

Management report

Volkswagen International Finance N.V. ('VIF' or 'the company') is one of the funding vehicles of Volkswagen AG, Wolfsburg (VWAG) and its subsidiaries. VIF 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 20 billion Debt Issuance Programme (DIP Programme) that adheres to the European Prospective Directive Standards and an EUR 10 billion Multi Currency Commercial Paper Programme (CP Programme). Both programmes are updated every year. All issues are guaranteed by VWAG. Therefore, the VIF rating by Moody's and Standard&Poor's is derived from the VWAG rating. According to Moody's VWAG's rating is set to P-2 (short-term) and A3 (long-term) with a stable outlook. Standard&Poor's assessed VWAG's creditworthiness as A-2 (short-term) and A- (long-term) with a negative outlook.

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 June 2009 resulting from financing activities were within the limits approved by the Supervisory Board.

Due to the economic and financial market crisis that caused a tremendous liquidity squeeze and a dramatic increase in refinancing costs the issuing activities of VIF were on a very low level in 2008. The ongoing crisis had also a significant effect on refinancing conditions on the money and capital markets beginning of 2009. In the first months restrictive bank credit approval processes, continuing shortage of liquidity and very high refinancing costs determined the situation that began to ease off in the second quarter of 2009.

However, in this difficult period VIF was still able to hold its powerful position as issuer and managed to extend its strong financial solidity by taking advantage of existing market opportunities. In order to guarantee the financial flexibility within the Automotive Division VIF made use of the improved business environment and raised until end of June in total EUR 8.0 billion (2008: no issues) under the above mentioned DIP Programme by issuing 6 bonds with terms between 18 months and 7 years. These transactions which have also been structured for the retail market were oversubscribed multiple times and had a very high number of participating investors. The good market rating of these debt certificates was also reflected in the very positive development of each individual bond on the secondary market. Furthermore, VIF made 27 issues under the CP Programme with a total EUR equivalent of 0.544 billion (2008: 5 issues totalling to EUR 0.170 billion).

The proceeds of all DIP and CP issues were granted to Volkswagen group companies.

VIF redeemed 3 DIP issues with a total EUR equivalent of 1.532 billion (2008: 8 DIP issues totalling to EUR 0.240 billion) and 13 CP issues with a total EUR equivalent of 0.164 billion (2008: 5 CP issues totalling to EUR 0.140 billion).

In the first half year in 2009 Volkswagen AG continued to extend the VIF holding business by contributing 100% of the shares in Sitech Sp. z o.o., Polkowice, Poland (value of contribution: EUR 46.3 million) and Volkswagen Group Australia Pty Ltd., Botany, Australia (value of contribution: EUR 9.2 million). In return for these contributions in kind VIF issued 20 new ordinary shares to Volkswagen AG that contributed the economic rights to these shares to Global Automotive C.V.

In January 2009 VIF sold its subsidiary Volkswagen Caminhões e Ônibus Indústria e Comércio de Veículos Comerciais Ltda., Resende, Brazil (VWCo) to P.R.C.S.P.E. Empreendimentos e Participacoes S.A., Brazil, a 100% subsidiary of MAN AG, Munich. The purchase price amounted to EUR 1.3 billion, the net gain on disposal to EUR 0.7 billion.

According to the strategy of Volkswagen AG the VIF holding business will be further extended by contributing another six companies in 2010.

The main business risks of VIF are the interest rate risk, currency risk, liquidity risk and the credit risk. The Supervisory Board has set limits to restrict those risks. VIF uses adequate tools to assess and to monitor these risks. In the first half year of 2009 no excesses in limit occurred.

Within the first half year 2009 VIF realised earnings of EUR 1.138 million after tax against EUR 315 million in 2008. VIF generates income mainly from the holding and the group financing business. Income from participations adds up to EUR 1.134 million (of which EUR 434 million dividends and EUR 700 million net gain on disposal VWCo.) compared to EUR 310 million in 2008. The interest income from group financing activities amounts to EUR 7.0 million (2008: EUR 7.2 million). Against the background of higher business volume the decrease is due to lower interest income on own funds caused by lower interest rate levels and lower margins in the financing business.

For the second half of the year we expect a further growth in business volume and interest result to be almost on the same level as in the first half. Until year end we anticipate to receive another EUR 200 million dividend.

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

1. the financial statements for the first half year of 2009 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, August 5, 2009

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(Frank Mitschke, Managing Director)

Financial statements

Balance sheet as at 30 Juni 2009

(unaudited)

		30 Juni 2009		30 Juni 2008	
	Ref.	EUR'000	EUR'000	EUR'000	EUR'000
<i>Assets</i>					
Fixed assets					
Intangible fixed assets		1		11	
Tangible fixed assets		70		72	
Shares in participations		4,855,512		3,284,981	
Loans to Volkswagen group companies		9,670,017		2,123,141	
Loans to joint ventures of the Volkswagen group		66,446		41,446	
Total fixed assets			14,592,046		5,449,651
Current assets					
Receivables due from Volkswagen group companies		1,119,643		2,345,553	
Receivables due from joint ventures of the Volkswagen group		737		14,876	
Other assets		34,003		17,258	
Prepayments and accrued income		49,995		12,875	
Deposits at banks		57,024		20,295	
Cash at banks and in hand		344		193	
Total current assets			1,261,746		2,411,050
Total assets			15,853,792		7,860,701

(unaudited)

	30 Juni 2009		30 Juni 2008	
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Shareholders' equity and liabilities</i>				
Shareholders' equity				
Issued and paid-up share capital	102,985		102,615	
Share premium reserve	3,980,655		2,753,258	
Retained earnings	33,815		353,213	
Current earnings	1,138,927		314,829	
Total shareholders' equity		5,256,382		3,523,915
Long-term liabilities				
Bonds	9,611,613		1,991,878	
Liabilities to Volkswagen group companies	-		25,438	
Total long-term liabilities		9,611,613		2,017,316
Current liabilities				
Bonds	412,435		1,901,656	
Commercial papers	378,226		98,871	
Liabilities to Volkswagen group companies	24,318		284,502	
Other liabilities	160,959		31,849	
Deferred income	916		929	
Current income tax	25		29	
Trade payables	8,063		24	
Accrued liabilities	855		1,610	
Total current liabilities		985,797		2,319,470
Total shareholders' equity and liabilities		15,853,792		7,860,701

Income statement 30 June 2009

(unaudited)

	30 June 2009		30 June 2008	
	EUR'000	EUR'000	EUR'000	EUR'000
Income				
Interest and similar income	204,796		111,642	
Other operating income	769		398	
Total income		205,565		112,040
Expenses				
Interest and similar expenses	(197,784)		(104,485)	
Other operating expenses	(188)		(42)	
General and administrative expenses	(1,549)		(917)	
Amortisation and depreciation expenses	(17)		(13)	
Total expenses		(199,538)		(105,457)
Result before taxation		6,027		6,583
Taxation		(1,396)		(1,569)
Result from participations		1,134,296		309,815
Result after taxation		1,138,927		314,829