

Financial report 2011

Volkswagen International Finance N.V.

Amsterdam

Contents

Management report	2
Financial statements	4
Balance sheet as at 31 December 2011	5
Balance sheet as at 31 December 2011	6
Income statement 2011	7
Cash flow statement 2011	8
Notes to the financial statements	9
Other information	38
Profit appropriation according to the Articles of Association	39
Profit distribution	39
Post balance sheet events	39
Independent auditor's report	40

Management report

Volkswagen International Finance N.V. ('VIF' or 'the company') is one of the funding vehicles of Volkswagen AG, Wolfsburg ('VWAG') and its subsidiaries. VIF raises funds from the capital markets by issuing notes and lends the proceeds on to group and joint venture companies. Basis for the issuing activities are the Debt Issuance Programme ('DIP Programme') of EUR 25 billion, that adheres to the European Prospective Directive Standards, and a EUR 10 billion Multi Currency Commercial Paper Programme ('CP Programme'). Both programmes are updated regularly. 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 stable outlook.

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

In 2011 VIF was able to hold its powerful position as issuer and managed to extend its strong financial solidity by taking advantage of existing market opportunities. In March the company successfully issued in total USD 2.7 billion 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 144 A thereunder. The notes are unconditionally and irrevocably guaranteed by VWAG. The notes are due 2012 (USD 500 million), 2014 (USD 1,550 million), and 2016 (USD 650 million).

For the first time, VIF issued in May 2011 a five-year bond on the Hong Kong capital market to the amount of CNY 1.5 billion (EUR 164.5 million). The Volkswagen group intends to support its long-term growth in China by using this market as a funding source whenever the pricing is attractive.

Furthermore, VIF raised in total EUR 0.23 billion (2010: EUR 0.62 billion) under the above-mentioned DIP Programme by issuing two bonds with terms between two and five years. Under the CP-Programme VIF placed 20 issues with a total EUR equivalent of 0.38 billion (2010: 32 issues totalling to EUR 0.96 billion). In 2009 when the economic and financial market crisis that has caused a tremendous liquidity squeeze and a dramatic increase in refinancing costs eased off VIF had built up a strategic liquidity reserve for the Volkswagen group. Therefore, in the following years 2010 and 2011 the number and volume of issues were still lower than previously.

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

On the other hand the company redeemed four DIP issues with a EUR equivalent of 1.6 billion (2010: one DIP issue totalling to EUR 1.8 billion) and 21 CP issues with a total EUR equivalent of 0.49 billion (2010: 55 CP issues totalling to EUR 1.6 billion).

In 2011 the number of participations held by VIF remained unchanged.

The book value of participations increased by EUR 1.3 billion to EUR 4.5 billion (2010: EUR 3.2 billion) because VIF contributed EUR 1.0 billion to the capital reserve of Volkswagen International Payment Services N.V. ('VIPS'), Amsterdam, and partially reversed impairment charges due to an improvement of the economic situation of certain subsidiaries. The total amount of write-ups adds up to EUR 0.3 billion.

Within the framework of the restructuring of the sales division of the Volkswagen group, on 1 January 2012 VIF sold its subsidiary Import Volkswagen Group Prague, Czech Republic, to Porsche Holding GmbH, Salzburg (sales price: EUR 59 million; gain from disposal: EUR 2.0

million). On 2 January 2012 VIF purchased two Polish sales companies, Skoda Auto Polska S.A. (purchase price: EUR 27.6 million equivalent) and KPI Polska Sp. z o.o. (purchase price: EUR 199.8 million equivalent). KPI Polska Sp. z o.o. has been acquired from Kulczyk Pon Investment B.V., while Skoda Auto Polska has been acquired from Kulczyk Holding SA (49%) and Skoda Auto a.s. (51%).

The main business risks of VIF are the interest rate risk, currency risk, liquidity risk and the credit risk. The Supervisory Board has set limits to restrict those risks. VIF uses adequate tools to assess and to monitor them. In 2011 no exceeding of the limits occurred. Further information on the risk management of the company is included in note 4 to the financial statements.

VIF realised earnings of EUR 1,431.6 million after tax against EUR 1,137.7 million in 2010. The company generates income mainly from the holding and the group financing business. Income from participations adds up to EUR 1,413.9 million (of which EUR 1,065.2 million net dividends, EUR 325.6 million write-ups and EUR 21.1 million additional gain on disposal of Volkswagen Caminhões, Brazil) compared to EUR 1,123.4 million in 2010. Interest income from group financing activities amounts to EUR 28.7 million (2010: EUR 21.0 million). The increase is mainly due to a higher average margin on business and equity.

Management proposes retaining the total profit of the year 2011 amounting to EUR 1,431.6 million.

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 out dividend to Global Automotive C.V. in 2011 for a total amount of EUR 300 thousand. The dividend was paid out of the retained earnings.

For the current year we anticipate a business volume on a similar level as in 2011. With respect to the holding business we do not anticipate the contribution/acquisition of new subsidiaries other than the two companies acquired in January 2012

For 2012 we expect again a strong dividend income and a profit from the financing business that is comparable to the 2011 figure.

Amsterdam, 29 February 2012

Frank Mitschke, Managing Director

Financial statements

Balance sheet as at 31 December 2011

(after proposed profit appropriation)

	Ref.	31 December 2011		31 December 2010	
		EUR'000	EUR'000	EUR'000	EUR'000
<i>Assets</i>					
Fixed assets					
Tangible fixed assets	5	99		87	
Shares in participations	6	4,506,574		3,175,581	
Loans to Volkswagen group companies	7	8,844,368		9,833,854	
Loans to joint ventures of the Volkswagen group	7	31,446		126,446	
Total fixed assets			13,382,487		13,135,968
Current assets					
Receivables due from Volkswagen group companies	7	4,516,777		3,060,428	
Receivables due from joint ventures of the Volkswagen group	7	139,442		89,927	
Other assets	8	48,574		79,439	
Prepayments and accrued expenses	9	40,385		45,423	
Deposits at banks		27,770		130,345	
Cash at banks and in hand		302		519	
Total current assets			4,773,250		3,406,081
Total assets			18,155,737		16,542,049

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

	Ref.	31 December 2011		31 December 2010	
		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		2,102,155		2,102,155	
Retained earnings		2,878,325		1,446,985	
Total shareholders' equity			5,083,515		3,652,175
Long-term liabilities	11				
Bonds		8,503,929		9,391,113	
Liabilities to Volkswagen group companies		-		292,000	
Total long-term liabilities			8,503,929		9,683,113
Current liabilities	12				
Bonds		3,201,732		1,611,613	
Commercial papers		40,949		149,580	
Liabilities to Volkswagen group companies		882,781		851,426	
Other liabilities		365,682		453,783	
Deferred income	13	7,500		48,863	
Current income tax		630		616	
Trade payables		178		207	
Accrued liabilities	13	68,841		90,673	
Total current liabilities			4,568,293		3,206,761
Total shareholders' equity and liabilities			18,155,737		16,542,049

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

Income statement 2011

		2011		2010	
	Ref.	EUR'000	EUR'000	EUR'000	EUR'000
Income					
Interest and similar income	15	568,043		620,550	
Other operating income	16	1,628		1,657	
Total income			569,671		622,207
Expenses					
Interest and similar expenses	15	(540,740)		(599,520)	
Other operating expenses	17	(472)		(512)	
General and administrative expenses	18	(4,146)		(3,461)	
Amortisation and depreciation expenses	19	(30)		(25)	
Total expenses			(545,388)		(603,518)
Result before taxation			24,283		18,689
Taxation	25		(6,500)		(4,426)
Result from participations	20		1,413,857		1,123,445
Result after taxation			1,431,640		1,137,708

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

Cash flow statement 2011

		2011		2010	
	Ref.	EUR'000	EUR'000	EUR'000	EUR'000
Cash flow from operating activities					
Loans granted	6/7	(439,533)		(603,768)	
Loans taken	11/12	332,948		522,706	
<i>Net cash used in lending activities</i>			(106,585)		(81,062)
Interest received	8/15	617,884		569,344	
Interest paid	15	(663,322)		(480,890)	
<i>Net cash from interest</i>			(45,438)		88,454
Result from participations	20	1,063,660		1,104,364	
Other operating activities		1,616		1,629	
Paid expenses		(3,293)		(5,041)	
Other cash flows not impacting income statement		-		68,137	
Corporate income tax paid	25	(7,059)		(3,353)	
<i>Net cash from other operating activities</i>			1,054,924		1,165,736
Cash from operating activities			902,901		1,173,128
Cash flow from investment activities	6				
Disposals		-		74,106	
Net transfers by VIF to/from the VIPS capital reserve		(1,005,393)		750,104	
Cash from investment activities			(1,005,393)		824,210
Cash flow from financing activities					
Repayment of capital to Global Automotive C.V.				(1,750,000)	
Dividends paid	10	(300)		(450,000)	
Cash flow from financing activities			(300)		(2,200,000)
Net cash flow			(102,792)		(202,662)
Cash and cash equivalents at beginning of the year			130,864		333,526
Cash and cash equivalents at end of the year			28,072		130,864

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 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 at group level. Minority interests in group equity and group profit are disclosed separately. Investments in joint ventures are consolidated proportionately.

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 2011	
		EUR	Local currency
	%	EUR'000	LC'000
Bentley Motors Ltd., Crewe, United Kingdom	99	10	GBP 9
Groupe Volkswagen France s.a., Villers-Cotterêts, France	90	11,700	EUR 11,700
Import Volkswagen Group s.r.o., Prague, Czech Republic	100	57,000	CZK 1,597,521
SEAT, S.A., Martorell, Spain	100	10	EUR 10
Sitech Sp. z o.o., Polkowice, Poland	100	46,346	PLN 202,800
Volkswagen International Finance N.V., Amsterdam			9

Name, registered office	Share in issued capital as percentage	Book value 31 December 2011	
		EUR	Local currency
	%	EUR'000	LC'000
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
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 United Kingdom Ltd., Milton Keynes, United Kingdom	100	10	GBP 9
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 Rus OOO, Kaluga, Russian Federation	49	49,000	RUB 1,732,101
Volkswagen International Payment Services N.V., Amsterdam, the Netherlands	100	1,021,322	EUR 1,021,322
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 India Private Ltd., Pune, India	< 20	14,281	INR 841,246
Volkswagen Group Sales India Private Ltd., Mumbai, India	< 20	3,289	INR 183,427
Volkswagen Group Services S.A., Brussels, Belgium	< 20	0	EUR 0
Total investments in participations		4,506,574	

Management received reports regarding the economic situation of the participations on a monthly basis. Upon review of these reports it was concluded that no impairment charges had to be applied. In four cases write-ups, totalling to an amount of EUR 325.6 million, have been recorded. 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

Estimates used in the financial statements are limited to the use of provisions for general expenses and taxes based on experience and sound judgement.

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 period 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 allocated to the respective principals of the loans. If the loan taken is denominated in a currency other than EUR, 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 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 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 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 and are valued at their amortised cost value. Discounts are capitalised and depreciated based on the effective yield of interest. We refer to section 2.12 and note 7 for further disclosure on these loans.

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

The receivables due from Volkswagen group companies and joint ventures of the Volkswagen group are valued at their amortised cost 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 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.

2.9 Equity

The company has no statutory or mandatory reserves.

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 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.

Fair value hedge

In applying fair value hedge accounting, both the hedging instrument and the hedged position are stated at fair value, at least where this is attributable to the hedged risk. The gain or loss from remeasuring the hedging instrument at fair value or the foreign currency component of its carrying amount on the balance sheet date shall be directly recognised in profit or loss.

The company shall discontinue prospectively the hedge accounting if:

- the hedging instrument expires or is sold, terminated or exercised;
- the hedge no longer meets the criteria for hedge accounting;
- the company revokes the designation.

The company applies fair value hedge accounting to hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed-rate borrowings is directly recognised in the income statement within finance costs. The gain or loss relating to the ineffective portion is recognised in the income statement within finance costs.

Cost price hedge

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.

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

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.

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 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 2011 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 2011 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 2011 no limits were exceeded.

5 Tangible fixed assets

	Tangible fixed assets (other installations, business and office equipment)	
	Total 2011	Total 2010
	EUR'000	EUR'000
1 January	236	223
Additions	42	73
Disposals	-	(60)
Amortisation/depreciation (accumulated)	(179)	(149)
31 December	<u>99</u>	<u>87</u>
Amortisation/depreciation current year	<u>(30)</u>	<u>(25)</u>

6 Shares in participations (fixed assets)

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

	Shares in participations	
	31 December 2011	31 December 2010
	EUR'000	EUR'000
Purchase cost	3,175,581	3,958,237
Additions	1,005,393	21,550
Withdrawals	-	(750,106)
Impairments	-	(54,100)
Write-ups	325,600	-
	<u>4,506,574</u>	<u>3,175,581</u>

The additions (EUR 1.0 billion) were contributed by VIF to the capital reserve of Volkswagen International Payment Services N.V., Amsterdam (VIPS).

For details of the write-ups see note 20.

Consolidation and shares in participations

The shares in participations are specified in note 1.2.

Further details to participations, based on their latest available audited financial statements:

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 2010 GBP'000 - 328,300
- Net earnings 2010 GBP'000 - 210,800

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.

Groupe Volkswagen France s.a., Villers-Cotterêts, France ('GVWF')

- Incorporation on 11 March 1960.
- Contribution to VIF: 25 February 2010 (89.978%).
- Equity 31 December 2010 EUR'000 245,574
- Net earnings 2010 EUR'000 53,217

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

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

- Incorporation on 18 March 1998.
- Contribution to VIF: 24 November 2006 (100%).
- Equity 31 December 2010 CZK'000 558,777
- Net earnings 2010 CZK'000 138,130

IVG conducts the import and sale of vehicles of the Volkswagen brand (passenger cars and commercial vehicles), Audi and SEAT brand and provides after sales services through a network of authorised and independent dealers.

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

- Incorporation on 9 May 1950.
- Contribution to VIF: 25 February 2010 (100%).
- Equity 31 December 2010 EUR'000 736,070
- Net earnings 2010 EUR'000 - 103,873

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 2010 PLN'000 483,098
- Net earnings 2010 PLN'000 64,334

Sitech develops and manufactures car seats and related parts for different Volkswagen group car models.

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

- Incorporation on 20 November 1990.
- Contribution to VIF: 18 July 2007 (100%).
- Equity 31 December 2010 CZK'000 75,682,000
- Net earnings 2010 CZK'000 9,404,000

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 comprises 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 2010 SEK'000 327,000
- Net earnings 2010 SEK'000 188,435

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 2010 EUR'000 361,009
- Net earnings 2010 EUR'000 36,883

AE was established in 1991 as a 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. On 26 January 2010 AE changed its name to Volkswagen Autoeuropa. AE consists of a stamping plant for body panels, paint shop and assembly facilities. In 2010 AE produced 101,284 units of the VW models EOS, Scirocco and Sharan and of the SEAT model Alhambra.

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 2010 BRL'000 3,304,659
- Net earnings 2010 BRL'000 1,036,956

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 2010 AUD'000 75,764
- Net earnings 2010 AUD'000 22,952

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 2010 CAD'000 183,102
- Net earnings 2010 CAD'000 3,864

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

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 2010 GBP'000 629,700
- Net earnings 2010 GBP'000 77,400

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

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

- Incorporation on 27 March 2007.
- Purchase of shares by VIF: 1 October 2008 (100%).
- Equity 31 December 2010 EUR'000 2,445
- Net earnings 2010 EUR'000 898

VGI is a spin-off of VW's import and sale business in Ireland from the former multi-brand wholesale dealer Motor Distributors Ltd. The business activities of VGI comprise the import to 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 2010 JPY'000 25,659,136
- Net earnings 2010 JPY'000 1,010,264

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 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 2010 RUB'000 14,808,504
- Net earnings 2010 RUB'000 685,604

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

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

- Incorporation on 27 August 2007 (100% shareholder: VIF).
- Equity 31 December 2010 EUR'000 25,870
- Net earnings 2010 EUR'000 9,941

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

- Incorporation on 26 November 1993.
- Contribution to VIF: 10 November 2008 (100%).
- Equity 31 December 2010 PLN'000 2,386,176
- Net earnings 2010 PLN'000 290,108

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

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 2010 PLN'000 606,044
- Net earnings 2010 PLN'000 117,514

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

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

- Incorporation on 30 November 1998.
- Contribution to VIF: 24 November 2006 (100%).
- Equity 31 December 2010 EUR'000 1,409,790
- Net earnings 2010 EUR'000 75,200

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 Volkswagen Touareg, Audi Q7 and Škoda Octavia as well as the car bodies for 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 (Dutch 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.

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 2011			31 December 2010		
	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	13,361,145	8,844,368	4,516,777	12,894,282	9,833,854	3,060,428
Amounts due from joint ventures of the Volkswagen group	170,888	31,446	139,442	216,373	126,446	89,927
	<u>13,532,033</u>	<u>8,875,814</u>	<u>4,656,219</u>	<u>13,110,655</u>	<u>9,960,300</u>	<u>3,150,355</u>

	Original currency	Average interest rate in percentage	31 December 2011	
			Book value	Market value
			EUR'000	EUR'000
Fixed asset loans to Volkswagen group companies	EUR	4.92	6,090,146	6,714,198
	USD	2.88	2,424,417	2,675,024
	CNY	2.76	183,391	173,844
	RUB	9.18	146,414	164,941
			<u>8,844,368</u>	<u>9,728,007</u>
Fixed asset loans to joint ventures of the Volkswagen group	EUR	3.14	24,000	25,555
	PLN	7.75	7,446	6,955
			<u>31,446</u>	<u>32,510</u>

31 December 2011

	Original currency	Average interest rate in percentage	Book value	Market value
		%	EUR'000	EUR'000
Current asset receivables due from Volkswagen group companies	EUR	4.05	2,981,481	3,088,027
	USD	1.66	1,080,153	1,091,752
	GBP	1.50	71,757	71,848
	SEK	2.87	36,676	40,740
	CZK	1.21	19,390	19,402
	PLN	5.82	17,516	17,999
Current asset receivables due from joint ventures of the Volkswagen group	PLN	6.57	70,000	66,104
	EUR	3.55	25,000	25,204
	NOK	3.54	27,333	27,572
	CZK	1.08	16,093	16,096
Accrued and other receivables due from Volkswagen group companies and joint ventures			310,820	310,820
			4,656,219	4,775,564
Total loans to and receivables due from Volkswagen group companies and joint ventures of the Volkswagen group			13,532,033	14,536,081

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 2011 the following credit spreads were applicable to the Volkswagen group:

	31 Dec 2011	31 Dec 2010
	BPS	BPS
For amounts payable within one year:	8.25	6.92
For amounts payable between one year and five years:	80.25	51.75
For amounts payable after five years	130.20	84.60

For comparison purposes the overview of 2010 is as follows:

	Original currency	Average interest rate in percentage	31 December 2010	
			Book value	Market value
		%	EUR'000	EUR'000
Fixed asset loans to Volkswagen group companies	EUR	4.93	7,895,414	8,718,837
	USD	2.63	1,751,960	1,864,471
	RUB	9.18	149,804	171,772
	SEK	2.85	36,676	39,552
			9,833,854	10,794,632
Fixed asset loans to joint ventures of the Volkswagen group	EUR	2.26	49,000	51,227
	PLN	5.28	77,446	82,600
			126,446	133,827
Current asset receivables due from Volkswagen group companies	EUR	3.42	1,576,654	1,621,734
	USD	1.10	839,133	832,343
	GBP	2.60	254,417	255,771
	SEK	2.71	62,176	67,288
Current asset receivables due from joint ventures of the Volkswagen group	NOK	3.40	75,538	77,402
	CZK	1.33	13,447	13,450
Accrued and other receivables due from Volkswagen group companies and joint ventures			328,990	328,989
			3,150,355	3,196,977
Total loans to and receivables due from Volkswagen group companies and joint ventures of the Volkswagen group			13,110,655	14,125,436

8 Other assets

	31 Dec 2011	31 Dec 2010
	EUR'000	EUR'000
Interest receivable from banks	47,852	79,284
Income tax receivable	717	144
Receivables from employees	4	10
Rental deposit	1	1
	<hr/>	<hr/>
	48,574	79,439
	<hr/>	<hr/>

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

9 Prepayments and accrued expenses

	31 Dec 2011	31 Dec 2010
	EUR'000	EUR'000
Prepaid expenses	2,122	1,348
Capitalised issue costs	38,263	44,075
	<hr/>	<hr/>
	40,385	45,423
	<hr/>	<hr/>

10 Shareholders' equity

Share capital

On 31 December 2011, 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 2011 result.

VIF paid an interim dividend of EUR 0.3 million out of the retained earnings to Global Automotive C.V. in 2011, based on the resolution of the shareholders of 1 June 2011.

	Issued and paid-up share capital	Share premium reserve	Retained earnings	Total Equity
	EUR'000	EUR'000	EUR'000	EUR'000
Balance 1 January 2010	102,985	3,830,655	509,277	4,442,917
Contribution in kind VWAG	50	21,500	-	21,550
Repayment to Global Automotive C.V.	-	(1,750,000)	-	(1,750,000)
Dividend paid	-	-	(200,000)	(200,000)
Result for 2010	-	-	1,137,708	1,137,708
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 31 December 2011	103,035	2,102,155	2,878,325	5,083,515

11 Long-term liabilities

	31 Dec 2011	31 Dec 2010
	EUR'000	EUR'000
Bonds (listed and unlisted)	8,503,929	9,391,113
Liabilities to Volkswagen group companies	-	292,000
	8,503,929	9,683,113

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

	Original currency	Average interest rate in percentage	31 December 2011	
			Book value	Market value
		%	EUR'000	EUR'000
Maturity longer than 5 years				
Bonds (listed)	EUR	5.38	500,000	618,154
Bonds (unlisted)	USD	4.00	579,643	717,645

	Original currency	Average interest rate in percentage	31 December 2011	
			Book value	Market value
		%	EUR'000	EUR'000
Maturity less than 5 years				
Bonds (listed)	EUR	5.10	4,500,000	5,068,217
Bonds (listed)	CNY	2.15	183,851	173,799
Bonds (unlisted)	USD	1.98	2,516,737	2,633,693
Bonds (unlisted)	EUR	2.24	150,000	152,196
Bonds (unlisted)	JPY	1.42	73,698	92,358
Total long-term bonds			8,503,929	9,456,062

Apart from the DIP Programme, VIF issued in 2011 notes for the second time 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. These notes are unconditionally and irrevocably guaranteed by VWAG.

The special bonds with a total of USD 2,700 million are due in 2016 (USD 650 million), 2014 (USD 1,550 million), and in 2012 (USD 500 million). The long-term part is shown above under unlisted bonds with a maturity of less than five years.

For the first time, VIF issued in May 2011 a 5-year bond to the amount of CNY 1.5 billion (EUR 165 million). The Volkswagen group intends to support its long-term growth in China by this funding.

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

For comparison purposes the overview of 2010 is as follows:

	Original currency	Average interest rate in percentage	31 December 2010	
			Book value	Market value
		%	EUR'000	EUR'000
Maturity longer than 5 years				
Bonds (listed)	EUR	6.46	1,500,000	1,875,243
Bonds (unlisted)	USD	4.00	561,293	656,662
Maturity less than 5 years				
Bonds (listed)	EUR	4.83	6,325,000	6,909,211
Bonds (unlisted)	USD	1.57	829,416	840,540
Bonds (unlisted)	EUR	2.22	100,000	101,259
Bonds (unlisted)	JPY	1.28	75,404	85,470
Total long-term bonds			9,391,113	10,468,385

12 Current liabilities

	31 Dec 2011	31 Dec 2010
	EUR'000	EUR'000
Bonds	3,201,732	1,611,613
Liabilities to Volkswagen group companies	882,781	851,426
Other liabilities	365,682	453,783
Accrued liabilities	68,841	90,673
Commercial papers	40,949	149,580
Deferred income	7,500	48,863
Current income tax	630	616
Trade payables	178	207
	4,568,293	3,206,761

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 2011	
			Book value	Market value
		%	EUR'000	EUR'000
Bonds (listed)	EUR	5.24	2,825,000	2,964,536
Bonds (unlisted)	USD	1.31	376,732	388,559
Total short-term bonds			3,201,732	3,353,095

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

For comparison purposes the overview of 2010 is as follows:

	Original currency	Average interest rate in percentage	31 December 2010	
			Book value	Market value
		%	EUR'000	EUR'000
Bonds (listed)	EUR	5.25	1,500,000	1,574,736
Bonds (unlisted)	JPY	1.73	111,613	105,478
Total short-term bonds			1,611,613	1,680,214

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

	31 Dec 2011	31 Dec 2010
	EUR'000	EUR'000
Volkswagen Group Services S.A.	685,376	183,722
Volkswagen AG	172,461	227,231
Global VW Automotive B.V.	24,944	20,784
Volkswagen International Payment Services N.V.	-	419,689
	<hr/>	<hr/>
	882,781	851,426
	<hr/>	<hr/>

A breakdown of the other liabilities is as follows:

	31 Dec 2011	31 Dec 2010
	EUR'000	EUR'000
Loan interest payables	306,986	364,988
Swap interest payables	58,650	88,792
Social securities/wage tax	46	3
	<hr/>	<hr/>
	365,682	453,783
	<hr/>	<hr/>

13 Deferred income and accrued liabilities

	31 Dec 2011	31 Dec 2010
	EUR'000	EUR'000
Deferred income		
Capitalised issue income	3,897	4,063
Early termination fee from VW Credit, Inc., Michigan, USA (VCI)	3,603	44,800
	<hr/>	<hr/>
	7,500	48,863
	<hr/>	<hr/>

	31 Dec 2011	31 Dec 2010
	EUR'000	EUR'000
Accrued liabilities		
Provision on the disposal of Volkswagen Caminhões, Brazil	65,562	90,159
Other provisions	3,279	514
	<hr/>	<hr/>
	68,841	90,673
	<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

	2011	2010
	EUR'000	EUR'000
Interest and similar income	568,043	620,550
Interest and similar expenses	(540,740)	(599,520)
	<u>27,303</u>	<u>21,030</u>

16 Other operating income

	2011	2010
	EUR'000	EUR'000
Service fees charged to:		
- Volkswagen Financial Services N.V.	655	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
Miscellaneous income	190	163
Miscellaneous income previous years	37	71
Translation gains	-	22
	<u>1,628</u>	<u>1,657</u>

17 Other operating expenses

	2011	2010
	EUR'000	EUR'000
Portfolio fees	160	223
Charges from Global VW Automotive B.V.	139	201
Miscellaneous expenses previous years	85	73
Bank charges	45	15
Translation losses	43	-
	<u>472</u>	<u>512</u>

18 General and administrative expenses

	2011	2010
	EUR'000	EUR'000
Consulting, auditing and legal fees	1,174	393
Personnel expenses	1,546	1,385
Insurance	939	1,208
Office expenses	391	388
Car expenses	35	29
Travel expenses	34	25
Temporary labour	22	29
Training personnel	5	4
	<u>4,146</u>	<u>3,461</u>

The increase of the consulting fees resulted primarily from the issue of in total USD 2.7 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:

	2011	2010
	EUR'000	EUR'000
Salaries and wages	1,365	1,212
Social security contributions	105	100
Pension contributions	76	73
	<u>1,546</u>	<u>1,385</u>

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

	2011	2010
	EUR'000	EUR'000
Dividends received		
Volkswagen do Brasil, Brazil	321,030	243,333
Volkswagen Slovakia a.s., Slovakia	275,200	456,727
Škoda Auto a.s., Czech Republic	191,690	64,153
Volkswagen Poznań Sp. z o.o., Poland	72,514	64,496
Volkswagen Group United Kingdom Ltd., United Kingdom	59,559	-
Groupe Volkswagen France s.a., France	47,895	199,034
Volkswagen Motor Polska Sp. z o.o., Poland	29,762	18,084
Södertälje Bil Invest AB, Sweden	22,376	8,868
Sitech Sp. z o.o., Poland	16,281	4,743
Volkswagen Autoeuropa, Lda., Portugal	11,840	23,700
Volkswagen International Payment Services N.V., the Netherlands	9,941	22,810
Volkswagen Group Japan K.K., Japan	7,801	7,000
Import Volkswagen Group s.r.o., Czech Republic	5,739	5,457
	1,071,628	1,118,405
Additional gain on disposal		
of Volkswagen Caminhões, Brazil, sold in 2009	21,100	84,390
Write-ups		
Volkswagen Group Japan K.K., Japan	111,600	-
Volkswagen Autoeuropa, Lda., Portugal	104,900	(46,300)
Södertälje Bil Invest AB, Sweden	89,900	-
Import Volkswagen Group s.r.o., Czech Republic	19,200	-
Volkswagen India Private Ltd., India	-	(7,800)
	325,600	(54,100)
Forward cover of dividends		
- Gains	342	293
- Losses	(724)	(1,651)
	(382)	(1,358)
Valuation result		
From the BRL provision regarding the sale of its subsidiary Volkswagen Caminhões, Brazil		
- Gains/Losses	1,990	(924)

	2011	2010
	EUR'000	EUR'000
Withholding taxes		
Volkswagen do Brasil, Brazil	(5,689)	(12,333)
Volkswagen Group Japan K.K., Japan	(390)	(350)
Volkswagen Caminhões, Brazil	-	(10,285)
	(6,079)	(22,968)
Total income received	1,413,857	1,123,445

The write-ups reversed partially the previous impairment charges due to an improvement of the economic situation of the mentioned participations. The book values affected do not exceed the original contribution.

21 Auditor's fees

The following fees, based on invoices and estimated work orders for accounting and tax services from PwC Netherlands, occurred in the reporting year:

	2011	2010
	EUR'000	EUR'000
Audit of the financial statements	115	87
Other audit procedures	72	20
Other non-audit services	2	137
	189	244

22 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 1.2.

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 2011, the average number of employees calculated on a full-time-equivalent basis was 15 (2010: 15). The company has no employees 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 2011.

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 2011	225,000	2,272,867	131,200	2,629,067
31 December 2010	240,360	1,257,142	317,714	1,815,216

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 2011	430	34,194	(3,455)	31,169
31 December 2010	(1,783)	5,840	(2,375)	1,682

25 Taxation on result on ordinary activities

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

	2011	2010
	EUR'000	EUR'000
Result from ordinary activities before taxation	1,438,140	1,142,134
Of which income from participations (excluding gains/losses forward cover on dividend income and valuation result)	1,412,249	1,125,727
Result on ordinary activities	25,891	16,407
Taxation on result on ordinary activities 2011	6,500	-
Taxation on result on ordinary activities 2010	-	4,200
Taxation on result on ordinary activities 2009	-	226
Taxation on result on ordinary activities	6,500	4,426

	2011	2010
	EUR'000	EUR'000
Effective tax rate	25.1%	25.6%
Applicable tax rate	25.0%	25.5%

26 Directors and Supervisory Directors

Management Board:

- Frank Mitschke, Amsterdam
- Albrecht Hermann Möhle, Wasbüttel (until 1 February 2012)

The remuneration for 2011 of the Management Board amounts to EUR 279,811 (2010: EUR 238,162).

Supervisory Board:

- Dr. Jochen Stich, Salzburg (Chairman) (from 1 February 2012)
- Albrecht Hermann Möhle, Wasbüttel (from 1 February 2012)
- Dr. Jörg Alexander Boche, Wolfsburg (Chairman) (until 1 February 2012)
- Wolfgang Rudolf Hotze, Lehre (until 1 February 2012)

The Supervisory Board has not received any remuneration for 2011.

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, 29 February 2012

Management Board,

Supervisory Board,

Original has been signed by
F. Mitschke

Original has been signed by
Dr. J. Stich

Original has been signed by
A. Möhle

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 June 2011, a dividend of EUR 0.3 million out of the 2010 result has been paid to Global Automotive C.V.

Management proposes retaining the total profit of the year 2011 amounting to EUR 1,431,640,374.06

Post balance sheet events

No post balance sheet events occurred.

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 2011 of Volkswagen International Finance N.V., Amsterdam, which comprise the balance sheet as at 31 December 2011, the profit and loss account for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Management board's responsibility

The management board 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, the management board 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 judgement, 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 the 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 2011, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

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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, 29 February 2012
PricewaterhouseCoopers Accountants N.V.

Original has been signed by dr. H.F.M. Gertsen RA