

Financial report 2010

Volkswagen International Finance N.V.

Amsterdam

Contents

Management report	2
Financial statements	4
Balance sheet as at 31 December 2010	5
Income statement 2010	7
Cash flow statement 2010	8
Notes to the financial statements	9
Other information	38
Profit appropriation according to the Articles of Association	39
Profit distribution	39
Repayment of capital	39
Post balance sheet events	39
Independent auditor's report	40

MC-e0197154u-rap

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), increased in 2010 by EUR 5 billion to 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 stable outlook. Standard&Poor's assessed VWAG's creditworthiness as A-2 (short-term) and A- (long-term) with a negative outlook.

The financing activities are carried out in different currencies and interest terms. To avoid currency and interest risks, the company concludes interest and currency swaps. The currency and interest rate exposures during and at the end of 2010 resulting from financing activities were within the limits approved by the Supervisory Board.

In 2010 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 August the company successfully issued, apart from the DIP Programme, USD 1,0 billion notes due 2013 and USD 0,75 billion notes due 2020 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. By issuing these notes VIF took advantage of the favourable price situation on the U.S. capital market to refinance the growing business of Volkswagen in the United States of America. The funds raised by the ten year notes have been used to finance the construction of the new factory in Chattanooga/Tennessee only.

Furthermore, VIF raised in total EUR 0,6 billion (2009: EUR 9,2 billion) under the above mentioned DIP Programme by issuing five bonds with terms between two and five years. Under the CP-Programme VIF placed 32 issues with a total EUR equivalent of 0,96 billion (2009: 67 issues totalling to EUR 1,9 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 has built up a strategic liquidity reserve for the Volkswagen group. Therefore, in 2010 the number and volume of issues are significantly lower than in 2009.

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

On the other hand the company redeemed one DIP issue with a EUR equivalent of 1,8 billion (2009: seven DIP issues totalling EUR 2,0 billion) and 55 CP issues with a total EUR equivalent of 1,6 billion (2009: 40 CP issues totalling EUR 1,2 billion).

In 2010 VWAG continued to extend the VIF holding business by contributing its subsidiaries Groupe Volkswagen France s.a., Villers-Cotterêts, France (value of contribution: EUR 11,7 million), Volkswagen Group Canada Inc., Ajax, Ontario, Canada (value of contribution: EUR 9,8 million), Bentley Motors Ltd., Crewe, United Kingdom (value of contribution: EUR 10,000), SEAT, S.A., Martorell, Spain (value of contribution: EUR 10,000) and Volkswagen Group United Kingdom Ltd., Milton Keynes, United Kingdom (value of contribution: EUR 10,000). In return VIF issued 50 new shares to VWAG who contributed the economic rights to these shares to Global Automotive C.V.

In January 2009 VIF sold its subsidiary Volkswagen Caminhões e Ônibus Indústria e Comércio de Veículos Comerciais Ltda., Resende, Brazil (VWCo) to P.R.C.S.P.E. Empreendimentos e Participacoes S.A., Brazil, a 100% subsidiary of MAN AG, Munich. The purchase price amounted to EUR 1,3 billion, the net gain on disposal recorded in 2009 to EUR 0,7 billion. As provided in the purchase contract VIF earned another net gain amounting to EUR 73,2 million in 2010.

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 2010 no exceedings of the limit occurred. Further information on the risk management of the company is included in note 4 to the financial statements.

VIF realised earnings of EUR 1,137.7 million after tax against EUR 1,075.5 million in 2009. The company generates income mainly from the holding and the group financing business. Income from participations adds up to EUR 1,123.4 million (of which EUR 1,104.3 million net dividends, EUR 73.2 million net gain on disposal VWCo and EUR -54,1 million impairment charges) compared to EUR 1,066.3 million in 2009. Interest income from group financing activities amounts to EUR 21,0 million (2009: EUR 14,0 million). The increase is mainly due to a higher business volume and average equity.

Management proposes retaining the total profit of the year 2010 amounting to EUR 1,137.7 million.

Legal shareholders of VIF are VWAG (103,034 shares) and Global VW Automotive B.V. (one 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 2010 for a total amount of EUR 450 million, of which EUR 250 million was paid out of the 2009 profit and EUR 200 million out of the retained earnings. Furthermore VIF repaid capital for a total amount of EUR 1,750 million.

For the current year we expect financing activities to be on a higher level than in 2010. Considering repayments of maturing bonds the business volume will be comparable to the previous year figure. With respect to the holding business we do not anticipate the contribution of new subsidiaries, as a consequence no change is expected in the holding business. Dividend and interest income are expected to be on the 2010 level.

Amsterdam, 24 February 2011

Original has been signed by
Frank Mitschke, Managing Director

Financial statements

Balance sheet as at 31 December 2010

(after proposed profit appropriation)

	Ref.	31 December 2010		31 December 2009	
		EUR'000	EUR'000	EUR'000	EUR'000
Assets					
Fixed assets					
Tangible fixed assets	5	87		59	
Shares in participations	6	3,175,581		3,958,237	
Loans to Volkswagen group companies	7	9,833,854		9,176,177	
Loans to joint ventures of the Volkswagen group	7	126,446		66,446	
Total fixed assets			13,135,968		13,200,919
Current assets					
Receivables due from Volkswagen group companies	7	3,060,428		3,262,579	
Receivables due from joint ventures of the Volkswagen group	7	89,927		413	
Other assets	8	79,439		74,934	
Prepayments and accrued expenses	9	45,423		48,040	
Deposits at banks		130,345		333,156	
Cash at banks and in hand		519		370	
Total current assets			3,406,081		3,719,492
Total assets			16,542,049		16,920,411

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

		31 December 2010		31 December 2009	
	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		102,985	
Share premium reserve		2,102,155		3,830,655	
Retained earnings		1,446,985		509,277	
Total shareholders' equity			3,652,175		4,442,917
Long-term liabilities	11				
Bonds		9,391,113		9,111,613	
Liabilities to Volkswagen group companies		292,000		-	
Total long-term liabilities			9,683,113		9,111,613
Current liabilities	12				
Bonds		1,611,613		1,750,000	
Commercial papers		149,580		745,142	
Liabilities to Volkswagen group companies		851,426		411,119	
Other liabilities		453,783		387,181	
Deferred income	13	48,863		1,987	
Current income tax		616		171	
Trade payables		207		4,023	
Accrued liabilities	13	90,673		66,258	
Total current liabilities			3,206,761		3,365,881
Total shareholders' equity and liabilities			16,542,049		16,920,411

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

Income statement 2010

		2010		2009	
	Ref.	EUR'000	EUR'000	EUR'000	EUR'000
Income					
Interest and similar income	15	620,550		482,430	
Other operating income	16	1,657		1,675	
Total income			622,207		484,105
Expenses					
Interest and similar expenses	15	(599,520)		(468,353)	
Other operating expenses	17	(512)		(343)	
General and administrative expenses	18	(3,461)		(3,340)	
Amortisation and depreciation expenses	19	(25)		(30)	
Total expenses			(603,518)		(472,066)
Result before taxation			18,689		12,039
Taxation	25		(4,426)		(2,865)
Result from participations	20		1,123,445		1,066,288
Result after taxation			1,137,708		1,075,462

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

Cash flow statement 2010

		2010		2009	
	Ref.	EUR'000	EUR'000	EUR'000	EUR'000
Cash flow from operating activities					
Loans granted	6/7	(603,768)		(8,258,179)	
Loans taken	11/12	522,706		8,127,477	
<i>Net cash used in lending activities</i>			(81,062)		(130,702)
Interest received	8/15	569,344		176,452	
Interest paid	15	(480,890)		(170,297)	
<i>Net cash from interest</i>			88,454		6,155
Result from participations	20	1,104,364		650,817	
Other operating activities		1,629		1,691	
Paid expenses		(5,041)		(3,673)	
Other cash flows not impacting income statement		68,137		-	
Corporate income tax paid	25	(3,353)		(2,865)	
<i>Net cash from other operating activities</i>			1,165,736		645,970
Cash from operating activities			1,173,128		521,423
Cash flow from investment activities	6				
Disposals		74,106		1,265,671	
Capital repayment from VIPs		750,104		46,051	
Investments in participations		-		(8,000)	
Cash from investment activities			824,210		1,303,722
Cash flow from financing activities					
Repayment of capital to Global Automotive C.V.		(1,750,000)		(150,000)	
Dividends paid	10	(450,000)		(1,350,250)	
Cash used in financing activities			(2,200,000)		(1,500,250)
Net cash flow			(202,662)		324,895
Cash and cash equivalents at beginning of the year			333,526		8,631
Cash and cash equivalents at end of the year			130,864		333,526

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

Notes to the financial statements

1 General

1.1 Activities

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

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

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

1.2 Contribution in kind

On 25 February 2010, VWAG contributed five of its subsidiaries, namely Bentley Motors Ltd., Groupe Volkswagen France s.a., SEAT, S.A., VW Group Canada Inc. and VW Group United Kingdom Ltd. to VIF. These contributions in kind were made against the issuance of 50 new ordinary shares in the capital of VIF to VWAG. The difference between the value of the contributions in kind and the nominal value of the new shares was posted to VIF's capital reserve. At the same time, all of VIF's newly issued shares were contributed by VWAG to Global Automotive C.V.

1.3 Consolidation and shares in participations

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

Participations are legal persons in which VIF exercises direct or indirect decisive control based on a shareholding of more than one half of the voting rights, or whose financial and operating policies it otherwise has the power to govern. Potential voting rights that can directly be exercised at the balance sheet date are also taken into account. Participations and other legal persons in which VIF exercises decisive control or whose central management it conducts are consolidated in full 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, the book value and the net asset value in local currency and the equivalent in EUR:

Name, registered office	Share in issued capital as percentage	Book value 31 December 2010		Net asset value 31 December 2009	
		EUR	Original currency	EUR	Original currency
	%	EUR'000	LC'000	EUR'000	LC'000
Bentley Motors Ltd., Crewe, United Kingdom	99	10	GBP 9	(110,573)	GBP (98,200)
Groupe Volkswagen France s.a., Villers-Cotterêts, France	90	11,700	EUR 11,700	416,457	EUR 416,457
Import Volkswagen Group s.r.o., Prague, Czech Republic	100	37,800	CZK 1,059,345	21,129	CZK 559,360
SEAT, S.A., Martorell, Spain	100	10	EUR 10	837,864	EUR 837,864
Sitech Sp. z o.o., Polkowice, Poland	100	46,346	PLN 202,800	106,801	PLN 438,365
Škoda Auto a.s., Mladá Boleslav, Czech Republic	100	875,000	CZK 24,808,875	2,588,260	CZK 68,519,000
Södertälje Bil Invest AB, Södertälje, Sweden	100	98,600	SEK 891,098	20,776	SEK 213,000
Volkswagen Autoeuropa, Lda., Palmela, Portugal	74	273,600	EUR 273,600	370,855	EUR 370,855
Volkswagen do Brasil Indústria de Veículos Automotores Ltda., São Bernardo do Campo, Brazil	100	354,500	BRL 850,800	1,361,461	BRL 2,746,883
Volkswagen Group Australia Pty Ltd., Botany, New South Wales, Australia	100	9,249	AUD 15,000	32,991	AUD 52,812
Volkswagen Group Canada Inc., Ajax, Ontario, Canada	100	9,820	CAD 14,021	123,811	CAD 187,301
Volkswagen Group United Kingdom Ltd., Milton Keynes, United Kingdom	100	10	GBP 9	613,332	GBP 544,700
Volkswagen Group Ireland Ltd., Dublin, Ireland	100	27,665	EUR 27,665	2,560	EUR 2,560

Name, registered office	Share in issued capital as percentage	Book value 31 December 2010				Net asset value 31 December 2009			
		EUR		Original currency		EUR		Original currency	
		EUR'000		LC'000		EUR'000		LC'000	
Volkswagen Group Japan K.K., Toyohashi-shi, Japan	100	100,400	JPY	15,196,544		191,574	JPY	25,510,12	
Volkswagen Group Rus OOO, Kaluga, Russian Federation	49	49,000	RUB	1,732,101		328,254	RUB	14,165,479	
Volkswagen International Payment Services N.V., Amsterdam, the Netherlands	100	15,930	EUR	15,930		788,843	EUR	788,843	
Volkswagen Poznań Sp. z o.o., Poznań, Poland	100	194,667	PLN	709,500		574,397	PLN	2,357,612	
Volkswagen Motor Polska Sp. z o.o., Polkowice, Poland	100	53,705	PLN	195,700		136,443	PLN	560,032	
Volkswagen Slovakia a.s., Bratislava, Slovakia	100	1,000,000	EUR	1,000,000		1,791,317	EUR	1,791,317	
Volkswagen India Private Ltd., Pune, India	< 20	14,281	INR	841,246		472,486	INR	31,675,475	
Volkswagen Group Sales India Private Ltd., Mumbai, India	< 20	3,288	INR	183,427		30,990	INR	2,077,537*	
Volkswagen Group Services S.A., Brussels, Belgium	< 20	0	EUR	0		4,597,983	EUR	4,597,983	
Total investments in participations		3,175,581				15,298,011			

*Net asset value as at 31 March 2010.

Management received reports regarding the economic situation of the participations on a monthly basis. Upon review of these reports it was concluded that in two cases impairment charges had to be applied. Impairment was determined by establishing the enterprise value on the basis of a discounted cash flow analysis based on the internal budget. For further details on this impairment see note 20.

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.

1.4 *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.

1.5 *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 Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. The financial statements are denominated in 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 1.3.

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

Loans to Volkswagen group companies and other participating interests are loans with an original term of more than one year and are valued at their 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 is amortised over the remaining life of the bonds.

Deposits at banks

Deposits at banks represents 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 25.5% 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 2010 no exceedings of the limit occurred.

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 2010 no exceedings of the limit occurred.

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 2010 no exceedings of the limit occurred.

5 Tangible fixed assets

	Tangible fixed assets (other installations, business and office equipment)		Total 2010
	EUR'000		EUR'000
31 December 2009	223		223
Additions	73		73
Disposals	(60)		(60)
Amortisation/depreciation (accumulated)	(149)		(149)
31 December 2010	87		87
Amortisation/depreciation current year	(25)		(25)

	Intangible fixed assets (software)	Tangible fixed assets (other installations, business and office equipment)	Total 2009
	EUR'000	EUR'000	EUR'000
31 December 2008	143	209	352
Additions	-	14	14
Amortisation/depreciation (accumulated)	(143)	(164)	(307)
31 December 2009	-	59	59
Amortisation/depreciation current year	(5)	(25)	(30)

6 Shares in participations (fixed assets)

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

	Shares in participations	
	31 December 2010	31 December 2009
	EUR'000	EUR'000
Purchase cost	3,958,237	4,720,993
Additions	21,550	63,595
Impairment	(54,100)	(284,800)
Withdrawal	(750,106)	(541,551)
	3,175,581	3,958,237

The contribution of Bentley Motors Ltd., Groupe Volkswagen France s.a., SEAT, S.A., Volkswagen Group Canada Inc. and Volkswagen Group United Kingdom Ltd. amounts to EUR 21,6 million.

For details of the withdrawal see the following explanation under VIPS, and for details about the impairment see note 20.

General consolidation and shares in participations

The shares in participations are specified in note 1.3.

Further details to 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 2009	GBP'000	- 98,200
–	Net earnings 2009	GBP'000	- 231,100

Bentley is engaged in the manufacture 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 2009	EUR'000	416,457
–	Net earnings 2009	EUR'000	61,148

GVWF 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.

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 2009 CZK'000 559,360
- Net earnings 2009 CZK'000 138,713

IVG conducts the import and sale of vehicles of the Volkswagen brand (passenger cars and commercial vehicles) and the 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 2009 EUR'000 837,864
- Net earnings 2009 EUR'000 - 186,517

SEAT's business is the design and development, manufacture and sale of sportive 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 2009 PLN'000 438,365
- Net earnings 2009 PLN'000 39,205

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 2009 CZK'000 68,519,000
- Net earnings 2009 CZK'000 3,439,301

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, manufacture 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 2009 SEK'000 213,000
- Net earnings 2009 SEK'000 58,703

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 network 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 2009 EUR'000 370,855
- Net earnings 2009 EUR'000 14,288

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. AE produced in 2009 86,008 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 2009 BRL'000 2,746,883
- Net earnings 2009 BRL'000 732,628

The business of VWdB comprises the manufacture 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 2009 AUD'000 52,812
- Net earnings 2009 AUD'000 18,152

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 2009 CAD'000 187,301
- Net earnings 2009 CAD'000 9,577

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 2009 GBP'000 544,700
- Net earnings 2009 GBP'000 53,400

VWUK conducts the import of Volkswagen and Audi, SEAT and Škoda 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 2009 EUR'000 2,560
- Net earnings 2009 EUR'000 341

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 Škoda 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 2009 JPY'000 25,510,012
- Net earnings 2009 JPY'000 790,314

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 2009 RUB'000 14,165,479
- Net earnings 2009 RUB'000 1,359,744

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, 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, Netherlands (VIPS)

–	Incorporation on 27 August 2007 (100% shareholder: VIF).		
–	Equity 31 December 2009	EUR'000	788,843
–	Net earnings 2009	EUR'000	22,809

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.

Based on the resolutions of the Supervisory Boards of VIF and VIPS, VIF added in 2010 EUR 299 million to the capital reserve of VIPS and withdrew EUR 1,049 million. The total net withdrawal amounted to EUR 750 million.

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

–	Incorporation on 26 November 1993.		
–	Contribution to VIF: 10 November 2008 (100%).		
–	Equity 31 December 2009	PLN'000	2,357,612
–	Net earnings 2009	PLN'000	250,213

VWP's business comprises the production of cars (Volkswagen models Caddy and 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 2009	PLN'000	560,032
–	Net earnings 2009	PLN'000	71,501

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 2009	EUR'000	1,791,317
–	Net earnings 2009	EUR'000	56,727

VWS' business is the production of vehicles, gearboxes and components for Volkswagen group companies at its manufacturing plants in Bratislava and Martin. The profit-earning situation of VWS is directly influenced by the brand-specific production programmes.

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 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 2010			31 December 2009		
	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	12,894,282	9,833,854	3,060,428	12,438,756	9,176,177	3,262,579
Amounts due from joint ventures of the Volkswagen group	216,373	126,446	89,927	66,859	66,446	413
	<u>13,110,655</u>	<u>9,960,300</u>	<u>3,150,355</u>	<u>12,505,615</u>	<u>9,242,623</u>	<u>3,262,992</u>

	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

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. As at 31 December 2010 the following credit spreads were applicable to the Volkswagen group:

	31 Dec 2010	31 Dec 2009
	BPS	BPS
For amounts payable within one year:	6.92	17.50
For amounts payable between one year and five years:	51.75	80.00
For amounts payable after five years	84.60	101.00

For comparison purposes the overview of 2009 is as follows:

	Original currency	Average interest rate in percentage	31 December 2009	
			Book value	Market value
			EUR'000	EUR'000
Fixed asset loans to Volkswagen group companies		%		
	EUR	5.40	7,616,646	8,493,715
	USD	5.84	1,559,531	1,589,699
			9,176,177	10,083,414
Fixed asset loans to joint ventures of the Volkswagen group				
	EUR	2.00	34,000	36,385
	PLN	6.95	32,446	35,477
			66,446	71,862
Current asset receivables due from Volkswagen group companies	EUR	2.97	2,566,760	2,618,314
	GBP	1.36	193,488	197,099
	SEK	1.07	175,030	175,583
Accrued and other receivables due from Volkswagen group companies and joint ventures				
			327,714	327,714
			3,262,992	3,318,710
Total loans to and receivables due from Volkswagen group companies and joint ventures of the Volkswagen group				
			12,505,615	13,473,986

8 Other assets

	31 Dec 2010	31 Dec 2009
	EUR'000	EUR'000
Interest receivable from banks	79,284	74,090
Income tax receivable	144	772
Receivables insurance companies	-	70
Receivables from employees	10	2
Rental deposit	1	-
	79,439	74,934

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

9 Prepayments and accrued expenses

	31 Dec 2010	31 Dec 2009
	EUR'000	EUR'000
Prepaid expenses	1,348	191
Capitalised issue costs	44,075	47,849
	<u>45,423</u>	<u>48,040</u>

10 Shareholders' equity

Share capital

On 31 December 2010, 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, of which 50 shares were issued in 2010.

As of 31 December 2009, the **share premium reserve** was EUR 3,830,655,000. An amount of EUR 21,499,714 was added in 2010 as a result of the contribution in kind of five group subsidiaries. Out of the share premium reserve EUR 1,750,000,000 was repaid to Global Automotive C.V., based on the resolutions of the shareholders of 4 February and 26 November 2010.

Furthermore, VIF paid dividends of EUR 200 million out of **the retained earnings** to Global Automotive C.V. in 2010, based on the resolution of the shareholders of 19 March 2010.

	Issued and paid-up share capital	Share premium reserve	Retained earnings	Total Equity
	EUR'000	EUR'000	EUR'000	EUR'000
Balance 31 December 2009	102,985	3,830,655	509,277	4,442,917
Contribution in kind of 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 31 December 2010	<u>103,035</u>	<u>2,102,155</u>	<u>1,446,985</u>	<u>3,652,175</u>

11 Long-term liabilities

	31 Dec 2010	31 Dec 2009
	EUR'000	EUR'000
Bonds (listed and unlisted)	9,391,113	9,111,613
Liabilities to Volkswagen group companies	292,000	-
	<u>9,683,113</u>	<u>9,111,613</u>

A breakdown of the long-term bonds 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			<u>9,391,113</u>	<u>10,468,385</u>

Apart from the DIP Programme, VIF issued in 2010 notes for the first 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 1,750 million are due in 2020 (USD 750 million) and in 2013 (USD 1 billion). The long-term part is shown above under unlisted bonds with a maturity of longer than five years. The short-term part is reported above under the unlisted USD bonds with a maturity of less than five years.

For the determination of the market values see note 7.

12 Current liabilities

	31 Dec 2010	31 Dec 2009
	EUR'000	EUR'000
Bonds	1,611,613	1,750,000
Liabilities to Volkswagen group companies	851,426	411,119
Other liabilities	453,783	387,181
Commercial papers	149,580	745,142
Accrued liabilities	90,673	66,258
Deferred income	48,863	1,987
Current income tax	616	171
Trade payables	207	4,023
	3,206,761	3,365,881

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 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

For the determination of the market values see note 7.

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

	31 Dec 2010	31 Dec 2009
	EUR'000	EUR'000
Volkswagen International Payment Services N.V.	419,689	148,593
Volkswagen AG	227,231	-
Volkswagen Group Services S.A.	183,722	-
Global VW Automotive B.V.	20,784	12,526
Global Automotive C.V.	-	250,000
	851,426	411,119

A breakdown of the other liabilities is as follows:

	31 Dec 2010	31 Dec 2009
	EUR'000	EUR'000
Loan interest payables	364,988	313,752
Swap interest payables	88,792	73,418
Social securities/wage tax	3	11
	<u>453,783</u>	<u>387,181</u>

13 Deferred income and accrued liabilities

	31 Dec 2010	31 Dec 2009
	EUR'000	EUR'000
Deferred income		
Early termination fee from VW Credit, Inc., Michigan, USA (VCI)	44,800	-
Capitalised issue income	4,063	1,987
	<u>48,863</u>	<u>1,987</u>

As at the end of September 2010 VCI early redeemed loans of USD 2,0 billion, thereof USD 1,0 billion due in April 2011 and USD 1,0 billion due in February 2012. VIF received an early termination fee amounting to USD 83,2 million, which is recognised as interest income over the original life.

	31 Dec 2010	31 Dec 2009
	EUR'000	EUR'000
Accrued liabilities		
Provision on the disposal of Volkswagen Caminhões, Brazil	90,159	65,900
Other provisions	514	358
	<u>90,673</u>	<u>66,258</u>

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.

15 Financial income and expenses

	2010	2009
	EUR'000	EUR'000
Interest and similar income	620,550	482,430
Interest and similar expenses	(599,520)	(468,353)
	<u>21,030</u>	<u>14,077</u>

16 Other operating income

	2010	2009
	EUR'000	EUR'000
Service fees charges 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	163	248
Miscellaneous income previous years	71	26
Translation gains	22	-
	<u>1,657</u>	<u>1,675</u>

17 Other operating expenses

	2010	2009
	EUR'000	EUR'000
Charges from Global VW Automotive B.V.	201	165
Portfolio fees	223	158
Bank charges	15	13
Miscellaneous expenses previous years	73	7
	<u>512</u>	<u>343</u>

18 General and administrative expenses

	2010	2009
	EUR'000	EUR'000
Personnel expenses	1,385	1,499
Insurance	1,208	1,033
Consulting, auditing and legal fees	393	340
Office expenses	388	376
Car expenses	29	72
Temporary labour	29	-
Travel expenses	25	15
Training personnel	4	5
	<hr/>	<hr/>
	3,461	3,340
	<hr/>	<hr/>

A breakdown of the personnel expenses is as follows:

	2010	2009
	EUR'000	EUR'000
Salaries and wages	1,212	1,313
Social security contributions	100	100
Pension contributions	73	86
	<hr/>	<hr/>
	1,385	1,499
	<hr/>	<hr/>

The company has a defined contribution pension plan that is reinsured with an insurance company.

19 Amortisation and depreciation expenses

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

20 Result from participations

	2010	2009
	EUR'000	EUR'000
Dividends received		
Volkswagen Slovakia a.s., Slovakia	456,727	-
Volkswagen do Brasil, Brazil	243,333	277,000
Groupe Volkswagen France s.a., France	199,034	-
Volkswagen Poznań Sp. z o.o., Poland	64,496	42,185
Škoda Auto a.s., Czech Republic	64,153	196,527
Volkswagen Autoeuropa, Lda., Portugal	23,700	35,520
Volkswagen International Payment Services N.V., the Netherlands	22,810	33,940
Volkswagen Motor Polska Sp. z o.o., Poland	18,084	40,598
Södertälje Bil Invest AB, Sweden	8,868	7,320
Volkswagen Group Japan K.K., Japan	7,000	9,800
Import Volkswagen Group s.r.o., Czech Republic	5,457	6,709
Sitech Sp. z o.o., Poland	4,743	-
	1,118,405	649,599
Additional gain on disposal		
Volkswagen Caminhões, Brazil	84,390	761,241
Impairment charges		
Volkswagen Autoeuropa, Lda., Portugal	(46,300)	(58,600)
Volkswagen India Private Ltd., India	(7,800)	-
Volkswagen Group Japan K.K., Japan	-	(111,600)
Södertälje Bil Invest AB, Sweden	-	(89,900)
Import Volkswagen Group s.r.o., Czech Republic	-	(24,700)
	(54,100)	(284,800)
Forward cover of dividends		
- Gains	293	2,033
- Losses	(1,651)	(814)
	(1,358)	1,219
Valuation result		
From the BRL provision regarding the sale of its subsidiary Volkswagen Caminhões, Brazil		
- Losses	(924)	-
Withholding taxes		
Volkswagen do Brasil, Brazil	(12,333)	-
Volkswagen Caminhões, Brazil	(10,285)	(60,481)
Volkswagen Group Japan K.K., Japan	(350)	(490)
	(22,968)	(60,971)
Total income received	1,123,445	1,066,288

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:

	2010	2009
	EUR'000	EUR'000
Audit of the financial statements	87	65
Other audit procedures	20	52
Other non-audit services	137	37
	<hr/> 244	<hr/> 154

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 1.3.

For receivables due from Volkswagen group companies see note 7.

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

23 Average number of employees

During the year 2010, the average number of employees calculated on a full-time-equivalent basis was 15 (2009: 15).

The company has no employees working abroad.

22 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 2010.

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 2010	240,360	1,257,142	317,714	1,815,216
31 December 2009	65,360	1,346,172	233,430	1,644,962

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 2010	(1,783)	5,840	(2,375)	1,682
31 December 2009	(1,955)	139,468	(4,365)	133,148

23 Taxation on result on ordinary activities

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

	2010	2009
	EUR'000	EUR'000
Result from ordinary activities before taxation	1,142,134	1,078,327
Of which income from participations (excluding gains/losses forward cover on dividend income and valuation result)	1,125,727	(1,065,069)
Result on ordinary activities	16,407	13,258
Taxation on result on ordinary activities 2010	4,200	2,865
Taxation on result on ordinary activities 2009	226	-
Taxation on result on ordinary activities	4,426	2,865
Effective tax rate	25.6%	21.6%
Applicable tax rate	25.5%	25.5%

24 Directors and Supervisory Directors

Management Board:

- Frank Mitschke, Amsterdam
- Albrecht Hermann Möhle, Wasbüttel

The remuneration for 2010 of the Management Board amounts to EUR 238,162 (2009: EUR 226,000).

Supervisory Board:

- Dr. Jörg Alexander Boche, Wolfsburg (Chairman)
- Wolfgang Rudolf Hotze, Lehre

The Supervisory Board has not received any remuneration for 2010.

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, 24 February 2011

Management Board,

Supervisory Board,

Original has been signed by
F. Mitschke

Original has been signed by
Dr. J. Boche

Original has been signed by
A. Möhle

Original has been signed by
W. Hotze

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' resolutions, the following dividends have been paid during the year 2010 to Global Automotive C.V.:

4 February: EUR 250 million out of the 2009 result (shown as liability to Global Automotive C.V. at the end of 2009).

19 March: EUR 200 million out of the 2009 result.

Management proposes retaining the total profit of the year 2010 amounting to EUR 1,137,708,007.06.

Repayment of capital

Based on the shareholders' resolutions of 4 February and 26 November 2010, VIF repaid from its share premium reserve a total amount of EUR 1,75 billion to Global Automotive C.V.

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 2010 as set out on pages 4 to 37 of Volkswagen International Finance N.V., Amsterdam, which comprise the balance sheet as at 31 December 2010, the income statement 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 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 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 2010, 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, 24 February 2011
PricewaterhouseCoopers Accountants N.V.

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