

## Management 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 utilize 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.

Within the first six months of the year FSNV placed 16 bonds under the DIP Programme with a total € equivalent of 1.2 billion (first half of 2010: four issues totaling to € 241 million). Under the CP Programme the company placed 54 issues with a total € equivalent of 1.4 billion (first half of 2010: no issues).

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 of 248 million (2010:150 million) and CP issues with a total EUR equivalent of 1.6 billion (2010: 130 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.

The average volume in the back to back finance business increased by € 1.0 billion to € 3.1 billion. Furthermore FSNV's parent company contributed in total € 611 million to the capital reserve of FSNV to strengthen its position as a group financing company. Interest income increased from € 1.8 million in the first half of 2010 to € 9.2 million in 2011. Main reasons are the increase in business volume and equity mentioned above. The average margin on the back to back financing business slightly increased. Result after taxes added up to € 7.0 in the first six months of 2011 (2010: € 1.3 million)

For the whole year 2011 we expect a further increase in FSNV's business volume. Interest income and result after taxes should exceed the 2010 figures significantly.

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

1. the financial statements for the first half year of 2011 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, 18 July 2011

Original has been signed by

Frank Mitschke, Managing Director

## **Financial statements**

## Balance sheet as at 30 June 2011

(unaudited)

	30 June 2011		30 June 2010	
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Assets</i>				
<b>Fixed assets</b>				
Tangible fixed assets		-		1
Financial fixed assets:				
Shares in participations	1		1	
Loans to Volkswagen group Companies	2,378,901		1,127,997	
Loans to joint ventures of the Volkswagen group	77,229		59,105	
Loans to external parties	500		-	
Prepaid and deferred charges	950		284	
Total financial fixed assets		2,457,581		1,187,387
<b>Total fixed assets</b>		2,457,581		1,187,388
<b>Current assets</b>				
Receivables due from Volkswagen group companies	1,187,468		857,965	
Receivables due from joint ventures of the Volkswagen group	414,021		246,017	
Other assets	16,989		11,821	
Prepaid and deferred charges	4,310		816	
Cash at banks and in hand	720		257	
<b>Total current assets</b>		1,623,508		1,116,876
<b>Total assets</b>		4,081,089		2,304,264

(unaudited)

	30 June 2011		30 June 2010	
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Shareholder's equity and liabilities</i>				
<b>Shareholder's equity</b>				
Share capital	454		454	
Share premium reserve	753,000		-	
Retained earnings	28,971		24,421	
Current earnings	6,970		1,299	
<b>Total shareholder's equity</b>		789,395		26,174
<b>Long-term liabilities</b>				
Bonds	1,565,554		579,909	
Liabilities to banks	-		-	
Liabilities to Volkswagen group companies	179,683		593,295	
Other liabilities	-		-	
Deferred income	580		332	
<b>Total long-term liabilities</b>		1,745,817		1,173,536
<b>Current liabilities</b>				
Bonds	757,925		901,498	
Commercial papers	330,297		-	
Liabilities to banks	-		25,000	
Liabilities to Volkswagen group companies	422,826		148,081	
Other liabilities	31,309		29,247	
Deferred income	716		461	
Trade payables	21		21	
Current income tax	2,599		-	
Accrued liabilities	184		246	
<b>Total current liabilities</b>		1,545,877		1,104,554
<b>Total shareholder's equity and liabilities</b>		4,081,089		2,304,264

## Income statement 30 June 2011

(unaudited)

	2011		2010	
	EUR'000	EUR'000	EUR'000	EUR'000
<b>Income</b>				
Interest and similar income	47,868		32,411	
Other operating income	-		18	
<b>Total income</b>		47,868		32,429
<b>Expenses</b>				
Interest and similar expenses	(38,647)		(30,576)	
Other operating expenses	(23)		(5)	
General and administrative expenses	(418)		(418)	
Depreciation and amortisation expenses	(-)		(2)	
<b>Total expenses</b>		(39,088)		(31,001)
<b>Result before taxation</b>		8,780		1,428
Taxation		(1,810)		(129)
<b>Result after taxation</b>		6,970		1,299