

**Financial report June 2018**

**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 Prospective 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.

In June 2018, VIF issued a EUR 2.75 billion dual-tranche hybrid bond. During the first half year of 2018, a total equivalent of EUR 500 millions in bonds has been redeemed.

VIF placed under the Commercial Paper Programme 59 issues with a total equivalent of EUR 3.1 billion. An equivalent of EUR 2.1 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, 2018 VIF realized earnings of EUR 16.7 million after taxes against EUR 57.0 million in the first half of 2017. The company generates income mainly from the group financing business and dividends. The net interest income from group financing activities amounts to EUR 18.6 million (2017: EUR 14.0 million). Income from participations adds up to EUR 8.2 million compared to EUR 47.0 million in 2017.

For the second half of 2018 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 2018 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 2018

Original has been signed by  
Thomas Fries, Managing Director

Original has been signed by  
Vincent Delva, Managing Director

## Balance sheet as per 30 June 2018

(unaudited)

	Ref.	30 June 2018		31 December 2017	
		EUR'000	EUR'000	EUR'000	EUR'000
<b>Assets</b>					
<b>Fixed assets</b>					
Intangible fixed assets		6		9	
Tangible fixed assets		155		162	
Shares in participations		136,504		137,799	
Loans to Volkswagen group companies		31,929,125		26,384,490	
<b>Total fixed assets</b>			32,065,790		26,522,460
<b>Current assets</b>					
Receivables due from Volkswagen group companies		6,595,079		8,962,295	
Receivables due from joint ventures of the Volkswagen group		-		3,519	
Other assets		30,796		30,197	
Prepayments and accrued income		229		10,645	
<b>Total current assets</b>			6,626,104		9,006,656
<b>Cash at banks and in hand</b>			123,504		34,354
<b>Total assets</b>			<u>38,815,398</u>		<u>36,563,470</u>

(unaudited)

## Balance sheet as per 30 June 2018

	30 June 2018		31 December 2017	
	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		153,403	
Current earnings	16,712		-	
<b>Total shareholders' equity</b>		215,270		268,558
<b>Provisions</b>		7,527		5,575
<b>Long-term liabilities</b>				
Bonds	24,344,115		26,061,368	
Liabilities to Volkswagen group companies	555,164		355,164	
<b>Total long-term liabilities</b>		24,899,279		26,416,532
<b>Current liabilities</b>				
Bonds	7,177,918		3,174,694	
Commercial papers	6,225,668		5,178,639	
Liabilities to Volkswagen group companies	1,090		43,491	
Other liabilities	270,967		455,959	
Deferred income	15,082		18,586	
Current income tax	6		934	
Trade payables	46		21	
Accrued liabilities	2,545		481	
<b>Total current liabilities</b>		13,693,322		8,872,805
<b>Total shareholders' equity and liabilities</b>		38,815,398		35,563,470

## Income statement as per 30 June 2018

	30 June 2018		30 June 2017	
	EUR'000	EUR'000	EUR'000	EUR'000
<b><u>Income</u></b>				
Interest and similar income	417,688		355,158	
Interest and similar expenses	(399,109)		(341,177)	
Results from shares in participations	8,164		46,951	
Fees received	600		674	
Other operating income	342		350	
Impairment of shares in participations	(1,294)		-	
<b>Total income</b>		26,391		61,956
<b><u>Expenses</u></b>				
Personnel expenses	(937)		(918)	
Depreciation expenses	(22)		(43)	
Other operating expenses	(990)		(674)	
Additional provision for liabilities	(1,901)		-	
<b>Total expenses</b>		(3,850)		(1,635)
<b>Result before taxation</b>		22,541		60,321
Taxation		(5,829)		(3,340)
<b>Result after taxation</b>		16,712		56,981