

Financial report 2020

Volkswagen International Finance N.V.

Amsterdam

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Supervisory Board Report

The balance sheet total and the operating result for the financial year 2020 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 2020, the credit rating agencies updated their rating assessments for Volkswagen AG. Moody's maintained the rating at P-2 / A3 (short term / long term) and changed the outlook to negative while Standard & Poor's maintained the rating at A-2 / BBB+ (short term / long term) and also changed the outlook to negative. The outlook change from stable to negative occurred on the background of the Covid-19 pandemic.

The Management Board reported in 2020 regularly to the Supervisory Board on the developments regarding issuance activities and risk exposure. 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 increased its funding and lending activities with Group companies without taking on additional risks

One third of the Supervisory Board of the Company is female.

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 13 May 2020, Ernst & Young Accountants LLP, Rotterdam was appointed as independent auditors for the fiscal year 2020. The independent auditors audited the annual financial statements of VIF and issued an unqualified audit opinion

Amsterdam, 29 April 2021

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Original was signed by
Stefan Rasche, Chairman of the Supervisory Board

Management Board Report

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 EUR 30 billion that adheres to the European Prospectus Directive, as well as the EUR 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 negative outlook. Standard & Poor's assessed VWAG's creditworthiness as A-2 (short-term) and BBB+ (long-term) with a negative outlook. The outlook change from stable to negative occurred on the background of the Covid-19 pandemic

In 2020 VIF continued with funding from the Capital Markets issuing bonds amounting to EUR equivalent of 5.6 billion (no activity in 2019). VIF redeemed in 2020 multiple bond issues with a EUR equivalent of 1.8 billion (2019: EUR 4.5 billion). The Company borrowed from VW Group companies EUR 0.1 billion (2019: EUR 0.5 billion) and repaid EUR 0.5 billion (2019: EUR 0.5 billion).

As Volkswagen AG continued to issue commercial paper in its own name under the Commercial Paper Programme, in 2020 VIF made no commercial paper issuances.

Financial Results

Despite a reduction in consolidated VW Group sales by 11.8% to EUR 222.9 billion, VIF was able to increase its lending assets from EUR 30.5 billion to EUR 33.9 billion, assisting companies in the Automotive Division to maintain their market position. All outstanding loans have been fully performing.

VIF realized a gain of EUR 23.8 million after tax in 2020 (2019: EUR 36.1 million). The Company generates income mainly from the Group financing business.

Net cash from operating activities amounted to EUR 33.3 million (2019: EUR 37.3 million).

In 2020, VIF paid the result of 2019 of EUR 36.1 million as a dividend to its shareholder.

Given the fact that issuances under the DIP and CP-programmes are guaranteed by VWAG, the overall financial position of VIF is sound.

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.

From an operational point of view the Covid pandemic required an adjustment in the office attendance. Following the guidelines from the Dutch government, employees have been asked to work from home as much as possible, The IT-environment was conducive to facilitate the access to the central systems at VWAG, the central IT-provider for the VW Automotive Division. The internal control system has proven to work effectively also under the remote working conditions, no negative incidences have been observed.

The main financial risks of VIF are liquidity risk, credit risk, currency risk, interest rate risk and shareholder 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 defined as the risk of incurring losses as a result of a default of a borrower or bank.

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.

Shareholder risk refers to the risk that losses with a negative impact on the carrying amount of an equity investment could be incurred, following an impairment assessment of the prospects of the subsidiary.

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.

Credit risk is addressed by monitoring the financial stability of the Group borrowers and external banks. 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.

Shareholder risk is monitored through impairment assessments, taking into account the economic and financial prospects of the subsidiaries. Adjustment measures are coordinated with Volkswagen AG.

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 2020, 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 2018 reviewed by the Dutch Tax Authorities. For the tax return 2019, a final assessment has not yet 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").

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 2020, which will be available on the website www.volkswagenag.com.

Global spread of Coronavirus (SARS-COV-2)

At the end of December 2019, initial cases of a sometimes fatal respiratory disease became known in Wuhan, in the Chinese province of Hubei. This disease is attributable to a novel coronavirus. Infections also appeared outside China from mid-January 2020. In Europe, the number of people infected rose continuously in the course of February, and especially in March and April 2020. While many European countries recorded declining numbers of new infections as the second quarter of 2020 progressed, the rate of new infections continued to rise in North, Central and South America, Africa and parts of Asia. In the second quarter, many of the measures taken to contain the Covid-19 pandemic were gradually relaxed, especially in Europe. This included partially lifting border controls and travel restrictions, relaxing lockdowns as well as the reopening of businesses and public facilities. In addition, the European Commission and numerous European governments approved aid packages to support the economy. In other regions, too, governments introduced measures aimed at shoring up the economy to counteract the enormous disruption to everyday life and economic activity caused by the Covid-19 pandemic. During the third quarter, and particularly during the fourth quarter of 2020, a partly very rapid increase in new infections was again recorded in many parts of the world. To contain the spread of the virus, governments reversed the easing of restrictions and imposed lockdowns in various countries.

The Covid-19 impact on VIF was limited despite the lower sales volumes for Volkswagen AG Group. The loan volume lent by VIF increased and the VIF financial result reached EUR 33,3 million (2019: EUR 37,3 million). The rating agencies maintained the rating of VIF and lowered only the outlook from stable to negative which did not impact the funding rates for VIF.

Expectations 2021

Guidance on the economic development 2021 given by the Volkswagen Group anticipates that – assuming successful containment of the Covid-19 pandemic – deliveries to customers in 2021 will be significantly up on the previous year amid continued challenging market conditions, which means that also financing requirements for the Automotive Division will increase while the operating result is expected to be in line with the previous year.

Under a scenario of a prolonged Corona crisis with a protracted economic recovery, the financial situation of VIF's borrowers might be negatively impacted. Sales of Group companies might only slowly recover to pre-Covid levels. Measures to adjust the production capacities to the lower sales volumes might only partially lower relevant cost structures. Overall the repayment capacity of VIF's restructured borrowers should still be sufficient to honor their outstanding payment obligations.

VIF will continue in 2021 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 2021. Taking into account the expected growth in business volume and the interest environment, the development of interest income should be at a similar level as in previous years. 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 are only two Managing Directors on the Management Board of the Company. The Company will deal with this recommendation in the future.

The Management Board declares to the best of their knowledge:

1. the financial statements for 2020 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 2020 and the risks to which the Company is exposed.

Amsterdam, 29 April 2021

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Original has been signed by
Thomas Fries, Managing Director

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Original has been signed by
Vincent Delva, Managing Director

Financial statements

Balance sheet as at 31 December 2020

(after proposed profit appropriation)

	Ref.	31 December 2020		31 December 2019	
		EUR'000	EUR'000	EUR'000	EUR'000
<i>Assets</i>					
Fixed assets					
Tangible fixed assets	5		91		114
Financial fixed assets					
Shares in participations	6	165,690		165,690	
Loans to Volkswagen Group companies	7	29,555,225		27,753,621	
Total non current assets			29,721,006		27,919,425
Current assets					
Receivables due from Volkswagen Group companies	7	4,318,465		2,693,997	
Receivables due from affiliates of the Volkswagen Group	7	3,811		9,847	
Other assets	8	14,195		31,880	
Prepayments and accrued expenses	9	3,663		2,548	
Total current assets			4,340,134		2,738,272
Cash at banks and in hand	10		131,109		131,953
Total assets			34,192,249		30,789,650

The accompanying notes are integral parts of these financial statements.

	Ref.	31 December 2020		31 December 2019	
		EUR'000	EUR'000	EUR'000	EUR'000
<i>Shareholders' equity and liabilities</i>					
Shareholders' equity	11				
Issued and paid-up share capital		103,035		103,035	
Share premium reserve		12,120		12,120	
Retained earnings		107,208		119,475	
Total shareholders' equity			222,363		234,630
Provisions	12		7,181		7,506
Long-term liabilities	13				
Bonds		29,601,398		27,718,249	
Liabilities to Volkswagen Group companies		33,333		100,000	
Total long-term liabilities			29,634,731		27,818,249
Current liabilities	14				
Bonds		3,748,777		1,817,408	
Liabilities to Volkswagen Group companies		74,822		435,403	
Other liabilities		492,775		459,900	
Deferred income		10,884		15,978	
Current income tax		-		6	
Trade payables		28		10	
Accrued liabilities		688		560	
Total current liabilities			4,327,974		2,729,265
Total shareholders' equity and liabilities			34,192,249		30,789,650

The accompanying notes are integral parts of these financial statements.

Income statement for the year ended 31 December 2020

		2020		2019	
	Ref.	EUR'000	EUR'000	EUR'000	EUR'000
Results from shares in participations	17,20			11,306	
Interest income and similar income	16	1,032,363		978,115	
Interest expenses and similar expenses	16	(999,069)		(940,797)	
Net interest and other finance income			33,294		48,624
Administrative expenses					
- Salaries and wages	21	(1,926)		(1,721)	
- Social security contributions	21	(130)		(136)	
- Pension contributions	21	(232)		(185)	
- Amortization/ depreciation expenses	5	(31)		(37)	
- Other administrative expenses	22	(1,337)		(1,288)	
- Additional provision for liabilities	23	-		(29)	
Total administrative expenses			(3,656)		(3,396)
Net operating income			29,638		45,228
Other operating income					
- Fees received	18	1,300		1,300	
- Other income	19	445		495	
- Releases of provisions for liabilities	24	325			
Total other operating income			2,070		1,795
Profit and (loss) before income taxes			31,708		47,023
Taxation on result on ordinary activities	28		(7,903)		(10,951)
Net profit and (loss) after taxation			23,805		36,072

The accompanying notes are integral parts of these financial statements.

Cash flow statement for the year ended 31 December 2020

	2020		2019	
	EUR'000	EUR'000	EUR'000	EUR'000
Cash (used in) generated from operations				
Interest received	914,098		1,018,193	
Interest paid	(866,738)		(953,618)	
Other operating income	1,386		1,351	
Guaranty fees paid	(1,519)		(2,579)	
Paid bank charges, general expenses & salaries	(3,260)		(2,949)	
Tax received/ paid	(9,160)		(7,154)	
Total cashflow from operations		34,807		53,244
Cash flow from investment activities				
Proceeds from participations	(371)		19,042	
Loans issued to VW Group companies & JV	(5,725,566)		(471,767)	
Collection of loans to VW Group companies & JV	2,293,682		10,055,443	
Net cash from/ used in investment activities		(3,432,256)		9,602,717
Cash flow from financing activities				
Proceeds from borrowings	5,727,543		498,158	
Repayment of borrowings	(2,328,189)		(5,033,902)	
Proceeds from Commercial Papers	-		-	
Repayment of Commercial Papers	-		(5,092,750)	
Derivatives	33,323		36,554	
Dividends paid	(36,072)		(59,565)	
Net cash from/ used in financing activities		3,396,605		(9,651,505)
Net cash flows		(844)		4,456
Balance as at 1 January		131,953		127,497
Movement		(844)		4,456
Balance as at 31 December		131,109		131,953

The accompanying notes are integral parts of these financial statements.

Notes to the financial statements

1 General

1.1 Activities

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'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 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. VIF has lent the proceeds of these borrowings to VW Group companies and affiliates of 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 2020 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 Luxemburg ('CSSF').

1.2 Related parties

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

1.3 Consolidation and shares in participations

In 2014, VIF became a 100% subsidiary of Volkswagen Finance Luxemburg S.A. ('VFL'), which itself is 100% owned by Volkswagen AG, the ultimate parent company. The consolidation, including all subsidiaries of VIF, is performed at VWAG level. These consolidated financial statements can be obtained from the Company and are also filed with the Dutch Chamber of Commerce on an annual basis.

Participations where VIF holds more than 50% of the shares are in principle consolidated at VIF level, unless the voting rights are restricted by legal agreement.

In case of the participation in the joint venture Volkswagen Group Saudi Arabia LLC, VIF holds 51% but there is no consolidation requirement, in line with the agreement of 2014 according to which VIF can only exercise voting rights upon specific instruction of Volkswagen Finance Luxemburg S.A.

In case of the participation in Skoda Auto Volkswagen India Private Ltd. (VWIPL), VIF holds 20% and concluded a de-dominance agreement with VFL under which VIF will execute any shareholder and voting rights only based on instructions by VFL, i.e. the control over VWIPL is no longer with VIF but with VFL and consequently VWIPL has not been consolidated with VIF.

In case of the participation in Volkswagen Autoeuropa, Lda (VWAE) VIF holds 26% and VFL, parent company of VIF, holds the remaining 74% and consequently VIF holds no significant influence in VWAE.

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

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

Impairment is determined by establishing the enterprise value on the basis of a discounted cash flow analysis based on the internal budget. For further details on impairments of previous year, see note 20.

The following overview contains information on the shares in participations, especially the percentage in the issued capital. For details on the book value, see note 6.

Name, registered office	Share in issued capital (%)
Volkswagen Autoeuropa, Lda., Palmela, Portugal	26
Volkswagen Group Saudi Arabia LLC, Riyadh, Kingdom of Saudi Arabia	51
Skoda Auto Volkswagen India Private Ltd., Pune, India	9

In 2020, Management received reports regarding the economic situation of the participations. Upon review of these reports, it was concluded that no Impairment had to be applied.

Besides the above listed participations VIF held 1 share shareholdings in Volkswagen do Brasil Indústria de Veículos Automotores Ltda., São Bernardo do Campo, Brazil, which was sold in December 2020. The carrying value of the participation was zero. The share price was less than EUR 1 and the share was transferred for free.

For further details on shares in participations, see note 6.

1.4 Note to the cash flow statement

Consolidated cash flows for the whole Volkswagen Group are included in the Volkswagen AG consolidated financial statements. A separate cash flow statement for the Company is not required by Dutch law. To be in line with the practice in the capital market, VIF prepares a cash flow statement, using the direct method.

The cash items disclosed in the cash flow statement are comprised of cash and cash equivalents. Cash flows denominated in foreign currencies have been translated at average exchange rates. Exchange differences affecting cash items are included in the respective amounts.

Cash from loans granted are included in cash from/ used in investment activities. Cash from borrowings and capital increases/ dividends paid/ received are included in cash from/ used in financing activities.

All other movements are included in cash used or generated from operations.

1.5 Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Dutch Civil Code, the nature of these estimates and judgements, including the related assumptions, is disclosed in the notes to the financial statement items in question. Estimates used for accounting of financial fixed assets and impairment of assets are disclosed under note 2.5, 2.6 and 2.7.

2 Principles of valuation of assets and liabilities

2.1 General

The financial statements are prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code. The financial statements are presented in EUR, which is also the Company's functional currency, and have been prepared on a going concern basis.

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or fair value. If not specifically stated otherwise, they are recognized at the amounts at which they were acquired or incurred. The balance sheet and the income statement include references to the notes.

Unless otherwise stated, amounts are shown in thousands of euros (EUR'000). All amounts shown are rounded, so minor discrepancies may arise from addition of these amounts. Negligible discrepancies could also arise in the comparison with the prior year owing to adjustments in the rounding methodology.

2.2 Comparison with prior year

The principles of valuation and determination of result remain unchanged compared to the prior year.

2.3 Foreign currencies

Functional currency

The financial statements are presented in EUR, i.e. the functional and reporting currency of VIF.

Transactions, receivables and liabilities

Monetary assets and liabilities denominated in foreign currencies are translated at the period end-rate prevailing on the balance sheet date. Investments in participations are stated at the historical exchange rate at the date of the transaction.

Transactions denominated in foreign currencies are initially recorded at the functional currency exchange rates at the date of transaction. Monetary balance sheet items denominated in foreign currencies are translated at the functional currency exchange rates at the balance sheet date. Non-monetary balance sheet items that are measured at historical cost in a foreign currency are translated at the functional exchange rates ruling at the date of transaction. Non-monetary balance sheet items that are measured at current value are translated at the functional exchange rates ruling at the date of valuation.

Foreign currency exchange rate results arising on the settlement or translation of monetary items denominated in foreign currencies are recognized in the income statement.

2.4 Tangible fixed assets

Tangible assets are stated at acquisition or production cost less straight-line depreciation over the estimated useful economic life

Depreciation of fixed assets with limited useful lives is charged based on the following useful lives:

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

The useful economic life and depreciation method are evaluated as of each balance sheet date.

2.5 Financial fixed assets

Shares in participations

Participations and other participating interests in which the Company exercises significant influence are valued according to the net asset value method. In the event that 20% or more of the voting rights can be exercised, it may be assumed that there is significant influence.

The net asset value is calculated in accordance with the accounting principles that apply for these financial statements. If the valuation of a participation based on the net asset is negative, it will be stated at nil.

Newly acquired participations are initially recognized based on the fair value of their identifiable assets and liabilities at acquisition date. For subsequent valuations, the principles that apply for these financial statements are used, with the values upon their initial recognition as the basis.

The amount by which the carrying amount of the participation has changed since the previous financial statements as a result of the net result achieved by the participations is recognized in the statement of income and expenses.

Participations over which no significant influence can be exercised are valued at historical cost.

If an asset qualifies as impaired, it is measured at its impaired value; any write-offs are disclosed in the income statement.

The shares in participations are specified in note 1.3.

Loans to Volkswagen Group companies and affiliates of the Volkswagen Group

These loans to Volkswagen Group companies and affiliates of Volkswagen Group are loans with a remaining term of more than one year. Receivables disclosed under financial assets are recognized initially at fair value of the amount owed. These receivables are subsequently measured at amortized cost. The main rule is that amortized cost equals the carrying amount of the asset net of any repayments on the principal and plus, or net of, the accumulated amortization, calculated using the straight-line amortization. Additionally, transaction costs are included in the initial valuation and recognized in profit or loss. Impairment losses are deducted from amortized cost and expensed in the income statement.

2.6 Current assets

All current assets have a maturity within one year.

Receivables due from Volkswagen Group companies and affiliates of the Volkswagen Group

Receivables are recognized initially at fair value and subsequently measured at amortized cost.

Other assets

The swap interest receivables and income tax receivables are shown under other assets and are initially valued at cost and subsequently at their amortized cost value.

Prepayments and accrued expenses

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

Cash at banks and in hand

Cash at banks and in hand represents deposits at banks with a maturity of less than one year, cash in hand and bank balances. Cash at banks and in hand is carried at nominal value. Cash and banks denominated in foreign currencies are translated at the period end-rate prevailing on the balance sheet date.

2.7 Impairment of financial assets

On each balance sheet date, the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset is considered impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the statement of financial position date, and that loss event has had an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For loans and receivables, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of expected future cash flows discounted at the assets original effective interest rate. The amount of the loss is included in the profit and loss statement. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the profit and loss statement.

2.8 Provisions

Provisions are recognized for legally enforceable or constructive obligations that exist at the balance sheet date, and for which it is probable that an outflow of resources will be required and a reliable estimate can be made.

Provisions are measured at the best estimate of the amount that is necessary to settle the obligation as per the balance sheet date.

If obligations are expected to be reimbursed by a third party, such reimbursement is included as an asset in the balance sheet if it is probable that such reimbursement will be received when the obligation is settled.

2.9 Long-term liabilities

Bonds

The bonds are initially valued at fair value with subsequent measurement at their amortized cost value. All long-term bonds have a remaining maturity of more than one year. No assets were pledged as collateral by the Company.

Liabilities to Volkswagen Group companies

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

2.10 Current liabilities

All current liabilities have a maturity within one year.

Bonds

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

Liabilities to Volkswagen Group companies

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

Other liabilities

The swap interest payables with a run-off period within one year are shown under other liabilities and are valued at their nominal value.

Deferred income

The deferred income concerns premiums and cost compensations and is amortized over the remaining life of the transaction.

Current income tax

The current Dutch nominal tax rate of 25.0% has been applied. For further information, see Note 28.

Trade payables

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

Accrued liabilities

The accruals are valued at the expected costs.

2.11 Financial instruments

Loans included in financial and current assets, as well as liabilities and derivative financial instruments, are stated at amortized cost. The Company applies hedge accounting to hedging instruments when hedging interest and currency risk on borrowings and lendings. The Company documents the relationship between hedging instruments and hedged items at the inception of the transaction. Both the derivative and the hedged item are stated at amortized cost. The gain or loss relating to any ineffective portion is recognized in the income statement within finance cost. For more information about the value of the assets, assigned as hedged item, see note 7, of the liabilities see notes 13 and 14 and of the financial instruments see note 27. The Company has no derivative financial instruments other than the ones used for hedging.

Hedge accounting

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

is an indication of ineffectiveness, the Company measures this potentially ineffective part by conducting a quantitative ineffectiveness analysis.

Cost price hedge accounting

The Company applies cost price hedge accounting to hedge interest risk and currency-risk on borrowings. For the following instruments, (Cross currency) interest rate swaps and FX Swaps hedge accounting is applied.

In applying cost price hedge accounting, the initial recognition of, and the accounting policies for the hedging instrument are dependent on the hedged item, which has the following implications:

- if the hedged item is recognized at cost in the balance sheet, the derivative instrument is also stated at cost;
- as long as the hedged item is not yet recognized in the balance sheet, the hedging instrument is not re-measured (this applies, for instance, to hedging currency risks on future transactions);
- if the hedged item qualifies as a monetary item denominated in a foreign currency, the derivative instrument, where it has currency elements, is also stated at the period end-rate prevailing at the balance sheet date.

The ineffective portion of the hedge is recognized directly in the income statement.

Hedge effectiveness is assessed by comparing the critical characteristics of the hedge instrument with those of the hedged position. If there is an indication of ineffectiveness, the Company measures this potentially ineffective part by conducting a quantitative ineffectiveness analysis.

3 Principles determination of result

3.1 General

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

3.2 Exchange rate differences

Exchange rate differences arising upon the settlement of monetary items are recognized in the income statement in the year that they arise unless hedged, see note 16.

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

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

3.4 Result from participations

Dividend to be received from participating interests not carried at net asset value and unquoted securities are recognized as soon as VIF acquires the right to it. The book value of the participations is considered annually and impairments are directly recognized in the income statement.

3.5 Administrative expenses

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

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

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

Other administrative expenses include office expenses, consulting and audit fees.

3.6 Other operating income

Other operating income include income that are not directly attributable to the interest income, the main operation of the company.

3.7 Taxation

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

4 Financial instruments

4.1 Market risk

General market risk due to events at Volkswagen AG

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.

Volkswagen International Finance N.V.'s commercial success largely depends on the financial health and the reputation of the ultimate shareholder Volkswagen AG and due to the events, Volkswagen International Finance N.V. may not succeed in obtaining funds for financing requests in due time and to the extent necessary.

Guidance on the economic development 2021 given by the Volkswagen Group anticipates that – assuming successful containment of the Covid-19 pandemic – deliveries to customers in 2021 will be significantly up on the previous year amid continued challenging market conditions, which means that also financing requirements for the VW Automotive Division will increase while the operating result is expected to be in line with the previous year

In addition, because of the investigation, Volkswagen International Finance N.V. as an issuer may face risks arising from legal disputes from investors claiming damages for alleged breaches of capital market laws.

Currency risk

To avoid currency risk, the loans to Volkswagen Group companies and to affiliates of the Volkswagen Group and related funding are generally matched in currency terms. If not, currency swaps are executed to achieve the matched basis.

In cases where the matching cannot be achieved completely, the Supervisory Board has set small currency limits for individual currencies; policies are closely monitored and enforced. Consequently, currency risk is relatively remote. In 2020, the limits were not exceeded.

Interest rate risk

Based on funding requests by Volkswagen Group companies and to affiliates, VIF issues notes to investors matching the fixed or variable interest requirement of the related parties. In cases where the investor looks for a different interest structure, VIF is using interest rate swaps or cross currency interest rate swaps to convert the interest into the structure required by the related parties. The Supervisory Board authorized 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 2020, no limits were exceeded.

Market risk fluctuations in terms of currency and interest rate risk caused by the Covid-19 pandemic, did not have an impact on the financial results since VIF is closing open risk positions using derivatives according to the established risk policies of VIF.

4.2 Credit risk

The risk of default arising from loans granted, account balances and derivative instruments involves the risk of default by counterparties.

VIF is extending loans to Volkswagen group companies and affiliates of Volkswagen group, 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 analyzed based on financial reports, planning forecasts and discussions with VWAG headquarters. Based on the analysis, the credit risk of VIF-borrowers is considered to be remote.

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

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

4.3 Liquidity risk

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 2020, 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 continues to issue commercial paper based on the existing EUR 15.0 billion Commercial Paper Program to finance the requirements of Volkswagen group companies and affiliates of the Volkswagen group.

To ensure flexible refinancing possibilities, Volkswagen AG has arranged for committed and uncommitted bank facilities for general corporate purposes.

5 Tangible fixed assets

Movements in tangible fixed assets are as follows:

	Tangible fixed assets (other installations, business and office equipment)	
	Total 2020	Total 2019
	EUR'000	EUR'000
1 January	426	424
Additions	8	2
Disposals	-	-
Amortization/depreciation (accumulated)	(343)	(312)
31 December	91	114
Amortization/depreciation current year	(31)	(33)

The starting balance of 1 January 2020 shows the gross purchase value of the fixed assets. The ending balance as per 31 December 2020 shows the net book value.

6 Shares in participations (fixed assets)

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

	Book value	
	31 December 2020	31 December 2019
	EUR'000	EUR'000
Volkswagen Autoeuropa, Lda.	132,987	132,987
Volkswagen Group Saudi Arabia LLC	3,517	3,517
Skoda Auto Volkswagen India Private Ltd.	29,186	29,186
Total investments in participations	165,690	165,690

Movements in shares in participations follow:

	Shares in participations	
	2020	2019
	EUR'000	EUR'000
Acquisition cost		
As at the beginning of the year	165,690	165,504
Additions during the year	-	-
Return of capital	-	-
As at the end of the year	165,690	165,504
Write downs		
As at the beginning of the year	-	-
Additions during the year	-	-
Reversals during the year	-	186
As at the end of the year	-	186
Carrying amount	165,690	165,690

For details on impairment, see note 20.

Shares in participations

The shares in participations are specified in note 1.3.

Further details to VIF's participations are as follows:

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

-	Incorporation on 24 June 1991.		
-	Contribution to VIF: 28 November 2006 (50%), 10 December 2008 (24%)		
-	Withdrawal from VIF: 27 June 2014 (48%)		
-	Equity 31 December 19	in thousands EUR	385,002
-	Net earnings 2019	in thousands EUR	46,055

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

Skoda Auto Volkswagen India Private Ltd., Pune, India (VWIPL)

-	Incorporation: 6 February 2007		
-	Participation rate VIF: 8.6%		
-	Equity 31 March 2020	in million INR	39,597
-	Net earnings 31 March 2020	in million INR	1,236

Skoda Auto Volkswagen India Private Ltd. was established 6 February 2007 and was owned by VWAG (90.99% capital rights, 0.01% voting rights) and VIF (9.01% capital rights, 99.99% voting rights). Its main purpose is the design, development, manufacturing, production, assembly, sales, distribution, export, import and/or marketing automotive vehicles and related parts, components and accessories.

In 2019, Volkswagen Group Sales India Pvt. Ltd and Skoda Auto India Pvt Ltd were merged into Volkswagen India Private Ltd, which subsequently was renamed to Skoda Auto Volkswagen India

Private Ltd. Due to this restructuring of the Volkswagen group companies in India, the capital- and voting rights of VIF in VWIPL have changed to 8.6% capital rights and 65.59% voting rights.

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

- Joint venture contract signed on 13 December, 2012.
- Incorporation: 8 April 2013.
- Participation rate VIF: 51%
- Equity 31 December 2019 in thousands SAR 33,201
- Net earnings 2019 in thousands SAR (1,269)

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

On 26 July 2017, the joint venture signed an agreement with the intention to liquidate VGSA. The last available financial statements are from 2018.

In the course of 2017, it became apparent that the economic situation of VGSA requires a restructuring of the Saudi Arabian sales organization. This restructuring resulted in an impairment of the shareholding in VGSA of an equivalent of EUR 4.8 million in 2017 and a second impairment for an equivalent of EUR 1.3 million in 2018).

7 Loans to and receivables due from Volkswagen Group companies and affiliates of the Volkswagen Group (fixed and current assets)

Amounts due from Volkswagen Group companies and affiliates of the Volkswagen Group included in financial fixed and current assets:

	31 December 2020			31 December 2019		
	Term < 1 year	Term > 1 year	Total	Term < 1 year	Term > 1 year	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Amounts due from Volkswagen Group companies	4,318,465	29,555,225	33,873,690	2,693,997	27,753,621	30,447,618
Amounts due from affiliates of the Volkswagen Group	3,811	-	3,811	9,846	-	9,846
	<u>4,322,276</u>	<u>29,555,225</u>	<u>33,877,501</u>	<u>2,703,844</u>	<u>27,753,621</u>	<u>30,457,465</u>

31 December 2020

	Original currency	Weighted average effective interest rate (%)	Book value	Market value
			EUR'000	EUR'000
Fixed asset loans to Volkswagen	EUR	3.12	29,128,767	34,113,131
	GBP	1.59	300,000	297,861
	SEK	0.84	126,458	131,190
			<u>29,555,225</u>	<u>34,542,182</u>
Current receivables due from Volkswagen Group companies	EUR	3.08	2,303,477	2,375,952
	USD	1.44	1,500,000	1,322,598
	CZK	0.58	4,230	4,231
			<u>3,807,707</u>	<u>3,702,781</u>
Current receivables due from affiliates of the Volkswagen Group	CZK	0.59	3,811	3,812
Accrued and other receivables due from Volkswagen Group companies and affiliates			510,758	510,758
			<u>514,569</u>	<u>514,570</u>
Total loans to and receivables due from Volkswagen Group companies and affiliates of the Volkswagen Group			<u>33,877,501</u>	<u>38,759,533</u>

The market 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 Volkswagen Group traded in the financial markets retrieved from Reuters. The country risk premium is based on the country in which the counterparty is located.

By issuing a letter of comfort to the lenders, Volkswagen AG guarantees that obligations of companies and affiliates of the Volkswagen Group will ultimately be met. This is why the Company believes that the book value equals the expected value, hence no impairment has been recorded, even though the market value can be higher or lower than the book value.

The weighted average effective interest rate is calculated for the outstanding loans as per year end.

31 December 2019

	Original currency	Average interest rate (%)	Book value	Market value
		%	EUR'000	EUR'000
Fixed asset loans to Volkswagen Group companies	EUR	3.23	25,953,621	30,163,700
	USD	3.16	1,500,000	1,460,627
	GBP	2.31	300,000	317,672
			27,753,621	31,941,999
Current receivables due from Volkswagen Group companies	EUR	0.83	1,219,840	1,259,165
	USD	4.25	659,352	679,020
	CNY	5.37	355,164	323,276
	CZK	2.21	1,574	1,576
			2,235,930	2,263,037
Current receivables due from affiliates of the Volkswagen Group	CZK	2.20	9,840	9,846
Accrued and other receivables due from Volkswagen Group companies and affiliates			458,074	458,074
			467,914	467,920
Total loans to and receivables due from Volkswagen Group companies and affiliates of the Volkswagen Group			30,457,465	34,672,956

The movement of the loans for the financial fixed assets and receivables due from Volkswagen Group companies and affiliates of the Volkswagen Group consists of the following:

	31 Dec 2020	31 Dec 2019
	EUR'000	EUR'000
Beginning of the period	30,457,465	40,112,108
Loans advanced	5,725,567	471,767
Loan repayments received	(2,293,682)	(10,055,443)
Interest accrued	510,758	458,074
Interest received	(458,074)	(505,018)
FX difference on loans	(64,533)	(24,023)
End of the period	33,877,501	30,457,465
Long-term	29,555,225	27,753,621
Short-term	4,322,276	2,703,844

8 Other assets

The account consists of the following:

	31 Dec 2020	31 Dec 2019
	EUR'000	EUR'000
Interest receivable from banks	12,669	31,164
Income tax receivable	1,489	540
Positive fair value forex	11	166
Rental deposit	11	10
Trade receivables	15	-
	<u>14,195</u>	<u>31,880</u>

The interest receivable from banks relates to the swap agreements and to deposits. The income tax receivable relates to recoverable income taxes.

9 Prepayments and accrued expenses

	31 Dec 2020	31 Dec 2019
	EUR'000	EUR'000
Prepayments	2,850	2,548
Accrued Expenses	813	-
	<u>3,663</u>	<u>2,548</u>

In the course of 2017, it became apparent that the economic situation of Volkswagen Group Sales Saudi Arabia (VWGSA) required a restructuring of the Saudi Arabian sales organization, i.e. 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 have been transferred to VIF. Final tax payments are assessed by the Saudi Arabian tax authorities. Once they have been paid, the final settlement with the Saudi Arabian co-investors will be established. It is expected that this settlement will occur within one year.

10 Cash at banks and in hand

	31 Dec 2020	31 Dec 2019
	EUR'000	EUR'000
Cash at Volkswagen International Belgium S.A. (cash pooling)	131,109	131,953
Cash at external bank accounts	-	-
	<u>131,109</u>	<u>131,953</u>

All cash balances are at the free disposal of the Company and bear market interest rates.

11 Shareholders' equity

Share capital

On 31 December 2020, the subscribed capital of the Company amounted to EUR 104,370,000, of which an amount of EUR 103,035,000 was paid up, representing 103,035 registered and issued shares of EUR 1,000 each. The Company has no mandatory reserves.

	Issued and paid-up share capital	Share premium reserve	Retained earnings	Total Shareholder's equity
	EUR'000	EUR'000	EUR'000	EUR'000
Balance as at 1 January 2019	103,035	12,120	142,968	258,123
Dividend paid	-	-	(59,565)	(59,565)
Result for 2019	-	-	36,072	36,072
Balance as at 31 December 2019	103,035	12,120	119,475	234,630
Balance as at 1 January 2020	103,035	12,120	119,475	234,630
Dividend paid	-	-	(36,072)	(36,072)
Result for 2020	-	-	23,805	23,805
Balance as at 31 December 2020	103,035	12,120	107,208	222,363

12 Provisions

The movement in provisions is as follows:

	2020	2019
	EUR'000	EUR'000
1 January	7,506	7,506
Additions	-	-
Disposals	(325)	-
31 December	7,181	7,506

The balance of the provision in 2019 was mainly relating to a possible impairment of TEUR 7,181 on the advance payments to the Saudi Arabian partners in Volkswagen Group Saudi Arabia and the remaining tax issues still pending for the former participation Volkswagen Caminhões, Ltda. for TEUR 325, which was dissolved in 2020, see note 24.

13 Long-term liabilities

This consists of the following:

	31 Dec 2020	31 Dec 2019
	EUR'000	EUR'000
Bonds (listed and unlisted)	29,601,398	27,718,249
Liabilities to Volkswagen Group companies	33,333	100,000
	<u>29,634,731</u>	<u>27,818,249</u>

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

	Original currency	Weighted average effective interest rate (%)	31 December 2020	
			Book value	Market value
			EUR'000	EUR'000
Maturity longer than 5 years				
Bonds (listed)	EUR	3.18	18,230,703	21,061,142
Bonds (listed)	GBP	3.83	912,307	1,061,268
Maturity less than 5 years				
Bonds (listed)	EUR	2.33	10,332,113	10,715,011
Bonds (listed)	CNY	3.41	126,275	125,316
Total long-term bonds			<u>29,601,398</u>	<u>32,962,737</u>

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 weighted average effective interest rate is calculated for the outstanding loans as per year end.

For comparison purposes, the long-term bond overview of 2019 is as follows:

	Original currency	Average interest rate (%)	31 December 2019	
			Book value	Market value
		%	EUR'000	EUR'000
Maturity longer than 5 years				
Bonds (listed)	EUR	3.36	14,740,463	16,679,780
Bonds (listed)	GBP	3.80	910,613	1,038,796
Maturity less than 5 years				
Bonds (listed)	EUR	2.17	12,067,173	12,532,513
Bonds (unlisted)	-	-	-	-
Total long-term bonds			<u>27,718,249</u>	<u>30,251,089</u>

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

	Original currency	Weighted average effective interest rate (%)	31 December 2020	
			Book value	Market value
		%	EUR'000	EUR'000
Volkswagen International Belgium S A	EUR	0.66	33,333	33,615
			<u>33,333</u>	<u>33,615</u>

For comparison purposes, the overview of 2019 is as follows:

	Original currency	Average interest rate (%)	31 December 2019	
			Book value	Market value
		%	EUR'000	EUR'000
Volkswagen International Belgium S A	EUR	0.66	100,000	101,063
			<u>100,000</u>	<u>101,063</u>

The movement of the borrowings and bonds (long and short-term) consists of the following:

	31 Dec 2020	31 Dec 2019
	EUR'000	EUR'000
Beginning of the period	30,071,060	39,657,045
Borrowings	5,727,543	498,158
Maturities	(2,328,189)	(5,033,902)
Repayment of commercial papers	-	(5,092,750)
Amortization and FX difference on borrowings and bonds	(12,084)	42,509
End of the period	33,458,330	30,071,060
Long-term	29,634,731	27,818,249
Short-term	3,823,599	2,252,811

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

	2020		
Agency	Short-term	Long term	Outlook
Moody's	P-2	A3	Negative
Standard & Poor	A-2	BBB+	Negative
	2019		
Agency	Short-term	Long term	Outlook
Moody's	P-2	A-3	Stable
Standard & Poor	A-2	BBB+	Stable

14 Current liabilities

This consists of the following:

	31 Dec 2020	31 Dec 2019
	EUR'000	EUR'000
Bonds	3,748,777	1,817,408
Other liabilities	492,775	459,900
Liabilities to Volkswagen Group companies	74,822	435,403
Deferred income	10,884	15,978
Accrued liabilities	688	560
Current income tax	-	6
Trade payables	28	10
	4,327,974	2,729,265

The breakdown of the current bonds is as follows:

			31 December 2020	
	Original currency	Weighted average effective interest rate (%)	Book value	Market value
		%	EUR'000	EUR'000
Bonds (listed)	EUR	2.00	3,748,777	3,760,400
Total short-term bonds			3,748,777	3,760,400

For comparison purposes, the current bonds overview of 2019 is as follows:

	Original currency	Average interest rate (%)	31 December 2019	
			Book value	Market value
		%	EUR'000	EUR'000
Bonds (listed)	EUR	2.00	1,149,937	1,150,690
Bonds (listed)	USD	3.50	667,471	677,052
Total short-term bonds			1,817,408	1,827,742

As per 31 December 2020 and 2019 no Commercial Papers were outstanding.

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

	Original currency	Weighted average effective interest rate (%)	31 December 2020	
			Book value	Market value
		%	EUR'000	EUR'000
Volkswagen International Belgium S.A	EUR	0.66	66,667	67,230
	CZK	0.52	8,041	8,042
Accrued interest			114	114
			74,822	8,109,798

For comparison purposes, the overview of 2019 is as follows:

	Original currency	Average interest rate (%)	31 December 2019	
			Book value	Market value
		%	EUR'000	EUR'000
Volkswagen AG	EUR	0.61	357,128	357,419
Volkswagen International Belgium S.A	EUR	0.66	78,274	78,796
			435,402	436,215

The breakdown of the other liabilities is as follows:

	31 Dec 2020	31 Dec 2019
	EUR'000	EUR'000
Loan and bond interest payables	484,944	450,855
Interest Payables from against banks arising from derivatives	7,765	8,781
Negative fair value forex	30	202
Others	36	62
	<u>492,775</u>	<u>459,900</u>

The breakdown of the deferred income is as follows:

	31 Dec 2020	31 Dec 2019
	EUR'000	EUR'000
Deferred income		
Capitalized issue income	10,884	15,978
	<u>10,884</u>	<u>15,978</u>

Capitalized issue income relates to received up-front payments from cross-currency interest rate swaps, compensating the discount on bonds at issuance. The duration for amortization is the term of the respective swap.

15 Commitments not included in the balance sheet

The following revolving credit facilities are currently outstanding as at 31 December 2020:

Borrower	Currency	Amount '000	Effective date	Termination date
Sko-Energo	CZK	550,000	04.10.2010	open
VW International Belgium	EUR	500,000	31.01.2019	open
VW AG	EUR	1,000,000	19.12.2018	open
VW Autoeuropa	EUR	120,000	30.03.2020	26.02.2021
VW Group Real Estate	CZK	110,000	22.07.2019	open
VW Group Charging	CZK	2,600	03.08.2020	open

For comparison, the revolving credit facilities overview as at 31 December 2019:

Borrower	Currency	Amount '000	Effective date	Termination date
Sko-Energo	CZK	550,000	04.10.2010	open
VW International Belgium	EUR	500,000	29.06.2018	open
VW AG	EUR	1,000,000	19.12.2018	open
VW Autoeuropa	EUR	60,000	07.06.2019	27.03.2020
VW Group Real Estate	CZK	110,000	22.07.2019	open

16 Financial income and expenses

This consists of the following

	2020	2019
	EUR'000	EUR'000
Interest and similar income from group companies and banks	1,032,363	978,115
Interest and similar expenses to banks	(997,886)	(937,166)
Interest and similar expenses to group companies	(1,183)	(3,631)
	<u>33,294</u>	<u>37,318</u>

17 Results from shares in participations

The dividends received and expenses from investments are as follows:

	2020	2019
	EUR'000	EUR'000
Volkswagen Autoeuropa, Lda., Portugal	-	11,120
	<u>-</u>	<u>11,120</u>

18 Fees received

	2020	2019
	EUR'000	EUR'000
Service fees charged to:		
- Volkswagen Financial Services N.V.	1,200	1,200
- Volkswagen Finance Overseas B.V.	100	100
	<u>1,300</u>	<u>1,300</u>

The service fees charge are compensation for the use of VIF's infrastructure and staff under service agreements.

19 Other operating income

The other operating income consists of the following:

	2020	2019
	EUR'000	EUR'000
Translation gains	-	260
Change in Fair Value forex	190	-
Miscellaneous income previous years	159	185
Insurance reimbursements	71	-
Income from sub-rental of office premises	25	50
	<u>445</u>	<u>495</u>

20 Impairment of shares in participations

The breakdown of the impairment expenses is as follows:

	<u>2020</u>	<u>2019</u>
	EUR'000	EUR'000
Skoda Auto Volkswagen India Private Ltd., India	-	186
	<u>-</u>	<u>186</u>

21 Personnel expenses

The breakdown of the personnel expenses is as follows:

	<u>2020</u>	<u>2019</u>
	EUR'000	EUR'000
Salaries and wages	1,926	1,721
Social security contributions	130	136
Pension contributions	232	185
	<u>2,288</u>	<u>2,042</u>

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.

22 Other administrative expenses

Other operating expenses consists of the following

	<u>2020</u>	<u>2019</u>
	EUR'000	EUR'000
Office expenses	596	520
Insurances	149	150
Consulting, auditing and legal fees	136	147
Temporary labour	22	-
Car expenses	52	44
Travel expenses	4	26
Training personnel	3	7
Miscellaneous expenses previous years	26	23
Bank charges	10	10
Translation losses	166	-
Expenses from changes in fair value of forex	173	361
	<u>1,337</u>	<u>1,288</u>

23 Additions for provisions for liabilities

The following additional provisions for liabilities have been booked into the income statement:

	<u>2020</u>	<u>2019</u>
	EUR'000	EUR'000
Provision Gamma	-	(29)
	<u>-</u>	<u>(29)</u>

24 Releases of provisions for liabilities

The total provision for liabilities for the former participation Volkswagen Caminhões, Ltda was released in 2020.

	<u>2020</u>	<u>2019</u>
	EUR'000	EUR'000
Provision Gamma	325	-
	<u>325</u>	<u>-</u>

25 Independent auditor's fees

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

	<u>2020</u>	<u>2019</u>
	EUR'000	EUR'000
Audit of the financial statements	61	72
Other audit procedures	37	63
Tax services	-	-
Other non-audit services	11	8
	<u>109</u>	<u>143</u>

The audits of the statutory accounts in 2020 were performed by Ernst & Young Accountants LLP and in 2019 by BDO Audit & Assurance B.V.

The other audit procedures in 2020 are related to the audit of the quarterly group reporting packages and were performed by Pricewaterhouse Coopers Accountants N.V. and Ernst & Young Accountants LLP.

The other audit procedures in 2019 are related to the audit of the group reporting packages and were performed by Pricewaterhouse Coopers Accountants N.V.

The other non-audit services in 2020 are cost related to the change in auditor and consent letters issued by BDO Audit & Assurance B.V.

The other non-audit services in 2019 are related to consent letter issued by BDO Audit & Assurance B.V.

Neither tax services nor other non-audit services were rendered by either Ernst & Young Accountants LLP, PricewaterhouseCoopers Accountants N.V. or BDO Audit & Assurance B.V.

26 Average number of employees

In 2020, the average number of employees calculated on a full-time-equivalent basis was 14 (2019: 14). There were no employees working abroad.

27 Financial instruments

The company uses derivatives to manage interest and FX exposures that arise as result of mismatches between the loans issued in the capital markets and loans issued to VWAG Group companies and affiliated. On this basis the fair value changes in derivatives are primarily driven by changes in the applicable currencies and related interest curves. The main currencies and interest zones applicable are GBP and CNY as well as SEK and USD.

The Company's policy is to fully hedge its interest rate and exchange rate exposures. The company applies hedge accounting for all derivatives except for short term FX forwards relating to interest positions. The current hedges are all 100% effective during the year.

The financial instruments of the Company had the following notional amounts:

	Up to 1 year	1 to 5 years	More than 5 years	Total
	EUR'000	EUR'000	EUR'000	EUR'000
31 December 2020				
Interest swaps	-	1,250,000	-	1,250,000
Interest/ currency swaps	1,500,000	424,549	889,630	2,814,179
FX Contracts	1,145	1,581	-	2,726
Total notional amounts	1,501,145	1,676,130	889,630	4,066,905
31 December 2019				
Interest swaps	1,000,000	1,250,000	-	2,250,000
Interest/ currency swaps	319,910	1,747,855	918,386	2,986,151
FX Contracts	10,583	2,503	-	13,086
Total notional amounts	1,330,493	3,000,358	918,386	5,249,237

The financial instruments of the Company had the following positive or negative market values. The values are shown as Dirty Prices.

	Interest swaps	Interest/ currency swaps	FX contracts	Total
	EUR'000	EUR'000	EUR'000	EUR'000
31 December 2020				
Positive market value	-	201,535	11	201,546
Negative fair value	(49,793)	(33,856)	(30)	(83,679)
Total market value	(49,793)	167,679	(19)	117,867
31 December 2019				
Positive market value	18,562	101,696	166,362	286,621
Negative fair value	(41,651)	(10,418)	(202,389)	(254,458)
Total market value	(23,089)	91,278	(36,026)	32,163

28 Taxation on result on ordinary activities

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

	2020	2019
	EUR'000	EUR'000
Result from ordinary activities before taxation	31,708	47,023
Of which income from participations (excluding gains/losses forward cover on dividend income and valuation result)	.	(11,120)
Result on ordinary activities	31,708	35,903
Taxation on result on ordinary activities	7,903	10,951
Effective tax rate	24.9%	23.3%
Applicable tax rate	25.0%	25.0%

29 Profit distribution

The result after taxation of EUR 23,804,782.05 has been recognized in the retained earnings. Management proposes to distribute this amount as a dividend to its shareholder.

30 Post balance sheet events

No post balance sheet events that require disclosure nor adjustments have occurred.

31 Directors and Supervisory Directors

Management Board:

- Thomas Fries, Amsterdam
- Vincent Delva, Brussels

The member of the Management Board located in Amsterdam received a remuneration for 2020 in his capacity as Director of the Company over EUR 515.515 (2019: EUR 468,953). This is included in the personnel expenses. The member of the Management Board located in Brussels is employed by Volkswagen International Belgium SA and in his function received his regular salary.

Supervisory Board:

- Stefan Rasche, Tervuren (Chairman)
- Gudrun Letzel, Hannover
- Bjoern Reinecke, Braunschweig

The members of the Supervisory Board located in Wolfsburg receive a fixed fee for all their supervisory board mandates within the Volkswagen Group from VWAG. The member of the Supervisory Board located in Brussels is employed by Volkswagen International Belgium SA and in his function received his regular salary.

Amsterdam, 29 April 2021

Management Board,

Supervisory Board,

Original has been signed by
T. Fries

Original has been signed by
S. Rasche

Original has been signed by
V. Delva

Original has been signed by
G. Letzel

Original has been signed by
B. Reinecke

Other information

Profit appropriation according to the Articles of Association

The Company's Articles of Association provide that appropriation of accrued profit is subject to the decision of the shareholders at the general meeting of shareholders. The Company can only make distributions to the shareholders and other persons entitled up to an amount, which does not exceed the amount of the distributable reserves. The general meeting may resolve to pay dividends from legally distributable reserves.

Independent auditor's report

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

Report on the audit of the financial statements 2020 included in the financial report

Our opinion

We have audited the financial statements 2020 of Volkswagen International Finance N.V. based in Amsterdam.

In our opinion the accompanying company financial statements give a true and fair view of the financial position of Volkswagen International Finance N.V. as at 31 December 2020 and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The balance sheet as at 31 December 2020
- The income statement for the year ended 31 December 2020
- The notes comprising a summary of the 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.

Materiality

Materiality	€273.5 million (2019: €307 million ²)
Benchmark applied	0.8% of total assets
Explanation	We use total assets given the company's main activity is intra-group lending. The company facilitates Volkswagen AG in their financing activities. We have used 0.8% of total assets to ensure relevant balance sheet and income statement items for the financial statement users are appropriately considered in our audit.

² Materiality determined by predecessor auditor

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 €13.7 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.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed. We continued with a key audit matter reported by the predecessor auditor in relation to loans issued.

The matter was addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation and existence of the loans issued

Note 2.5 and note 7

Risk	Volkswagen International Finance N.V. is a financing entity entering into financing agreements with Volkswagen AG Group companies. Volkswagen International Finance N.V. has no substantial assets other than loans and interest receivable from Volkswagen AG Group companies to meet its financial obligations. The company runs the risk that an affiliated company defaults on meeting its obligations. We consider the valuation and existence of the loans receivable a key audit matter due to the size of the loans in relation to the financial statements as a whole.
Our audit approach	<p>We evaluated the financial position and liquidity of the Volkswagen AG Group and affiliated counterparties to assess whether they are able to meet their contractual obligations as well as any guarantees issued. To determine this we have, amongst others:</p> <ul style="list-style-type: none"> • We obtained an understanding of the process for entering into loans, the amortized cost valuations and the loan impairment assessment process • We performed confirmation procedures with the counterparties of the loans • We tested on a sample basis the amortized cost valuations of the loans • We tested the loan impairment analysis prepared by the Company's management and specifically analyzed if there have been impairment triggers (including impacts of COVID-19), challenged critical assumptions and assessed developments in fair values of the loans • We inspected the 2020 financial statements of Volkswagen AG and considered forward looking information and cash flows of Volkswagen AG • We inspected the recent ratings issued by credit agencies for Volkswagen AG <p>In addition to the steps above we assessed the adequacy of the disclosures which are included in note 2.5 and note 7 to the financial statements.</p>

Valuation and existence of the loans issued

Note 2.5 and note 7

Key
observations

Based on the results of our work, we conclude that the valuation of the loans is in accordance with Dutch GAAP and we concur with management that no impairments are identified. We concur with the related disclosures in the financial statements.

Report on other information included in the financial report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The supervisory board report
- The management board report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

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.

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.

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

Report on other legal and regulatory requirements

Engagement

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

No prohibited non-audit services

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

Description of responsibilities for the financial statements

Responsibilities of management and the supervisory board for the financial statements

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

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

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

Our responsibilities for the audit of the financial statements

Our 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. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. 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
- 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

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 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.

The Hague, 29 April 2021

Ernst & Young Accountants LLP

signed by A.A. Kuijpers