VOLKSWAGEN FINANCIAL SERVICES

AKTIENGESELLSCHAFT

HALF-YEARLY FINANCIAL REPORT

JANUARY – JUNE

2022

INTERIM MANAGEMENT REPORT

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED)

Key Figures

VOLKSWAGEN FINANCIAL SERVICES AG

€ million	June 30, 2022	Dec. 31, 2021
Total assets	127,602	124,590
Loans to and receivables from customers attributable to		
Retail financing	23,787	22,903
Dealer financing	4,648	3,868
Leasing business	40,331	40,901
Lease assets	33,244	32,066
Equity	16,174	14,433

€ million	H1 2022	H1 2021
Operating result[1]	1,744	1,002
Profit before tax[1]	1,749	977

Percent	June 30, 2022	Dec. 31, 2021
Equity ratio[2]	12.7	11.6

Headcount	June 30, 2022	Dec. 31, 2021
Employees	10,897	11,021
Germany	5,886	5,901
International	5,011	5,120

1 Prior-year figures restated.
2 Equity divided by total assets

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+	stable	P-2	A3	stable

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 fiscal year.

Report on Economic Position

GLOBAL SPREAD OF CORONAVIRUS (SARS-COV-2)

The global spread of the Omicron variant of coronavirus (SARS-CoV-2) continued to have a substantial impact on social and economic life in the reporting period in some regions. In China in particular, local infection outbreaks during the first half of 2022 led to tight restrictions under the zero-Covid strategy being pursued there, resulting in economic damage and disruption to international supply chains.

RUSSIA-UKRAINE CONFLICT

In the first six months of 2022, the Russia-Ukraine conflict led to a humanitarian crisis and global market upheaval. Prices rose substantially, particularly on energy and commodity markets. Parts supply shortages, especially for wire harnesses, also intensified in this context. The Russia-Ukraine conflict led to increased uncertainty in respect of developments in the global economy and prompted large sections of the community of Western states to impose sanctions on Russia ranging from extensive trade embargoes to the exclusion of Russia from the global financial system.

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

New business declined around the globe in the first half of 2022 and was down on the prior-year level due to low vehicle deliveries, attributable most notably to semiconductor supply shortages.

In the first six months of 2022, Volkswagen Financial Services AG moderately increased its business volume compared with the position at the end of 2021, largely as a result of growth in Germany and 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 26.3 (27.3)% at the end of the first half of the year.

Net income from leasing transactions improved substantially, the uptrend in Germany being the main contributing factor.

Funding costs were substantially above the prior-year level. Based on higher business volume, this was attributable to higher interest rates and funding spreads. Due to the current market situation of rising interest rates, derivatives entered into for economic interest rate hedging led to substantial measurement gains in the reporting period.

The volume of loans and receivables increased moderately in the first half of fiscal year 2022. The provision for credit risks was raised substantially to take account of credit risks that have arisen from crisis situations and the resulting uncertainty about the global geopolitical situation.

The residual value portfolio also expanded moderately, although residual value risks decreased significantly repeatedly. In this context, the provision was adjusted accordingly. All developments continue to be closely monitored.

Overall, the operating result substantially exceeded the corresponding prior-year figure as a result of the changes described above.

The Board of Management of Volkswagen Financial Services AG considers the business to have performed well in the year to date.

CHANGES IN EQUITY INVESTMENTS

The following material changes in equity investments have occurred:

Effective March 21, 2022, Volkswagen Finance Overseas B.V., Amsterdam, Netherlands, a wholly owned subsidiary of Volkswagen Financial Services AG, and ICARE S.A. Boulogne-Billancourt, France, a wholly owned subsidiary of BNP Paribas Cardif S.A., Paris, France, established STAYMO S.A.S., Boulogne-Billancourt, France. Volkswagen Finance Overseas B.V. holds 51% and ICARE S.A. 49% of the shares in the joint venture, which provides service and maintenance.

Effective April 8, 2022, Volkswagen Financial Services AG, Braunschweig, sold 74.9% of the shares in Volkswagen Payments S.A., Luxembourg, a wholly owned subsidiary of Volkswagen Financial Services AG to J.P. Morgan International Finance Limited, Delaware, USA.

Effective April 30, 2022, Simple Way Locação e Serviços S.A., Curitiba, Brazil, an indirect wholly owned subsidiary of Volkswagen Financial Services AG, acquired a total of 60% of the shares in LM Transportes Interestaduais Serviços e Comércio S.A., Salvador, Brazil through share purchase, capital increases, merger, and contribution in kind in several intermediate steps. Through this equity investment, Volkswagen Financial Services AG is further expanding its fleet business globally in order to continue to benefit from the great growth potential in Brazil in the future.

GENERAL ECONOMIC DEVELOPMENT

The Russia-Ukraine conflict led to increased uncertainty in respect of developments in the global economy and prompted large sections of the community of Western states to impose sanctions on Russia ranging from extensive trade embargoes to the exclusion of Russia from the global financial system. The resulting higher commodity prices and supply shortages are reinforcing the threat of persistently high inflation.

In the first half of 2022, the restrictive measures put in place to protect the population from the SARS-CoV-2 virus were lifted to a large extent in many countries. The progress made by many countries in administering vaccines to their populations had a positive effect, while the emergence of the new Omicron variant and its subvariants led to renewed sharp rises in infections on a national scale, mostly causing milder symptoms but increased rates of sick leave.

Following the slump in global economic output in 2020 and the incipient recovery due to base and catch-up effects in 2021, economic growth in both the advanced economies and the emerging markets remained on course for recovery on average, albeit with diminishing momentum. At national level, developments in the reporting period depended on the one hand on the scale of the negative impact of the Covid-19 pandemic and the intensity with which measures were taken to contain it, and on the other on the extent to which national economies were affected by the consequences of the Russia-Ukraine conflict. In response to the further rise of inflation rates around the world, many countries shifted to a more restrictive monetary policy, which led central banks to increase their key interest rates and reduce bond purchases during the reporting period. The resulting recession fears caused major losses on key stock markets in the first half of the year. On average, prices for energy and many other commodities rose significantly year-on-year and shortages of intermediates and commodities remained high. Global trade in goods increased in the reporting period.

The economy in Western Europe recorded positive year-on-year growth in the reporting period, albeit with slowing momentum. This trend was seen in almost all countries in Northern and Southern Europe. The reasons for this included increased economic resilience in the face of high infection rates in many countries, and the associated easing of the measures taken to contain the pandemic.

At the same time, national inflation rates rose significantly during the first half of the year and adversely affected consumer sentiment.

Germany registered positive economic growth during the reporting period. Compared with the same period of the prior year, unemployment fell on average, and the number of employees affected by *Kurzarbeit* (short-time working) decreased further from the high levels seen in the previous years. Meanwhile, monthly inflation rates reached their highest levels since reunification.

Altogether, the economies in Central and Eastern Europe still showed an increase in real absolute gross domestic product (GDP) in the first three months of this year versus the same period in 2021. While Central Europe's economic output expanded at a positive, albeit less vigorous pace in the second quarter, GDP declined in the region as a whole as a result of the Russia-Ukraine conflict. The sanctions imposed against Russia had a substantial impact in this region beginning in March, so Russian economic output already decreased significantly in the second quarter. In both regions, inflation rates rose significantly.

In the reporting period, Turkey's economy achieved an overall robust but weaker rate of growth in GDP compared to the previous year, amid very high inflation and depreciation of the local currency. South Africa recorded only a slightly positive change in GDP amid persistent structural deficits and political challenges.

GDP in the USA increased year-on-year in the first six months of 2022, but the pace of growth weakened over the final quarters. Given rising inflation and the tight labor market, the US Federal Reserve continued its restrictive monetary policy, raising its key interest rate three times in the first half of 2022. Unemployment declined further in the reporting period from the previous year's high level. In Canada and Mexico, economic output was also higher than in the same period of 2021.

Brazil's economy grew only modestly in the reporting period in conjunction with rising consumer prices. Argentina saw a recovery in economic output amid very high inflation and the continued collapse of the currency.

At the beginning of the Covid-19 pandemic, China was already exposed to the negative effects at an earlier stage than other economies and, due to the zero-Covid strategy pursued there, benefited from a relatively low number of new infections as the pandemic progressed. This strategy resulted in temporary local lockdowns in connection with the spread of the Omicron variant. Chinese economic output rose in the reporting period, though with slowing momentum. India registered positive economic growth on the whole. Japan recorded a positive albeit low GDP growth rate compared with the same period of the previous year.

TRENDS IN THE MARKETS FOR FINANCIAL SERVICES

Demand for automotive financial services was buoyant in the first half of 2022 due, among other things, to the persistently low key interest rates in the main currency areas. Nevertheless, the Covid-19 pandemic and the vehicle availability, which continued to be limited due to parts supply shortages, put pressure on the demand for financial services in almost all regions.

The European passenger car market was still affected in the reporting period by parts supply shortages; vehicle deliveries were down on the prior-year period. By contrast, the share of financial services products in the new vehicle business developed positively and exceeded the 2021 figure. The main drivers of this development were mix effects in the private customer business, which lends itself particularly to financing, and an increased share of leasing contracts in the fleet business. The positive trend in the financing of used vehicles continued in the first half of 2022; particularly sales of after-sales products such as servicing, maintenance and spare parts agreements were increased. Financial services activities in Russia were negatively affected by the Russia-Ukraine conflict and the impact of the international sanctions.

In Germany, faltering parts supply in production continued to have a significantly negative effect on the delivery situation and the financial services business. As a result, the number of new contracts for new vehicle leases and new vehicle financing were below the prior-year figures. However, the penetration rate remained at a high level. New contracts for used vehicles were in a similar range as in the previous year. The number of new maintenance and tire service agreements declined in the reporting period compared with the prior-year period. In the insurance business, the number of new contracts was slightly lower than a year earlier.

In South Africa, the demand for financing and insurance products for new and used cars remained cautious in the first half of 2022, supported by coordinated campaigns which, however, were reduced due to a limited vehicle availability. In view of currently increasing inflation rates, the South African central bank has begun raising interest rates.

In the North America region, financed vehicle purchases remained difficult overall in light of the subdued economy, increasing energy prices and the resulting pressure on disposable income. Vehicle deliveries in the first half of 2022 were down on the prior-year level due to parts supply shortages. The US and Canadian markets saw declining demand for leasing and financing contracts because of interest rate hikes. In the Mexican market, the percentage of new leasing and financing contracts remained on a level with the previous year and new contracts for after-sales products were up year-on-year.

In the South America region, excess demand for vehicles in a volatile environment – exacerbated in Argentina by restrictions on imports – and the interest rate level kept the number of cash sales high. In Brazil, there was a significant increase in the number of new financing contracts.

In the Chinese market, parts supply shortages and local restrictions due to the pandemic resulted in lower sales of passenger cars. This resulted in a reduction in both the proportion of credit-financed vehicle purchases and the growth in new contracts. The comparative prior-year figures were not reached in the reporting period.

In the first half of 2022, the financial services business in the market for heavy commercial vehicles was slightly up on the prior-year level, also affecting financing and leasing contracts in Europe and Brazil.

TRENDS IN THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES

Between January and June 2022, the volume of the passenger car market worldwide significantly declined year-on-year (–10.1%), impacted primarily by bottlenecks and disruption in the global supply chains as a consequence of the semiconductor shortage, the coronavirus pandemic and the repercussions of the Russia-Ukraine conflict. Only the overall market of the Africa region posted an increase; all other sales regions were affected by losses. The Western Europe and North America regions recorded a considerably weaker sales volume. The South America and Asia-Pacific regions saw a below-average decline in new registrations, while the number of new registrations in the Middle East region was at the level of the previous year. Sales volume fell very sharply in Central and Eastern Europe.

The global volume of new registrations of light commercial vehicles between January and June 2022 was distinctly lower than the prior-year level.

In Western Europe, the number of new registrations of passenger cars in the reporting period fell significantly short of the prior-year level. Parts supply shortages, especially for semiconductors, and the resulting limited vehicle availability led to a decline in new registrations in the first half of 2022 with uneven rates of change in all major individual markets; the passenger car market in Italy lost more than 20% of its volume, thus recording the highest loss ahead of France, Spain and the UK.

In the first six months of 2022, the volume of new registrations of light commercial vehicles in Western Europe was significantly lower than the prior-year figure.

New passenger car registrations in Germany between January and June 2022 were also significantly down on the figure for the first six months of the previous year. The prior-year figure was already comparatively low at the beginning of 2021 owing to the expiry of the – temporary – reduction in value-added tax at the end of 2020. In particular, the deterioration in the supply situation as a result of the lack of intermediates continued to have a dampening effect.

The volume of new registrations of light commercial vehicles in Germany in the reporting period was significantly lower than in the same period of 2021.

In the Central and Eastern Europe region, the passenger car market volume in the reporting period showed a very sharp drop on the prior-year level. Here, sales differed from market to market. The biggest decrease in absolute terms by a considerable margin was registered in the Russian market. This was mainly due to the Russia-Ukraine conflict and associated sanctions, which led to heavy limitations on production and sales of vehicles in Russia.

Registration volumes for light commercial vehicles in Central and Eastern Europe declined sharply year-on-year. Russia even saw a very sharp decline in the number of vehicles sold in the months from January to June 2022 compared with the prior-year figure.

In Turkey, the volume of the passenger car market was significantly down on the previous year's level in the reporting period. The market decline seen since 2021 therefore continued in the first half of 2022. In South Africa, the number of passenger cars sold in the first six months of 2022 rose sharply on the very weak figure recorded in the same period of the previous year.

Between January and June 2022, sales of light commercial vehicles declined significantly year-on-year in Turkey and were slightly down in South Africa.

Sales of passenger cars and light commercial vehicles (up to 6.35 tonnes) in the North America region fell significantly in the reporting period against the comparable prior-year figure. Within the region, the market volume in the USA declined the most, both in absolute terms and in relative terms compared with the prior-year level. The drop affected both the passenger car segment and light commercial vehicles. In the Canadian automotive market, sales figures also decreased significantly in the period from January to June 2022. In Mexico, the number of vehicles sold was on a level with the previous year.

In South America, the overall volume of new registrations for passenger cars and light commercial vehicles in the first six months of 2022 was slightly lower than the prior-year level. Brazil registered a significant decline in new registrations, while the number of vehicles sold in Argentina almost reached the comparable prior-year figure.

The percentage decline in new passenger car registrations in the Asia-Pacific region in the reporting period was smaller than in most other regions. The volume of sales in the Chinese market was distinctly down on the same period of the previous year. The development of passenger car sales was hit by limited vehicle availability due to parts supply shortages, especially for semiconductors, and local lockdowns in connection with the spread of the Omicron variant of the SARS-CoV-2 virus. Sales in the Indian passenger car market trended upward in the period from January to June 2022 and were significantly higher than the figure for the prior-year period. However, in Japan, new passenger car registrations decreased significantly in the reporting period against the comparable prior-year figure.

There was a slight year-on-year decline in the volume of new registrations of light commercial vehicles in the Asia-Pacific region. Registration volumes in China, the region's dominant market and the largest market worldwide, tapered off distinctly compared with the period one year earlier. The number of new vehicle registrations in India was sharply up on the prior-year level; in Japan this figure was moderately lower than the previous year's level.

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

Since July 1, 2021, Navistar has been a TRATON GROUP brand, making it part of the Volkswagen Group's Commercial Vehicles Business Area. This has broadened the relevant markets in the commercial vehicles business, both for trucks and for the school bus segment, which expanded to include North America (consisting of USA, Canada and Mexico).

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 slightly lower in the reporting period than in the prior year. Truck markets globally were much weaker than in the previous year, which was primarily due to the fall in demand on the Chinese market as a result of the zero-Covid strategy in place there.

Demand in the 27 EU states excluding Malta, but plus the United Kingdom, Norway and Switzerland (EU27+3), was down slightly on the previous year's level in the first six months of 2022. This decline is attributable to limited availability of vehicles as a result of parts supply shortages. The Russian market increased significantly at the beginning of the first quarter. No updated registration data is available at present. Turkey recorded a distinct decline in new registrations compared with the previous year. In the South African market, by contrast, demand was up noticeably. The truck market in North America is divided into weight classes 1 to 8. In the segments relevant for Volkswagen – Class 6 to 8 (8.85 tonnes or heavier) – new registrations were slightly lower than the previous year's figure. In Brazil, the largest market in the South America region, demand for trucks in the first half of 2022 was on a level with the previous year.

In the first six months of 2022, there was a moderate rise in demand overall in the bus markets that are relevant for the Volkswagen Group compared with the same period of the prior year. Demand for buses in the EU27+3 markets in the reporting period was distinctly higher than the weak level of the previous year, with the picture varying from country to country. The school bus segment in North America was roughly on a level with the prior year. Demand for buses in Mexico was significantly higher than in the previous year, while it was slightly below the prior-year figure in Brazil.

FINANCIAL PERFORMANCE

The disclosures on financial performance relate to the changes compared with the corresponding period in 2021.

Volkswagen Financial Services AG's entities performed well in the first half of 2022.

The operating result improved substantially, by 74.1%, to €1.744 (1.002) million year-on-year.
Interest income from lending transactions and marketable securities was noticeably above the prior-year level at €1,120 million (+9.4%).

Net income from leasing transactions rose by 60.4% year-on-year to €2,267 (1.413) million as a consequence of the rise in business volume and improved remarketing performance.

Interest expenses were substantially above the prior-year level at – €807 million (+36.1%) as a result of higher interest rates and funding spreads.

Net income from service contracts amounted to €134 (117) million and was significantly above the prior-year figure.

Net income from insurance business, on the other hand, was lower than in the prior-year period at €75 million (–9.6%).

The provision for credit risks of €453 (127) million was substantially above the prior-year level. Credit risks to which the Volkswagen Financial Services AG Group is exposed as a result of various critical situations (Russia-Ukraine conflict and the related uncertainty over the global geopolitical situation, the post-Brexit period, economic crises) in Russia, the United Kingdom, Brazil, Mexico and the Republic of Korea were accounted for by recognizing valuation allowances. These increased by €311 million to €831 million in the first half of 2022.

The net fee and commission income amounted to – €6 (55) million, substantially below the prior-year level.
The net gain/loss on financial instruments measured at fair value and on derecognition of financial assets measured at fair value through other comprehensive income amounted to €648 (31) million. The substantial year-on-year rise is attributable to the current market situation of rising interest rates, which have had a positive impact on derivatives entered into for economic interest rate hedging.

General and administrative expenses exceeded the prior-year period's level noticeably and stood at €1,275 million (+6.1%).

Net other operating income was substantially below the prior-year period at €63 million (–69.3%), 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 €33 (–11) million. The prior-year period included non-recurring expenses of – €43 million attributable to exchange differences on translating foreign operations previously recognized in other comprehensive income that were reclassified in connection with the sale of a joint venture in Turkey.

The other financial result of €–28 (–9) million and the other components of profit or loss led to profit after tax for the Volkswagen Financial Services AG Group of €1,335 million, which represented a year-on-year increase (+92.1%).

The German companies continued to account for the highest business volumes with 30.5% of all current 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, 2021.

LENDING BUSINESS

The total assets of Volkswagen Financial Services AG rose by €3.0 to €127.6 billion.

At €115.8 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 91% of the Group's total assets.

The volume of retail financing lending rose by €0.9 billion to €23.8 billion (+3.9%), primarily as a consequence of exchange rate effects.

The number of new contracts was 452 thousand (– 20.8% compared with the figure for the first half of 2021). The volume of current contracts declined to 2,648 thousand contracts (–2.9% compared with the figure for December 31, 2021).

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 – increased to €4.6 billion (+20.2%).

Receivables from leasing transactions were slightly below the prior-year level at €40.3 billion (–1.4%). Lease assets recorded growth of €1.2 billion to €33.2 billion (+3.7%).

A total of 637 thousand new leases were entered into in the reporting period, a decrease on the figure for the first half of 2021 (–13.3%). The number of leased vehicles as of June 30, 2022, was 3,701 thousand, a year-on-year increase of 1.7%. As in previous years, the largest contribution came from Volkswagen Leasing GmbH, which had a contract portfolio of 1,791 (1,734) thousand lease vehicles.

The number of service and insurance contracts as of June 30, 2022 was 9,604 (9,410) thousand. The total of 1,667 thousand new contracts was below the figure for the first half of 2021 (–5.4%).

KEY FIGURES BY SEGMENT AS OF JUNE 30, 2022

in thousands	Germany	United Kingdom	Sweden	China	Brazil	Mexico	Other companies[1]	VW FS AG Group
Current contracts	**4,864**	**2,109**	**653**	**1,267**	**636**	**524**	**5,901**	**15,953**
Retail financing	3	8	87	1,266	361	162	761	2,648
of which: consolidated	3	8	87	1,266	361	162	424	2,311
Leasing business	1,709	908	140	1	42	48	853	3,701
of which: consolidated	1,708	908	140	–	–	48	546	3,350
Service/insurance	3,152	1,193	426	–	233	313	4,287	9,604
of which: consolidated	3,152	1,151	234	–	176	313	2,641	7,667
New contracts	**751**	**519**	**94**	**221**	**124**	**99**	**949**	**2,756**
Retail financing	1	2	16	221	62	27	124	452
of which: consolidated	1	2	16	221	62	27	68	396
Leasing business	290	172	18	0	15	9	133	637
of which: consolidated	289	172	18	–	8	9	87	583
Service/insurance	460	345	61	–	47	63	692	1,667
of which: consolidated	460	341	35	–	39	63	428	1,365
€ million								
Loans to and receivables from customers attributable to								
Retail financing	–	207	1,004	10,937	4,139	1,122	6,379	23,787
Dealer financing	9	0	162	986	509	289	2,692	4,648
Leasing business	18,025	16,153	1,114	1	5	486	4,547	40,331
Lease assets	22,658	3,035	1,851	0	0	82	5,619	33,244
Investment[2]	4,312	477	332	–	–	5	1,241	6,365
Operating result	1,001	621	68	178	10	80	–214	1,744
Percent								
Penetration[3]	58.9%	50.8%	52.3%	12.8%	45.9%	46.3%	20.8%	26.3%
of which: consolidated	58.9%	50.8%	52.3%	12.8%	41.3%	46.3%	13.2%	24.1%

1 The Other Companies segment covers the following markets: Australia, Belgium, the Czech Republic, France, India, Ireland, Italy, Japan, Korea, Luxembourg, Poland, Portugal, Russia and Spain. 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 and the Netherlands, the EURO-Leasing companies in Denmark and Germany, Volkswagen Insurance Brokers GmbH, Volkswagen Versicherung AG, Volim Volkswagen Immobilien Vermietgesellschaft für VW-/Audi-Händlerbetriebe mbH and consolidation effects.
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 €16.4 billion (+18.4%), liabilities to customers amounting to €22.4 billion (+14.7%) and notes and commercial paper issued amounting to €63.1 billion (–7.6%).

Equity

The subscribed capital remained unchanged at €441 million in the reporting period. Equity in accordance with IFRS was €16.2 (14.4) billion. This resulted in an equity ratio of 12.7% based on total assets of €127.6 billion.

Report on Opportunities and Risks

The Board of Management of Volkswagen Financial Services AG anticipates that deliveries to Volkswagen Group customers will be noticeably up on the previous year in 2022 despite ongoing challenging market conditions, assuming that the Covid-19 pandemic does not worsen again and the supply problems affecting intermediate products and commodities improve. The 2022 fiscal year will continue to be affected by shortfalls in supply due to the structural shortage of semiconductors. It is anticipated that the supply of semiconductors will improve in the second half of the year, compared with the first half.

At present, global economic growth depends in particular on future developments in the Russia-Ukraine conflict and Western sanctions imposed in this context, as well as the effects on the energy market. Additional pressure on the global economy can arise from the inflation and interest rate trend as well as from shortages in global supply chains.

This tense macroeconomic environment could also give rise to opportunities for Volkswagen Financial Services AG if actual trends turn out to be better than the forecast.

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.

Volkswagen Financial Services AG expects to be presented with opportunities arising from the digitalization of its business. The aim is to make all key products also available online around the world and to expand the Company's role as the Volkswagen Group's central mobility platform provider, thereby enabling it to enhance efficiency. By expanding digital sales channels, Volkswagen Financial Services AG is promoting direct sales to complement its dealership business. Changing customer needs are thus addressed and the competitive position of Volkswagen Financial Services AG reinforced.

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 2021 Annual Report.

Human Resources Report

Volkswagen Financial Services AG had 10,608 active employees worldwide as of June 30, 2022. In addition to the active workforce, Volkswagen Financial Services AG had 162 vocational trainees and 127 employees who had reached the passive phase of their partial retirement agreements. The total number of employees at Volkswagen Financial Services AG as of June 30, 2022 was therefore 10,897. Currently, 5,886 people are employed in Germany.

Owing to economic considerations, 235 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

Our planning is based on the assumption that global economic output will continue to grow in 2022, albeit at a lower level overall, after the recovery observed in the past fiscal year – provided that the Covid-19 pandemic does not flare up and that shortages of intermediates and commodities become less intense. We believe that risks will arise from protectionist tendencies, turbulence in the financial markets, structural deficits in individual countries and the effects of high inflation and rising interest rates worldwide on the economy. In addition, growth prospects will be negatively impacted by ongoing geopolitical tensions and conflicts, with risks arising especially from the Russia-Ukraine conflict, including in relation to the security of supply of energy resources in Europe. We anticipate that both the advanced economies and the emerging markets will experience declining yet positive momentum.

We predict that trends in the markets for passenger cars in the individual regions will be mixed in 2022. Overall, the global volume of new vehicle sales is expected to be on a par with the previous year without reaching the pre-pandemic level. This prediction assumes that the Covid-19 pandemic does not flare up and that shortages of intermediates, especially semiconductors, and commodities become less intense. For 2022, we anticipate that the volume of new passenger car registrations in Western Europe will be in the same range as the previous year's figure. In the German passenger car market, we expect the volume of new registrations in 2022 to also match the prior-year figure. We expect a very sharp drop in the sales of passenger cars in Central and Eastern Europe in 2022 compared to the prior year, due in particular to the slump in the Russian market as a consequence of the sanctions imposed. Sales volume in the markets for passenger cars and light commercial vehicles (up to 6.35 tonnes) in North America in 2022 is forecast to be at the previous year's level. We anticipate a moderate slight increase overall in new registrations in the South American markets in 2022 compared with the previous year. The passenger car markets in the Asia-Pacific region are also expected to be slightly up on the prior-year level in 2022.

Trends in the markets for light commercial vehicles in the individual regions will also be mixed; on the whole, we anticipate a sales volume for 2022 in the range of the previous year. This assumes that the Covid-19 pandemic does not flare up and that shortages of intermediates, especially semiconductors, and commodities become less intense.

For 2022, we expect an overall slightly positive development in new registrations for mid-sized and heavy trucks with a gross weight of more than six tonnes compared with the previous year, with variations from region to region, in the markets that are relevant for the Volkswagen Group. A distinct increase in overall demand, with regional variations, is expected for 2022 in the bus markets relevant for the Volkswagen Group.

We anticipate that automotive financial services will continue to prove highly important to global vehicle sales in 2022, particularly in light of the continuing challenges resulting from the Covid-19 pandemic, semiconductor supply shortages and the ongoing Russia-Ukraine conflict.

Forecasting the interest rate risk at Group level is only possible to a limited extent. As a result of the current crises, interest rates are rising across the main financial markets. In the eurozone too, we expect volatile interest rates on an upward trend. Interest rate risk is monitored continuously. Potential changes in interest rates are simulated if necessary to determine their effect on profits.

Risks will continue to arise first and foremost from the consequences of the Russia-Ukraine conflict and other geopolitical tensions. These conflicts are having a severely adverse effect on the global growth outlook. The current rises in prices, primarily for energy and other commodities, and the bottlenecks in global supply chains will also remain the biggest challenges going forward.

The other types of risk are continuously monitored, particularly in light of current economic and political developments.

It is anticipated that new business will perform better in the second half of the year than in the first as a result of higher vehicle deliveries.

The penetration rate will probably be slightly above the prior-year figure. New contracts and business volume are expected to rise noticeably year-on-year. The volume of current contracts at the end of the year will be moderately higher than the prior-year volume.

Fiscal year 2021 was impacted by considerable one-time effects from factors such as remarketing performance. By contrast, business is expected to normalize again in the second half of 2022 as vehicle deliveries rise. Overall, therefore, the operating result for fiscal year 2022 is expected to be noticeably lower than in the previous year.

The forecast earnings performance and stable capital adequacy will probably result in a return on equity in 2022 that is substantially below the previous year's level. It is likely that there will be a significant year-on-year rise in the cost/income ratio in 2022.

This report contains forward-looking statements on the future business development of Volkswagen Financial Services AG. These statements are based on assumptions relating to changes in the economic, political and legal environment in individual countries, economic regions and markets, in particular for financial services and the automotive industry; these assumptions have been made on the basis of the information available and Volkswagen Financial Services AG currently considers them to be realistic. The estimates given entail a degree of risk, and the actual developments may differ from those forecast. If material parameters relating to key sales markets vary from the assumptions, or material changes arise from the exchange rates, energy supply, commodities or supply of parts relevant to the Volkswagen Group, or the actual impact of the Covid-19 pandemic deviates from the scenario assumed in this report, the performance of the business will be affected accordingly. In addition, expected business performance may vary if the key performance indicators and risks and opportunities presented in the 2021 Annual Report turn out to be different from 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, 2022	Jan. 1 – June 30, 2021 restated[1]	Change in percent
Interest income from lending transactions and marketable securities		1,120	1,024	9.4
Income from leasing transactions		10,647	9,892	7.6
Depreciation, impairment losses and other expenses from leasing transactions		–8,380	–8,479	–1.2
Net income from leasing transactions		2,267	1,413	60.4
Interest expense		–807	–593	36.1
Income from service contracts		1,188	1,046	13.6
Expenses from service contracts		–1,054	–929	13.5
Net income from service contracts		134	117	14.5
Income from insurance transactions		143	178	–19.7
Expenses from insurance transactions		–68	–96	–29.2
Net income from insurance business		75	83	–9.6
Provision for credit risks		–453	–127	X
Fee and commission income		263	310	–15.2
Fee and commission expenses		–269	–255	5.5
Net fee and commission income		–6	55	X
Net gain or loss on hedges		–21	–3	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		648	31	X
General and administrative expenses	1	–1,275	–1,202	6.1
Other operating income		463	833	–44.4
Other operating expenses		–400	–628	–36.3
Net other operating income/expenses		63	205	–69.3
Operating result		**1,744**	**1,002**	**74.1**
Share of profits and losses of equity-accounted joint ventures		33	–11	X
Net gain/loss on miscellaneous financial assets		–1	–5	–80.0
Other financial gains or losses		–28	–9	X
Profit before tax		**1,749**	**977**	**79.0**
Income tax expense		–414	–282	46.8
Profit after tax		**1,335**	**695**	**92.1**
Profit after tax attributable to noncontrolling interests		0	0	0.0
Profit after tax attributable to Volkswagen AG		1,335	695	92.1
German GAAP profit/loss attributable to Volkswagen AG in the event of loss absorption/profit transfer.		–296	–537	–44.9

1 Prior-year figures restated as described in the disclosures set out in the Changes to Prior-Year Figures section relating to the following: corrected accounting treatment of buyback transactions, corrections to reverse the application of portfolio fair value hedge accounting and corrected reporting of investment property.

Statement of Comprehensive Income of the Volkswagen Financial Services AG Group

€ million	Jan. 1 – June 30, 2022	Jan. 1 – June 30, 2022 restated[1]
Profit after tax	**1,335**	**695**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	299	81
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	–89	–24
Pension plan remeasurements recognized in other comprehensive income, net of tax	209	57
Fair value valuation of 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	**209**	**57**
Exchange differences on translating foreign operations		
Gains/losses on currency translation recognized in other comprehensive income	327	286
Transferred to profit or loss	–	–
Exchange differences on translating foreign operations, before tax	327	286
Deferred taxes relating to exchange differences on translating foreign operations	–	–
Exchange differences on translating foreign operations, net of tax	327	286
Hedging transactions		
Fair value changes recognized in other comprehensive income (OCI I)	67	–30
Transferred to profit or loss (OCI I)	–45	36
Cash flow hedges (OCI I), before tax	22	6
Deferred taxes relating to cash flow hedges (OCI I)	–10	–1
Cash flow hedges (OCI I), net of tax	12	5
Fair value changes recognized in other comprehensive income (OCI II)	–	0
Transferred to profit or loss (OCI II)	–	0
Cash flow hedges (OCI II), before tax	–	0
Deferred taxes relating to cash flow hedges (OCI II)	–	0
Cash flow hedges (OCI II), net of tax	–	0
Fair value valuation of debt instruments that may be reclassified to profit or loss		
Fair value changes recognized in other comprehensive income	–15	–2
Transferred to profit or loss	0	0
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax	–15	–2
Deferred taxes relating to fair value valuation of debt instruments that may be reclassified to profit and loss	5	0
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax	–11	–1
Share of other comprehensive income of equity-accounted investments that may be reclassified to profit or loss, net of tax	–20	46
Items that may be reclassified to profit or loss	**309**	**336**
Other comprehensive income, before tax	613	418
Deferred taxes relating to other comprehensive income	–95	–25
Other comprehensive income, net of tax	**518**	**393**
Total comprehensive income	**1,853**	**1,088**
Total comprehensive income attributable to noncontrolling interests	1	0
Total comprehensive income attributable to Volkswagen AG	1,851	1,088

1 Prior-year figures restated as described in the disclosures set out in the Changes to Prior-Year Figures section relating to the following: corrected accounting treatment of buyback transactions and corrections to reverse the application of portfolio fair value hedge accounting.

Balance Sheet
of the Volkswagen Financial Services AG Group

€ million	Note	June 30, 2022	Dec. 31, 2021	Change in percent
Assets				
Cash reserve		515	33	X
Loans to and receivables from banks		3,548	5,066	–30.0
Loans to and receivables from customers attributable to				
Retail financing		23,787	22,903	3.9
Dealer financing		4,648	3,868	20.2
Leasing business		40,331	40,901	–1.4
Other loans and receivables		13,838	12,625	9.6
Total loans to and receivables from customers		82,604	80,297	2.9
Derivative financial instruments		1,316	586	X
Marketable securities		281	320	–12.2
Equity-accounted joint ventures		755	787	–4.1
Miscellaneous financial assets		678	674	0.6
Intangible assets	2	119	113	5.3
Property and equipment	2	386	410	–5.9
Lease assets	2	33,244	32,066	3.7
Investment property		74	76	–2.6
Deferred tax assets		1,547	1,641	–5.7
Current tax assets		255	147	73,5
Other assets		2,281	2,374	–3.9
Total		**127,602**	**124,590**	**2.4**

€ million	Note	June 30, 2022	Dec. 31, 2021	Change in percent
Equity and liabilities				
Liabilities to banks		16,424	13,873	18.4
Liabilities to customers		22,411	19,539	14.7
Notes, commercial paper issued		63,090	68,311	–7.6
Derivative financial instruments		1,769	532	X
Provisions for pensions and other post-employment benefits		250	530	–52.8
Underwriting provisions and other provisions		767	785	–2.3
Deferred tax liabilities		799	708	12.9
Current tax liabilities		703	603	16.6
Other liabilities		2,290	2,305	–0.7
Subordinated capital		2,925	2,971	–1.5
Equity		16,174	14,433	12.1
Subscribed capital		441	441	–
Capital reserves		2,816	2,816	–
Retained earnings		13,580	12,148	11.8
Other reserves		–667	–975	–31.6
Equity attributable to noncontrolling interests		3	2	61.07
Total		**127,602**	**124,590**	**2.4**

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, 2021 before corrections	**441**	**3,216**	**10,568**	**–1,355**	**–10**	**0**	**5**	**–106**	**2**	**12,760**
Adjustments due to the corrected accounting treatment of buyback transactions and corrections from the reversal of the application of portfolio fair value hedge accounting[3]	–	–	–7	1	–	–	–	–	–	–6
Balance as of Jan. 1, 2021 after corrections	**441**	**3,216**	**10,561**	**–1,354**	**–10**	**0**	**5**	**–106**	**2**	**12,755**
Profit after tax[3]	–	–	695	–	–	–	–	–	0	695
Other comprehensive income, net of tax	–	–	57	286	5	0	–1	46	0	393
Total comprehensive income[3]	**–**	**–**	**752**	**286**	**5**	**0**	**–1**	**46**	**0**	**1,088**
Capital increases	–	–	–	–	–	–	–	–	–	–
Other changes[1]	–	–	593	–27	–	–	–	0	–	566
As of June 30, 2021[3]	**441**	**3,216**	**11,907**	**–1,095**	**–5**	**–**	**4**	**–61**	**2**	**14,409**
As of Jan. 1, 2022	**441**	**2,816**	**12,148**	**–908**	**9**	**–**	**2**	**–77**	**2**	**14,433**
Profit after tax	–	–	1,335	–	–	–	–	–	0	1,335
Other comprehensive income, net of tax	–	–	209	326	12	–	–11	–20	1	518
Total comprehensive income	**–**	**–**	**1,544**	**326**	**12**	**–**	**–11**	**–20**	**1**	**1,853**
Capital increases	–	–	–	–	–	–	–	–	–	–
Other changes[2]	–	–	–113	–	–	–	–	–	–	–113
As of June 30, 2022	**441**	**2,816**	**13,580**	**–582**	**21**	**–**	**–9**	**–97**	**3**	**16,174**

1 Includes German GAAP (HGB) profit/loss attributable to Volkswagen AG in the event of loss absorption/profit transfer and effects of full consolidation of OOO Volkswagen Financial Services RUS, Moscow.

2 Includes German GAAP (HGB) profit/loss attributable to Volkswagen AG in the event of loss absorption/profit transfer and effects of full consolidation of Volkswagen Mobility Services S.p.A., Bozen.

3 Prior-year figures restated as described in the disclosures set out in the Changes to Prior-Year Figures section relating to the following: corrected accounting treatment of buyback transactions and corrections to reverse the application of portfolio fair value hedge accounting.

Cash Flow Statement
of the Volkswagen Financial Services AG Group

€ million	Jan. 1 – June 30, 2022	Jan. 1 – June 30, 2021 restated[1]
Profit before tax	**1,749**	**977**
Depreciation, amortization, impairment losses and reversals of impairment losses	2,617	2,284
Change in provisions	–318	–97
Change in other noncash items	1,089	–27
Loss on disposal of financial assets and items of property and equipment	1	–1
Net interest expense and dividend income	–1,211	–1,339
Other adjustments	0	0
Change in loans to and receivables from banks	1,564	–618
Change in loans to and receivables from customers	–1,499	–1,630
Change in lease assets	–3,650	–5,317
Change in other assets related to operating activities	136	234
Change in liabilities to banks	2,010	–305
Change in liabilities to customers	3,538	–757
Change in notes, commercial paper issued	–5,280	5,191
Change in other liabilities related to operating activities	–42	375
Interest received	2,017	1,931
Dividends received	2	2
Interest paid	–807	–593
Income taxes paid	–301	–293
Cash flows from operating activities	**1,616**	**18**
Proceeds from disposal of investment property	–	–
Acquisition of investment property	–	0
Proceeds from disposal of subsidiaries and joint ventures	33	14
Acquisition of subsidiaries and joint ventures	–54	–102
Proceeds from disposal of other assets	10	3
Acquisition of other assets	–20	–15
Change in investments in marketable securities	20	–4
Cash flows from investing activities	**–12**	**–104**
Proceeds from changes in capital	–400	–
Distribution to Volkswagen AG	–771	–
Loss assumed by Volkswagen AG	–	673
Change in cash funds attributable to subordinated capital	–71	–599
Repayment of liabilities arising from leases	–11	–16
Cash flows from financing activities	**–1,253**	**58**
Cash and cash equivalents at end of prior period	**33**	**47**
Cash flows from operating activities	1,616	18
Cash flows from investing activities	–12	–104
Cash flows from financing activities	–1,253	58
Effect of exchange rate changes	130	2
Cash and cash equivalents at end of period	**515**	**20**

1 Prior-year figures restated as described in the disclosures set out in the Changes to Prior-Year Figures section relating to the following: corrected accounting treatment of buyback transactions, corrections to reverse the application of portfolio fair value hedge accounting and corrected reporting of investment property.

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 2022

General Information

Volkswagen Financial Services Aktiengesellschaft (VW FS AG) has the legal structure of a stock corporation. It has its registered office at Gifhorner Strasse, Braunschweig, 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, 2021 in accordance with International Financial Reporting Standards (IFRSs), 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, 2022 have therefore also been prepared in accordance with IAS 34 and represent a condensed version compared with the full consolidated financial statements. These interim financial statements have not been reviewed 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.

Changes to Prior-Year Figures

In the 2021 financial statements of VW FS AG, prior-year figures were restated in order to correct errors in the accounting for buyback transactions, portfolio fair value hedge accounting and the reporting of investment property. A detailed description of the individual items can be found in the 2021 Annual Report of VW FS AG.

A summary explanation of the prior-year corrections is provided below, together with the effects on the Half-Yearly Financial Report 2022.

ACCOUNTING TREATMENT OF BUYBACK TRANSACTIONS

The prior-year income statement has been restated as follows in respect of the corrections to buyback transactions:

€ million	Jan. 1 – Jun. 30, 2021 before corrections	Adjustments due to corrected treatment of buyback transactions	Jan. 1 – Jun. 30, 2021 after buyback transaction corrections
Income from leasing transactions	10,147	–260	9,888
Depreciation, impairment losses and other expenses from leasing transactions	–8,735	258	–8,477
Net income from leasing transactions	1,413	–2	1,411
Provisions for credit risks	–129	2	–127
Operating result	**972**	**0**	**972**
Profit before tax	**947**	**0**	**947**
Income tax expense	–275	0	–275
Profit after tax	**672**	**0**	**672**
Profit after tax attributable to Volkswagen AG	672	0	672

The prior-year cash flow statement has been restated as follows in respect of the corrections to buyback transactions:

€ million	Jan. 1 – Jun. 30, 2021 before corrections	Adjustments due to corrected treatment of buyback transactions	Jan. 1 – Jun. 30, 2021 after buyback transaction corrections
Profit before tax	**947**	**0**	**947**
Depreciation, amortization, impairment losses and reversals of impairment losses	2,493	–209	2,284
Net interest expense and dividend income	–1,299	–40	–1,339
Change in loans to and receivables from customers	–1,563	–37	–1,599
Change in lease assets	–5,554	238	–5,317
Change in other assets related to operating activities	227	7	234
Change in other liabilities related to operating activities	374	1	375
Interest received	1,891	40	1,931
Cash flows from operating activities	**18**	**–**	**18**
Cash and cash equivalents at end of prior period	**47**	**–**	**47**
Cash flows from operating activities	18	–	18
Cash and cash equivalents at end of period	**20**	**–**	**20**

PORTFOLIO FAIR VALUE HEDGE ACCOUNTING

The prior-year income statement has been restated as follows to incorporate the corrections relating to the reversal of the application of portfolio fair value hedge accounting:

€ million	Jan. 1 – Jun. 30, 2021 before corrections	Corrections from reversal of application of portfolio fair value hedge accounting	Jan. 1 – Jun. 30, 2021 after corrections from reversal of application of portfolio fair value hedge accounting
Net gain or loss on hedges	–2	–2	–3
Net gain/loss on financial instruments measured at fair value and on derecognition of financial assets measured at fair value through other comprehensive income	–1	32	31
Operating result	**972**	**30**	**1,002**
Profit before tax	**947**	**30**	**977**
Income tax expense	–275	–7	–282
Profit after tax	**672**	**24**	**695**
Profit after tax attributable to Volkswagen AG	672	24	695

The prior-year cash flow statement has been restated as follows to incorporate the corrections relating to the reversal of the application of portfolio fair value hedge accounting:

€ million	Jan. 1 – Jun. 30, 2021 before corrections	Corrections from reversal of application of portfolio fair value hedge accounting	Jan. 1 – Jun. 30, 2021 after corrections from reversal of application of portfolio fair value hedge accounting
Profit before tax	**947**	**30**	**977**
Change in loans to and receivables from customers	–1,563	–30	–1,593
Cash flows from operating activities	**18**	**–**	**18**
Cash and cash equivalents at end of prior period	**47**	**–**	**47**
Cash flows from operating activities	18	–	18
Cash and cash equivalents at end of period	**20**	**–**	**20**

INVESTMENT PROPERTY

The prior-year income statement has been restated as follows, reflecting the corrected reporting of investment property:

€ million	Jan. 1 – Jun. 30, 2021 before corrections	Adjustments from corrections to the reporting of investment property	Jan. 1 – Jun. 30, 2021 after corrections to the reporting of investment property
Income from leasing transactions	10,147	4	10,152
Depreciation, impairment losses and other expenses from leasing transactions	–8,735	–2	–8,737
Net income from leasing transactions	1,413	2	1,415
General and administrative expenses	–1,204	2	–1,202
Other operating income	837	–4	833
Net other operating income/expenses	209	–4	205
Operating result	**972**	**–**	**972**
Profit before tax	**947**	**–**	**947**
Income tax expense	–275	–	–275
Profit after tax	**672**	**–**	**672**
Profit after tax attributable to Volkswagen AG	672	–	672

SUMMARY RECONCILIATION OF CHANGES TO PRIOR-YEAR FIGURES

Reconciliation for the prior-year income statement:

€ million	Jan. 1 – Jun. 30, 2021 before corrections	Error corrections	Jan. 1 – Jun. 30, 2021 restated
Income from leasing transactions	10,147	–255	9,892
Depreciation, impairment losses and other expenses from leasing transactions	–8,735	256	–8,479
Net income from leasing transactions	1,413	1	1,413
Provision for credit risk	–129	2	–127
Net gain or loss on hedges	–2	–2	–3
Net gain/loss on financial instruments measured at fair value and on derecognition of financial assets measured at fair value through other comprehensive income	–1	32	31
General and administrative expenses	–1,204	2	–1,202
Other operating income	837	–4	833
Net other operating income/expenses	209	–4	205
Operating result	**972**	**30**	**1,002**
Profit before tax	**947**	**30**	**977**
Income tax expense	–275	–7	–282
Profit after tax	**672**	**24**	**695**
Profit after tax attributable to Volkswagen AG	672	24	695

Reconciliation for the prior-year cash flow statement:

€ million	Jan. 1 – Jun. 30, 2021 before corrections	Error corrections	Jan. 1 – Jun. 30, 2021 restated
Profit before tax	**947**	**30**	**977**
Depreciation, amortization, impairment losses and reversals of impairment losses	2,493	–209	2,284
Net interest expense and dividend income	–1,299	–40	–1,339
Change in loans to and receivables from customers	–1,563	–67	–1,630
Change in lease assets	–5,554	238	–5,317
Change in other assets related to operating activities	227	7	234
Change in other liabilities related to operating activities	374	1	375
Interest received	1,891	40	1,931
Cash flows from operating activities	**18**	**–**	**18**
Cash and cash equivalents at end of prior period	**47**	**–**	**47**
Cash flows from operating activities	18	–	18
Cash and cash equivalents at end of period	**20**	**–**	**20**

A reconciliation has not been presented due to the minimal effect of the reclassification of cash outflows out of Acquisition of other assets and into Acquisition of investment property.

Accounting Policies

VW FS AG has applied all financial reporting standards adopted by the EU which are subject to mandatory application starting January 1, 2022.

The discount rate applied to German pension provisions reported in these interim consolidated financial statements was 3.3% (December 31, 2021: 1.2%). Due to the sustained increase in inflation expectations, the pension trend was changed to 2.0% as of June 30, 2022 (December 31, 2021: 1.7%). The increase in the discount rate led to a reduction of the pension provisions, the associated deferred taxes and the actuarial losses on pension provisions recognized in equity under retained earnings. 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 2021 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 2021 Annual Report.

In addition, the effects of new standards were described in detail under “New and Revised IFRSs Not Applied”. The 2021 Consolidated Financial Statements can also be accessed on the internet at www.vwfs.com/arvwfsag21.

Russia-Ukraine Conflict / Covid-19 Pandemic / Semiconductor Shortage

In the first six months of 2022, the Russia-Ukraine conflict led to a humanitarian crisis and global market upheaval. Prices rose substantially, particularly on energy and commodity markets. In addition, parts supply shortages, especially for wire harnesses intensified (temporarily) in this context. The Russia-Ukraine conflict led to increased uncertainty in respect of developments in the global economy and prompted large sections of the community of Western states to impose sanctions on Russia ranging from extensive trade embargoes to the exclusion of Russia from the global financial system. The sanctions restrict commercial transactions with Russia and have an impact on the Russian subsidiaries of Volkswagen Financial Services AG that is of minor significance in relation to the Group's total assets and earnings. Against the backdrop of the Russia-Ukraine conflict and the resulting consequences, the new financial services business in the Russian subsidiaries has been discontinued. Triggered by the Russia-Ukraine conflict and the resulting uncertainty about the global geopolitical situation, management had to apply overlays to expenses for provisions for credit risks within loans to and receivables from customers in the first half of 2022. All available and sufficiently reliable information relevant to the estimate is taken into account when recognizing overlays.

Regionally, the global spread of the Omicron variant of the SARS-CoV-2 virus once again had a substantial detrimental impact on society and the economy in the first half of 2022, particularly in the first three months. In China especially, local outbreaks of infections led to strict restrictions under the zero-Covid strategy being pursued there, resulting in adverse economic impacts and disruption to supply chains.

In the first half of 2022, the trend in new business continued to be shaped by the semiconductor shortage and the associated supply bottlenecks on the part of the Volkswagen Group brands. As a result of lower vehicle deliveries, new business in the Volkswagen Financial Services AG Group declined around the globe in the first half of 2022 and was down on the prior-year level. At the same time, the shortage of used vehicles led to a positive trend in the used vehicle market so that higher marketing gains were generated from returned lease vehicles than in the prior-year period.

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 changes were made to the basis of consolidation in the reporting period:

The subsidiary Volkswagen Mobility Services S.p.A., Bolzano, which had previously not been consolidated for reasons of materiality, was consolidated in the reporting period.

Volkswagen Financial Services AG sold all shares in the unconsolidated subsidiary Voya GmbH, Hamburg, and thus also its subsidiary Voya Travel Technologies S.R.L., Bucharest, to CARIAD SE, Wolfsburg, a Volkswagen Group company.

The sale and purchase agreement signed in the past fiscal year with J.P. Morgan International Finance Limited, Delaware, USA, for the acquisition of shares in unconsolidated subsidiary Volkswagen Payments S.A., Strassen, was executed, thereby reducing Volkswagen Financial Services AG's interest in Volkswagen Payments S.A. to 25.1%. For reasons of materiality, the remaining shares in the now-associated company are not accounted for using the equity method.

Volkswagen Finance Overseas B.V., Amsterdam, a subsidiary of Volkswagen Financial Services AG, established the joint venture Staymo S.A.S., Boulogne-Billancourt, France, together with the BNP Paribas Group. For reasons of materiality, the 51% interest in the company is not accounted for using the equity method.

At the beginning of the year, Fleetzil Locações e Serviços Ltda., Curitiba, Brazil, a subsidiary of Simple Way Locações e Serviços Ltda., Curitiba, Brazil, acquired around 55% of the shares in LM Transportes Interestaduais Serviços e Comércio SA, Salvador, Brazil, and its two subsidiaries. Fleetzil Locações e Serviços Ltda. was then merged with LM Transportes Interestaduais Serviços e Comércio SA. Following the merger, Simple Way Locações e Serviços Ltda., an unconsolidated subsidiary of Volkswagen Finance Overseas B.V., now holds 60% of the shares in LM Transportes Interestaduais Serviços e Comércio SA. The new subsidiary LM Transportes Interestaduais Serviços e Comércio SA was likewise not consolidated in the reporting period.

Interim Consolidated Financial Statements Disclosures

1. General and Administrative Expenses

The breakdown of general and administrative expenses is shown in the following table:

€ million	Jan. 1 – June 30, 2022	Jan. 1 – June 30, 2021 restated[1]
Personnel expenses	–534	–484
Non-staff operating expenses	–680	–672
Advertising, public relations and sales promotion expenses	–28	–25
Depreciation of and impairment losses on property and equipment, amortization of and impairment losses on intangible assets	–32	–34
Other taxes	–7	–5
Income from the reversal of provisions and accrued liabilities	6	17
Total	**–1,275**	**–1,202**

1 Prior-year figures restated as described in the disclosures set out in the Changes to Prior-Year Figures section relating to the corrected reporting of investment property.

2. Changes in Selected Assets

€ million	Net carrying amount as of January 1, 2022	Basis of consolidation additions/changes	Disposals/other changes	Depr./amort./impairment	Net carrying amount as of June 30, 2022
Intangible assets	113	12	2	8	119
Property and equipment	410	11	–11	24	386
Lease assets	32,066	8,739	–5,115	2,446	33,244

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 relevant balance sheet items to the classes of financial instruments:

	BALANCE SHEET ITEM		MEASURED AT FAIR VALUE		MEASURED AT AMORTIZED COST1		DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGES		NOT ALLOCATED TO ANY MEASUREMENT CATEGORY	
€ million	June 30, 2022	Dec. 31, 2021	June 30, 2022	Dec. 31, 2021	June 30, 2022	Dec. 31, 2021	June 30, 2022	Dec. 31, 2021	June 30, 2022	Dec. 31, 2021
Assets										
Cash reserve	515	33	–	–	515	33	–	–	–	–
Loans to and receivables from banks	3,548	5,066	–	–	3,548	5,066	–	–	–	–
Loans to and receivables from customers	82,604	80,297	272	316	41,987	39,066	–	–	40,345	40,916
Derivative financial instruments	1,316	586	1,119	208	–	–	197	378	–	–
Marketable securities	281	320	281	320	–	–	–	–	–	–
Miscellaneous financial assets	678	674	0	0	–	–	–	–	678	674
Current tax assets	255	147	–	–	20	1	–	–	234	147
Other assets	2,281	2,374	–	–	966	981	–	–	1,315	1,393
Total	**91,478**	**89,498**	**1,672**	**844**	**47,037**	**45,146**	**197**	**378**	**42,572**	**43,129**
Equity and liabilities										
Liabilities to banks	16,424	13,873	–	–	16,424	13,873	–	–	–	–
Liabilities to customers	22,411	19,539	–	–	20,364	17,641	–	–	2,047	1,898
Notes, commercial paper issued	63,090	68,311	–	–	63,090	68,311	–	–	–	–
Derivative financial instruments	1,769	532	535	298	–	–	1,234	233	–	–
Current tax liabilities	703	603	–	–	350	298	–	–	353	306
Other liabilities	2,290	2,305	–	–	269	252	–	–	2,021	2,053
Subordinated capital	2,925	2,971	–	–	2,925	2,971	–	–	–	–
Total	**109,612**	**108,135**	**535**	**298**	**103,421**	**103,346**	**1,234**	**233**	**4,421**	**4,257**

1 Loans to and receivables from customers and liabilities to customers contain underlying transactions of fair value hedges.

The "Credit commitments and financial guarantees" class contains obligations under irrevocable credit commitments and financial guarantees amounting to €1,514 million (December 31, 2021: €1,322 million).

4. Fair Value Disclosures

The principles and methods of fair value measurement have generally remained unchanged compared with those applied in the previous year. Detailed disclosures on the measurement principles and methods can be found in the 2021 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 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 main inputs used to measure this equity investment are strategic planning and cost of equity rates.

Level 3 also includes the fair values of separately recognized derivatives in connection with early termination rights embedded in finance leases. The inputs used to determine the fair value of derivatives in connection with the risk of early termination are forecasts, estimates of used vehicle residual values for the models concerned, and 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, 2022	Dec. 31, 2021	June 30, 2022	Dec. 31, 2021	June 30, 2022	Dec. 31, 2021
Assets						
Measured at fair value						
Loans to and receivables from banks	–	–	–	–	–	–
Loans to and receivables from customers	–	–	–	–	272	316
Derivative financial instruments	–	–	1,119	208	–	–
Marketable securities	201	231	79	89	–	–
Miscellaneous financial assets	–	–	–	–	0	0
Derivative financial instruments designated as hedges	–	–	197	378	–	–
Total	**201**	**231**	**1,396**	**675**	**272**	**316**
Equity and liabilities						
Measured at fair value						
Derivative financial instruments	–	–	442	167	93	132
Derivative financial instruments designated as hedges	–	–	1,234	233	–	–
Total	**–**	**–**	**1,676**	**400**	**93**	**132**

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

€ million	Jan. 1 – June 30, 2022	Jan. 1 – June 30, 2021
Balance as of Jan. 1	**316**	**311**
Foreign exchange differences	12	1
Changes in basis of consolidation	–	–
Portfolio changes	–44	–9
Measured at fair value through profit or loss	–11	1
Measured at fair value through other comprehensive income	–	–
Balance as of June 30	**272**	**303**

The amounts recognized in profit or loss for loans to and receivables from customers resulting in a net loss of €11 million (previous year: net gain of €1 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 loss of €11 million (previous year: net gain of €1 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 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, 2022 had been 100 basis points higher, profit after tax would have been €8 million (previous year: €2 million) lower. If risk-adjusted interest rates

as of June 30, 2022 had been 100 basis points lower, profit after tax would have been €4 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 based on Level 3 measurement.

€ million	Jan. 1 – June 30, 2022	Jan. 1 – June 30, 2021
Balance as of Jan. 1	**132**	**188**
Foreign exchange differences	–3	9
Changes in basis of consolidation	–	–
Portfolio changes	–	–
Measured at fair value through profit or loss	–36	–23
Measured at fair value through other comprehensive income	–	–
Balance as of June 30	**93**	**174**

The amounts recognized in profit or loss resulting in a net loss of €36 million (previous year: €23 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 remeasurements recognized in profit or loss, a net loss of €36 million (previous year: €23 million) was attributable to derivatives held as of the reporting date.

Early termination rights 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 €47 million (previous year: €84 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 €85 million (previous year: €130 million) lower.

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

	FAIR VALUE		CARRYING AMOUNT		DIFFERENCE	
€ million	June 30, 2022	Dec. 31, 2021	June 30, 2022	Dec. 31, 2021	June 30, 2022	Dec. 31, 2021
Assets						
Measured at fair value						
Loans to and receivables from banks	–	–	–	–	–	–
Loans to and receivables from customers	272	316	272	316	–	–
Derivative financial instruments	1,119	208	1,119	208	–	–
Marketable securities	281	320	281	320	–	–
Miscellaneous financial assets	0	0	0	0	–	–
Measured at amortized cost		–				
Cash reserve	515	33	515	33	–	–
Loans to and receivables from banks	3,546	5,067	3,548	5,066	–2	1
Loans to and receivables from customers	41,451	38,830	41,987	39,066	–536	–236
Current tax assets	20	1	20	1	–	–
Other assets	966	981	966	981	–	–
Derivative financial instruments designated as hedges	197	378	197	378	–	–
Not allocated to any measurement category						
Loans to and receivables from customers	40,331	41,964	40,331	40,901	0	1,063
Equity and liabilities						
Measured at fair value						
Derivative financial instruments	535	298	535	298	–	–
Measured at amortized cost						
Liabilities to banks	16,406	13,845	16,424	13,873	–18	–27
Liabilities to customers	20,066	17,683	20,364	17,641	–298	42
Notes, commercial paper issued	62,544	68,423	63,090	68,311	–546	112
Current tax liabilities	350	298	350	298	–	–
Other liabilities	269	252	269	252	0	0
Subordinated capital	1,824	2,669	2,925	2,971	–1,101	–302
Derivative financial instruments designated as hedges	1,234	233	1,234	233	–	–

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. As the primary key performance indicator, the operating result is reported 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 subject to reporting requirements under IFRS 8. Subsidiaries in the VW FS AG Group are aggregated within these segments. In line with internal reporting practice, the German market comprises 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 and Belgium, the EURO Leasing company in Denmark, 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 2022:

	JAN. 1 – JUNE 30, 2022									
€ 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	8	4	17	480	298	89	218	1,114	6	1,120
Income from leasing transactions with third parties	6,339	1,177	1,509	0	0	110	1,502	10,639	8	10,647
of which reversal of impairment losses in accordance with IAS 36	55	10	4	0	–	6	65	141	–	141
Intersegment income from leasing transactions	0	–	–	–	–	–	0	0	0	–
Depreciation, impairment losses and other expenses from leasing transactions	–5,225	–548	–1,418	–1	0	–54	–1,127	–8,372	–8	–8,380
of which impairment losses in accordance with IAS 36	–28	0	0	–	–	–2	–32	–62	–	–62
Net income from leasing transactions	1,115	629	91	0	0	56	375	2,267	0	2,267
Interest expense	–83	–142	–10	–171	–218	–35	–143	–801	–6	–807
Income from service contracts with third parties	703	100	–	–	3	0	380	1,187	1	1,188
Intersegment income from service contracts	–	–	–	–	–	–	–	–	–	–
Income from insurance business with third parties	–	–	–	–	–	–	–	–	143	143
Intersegment income from insurance business	–	–	–	–	–	–	–	–	–	–
Fee and commission income from third parties	62	2	2	–	23	22	129	240	23	263
Intersegment fee and commission income	–	–	–	–	–	–	–	–	–	–
Other amortization, depreciation and impairment losses	–2	–2	0	–5	–1	0	–13	–24	–8	–32
Operating result	**999**	**621**	**68**	**183**	**32**	**80**	**323**	**2,307**	**–562**	**1,744**

BREAKDOWN BY GEOGRAPHICAL MARKET FOR THE FIRST HALF OF 2021:

	JAN. 1 – JUNE 30, 2021 RESTATED[1]									
€ 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	8	3	17	480	178	95	225	1,004	20	1,024
Income from leasing transactions with third parties	5,230	1,374	1,893	0	1	116	1,273	9,887	5	9,892
of which reversal of impairment losses in accordance with IAS 36	19	14	0	–	–	3	26	62	0	62
Intersegment income from leasing transactions	0	–	–	–	–	–	1	1	–1	–
Depreciation, impairment losses and other expenses from leasing transactions	–4,663	–841	–1,828	0	0	–69	–1,069	–8,471	–8	–8,479
of which impairment losses in accordance with IAS 36	–132	0	–4	0	–	–	–51	–187	0	–187
Net income from leasing transactions	567	533	65	0	1	47	206	1,417	–4	1,413
Interest expense	–118	–115	–10	–170	–60	–35	–106	–614	21	–593
Income from service contracts with third parties	631	89	–	0	0	0	326	1,045	0	1,046
Intersegment income from service contracts	–	–	–	–	–	–	–	–	–	–
Income from insurance business with third parties	–	–	–	–	–	–	–	–	178	178
Intersegment income from insurance business	–	–	–	–	–	–	–	–	–	–
Fee and commission income from third parties	67	3	2	–	26	22	168	288	23	310
Intersegment fee and commission income	–	–	–	–	–	–	–	–	–	–
Other amortization, depreciation and impairment losses	–9	–2	–1	–4	–1	0	–14	–31	–3	–34
Operating result	**112**	**432**	**43**	**111**	**73**	**65**	**231**	**1,068**	**–65**	**1,002**

1 Prior-year figures restated as described in the disclosures set out in the Changes to Prior-Year Figures section relating to the following: corrected accounting treatment of buyback transactions and corrections to reverse the application of portfolio fair value hedge accounting.

The reported impairment losses and reversals of impairment losses in accordance with IAS 36 related to lease assets.

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, 2022					
€ million	Germany	China	United Kingdom	Sweden	Mexico	Brazil
Noncurrent Assets	21,087	3,086	1,594	81	238	43
Additions to lease assets classified as noncurrent assets	4,312	477	332	–	–	5

	JAN. 1 – JUNE 30, 2021 RESTATED[1]					
€ million	Germany	China	United Kingdom	Sweden	Mexico	Brazil
Noncurrent Assets	17,981	3,082	1,679	72	212	32
Additions to lease assets classified as noncurrent assets	5,518	729	327	0	–	1

1 Prior-year figures restated as described in the disclosures set out in the Changes to Prior-Year Figures section relating to the following: corrected accounting treatment of buyback transactions and corrections to reverse the application of portfolio fair value hedge accounting

Investments recognized under other assets were of minor significance.

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

Mio. €	Jan. 1 – June 30, 2022	Jan. 1 – June 30, 2021 restated[1]
Segment revenue	**13,179**	**12,224**
Other companies	203	230
Consolidation	–165	–182
Group revenue	**13,217**	**12,272**
Segment profit or loss (operating result)	**2,307**	**1,068**
Other companies	–222	–53
Contribution to operating profit by included companies	–45	–17
Consolidation	–296	5
Operating result	**1,744**	**1,002**
Share of profits and losses of equity-accounted joint ventures	33	–11
Net gain or loss on miscellaneous financial assets	–1	–5
Other financial gains or losses	–28	–9
Profit before tax	**1,749**	**977**

1 Prior-year figures restated as described in the disclosures set out in the Changes to Prior-Year Figures section relating to the following: corrected accounting treatment of buyback transactions and corrections to reverse the application of portfolio fair value hedge accounting

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 €391 million (December 31, 2021: €312 million) largely related to legal disputes concerning income tax and other tax matters in which the criteria for the recognition of a provision in accordance with IAS 12 and IAS 37 are 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.

OTHER FINANCIAL OBLIGATIONS

€ million	DUE by June 30, 2023	DUE July 1 2023 – June 30,2027	DUE From July 1, 2027	TOTAL June 30, 2022
Purchase commitments in respect of				
Property and equipment	3	–	–	3
Intangible assets	2	–	–	2
Investment property	2	–	–	2
Obligations from				
Irrevocable credit commitments to customers	492	–	–	492
Long-term leasing and rental contracts	5	4	0	10
Miscellaneous financial obligations	52	0	–	52

€ million	DUE 2022	DUE 2023- 2026	DUE From 2027	TOTAL Dec. 31, 2021
Purchase commitments in respect of				
Property and equipment	16	–	–	16
Intangible assets	0	–	–	0
Investment property	0	–	–	0
Obligations from				
Irrevocable credit commitments to customers	570	–	–	570
Long-term leasing and rental contracts	7	2	0	8
Miscellaneous financial obligations	78	0	–	78

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 cannot elect, via the Annual General Meeting, all the shareholder representatives on 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 4, 2022, the State of Lower Saxony and Hannoversche Beteiligungsgesellschaft mbH, Hanover, held 20.00% of the voting rights in Volkswagen AG on December 31, 2021 and thus 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).

A control and profit-and-loss transfer agreement is in place between VW FS AG and its sole shareholder Volkswagen AG.

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, joint ventures and associates 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 2022	INTEREST INCOME H1 2021	INTEREST EXPENSES H1 2022	INTEREST EXPENSES H1 2021	GOODS AND SERVICES PROVIDED H1 2022	GOODS AND SERVICES PROVIDED H1 2021	GOODS AND SERVICES RECIEVED H1 2022	GOODS AND SERVICES RECIEVED H1 2021
Supervisory Board	–	–	–	–	–	–	–	–
Board of Management	–	–	–	–	–	–	–	–
Volkswagen AG	1	1	–43	–13	427	517	4,721	4,770
Porsche SE	–	–	–	–	0	0	–	–
Other related parties in the consolidated entities	43	35	–126	–90	1,731	1,949	3,227	3,779
Non-consolidated subsidiaries	1	2	–6	–1	13	15	21	14
Joint ventures	32	48	–	–	211	224	241	251
Associated companies	–	–	–	–	1	1	0	–

€ million	LOANS TO AND RECEIVABLES FROM June 30, 2022	LOANS TO AND RECEIVABLES FROM Dec. 31, 2021	VALUATION ALLOWANCES ON IMPAIRED LOANS AND RECEIVABLES June 30, 2022	VALUATION ALLOWANCES ON IMPAIRED LOANS AND RECEIVABLES Dec. 31, 2021	OF WHICH ADDITIONS IN CURRENT YEAR June 30, 2022	OF WHICH ADDITIONS IN CURRENT YEAR Dec. 31, 2021	LIABILITIES TO June 30, 2022	LIABILITIES TO Dec. 31, 2021
Supervisory Board	–	–	–	–	–	–	–	–
Board of Management	–	–	–	–	–	–	–	–
Volkswagen AG	3,189	2,768	–	–	–	–	7,738	7,282
Porsche SE	–	1	–	–	–	–	–	–
Other related parties in the consolidated entities	6,629	7,553	–	–	–	–	16,740	13,733
Non-consolidated subsidiaries	271	241	–	–	–	–	200	159
Joint ventures	7,214	6,860	–	–	–	–	99	102
Associated companies	0	–	–	–	–	–	0	0

1 Prior-year figures adjusted, shift between "Other related parties in the consolidated entities" and Joint ventures"

The “Other related parties in the group of 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 but do not directly belong to VW FS AG. 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.

VW FS AG did not receive any capital contributions from Volkswagen AG in the first half of 2022 or in the first half of 2021. However, VW FS AG and its subsidiaries provided capital contributions of €54 million (previous year: €94 million) to related parties.

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 2022, standard short-term bank loans amounting to an average total of €130 million (December 31, 2021: €142 million) were granted to related parties as part of dealer financing.

9. Governing Bodies of Volkswagen Financial Services AG

Mr. Lars Henner Santelmann resigned from the Board of Management on January 31, 2022. Dr. Christian Dahlheim was appointed to succeed Lars Henner Santelmann as Chairman of the Board of Management of Volkswagen Financial Services AG with effect from February 1, 2022.

Mr. Dirk Hilgenberg was appointed to the Supervisory Board of Volkswagen Financial Services AG effective February 10, 2022 and Mr. Holger Siedetopf effective May 17, 2022. Dr. Christian Dahlheim resigned from the Supervisory Board on January 31, 2022 and Mr. Michael Grosche on April 30, 2022.

10. Events After the Balance Sheet Date

There were no significant events after June 30, 2022.

Braunschweig, July 27, 2022

Volkswagen Financial Services AG
The Board of Management

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 27, 2022

Volkswagen Financial Services AG
The Board of Management

Dr. Christian Dahlheim

Anthony Bandmann

Dr. Alexandra Baum-Ceisig

Dr. Mario Daberkow

Frank Fiedler

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