,649	467	48	712	95	983
<b>Leased assets</b>	<b>3,372</b>	<b>3,372</b>	<b>2,333</b>	<b>256</b>	<b>558</b>	<b>168</b>	<b>0</b>	<b>-</b>

### *Deposit business and borrowings*

Significant items in liabilities and equity include liabilities to financial institutions in the amount of € 5.8 billion (– 23.4 %), liabilities to customers in the amount of € 22.3 billion (+ 32.0 %), as well as securitised liabilities in the amount of € 20.8 billion (– 3.4 %).

The deposit-taking business of Volkswagen Bank GmbH, reported as part of the liabilities to customers, again reached a new record high of € 19.1 billion (+ 48.7 %) as at 30 June 2009. With this level of deposits, Volkswagen Bank GmbH continues to be one of the largest direct banks.

### *Equity*

The subscribed capital of € 441 million remained unchanged in the period under review. IFRS equity was € 6.5 billion (previous year: € 6.8 billion). This reduction is due, among other things, to the profit transfer to Volkswagen AG. This yields an equity ratio of 10.8 % relative to the total equity and liabilities of € 60.4 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 2009.

### **Notes on capital adequacy**

The increase in the core capital ratio and the overall ratio results from the fact that figures according to the Solvency Regulation are no longer reported based on local accounting principles but in accordance with IFRS.

### **RISK REPORT**

There have been no significant changes relative to the disclosures in the “Risk report” of the 2008 annual report, which described all potential risks as well as the risk management methods employed.

### **Risks at the refinancing level**

The ability of Volkswagen Financial Services AG to refinance itself via the international money and capital markets continues to be limited due to the financial market crisis.

In contrast, the importance of Volkswagen Bank *direct's* deposit-taking business has increased significantly.

Given the short-term nature of direct banking deposits, any withdrawal of customer deposits or a further deterioration of the situation on the money and capital markets would undermine the Group's ability to refinance itself.

Yet this potential loss of liquidity could be counteracted if Volkswagen Bank GmbH is given permission to avail itself of the framework guarantee of up to € 2.0 billion for the purpose of refinancing automobile loans that was granted to Volkswagen Bank by the statutory financial market stabilisa-

tion fund in February 2009, and by the liquidity infusions that the European Central Bank is providing to banks. As an additional means to secure its liquidity, Volkswagen Bank GmbH has deposited the Group's own ABS securities with the European Central Bank for refinancing purposes.

### **OPPORTUNITIES**

Relative to the chapter entitled “Opportunities for Volkswagen Financial Services AG” in the 2008 annual report, no major changes are expected for the second half of 2009 in terms of opportunities.

### **PERSONNEL REPORT**

At 30 June 2009, Volkswagen Financial Services AG had 6,491 active employees. Besides active staff, in the first six months of this year Volkswagen Financial Services AG also had 51 employees who were in the passive phase of partial retirement, as well as 93 trainees. Hence the total number of employees of Volkswagen Financial Services AG on 30 June 2009 was 6,635, a decrease of 0.1 % compared to the year-end figure for 2008 (6,639 employees). The total number of employees in Germany at this time is 4,156.

In accordance with the substance-over-form principle, 241 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 2009.

### **ANTICIPATED DEVELOPMENTS**

#### **Global economy**

The economic climate remains difficult worldwide, given the ongoing financial and economic crisis. Further deterioration of the situation still cannot be ruled out. Global economic growth in 2009 will be negative. China and India are likely to be the only major economies that will post positive growth in 2009. Although slight indications of recovery can be expected in many industrialised countries in the second half of the year, unemployment figures will continue to rise considerably. The ongoing uncertainty among market participants will have a negative impact, especially on consumer demand and capital spending.



### **Financial markets**

The gradual easing of conditions in the international financial markets that began to make itself felt in the first six months of 2009 will likely continue in the year's second half provided that the intended state measures aimed at establishing "bad banks", which serve to settle the banks' toxic assets, will be implemented elsewhere as in Germany. In Germany, the "Act to Support the Continued Stabilization of the Financial Markets", which was passed in July 2009, created tools that enable banks to escape from the spiral of write-downs on their assets and preserve their equity base. According to the Association of German Banks, the reorganisation expected to result from this will go hand in hand with measures aimed at restructuring, redimensioning, merging and liquidating individual banks. Automobile banks however are not affected by said spiral of write-downs because their business models focus mainly on selling cars.

The establishment of a European banking regulatory authority is being discussed in this context because the national regulatory authorities do not possess an overview of banks' multinational ties, and this shortcoming is considered one of the factors that led to the crisis in the financial markets. In the final analysis, intense consolidation pressures in the banking system will likely intensify competition.

### **Automobile markets**

Since automobile markets worldwide are being impacted heavily by the ongoing financial and economic crisis, they will develop along a substantially negative trajectory compared to the previous year. We expect the markets in North America, South America and Europe to register strong declines, with demand in Central and Eastern European countries weakening to a much greater extent than in Western Europe.

### **Development of Volkswagen Financial Services AG**

There have been no fundamental changes in the developments forecast in the 2008 annual report concerning the global economic crisis, our expectations for automotive sales and the resulting effects on the financial services business, as well as the utilisation of potentials within the automotive value-added chain.

We will continue to pursue our national and international activities, paying particular attention to our collaboration with the Group brands, the refinement of our refinancing strategy and strict risk management in dealing with the global economic crisis in the second half of 2009.

The Board of Management of Volkswagen Financial Services AG continues to expect earnings – adjusted for effects from possible structural changes – to come in below the high level recorded in previous years.

INCOME STATEMENT OF THE VOLKSWAGEN FINANCIAL SERVICES AG GROUP

	Note	1.1. - 30.6.2009 € million	1.1. - 30.6.2008 € million	Change %
Interest income from lending transactions		1,291	1,326	- 2.6
Net income from leasing transactions <u>before</u> provisions for risks		616	610	1.0
Interest expenses		- 1,135	- 1,085	4.6
Net income from insurance business		1	4	X
Net income from lending, leasing and insurance transactions <u>before</u> provisions for risks	(1)	773	855	- 9.6
Provisions for risks arising from lending and leasing business		- 242	- 187	29.4
Net income from lending, leasing and insurance transactions <u>after</u> provisions for risks		531	668	- 20.5
Commission income		200	191	4.7
Commission expenses		- 79	- 92	- 14.1
Net commission income		121	99	22.2
Result from financial instruments		- 36	38	X
Result from joint ventures accounted for at equity		36	70	- 48.6
Result from other financial assets		6	5	20.0
General administration expenses	(2)	- 419	- 420	- 0.2
Other operating result		58	88	- 34.1
<b>Pre-tax result</b>		<b>297</b>	<b>548</b>	<b>- 45.8</b>
Taxes on income and earnings		- 90	- 154	- 41.6
<b>Net income</b>		<b>207</b>	<b>394</b>	<b>- 47.5</b>
Minority interest in net income for the half year		-	-	X
Net income for the half year attributable to Volkswagen AG		207	394	- 47.5

## STATEMENT OF RECOGNISED INCOME AND EXPENSE OF THE VOLKSWAGEN FINANCIAL SERVICES AG GROUP

€ million	1.1. – 30.6.2009	1.1. – 30.6.2008
<b>Net income</b>	<b>207</b>	<b>394</b>
Actuarial gains and losses	- 4	16
Available-for-sale financial assets (securities):		
– Fair value changes recognised in equity	1	- 2
– Recognised in the income statement	0	0
Cash flow hedges:		
– Fair value changes recognised in equity	5	46
– Recognised in the income statement	- 5	- 5
Currency translation differences	120	5
Deferred taxes on retained earnings	2	- 16
Income and expense of shares measured at equity, recognised directly in equity, after taxes	13	11
<b>Income and expense recognised directly in equity</b>	<b>132</b>	<b>59</b>
<b>Recognised income and expense</b>	<b>339</b>	<b>453</b>
Minority interest in recognised income and expense	-	-
Recognised income and expense attributable to Volkswagen AG	339	453

**BALANCE SHEET OF THE VOLKSWAGEN FINANCIAL SERVICES AG GROUP**

Assets	Note	30.6.2009 € million	31.12.2008 € million	Change %
Cash reserve		289	422	- 31.5
Receivables from financial institutions		3,118	1,358	X
Receivables from customers arising from				
Retail financing		24,159	21,913	10.2
Wholesale financing		8,976	9,584	- 6.3
Leasing business		14,663	14,912	- 1.7
Other receivables		1,796	2,178	- 17.5
Receivables from customers in total		49,594	48,587	2.1
Derivative financial instruments		790	740	6.8
Securities		86	39	X
Joint ventures accounted for at equity		1,465	1,417	3.4
Other financial assets		157	156	0.6
Intangible assets	(3)	124	115	7.8
Property, plant and equipment	(3)	218	215	1.4
Leased assets	(3)	3,372	3,003	12.3
Investment property		9	10	- 10.0
Deferred tax assets		461	353	30.6
Income tax assets		77	93	- 17.2
Other assets		653	771	- 15.3
<b>Total</b>		<b>60,413</b>	<b>57,279</b>	<b>5.5</b>

Liabilities	Note	30.6.2009 € million	31.12.2008 € million	Change %
Liabilities to financial institutions		5,787	7,559	- 23.4
Liabilities to customers		22,286	16,881	32.0
Securitised liabilities		20,777	21,500	- 3.4
Derivative financial instruments		752	490	53.5
Provisions		609	566	7.6
Deferred tax liabilities		1,065	1,059	0.6
Income tax obligations		151	64	X
Other liabilities		566	493	14.8
Subordinated capital		1,901	1,887	0.7
Equity		6,519	6,780	- 3.8
Subscribed capital		441	441	-
Capital reserve		2,809	2,809	-
Retained earnings		3,269	3,530	- 7.4
<b>Total</b>		<b>60,413</b>	<b>57,279</b>	<b>5.5</b>

STATEMENT OF CHANGES IN EQUITY

€ million	Subscribed capital	Capital reserve	Retained earnings including consolidated net retained profits					Shares measured at equity	Total equity
			Accumulated profits	Currency translation reserve	Reserve for cash flow hedges	Reserve for actuarial gains and losses	Market valuation of securities		
<b>Balance as at 31.12.2007/1.1.2008</b>	<b>441</b>	<b>2,809</b>	<b>2,743</b>	<b>-1</b>	<b>25</b>	<b>-19</b>	<b>0</b>	<b>14</b>	<b>6,012</b>
Payments into the capital reserve	-	600	-	-	-	-	-	-	522
Withdrawal from the capital reserve	-	-600	600	-	-	-	-	-	-
Loss absorption by Volkswagen AG	-	-	2	-	-	-	-	-	2
Actuarial gains and losses	-	-	-	-	-	8	-	-	8
Available-for-sale financial assets (securities)	-	-	-	-	-	-	0	-	0
Cash flow hedges:									
Fair value changes recognised in equity	-	-	-	-	-114	-	-	-101	-215
Recognised in the income statement	-	-	-	-	-10	-	-	-	-10
Currency translation differences	-	-	-	-215	5	0	0	-30	-240
Deferred taxes on items recognised directly in equity	-	-	-	-	35	-2	0	13	46
Result after taxes	-	-	578	-	-	-	-	-	578
Other changes	-	-	-1	-	-	-	-	-	-1
<b>Balance as at 31.12.2008/1.1.2009</b>	<b>441</b>	<b>2,809</b>	<b>3,922</b>	<b>-216</b>	<b>-59</b>	<b>-13</b>	<b>0</b>	<b>-104</b>	<b>6,780</b>
Payments into the capital reserve	-	-	-	-	-	-	-	-	-
Dividends paid/profit transferred to Volkswagen AG	-	-	-600	-	-	-	-	-	-600
Actuarial gains and losses	-	-	-	-	-	-4	-	-	-4
Available-for-sale financial assets (securities)	-	-	-	-	-	-	1	-	1
Cash flow Hedges:									
Fair value changes recognised in equity	-	-	-	-	5	-	-	4	9
Recognised in the income statement	-	-	-	-	-5	-	-	-	-5
Currency translation differences	-	-	-	124	-4	0	0	10	130
Deferred taxes on items recognised directly in equity	-	-	-	-	1	1	0	-1	1
Net income	-	-	207	-	-	-	-	-	207
Other changes	-	-	-	-	-	-	-	-	-
<b>Balance as at 30.6.2009</b>	<b>441</b>	<b>2,809</b>	<b>3,529</b>	<b>-92</b>	<b>-62</b>	<b>-16</b>	<b>1</b>	<b>-91</b>	<b>6,519</b>

## CASH FLOW STATEMENT OF THE VOLKSWAGEN FINANCIAL SERVICES AG GROUP

€ million	1.1. – 30.6.2009	1.1. – 30.6.2008
<b>Net income</b>	<b>207</b>	<b>394</b>
Depreciation, value adjustments and write-ups	635	478
Change in provisions	20	- 6
Change in other non-cash items	514	102
Result from the sale of financial assets and property, plant and equipment	- 225	14
Interest result and dividend income	- 707	- 772
Other adjustments	- 434	160
Change in receivables from financial institutions	- 1,743	- 479
Change in receivables from customers	- 247	- 2,689
Change in other assets from operating activities	134	- 15
Change in liabilities to financial institutions	- 2,239	593
Change in liabilities to customers	5,287	1,945
Change in securitised liabilities	- 865	187
Change in other liabilities from operating activities	27	- 34
Interest received	1,833	1,818
Dividends received	8	39
Interest paid	- 1,135	- 1,084
Income tax payments	- 79	- 112
<b>Cash flow from operating activities</b>	<b>991</b>	<b>539</b>
Cash inflows from the sale of leased assets and investment property	1,208	846
Cash outflows from the purchase of leased assets and investment property	- 1,649	- 1,505
Cash inflows from the sale of subsidiaries and joint ventures	0	-
Cash outflows from the purchase of subsidiaries and joint ventures	- 2	- 46
Cash inflows from the sale of other assets	2	12
Cash outflows from the purchase of other assets	- 30	- 30
Change in investments in securities	- 45	29
<b>Cash flow from investing activities</b>	<b>- 516</b>	<b>- 694</b>
Changes from capital contributions/repayments	- 600	-
Profit transfer to Volkswagen AG	-	-
Loss absorption by Volkswagen AG	2	-
Change in funds resulting from subordinated capital	- 10	212
<b>Cash flow from financing activities</b>	<b>- 608</b>	<b>212</b>
<b>Cash and cash equivalents at the end of the previous period</b>	<b>422</b>	<b>176</b>
Cash flow from operating activities	991	539
Cash flow from investing activities	- 516	- 694
Cash flow from financing activities	- 608	212
Effects from exchange rate changes	0	0
<b>Cash and cash equivalents at the end of the period</b>	<b>289</b>	<b>233</b>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE VOLKSWAGEN FINANCIAL SERVICES AG GROUP AS AT 30.6.2009**

### **General**

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 2008 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 2009 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 2009 financial year. Essentially, this concerns IAS 1 with respect to the presentation of financial statements; IAS 23 with respect to the capitalisation of borrowing costs and IFRS 8 with respect to segment reporting.

Revised IAS 1 leads to a restructuring of the elements of the financial statements.

Revised IAS 23 requires that borrowing costs attributable to qualifying assets be capitalised if the purchase or production of the respective asset began on or after 1 January 2009. An asset is considered qualified if a period of at least one year is required for the asset to get ready for its intended use or sale. But IAS 23 does not affect the presentation of the net assets, financial situation and results of operations of the VW FS AG Group.

IFRS 8 leads to the restructuring of segment reporting. VW FS AG reports three segments in keeping with the management approach. VW FS AG is shown as a holding company in the consolidation column. The previous year's figures were adjusted accordingly.

Other than that, the same consolidation principles and accounting policies that were used in the consolidated financial statements for 2008 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 2008 annual report. It may be downloaded from our website at [www.vwfs.com](http://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	1.1. – 30.6.2009	1.1. – 30.6.2008
Interest income from lending and money market transactions	1,291	1,326
Income from leasing transactions and service contracts	2,458	1,904
Expenses from leasing business and service contracts	- 1,462	- 1,057
Depreciation on leased assets and investment property	- 380	- 237
Interest expense	- 1,135	- 1,085
Net income from insurance business	1	4
<b>Total</b>	<b>773</b>	<b>855</b>

*(2) General administration expenses*

€ million	1.1. – 30.6.2009	1.1. – 30.6.2008
Staff costs	- 222	- 211
Non-staff costs	- 149	- 162
Costs of advertising, PR work and sales promotion	- 18	- 17
Depreciation of property, plant and equipment and amortisation of intangible assets	- 22	- 20
Other taxes	- 8	- 10
<b>Total</b>	<b>- 419</b>	<b>- 420</b>

*(3) Development of selected assets*

€ million	Net carrying amount 1.1.2009	Additions	Disposals/ other changes	Write-ups	Net carrying amount 30.6.2009
Intangible assets	115	14	5	10	124
Property, plant and equipment	215	17	- 2	12	218
Leased assets	3,003	1,649	- 900	- 380	3,372



## Segment reporting

## (4) Division by geographical markets

	1.1. - 30.6.2009				
€ million	Germany	Europe/Asia	North and South America	Consolidation	Total
Interest income from lending transactions with third parties	656	347	288	-	1,291
Interest income from intersegment lending transactions	120	9	0	- 129	-
Segment interest income from lending transactions	776	356	288	- 129	1,291
Net income from leasing transactions	484	78	59	- 5	616
Net income from insurance business	1	-	-	-	1
Interest expense	- 786	- 247	- 220	118	- 1,135
Net income from lending, leasing and insurance transactions <u>before</u> provisions for risks	475	187	127	- 16	773
Provisions for risks arising from lending and leasing business	- 139	- 39	- 64	-	- 242
Net income from lending, leasing and insurance transactions <u>after</u> provisions for risks	336	148	63	- 16	531
Net commission income	96	17	6	2	121
Result from financial instruments	- 40	1	0	3	- 36
Result from joint ventures accounted for at equity	25	-	-	11	36
Result from other financial assets	10	-	-	- 4	6
General administration expenses	- 266	- 102	- 42	- 9	- 419
Other operating result	57	8	4	- 11	58
<b>Pre-tax result</b>	<b>218</b>	<b>72</b>	<b>31</b>	<b>- 24</b>	<b>297</b>
Taxes on income and earnings	- 50	- 22	- 7	- 11	- 90
<b>Net income</b>	<b>168</b>	<b>50</b>	<b>24</b>	<b>- 35</b>	<b>207</b>
Minority interest in net income	-	-	-	-	-
Net income attributable to Volkswagen AG	168	50	24	- 35	207
<b>Segment assets</b>	<b>45,599</b>	<b>15,461</b>	<b>5,164</b>	<b>- 9,098</b>	<b>57,126</b>
<b>Segment liabilities</b>	<b>40,536</b>	<b>14,089</b>	<b>4,483</b>	<b>- 7,605</b>	<b>51,503</b>

The presentation for the previous year is as follows:

	1.1. – 30.6.2008				
€ million	Germany	Europe/Asia	North and South America	Consolidation	Total
Interest income from lending transactions with third parties	622	440	264	-	1,326
Interest income from intersegment lending transactions	147	25	-	- 172	-
Segment interest income from lending transactions	769	465	264	- 172	1,326
Net income from leasing transactions	465	105	40	-	610
Net income from insurance business	4	-	-	-	4
Interest expense	- 705	- 352	- 175	147	- 1,085
Net income from lending, leasing and insurance transactions <u>before</u> provisions for risks	533	218	129	- 25	855
Provisions for risks arising from lending and leasing business	- 119	- 20	- 22	- 26	- 187
Net income from lending, leasing and insurance transactions <u>after</u> provisions for risks	414	198	107	- 51	668
Net commission income	89	2	8	0	99
Result from financial instruments	38	0	0	0	38
Result from joint ventures accounted for at equity	55	-	-	15	70
Result from other financial assets	9	0	-	- 4	5
General administration expenses	- 266	- 105	- 49	0	- 420
Other operating result	55	2	55	- 24	88
<b>Pre-tax result</b>	<b>394</b>	<b>97</b>	<b>121</b>	<b>- 64</b>	<b>548</b>
Taxes on income and earnings	- 100	- 31	- 46	23	- 154
<b>Net income</b>	<b>294</b>	<b>66</b>	<b>75</b>	<b>- 41</b>	<b>394</b>
Minority interest in net income	-	-	-	-	-
Net income attributable to Volkswagen AG	294	66	75	- 41	394
<b>Segment assets</b>	<b>39,687</b>	<b>16,794</b>	<b>4,580</b>	<b>- 7,912</b>	<b>53,149</b>
<b>Segment liabilities</b>	<b>34,741</b>	<b>15,408</b>	<b>3,972</b>	<b>- 6,542</b>	<b>47,579</b>

**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	30.6.2009	31.12.2008
<b>Contingent liabilities</b>		
Liabilities from surety and warranty agreements	24	13
Liability arising from the provision of security for third-party liabilities	8	8
Other contingent liabilities	-	7
<b>Other obligations</b>		
Irrevocable credit commitments	1,845	1,758

**(7) Corporate bodies of Volkswagen Financial Services AG**

Ms. Elke Eller will leave the Board of Management of Volkswagen Financial Services AG effective 31 July 2009. She was responsible for Human Resources and Organisation.

Ms. Christiane Hesse was appointed to the Board of Management as the member with responsibility for Human Resources and Organisation effective 1 August 2009.

Ms. Sabine Ferken resigned from the Supervisory Board effective 20 March 2009.

Ms. Simone Mahler was appointed to the Supervisory Board of Volkswagen Financial Services AG effective 9 June 2009.

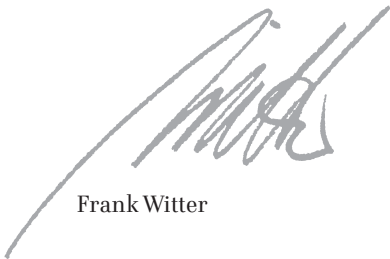
**(8) Events after the balance sheet date**

There were no significant events up to 16 July 2009.

*(9) 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 principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Brunswick, 16 July 2009  
The Board of Management



Frank Witter



Elke Eller



Frank Fiedler



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.

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You will find the consolidated interim report 2009 at [www.vwfs.com/hy09](http://www.vwfs.com/hy09)

This consolidated interim report is also available in German.