

Financial report 2007

Volkswagen International Finance N.V.

Amsterdam

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Management report

Volkswagen International Finance N.V. ('VIF' or 'the company') is one of the funding vehicles of Volkswagen AG 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 20 billion Debt Issuance Programme that adheres to the European Prospective Directive Standards and a EUR 10 billion Multi Currency Commercial Paper Programme. Both programmes are updated every year. All issues are guaranteed by Volkswagen AG, Wolfsburg.

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. The small currency and interest rate exposures during and at the end of 2007 were within the limits approved by the Supervisory Board.

Due to the favourable liquidity position of the Volkswagen group, there was hardly any requirement for new issues in 2007. In total VIF issued only seven notes with a EUR equivalent of 219 million and redeemed funds with a EUR equivalent of 1.1 billion. Consequently, the total volume of loans taken and granted was reduced significantly compared to the 2006 figures.

In 2006 Volkswagen AG decided to extend the VIF business by establishing a holding structure in the Netherlands. Based on this decision, a tax ruling with the Dutch tax authorities was concluded. In the third quarter of 2006 Volkswagen AG contributed into VIF the shares in its subsidiaries Volkswagen Group Japan K.K., Volkswagen Slovakia A.S., Södertälje Bil Invest AB, Sweden, Import Volkswagen Group s.r.o., Czech Republic as well as a receivable against AutoVision GmbH. This contribution in kind was made for consideration of 300 new ordinary shares in the capital of VIF.

In 2007 Volkswagen AG continued to extend the VIF holding business by contributing its subsidiaries Skoda Auto A.S. and Volkswagen Group Rus OOO in return for 60 shares in VIF. Furthermore, VIF acquired 9% of the shares in Volkswagen India Private Limited and Volkswagen Group Sales India Private Limited. These companies will engage in the business of production and distribution of automobiles, spare parts and related activities.

In connection with the structuring of the holding activities within the Volkswagen group, VIF sold its shares in International Insurance Service s.r.o., Mlada Boleslav to the Volkswagen group company VW Versicherungsvermittlungs-GmbH, Wolfsburg. The purchase price amounted to EUR 1.7 million and VIF recorded a gain on this disposal amounting to EUR 1.5 million.

According to the strategy of Volkswagen AG the VIF holding business will be further extended within the next years.

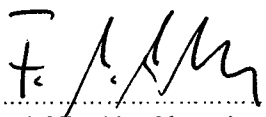
In August 2007 VIF incorporated Volkswagen International Payment Services N.V. (VIPS) with registered seat in Amsterdam, the Netherlands. This company was set up with an authorised capital amounting to EUR 2.0 million of which EUR 0.4 million has been paid in. In October 2007 VIF contributed an amount of EUR 300 million to the capital reserve of the company. The main objectives of VIPS are to perform payment services and the cash pooling for the foreign Volkswagen Automotive Group companies.

In the year 2007 VIPS invested the excess in liquidity of certain foreign Volkswagen Automotive Group companies and its own funds amounting to EUR 302 million in commercial paper and bank deposits. The balance sheet total as at the end of 2007 amounted to EUR 2.6 billion. The company recorded a net interest income of EUR 3.8 million and a result after tax of EUR 2.8 million.

In 2007 VIF realised earnings of EUR 342.9 million before tax against EUR 13.6 million in 2006. The high profit is mainly caused by dividends received amounting to EUR 328.8 million, a gain from the disposal of the shares in VW Versicherungsvermittlungs-GmbH amounting to EUR 1.5 million and despite of the lower business volume a higher interest income compared to 2006 (+ EUR 2.0 million). The increase in interest income is due to higher interest levels on the investment of own funds.

For the current year we expect financing activities to be on a higher level than in 2007, assuming an increased financing demand of the Volkswagen group companies due to planned investments. The holding business will be further extended and we anticipate a strong dividend income.

Amsterdam, 1 February 2008


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(Frank Mitschke, Managing Director)

Financial statements

Balance sheet as at 31 December 2007

(after proposed profit appropriation)

		31 December 2007		31 December 2006	
	Ref.	EUR'000	EUR'000	EUR'000	EUR'000
<i>Assets</i>					
Fixed assets					
Intangible fixed assets	5		18		20
Tangible fixed assets	5		49		84
Financial fixed assets:	6				
Receivables due from Volkswagen group companies	6	-		3,542,388	
Receivables due from joint ventures of the Volkswagen group	6	-		24,000	
Shares in participations	1.3	3,014,152		1,768,046	
Loans to Volkswagen group companies	6/7	3,632,615		745,971	
Loans to joint ventures of the Volkswagen group	6/7	41,446		17,446	
Total financial fixed assets			6,688,213		6,097,851
Current assets					
Receivables due from Volkswagen group companies	7	1,357,206		1,351,767	
Receivables due from joint ventures of the Volkswagen group	7	4,596		24,056	
Other assets	8	8,489		83,662	
Prepaid and deferred charges	9	14,588		18,404	
Cash at banks and in hand		42,997		10,562	
Total current assets			1,427,876		1,488,451
Total assets			8,116,156		7,586,406

The accompanying notes are an integral part of these financial statements.

		31 December 2007		31 December 2006	
	Ref.	EUR'000	EUR'000	EUR'000	EUR'000
<i>Shareholders' equity and liabilities</i>					
Shareholders' equity	10				
Share capital		102,915		102,855	
Share premium reserve		2,752,958		1,829,018	
Retained earnings		353,814		14,462	
Total shareholders' equity			3,209,687		1,946,335
Long-term liabilities	11				
Bonds		3,540,954		3,730,000	
Liabilities to Volkswagen group companies		37,924		44,615	
Other liabilities		-		418,136	
Total long-term liabilities			3,578,878		4,192,751
Current liabilities	12				
Bonds		616,245		879,819	
Commercial papers		69,087		-	
Liabilities to banks		115		-	
Liabilities to Volkswagen group companies		541,562		318,176	
Other liabilities		98,859		247,593	
Deferred income		595		1,412	
Current income tax		41		82	
Trade payables		43		49	
Accrued liabilities		1,044		189	
Total current liabilities			1,327,591		1,447,320
Total shareholders' equity and liabilities			8,116,156		7,586,406

The accompanying notes are an integral part of these financial statements.

Income statement 2007

	Ref.	2007		2006	
		EUR'000	EUR'000	EUR'000	EUR'000
Income					
Interest and similar income	14	241,647		357,588	
Other operating income	16	824		735	
Total income			242,471		358,323
Expenses					
Interest and similar expenses	14	(228,102)		(346,063)	
Other operating expenses	19	(112)		(116)	
General and administrative expenses	17	(1,644)		(1,289)	
Depreciation expenses	18	(74)		(82)	
Total expenses			(229,932)		(347,550)
Result before taxation			12,539		10,773
Taxation	23		(3,011)		(2,238)
Income from participations	15		330,324		2,837
Result after taxation			339,852		11,372

The accompanying notes are an integral part of these financial statements.

Cash flow statement 2007

	Ref.	2007		2006	
		EUR'000	EUR'000	EUR'000	EUR'000
Cash flow from operating activities					
Loans granted	6/7	669,765		3,075,581	
Loans taken	11/12	(732,512)		(3,171,075)	
<i>Net cash flow from lending activities</i>			(62,747)		(95,494)
Interest received	8/14	392,105		441,675	
Interest paid	14	(271,169)		(346,063)	
<i>Net cash flow from interest</i>			120,936		95,612
Dividends received	15	330,324		2,837	
Other operating activities		(27,541)		12,853	
Paid expenses		(2,879)		(3,926)	
Corporate income tax paid	23	(3,052)		(2,238)	
<i>Net cash flow from other operating activities</i>			296,852		9,526
Cash flow from operating activities			355,041		9,644
Cash used for investment activities					
Investments in participations	6	(322,106)		-	
Cash flow from investment activities			(322,106)		-
Cash used for financing activities					
Paid dividend	10	(500)		-	
Cash flow from financing activities			(500)		-
Net cash flow			32,435		9,644
Cash and cash equivalents at beginning of the year			10,562		918
Cash and cash equivalents at end of the year			42,997		10,562

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements

1 General

1.1 Activities

Volkswagen International Finance N.V.'s ('VIF' or 'the company') registered office is located in Amsterdam, the Netherlands.

The main purpose of the company is the financing of and participation in group companies. VIF has access to several funding sources such as bond loans, note loans and Euro Medium Term Loans as well as intercompany loans.

All external issues are guaranteed by Volkswagen AG ('VWAG'). VIF has lent the proceeds of these borrowings to group companies.

1.2 Contribution in kind

During 2006, VWAG integrated five of its subsidiaries into VIF, namely Volkswagen Group Japan K.K., Volkswagen Slovakia A.S., Södertälje Bil Invest AB, Import Volkswagen Group s.r.o. and Autoeuropa-Automóveis Lda. This contribution in kind was made for a consideration of 300 new ordinary VIF shares to VWAG. The difference between the value of the subsidiaries and the shares issued by VIF was posted to VIF's capital reserve. At the same time, all of VIF's shares were contributed to Global Automotive C.V. by VWAG.

During 2007, VWAG contributed another two subsidiaries, namely Skoda Auto A.S. and Volkswagen Group Rus OOO for a consideration of 60 new ordinary VIF shares to VWAG. Again, the difference between the value of the subsidiaries and the shares issued by VIF was posted to VIF's capital reserve. At the same time, the additional VIF shares were contributed to Global Automotive C.V. by VWAG.

1.3 Consolidation and shares in participations

VIF belongs to the Volkswagen group. The ultimate parent company of this group is VWAG, Wolfsburg, Germany. The consolidation, including all subsidiaries of VIF, is performed at VWAG level. These consolidated financial statements can be obtained from the company. Based on article 2:408 of the Netherlands Civil Code VIF is exempt from consolidation.

Participations are legal persons in which VIF exercises direct or indirect decisive control based on a shareholding of more than one half of the voting rights, or whose financial and operating policies it otherwise has the power to govern. Potential voting rights that can directly be exercised at the balance sheet date are also taken into account. Participations and other legal persons in which VIF exercises decisive control or whose central management it conducts are consolidated in full. Minority interests in group equity and group profit are disclosed separately. Investments in joint ventures are consolidated proportionately. An entity qualifies as a joint venture if its participants jointly exercise control under a collaborative agreement.

Intercompany transactions, profits and balances among group companies and other consolidated legal persons are eliminated. Unrealised losses on intercompany transactions are eliminated as well, unless such a loss qualifies as an impairment. The accounting policies of group companies and other consolidated legal persons have been changed where necessary, in order to align them to the prevailing group accounting policies.

The following overview contains information on the shares in participations, especially the percentage in the issued capital, the book value and the net asset value in local currency and the equivalent in euro:

Name, registered office	Share in issued capital as percentage	31 December 2007					
		Book value			Net asset value		
		EUR		Original currency	EUR		Original currency
		EUR'000		LC'000	EUR'000		LC'000
	%						
Volkswagen Slovakia A.S., Bratislava, Slovakia	100	1,000,000	EUR	1,000,000	1,224,051	SKK	42,107,361
Skoda Auto A.S., Mlada Boleslav, Czech Republic	100	875,000	EUR	875,000	2,178,435	CZK	58,007,361
Autoeuropa-Automóveis Lda., Palmela, Portugal	50	304,700	EUR	304,700	361,014	EUR	361,014
Volkswagen International Payment Services N.V., Amsterdam	100	302,031	EUR	302,031	304,713	EUR	304,713
Volkswagen Group Japan K.K., Toyohashi-shi, Japan	100	212,000	EUR	212,000	168,771	JPY	26,446,393
Södertälje Bil Invest AB, Södertälje, Sweden	100	188,500	EUR	188,500	33,979	SEK	307,000
Import Volkswagen Group s.r.o., Prague, Czech Republic	100	62,500	EUR	62,500	23,169	CZK	636,682
Volkswagen Group Rus OOO, Kaluga, Russian Federation	100	49,000	EUR	49,000	56,214	RUB	2,022,906
Volkswagen India Private Limited, Pune, India	< 20	17,131	EUR	17,131	-	INR	-
Volkswagen Group Sales India Private Limited, Mumbai, India	< 20	3,289	EUR	3,289	-	INR	-
Audi Brussels SA, Brussels, Belgium	< 20	1	EUR	1	-	EUR	-
Total investments in participations		3,014,152			4,350,346		

At the end of 2007 management performed an impairment test (based on a discount rate of 11.69%) for all investments in participations. The investments in Volkswagen Group Japan K.K., Södertälje Bil Invest AB and Import Volkswagen Group s.r.o. have a book value that exceeds the net asset value. These companies have been purchased in 2006. During the purchase process an independent firm provided VIF with a report on the fair value of these companies. Based on these reports, the results for 2007 and the expected results in the future management concluded that an impairment was not necessary.

Volkswagen Overseas Finance N.V., Curacao, Netherlands Antilles, was liquidated in 2007.

International Insurance Service s.r.o., Mlada Boleslav, Czech Republic, was sold to VW Versicherungsvermittlungs-GmbH, Wolfsburg, Germany on 1 January 2007 for an amount of EUR 1,700,000.

Audi Brussels SA, Volkswagen India Private Limited and Volkswagen Group Sales India Private Limited are minority investments. The net asset values were not available.

For further details on shares in participations see note 6.

2 Principles of valuation of assets and liabilities

2.1 General

The financial statements were prepared in accordance with the statutory provisions of Part 9, Book 2 of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. The financial statements are denominated in euro.

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or fair value. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred. The balance sheet, profit and loss account and cash flow statement include references to the notes.

2.2 Comparison with prior year

The principles of valuation and determination of result remain unchanged compared to the prior year.

2.3 Foreign currencies

Functional currency

Items in the financial statements of group companies are stated with due observance of the currency of the primary economic environment in which the respective group company operates (the functional currency). The financial statements are denominated in euro, i.e. the functional and reporting currency of VIF.

Transactions, receivables and liabilities

Assets and liabilities denominated in foreign currencies are translated at the mid-rate prevailing on the balance sheet date. Investments in participations are stated at the historical exchange rate.

Transactions denominated in foreign currencies in the reporting period are recognised in the financial statements at exchange rate ruling at the transaction date.

In respect of any positions in the balance sheet that are covered by cross currency interest rate swaps or by foreign exchange forward contracts, the differences in values calculated at mid-rates at the end of the year and contract rates are allocated to the respective principals of the loans. If the loan taken is denominated in a currency other than euro, the respective correction is allocated to this loan. Otherwise the respective loan granted is corrected.

2.4 Intangible fixed assets

Intangible fixed assets are carried at historical cost less amortisation. Any impairment as at the balance sheet date is taken into account; an impairment exists if the carrying amount of the asset (or the cash-generating unit to which it belongs) exceeds its recoverable amount. For determining whether an impairment charge in respect of an intangible fixed asset applies, reference is made to note 2.7.

Computer software

Software licences acquired are capitalised at acquisition cost and amortised over the estimated economic life of three years. Expenditures incurred for the production of identifiable software products that are tailor-made for the group are capitalised. Expenditure in connection with maintenance of computer software and expenses related to research activities are recognised in the profit and loss account.

2.5 Tangible fixed assets

Fixed assets are valued at acquisition or production cost including directly attributable expenses, less straight-line depreciation over the estimated useful economic life, or market value if lower. Directly attributable production costs include the costs of the raw materials and consumables, and also include installation costs.

The following depreciation periods are used:

Asset	Number of years
Office equipment	5
Transport equipment	5
Furniture and fixtures	10
Computer hardware	3

2.6 Financial fixed assets

Receivables due from Volkswagen group companies and joint ventures of the Volkswagen group

The receivables due from Volkswagen group companies and joint ventures of the Volkswagen group are valued at their nominal value. All receivables have a maturity of over one year.

Shares in participations

Participations and other participating interests in which the company exercises significant influence are stated at the lower of cost and net asset value. The company is considered to exercise significant influence if it holds at least 20% of the voting rights.

Net asset value is calculated using the accounting policies applied in these financial statements. Participating interests whose financial information cannot be aligned to these policies are valued based on their own accounting policies.

Participating interests acquired are initially measured at the fair value of the identifiable assets and liabilities upon acquisition. Any subsequent valuation is based on the accounting policies that apply to these financial statements, taking into account the initial valuation.

Participating interests in which no significant influence can be exercised are stated at acquisition price. If an asset qualifies as impaired, it is measured at its impaired value; any write-offs are disclosed in the profit and loss account.

The shares in participations are specified in note 1.3.

Loans to Volkswagen group companies and joint ventures of the Volkswagen group

Loans to Volkswagen group companies and other participating interests are loans with an original term of more than one year and are valued at their nominal value.

2.7 *Impairment of fixed assets*

On each balance sheet date, the company tests whether there are any indications of assets being subject to impairment. If any such indications are present, the recoverable amount of the asset is determined. If this proves to be impossible, the recoverable amount of the cash-generating unit to which the asset belongs is identified. An asset is subject to impairment if its carrying amount is higher than its recoverable value; the recoverable value is the higher of the net realisable value and the value in use.

Net realisable value is determined based on the active market. An impairment is directly recognised as an expense in the profit and loss account.

If it is established that a previously recognised impairment no longer applies or has declined, the increased carrying amount of the assets in question is not set higher than the carrying amount that would have been determined had no asset impairment been recognised.

2.8 *Current assets*

Receivables due from Volkswagen group companies and joint ventures of the Volkswagen group

The receivables due from Volkswagen group companies and joint ventures of the Volkswagen group are valued at their nominal value. All receivables will be received within one year.

Other assets

The swap interest receivables and income tax receivables are shown under other assets and are valued at their nominal value.

Prepaid and deferred charges

The prepaid and deferred charges are amortised over the remaining life of the bonds.

Cash at banks and in hand

Cash at banks and in hand represents cash in hand, bank balances and deposits with a maturity of less than one year.

Cash and banks denominated in foreign currencies are translated at the mid-rate prevailing on the balance sheet date.

2.9 Long-term liabilities

Bonds

The bonds were valued at their nominal value. All long-term bonds have a maturity of over one year.

Other liabilities

In 2006, the long-term unlisted DIPs were included in other liabilities; in 2007 these liabilities are included in bonds.

Liabilities to Volkswagen group companies

The liabilities to Volkswagen group companies are valued at their nominal value. All liabilities have a maturity of over one year.

2.10 Current liabilities

Bonds

The bonds are valued at their nominal value. All short-term bonds are payable within one year.

Liabilities to banks

The liabilities to banks are valued at their nominal value. All liabilities are payable within one year.

Liabilities to Volkswagen group companies

The liabilities to Volkswagen group companies are valued at their nominal value. All liabilities are payable within one year.

Other liabilities

The swap interest payables with a run-off period within one year are shown under other liabilities and are valued at their nominal value.

In 2006, the short-term unlisted DIPs were included in other liabilities; in 2007 they are included in bonds.

Deferred income

The deferred income concerns premiums and compensations and is amortised over the remaining life of the loans taken.

Deferred income tax

Deferred tax liabilities are recognised to provide for timing differences between the value of the assets and liabilities for financial reporting purposes on the one hand and for tax purposes on the other. Deferred tax liabilities are calculated based on the tax rate prevailing on the balance sheet date or the rates that will apply in the future, insofar as these have been set by law.

Deferred taxes are recognised for timing differences concerning group companies, participating interests and joint ventures of the Volkswagen group, unless VIF is able to determine the moment of expiry of the timing difference and it is not likely that the timing difference will expire in the foreseeable future.

Current income tax

The current Dutch nominal tax rate of 25.5% has been applied. VIF is part of a fiscal unity with Volkswagen Financial Services N.V.

Trade payables

The trade payables are valued at their nominal value and will be paid within one year.

Other accrued liabilities

The accruals are stated at the amount required, based on sound business judgement and valued at the expected costs.

3 Principles for determination of result

3.1 General

Result is determined as the difference between the realisable value of services rendered and the costs and other charges for the year. Results on transactions are recognised in the year in which they are realised; losses are taken as soon as they are foreseeable.

Profit or loss is determined taking into account the recognition of unrealised changes in fair value of:

- securities included in current assets;
- derivative financial instruments that have not been designated as hedges.

3.2 Revenue recognition

Revenue from interest income is allocated to the reporting period in which it occurs.

3.3 Exchange rate differences

Exchange rate differences arising upon the settlement of monetary items are recognised in the profit and loss account in the period that they arise (note 16).

3.4 Interest income and similar income and interest expenses and similar expenses

Interest income and expense is recognised on a pro rata basis, taking account of the effective interest rate of the assets and liabilities concerned. When recognising the interest charges, the transaction cost on the loans received is taken into account.

3.5 Income from participations

Dividend to be received from participating interests not carried at net asset value and unquoted securities are recognised as soon as VIF acquires the right to it.

3.6 *Other operating income and expenses*

Other operating income and expenses include income or expenses that are not directly attributable to the interest income or expenses and are valued at the realisable value.

3.7 *General and administrative expenses*

These expenses include expenses such as personnel expenses, office expenses, consulting and audit fees and depreciation and are valued at cost.

Depreciation

Intangible fixed assets are amortised and tangible fixed assets are depreciated over their expected useful lives as from the inception of their use. Future depreciation is adjusted if there is a change in estimated useful life.

Gains and losses upon the sale of tangible fixed assets are included in depreciation.

Personnel expenses

Salaries, wages and social charges are taken to the profit and loss account when due, and in accordance with employment contracts and obligations.

3.8 *Depreciation expenses*

Changes in the value of the following financial instruments are taken directly to the profit and loss account:

- securities included in current assets;
- derivative financial instruments not designated as hedges.

No such gains or losses were recognised in 2007.

A decline in the value of financial instruments measured at fair value is recognised in the profit and loss account. Realised increases in the value of financial instruments measured at fair value and initially recognised in equity are taken to the profit and loss account.

At the end of 2007 no financial instruments were measured at fair value.

3.9 *Taxation*

Profit tax is calculated on the profit before taxation in the profit and loss account, taking into account any losses carried forward from previous financial years (insofar as these are not included in deferred tax assets), tax-exempt items and non-deductible expenses. Account is also taken of changes in deferred tax assets and deferred tax liabilities owing to changes in the applicable tax rates.

4 Financial instruments

4.1 Market risk

Currency risk

To avoid risk, loans and related funding are generally matched in currency terms. If not, correcting swaps are executed to achieve the matched basis. The small exchange rate exposures during and at the end of 2007 were within the mismatch guidelines.

Interest rate risk

To avoid risk, loans and related funding are generally matched in interest terms. If not, correcting swaps are executed to achieve the matched basis. The small interest rate exposures during and at the end of 2007 were within the mismatch guidelines.

4.2 Risk of default

The risk of default arising from financial assets and derivative instruments involves the risk of default by counterparties. The maximum loss from derivative instruments equals their positive fair value. Risk is additionally limited by a limit system based on credit assessments by the international rating agencies.

5 Intangible and tangible fixed assets

	Intangible fixed assets (software)	Tangible fixed assets (other installations, business and office equipment)	Total
	EUR'000	EUR'000	EUR'000
Purchase cost	120	284	404
Additions	22	15	37
Amortisation/depreciation (accumulated)	124	250	374
Book value as at 31 December 2007	18	49	67
Book value as at 31 December 2006	20	84	104
Amortisation/depreciation current year	24	50	74

6 Financial fixed assets

Movements in financial fixed assets can be broken down as follows:

	Shares in participations
	EUR'000
1 January 2007	1,768,046
Additions	1,246,451
Disposals	(345)
31 December 2007	3,014,152

Shares in participations

The shares in participations are specified in note 1.3.

Further details to participations:

Audi Brussels SA, Brussels, Belgium

Investment in Audi Brussels SA is below 20%.

Volkswagen Group Japan K.K., Toyohashi-shi, Japan (VGJ)

- Incorporation on 7 July 1983 (as Volkswagen Asia Limited, change in 1996).
- Contribution to VIF: 24 November 2006 (100% shareholder).
- Equity 31 December 2006 JPY 26,446,393,000
- Net earnings 2006 JPY 2,002,141,000

VGJ was established as Volkswagen Asia Limited and changed its name to VGJ in September 1996. The company's business comprises the import and wholesale of Volkswagen and - since May 2002 - of Bentley models and parts and providing related after-sales services. VGJ aims to achieve high customer satisfaction by offering high-quality products and services.

VGJ is the parent company of Volkswagen Tokyo K.K. that has a sales network in the Tokyo city zone. VGJ further uses the dealer organisation of Fahren Tokyo K.K. and Toyota Motor Company on the basis of distribution agreements.

Volkswagen Slovakia A.S., Bratislava, Slovakia (VWS)

- Incorporation on 7 December 1998.
- Contribution to VIF: 24 November 2006 (100% shareholder).
- Equity 31 December 2006 SKK 42,107,361,000
- Net earnings 2006 SKK 8,187,228,000

VWS' business is the production of vehicles, gearboxes and components for the Volkswagen group and Porsche AG on the basis of cost-plus agreements.

The profit-earning situation of VWS is directly influenced by the production programmes and cost-plus agreements between VWS and the Volkswagen group. The company profits from the moderate salary level and favourable tax conditions in Slovakia.

Södertälje Bil Invest AB, Södertälje, Sweden (SBI)

- Incorporation on 14 November 1997.
- Contribution to VIF: 24 November 2006 (100% shareholder).
- Equity 31 December 2006 SEK 169,971,000
- Net earnings 2006 SEK 49,043,000

SBI is the holding company of the 100% participations in Svenska Volkswagen AB (SVW) and Din Bil Sverige AB (DBS). SVW is active in the field of the import and sale of vehicles and spare parts of the Volkswagen group (Volkswagen passenger cars, Volkswagen commercial vehicles, Audi, Skoda, Bentley/Lamborghini and Porsche) to dealers, major customers and leasing companies. DBS is a holding company that delivers vehicles of the Volkswagen group to the own dealer net in Sweden. Due to the holding function SBI's earning situation depends on the situation and development of the Swedish automobile market.

Import Volkswagen Group s.r.o., Prague, Czech Republic (IVG)

- Incorporation on 18 March 1998.
- Contribution to VIF: 24 November 2006 (100% shareholder).
- Equity 31 December 2006 CZK 636,862,000
- Net earnings 2006 CZK 216,215,000

The actual import and sales operations of IVG are founded upon business activities that Skoda Auto A.S. started as cost centre in 1991. The aim of these activities was the formation of a sales and service network and the canvassing of new customers. In 1998 Skoda's activities were transferred to IVG.

IVG conducts the import and sale of vehicles of the Volkswagen brand (passenger cars and commercial vehicles), Audi and Seat brand, spare parts, accessories and related products through a network of authorised and independent dealers. The sales organisation of IVG is divided into four dealer networks that are responsible for the sales of the four brands.

Autoeuropa-Automóveis Lda., Palmela, Portugal (AE)

- Incorporation on 24 June 1991.
- Contribution to VIF: 24 November 2006 (50% shareholder, 50% VWAG).
- Equity 31 December 2006 EUR 361,014,000
- Net earnings 2006 EUR 3,733,000

AE was established in 1991 as joint venture of VWAG and Ford-Werke AG to produce a multi-purpose vehicle. In 1999 VW Beteiligungs-Gesellschaft mbH (VW BG) bought Ford's participation in AE and became 50% shareholder of AE. After the merger of VW BG in VWAG, AutoVision GmbH became the new owner of the 50% share in AE. Said share has been sold by AutoVision GmbH to VIF in connection with VWAG's contribution in kind.

AE consists mainly of a body and stamping plant, paint shop and assembly plant. In 2005, the company produced the Volkswagen model Sharan, the Seat model Alhambra, the Ford model Galaxy and started in April 2005 the pre-series production of the new Volkswagen Eos Convertible Coupé.

None of the subsidiaries are consolidated with VIF as the exemption of article 2:408 (Netherlands Civil Code, Part 9, Book 2) applies. A full consolidation of the companies is performed by VWAG. The consolidated financial statements are deposited in the Wolfsburg Register of Companies.

Skoda Auto A.S., Mladá Boleslav, Czech Republic (SKA)

- Incorporation on 20 November 1990.
- Contribution to VIF: 18 July 2007 (100% shareholder).
- Equity 31 December 2006 CZK 58,007,361,000
- Net earnings 2006 CZK 10,882,202,000

The Skoda Automotive Group is one of the largest corporate groups in the Czech Republic and consists of the parent company Skoda Auto A.S. and its subsidiaries Skoda Auto Deutschland, Skoda Auto Slovensko, Skoda Auto India, Skoda Auto Polska (51%) and Volkswagen Group Rus OOO (37.5%). Skoda was the fourth brand which has been integrated into the Volkswagen group.

SKA is an originally Czech company with a long automotive manufacturing tradition. The company's business is the development, manufacturing and sale of vehicles, components, parts and accessories as well as the provision of related after-sales services.

The product portfolio of Skoda is composed of four model lines: the Skoda Fabia, Skoda Octavia, Skoda Superb and the Skoda Roomster with different derivatives and engines. In 2006 Skoda presented the sporty three-door Skoda Joyster showcar at the Auto Salon Paris.

Skoda produced in 2006 at its manufacturing facilities a total of 556,347 vehicles, which represents an increase of 12.6% versus 2005. The network of authorised sales and service partners extended to a total of 4,091 (+ 5.5% versus 2005). Skoda had in 2006 a market share of 52.4% in the domestic Czech market.

Volkswagen Group Rus OOO, Kaluga, Russian Federation (VGR)

- Incorporation on 16 December 1999.
- Contribution to VIF: 28 September 2007 (100% shareholder).
- Equity 31 December 2006 RUB 2,022,906,000
- Net earnings 2006 RUB 738,294,000

The statutory purpose of VGR are the distribution of vehicles, the delivery of spare parts, after-sales service and the repair of vehicles. VGR is divided into the Volkswagen passenger car, Volkswagen commercial vehicle, Skoda and Audi division. VGR sold in 2006 44,068 passenger cars and 3,401 commercial vehicles which represent significant increases versus 2005.

Volkswagen International Payment Services N.V., Amsterdam, the Netherlands (VIPS)

- Incorporation on 27 August 2007 (100% shareholder: VIF).
- Equity 31 December 2007 EUR 304,713,000
- Net earnings 2007 EUR 2,682,000

The statutory objects of the company are to perform external central payments, intercompany payments on behalf of one Volkswagen Automotive Group company to another Volkswagen Automotive Group company and foreign exchange cross border netting for the different Volkswagen Automotive Group companies, as well as to participate in and manage other enterprises and companies, and to do all that is connected therewith or may be conducive thereto.

Further to the > 20% participations in the above listed companies VIF holds a 9% interest in the group subsidiaries Volkswagen India Private Limited and Volkswagen Group Sales India Private Limited as well as one share in Audi Brussels SA/N.V.

Amounts to/due from Volkswagen group companies and joint ventures of the Volkswagen group included in financial fixed assets:

	31 December 2007			31 December 2006		
	Total	Term > 1 year	Term < 1 year	Total	Term > 1 year	Term < 1 year
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Amounts to/due from Volkswagen group companies	4,989,821	3,632,615	1,357,206	5,640,126	4,288,359	1,351,767
Amounts to/due from joint ventures of the Volkswagen group	46,042	41,446	4,596	65,502	41,446	24,056
	<u>5,035,863</u>	<u>3,674,061</u>	<u>1,361,802</u>	<u>5,705,628</u>	<u>4,329,805</u>	<u>1,375,823</u>

In 2006 the long-term loans classified as financial fixed assets were shown in two positions in the balance sheet, receivables due from Volkswagen group companies for EUR 3,542,388,000 and loans to Volkswagen group companies for EUR 745,971,000. In 2007 these assets are combined in one position as loans to Volkswagen group companies. The same applies to receivables due from joint ventures of the Volkswagen group and loans to joint ventures of the Volkswagen group.

7 Loans to and receivables due from Volkswagen group companies and joint ventures of the Volkswagen group (fixed and current assets)

	Original currency	Average interest rate in percentage	31 December 2007	
			Book value	Market value
		%	EUR'000	EUR'000
Fixed asset loans to Volkswagen group companies	EUR	4.62	3,331,683	3,470,110
	SEK	4.86	16,030	16,210
	USD	5.82	284,902	290,200
			<u>3,632,615</u>	<u>3,776,520</u>
Fixed asset loans to joint ventures of the Volkswagen group	EUR	5.86	34,000	36,024
	PLN	7.06	7,446	9,148
			<u>41,446</u>	<u>45,172</u>
Current asset receivables due from Volkswagen group companies	EUR	4.16	701,280	705,818
	CZK	3.15	2,867	3,069
	GBP	6.45	159,025	151,732
	JPY	0.94	27,658	24,305
	SEK	4.49	187,401	185,790
	USD	5.56	178,387	161,153
Accrued and other receivables			100,588	100,588
			<u>1,357,206</u>	<u>1,332,455</u>

	Original currency	Average interest rate in percentage %	31 December 2007	
			Book value	Market value
			EUR'000	EUR'000
Current asset receivables due from joint ventures of the Volkswagen group	EUR	4.34	4,343	4,354
Accrued and other receivables			253	253
			4,596	4,596
Total loans to and receivables due from Volkswagen group companies and joint ventures of the Volkswagen group			5,035,863	5,158,743

8 Other assets

	31 Dec 2007	31 Dec 2006
	EUR'000	EUR'000
Interest receivable from banks	8,279	83,564
Income tax receivable	35	95
Receivables from employees	10	-
Other receivables	165	3
	8,489	83,662

The interest receivable from banks relates to the outstanding swap agreements and to deposits.

9 Prepaid and deferred charges

	31 Dec 2007	31 Dec 2006
	EUR'000	EUR'000
Prepaid expenses	63	-
Capitalised issue costs	14,525	18,404
	14,588	18,404

10 Shareholders' equity

Share capital

On 31 December 2007, the subscribed capital of the company amounted to EUR 104,370,000, of which an amount of EUR 102,915,000 was paid-up. 102,915 registered shares of EUR 1,000 each are issued, of which 60 shares were issued in 2007.

To the share premium reserve of EUR 1,829,018,000 an amount of EUR 923,940,000 was added in 2007 as a result of the contribution in kind of VWAG.

	Issued and paid-up share capital	Share premium reserve	Retained earnings	Dividend	Total equity
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance 1 January 2006	102,555	61,618	7,790	(4,700)	167,263
Interim dividend paid	-	-	(4,700)	4,700	-
Result for 2006	-	-	11,372	-	11,372
Contribution in kind of VWAG	300	1,767,400	-	-	1,767,700
Balance 31 December 2006	102,855	1,829,018	14,462	-	1,946,335
Dividend paid	-	-	(500)	500	-
Result for 2007	-	-	339,852	(500)	339,352
Contribution in kind of VWAG	60	923,940	-	-	924,000
Balance 31 December 2007	102,915	2,752,958	353,814	-	3,209,687

11 Long-term liabilities

	31 Dec 2007	31 Dec 2006
	Total long-term loans	Total long-term loans
	EUR'000	EUR'000
Bonds	3,540,954	3,730,000
Other liabilities	-	418,136
Liabilities to Volkswagen group companies	37,924	44,615
	3,578,878	4,192,751

A breakdown of the bonds is as follows:

Long-term bonds				31 December 2007		31 December 2006	
Counterparty	Local curr.	Maturity date	Interest %	EUR'000	LC'000	EUR'000	LC'000
Société Générale	EUR	28-02-2007	3.704	-	-	100,000	100,000
West LB	SKK	30-06-2008	4.85	-	-	19,277	800,000
BNP Paribas	EUR	22-09-2008	3.934	-	-	150,000	150,000
Fortis Bank	NOK	10-11-2008	5.00	-	-	53,851	500,000
HSBC	JPY	20-04-2009	1.14	23,301	3,000,000	-	-
Citibank London	EUR	22-05-2009	4.125	1,500,000	1,500,000	1,500,000	1,500,000
Barclays	HKD	24-06-2009	4.24	8,713	100,000	-	-
Dresdner Bank	JPY	06-07-2009	1.43	18,388	3,000,000	-	-
Banca IMI	EUR	04-08-2009	zero coupon	71,138	71,138	68,712	68,712
DZ Bank	EUR	23-10-2009	2.875	50,000	50,000	50,000	50,000
Bank of Tokyo	JPY	27-11-2009	1.14	257,800	40,000,000	288,160	40,000,000
JP Morgan	JPY	28-11-2011	1.755	65,361	7,000,000	-	-
Salomon	JPY	29-11-2011	1.75	46,253	5,000,000	-	-
Citibank London	EUR	22-05-2013	4.875	1,000,000	1,000,000	1,000,000	1,000,000
Citibank London	EUR	22-05-2018	5.375	500,000	500,000	500,000	500,000
Total long-term bonds				3,540,954		3,730,000	

A breakdown of the long-term liabilities to Volkswagen group companies is as follows:

	31 Dec 2007	31 Dec 2006
	EUR'000	EUR'000
Volkswagen AG	37,924	44,615

12 Current liabilities

	31 Dec 2007	31 Dec 2006
	EUR'000	EUR'000
Bonds	616,245	879,819
Commercial papers	69,087	-
Liabilities to banks	115	-
Liabilities to Volkswagen group companies	541,562	318,176
Other liabilities	98,859	247,593
Deferred income	595	1,412
Current income tax	41	82
Trade payables	43	49
Accrued liabilities	1,044	189
	1,327,591	1,447,320

The remaining term of the current liabilities is less than one year.

A breakdown of the bonds is as follows:

Short-term bonds				31 December 2007		31 December 2006	
Counterparty	Local curr.	Maturity date	Interest %	EUR'000	LC'000	EUR'000	LC'000
Barclays	EUR	07-02-2007	4.75	-	-	645,000	645,000
BNP Paribas	EUR	02-03-2007	2.773	-	-	100,000	100,000
Citibank	JPY	23-07-2007	0.76	-	-	12,745	2,000,000
RBS	EUR	24-10-2007	2.625	-	-	50,000	50,000
Bank of Tokyo	JPY	29-11-2007	0.9131	-	-	72,074	10,000,000
Salomon Broth	JPY	30-01-2008	0.57	15,750	2,000,000	-	-
Deutsche Bank Société	JPY	28-02-2008	1.224	30,812	4,000,000	-	-
Générale	EUR	28-02-2008	4.793	100,000	100,000	-	-
Bank of Tokyo	JPY	15-05-2008	0.52	22,273	3,000,000	-	-
Deutsche Bank	JPY	16-05-2008	1.14	15,090	2,000,000	-	-
JP Morgan	JPY	22-05-2008	0.54	26,180	3,500,000	-	-
JP Morgan	JPY	23-05-2008	0.56	11,350	1,500,000	-	-
West LB D'dorf	SKK	30-06-2008	4.85	19,277	800,000	-	-
JP Morgan	EUR	11-07-2008	5.254	25,000	25,000	-	-
BNP Paribas	JPY	05-08-2008	0.9	12,126	2,000,000	-	-
Daiwa	JPY	19-08-2008	1.35	9,151	1,500,000	-	-
Bayerische LB	EUR	20-08-2008	3.7	50,000	50,000	-	-
HSBC	JPY	18-09-2008	1.26	5,814	1,000,000	-	-
BNP Paribas Société	EUR	22-09-2008	5.042	150,000	150,000	-	-
Générale	EUR	29-09-2008	4.795	50,000	50,000	-	-
Citibank	JPY	07-10-2008	1.215	15,244	2,500,000	-	-
Daiwa	EUR	24-10-2008	5.049	10,000	10,000	-	-
Fortis Bank	NOK	10-11-2008	5.00	48,178	500,000	-	-
Total short- term bonds				616,245		879,819	

A breakdown of the liabilities to Volkswagen group companies is as follows:

	31 Dec 2007	31 Dec 2006
	EUR'000	EUR'000
Volkswagen AG	210,283	317,937
Seat	331,279	-
Volkswagen Overseas Finance N.V.	-	209
Volkswagen Financial Services N.V.	-	30
	541,562	318,176

A breakdown of the other liabilities is as follows:

	31 Dec 2007	31 Dec 2006
	EUR'000	EUR'000
Counterparty		
Unlisted DIPs	-	105,593
Swap interest payables	10,695	23,741
Loan interest payables	88,158	118,179
Social securities/wage tax	6	80
	<u>98,859</u>	<u>247,593</u>

In 2006 the unlisted DIPs were included in other liabilities; in 2007 these liabilities are included in bonds.

13 Commitments not included in the balance sheet

Fiscal unity

The company forms a fiscal unity for corporate income tax and turnover tax purposes with Volkswagen Financial Services N.V. Under the Tax Collection Act, the company is jointly and severally liable for the taxes payable by the group.

14 Financial income and expenses

	2007	2006
	EUR'000	EUR'000
Interest and similar income	241,647	357,588
Interest and similar expenses	(228,102)	(346,063)
	<u>13,545</u>	<u>11,525</u>

15 Income from participations

	2007	2006
	EUR'000	EUR'000
Income received from		
International Insurance Service s.r.o. (2007: gain on disposal)	1,555	2,837
Import Volkswagen Group s.r.o. (dividend)	7,690	-
Skoda Auto A.S. (dividend)	301,631	-
Södertälje Bil Invest AB (dividend)	19,448	-
Total income received	<u>330,324</u>	<u>2,837</u>

16 Other operating income

	2007	2006
	EUR'000	EUR'000
Volkswagen Financial Services N.V.	550	550
Global Volkswagen Automotive B.V.	48	8
Global Mobility Holding	12	12
Miscellaneous income previous years	12	89
Translation gains	123	38
Miscellaneous income	79	38
	<u>824</u>	<u>735</u>

17 General and administrative expenses

	2007	2006
	EUR'000	EUR'000
Personnel expenses	1,005	835
Office expenses	328	255
Temporary labour	87	19
Consulting and auditing fees	157	119
Car expenses	43	35
Travel expenses	20	20
Training personnel	4	6
	<u>1,644</u>	<u>1,289</u>

A breakdown of the personnel expenses is as follows:

	2007	2006
	EUR'000	EUR'000
Salaries and wages	816	708
Social security contributions	57	73
Pension contributions	132	54
	<u>1,005</u>	<u>835</u>

18 Amortisation/depreciation and impairment of intangible and tangible fixed assets

The amortisation/depreciation and impairment of intangible and tangible fixed assets can be broken down as follows:

	2007	2006
	EUR'000	EUR'000
Amortisation intangible fixed assets (note 5)	24	23
Depreciation tangible fixed assets (note 5)	50	59
	74	82

19 Other operating expenses

	2007	2006
	EUR'000	EUR'000
Portfolio fees	38	77
Miscellaneous expenses	61	29
Bank charges	13	10
	112	116

20 Related parties

All loans are granted to other group companies. The interest income is only received from these group companies.

For investments in participations see note 1.3.

For receivables due from Volkswagen Group companies see note 6 and note 7.

For liabilities to Volkswagen Group companies see note 11 and note 12.

21 Average number of employees

During the year 2007, the average number of employees calculated on a full-time-equivalent basis was 8 (2006: 8).

22 Financial instruments

The company's policy is to fully hedge its interest rate and exchange rate exposures.

The financial instruments of the company had the following notional amounts:

	Interest swaps	Interest/ currency swaps	FX contracts	Total
	EUR'000	EUR'000	EUR'000	EUR'000
31 December 2007	551,675	908,370	191,734	1,651,779
31 December 2006	2,699,000	1,125,000	30,000	3,854,000

The financial instruments of the company had the following market values:

	Interest swaps	Interest/ currency swaps	FX contracts	Total
	EUR'000	EUR'000	EUR'000	EUR'000
31 December 2007	7,295	(38,449)	145	(31,009)
31 December 2006	54,000	(79,000)	99	(24,901)

23 Taxation on result on ordinary activities

The taxation on result on ordinary activities amounting to EUR 12,539,000 can be specified as follows:

	2007	2006
	EUR'000	EUR'000
Result from ordinary activities before taxation	342,863	13,610
Of which income from dividends	(330,324)	(2,837)
Result on ordinary activities	12,539	10,773
Taxation on result on ordinary activities	3,011	2,238
Effective tax rate	24.0%	20.8%
Applicable tax rate	25.5%	29.6%

24 Directors and Supervisory Directors

Management Board:

- Frank Mitschke, Amsterdam (from 1 November 2007)
- Alwin Kleindienst, Amsterdam
- Giuseppe Savoini, Braunschweig

Remuneration for 2007 of the Management Board amounts to EUR 297,000 (2006: EUR 267,000).

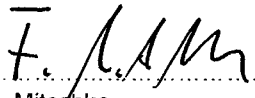
Supervisory Board:

- Wolfgang Hotze, Lehre

The Supervisory Board has not received any remuneration for 2007.

Amsterdam, 1 February 2008

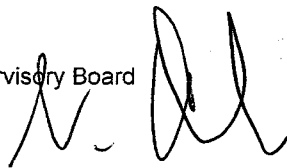
Management Board


.....
F. Mitschke


.....
A. Kleindienst


.....
G. Savoini

Supervisory Board


.....
W. Hotze

Profit appropriation according to the Articles of Association

The company's Articles of Association provide that appropriation of accrued profit is subject to the decision of the shareholders at the General Meeting. The company can only make distributions to the shareholders and other persons entitled up to an amount not exceeding the amount of the distributable reserves. The General Meeting may resolve to pay dividends from legally distributable reserves.

Proposed appropriation of profit

Management proposes to retain the profit for the year 2007 of EUR 339,852,000.

Post balance sheet events

No post balance sheet events occurred.

To the General Meeting of Shareholders of
Volkswagen International Finance N.V.

Auditor's report

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Accountants N.V.
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Facsimile +31 (10) 456 43 33
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Report on the financial statements

We have audited the accompanying financial statements 2007 of Volkswagen International Finance N.V., Amsterdam as set out on pages 4 to 29 which comprise the balance sheet as at 31 December 2007, the profit and loss account for the year then ended and the notes.

Management board's responsibility

Management board of the company is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

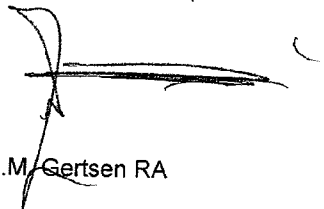
In our opinion, the financial statements give a true and fair view of the financial position of Volkswagen International Finance N.V. as at 31 December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 1 February 2008

PricewaterhouseCoopers Accountants N.V.



H.F.M. Gertsen RA