

Financial report 2013

Volkswagen International Finance N.V.

Amsterdam

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Management report

Volkswagen International Finance N.V. ('VIF') is one of the funding vehicles of Volkswagen AG ('VWAG') and its subsidiaries. VIF raises funds from the capital markets by issuing notes and lends the proceeds on to Volkswagen Group and joint venture companies. Basis for the issuing activities are the regularly updated Debt Issuance Programme (DIP) of EUR 25 billion, that adheres to the European Prospective Directive Standards, as well as the EUR 10 billion Multicurrency Commercial Paper Programme (CP Programme). 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 positive outlook. Standard & Poor's assessed VWAG's creditworthiness as A-2 (short-term) and A- (long-term) with a positive outlook.

Major transactions included in June 2013 the tap-up by EUR 1.2 billion to EUR 3,7 billion of the mandatory convertible bond, originally issued in 2012 in an amount of EUR 2.5 billion. In September 2013 a total of EUR 2 billion undated subordinated notes were issued, consisting of EUR 1.25 billion notes with a first call date in September 2018 and EUR 750 million with a first call date in September 2023. In November 2013 the US-Market was again targeted with a USD 2.15 billion issue under the Rule 144A format.

Throughout 2013, VIF raised a total of EUR 5.8 billion (2012: EUR 8.3 billion) issuing under the above-mentioned DIP, and EUR 2.25 billion under the mentioned CP Programme. The proceeds of all issues were granted to Volkswagen Group companies. VIF also redeemed multiple DIP issues with a EUR equivalent of 3.0 billion (2012: 3 DIP issues totalling EUR 2.8 billion) and CP issues with a total EUR equivalent of 1.86 billion (2012: CP issues totalling EUR 101 million). In addition, redemption was paid of two different tranches of 144A Bonds issued in 2010 and 2012 totalling USD 1.25 billion. The financing activities are carried out in different currencies and interest terms. To avoid currency and interest risks, VIF concludes interest and currency swaps.

The number of participations held by VIF increased from 23 to 24 in 2013. The book value of participations decreased by EUR 410.9 million to EUR 3.9 billion (2012: EUR 4.3 billion). The change is mainly due to a decrease of the capital reserve of Volkswagen International Payment Services N.V. ('VIPS').

The following events in respect to the participation business took place in 2013:

On December 13, 2012 VIF signed a Joint Venture Agreement with local partners Automotive Technologies Alliance, LLC and Saudi Arabian Marketing & Agencies Co. Ltd. to form Volkswagen Group Saudi Arabia, LLC, which was officially incorporated on April 8, 2013. VIF invested ca. EUR 9.6 million as of January 23, 2013 and holds 51% of Volkswagen Group Saudi Arabia, LLC, while Automotive Technologies Alliance, LLC holds 39% and Saudi Arabian Marketing & Agencies Co. Ltd. holds 10%. The main purpose of Volkswagen Group Saudi Arabia, LLC is the import and sale of passenger cars of the brands Volkswagen, Audi and Porsche.

On 24 April 2013 VIF increased the capital of Volkswagen Finance Luxembourg S.A., Luxembourg (VFL) by another EUR 1.1 billion. In return VIF received shares in the capital of VFL, which were transferred to VWAG. VWAG remains 100% shareholder of VFL.

On 8 November, 2013 VIF purchased additional shares in VW Group Rus OOO from the European Bank for Reconstruction and Development (EBRD) in the amount of ca. EUR 30,0 Mio. equaling to 6,22 % of the total amount of shares of VW Group Rus OOO. After this transaction VIF now holds 55.14% of the shares of VW Group Rus OOO

The main business risks of VIF are the interest rate risk, currency risk, liquidity risk and credit risk. The Supervisory Board has set limits to restrict those risks. VIF uses adequate tools to assess and to monitor them. Further information on the risk management of the company is included in note 4 to the financial statements.

VIF realised earnings of EUR 0,9 billion after tax in 2013 against EUR 1 billion in 2012. The company generates income mainly from the holding and the Group financing business. Result from participations adds up to EUR 892 million compared to EUR 999 million in 2012. Interest income from Group financing activities amounts to EUR 29,0 million (2012: EUR 22.1 million). This is mainly due to a less favourable interest rate environment and the cash pooling with the Global Treasury Platform managed by Volkswagen Group Services S.A. on a short-term basis but higher average business volume.

Legal shareholders of VIF are VWAG (103,034 shares) and Global VW Automotive B.V. (1 share). In November 2006, both companies entered into an Agreement of Limited Partnership and thus formed Global Automotive C.V. pursuant to Section 19 of the Dutch Commercial Code by contributing the economic rights to these shares. According to the resolution of its legal shareholders, VIF paid a dividend totalling EUR 300,000 to Global Automotive C.V. in 2013. The dividend was paid out of the retained earnings.

VIF currently acts both as a finance subsidiary and as a holding company within the Volkswagen Group. Volkswagen AG, VIF's ultimate parent, intends to reorganise VIF by transferring it and its subsidiaries to Volkswagen Finance Luxemburg S.A. ("VFL"), so that VIF will cease to be a holding company except for minority interests in a limited number of former subsidiaries. Following the reorganisation, VIF and its former subsidiaries will be direct subsidiaries of VFL, which is a wholly-owned direct subsidiary of Volkswagen AG.

The intended reorganisation will not affect VIF's legal existence, which will continue without interruption, and VIF's obligations will remain in full force and effect. Volkswagen AG intends to commence the reorganisation in April 2014 and, subject to timely receipt of required consents and approvals, expects to complete most of the reorganisation before the end of the second quarter of 2014."

Amsterdam, 5 March 2014

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Original has been signed by
(Thomas Fries, Managing Director)

Original has been signed by
V. Delva

Herengracht 495,
1017 BT, Amsterdam,
Netherlands

Financial statements

Balance sheet as at 31 December 2013

(after proposed profit appropriation)

	Ref.	31 December 2013		31 December 2012	
		EUR'000	EUR'000	EUR'000	EUR'000
<i>Assets</i>					
Fixed assets					
Tangible fixed assets	5	53		40	
Intangible fixed assets	5	10		17	
Shares in participations	6	3,932,150		4,343,055	
Loans to Volkswagen Group companies	7	25,826,757		20,137,311	
Loans to joint ventures of the Volkswagen Group	7	-		145,340	
Total fixed assets			29,758,970		24,625,763
Current assets					
Receivables due from Volkswagen Group companies	7	5,915,441		4,538,018	
Receivables due from joint ventures of the Volkswagen Group	7	11,670		12,038	
Other assets	8	40,524		26,688	
Prepayments and accrued expenses	9	153,508		71,623	
Deposits at banks		11,116		8,077	
Cash at banks and in hand		338,305		166,805	
Total current assets			6,470,564		4,823,249
Total assets			36,229,534		29,449,012

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

		31 December 2013		31 December 2012	
	Ref.	EUR'000	EUR'000	EUR'000	EUR'000
<i>Shareholders' equity and liabilities</i>					
Shareholders' equity	10				
Issued and paid-up share capital		103,035		103,035	
Share premium reserve		120		1,000,120	
Retained earnings		4,703,950		3,891,286	
Total shareholders' equity			4,807,105		4,994,441
Long-term liabilities	11				
Bonds		25,444,082		19,886,452	
Liabilities to Volkswagen Group companies		35,000		35,000	
Total long-term liabilities			25,479,082		19,921,452
Current liabilities	12				
Bonds		4,882,720		3,993,450	
Commercial papers		449,500		59,965	
Liabilities to Volkswagen Group companies		15,399		93,287	
Other liabilities		493,901		342,152	
Deferred income	13	82,660		21,457	
Current income tax		1,505		1,505	
Trade payables		52		62	
Accrued liabilities	13	17,610		21,241	
Total current liabilities			5,943,347		4,533,119
Total shareholders' equity and liabilities			36,229,534		29,449,012

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

Income statement 2013

		2013		2012	
	Ref.	EUR'000	EUR'000	EUR'000	EUR'000
Income					
Interest and similar income	15	843,567		590,274	
Other operating income	16	3,209		1,912	
Total income			846,776		592,186
Expenses					
Interest and similar expenses	15	(814,610)		(568,203)	
Other operating expenses	17	(683)		(562)	
General and administrative expenses	18	(5,015)		(4,222)	
Amortisation and depreciation expenses	19	(20)		(35)	
Total expenses			(820,328)		(573,022)
Result before taxation			26,448		19,164
Taxation on result on ordinary activities	25		(5,977)		(5,383)
Result from participations	20		892,493		999,479
Result after taxation			912,964		1,013,260

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

Cash flow statement 2013

		2013		2012	
	Ref.	EUR'000	EUR'000	EUR'000	EUR'000
Cash flow from operating activities					
Loans granted	7	(6,856,009)		(11,272,748)	
Loans taken	11/12	6,820,544		11,443,936	
<i>Net cash used in lending activities</i>			(35,465)		171,188
Interest received	8/15	697,869		583,270	
Interest paid	15	(680,128)		(634,398)	
<i>Net cash from interest</i>			17,741		(51,128)
Result from participations	20	892,493		800,695	
Other operating activities		3,203		1,954	
Paid expenses		(6,394)		14,896	
Corporate income tax paid	25	(7,647)		(5,099)	
<i>Net cash from other operating activities</i>			881,655		812,446
Cash from operating activities			863,932		932,506
Cash flow from investment activities	6			-	
Acquisitions		(39,095)			
Disposals		-		2,000	
Net transfers by VIF to/from the VIPS capital reserve		450,000		314,640	
Cash from investment activities			410,905		316,640
Cash flow from financing activities					
Repayment of capital to Global Automotive C.V.		(1,100,000)		(1,102,035)	
Dividends paid	10	(300)		(300)	
Cash flow from financing activities			(1,100,300)		(1,102,335)
Net cash flow			175,538		146,811
Cash and cash equivalents at beginning of the year			174,882		28,072
Cash and cash equivalents at end of the year			349,420		174,882

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 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 Dutch Civil Code VIF is exempt from consolidation.

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

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 income statement.

The following overview contains information on the shares in participations, especially the percentage in the issued capital and the book value:

Name, registered office	Share in issued capital as percentage	Book value 31 December 2013	
		EUR	Local currency
	%	EUR'000	LC'000
Bentley Motors Ltd., Crewe, United Kingdom	99	10	GBP 9
SEAT, S.A., Martorell, Spain	100	10	EUR 10
Sitech Sp. z o.o., Polkowice, Poland	100	46,347	PLN 202,800
Škoda Auto a.s., Mladá Boleslav, Czech Republic	100	875,000	CZK 24,808,875
Södertälje Bil Invest AB, Södertälje, Sweden	100	188,500	SEK 1,703,569
Volkswagen Autoeuropa, Lda., Palmela, Portugal	74	378,500	EUR 378,500

Name, registered office	Share in issued capital as percentage	Book value 31 December 2013		
		EUR		Local currency
		EUR'000		LC'000
Volkswagen do Brasil Indústria de Veículos Automotores Ltda., São Bernardo do Campo, Brazil	100	354,500	BRL	850,800
Volkswagen Group Australia Pty Ltd., Botany, New South Wales, Australia	100	9,249	AUD	15,000
Volkswagen Group Canada Inc., Ajax, Ontario, Canada	100	9,820	CAD	14,021
Volkswagen Group France s.a., Villers-Cotterêts, France	90	11,700	EUR	11,700
Volkswagen Group Hong Kong Ltd., Hong Kong, China	100	101	HKD	1,000
Volkswagen Group Ireland Ltd., Dublin, Ireland	100	27,665	EUR	27,665
Volkswagen Group Japan K.K., Toyohashi-shi, Japan	100	212,000	JPY	32,088,320
Volkswagen Group Polska Sp.z o.o., Poznań, Poland	100	209,916	EUR	209,916
Volkswagen Group Rus OOO, Kaluga, Russian Federation	55	78,471	RUB	2,773,871
Volkswagen Group United Kingdom Ltd., Milton Keynes, United Kingdom	100	10	GBP	9
Volkswagen International Payment Services N.V., Amsterdam, the Netherlands	100	256,682	EUR	256,682
Volkswagen Poznań Sp. z o.o., Poznań, Poland	100	194,667	PLN	709,500
Volkswagen Motor Polska Sp. z o.o., Polkowice, Poland	100	53,705	PLN	195,700
Volkswagen Slovakia a.s., Bratislava, Slovakia	100	1,000,000	EUR	1,000,000
Volkswagen Group Saudi Arabia Llc, Riyadh, Kingdom of Saudi Arabia	51	9,623	SAR	47,318
Volkswagen India Private Ltd., Pune, India	< 20	12,386	INR	779,593
Volkswagen Group Sales India Private Ltd., Mumbai, India	< 20	3,288	INR	183,427
Volkswagen Group Services S.A., Brussels, Belgium	< 20	0	EUR	0

Name, registered office	Share in issued capital as percentage	Book value 31 December 2013	
		EUR	Local currency
	%	EUR'000	LC'000
Total investments in participations		3,932,150	

Management received reports regarding the economic situation of the participations. Upon review of these reports it was concluded that no impairment was necessary. Impairment is determined by establishing the enterprise value on the basis of a discounted cash flow analysis based on the internal budget.

Volkswagen Group Services S.A., Volkswagen India Private Ltd. and Volkswagen Group Sales India Private Ltd. are minority investments.

For further details on shares in participations see note 6.

1.3 *Note to the cash flow statement*

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement are comprised of cash and cash equivalents. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are included in the respective amounts. Interest paid and received, dividends received and income taxes are included in cash from operating activities. The purchase consideration paid for the acquired Group company was recognised as cash used in investing activities where it was settled in cash. Transactions not resulting in inflow or outflow of cash are not recognised in the cash flow statement.

1.4 *Estimates*

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Dutch Civil Code, the nature of these estimates and judgements, including the related assumptions, is disclosed in the notes to the financial statement items in question. Estimates used for accounting of financial fixed assets and impairment of assets are disclosed under note 2.5 and 2.6.

2 **Principles of valuation of assets and liabilities**

2.1 *General*

The financial statements are prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch 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 EUR.

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, income statement 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 EUR, i.e. the functional and reporting currency of VIF.

Transactions, receivables and liabilities

Monetary 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 year are recognised in the financial statements at the 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 classified as other assets or other liabilities

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 income statement.

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*

Shares in participations

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

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 income statement.

The shares in participations are specified in note 1.2.

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. Receivables disclosed under financial assets are recognised initially at fair value of the amount owed net of any provisions considered necessary. These receivables are subsequently measured at amortised cost. The main rule is that amortised cost equals the carrying amount of the asset net of any repayments on the principal and plus, or net of, the accumulated amortisation, calculated using the effective interest method, of the difference between the amount upon initial recognition (including transaction costs) and the repayments. Straight-line amortisation in determining amortised cost is allowed as an alternative if straight-line amortisation does not lead to significant discrepancies with the effective interest method. If loans are issued at a discount or premium, the discount or premium is recognized through profit or loss over the maturities of the loans using the effective interest method. Also transaction costs are included in the initial valuation and recognized in profit or loss as part of the effective interest method. Impairment losses are deducted from amortised cost and expensed in the income statement

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 income statement.

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

Receivables are recognised initially at fair value and subsequently measured at amortised cost.

Other assets

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

Prepayments and accrued income

Prepayments and accrued income are amortised over the remaining life of the bonds.

Deposits at banks

Deposits at banks represent deposits with a maturity of less than one year.

Cash at banks and in hand

Cash at banks and in hand represents cash in hand and bank balances.

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

All cash balances are at the free disposal of the Company.

2.9 *Equity*

The company has one mandatory reserve.

2.10 *Long-term liabilities*

Bonds

The bonds were valued at their amortised cost value. All long-term bonds have a maturity of over one year. No assets were pledged as collateral by the company.

Liabilities to Volkswagen Group companies

The liabilities to Volkswagen Group companies are valued at their amortised cost value. All liabilities have a maturity of over one year.

2.11 *Current liabilities*

Bonds

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

Commercial papers

The commercial papers are valued at their amortised cost value. All commercial papers are payable within one year.

Liabilities to Volkswagen Group companies

The liabilities to Volkswagen Group companies are valued at their amortised cost value. All liabilities are payable within one year.

Deferred income

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

Current income tax

The current Dutch nominal tax rate of 25.0% has been applied. VIF is part of a fiscal unity with Volkswagen International Payment Services N.V. ('VIPS').

Trade payables

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

Accrued liabilities

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

2.12 Financial instruments

Securities included in financial and current assets, as well as liabilities and derivative financial instruments, are stated at amortised cost. The company applies hedge accounting to hedging interest and currency risk on borrowings and lendings. Both the derivative and the hedged items are stated at cost. The gain or loss relating to the ineffective portion is recognised in the income statement within finance cost. For more information about the value of the assets see note 7, of the liabilities see notes 11 and 12, and of the financial instruments see note 24. The company has no derivative financial instruments other than the ones used for hedging.

Cost price hedge

The company applies cost price hedge accounting to hedging fixed-interest risk and FX-risk on borrowings. The gain or loss relating to the ineffective portion is recognised in the income statement within finance costs.

In applying cost price hedge accounting, the initial recognition of, and the accounting policies for, the hedging instrument are dependent on the hedged item, which has the following implications:

- If the hedged item is recognised at cost in the balance sheet, the derivative instrument is also stated at cost.
- As long as the hedged item is not yet recognised in the balance sheet, the hedging instrument is not remeasured. This applies, for instance, to hedging currency risks on future transactions.
- If the hedged item qualifies as a monetary item denominated in a foreign currency, the derivative instrument, where it has currency elements, is also stated at the spot rate at the balance sheet date. If the derivative instrument has currency elements, the difference between the spot rate on the date the derivative instrument is contracted and the forward rate at which it will be settled is spread over the maturity of the derivative instrument.

The ineffective portion of the hedge is recognised directly in profit or loss.

3 Principles 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.

3.2 Revenue recognition

Revenue from interest income is allocated to the reporting year to which it relates. Exchange rate differences arising upon the settlement of monetary items are recognised in the income statement in the period that they arise.

3.3 Interest income and similar income and interest expenses and similar expenses

Interest income and expenses are 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.

3.4 Result 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.

3.5 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.

3.6 General and administrative expenses

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

Amortisation and 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 other operating income or other operating expenses, respectively.

Personnel expenses

Salaries, wages and social charges are taken to the income statement when due, and in accordance with employment contracts and obligations.

3.7 *Taxation*

Profit tax is calculated on the profit before taxation in the income statement, 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, the loans to Volkswagen Group companies and to joint ventures of the Volkswagen Group and related funding are generally matched in currency terms. If not, correcting swaps are executed to achieve the matched basis.

The Supervisory Board has set small currency limits. Consequently, currency risk is comparatively remote. In 2013 the limits were not exceeded.

Interest rate risk

The Supervisory Board authorised VIF to run a certain interest rate risk. A limit system and tools to monitor and manage the risk have been set up. Interest mismatches are permitted within a twelve-month period only. Therefore, the risk is comparatively remote. In 2013 no limits were exceeded.

4.2 *Credit risk*

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.

4.3 *Liquidity risk*

The Supervisory Board has set certain liquidity risk limits. The company monitors the limits on a regular basis. Against the background of the comparatively narrow limits and the strong financial solidity of the Volkswagen Group the liquidity risk is remote. In 2013 no limits were exceeded.

5 Tangible fixed assets

	Intangible fixed assets (software)		Tangible fixed assets (other installations, business and office equipment)	
	Total 2013	Total 2012	Total 2013	Total 2012
	EUR'000	EUR'000	EUR'000	EUR'000
1 January,	170	143	285	278
Additions	2	27	25	7
Disposals	(1)	-	(164)	(94)
Amortisation/depreciation (accumulated)	(161)	(153)	(93)	(151)
31 December,	10	17	53	40
Amortisation/depreciation current year	(9)	(10)	(11)	(25)

6 Shares in participations (fixed assets)

Movements in shares in participations can be broken down as follows:

	Shares in participations	
	31 December 2013	31 December 2012
	EUR'000	EUR'000
Purchase cost	4,343,055	4,506,574
Additions	39,095	228,107
Withdrawals	(450,000)	(382,626)
Impairments	-	(9,000)
	3,932,150	4,343,055

For details of the additions, withdrawals and impairments see note 20.

Consolidation and shares in participations

The shares in participations are specified in note 1.2.

Further details to VIF's participations:

Bentley Motors Ltd., Crewe, United Kingdom (Bentley)

- Incorporation on 28 October, 1970.
- Contribution to VIF: 25 February, 2010 (98.978 % capital, 100 % voting rights).
- Equity 31 December, 2012 GBP'000 - 292,600
- Net earnings 2012 GBP'000 104,400

Bentley is engaged in the manufacturing and sale of high luxury sector cars and follows the strategic vision to be the authentic British motor company dedicated to the design, engineering and crafting of iconic products.

SEAT, S.A., Martorell, Spain (SEAT)

- Incorporation on 9 May, 1950.
- Contribution to VIF: 25 February, 2010 (100%).
- Equity 31 December 2012 EUR'000 642,500
- Net earnings 2012 EUR'000 - 29,600

SEAT's business is the design and development, manufacturing and sale of cars, spare parts and accessories as well as the provision of related services through its dealer network. With the exception of the model Alhambra the entire product range is manufactured at the company's innovative plant in Martorell.

Sitech Sp. z o.o., Polkowice, Poland (Sitech)

- Incorporation on 13 May 1998.
- Contribution to VIF: 20 April 2009 (100%).
- Equity 31 December 2012 PLN'000 565,929
- Net earnings 2012 PLN'000 147,166

Sitech designs, engineers, and manufactures vehicle/car seats and related parts for different Volkswagen group car models.

Skoda Auto a.s., Mladá Boleslav, Czech Republic (SKA)

- Incorporation on 20 November 1990.
- Contribution to VIF: 18 July 2007 (100%).
- Equity 31 December 2012 CZK'000 88,302,000
- Net earnings 2012 CZK'000 13,259,000

SKA is a Czech company with a long automotive manufacturing tradition spanning a period of more than one hundred years and one of the largest industrial groups in the Czech Republic. The company's business comprise the development, manufacturing and sale of vehicles, components, parts and accessories for its own use and for other group companies as well as the provision of related after sales services.

Södertälje Bil Invest AB, Södertälje, Sweden (SBI)

–	Incorporation on 14 November 1997.		
–	Contribution to VIF: 24 November 2006 (100%).		
–	Equity 31 December 2012	SEK'000	480,600
–	Net earnings 2012	SEK'000	123,753

SBI is the holding company of Volkswagen Group Sverige AB (VWGS) and Din Bil Sverige AB (DBS). VWGS is mainly active in the field of the import and sale of vehicles and spare parts of the Volkswagen Group to Swedish 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.

Volkswagen Autoeuropa, Lda., Palmela, Portugal (AE)

–	Incorporation on 24 June 1991.		
–	Contribution to VIF: 24 November 2006 (50%), 10 December 2008 (24%).		
–	Equity 31 December 2012	EUR'000	386,095
–	Net earnings 2012	EUR'000	54,303

AE was established in 1991 as joint venture of VWAG and Ford-Werke AG under the company name Autoeuropa-Automóveis, Lda. with the goal to produce three identical but brand differentiated multi-purpose vehicles. On 1 January, 1999 Volkswagen assumed 100% of AE's ownership. AE consists of a stamping plant for body panels, paint shop and assembly facilities.

Volkswagen do Brasil Indústria de Veículos Automotores Ltda., São Bernardo do Campo, Brazil (VWdB)

–	Incorporation on 23 March 1953.		
–	Contribution to VIF: 29 August 2008 (100%).		
–	Equity 31 December 2012	BRL'000	4,128,507
–	Net earnings 2012	BRL'000	1,019,757

The business of VWdB comprises the manufacturing and sale (including the import and export) of vehicles, components, equipment, machines and tools, parts and accessories as well as the rendering of services related to its industrial and commercial activities. VWdB has manufacturing plants at São Bernardo do Campo, São Carlos and Taubaté, State of São Paulo, and at Curitiba, State of Paraná.

Volkswagen Group Australia Pty Ltd., Botany, New South Wales, Australia (VGA)

–	Incorporation on 18 September 2000.		
–	Contribution to VIF: 28 May 2009 (100%).		
–	Equity 31 December 2012	AUD'000	107,608
–	Net earnings 2012	AUD'000	12,278

VGA conducts the import of Volkswagen Group cars, parts and accessories to Australia and their sale in the Australian market.

Volkswagen Group Canada Inc., Ajax, Ontario, Canada (VWC)

-	Incorporation on 11 September, 1952.		
-	Contribution to VIF: 25 February, 2010 (100%).		
-	Equity 31 December 2012	CAD'000	197,927
-	Net earnings 2012	CAD'000	17,163

VWC conducts the import of Volkswagen Group cars, parts and accessories to Canada and their sale in the Canadian market.

Volkswagen Group France s.a., Villers-Cotterêts, France (VWGF)

-	Incorporation on 11 March, 1960.		
-	Contribution to VIF: 25 February, 2010 (89.978 %).		
-	Equity 31 December, 2012	EUR'000	239,920
-	Net earnings 2012	EUR'000	51,246

VWGF conducts the import and sale of passenger cars, commercial vehicles and engines as well as spare parts and accessories of the VW Group, the leasing of group vehicles and performs all commercial and financial activities which are related thereto.

Volkswagen Group Hong Kong Ltd., Hong Kong, China (VGHK)

-	Incorporation on 20 November 2012.		
-	Start of business 1 January 2013*.		
-	Participation rate VIF: 100 %.		
-	Equity 31 December 2012	HKD'000	-*
-	Net earnings 2012	HKD'000	-*

The main purpose of 'Volkswagen Group Hong Kong Ltd.' is the import and sales of passenger cars, commercial vehicles and parts of the brands of the Volkswagen Group.

Volkswagen Group Ireland Ltd., Dublin, Ireland (VGI)

-	Incorporation on 27 March 2007.		
-	Purchase of shares by VIF: 1 October 2008 (100%).		
-	Equity 31 December 2012	EUR'000	7,868
-	Net earnings 2012	EUR'000	2,868

VGI is a spin-off of VW's import and sales business in Ireland from the former multi-brand wholesale dealer Motor Distributors Ltd. The business activities of VGI comprise the import and sale of Volkswagen passenger cars and light commercial vehicles, Audi, SEAT and Skoda vehicles as well as of parts and accessories in Ireland.

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

-	Incorporation on 7 July 1983.		
-	Contribution to VIF: 24 November 2006 (100%).		
-	Equity 31 December 2012	JPY'000	27,889,542
-	Net earnings 2012	JPY'000	2,919,520

VGJ's business comprises the import to and sale of Volkswagen group vehicles, parts and accessories as well as the rendering of related services in Japan.

Volkswagen Group Polska Sp.z o.o., Poznań, Poland (VGP)

-	Incorporation on 1 June 2012.		
-	Contribution of the merged company to VIF: 1 June 2012 (100%)		
-	Equity 31 December 2012	PLN'000	233,891
-	Net earnings 2012	PLN'000	66,590

June 1, 2012 marks official inauguration of the Volkswagen Group Polska operation in Poland. VGP, a limited company, has taken over as the sole importer and distributor of Volkswagen, Audi, Skoda and Porsche cars as well as Volkswagen Commercial Vehicles for the Polish market. VGP is a wholly-owned subsidiary of Volkswagen and employs nearly 600 of staff.

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

-	Merger of VW Group Rus OOO and VW Rus OOO on 25 December, 2008.		
-	Participation rate VIF: 48,92 %.		
-	Equity 31 December 2012	RUB'000	27,406,623
-	Net earnings 2012	RUB'000	10,513,386

On 25 December, 2008 the shareholders of VW Group Rus OOO and VW Rus OOO resolved to merge both companies under the name of VGR. The business of the merger is the production of cars and other automotive products at the plant in Kaluga. Further the business comprises the import of cars and automotive products to Russia, the sale of cars and parts as well as the rendering of related services in Russia.

Volkswagen Group Saudi Arabia LLC, Riyadh, Kingdom of Saudi Arabia (VGSA)

-	Joint Venture Contract signed on 13 December, 2012.		
-	Incorporation: 8 April 2013.		
-	Participation rate VIF: 51 %.		
-	Equity 31 December 2012	SAR'000	-*
-	Net earnings 2012	SAR'000	

'Volkswagen Group Saudi Arabia, LLC' is a joint venture with the partners VIF (51%), Automotive Technologies Alliance, LLC (39%) and Saudi Arabian Marketing & Agencies Co. Ltd.(10%). It's main purpose is the import and sales of passenger cars of the brands Volkswagen, Audi and Porsche.

Volkswagen Group United Kingdom Ltd., Milton Keynes, United Kingdom (VWUK)

–	Incorporation on 1 January, 1953.		
–	Contribution to VIF: 25 February, 2010 (100%).		
–	Equity 31 December 2012	GBP'000	695,400
–	Net earnings 2012	GBP'000	77,600

VWUK conducts the import of Volkswagen, Audi, SEAT and Skoda passenger cars as well as Volkswagen commercial vehicles, parts and accessories to the United Kingdom and their sale in the British market.

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

–	Incorporation on 27 August 2007 (100% shareholder: VIF).		
–	Equity 31 December 2012	EUR'000	725,293
–	Net earnings 2012	EUR'000	18,611

The purpose of VIPS is to pool excess liquidity of Volkswagen's automotive division companies including VIF and to place these funds either in the capital market or to invest them in other Volkswagen group companies.

Volkswagen Motor Polska Sp. z o.o., Polkowice, Poland (VWMP)

–	Incorporation on 13 May 1998.		
–	Contribution to VIF: 10 November 2008 (100%).		
–	Equity 31 December 2012	PLN'000	717,210
–	Net earnings 2012	PLN'000	122,076

VWMP has a production plant in Polkowice where diesel engines and parts for diesel engines are developed and manufactured. The engines and parts are sold to Volkswagen group companies.

Volkswagen Poznań Sp. z o.o., Poznań, Poland (VWP)

–	Incorporation on 26 November 1993.		
–	Contribution to VIF: 10 November 2008 (100%).		
–	Equity 31 December 2012	PLN'000	2,426,776
–	Net earnings 2012	PLN'000	310,010

VWP's business comprises the production of cars (Volkswagen models Caddy and Transporter T5) and aluminium cast parts.

Volkswagen Slovakia a.s., Bratislava, Slovakia (VWS)

–	Incorporation on 30 November 1998.		
–	Contribution to VIF: 24 November 2006 (100%).		
–	Equity 31 December 2012	EUR'000	1,204,897
–	Net earnings 2012	EUR'000	170,306

VWS' business is the production of vehicles, gearboxes and components for Volkswagen group companies at its manufacturing plants in Bratislava and Martin. The production portfolio includes Polo, Touareg, Audi Q7 and Porsche Cayenne.

Besides the above listed participations VIF holds minority shareholdings in the following group companies:

Volkswagen India Private Ltd., Pune, India (9 %)

Volkswagen Group Sales India Private Ltd., Mumbai, India (9 %)

Volkswagen Group Services S.A., Brussels, Belgium (1 share)

None of the subsidiaries is 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 Braunschweig Register of Companies.

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

Amounts due from Volkswagen Group companies and joint ventures of the Volkswagen Group included in financial fixed and current assets:

	31 December 2013			31 December 2012		
	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 due from Volkswagen Group companies	31,742,198	25,826,757	5,915,441	24,675,329	20,137,311	4,538,018
Amounts due from joint ventures of the Volkswagen Group	11,670	-	11,670	157,378	145,340	12,038
	<u>31,753,868</u>	<u>25,826,757</u>	<u>5,927,111</u>	<u>24,832,707</u>	<u>20,282,651</u>	<u>4,550,056</u>

	Original currency	Average interest rate in percentage	31 December 2013	
			Book value	Market value
			EUR'000	EUR'000
Fixed asset loans to Volkswagen Group companies	EUR	3,17	21,454,083	23,362,295
	USD	2,48	3,045,108	3,209,908
	GBP	1,23	795,660	807,912
	CNY	3,52	298,685	294,702
	RUB	9,18	134,916	148,708
	PLN	3,81	101,059	104,160
	Currency part derivatives			(2,754)
			<u>25,826,757</u>	<u>27,924,931</u>

31 December 2013

	Original currency	Average interest rate in percentage	Book value	Market value
		%	EUR'000	EUR'000
Current asset receivables due from Volkswagen Group companies	EUR	0,64	3,277,721	3,288,406
	USD	1,42	1,548,039	1,558,339
	GBP	1,88	360,341	364,419
	PLN	3,77	116,328	117,643
	SEK	1,74	114,797	115,670
Current asset receivables due from joint ventures of the Volkswagen Group	CZK	0,62	11,667	11,667
Currency part derivatives			26,212	26,212
Accrued and other receivables due from Volkswagen Group companies and joint ventures			472,006	472,005
			5,927,111	5,954,361
Total loans to and receivables due from Volkswagen Group companies and joint ventures of the Volkswagen Group			31,753,868	33,882,046

The market values are determined on the basis of discounted cash flows. Credit spreads were not included in the model used to determine the market value. Since all loans are to Volkswagen Group companies and joint ventures of the Volkswagen Group, the credit spread applicable to these loans is equal to the credit spread for the Volkswagen Group. For further information also see note 2.12

As at 31 December 2013 the following credit spreads were applicable to the Volkswagen Group:

	31 Dec 2013 BPS	31 Dec 2012 BPS
For amounts payable within one year:	0,75	1.67
For amounts payable between one year and five years:	31,75	37.60
For amounts payable after five years	64,40	72.20

For comparison purposes the overview of 2012 is as follows:

		31 December 2012		
	Original currency	Average interest rate in percentage	Book value	Market value
		%	EUR'000	EUR'000
Fixed asset loans to Volkswagen Group companies	EUR	3,31	13,701,215	15,094,750
	USD	2,42	4,810,777	5,103,952
	GBP	2,78	1,048,180	1,081,394
	CNY	2,76	182,010	171,879
	RUB	9,18	151,625	168,924
	PLN	5,56	125,000	132,797
	SEK	2,61	118,504	120,087
			20,137,311	21,873,783
Fixed asset loans to joint ventures of the Volkswagen Group	CNY	4,65	121,340	128,377
	EUR	2,11	24,000	25,358
			145,340	153,735

31 December 2012				
	Original	Average	Book value	Market value
	currency	interest rate in		
		percentage	EUR'000	EUR'000
		%		
Current asset receivables due from Volkswagen Group companies	EUR	3,77	3,510,684	3,628,605
	USD	1,84	597,834	600,862
	GBP	1,99	59,589	59,979
	PLN	6,76	31,674	33,775
Current asset receivables due from joint ventures of the Volkswagen Group	CZK	0,69	11,530	11,533
Accrued and other receivables due from Volkswagen Group companies and joint ventures			338,745	338,745
			4,550,056	4,673,499
Total loans to and receivables due from Volkswagen Group companies and joint ventures of the Volkswagen Group			24,832,707	26,701,017

8 Other assets

	31 Dec 2013	31 Dec 2012
	EUR'000	EUR'000
Interest receivable from banks	37,790	25,361
Income tax receivable	2,538	1,308
Positive fair value	168	-
Receivables from employees	17	18
Rental deposit	11	1
	40,524	26,688

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

9 Prepayments and accrued expenses

	31 Dec 2013	31 Dec 2012
	EUR'000	EUR'000
Prepaid expenses	1,187	1,667
Capitalised issue costs	152,321	69,956
	<u>153,508</u>	<u>71,623</u>

10 Shareholders' equity

Share capital

On 31 December 2013, the subscribed capital of the company amounted to EUR 104,370,000, of which an amount of EUR 103,035,000 was paid up. 103,035 registered shares of EUR 1,000 each are issued.

The equity increased considerably by retaining the total 2013 result.

VIF paid an interim dividend of EUR 0,3 million out of the retained earnings to Global Automotive C.V. in 2013, based on the resolution of the shareholders of 1 October 2013.

Out of the share premium reserve EUR 1,100,000,100 was repaid to Global Automotive C.V., based on the resolutions of the shareholders, dated 19 April and 24 April 2013.

The reserves consist of a mandatory reserve for unrealised results on participations for T EUR 3,932,150 and freely distributable other reservers for T EUR 771,920.

	Issued and paid-up share capital	Share premium reserve	Retained Earnings	Total Equity
	EUR'000	EUR'000	EUR'000	EUR'000
Balance 1 January 2011	103,035	2,102,155	1,446,985	3,652,175
Dividend paid	-	-	(300)	(300)
Result for 2011	-	-	1,431,640	1,431,640
Balance 1 January 2012	103,035	2,102,155	2,878,325	5,083,515
Repayment to Global Automotive C.V.	-	(1,102,035)	-	(1,102,035)
Dividend paid	-	-	(300)	(300)
Result for 2012	-	-	1,013,261	1,013,261
Balance 1 January 2013	103,035	1,000,120	3,891,286	4,994,441
Repayment to Global Automotive C.V.	-	(1,000,000)	(100,000)	(1,100,000)
Dividend paid	-	-	(300)	(300)
Result for 2013	-	-	912,964	912,964
Balance 31 December 2013	103,035	120	4,703,950	4,807,105

11 Long-term liabilities

	31 Dec 2013	31 Dec 2012
	EUR'000	EUR'000
Bonds (listed and unlisted)	25,444,082	19,886,452
Liabilities to Volkswagen Group companies	35,000	35,000
	25,479,082	19,921,452

A breakdown of the long-term bonds is as follows:

	Original currency	Average interest rate in percentage	31 December 2013	
			Book value	Market value
		%	EUR'000	EUR'000
Maturity longer than 5 years				
Bonds (listed)	EUR	3,34	6,950,000	7,832,812
Bonds (unlisted)	USD	3,25	906,388	979,439
Maturity less than 5 years				
Bonds (listed)	EUR	2,94	9,000,000	9,581,642
Bonds (listed)	GBP	1,25	299,868	303,015

	Original currency	Average interest rate in percentage	31 December 2013	
			Book value	Market value
		%	EUR'000	EUR'000
Bonds (listed)	CNY	2,79	299,433	293,891
Bonds (listed)	CAN	2,25	102,243	104,599
Bonds (listed)	AUD	4,63	97,257	102,625
Bonds (listed)	NOK	3,00	89,681	92,802
Bonds (listed, convertible)	EUR	5,50	2,499,000	2,800,617
Bonds (unlisted)	USD	1,58	4,459,430	4,571,689
Bonds (unlisted)	JPY	0,74	200,387	202,409
Bonds (unlisted)	EUR	0,63	350,000	352,237
Currency part derivatives			190,395	190,395
Total long-term bonds			25,444,082	27,408,172

VIF continued showing strong presence in the US market by issuing additional Notes to U.S. qualified institutional buyers relying on the exemption from the requirements of the U.S. Securities Act of 1933 as amended, provided by Rule 144A thereunder. The 144A Notes issued in 2013 consist of four tranches amounting to USD 2.2 billion

For the second time, VIF placed EUR 1.2 billion of new mandatory convertible notes, that were consolidated and formed a single series of notes with the existing mandatory convertible notes issued in November 2012.

In addition, VIF successfully placed EUR 1,2 billion of Undated Subordinated Notes subject to Interest Rate Reset with a First Call Date in 2018 and EUR 750 million of Undated Subordinated Notes subject to Interest Rate Reset with a First Call Date in 2023 to institutional investors.

For the determination of the market values see note 7 and 2.12

For comparison purposes the overview of 2012 is as follows:

	Original currency	Average interest rate in percentage	31 December 2012	
			Book value	Market value
		%	EUR'000	EUR'000
Maturity longer than 5 years				
Bonds (listed)	EUR	3.86	1,750,000	2,094,284
Bonds (unlisted)	USD	4.00	568,440	686,835
Maturity less than 5 years				
Bonds (listed)	EUR	2,66	7,350,000	7,952,700
Bonds (listed)	GBP	1,64	551,403	563,667

	Original currency	Average interest rate in percentage	31 December 2012	
			Book value	Market value
		%	EUR'000	EUR'000
Bonds (listed)	CNY	2,79	304,110	298,958
Bonds (listed)	CAN	2,11	121,892	117,506
Bonds (listed)	AUD	4,57	119,316	126,039
Bonds (listed)	USD	1,91	99,894	100,946
Bonds (listed)	NOK	3,19	95,964	105,697
Bonds (listed, convertible)	EUR	5,50	2,500,000	2,877,312
Bonds (unlisted)	USD	1,79	6,156,011	6,336,987
Bonds (unlisted)	JPY	0,70	269,422	259,118
Total long-term bonds			19,886,452	21,520,049

12 Current liabilities

	31 Dec 2013	31 Dec 2012
	EUR'000	EUR'000
Bonds	4,882,720	3,993,450
Other liabilities	493,901	342,152
Liabilities to Volkswagen Group companies	15,399	93,287
Commercial papers	449,500	59,965
Deferred income	82,660	21,457
Accrued liabilities	17,610	21,241
Current income tax	1,505	1,505
Trade payables	52	62
	5,943,347	4,533,119

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

A breakdown of the short-term bonds is as follows:

	Original currency	Average interest rate in percentage	31 December 2013	
			Book value	Market value
		%	EUR'000	EUR'000
Bonds (listed)	EUR	0,53	1,875,000	1,878,388
Bonds (listed)	USD	1,04	95,570	95,798
Bonds (listed)	GBP	2,13	239,894	243,503
Bonds (unlisted)	USD	1,09	2,610,398	2,623,563
Currency part derivatives			61,858	61,858
Total short-term bonds			4,882,720	4,903,110

For the determination of the market values see note 7 and 2.12

For comparison purposes the overview of 2012 is as follows:

	Original currency	Average interest rate in percentage	31 December 2012	
			Book value	Market value
		%	EUR'000	EUR'000
Bonds (listed)	EUR	4,32	2,760,000	2,870,377
Bonds (listed)	USD	1,30	75,792	76,222
Bonds (unlisted)	USD	1,60	948,069	957,775
Bonds (unlisted)	EUR	1,82	150,000	151,887
Bonds (unlisted)	JPY	0,42	59,589	52,975
Total short-term bonds			3,993,450	4,109,236

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

	31 Dec 2013	31 Dec 2012
	EUR'000	EUR'000
Volkswagen Group Services S.A.	15,399	93,287
	15,399	93,287

A breakdown of the other liabilities is as follows:

	31 Dec 2013	31 Dec 2012
	EUR'000	EUR'000
Loan interest payables	460,155	313,050
Swap interest payables	33,741	29,060
Fair value financial instruments	3	-
Social securities/wage tax	2	42
	<hr/>	<hr/>
	493,901	342,152
	<hr/>	<hr/>

13 Deferred income and accrued liabilities

	31 Dec 2013	31 Dec 2012
	EUR'000	EUR'000
Deferred income		
Capitalised issue income	82,660	21,457
	<hr/>	<hr/>
	82,660	21,457
	<hr/>	<hr/>

	31 Dec 2013	31 Dec 2012
	EUR'000	EUR'000
Accrued liabilities		
Provision on the disposal of Volkswagen Caminhões, Brazil	16,931	19,899
Other provisions	679	1,342
	<hr/>	<hr/>
	17,610	21,241
	<hr/>	<hr/>

14 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 International Payment Services N.V. Under the Tax Collection Act, the company is jointly and severally liable for the taxes payable by the Group. Taxes are declared individually but cleared jointly.

15 Financial income and expenses

	2013	2012
	EUR'000	EUR'000
Interest and similar income	843,567	590,274
Interest and similar expenses	(814,610)	(568,203)
	<u>28,957</u>	<u>22,071</u>

16 Other operating income

	2013	2012
	EUR'000	EUR'000
Service fees charged to:		
- Volkswagen Financial Services N.V.	657	655
- Volkswagen International Payment Services N.V.	341	341
- Global VW Automotive B.V.	142	142
- Global Mobility Holding B.V.	12	12
- Volkswagen Finance Overseas B.V.	86	86
- Volkswagen Finance Cooperation B.V.	86	86
- Volkswagen Global Finance Holding B.V.	79	79
Fair value income	848	-
Miscellaneous income	79	188
Translation gains	815	172
Miscellaneous income previous years	64	151
	<u>3,209</u>	<u>1,912</u>

17 Other operating expenses

	2013	2012
	EUR'000	EUR'000
Portfolio fees	332	11
Miscellaneous expenses previous years	313	526
Bank charges	38	25
	<u>683</u>	<u>562</u>

18 General and administrative expenses

	2013	2012
	EUR'000	EUR'000
Consulting, auditing and legal fees	1,243	1,177
Personnel expenses	1,978	1,646
Insurance	1,028	769
Office expenses	650	518
Car expenses	52	48
Travel expenses	32	30
Temporary labour	27	30
Training personnel	5	4
	<hr/> 5,015	<hr/> 4,222

The consulting fees result primarily from the issue of in total USD 8.2 billion notes to U.S. qualified institutional buyers relying on the exemption from the requirements of the U.S. Securities Act of 1933, as amended, provided by Rule 144A thereunder.

A breakdown of the personnel expenses is as follows:

	2013	2012
	EUR'000	EUR'000
Salaries and wages	1,745	1,441
Social security contributions	129	122
Pension contributions	104	83
	<hr/> 1,978	<hr/> 1,646

The company has a defined contribution pension plan that is reinsured with an insurance company. For details of the amortisation and depreciation expenses see note 5.

19 Amortisation and depreciation expenses

For details of the amortisation and depreciation expenses see note 5.

20 Result from participations

	2013	2012
	EUR'000	EUR'000
Dividends received		
Škoda Auto a.s., Czech Republic	258,664	288,937
Volkswagen Slovakia a.s., Slovakia	-	235,136
Volkswagen do Brasil Indústria de Veículos Automotores Ltda., Brazil	303,000	91,000
Volkswagen Poznań Sp. z o.o., Poland	74,680	68,201
Volkswagen Group Polska Sp. z o.o., Poland	-	66,590
Volkswagen Group United Kingdom Ltd., United Kingdom	99,657	60,002
Volkswagen Autoeuropa, Lda., Portugal	38,800	54,020
Groupe Volkswagen France s.a., France	46,110	43,012
Sitech Sp. z o.o., Poland	35,184	25,261
Volkswagen Group Japan K.K., Japan	21,856	20,798
Volkswagen International Payment Services N.V., the Netherlands	18,611	16,401
Skoda Auto Polska S.A, Poland	-	33
Södertälje Bil Invest AB, Sweden	-	-
Import Volkswagen Group s.r.o., Czech Republic	-	-
	896,562	969,391
Additional gain/loss on disposal		
of Volkswagen Caminhões, Brazil, sold in 2009	-	41,501
Import Volkswagen Group s.r.o., Czech Republic	-	2,000
KPI Retail Sp. z.o.o., Poland	-	(370)
	-	43,131
Write-ups/devaluations		
Volkswagen India Private Ltd., India	-	(9,000)
	-	(9,000)
Forward cover of dividends		
- Gains	345	653
- Losses	(1,013)	(477)
	(668)	176
Miscellaneous gains/losses		
Volkswagen Group Polska Sp. z o.o., Poland	-	390
Skoda Auto Polska S.A, Poland	-	(140)
Import Volkswagen Group s.r.o., Czech Republic	-	(16)
		234
Valuation result		
From the BRL provision regarding the sale of its subsidiary Volkswagen Caminhões, Brazil		
- Gain	3,387	2,370
Withholding taxes		
Volkswagen do Brasil Indústria de Veículos Automotores Ltda., Brazil	(7,729)	(5,783)
Volkswagen Group Japan K.K., Japan	941	(1,040)

	2013	2012
	EUR'000	EUR'000
	(6,788)	(6,823)
Total income received	892,493	999,479

21 Independent auditor's fees

The following fees, based on invoices and estimated work orders for accounting and tax services from PricewaterhouseCoopers Accountants N.V, Netherlands, occurred in the reporting year:

	2013	2012
	EUR'000	EUR'000
Audit of the financial statements	67	86
Other audit procedures	140	319
	207	405

22 Related parties

Significant transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is required for to provide the true and fair view.

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

For investments in participations see note 1.2.

For receivables due from Volkswagen Group companies see note 7.

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

For income from other services rendered to related parties see note 16.

23 Average number of employees

During the year 2013, the average number of employees calculated on a full-time-equivalent basis was 15 (2012: 15). The company had one employee working abroad.

24 Financial instruments

The company uses derivative instruments as hedges for its interest rate and exchange rate exposures.

With approval of the Supervisory Board, VIF covered the expected dividends from participations by forward sales partially. These hedges matured in 2013.

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 2013	3,719,815	5,410,440	49,415	9,179,670
31 December 2012	2,700,000	12,177,081	130,231	15,007,312

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 2013	(13,716)	(253,940)	113	(267,543)
31 December 2012	2,308	(56,351)	(1,054)	(55,097)

25 Taxation on result on ordinary activities

The taxation on result on ordinary activities can be specified as follows:

	2013	2012
	EUR'000	EUR'000
Result from ordinary activities before taxation	918,941	1,018,643
Of which income from participations (excluding gains/losses forward cover on dividend income and valuation result)	889,773	996,933
Result on ordinary activities	29,168	21,710
Taxation on result on ordinary activities 2013	5,977	-
Taxation on result on ordinary activities 2012	-	5,383
Taxation on result on ordinary activities	5,977	5,383

	2013	2012
	EUR'000	EUR'000
Effective tax rate	20,5%	24,8%
Applicable tax rate	25,0%	25.0%

For the year 2013 the effective tax rate differs from applicable tax rate due to withholding tax relating to the finance activities with own funds.

26 Directors and Supervisory Directors

Management Board:

- T. Fries, Amsterdam (as of 1 July 2013)
- Vincent Delva, Brussels
- Björn Bätge, Amsterdam (up to 31 October 2013)

The remuneration for 2013 of the Management Board amounts to EUR 377,098 (2012: EUR 340,723).

Supervisory Board:

- Dr. Jochen Stich, Mondsee (Chairman)
- Albrecht Hermann Möhle, Wasbüttel

The Supervisory Board has not received any remuneration for 2013.

The Management Board has declared that to the best of its knowledge:

1. the financial statements 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 year and the risks to which the company is exposed.

Amsterdam, March 5 2014

Management Board,

Supervisory Board,

Original has been signed by
T. Fries

Original has been signed by
Dr. J. Stich

Original has been signed by
V. Delva

Original has been signed by
A. Möhle

Herengracht 495,
1017 BT, Amsterdam,
Netherlands

Other information

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.

Profit distribution

Based on shareholders' resolution of 1 October 2013, a dividend of EUR 0,3 million out of the 2012 result has been paid to Global Automotive C.V.

Management proposes retaining the total profit of the year 2013 amounting to EUR 912,963,940.78.

Post balance sheet events

Please refer to the management report for post balance sheet events.

Independent auditor's report



Independent auditor's report

To the general meeting of Shareholders of Volkswagen International Finance N.V.

Report on the financial statements

We have audited the accompanying financial statements 2013 of Volkswagen International Finance N.V., Amsterdam, which comprise the balance sheet as at 31 December 2013, the income statement for the year then ended, the cash flow statement 2013 and the notes, comprising a summary of accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the management report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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, 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 2013, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

PricewaterhouseCoopers Accountants N.V., Fascinatio Boulevard 350, 3065 WB Rotterdam, P.O. Box 8800, 3009 AV Rotterdam, The Netherlands

T: +31 (0) 88 792 00 10, F: +31 (0) 88 792 95 33, www.pwc.nl

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Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the management report, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Rotterdam, 10 March 2014
PricewaterhouseCoopers Accountants N.V.

Original has been signed by: drs. M.P.A. Corver RA