

**Financial report June 2020**

**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 negative outlook. Standard & Poor's assessed VWAG's creditworthiness as A-2 (short-term) and BBB+ (long-term) with a negative outlook.

In June 2020 VIF issued a EUR 3 billion dual tranche hybrid bond. During the first half of 2020 a total amount EUR 1.5 billion in bonds was repaid.

In the first half of 2020 there have not been any activities under the CP Programme.

The main 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, 2020, VIF realized earnings of EUR 10.8 million after taxes against EUR 24.5 million in the first half of 2019. The company generates income mainly from the group financing business and dividends. The net interest income from group financing activities amounted to EUR 15.6 million (2019: EUR 19.8 million). In this period there has not been any income from participations. The company distributed EUR 36.0 million dividend on March 27, 2020 to the only shareholder Volkswagen Finance Luxembourg S.A.

For the second half of 2020 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 undertaken 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 had 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 2020 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, 28 July 2020

Original has been signed by

Thomas Fries, Managing Director

Original has been signed by

Vincent Delva, Managing Director

## Balance sheet as per 30 June 2020

(unaudited)

		30 June 2020		31 December 2019	
	Ref.	EUR'000	EUR'000	EUR'000	EUR'000
<b>Assets</b>					
<b>Fixed assets</b>					
Intangible fixed assets		-		-	
Tangible fixed assets		102		114	
Shares in participations		165,690		165,690	
Loans to Volkswagen group companies		26,983,477		27,753,621	
<b>Total fixed assets</b>			27,149,269		27,919,425
<b>Current assets</b>					
Receivables due from Volkswagen group companies		4,774,920		2,693,997	
Receivables due from joint ventures of the Volkswagen group		-		9,847	
Other assets		31,124		31,880	
Prepayments and accrued income		2,797		2,548	
<b>Total current assets</b>			4,808,841		2,738,272
<b>Cash at banks and in hand</b>			123,571		131,953
<b>Total assets</b>			<u>32,081,681</u>		<u>30,789,650</u>

(unaudited)

## Balance sheet as per 30 June 2020

	30 June 2020		31 December 2019	
	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	83,400		119,475	
Current earnings	10,823		-	
<b>Total shareholders' equity</b>		209,378		234,630
<b>Provisions</b>		7,181		7,506
<b>Long-term liabilities</b>				
Bonds	26,985,178		27,718,249	
Liabilities to Volkswagen group companies	66,667		100,000	
<b>Total long-term liabilities</b>		27,051,845		27,818,249
<b>Current liabilities</b>				
Bonds	4,415,186		1,817,408	
Commercial papers	-		-	
Liabilities to Volkswagen group companies	69,239		435,403	
Other liabilities	313,334		459,900	
Deferred income	13,332		15,978	
Tax liabilities	6		6	
Trade payables	21		10	
Accrued liabilities	2,159		560	
<b>Total current liabilities</b>		4,813,277		2,729,265
<b>Total shareholders' equity and liabilities</b>		32,081,681		30,789,650

## Income statement as per 30 June 2020

	30 June 2020		30 June 2019	
	EUR'000	EUR'000	EUR'000	EUR'000
<b><u>Income</u></b>				
Interest and similar income	466,372		494,618	
Interest and similar expenses	(450,744)		(474,825)	
Results from shares in participations	-		11,120	
Fees received	648		646	
Other operating income	345		181	
Impairment of shares in participations	-		186	
<b>Total income</b>		16,621		31,926
<b><u>Expenses</u></b>				
Personnel expenses	(1,079)		(909)	
Depreciation expenses	(15)		(20)	
Other operating expenses	(1,011)		(828)	
Additional provision for liabilities	-		-	
<b>Total expenses</b>		(2,105)		(1,757)
<b>Result before taxation</b>		14,516		30,169
Taxation		(3,693)		(5,703)
<b>Result after taxation</b>		10,823		24,466