

**Financial report June 2019**

**Volkswagen International Finance N.V.**

**Amsterdam**

## Management report

Volkswagen International Finance N.V. ('VIF' or 'the company'), founded in 1977, is one of the funding vehicles of Volkswagen AG, Wolfsburg (VWAG) and its subsidiaries. VIF raises funds from the capital markets by issuing notes and lends the proceeds on to group and joint venture companies. Basis for the issuing activities are the EUR 30 billion Debt Issuance Programme (DIP) that adheres to the European Prospectus Directive Standards and a EUR 15 billion Multi-Currency Commercial Paper Programme (CP Programme). All issues are guaranteed by VWAG. According to Moody's, VWAG's rating is set to P-2 (short-term) and A3 (long-term) with a stable outlook. Standard & Poor's assessed VWAG's creditworthiness as A-2 (short-term) and BBB+ (long-term) with a stable outlook.

During the first half year of 2019, no new bonds have been issued and a total equivalent of EUR 4.5 billion in bonds has been redeemed.

VIF did not place any issues under the Commercial Paper Programme. An equivalent of EUR 3.3 billion has been redeemed.

The main business risks of VIF are interest rate risk, currency risk, liquidity risk and credit risk. The financing activities are carried out in different currencies and interest terms. To avoid currency and interest rate risks, the company concludes interest rate and currency swaps. The Supervisory Board has set limits to restrict those risks. VIF uses adequate tools to assess and to monitor them.

European Union regulations transformed into Dutch Law require the presentation of half-year balance sheet figures in comparison to year-end figures of the previous year. Income statement figures compare the half-year result with the corresponding half-year result of the previous year.

Within the first half year, 2019 VIF realized earnings of EUR 24,5 million after taxes against EUR 16.7 million in the first half of 2018. The company generates income mainly from the group financing business and dividends. The net interest income from group financing activities amounts to EUR 19.8 million (2018: EUR 18.6 million). Income from participations adds up to EUR 11.1 million compared to EUR 8.2 million in 2018. The company distributed EUR 59,6 million dividend on March 19, 2019 to the only shareholder Volkswagen Finance Luxemburg S.A.

For the second half of 2019 we expect business volume and net interest result to be on a similar level as in the first half.

Government authorities in a number of jurisdictions have commenced investigations regarding findings of irregularities in relation to nitrogen oxide emissions that had been discovered in emissions tests on certain vehicles with Volkswagen Group diesel engines.

The majority of VIF's borrowers either has sold cars with affected diesel engines or has them in their inventory. The Management Board and the Supervisory Board of VIF discussed the issue and concluded that investors and the financial markets assess the risks VIF is exposed to on the background of the guarantee by Volkswagen AG, since investors have full recourse to Volkswagen AG.

VIF Management has also assessed the impact of the "diesel emission issue" on the borrowers of VIF by analyzing annually in detail the financial situation of the borrowers as well as budget forecasts and concluded that VIF is not exposed to higher credit risk.

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

1. the financial statements for the first half year of 2019 give a true and fair view of the assets, the liabilities, the financial position and the results of the company; and
2. the management report gives a true and fair view of the company's situation as at the balance sheet date, the events that occurred during the first half year and the risks to which the company is exposed.

Amsterdam, 31 July 2019

Original has been signed by

Thomas Fries, Managing Director

Original has been signed by

Vincent Delva, Managing Director

## Balance sheet as per 30 June 2019

(unaudited)

		30 June 2019		31 December 2018	
	Ref.	EUR'000	EUR'000	EUR'000	EUR'000
<b>Assets</b>					
<b>Fixed assets</b>					
Intangible fixed assets		1		3	
Tangible fixed assets		129		145	
Shares in participations		165,690		165,504	
Loans to Volkswagen group companies		28,437,299		29,975,023	
<b>Total fixed assets</b>			28,603,119		30,140,675
<b>Current assets</b>					
Receivables due from Volkswagen group companies		3,666,597		10,128,917	
Receivables due from joint ventures of the Volkswagen group		11,010		8,168	
Other assets		39,997		32,665	
Prepayments and accrued income		2,731		10,446	
<b>Total current assets</b>			3,720,335		10,180,196
<b>Cash at banks and in hand</b>			111,315		127,497
<b>Total assets</b>			<u>32,434,769</u>		<u>40,448,368</u>

(unaudited)

## Balance sheet as per 30 June 2019

	30 June 2019		31 December 2018	
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Shareholders' equity and liabilities</i>				
<b>Shareholders' equity</b>				
Issued and paid-up share capital	103,035		103,035	
Share premium reserve	12,120		12,120	
Retained earnings	83,403		142,968	
Current earnings	24,466		-	
<b>Total shareholders' equity</b>		223,024		258,123
<b>Provisions</b>		7,181		7,506
<b>Long-term liabilities</b>				
Bonds	28,363,699		29,496,354	
Liabilities to Volkswagen group companies	133,333		521,831	
<b>Total long-term liabilities</b>		28,497,032		30,018,185
<b>Current liabilities</b>				
Bonds	1,149,826		4,501,093	
Commercial papers	1,779,228		5,094,084	
Liabilities to Volkswagen group companies	433,936		43,683	
Other liabilities	322,671		502,711	
Deferred income	19,025		22,440	
Current income tax	-		43	
Trade payables	21		52	
Accrued liabilities	2,825		448	
<b>Total current liabilities</b>		3,707,532		10,164,554
<b>Total shareholders' equity and liabilities</b>		32,434,769		40,448,368

## Income statement as per 30 June 2019

	30 June 2019		30 June 2018	
	EUR'000	EUR'000	EUR'000	EUR'000
<b><u>Income</u></b>				
Interest and similar income	494,618		417,688	
Interest and similar expenses	(474,825)		(399,109)	
Results from shares in participations	11,120		8,164	
Fees received	646		600	
Other operating income	181		342	
Impairment of shares in participations	186		(1,294)	
<b>Total income</b>		31,926		26,391
<b><u>Expenses</u></b>				
Personnel expenses	(909)		(937)	
Depreciation expenses	(20)		(22)	
Other operating expenses	(828)		(990)	
Additional provision for liabilities	-		(1,901)	
<b>Total expenses</b>		(1,757)		(3,850)
<b>Result before taxation</b>		30,169		22,541
Taxation		(5,703)		(5,829)
<b>Result after taxation</b>		24,466		16,712