VOLKSWAGEN FINANCIAL SERVICES

AKTIENGESELLSCHAFT

HALF-YEARLY FINANCIAL REPORT

JANUARY – JUNE

2020

Key Figures

VOLKSWAGEN FINANCIAL SERVICES AG

€ million	June 30, 2020	Dec. 31, 2019
Total assets	112,405	112,444
Loans to and receivables from customers attributable to		
Retail financing	18,779	20,712
Dealer financing	4,522	5,413
Leasing business	38,757	39,951
Lease assets	23,792	22,776
Equity	11,926	12,029

€ million	H1.2020	H1.2019
Operating profit	528	369
Profit before tax	542	418

Percent	June 30, 2020	Dec. 31, 2019
Equity ratio[1]	10.6	10.7

Number	June 30, 2020	Dec. 31, 2019
Employees	10,773	10,773
Germany	5,683	5,763
International	5,090	5,010

1 Eigenkapital / Bilanzsumme.

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-2	BBB+	negative	P-2	A3	negative

All figures shown in the report are rounded, so minor discrepancies may arise when amounts are added together. The comparative figures from the previous fiscal year are shown in parentheses directly after the figures for the current reporting period.

Report on Economic Position

GLOBAL SPREAD OF CORONAVIRUS (SARS-COV-2)

At the end of December 2019, initial cases of a new, sometimes fatal lung disease emerged in Wuhan, in the Chinese province of Hubei. This disease is attributable to a novel coronavirus. Infections also began to appear outside China from mid-January 2020. In Europe, the number of people infected rose continuously in February, and especially in March and April 2020. The countries particularly badly affected included the United Kingdom, Spain, Italy, France and Germany. While many areas throughout Europe recorded declining numbers of new infections as the second quarter of 2020 progressed, the rate of new infections continued to rise in North, Central and South America, Africa and parts of Asia. Especially in Europe and Asia, the second quarter saw the gradual easing of measures implemented to prevent the spread of the Covid-19 pandemic. This included partially lifting border controls and travel restrictions, relaxing lockdowns as well as the reopening of businesses and public facilities. In addition, the European Commission and numerous European governments approved assistance packages to support the economy. Outside of Europe, governments also introduced measures aimed at shoring up the economy to counteract the enormous disruption to everyday life and economic activity caused by the Covid-19 pandemic.

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

Taking into account the reorganization of the legal entities, the operating result for the first half of the year was higher than the corresponding figure for the prior-year period.

New business around the globe declined over the course of the year to date but was nevertheless higher than the prior-year level.

In the first six months of 2020, Volkswagen Financial Services AG recorded a contraction in business volume compared with the position at the end of 2019, largely as a result of the impact from changes in exchange rates.

The global share of financed and leased new vehicles in the Group's worldwide deliveries to customers (penetration) stood at 28.3 (25.5)% at the end of the first half of the year.

Funding costs were slightly above the prior-year level. This was attributable to both higher business volumes compared with the corresponding prior-year period and wider funding spreads.

In the first half of fiscal year 2020, the credit risk situation deteriorated slightly as a consequence of the decline in the volume of loans and receivables and the rise in risk costs resulting from the Covid-19 pandemic. Some of the impact was offset by targeted measures, such as the deferral of payments and assistance for the dealer organization provided jointly with the Group brands.

In the second quarter, the used vehicle market was affected by the measures enacted by the government to combat the pandemic and the resulting consumer reticence. Changes in residual values are being very closely monitored. An appropriate provision is being recognized for the existing portfolio on the basis of a regular portfolio assessment and monthly reviews. Targeted measures in coordination with the Group brands are helping to stabilize residual values. Additional risks arising from new business are being minimized. Generally speaking, all new business is being entered into on the basis of forward-looking residual values that also take into account the current situation.

Because of the current conditions, the Board of Management of Volkswagen Financial Services AG considers the course of business in the year to date to have been challenging.

CHANGES IN EQUITY INVESTMENTS

The following material changes in equity investments have occurred:

For business policy reasons, Volkswagen Financial Services AG, Braunschweig, acquired approximately 4% of the shares in sunhill technologies GmbH, Erlangen, from the previous noncontrolling interest shareholders with effect from January 16, 2020, thereby increasing its shareholding to 100%.

On February 3, 2020, Volkswagen Pon Financial Services B.V., Amersfoort, Netherlands, (60% of the shares in which are held by Volkswagen Finance Overseas B.V., Amsterdam, Netherlands) acquired 58% of the shares in the leasing company Muntstad Auto Lease B.V., Zeist, Netherlands, from Phima B.V., Nijkerk, Netherlands.

Effective February 14, 2020, Volkswagen Finance Overseas B.V., Amsterdam, Netherlands, a wholly owned subsidiary of Volkswagen Financial Services AG, Braunschweig, acquired one share of Volkswagen Finance Belgium S.A., Brussels, Belgium, that had been previously held by Volkswagen Financial Services N.V., Amsterdam, Netherlands; this transaction was carried out as a result of a change in Belgian company law. As a consequence, Volkswagen Finance Overseas B.V. now holds all of the shares in Volkswagen Finance Belgium S.A.

On February 21, 2020, Volkswagen Financial Services AG acquired 26% of the shares in Glinicke Leasing GmbH, Kassel, from Glinicke Finanz Holding GmbH & Co. KG, Kassel. One of the aims of this equity investment is to include business bike leasing in the range of products offered to German fleet customers. In the meantime, the company has been renamed Digital Mobility Leasing GmbH.

Effective March 4, 2020, Volkswagen Financial Services AG transferred the following equity investments to Volkswagen Finance Overseas B.V., Amsterdam, Netherlands, a wholly owned subsidiary of Volkswagen Financial Services AG, by means of a contribution in kind:

> Its 100 % equity investment in sunhill technologies GmbH, Erlangen
> Its 100 % equity investment in PayByPhone Technologies Inc., Vancouver, Canada
> Its 60 % equity investment in Softbridge - Projectos Tecnológicos S.A., Porto Salvo, Portugal

Effective March 6, 2020, Volkswagen Finance Luxemburg S.A., Strassen, Luxembourg, a wholly owned subsidiary of Volkswagen AG, Wolfsburg, made an equity investment equating to a 44 % interest in Mobility Trader Holding GmbH, Berlin, by way of a capital increase. Mobility Trader Holding GmbH acts as an intermediate holding company for the local companies of the heycar Group.

On March 31, 2020, PayByPhone Technologies Inc., Vancouver, Canada, an indirect wholly owned subsidiary of Volkswagen Financial Services AG, acquired all shares in Mathom AG, Düdingen, Switzerland. Mathom AG is one of the leading providers of mobile payment solutions for parking based on its SEPP Parking product. The acquisition means that PayByPhone will expand its presence in the Swiss market to cover more than 70 cities, towns and municipalities. The Swiss market is a further element in PayByPhone's strategy to become the leading provider of mobile payment solutions for parking in Europe and North America.

On March 31, 2020, Volkswagen Financial Services Ireland Ltd., Dublin, Ireland, a wholly owned subsidiary of Volkswagen Financial Services AG, Braunschweig, acquired the non-regulated business activities (mostly finance leases and dealer financing) from Volkswagen Bank GmbH, Ireland Branch, Dublin, Ireland.

On April 2, 2020, Volkswagen Finance Overseas B.V., Amsterdam, Netherlands, a wholly owned subsidiary of Volkswagen Financial Services AG, Braunschweig, transferred all shares in sunhill technologies GmbH, Erlangen, to PayByPhone Technologies Inc., Vancouver, Canada, by means of a contribution in kind.

Effective May 28, 2020, Volkswagen Leasing GmbH, Braunschweig, transferred the entire portfolio of its branch in Warsaw, Poland, to the newly established Volkswagen Leasing Polen GmbH, Braunschweig, a wholly owned subsidiary of Volkswagen Financial Services AG, Braunschweig, by means of a spin-off. On May 29, 2020, Volkswagen Leasing Polen GmbH was merged into Volkswagen Financial Services Polska Sp. z o.o., Warsaw, Poland, a wholly owned subsidiary of Volkswagen Financial Services AG, Braunschweig. The purpose of the spin-off and merger was to support the internal restructuring of the leasing business in Poland.

On June 3, 2020, Volkswagen Financial Services AG acquired all shares in the start-up business Voya GmbH, Hamburg, from a consortium of investors. Voya is one of the leading providers of state-of-the-art business travel management. The innovative Voya platform enables business travelers and managers to record, administer and settle expenses for business travels using cutting-edge communications media based on smartphones and other devices. The acquisition broadens Volkswagen Financial Services AG's mobility offering for fleet customers to include business travel management.

In the first half of 2020, Volkswagen Financial Services AG increased the equity of the following company to strengthen its capital resources:

> PayByPhone Technologies Inc., Vancouver, Canada

There were no further significant capital increases.

GENERAL ECONOMIC DEVELOPMENT

The global spread of the SARS-CoV-2 coronavirus, the associated restrictions, and the resulting downturn in demand and supply meant that growth in the world economy was negative in the first half of 2020. The average rate of expansion of gross domestic product (GDP) was far below the previous year's level in both the advanced economies and the emerging markets. At country level, performance in the reporting period depended on the extent to which the negative impacts of the global Covid-19 pandemic were already materializing. The governments and central banks of numerous countries throughout the world responded in some cases with substantial fiscal and monetary policy measures. This meant cuts in the already relatively low interest rates. There was a significant decline in prices for energy resources, while other commodity prices were, on average, down slightly year-on-year. Currencies in some emerging markets depreciated distinctly in the first half of 2020. Global trade in goods declined further in the reporting period.

As a whole, the economies of Western Europe recorded a sharp fall in growth from January to June 2020. This trend was seen in all countries in Northern and Southern Europe. The impact of national measures to contain the pandemic, including border closures and spatial/physical distancing, caused deep cuts. In some regions, the measures severely restricted everyday life and also had grave economic consequences. During the second quarter, the governments of many European countries started to partially lift restrictions, thus giving rise to a slow economic recovery.

Germany recorded a markedly negative growth rate over the reporting period. The labor market was in a favorable situation at the start of the year, but many companies introduced short-time working throughout the course of the first half of the year. Both business and consumer sentiment saw only a modest improvement – despite the initial easing of restrictions in everyday life and economic activity as well as government assistance packages enacted to support the economy.

The economies in Central and Eastern Europe reported an overall marked decline in the real absolute GDP in the first six months of 2020. This development was also caused by the impact of national measures aimed at preventing the spread of the Covid-19 pandemic.

In Turkey, the recovery from the first quarter could not be sustained – the GDP growth rate was negative overall. South Africa's GDP growth was sharply lower in the reporting period amid persistent structural deficits and political challenges.

Growth in the US economy receded significantly amid rapidly increasing rates of infection in the first two quarters of 2020. To strengthen the economy in light of the negative impact of the Covid-19 pandemic, the US government passed comprehensive stimulus packages. The US Federal Reserve cut interest rates twice, alongside other measures to support the economy. The weekly number of people filing new claims for unemployment benefits rose by several million and led to a soaring increase in the unemployment rate. In the neighboring countries, economic output also fell compared to the same period of 2019, the fall being significant in Canada and sharp in Mexico.

Brazil's economy also recorded a sharp drop from January to June 2020, resulting from the rising rate of infections caused by the Covid-19 pandemic. The economic downturn in Argentina intensified amid high inflation and continuous currency depreciation.

Economic output in China, which was exposed to the negative effects of the Covid-19 pandemic much earlier than other economies, fell in the reporting period; however, an increase was recorded in the second quarter. India registered a sharp fall in growth amid the rising number of infections. Japan also recorded a negative GDP growth compared to the same period of the previous year due to the adverse impact of the Covid-19 pandemic.

TRENDS IN THE MARKETS FOR FINANCIAL SERVICES

Automotive financial services were in high demand, particularly in the first three months of 2020. This was attributable to a number of factors, notably the persistently low key interest rates in the main currency areas. Nevertheless, the reporting period saw the Covid-19 pandemic exert downward pressure on the demand for financial services in virtually every region. The impact from the Covid-19 pandemic was noticeable around the globe, especially in the second quarter of 2020.

In the European passenger car market, the Covid-19 pandemic mainly affected the second quarter of 2020, resulting in a very sharp contraction in demand for new and used vehicles over the reporting period as a whole. The proportions accounted for by new leases and financing agreements, after-sales products such as inspection, maintenance and spare parts agreements, and automotive insurance were maintained even though the absolute figures for such contracts declined.

In Germany, the number of new vehicles financed by loans or leases fell markedly in the reporting period, reflecting the challenges presented by the Covid-19 pandemic. Figures fell short of those in the corresponding prior-year period, predominantly because of the contraction in direct business and in loan finance for individual customers. Likewise, there were fewer new contracts in connection with after-sales products.

Demand for financing and insurance products in South Africa declined significantly.

Over the whole of the North America region, the Covid-19 pandemic caused a substantial fall in demand for new vehicles. In line with this trend, absolute figures for leases and financing agreements as well as for insurance contracts also decreased in the three North American markets in the first half of 2020. On the other hand, the proportions accounted for by leases and financing agreements in the first half of 2020 remained at the prior-year level in the US and even went up in the Canadian market. However, the proportions accounted for by leases and financing agreements in Mexico declined as a result of a lack of fleet business.

In the markets of the South America region, the spread of SARS-CoV-2 negatively impacted the demand for vehicles and automotive financial services, especially in the second quarter of 2020. In Brazil and Argentina, the number of contracts fell very sharply in the reporting period, but manufacturer penetration rates, i.e. the proportion of delivered vehicles financed by leases or other financing arrangements, nevertheless increased.

In China, the passenger car market recovered from the Covid-19 pandemic at the beginning of the second quarter of 2020. The easing of the restrictions also led to a rise in contracts for automotive financial services, although the increase did not match the expansion in demand for vehicles. In the reporting period, the demand for both passenger cars and financial services was weaker than in the equivalent prior-year period. Japan saw lower demand for automotive financial services products in the first half of 2020. Demand for financial services declined in India too, because of the persistently weak banking market and the spread of SARS-CoV-2.

The Covid-19 pandemic also led to a substantial drop in demand for commercial vehicles in the reporting period. This gave rise to a fall in leases and financing agreements in Europe and Brazil, although the penetration rates for financing products rose.

TRENDS IN THE PASSENGER CAR AND LIGHT COMMERCIAL VEHICLES MARKETS

Global demand for passenger cars fell sharply year-on-year from January to June 2020 as a result of the Covid19 pandemic (–28,1 %). The slump affected all sales regions, with above-average losses recorded in the overall markets of Western Europe and South America. The decline in demand in Asia-Pacific, North America, Central and Eastern Europe, the Middle East and Africa was smaller by comparison.

Global demand for light commercial vehicles also decreased sharply from January to June 2020 compared to the prior year.

In Western Europe, demand for passenger cars during the reporting period fell drastically short of the previous year's level. The negative impact from the spread of the SARS-CoV-2 coronavirus was noticeable as early as March. New registrations saw declines on a similar scale in all major individual markets, though the fall in demand slowed overall as the second quarter progressed. The passenger car markets in the UK, Italy and Spain lost around half their volume in the first six months of 2020.

The volume of new registrations of light commercial vehicles in Western Europe fell very sharply below the prior-year figure.

New passenger car registrations in Germany in the first half of 2020 did not match the high level seen in the equivalent period of the previous year. Demand here decreased by more than one-third, a trend amplified by the Covid-19 pandemic and the associated restrictions and prohibitions.

Demand for light commercial vehicles in Germany in the reporting period was substantially lower than in the same period of 2019.

In the Central and Eastern Europe region, sales of passenger cars in the reporting period were substantially below the previous year's level. The development of demand in the year to date has differed from market to market. While the EU countries of Central Europe registered shrinking demand from the beginning of the year, the Russian passenger car market remained relatively stable in the first quarter. It was not until the second half of the reporting period that the figures fell substantially short of the previous year as the SARS-CoV-2 coronavirus became increasingly widespread.

The volume of light commercial vehicles registered in Central and Eastern Europe decreased sharply compared to the same period in the preceding year, with a substantial year-on-year drop in the number of vehicles sold in Russia between January and June 2020.

The volume of the passenger car market in Turkey in the period from January to June 2020 was up by nearly one-third on the very low prior-year level. The growth in demand was bolstered by catch-up effects in the first three months of the year. In the second quarter, however, demand fell at times. In South Africa, the crisis meant that the number of passenger cars sold was down very sharply on the already poor results of the previous year.

In North America, too, sales of passenger cars and light commercial vehicles (up to 6.35 tonnes) declined substantially in the reporting period compared with the prior year, with the effects of the Covid-19 pandemic worsening over the course of the second quarter. The market volume in the USA remained substantially down on the prior-year level. The decline affected both the passenger car segment and light commercial vehicles such as SUVs and pickup models. On the Canadian automotive market, the Covid-19 pandemic accelerated the downward trend that began in 2018 very sharply. The number of vehicles sold in Mexico also fell very sharply below the comparable prior-year figure.

In the markets of the South America region, new registrations for passenger cars and light commercial vehicles decreased drastically in the first six months of 2020. This region, along with Western Europe, saw the most severe impacts of the Covid-19 pandemic on the automotive markets in terms of percentage. In Brazil, the recovery in demand for cars stalled; the number of new registrations was very much lower than the prior-year period. In the Argentinian market, the deterioration in the macroeconomic situation since mid-2018 and the spread of the SARS-CoV-2 coronavirus negatively impacted the demand for passenger cars and light commercial vehicles. Sales figures also fell very sharply there in the first half of 2020.

In the Asia-Pacific region, too, the first half of 2020 was adversely impacted by the spread of the SARS-CoV-2 coronavirus. The number of new passenger cars registered in the reporting period was down by around a quarter on the prior-year level. This was due primarily to developments on the Chinese passenger car market, where the volume of demand fell substantially short of the previous year as a result of the Covid-19 pandemic. After the drastic losses in the first three months of the year, there were clear signs of a recovery in the overall market during the second quarter. In the Indian passenger car market, sales in the period from January to June 2020 fell drastically compared with a year earlier. In Japan, vehicle demand in the first six months of 2020 was down substantially on the previous year due not only to the Covid 19 pandemic, but also to the increase in VAT as of October 1, 2019.

There was a sharp year-on-year decline in demand for light commercial vehicles in the Asia-Pacific region. Registration volumes in China, the region's dominant market and the largest market worldwide, fell by around a quarter compared to the previous year. The number of new vehicle registrations in India saw a drastic decrease versus the prior year, while in Thailand the number was substantially below the level seen in the previous year.

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

In the markets that are relevant for the Volkswagen Group, global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes was much lower in the reporting period than in the prior year due to the spread of the SARS-CoV-2 coronavirus.

Demand in the 27 EU states excluding Malta, but including the United Kingdom, Norway and Switzerland (EU27+3), fell drastically short of the 2019 level in the first half of 2020. The previously anticipated downturn in the market was amplified by the Covid-19 pandemic, especially in the second quarter of 2020. The Russian market recorded a marked downswing. Turkey reported a more than 40% year-on-year increase in new registrations; however, the prior-year figures were very low. By contrast, the South African market declined at a similar rate.

In Brazil, the largest market in the South America region, demand for trucks was significantly below the level seen in the previous year as a result of the pandemic.

The bus markets were also very strongly impacted by the Covid-19 pandemic. Demand for buses in the EU27+3 countries in the first half of 2020 was much lower than in the prior-year period, and the market for coaches in particular all but ground to a halt. Brazil and Mexico recorded a drastic year-on-year decline in demand.

FINANCIAL PERFORMANCE

The disclosures on financial performance relate to the changes compared with the corresponding period in 2019.

Overall, Volkswagen Financial Services AG's entities performed well in the first half of 2020. The operating result improved significantly, by 43.1 %, to €528 (369) million. This is mainly attributable to the fact that certain subsidiaries were not included, or were only included on a pro rata basis, in the operating result for the corresponding prior-year period.

Interest income from lending transactions and marketable securities was slightly below the prior-year level at €994 million (–4.7 %).

Net income from leasing transactions rose by 11.5 % year-on-year to €953 (855) million.

Interest expenses were slightly higher than the prior-year level at €665 million (+4.2 %).

Net income from service contracts amounted to €238 (94) million and was significantly above the prior-year figure.

Net income from insurance business was lower than in the prior-year period at €70 million (–11.4 %).

The provision for credit risks of €288 (253) million was above the prior-year level. Credit risks to which the Volkswagen Financial Services AG Group is exposed as a result of various critical situations (Brexit, economic crises) in the United Kingdom, Russia, Brazil, Mexico, India and the Republic of Korea, were accounted for in the reporting period by recognizing valuation allowances. These remained unchanged in the first half of 2020.

The net fee and commission income amounted to €30 (8) million, significantly above the prior-year level.

General and administrative expenses were slightly higher than the prior-year period at €1,008 million (+1.1 %).

Net other operating income was significantly below the prior-year period at €132 million (–30.9 %), particularly reflecting a negative impact from foreign currency measurement (other than hedges).

The share of profits and losses of equity-accounted joint ventures amounted to €23 million, which was below the level of the prior-year period (–11.5 %).

The net loss on miscellaneous financial assets of €6 million (previous year: net gain of €30 million) and the other components of profit or loss led to profit after tax for the Volkswagen Financial Services AG Group of €381 million, which represented a year-on-year increase (+29.6 %).

The German companies continued to account for the highest business volumes with 31.8 % of all contracts.

NET ASSETS AND FINANCIAL POSITION

The disclosures on net assets and financial position relate to the changes compared with the balance sheet date of December 31, 2019.

Lending business

At €98.8 billion in total, loans to and receivables from customers and lease assets – which make up the core business of the Volkswagen Financial Services AG Group – accounted for approximately 88 % of the Group's total assets.

The volume of retail financing lending went down by €1.9 billion to €18.8 billion (–9.3 %), largely as a consequence of exchange rate effects. The number of new contracts was 488 thousand (–8.9 % compared with the figure for the first half of 2019). The volume of current contracts declined to 2,850 thousand contracts (–2.2 %).

The lending volume in dealer financing – which comprises loans to and receivables from Group dealers in connection with financing for inventory vehicles, as well as working capital and investment loans – decreased to €4.5 billion (–16.5 %).

Receivables from leasing transactions were slightly below the prior-year level at €38.8 billion (–3.0 %). Lease assets recorded growth of €1.0 billion to €23.8 billion (+4.5 %).

A total of 610 thousand new leasing contracts were signed in the reporting period, clearly surpassing the figure for the first half of 2019 (+8.0 %). The number of leased vehicles as of June 30, 2020, was 3,477 thousand, a year-on-year increase of 3.5 %. As in previous years, the largest contribution came from Volkswagen Leasing GmbH, which had a contract portfolio of 1,510 (1,593[1]) thousand lease vehicles.

The total assets of Volkswagen Financial Services AG amounted to €112.4 (112.4) billion.

The number of service and insurance contracts as of June 30, 2020 was 8,573 (8,539) thousand. The total of 1,426 thousand new contracts was above the figure for the first half of 2019 (+11.0 %).

1 Prior-year figure adjusted.

KEY FIGURES BY SEGMENT AS OF JUNE 30, 2020

in thousands	Germany	United Kingdom	Sweden	China	Brazil	Mexico	Other companies[1]	VW FS AG Group
Current contracts	**4,740**	**1,798**	**642**	**1,246**	**568**	**650**	**5,255**	**14,900**
Retail financing	-	9	85	1,206	411	215	923	2,850
of which: consolidated	-	9	85	1,206	411	215	515	2,441
Leasing business	1,489	975	147	40	10	65	751	3,477
of which: consolidated	1,489	975	147	-	2	65	533	3,210
Service/insurance	3,251	814	411	-	147	370	3,581	8,573
of which: consolidated	3,251	772	226	-	85	370	2,075	6,779
New contracts	**817**	**325**	**116**	**233**	**96**	**84**	**855**	**2,525**
Retail financing	-	5	15	226	62	24	157	488
of which: consolidated	-	5	15	226	62	24	94	426
Leasing business	311	135	31	7	0	11	116	610
of which: consolidated	311	135	31	-	0	11	78	565
Service/insurance	506	185	71	-	33	49	583	1,426
of which: consolidated	506	175	40	-	25	49	319	1,113
€ million								
Loans to and receivables from customers attributable to								
Retail financing	–	205	964	7,620	2,399	1,069	6,521	18,779
Dealer financing	9	4	130	859	340	355	2,824	4,522
Leasing business	18,277	14,656	1,197	–	13	416	4,198	38,757
Lease assets	15,140	2,709	1,590	–	3	102	4,248	23,792
Investment[2]	3,762	443	247	–	–	1	944	5,397
Operating profit/loss	−11	220	30	77	73	67	71	528
Percent								
Penetration[3]	62.3	52.0	62.7	14.2	35.1	48.5	28.3	28.3
of which: consolidated	62.3	52.0	62.7	14.1	34.8	48.5	18.4	26.0

1 The Other Companies segment covers the following markets: Australia, Belgium, France, India, Italy, Ireland, Japan, Korea, Poland, Portugal, Russia, Spain, the Czech Republic. Relating to the number of contracts and penetration, it also covers the following markets: Argentina, the Netherlands, Norway, Switzerland, South Africa, Taiwan and Turkey. It also includes the Volkswagen Financial Services AG holding company, the holding and financing companies in Belgium, France and the Netherlands, EURO-Leasing companies in Denmark, Germany and Poland, Volkswagen Insurance Brokers GmbH, Volkswagen Versicherung AG and effects of consolidation.
2 Corresponds to additions to lease assets classified as noncurrent assets.
3 Ratio of new contracts for new Group vehicles under retail financing and leasing business to deliveries of Group vehicles.

Deposit business and borrowings

The significant liability items were liabilities to banks in the amount of €13.4 billion (−7.2%), liabilities to customers amounting to €15.4 billion (−1.9%) and notes and commercial paper issued amounting to €62.7 billion (+2.9%).

Equity

The subscribed capital remained unchanged at €441 million in the reporting period. Equity in accordance with IFRSs was €11.9 (12.0) billion. This resulted in an equity ratio of 10.6% based on total assets of €112.4 billion.

Report on Opportunities and Risks

REPORT ON OPPORTUNITIES

Macroeconomic opportunities

The worldwide spread of SARS-CoV-2 is having a substantial adverse impact throughout society and across all areas of economic life. In particular, it continues to be difficult to assess the consequences for further growth in individual national economies or the global economy as a whole. Volkswagen Financial Services AG's Board of Management expects deliveries to customers of the Volkswagen Group to be significantly below the prior-year level. Nevertheless, Volkswagen Financial Services AG predicts that there will be a nascent economic recovery during the course of 2020.

Strategic opportunities

In addition to maintaining its international focus by tapping into new markets, Volkswagen Financial Services AG believes that developing innovative products that are tailored to customers' changing mobility requirements offers additional opportunities. Growth areas such as mobility products and service offerings are being systematically developed and expanded. Further opportunities may be created by launching established products in new markets.

The digitalization of its business represents a significant opportunity for Volkswagen Financial Services AG. The aim is to ensure that all key products are also available online around the world, thereby enabling the Company to enhance efficiency. By expanding digital sales channels, Volkswagen Financial Services AG is promoting direct sales and facilitating the extension of the used vehicle financing platform. In this way, changing customer needs are addressed and the competitive position of Volkswagen Financial Services AG reinforced.

RISK REPORT

Volkswagen Financial Services AG has been strongly affected by the impact from the Covid-19 pandemic.

There was a disproportionately high fall in the Volkswagen Group's deliveries to customers in the Western European and South American markets. The decline was less severe in North America and in Central and Eastern Europe, while a slight recovery had already taken hold in the Asia-Pacific region at the end of the reporting period. Volkswagen Financial Services AG's Board of Management therefore expects that financial services products designed to promote sales will be significantly below the prior-year level.

In the reporting period, there were no material changes to the details regarding the Internal Control System and Internal Risk Management System set out in the report on opportunities and risks in the 2019 Annual Report.

Human Resources Report

Volkswagen Financial Services AG had 10,518 active employees worldwide as of June 30, 2020. In addition to the active workforce in the first half of this year, Volkswagen Financial Services AG had 109 employees who had reached the passive phase of their partial retirement agreements, and 146 vocational trainees. The total number of employees at Volkswagen Financial Services AG as of June 30, 2020 was therefore 10,773, a figure unchanged compared with the headcount of 10,773 at the end of 2019.

Currently, 5,683 people are employed in Germany.

Owing to economic considerations, 294 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 Board of Management of Volkswagen Financial Services AG predicts that there will be negative growth in the global economy in 2020 as a consequence of the spread of SARS-CoV-2. It still believes that risks will also arise from protectionist tendencies, turmoil in financial markets and structural deficits in individual countries. In addition, growth prospects will be adversely impacted by continuing geopolitical tensions and conflicts. Volkswagen Financial Services AG anticipates that both the advanced economies and emerging markets will experience a considerable decline in economic growth. Nevertheless, a nascent economic recovery is predicted during the course of 2020.

In response to the Covid-19 pandemic, we have developed scenarios for the development of the passenger car markets in individual regions in 2020 which, for example, also take account of the trends currently being experienced in China. The scenarios reflect the different timings of the spread of the Covid-19 pandemic in the various geographic regions. In all, we expect the volume of global demand for new vehicles in 2020 to be between 15 and 20% lower than it was the previous year. In Western Europe, we anticipate a fall of around 25% in the volume of new passenger car registrations in 2020 compared to the prior year. Following the drastic decline at the beginning of the second quarter and the marked recovery over the course of the three months, we believe that the market will continue to recover in the third and fourth quarters of 2020, with prior-year levels being reached in individual months. We have assumed a similar but more stable trend for the passenger car markets in Central and Eastern Europe and expect the year-on-year fall in the number of sales in 2020 to be somewhat less sharp here. The volume of demand in the markets for passenger cars and light commercial vehicles (up to 6.35 tonnes) in North America in 2020 is likely to be 25 to 30% lower than in the prior year. We anticipate that following the drastic decline at the beginning of the second quarter and a slight recovery as the period progressed, the remaining quarters of 2020 will register only a sideways trend in the market. We expect to see new registrations of passenger cars and light commercial vehicles in the South American markets fall by up to 40% in 2020 compared with the previous year. After the drastic decline in the second quarter, the market is expected to witness only a slow and gradual recovery in the third and fourth quarters, though falling short of the levels recorded in the previous year. The passenger car markets in the Asia-Pacific region are likely to be between 10 and 15% below the prior-year level in 2020. After the very sharp decline in the first three months and the rapid rebound in the second quarter, we expect a return to prior-year levels in the remaining quarters of 2020.

Trends in the markets for light commercial vehicles in the individual regions will also be mixed in 2020; on the whole, we anticipate a marked fall in demand due to Covid-19.

In the markets relevant for the Commercial Vehicles Business Area, we expect a substantial year-on-year fall in 2020 of new registrations for both mid-sized and heavy trucks with a gross weight of more than six tonnes and for buses.

The Company believes that automotive financial services will continue to be extremely important for vehicle sales worldwide in 2020.

Forecasting the interest rate risk at Group level is only possible to a limited extent because of the need to include different interest rate zones.

It is anticipated that interest rates will remain steady or will fall in the majority of interest rate zones.

The interest rate risk is monitored continuously. Potential changes in interest rates are simulated if necessary to determine their effect on profits.

Volkswagen Financial Services AG's forecasts were based on the assumption that global economic growth in 2020 would be on a level with the previous year. It was predicted that risks would arise as a result of protectionist trends, turmoil on financial markets and structural deficits in individual countries. In addition, growth prospects would be negatively impacted by continuing geopolitical tensions and conflicts. It was anticipated that momentum in both the advanced economies and the emerging markets would be similar to that seen in 2019.

Since the Covid-19 pandemic, all assumptions have been or are being revised, taking into account government economic stimulus packages and statutory deferral arrangements. In general terms, Volkswagen Financial Services AG expects to see rising risk costs, a liquidity squeeze for dealers and a fall in sales as a result of an increase in unemployment and insolvencies. As vehicle inventories expand, residual values could tend to fall, leading to a further increase in risk costs.

The Board of Management of Volkswagen Financial Services AG predicts that there will be a negative impact on the operating result for fiscal year 2020, which will be distinctly below the prior-year figure.

Taking into account the restructuring of legal entities carried out during 2019, it is projected that new contracts and the penetration rate will rise compared with the prior year. Contract portfolio and business volume will remain on prior-year level.

On the basis of the forecasts for business performance and operating result, it is anticipated that there will be a year-on-year deterioration in return on equity and in the cost/income ratio in 2020.

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 Volkswagen Financial Services AG has made on the basis of the information available and which it currently considers to be realistic. The estimates given entail a degree of risk, and the actual developments may differ from those forecast. 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 its business. The same applies in the event of material changes in exchange rates against the euro. The same applies should the actual effects of the Covid-19 pandemic differ from the scenario assumed in this report. In addition, expected business development may vary if the assessments of the key performance indicators and of risks and opportunities presented in the 2019 Annual Report do not develop in line with current expectations, or additional risks and opportunities or other factors emerge that affect the development of the business.

Interim Consolidated Financial Statements (Condensed)

Income Statement
of the Volkswagen Financial Services AG Group

€ million	Note	Jan. 1 – June 30, 2020	Jan. 1 – June 30, 2019	Change in percent
Interest income from lending transactions and marketable securities		994	1,043	– 4.7
Income from leasing transactions		8,040	5,541	45.1
Depreciation, impairment losses and other expenses from leasing transactions		–7,086	–4,686	51.2
Net income from leasing transactions		953	855	11.5
Interest expense		–665	–638	4.2
Income from service contracts		994	794	25.2
Expenses from service contracts		–756	–700	8.0
Net income from service contracts		238	94	X
Income from insurance transactions		177	159	11.3
Expenses from insurance transactions		–107	–80	33.8
Net income from insurance business		70	79	– 11.4
Provision for credit loss risks		–288	–253	13.8
Fee and commission income		249	206	20.9
Fee and commission expenses		–219	–199	10.1
Net fee and commission income		30	8	X
Net gain/ loss on hedges		–10	10	X
Net gain/loss on financial instruments measured at fair value and on derecognition of financial assets measured at fair value through other comprehensive income		81	–24	X
General and administrative expenses	1	–1,008	–997	1.1
Other operating income		722	377	91.5
Other operating expenses		–590	–186	X
Net other operating income/expenses		132	191	–30.9
Operating result		**528**	**369**	**43.1**
Share of profits and losses of equity-accounted joint ventures		23	26	–11.5
Net gain/loss on miscellaneous financial assets		–6	30	X
Other financial gains/losses		–3	–6	–50.0
Profit before tax		**542**	**418**	**29.7**
Income tax expense		–162	–125	29.6
Profit after tax		**381**	**294**	**29.6**
Profit after tax attributable to noncontrolling interests		0	0	–
Profit after tax attributable to Volkswagen AG		381	294	29.6
German GAAP profit/loss attributable to Volkswagen AG in the event of loss absorption/profit transfer		–254	–67	X

Statement of Comprehensive Income of the Volkswagen Financial Services AG Group

€ million	Jan. 1 – June 30, 2020	Jan. 1 – June 30, 2019
Profit after tax	**381**	**294**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	−6	−99
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	1	30
Pension plan remeasurements recognized in other comprehensive income, net of tax	−5	−70
Fair value valuation of other participations and securities (equity instruments) that will not be reclassified to profit or loss, net of tax	–	–
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	**−5**	**−69**
Exchange differences on translating foreign operations		
Gains/losses on currency translation recognized in other comprehensive income	−578	−16
Transferred to profit or loss	–	–
Exchange differences on translating foreign operations, before tax	−578	−16
Deferred taxes relating to exchange differences on translating foreign operations	–	–
Exchange differences on translating foreign operations, net of tax	−578	−16
Hedging		
Fair value changes recognized in other comprehensive income (OCI I)	91	−18
Transferred to profit or loss (OCI I)	−102	10
Cash flow hedges (OCI I), before tax	−11	−8
Deferred taxes relating to cash flow hedges (OCI I)	2	1
Cash flow hedges (OCI I), net of tax	−9	−6
Fair value changes recognized in other comprehensive income (OCI II)	0	0
Transferred to profit or loss (OCI II)	0	–
Cash flow hedges (OCI II), before tax	0	0
Deferred taxes relating to cash flow hedges (OCI II)	0	0
Cash flow hedges (OCI II), net of tax	0	0
Fair value valuation of securities and receivables (debt instruments) that may be reclassified to profit or loss		
Fair value changes recognized in other comprehensive income	−1	5
Transferred to profit or loss	0	1
Fair value valuation of securities and receivables (debt instruments) that may be reclassified to profit or loss, before tax	0	6
Deferred taxes relating to fair value valuation of securities and receivables (debt instruments) recognized in other comprehensive income	0	−2
Fair value valuation of securities and receivables (debt instruments) that may be reclassified to profit or loss, net of tax	0	4
Share of other comprehensive income of equity-accounted investments that may be reclassified to profit or loss, net of tax	−36	5
Items that may be reclassified to profit or loss	**−623**	**−13**
Other comprehensive income, before tax	−631	−112
Deferred taxes relating to other comprehensive income	3	29
Other comprehensive income, net of tax	**−628**	**−83**
Total comprehensive income	**−247**	**211**
Profit/loss after tax attributable to noncontrolling interests	0	0
Total comprehensive income attributable to Volkswagen AG	−247	211

Balance Sheet
of the Volkswagen Financial Services AG Group

€ million	Note	June 30, 2020	Dec. 31, 2019	Change in percent
Assets				
Cash reserve		48	106	– 54.7
Loans to and receivables from banks		5,633	2,477	X
Loans to and receivables from customers attributable to				
Retail financing		18,779	20,712	– 9.3
Dealer financing		4,522	5,413	–16.5
Leasing business		38,757	39,951	– 3.0
Other loans and receivables		12,938	13,119	– 1.4
Total loans to and receivables from customers		74,996	79,195	– 5.3
Derivative financial instruments		937	736	27.3
Marketable securities		298	305	– 2.3
Equity-accounted joint ventures		712	737	– 3.4
Miscellaneous financial assets		613	591	3.7
Intangible assets	2	83	91	– 8.8
Property and equipment	2	508	498	2.0
Lease assets	2	23,792	22,776	4.5
Investment property		16	17	– 5.9
Deferred tax assets		1,396	1,513	– 7.7
Current tax assets		180	125	44.0
Other assets		3,192	3,276	– 2.6
Total		**112,405**	**112,444**	**0.0**

€ million	Note	June 30, 2020	Dec. 31, 2019	Change in percent
Equity and liabilities				
Liabilities to banks		13,424	14,472	– 7.2
Liabilities to customers		15,439	15,740	– 1.9
Notes, commercial paper issued		62,718	60,943	2.9
Derivative financial instruments		387	427	– 9.4
Provisions for pensions and other post-employment benefits		513	505	1.6
Underwriting provisions and other provisions		882	940	– 6.2
Deferred tax liabilities		648	655	– 1.1
Current tax liabilities		320	373	– 14.2
Other liabilities		1,479	1,413	4.7
Subordinated capital		4,670	4,947	– 5.6
Equity		11,926	12,029	– 0.9
Subscribed capital		441	441	–
Capital reserves		3,216	3,216	–
Retained earnings		9,747	9,228	5.6
Other reserves		–1,481	–859	72.4
Equity attributable to noncontrolling interests		2	2	–
Total		**112,405**	**112,444**	**0.0**

Statement of Changes in Equity of the Volkswagen Financial Services AG Group

				OTHER RESERVES						
					Hedging transactions					
€ million	Subscribed capital	Capital reserves	Retained earnings	Currency translation	Cash flow hedges (OCI I)	Deferred hedging costs (OCI II)	Equity and debt instruments	Equity-accounted investments	Non-controlling interests	**Total equity**
Balance as of Jan. 1, 2019	**441**	**1,600**	**6,812**	**−759**	**3**	**–**	**1**	**−84**	**2**	**8,016**
Profit after tax	–	–	294	–	–	–	–	–	0	294
Other comprehensive income, net of tax	–	–	−70	−16	−6	0	4	5	0	−83
Total comprehensive income	**–**	**–**	**224**	**−16**	**−6**	**0**	**4**	**5**	**0**	**211**
Changes due to contribution in kind by the shareholder Volkswagen AG	–	348	2,062	−48	0	0	–	–	–	2,361
Capital increases	–	1,000	–	–	–	–	–	–	–	1,000
Distribution of net retained profits	–	–	−1,000	–	–	–	–	–	–	−1,000
Other changes[1]	–	–	67	–	–	–	–	–	–	67
Balance as of June 30, 2019	**441**	**2,947**	**8,165**	**−823**	**−4**	**0**	**5**	**−79**	**2**	**10,654**
Balance as of Jan. 1, 2020	**441**	**3,216**	**9,228**	**−772**	**−5**	**0**	**1**	**−82**	**2**	**12,029**
Profit after tax	–	–	381	–	–	–	–	–	0	381
Other comprehensive income, net of tax	–	–	−5	−577	−9	0	0	−36	0	−628
Total comprehensive income	**–**	**–**	**376**	**−577**	**−9**	**0**	**0**	**−36**	**0**	**−247**
Capital increases	–	–	–	–	–	–	–	–	–	–
Other changes[2]	–	–	144	–	–	–	–	–	–	144
Balance as of June 30, 2019	**441**	**3,216**	**9,747**	**−1,350**	**−13**	**0**	**1**	**−119**	**2**	**11,926**

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

2 Includes German GAAP (HGB) profit/loss attributable to Volkswagen AG in the event of loss absorption/profit transfer, effects of full consilidation of Volkswagen Financial Services Ireland Ltd., Dublin, Volkswagen Insurance Services, Correduria de Seguros, S.L., El Prat de Llobregat, and Volkswagen Financial Services Polska Sp. z o.o., Warsaw, as well as the difference of the purchase of the Irish business portfolio

Cash Flow Statement
of the Volkswagen Financial Services AG Group

€ million	Jan. 1 – June 30, 2020	Jan. 1 – June 30, 2019
Profit before tax[1]	**542**	**418**
Depreciation, amortization, impairment losses and reversals of impairment losses	2,343	1,631
Change in provisions	– 9	95
Change in other noncash items	261	– 27
Gain/loss on disposal of financial assets and items of property and equipment	0	0
Net interest expense and dividend income	– 1,210	– 1,024
Other adjustments	0	3
Change in loans to and receivables from banks	– 3,253	– 2,940
Change in loans to and receivables from customers	2,275	– 899
Change in lease assets	– 3,501	– 2,968
Change in other assets related to operating activities	24	28
Change in liabilities to banks	– 271	190
Change in liabilities to customers	– 115	– 3,185
Change in notes, commercial paper issued	3,090	7,937
Change in other liabilities related to operating activities	19	– 11
Interest received	1,874	1,657
Dividends received	1	5
Interest paid	– 666	– 638
Income taxes paid	– 208	– 314
Cash flows from operating activities	**1,196**	**– 42**
Proceeds from disposal of investment property	1	–
Acquisition of investment property	–	–
Proceeds from disposal of subsidiaries and joint ventures	0	0
Acquisition of subsidiaries and joint ventures	– 1,380	– 32
Proceeds from disposal of other assets	5	5
Acquisition of other assets	– 26	– 23
Change in investments in marketable securities	– 5	– 14
Cash flows from investing activities	**– 1,405**	**– 64**
Proceeds from changes in capital	–	1,000
Distribution to Volkswagen AG	–	– 1,000
Loss assumed by Volkswagen AG	268	149
Change in cash funds attributable to subordinated capital	– 99	– 42
Repayment of lease liabilities[2]	– 13	– 9
Cash flows from financing activities	**156**	**98**
Cash and cash equivalents at end of prior period	**106**	**54**
Cash flows from operating activities	1,196	– 42
Cash flows from investing activities	– 1,405	– 64
Cash flows from financing activities	156	98
Effect of exchange rate changes	– 5	4
Cash and cash equivalents at end of period	**48**	**50**

1 For the presentation of cash flows from operating activities the profit before tax will now be used. Prior year figures have been adjusted.
2 Separate presentation of outflows from lessees for repayment of the liabilities arising from leasing contracts. Prior year figures have been adjusted.

See note (6) for disclosures on the cash flow statement.

Notes to the Interim Consolidated Financial Statements

of the Volkswagen Financial Services AG Group as of June 30, 2020

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 Presentation

VW FS AG prepared its consolidated financial statements for the year ended December 31, 2019 in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC) as well as in accordance with the additional disclosures required by German commercial law under section 315a(1) of the Handelsgesetzbuch (HGB – German Commercial Code). These interim consolidated financial statements for the period ended June 30, 2020 have therefore also been prepared in accordance with IAS 34 and represent a condensed version compared with the full consolidated financial statements. No review of these interim financial statements has been carried out by an auditor.

Unless otherwise stated, amounts are shown in millions of euros (€ million). All amounts shown are rounded, so minor discrepancies may arise when amounts are added together.

Accounting Policies

VW FS AG has applied all financial reporting standards adopted by the EU which are subject to mandatory application starting January 1, 2020.

The discount rate applied to German pension provisions reported in these interim consolidated financial statements was 1.1% (December 31, 2019: 1.1%).

The income tax expense for the interim consolidated financial statements has been calculated in accordance with IAS 34 (Interim Financial Reporting) using the average tax rate anticipated for the entire fiscal year.

Otherwise, the same consolidation methods and accounting policies as those applied in the 2019 consolidated financial statements have generally been used in the preparation of the interim consolidated financial statements and the calculation of the prior-year comparative figures. A detailed description of these methods and policies was published in the notes to the consolidated financial statements in the 2019 Annual Report.

In addition, the effects of new standards were described in detail under “New and Revised IFRSs Not Applied”. The 2019 Consolidated Financial Statements can also be accessed on the Internet at www.vwfs.com/arvwfsag19.

The preparation of the half-yearly consolidated financial statements requires management to make certain estimates and assumptions that affect the recognition and measurement of assets, liabilities, income and expenses, and disclosures relating to contingent assets and liabilities for the reporting period. As future business performance is subject to unknown factors that, in part, lie outside the control of the Group, assumptions and estimates are subject to uncertainty. In particular, the global spread of coronavirus (SARS-CoV-2) is leading to heightened uncertainty because it is having a substantially adverse impact throughout society and in all areas of economic life. Furthermore, the consequences for the further growth in individual national economies and in the global economy as a whole cannot be reliably projected at present. For further information in this regard please refer to the details in the Report on Economic Position and the Report on Opportunities and Risks in the Interim Management Report.

Changes in residual values continue to be very closely monitored because of their importance in relation to the recoverable amounts of lease assets, which particularly depend on the residual value of the lease vehicles at the end of the lease term. An appropriate provision is continuing to be recognized for the existing portfolio on the basis of a regular portfolio assessment and monthly reviews. Targeted measures in coordination with the Group brands are helping to stabilize residual values.

As regards the recoverability of financial assets, targeted measures such as the deferral of payments and assistance for the dealer organization provided jointly with the Group brands are offsetting some of the impact from a slight overall deterioration in the credit risk situation.

Impairment tests carried out in the previous year were reviewed in the first half of fiscal year 2020 to assess whether there had been any further impairment of goodwill or of joint ventures classified as material. The VW FS AG Group is currently assuming that the pandemic is a temporary event that will not have a permanent negative effect on the long-term performance of the Group and therefore adjusted the planning years 2020 and 2021 in line with current expectations for the purposes of the tests. In addition, cost of capital rates were updated for the first half of fiscal year 2020 and individual measurement parameters were adjusted. Overall, the tests did not give rise to any requirement for the recognition of additional impairment losses in respect of the assets referred to above.

Basis of Consolidation

In addition to VW FS AG, the consolidated financial statements cover all significant German and non-German subsidiaries, including structured entities, controlled directly or indirectly by VW FS AG. This is the case if VW FS AG has 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 has the ability to use its power to influence those returns.

The following subsidiaries, which had not previously been consolidated for reasons of materiality, were consolidated in the reporting period:

> Volkswagen Financial Services Ireland Ltd., Dublin
> Volkswagen Insurance Services, Correduria de Seguros, S.L., El Prat de Llobregat
> Volkswagen Financial Services Polska Sp. z o.o., Warsaw

As of March 31, 2020, Volkswagen Financial Services Ireland Ltd., Dublin, acquired the Irish business portfolio (a business within the meaning of IFRS 3) of Volkswagen Bank GmbH, Ireland Branch, Dublin, for a purchase price of €1,328 million. The portfolio primarily consists of finance lease and dealer financing business. As the transactions were under the common control of Volkswagen AG, the transferred assets and liabilities were measured using the existing group carrying amounts on the date of initial recognition (known as predecessor accounting). The difference between the acquired assets and liabilities and the purchase price amounted to €89 million and was recognized in equity.

The breakdown of the carrying amounts of the assets and liabilities on the acquisition date was as follows:

Mio. €	IFRS carrying amounts on the date of initial recognition
Loans to and receivables from customers attributable to	1,244
Dealer financing	185
Leasing business	1,039
Other loans and receivables	20
Other assets	3
Total assets	**1,247**
Liabilities to customers	6
Current tax liabilities	2
Total liabilities	**8**
Net assets	**1,239**

As part of an internal restructuring of the leasing business in Poland, the entire portfolio of the Warsaw branch of Volkswagen Leasing GmbH, Braunschweig, was spun off in May 2020 and transferred to Volkswagen Leasing Polen GmbH, Braunschweig, by way of a capital contribution in kind. Volkswagen Leasing Polen GmbH was then merged into Volkswagen Financial Services Polska Sp. z o.o., Warsaw, Poland.

In June 2020, VW FS AG acquired all the shares in the start-up business Voya GmbH, Hamburg, from a consortium of investors. Voya is one of the leading providers of state-of-the-art business travel management. The entity is not consolidated for reasons of materiality.

In February 2020, VW FS AG acquired 26% of the shares in Glinicke Leasing GmbH, Kassel. The company has now been renamed Digital Mobility Leasing GmbH. For reasons of materiality, the 26% equity investment in this associate is not accounted for using the equity method.

Interim Consolidated Financial Statements Disclosures

1. General and Administrative Expenses

€ million	Jan. 1 – June 30, 2020	Jan. 1 – June 30, 2019
Personnel expenses	–452	–401
Non-staff operating expenses	–539	–550
Advertising, public relations and sales promotion expenses	–19	–17
Depreciation of and impairment losses on property and equipment, amortization of and impairment losses on intangible assets	–38	–30
Other taxes	–4	–3
Income from the reversal of provisions and accrued liabilities	45	5
Total	**–1,008**	**–997**

2. Changes in Selected Assets

€ million	Net carrying amount as of January 1, 2020	Basis of consolidation additions/changes	Disposals/other changes	Depr./amort./impairment	Net carrying amount as of June 30, 2020
Intangible assets	91	10	–7	10	83
Property and equipment	498	53	–15	28	508
Lease assets	22,776	7,722	–4,487	2,219	23,792

3. Classes of Financial Instruments

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

> Measured at fair value
> Measured at amortized cost
> Derivative financial instruments designated as hedges
> Not allocated to any measurement category
> Credit commitments and financial guarantees (off-balance-sheet)

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

€ million	BALANCE SHEET ITEM		MEASURED AT FAIR VALUE		MEASURED AT AMORTIZED COST[1]		DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGES		NOT ALLOCATED TO ANY MEASUREMENT CATEGORY	
	June 30, 2020	Dec. 31, 2019	June 30, 2020	Dec. 31, 2019	June 30, 2020	Dec. 31, 2019	June 30, 2020	Dec. 31, 2019	June 30, 2020	Dec. 31, 2019
Assets										
Cash reserve	48	106	–	–	48	106	–	–	–	–
Loans to and receivables from banks	5,633	2,477	12	34	5,621	2,443	–	–	–	–
Loans to and receivables from customers	74,996	79,195	295	310	35,929	38,921	–	–	38,771	39,965
Derivative financial instruments	937	736	121	125	–	–	816	611	–	–
Marketable securities	298	305	298	305	–	–	–	–	–	–
Equity-accounted joint ventures	712	737	–	–	–	–	–	–	712	737
Miscellaneous financial assets	613	591	2	2	–	–	–	–	611	588
Current tax assets	180	125	–	–	22	20	–	–	159	105
Other assets	3,192	3,276	–	–	839	963	–	–	2,353	2,313
Total	**86,609**	**87,548**	**728**	**776**	**42,459**	**42,453**	**816**	**611**	**42,606**	**43,708**
Equity and liabilities										
Liabilities to banks	13,424	14,472	–	–	13,424	14,472	–	–	–	–
Liabilities to customers	15,439	15,740	–	–	13,735	14,367	–	–	1,704	1,373
Notes, commercial paper issued	62,718	60,943	–	–	62,718	60,943	–	–	–	–
Derivative financial instruments	387	427	218	313	–	–	169	114	–	–
Current tax liabilities	320	373	–	–	54	60	–	–	266	314
Other liabilities	1,479	1,413	–	–	109	98	–	–	1,370	1,315
Subordinated capital	4,670	4,947	–	–	4,670	4,947	–	–	–	–
Total	**98,436**	**98,315**	**218**	**313**	**94,709**	**94,887**	**169**	**114**	**3,340**	**3,002**

1 Some of the loans to and receivables from customers and liabilities to customers have been designated as hedged items in fair value hedges and are therefore subject to fair value adjustments. The loans to and receivables from customers and liabilities to customers in the class "Measured at amortized cost" are therefore measured neither entirely at fair value nor entirely at amortized cost.

The "Credit commitments and financial guarantees" class contains obligations under irrevocable credit commitments and financial guarantees amounting to €1,281 million (previous year: €1,266 million).

4. Fair Value Disclosures

The principles and methods of fair value measurement have generally remained unchanged compared with those applied in 2019. Detailed disclosures on the measurement principles and methods can be found in the 2019 Annual Report.

For the purposes of fair value measurement and the associated disclosures, fair values are classified using a three-level measurement hierarchy. Classification to the individual levels is dictated by the extent to which the main inputs used in determining the fair value are or are not observable in the market.

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

Level 2 fair values are measured on the basis of inputs observable in the markets, such as exchange rates or yield curves, using market-based valuation techniques. Fair values measured in this way include those for derivatives.

Level 3 fair values are measured using valuation techniques incorporating at least one input that is not directly observable in an active market.

The fair values of loans to and receivables from banks and of loans to and receivables from customers are allocated to Level 3 because these fair values are measured using inputs that are not observable in active markets. An equity investment measured at fair value through other comprehensive income and using inputs that are not observable in the market is also reported under Level 3.

The fair value of derivative financial instruments in connection with the risk of early termination is also allocated to Level 3. Inputs for determining the fair value of derivatives in connection with the risk of early termination are forecasts and estimates of used vehicle residual values for the models concerned as well as yield curves.

The following table shows the allocation of financial instruments measured at fair value and derivative financial instruments designated as hedges to the three-level fair value hierarchy by class:

	LEVEL 1		LEVEL 2		LEVEL 3	
€ million	June 30, 2020	Dec. 31, 2019	June 30, 2020	Dec. 31, 2019	June 30, 2020	Dec. 31, 2019
Assets						
Measured at fair value						
Loans to and receivables from banks	–	–	–	–	12	34
Loans to and receivables from customers	–	–	–	–	295	310
Derivative financial instruments	–	–	121	125	–	–
Marketable securities	226	305	72	–	–	–
Miscellaneous financial assets	–	–	–	–	2	2
Derivative financial instruments designated as hedges	–	–	816	611	–	–
Total	**226**	**305**	**1,008**	**736**	**309**	**346**
Equity and liabilities						
Measured at fair value						
Derivative financial instruments	–	–	72	145	146	168
Derivative financial instruments designated as hedges	–	–	169	114	–	–
Total	**–**	**–**	**241**	**259**	**146**	**168**

The following table shows the changes in the loans to and receivables from banks, loans to and receivables from customers, and equity investments measured at fair value and allocated to Level 3.

€ million	Jan. 1 – June 30, 2020	Jan. 1 – June 30, 2019
Balance as of Jan. 1	**346**	**363**
Foreign exchange differences	–7	0
Changes in basis of consolidation	–	–
Portfolio changes	–31	1
Measured at fair value through profit or loss	0	2
Measured at fair value through other comprehensive income	–	–
Balance as of June 30	**309**	**366**

The amounts recognized in profit or loss for loans to and receivables from banks and for loans to and receivables from customers resulting in a net gain of €0 million (previous year: net gain €2 million) have been reported in the income statement under the item "Net gain or loss on financial instruments measured at fair value and on derecognition of financial assets measured at fair value through other comprehensive income". Of the amounts recognized in profit or loss, a net gain of €0 million (previous year: net gain of €2 million) was attributable to loans to and receivables from banks and loans to and receivables from customers held as of the reporting date.

The risk variables relevant to the fair value of the loans to and receivables from banks and the loans to and receivables from customers are risk-adjusted interest rates. A sensitivity analysis is used to quantify the impact from changes in risk-adjusted interest rates on profit or loss after tax.

If risk-adjusted interest rates as of June 30, 2020 had been 100 basis points higher, profit after tax would have been €2 million (previous year: €2 million) lower. If risk-adjusted interest rates as of June 30, 2020 had been 100 basis points lower, profit after tax would have been €2 million (previous year: €2 million) higher.

The risk variables relevant to the fair value of the equity investment are the growth rate within strategic planning and the cost of equity rates. If a 10% change were applied to the financial performance (which takes into account the relevant risk variables) of the equity investment measured at fair value through other comprehensive income, there would be no material change to equity.

The following table shows the change in derivatives measured at fair value in connection with the risk of early termination based on Level 3 measurement.

€ million	Jan. 1 – June 30, 2020	Jan. 1 – June 30, 2019
Balance as of Jan. 1	**168**	**–**
Foreign exchange differences	–12	–8
Changes in basis of consolidation	–	168
Portfolio changes	–	–
Measured at fair value through profit or loss	–10	10
Measured at fair value through other comprehensive income	–	–
Balance as of June 30	**146**	**170**

The amounts recognized in profit or loss resulting in a net loss of €10 million (previous year: net gain of €10 million) have been reported in the income statement under the item "Net gain or loss on financial instruments measured at fair value and on derecognition of financial assets measured at fair value through other comprehensive income". The net gain was accounted for entirely by derivatives held as of the reporting date.

The risk of early termination can arise from country-specific consumer protection legislation, under which customers may have the right to return used vehicles for which a lease has been signed. The impact on earnings arising from market-related fluctuations in residual values and interest rates is borne by the VW FS AG Group.

The market prices of used vehicles are the main risk variable applied to the fair value of derivatives recognized in connection with the risk of early termination. A sensitivity analysis is used to quantify the impact of changes in used vehicle prices on profit or loss after tax. If the used vehicle prices of the vehicles included in the derivatives in connection with the risk of early termination had been 10% higher as of the reporting date, profit after tax would have been €96 million (previous year: €90 million) higher. If the used vehicle prices of the vehicles included in the derivatives in connection with the risk of early termination had been 10% lower as of the reporting date, profit after tax would have been €120 million (previous year: €118 million) lower.

The table below shows the fair values of the financial instruments.

€ million	FAIR VALUE		CARRYING AMOUNT		DIFFERENCE	
	June 30, 2020	Dec. 31, 2019	June 30, 2020	Dec. 31, 2019	June 30, 2020	Dec. 31, 2019
Assets						
Measured at fair value						
Loans to and receivables from banks	12	34	12	34	–	–
Loans to and receivables from customers	295	310	295	310	–	–
Derivative financial instruments	121	125	121	125	–	–
Marketable securities	298	305	298	305	–	–
Miscellaneous financial assets	2	2	2	2	–	–
Measured at amortized cost						
Cash reserve	48	106	48	106	–	–
Loans to and receivables from banks	5,623	2,445	5,621	2,443	2	2
Loans to and receivables from customers	36,138	39,034	35,929	38,921	209	113
Current tax assets	22	20	22	20	–	–
Other assets	839	963	839	963	–	–
Derivative financial instruments designated as hedges	816	611	816	611	–	–
Not allocated to any measurement category						
Lease receivables	39,268	40,973	38,757	39,951	511	1,021
Equity and liabilities						
Measured at fair value						
Derivative financial instruments	218	313	218	313	–	–
Measured at amortized cost						
Liabilities to banks	13,401	14,421	13,424	14,472	–23	–51
Liabilities to customers	13,676	14,384	13,735	14,367	–59	18
Notes, commercial paper issued	62,709	61,027	62,718	60,943	–9	83
Current tax liabilities	54	60	54	60	–	–
Other liabilities	109	98	109	98	0	0
Subordinated capital	3,890	4,435	4,670	4,947	–779	–512
Derivative financial instruments designated as hedges	169	114	169	114	–	–

The difference between the carrying amount and fair value of irrevocable credit commitments is not material because of the short maturity and the variable interest rate linked to the market interest rate. Nor is the difference between carrying amount and fair value of financial guarantees material.

Segment Reporting

5. Segment Reporting

The delineation between segments follows that used for internal management and reporting purposes in the VW FS AG Group. The operating result is reported as the primary key performance indicator to the chief operating decision-makers. The information made available to management for management purposes is based on the same accounting policies as those used for external financial reporting.

Internal management applies a market-based geographical breakdown. Foreign branches of German subsidiaries are allocated to the markets in which they are based. The geographical markets of Germany, the United Kingdom, Sweden, China, Brazil and Mexico are the segments that are reportable under IFRS 8. Subsidiaries in the VW FS AG Group are aggregated within these segments. In line with internal reporting practice, the German market is composed of companies in Germany and Austria. All other companies that can be allocated to geographical markets are brought together under “Other Segments”.

Companies that are not allocated to any geographical market are reported in the reconciliation. The reconciliation also includes the VW FS AG holding company, the holding and financing companies in the Netherlands, France and Belgium, EURO Leasing companies in Germany, Denmark and Poland, Volim Volkswagen Immobilien Vermietgesellschaft für VW-/Audi-Händlerbetriebe mbH, Volkswagen Insurance Brokers GmbH and Volkswagen Versicherung AG. In the internal reporting structure, this presentation ensures that there is a separation between market activities on one side and typical holding company or financing functions, industry business, primary insurance business and reinsurance business on the other side. Effects from consolidation between the segments and from the provision for country risks are additionally included in the reconciliation.

All business transactions between the segments – where such transactions take place – are conducted on an arm’s-length basis.

In accordance with IFRS 8, noncurrent assets are reported exclusive of financial instruments, deferred tax assets, post-employment benefits and rights under insurance contracts.

BREAKDOWN BY GEOGRAPHICAL MARKET FOR THE FIRST HALF OF 2019:

	JAN. 1 – JUNE 30, 2019								
€ million	Germany	China	United Kingdom	Mexico	Brazil	Other segments	Segments total	Reconciliation	Group
Interest income from lending transactions and marketable securities in respect of third parties	4	361	2	147	256	232	1,002	41	1,043
Income from leasing transactions with third parties	4,025	–	643	143	7	657	5,474	67	5,541
of which reversal of impairment losses in accordance with IAS 36	38	–	15	–	0	13	66	–	66
Intersegment income from leasing transactions	–	–	–	–	–	–	–	–	–
Depreciation, impairment losses and other expenses from leasing transactions	−3,626	–	−379	−85	−3	−531	−4,623	−63	−4,686
of which impairment losses in accordance with IAS 36	−91	–	–	0	0	−30	−121	0	−121
Net income from leasing transactions	399	–	264	58	4	126	851	4	855
Interest expense	−68	−138	−78	−86	−112	−135	−618	−21	−638
Income from service contracts with third parties	612	–	35	–	1	134	782	12	794
Intersegment income from service contracts	–	–	–	–	–	–	–	–	–
Income from insurance business with third parties	–	–	–	–	–	–	–	159	159
Intersegment income from insurance business	–	–	–	–	–	–	–	–	–
Fee and commission income from third parties	81	–	1	28	37	48	195	12	206
Intersegment fee and commission income	–	–	–	–	–	–	–	–	–
Other amortization, depreciation and impairment losses	−1	−3	−1	0	−3	−10	−18	−12	−30
Operating result	**143**	**97**	**73**	**54**	**57**	**83**	**505**	**−136**	**369**

The Swedish geographical market was not a part of the VW FS AG Group until the second half of the 2019 fiscal year. Therefore the market is not included in the table covering the previous year.

BREAKDOWN BY GEOGRAPHICAL MARKET FOR THE FIRST HALF OF 2020:

	JAN. 1 – JUNE 30, 2020									
€ million	Germany	China	United Kingdom	Sweden	Mexico	Brazil	Other segments	Segments total	Recon-ciliation	Group
Interest income from lending transactions and marketable securities in respect of third parties	6	394	4	15	112	220	233	984	11	994
Income from leasing transactions with third parties	4,391	–	1,103	1,326	107	4	1,035	7,966	73	8,040
of which reversal of impairment losses in accordance with IAS 36	12	–	0	0	0	0	18	32	0	32
Intersegment income from leasing transactions	–	–	–	–	–	–	1	1	−1	–
Depreciation, impairment losses and other expenses from leasing transactions	−4,188	–	−626	−1,276	−59	−2	−880	−7,031	−55	−7,086
of which impairment losses in accordance with IAS 36	−210	–	−23	0	−1	0	−56	−289	0	−289
Net income from leasing transactions	203	–	477	50	48	1	156	936	17	953
Interest expense	−96	−133	−154	−10	−65	−81	−131	−670	5	−665
Income from service contracts with third parties	702	–	62	–	–	0	218	983	11	994
Intersegment income from service contracts	–	–	–	–	–	–	–	–	–	–
Income from insurance business with third parties	–	–	–	–	–	–	–	–	177	177
Intersegment income from insurance business	–	–	–	–	–	–	–	–	–	–
Fee and commission income from third parties	64	–	3	2	24	29	104	227	22	249
Intersegment fee and commission income	–	–	–	–	–	–	–	–	–	–
Other amortization, depreciation and impairment losses	−1	−5	−2	0	0	−2	−15	−25	−13	−38
Operating result	**−11**	**79**	**220**	**31**	**67**	**73**	**129**	**589**	**−61**	**528**

Information on the main products (lending and leasing business) can be taken directly from the income statement.

The breakdown of noncurrent assets in accordance with IFRS 8 and of the additions to noncurrent lease assets by geographical market is shown in the following tables:

	JAN. 1 – JUNE 30, 2019				
€ million	Germany	China	United Kingdom	Mexico	Brazil
Noncurrent assets	12,267	24	3,099	45	269
Additions to lease assets classified as noncurrent assets	3,114	–	345	2	0

	JAN. 1 – JUNE 30, 2020					
€ million	Germany	China	United Kingdom	Sweden	Mexico	Brazil
Noncurrent assets	13,300	23	2,776	1,278	34	200
Additions to lease assets classified as noncurrent assets	3,762	–	443	247	1	–

Investment recognized under other assets was of minor significance.

The following table shows the reconciliation to consolidated revenue, consolidated operating result and consolidated profit before tax.

€ million	Jan. 1 – June 30, 2020	Jan. 1 – June 30, 2019
Segment revenue	**10,159**	**7,453**
Other companies	287	213
Consolidation	–169	–82
Group revenue	**10,277**	**7,585**
Segment profit or loss (operating result)	**589**	**505**
Other companies	–46	–116
Contribution to operating profit by included companies	–21	–12
Consolidation	6	–9
Operating result	**528**	**369**
Share of profits and losses of equity-accounted joint ventures	23	26
Net gain or loss on miscellaneous financial assets	–6	30
Other financial gains or losses	–3	–6
Profit before tax	**542**	**418**

Other Disclosures

6. Cash Flow Statement

VW FS AG Group'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.

7. Off-Balance-Sheet Liabilities

CONTINGENT LIABILITIES

The contingent liabilities of €275 million (December 31, 2019: €374 million) relate largely to legal disputes concerning tax matters in which the criteria for the recognition of a provision in accordance with IAS 37 was not satisfied. After an analysis of the individual cases covered by the contingent liabilities, it is believed that the disclosure of further detailed information on individual proceedings, legal disputes and legal risks could seriously prejudice the course of those proceedings.

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 €268 million (December 31, 2019: €419 million).

OTHER FINANCIAL OBLIGATIONS

€ million	DUE 2020	DUE 2021 – 2024	DUE from 2025	TOTAL Dec. 31, 2019
Purchase commitments in respect of				
property and equipment	10	–	–	10
intangible assets	2	–	–	2
investment property	–	–	–	–
Obligations from				
irrevocable credit and leasing commitments to customers	369	–	–	369
long-term leasing and rental contracts	6	1	1	8
Miscellaneous financial obligations	48	1	–	49

€ million	DUE by June 30, 2021	DUE July 1, 2021 – June 30, 2025	DUE from July 1, 2025	TOTAL June 30, 2020
Purchase commitments in respect of				
property and equipment	4	–	–	4
intangible assets	1	–	–	1
investment property	–	–	–	–
Obligations from				
irrevocable credit and leasing commitments to customers	428	–	–	428
long-term leasing and rental contracts	13	16	1	29
Miscellaneous financial obligations	49	0	–	49

In the case of irrevocable credit commitments, the Company expects the customers to draw down the facilities concerned.

8. Related Party Disclosures

Related parties as defined by IAS 24 are natural persons and entities that VW FS AG has control over or over which it has significant influence, or natural persons and entities that have control over or can exercise significant influence over VW FS AG, or who are under the influence of another related party of VW FS AG.

Volkswagen AG, Wolfsburg, is the sole shareholder of VW FS AG. Porsche Automobil Holding SE, Stuttgart, held the majority of the voting rights in Volkswagen AG as of the reporting date. The Extraordinary General Meeting of Volkswagen AG held on December 3, 2009 approved the creation of rights of appointment for the State of Lower Saxony. As a result, Porsche SE can no longer appoint a majority of the members of Volkswagen AG's Supervisory Board for as long as the State of Lower Saxony holds at least 15% of Volkswagen AG's ordinary shares. However, Porsche SE has the power to participate in the operating policy decisions of the Volkswagen Group and is therefore deemed to be a related party as defined by IAS 24. According to a notification dated January 2, 2020, the State of Lower Saxony and Hannoversche Beteiligungsgesellschaft mbH, Hanover, held 20.00% of the voting rights in Volkswagen AG on December 31, 2019. They therefore indirectly have significant influence over the VW FS AG Group. As mentioned above, the General Meeting of Volkswagen AG on December 3, 2009 also resolved that the State of Lower Saxony may appoint two members of the Supervisory Board (right of appointment).

VW FS AG and its sole shareholder Volkswagen AG have a control and profit-and-loss transfer agreement.

Volkswagen AG and other related parties in Volkswagen AG's group of consolidated entities provide the entities in the VW FS AG Group with funding on an arm's-length basis. As part of funding transactions, Volkswagen AG and other related parties in Volkswagen AG's group of consolidated entities sold vehicles to entities in the VW FS AG Group on an arm's-length basis. These transactions are presented in the "Goods and services received" column. Volkswagen AG and its subsidiaries have also furnished collateral for the benefit of VW FS AG within the scope of the operating business.

The "Goods and services provided" column primarily contains income from leasing transactions.

The business transactions with unconsolidated subsidiaries and joint ventures of VW FS AG mainly relate to the provision of funding and services. These transactions are always conducted on an arm's-length basis, e.g. when using the cost plus method for the provision of services.

The two tables below show the transactions with related parties. In these tables, the exchange rates used are the closing rate for asset and liability items, and the weighted average rates for the year for income statement items.

€ million	Interest income H1 2020	Interest income H1 2019	Interest expense H1 2020	Interest expense H1 2019	Goods and services provided H1 2020	Goods and services provided H1 2019	Goods and services received H1 2020	Goods and services received H1 2019
Supervisory Board	–	–	–	–	0	–	–	–
Board of Management	–	–	–	–	–	–	–	–
Volkswagen AG	1	1	−12	−8	621	405	3,604	4,734
Porsche SE	–	–	–	–	0	0	–	–
Other related parties in the consolidated entities[1]	36	45	−89	−67	1,609	1,053	4,834	1,689
Non-consolidated subsidiaries	1	3	−1	−1	11	52	26	31
Joint ventures	29	51	–	–	210	210	234	216
Associated companies[1]	–	–	–	–	0	1	–	–

1 Separate presentation of associated companies. Prior year figures have been adjusted.

€ million	Loans to and receivables from June 30, 2020	Loans to and receivables from Dec. 31, 2019	Valuation allowances on impaired loans and receivables June 30, 2020	Valuation allowances on impaired loans and receivables Dec. 31, 2019	Of which additions in current year June 30, 2020	Of which additions in current year Dec. 31, 2019	Liabilities to June 30, 2020	Liabilities to Dec. 31, 2019
Supervisory Board	–	–	–	–	–	–	–	–
Board of Management	–	–	–	–	–	–	–	–
Volkswagen AG	3,422	3,241	–	–	–	–	8,525	8,523
Porsche SE	0	0	–	–	–	–	–	–
Other related parties in the consolidated entities	8,226	6,409	–	–	–	–	10,348	10,685
Non-consolidated subsidiaries	194	226	–	–	–	–	218	193
Joint ventures	6,007	6,054	–	–	–	–	237	170
Associated companies[1]	–	–	–	–	–	–	–	–

1 Separate presentation of associated companies.

The "Other related parties in the consolidated entities" line includes, in addition to sister entities, joint ventures and associates that are related parties in Volkswagen AG's group of consolidated entities. The relationships with the Supervisory Board and the Board of Management comprise relationships with the relevant groups of people at VW FS AG and the Group parent company Volkswagen AG. As in the prior year, relationships with pension plans and the State of Lower Saxony were of lesser significance.

In the first half of 2020, VW FS AG received no capital contributions from Volkswagen AG (previous year: €1,348 million). However, VW FS AG and its subsidiaries provided capital contributions to related parties of €88 million (previous year: €27 million).
Members of the Board of Management and Supervisory Board of VW FS AG are also members of management and supervisory boards of other entities in the Volkswagen Group with which VW FS AG sometimes conduct transactions in the normal course of business. All transactions with these related parties are on an arm's-length basis.

In the first half of 2020, standard short-term bank loans amounting to an average total of €170 million (December 31, 2019: €138 million) were granted to related parties as part of dealer financing.

9. Governing Bodies of Volkswagen Financial Services AG

Effective March 1, 2020, Mr. Alexander Seitz was appointed to the Supervisory Board of Volkswagen Financial Services AG. Mr. Hans-Joachim Rothenpieler stepped down from the Supervisory Board on February 29, 2020.

Ms. Christiane Hesse is resigning from the Board of Management effective July 31, 2020. Dr. Alexandra Baum-Ceisig has been appointed as a member of the Board of Management of Volkswagen Financial Services AG as the successor to Christiane Hesse with effect from August 1, 2020.

10. Events After the Balance Sheet Date

There were no significant events in the period between June 30, 2020 and July 24, 2020.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the condensed interim consolidated financial statements in accordance with generally accepted accounting principles give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, 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 over the rest of the fiscal year.

Braunschweig, July 24, 2020

Volkswagen Financial Services AG
The Board of Management

Lars Henner Santelmann

Dr. Mario Daberkow

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Christiane Hesse

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This half-yearly financial report is also available in German at www.vwfs.com/hjfb20

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