

## 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 25 billion Debt Issuance Programme (DIP Programme) that adheres to the European Prospective Directive Standards and a EUR 10 billion Multi Currency Commercial Paper Programme (CP Programme). Both programmes are usually updated every year. All issues are guaranteed by VWAG. Therefore, the VIF rating by Moody's and Standard&Poor's is derived from the VWAG rating. 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 A- (long-term) with a negative outlook.

The financing activities are carried out in different currencies and interest terms. To avoid currency and interest risks, the company concludes interest- and currency swaps.

Under the DIP-Programme VIF placed within the first six months of 2011 two issues with a total € equivalent of 214 million (first half of 2010: two issues totaling to a € equivalent of 150 million). For the first time the company issued a bond in Chinese currency. An amount of CNY 1.5 billion (€ equivalent: 164 million) has been placed with Hong Kong and Singapore investors. Under the CP Programme the company placed 15 issues with a total € equivalent of 310 million (first half of 2010: 23 issues totaling to € 630 million).

After the successful issue of bonds in August 2010 to qualified institutional buyers under the US 144A Rule (total volume: USD 1.75 billion) VIF issued in March 2011 again in total USD 2.7 billion.

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

VIF redeemed one DIP issue with a € equivalent of 1.5 billion (first half of 2010: no redemptions) and eight CP-issues with a EUR equivalent of 300 million (first half of 2010: 45 issues totaling to EUR 1.2 billion).

The main business risks of VIF are the interest rate risk, currency risk, liquidity risk and the credit risk. The Supervisory Board has set limits to restrict those risks. VIF uses adequate tools to assess and to monitor them.

Within the first half year 2011 VIF realized earnings of EUR 1.085.6 million after taxes against EUR 985.6 million in the first half of 2010. The company generates income mainly from the holding- and the group financing business. Income from participations adds up to EUR 1.076.8 million (mainly dividend income) compared to EUR 980.3 million in 2010. The interest income from group financing activities amounts to EUR 14.1 million (2010: EUR 8.3 million). The improvement in interest result is due to higher average business volume and margin in the back to back financing business and higher average equity and average interest rates for the equity funded investments.

For the second half of the 2011 we expect business volume and interest result to be on a similar level as in the first half. No further dividend income is expected until the end of the year.

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

1. the financial statements for the first half year of 2011 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, 20 July, 2011

Original has been signed by  
Frank Mitschke, Managing Director

## **Financial statements**

## Balance sheet as at 30 June 2011

(unaudited)

		30 June 2011		30 June 2010	
	Ref.	EUR'000	EUR'000	EUR'000	EUR'000
<i>Assets</i>					
<b>Fixed assets</b>					
Intangible fixed assets		-		-	
Tangible fixed assets		108		100	
Shares in participations		3,810,037		3,469,467	
Loans to Volkswagen group companies		9,410,980		8,206,691	
Loans to joint ventures of the Volkswagen group		71,446		86,446	
<b>Total fixed assets</b>			13,292,571		11,762,704
<b>Current assets</b>					
Receivables due from Volkswagen group companies		4,010,266		4,533,427	
Receivables due from joint ventures of the Volkswagen group		96,999		574	
Other assets		26,633		30,926	
Prepayments and accrued income		45,875		40,215	
Deposits at banks		69,346		389,687	
Cash at banks and in hand		892		272	
<b>Total current assets</b>			4,250,011		4,995,101
<b>Total assets</b>			17,542,582		16,757,805

**(unaudited)**

	<b>30 June 2011</b>		<b>30 June 2010</b>	
	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	2,102,155		3,102,155	
Retained earnings	1,446,685		309,277	
Current earnings	1,085,631		985,560	
<b>Total shareholders' equity</b>		4,737,506		4,500,027
<b>Long-term liabilities</b>				
Bonds	8,914,092		7,771,349	
Liabilities to Volkswagen group companies	292,000		389,706	
<b>Total long-term liabilities</b>		9,206,092		8,161,055
<b>Current liabilities</b>				
Bonds	2,611,613		3,250,000	
Commercial papers	159,812		134,904	
Liabilities to Volkswagen group companies	532,068		369,849	
Other liabilities	201,828		256,410	
Deferred income	22,709		1,382	
Current income tax	1,804		382	
Trade payables	255		4,056	
Accrued liabilities	68,895		79,740	
<b>Total current liabilities</b>		3,598,984		4,096,723
<b>Total shareholders' equity and liabilities</b>		17,542,582		16,757,805

## Income statement 30 June 2011

(unaudited)

	30 June 2011		30 June 2010	
	EUR'000	EUR'000	EUR'000	EUR'000
<b>Income</b>				
Interest and similar income	287,006		300,273	
Other operating income	837		842	
<b>Total income</b>		287,843		301,115
<b>Expenses</b>				
Interest and similar expenses	(272,851)		(291,933)	
Other operating expenses	(192)		(152)	
General and administrative expenses	(2,520)		(1,614)	
Amortisation and depreciation expenses	(15)		(11)	
<b>Total expenses</b>		(275,578)		(293,710)
<b>Result before taxation</b>		12,265		7,405
Taxation		(3,400)		(2,136)
Result from participations		1,076,767		980,291
<b>Result after taxation</b>		1,085,632		985,560