

Interim Financial Report June 2021

Volkswagen International Finance N.V.

Amsterdam

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Management Board Report

Volkswagen International Finance N.V. ('VIF' or 'the company'), founded in 1977, is one of the financing 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 stable outlook.

In March 2021 VIF called and redeemed all the EUR 1.25 billion hybrid notes that were issued by the company in 2014. During the first half of 2021 a total amount EUR 3.8 billion in bonds was repaid. In the first half of 2021 there have not been any activities under the CP Programme and DIP.

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 of 2021, VIF realized earnings of EUR 36.9 million after taxes against EUR 10.8 million in the first half of 2020. The company generates income mainly from the group financing business and dividends. The net interest income from group financing activities amounted to EUR 17.6 million (2020: EUR 15.6 million). In this period the income from participations was EUR 24.2 million (2020: EUR 0.00).

The company distributed EUR 23.8 million dividend on May 17 2021 to the only shareholder Volkswagen Finance Luxemburg S.A.

For the second half of 2021 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.

Compliance & Integrity

Acting with Integrity, Compliance and honesty is an essential prerequisite for the success of the Volkswagen Group. For this reason, compliance with national and international laws and regulations, internal rules and guidelines and voluntary commitments is among VIF's most important principles. The focus of VIF's compliance organization is on preventing corruption, breaches of trust and money laundering and thereby reducing the risk of unlawful actions. The Volkswagen Group's Code of Conduct is established throughout the Group, and thus also within VIF. It is the main tool for reinforcing awareness of good conduct, ethical principles and an integrity culture among the employees and providing them assistance, as well as suitable contacts in case of uncertainty. Next to the Volkswagen Group Code of Conduct, other Group policies and guidelines on specific compliance issues have been implemented within VIF. Where laws and regulations have been violated, the Volkswagen Group Whistleblower System is a suitable tool for taking appropriate actions where misconduct is proven.

The Management Board declares to the best of their knowledge:

1. the financial statements for the first half year of 2021 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 of 2021 and the risks to which the Company is exposed.

Amsterdam, 29 July 2021

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Original has been signed by
Vincent Delva, Managing Director

Financial statements

Balance sheet as at 30 June 2021

(unaudited)

	30 June 2021		31 December 2020	
	EUR'000	EUR'000	EUR'000	EUR'000
Assets				
Fixed assets				
Tangible fixed assets	85		91	
Financial fixed assets				
Shares in participations	165,690		165,690	
Loans to Volkswagen Group companies	28,986,844		29,555,225	
Total non current assets		29,152,619		29,721,006
Current assets				
Receivables due from Volkswagen Group companies	1,542,798		4,318,465	
Receivables due from affiliates of the Volkswagen Group	8,638		3,811	
Other assets	34,876		14,195	
Prepayments and accrued expenses	4,832		3,663	
Total current assets		1,591,144		4,340,134
Cash at banks and in hand		71,784		131,109
Total assets		30,815,547		34,192,249

	30 June 2021		31 December 2020	
	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	12,120		12,120	
Retained earnings	83,403		107,208	
Current earnings	36,910		-	
Total shareholders' equity		235,468		222,363
Provisions		7,197		7,181
Long-term liabilities				
Bonds	29,070,275		29,601,398	
Liabilities to Volkswagen Group companies	-		33,333	
Total long-term liabilities		29,070,275		29,634,731
Current liabilities				
Bonds	1,099,106		3,748,777	
Liabilities to Volkswagen Group companies	84,686		74,822	
Other liabilities	307,369		492,775	
Deferred income	9,911		10,884	
Current income tax	-		-	
Trade payables	137		28	
Accrued liabilities	1,398		688	
Total current liabilities		1,502,607		4,327,974
Total shareholders' equity and liabilities		30,815,547		34,192,249

Income statement as of 30 June 2021

(unaudited)

	30 June 2021		30 June 2020	
	EUR'000	EUR'000	EUR'000	EUR'000
Results from shares in participations	24,182		-	
Interest income and similar income	511,376		466,372	
Interest expenses and similar expenses	(493,734)		(450,744)	
Net interest and other finance income		41,824		15,628
Administrative expenses				
- Salaries and wages	(884)		(906)	
- Social security contributions	(63)		(67)	
- Pension contributions	(124)		(106)	
- Amortization/ depreciation expenses	(16)		(15)	
- Other administrative expenses	(384)		(1,011)	
- Additional provision for liabilities	-		-	
Total administrative expenses		(1,471)		(2,105)
Net operating income		40,353		13,523
Other operating income				
- Fees received	721		648	
- Other income	43		345	
- Releases of provisions for liabilities	-		-	
Total other operating income		764		993
Profit and (loss) before income taxes		41,117		14,516
Taxation on result on ordinary activities		(4,207)		(3,693)
Net profit and (loss) after taxation		36,910		10,823