

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 a EUR 10 billion Multi Currency Commercial Paper Programme (CP Programme). Both programmes are usually 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 2010 resulting from financing activities were within the limits approved by the Supervisory Board.

In the beginning of 2009, when the capital markets began to recover from the severe financial crisis, VIF raised funds by issuing bonds under the above mentioned DIP-Programme with a total EUR equivalent of 8 billion to build up a strategic liquidity reserve for the Volkswagen Group. Consequently the issues in the first six months of 2010 were on a very low level. Under the DIP-Programme VIF placed only 2 issues with a total EUR equivalent of 161 million and under the CP-Programme 23 issues with a total EUR equivalent of 630 million (first half of 2009: 27 issues totalling to EUR 544 million).

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

VIF redeemed 45 CP-issues with a EUR equivalent of 1.2 billion (2009: 13 issues totalling to EUR 0.2 billion). No DIP issues matured (2009: 3 issues amounting to EUR 1.5 billion)

In the first half year of 2010 Volkswagen AG continued to extend the VIF holding business by contributing 99.987 % of the shares in the capital of Bentley Motors Ltd., Crewe, United Kingdom (value of contribution: TEUR 10), 89.978 % of the shares in Groupe Volkswagen France s.a., Villers-Cotterêts, France (value of contribution: EUR 11.7 million), 100 % of the shares in SEAT, S.A., Martorell, Spain (value of contribution: TEUR 10), 100 % of the shares in Volkswagen Group Canada Inc., Ajax, Ontario, Canada (value of contribution: EUR 9.8 million) and 100 % of the shares in Volkswagen Group United Kingdom Ltd., Milton Keynes, United Kingdom (value of contribution: TEUR 10). In return for these contributions in kind VIF issued 50 new ordinary shares to Volkswagen AG who contributed the economic rights to these shares to Global Automotive C.V.

According to the strategy of Volkswagen AG the VIF holding business will still be further extended.

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 them. In the first half year of 2010 no excesses in limit occurred.

Within the first half year 2010 VIF realised earnings of EUR 986 million after tax against EUR 1.139 million in 2009. VIF generates income mainly from the holding- and the group financing business. Income from participations adds up to EUR 980 million (mainly dividend income) compared to EUR 1.134 million in 2009 (of which EUR 434 million dividends and EUR 700 million net gain on disposals). The interest income from group financing activities amounts to EUR 8.3 million (2009: EUR 7.0 million). The increase is due to the higher business volume. Margins are on a lower level than in 2009.

For the second half of the year we expect business volume and interest result to be on a similar level as in the first half. Until year end we anticipate to receive another EUR 150 million dividend.

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, August 2, 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	
	Ref.	EUR'000	EUR'000	EUR'000	EUR'000
Assets					
Fixed assets					
Intangible fixed assets		-		1	
Tangible fixed assets		100		70	
Shares in participations		3,469,467		4,855,512	
Loans to Volkswagen group companies		8,206,691		9,670,017	
Loans to joint ventures of the Volkswagen group		86,446		66,446	
Total fixed assets			11,762,704		14,592,046
Current assets					
Receivables due from Volkswagen group companies		4,533,427		1,119,643	
Receivables due from joint ventures of the Volkswagen group		574		737	
Other assets		30,926		34,003	
Prepayments and accrued income		40,215		49,995	
Deposits at banks		389,687		57,024	
Cash at banks and in hand		272		344	
Total current assets			4,995,101		1,261,746
Total assets			<u>16,757,805</u>		<u>15,853,792</u>

(unaudited)

	30 June 2010		30 June 2009	
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Shareholders' equity and liabilities</i>				
Shareholders' equity				
Issued and paid-up share capital	103,035		102,985	
Share premium reserve	3,102,155		3,980,655	
Retained earnings	309,277		33,815	
Current earnings	985,560		1,138,927	
Total shareholders' equity		4,500,027		5,256,382
Long-term liabilities				
Bonds	7,771,349		9,611,613	
Liabilities to Volkswagen group companies	389,706		-	
Total long-term liabilities		8,161,055		9,611,613
Current liabilities				
Bonds	3,250,000		412,435	
Commercial papers	134,904		378,226	
Liabilities to Volkswagen group companies	369,849		24,318	
Other liabilities	256,410		160,959	
Deferred income	1,382		916	
Current income tax	382		25	
Trade payables	4,056		8,063	
Accrued liabilities	79,740		855	
Total current liabilities		4,096,723		985,797
Total shareholders' equity and liabilities		16,757,805		15,853,792

Income statement 30 June 2010

(unaudited)

	30 June 2010		30 June 2009	
	EUR'000	EUR'000	EUR'000	EUR'000
Income				
Interest and similar income	300,273		204,796	
Other operating income	842		769	
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Total income		301,115		205,565
Expenses				
Interest and similar expenses	(291,933)		(197,784)	
Other operating expenses	(152)		(188)	
General and administrative expenses	(1,614)		(1,549)	
Amortisation and depreciation expenses	(11)		(17)	
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Total expenses		(293,710)		(199,538)
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Result before taxation		7,405		6,027
Taxation		(2,136)		(1,396)
Result from participations		980,291		1,134,296
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Result after taxation		985,560		1,138,927
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