Financial report 2015

Volkswagen International Finance N.V.

Amsterdam

Contents

Supervisory Board Report

The balance sheet total and the result for the financial year 2015 of Volkswagen International Finance N.V. ('VIF') are in line with the expected development of the company.

The solvency and liquidity of the company remained good in spite of the recent developments in the Volkswagen Group where irregularities in relation to nitrogen oxide emissions had been discovered in emissions tests on certain vehicles with Volkswagen Group Diesel engines which surfaced in the third quarter 2015. Volkswagen Group is cooperating openly and fully with the responsible authorities to clarify the matter completely, quickly and transparently.

In the fourth quarter 2015 the rating agencies Moody's and Standard & Poor's downgraded Volkswagen AG, the guarantor of debt issued by VIF in the international capital markets.
Moody's lowered the rating to P-2 / A3 (short term / long term) with negative outlook while Standard & Poor's lowered the rating to A-2 / BBB+ (short term / long term) with negative outlook.

The Management Board informed the Supervisory Board in 2015 continuously on the developments regarding issuance activities and risk exposure. Risk limits set by the Supervisory Board were adhered to.

The Annual General Meeting on May 7th, 2015 elected PricewaterhouseCoopers Accountants N.V. as independent auditors for the fiscal year 2015. The independent auditors audited the annual financial statement of VIF and issued an unqualified audit opinion.

Due to the mandatory rotation of audit firms, another independent auditor will be nominated for the fiscal year 2016 in the Annual General Meeting.

Amsterdam, 28 April 2016

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Original was signed by
Dr. Jochen Stich, Chairman of the Supervisory Board

PricewaterhouseCoopers Accountants N.V.
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Management report

Volkswagen International Finance N.V. ('VIF') is one of the funding vehicles of Volkswagen AG ('VWAG') and its subsidiaries. VIF raises funds from the capital markets by issuing notes and lends the proceeds on to Volkswagen Group and joint venture companies. Basis for the issuing activities are the regularly updated Debt Issuance Programme (DIP) of EUR 30 billion, that adheres to the European Prospective Directive Standards, as well as the EUR 10 billion Multicurrency Commercial Paper Programme (CP Programme). All issues are guaranteed by VWAG. Therefore, the VIF rating by Moody's and Standard & Poor's is derived from the VWAG rating. According to Moody's, VWAG's rating is set to P-2 (short-term) and A3 (long-term) with a negative outlook. Standard & Poor's assessed VWAG's creditworthiness as A-2 (short-term) and BBB+(long-term) with a negative outlook.

Major transactions included in 2015 the issuance of EUR 3 billion bond in January, consisting of three tranches of EUR 1 billion each with maturities in 2018, 2023 and 2030. In March, EUR 2.5 billion of undated subordinated notes were issued, consisting of EUR 1.1 billion notes with a first call date in 2022 and EUR 1.4 billion with a first call date in 2030.

Throughout 2015, VIF raised a total of EUR 3 billion (2014: EUR 2.4 billion) issuing under the above-mentioned DIP, and EUR 795 million under the mentioned CP Programme. The proceeds of all issues were granted to Volkswagen Group companies.

VIF also redeemed multiple Bond issues with a EUR equivalent of 11 billion (2014: EUR 5.1 billion) and CP issues with a total EUR equivalent of 0.2 billion (2014: EUR 0.6 billion). The financing activities are carried out in different currencies and interest terms. To avoid currency and interest risks, VIF concludes interest and currency swaps.

The adequate capitalisation and profitability of VIF result in a good and stable solvency and liquidity position. Furthermore, given the fact that issuances under the DIP and CP-programmes are guaranteed by VWAG, the overall financial position of VIF is sound.

VIF realised earnings of EUR 63.4 million after tax in 2015 against EUR 422.9 million in 2014. The company generates income mainly from the holding and the Group financing business. Result from participations adds up to EUR 43 million compared to EUR 404 million in 2014. Interest income from Group financing activities amounts to EUR 29.9 million (2014: EUR 28.4 million). This is mainly due to improved margins.

Volkswagen AG, VIF's ultimate parent, reorganised its holding structure in 2014 by transferring VIF and the majority of its subsidiaries to Volkswagen Finance Luxemburg S.A. ("VFL"), so that VIF ceased to be a holding company except for minority interests in a limited number of former subsidiaries. Following the reorganisation, VIF and its former subsidiaries are direct subsidiaries of VFL, which is a wholly-owned direct subsidiary of Volkswagen AG.

The main business risks of VIF are the interest rate risk, currency risk, credit risk and liquidity risk. The Supervisory Board has set narrow limits to restrict risks. With regard to the interest rate risk VIF maintained a closed position. The currency risk is restricted to limits between 6TEUR and 145TEUR equivalent per currency. The risk appetite of VIF has been defined as very low.
VIF uses adequate tools to assess and to monitor risks. On a monthly basis, a detailed mismatch report, containing all relevant risks, is presented to the management. In 2015 the limits were not exceeded.

Credit risk with regard to the banking partners results from current accounts and derivatives. Central risk management of VWAG monitors the risk on a group level, defining counterparty limits. For current accounts the utilization of these limits is based on the nominal values, for derivatives the calculation is based on positive market value plus add-on.

Loans are extended to subsidiaries of the VWAG-Group, i.e. credit risk is limited to the ability of the subsidiaries to fulfil their repayment obligation as directed and supervised by VWAG. Given that note issuances are tenor matched with loans to VWAG-Group companies liquidity risk is considered to be remote.
Due to the overall strategy of closed positions and the strict adherence to the limits, negative impacts of potential risks on the result and the financial position of VIF are deemed to be negligible.

In September 2015 the California Air Resources Board (CARB) and the US Environmental Protection Agency (EPA) publicly announced that irregularities in relation to nitrogen oxide emissions had been discovered in emissions tests on certain vehicles with Volkswagen Group Diesel engines.Violations of US environmental laws had occurred as a result. On September 22nd, 2015 the Volkswagen Group announced that around 11 million vehicles worldwide with type EA189 diesel engines were affected. Volkswagen is working to resolve the irregularities with technical measures.

The majority of VIF's borrowers have either sold cars with affected diesel engines or have them in their inventory. The Management Board and the Supervisory Board of VIF discussed the issue and came to the conclusion that investors and the financial markets assess the risks VIF is exposed to on the background of the guarantee by Volkswagen AG, since investors have full recourse to Volkswagen AG.

VIF Management has also assessed the impact of the "diesel emission issue" on the borrowers of VIF by analysing in detail the financial situation of the borrowers as well as budget forecasts and concluded that VIF is not exposed to higher credit risk. This is further evidenced by the fact that although the credit spreads in the capital markets widened for Volkswagen risk after the diesel emission revelations, the prices of listed bonds have come back and the paper trade slightly below the levels before the announcements.
As a result of the recent investigations, VIF as an issuer may in the future face risks arising from legal disputes with investors claiming damages for alleged breaches of capital market laws. In the fiscal year 2015 no such dispute has occurred and consequently, there was no negative impact on the result and the financial position of the company.

The risk management systems in place have been analysed and are deemed to be fully adequate. Consequently, no changes of the systems are planned

In line with the long-term business strategy, the Volkswagen Group plans to develop new markets and to improve its position in existing markets. We expect that VWAG will keep VIF's capital reserve on an adequate level. As several Volkswagen companies worldwide are going to use the attractive European funding opportunities, VIF foresees additional requests for refinancing which will be taken care of with increased capital market issuances under the DIP and CP-programmes. Based on this assumption we expect a moderate increase in total business volume for VIF in 2016. Taking into account the expected growth in business volume and comparable capital reserves, the development should to be at a similar level as in previous years.

One third of the Supervisory Board of the company is female. Currently, there are no female director's in the Management Board of the company. The company will investigate how to deal with this in the future.

The Management Board declares to the best of their knowledge:

1. the financial statements for 2015 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 2015 and the risks to which the company is exposed.

Amsterdam, 28 April 2016

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Thomas Fries, Managing Director

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Vincent Delva, Managing Director

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Financial statements

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Balance sheet as at 31 December 2015

(after proposed profit appropriation)

		31 December 2015		31 December 2014	
	Ref.	EUR'000	EUR'000	EUR'000	EUR'000
Assets					
Fixed assets					
Tangible fixed assets	5	282		291	
Intangible fixed assets	5	12		8	
Shares in participations	6	164,596		154,096	
Loans to Volkswagen Group companies	7	21,421,320		20,599,012	
Total fixed assets			21,586,210		20,753,407
Current assets					
Receivables due from Volkswagen Group companies	7	6,413,651		11,553,857	
Receivables due from joint ventures of the Volkswagen Group	7	12,213		8,655	
Other assets	8	29,860		37,925	
Prepayments and accrued expenses	9	144,061		139,770	
Cash at banks and in hand	10	469,313		212,039	
Total current assets			7,069,098		11,952,246
Total assets			28,655,308		32,705,653

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

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	Ref.	31 December 2015 EUR'000	EUR'000	31 December 2014 EUR'000	EUR'000
Shareholders' equity and liabilities					
Shareholders' equity	11				
Issued and paid-up share capital		103,035		103,035	
Share premium reserve		4,120		9,920	
Retained earnings		656,330		592,955	
Total shareholders' equity			763,485		705,910
Provisions	12	1,622	1,622	24,182	24,182
Long-term liabilities	13				
Bonds		21,240,108		20,585,600	
Liabilities to Volkswagen Group companies		355,164		-	
Total long-term liabilities			21,595,272		20,585,600
Current liabilities	14				
Bonds		5,238,446		10,704,607	
Commercial papers		549,741		-	
Liabilities to Volkswagen Group companies		14,182		44,356	
Other liabilities		474,866		592,980	
Deferred income		15,336		45,876	
Current income tax		1,244		785	
Trade payables		86		168	
Accrued liabilities		1,028		1,189	
Total current liabilities			6,294,929		11,389,961
Total shareholders' equity and liabilities			28,655,308		32,705,653

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

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Income statement for the year ended 31 December 2015

	Ref.	2015 EUR'000	2015 EUR'000	2014 EUR'000	2014 EUR'000
Income					
Interest and similar income	16	983,239		992,984	
Other operating income	17	1,980		3,288	
Total income			985,219		996,272
Expenses					
Interest and similar expenses	16	(953,302)		(964,625)	
Other operating expenses	18	(1,321)		(1,480)	
General and administrative expenses	19	(3,063)		(4,565)	
Amortisation and depreciation expenses		(81)		(39)	
Total expenses			(957,767)		(970,709)
Result before taxation			27,452		25,563
Taxation on result on ordinary activities	25		(6,860)		(6,270)
Result from participations	20		42,783		403,644
Result after taxation			63,375		422,937

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

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Cash flow statement for the year ended 31 December 2015

	2015		2014	
	EUR'000	EUR'000	EUR'000	EUR'000
Operating profit		63,375		422,937
Adjustments for:				
Income tax expenses	(6,860)		(6,270)	
Dividend income	(9,700)		(389,910)	
Interest income	(983,239)		(992,984)	
Interest expense	953,302		964,625	
Impairment on financial assets	(10,500)		900	
Depreciation on (in)tangible assets	81		39	
		(56,916)		(423,600)
Movement in working capital				
Accrued receivables/ other assets	(110,907)		2,601	
Prepaid & deferred charges	(4,291)		13,738	
Other liabilities	4,725		106,235	
Deferred income	(30,541)		(36,784)	
		(141,012)		85,790
Cash (used)/ generated from operations		(134,553)		85,127
Corporate income tax paid	12,011		6,270	
Net cash from operating activities		(122,542)		91,397
Cash flow from investment activities				
Loans issued to affiliated companies and JV	(5,515,524)		(5,237,883)	
Repayment of loans to affiliated companies	10,128,529		4,824,184	
Disposal of subsidiaries	-		3,777,154	
Dividend received	9,700		389,910	
Interest received	1,097,059		992,984	
Investment in (in)tangible assets	(77)		(275)	
Net cash (used)/ from investment activities		5,719,687		4,746,074
Cash flow from financing activities				
Proceeds from borrowings	5,569,673		5,395,405	
Repayment of borrowings	(10,381,326)		(4,432,000)	
Proceeds from commercial papers	794,975		163,000	
Repayment of commercial papers	(245,234)		(612,500)	
Interest paid	(1,072,159)		(964,625)	
Net transfers to/from capital reserve	(5,800)		(3,041,216)	
Dividends paid			(1,482,916)	
Net cash (used)/ from financing activities		(5,339,871)		(4,974,852)
Net cash flows		257,274		(137,381)
Balance as at 1 January		212,039		349,421
Movement		257,274		(137,381)
Balance as at 31 December		469,313		212,039

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

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Notes to the financial statements

1 General

1.1 Activities

Volkswagen International Finance N.V.'s ('VIF' or 'the company') registered office is located at Paleisstraat 1, 1012 RB 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 Provisions

Provisions are recognised for legally enforceable or constructive obligations that exist at the balance sheet date, and for which it is probable that an outflow of resources will be required and a reliable estimate can be made.
Provisions are measured at the best estimate of the amount that is necessary to settle the obligation as per the balance sheet date. Provisions for pension are valued on the basis of actuarial principles. The other provisions are carried at the nominal value of the expenditure that is expected to be necessary in order to settle the obligation, unless stated otherwise.
If obligations are expected to be reimbursed by a third party, such reimbursement is included as an asset in the balance sheet if it is probable that such reimbursement will be received when the obligation is settled.

1.3 Related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also entities which can control the Company are considered to be a related party. In addition, statutory directors, other key management of the company or the ultimate parent company and close relatives are regarded as related parties.

1.4 Consolidation and shares in participations

In 2014 VIF became a 100% subsidiary of Volkswagen Finance Luxemburg S.A. 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.
Participations where VIF holds more than 50% of the shares are in principle consolidated at VIF level, unless the voting rights are restricted by legal agreement. In case of the participation in Volkswagen Group Saudi Arabia LLC, VIF holds 51% but there is no consolidation requirement, as due to an agreement of 6 November 2014, VIF can only exercise voting rights upon specific instruction of Volkswagen Finance Luxemburg S.A.

Participations and other participating interests in which the company exercises significant influence are stated at the lower of cost or net realisable value. The company is considered to exercise significant influence if it holds at least 20% of the voting rights.
Participating interests in which no significant influence can be exercised are stated at acquisition price. If an asset qualifies as impaired, it is measured at its impaired value; any write-offs are disclosed in the income statement.

The 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 2015		
		EUR	Local currency	
	%	EUR'000		LC'000
Volkswagen Autoeuropa, Lda., Palmela, Portugal	26	132,987	EUR	132,987
Volkswagen Group Saudi Arabia LLC, Riyadh, Kingdom of Saudi Arabia	51	9,623	SAR	47,318
Volkswagen India Private Ltd., Pune, India	9	21,986	INR	1,583,465
Volkswagen Group Services S.A., Brussels, Belgium	0,0001	0	EUR	0
Total investments in participations		164,596		

Management received reports regarding the economic situation of the participations. Upon review of these reports it was concluded that in one case a change in impairment had to be applied. Impairment is 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. and Volkswagen India Private Ltd. are minority investments.

For further details on shares in participations see note 6.

1.5 Note to the cash flow statement

Consolidated cash flows for the whole Volkswagen Group are included in the Volkswagen AG consolidated financial statements; therefore a separate cash flow statement for the company is not required by Dutch law.
In 2015, the cash flow statement has been prepared using the indirect method, whereas in previous years a hybrid variant had been selected as additional disclosure in its financial statement.
Due to the change of method, the comparative 2014 cash flow has been adjusted accordingly.
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.
Cash from loans granted and interest received are included in cash from/ used in investment activities. Cash from borrowings, including interest paid and capital increases/ dividends paid/ received are included in cash from/ used in financing activities.
All other movements are included in cash used/ generated from operations.

1.6 Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Dutch Civil Code, the nature of these estimates and judgements, including the related assumptions, is disclosed in the notes to the financial statement items in question. Estimates used for accounting of financial fixed assets and impairment of assets are disclosed under note 2.6 and 2.7.

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 period end-rate prevailing on the balance sheet date. Investments in participations are stated at the historical exchange rate.

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

In respect of any positions in the balance sheet that are covered by cross currency interest rate swaps or by foreign exchange forward contracts, the differences in values calculated at closing 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.

Hedge accounting

VIF applies hedge accounting. Relationships between hedging instruments and hedged items are documented at the inception of the transaction. VIF also assesses, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. This is done by comparing the critical characteristics of the hedge instrument with those of the hedged position. If there is an indication of ineffectiveness, the company measures this potentially ineffective part by conducting a quantitative ineffectiveness analysis

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; impairment exists if the carrying amount of the asset (or the cash-generating unit to which it belongs) exceeds its recoverable amount. For determining whether an impairment charge in respect of an intangible fixed asset applies, reference is made to note 2.7.

Computer software

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

2.5 *Tangible fixed assets*

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

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

2.6 *Financial fixed assets*

Shares in participations

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

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

The shares in participations are specified in note 1.4.

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

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

2.7 Impairment of fixed assets

On each balance sheet date, the company tests whether there are any indications of assets being subject to impairment. The impairment process takes place at HQ level, according to the DCF method, taking into account the essential figures of the Actuals of the last 5 years, the forecast of the current year, cash flow forecasts and the 5-year planning figures of the counterparties. If any indications for impairment 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 realisable value; the realisable value is the higher of the fair value less costs to sell and the value in use.

The fair value is determined based on the active market. 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.

The value of an asset in use is determined by estimation of the future net cash flows, based on continued use of the asset.

2.8 Current assets

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

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

Prepayments and accrued expenses

Prepayments and accrued income are initially valued at cost and are amortised over the remaining life of the services or of the bonds.

Cash at banks and in hand

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

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

2.9 Long-term liabilities

Bonds

The bonds are initially valued at fair value with subsequent measurement 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 initially valued at cost and subsequently at their amortised cost value.

Current liabilities

Bonds

The bonds are initially and subsequently valued at their amortised cost value.

Commercial papers

The commercial papers are initially and subsequently valued at their amortised cost value.

Liabilities to Volkswagen Group companies

The liabilities to Volkswagen Group companies are initially and subsequently valued at their amortised cost value.

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. For further information see Note 25.

Trade payables

The trade payables are initially valued at fair value and subsequently at their amortised cost value and are payable within one year.

Accrued liabilities

The accruals are based on sound business judgement and valued at the expected costs.

2.10 Financial instruments

Loans included in financial and current assets, as well as liabilities and derivative financial instruments, are stated at amortised cost. The company applies hedge accounting to hedging instruments when hedging interest and currency risk on borrowings and lendings. The company documents the relationship between hedging instruments and hedged items at the inception of the transaction. Both the derivative and the hedged item are stated at amortised cost. The gain or loss relating to any ineffective portion is recognised in the income statement within finance cost. For more information about the value of the assets, assigned as hedged item, see note 7, of the liabilities see notes 13 and 14 and of the financial instruments see note 24. The company has no derivative financial instruments other than the ones used for hedging.

Cost price hedge accounting

The company applies cost price hedge accounting to hedging interest risk and FX-risk on borrowings.

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;

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- as long as the hedged item is not yet recognised in the balance sheet, the hedging instrument is not re-measured (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 period end-rate prevailing at the balance sheet date.

The ineffective portion of the hedge is recognised directly in the income statement.
Hedge effectiveness is assessed by comparing the critical characteristics of the hedge instrument with those of the hedged position. If there is an indication of ineffectiveness, the company measures this potentially ineffective part by conducting a quantitative ineffectiveness analysis.

3 Principles determination of result

3.1 General

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

3.2 Revenue recognition

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

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

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

3.4 Result from participations

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

3.5 Other operating income and expenses

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

3.6 General and administrative expenses

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

Amortisation and depreciation

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

Gains and losses upon the sale of tangible fixed assets are included in other operating income or other operating expenses, respectively.

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

3.7 *Taxation*

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

4 Financial instruments

4.1 *Market risk*

General market risk due to recent events at Volkswagen AG
Government authorities in a number of jurisdictions are conducting investigations of Volkswagen regarding findings of irregularities in relation to nitrogen oxide emissions that had been discovered in emissions tests on certain vehicles with Volkswagen Group Diesel engines. The results of these and any future investigations may have a material adverse effect on Volkswagen's business, financial position and results, the price of its securities and reputation.
Volkswagen International Finance N.V.'s commercial success largely depends on the financial health and the reputation of the ultimate shareholder Volkswagen AG and due to the recent events, Volkswagen International Finance N.V. may not succeed in obtaining funds for financing requests in due time and to the extent necessary.
Also, as a result of the recent investigation, Volkswagen International Finance N.V. as an issuer may face risks arising from legal disputes from investors claiming damages for alleged breaches of capital market laws.

Currency risk
To avoid currency 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, currency swaps are executed to achieve the matched basis.

In cases where the matching cannot be achieved completely the Supervisory Board has set small currency limits ranging from TEUR 6 to TEUR 145 for individual currencies; policies are closely monitored and enforced. Consequently, currency risk is relatively remote. In 2015 the limits were not exceeded.

Interest rate risk
Based on funding requests by VWAG subsidiaries VIF issues notes to investors matching the fixed or variable interest requirement of the VW subsidiary. In cases where the investor looks for a different interest structure, VIF is using interest rate swaps or cross currency interest rate swaps to convert the interest into the structure required by the VW subsidiary. 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 relatively low. In 2015 no limits were exceeded.

4.2 *Credit risk*

The risk of default arising from loans granted, account balances and derivative instruments involves the risk of default by counterparties. VIF is extending loans to VWAG-Group companies which are operated according to the guidelines and instructions from VWAG, the guarantor of commercial paper and capital market issuances by VIF. The default risk of VIF borrowers has been analysed based on financial reports, planning forecasts and discussions with VWAG headquarters. Based on the analysis the credit risk of VIF-borrowers is considered to be remote. For VIF's external bank counterparties risk is limited by a limit system centrally managed by VWAG Group Risk Management taking into account also the credit assessments by the international rating agencies. Credit risk with external counterparties materialises from account balances, deposits and derivative transactions with a positive fair value. Given the business purpose of VIF account balances and deposits are zero or kept to a minimum. Regarding the derivative transactions exposure is kept within the risk limits defined by VWAG Group Risk Management.

All bonds issued by VIF are guaranteed by VWAG, mitigating the risk.

4.3 Liquidity risk

Based on funding requests by VWAG subsidiaries, VIF issues commercial paper and capital market notes to investors. Funds taken from investors are extended with the same maturity to VW Group borrowers.
In cases where this matching cannot be achieved the Supervisory Board has set narrow liquidity risk limits. The company monitors the limits on a permanent basis. Against the background of the relatively narrow limits and the strong financial solidity of the Volkswagen Group the liquidity risk is remote. In 2015 no limits were exceeded. Notes issued by VIF have the benefit of a Guarantee and Negative Pledge (The Guarantee) given by Volkswagen AG (The Guarantor).

The Debt Issuance Program under which VIF is issuing is updated to incorporate the recent developments regarding the diesel emissions irregularities. VIF continues to issue Commercial Paper based on the existing EUR 10bn Commercial Paper Program to finance Volkswagen Group companies.

To ensure flexible refinancing possibilities Volkswagen AG has arranged a EUR 20 bn facility with a consortium of banks for general corporate purposes.

5 Fixed assets

	Intangible fixed assets (software)		Tangible fixed assets (other installations, business and office equipment)	
	Total 2015	**Total 2014**	**Total 2015**	**Total 2014**
	EUR'000	EUR'000	EUR'000	EUR'000
1 January	179	171	413	146
Additions	8	8	69	267
Disposals	-	-	-	-
Amortisation/depreciation (accumulated)	(175)	(171)	(200)	(122)
31 December	12	8	282	291
Amortisation/depreciation current year	(4)	(9)	(77)	(30)

The starting balance of 1 January 2015 shows the gross purchase value of the fixed assets. The ending balance as per 31 December 2015 shows the net book value.

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6 Shares in participations (fixed assets)

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

	Shares in participations	
	2015	**2014**
	EUR'000	EUR'000
1 January	154,096	3,932,150
Additions	-	-
Withdrawals	-	(3,777,154)
Write-ups/ Impairments	10,500	(900)
31 December	164,596	154,096

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

The book values of the participations can be broken down as follows:

	Shares in participations	
	2015	**2014**
	EUR'000	EUR'000
Volkswagen Autoeuropa, Lda.	132,987	132,987
Volkswagen Group Saudi Arabia LLC	9,623	9,623
Volkswagen India Private Ltd.	21,986	11,486
Volkswagen Group Services S.A.	0	0
31 December	164,596	154,096

Shares in participations

The shares in participations are specified in note 1.4.

Further details to VIF's participations:

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

- Incorporation on 24 June 1991.
- Contribution to VIF: 24 November 2006 (50%), 10 December 2008 (24%)
- Withdrawal from VIF: 27 June 2014(48%)
- Equity 31 December 2014 EUR'000 372,367
- Net earnings 2014 EUR'000 34,598

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

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

-	Joint Venture Contract signed on 13 December, 2012.		
-	Incorporation: 8 April 2013.		
-	Participation rate VIF: 51%		
-	Equity 31 December 2014	SAR'000	78,878
-	Net earnings 2014	SAR'000	(10,739)

Volkswagen Group Saudi Arabia, LLC' is a joint venture with the partners VIF (51%), Automotive Technologies Alliance, LLC (39%) and Saudi Arabian Marketing & Agencies Co. Ltd. (10%). Its main purpose is the import and sales of passenger cars of the brands Volkswagen, Audi and Porsche. In 2014 VIF concluded a de-domination agreement with VFL under which VIF will execute any shareholder rights only based on instructions by VFL, i.e. the control over VGSA is no longer with VIF but with VFL and consequently VGSA has not been consolidated with VIF.

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

Volkswagen India Private Ltd., Pune, India (9 %)
Volkswagen Group Services S.A., Brussels, Belgium (1 share)

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 2015			31 December 2014		
	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	27,834,971	21,421,320	6,413,651	32,152,869	20,599,012	11,553,857
Amounts due from joint ventures of the Volkswagen Group	12,213	-	12,213	8,655	-	8,655
	27,847,184	21,421,320	6,425,864	32,161,524	20,599,012	11,562,512

	Original currency	Average interest rate in percentage	31 December 2015 Book value	Market value
		%	EUR'000	EUR'000
Fixed asset loans to Volkswagen Group companies	EUR	2,9656	18,544,538	19,437,231
	USD	2,8822	1,844,310	1,805,637
	CNY	4,9561	665,964	676,406
	GBP	1,2206	366,508	350,564
			21,421,320	22,269,838
Current receivables due from	EUR	1,9317	4,506,591	4,594,318
	USD	2,8399	735,558	741,885
Volkswagen Group companies	GBP	1,1506	425,592	396,194
	CNY	2,7583	211,909	211,299
	PLN	3,3180	58,047	58,264
Current receivables due from joint ventures of the Volkswagen Group	CZK	0,2893	12,213	12,213
Accrued and other receivables due from Volkswagen Group companies and joint ventures			475,954	475,955
			6,425,864	6,490,128
Total loans to and receivables due from Volkswagen Group companies and joint ventures of the Volkswagen Group			27,847,184	28,759,966

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 2.10

As at 31 December 2015 the following credit spreads were applicable to the Volkswagen Group:

	31 Dec 2015 BPS	31 Dec 2014 BPS
For amounts payable within one year:	53,25	17,33
For amounts payable between one year and five years:	210,00	35,00
For amounts payable after five years	240,00	54,10

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The credit ratings of the rating agencies are derived from VWAG's rating:

	2015		
Agency	Short-term	Long term	Outlook
Moody's	P-2	A-3	negative
Standard & Poor	A-2	BBB+	negative

	2014		
Agency	Short-term	Long term	Outlook
Moody's	P-2	A-3	positive
Standard & Poor	A-1	A	stable

For comparison purposes the overview of 2014 is as follows:

			31 December 2014	
	Original currency	**Average interest rate in percentage**	**Book value**	**Market value**
		%	EUR'000	EUR'000
Fixed asset loans to Volkswagen Group companies	EUR	3,0539	17,256,816	20,336,866
	USD	2,8553	2,313,402	2,455,878
	GBP	1,1772	501,031	515,547
	CNY	3,7924	489,762	488,865
	PLN	3,9667	38,000	38,994
			20,599,012	23,836,150
Current receivables due from Volkswagen Group companies	EUR	3,3078	9,292,075	9,677,411
	GBP	1,3813	450,607	453,009
	PLN	3,0874	110,000	109,629
	RUB	9,1753	84,535	89,359
	USD	1,5242	1,030,234	1,039,499
Current receivables due from joint ventures of the	CZK	0,4850	8,653	8,655
Accrued and other receivables due from Volkswagen Group companies and joint ventures			586,408	586,407
			11,562,512	11,963,969
Total loans to and receivables due from Volkswagen Group companies and joint ventures of the Volkswagen Group			32,161,524	35,800,119

8 Other assets

	31 Dec 2015	31 Dec 2014
	EUR'000	EUR'000
Interest receivable from banks	28,370	31,737
Income tax receivable	1,023	6,174
Positive fair value	447	1
Rental deposit	10	10
Trade receivables	10	-
Receivables from employees	-	3
	29,860	37,925

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

9 Prepayments and accrued expenses

	31 Dec 2015	31 Dec 2014
	EUR'000	EUR'000
Prepaid expenses	162	12
Capitalised issue costs	143,899	139,758
	144,061	139,770

10 Cash at banks and in hand

	31 Dec 2015	31 Dec 2014
	EUR'000	EUR'000
Short term deposits	12,988	-
Cash at internal bank accounts (cash pooling)	456,066	198,389
Cash at external bank accounts	259	13,650
	469,313	212,039

All cash balances are at the free disposal of the company and do not bear any interest. The credit risk for cash at external bank accounts is based on a risk assessment and within the limits defined by VWAG Group Risk Management.

11 Shareholders' equity

Share capital

On 31 December 2015, 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 company has no mandatory reserves.

	Issued and paid-up share capital	**Share premium reserve**	**Retained Earnings**	**Total Shareholder's Equity**
	EUR'000	EUR'000	EUR'000	EUR'000
Balance 1 January 2014	103,035	120	4,703,950	4,807,105
Repayment to VFL	-	-	(3,051,016)	(3,051,016)
Contribution from VFL	-	9,800	-	9,800
Dividend paid	-	-	(1,482,916)	(1,482,916)
Result for 2014	-	-	422,937	422,937
Balance as at 1 January 2015	103,035	9,920	592,955	705,910
Repayment to VFL	-	(9,800)	-	(9,800)
Dividend paid	-		-	
Contribution from VFL	-	4,000	-	4,000
Result for 2015	-		63,375	63,375
Balance as at 31 December 2015	103,035	4,120	656,330	763,485

12 Provisions

Provision for disposal of Volkswagen Caminhões, Ltda.

The movement in provisions is as follows:

	2015
	EUR'000
1 January	24,182
Additions	-
Utilisation	-
Dissolution	(22,560)
31 December	1,622

Due to the expiration of the statue of limitations as at 31.12.2014, the provision for potential legal cases coming maily from tax related issues of 22,560 was dissolved in 2015. The remaining balance of the provision is mainly relating to tax issues still pending.

An amount of € 0 of the provisions can be classified as non-current (longer than one year).

13 Long-term liabilities

	31 Dec 2015	31 Dec 2014
	EUR'000	EUR'000
Bonds (listed and unlisted)	21,240,108	20,585,600
Liabilities to Volkswagen Group companies	355,164	-
	21,595,272	20,585,600

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

	Original currency	Average interest rate in percentage	31 December 2015 Book value	31 December 2015 Market value
		%	EUR'000	EUR'000
Maturity longer than 5 years				
Bonds (listed)	EUR	3,133	10,950,000	10,213,074
Maturity less than 5 years				
Bonds (listed)	EUR	2,383	7,300,000	7,343,105
Bonds (listed)	CNY	3,614	311,579	293,084
Bonds (listed)	NOK	3,000	116,299	79,202
Bonds (listed)	HKD	1,580	66,494	67,307
Bonds (unlisted)	USD	2,579	2,495,736	2,638,155
Total long-term bonds			21,240,108	20,633,927

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. For determination of the market values see note 2.10.

For comparison purposes the overview of 2014 is a follows:

	Original currency	Average interest rate in percentage	31 December 2014 Book value	31 December 2014 Market value
		%	EUR'000	EUR'000
Maturity longer than 5 years				
Bonds (listed)	EUR	3,482	7,600,000	9,865,010
Bonds (unlisted)	USD	4,000	617,741	698,131
Maturity less than 5 years				
Bonds (listed)	EUR	2,792	8,450,000	9,181,777
Bonds (listed)	CNY	3,020	490,990	487,700
Bonds (listed)	AUD	4,625	129,664	106,303
Bonds (listed)	NOK	3,000	104,287	87,610
Bonds (unlisted)	USD	1,830	3,192,918	3,411,021
Total long-term bonds			20,585,600	23,837,552

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

	31 Dec 2015	31 Dec 2014
	EUR'000	EUR'000
Volkswagen AG	355,164	-
	355,164	-

14 Current liabilities

	31 Dec 2015	31 Dec 2014
	EUR'000	EUR'000
Bonds	5,238,446	10,704,607
Commercial papers	549,741	-
Other liabilities	474,866	592,980
Deferred income	15,336	45,876
Liabilities to Volkswagen Group companies	14,182	44,356
Current income tax	1,244	785
Accrued liabilities	1,028	1,189
Trade payables	86	168
	6,294,929	11,389,961

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

A part of the accrued liabilities 2014 has been reclassified as provions (see note 12). The amounts for 2014 have been adjusted accordingly from 25,371 to 1,189 for accrued liabilities and from 11,414,143 to 11,389,961 for the total balance of current liabilities.

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

	Original currency	Average interest rate in percentage	31 December 2015 Book value	Market value
		%	EUR'000	EUR'000
Bonds (listed)	EUR	2,584	3,300,000	3,305,075
Bonds (listed)	CNY	2,150	212,441	208,251
Bonds (listed)	AUD	4,625	144,599	101,798
Bonds (unlisted)	USD	1,597	1,581,406	1,730,265
Total short-term bonds			5,238,446	5,345,389

For determination of the market values see note 2.10.

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For comparison purposes the overview of 2014 is a follows:

	Original currency	Average interest rate in percentage	31 December 2014 Book value	31 December 2014 Market value
		%	EUR'000	EUR'000
Bonds (listed)	EUR	2,139	3,950,000	4,033,037
Bonds (listed)	GBP	1,250	320,965	323,756
Bonds (listed)	CAD	2,250	121,892	108,188
Bonds (unlisted)	USD	1,288	2,014,349	2,156,319
Bonds (unlisted)	JPY	0,740	252,401	200,634
Bonds (unlisted)	EUR	0,578	350,000	351,697
Bonds (listed, convertible)	EUR	5,500	3,695,000	3,978,993
Total short-term bonds			10,704,607	11,152,624

A breakdown of the current liabilities from issued commercial paper as per 31.12.2015 is as follows:

	Original currency	Average interest rate in percentage	31 December 2015 Book value	31 December 2015 Market value
			EUR'000	EUR'000
Average term 3 months				
Commercial Papers	EUR	0,441	549,741	548,789
Total commercial papers			549,741	548,789

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

	31 Dec 2015	31 Dec 2014
	EUR'000	EUR'000
Volkswagen Group Services S.A.	14,182	44,356
	14,182	44,356

A breakdown of the other liabilities is as follows:

	31 Dec 2015	31 Dec 2014
	EUR'000	EUR'000
Loan interest payables	460,977	332,269
Swap interest payables	12,889	260,455
Fair value financial instruments	944	256
Others	56	-
	474,866	592,980

	31 Dec 2015	31 Dec 2014
	EUR'000	EUR'000
Deferred income		
Capitalised issue income	15,336	45,876
	15,336	45,876

15 Commitments not included in the balance sheet

The following revolving credit facilities are currently outstanding

Borrower	Currency	Amount T EUR	Effective date	Termination date
VW Group Services	(Multicurrency)	3,000,000	23.03.2010	open
VWAG	(Multicurrency)	2,000,000	19.04.2010	open
VW Finance SA	EUR	1,500,000	17.05.2010	open
Sko-Energo	CZK	550,000	04.10.2010	open
Skofin	CZK	1,300	05.06.2015	open
VW Autoeuropa	EUR	30	07.07.2015	26.02.2016

For comparison the overview of 2014:

Borrower	Currency	Amount T EUR	Effective date	Termination date
Autoeuropa	EUR	50,000	27.08.2014	29.05.2015
VW Leasing Polska	EUR	23,000	07.02.2012	09.02.2015
VW Leasing Polska	RUB	12,000	07.02.2012	10.02.2015
VW Group Services	EUR	3,000,000	23.03.2010	open
VWAG	EUR	2,000,000	24.03.2010	open
VW Finance SA	EUR	1,500,000	17.05.2010	open
Sko-Energo	CZK	550,000	04.10.2010	open
VIPS	EUR	600,000	21.11.2011	29.10.2015
Motor Polska	PLN	173,666	01.01.2012	31.12.2015
Motor Polska	PLN	712,500	01.01.2012	31.12.2015

16 Financial income and expenses

	2015	2014
	EUR'000	EUR'000
Interest and similar income from group companies	983,239	992,984
Interest and similar expenses to banks	(951,209)	(963,792)
Interest and similar expenses to group companies	(2,093)	(834)
	29,937	28,358

17 Other operating income

	2015	2014
	EUR'000	EUR'000
Service fees charged to:		
- Volkswagen Financial Services N.V.	1,440	655
- Volkswagen AG	150	-
- Volkswagen International Payment Services N.V.	85	341
- Volkswagen Group Finance of America	26	28
- Volkswagen Global Finance Holding B.V.	12	79
- Global VW Automotive B.V.	-	68
- Global Mobility Holding B.V.	-	12
- Volkswagen Finance Overseas B.V.	-	65
- Volkswagen Finance Cooperation B.V.	-	86
Miscellaneous income previous years	266	693
Miscellaneous income	1	4
Income from loan cancellation	-	1,257
	1,980	3,288

18 Other operating expenses

	2015	2014
	EUR'000	EUR'000
Expenses from swap cancellation	-	855
Fair value expenses	138	475
Miscellaneous expenses previous years	-	72
Translation losses	1,151	58
Bank charges	12	20
Other	20	-
	1,321	1,480

19 General and administrative expenses

	2015	2014
	EUR'000	EUR'000
Personnel expenses	1,854	2,157
Office expenses	809	1,065
Insurance	172	919
Consulting, auditing and legal fees	94	311
Temporary labour	55	-
Car expenses	47	52
Travel expenses	25	32
Training personnel	7	29
	3,063	4,565

A breakdown of the personnel expenses is as follows:

	2015	2014
	EUR'000	EUR'000
Salaries and wages	1,628	1,942
Social security contributions	118	119
Pension contributions	109	96
	1,854	2,157

The company has a defined contribution pension plan that is reinsured with an insurance company. The premium payable during the financial year is charged to the result.

20 Result from participations

	2015	2014
	EUR'000	EUR'000
Dividends received		
Volkswagen Autoeuropa, Lda., Portugal	9,700	22,100
Škoda Auto a.s., Czech Republic	-	207,804
Volkswagen Group United Kingdom Ltd., United Kingdom	-	112,428
Volkswagen Motor Polska Sp. z o.o., Poland	-	29,901
Volkswagen International Payment Services N.V., the Netherlands	-	9,096
Volkswagen Group Japan K.K., Japan	-	6,607
Volkswagen Group Australia Pty Ltd., Australia	-	1,974
	9,700	**389,910**
Write-ups/devaluations		
Volkswagen India Private Ltd., India	10,500	(900)
	10,500	**(900)**
Forward cover of dividends		
- Gains	-	1,063
- Losses	-	(904)
	-	**159**
Miscellaneous gains/losses		
Volkswagen Caminhões Ltda, Brazil	22,583	20,125
Kulczyk Holding S.A.		(253)
	22,583	**19,872**
Withholding taxes		
Volkswagen Caminhões Ltda, Brazil	-	(5,396)
	-	**(5,396)**
Total income received	42,783	403,644

For investments in participations see note 1.4.

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21 Independent auditor's fees

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

	2015	2014
	EUR'000	EUR'000
Audit of the financial statements	30	62
Other audit procedures	12	87
Tax services	-	-
Other non-audit services	-	-
	42	149

22 Related parties

Significant transactions with related parties were transacted under normal market conditions. The nature, extent and other information is disclosed if this is required for to provide the true and fair view.

All loans are granted to other Group companies. The interest income is only received from these Group companies.
For investments in participations see note 1.2.
For receivables due from Volkswagen Group companies see note 7.
For liabilities to Volkswagen Group companies see notes 13 and 14.
For income from other services rendered to related parties see note 17.

23 Average number of employees

During the year 2015, the average number of employees calculated on a full-time-equivalent basis was 16 (2014: 17). There were no employees working abroad.

24 Financial instruments

The company uses derivative instruments as hedges for its interest rate and exchange rate exposures. The current hedges are all 100% effective.

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 2015	2,600,000	2,778,675	1,975	5,380,650
31 December 2014	2,920,966	3,961,090	3,770	6,885,826

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 2015				
Positive market value	59,994	325,034	558	385,585
Negative fair value	(3,270)	(101,292)	(944)	(105,506)
Total market value	56,724	223,741	(386)	280,079
31 December 2014				
Positive market value	63,567	272,373	1	337,941
Negative fair value	(1,394)	(137,707)	(256)	(139,358)
Total market value	62,173	137,665	(255)	199,583

25 Taxation on result on ordinary activities

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

	2015	2014
	EUR'000	EUR'000
Result from ordinary activities before taxation	70,235	429,207
Of which income from participations (excluding gains/losses forward cover on dividend income and valuation result)	42,783	403,485
Result on ordinary activities	27,452	25,722
Taxation on result on ordinary activities 2015	6,860	
Taxation on result on ordinary activities 2014	-	6,270
Taxation on result on ordinary activities	6,860	6,270
Effective tax rate	25.0%	24,4%
Applicable tax rate	25,0%	25,0%

26 Directors and Supervisory Directors

Management Board:

- Thomas Fries, Amsterdam
- Vincent Delva, Brussels

The remuneration for 2015 of the Management Board amounts to EUR 470,031 (2014: EUR 449,240).

Supervisory Board:
- Dr. Jochen Stich, Salzburg (Chairman)
- Albrecht Möhle, Wasbüttel
- Gudrun Letzel,Hannover

The Supervisory Board has not received any remuneration for 2015

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, 28 April 2016

Management Board,

Original has been signed by
T. Fries

Original has been signed by
V. Delva

Supervisory Board,

Original has been signed by
Dr. J. Stich

Original has been signed by
A. Möhle

Original has been signed by
G. Letzel

Other information

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

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

Management proposes to pay out the total profit of the year 2015 amounting to EUR 63,375,349.68 and a further amount of EUR 499,624,650.32 out of the retained earnings as a dividend to its shareholder.

Post balance sheet events

No post balance sheet events that require disclosure have occurred.

Independent auditor's report

PricewaterhouseCoopers
Accountants N.V.
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purposes only

Independent auditor's report

To: the general meeting of shareholders and the supervisory board of
Volkswagen International Finance N.V.

Report on the financial statements 2015

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Volkswagen International Finance N.V. as at 31 December 2015, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2015 of Volkswagen International Finance N.V., Amsterdam ('the company').

The accompanying financial statements comprise:
- the balance sheet as at 31 December 2015;
- the income statement for the year then ended;
- the cash flow statement for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

We are independent of the company in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

Ref.: e0378495

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Our audit approach

Overview and context

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where management made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a financing company. We therefore included specialists in the area of financial instruments in our team.

The main purpose of the company is the financing of companies belonging to the Volkswagen AG group. The company is financing these loans through bond offerings on the international capital markets. The repayment of these bonds to the investors is guaranteed by Volkswagen AG as disclosed in note 1.1 to the financial statements. Loans are issued to Volkswagen AG group companies with financial instruments in place to mitigate interest rate risk and currency risk. The company facilitates the Volkswagen AG group in its financing activities for which it receives a margin.

The context of our audit approach was primarily set by the possible impact on valuation of the loans issued to Volkswagen AG group companies following irregularities in relation to nitrogen oxide emissions on certain vehicles with Volkswagen Group diesel engines.

Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section ‘Our responsibilities for the audit of the financial statements’.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, help us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at €143.2 million (2014: €163.5 million) and €3.5 million (2014: €21.5 million) for the income statement line items general and administrative expenses (including personnel expenses), other operating income and expenses and income taxation. The benchmark applied is 0.5% of total assets and 5% of profit before tax plus result from participations for the income statement line items specified above. Due to the large amounts in the balance sheet relative to the income statement line items specified above, which is inherent to the nature of the company’s business, we consider it appropriate to use two levels of quantitative materiality. The materiality level for the specific income statement line items decreased compared to last year as a result of the transfer of the majority of the investments in 2014 from Volkswagen International Finance N.V. to another Volkswagen group company, which resulted in less result from participations in 2015.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €7.2 million (2014: €8.2 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We have described below the key audit matters and included a summary of the audit procedures we performed on those key audit matters.

Due to the nature of the company's business we recognise that the key audit matters which we reported in our independent auditor's report on the financial statements 2014 of the company may be long-standing and may potentially not change significantly year over year. Following our audit of the financial statements 2015 of the company we have identified one additional key audit matter which relates to the possible impact on valuation of the loans issued, following irregularities in relation to nitrogen oxide emissions on certain vehicles with Volkswagen Group diesel engines.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these key audit matters individually or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

Key audit matter	***How our audit addressed the matter***
Possible impact on valuation of the loans issued to Volkswagen AG group companies following irregularities in relation to nitrogen oxide emissions on certain vehicles with Volkswagen Group diesel engines *Note 4.1 and 7* In September 2015, irregularities in relation to nitrogen oxide emissions in the US had been discovered by the California Air Resources Board (CARB) and the US Environmental Protection Agency (EPA) in emissions tests on vehicles with Volkswagen Group diesel engines. These irregularities resulted in violations of US environmental laws. As a result of the aforementioned, rating agency Moody's Investor Services downgraded the outlook for Volkswagen AG and its subsidiaries from stable to negative. Standard & Poor's also downgraded the ratings for Volkswagen AG. The aforementioned events might have an impact on the creditworthiness of the group companies to which loans have been issued.	We have performed the following procedures to identify possible impairment triggers to address the valuation of the loans issued to Volkswagen AG companies: • tested the financial situation of the group companies to which loans have been provided by analysing their respective current financial data (such as result and equity) and their ability to repay the notional and interest payments to the company. • challenged the forecast for group companies to which loans have been provided and at Volkswagen Group level. • discussed with the group auditor how they have challenged management's assumptions underlying the cash flow forecast and which information was used in preparing the forecast. • discussed with the group auditor of Volkswagen AG the possible impact of the rating agencies' downgrading on the financial situation of Volkswagen AG and its group subsidiaries, based on information regarding going concern, liquidity and litigation. We corroborated and challenged the outcome of that discussion with the outcome of our audit work and with the information provided by management.

Key audit matter	How our audit addressed the matter
We consider the valuation of the loans issued to Volkswagen AG companies, as disclosed in note 7 to the financial statements for a total amount of €27.8 billion, as a key audit matter. This is due to the size of the loan portfolio and given that an impairment may have a material effect on the income statement. Based on the above management has performed an impairment analysis and concluded no impairment is necessary.	• tested the Volkswagen AG financial position by verifying observable data from rating agencies, developments in credit spreads and other publicly available data. • discussed and challenged the company's assumptions used in the impairment analysis with management and the supervisory board of the company by using external observable data (f.e. data from rating agencies, financial data of debtors). • tested the acceptability of the impairment analysis method used by management, by validating the mathematical accuracy and consistency of the impairment analysis method per counterparty. • analysed if there have been any impairment triggers at an individual loan level by challenging the fair value assessments prepared by management. We concur with the position taken by the management as set out in the financial statements with respect to the valuation of the loans.
Derivative valuation *Note 24* We consider the fair value of the derivatives portfolio as disclosed in note 24 to the financial statements of €280 million and used in the company's hedge effectiveness testing as a key audit matter. This is due to the nature of the portfolio that includes longer dated interest rate swaps and cross-currency interest rate swaps. The market for these swaps is not always fully liquid. In addition, the recent market developments including the volatility of the currency basis spread further increased the subjectivity of the valuation of these instruments as well as the number of input factors to take into account in the valuation.	We have tested the valuation of derivatives as well as the valuation of hedged items in hedge accounting relationships (when relevant) by testing on a sample basis the input of contracts in the company's valuation system. We have reconciled the interest rate curves and other market data with independent sources. We have determined whether the settings used in the valuation system and the models used are in line with market practice. We have also tested the mathematical accuracy of the models used.
Hedge accounting *Note 2.10* We consider hedge accounting as a key audit matter. Refer to note 2.10 to the financial statements. This is due to the detailed technical requirements that are applicable when applying hedge accounting and that inappropriate application of these requirements can lead to a material effect on the income statement.	We have tested on a sample basis whether hedge documentation and hedge effectiveness testing meet the requirements of RJ 290, *Financial instruments*, and whether the hedge effectiveness test is mathematically correct. We have reconciled the outcome of the effectiveness testing for the derivative portfolio as a whole to the financial statements.

Key audit matter	How our audit addressed the matter
Existence of the loans issued *Note 7* We consider the existence of the loans issued, as disclosed in note 7 to the financial statements for a total amount of €27.4 billion, as a key audit matter. This is due to the size of the loan portfolio.	We have performed audit work addressing the existence of the loans issued to Volkswagen AG group companies, through: • confirmation procedures with the counterparties of the loans; • testing input of contracts in the company's treasury management system; • margin analysis.

Responsibilities of management and the supervisory board

Management is responsible for:

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

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned management should prepare the financial statements using the going-concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A more detailed description of our responsibilities is set out in the appendix to our report.

Report on other legal and regulatory requirements

Our report on the directors' report and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the directors' report and the other information):

- we have no deficiencies to report as a result of our examination about whether the directors' 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 by Part 9 of Book 2 of the Dutch Civil Code has been annexed;
- we report that the directors' report, to the extent we can assess, is consistent with the financial statements.

Our appointment

We were appointed as auditors of the company on 21 December 2006 by the management following the passing of a resolution by the shareholders. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 10 years.

Rotterdam, 28 April 2016
PricewaterhouseCoopers Accountants N.V.

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

Appendix to our auditor's report on the financial statements 2015 of Volkswagen International Finance N.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the accompanying financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among others of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.