

Financial report June 2016

Volkswagen International Finance N.V.

Amsterdam

Management report

Volkswagen International Finance N.V. ('VIF' or 'the company') 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 Prospective Directive Standards and a EUR 10 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.

Within the first six months of 2016 under the DIP, VIF did not place any new bonds. In this period a total equivalent of EUR 1,7 billion in bonds has been redeemed.

VIF placed under the Commercial Paper Programme 80 issues with a total equivalent of EUR 3,9 billion. An equivalent of EUR 0,9 billion has been redeemed.

The proceeds of all issues mentioned above were granted to Volkswagen group companies.

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 2016 VIF realized earnings of EUR 13,3 million after taxes against EUR 20,2 million in the first half of 2015. The company generates income mainly from the group financing business and dividends. The interest income from group financing activities amounts to EUR 10,5 million (2015: EUR 15,7 million). Income from participations adds up to EUR 5,9 million compared to EUR 9,7 million in 2015.

For the second half of the 2016 we expect business volume and interest result to be on a similar level as in the first half.

In September 2015 the California Air Resources Board (CARB) and the US Environmental Protection Agency (EPA) publicly announced that irregularities in relation to nitrogen oxide emissions had been discovered in emissions tests on certain vehicles with Volkswagen Group Diesel engines. Violations of US environmental laws had occurred as a result. On September 22nd, 2015 the Volkswagen Group announced that around 11 million vehicles worldwide with type EA189 diesel engines were affected. Volkswagen is working to resolve the irregularities with technical measures.

The majority of VIF's borrowers have either sold cars with affected diesel engines or have them in their inventory. The Management Board and the Supervisory Board of VIF discussed the issue and came to the conclusion 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 in detail the financial situation of the borrowers as well as budget forecasts and concluded that VIF is not exposed to higher credit risk. This is further evidenced by the fact that although the credit spreads in the capital markets widened for Volkswagen risk after the diesel emission revelations, the prices of listed bonds have come back and the paper trade slightly below the levels before the announcements.

As a result of the recent investigations, VIF as an issuer may in the future face risks arising from legal disputes with investors claiming damages for alleged breaches of capital market laws.

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

1. the financial statements for the first half year of 2016 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, 29 July 2016

Original has been signed by
Thomas Fries, Managing Director

Original has been signed by
Vincent Delva, Managing Director

Balance sheet as at 30 June 2016

(unaudited)

| | | 30 June 2016 | | 31 December 2015 | |
|---|------|--------------|------------|------------------|------------|
| | Ref. | EUR'000 | EUR'000 | EUR'000 | EUR'000 |
| Assets | | | | | |
| Fixed assets | | | | | |
| Intangible fixed assets | | 12 | | 12 | |
| Tangible fixed assets | | 266 | | 282 | |
| Shares in participations | | 164,596 | | 164,596 | |
| Loans to Volkswagen group companies | | 18,996,303 | | 21,421,320 | |
| Total fixed assets | | | 19,161,177 | | 21,586,210 |
| Current assets | | | | | |
| Receivables due from Volkswagen group companies | | 8,072,841 | | 6,413,651 | |
| Receivables due from joint ventures of the Volkswagen group | | - | | 12,213 | |
| Other assets | | 32,593 | | 29,860 | |
| Prepayments and accrued income | | 58,574 | | 144,061 | |
| Cash at banks and in hand | | 92,395 | | 469,313 | |
| Total current assets | | | 8,256,403 | | 7,069,098 |
| Total assets | | | 27,417,580 | | 28,655,308 |

(unaudited)

| | 30 June 2016 | | 31 December 2015 | |
|---|--------------|------------|------------------|------------|
| | EUR'000 | EUR'000 | EUR'000 | EUR'000 |
| <i>Shareholders' equity and liabilities</i> | | | | |
| Shareholders' equity | | | | |
| Issued and paid-up share capital | 103,035 | | 103,035 | |
| Share premium reserve | 4,120 | | 4,120 | |
| Retained earnings | 93,330 | | 656,330 | |
| Current earnings | 13,304 | | - | |
| Total shareholders' equity | | 213,789 | | 763,485 |
| Provisions | 1,622 | 1,622 | 1,622 | 1,622 |
| Long-term liabilities | | | | |
| Bonds | 18,736,238 | | 21,240,108 | |
| Liabilities to Volkswagen group companies | 355,164 | | 355,164 | |
| Total long-term liabilities | | 19,091,402 | | 21,595,272 |
| Current liabilities | | | | |
| Bonds | 4,701,246 | | 5,238,446 | |
| Commercial papers | 3,148,252 | | 549,741 | |
| Liabilities to Volkswagen group companies | 884 | | 14,182 | |
| Other liabilities | 251,274 | | 474,866 | |
| Deferred income | 5,570 | | 15,336 | |
| Current income tax | 1,079 | | 1,244 | |
| Trade payables | 95 | | 86 | |
| Accrued liabilities | 2,367 | | 1,028 | |
| Total current liabilities | | 8,110,767 | | 6,294,929 |
| Total shareholders' equity and liabilities | | 27,417,580 | | 28,655,308 |

Income statement 30 June 2016

(unaudited)

| | 30 June 2016 | | 30 June 2015 | |
|--|--------------|-----------|--------------|-----------|
| | EUR'000 | EUR'000 | EUR'000 | EUR'000 |
| Income | | | | |
| Interest and similar income | 361,259 | | 505,113 | |
| Other operating income | 1,085 | | 704 | |
| Total income | | 362,344 | | 505,817 |
| Expenses | | | | |
| Interest and similar expenses | (350,716) | | (489,386) | |
| Other operating expenses | (89) | | (813) | |
| General and administrative expenses | (1,623) | | (1,722) | |
| Amortisation and depreciation expenses | (44) | | (32) | |
| Total expenses | | (352,472) | | (491,953) |
| Result before taxation | | 9,872 | | 13,864 |
| Taxation | | (2,470) | | (3,360) |
| Result from participations | | 5,902 | | 9,703 |
| Result after taxation | | 13,304 | | 20,207 |