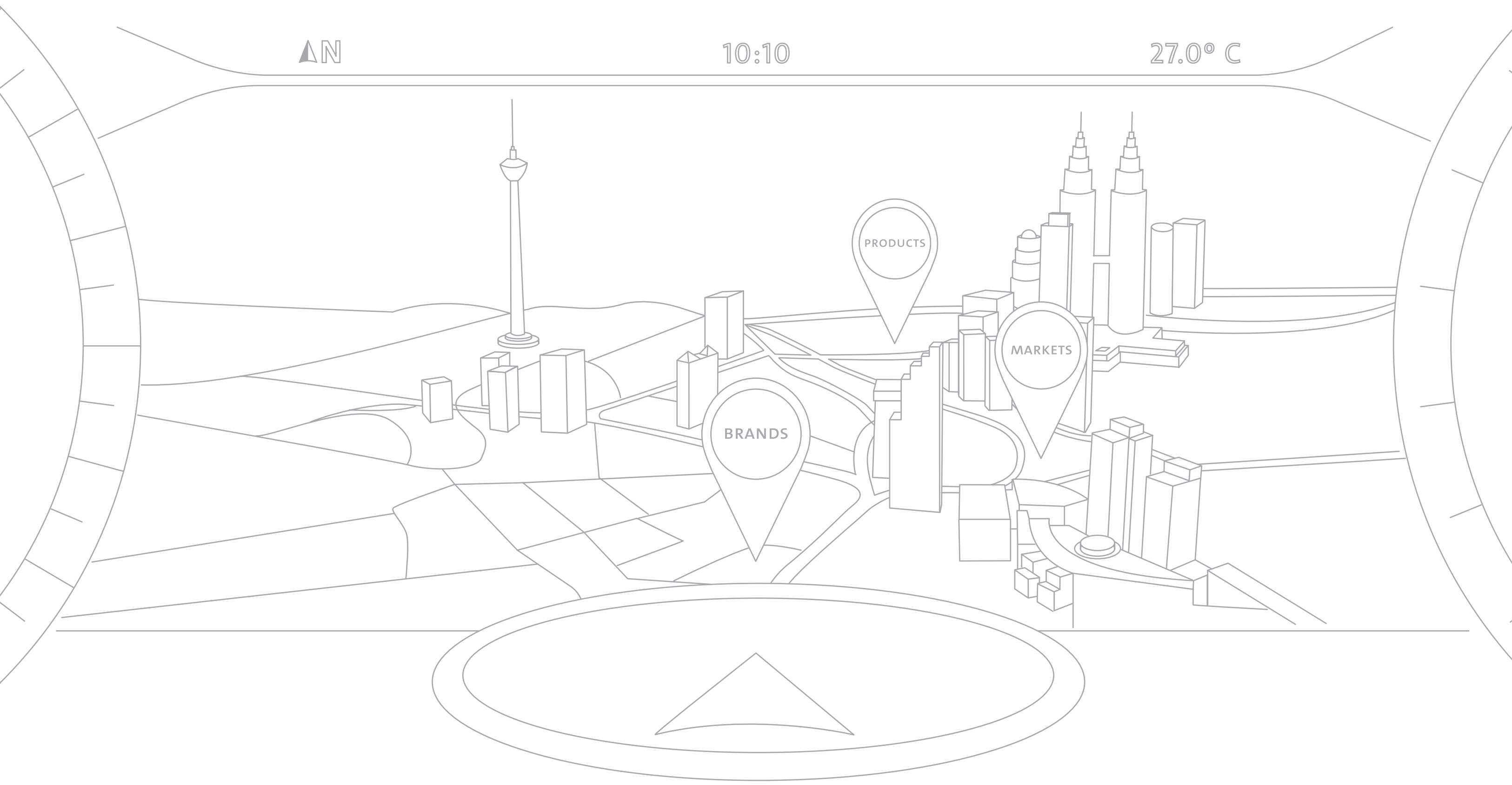
VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY



GROUP INTERIM REPORT

OF VOLKSWAGEN FINANCIAL SERVICES AG

JANUARY – JUNE

2015

Key Figures

€ million	June 30, 2015	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Total assets	114,246	107,231	90,992	87,378	76,946
Receivables from customers attributable to					
Retail financing	50,365	47,663	40,284	38,127	33,261
Dealer financing	14,130	12,625	11,082	10,781	10,412
Leasing business	19,437	18,320	16,298	15,312	14,252
Lease assets	11,735	10,766	8,545	7,474	6,382
Customer deposits	25,641	26,224	24,286	24,889	23,795
Equity	13,497	11,931	8,883	8,802	7,704

€ million	H1 2015	H1 2014	H1 2013	H1 2012	H1 2011
Operating profit	704	582	484	412	344
Profit before tax	761	637	551	477	418
Profit after tax	529	462	405	365	321

%	June 30, 2015	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Equity ratio[1]	11.8	11.1	9.8	10.1	10.0
Common Equity Tier 1 capital ratio[2]	11.8	10.3	–	–	–
Tier 1 capital ratio[2]	11.8	10.3	8.6	9.2	9.8
Total capital ratio[2]	12.1	10.7	9.6	9.8	10.1

Number	June 30, 2015	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Employees	11,611	11,305	9,498	8,770	7,322
Germany	6,083	5,928	5,319	4,971	4,599
Abroad	5,528	5,377	4,179	3,799	2,723

RATING (AS OF JUNE 30)	STANDARD & POOR´S			MOODY'S INVESTORS SERVICE		
	Short-term	Long-term	Outlook	Short-term	Long-term	Outlook
Volkswagen Financial Services AG	A–1	A	stable	Prime-1	Aa3	stable
Volkswagen Bank GmbH	A–1	A	stable	Prime-1	Aa3	stable

1 Equity divided by total assets.
2 The regulatory capital ratios for the years 2011 to 2013 were calculated in accordance with the Solvabilitätsverordnung (German Solvency Regulation). Since January 1, 2014, these ratios have been calculated in accordance with Article 92 of the Capital Requirements Regulation (CRR). In line with the terminology used in the CRR, the Common Equity Tier 1 capital ratio has been disclosed as an additional ratio and the designation "overall ratio" has been amended to "total capital ratio".

Key Facts

KEY FIGURES

In the first half of 2015, Volkswagen Financial Services AG recorded a 6.5% increase in total assets as against December 31, 2014 to €114.2 billion. At approximately €2.0 billion, net income from lending, leasing and insurance transactions before provisions for risks was higher than in the prior-year period.

Profit before tax was up year-on-year at €761 million.

The total number of contracts was 10,568 thousand; receivables from customers rose by €5.5 billion.

Direct banking activities made an important contribution to funding with customer deposits of €25.6 billion.

KEY EVENTS

New service: Charge&Fuel Card for e-mobility

Since January, Volkswagen Passenger Cars and Audi customers with pure-play electric or plug-in hybrid vehicles have been able to use the Charge&Fuel Card and the Charge&Fuel App to recharge and fill up with conventional fuel throughout Germany. This innovative service gives them the benefit of a simple payment method from a single source and attractive, transparent tariffs.

Launch of Porsche Volkswagen Servicios Financieros Chile SpA

The Chilean joint venture formed between Volkswagen Financial Services AG and Porsche Bank AG, Salzburg, started operating in March. This joint venture enables Volkswagen Financial Services AG to continue its international growth and support the sale of Group brands by offering attractive financing solutions and services.

Large-scale securitization transactions

Securitized German loan agreements with a volume of approximately €750 million were placed on the market in January as part of the Driver 13 transaction. This was followed in February by the Driver Japan Four ABS transaction with a volume of approximately €236 million, and the Driver Australia Two transaction with a volume of approximately €320 million. In April, securitized German leasing contracts with a volume of €1.03 billion were placed on the market as part of the VCL 21 transaction, followed in June by securitized French loan agreements with a volume of €481 million as part of the Driver France Two transaction.

International capital market transactions

Volkswagen Financial Services AG placed a dual-tranche benchmark note with a volume of €1.25 billion in the eurozone in April. Local activities in Brazil and South Korea were supported by bonds of approximately €130 million and €140 million that were issued at attractive conditions and with a high level of oversubscription.

Trainees demonstrate their commitment

Volkswagen Financial Services trainees supported the project run by Naturschutzbund Deutschland e.V. (NABU) for the ecological restoration of the Lower Havel river. Old and defective mobile phones were collected and professionally recycled, and the proceeds were donated to the project.

Environmental management system certified

In April, Volkswagen Financial Services AG's environmental management system at its Braunschweig site was certified in accordance with ISO 14001. Continually optimizing the Company's environmental performance is a key element of the Corporate Responsibility Strategy.

Volkswagen Financial Services AG awarded first place

Volkswagen Financial Services was again named sector winner in the financial services category of the competition to find "Germany's Best Employer" run by news magazine FOCUS in cooperation with XING and kununu.com. Repeating last year's success, the Company's employees gave it the sector's best rating in Germany's biggest employee survey.

Best automotive bank

Volkswagen Bank GmbH won the automotive banks category in the reader poll conducted by AUTO BILD for the fourth consecutive year. The auto, motor and sport readers named the automotive bank "Best Brand" in the passenger car banks category for the ninth time.

Report on Economic Position

GENERAL ECONOMIC DEVELOPMENT

The robust growth in the global economy lost momentum slightly in the first half of 2015. While the economic upturn continued in many industrialized nations, growth in some emerging economies remained below average. Although the comparatively low energy and raw materials prices had a negative impact on individual countries' economies, their effect on the global economy as a whole was supportive.

In Western Europe, the economic recovery continued in the reporting period. The northern European countries saw solid growth and there were increasing signs that the recession is coming to an end in most of the southern European countries.

The German economy continued to benefit from positive consumer sentiment and the strong labor market; the pace of growth rose slightly over the course of the year.

Economic growth was also positive in Central Europe in the first six months of 2015. The conflict between Russia and Ukraine contributed substantially to the recessionary trend in both of these economies and had a negative impact on the situation in Eastern Europe overall. In addition, falling energy prices hit the oil producing countries in this region in particular.

Structural deficits and social conflict dominated the situation in South Africa in the first half of 2015; nevertheless, economic growth was slightly stronger than in previous quarters.

The US economy recorded solid growth on average in the period from January to June 2015. The further decline in unemployment, positive consumer sentiment and the continuing very loose monetary policy supported the economy. Mexico saw positive economic growth at an almost constant growth rate.

The situation in Brazil remained tense in the first half of 2015. The negative trend continued, in particular as a result of the country's weak domestic demand and the low global commodity prices. Economic output in Argentina also retreated in the reporting period as the very high rate of inflation persisted.

The high growth rate recorded in the Chinese economy weakened slightly in the first six months of 2015 due to economic uncertainties. In Japan, economic output remained almost unchanged compared with the prior-year quarter. The economies in India and the ASEAN region registered stable growth.

FINANCIAL MARKETS

The global financial markets recorded moderately positive growth in the first half of 2015 against the background of geopolitical tensions and a slight economic recovery, underpinned by continuing expansionary monetary policy.

Price increases were very subdued despite a minor upward revision in the inflation rate forecast for the eurozone. The downward trend in government bond yields accelerated sharply to start with as the European Central Bank (ECB) began its government bond-buying program; where the Federal Reserve and Bank of England debt purchase programs were concerned, an increase in yields for longer maturities was evident. In these countries, increasing medium-term inflation forecasts gave rise to the prospect that the extremely loose monetary policy could be reviewed, with resulting leeway for the central banks to raise interest rates. Market participants remained nervous about the expected interest rate hike in the USA, and the continuing discussions about Greece's ability to repay its debts led to uncertainties across global financial markets in the first half of 2015.

A robust increase in yields in the European bond markets also affected corporate bonds, which benefitted from lower risk premiums due to the continuing positive economic outlook.

The favorable economic situation in Germany had a positive impact on public finances, and competitiveness tended to be buoyed by the euro's devaluation. Moves towards consolidation were visible in the German equity market midway through the year, driven by the significant corrections in bunds and the euro exchange rate.

In the USA, the Federal Reserve remained on course to gradually bring its expansionary monetary policy phase to an end, despite the temporarily low inflation rates.

In Russia, the ruble's devaluation cushioned the economic slump, and import substitution and expansionary monetary policy had a temporarily supportive effect.

The picture in the financial markets in the emerging economies was mixed in the first half of the year. With the uncertain environment continuing, weaker economic growth in key emerging economies gave rise to a recovery that was only moderate.

The focus in Brazil was on budgetary consolidation and regaining monetary policy credibility, although investment activity benefitted from significantly more favorable exchange rates.

TRENDS IN THE PASSENGER CAR MARKETS

In the period from January to June 2015, global new passenger car registrations were up 2.6% year-on-year, although demand varied from region to region. The growth drivers were the Asia-Pacific region, North America and Western Europe. In contrast, new passenger car registrations in Eastern Europe and South America declined drastically in some areas compared with the prior-year period.

The passenger car market in Western Europe benefited from the improved macroeconomic environment, positive consumer sentiment and lower fuel prices, and continued to recover in the first half of 2015. In June, the number of new registrations increased year-on-year for the 22nd time in a row. Demand for passenger cars in Italy and Spain saw double-digit percentage growth; however, market volumes were still down substantially on the pre-crisis levels in both countries. The Spanish market continued to benefit from government stimulus measures. In the United Kingdom and France, growth rates were more moderate in the year to date.

In Germany, the number of new passenger car registrations in the first six months of 2015 was higher than in the prior-year period. Whereas private demand continued to decline, new business vehicle registrations saw a significant increase.

The passenger car market as a whole in Central and Eastern Europe declined sharply overall in the reporting period. Trends in the individual markets were very mixed: while the EU markets in Central Europe mainly recorded positive rates of change, there was a slump in passenger car sales in the Eastern European markets. This was primarily due to the drastic deterioration in market conditions in Russia and Ukraine resulting from the difficult economic and political situation in both countries.

The slight downward trend in the South African passenger car market continued in the first half of 2015. This was largely attributable to the unfavorable economic conditions and weak consumer confidence.

In North America, market growth in the period from January to June 2015 continued with slightly declining momentum. Sales figures for passenger cars and light commercial vehicles (up to 6.35 tonnes) in the USA reached their highest level for a first half-year period in the past ten years. Growth was driven in particular by models in the SUV and pickup segments. The increase was mainly due to high consumer confidence, in addition to favorable credit conditions and fuel prices and the low unemployment rate. Both the Canadian and the Mexican automotive markets recorded new highs in the reporting period.

In South America, the number of new passenger car registrations in the first half of 2015 was significantly below the prior-year period. Brazil recorded the lowest passenger car demand volumes seen since 2007. In addition to the tax increase on industrial products at the beginning of 2015, this was mainly due to overall economic decline and higher interest rates. The downward trend in the Argentinian passenger car market which began in the first quarter of 2014 continued in the reporting period, although the pace slowed. The lowest level of new registrations for a first half-year period since 2006 was recorded, in particular due to the poor state of the economy and a decline in real incomes.

Overall market volumes in the Asia-Pacific region recorded the highest absolute growth in the first six months of 2015. This was primarily attributable to the increase in demand for passenger cars in China; however, this declined significantly over the reporting period as a result of the economic slowdown, and even slid into negative territory in June. The strong demand for attractively priced entry-level models in the SUV segment continued and contributed substantially to growth. In Japan, the declining trend in new passenger car registrations also continued in the second quarter of 2015. In addition to pull-forward effects from the consumption tax increase on April 1, 2014, which had a positive impact in the previous year, the tax increase on mini vehicles (up to 660 cc) effective April 1 had a negative effect on demand over the course of 2015. The Indian passenger car market saw further growth. An improvement in consumer sentiment and lower interest rates and fuel prices boosted the ongoing recovery process.

The number of passenger cars sold in the ASEAN region in the period from January to June 2015 was below the prior-year figure. This was mainly attributable to the passenger car market in Indonesia, which saw a decline on the back of high inflation and higher borrowing costs, among other factors.

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

Global demand for light commercial vehicles was slightly below the prior-year level in the first half of 2015.

The economic stabilization in Western Europe made itself felt: new vehicle registrations significantly exceeded the prior-year figure.

In the Central and Eastern European markets, registrations were down considerably year-on-year in the first six months of 2015. Russia saw a significant drop in demand due to the political tensions and their impact.

In the period from January to June 2015, vehicle sales in South America were down on the previous year due to the continuing difficult economic conditions. In Brazil and Argentina, the region's largest markets, sales of light commercial vehicles fell short of the prior-year figure.

Vehicle sales in the Asia-Pacific region were down slightly year-on-year. In China, the dominant market for light commercial vehicles in the region, new registrations did not reach the prior-year level. In the Indian market, demand grew moderately compared with the previous year. Sales volumes in Japan were down significantly year-on-year in the period from January to June 2015 due to the pull-forward effects of the consumption tax increase on April 1, 2014 in the first quarter of the previous year. In the first half of 2015, sales in the ASEAN region were on a level with the previous year.

In the period from January to June 2015, global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes was significantly down on the previous year.

In Western Europe, higher demand in the United Kingdom, the Netherlands, Spain and Italy – due for the most part to the low prior-year level – resulted in an increase in registrations. Demand in Germany, the largest market in Western Europe, was down slightly on the prior-year period in the first six months of the year.

In the Central and Eastern European markets, registrations were down sharply year-on-year. This was primarily due to the tense and uncertain political situation, as well as currency weaknesses and the difficult financing conditions in Russia.

Momentum in the construction and energy sector and favorable financing conditions led to higher registration volumes in North America compared with the previous year.

In South America, the number of new vehicle registrations in the first half of 2015 was significantly below the prior-year figure. Vehicle sales in Brazil were down substantially on the previous year as a result of declining economic output and the restrictive financing conditions. The ongoing high inflation and recession in Argentina also contributed to the decline in demand.

The number of trucks sold in the Asia-Pacific region (excluding the Chinese market) increased significantly year-on-year. Demand in the Indian market recorded a clear increase due to replacement vehicles in the heavy truck segment, increased spending on infrastructure and a more favorable investment climate following the change of government in May 2014. Registration volumes in the world's largest truck market, China, were significantly lower than in the previous year. This was due to the pull-forward effects in 2014 from the introduction of the C4 emission standard and declining investment growth in China.

Demand for buses, both globally and in the markets that are relevant for the Volkswagen Group, was lower than in the previous year in the period from January to June 2015.

OVERALL ASSESSMENT OF THE COURSE OF BUSINESS AND THE GROUP'S POSITION

The Board of Management of Volkswagen Financial Services AG considers the course of business in the year to date to have been positive. Profit before tax in the first half of the year was up on the 2014 figure.

New business around the world recorded positive growth in the period under review.

Volkswagen Financial Services AG saw business volumes increase year-on-year in the first six months of 2015, in particular in Germany and the United Kingdom.

The global ratio of financed or leased vehicles to total Group deliveries to customers (penetration rate) again set a new record, reaching 26.5% (26.3%) at the end of the first half of the year.

The increase in funding costs lagged behind the higher business volumes, due among other things to the favorable interest rates.

Overall, credit risk stabilized in the first six months of fiscal year 2015. Slight signs of recovery were visible in the Southern European markets, which had been hard hit by the euro crisis. Risks in the Russian, Brazilian and Indian markets rose as a result of the continuing macroeconomic uncertainties in individual emerging economies.

Continuous growth in the residual value portfolio is visible, boosted by the recovery of the European passenger car market. There was a slight increase in residual value risk in the first half of 2015 due to the increased business volumes and the adjustment of residual value forecasts in the United Kingdom. The intensification of marketing activities in previous years had a stabilizing impact on residual value risk and net gains from vehicle marketing.

Porsche Volkswagen Servicios Financieros Chile SpA, a joint venture between Porsche Bank AG, Salzburg, and Volkswagen Financial Services AG, Braunschweig, expanded its financial services brokerage activities in the first half of 2015 to include the entire dealer network for Group brands Volkswagen, Audi and Škoda in Santiago, Chile.

The leasing portfolio of Midland Carlease B.V., Amersfoort, the Netherlands, was transferred to Volkswagen Leasing B.V., Amersfoort, as of April 1, 2015. This acquisition enables Volkswagen Leasing B.V. to successfully drive forward its growth strategy for operating leases. Volkswagen Leasing B.V. is a subsidiary of Volkswagen Pon Financial Services B.V., Amersfoort, a joint venture between Volkswagen Financial Services AG, which holds a 60% interest, and Pon Holdings B.V., which holds the remaining 40%.

Effective May 6, 2015, Volkswagen New Mobility Services Investment Co. Ltd., Beijing, a wholly owned subsidiary of Volkswagen Financial Services AG, Braunschweig, entered into an agreement with Shenzhen Top One Car Leasing Co. Ltd., Shenzhen, as the seller, to acquire a 100% interest in Guangzhou Zhiwei Car Leasing Co. Ltd., Guangzhou. This acquisition will support the regional expansion of the long-term leasing business in the Chinese market.

Collect Car B.V., Rotterdam, which offers car sharing in the Netherlands and Germany under the Green Wheels brand name, was fully transferred to Kever Beheer B.V., Almere, on June 5, 2015, effective June 1, 2015. Kever Beheer B.V. is a joint venture in which Volkswagen Financial Services AG, Braunschweig, holds a 60% interest, and Pon Holdings B.V. holds 40%.

Volkswagen AG increased Volkswagen Financial Services AG's equity by €1.1 billion in anticipation of business growth and to comply with regulatory requirements.

In the first half of 2015, Volkswagen Financial Services AG implemented capital increases at the following companies to strengthen their equity:

- Volkswagen Financial Services Korea Co., Ltd, Seoul, South Korea
- OOO Volkswagen Financial Services RUS, Moscow, Russia
- Volkswagen Autoversicherung Holding GmbH, Braunschweig, Germany
- Volkswagen Møller Bilfinans A/S, Oslo, Norway
- Kever Beheer B.V., Almere, the Netherlands
- Volkswagen Versicherung AG, Braunschweig, Germany
- Lenkrad Invest (Pty) Ltd., Sandton, South Africa
- Porsche Volkswagen Servicios Financieros Chile SpA, Santiago, Chile
- Rent-X GmbH, Braunschweig, Germany

RESULTS OF OPERATIONS

The disclosures on the results of operations refer to changes compared with the prior-year comparative period.

The first half of 2015 saw the Volkswagen Financial Services AG companies on a positive track. Profit before tax was up 19.5% on the prior-year level to €761 million. Net income from lending, leasing and insurance transactions before provisions for risks was 9.6% higher than in the prior-year period, at €1,969 million.

Provisions for risks rose year-on-year to €306 million. Credit risks to which the Volkswagen Financial Services AG Group is exposed as a result of the crisis in some eurozone countries and Russia were accounted for by recognizing valuation allowances, which rose by €158 million compared with the prior-year reporting date.

General and administrative expenses were up on the prior-year level to €1,071 million. The main drivers in this case were volume effects due to the increase in business, the implementation of strategic projects and compliance with stricter regulatory requirements.

Fee and commission income, primarily from insurance broking, was up on the prior-year level.

The share of profits and losses of equity-accounted investments was up 16.7% year-on-year to €21 million.

Including the net gain on the measurement of derivative financial instruments in the amount of €35 million (previous year: €33 million) and the other components of profit or loss, the Volkswagen Financial Services AG Group lifted its profit after tax by 14.5% year-on-year to €529 million.

Thanks to their successful operations in a saturated market environment, the German companies of Volkswagen Financial Services AG made a significant contribution to its results. At around 44.5% of all contracts, they continue to account for the highest business volumes in the Volkswagen Financial Services AG Group.

NET ASSETS AND FINANCIAL POSITION

The disclosures on the net assets and financial position refer to changes compared with December 31, 2014.

Lending business

At €103.1 billion in total, receivables from customers – which make up the core business of the Volkswagen Financial Services AG Group – and lease assets accounted for approximately 90.2% of the Group's total assets. The positive trend is reflected in the increase in business, particularly in Germany and the United Kingdom.

The volume of retail financing lending rose by €2.7 billion or 5.7% to €50.4 billion. The number of new contracts was 889 thousand, up 12.5% compared with the first half of 2014. As a result, the total number of contracts increased to 4,633 thousand (+11.0%). With a portfolio of 2,117 thousand contracts (previous year: 2,109 thousand), Volkswagen Bank GmbH again accounted for the largest number of contracts.

The lending volume in dealer financing – which comprises receivables from Group dealers in connection with financing for inventory vehicles, as well as working capital and investment loans – increased to €14.1 billion (+11.9%).

Receivables from leasing transactions were up 6.1% year-on-year to €19.4 billion. Lease assets recorded growth of €1.0 billion to €11.7 billion (+9.0%).

A total of 389 thousand new leasing contracts were signed in the reporting period, surpassing the figure for the first half of 2014 by 10.2%. The number of leased vehicles as of June 30, 2015 was 1,620 thousand, a year-on-year increase of 5.1%. As in previous years, the largest contribution came from Volkswagen Leasing GmbH, which had a contract portfolio for 1,132 thousand leased vehicles (previous year: 1,110 thousand).

Volkswagen Financial Services AG's total assets rose by 6.5% year-on-year to €114.2 billion. This growth is primarily the result of the increase in receivables from customers and lease assets and hence reflects the business expansion in the past reporting period.

The number of service and insurance contracts as of June 30, 2015 was 4,315 thousand (previous year: 4,106 thousand). The volume of new business was up 11.8% on the first half of 2014 to 870 thousand contracts.

KEY FIGURES BY SEGMENT AS OF JUNE 30, 2015[1]

In thousands	VW FS AG	Germany	Europe	Asia-Pacific	Latin America	MAN FS
Current contracts	**10,568**	**4,707**	**3,419**	**1,127**	**1,226**	**88**
Retail financing	4,633	1,573	1,305	895	853	6
Leases	1,620	1,013	452	26	61	68
Service/insurance	4,315	2,121	1,662	206	312	14
New contracts	**2,149**	**881**	**774**	**253**	**227**	**14**
Retail financing	889	255	275	217	142	1
Leases	389	254	106	6	13	10
Service/insurance	870	372	393	29	73	3
€ million						
Receivables from customers attributable to						
Retail financing	50,365	18,118	16,595	9,193	6,168	291
Dealer financing[2]	14,130	4,441	6,255	1,552	1,073	48
Leasing business	19,437	12,983	4,182	250	515	1,507
Lease assets	11,735	7,441	3,406	749	13	126
Investments[3]	2,721	1,543	926	234	9	9
Operating profit[2]	704	359	166	111	178	13
%						
Penetration[4]	26.5%	54.7%	34.4%	35.5%	42.4%	35.1%

1 All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.
2 Holding and financing companies are allocated to the VW FS AG column.
3 Corresponds to additions to lease assets classified as noncurrent assets.
4 Ratio of new contracts for new Group vehicles under retail financing and leasing business to deliveries of Group vehicles, based on Volkswagen Financial Services AG's consolidated entities.

Deposit business and borrowings

The significant liability items include liabilities to credit institutions in the amount of €13.6 billion (+3.7%), liabilities to customers amounting to €39.7 billion (+2.5%) and securitized liabilities of €40.9 billion (+9.9%).

Customer deposits reported within liabilities to customers, particularly those of Volkswagen Bank GmbH, amounted to €25.6 billion as of June 30, 2015 and thus made a significant contribution to funding.

In addition to the cover provided by statutory deposit insurance, Volkswagen Bank GmbH is also a member of the Deposit Protection Fund of the Bundesverband deutscher Banken e.V. (Association of German Banks).

Equity

The subscribed capital of €441 million again remained unchanged in the reporting period. Equity in accordance with IFRSs was €13.5 billion (previous year: €11.9 billion). This results in an equity ratio of 11.8% based on the total equity and liabilities of €114.2 billion.

Report on Opportunities and Risks

REPORT ON OPPORTUNITIES

Macroeconomic opportunities

With deliveries to customers of the Volkswagen Group projected to record a slight increase year-on-year, the Board of Management of Volkswagen Financial Services AG is expecting continued economic growth to lead to the further expansion of sales of financial services products in the global markets.

Strategic opportunities

The global expansion of established products beyond our core markets and into growth markets presents opportunities for further profitable growth.

Additional opportunities arise from leveraging mobility and service products to successively tap into new growth areas and from ensuring further internationalization through developing new regions and countries.

RISK REPORT

As a significant financial institution, Volkswagen Financial Services AG is directly supervised by the European Central Bank (ECB) under the Single Supervisory Mechanism (SSM). As a result, there has been an exchange of information in recent months with the ECB's Joint Supervisory Team responsible for Volkswagen Financial Services AG.

The current negative market interest rates do not have any significant impact on interest rate risk, which is continuously monitored by risk management irrespective of the prevailing interest rate situation.

There were no other material changes in the reporting period compared with the disclosures in the report on opportunities and risks contained in the 2014 Annual Report.

Report on Post-Balance Sheet Date Events

James Morys Muir was appointed to the Supervisory Board of Volkswagen Financial Services AG effective July 1, 2015. Michael Riffel left the Supervisory Board of Volkswagen Financial Services AG effective July 3, 2015. In addition, Stephan Wolf was appointed to the Supervisory Board of Volkswagen Financial Services AG effective July 4, 2015.

Other than the matters described above, there were no significant events in the period up to July 17, 2015.

Human Resources Report

As of June 30, 2015, Volkswagen Financial Services AG had 11,425 active employees worldwide. In addition to its active workforce, Volkswagen Financial Services AG had 66 employees in the passive phase of their partial retirement and 120 vocational trainees in the first six months of this year. Volkswagen Financial Services AG's total workforce at June 30, 2015 therefore numbered 11,611, a 2.7% increase compared with the figure of 11,305 at the 2014 year-end. This increase was attributable primarily to volume growth in the financing, leasing and insurance product segments.

In the German market, the increase in the number of employees by 136 is attributable to the recruitment of specialists and to the further expansion of market activities, especially in the leasing business. Additionally, 42 temporary employees were taken over as permanent employees. The workforce in Germany currently numbers 6,083.

Application of the principle of substance over form means that 317 employees of Volkswagen Servicios S.A. de C.V., Puebla, Mexico, which is an unconsolidated company, are included in the overall workforce figures.

Report on Expected Developments

The robust growth in the global economy lost momentum slightly in the first half of 2015. While the economic upturn held steady in many industrialized nations, some emerging economies continued to record below-average growth. The Volkswagen Group's Board of Management expects the global economy to record the same level of growth in 2015 as in the previous year, despite some uncertainties. The financial markets still entail risks resulting above all from the strained debt situation of many countries. In addition, growth prospects are being hurt by geopolitical tensions and conflicts. The emerging economies in Asia will probably record the highest growth rates. While we expect to see an economic upturn in the major industrialized nations, the rates of expansion will remain moderate.

Further substantial movements in the financial markets cannot be ruled out due to the current instabilities driven by geopolitical tensions and uncertainties surrounding future developments in the eurozone. Despite the falling prices in the market for bunds, the majority of factors point towards a further drop in yields in the eurozone in the short and medium term. The weak global economic data is accompanied by concerns about an economic slowdown.

In the eurozone, the ECB's overnight deposit rate is forecast to remain in negative territory, although no further reduction is expected. The uncertainties are numerous, primarily in light of the exchange rate trends, and the period between exchange rate movements and their impact on inflation can be long and varied. The ECB again views structural reform as the pressing challenge, and it places critical emphasis on the low macroeconomic growth potential.

The US is expected to recorded GDP growth by the end of the year. At the same time, the Federal Reserve has signaled an end to its quantitative easing program. The Fed is expected to tighten its monetary policy this year, both via interest rate policy instruments and through a reduction in its balance sheet.

Higher growth rates are expected in China as the year progresses, primarily underpinned by an investment-driven upturn, and a subsequent reduction in interest rates cannot be ruled out. Fiscal consolidation will initially have a dampening effect on growth in Brazil, while in Russia, interest rates are expected to normalize further.

In the period from January to June 2015, global new passenger car registrations were up year-on-year, although demand varied from region to region. We also expect trends in the passenger car markets in the individual regions to be mixed for the full year. Overall, growth in global demand for new vehicles will probably be slower than in the previous year. We anticipate a slight increase in demand for automobiles in Western Europe and expect to see slight growth in the German market as well. The Central and Eastern European markets are likely to be down sharply year-on-year due primarily to the substantial fall in demand in Russia. In North America, we expect last year's positive trend to continue at a noticeably weaker pace. We assume that the South American passenger car markets will fall appreciably short of the prior-year level. The markets in the Asia-Pacific region that are strategically important for the Volkswagen Group will probably continue to grow at a slower pace.

Global demand for light commercial vehicles will probably see a moderate increase in 2015. We expect trends to vary from region to region.

In the markets for trucks and buses that are relevant for the Volkswagen Group, new registrations in 2015 will probably be noticeably lower than in the previous year.

We are expecting to see a continuation in the trend towards growth in the number of new contracts and the portfolio of existing contracts seen in previous years. In addition, we assume that the penetration rate will increase slightly in 2015 in a vehicle market that is experiencing overall growth. We expect that the volume of business will continue to grow in 2015. Deposits at Volkswagen Bank GmbH are expected to remain relatively stable year-on-year in 2015, despite the persistently low interest rates.

Based on the assumption that margins will remain stable this year, 2015 operating profit is expected to at least match the previous year's level.

It is probable that the stiffer capital adequacy requirements and the associated significantly higher level of own funds required will result in a slightly lower return on equity in 2015 compared with the previous year. We expect a cost income ratio at or slightly below the prior-year level in 2015 due to earnings-related factors.

This report contains forward-looking statements on the future business development of Volkswagen Financial Services AG. These statements are based on assumptions relating to the development of the economic and legal environment in individual countries and economic regions in terms of the global economy and of the financial and automotive markets, which we have made on the basis of the information available to us and which we consider to be realistic at the time of going to press. The estimates given entail a degree of risk, and the actual developments may differ from those forecast. Consequently, any unexpected fall in demand or economic stagnation in the key sales markets of the Volkswagen Group will have a corresponding impact on the development of our business. The same applies in the event of material changes in the exchange rates against the euro. In addition, expected business development may vary if the assessments of the key performance indicators and of risks and opportunities presented in the 2014 Annual Report develop in a way other than we are currently expecting, or additional risks and opportunities or other factors emerge that affect the development of our business.

Interim Consolidated Financial Statements (Condensed)

INCOME STATEMENT OF THE VOLKSWAGEN FINANCIAL SERVICES AG GROUP

€ million	Note	Jan. 1 – June 30, 2015	Jan. 1 – June 30, 2014	Change in percent
Interest income from lending transactions		1,984	1,737	14.2
Net income from leasing transactions before provisions for risks		727	776	−6.3
Interest expense		−770	−739	4.2
Net income from insurance business		28	23	21.7
Net income from lending, leasing and insurance transactions before provisions for risks	1	1,969	1,797	9.6
Provisions for risks from lending and leasing business		−306	−170	80.0
Net income from lending, leasing and insurance transactions after provisions for risks		1,663	1,627	2.2
Fee and commission income		306	291	5.2
Fee and commission expenses		−233	−259	−10.0
Net fee and commission income		73	32	X
Net gain/loss on the measurement of derivative financial instruments and hedged items		35	33	6.1
Share of profits and losses of equity-accounted joint ventures		21	18	16.7
Net gain/loss on marketable securities and miscellaneous financial assets		1	7	−85.7
General and administrative expenses	2	−1,071	−1,000	7.1
Net other operating expense/income		39	−80	X
Profit before tax		**761**	**637**	**19.5**
Income tax expense		−232	−175	32.6
Profit after tax		**529**	**462**	**14.5**
Profit after tax attributable to Volkswagen AG		529	462	14.5
German GAAP profit attributable to Volkswagen AG in the event of loss absorption/profit transfer		181	−14	X

STATEMENT OF COMPREHENSIVE INCOME OF THE VOLKSWAGEN FINANCIAL SERVICES AG GROUP

€ million	Jan. 1 – June 30, 2015	Jan. 1 – June 30, 2014
Profit after tax	**529**	**462**
Pension plan remeasurements recognized in other comprehensive income	33	−39
Deferred taxes relating to pension plan remeasurements	−10	12
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	0	0
Items that will not be reclassified to profit or loss	**23**	**−27**
Available-for-sale financial assets (marketable securities):		
– Fair value changes recognized in other comprehensive income	−18	4
– Transferred to profit or loss	0	0
Deferred taxes relating to available-for-sale financial assets	4	−1
Cash flow hedges:		
– Fair value changes recognized in other comprehensive income	−1	−2
– Transferred to profit or loss	−2	−3
Deferred taxes relating to cash flow hedges	2	1
Exchange differences on translating foreign operations	149	112
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	1	0
Items that may be reclassified subsequently to profit or loss	**135**	**111**
Other comprehensive income, net of tax	**158**	**84**
Total comprehensive income	**687**	**546**
Total comprehensive income attributable to Volkswagen AG	687	546

BALANCE SHEET OF THE VOLKSWAGEN FINANCIAL SERVICES AG GROUP

€ million	Note	June 30, 2015	Dec. 31, 2014	Change in percent
Assets				
Cash reserve		287	451	−36.4
Receivables from credit institutions		1,694	2,036	−16.8
Receivables from customers attributable to				
Retail financing		50,365	47,663	5.7
Dealer financing		14,130	12,625	11.9
Leasing business		19,437	18,320	6.1
Other receivables		7,426	7,263	2.2
Total receivables from customers		91,358	85,871	6.4
Derivative financial instruments		873	955	−8.6
Marketable securities		3,152	2,013	56.6
Equity-accounted joint ventures		517	443	16.7
Miscellaneous financial assets		168	156	7.7
Intangible assets	3	177	184	−3.8
Property, plant and equipment	3	311	307	1.3
Lease assets	3	11,735	10,766	9.0
Investment property		18	22	−18.2
Deferred tax assets		1,204	1,145	5.2
Current tax assets		172	159	8.2
Other assets		2,580	2,723	−5.3
Total		**114,246**	**107,231**	**6.5**

€ million	Note	June 30, 2015	Dec. 31, 2014	Change in percent
Equity and Liabilities				
Liabilities to credit institutions		13,622	13,135	3.7
Liabilities to customers		39,691	38,721	2.5
Securitized liabilities		40,913	37,243	9.9
Derivative financial instruments		457	446	2.5
Provisions		1,488	1,493	−0.3
Deferred tax liabilities		492	318	54.7
Current tax liabilities		288	311	−7.4
Other liabilities		1,598	1,429	11.8
Subordinated capital		2,200	2,204	−0.2
Equity		13,497	11,931	13.1
Subscribed capital		441	441	–
Capital reserves		8,024	6,964	15.2
Retained earnings		5,178	4,807	7.7
Other reserves		−146	−281	−48.0
Total		**114,246**	**107,231**	**6.5**

STATEMENT OF CHANGES IN EQUITY OF THE VOLKSWAGEN FINANCIAL SERVICES AG GROUP

				OTHER RESERVES				
€ million	Subscribed capital	Capital reserves	Retained earnings	Currency translation reserve	Cash flow hedges	Fair value measurement of marketable securities	Equity-accounted investments	Total equity
Balance at Jan. 1, 2014	**441**	**4,709**	**4,004**	**−266**	**1**	**7**	**−13**	**8,883**
Profit after tax	–	–	462	–	–	–	–	462
Other comprehensive income, net of tax	–	–	−27	112	−4	3	0	84
Total comprehensive income	–	–	435	112	−4	3	0	546
Appropriation to capital reserves	–	2,255	–	–	–	–	–	2,255
Changes in consolidated Group	–	–	147	8	−9	–	−2	144
Other changes[1]	–	–	14	–	–	–	–	14
Balance at June 30, 2014	**441**	**6,964**	**4,600**	**−146**	**−12**	**10**	**−15**	**11,842**
Balance at Jan. 1, 2015	**441**	**6,964**	**4,807**	**−267**	**−11**	**16**	**−19**	**11,931**
Profit after tax	–	–	529	–	–	–	–	529
Other comprehensive income, net of tax	–	–	23	149	−1	−14	1	158
Total comprehensive income	–	–	552	149	−1	−14	1	687
Appropriation to capital reserves	–	1,060	–	–	–	–	–	1,060
Other changes[1]	–	–	−181	–	–	–	–	−181
Balance at June 30, 2015	**441**	**8,024**	**5,178**	**−118**	**−12**	**2**	**−18**	**13,497**

1 German GAAP profit attributable to Volkswagen AG in the event of loss absorption/profit transfer.

CASH FLOW STATEMENT OF THE VOLKSWAGEN FINANCIAL SERVICES AG GROUP

€ million	Jan. 1 – June 30, 2015	Jan. 1 – June 30, 2014
Profit after tax	**529**	**462**
Depreciation, amortization, impairment losses and reversals of impairment losses	1,402	1,056
Change in provisions	5	133
Change in other noncash items	−237	32
Gain/loss on disposal of financial assets and items of property, plant and equipment	1	0
Net interest income and dividend income	−1,654	−1,474
Other adjustments	1	0
Change in receivables from credit institutions	337	−320
Change in receivables from customers	−4,184	−4,184
Change in lease assets	−1,915	−1,635
Change in other assets attributable to operating activities	148	142
Change in liabilities to credit institutions	384	−1,232
Change in liabilities to customers	714	409
Change in securitized liabilities	3,045	3,210
Change in other liabilities attributable to operating activities	142	186
Interest received	2,414	2,208
Dividends received	9	14
Interest paid	−770	−748
Income taxes paid	−161	−291
Cash flows from operating activities	**210**	**−2,032**
Proceeds from disposal of investment property	0	–
Acquisition of investment property	–	0
Proceeds from disposal of subsidiaries and joint ventures	0	0
Acquisition of subsidiaries and joint ventures	−75	−595
Proceeds from disposal of other assets	3	4
Acquisition of other assets	−32	−30
Change in investments in securities	−1,141	420
Cash flows from investing activities	**−1,245**	**−201**
Proceeds from changes in capital	1,060	2,255
Distribution/profit transfer to Volkswagen AG	−147	−217
Change in cash funds attributable to subordinated capital	−48	7
Cash flows from financing activities	**865**	**2,045**
Cash and cash equivalents at end of previous period	**451**	**220**
Cash flows from operating activities	210	−2,032
Cash flows from investing activities	−1,245	−201
Cash flows from financing activities	865	2,045
Effect of exchange rate changes	6	0
Cash and cash equivalents at end of period	**287**	**32**

See note (7) for further disclosures on the cash flow statement.

Notes to the Interim Consolidated Financial Statements

OF VOLKSWAGEN FINANCIAL SERVICES AG FOR THE PERIOD ENDED JUNE 30, 2015

General information

Volkswagen Financial Services Aktiengesellschaft (VW FS AG) has its registered office at Gifhorner Strasse, Braunschweig, Germany, and is registered in the Braunschweig commercial register (HRB 3790).

Volkswagen AG, Wolfsburg, is the sole shareholder of the parent company, VW FS AG. Volkswagen AG and VW FS AG have entered into a control and profit and loss transfer agreement.

Basis of preparation

VW FS AG prepared its consolidated financial statements for fiscal year 2014 in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, and the Interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC), as well as the additional disclosures required by German commercial law under section 315a(1) of the Handelsgesetzbuch (HGB – German Commercial Code). This Group Interim Report for the period ended June 30, 2015 was therefore also prepared in accordance with IAS 34. It has not been reviewed by an auditor.

Unless otherwise stated, amounts are given in millions of euros (€ million). Technical rounding differences of ± one unit (€, %, etc.) may arise in the tables.

Accounting policies

VW FS AG has applied all accounting pronouncements adopted by the EU and effective for periods beginning on or after January 1, 2015.

A number of amendments to International Financial Reporting Standards resulting from the Annual Improvements Project 2013 became effective on January 1, 2015. These relate to changes to IFRS 1, IFRS 3, IFRS 13 and IAS 40, and do not materially affect the VW FS Group's net assets, financial position and results of operations.

IFRIC 21 has also been required to be applied since January 1, 2015. IFRIC 21 governs the accounting for levies that do not fall within the scope of IAS 12 "Income Taxes". In particular, it provides guidance on when a liability has to be recognized for payment of a levy. This Interpretation also does not materially affect the VW FS Group's net assets, financial position and results of operations.

A discount rate of 2.6% (December 31, 2014: 2.3%) was applied to German pension provisions in the accompanying interim consolidated financial statements. The increase in the discount rate reduced the actuarial losses for pension provisions that are recognized in retained earnings.

The income tax expense for the interim reporting period was calculated on the basis of the average annual tax rate that is expected for the entire fiscal year, in accordance with IAS 34, Interim Financial Reporting.

In other respects, the same consolidation methods and accounting policies that were used for the 2014 consolidated financial statements were generally applied to the preparation of the interim consolidated financial statements and the measurement of the prior-year comparatives. A detailed description of the policies and methods applied is published in the notes to the consolidated financial statements in the 2014 Annual Report. This can also be accessed on the Internet at www.vwfsag.com.

Basis of consolidation

In addition to VW FS AG, the consolidated financial statements comprise all significant German and non-German subsidiaries, including structured entities, that are controlled directly or indirectly by VW FS AG. This is the case if VW FS AG obtains power over potential subsidiaries directly or indirectly from voting rights or similar rights, is exposed, or has rights to, positive or negative variable returns from its involvement with the potential subsidiaries, and is able to influence those returns.

Volkswagen Financial Services South Africa (Pty) Ltd., Sandton, which was previously classified as immaterial, was accounted for using the equity method for the first time in the reporting period. This did not materially affect the VW FS Group's net assets, financial position and results of operations.

DISCLOSURES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. Net income from lending, leasing and insurance transactions before provisions for risks

€ million	Jan. 1 – June 30, 2015	Jan. 1 – June 30, 2014
Interest income from lending and money market transactions	1,984	1,737
Income from leasing transactions and service contracts	6,659	5,534
Expenses from leasing transactions and service contracts	−4,796	−3,883
Depreciation of and impairment losses on lease assets and investment property	−1,136	−875
Interest expense	−770	−739
Net income from insurance business	28	23
Total	**1,969**	**1,797**

2. General and administrative expenses

€ million	Jan. 1 – June 30, 2015	Jan. 1 – June 30, 2014
Personnel expenses	−476	−418
Non-staff operating expenses	−521	−516
Advertising, public relations and sales promotion expenses	−34	−25
Depreciation of property, plant and equipment, amortization of intangible assets	−36	−28
Other taxes	−4	−13
Total	**−1,071**	**−1,000**

3. Changes in selected assets

€ million	Carrying amount at Jan. 1, 2015	Additions/Changes in consolidated Group	Disposals/Other changes	Depreciation, amortization and impairment losses	Carrying amount at June 30, 2015
Intangible assets	184	11	−1	17	177
Property, plant and equipment	307	21	3	20	311
Lease assets	10,766	5,484	−3,379	1,136	11,735

4. Classes of financial instruments

Financial instruments are divided into the following classes in the VW FS AG Group:

- Measured at fair value
- Financial assets measured at amortized cost
- Hedge accounting
- Miscellaneous financial assets
- Financial liabilities measured at amortized cost
- Credit commitments
- Not within scope of IFRS 7

The following table contains a reconciliation of balance sheet items to the classes of financial instruments:

	BALANCE SHEET ITEM		MEASURED AT FAIR VALUE		MEASURED AT AMORTIZED COST		HEDGE ACCOUNTING		MISCELLANEOUS FINANCIAL ASSETS		NOT WITHIN SCOPE OF IFRS 7	
€ million	June 30, 2015	Dec. 31, 2014	June 30, 2015	Dec. 31, 2014	June 30, 2015	Dec. 31, 2014	June 30, 2015	Dec. 31, 2014	June 30, 2015	Dec. 31, 2014	June 30, 2015	Dec. 31, 2014
Assets												
Cash reserve	287	451	–	–	287	451	–	–	–	–	–	–
Receivables from credit institutions	1,694	2,036	–	–	1,694	2,036	–	–	–	–	–	–
Receivables from customers	91,358	85,871	–	–	73,940	69,363	17,418	16,508	–	–	–	–
Derivative financial instruments	873	955	54	42	–	–	819	913	–	–	–	–
Marketable securities	3,152	2,013	3,152	2,013	–	–	–	–	–	–	–	–
Equity-accounted joint ventures	517	443	–	–	–	–	–	–	–	–	517	443
Miscellaneous financial assets	168	156	–	–	–	–	–	–	168	156	–	–
Other assets	2,580	2,723	–	–	692	749	–	–	–	–	1,888	1,974
Total	**100,629**	**94,648**	**3,206**	**2,055**	**76,613**	**72,599**	**18,237**	**17,421**	**168**	**156**	**2,405**	**2,417**
Liabilities												
Liabilities to credit institutions	13,622	13,135	–	–	13,622	13,135	–	–	–	–	–	–
Liabilities to customers	39,691	38,721	–	–	39,691	38,466	–	255	–	–	–	–
Securitized liabilities	40,913	37,243	–	–	40,913	37,243	–	–	–	–	–	–
Derivative financial instruments	457	446	188	160	–	–	269	286	–	–	–	–
Other liabilities	1,598	1,429	–	–	538	483	–	–	–	–	1,060	946
Subordinated capital	2,200	2,204	–	–	2,200	2,204	–	–	–	–	–	–
Total	**98,481**	**93,178**	**188**	**160**	**96,964**	**91,531**	**269**	**541**	**–**	**–**	**1,060**	**946**

The “Credit commitments” class contains obligations under irrevocable credit commitments amounting to €4,653 million (previous year: €4,036 million).

5. Fair value disclosures

The principles and techniques used for fair value measurement remained unchanged year-on-year. Detailed explanations of the measurement principles and techniques can be found in the 2014 Annual Report.

Level 1 is used to report the fair value of financial instruments for which a quoted price is directly observable in an active market.

Level 2 fair values are measured on the basis of market inputs such as exchange rates or yield curves using market-based valuation techniques. These include derivatives and liabilities to customers.

Level 3 fair values are measured using valuation techniques that incorporate inputs that are not directly observable in active markets. Receivables from customers are allocated to Level 3 because their fair value is measured using inputs that are not observable in active markets.

The following table shows the allocation of financial instruments measured at fair value to this three-level fair value hierarchy by class:

	LEVEL 1		LEVEL 2		LEVEL 3	
€ million	June 30, 2015	Dec. 31, 2014	June 30, 2015	Dec. 31, 2014	June 30, 2015	Dec. 31, 2014
Assets						
Measured at fair value						
Derivative financial instruments	–	–	54	42	–	–
Marketable securities	2,870	1,631	282	382	–	–
Hedge accounting						
Derivative financial instruments	–	–	819	913	–	–
Receivables from customers	–	–	–	–	17,418	16,508
Total	**2,870**	**1,631**	**1,155**	**1,337**	**17,418**	**16,508**
Liabilities						
Measured at fair value						
Derivative financial instruments	–	–	188	160	–	–
Hedge accounting						
Derivative financial instruments	–	–	269	286	–	–
Liabilities to customers	–	–	–	255	–	–
Total	**–**	**–**	**457**	**701**	**–**	**–**

The following table contains an overview of the fair values of financial instruments:

€ million	FAIR VALUE		CARRYING AMOUNT		DIFFERENCE	
	June 30, 2015	Dec. 31, 2014	June 30, 2015	Dec. 31, 2014	June 30, 2015	Dec. 31, 2014
Assets						
Measured at fair value						
Derivative financial instruments	54	42	54	42	–	–
Marketable securities	3,152	2,013	3,152	2,013	–	–
Measured at amortized cost						
Cash reserve	287	451	287	451	–	–
Receivables from credit institutions	1,701	2,037	1,694	2,036	7	1
Receivables from customers	75,226	70,499	73,940	69,363	1,286	1,136
Other assets	692	749	692	749	–	–
Hedge accounting						
Receivables from customers	17,418	16,508	17,418	16,508	–	–
Derivative financial instruments	819	913	819	913	–	–
Miscellaneous financial assets	168	156	168	156	–	–
Liabilities						
Measured at fair value						
Derivative financial instruments	188	160	188	160	–	–
Measured at amortized cost						
Liabilities to credit institutions	13,564	13,105	13,622	13,135	–58	–30
Liabilities to customers	39,891	38,698	39,691	38,466	200	232
Securitized liabilities	41,162	37,480	40,913	37,243	249	237
Other liabilities	544	487	538	483	6	4
Subordinated capital	2,248	2,249	2,200	2,204	48	45
Hedge accounting						
Liabilities to customers	–	255	–	255	–	–
Derivative financial instruments	269	286	269	286	–	–

SEGMENT REPORTING

6. Segment reporting

The presentation of the reportable segments in accordance with IFRS 8 is based on the VW FS AG Group's internal reporting structure. Compared with the presentation in the 2014 consolidated financial statements, MAN Financial Services Portugal, Unipessoal, Lda., Lisbon, was reclassified from the MAN FS segment into the Europe segment so as to reflect its inclusion in the Portugal market (Europe segment) in the internal reporting structure.

BREAKDOWN BY GEOGRAPHICAL MARKETS, H1 2014:

	JAN. 1, 2014 – JUNE 30, 2014							
€ million	Germany	Europe	Latin America	Asia-Pacific	MAN FS	Total segments	Reconciliation	Group
Revenue from lending transactions with third parties[1]	470	462	513	276	10	1,731	37	1,768
Intersegment revenue from lending transactions	41	0	–	–	0	41	–41	–
Total segment revenue from lending transactions[1]	511	462	513	276	10	1,772	–4	1,768
Sales revenue from leasing and service transactions	3,418	1,882	40	4	194	5,538	–5	5,533
Insurance premiums earned	–	–	–	–	–	–	66	66
Fee and commission income	143	72	62	2	1	280	11	291
Revenue[1]	**4,072**	**2,416**	**615**	**282**	**205**	**7,590**	**68**	**7,658**
Cost of sales attributable to lending, leasing and service transactions[1]	–2,359	–1,469	–6	–1	–91	–3,926	–	–3,926
Reversals of impairment losses on lease assets and investment property	0	0	–	–	1	1	–	1
Depreciation of and impairment losses on lease assets and investment property	–586	–264	–1	0	–24	–875	–	–875
of which impairment losses in accordance with IAS 36	–24	–8	–	–	0	–32	–	–32
Expenses from insurance business	–	–	–	–	–	–	–43	–43
Interest expense (component of operating profit or loss)	–213	–123	–265	–118	–28	–747	9	–738
Provisions for risks from lending and leasing business	–43	–50	–51	–18	–8	–170	0	–170
Fee and commission expenses	–76	–116	–33	–34	0	–259	0	–259
Net gain/loss on the measurement of derivative financial instruments and hedged items (component of operating profit or loss)	–1	–	–	–	–	–1	0	–1
General and administrative expenses (component of operating profit or loss)	–428	–203	–85	–64	–54	–834	–161	–995
Other operating profit or loss (component of operating profit or loss)[1]	–38	–10	–28	4	4	–68	–2	–70
Segment profit or loss (operating profit or loss)	**328**	**181**	**146**	**51**	**5**	**711**	**–129**	**582**
Interest income not classified as revenue	8	0	0	0	–	8	0	8
Interest expense (not a component of operating profit or loss)	–1	0	–	–	–	–1	0	–1
Net gain/loss on the measurement of derivative financial instruments and hedged items (not a component of operating profit or loss)	26	11	–1	1	–	37	–3	34
Share of profits and losses of equity-accounted joint ventures	–	–	–	–	1	1	17	18
Net gain/loss on marketable securities and miscellaneous financial assets	1	3	–	–	2	6	1	7
General and administrative expenses (not a component of operating profit or loss)	–1	0	0	0	0	–1	–4	–5
Other operating profit or loss (not a component of operating profit or loss)	0	0	–6	–	0	–6	0	–6
Profit before tax	**361**	**195**	**139**	**52**	**8**	**755**	**–118**	**637**
Income tax expense	–112	–54	–51	–14	9	–222	47	–175
Profit after tax	**249**	**141**	**88**	**38**	**17**	**533**	**–71**	**462**
Segment assets	**40,175**	**24,846**	**8,867**	**7,467**	**3,364**	**84,719**	**554**	**85,273**
of which noncurrent	**24,667**	**13,971**	**4,336**	**4,478**	**2,158**	**49,610**	**–**	**49,610**
Segment liabilities	**49,358**	**22,098**	**8,044**	**6,809**	**3,173**	**89,482**	**–7,599**	**81,883**

1 Prior-year figures modified to enhance the quality of presentation.

BREAKDOWN BY GEOGRAPHICAL MARKETS, H1 2015:

	JAN. 1, 2015 – JUNE 30, 2015							
€ million	Germany	Europe	Latin America	Asia-Pacific	MAN FS	Total segments	Reconciliation	Group
Revenue from lending transactions with third parties	451	566	521	440	11	1,989	21	2,010
Intersegment revenue from lending transactions	41	0	–	–	0	41	−41	–
Total segment revenue from lending transactions	492	566	521	440	11	2,030	−20	2,010
Sales revenue from leasing and service transactions	3,891	2,161	50	187	376	6,665	−6	6,659
Insurance premiums earned	–	–	–	–	–	–	80	80
Fee and commission income	148	74	68	4	1	295	11	306
Revenue	**4,531**	**2,801**	**639**	**631**	**388**	**8,990**	**65**	**9,055**
Cost of sales attributable to lending, leasing and service transactions	−2,826	−1,655	−11	−59	−286	−4,837	–	−4,837
Reversals of impairment losses on lease assets and investment property	1	0	–	–	–	1	–	1
Depreciation of and impairment losses on lease assets and investment property	−686	−327	−1	−113	−9	−1,136	–	−1,136
of which impairment losses in accordance with IAS 36	−55	−17	–	0	–	−72	–	−72
Expenses from insurance business	–	–	–	–	–	–	−52	−52
Interest expense (component of operating profit or loss)	−173	−142	−266	−195	−21	−797	31	−766
Provisions for risks from lending and leasing business	−47	−183	−47	−15	−13	−305	−1	−306
Fee and commission expenses	−74	−94	−34	−29	0	−231	−2	−233
Net gain/loss on the measurement of derivative financial instruments and hedged items (component of operating profit or loss)	−2	–	–	–	–	−2	–	−2
General and administrative expenses (component of operating profit or loss)	−414	−240	−93	−113	−49	−909	−158	−1,067
Other operating profit or loss (component of operating profit or loss)	49	6	−9	4	3	53	−6	47
Segment profit or loss (operating profit or loss)	**359**	**166**	**178**	**111**	**13**	**827**	**−123**	**704**
Interest income not classified as revenue	6	0	2	–	–	8	0	8
Interest expense (not a component of operating profit or loss)	−1	–	–	–	–	−1	−3	−4
Net gain/loss on the measurement of derivative financial instruments and hedged items (not a component of operating profit or loss)	41	−4	1	0	0	38	−1	37
Share of profits and losses of equity-accounted joint ventures	–	–	–	–	1	1	20	21
Net gain/loss on marketable securities and miscellaneous financial assets	−3	5	–	–	0	2	−1	1
General and administrative expenses (not a component of operating profit or loss)	−1	0	0	0	0	−1	−3	−4
Other operating profit or loss (not a component of operating profit or loss)	0	0	−2	–	–	−2	–	−2
Profit before tax	**401**	**167**	**179**	**111**	**14**	**872**	**−111**	**761**
Income tax expense	−126	−36	−58	−29	−42	−291	59	−232
Profit after tax	**275**	**131**	**121**	**82**	**−28**	**581**	**−52**	**529**
Segment assets	**43,069**	**30,555**	**7,769**	**11,744**	**1,971**	**95,108**	**761**	**95,869**
of which noncurrent	**27,050**	**17,848**	**3,804**	**7,496**	**1,260**	**57,458**	**–**	**57,458**
Segment liabilities	**54,122**	**27,351**	**6,788**	**10,303**	**3,534**	**102,098**	**−9,471**	**92,627**

Reconciliation:

€ million	June 30, 2015	June 30, 2014
Total segment profit or loss (operating profit or loss)	**827**	**711**
Unallocated activities	−126	−112
Consolidation	2	−17
Consolidated operating profit	**704**	**582**
Total segment profit or loss before tax	**872**	**755**
Unallocated activities	158	64
Consolidation	−270	−182
Consolidated profit before tax	**761**	**637**

OTHER DISCLOSURES

7. Cash flow statement

VW FS AG's cash flow statement documents changes in cash and cash equivalents attributable to cash flows from operating, investing and financing activities. The narrow definition of cash and cash equivalents comprises only the cash reserve, which consists of cash-in-hand and central bank balances.

8. Off-balance-sheet liabilities

€ million	June 30, 2015	June 30, 2014
Contingent liabilities		
Contingent liabilities from guarantees and indemnity agreements	44	40
Other contingent liabilities	328	311
Other financial obligations		
Purchase commitments	73	96
Miscellaneous	33	7
Other obligations		
Irrevocable credit commitments	4,653	4,036

The trust assets and liabilities of the savings and trust entity belonging to the Latin American subsidiaries are not included in the consolidated balance sheet and amounted to €816 million (December 31, 2014: €802 million).

9. Governing bodies of Volkswagen Financial Services AG

Christian Klingler resigned from the Supervisory Board effective April 30, 2015.

10. Events after the balance sheet date

James Morys Muir was appointed to the Supervisory Board of Volkswagen Financial Services AG effective July 1, 2015. Michael Riffel left the Supervisory Board of Volkswagen Financial Services AG effective July 3, 2015. In addition, Stephan Wolf was appointed to the Supervisory Board of Volkswagen Financial Services AG effective July 4, 2015. Other than the matters described above, there were no significant events in the period up to July 17, 2015.

11. Responsibility statement

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 in accordance with German accepted accounting principles, 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 material opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Braunschweig, July 17, 2015
The Board of Management

Frank Witter

Dr. Mario Daberkow

Frank Fiedler

Christiane Hesse

Dr. Michael Reinhart

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The 2015 Group Interim Report is also available online at www.vwfsag.com/hy15.

This Group Interim Report is also published in German.

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