

VOLKSWAGEN INTERNATIONAL FINANCE N.V.

Financial report for the year ended 31 December 2023

PDF/printed version

This document is the PDF/printed version of the 2023 Annual Report of Volkswagen International Finance N.V. and has been prepared for ease of use.

The 2023 Annual Report was made publicly available pursuant to section 5:25c of the Dutch Financial Supervision Act (Wet op het financieel toezicht), and was filed with the Netherlands Authority for the Financial Markets in European single electronic reporting format (the ESEF package).

The ESEF package is available on the company's website at <https://www.vif.nl/> and includes a human readable XHTML version of the 2023 Annual Report. In any case of discrepancies between this PDF version and the ESEF package, the latter prevails.

VOLKSWAGEN INTERNATIONAL FINANCE N.V. FINANCIAL STATEMENTS

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Report of the Supervisory Board

The balance sheet total and the operating result for the financial year 2023 of Volkswagen International Finance N.V. ('VIF' or 'the Company') are in line with the expected development of the Company. The solvency and liquidity of the Company remained good. The issuance activities of VIF in the capital markets were coordinated with the parent company, Volkswagen AG. In 2023, the credit rating agencies maintained their rating assessments for Volkswagen AG. Moody's maintained the rating at P-2 / A3 (short term / long term) with stable outlook while Standard & Poor's maintained the rating at A-2 / BBB+ (short term / long term) also with stable outlook.

Monitoring and advisory activities of the Supervisory Board

In our capacity as the Supervisory Board, we provided the Management Board with in-depth advice on matters relating to management and further development of the Company and monitored the Management Board running of the business, both continuously and thoroughly. In 2023 the Supervisory Board convened for one annual meeting. All board members attended the supervisory board meeting. During the meeting, the financial results of the prior year were discussed, as well as a forecast of the financial results for the current year was presented. Risk management topics were addressed and material projects for the year were discussed. Moreover, the Supervisory Board collectively and individually interacted with the member of the Management Board outside the formal Supervisory Board meetings. Additionally, the Management Board reported quarterly to the board on the financial performance of the company as well as the status of key business activities within the company.

Description of the Audit Committee

The Supervisory Board does not divide the responsibilities into sub-committees, but takes charge of all tasks that such committees traditionally would fulfil.

Composition of the Supervisory Board

The Supervisory Board consists of three members: Björn Bätge (Wolfsburg, Germany) was appointed member and chairman on 01 October 2021. Bjoern Reinecke (Braunschweig, Germany) was appointed member on 01 November 2018. Dr. Marcus Hellmann (Braunschweig, Germany) was appointed member on 21 October 2021. The members of the Supervisory Board did not receive any remuneration in the relevant reporting periods.

Examination of financial statements

During the annual General Meeting of VIF on 01 June 2023 Ernst & Young Accountants LLP, Rotterdam was elected as independent auditor for the financial year 2023. The independent auditors audited the annual financial statements of VIF and issued an unqualified audit opinion. Following a thorough examination and discussion of the proposed financial statements based on the audit report, the Supervisory Board authorized the issuance of the 2023 Financial Statements by the management board on 12 March 2024.

Amsterdam, 12 March 2024

Björn Bätge
Chairman of the Supervisory Board

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Report of the Management Board

Business Strategy and Objectives

The Company was founded in 1977 and is one of the funding vehicles of the Company's ultimate parent, Volkswagen AG ('VWAG'). VIF raises funds by issuing bonds and commercial paper in the international capital markets and lends the proceeds to Volkswagen Group companies and joint ventures. VIF provides the capital market funding as a service within Volkswagen Group thereby achieving an adequate return commensurate with the efforts and associated risks. VIF has 14 employees and under service agreements also performing tasks for three sister companies (Volkswagen Financial Services N.V., Volkswagen Finance Europe B.V. and Volkswagen Finance Overseas B.V.).

Funding

Basis for the issuing activities of the Company are the regularly updated Debt Issuance Programme (DIP) of € 30 billion that adheres to the European Prospectus Directive, as well as the € 15 billion Multicurrency Commercial Paper Programme (CP Programme). As of 2023, VIF is also issuing onshore bonds in China, via the Debt Financing Instruments (DFI) program, regulated by the National Association of Financial Market Institutional Investors (NAFMII). VIF is issuing also under stand-alone documentation. All issues are fully guaranteed by VWAG.

Therefore, the VIF credit rating by Moody's and Standard & Poor's is derived from the VWAG credit 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 BBB+ (long-term) with a stable outlook.

In 2023 VIF continued with funding from the Capital Markets issuing bonds amounting to an equivalent of € 3,8 billion (2022: € 6,2 billion). VIF redeemed in 2023 multiple bond issues with an equivalent of € 3,4 billion (2022: € 2,8 billion). The Company did not take any borrowings from VW Group companies in 2023 (2022: € 800 million) and repaid EUR 0,1 million (2022: € 900 million).

As Volkswagen AG continued to issue commercial paper in its own name under the Commercial Paper Programme, in 2023 VIF made no commercial paper issuances.

Financial Results

VIF increased its lending assets from € 33,8 billion in 2022 to € 34,5 billion in 2023, assisting companies in the Automotive Division to maintain their market position. All outstanding loans have been fully performing.

VIF realized a gain of € 105,1 million after tax in 2023 (2022: € 136,8 million). The Company generates income mainly from the Group financing business. The net interest income increased from € 37,1 million to € 63,1 million.

Net cash from operating activities amounted to negative € 46,7 million (2022: € 408,3 million).

In 2023, VIF did not distribute any dividends.

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All issuances under the DIP, DFI and CP-programmes are guaranteed by VWAG, mitigating the risk to external investors.

Risks

The Board of Management is responsible for the internal control, the management of risks within the company and for the assessment of the effectiveness of the control systems.

VIF is exposed to business and financial risks. Business risks comprise inter alia legal, operational, personnel, reputational and compliance risks. VIF is adhering to the Governance, Risk and Compliance Guidelines of Volkswagen AG in managing the aforementioned risks.

The main financial risks of VIF are liquidity risk, credit risk, currency risk and interest rate risk. Liquidity risk is defined as the risk of not being able to meet own payment obligations in full or when due. Credit risk is the risk that a counterparty will not meet its payment obligations under a financial instrument or customer contract, leading to a financial loss. Currency risk refers to the potential loss in open currency positions arising from adverse changes in exchange rates. Interest rate risk occurs because of fixed and floating interest rate mismatches between asset and liability items on the balance sheet.

The Supervisory Board has established narrow risk limits to restrict these risks and achieve a low risk exposure.

Risk policies

Liquidity risk is contained by extending loan amounts sourced from bond or CP-issuances to VW-Group companies at identical tenors as the funded amounts. VW Group borrowers repay their loans on the same due date when VIF's own payment obligations to the capital markets become due.

The Company is exposed to credit risk from loans extended to related parties and through entering into derivative contracts with external banks. Credit risk is addressed by monitoring the financial stability of the Group borrowers and by only executing derivatives with counterparties that are highly rated and have entered into an ISDA Master Agreement in which a set-off is agreed to in the event of default by either counterparty. A fair value and impairment trigger assessment is performed for Group companies at least once a year or in case of need. Banks are monitored centrally at Volkswagen AG based on rating and financial analyses. Financial transactions are only conducted with approved banks.

Currency risk is limited by matching funding and lending currency amounts. In case funding and lending currency do not match, derivatives are used to achieve closed positions.

Interest rate risk is contained by matching the fixed and floating interest rate terms of the funding and lending amounts. Mismatches are closed using interest rate derivatives.

For remaining mismatches the Supervisory Board has defined narrow limits. 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 and the Supervisory Board. In 2023, limits were not exceeded.

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Diesel issue

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 emission tests on certain vehicles with diesel engines, resulting in violations of US environmental laws.

Depending on the different emissions regulations in the various countries, Volkswagen has rectified and is rectifying the diesel engine software, applied technical measures, compensated owners for reduced residual values or took back affected cars. The financial impact of this incident to the Group is discussed in the quarterly and annual reports of Volkswagen AG.

Adherence to tax and regulatory requirements

The Company had its tax returns up to and including 2021 reviewed by the Dutch Tax Authorities. For the tax return 2022, the final assessment has not been received.

Due to its issuing activities in the capital markets and the listing at the Luxembourg Stock Exchange the Company is complying with the regulatory requirements regarding the yearly submission of its annual financial report to the Dutch Financial Market Authority (the "AFM") and the approval requirements for its prospectuses by the Commission de Surveillance du Secteur Financier of the Grand Duchy of Luxembourg (the "CSSF").

In December 2021, the OECD issued model rules for a new global minimum tax framework. Several jurisdictions announced the intention to bring these into effect. In December 2022 EU member states agreed to a correspondent EU directive. The Minimum (top-up) tax legislation has been approved on 19 December 2023 in the Netherlands. For more information regarding Pillar Two, please see the Accounting policy note 2(h) and Income tax note 26 in the Financial statements section of this report, which specify the (expected) impact of Pillar Two.

Compliance & Integrity

Acting with Integrity, Compliance and honesty is an essential prerequisite for the success of the Volkswagen Group. For this reason, compliance with national and international laws and regulations, internal rules and guidelines and voluntary commitments is among VIF's most important principles. The focus of VIF's compliance organization is on preventing corruption, breaches of trust and money laundering and thereby reducing the risk of unlawful actions. The Volkswagen Group's Code of Conduct is established throughout the Group, and thus also within VIF. It is the main tool for reinforcing awareness of good conduct, ethical principles and an integrity culture among the employees and providing them assistance, as well as suitable contacts in case of uncertainty. Next to the Volkswagen Group Code of Conduct, other Group policies and guidelines on specific compliance issues have been implemented within VIF. Where laws and regulations have been violated, the Volkswagen Group Whistleblower System is a suitable tool for taking appropriate actions where misconduct is proven.

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Non-financial matters

VIF is not obliged to disclose a non-financial statement and refers to the combined, separate non-financial report of Volkswagen AG for the fiscal year 2023, which will be available on the website www.volkswagenag.com.

Expectations 2024

VIF will continue in 2024 its issuing activities in the capital markets. In line with the long-term business strategy, the Volkswagen Group plans to develop new products 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 Group companies worldwide are going to use the attractive European funding opportunities, VIF foresees additional requests for refinancing which will be taken care of with reinstated and increased capital market issuances under the DIP, DFI and CP-programmes.

Based on this assumption, we expect a moderate increase in total business volume for VIF in 2024. Taking into account the expected growth in business volume and the interest environment, the development of net interest income should be at a stable growth. The financial statements have been prepared under the going concern assumption.

In principle, one third of the Management Board should be female; however, currently there is only one Managing Director on the Management Board of the Company. The Company will deal with this recommendation of the social and economic council (SER) in the future.

Amsterdam, 12 March 2024

Volkswagen International Finance N.V.
The Management Board

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Statement of financial position as at 31 December 2023

<i>(in thousands of EUR)</i>	Notes	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, equipment and right-of-use assets		345	511
Loans to related parties	7	30.805.970	29.941.220
Derivative financial instruments	8	26.208	80.080
Deferred tax assets	26	26.440	47.092
Total non-current assets		30.858.963	30.068.903
Current assets			
Loans to related parties	7	3.679.565	3.908.768
Derivative financial instruments	8	37.628	26.660
Other current assets		211	101
Current tax receivables		-	68
Cash-pool receivables	10	736.930	619.637
Total current assets		4.454.334	4.555.234
TOTAL ASSETS		35.313.297	34.624.137
EQUITY AND LIABILITIES			
Equity			
Issued capital	11	103.035	103.035
Share premium	11	12.120	12.120
Retained earnings		467.335	362.202
Total equity		582.490	477.357
Non-current liabilities			
Debts issued and other borrowed funds	12	31.028.452	30.248.958
Derivative financial instruments	8	18.222	23.650
Other liabilities	13	81	173
Total non-current liabilities		31.046.755	30.272.781
Current liabilities			
Trade and other payables		194	393
Debts issued and other borrowed funds	12	3.675.851	3.871.923
Derivative financial instruments	8	186	595
Contract liabilities (deferred income)		-	15
Other current liabilities		597	665
Current tax liabilities		7.025	-
Provisions		199	408
Total current liabilities		3.684.052	3.873.999
TOTAL EQUITY AND LIABILITIES		35.313.297	34.624.137

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Statement of income and comprehensive income for the year ended 31 December 2023

(in thousands of EUR)

	Notes	31 December 2023	31 December 2022
Interest revenue calculated using the effective interest method	17	1.212.713	1.015.849
Other interest and similar income	17	169.779	73.015
Interest expense calculated using the effective interest method	17	(1.189.178)	(981.809)
Other interest and similar expense	17	(130.143)	(70.000)
Net interest income		63.171	37.055
Fees and commission income	18	1.688	1.367
Net fee and commission income		1.688	1.367
Change in allowance for expected credit losses on financial assets and loan commitments	19	104.484	(173.946)
Net gains/(losses) on investments in equity instruments	20	-	162.383
Net gains/(losses) on derivatives	21	(44.394)	82.482
Net gains/(losses) on financial assets measured at amortized cost	22	21.274	(41.226)
Net gains/(losses) on financial liabilities measured at amortized cost	22	(1.283)	54.436
Other operating income	23	104	125
Net operating income/(loss)		145.044	122.676
Personnel expenses	24	(1.850)	(1.965)
Depreciation of property, plant and equipment and right-of-use assets	5	(337)	(324)
Other operating expenses	25	(1.172)	(1.403)
Total operating expenses		(3.359)	(3.692)
Profit/(loss) before tax from continuing operations		141.685	118.984
Income tax expense	26	(36.552)	17.815
Profit/(loss) for the year		105.133	136.799
Profit attributable to:			
Equity holders of the parent		105.133	136.799
Non-controlling interest		-	-
Profit for the year		105.133	136.799
Total comprehensive income attributable to:			
Equity holders of the parent		105.133	136.799
Non-controlling interest		-	-
Total comprehensive income for the year		105.133	136.799

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Statement of changes in equity for the year ended 31 December 2023

(in thousands of EUR)

	Issued and paid-in share capital	Share premium reserve	Retained Earnings	Revaluation reserve	Total Equity
Balance at 1 January 2022	103.035	12.120	55.481	195.403	366.039
Profit (loss) and comprehensive income for the period	-	-	136.799	-	136.799
Dividend distributed	-	-	(25.481)	-	(25.481)
Unrealized fair value movements	-	-	195.403	(195.403)	-
Balances at 31 December 2022	103.035	12.120	362.202	-	477.357
Balance at 1 January 2023	103.035	12.120	362.202	-	477.357
Profit (loss) and comprehensive income for the period	-	-	105.133	-	105.133
Balances at 31 December 2023	103.035	12.120	467.335	-	582.490
Notes	11	11			

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Statement of cash flows for the year ended 31 December 2023

(in thousands of EUR)

	Notes	31 December 2023	31 December 2022
Cash flow generated from operations			
Interest received	17	1.128.883	965.536
Interest paid	17	(1.046.107)	(908.577)
Fees and commission income received		1.600	1.367
Other operating income received		96	166
Guaranty fees paid		(1.498)	(1.108)
Paid bank charges, general expenses & salaries		(3.571)	(4.215)
Tax (paid)/refund	26	(8.807)	(7.928)
Net movement in cash-pool receivables	10	(117.293)	(453.560)
Net cash from operating activities		(46.697)	(408.319)
Cash flow from investment activities			
Cash (outflows) inflows in respect of investments in equity instruments		-	514.758
Proceeds from dividend income		-	11.270
Loans issued to related parties	7	(4.273.354)	(7.260.711)
Collection of loans to related parties	7	3.868.687	3.807.589
Net cash from investment activities		(404.667)	(2.927.094)
Cash flow from financing activities			
Proceeds from borrowings	12	3.818.668	7.063.226
Repayment of borrowings	12	(3.379.579)	(3.686.489)
Proceeds from Derivatives	8	1.561.620	1.475.979
Cash outflows in respect of derivatives	8	(1.549.096)	(1.491.513)
Cash outflows in respect of lease liabilities	5	(249)	(308)
Dividends paid	11	-	(25.481)
Net cash from (used in) financing activities		451.364	3.335.413
Net change in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of period		-	-
Cash and cash equivalents at end of period		-	-

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Notes to the annual financial statements for the year ended 31 December 2023

1. General

(a) Reporting entity

Volkswagen International Finance N.V. ('VIF' or 'the Company'), founded in 1977, is a 100% subsidiary of Volkswagen Finance Luxembourg S.A. ('VFL'), who in turn is a 100% subsidiary of Volkswagen AG ('VWAG').

VIF is a public limited liability company and domiciled and incorporated in The Netherlands. VIF's registered office is located at Paleisstraat 1, 1012 RB Amsterdam, The Netherlands. VIF is registered with the Dutch Register of Commerce under No. 33148825. VIF maintains a website at www.vif.nl.

The primary purpose of the Company is the financing of Group companies. VIF has access to several funding sources such as bonds, notes and commercial paper as well as intercompany loans.

All external issuances of financial instruments are guaranteed by VWAG. VIF has lent the proceeds of these borrowings to related parties of Volkswagen Group ('VW Group').

Due to its issuing activity in the capital markets, VIF is subject to the regulatory supervision by the Dutch Financial Market Authority (Autoriteit Financiële Markten, 'AFM') and has to submit its yearly and half-yearly annual reports to the AFM.

Bonds issued by VIF can be listed or unlisted. Most of the bonds outstanding as per 31 December 2023 and 31 December 2022 are listed at the Luxembourg Stock Exchange. The bond prospectuses of the listed bonds have been approved by the Commission de Surveillance du Secteur Financier of the Grand Duchy of Luxembourg ('CSSF').

These financial statements of the Company were authorised for issue by the shareholder Volkswagen Finance Luxembourg S.A. ('VFL') on 13 March 2024.

(b) Group information

In 2014, VIF became a 100% subsidiary of Volkswagen Finance Luxembourg S.A. (VFL), which itself is 100% owned by Volkswagen AG (VWAG), the ultimate parent company. A consolidation is performed at VWAG level and these consolidated financial statements can be obtained at their website at www.volkswagen-group.com.

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2. Basis of preparation

(a) Statement of compliance

The financial statements and accompanying notes are prepared in accordance with the International Financial Reporting Standards ('IFRS'), as adopted by the European Union ('EU-IFRS') and in accordance with section 9, Book 2 of the Dutch Civil Code.

(b) Basis of measurement

With certain exceptions, such as derivatives, the financial statements have been prepared on a historical cost basis. The methods used to measure individual items are explained in more detail in the significant accounting policies disclosed in note 3 below.

(c) Basis for taxation

The current Dutch nominal tax rate of 25,8% has been applied. For further information, refer to the significant accounting policies disclosed in note 3.

Profit tax is calculated on the profit before taxation in the statement of income and comprehensive income, 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.

(d) Functional and presentation currency

The financial statements are presented in Euros, which is the functional and presentational currency of the Company. All financial information presented in Euros has been rounded to the nearest thousand (€'000), unless otherwise stated. All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

(e) Use of estimates and judgements

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of revenue, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

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Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement. These estimates are driven by a number of factors, changes in which can result in different levels of credit loss allowances.

Elements of the Company's ECL models that are considered accounting judgements and estimates include:

- The criteria for assessing if there has been a significant increase in credit risk.
- The development of ECL models, including the various formulas and choice of inputs and their interdependencies.
- Estimation of the amount and timing of future cash flows, collateral values and the discount rates used when determining impairment losses.

Estimates and assumptions about the extent and probability of occurrence of future events remain subject to a high degree of uncertainty because future business developments are subject to uncertainties that in part cannot be influenced by the Company. As far as possible, estimates are derived from experience taking into account current market data as well as rating categories and scoring information.

The *Financial risk management* note and *Impairments* under the *Significant accounting policies* disclosed in note 3 contain further details on how the Company determines ECL for financial assets.

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, non-observable inputs are required in establishing fair values.

The *Fair values* note below contains further details on how the Company determines the fair value of financial instruments.

Effective interest rate (EIR) method

The Company's EIR method recognizes interest income and expenses using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of financial instruments and recognizes the effect of potentially different interest rates charged at various stages and other characteristics of the instrument life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments.

The section below entitled *Recognition of net interest income* under the *Significant accounting policies* disclosed in note 3 contain further details on how the Company determines and applies the EIR method.

Accounting for provisions

Accounting for provisions is based on estimates of the extent and probability of occurrence of future events, as well as estimates of the discount rate. As far as possible, these are also based on experience or external opinions. Any change in the estimates of the amount of other provisions is

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always recognized in profit or loss. The provisions are regularly adjusted to reflect new information obtained.

(f) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses. An operating segment's operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and thus separate financial information is available.

The Company has determined that its Managing Director and the Supervisory Board are collectively the chief operating decision maker. The segment information is reported in accordance with the reporting to the Managing Director and is consistent with financial information used for assessing performance and allocating resources. The Company has identified one segment, as the Company is monitored at total Company figures.

(g) Standards issued but not yet effective

In its 2023 financial statements, VIF did not apply the following accounting pronouncements that have been issued by the IASB until 31 December 2023, but were not yet required to be applied for the financial year. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Standard/Interpretation		Published by the IASB	Mandatory application	Endorsed by the EU	Expected impact
IAS 1	Non-current Liabilities with Covenants (Amendments to IAS 1)	31 Oct 2022	1 Jan 2024	Yes	No material impact
IAS 16	Lease Liability in a Sale and Leaseback	22 Sep 2022	1 Jan 2024	Yes	No material impact
IAS 7 / IFRS 7	Supplier Finance Arrangements	25 May 2023	1 Jan 2024	No	No material impact
IAS 21	Lack of Exchangeability (Amendments to IAS 21)	15 Aug 2023	1 Jan 2025	No	No material impact

(h) Changes in accounting policies

Amendments to IAS 12: International Tax Reform – Pillar Two Model Rules

The company adopted International Tax Reform – Pillar Two Models (Amendments to IAS 12) upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosure about the Pillar Two exposures, see note 26 Income taxes.

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3. Material accounting policy information

Information on the material accounting policies applied in the preparation of these financial statements are set out below.

(a) Foreign currency translation

Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency of the Company at the exchange rate ruling at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate ruling at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate ruling on the date when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate ruling at the date of the transaction.

Foreign currency differences are recognized in profit or loss.

(b) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Recognition and initial measurement

Trade receivables are initially recognized when they are originated. Regular way purchases or sales of financial instruments are accounted for at the settlement date – that is, at the date on which the asset is delivered. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

Trade receivables without a significant financing component are initially measured at the transaction price. All other financial instruments are initially measured at fair value plus or minus, for an instrument not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement

Financial assets are classified and measured on the basis of the entity's business model and the characteristics of the financial asset's cash flows. On initial recognition financial assets are classified into the following measurement categories:

- financial assets at FVTPL;
- financial assets at fair value through other comprehensive income (OCI) and
- financial assets at amortized cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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Financial liabilities are classified into the following categories:

- financial liabilities at FVTPL; and
- financial liabilities measured at amortized cost.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. When allocating the initial carrying amount of a compound financial instrument to the equity and liability components, the equity component is assigned as the residual amount after deducting from the entire fair value of the instrument, the amount separately determined for the liability component. The value of any derivative features (such as a call options) embedded in the compound financial instrument, other than the equity component (such as an equity conversion option), is included in the liability component. Once the Company has determined the split between equity and liability, it further evaluates whether the liability component has embedded derivatives that must be separately accounted for.

Financial assets – Business model assessment

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows; it determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Company makes an assessment of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The Company has one central business model according to which it provides loans to related parties and therefore makes a single assessment for all loans to related parties.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding.

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Financial assets and liabilities at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows (“hold” business model); and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative to which hedge accounting is not applied or it is designated as such on initial recognition. All other financial liabilities, other than loan commitments and financial guarantees, are subsequently measured at amortized cost.

The amortized cost of a financial asset or liability is the amount:

- at which a financial asset or liability is measured at initial recognition;
- minus any principal repayments; and
- plus or minus the cumulative amortisation of any difference between the original amount and the amount repayable at maturity (premium, discount), amortized using the effective interest rate (EIR) method over the term of the financial asset or liability.

The amortized cost of financial assets is reduced by loss allowances and impairment losses. Interest income, foreign exchange gains and losses and impairments are recognized in profit or loss.

For the Company financial assets measured at amortized cost include loans to related parties, trade and other receivables, and cash-pool receivables.

Interest expense and income and foreign exchange gains and losses related to financial liabilities are recognized in profit or loss.

For the Company financial liabilities measured at amortized cost include debts issued and other borrowed funds and trade and other payables.

For reasons of materiality, discounting or unwinding of discounting is not applied to current liabilities (due within one year).

Financial assets and liabilities at FVTPL

Any financial assets not measured at either amortized cost or at FVTOCI are allocated to the FVTPL category. Financial assets at FVTPL are aimed in particular at generating cash flows by selling financial instruments (“sell” business model).

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative to which hedge accounting is not applied or it is designated as such on initial recognition.

These financial assets and liabilities are measured at fair value in the statement of financial position, with net changes in fair value recognized in profit or loss. Interest and dividend income are recorded in profit or loss according to the terms of the contract or when the right to payment has been established. Interest expenses are also recorded in profit or loss.

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For the Company, this category primarily comprises derivatives in economic hedging relationships (as described in more detail below) and investments in equity instruments.

Derivatives recorded at FVTPL

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Company uses derivatives only for economic hedging purposes and not as speculative investments. Derivatives are recognized on the respective trade date and recorded at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Fair value changes and foreign exchange gains and losses for derivatives are included in net operating income under *Net gains/(losses) on derivatives*.

Undrawn loan commitments

The Company provides loan commitments to related parties. Loan commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the borrower. These contracts are in the scope of IFRS 9 ECL provisions.

The nominal contractual value of undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The ECL in respect of undrawn loan commitments are presented with the Company's provisions. The nominal values of these instruments together with the corresponding ECL are disclosed in the *Provisions* note 14.

(iii) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition. A transfer only qualifies for derecognition when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership, but has transferred control of the asset.

The Company also derecognizes a financial asset, such as a loan to a related party, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment

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loss has not already been recorded. Such substantial changes could be caused by change in spreads (on top of variable interest), change in repayment structures or amounts, or forbearance.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(v) Fair value of financial instruments

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value generally corresponds to the market or quoted market price. If no active market exists, fair value is determined using other observable inputs as far as possible. If no observable inputs are available, the fair values of assets and liabilities are determined using valuation techniques, such as by discounting future cash flows, taking into account customary market rates adequate to the relevant risk and corresponding to the relevant maturity, or by using recognized option pricing models, and, as far as possible, verified by confirmations from the banks that handle the transactions.

The *Fair values* note below contains further details on how the Company determines the fair value of financial instruments.

(vi) Hedge accounting

The Company does not apply hedge accounting.

(c) Share capital

Ordinary shares

The share capital consists of ordinary shares. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

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(d) Impairment

(i) Financial assets

IFRS 9 requires the Company to assess on a forward-looking basis the expected credit losses associated with their debt instruments carried at amortized cost. The rules on impairment also apply to risks from irrevocable loan commitments not recognized in the statement of financial position and to the measurement of financial guarantees.

The impairment methodology applied depends on whether there has been a significant increase in credit risk, except for loss allowances for trade receivables and contract assets which are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Loans and receivables to related parties and undrawn loan commitments provided to related parties

Loans to related parties are subject to credit default risk, which is taken into account by recognizing a loss allowance for ECL or, if losses have already been incurred, by recognizing impairment losses. Loan receivables are classified into one of the three stages of the ECL model depending on their relative change in credit risk since initial recognition. At the relevant reporting dates, the Company examines each individual loan receivable to determine the appropriate stage. For loan commitments, the Company uses the stage of the corresponding loan. The loss allowance and the interest revenue on the loan receivable are then calculated according to the assigned stage:

Stage 1

Captures all loan receivables at initial recognition provided they are not credit-impaired when originated. Loan receivables will remain in stage 1 if the credit risk has not increased significantly since initial recognition. If the internal risk management and control systems do not indicate a significant increase in credit risk any earlier, the general presumption in the VW Group is that a significant increase in credit risk has occurred when payments are more than 30 days overdue.

A loss allowance at an amount equal to the 12-month ECL is recognized and the interest revenue is calculated based on the effective interest on the gross carrying amount of the asset.

Stage 2

If the credit risk as of the reporting date has increased significantly since initial recognition, the loan receivable will be transferred to stage 2. A significant increase is defined as a drop in the credit rating to a non-investment grade level, or if the loan was originated at a non-investment grade rating, a significant increase would constitute as a decrease of two or more notches in the rating.

The loss allowance is adjusted to an amount equal to the lifetime ECL and the interest revenue remains calculated based on the effective interest on the gross carrying amount of the asset.

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Stage 3

If there is objective evidence of impairment since the last reporting date, the loan receivable will be transferred to stage 3. Objective evidence of impairment is defined as a probability of default (PD) of 100% as indicated by credit-risk-related market data. Other criteria such as breach of contract, default or delinquency in interest or principal payments or an overdue payment greater than 90 days may also constitute a transfer to stage 3. If there is no reason to assume a default has occurred any earlier based on the internal risk management and control systems, the general presumption in the VW Group is that a default has occurred when payments are more than 90 days overdue. Internal risk management and control systems include daily monitoring of payments to identify any overdue payments. The Group Treasury Department of VWAG also tracks any significant changes in the credit risk of related parties on a monthly basis, to ensure prompt identification of any possible risks of default.

The loss allowance remains equal to the lifetime ECL and the interest revenue is calculated based on the net carrying amount of the asset. Although loan receivables allocated to stage 3 provide clear evidence of impairment, there may still be a reasonable expectation that the asset can be fully or partially recovered. At the point in time there is no longer a reasonable expectation that the borrower will be able to fully or partially settle its liability, the asset will be written off.

The Company has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2023 and no receivables were past due for more than 30 days.

Measurement of ECLs

ECLs are measured in accordance with Group-wide standards as a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). Average historical default probabilities are used in combination with forward-looking parameters for the financial asset concerned. Various possible scenarios for the amount and timing of the expected cash flows are weighted at their probability of occurrence. The inputs required to be included in the ECL model include relevant macroeconomic factors (for example Gross Domestic Product and Consumer Price Index rates). When the time value of money is material, ECLs are discounted at the effective interest rate of the financial asset.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs in respect of loans and receivables and loan commitments to related parties

The loss allowance for all loan receivables and other exposures where the counterparty is a consolidated company of the VW Group is calculated analogously to the determination of the loss allowance for external financial assets (as described above). However, if this is not possible considering the associated costs and efforts, e.g. because there are neither external nor internal ratings available for the group internal counterparty, the calculation may be based on:

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- the credit default swap spread (“CDS”) or expected percentage losses (“EPL”) value of the counterparty, if available; or
- the CDS of VWAG consistently for all group internal receivables; or
- any other method that leads to similar results.

For loans and receivables to related parties, the loss allowance is calculated as the product of the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The product of PD and LGD is determined by the CDS of VWAG, as there are no external or internal ratings available for the group-internal counterparties.

For loan commitments to related parties, the loss allowance is calculated as the product of PD, LGD and EAD. The product of PD and LGD is determined by the CDS of VWAG, as there are no external or internal ratings available for the group-internal counterparties. And the EAD is the nominal amount of the commitment multiplied by a Credit Conversion Factor (CCF).

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Loss allowances in respect of loan commitments are presented within provisions.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For loans to related parties, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

(ii) Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

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(e) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses as applicable. Historical cost includes expenditure that is directly attributable to the acquisition of an item.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Depreciation and impairment

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognized in profit or loss.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Type of Asset	Useful life
Office equipment	5 years
Transport equipment	5 years
Furniture and fixtures	10 years
Computer hardware	3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Impairment losses on property, plant and equipment are recognized in accordance with IAS 36 where the recoverable amount of the asset concerned has fallen below the carrying amount. The recoverable amount is the higher of value in use and fair value less costs to sell. If the reasons for impairments recognized in previous years no longer apply, the impairment losses are reversed up to a maximum of the amount that would have been determined if no impairment loss had been recognized.

(f) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and lease liability at the commencement date of a lease (i.e., the date the underlying asset is available for use).

The lease liability is measured at the present value of the lease payments to be made over the lease term. The payments can include fixed, fixed-in-substance and variable payments, less any lease

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incentives and amounts expected under residual value guarantee. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of the lease payments, the lease liability is discounted using the incremental borrowing rate from VW Group's perspective. After commencement the lease liability is increased as a result of interest charged at a constant rate on the outstanding liability and reduced for the lease payments made. If there is a lease modification the carrying amount of the lease liability is remeasured.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term as disclosed under property, plant and equipment above.

The determination of the lease terms considers all relevant facts and circumstances that create an economic incentive to exercise or not to exercise extension and termination options. Optional periods are taken into account in determining the lease term, if it is reasonably certain that the option will or will not be exercised.

The right-of-use assets are reported in the statement of financial position under those items in which the assets underlying the lease would have been recognized if the Company had been the beneficial owner. For this reason, the right-of-use assets are presented under non-current assets in property, plant and equipment and included in impairment tests of property, plant and equipment conducted in accordance with IAS 36.

Right-of-use assets mainly relates to a lease contract with Stichting Administratiekantoor Jong B Monument for the office space in Paleisstraat 1-5 in Amsterdam.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

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The lease terms in respect of right-of-use assets are as follows:

Right-of-use Asset	Lease term
Buildings	10 years
Motor vehicles	3 years

The lease liabilities are presented in other liabilities in the statement of financial position.

Short term leases and leases of low value assets

The Company applies the short-term lease recognition exemption to leases with a term of 12 months or less. It also applies the lease recognition exemption to leases that are considered to be low value. Lease payments of short term or low value leases are recognized as an expense on a straight-line basis over the lease term.

(g) Cash

Cash comprises cash on hand, current accounts with banks, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits defined above. Cash and cash equivalents are initially measured at fair value, and subsequently at amortized cost.

(h) Cash-pool receivables

The Company participates in the Volkswagen International Belgium N.V. cash-pool. Receivables and liabilities to the Volkswagen International Belgium N.V. cash-pool are presented as cash-pool receivables or liabilities.

(i) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses. The increase in the provision due to the passage of time is recognized as interest expense.

(j) Interest income and interest expenses

The effective interest rate method

Under IFRS 9, interest income and interest expenses are recorded using the effective interest rate (“EIR”) method for all financial assets and liabilities measured at amortized cost. For the Company this mainly includes interest income from loans to related parties and interest expense on debt issued and other borrowed funds, as well as the interest expense recognized on lease liabilities.

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The EIR is the rate that exactly discounts estimated future cash flows through the expected life of a financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial asset or the amortized cost of a financial liability.

The EIR (and therefore, the amortized cost of the financial instrument) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial instrument, as well as fees and costs that are an integral part of the EIR. The Company recognizes interest income and expenses using a rate of return that represents the best estimate of a constant rate of return over the expected life of the financial instrument. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial instrument's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in interest revenue/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognized at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

The Company calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset. When a financial asset becomes credit-impaired (Stage 3 of the ECL model), the Company calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Interest and similar income or expenses

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately in the statement of profit or loss and comprehensive income for both interest income and interest expense to provide symmetrical and comparable information.

In its interest income or expense calculated using the effective interest method, the Company only includes interest on those financial instruments that are set out in *The effective interest rate method* above.

Other interest and similar income or expenses include interest on derivatives in economic hedge relationships and all financial instruments measured at FVTPL (using the contractual interest rate), interest income from cash-pool receivables.

(k) Fee income

VIF earns fee income from services it provides to related parties (customers) in accordance with Service Level Agreements (contracts) in place between VIF and its customers. VIF provides services required for the business operations of its customers and charges fees based on the costs

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incurred in providing the services. Fee income is recognized at an amount that reflects the consideration to which VIF expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contracts. The Company's revenue contracts do not include multiple performance obligations. As the benefit to the customers is transferred evenly over the contract period, these fees are recognized as revenue evenly over the contract period, based on time elapsed.

Payment of these fees is normally due and received monthly, based on VIF's budgeted costs, with an annual adjustment being made based on the actual costs included in the annual financial statements of VIF.

(l) Net gains/losses on derivatives

Net gains/losses on derivatives represent fair value changes and foreign exchange differences on non-trading derivatives held for risk management purposes.

(m) Net gains/losses on financial assets and financial liabilities measured at amortized cost

Net gains/losses on financial instruments measured at amortized cost represent foreign exchange differences on financial assets and financial liabilities measured at amortized cost.

(n) Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss.

Interest and penalties related to income taxes are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Uncertain tax treatments are accounted for under IFRIC 23 Uncertainty over Income Tax Treatments and IAS 12 Income Taxes.

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date. Current tax assets and liabilities are offset only if there is both a legal right to offset and it's the Company's intention to settle on a net basis.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for temporary differences on the initial recognition of goodwill or of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax assets are recognized for unused tax losses,

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unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is both a legal right to offset and it's the Company's intention to settle on a net basis.

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4. Operating segment information

The Company only has one operating segment and undertakes its operations in the Netherlands. The majority of the Company's income relates to interest received on loans to related parties of the VWAG Group ('related parties') and the total reported revenue relates to external customers. Furthermore, the vast majority of VIF's receivables and interest revenue is from Volkswagen AG, as indicated in the tables below.

(in thousands of EUR)

	31 December 2023	31 December 2022
Interest revenue by location of related parties		
Germany	1.129.644	997.640
Other countries	83.068	18.208
Total interest revenue calculated using the effective interest method	1.212.713	1.015.849
Interest revenue from Volkswagen AG	942.913	951.951
Interest revenue from Volkswagen AG (%)	78%	94%

(in thousands of EUR)

	31 December 2023	31 December 2022
Loans receivable by location of related parties		
Germany	33.141.703	32.360.529
Other countries	1.343.832	1.489.459
Total	34.485.535	33.849.988
Less: current portion of loans receivables	(3.679.565)	(3.908.768)
Add: other non-current assets	170.627	249.783
Total non-current assets of the company	30.976.597	30.191.003

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5. Property, equipment and right-of-use assets

(in thousands of EUR)

	Owned assets	Right-of-use assets	Total
	Business and office equipment, Other installations	Buildings, Motor Vehicles	
Cost			
As at 1 January 2022	463	1.254	1.717
Additions	3	86	89
Disposals	-	(31)	(31)
As at 31 December 2022	466	1.309	1.775
Additions	9	175	184
Disposals	-	(146)	(146)
As at 31 December 2023	475	1.338	1.813
Depreciation and disposals			
As at 1 January 2022	(391)	(580)	(971)
Depreciation charge for the year	(25)	(299)	(324)
Disposals	-	31	31
As at 31 December 2022	(416)	(848)	(1.264)
Depreciation charge for the year	(26)	(310)	(336)
Disposals	-	132	132
As at 31 December 2023	(442)	(1.026)	(1.468)
Net book value			
As at 1 January 2022	72	674	746
As at 31 December 2022	50	461	511
As at 31 December 2023	33	312	345

Nature of leasing activities

The leases relate to 5 vehicles with an average lease term of 3 years and a lease agreement for office space in Paleisstraat 1-5 in Amsterdam, which expires in 2024 with an extension option for an additional 5 years. The extension option was not included in the calculation of the lease, as VIF has determined that it is not reasonably certain whether it will use the option to extend the lease.

Set out below are the carrying amounts of lease liabilities (included under Other liabilities in Note 13) and the movements during the period:

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(in thousands of EUR)

	Cash movements	Non-cash movements	Total
As at 1 January 2022	(782)	1.473	691
Additions	-	79	79
Accretion of interest	-	10	10
Payments	(308)	-	(308)
As at 31 December 2022	(1.090)	1.562	472
Additions	-	178	178
Accretion of interest	-	(4)	(4)
Payments	(324)	-	(324)
As at 31 December 2023	(1.414)	1.736	322

The maturity analysis of the contractual cash flows related to lease liabilities are disclosed under *Liquidity* in the *Financial risk management note* below.

6. Classification of financial instruments

The Company holds the following financial instruments classified by IFRS 9 measurement categories:

Financial assets

(in thousands of EUR)

	Notes	31 December 2023		Total carrying amount
		Measured at fair value through P/L	Measured at amortized cost	
<i>Non-current assets</i>				
Loans to related parties	7	-	30.805.970	30.805.970
Derivative financial instruments	8	26.208	-	26.208
		26.208	30.805.970	30.832.178
<i>Current assets</i>				
Loans to related parties	7	-	3.679.565	3.679.565
Derivative financial instruments	8	37.628	-	37.628
Cash-pool receivables	10	-	736.930	736.930
		37.628	4.416.495	4.454.123
Total		63.836	35.222.465	35.286.301

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(in thousands of EUR)

Financial assets	Notes	31 December 2022		
		Measured at fair value through P/L	Measured at amortized cost	Total carrying amount
<i>Non-current assets</i>				
Loans to related parties	7	-	29.941.220	29.941.220
Derivative financial instruments	8	80.080	-	80.080
		80.080	29.941.220	30.021.300
<i>Current assets</i>				
Loans to related parties	7	-	3.908.768	3.908.768
Derivative financial instruments	8	26.660	-	26.660
Cash-pool receivables	10	-	619.637	619.637
		26.660	4.528.405	4.555.065
Total		106.740	34.469.625	34.576.365

Financial liabilities

(in thousands of EUR)

Financial liabilities	Notes	31 December 2023		
		Measured at fair value through P/L	Measured at amortized cost	Total carrying amount
<i>Non-current liabilities</i>				
Debts issued and other borrowed funds	12	-	(31.028.452)	(31.028.452)
Derivative financial instruments	8	(18.222)	-	(18.222)
		(18.222)	(31.028.452)	(31.046.675)
<i>Current liabilities</i>				
Debts issued and other borrowed funds	12	-	(3.675.851)	(3.675.851)
Derivative financial instruments	8	(186)	-	(186)
Trade and other payables		-	(194)	(194)
		(186)	(3.676.044)	(3.676.231)
Total		(18.408)	(34.704.497)	(34.722.905)

(in thousands of EUR)

Financial liabilities	Notes	31 December 2022		
		Measured at fair value through P/L	Measured at amortized cost	Total carrying amount
<i>Non-current liabilities</i>				
Debts issued and other borrowed funds	12	-	(30.248.958)	(30.248.958)
Derivative financial instruments	8	(23.650)	-	(23.650)
		(23.650)	(30.248.958)	(30.272.607)
<i>Current liabilities</i>				
Debts issued and other borrowed funds	12	-	(3.871.923)	(3.871.923)
Derivative financial instruments	8	(595)	-	(595)
Trade and other payables		-	(393)	(393)
		(595)	(3.872.316)	(3.872.911)
Total		(24.245)	(34.121.274)	(34.145.519)

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7. Loans to related parties

Amounts due from related parties are measured at amortized cost and included in non-current and current assets:

(in thousands of EUR)

	Measured at amortized cost			Fair value
	31 December 2023			
	Carrying amount in statement of financial position			
Loans to related parties	Non-current	Current	Total	
Loan outstanding	30.805.970	3.679.565	34.485.535	34.954.981
Total	30.805.970	3.679.565	34.485.535	34.954.981

(in thousands of EUR)

	Measured at amortized cost			Fair value
	31 December 2022			
	Carrying amount in statement of financial position			
Loans to related parties	Non-current	Current	Total	
Loan outstanding	29.941.220	3.908.768	33.849.988	32.081.554
Total	29.941.220	3.908.768	33.849.988	32.081.554

Refer to the section below entitled *Fair values* for details on how the Company determines the fair value of financial instruments.

Gross carrying amount of loans to related parties

The gross carrying amount of loans to related parties exposed to credit risk is disclosed below, classified by the residual maturity and original currency of the loans:

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(in thousands of EUR)

Loans to related parties classified by residual maturity

Original currency	31 December 2023		31 December 2022	
	Average interest rate (%)	Gross carrying amount	Average interest rate (%)	Gross carrying amount
<i>Residual maturity: less than 1 year</i>				
EUR	2,40%	3.609.751	2,37%	3.420.686
GBP	0,85%	75.042	2,17%	300.683
SEK	-	-	2,48%	117.340
CZK	7,13%	218	7,35%	83.472
CNY	4,03%	2.056	-	-
		3.687.067		3.922.181
<i>Residual maturity: 1 to 5 years</i>				
EUR	3,78%	17.161.773	1,70%	14.978.355
GBP	5,19%	780.876	1,24%	408.248
CNY	4,03%	190.359	-	-
		18.133.008		15.386.603
<i>Residual maturity: longer than 5 years</i>				
EUR	3,35%	12.503.721	1,69%	14.194.684
GBP	4,93%	300.656	2,03%	589.783
		12.804.377		14.784.467
Total gross carrying amount		34.624.452		34.093.251
Allowance for ECL		(138.917)		(243.263)
Carrying amount		34.485.535		33.849.988

The above stated weighted average effective interests rate are calculated for the outstanding loans as per year end and constitute fixed rates.

The maturity analysis of the contractual cash flows related to Volkswagen Group company loans are disclosed under *Liquidity* in the *Financial risk management* note.

Impairment losses on loans to related parties

The Company determined that there is a low risk of default on all receivables due from Group companies due to various factors explained in under *Credit risk* in the *Financial risk management*

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note below. Although the Company determined that there is a low risk of default on loans receivable, the Company has recognized loss allowances in accordance with IFRS 9.

The Company applied the credit default swap spread (CDS) of VWAG to measure the ECL for all amounts due from Group companies. The loss allowances were recognized in accordance with Stage 1 of the Company's ECL model at an amount equal to the 12-month ECL.

A reconciliation of changes in gross carrying amount of the loans to related parties and corresponding allowance for ECL is as follows:

(in thousands of EUR)

	Stage 1		
	Gross carrying amount	ECL	Carrying amount
At 1 January 2022	30.628.799	(66.776)	30.562.022
Loans advanced	7.260.711	(53.729)	7.206.982
Loan repayments received	(3.807.589)	28.176	(3.779.413)
Re-measurement of year-end ECL	-	(150.850)	(150.850)
Interest accrued	52.558	(389)	52.169
Foreign exchange adjustments	(41.228)	305	(40.923)
At 31 December 2022	34.093.251	(243.263)	33.849.988
Loans advanced	4.273.354	(17.521)	4.255.833
Loan repayments received	(3.868.687)	15.862	(3.852.825)
Re-measurement of year-end ECL	-	106.523	106.523
Interest accrued	105.484	(432)	105.052
Foreign exchange adjustments	21.051	(86)	20.965
At 31 December 2023	34.624.452	(138.917)	34.485.535

The Company also provides loan commitments to related parties. The nominal value and related ECL provision is disclosed in the *Provisions* note below.

The total income statement charge for allowance for ECL for the year in respect of loans to related parties and the related loan commitments are disclosed in the *Change in allowance for expected credit losses on financial assets and loan commitments* note. More details regarding the measurement of ECL are disclosed in the *Credit risk* section in the *Financial risk management* note below.

8. Derivative financial instruments

VIF uses derivatives only for economic hedging purposes and not as speculative investments, as explained in the *Summary of significant accounting policies* above. VIF does not apply hedge accounting.

The Company's policy is to fully hedge its interest rate and foreign exchange rate exposures. It uses derivatives to manage interest and foreign exchange exposures that arise as result of mismatches between debt issued in the capital markets and loans issued to related parties. On this basis the fair value changes in derivatives are primarily driven by changes in the applicable currencies and related interest curves.

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The Company's derivative assets and liabilities are not offset in the statement of financial position. Derivatives are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

(in thousands of EUR)

Derivatives in economic hedge relationships	Measured at fair value			
	31 December 2023		31 December 2022	
	Assets	Liabilities	Assets	Liabilities
Non-current	26.208	18.222	80.080	23.650
Current	37.628	186	26.660	595
Total	63.836	18.408	106.740	24.245

The tables below show the fair values of derivative instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the quantity of the derivative contracts' underlying instrument, being cross-currency interest rate swaps (CCIRS), interest rate swaps (IRS) or forward exchange contracts (FX Contracts). The notional amounts indicate the volume of transactions outstanding at the year-end and are not indicative of either the market or credit risk.

(in thousands of EUR)

Derivatives in economic hedge relationships	31 December 2023		
	Notional contract amount	Fair Value	
		Assets	Liabilities
CCIRS	162.067	26.201	18.399
IRS	1.250.000	37.617	-
FX Contracts	2.152	18	9
Total	1.414.219	63.836	18.408

(in thousands of EUR)

Derivatives in economic hedge relationships	31 December 2022		
	Notional contract amount	Fair Value	
		Assets	Liabilities
CCIRS	(150.590)	42.396	23.650
IRS	1.250.000	64.326	-
FX Contracts	85.278	18	595
Total	1.184.688	106.740	24.245

The Company's exposure to derivative contracts is monitored on regular basis as part of its overall risk management framework (as described in the *Financial Risk Management* note below).

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

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Interest rate swaps relate to contracts taken out by the Company with other counterparties (financial institutions) in which the Company either receives or pays a floating rate of interest, respectively, in return for paying or receiving a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a cross-currency interest rate swap, the Company pays a specified amount in one currency and receives a specified amount in another currency. The swaps are mostly gross settled, settlement dates being directly linked to the relevant payment dates of the interest and/or principal amounts of the related loans and/or bonds.

Forward exchange contracts

Forward exchange contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. FX Contracts are customised contracts transacted in the over-the-counter market. FX Contracts are usually settled gross, settlement dates being directly linked to the relevant payment dates of the interest and/or principal amounts of the related loans and/or bonds.

Fair values

Further disclosures concerning the fair value and credit/market risk of derivatives are provided in the Financial Risk Management note below.

9. Other assets

(in thousands of EUR)

	31 December 2023	31 December 2022
Non-current		
Other assets	7	-
Total	7	-
Current		
Other assets	185	81
Rental deposit	18	21
Total	204	101

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10. Cash-pool receivables

(in thousands of EUR)

	31 December 2023	31 December 2022
Cash-pool receivables	736.930	619.637
Total	736.930	619.637

Cash-pool receivables constitutes a cash-pool arrangement with Volkswagen International Belgium N.V.

All balances are at the free disposal of the Company and bear market interest rates. The cash-pool receivable is carried at amortized cost and an allowance for ECL is not recognized, because it is receivable on demand. VIF's maximum exposure to credit risk in relation to cash-pool receivables are represented by the carrying amounts for each respective year, as illustrated above.

11. Capital and reserves

Share capital

Ordinary shares

Holders of these shares are entitled to dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Company.

The subscribed and paid-up share capital of the Company amounts to TEUR 103.035 (2022: TEUR 103.035) and consists of 103.035 shares (2022: 103.035 shares) of €1.000 each which have been authorised, registered and issued.

Share premium

The share premium of TEUR 12.120 relates to capital contributions of the shareholder Volkswagen Finance Luxembourg S.A., to strengthen the financial position of the Company. There are no restrictions on distribution of this reserve.

Distributions made and proposed

(in thousands of EUR)

	31 December 2023	31 December 2022
Cash dividends on ordinary shares declared and paid:		
Final dividend for 2021: 24 cents per share	-	25.481
Total	-	25.481

No final dividends for 2023 and 2022 were proposed.

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12. Debt issued and other borrowed funds

Balances

(in thousands of EUR)

	Measured at amortized cost			Fair value
	31 December 2023			
	Carrying amount in statement of financial position			
	Non-current	Current	Total	
Debts issued and other borrowed funds				
Bonds	31.028.452	3.675.851	34.704.303	33.303.204
Total	31.028.452	3.675.851	34.704.303	33.303.204

(in thousands of EUR)

	Measured at amortized cost			Fair value
	31 December 2022			
	Carrying amount in statement of financial position			
	Non-current	Current	Total	
Debts issued and other borrowed funds				
Bonds	30.248.958	3.871.835	34.120.793	30.754.309
Loans to related parties	-	88	88	86
Total	30.248.958	3.871.923	34.120.881	30.754.395

The note below entitled *Fair values* contain details on how the Company determines the fair value of financial instruments.

The maturity analysis of the above debts issued and other borrowed funds are disclosed under *Liquidity* in the *Financial risk management* note below.

There are no pledges on the Company's assets in connection with the above debts.

Movement schedule

(in thousands of EUR)

	31 December 2023		
	Cash movements	Non-cash movements	Total
As at 1 January 2023	-	-	34.120.881
Issuance	3.818.668	-	3.818.668
Repayment	(3.379.579)	-	(3.379.579)
Interest	(1.045.711)	612.695	(433.016)
Amortization of issuance fees and discount	(17.177)	-	(17.177)
Foreign exchange adjustments	-	594.526	594.526
As at 31 December 2023	(623.799)	1.207.221	34.704.303

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(in thousands of EUR)

	31 December 2022		
	Cash movements	Non-cash movements	Total
As at 1 January 2022	-	-	30.729.514
Issuance	7.063.226	-	7.063.226
Repayment	(3.686.489)	-	(3.686.489)
Interest	(912.077)	489.104	(422.973)
Amortization of issuance fees and discount	11.191	-	11.191
Foreign exchange adjustments	-	426.412	426.412
As at 31 December 2022	2.475.851	915.516	34.120.881

The issuance in 2023 relates to below bonds:

In March 2023, VIF issued two fixed rate bonds with an aggregate principal amount of €1,75 billion. The first bond is due in March 2026 and has a principal amount of €1,0 billion with a coupon of 3,875%. The second bond is due in March 2029 and has a principal amount of €0,75 billion with a coupon of 4,250%.

Moreover, in May and June 2023 VIF issued two fixed rate unlisted bonds in HKD, with a nominal amount of HKD 320 million (EUR 38 million) and HKD 430 million (EUR 51 million), respectively. Their maturities are in 2025 and 2026. Directly connected to each issuance, a Cross-Currency Interest Rate Swap was traded.

Still in June 2023, a fixed rate listed bond in JPY was issued with a nominal of JPY 6 billion (EUR 40 million). The bond matures in 2028. A Cross-Currency Interest Rate Swap was also traded in connection with this issuance.

Furthermore, in early September 2023 VIF placed two unsecured subordinated hybrid notes with an aggregate principal amount of €1,75 billion. The hybrid notes are perpetual, but may be called unilaterally by VIF. The first possible call date for the first note (€1 billion and a coupon of 7,50%) is after five years, and the first possible call date for the second note (€0,75 billion and a coupon of 7,875%) is after nine years.

Lastly, by the end of September 2023, VIF placed its first CNY onshore bond under the Debt Financing Instruments (DFI) program in China, regulated by the National Association of Financial Market Institutional Investors (NAFMII). The bond is unlisted and has a fixed rate of 3,050%, with a nominal of CNY 1,5 billion (EUR 193 million). It matures in September 2025. The proceeds of the bond were granted as an onshore loan.

The interest on the perpetual hybrid notes become due in the event of dividends being declared, as determined on the discretion of VWAG. VIF has no influence on these mandatory payment events, as it cannot prevent the declaration of dividends by VWAG. Accordingly the perpetual hybrid notes were classified as liabilities.

The issuance in 2022 is summarized below:

In March 2022, VIF placed two unsecured subordinated hybrid notes with an aggregate principal amount of €2,25 billion. The hybrid notes are perpetual, but may be called unilaterally by VIF. The first possible call date for the first note (€1 billion and a coupon of 3,748%) is after five years, and the first possible call date for the second note (€1,25 billion and a coupon of 4,375%) is after nine years. This resulted in an inflow of cash funds amounting to € 2,25 billion.

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Furthermore, in June 2022 VIF placed two fixed rate bonds with an aggregate principal amount of €1,5 billion. The first bond is due in March 2025 and has a principal amount of €0,75 billion with a coupon of 3,125%. The second bond is due in September 2027 and has a principal amount of €0,75 billion with a coupon of 3,750%.

Lastly, in November 2022 VIF issued a triple-tranche fixed rate Green Bond, its first under the Green Finance Framework of Volkswagen AG. The first tranche is due in November 2025 and has a principal amount of €1,0 billion with a coupon of 4,125%. The second tranche is due in February 2028 and has a principal amount of €0,75 billion with a coupon of 4,250%. The third tranche is due in May 2030 and has a principal amount of €0,75 billion with a coupon of 4,375%.

Analysis of bonds

The following table reconciles the notional amount outstanding in respect of the bonds to the total carrying amount of the bonds:

(in thousands of EUR)

	31 December 2023	31 December 2022
Notional amount outstanding	34.199.566	33.755.757
Issuance fees & Bond discount	(227.005)	(262.254)
Interest accrued	612.695	489.100
Cumulative amortization of Issuance fees & Bond discount	110.118	127.295
Foreign exchange adjustments	8.929	10.895
Carrying amount	34.704.303	34.120.793

The carrying amount and fair values of the bonds classified according to their residual maturity and original currencies are as follows:

(in thousands of EUR)

	Original currency	31 December 2023		
		Average interest rate (%)	Carrying amount	Fair value
<i>Residual maturity of longer than 5 years</i>				
Listed fixed rate bonds	EUR	3,13%	7.560.552	7.357.677
Listed fixed rate bonds	GBP	4,13%	517.712	480.860
<i>Residual maturity of less than 5 years</i>				
Listed fixed rate bonds	EUR	2,29%	9.346.216	9.025.225
Listed fixed rate bonds	GBP	3,38%	403.156	385.560
Listed fixed rate bonds	CNY	0,73%	65.272	63.546
Listed fixed rate bonds	JPY	1,00%	38.277	39.274
Listed variable rate bonds	EUR	5,53%	1.258.377	1.262.837
Unlisted fixed rate bonds - onshore	CNY	2,29%	191.947	192.979
Unlisted fixed rate bonds	HKD	4,74%	89.089	89.426
<i>Perpetual bonds</i>				
Listed fixed rate bonds	EUR	4,40%	15.233.705	14.405.820
Total			34.704.303	33.303.204

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(in thousands of EUR)

	31 December 2022			
	Original currency	Average interest rate (%)	Carrying amount	Fair value
<i>Residual maturity of longer than 5 years</i>				
Listed fixed rate bonds	EUR	2,80%	8.763.333	7.807.837
Listed fixed rate bonds	GBP	4,13%	507.053	442.997
<i>Residual maturity of less than 5 years</i>				
Listed fixed rate bonds	EUR	4,13%	8.794.997	8.350.342
Listed fixed rate bonds	GBP	3,38%	394.683	360.222
Listed fixed rate bonds	CNY	6,30%	205.701	222.901
Listed variable rate bonds	EUR	0,56%	1.254.355	1.266.025
<i>Perpetual bonds</i>				
Listed fixed rate bonds	EUR	4,03%	14.200.671	12.303.985
Total			34.120.793	30.754.309

The above stated weighted average effective interest rates are calculated for the outstanding amounts as per year end. All bonds issued by VIF are guaranteed by VWAG, mitigating the risk to external investors. The bonds issued do not contain any financial covenants.

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

31 December 2023			
Agency	Short-term	Long term	Outlook
Moody's	P-2	A3	Stable
Standard & Poor	A-2	BBB+	Stable

31 December 2022			
Agency	Short-term	Long term	Outlook
Moody's	P-2	A3	Stable
Standard & Poor	A-2	BBB+	Stable

Commercial paper

The basis for the issuing activities of the Company are the regularly updated Debt Issuance Programme (DIP) of EUR 30 billion, that adheres to the European Prospectus Directive standards, as well as the EUR 15 billion Multicurrency Commercial Paper Programme (CP Programme). VIF is also issuing under stand-alone documentation. All issues are fully guaranteed by VWAG.

As of 31 December 2023 and 2022 the Company did not have any commercial papers outstanding.

Loans due to related parties

Refer to the disclosure in *Related parties* note below for further analysis of loans due to related parties.

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13. Other liabilities

(in thousands of EUR)

	31 December 2023	31 December 2022
Current other liabilities		
Accrued liabilities	345	334
Lease liability (Note 5)	242	299
Accrued interest	1	1
VAT	9	31
Total	597	665

(in thousands of EUR)

	31 December 2023	31 December 2022
Non-current other liabilities		
Lease liability (Note 5)	81	173
Total	81	173

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14. Provisions

(in thousands of EUR)

	Loss allowance on undrawn loan commitments	Other provisions	Total
At 1 January 2022	2.678	7.501	10.179
Changes in ECL	(2.541)	-	(2.541)
Arising during the year	-	271	271
Utilized during the year	-	(7.477)	(7.477)
Released during the year	-	(24)	(24)
At 31 December 2022	137	271	408
Changes in ECL	(137)	-	(137)
Arising during the year	-	199	199
Utilized during the year	-	(208)	(208)
Released during the year	-	(63)	(63)
At 31 December 2023	(0)	199	199

14.1 Loss allowance on undrawn loan commitments

The Company provides loan commitments to related parties. These commitments are on market terms and even though the nominal contractual values of undrawn loan commitments are not recognized in the statement of financial position, the Company is required to consider the credit risk they contain. The nominal values of the undrawn loan commitments, together with the corresponding ECL are disclosed below.

(in thousands of EUR)

	31 December 2023		31 December 2022	
	Stage 1		Stage 1	
Original currency	Nominal amount	ECL	Nominal amount	ECL
CZK	-	-	24.688	137
	-	-	24.688	137

The Company applied the same credit default swap spread (CDS) to measure the ECL for all amounts due from Group companies. The loss allowances were recognized in accordance with Stage 1 of the Company's ECL model at an amount equal to the 12-month ECL. The table above shows the maximum exposure to credit risk.

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A reconciliation of changes in outstanding exposures and corresponding allowance for ECL by stage for undrawn loan commitments is, as follows:

(in thousands of EUR)

	2023		2022	
	Stage 1		Stage 1	
	Outstanding exposure	ECL	Outstanding exposure	ECL
At 1 January	24.688	137	1.725.248	2.678
New exposures	-	-	20	13
Dissolutions	(24.688)	(137)	(1.701.289)	(2.554)
Foreign exchange adjustments	-	-	709	-
At 31 December	-	-	24.688	137

14.2 Other provisions

The outstanding other provisions mainly relates to employee gratuity.

15. Financial risk management

The Company's activities expose it to a variety of financial risks. These include currency, interest rate, credit, and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the Company under the treasury risk guidelines provided by VWAG Group Treasury. VWAG provides direction for overall risk management, covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Government authorities in a number of jurisdictions worldwide have conducted and are continuing to conduct investigations of Volkswagen Group regarding findings of irregularities in relation to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The results of these and any future investigations, and criminal litigations, may have a material adverse effect on Volkswagen Group's business, financial position, results of operations and reputation, as well as the prices of its securities and its ability to make payments under its securities.

VIF's commercial success largely depends on the financial health and the reputation of the ultimate shareholder VWAG and due to the events, VIF may not succeed in obtaining funds for financing requests in due time and to the extent necessary. In addition, because of the investigation, VIF as an issuer may face risks arising from legal disputes from investors claiming damages for alleged breaches of capital market laws.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective of market risk management is to

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manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company uses derivatives to manage market risks.

Market risk comprises two types of risks in the Company's operation: interest rate risk and currency risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to its financial instruments (loans to related parties and its related borrowings).

To avoid this risk, the loans to related parties are generally matched in currency terms to the related funding (bonds or commercial papers). Any mismatch would typically be corrected via swaps and/or forwards to achieve the matched basis.

In cases where the matching cannot be achieved completely, the Supervisory Board has set small currency limits for individual currencies; policies are closely monitored and enforced. Consequently, currency risk is relatively remote. In 2023 and 2022, the limits were not exceeded.

The main currencies and interest zones applicable are GBP and CNY. The significant foreign currency balances included within financial instruments, to which the Company is exposed should exchange rates fluctuate, are as follows (excluding the effect of derivatives used for hedging):

(in thousands of EUR)

Bonds in foreign currencies	31 December 2023	31 December 2022
CNY	257.219	205.701
GBP	920.868	901.736
Total	1.178.087	1.107.437

(in thousands of EUR)

Loans to related parties in foreign currencies	31 December 2023	31 December 2022
CNY	192.415	-
GBP	1.156.574	1.298.714
SEK	-	117.340
Total	1.348.989	1.416.054

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The key exchange rates applied in the Company accounts are as follows:

Borrowings in foreign currencies	Average rate	
	31 December 2023	31 December 2022
CNY	7,66	7,08
GBP	0,87	0,85

Borrowings in foreign currencies	Year-end rate	
	31 December 2023	31 December 2022
CNY	7,87	7,37
GBP	0,87	0,89

An analysis has been performed on the Company's exposure to movements in foreign exchange rates and its potential impact on profit and loss, and equity. This analysis assumes that all other variables, in particular interest rates, remain constant.

(in thousands of EUR)

Change in exchange rate	31 December 2023		31 December 2022	
	+10%	-10%	+10%	-10%
EUR/CNY	6.493	(6.493)	20.364	(20.364)
Profit/loss after tax	4.818	(4.818)	15.110	(15.110)
EUR/GBP	(19.297)	19.297	(6.325)	6.325
Profit/loss after tax	(14.318)	14.318	(4.693)	4.693
EUR/SEK	-	-	(11.685)	11.685
Profit/loss after tax	-	-	(8.670)	8.670
EUR/USD	-	-	-	-
Profit/loss after tax	-	-	-	-

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk arises from loans to related parties and borrowings.

Based on funding requests by related parties, VIF issues notes to investors matching the fixed or variable interest requirement of the related parties. Bonds were issued with both fixed and variable interest rates.

The following table indicates the composition of fixed versus variable rate bonds:

(in thousands of EUR)

	31 December 2023	31 December 2022
Fixed rate bonds	33.445.926	32.866.438
Variable rate bonds	1.258.377	1.254.355
Total	34.704.303	34.120.793

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The variable rate bond is hedged with interest rate swaps to mitigate interest rate risk. There is a floor of 0% applicable to the variable rate bond, however this bond has a positive spread above the linked index rate (3M-EURIBOR) and based on prior year curves, the Company considers it highly unlikely that the bond will be floored at 0%.

In cases where the investor looks for a different interest structure, VIF uses interest rate swaps or cross-currency interest rate swaps to convert the interest into the structure required by the related parties. 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 2023 and 2022, no limits were exceeded.

The table below demonstrates the sensitivity of profit and loss, and equity to reasonably possible changes in interest rates on that portion of bonds and related party loans affected, including the impact of related derivatives. With all other variables held constant, the profit and loss, and equity of the Company is affected through the impact on variable rate bonds, variable rate related party loans and related derivative contracts, as follows:

(in thousands of EUR)

Change in interest rate	31 December 2023		31 December 2022	
	+100 bps	-100bps	+100 bps	-100bps
Profit/loss after tax	(29.148)	30.458	(35.839)	37.535

Credit risk

Credit risk is the risk that a counterparty will not meet its payment obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from loans extended to related parties and through entering into derivative contracts with external banks.

Intercompany-related credit risk

VIF extends loans to related parties, which are granted 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.

Although the Company determined that there is a low risk of default on loans receivable, the Company has recognized loss allowances in accordance with IFRS 9. Refer to notes 7 and 14 for disclosure of the gross carrying amount of loans and undrawn loan commitments exposed to credit risk and the related allowance for ECL recognized.

The Company establishes a three stage impairment model, based on whether there has been a significant increase in the credit risk of a financial asset since its initial recognition. These three stages then determine the amount of impairment to be recognized as expected credit losses (ECL), as well as the amount of interest income to be recorded at each reporting date. Refer to Note 3 *Significant accounting policies* for a detailed description of how the Company applies staging in measuring impairment.

The loss allowance is calculated as the product of PD, LGD and EAD. There are no external or internal ratings available for the group-internal counterparties and therefore:

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- for loans receivables: the product of PD and LGD is determined by the CDS of VWAG; and
- for loan commitments: the product of PD and LGD is determined by the CDS of VWAG. The EAD is the nominal amount of the commitment multiplied by a Credit Conversion Factor (CCF).

If the CDS rate had increased or decreased by 10% the Company would have the following effects on earnings after tax.

(in thousands of EUR)

Change in CDS	31 December 2023		31 December 2022	
	+10%	-10%	+10%	-10%
Profit/loss after tax	(10.308)	10.308	(18.060)	18.060

Cash and cash equivalents and cash-pool receivables

For VIF's external bank counterparties risk is limited by a limit system centrally managed by VWAG Group Treasury Risk Management taking into account also the credit assessments by the international rating agencies. Credit risk with external counterparties materializes from account balances, deposits and derivative transactions. Given the business purpose of VIF, account balances and deposits are zero or kept to a minimum.

Derivative-related credit risk

Exposure is kept within the risk limits defined by VWAG Group Risk Management. In order to mitigate credit risk associated with derivative contracts, the Company only executes derivatives with counterparties that are highly rated and have entered into an ISDA Master Agreement in which a set-off is agreed to in the event of default by either counterparty. Therefore, derivative-related credit risk is represented only by the positive fair value of the instrument and is normally a small fraction of the contract's nominal amount. Settlement dates of derivatives are also directly linked to the relevant payment dates of the interest and/or principal amounts of the related loans and/or bonds. Credit risk and counterparty limit allocations are frequently monitored by Group Treasury Risk Management.

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Liquidity risk

Liquidity risk is the risk of having insufficient cash resources to meet current financial obligations without raising funds at unfavourable rates or selling assets on a forced basis. The critical terms of the Company's assets and liabilities match. Management believes that the expected inflows and outflows are aligned such that there is no liquidity risk.

The age analysis of undiscounted contractual cash flows from financial liabilities and assets are as follows:

(in thousands of EUR)

31 December 2023						
UNDISCOUNTED CASH FLOWS FOR REMAINING CONTRACTUAL MATURITY						
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial assets						
Loans to related parties	-	381.809	3.968.486	22.034.548	14.682.621	41.067.464
Trade and other receivables	-	-	-	-	-	-
Cash-pool receivables	736.930	-	-	-	-	736.930
	736.930	381.809	3.968.486	22.034.548	14.682.621	41.804.394
Financial liabilities						
<i>Debt issued and other borrowed funds:</i>						
Bonds	-	(378.632)	(3.933.184)	(21.898.533)	(14.719.464)	(40.929.813)
Loans from related parties	-	-	-	-	-	-
Lease liabilities	-	-	(242)	(80)	-	(322)
Trade and other payables	-	(194)	-	-	-	(194)
	-	(378.826)	(3.933.426)	(21.898.613)	(14.719.464)	(40.930.329)
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	-	31.282	71.628	501.082	327.376	931.368
Contractual amounts payable	-	(12.458)	(62.948)	(551.443)	(333.071)	(959.920)
	-	18.824	8.680	(50.361)	(5.695)	(28.552)
Financial liabilities						
Contractual amounts receivable	-	65.487	50.563	920.441	581.852	1.618.343
Contractual amounts payable	-	(72.583)	(47.804)	(917.158)	(569.963)	(1.607.508)
	-	(7.096)	2.759	3.283	11.889	10.835
Total gross settled derivatives	-	11.728	11.439	(47.078)	6.194	(17.717)
Total net financial assets / (liabilities)	736.930	14.711	46.499	88.857	(30.649)	856.348

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(in thousands of EUR)

	31 December 2022					
	UNDISCOUNTED CASH FLOWS FOR REMAINING CONTRACTUAL MATURITY					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial assets						
Loans to related parties	-	1.428.545	3.070.160	19.000.584	16.897.887	40.397.176
Trade and other receivables	-	-	-	-	-	-
Cash-pool receivables	619.637	-	-	-	-	619.637
	619.637	1.428.545	3.070.160	19.000.584	16.897.887	41.016.813
Financial liabilities						
<i>Debt issued and other borrowed funds:</i>						
Bonds	-	(1.334.055)	(3.079.349)	(18.894.753)	(16.937.008)	(40.245.165)
Loans from related parties	-	(88)	-	-	-	(88)
Lease liabilities	-	-	(298)	(173)	-	(471)
Trade and other payables	-	(393)	-	-	-	(393)
	-	(1.334.536)	(3.079.647)	(18.894.926)	(16.937.008)	(40.246.117)
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	-	16.056	497.483	600.809	654.377	1.768.725
Contractual amounts payable	-	(14.917)	(483.218)	(611.653)	(637.761)	(1.747.549)
	-	1.139	14.265	(10.844)	16.616	21.176
Financial liabilities						
Contractual amounts receivable	-	83.364	34.644	518.367	591.171	1.227.546
Contractual amounts payable	-	(84.567)	(27.840)	(501.743)	(587.722)	(1.201.872)
	-	(1.203)	6.804	16.624	3.449	25.674
Total gross settled derivatives	-	(64)	21.069	5.780	20.065	46.850
Total net financial assets / (liabilities)	619.637	93.945	11.582	111.438	(19.056)	817.546

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The table below shows the contractual expiry by maturity of the Company's undrawn loan commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down:

(in thousands of EUR)

31 December 2023					
UNDISCOUNTED CASH FLOWS FOR REMAINING CONTRACTUAL MATURITY					
On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Contingent liabilities and commitments					
Undrawn loan commitments	-	-	-	-	-
	-	-	-	-	-

(in thousands of EUR)

31 December 2022					
UNDISCOUNTED CASH FLOWS FOR REMAINING CONTRACTUAL MATURITY					
On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Contingent liabilities and commitments					
Undrawn loan commitments	-	24.688	-	-	24.688
	-	24.688	-	-	24.688

Based on funding requests by VWAG related parties, VIF issues commercial paper and bonds 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 2023 and 2022, no limits were exceeded. Notes issued by VIF have the benefit of a Guarantee and Negative Pledge given by VWAG.

The Debt Issuance Program under which VIF is issuing is regularly updated to incorporate current developments. VIF is able to continue the issuance of commercial paper based on the existing CP Program to finance the requirements of Volkswagen group companies and joint ventures of the Volkswagen group.

To ensure flexible refinancing possibilities, VWAG has arranged for uncommitted facilities with related parties for general corporate purposes. The undrawn amounts of these borrowing facilities which are available to VIF from related parties are presented in the following table:

(in thousands of EUR)

	Original currency	31 December 2023	31 December 2022
		Nominal amount	Nominal amount
Undrawn borrowing facilities	CZK	81	83
		81	83

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Capital management

The Company manages its total equity (share capital and reserves) as capital. The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, while maintaining an optimal capital structure to reduce the cost of capital.
- To maintain sufficient financial resources to repay the nominal amounts of its debts and other borrowed funds.
- To ensure compliance with capital market requirements.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital on the basis of the following criteria:

- VIF is further contractually required to maintain a minimum level of equity as a reserve to fulfil its obligations under its back-to-back financing activities in accordance with its Advanced Pricing Agreement (APA). Besides the group financing activities with limited risks, VIF takes certain positions regarding the interest rates it applies for which it is required to hold a separate amount of equity. This equity reserve amount is used to compensate any losses on the positions taken.
- Bond issuance fees are deducted upfront and sufficient cash reserves therefore needs to be build up to bridge the difference between the proceeds received on bonds and the nominal amounts that are payable upon maturity of the bonds. VIF incorporates the deducted amounts in the interest charged on related party loans, separated on each interest payment day and accumulated over the lifetime of the loan as a cash reserve.

The following table indicates the key indicators and equity levels used to manage and monitor the Company's capital:

(in thousands of EUR)

	31 December 2023	31 December 2022
Equity reserve to be maintained by APA	30.000	30.000
Cash reserves available to repay nominal bond amounts	94.978	96.069
Total equity	582.490	477.357
Total liabilities	34.730.807	34.146.780

There have been no breaches of financial covenants or capital market requirements during the periods reported on. No changes were made in the objectives, policies and processes for managing capital during the periods reported on.

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16. Fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values for financial instruments. The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The Company has an established control framework with respect to the measurement of fair values for its financial instruments. When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1*: fair value of financial instruments for which a price is directly available in an active market. Quoted prices (unadjusted) are used.
- *Level 2*: fair values determined based on observable inputs (either directly or indirectly) other than quoted prices included in Level 1. For example, fair values determined using foreign exchange rates or yield curves using market-based valuation techniques.
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs). Fair values are calculated using valuation techniques that incorporate inputs that are not observable in active markets.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table shows the fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

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(in thousands of EUR)

	Carrying amount	Fair Value as of 31 December 2023			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Derivative financial instruments	63.836	-	63.836	-	63.836
Total	63.836	-	63.836	-	63.836
Financial assets not measured at fair value					
Loans to related parties	34.485.535	-	34.954.981	-	34.954.981
Total	34.485.535	-	34.954.981	-	34.954.981
Financial liabilities measured at fair value					
Derivative financial instruments	18.408	-	18.408	-	18.408
Total	18.408	-	18.408	-	18.408
Financial liabilities not measured at fair value					
Debts issued and other borrowed funds	34.704.303	31.990.775	1.312.429	-	33.303.204
Total	34.704.303	31.990.775	1.312.429	-	33.303.204

(in thousands of EUR)

	Carrying amount	Fair Value as of 31 December 2022			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Derivative financial instruments	106.740	-	106.740	-	106.740
Total	106.740	-	106.740	-	106.740
Financial assets not measured at fair value					
Loans to related parties	33.849.988	-	32.081.554	-	32.081.554
Total	33.849.988	-	32.081.554	-	32.081.554
Financial liabilities measured at fair value					
Derivative financial instruments	24.245	-	24.245	-	24.245
Total	24.245	-	24.245	-	24.245
Financial liabilities not measured at fair value					
Debts issued and other borrowed funds	34.120.881	29.608.215	1.146.180	-	30.754.395
Total	34.120.881	29.608.215	1.146.180	-	30.754.395

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Valuation techniques

Loans to/(from) related parties:

The fair values are determined using the discounted cash flow model. Because all loans are granted to companies and affiliates of the Volkswagen Group, the fair value calculation takes into account the credit default swap rate of the VWAG traded in the financial markets retrieved from Reuters. The country risk premium is based on the country in which the counterparty is located.

Derivative financial instruments:

Interest rate derivatives include interest rate swaps and cross-currency interest rate swaps. These are valued using present value calculations by estimating future cash flows and discounting them with the appropriate yield curves incorporating funding costs relevant for the position. These contracts are generally Level 2 unless adjustments to yield curves or credit spreads are based on significant non-observable inputs, in which case, they are Level 3.

Foreign exchange contracts include open spot contracts, foreign exchange forward and swap contracts and over the-counter foreign exchange options. These instruments are valued by either observable foreign exchange rates, observable or calculated forward points and option valuation models. With the exception of contracts where a directly observable rate is available which are disclosed as Level 1, the Company classifies foreign exchange contracts as Level 2 financial instruments when no unobservable inputs are used for their valuation or the unobservable inputs used are not significant to the measurement (as a whole).

Debts issued and other borrowed funds:

The market values for the bonds are based on the prices of the Stuttgart stock exchange. In case of non-availability, 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.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

17. Net interest income

Interest income

(in thousands of EUR)

	<u>2023</u>	<u>2022</u>
<i>Interest income calculated using the effective interest method</i>		
Loans to related parties	1.212.713	1.015.849
	1.212.713	1.015.849
<i>Other interest and similar income</i>		
Interest income earned on derivative financial instruments	147.931	70.103
Other Interest income	21.848	2.912
	169.779	73.015
Total	1.382.492	1.088.864

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Interest expenses

(in thousands of EUR)

	2023	2022
<i>Interest expense calculated using the effective interest method</i>		
Bonds interest expense	1.189.177	979.946
Interest accrued on loans from related parties	1	1.863
	1.189.178	981.809
<i>Other interest and similar expense</i>		
Interest expense on derivative financial instruments	128.429	67.732
Direct fees from issuances	203	218
Interest expense on lease liabilities (Note 5)	13	3
Guarantee commission on bond	1.498	1.108
Depository facility fee	-	939
	130.143	70.000
Total	1.319.321	1.051.809

18. Fees and commission income

(in thousands of EUR)

	2023	2022
<i>Fee income recognized over time in respect of services to:</i>		
Volkswagen Financial Services N.V.	1.450	1.267
Volkswagen Finance Overseas B.V.	150	100
Volkswagen Finance Europe B.V.	88	-
	1.688	1.367

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19. Change in allowance for expected credit losses on financial assets and loan commitments

P&L

(in thousands of EUR)

	2023			Total
	Stage 1	Stage 2	Stage 3	
Loans to related parties	104.347	-	-	104.347
Undrawn loan commitments	137	-	-	137
Total change in ECL	104.484	-	-	104.484

(in thousands of EUR)

	2022			Total
	Stage 1	Stage 2	Stage 3	
Loans to related parties	(176.487)	-	-	(176.487)
Undrawn loan commitments	2.541	-	-	2.541
Total change in ECL	(173.946)	-	-	(173.946)

20. Net gains/(losses) on investments in equity instruments

Net gain/(loss) on equity instruments at fair value through profit or loss

(in thousands of EUR)

	2023	2022
Dividend income	-	11.270
Realized gains on disposal of equity instruments	-	151.113
Fair value gains on investments in equity instruments	-	-
Fair value losses on investments in equity instruments	-	-
Total	-	162.383

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21. Net gains/(losses) on derivatives

Net gain/(loss) on derivative financial instruments

(in thousands of EUR)

	2023	2022
Realized FX losses on derivatives	(5.687)	(14.394)
Unrealized FX losses on derivatives	-	(566)
Realized FX gains on derivatives	18.148	126
Unrealized FX gains on derivatives	613	99
Fair value losses on derivatives	(23.716)	9.368
Fair value gains on derivatives	(33.752)	87.850
Total	(44.394)	82.482

22. Net gains/(losses) on financial instruments measured at amortized cost

(in thousands of EUR)

	2023	2022
<i>Gain / (loss) on financial assets at amortized cost:</i>		
Realized FX losses on loans to related parties	(20.278)	(4.040)
Unrealized FX losses on loans to related parties	(3.839)	(51.131)
Realized FX gains on loans to related parties	7.211	13.576
Unrealized FX gains on loans to related parties	38.180	369
	21.274	(41.226)
<i>Gain / (loss) on financial liabilities at amortized cost:</i>		
Realized FX losses on bonds	(9.508)	-
Unrealized FX losses on bonds	(18.277)	-
Realized FX gains on bonds	6.261	-
Unrealized FX gains on bonds	20.243	55.061
Realized FX losses on loans to related parties	(3)	(3.345)
Unrealized FX losses on loans to related parties	-	(1)
Realized FX gains on loans to related parties	-	2.351
Unrealized FX gains on loans to related parties	1	370
	(1.283)	54.436
Total	19.991	13.210

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23. Other operating income

(in thousands of EUR)

	2023	2022
Rental income	63	40
Other income	42	85
Total	104	125

24. Personnel expenses

(in thousands of EUR)

	2023	2022
Salaries and social security charges	1.546	1.703
Pension cost - defined contribution plan	304	262
Total	1.850	1.965

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

In 2023, the average number of employees calculated on a full-time-equivalent basis was 14 (2022: 14), of which 1 is a key management employee (2022: 1). There were no employees working abroad.

25. Other operating expenses

(in thousands of EUR)

	2023	2022
Audit and advisory costs	255	162
Other general administrative expenses	917	1.241
Total	1.172	1.403

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The following fees based on invoices and estimated work orders for assurance services incurred in the reported year:

<i>(in thousands of EUR)</i>	2023	2022
Audit of the financial statements	73	84
Other audit procedures	86	78
Other non-audit services	48	48
Total	207	210

The audits of the statutory accounts in 2023 and 2022 were performed by Ernst & Young Accountants LLP and these statutory accounts were prepared in accordance with IFRS.

The other audit procedures in 2023 comprise the consent letters issued by Ernst & Young Accountants LLP, and the audit of the special purpose financial statements, performed by Ernst & Young Hua Ming LLP, required by the Debt Financing Instruments (DFI) program in China, regulated by the National Association of Financial Market Institutional Investors (NAFMII). In 2022, the expenses are related to consent letters issued by Ernst & Young Accountants LLP.

The other non-audit services in 2023 and 2022 are related to the review of the quarterly group reporting package and were performed by Ernst & Young Accountants LLP.

Neither tax services nor other non-audit services were rendered by Ernst & Young Accountants LLP.

The fees disclosed represent the expenses incurred in relation to the audit of the year of the respective financial statements as opposed to when the fees were incurred.

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26. Income taxes

Global minimum top-up tax

On 19 December 2023, the government of the Netherlands enacted the Pillar Two income taxes legislation effective from 1 January 2024.

Based on the most recent available Country-by-Country Reporting (CbCR) data of the Volkswagen Group for the Netherlands, VIF would have been able to make use of the transitional CbCR-safe harbour tests of the Pillar Two legislation. VIF does not expect a material exposure to Pillar Two income taxes. For 2024 the Volkswagen Group will continue to monitor the impact of the Pillar Two legislation.

Amounts recognized in the statement of profit or loss and other comprehensive income

(in thousands of EUR)

	2023	2022
Current tax		
Current tax on profits for the year	(15.900)	(9.171)
Total current tax	(15.900)	(9.171)
Deferred tax		
Origination and reversal of temporary differences	(20.652)	26.986
Total deferred tax	(20.652)	26.986
Income tax (expense) benefit	(36.552)	17.815

Deferred taxes as at 31 December 2023 are calculated at 25,8% (2022: 25,8%).

The exception introduced in May 2023 with the amendments to IAS 12 means that deferred taxes in connection with income taxes resulting from applicable or announced tax provisions implementing the Pillar Two model rules are neither recognized nor disclosed at VIF.

VOLKSWAGEN INTERNATIONAL FINANCE N.V.
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Reconciliation of effective tax rate

The reconciliation of the weighted average statutory income tax rate to the effective income tax rate is as follows:

(in thousands of EUR)

	2023	2022
Profit (loss) before taxation	141.685	118.984
Tax (expense) / benefit at weighted-average statutory rate	(36.555) 25,800%	(30.698) 25,800%
<i>Tax effects of:</i>		
Withholding tax expense (future)	-	6.589
Participation exemption	-	41.881
Non-deductible expenses	(3)	-
Adjustment to prior years	(7)	-
Basic tax rate 19 % (2022: 15 %)	13	43
Income tax (expense) benefit	(36.552) 25,798%	17.815 -14,973%

Movement in deferred tax balances

(in thousands of EUR)

	Net balance at 1 January 2023	(Charged) / Credited through the statement of profit and loss	Balance at 31 December 2023		
			Net balance	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	(119)	39	(80)	-	(80)
Leases	122	(39)	83	83	-
Impairment allowance for loans to related parties	62.762	(26.921)	35.841	35.841	-
Impairment allowance for undrawn loan commitments	35	(35)	-	-	-
Derivative financial instruments	(15.708)	6.304	(9.404)	108.150	(117.554)
Total	47.092	(20.652)	26.440	144.074	(117.634)

(in thousands of EUR)

	Net balance at 1 January 2022	(Charged) / Credited through the statement of profit and loss	Balance at 31 December 2022		
			Net balance	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	(174)	55	(119)	-	(119)
Leases	178	(56)	122	122	-
Investments in equity instruments	(6.596)	6.596	-	-	-
Impairment allowance for loans to related parties	17.228	45.534	62.762	62.762	-
Impairment allowance for undrawn loan commitments	691	(656)	35	35	-
Derivative financial instruments	8.778	(24.487)	(15.708)	106.273	(121.981)
Total	20.106	26.986	47.092	169.192	(122.100)

**VOLKSWAGEN INTERNATIONAL FINANCE N.V.
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27. Related parties

Identification of related parties

Related parties and enterprises, as defined by IAS 24, are parties and enterprises which can be influenced by the reporting company or which can influence the reporting company. In addition, statutory directors, other key management of the Company or the ultimate parent company and close relatives are regarded as related parties.

Transactions between related parties have taken place at an arm's length basis and include rendering or receiving of services.

Loans with related parties

The Company, a wholly owned subsidiary of VFL, provides related parties with unsecured intercompany loans. Loans are issued with both variable and fixed interest rates. The full principal of the loan is due at maturity. There are no guarantees given by the parent or ultimate parent for these loans. All loan to related parties are with affiliated entities of Volkswagen Group.

Loans receivable

Loan receivable balances outstanding with related parties are shown in the following table:

(in thousands of EUR)

	Original currency	31 December 2023	31 December 2022
Loans receivable			
Volkswagen AG	EUR	27.764.751	28.279.025
Volkswagen Financial Services AG	EUR	1.792.373	-
Volkswagen Leasing GmbH	EUR	3.584.579	4.081.504
Volkswagen Financial Services (UK) Ltd.	GBP	1.086.259	1.225.537
Volkswagen Finance China Co., Ltd.	CNY	191.607	-
Volkswagen International Luxemburg S.A.	GBP	65.749	63.985
Volkswagen Group Charging CZ	CZK	217	169
Volkswagen Finans Sverige AB	SEK	-	116.529
Volkswagen Group Real Estate Czech Republic s.r.o.	CZK	-	47.875
SKO-ENERGO s.r.o.	CZK	-	35.364
Total		34.485.535	33.849.988

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The following table provides the movement schedule of the loans granted:

(in thousands of EUR)

	31 December 2023	31 December 2022
Loans receivable		
Beginning of the period	33.849.988	30.562.022
Loans advanced	4.273.354	7.260.711
Loan repayments received	(3.868.687)	(3.807.589)
Interest accrued	620.928	515.444
Interest received	(515.444)	(462.885)
Foreign exchange movements	21.051	(41.228)
Movements in ECL	104.346	(176.487)
End of the period	34.485.535	33.849.988

Loans payable

Loan payable balances outstanding with related parties are shown in the following tables:

(in thousands of EUR)

	Original currency	Average interest rate (%)	31 December 2023
Loans payable			
Volkswagen International Belgium S.A	CZK	0,00%	-
Total			-

(in thousands of EUR)

	Original currency	Average interest rate (%)	31 December 2022
Loans payable			
Volkswagen International Belgium S.A	CZK	5,91%	87
Total			87

The following table provides the movement schedule of the loans taken:

(in thousands of EUR)

	31 December 2023	31 December 2022
Loans payable		
Beginning of the period	87	62.851
Proceeds from loans	-	83
Loan repayments	(83)	(62.768)
Interest accrued	-	4
Interest paid	(4)	(71)
Foreign exchange movements	-	(12)
End of the period	-	87

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Cash-pool receivable

As of 31 December 2023, the Company had a cash pool balance with Volkswagen International Belgium N.V.

(in thousands of EUR)

	31 December 2023	31 December 2022
Cash-pool receivables	736.930	619.637
Total	736.930	619.637

Further details are disclosed in note 10.

Other transactions

Commission fee

The service fees, as disclosed in note 18, constitute compensation for the use of VIF's infrastructure and staff under service agreements with related parties.

Key management personnel compensation

In line with the exemption provided in article 2:383 of the Dutch civil code, no information is disclosed with respect to the remuneration of the management.

The members of the Supervisory Board did not receive any remuneration in the relevant reporting periods.

28. Subsequent events

No subsequent events that require disclosure nor adjustment have occurred.

29. Going concern

The Managing Director has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources and activities to continue in business for the foreseeable future. Furthermore, the Managing Director is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

VOLKSWAGEN INTERNATIONAL FINANCE N.V.
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Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial positions and profit or loss of the company, and the management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the material opportunities and risks associated with the expected development of the company.

Amsterdam, 12 March 2024

Volkswagen International Finance N.V.
The Management Board

**VOLKSWAGEN INTERNATIONAL FINANCE N.V.
FINANCIAL STATEMENTS**

Signing of the Financial Report

Amsterdam, 12 March 2024

Management Board,

Original has been signed by
C. Norrod

Supervisory Board,

Original has been signed by
B. Bätge

Original has been signed by
Dr. M. Hellmann

Original has been signed by
B. Reinecke

VOLKSWAGEN INTERNATIONAL FINANCE N.V. FINANCIAL STATEMENTS

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 of shareholders. The Company can only make distributions to the shareholders and other persons entitled up to an amount, which does not exceed the amount of the distributable reserves. The general meeting may resolve to pay dividends from legally distributable reserves.

Independent auditor's report

To: the shareholder and supervisory board of Volkswagen International Finance N.V.

Report on the audit of the financial statements 2023 included in the financial report

Our opinion

We have audited the financial statements 2023 of Volkswagen International Finance N.V. based in Amsterdam, the Netherlands.

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 2023 and of its result and its cash flows for 2023 in accordance with International Financial Reporting Standards as adopted in the European Union (EU-IFRSs) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The statement of financial position as at 31 December 2023
- The following statements for 2023: the statements of income and comprehensive income, changes in equity and cash flows
- The notes comprising material accounting policy information and other explanatory information

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 "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Volkswagen International Finance N.V. (the company) in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

Volkswagen International Finance N.V. is incorporated as a wholly-owned subsidiary of Volkswagen Finance Luxemburg S.A., who in turn is a 100% subsidiary of Volkswagen AG (VWAG). The main purpose of the company is to assist VWAG in raising funds and on-lending money to companies within the Volkswagen group. VWAG's main activities are development, production and sale of vehicles and other vehicle related products and services. The main income of Volkswagen International Finance N.V. is the interest income on the loans issued to related parties. We paid specific attention in our audit to a number of areas driven by the operations of the company and our risk assessment.

We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€283 million (2022: €277 million)
Benchmark applied	0.8% of total assets as at 31 December 2023
Explanation	We determined materiality based on our understanding of the company's business and our perception of the financial information needs of users of the financial statements. We considered that total assets reflects the source of income and repayments to the holders of the bonds issued by the company. We determined materiality consistent with prior financial year.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of €14.2 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Teaming and use of specialists

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a listed finance company. We have made use of specialists in the areas of IT and income taxes.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. 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 override of internal control.

Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and the management board's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes.

We refer to section "Risks" of the Report of the management board for the management board's risk assessment after consideration of potential fraud risks.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the VWAG's code of conduct and whistle blower procedures. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We addressed the risks related to management override of controls, as this risk is present in all companies. For these risks we have performed procedures among other things to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in Note 2(e) "Use of estimates and judgements" to the financial statements, including impairment losses on financial assets. Furthermore, we have also used data analysis to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions and transactions with related parties. We also evaluated whether transactions with related parties were accounted for at-arm's length and in accordance with transfer pricing documentation. We did not identify a risk of fraud in revenue recognition, other than the forementioned risks related to management override of controls.

We considered available information and made enquiries of relevant executives, directors, legal, the group auditor of VWAG and the supervisory board.

The fraud risks we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations

We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the management board, legal, reading minutes and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected the lawyers' letter and correspondence with regulatory authorities, enquired with the group auditor of VWAG and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern

As disclosed in Note 29 "Going concern" to the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, the management board made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future.

We discussed and evaluated the specific assessment with the management board exercising professional judgment and maintaining professional skepticism. We considered whether the management board's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events 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.

Based on our procedures performed, we did not identify material uncertainties about going concern. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the supervisory board. The key audit matter is not a comprehensive reflection of all matters discussed.

Valuation of loans issued to related parties

Risk	<p>The company is exposed to the risk that VWAG and VWAG group companies, default on meeting their obligations. As loans to VWAG and VWAG group companies (Long-term and Short-term loans to related parties) represent the most significant portion of the company's current and non-current assets, expected credit losses may have a material impact on the company's financial position and results.</p> <p>We consider the valuation of the loans issued to related parties and determination of the expected credit losses a key audit matter because this is an area that involves significant judgment and determines the ability of the company to fulfil its obligations and to continue as a going concern.</p> <p>We refer to Note 3(d) "Impairment" and Note 7 "Loans to related parties" to the financial statements, where the management board disclosed the policies and procedures in respect of the expected credit loss assessment on loans issued to the related parties as well as the outcomes.</p>
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Valuation of loans issued to related parties

<p>Our audit approach</p>	<p>Our audit procedures included, amongst others, evaluating the appropriateness of the company's accounting policies related to recognition of expected credit losses in accordance with of IFRS 9 "Financial Instruments". We evaluated whether the accounting policies and methods applied for making estimates have been applied consistently. We also evaluated the design of internal controls of the processes underlying the estimation process insofar relevant to our audit of the financial statements.</p> <p>Furthermore, we have performed the following substantive audit procedures:</p> <ul style="list-style-type: none"> • Recalculation and verification of the amortized cost calculation performed by the company and its alignment with the underlying contracts. • Recalculation of the interest income recorded in statement of income and comprehensive income and verification of the accuracy of the amounts accrued in the statement of financial position based on the contractually agreed terms. • Evaluation of the outcome of the previous accounting estimate and the subsequent re-estimation. • Confirming our understanding of the company's data, assumptions and method used to determine the expected credit losses on the outstanding loans issued to related parties, including verifying the most recent Credit Default Swap (CDS) spread of VWAG. • Evaluation of the financial position of VWAG and determining that the related parties have met their financial obligations towards the company throughout the year and up to the date of this report. • Recalculation of the expected credit losses on a sample of outstanding loans issued to related parties taking into consideration the CDS spread of VWAG. Verification that management appropriately measured the loss allowance at an amount equal to 12-month expected credit losses, instead of the lifetime expected credit losses. • Evaluation of the accuracy and completeness of the relevant disclosures in accordance with the relevant paragraphs and application guidance of IFRS 7 "Financial instruments: disclosures".
<p>Key observations</p>	<p>Based on procedures performed, we did not identify evidence of material misstatement in the valuation of loans issued to related parties.</p>

Report on other information included in the financial report

The financial report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Engagement

We were engaged by the supervisory board as auditor of Volkswagen International Finance N.V. on 22 July 2020, as of the audit for the year 2020 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Reporting Format (ESEF)

Volkswagen International Finance N.V. has prepared its financial report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion the financial report prepared in the XHTML format, including the financial statements, of Volkswagen International Finance N.V., complies in all material respects with the RTS on ESEF.

The management board is responsible for preparing the financial report, including the financial statements, in accordance with the RTS on ESEF.

Our responsibility is to obtain reasonable assurance for our opinion whether the financial report complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N, "Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument" (assurance engagements relating to compliance with criteria for digital reporting). Our examination included amongst others:

- Obtaining an understanding of the company's financial reporting process, including the preparation of the financial report in XHTML format
- Identifying and assessing the risks that the financial report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including obtaining the financial report in XHTML format and performing validations to determine whether the financial report complies with the RTS on ESEF

Description of responsibilities regarding the financial statements

Responsibilities of the management board and the supervisory board for the financial statements

The management board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRSs and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the management board is responsible for such internal control as the management board 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, the management board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the management board should prepare the financial statements using the going concern basis of accounting unless the management board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management board 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 objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Information in support of our opinion section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- 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 the management board
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

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 findings in internal control that we identify during our audit. In this respect we also submit an additional report to the supervisory board, that takes charge of all tasks of an audit committee, in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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 the key audit matters: those matters that were of most significance in the audit of the financial statements. 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.

Amsterdam, 12 March 2024

Ernst & Young Accountants LLP

signed by M.L. Milet de St Aubin