

## Management Board report

Volkswagen Financial Services N.V. ('FSNV' or 'the company') is one of the funding vehicles of Volkswagen Financial Services AG, Brunswick (FSAG) and its subsidiaries. FSNV raises funds from the capital markets by issuing notes and lends the proceeds on to Group and Joint Venture companies. Basis for the issuing activities are the EUR 18 billion Debt Issuance Programme that adheres to the European Prospective Directive Standards and a EUR 10 billion Multi Currency Commercial Paper Programme. Both programmes are usually updated on an annual basis. All issues are guaranteed by the mother company FSAG. Therefore the FSNV rating by Moody's and Standard&Poor's is derived from the FSAG rating. According to Moody's, FSAG's rating is set to P-2 (short term) and A3 (long term) with a stable outlook. Standard&Poor's assessed FSAG's creditworthiness as A-2 (short term) and A- (long term) with a negative outlook.

Besides these programmes FSNV can utilise several uncommitted revolving credit facilities with international banks. This grants more flexibility in providing the Volkswagen group with small volumes and/or frequent tranches of funds if required.

The financing activities are carried out in different currencies and interest terms. To avoid currency and interest risks, the company concludes interest- and currency swaps. The currency and interest rate exposures during and at the end of the first half year of 2010 resulting from financing activities were within the limits approved by the Supervisory Board.

Within the first six months of the year FSNV placed issues only under the DIP Programme with a total EUR equivalent volume of 241 million (2009: 150 million). The CP Programme was not utilized (EUR equivalent volume of the issues in the first half of 2009: 50 million). The proceeds of these issues have been granted to the Volkswagen Financial Services Group companies.

On the other hand the company redeemed DIP issues with a total EUR equivalent volume of 175 million (2009: 416 million) and CP issues with a total EUR equivalent volume of 130 million (2009: 60 million).

The main business risks of FSNV are the interest rate risk, currency risk, liquidity risk and the credit risk. The Supervisory Board has set limits to restrict those risks. FSNV uses adequate tools to assess and to monitor them. In the first half of 2010 no excesses in limit occurred.

In the first half year of 2010 the average business volume was on a slightly higher level compared to the same period 2009. However, interest income decreased by EUR 0.2 million to EUR 1.8 million due to lower margins and lower return from the investment of the equity caused by declining market rates.

For the whole year 2010 we expect the total business volume of FSNV to be a little bit higher than in 2009. Interest income might slightly decrease due to lower income from the investment of the equity caused by the current interest rate level and due to lower margins in the financing business.

The Management Board declares that to the best of their knowledge:

1. the financial statements for the first half year of 2010 give a true and fair view of the assets, the liabilities, the financial position and the results of the company; and
2. the management report gives a true and fair view of the company's situation as at the balance sheet date, the events that occurred during the first half year and the risks to which the company is exposed.

Amsterdam, 2 August 2010

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(Frank Mitschke, Managing Director)

## **Financial statements**

## Balance sheet as at 30 June 2010

(unaudited)

	30 June 2010		30 June 2009	
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Assets</i>				
<b>Fixed assets</b>				
Intangible fixed assets		-		-
Tangible fixed assets		1		5
Financial fixed assets:				
Shares in participations	1		1	
Loans to Volkswagen group Companies	1,127,997		737,253	
Loans to joint ventures of the Volkswagen group	59,105		123,421	
Receivables from joint ventures of the Volkswagen group	-		241	
Prepaid and deferred charges	284		120	
Total financial fixed assets		1,187,387		861,036
<b>Total fixed assets</b>		1,187,388		861,041
<b>Current assets</b>				
Receivables due from Volkswagen group companies	857,965		192,177	
Receivables due from joint ventures of the Volkswagen group	246,017		565,601	
Other assets	11,821		2,783	
Prepaid and deferred charges	816		446	
Cash at banks and in hand	257		380	
<b>Total current assets</b>		1,116,876		761,387
<b>Total assets</b>		2,304,264		1,622,428

(unaudited)

	30 June 2010		30 June 2009	
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Shareholder's equity and liabilities</i>				
<b>Shareholder's equity</b>				
Share capital	454		454	
Retained earnings	24,421		21,858	
Current earnings	1,299		1,378	
<b>Total shareholder's equity</b>		26,174		23,690
<b>Long-term liabilities</b>				
Bonds	579,909		440,000	
Liabilities to banks	-		-	
Liabilities to Volkswagen group companies	593,295		387,105	
Other liabilities	-		-	
Deferred income	332		79	
<b>Total long-term liabilities</b>		1,173,536		827,184
<b>Current liabilities</b>				
Bonds	901,498		622,060	
Commercial papers	-		15,000	
Liabilities to banks	25,000		78,498	
Liabilities to Volkswagen group companies	148,081		36,780	
Other liabilities	29,247		18,676	
Deferred income	461		273	
Trade payables	21		21	
Current income tax	-		-	
Accrued liabilities	246		246	
<b>Total current liabilities</b>		1,104,554		771,554
<b>Total shareholder's equity and liabilities</b>		2,304,264		1,622,428

## Income statement 30 June 2010

(unaudited)

	2010		2009	
	EUR'000	EUR'000	EUR'000	EUR'000
<b>Income</b>				
Interest and similar income	32,411		39,372	
Other operating income	18		4	
<b>Total income</b>		32,429		39,376
<b>Expenses</b>				
Interest and similar expenses	(30,576)		(37,336)	
Other operating expenses	(5)		(32)	
General and administrative expenses	(418)		(429)	
Depreciation and amortisation expenses	(2)		(6)	
<b>Total expenses</b>		(31,001)		(37,803)
<b>Result before taxation</b>		1,428		1,573
Taxation		(129)		(195)
<b>Result after taxation</b>		1,299		1,378