VOLKSWAGEN INTERNATIONAL FINANCE N.V.

Financial statements
for the year ended 31 December 2022

PDF/printed version
This document is the PDF/printed version of the 2022 Annual Report of Volkswagen International Finance N.V. and has been prepared for ease of use.
The 2022 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/en/InvestorRelations/financial-reports.html and includes a human readable XHTML version of the 2022 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

Table of Contents

Report of the Supervisory Board

The balance sheet total and the operating result for the financial year 2022 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.

The diesel issue, which surfaced in 2015, has been addressed by Volkswagen AG by entering into settlement agreements with the authorities in the respective countries.

In 2022, 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.

The Management Board reported to the Supervisory Board on the developments regarding issuance activities and risk exposure in 2022. Risk limits set by the Supervisory Board were adhered to.

The Covid-19 pandemic constitutes a challenging environment for governments and economies worldwide. Despite this, VIF has maintained its funding and lending activities with Group companies without taking on additional risks.

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

During the Annual General Meeting held on 25 May 2022, Ernst & Young Accountants LLP, Rotterdam was appointed as independent auditors for the fiscal year 2022. The independent auditors audited the annual financial statements of VIF and issued an unqualified audit opinion.

Amsterdam,13 March 2023

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Original was signed by
Björn Bätge, Chairman of the Supervisory Board

Report of the Management Board

Business Strategy and Objectives

Volkswagen International Finance N.V. ('VIF' or 'the Company'), founded in 1977, 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 two sister companies (Volkswagen Financial Service N.V., 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). 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 2022 VIF continued with funding from the Capital Markets issuing bonds amounting to € equivalent of € 6,2 billion (2021: € 0,5 billion). VIF redeemed in 2022 multiple bond issues with a equivalent of € 2,8 billion (2021: € 3,8 billion). The Company borrowed from VW Group companies € 0,8 billion (2021: € 0,7 billion) and repaid EUR 0,9 billion (2021: € 0,7 billion).

As Volkswagen AG continued to issue commercial paper in its own name under the Commercial Paper Programme, in 2022 VIF made no commercial paper issuances.

Financial Results

VIF increased its lending assets from € 30,6 billion in 2021 to € 33,8 billion in 2022, assisting companies in the Automotive Division to maintain their market position. All outstanding loans have been fully performing.

VIF realized a gain of € 136,8 million after tax in 2022 (2021: € 49,8.2 million gain). The Company generates income mainly from the Group financing business. The net interest income increased from € 32,3 million to € 37,1 million.

Net gains on equity instruments were € 162,4 million (2021: €3,2 million gain). This consists of dividend received of € 11,3 million and the realized gain on disposals of € 151,1 million.

Net cash from operating activities amounted to negative € 408,3 million (2021: € 11,4 million).

In 2022, VIF paid the result of 2021 € 25,5 million as a dividend to its shareholder.

All issuances under the DIP 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 2022, limits were not exceeded.

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 2020 reviewed by the Dutch Tax Authorities. For the tax return 2021, the final assessment has not been received.

Due to its issuing activities in the capital markets and the listing at the Luxemburg Stock Exchange the Company is complying with the regulatory requirements regarding the yearly submission of its annual financial statements 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. While the overarching framework has been published, we are awaiting the domestic legislation and detailed guidance to assess the full implications.

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.

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 2022, which will be available on the website www.volkswagenag.com.

Expectations 2023

VIF will continue in 2023 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 and CP-programmes.

Based on this assumption, we expect a moderate increase in total business volume for VIF in 2023. 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.

VOLKSWAGEN INTERNATIONAL FINANCE N.V.
FINANCIAL STATEMENTS

The Management Board declares to the best of their knowledge:

1. the financial statements for 2022 give a true and fair view of the assets, the liabilities, the financial position and the results of the Company; and

2. the management report gives a true and fair view of the Company's situation as at the balance sheet date, the events that occurred during 2022 and the risks to which the Company is exposed.

Amsterdam, 13 March 2023

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Original has been signed by
Christopher R. Norrod, Managing Director

Statement of financial position as at 31 December 2022

(in thousands of EUR)	Notes	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, equipment and right-of-use assets	5	511	746
Investments in equity instruments	7	-	367.689
Loans to related parties	8	29.941.220	27.240.424
Derivative financial instruments	9	80.080	29.641
Other assets	10	-	10
Deferred tax assets	28	169.192	137.862
Total non-current assets		**30.191.003**	**27.776.372**
Current assets			
Loans to related parties	8	3.908.768	3.321.598
Derivative financial instruments	9	26.660	2
Trade and other receivables		-	40
Prepayments	11	-	3.074
Other current assets	10	101	189
Current tax receivables		68	1.347
Cash-pool receivables	12	619.637	166.078
Total current assets		**4.555.234**	**3.492.328**
TOTAL ASSETS		**34.746.237**	**31.268.700**
EQUITY AND LIABILITIES			
Equity			
Issued capital	13	103.035	103.035
Share premium	13	12.120	12.120
Retained earnings		362.202	55.481
Equity attributable to owners of the company		**477.357**	**170.636**
Other reserves	13	-	195.403
Total equity		**477.357**	**366.039**
Non-current liabilities			
Debts issued and other borrowed funds	14	30.248.958	27.432.943
Derivative financial instruments	9	23.650	32.658
Other liabilities	15	173	408
Deferred tax liabilities	28	122.100	117.755
Total non-current liabilities		**30.394.881**	**27.583.764**
Current liabilities			
Trade and other payables		393	77
Debts issued and other borrowed funds	14	3.871.923	3.296.571
Derivative financial instruments	9	595	11.376
Contract liabilities (deferred income)		15	-
Other current liabilities	15	665	694
Provisions	16	408	10.179
Total current liabilities		**3.873.999**	**3.318.897**
TOTAL EQUITY AND LIABILITIES		**34.746.237**	**31.268.700**

Statement of income and comprehensive income for the year ended 31 December 2022

(in thousands of EUR)

	Notes	31 December 2022	31 December 2021
Interest revenue calculated using the effective interest method	19	1.015.849	943.398
Other interest and similar income	19	73.015	62.647
Interest expense calculated using the effective interest method	19	(981.809)	(906.619)
Other interest and similar expense	19	(70.000)	(67.119)
Net interest income		**37.055**	**32.307**
Fees and commission income	20	1.367	1.450
Fee and commission expense	20	-	-
Net fee and commission income		**1.367**	**1.450**
Change in allowance for expected credit losses on financial assets and loan commitments	21	(173.946)	29.142
Net gains/(losses) on investments in equity instruments	22	162.383	3.198
Net gains/(losses) on derivatives	23	82.482	(7.492)
Net gains/(losses) on financial assets measured at amortized cost	24	(41.226)	94.026
Net gains/(losses) on financial liabilities measured at amortized cost	24	54.436	(83.903)
Other operating income	25	125	203
Net operating income/(loss)		**122.676**	**68.931**
Personnel expenses	26	(1.965)	(2.018)
Depreciation of property, plant and equipment and right-of-use assets	5	(324)	(338)
Other operating expenses	27	(1.403)	(749)
Total operating expenses		**(3.692)**	**(3.105)**
Operating profit/(loss)		**118.984**	**65.826**
Share of profit of associates and joint ventures		-	-
Profit/(loss) before tax from continuing operations		**118.984**	**65.826**
Income tax expense	28	17.815	(16.023)
Profit/(loss) after taxation from continuing operations		**136.799**	**49.803**
Profit from discontinued operations net of tax		-	-
Profit/(loss) for the year		**136.799**	**49.803**
Other comprehensive income for the year, net of tax		**-**	**-**
Total comprehensive income/(loss) for the year		**136.799**	**49.803**
Profit attributable to:			
Equity holders of the parent		136.799	49.803
Non-controlling interest		-	-
Profit for the year		**136.799**	**49.803**
Total comprehensive income attributable to:			
Equity holders of the parent		136.799	49.803
Non-controlling interest		-	-
Total comprehensive income for the year		**136.799**	**49.803**

Statement of changes in equity for the year ended 31 December 2022

(in thousands of EUR)

	Issued and paid-in share capital	Share premium reserve	Retained Earnings	Revaluation reserve	Total Equity
Balance at 1 January 2021	**103.035**	**12.120**	**7.447**	**217.439**	**340.041**
Profit (loss) and comprehensive income for the period	-	-	49.803	-	49.803
Dividend distributed	-	-	(23.805)	-	(23.805)
Unrealized fair value movements	-	-	22.036	(22.036)	-
Balances at 31 December 2021	**103.035**	**12.120**	**55.481**	**195.403**	**366.039**
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**
Notes	13	13		13	

Statement of cash flows for the year ended 31 December 2022

(in thousands of EUR)

	Notes	31 December 2022	31 December 2021
Cash flow generated from operations			
Interest received	19	965.536	991.271
Interest paid	19	(908.577)	(933.772)
Fees and commission income received		1.367	1.450
Other operating income received		166	180
Guaranty fees paid		(1.108)	(1.305)
Paid bank charges, general expenses & salaries		(4.215)	(3.360)
Tax paid	28	(7.928)	(8.054)
Net movement in cash-pool receivables	12	(453.561)	(34.968)
Net cash from operating activities		**(408.320)**	**11.441**
Cash flow from investment activities			
Cash (outflows) inflows in respect of investments in equity instruments		514.758	(213)
Proceeds from dividend income		11.270	24.182
Loans issued to related parties	8	(7.260.711)	(1.878.510)
Collection of loans to related parties	8	3.807.589	4.984.239
Net cash from investment activities		**(2.927.094)**	**3.129.698**
Cash flow from financing activities			
Proceeds from borrowings	14	7.063.226	1.232.253
Repayment of borrowings	14	(3.686.489)	(4.470.496)
Proceeds from commercial papers		-	-
Repayment of commercial papers	14	-	-
Proceeds from derivatives	9	1.475.979	1.766.478
Cash outflows in respect of derivatives	9	(1.491.513)	(1.645.277)
Cash outflows in respect of lease liabilities	5	(308)	(291)
Dividends paid	13	(25.481)	(23.805)
Net cash from (used in) financing activities		**3.335.414**	**(3.141.139)**
Net change in cash and cash equivalents		**-**	**-**
Cash and cash equivalents at beginning of period		-	-
Cash and cash equivalents at end of period		**-**	**-**

Notes to the annual financial statements for the year ended 31 December 2022

1. General

(a) Reporting entity

Volkswagen International Finance N.V. ('VIF' or 'the Company'), founded in 1977, is a 100% subsidiary of Volkswagen Finance Luxemburg 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 2022 and 31 December 2021 are listed at the Luxemburg 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 Luxemburg S.A. ('VFL') on 14 March 2023.

(b) Group information

In 2014, VIF became a 100% subsidiary of Volkswagen Finance Luxemburg 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 from the Company and is also filed with the Dutch Chamber of Commerce on an annual basis.

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 and investments in equity instruments measured at fair value, 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.

Assessment of control and significant influence in respect of equity investments

Equity investments in which VIF holds more than 50% of the shares are in principle consolidated at VIF level, unless the voting rights are restricted by contractual agreement. The Company is considered to exercise significant influence over an investee if it has the power to participate in the financial and operating policy decisions of the investee, but does not have control or joint control over these decisions. There is a presumption that the Company has significant influence over an investee if it holds at least 20% of the voting rights, unless it is clearly demonstrated that this is not the case.

VIF's equity investments are measured at fair value through profit or loss. Refer to Note 7 for detailed disclosures regarding significant judgements made in concluding on VIF's assessment of control and/or significant influence in respect of its equity investments.

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, estimation is 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 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 2022 financial statements, VIF did not apply the following accounting pronouncements that have been issued by the IASB until 31 December 2022, 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
IFRS 17	Insurance Contracts	9 Dec 2021	1 Jan 2023	Yes	None
IFRS 17	Insurance Contracts – several amendments	25 June 2020	1 Jan 2023	Yes	None
IAS 1	Classification of liabilities as current or non-current	23 Jan 2020	1 Jan 2023	No	No material impact
IAS 1	Disclosure of Accounting policies	12 Feb 2021	1 Jan 2023	Yes	No material impact
IAS 1	Non-current Liabilities with Covenants (Amendments to IAS 1)	31 Oct 2022	1 Jan 2024	No	No material impact
IAS 8	Definitions of Accounting Estimates	12 Feb 2021	1 Jan 2023	Yes	No material impact
IAS 12	Non-current Liabilities with Covenants (Amendments to IAS 1)	17 May 2021	1 Jan 2023	No	No material impact
IAS 16	Lease Liability in a Sale and Leaseback	22 Sep 2022	1 Jan 2024	No	No material impact

3. Significant accounting policies

The significant 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.

The Company did not elect to classify irrevocably its equity invests as equity instruments designated at fair value through OCI and consequently its equity investments are measured at FVTPL.

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.

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.

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.

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.

(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 loss has not already been recorded. Such substantial changes could be caused be 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 consist 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.

(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.

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 2022 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 from 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:

- 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.

(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 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.

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.

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 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) Net gains/losses on investments in equity instruments

Net gains/losses on investments in equity instruments represent fair value changes and dividend income in relation to investments in equity instruments. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.

(o) 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, 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.

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 table below.

(in thousands of EUR)

	31 December 2022	31 December 2021
Interest revenue by location of related parties		
Germany	997.640	934.568
Other countries	18.209	8.830
Total interest revenue calculated using the effective interest	**1.015.849**	**943.398**
Interest revenue from Volkswagen AG	**951.951**	**925.627**
	94%	**98%**

(in thousands of EUR)

	31 December 2022	31 December 2021
Loans receivable by location of related parties		
Germany	32.360.529	29.782.662
Other countries	1.489.459	779.360
Total	**33.849.988**	**30.562.022**
Less: current portion of loans receivables	(3.908.768)	(3.321.598)
Add: other non-current assets	249.783	535.948
Total non-current assets of the company	**30.191.003**	**27.776.372**

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

(in thousands of EUR)

	Owned assets	Right-of-use assets	
	Business and office equipment, Other installations	**Buildings, Motor Vehicles**	**Total**
Cost			
As at 1 January 2021	**453**	**1.189**	**1.642**
Additions	10	265	275
Disposals	-	(200)	(200)
As at 31 December 2021	**463**	**1.254**	**1.717**
Additions	3	86	89
Disposals	-	(31)	(31)
As at 31 December 2022	**466**	**1.309**	**1.775**
Depreciation and impairment			
As at 1 January 2021	**(362)**	**(461)**	**(823)**
Depreciation charge for the year	(29)	(308)	(337)
Disposals	-	189	189
As at 31 December 2021	**(391)**	**(580)**	**(971)**
Depreciation charge for the year	(25)	(299)	(324)
Disposals	-	31	31
As at 31 December 2022	**(416)**	**(848)**	**(1.264)**
Net book value			
As at 1 January 2021	**91**	**728**	**819**
As at 31 December 2021	**72**	**674**	**746**
As at 31 December 2022	**50**	**461**	**511**

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 15) and the movements during the period:

(in thousands of EUR)

	Cash movements	Non-cash movements	Total
As at 1 January 2021	**(491)**	**1.236**	**745**
Additions	-	263	263
Accretion of interest	-	(26)	(26)
Payments	(291)	-	(291)
As at 31 December 2021	**(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**

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)

		31 December 2022		
Financial assets	**Notes**	**Measured at fair value through P/L**	**Measured at amortized cost**	**Total carrying amount**
Non-current assets				
Loans to related parties	8	-	29.941.220	29.941.220
Derivative financial instruments	9	80.080	-	80.080
		80.080	**29.941.220**	**30.021.300**
Current assets				
Loans to related parties	8	-	3.908.768	3.908.768
Derivative financial instruments	9	26.660	-	26.660
Trade and other receivables		-		
Cash-pool receivables	12	-	619.637	619.637
		26.660	**4.528.405**	**4.555.065**
Total		**106.740**	**34.469.625**	**34.576.365**

(in thousands of EUR)

Financial assets	Notes	31 December 2021 Measured at fair value through P/L	Measured at amortized cost	Total carrying amount
Non-current assets				
Loans to related parties	8	-	27.240.424	27.240.424
Investments in equity instruments	7	367.689	-	367.689
Derivative financial instruments	9	29.641	-	29.641
		397.330	**27.240.424**	**27.637.753**
Current assets				
Loans to related parties	8	-	3.321.598	3.321.598
Derivative financial instruments	9	2	-	2
Trade and other receivables		-	40	40
Cash-pool receivables	12	-	166.078	166.078
		2	**3.487.715**	**3.487.717**
Total		**397.332**	**30.728.139**	**31.125.471**

Financial liabilities

(in thousands of EUR)

Financial liabilities	Notes	31 December 2022 Measured at fair value through P/L	Measured at amortized cost	Total carrying amount
Non-current liabilities				
Debts issued and other borrowed funds	14	-	(30.248.958)	(30.248.958)
Derivative financial instruments	9	(23.650)	-	(23.650)
		(23.650)	**(30.248.958)**	**(30.272.607)**
Current liabilities				
Debts issued and other borrowed funds	14	-	(3.871.923)	(3.871.923)
Derivative financial instruments	9	(595)	-	(595)
Trade and other payables		-	(393)	(393)
		(595)	**(3.872.316)**	**(3.872.911)**
Total		**(24.245)**	**(34.121.274)**	**(34.145.519)**

(in thousands of EUR)

Financial liabilities	Notes	31 December 2021 Measured at fair value through P/L	Measured at amortized cost	Total carrying amount
Non-current liabilities				
Debts issued and other borrowed funds	14	-	(27.432.943)	(27.432.943)
Derivative financial instruments	9	(32.658)	-	(32.658)
		(32.658)	**(27.432.943)**	**(27.465.602)**
Current liabilities				
Debts issued and other borrowed funds	14	-	(3.296.571)	(3.296.571)
Derivative financial instruments	9	(11.376)	-	(11.376)
Trade and other payables		-	(77)	(77)
		(11.376)	**(3.296.649)**	**(3.308.025)**
Total		**(44.034)**	**(30.729.592)**	**(30.773.626)**

7. Investments in equity instruments

Non-listed equity investments

(in thousands of EUR)

Name and registered office	Percentage of voting shares held	Measured at fair value through profit or loss 31 December 2022	Measured at fair value through profit or loss 31 December 2021
Volkswagen Autoeuropa, Lda., Palmela, Portugal	0% (2021: 26 %)	-	269.022
Skoda Auto Volkswagen India Private Ltd., Pune, India	0% (2021: 66 %)	-	95.150
Volkswagen Group Saudi Arabia LLC, Riyadh, Kingdom of Saudi Arabia	0% (2021: 51 %)	-	3.517
Total carrying amount of equity investments		**-**	**367.689**

In 2021 VIF held 66% of the voting rights in Skoda Auto Volkswagen India Private Ltd. (SAVIPL) and 51% of the voting rights in Volkswagen Group Saudi Arabia LLC (VGSA). However, de-domination agreements (concluded in 2014 between VIF and VFL in respect of each of these two entities) restricts VIF from exercising these voting rights unless instructed by VFL. In the assessment of whether VIF has control over VGSA and SAVIPL, it was determined that the respective de-domination agreements removes VIF's power over VGSA and SAVIPL, as VIF does not have the current ability to direct the relevant activities of these entities. Furthermore, VIF does not have any other involvement with the entities which allows VIF to participate in their financial and operating policy decisions and consequently, it was concluded that it does not have significant influence over these entities.

In 2021 VIF held 26% of the voting rights in Volkswagen Autoeuropa, Lda. (VWAE) and VFL the remaining 74%. VIF is not considered to have significant influence over VWAE, as the entity is controlled by VFL and VIF is not regarded to be in a position to exercise significant influence over VWAE.

Refer to the section below entitled *Fair values* for details on how the Company determines the fair value of the above-stated investments.

In May 2022 VIF sold its entire interest in Volkswagen Autoeuropa, Lda. (VWAE) for a sale price of € 371 million. The entire interest in Skoda Auto Volkswagen India Private Ltd. (SAVIPL) was sold for a sale price of € 143,8 million in June 2022. The liquidation of Volkswagen Group Saudi Arabia LLC (VGSA) was finalized in May 2022.

Refer to note 22 for net gains/(losses) on investments in equity instruments.

8. 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			
	31 December 2022			
	Carrying amount in statement of financial position			Fair value
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**

(in thousands of EUR)

	Measured at amortized cost			
	31 December 2021			
	Carrying amount in statement of financial position			Fair value
Loans to related parties	Non-current	Current	Total	
Loan outstanding	27.240.424	3.321.598	30.562.022	34.192.374
Total	**27.240.424**	**3.321.598**	**30.562.022**	**34.192.374**

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:

(in thousands of EUR)

Loans to related parties classified by residual maturity

	31 December 2022		31 December 2021	
Original currency	Average interest rate (%)	Gross carrying amount	Average interest rate (%)	Gross carrying amount
Residual maturity: less than 1 year				
EUR	2,37%	3.420.686	2,80%	3.081.099
GBP	2,17%	300.683	0,52%	214.775
SEK	2,48%	117.340	-	70
CZK	14,70%	83.472	6,27%	29.481
		3.922.181		**3.325.425**
Residual maturity: 1 to 5 years				
EUR	1,70%	14.978.355	1,08%	9.546.407
GBP	1,24%	408.248	1,94%	376.586
SEK	-	-	0,10%	126.480
		15.386.603		**10.049.473**
Residual maturity: longer than 5 years				
EUR	1,69%	14.194.684	2,06%	17.253.901
GBP	2,03%	589.783	-	-
		14.784.467		**17.253.901**
Total gross carrying amount		**34.093.251**		**30.628.799**
Allowance for ECL		**(243.263)**		**(66.776)**
Carrying amount		**33.849.988**		**30.562.022**

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* 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 2021	**33.688.338**	**(95.042)**	**33.593.296**
Loans advanced	1.878.510	(4.133)	1.874.377
Loan repayments received	(4.984.239)	10.965	(4.973.274)
Re-measurement of year-end ECL	-	21.535	21.535
Interest accrued	(47.872)	105	(47.767)
Foreign exchange adjustments	94.062	(207)	93.855
At 31 December 2021	**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**

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.

9. 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.

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 2022		**31 December 2021**	
	Assets	Liabilities	Assets	Liabilities
Non-current	80.080	23.650	29.641	32.658
Current	26.660	595	2	11.376
Total	**106.740**	**24.245**	**29.643**	**44.034**

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 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**

(in thousands of EUR)

Derivatives in economic hedge relationships	**31 December 2021**		
	Notional contract amount	Fair Value	
		Assets	Liabilities
CCIRS	612.379	29.638	17.916
IRS	1.250.000	-	26.013
FX Contracts	1.898	5	105
Total	**1.864.277**	**29.643**	**44.034**

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.

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.

10. Other assets

(in thousands of EUR)

	31 December 2022	31 December 2021
Non-current		
Other assets	-	10
Total	**-**	**10**
Current		
Other assets	81	169
Rental deposit	21	21
Total	**101**	**189**

11. Prepayments

(in thousands of EUR)

	31 December 2022	31 December 2021
Prepayments	-	3.074
Total	**-**	**3.074**

The above prepayments as of 31 December 2021 relate mainly to the advance amount paid by VIF during the liquidation of Volkswagen Group Sales Saudi Arabia (VWGSA), as described below.

With the finalization of this liquidation process in May 2022 the advances were settled.

In the course of 2017, it became apparent that the economic situation of VWGSA required a restructuring of the Saudi Arabian sales organization and VWGSA was to be liquidated. Part of the agreement with the Saudi Arabian partners (ATA and SAMACO) was that they would be compensated for their original equity investment of USD 12,5 million (EUR 10,5 million) which was provided by VIF as an advance payment on their liquidation receipts. In 2019 the bank balances of VWGSA held in Saudi Arabia was transferred to VIF. Final tax payments are being assessed by the Saudi Arabian tax authorities and once they have been paid, the final settlement with the Saudi Arabian co-investors will be established.

The bank balance received from VWGSA is included in the *Cash-pool receivables* balance (disclosed below) as at 31 December 2021. The corresponding liability for accrued expenses of VWGSA payable by VIF, amounting to TEUR 7.294 (is set-off against the above prepayment balance as at 31 December 2021. With the finalization of the liquidation process in May 2022 the all balances were settled.

12. Cash-pool receivables

(in thousands of EUR)

	31 December 2022	31 December 2021
Cash-pool receivables	619.637	166.078
Total	**619.637**	**166.078**

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.

Of the above balances as stated above as of 31 December 2021, TEUR 7.294 as relates to the bank balance of VWGSA received by VIF to settle debts of VWGSA. Refer to disclosures the in *Prepayments* note above for more details in this regard.

13. 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 (2021: TEUR 103.035) and consists of 103.035 shares (2021: 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.

Revaluation reserve

The revaluation reserve relates to the cumulative fair value adjustments recognised in respect of investments in equity instruments (refer to note 7). This reserve constitutes a non-distributable legal reserve in accordance with Article 2.390 of the Dutch Civil Code. With the sale of all investments in equity instruments the valuation reserved was released and the balance is zero for the year ended 31 December 2022.

Distributions made and proposed

(in thousands of EUR)

Cash dividends on ordinary shares declared and paid:	31 December 2022	31 December 2021
Final dividend for 2021: 24 cents per share (2020: 23 cents per share)	25.481	23.805
Total	**25.481**	**23.805**

No final dividend for 2022 was proposed.

14. Debt issued and other borrowed funds

Balances

(in thousands of EUR)

	Measured at amortized cost			
	31 December 2022			
	Carrying amount in statement of financial position			Fair value
Debts issued and other borrowed funds	Non-current	Current	Total	
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**

(in thousands of EUR)

	Measured at amortized cost			
	31 December 2021			
	Carrying amount in statement of financial position			Fair value
Debts issued and other borrowed funds	Non-current	Current	Total	
Bonds	27.432.943	3.233.721	30.666.664	33.317.480
Loans to related parties	-	62.850	62.850	62.955
Total	**27.432.943**	**3.296.571**	**30.729.514**	**33.380.435**

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

	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 and amortization	-	489.104	489.104
Interest paid	(912.077)	-	(912.077)
Foreign exchange adjustments	-	437.603	437.603
As at 31 December 2022	**2.464.660**	**926.707**	**34.120.881**

(in thousands of EUR)

	2021		
	Cash movements	Non-cash movements	Total
As at 1 January 2021	**-**	**-**	**33.912.377**
Issuance	1.232.253	-	1.232.253
Repayment	(4.470.496)	-	(4.470.496)
Interest and amortization	-	434.225	434.225
Interest paid	(934.064)	-	(934.064)
Foreign exchange adjustments	-	555.219	555.219
As at 31 December 2021	**(4.172.307)**	**989.444**	**30.729.514**

The issuance in 2022 relates mainly to bonds:

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.

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%.

The issuance in 2021 relates mainly to bonds:

In 2021 VIF issued a fixed rate EUR bond with a nominal amount of €300 million with a due date in 2041. Additionally, a floating rate bond with a nominal amount of €200 million and a maturity after 1,5 years was issued. The reference rate of this floating rate bond is the 3-M-EURIBOR.

Moreover, VIF issued a CNY bond with a nominal amount of CNY 500 million. This bond has a fixed coupon rate and the maturity date is in 2024. Directly connected to this CNY issuance a Cross-Currency Interest Rate Swap was traded.

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.

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)

	2022	**2021**
Notional amount outstanding	33.755.757	30.361.091
Issuance fees & Bond discount	(262.254)	(310.640)
Interest accrued	489.100	434.153
Cumulative amortization of Issuance fees & Bond discount	127.295	116.104
Foreign exchange adjustments	10.895	65.956
Carrying amount	**34.120.793**	**30.666.664**

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)

	31 December 2022			
	Original currency	Average interest rate (%)	Carrying amount	Fair value
Residual maturity of longer than 5 years				
Listed fixed rate bonds	EUR	2,80%	8.763.333	7.807.837
Listed fixed rate bonds	GBP	4,13%	507.053	442.997
Residual maturity of less than 5 years				
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
Perpetual bonds				
Listed fixed rate bonds	EUR	4,03%	14.200.671	12.303.985
Total			**34.120.793**	**30.754.309**

(in thousands of EUR)

	31 December 2021			
	Original currency	Average interest rate (%)	Carrying amount	Fair value
Residual maturity of longer than 5 years				
Listed fixed rate bonds	EUR	2,35%	10.520.527	12.194.589
Listed fixed rate bonds	GBP	4,13%	534.951	623.464
Residual maturity of less than 5 years				
Listed fixed rate bonds	EUR	0,86%	3.006.251	3.042.390
Listed fixed rate bonds	GBP	3,38%	416.218	445.292
Listed fixed rate bonds	CNY	3,23%	210.722	210.753
Listed variable rate bonds	EUR	0,88%	1.450.630	1.495.147
Perpetual bonds				
Listed fixed rate bonds	EUR	3,76%	14.527.365	15.305.845
Total			**30.666.664**	**33.317.480**

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 2022

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

31 December 2021

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.

The commercial papers issued do not contain any financial covenants. As of 31 December 2022 and 2021 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.

15. Other liabilities

(in thousands of EUR)

	31 December 2022	31 December 2021
Current other liabilities		
Accrued liabilities	335	410
Lease liability (Note 5)	298	282
Accrued interest	1	2
VAT	31	-
Total	**665**	**694**

	31 December 2022	31 December 2021
Non-current other liabilities		
Lease liability (Note 5)	173	408
Total	**173**	**408**

16. Provisions

(in thousands of EUR)

	Loss allowance on undrawn loan commitments	Other provisions	Total
At 1 January 2021	**3.555**	**7.619**	**11.174**
Changes in ECL	(877)	-	(877)
Arising during the year	-	320	320
Utilized during the year	-	(317)	(317)
Released during the year	-	(121)	(121)
At 31 December 2021	**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**

16.1 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 2022		**31 December 2021**	
		Stage 1		**Stage 1**	
	Original currency	Nominal amount	ECL	Nominal amount	ECL
Undrawn loan commitments	EUR	-	-	1.650.000	2.554
Undrawn loan commitments	CZK	24.688	137	75.248	124
		24.688	**137**	**1.725.248**	**2.678**

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.

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)

	2022		2021	
	Stage 1		Stage 1	
	Outstanding exposure	ECL	Outstanding exposure	ECL
At 1 January	**1.725.248**	**2.678**	**1.637.211**	**3.555**
New exposures	20	13	84.117	142
Dissolutions	(1.701.289)	(2.554)	(38)	(1.019)
Foreign exchange adjustments	709	-	3.958	-
At 31 December	**24.688**	**138**	**1.725.248**	**2.678**

16.2 Other provisions

The outstanding other provisions mainly relates to employee gratuity. In 2021 the other provisions mainly relates to an obligation of an estimated amount of TEUR 7.181 in relation to the liquidation of VWGSA (refer to the *Prepayments* note for more details).

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

Market risk comprises three types of risks: interest rate risk, currency risk and other price risk, such as equity price risk and commodity 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 2022 and 2021, the limits were not exceeded.

The main currencies and interest zones applicable are GBP and CNY as well as SEK and USD. 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 2022**	**31 December 2021**
CNY	205.701	210.722
GBP	901.736	951.169
SEK	-	-
USD	-	-
Total	**1.107.437**	**1.161.891**

(in thousands of EUR)

Loans to related parties in foreign currencies	**31 December 2022**	**31 December 2021**
CNY	-	-
GBP	1.298.714	591.361
SEK	117.340	126.550
USD	-	-
Total	**1.416.054**	**717.911**

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

	Average rate	
Borrowings in foreign currencies	**31 December 2022**	**31 December 2021**
CNY	7,08	7,63
GBP	0,85	0,86
SEK	10,63	10,15
USD	1,05	1,18

	Year-end rate	
Borrowings in foreign currencies	**31 December 2022**	**31 December 2021**
CNY	7,37	7,19
GBP	0,89	0,84
SEK	11,08	10,25
USD	1,07	1,13

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)

	31 December 2022		31 December 2021	
Change in exchange rate	+10%	-10%	+10%	-10%
EUR/CNY	20.364	(20.364)	20.871	(20.871)
Profit/loss after tax	15.110	(15.110)	15.486	(15.486)
EUR/GBP	(6.325)	6.325	(6.611)	6.611
Profit/loss after tax	(4.693)	4.693	(4.905)	4.905
EUR/SEK	(11.685)	11.685	(12.600)	12.600
Profit/loss after tax	(8.670)	8.670	(9.349)	9.349
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 2022	31 December 2021
Fixed rate bonds	32.866.438	29.216.034
Variable rate bonds	1.254.355	1.450.630
Total	**34.120.793**	**30.666.664**

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 2022 and 2021, 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)

	31 December 2022		31 December 2021	
Change in interest rate	**+100 bps**	**-100bps**	**+100 bps**	**-100bps**
Profit/loss after tax	(35.839)	37.535	(5.673)	5.638

Interest rate benchmark reform

By the end of 2021, the Company had one related party loan and a related derivative instrument (a cross currency interest rate swap), which both have interest rates indexed on the 3M-GBP-LIBOR and will therefore be affected by the IBOR reform. However, the Risk Department of the Treasury of VWAG Group initiated a group wide project to restructure financial instruments affected by the IBOR reform and this resulted in these instruments (both having a nominal value of 259.620.000 GPB) being adjusted to a fixed interest rate in October 2021, the impact of which was not regarded to be significant on VIF's financial statements. In 2022, after the reform, VIF granted three new floating loans in GBP with reference rate GBP SONIA and matching cross currency interest rate swaps with the same reference rate.

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 8 and 16 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:

- 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)

	31 December 2022		31 December 2021	
Change in CDS	**+10%**	**-10%**	**+10%**	**-10%**
Profit/loss after tax	(18.060)	18.060	(5.154)	5.154

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.

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 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						
Debt issued and other borrowed funds:						
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**

(in thousands of EUR)

	31 December 2021					
	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	-	1.414.514	2.371.701	13.017.251	19.563.234	36.366.700
Trade and other receivables	-	40	-	-	-	40
Cash-pool receivables	166.078	-	-	-	-	166.078
	166.078	**1.414.554**	**2.371.701**	**13.017.251**	**19.563.234**	**36.532.818**
Financial liabilities						
Debt issued and other borrowed funds:						
Bonds	-	(1.373.939)	(2.290.841)	(12.938.472)	(19.644.018)	(36.247.270)
Loans from related parties	-	(29.515)	(33.444)	-	-	(62.959)
Lease liabilities	-	-	(282)	(408)	-	(690)
Trade and other payables	-	(77)	-	-	-	(77)
	-	**(1.403.531)**	**(2.324.567)**	**(12.938.880)**	**(19.644.018)**	**(36.310.996)**
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	-	2.077	41.074	779.026	646205	1.468.382
Contractual amounts payable	-	(754)	(28.232)	(707.457)	-605481	(1.341.924)
	-	**1.323**	**12.842**	**71.569**	**40.724**	**126.458**
Financial liabilities						
Contractual amounts receivable	-	3.538	213.458	329.203	-	546.199
Contractual amounts payable	-	(1.778)	(243.966)	(367.594)	-	(613.338)
	-	**1.760**	**(30.508)**	**(38.391)**	**-**	**(67.139)**
Total gross settled derivatives	**-**	**3.083**	**(17.666)**	**33.178**	**40.724**	**59.319**
Total net financial assets / (liabilities)	**166.078**	**14.106**	**29.468**	**111.549**	**(40.060)**	**281.141**

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 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**

(in thousands of EUR)

	31 December 2021					
	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	-	1.725.248	-	-	-	1.725.248
	-	**1.725.248**	**-**	**-**	**-**	**1.725.248**

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 2022 and 2021, 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 EUR 15.0 billion 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 committed and un-committed 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)

		31 December 2022	31 December 2021
	Original currency	Nominal amount	Nominal amount
Undrawn borrowing facilities	EUR	-	2.475.000
Undrawn borrowing facilities	CZK	83	75.144
		83	**2.550.144**

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 financial covenants and 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 2022	31 December 2021
Equity reserve to be maintained by APA	30.000	30.000
Cash reserves available to repay nominal bond amounts	96.069	86.000
Total equity	477.357	366.039
Total liabilities	34.268.880	30.902.661
Debt/Equity ratio	71,79	84,42

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.

18. 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.

(in thousands of EUR)

	Fair Value as of 31 December 2022			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial instruments	-	106.740	-	106.740
Investments in equity instruments	-	-	-	-
Total	**-**	**106.740**	**-**	**106.740**
Financial assets not measured at fair value				
Loans to related parties	-	33.849.988	-	33.849.988
Total	**-**	**33.849.988**	**-**	**33.849.988**
Financial liabilities measured at fair value				
Derivative financial instruments	-	24.245	-	24.245
Total	**-**	**24.245**	**-**	**24.245**
Financial liabilities not measured at fair value				
Debts issued and other borrowed funds	-	34.120.881	-	34.120.881
Total	**-**	**34.120.881**	**-**	**34.120.881**

(in thousands of EUR)

	Fair Value as of 31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial instruments	-	29.643	-	29.643
Investments in equity instruments	-	-	367.689	367.689
Total	**-**	**29.643**	**367.689**	**397.332**
Financial assets not measured at fair value				
Loans to related parties	-	30.562.022	-	30.562.022
Total	**-**	**30.562.022**	**-**	**30.562.022**
Financial liabilities measured at fair value				
Derivative financial instruments	-	44.034	-	44.034
Total	**-**	**44.034**	**-**	**44.034**
Financial liabilities not measured at fair value				
Debts issued and other borrowed funds	-	30.729.514	-	30.729.514
Total	**-**	**30.729.514**	**-**	**30.729.514**

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.

Investments in equity instruments:

The fair value of investments in equity instruments are classified as level 3 and include investments in companies forming part of the VW Group (also refer to note 7 for details on these investments).

VWAE and SAVIPL

VWAE has a plant in Portugal manufacturing vehicles and earns revenue from intragroup sales based on fixed transfer pricing margins using cost-plus pricing. SAVIPL has two production facilities in India manufacturing cars, and sales and market teams trading in imported cars (purchased from group companies), spares and accessories. SAVIPL earns revenue from intragroup sales based on contractual commitments between SAVIPL and the relevant companies.

- The fair values of both entities are calculated using a discounting cash flow method with a forecast period of five years and a constant growth rate to perpetuity.
- The future expected cash flows are determined by the respecting Controlling Departments of the VW Group.
- Parameters like growth rates, risk free rates, weighted cost of capital and country related tax quotes were taken into consideration within the calculations and these parameters are also defined on VW Group Level.

VWGSA

In 2021 VWGSA was in the process of liquidation (also refer to note 11 for more details) and therefore, the fair value was determined to approximate the carrying amount of the investment, based on the net asset value method.

Significant unobservable inputs

The significant unobservable inputs used in the fair value measurements for these equity instruments are shown below:

(in thousands of EUR)

Description	Valuation technique	Fair value at year-end	Significant unobservable inputs	Rates
Volkswagen Autoeuropa, Lda. Palmela, Portugal	Discounted cash flows	2022: N/A 2021: 269.022	Long-term growth rate for cash flows for subsequent years	2022: N/A 2021: 1,0 %
			Weighted average cost of capital	2022: N/A 2021: 4,9 %
			Transfer pricing cost-plus margin	2022: N/A 2021: 1,9 %
Skoda Auto Volkswagen India Private Ltd. Pune, India	Discounted cash flows	2022: N/A 2021: 95.150	Long-term growth rate for cash flows for subsequent years	2022: N/A 2021: 1,0 %
			Weighted average cost of capital	2022: N/A 2021: 6,75 %
Volkswagen Group Saudi Arabia LLC Riyadh, Kingdom of Saudi Arabia	Net asset value	2022: N/A 2021: 3.517	n/a	n/a

Significant unobservable inputs which may lead to significant changes in the fair values, as disclosed above, include:

- The change in the growth rate of +/- 1 % of Volkswagen Autoeuropa, Lda. would result in fair value change of + 77,4 TEUR /- 46,0 TEUR in 2021
- The change in the WACC of +/- 1 % of Volkswagen Autoeuropa, Lda. would result in fair value change of - 53,3 TEUR /+ 89,7 TEUR in 2021
- The change in the transfer pricing margin of +/- 1% of Volkswagen Autoeuropa, Lda. would result in fair value change of + 2,9 TEUR / - 2,6 TEUR in 2021

In addition to the significant unobservable inputs listed in the table above, the forecasts used in the valuation of SAVIPL include sales to and purchases from VW Group companies, which were not based on fixed transfer pricing cost-plus margins. Furthermore, SAVIPL is part of the "INDIA 2.0" Project which will develop a sustainable model campaign for the Skoda, AUDI and Volkswagen brands, in which new car models will be designed and produced locally. Sales expectation have a positive outlook and are planned to increase in the long-term. This positive outlook is included in the expected Cash Flows which are used within the Fair Value Measurement of SAVIPL.

The reconciliation of the opening and closing fair value balance of level 3 financial instruments is provided below:

(in thousands of EUR)

	2022	2021
Investments in equity instruments		
As at 1 January	367.689	388.450
Fair value gains recognized in profit or loss	-	12.753
Fair value losses recognized in profit or loss	(14.577)	(33.514)
Realized gains on disposal of equity instruments	(353.112)	-
As at 31 December	**-**	**367.689**
Net gains/(losses) on investments in equity instruments		
of which constitute unrealized gains attributable to investments held at 31 December	(14.577)	(20.761)
Total gains or losses recognized in profit or loss	**-**	**12.753**

19. Net interest income

Interest income

(in thousands of EUR)

	2022	2021
Interest income calculated using the effective interest method		
Loans to related parties	1.015.849	943.398
	1.015.849	**943.398**
Other interest and similar income		
Interest income earned on derivative financial instruments	70.103	61.568
Other Interest income	2.912	1.079
	73.015	**62.647**
Total	**1.088.864**	**1.006.045**

Interest expenses

(in thousands of EUR)

	2022	2021
Interest expense calculated using the effective interest method		
Bonds interest expense	979.946	905.924
Interest accrued on loans from related parties	1.863	695
	981.809	**906.619**
Other interest and similar expense		
Interest expense on derivative financial instruments	67.732	64.843
Direct fees from issuances	218	688
Interest expense on lease liabilities (Note 5)	3	6
Guarantee commission on bond	1.108	1.305
Depository facility fee	939	277
	70.000	**67.119**
Total	**1.051.809**	**973.738**

20. Fees and commission income

(in thousands of EUR)

	2022	2021
Fee income recognized over time in respect of services to:		
Volkswagen Financial Services N.V.	1.267	1.350
Volkswagen Finance Overseas B.V.	100	100
	1.367	**1.450**

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

P&L

(in thousands of EUR)

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

(in thousands of EUR)

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to related parties	28.265	-	-	28.265
Undrawn loan commitments	877	-	-	877
Total change in ECL	29.142	-	-	**29.142**

22. 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)

	2022	2021
Dividend income	11.270	23.959
Realized gains on disposal of equity instruments	151.113	-
Fair value gains on investments in equity instruments	-	12.753
Fair value losses on investments in equity instruments	-	(33.514)
Total	**162.383**	**3.198**

23. Net gains/(losses) on derivatives

(in thousands of EUR)

	2022	2021
Realized FX losses on derivatives	(14.394)	(33)
Unrealized FX losses on derivatives	(566)	-
Realized FX gains on derivatives	126	127.499
Unrealized FX gains on derivatives	99	16
Fair value losses on derivatives	9.368	(155.138)
Fair value gains on derivatives	87.850	20.163
Total	**82.482**	**(7.492)**

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

(in thousands of EUR)

	2022	2021
Gain / (loss) on financial assets at amortized cost:		
Realized FX losses on loans to related parties	(4.040)	(139.900)
Unrealized FX losses on loans to related parties	(51.131)	(3.857)
Realized FX gains on loans to related parties	13.576	14.076
Unrealized FX gains on loans to related parties	369	223.706
	(41.226)	**94.026**
Gain / (loss) on financial liabilities at amortized cost:		
Unrealized FX losses on bonds	-	(82.751)
Unrealized FX gains on bonds	55.061	-
Realized FX losses on loans to related parties	(3.345)	(1.973)
Unrealized FX losses on loans to related parties	(1)	(395)
Realized FX gains on loans to related parties	2.351	1.215
Unrealized FX gains on loans to related parties	370	1
	54.436	**(83.903)**
Total	**13.210**	**10.123**

25. Other operating income

(in thousands of EUR)

	2022	2021
Rental income	40	87
Other income	85	116
Total	**125**	**203**

26. Personnel expenses

(in thousands of EUR)

	2022	2021
Salaries and social security charges	1.703	1.813
Pension cost - defined contribution plan	262	205
Total	**1.965**	**2.018**

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 2022, the average number of employees calculated on a full-time-equivalent basis was 14 (2021: 14), of which 1 is a key management employee (2021: 1). There were no employees working abroad.

27. Other operating expenses

(in thousands of EUR)	2022	2021
Audit and advisory costs	162	158
Other general administrative expenses	1.241	591
Total	**1.403**	**749**

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

(in thousands of EUR)	2022	2021
Audit of the financial statements	84	97
Other audit procedures	30	16
Other non-audit services	48	45
Total	**162**	**158**

The audits of the statutory accounts in 2022 and 2021 were performed by Ernst & Young Accountants LLP and these statutory accounts were prepared in accordance with IFRS.

The other audit procedures in 2022 and 2021 are related to consent letter issued by Ernst & Young Accountants LLP.

The other non-audit services in 2022 and 2021 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.

28. Income taxes

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

(in thousands of EUR)

	2022	2021
Current tax		
Current tax on profits for the year	(9.171)	(8.196)
Adjustments in respect of prior years	-	-
Total current tax	**(9.171)**	**(8.196)**
Deferred tax		
Origination and reversal of temporary differences	26.986	(7.827)
Adjustments in respect of prior years	-	-
Adjustments for change in tax rates	-	-
Total deferred tax	**26.986**	**(7.827)**
Income tax (expense) benefit	**17.815**	**(16.023)**

Deferred taxes as at 31 December 2022 are calculated at 25,8% (2021: 25,8%).

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)

	2022		2021	
Profit (loss) before taxation	118.984		65.826	
Tax (expense) / benefit at weighted-average statutory rate	(30.698)	**25,8%**	(16.457)	**25,0%**
Tax effects of:				
Withholding tax expense (future)	6.589		(1.275)	
Participation exemption	41.881		856	
Basic tax rate 15 %	43		25	
Deferred tax rate 25,8 %	-		828	
Income tax (expense) benefit	**17.815**	**-15,0%**	**(16.023)**	**24,3%**

Movement in deferred tax balances

(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)**

(in thousands of EUR)

	Net balance at 1 January 2021	(Charged) / Credited through the statement of profit and loss	Balance at 31 December 2021		
			Net balance	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	(183)	9	(174)	-	(174)
Leases	186	(8)	178	178	-
Investments in equity instruments	(5.321)	(1.275)	(6.596)	-	(6.596)
Impairment allowance for loans to related parties	23.761	(6.533)	17.228	17.228	-
Impairment allowance for undrawn loan commitments	889	(198)	691	691	-
Derivative financial instruments	8.602	176	8.778	119.763	(110.985)
Total	**27.934**	**(7.828)**	**20.106**	**137.861**	**(117.755)**

29. 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.

Investments in equity instruments

Refer to note 7 for disclosures in relation to the Company's investments in the equity instruments of related parties.

Loans receivable

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

(in thousands of EUR)

	Original currency	31 December 2022	31 December 2021
Loans receivable			
Volkswagen AG	EUR	28.279.025	28.739.202
Volkswagen Autoeuropa, Lda.	EUR	-	33.356
Volkswagen Financial Services (UK) Ltd.	GBP	1.225.537	310.006
Volkswagen Finans Sverige AB	SEK	116.529	126.263
Volkswagen Group Charging CZ	CZK	169	81
Volkswagen Group Real Estate Czech Republic s.r.o.	CZK	47.875	9.680
Volkswagen Leasing GmbH	EUR	4.081.504	1.043.460
SKO-ENERGO s.r.o.	CZK	35.364	19.717
Volkswagen International Luxemburg S.A.	GBP	63.985	280.257
Total		**33.849.988**	**30.562.022**

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

(in thousands of EUR)

	2022	2021
Loans receivable		
Beginning of the period	30.562.022	33.593.297
Loans advanced	7.260.711	1.878.510
Loan repayments received	(3.807.589)	(4.984.239)
Interest accrued	515.444	462.885
Interest received	(462.885)	(510.758)
Foreign exchange movements	(41.228)	94.061
Movements in ECL	(176.487)	28.266
End of the period	**33.849.988**	**30.562.022**

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 2022
Loans payable			
Volkswagen International Belgium S.A	CZK	5,91%	87
Total			**87**

(in thousands of EUR)	Original currency	Average interest rate (%)	31 December 2021
Loans payable			
Volkswagen International Belgium S.A	EUR	0,66%	33.371
Volkswagen International Belgium S.A	CZK	3,07%	29.480
Total			**62.851**

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

(in thousands of EUR)

	2022	2021
Loans payable		
Beginning of the period	62.851	108.155
Proceeds from loans	83	29.446
Loan repayments	(62.768)	(74.708)
Interest accrued	4	71
Interest paid	(71)	(113)
Foreign exchange movements	(12)	-
End of the period	**87**	**62.851**

Cash-pool receivable

As of 31 December 2022, the Company had a cash pool balance with Volkswagen International Belgium N.V.

(in thousands of EUR)

	31 December 2022	31 December 2021
Cash-pool receivables	619.637	166.078
Total	**619.637**	**166.078**

Further details are disclosed in note 12.

Other transactions

Commission fee

The service fees, as disclosed in note 20, 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.

30. Subsequent events

No subsequent events that require disclosure nor adjustment have occurred.

31. 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.

32. Directors and Supervisory Directors

Management Board:

- Christopher R. Norrod, Amsterdam

Supervisory Board:

- Björn Bätge (Chairman), Wolfsburg
- Dr. Marcus Hellmann, Braunschweig
- Bjoern Reinecke, Braunschweig

.

Amsterdam, 13 March 2023

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

Other information

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Independent auditor's report

To: the shareholders and supervisory board of Volkswagen International Financial N.V.

Report on the audit of the financial statements 2022 included in the financial report

Our opinion

We have audited the financial statements for the financial year ended 2022 of Volkswagen International Finance N.V. based in Amsterdam.

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 2022 and of its result and its cash flows for 2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) 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 2022
- The following statements for 2022: the income statement, the statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies 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. 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 a 100% subsidiary of Volkswagen Finance Luxemburg S.A., who in turn is a 100% subsidiary of Volkswagen AG (hereinafter: VWAG). The Company is a public limited liability company and the main purpose of the Company is the financing of and participation in 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. 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	€277 million (2021: €248 million)
Benchmark applied	0.8% of total assets
Explanation	We have used total assets as a benchmark as we believe that this benchmark is the most appropriate metric for the financial position of the Company. In our opinion, the holders of the debt issued by the Company are most interested in the receivables of the loans issued to related parties, which is best represented by total assets.

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 €13.9 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 client in the financial services industry. We involved specialists in the areas of IT audit and income tax and have made use of our own experts in the areas of valuation of financial instruments.

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 Volkswagen International Financial N.V. and its environment and the components of the system of internal control, including the risk assessment process and 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 management board report for management board's (fraud) risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment. 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 and 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.

As in all of our audits, we addressed the risks related to management override of controls. For these risks we have performed procedures among others 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. 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, including those with related parties. These risks did however not require significant auditor's attention.

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, reading minutes and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected legal expenses and the management board minutes and we have been informed by management that there was no correspondence with lawyers nor regulatory authorities 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 31 'Going concern' to the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements,

management board made a specific assessment of Volkswagen International Financial N.V.'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 management exercising professional judgment and maintaining professional skepticism. We considered whether management'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.

Based on our procedures performed, we did not identify material uncertainties about going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matter

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. In comparison with previous year, the nature of our key audit matter did not change.

Existence of the loans issued to related parties Note 8	
Risk	Volkswagen International Finance N.V. is a financing entity entering into financing agreements with Volkswagen AG and Volkswagen AG group companies. Volkswagen International Finance N.V.'s assets primarily consist of loans and interest receivable from Volkswagen AG and Volkswagen AG group companies. We consider the existence of these loans receivable a key audit matter due to the relative size of these loans in relation to the financial statements as a whole and for the bond holders of the Company.
Our audit approach	We have applied mainly substantive audit procedures on the balances of loans issued to related parties. These procedures included, amongst others: ▶ Obtaining an understanding of the process for entering into loans with related parties ▶ Inspecting loan agreements for the loans issued to the related parties. ▶ Obtaining loan confirmations to verify the existence of the loans issued to related parties ▶ Inspecting that the interest is received in accordance with the loan agreements. ▶ Evaluating the appropriateness of accounting policies applied related to recognition of loans issued to related parties in accordance with IFRS 9 "Financial Instruments" In addition to the steps above we assessed the adequacy of the disclosures which are included in Note 8 to the financial statements.

Existence of the loans issued to related parties Note 8	
Key observations	Based on the results of our work, we did not identify evidence of material misstatement in the existence of loans issued to related parties. The disclosures on loans issued to related parties meet the requirements of IFRS-EU.

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 Financial 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 Financial N.V. has prepared the 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 by Volkswagen International Financial 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 Volkswagen International Financial N.V.'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 financial report in XHTML format and performing validations to determine whether the financial report in XHTML has been prepared in accordance with the technical specifications as included in 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-IFRS 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 audit committee of the supervisory board 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, 13 March 2023

Ernst & Young Accountants LLP

Signed by M.L. Milet de St Aubin