IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) EXCEPT TO PERSONS WHO ARE QUALIFIED INSTITUTIONAL BUYERS PURSUANT TO RULE 144A UNDER THE SECURITIES ACT. NOT FOR DISTRIBUTION ELSEWHERE OR OTHERWISE THAN TO PERSONS TO WHOM IT CAN LAWFULLY BE DISTRIBUTED.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering memorandum. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached offering memorandum. In accessing the attached offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information as a result of such access.

CONFIRMATION OF YOUR REPRESENTATION: By accessing the attached offering memorandum, you shall be deemed to have represented that (a) you consent to delivery of the attached offering memorandum and any amendments or supplements thereto by electronic transmission and (b) either (i) you are a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act), or (ii) (A) you are outside the United States and are not a U.S. person (as defined in Regulation S under the Securities Act), nor acting on behalf of a U.S. person and, to the extent you purchase the Securities (as defined herein) described in the attached offering memorandum, you will be doing so pursuant to Regulation S under the Securities Act, and (B) the electronic mail address to which the attached offering memorandum has been delivered is not located in the United States.

The attached offering memorandum has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither Volkswagen AG nor Volkswagen Group of America Finance, LLC nor any of Barclays Capital Inc. ("**Barclays**"), BofA Securities, Inc. ("**BofA Securities**"), J.P. Morgan Securities LLC ("**J.P. Morgan**"), SMBC Nikko Securities America, Inc. ("**SMBC Nikko**") and Wells Fargo Securities, LLC ("**Wells Fargo Securities**") (collectively, the "**Initial Subscribers**") or any of their respective affiliates, directors, officers, employees, representatives and agents or any other person controlling them accepts any liability or responsibility whatsoever in respect of any discrepancies between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Subscribers.

Restrictions: The attached offering memorandum is being furnished in connection with an offering exempt from registration under the Securities Act. Nothing in this electronic transmission constitutes an offer of securities for sale in the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act).

THE ATTACHED OFFERING MEMORANDUM IS BEING PROVIDED TO YOU ON A CONFIDENTIAL BASIS FOR INFORMATIONAL USE SOLELY IN CONNECTION WITH YOUR CONSIDERATION OF THE PURCHASE OF THE SECURITIES REFERRED TO THEREIN. YOU ARE NOT AUTHORIZED TO, AND YOU MAY NOT, FORWARD OR DELIVER THE ATTACHED OFFERING MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED OFFERING MEMORANDUM, IN WHOLE OR IN PART, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE NOTES TO BE ISSUED AND THE GUARANTEE OF THE NOTES (THE "**SECURITIES**") HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE SECURITIES ACT) UNLESS REGISTERED UNDER THE SECURITIES ACT OR PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION.

The distribution of the attached offering memorandum and the offer, sale or solicitation of an offer to buy the Securities is restricted by law in certain jurisdictions. The attached offering memorandum may not be used for, or in connection with, and does not constitute, any offer to sell or solicitation of an offer to buy the Securities by anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorized or is unlawful. Persons into whose possession the attached offering memorandum may come are required to inform themselves about and to observe such restrictions. Further information with regard to restrictions on offers, sales and deliveries of the Securities and the distribution of the attached offering memorandum and other offering material relating to the Securities is set out under "*Plan of Distribution*" in the attached offering memorandum. No action has been or will be taken in any jurisdiction that would, or is intended to, permit a public offering of the Securities, or possession or distribution of the offering memorandum (in preliminary, proof or final form) or any other offering or publicity material relating to the Securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Initial Subscribers or any affiliate of the Initial Subscribers is a licensed broker or dealer in that jurisdiction, the offering will be deemed to be made by the Initial Subscribers or such affiliate on behalf of the issuer, Volkswagen Group of America Finance, LLC, in such jurisdiction.

You are reminded that the attached offering memorandum has been delivered to you on the basis that you are a person into whose possession the attached offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. If you receive this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer of securities for sale to persons other than the specified categories of institutional buyers described above and to whom it is directed, and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

None of the Initial Subscribers, any of their respective affiliates, or any of their respective directors, officers, employees or agents accepts any responsibility whatsoever for the contents of this document or for any statement made or purported to be made by it, or on its behalf, in connection with the issuer or the offer. The Initial Subscribers and any of their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by any of the Initial Subscribers or any of their respective affiliates as to the accuracy, completeness, reasonableness, verification or sufficiency of the information set out in this document.

The Initial Subscribers are acting exclusively for Volkswagen Group of America Finance, LLC and Volkswagen AG and no one else in connection with the offer. They will not regard any other person (whether or not a recipient of this document) as their client in relation to the offer and will not be responsible to anyone other than Volkswagen Group of America Finance, LLC and Volkswagen AG for providing the protections afforded to their clients nor for giving advice in relation to the offer or any transaction or arrangement referred to herein.

The information in this preliminary Offering Memorandum is not complete and may be changed. This preliminary Offering Memorandum is not an offer to sell any securities and we are not soliciting offers to buy any securities in any jurisdiction where the offer, solicitation or sale is not permitted.

VOLKSWAGEN

Volkswagen Group of America Finance, LLC

U.S.$
consisting of
U.S.$ % Guaranteed Notes due 20 ,
U.S.$ % Guaranteed Notes due 20 ,
U.S.$ % Guaranteed Notes due 20 and
U.S.$ Floating Rate Guaranteed Notes due 20
Each with an unconditional and irrevocable guarantee as to payment of principal and interest from

VOLKSWAGEN AKTIENGESELLSCHAFT

The Notes will be issued by Volkswagen Group of America Finance, LLC (the "**Issuer**") and will be unconditionally and irrevocably guaranteed by VOLKSWAGEN AKTIENGESELLSCHAFT (the "**Company**" or "**Guarantor**") (the "**Offering**"). See "*Form of Guarantee of the Notes*". The Issuer is offering U.S.$ Guaranteed Notes due 20 (the "**A Notes**") that will bear interest at a rate of % per annum, U.S.$ Guaranteed Notes due 20 (the "**B Notes**") that will bear interest at a rate of % per annum, U.S.$ Guaranteed Notes due 20 (the "**C Notes**") that will bear interest at a rate of % per annum and U.S.$ Floating Rate Guaranteed Notes due 20 (the "**D Notes**" and, together with the A Notes, the B Notes and the C Notes, the "**Notes**"). Interest on the A Notes will be payable semi-annually in arrear on and of each year, commencing on , 20 . Interest on the B Notes will be payable semi-annually in arrear on and of each year, commencing on , 20 . Interest on the C Notes will be payable semi-annually in arrear on and of each year, commencing on , 20 . Interest on the D Notes will be payable quarterly in arrear on , , and of each year, commencing on , 20 , as described in this offering memorandum (the "**Offering Memorandum**"). The A Notes will mature on , 20 , the B Notes will mature on , 20 , the C Notes will mature on , 20 and the D Notes will mature on , 20 . The Notes of each series will be issued only in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Prior to , 20 with respect to the A Notes, and prior to the applicable par call date (the "**Par Call Date**") with respect to the B Notes and the C Notes, the Issuer may, at its option, further redeem the A Notes, the B Notes and the C Notes in whole or in part, on a *pro rata* basis across such series, at any time as further provided in "*Terms and Conditions of the Notes — Redemption, Purchase and Cancellation — Make whole Redemption of A Notes, the B Notes or the C Notes at the Option of the Issuer*". "Par Call Date" means the B Notes par call date (the date that is one month prior to the scheduled maturity date of the B Notes) with respect to the B Notes or the C Notes par call date (the date that is two months prior to the scheduled maturity date of the C Notes) with respect to the C Notes, as applicable. The A Notes will not be subject to any par call period. The Issuer may also redeem the A Notes, the B Notes, the C Notes and/or the D Notes or all the Notes at the Issuer's option, in whole but not in part, at 100% of their principal amount then outstanding plus accrued interest if certain tax events occur as described in this Offering Memorandum.

The Notes will be unsecured senior obligations of the Issuer and will (i) rank *pari passu* in right of payment with all of the Issuer's existing and future unsecured senior indebtedness, and senior in right of payment to all of the Issuer's existing and future subordinated indebtedness, and (ii) be effectively subordinated in right of payment to all of the Issuer's secured indebtedness, to the extent of the value of the assets securing such indebtedness, and to all existing and future indebtedness of each of the Issuer's subsidiaries. The Notes will be unconditionally and irrevocably guaranteed by the Guarantor. The Guarantor's guarantee of the Notes (the "**Guarantee**" and, together with the Notes, the "**Securities**") will be senior unsecured debt obligations of the Guarantor and will rank *pari passu* in right of payment with all of its other senior and unsecured debt obligations. The Guarantee, which includes a negative pledge by the Guarantor, will be governed by, and construed in accordance with, the laws of the Federal Republic of Germany. The Issuer does not intend to apply to list the Notes on any securities exchange.

Investing in the Notes involves risks. See "*Risk Factors*" beginning on page 12.

Issue Price:
% of the principal amount of the A Notes,
% of the principal amount of the B Notes,
% of the principal amount of the C Notes, and
% of the principal amount of the D Notes
plus, in each case, accrued interest, if any, from , 20

The Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. Accordingly, the Securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or other securities laws. The Securities may be offered and sold in the United States only to qualified institutional buyers ("QIBs") in reliance on Rule 144A under the Securities Act ("Rule 144A") and in transactions outside the United States to non-U.S. persons in reliance on Regulation S. Prospective purchasers in the Unites States are hereby notified that the seller of the Securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser and transferee of the Notes, in making its purchase, will be subject to certain restrictions and must be able to make and will be deemed to have made certain acknowledgements, representations and agreements, for itself and for each account for which it is purchasing, as set forth under "*Purchase and Transfer Restrictions*". The Securities are not transferable except in accordance with the restrictions described under "*Purchase and Transfer Restrictions*".

The Securities will initially be represented by beneficial interests in one or more global notes in registered form without interest coupons (the "**Global Notes**"), which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("**DTC**"). Beneficial interests in a Global Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. See "*Book-Entry, Delivery and Form*".

The Initial Subscribers (as defined below in the section entitled "*Plan of Distribution*") expect to deliver the Notes in book-entry form only against payment in immediately available funds on or about , 2023.

Joint Book-Running Managers

Barclays **BofA Securities** **J.P. Morgan** **SMBC Nikko** **Wells Fargo Securities**

The date of this Offering Memorandum is , 2023

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IMPORTANT NOTICE

You should only rely on the information contained in this Offering Memorandum when making a decision whether to invest in the Notes. None of the Issuer, the Guarantor or any Initial Subscriber has authorized any other person to provide you with different or additional information. If anyone provides you with such information, you should not rely on it. You should assume that the information contained in this Offering Memorandum is only accurate as of the date on the front cover of this Offering Memorandum. The Issuer's and the Guarantor's business, financial condition, results of operations and prospects may have changed since such date.

This Offering Memorandum is confidential. You are authorized to use this Offering Memorandum solely for the purpose of considering the purchase of the Notes described in this Offering Memorandum. You may not reproduce or distribute this Offering Memorandum, in whole or in part, and you may not disclose any of the contents of this Offering Memorandum or use any information herein for any purpose other than considering a purchase of the Notes. You agree to the foregoing by accepting delivery of this Offering Memorandum.

The distribution of this Offering Memorandum and the offering contemplated in this Offering Memorandum may, in certain jurisdictions, be restricted by law and this Offering Memorandum may not be used for the purpose of, or in connection with, any offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. This Offering Memorandum does not constitute an offer of, or an invitation to purchase, any Securities in any jurisdiction in which such offer or invitation would be unlawful. The Guarantor, the Issuer and the Initial Subscribers require persons into whose possession this Offering Memorandum comes to inform themselves of and observe all such restrictions. None of the Guarantor, the Issuer or any Initial Subscriber accepts any legal responsibility for any violation by any person, whether or not a prospective subscriber to or purchaser of Notes, of any such restrictions. For a more detailed description of certain restrictions in connection with the offering, see "*Plan of Distribution — Selling Restrictions*" and "*Purchase and Transfer Restrictions*".

The Issuer and the Guarantor have furnished the information in this Offering Memorandum. The Initial Subscribers make no representation or warranty, expressed or implied, as to the accuracy or completeness of such information, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Subscribers. None of the Issuer, the Guarantor or the Initial Subscribers, or any of their respective representatives, makes any representation to any offeree or purchaser of the Notes offered hereby regarding the legality of an investment by such offeree or purchaser under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes.

Investors also acknowledge that: (i) they have not relied on the Initial Subscribers or any person affiliated with the Initial Subscribers in connection with any investigation of the accuracy of any information contained in this Offering Memorandum or their investment decision; and (ii) they have relied only on the information contained in this document, and that no person has been authorized to give any information or to make any representation concerning the Issuer, the Guarantor or its subsidiaries or the Securities (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer, the Guarantor or the Initial Subscribers.

The Initial Subscribers are acting exclusively for the Issuer and the Guarantor and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Offering and will not be responsible to anyone other than the Issuer and the Guarantor for providing the protections afforded to their respective clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

IN CONNECTION WITH THE OFFERING, THE INITIAL SUBSCRIBERS MAY PURCHASE AND SELL NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY INCLUDE OVER-ALLOTMENT, SYNDICATE COVERING AND STABILIZING TRANSACTIONS. OVER-ALLOTMENT TRANSACTIONS INVOLVE SALES OF NOTES IN EXCESS OF THE PRINCIPAL AMOUNT OF THE NOTES TO BE PURCHASED IN THE OFFERING, WHICH CREATES A SHORT POSITION. SYNDICATE COVERING TRANSACTIONS INVOLVE PURCHASES OF

NOTES IN THE OPEN MARKET AFTER THE DISTRIBUTION HAS BEEN COMPLETED IN ORDER TO COVER SHORT POSITIONS CREATED. STABILIZING TRANSACTIONS CONSIST OF CERTAIN BIDS OR PURCHASES OF NOTES MADE FOR THE PURPOSE OF PEGGING, FIXING OR MAINTAINING THE PRICE OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE INITIAL SUBSCRIBERS (OR PERSON(S) ACTING ON THEIR BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES. ANY OF THESE ACTIVITIES MAY PREVENT A DECLINE IN THE MARKET PRICES OF THE NOTES, AND MAY ALSO CAUSE THE PRICES OF THE NOTES TO BE HIGHER THAN THEY WOULD OTHERWISE BE IN THE ABSENCE OF THESE TRANSACTIONS. THE INITIAL SUBSCRIBERS MAY CONDUCT THESE TRANSACTIONS IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. IF THE INITIAL SUBSCRIBERS COMMENCE ANY OF THESE TRANSACTIONS, THEY MAY DISCONTINUE THEM AT ANY TIME.

In connection with the issue and offering of the Notes, each Initial Subscriber and any of their respective affiliates each acting as an investor for its own account may take up Notes and, in that capacity, may retain, purchase or sell Notes for their own account and any other securities of the Issuer or related investments and may offer or sell such securities or other investments otherwise than in connection with the issue and offering of the Notes. Accordingly, references in this document to the Notes being offered or placed and the Offering should be read as including any offering or placement of securities and Offering to each Initial Subscriber and any of its respective affiliates acting in such capacity. In addition, certain of the Initial Subscribers or their respective affiliates may enter into financing arrangements with investors. The Initial Subscribers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Each investor in the Notes will be deemed to make certain representations, warranties and agreements regarding the manner of purchase and subsequent transfers of the Notes. These representations, warranties and agreements are described in "*Purchase and Transfer Restrictions*".

THE SECURITIES MAY NOT BE OFFERED TO THE PUBLIC WITHIN ANY JURISDICTION. BY ACCEPTING DELIVERY OF THIS OFFERING CIRCULAR, YOU AGREE NOT TO OFFER, SELL, RESELL, TRANSFER OR DELIVER, DIRECTLY OR INDIRECTLY, ANY SECURITIES TO THE PUBLIC.

Notice to Prospective Investors in the United States

The Securities have not been and will not be registered under the Securities Act and the Notes are being offered and sold in the United States only to QIBs in reliance on Rule 144A under the Securities Act and in transactions outside the United States to, or for the account or benefit of, persons who are not U.S. persons (as defined in Regulation S) in reliance on Regulation S. Prospective purchasers in the United States are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Securities are not transferable except in accordance with the restrictions described under "*Purchase and Transfer Restrictions*".

The Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission, any State securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Securities or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

Notice to Prospective Investors in the United Kingdom

This Offering Memorandum has not been approved by a regulator in the United Kingdom. This Offering Memorandum is only being distributed to and is only directed at persons (i) who are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**") or (ii) falling within Article 49(2)(a) to (d) of the Financial Promotion Order (high net worth companies, unincorporated associations, etc.) or (iii) other persons to whom it may be lawfully communicated in accordance with the Financial Promotion Order or (iv) are outside of the

United Kingdom (all such persons falling within (i) – (iv) together being referred to as "**Relevant Persons**"). This Offering Memorandum is directed only at Relevant Persons and this document or any of its contents must not be acted on or relied on by persons who are not Relevant Persons. The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with Relevant Persons.

PRIIPS REGULATION / PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notice to Prospective Investors in Canada

The distribution of the Notes in Canada is being made on a private placement basis only and is exempt from the requirement that the Issuer or any Initial Subscriber prepare and file a prospectus under applicable Canadian securities laws. This Offering Memorandum constitutes an "exempt offering document" as defined in and for the purposes of applicable Canadian securities laws. No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the Notes. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon this Offering Memorandum or on the merits of the Notes and any representation to the contrary is an offence.

Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws. The Notes are subject to a "hold period" or "restricted period" under applicable Canadian securities laws and purchasers must not resell the Notes until expiration of the applicable "hold period" or "restricted period" except in accordance with limited exemptions under applicable Canadian securities laws and compliance with certain other requirements of applicable law. In particular, purchasers are hereby notified that in Canada, unless permitted under applicable Canadian securities legislation, the holder of the Notes must not trade the Notes before the later of (i) the date that is four months and a day after the Notes are issued or (ii) the date that the Issuer becomes a "reporting issuer", as such term is defined under applicable Canadian securities legislation, in any province or territory of Canada. Each purchaser in Canada acknowledges that the certificate representing the Notes, if any, or the related confirmation or other ownership statement may contain a legend reflecting the above-described resale restrictions. The Issuer is not, and may never become a “reporting issuer” in any province or territory of Canada and there is no public market

for any of the securities of the Issuer in Canada, including the Notes, and one may never develop. Canadian purchasers are advised to seek legal advice prior to any resale of the Notes.

Purchasers of the Notes are advised to seek appropriate Canadian legal advice prior to any resale of the Notes as such resales may only be undertaken in accordance with applicable law.

GENERAL INFORMATION

Unless otherwise specified, in this Offering Memorandum, references to the "**Issuer**" are to Volkswagen Group of America Finance, LLC, references to the "**Company**", the "**Guarantor**" or "**Volkswagen AG**" are to VOLKSWAGEN AKTIENGESELLSCHAFT, and references to "**Volkswagen**", the "**Volkswagen Group**", the "**Group**", "**we**", "**us**" and "**our**" are to VOLKSWAGEN AKTIENGESELLSCHAFT together with its consolidated subsidiaries, including the Issuer.

As used in this Offering Memorandum, "**euro**", "**EUR**" or "**€**" means the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Union, as amended from time to time; "**U.S. dollar**", "**U.S. $**", "**USD**" or "**$**" means the lawful currency of the United States; "**Can$**" or "**CAD**" means the lawful currency of Canada; "**Germany**" means the Federal Republic of Germany; and "**United States**", "**U.S.**" or "**USA**" means the United States of America.

The Guarantor is not registered with the U.S. Securities and Exchange Commission (the "**SEC**") and, as such, does not make filings typically required of SEC registrants.

The Guarantor, the Issuer and the Initial Subscribers reserve the right in their absolute discretion to reject any subscription for the Notes or offer to purchase Notes.

Presentation of Financial Data

The consolidated financial statements of Volkswagen Aktiengesellschaft as of and for the years ended December 31, 2022 and December 31, 2021 (respectively, the "**2022 Group Financial Statements**" and the "**2021 Group Financial Statements**," and together, the "**Group Financial Statements**") were prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**") and the additional requirements of German commercial law pursuant to section 315e (1) of the German Commercial Code (*Handelsgesetzbuch, HGB*) and were audited. The condensed interim consolidated financial statements of Volkswagen Aktiengesellschaft as of and for the nine-month period ended September 30, 2023 (the "**Group Interim Financial Statements**" and, together with the Group Financial Statements, the "**Financial Statements**") were prepared in accordance with IFRS on interim financial reporting (IAS 34) and were unaudited but reviewed. Unless otherwise specified, the financial information analysis included or incorporated by reference in this Offering Memorandum is based on the Financial Statements. Where financial information in the tables of this Offering Memorandum is labeled "audited", it has been taken from the Group Financial Statements. The label "unaudited" is used to indicate that financial information in the tables of this Offering Memorandum has not been taken from the Group Financial Statements but has been derived from the Group Financial Statements or has been taken or derived from the Group Interim Financial Statements or the Company's accounting records or management reporting or is based on calculations of figures from the aforementioned sources. Unless otherwise indicated, the 2022 and the 2021 financial information included in this Offering Memorandum has been taken or derived from the 2022 Group Financial Statements. The 2020 financial information has been taken or derived from the 2021 Group Financial Statements. As a result, not all financial information may be comparable.

In the Group Interim Financial Statements the Volkswagen Group applied IFRS 17 "Insurance Contracts" as of January 1, 2023 for the first time. The transition was conducted using the full retrospective approach, unless using that approach was impracticable. This was the case when not all of the required historical information, in particular for multiyear contracts, was available without undue cost and effort. In these instances, the Volkswagen Group generally used the modified retrospective approach. Prior-period comparative figures as of December 31, 2022 and for the nine-month period ended September 30, 2022 in the Group Interim Financial Statements have been adjusted accordingly. For more information see Note "Accounting policies" – "IFRS 17 – Insurance Contracts" to the Group Interim Financial Statements.

The financial information and related discussion and analysis included or incorporated by reference in this Offering Memorandum are presented in euro except as otherwise specified. For certain information regarding rates of exchange between the euro and the U.S. dollar, see "*Exchange Rates*".

Gross cash flow, change in working capital, cash flow from investing activities attributable to operating activities, net cash flow, gross liquidity, net liquidity, ratio of capex to sales revenue, ratio of research and development costs to sales revenue, capex and operating return on sales for the Volkswagen Group are not recognized financial measures under IFRS ("**Non-GAAP financial measures**") and should, for this reason, not be considered as an alternative to the applicable IFRS financial measures. These Non-GAAP financial measures may not be comparable to similarly titled financial measures as presented by other companies due to differences in the way of calculation.

The English translation of the German language independent auditor's reports (*Bestätigungsvermerke des unabhängigen Abschlussprüfers*) on the Group Financial Statements each refer to the Group Financial Statements and the respective group management reports (*Konzernlageberichte*), which are combined with Volkswagen AG's management report (combined management report of Volkswagen Group and Volkswagen AG), as a whole and not solely to the Group Financial Statements incorporated by reference in this Offering Memorandum. The group management reports as a whole are not included or incorporated by reference in this Offering Memorandum. Additionally, the English translation of the German language review report (*Bescheinigung nach prüferischer Durchsicht*) on the Group Interim Financial Statements also refers to the Group Interim Financial Statements and the respective interim group management report (*Konzern-Zwischenlagebericht*), as a whole, which is incorporated by reference in excerpts as described under "— *Incorporation of Certain Information by Reference*" in this Offering Memorandum. The group management reports (*Konzernlageberichte*) and the interim group management report (*Konzern-Zwischenlagebericht*) were prepared in accordance with German generally accepted accounting principles and in accordance with the provisions of the German Securities Trading Act (WpHG — *Wertpapierhandelsgesetz*) applicable to interim group management reports, respectively.

Except for those parts incorporated by reference as described under "— *Incorporation of Certain Information by Reference*" in this Offering Memorandum, the information contained in such group management reports and the independent auditor's reports upon such group management reports should not be relied upon by U.S. investors.

IFRS differs in various material respects from generally accepted accounting principles in the United States of America ("**U.S. GAAP**").

No financial statements or financial information included or incorporated by reference herein have been prepared or presented in accordance with U.S. GAAP or the accounting rules and regulations adopted by the SEC ("**SEC Rules and Regulations**"). As a result, such financial information may differ substantially from financial information prepared in accordance with U.S. GAAP and those rules and regulations. It is not practicable for Volkswagen AG to prepare its financial statements in accordance with U.S. GAAP and the SEC Rules and Regulations or to prepare any reconciliation of Volkswagen AG's consolidated financial statements. In making an investment decision, investors must rely upon their own examination of the Volkswagen Group's financial position, operation and cash flows, the terms of the Offering and the financial information presented herein. Volkswagen urges potential investors to consult their own professional advisers for an understanding of the differences between IFRS and U.S. GAAP, and of how those differences might affect the financial information presented herein.

Industry Information

Certain market data used in this Offering Memorandum, including statistics in respect of product sales volumes and market shares, in particular those under the captions "*Summary*" and "*Business of the Volkswagen Group*", have been obtained from internal surveys of the Volkswagen Group, market research, consultant surveys, publicly available information, reports of governmental agencies, industry publications and surveys, and other sources the Volkswagen Group believes to be reliable. Industry surveys, publications and consultant surveys generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Neither the Issuer nor Volkswagen has independently verified any of the data from third-party sources, or ascertained the economic assumptions relied upon therein. Similarly, internal surveys of the Volkswagen Group and market research, which the Issuer and Volkswagen believe to be reliable, based upon Volkswagen's management's knowledge of the industry, have not been independently verified. Volkswagen does not make any representation as to the

accuracy of information described in this paragraph. Statements as to Volkswagen's market position are based on currently available data. While the Issuer and Volkswagen are not aware of any misstatements regarding the industry data presented in this Offering Memorandum, estimates involve risks and uncertainties and are subject to change based on various factors, including those described under the captions "*Risk Factors*" and "*— Cautionary Note Regarding Forward-Looking Statements*".

Unit sales, delivery and production information provided by Volkswagen

This Offering Memorandum contains definitions used by Volkswagen in respect of "deliveries" and "unit sales". According to these definitions, a vehicle is delivered once it has been handed over to the customer and the term "unit sales" describes those vehicles that have been sold to external wholesalers or to independent authorized dealers. Operational data such as unit sales, delivery and production information appearing in this Offering Memorandum are unaudited.

Rounding

Certain figures included in this Offering Memorandum have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as subtotals or totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Other Information

All references in this Offering Memorandum to:

- "**EU**" are to the European Union;
- "**Notes**" are to the Notes issued in this Offering;
- "**Holder**" or "**Noteholder**" are to each holder of Notes; and
- "**you**" are to investors or potential investors in the Notes.

Additional Information and Reporting

Volkswagen AG currently furnishes, and intends to continue to furnish, to holders of its shares an annual report, which includes its audited consolidated financial statements prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to section 315e (1) of the German Commercial Code (*Handelsgesetzbuch, HGB*). The consolidated financial statements included in the annual reports will be audited and reported upon, with an auditor's report by the Volkswagen Group's independent auditors. As a listed company in Germany, Volkswagen AG publishes quarterly reports to its shareholders, which include unaudited condensed interim consolidated financial statements prepared in accordance with IFRS on interim financial reporting (IAS 34).

Volkswagen AG is not subject to the periodic reporting requirements of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). Volkswagen AG is currently claiming an exemption from the reporting requirements of the Exchange Act pursuant to Rule 12g3-2(b) under the Exchange Act and publishes, in English, on its internet website www.volkswagen-group.com certain information required under such Rule. If, at any time, Volkswagen AG is neither subject to Section 13 or 15(d) of the Exchange Act, as amended, nor exempt from the reporting requirements of the Exchange Act under Rule 12g3-2(b) thereunder, it will provide to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act for as long as the Notes are outstanding.

In addition, this reporting contains inactive textual references to internet websites operated by the Volkswagen Group and third parties. Reference to such websites is made for informational purposes only, and information found at such websites is not incorporated herein by reference.

Volkswagen AG's registered office is located at Berliner Ring 2, 38440 Wolfsburg, Germany.

Incorporation of Certain Information by Reference

This Offering Memorandum incorporates by reference, and should be read and construed in conjunction with, the following information:

- the English translation of the German language audited consolidated financial statements of Volkswagen AG as of and for the year ended December 31, 2022, as included on pages 277 to 463 of the Annual Report 2022 of Volkswagen AG, and the English translation of the German language independent auditor's report, as included on pages 465 to 481 of the Annual Report 2022 of Volkswagen AG;

- the English translation of the German language audited consolidated financial statements of Volkswagen AG as of and for the year ended December 31, 2021, as included on pages 219 to 372 of the Annual Report 2021 of Volkswagen AG, and the English translation of the German language independent auditor's report, as included on pages 374 to 387 of the Annual Report 2021 of Volkswagen AG;

- the Responsibility Statements, as included on page 464 of the Annual Report 2022 of Volkswagen AG and page 373 of the Annual Report 2021 of Volkswagen AG;

- the English translation of the German language unaudited condensed interim consolidated financial statements of Volkswagen AG as of and for the nine-month period ended September 30, 2023, as included on pages 40-75 of the Interim Report of Volkswagen AG January−September 2023 and the English translation of the German language review report, as included on page 76 of the Interim Report of Volkswagen AG January−September 2023; and

- the following sections of the English translation of the German language Interim Report of Volkswagen AG January−September 2023 (the "**2023 Q3 Report Excerpts**"):

	Page
English translation of the German language Interim Group Management Report	
Business Development	8-21
Results of Operations, Financial Position and Net Assets (but excluding the "Report on Expected Developments, Risks and Opportunities" subsection on pages 30 to 33)	22-33
Brands and Business Fields	36-39

The information contained in each document incorporated by reference herein is given as of the date of such document. Such information shall be deemed to be incorporated in, and form part of, this Offering Memorandum, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained or incorporated herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.

You may obtain a copy of the Group Financial Statements, the Group Interim Financial Statements and the 2023 Q3 Report Excerpts by visiting Volkswagen's website at:

- https://www.volkswagen-group.com/presence/investorrelation/publications/annual-reports/2023/volkswagen/Y_2022_e.pdf;

- https://www.volkswagen-group.com/presence/investorrelation/publications/annual-reports/2022/volkswagen/Y_2021_e.pdf; and

- https://www.volkswagen-group.com/en/publications/corporate/interim-report-january-september-2023-2521

Other than the information specified above and specifically incorporated by reference in this Offering Memorandum, such documents do not form part of this Offering Memorandum and the contents of the Company's internet website do not form part of this Offering Memorandum and, in each case, should not be relied upon for the purposes of forming an investment decision with respect to the Notes.

Enforceability of Liabilities and Service of Process

The Company is a stock corporation (*Aktiengesellschaft*) established under German law with its registered office in Wolfsburg, Germany. The majority of the Company's executive officers and directors reside in Germany or other jurisdictions outside the United States and Canada, and all or a substantial portion of the assets of such persons and of the Company are located outside the United States. As a result, it may not be possible for investors to effect service of process in the United States or Canada upon the Company, or upon the Company's executive officers and directors, or to enforce against the Company, or the Company's executive officers and directors, judgments obtained in U.S. courts predicated upon civil liability provisions of the federal securities law or other laws of the United States or judgments obtained in courts in Canada. In general, the enforcement of a final judgment of a United States court requires a declaration of enforceability by a German court in a special proceeding.

Under German law, a stock corporation may indemnify its officers, and, under certain circumstances, German labor law requires a stock corporation to do so. However, a stock corporation may not, as a general matter, indemnify members of the Supervisory Board (*Aufsichtsrat*) and Board of Management (*Vorstand*). Certain limited exceptions may apply if the indemnification is in the legitimate interest of the stock corporation. Volkswagen AG's articles of incorporation do not contain provisions regarding the indemnification of its directors and officers. A German stock corporation may purchase directors' and officers' insurance. Volkswagen AG has obtained liability insurance for members of its Supervisory Board and its Board of Management and certain of its officers.

Cautionary Note Regarding Forward-Looking Statements

This Offering Memorandum contains various forward-looking statements, as such term is defined in Section 21E of the Exchange Act. Forward-looking statements relate to future, not past, events and often contain words such as "aim", "anticipate", "believe", "could", "estimate", "expect", "forecast", "intend", "may", "plan", "potential", "predict", "project", "should", "seek", "will" or "would" or, in each case, their negative, or similar expressions. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements appear in a number of places in this Offering Memorandum, including the sections entitled "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Business of the Volkswagen Group*" as well as in the 2023 Q3 Report Excerpts incorporated herein by reference and include, among other things, statements relating to:

- the Volkswagen Group's strategy, outlook and growth prospects;
- the Volkswagen Group's operational and financial targets and its dividend policy;
- the Volkswagen Group's planned investments;
- general economic trends and trends in the Volkswagen Group's industry;
- the Volkswagen Group's expectations regarding the potential outcomes of legal and regulatory proceedings, including those in relation to the diesel issue; and
- the competitive environment in which the Volkswagen Group operates.

Although Volkswagen believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that they will materialize or prove to be correct. Because these statements

involve risks and uncertainties, the actual result or outcome could differ materially from those set out in the forward-looking statements as a result of, among other things:

- the impact of the Russia-Ukraine conflict and related sanctions measures and any resulting economic or supply chain effects;
- the impact of the semiconductor shortage;
- the impact of changes in economic conditions, including in connection with rising inflation or changes in the interest rate environment;
- the impact of SARS-CoV-2 or other pandemics and related governmental measures or economic impacts;
- the Volkswagen Group's ability to successfully develop, introduce and expand its products;
- competition in the Volkswagen Group's market segments;
- the Volkswagen Group's ability to manage its operations and integrate its recent and future acquisitions;
- changes in international and local economic, business and industry conditions;
- geopolitical tensions and their impact on international trade and commerce, capital markets and global economic conditions;
- significant changes in economic, political and market conditions in China, including the effect of competition from new market entrants, a population decline or other external impacts, on Volkswagen Group's vehicle sales and market position in China;
- consolidation in certain of the Volkswagen Group's customers' industries;
- the Volkswagen Group's ability to retain key personnel or skilled employees;
- the Volkswagen Group's ability to manage the legal and regulatory proceedings faced by it, including those in relation to the diesel issue;
- the Volkswagen Group's ability to manage the legal and regulatory aspects of its operations, including protecting its intellectual property rights and environmental compliance;
- the Volkswagen Group's ability to reduce its costs; and
- the Volkswagen Group's credit risk management.

Additional factors that could cause the Volkswagen Group's actual results, performance or achievements to differ materially include those discussed under "*Risk Factors*".

These forward-looking statements speak only as of the date of this Offering Memorandum. Volkswagen undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law or regulation. Accordingly, prospective investors are cautioned not to place undue reliance on any of the forward-looking statements herein.

1. SUMMARY

1.1 Overview

The Volkswagen Group is one of the world's leading multi-brand companies in the automotive industry in terms of sales volume (i.e., the number of vehicles delivered to dealers). In 2022, Volkswagen Group achieved sales revenue of €279,232 million, operating result of €22,124 million and earnings after tax of €15,836 million. In the first nine months of 2023, Volkswagen Group achieved sales revenue of €235,102 million, operating result of €16,241 million and earnings after tax of €12,868 million. Volkswagen Group delivered 8.3 million vehicles (passenger cars, light commercial vehicles, trucks and buses) to its customers worldwide in 2022 and 6.7 million vehicles in the first nine months of 2023.

Volkswagen Group comprises the following brands: Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, ŠKODA, SEAT/CUPRA, Audi, Lamborghini, Bentley, Ducati, Porsche, MAN, Scania, Volkswagen Truck & Bus and Navistar. For more information on each brand see "*Business of the Volkswagen Group — Volkswagen's Divisions and their Products and Services — Automotive Division*".

The Volkswagen Group's business activities comprise two divisions: the Automotive Division and the Financial Services Division. The Automotive Division is composed of three business areas: Passenger Cars, Commercial Vehicles and Power Engineering:

- The Passenger Cars business area essentially consolidates the Volkswagen Group's passenger car brands and the Volkswagen Commercial Vehicles brand. Activities focus on the development of vehicles, engines and vehicle software, the production and sale of passenger cars and light commercial vehicles, and the genuine parts business. The product portfolio ranges from compact cars to luxury vehicles and also includes motorcycles, and is supplemented by mobility solutions.

- The Commercial Vehicles business area primarily comprises the development, production and sale of trucks and buses, the corresponding genuine parts business, and related services. The commercial vehicles portfolio ranges from light vans to heavy trucks and buses. The collaboration between the commercial vehicle brands is coordinated within TRATON SE.

- The Power Engineering business area combines the large-bore diesel engines, turbomachinery and propulsion components businesses.

The Financial Services Division combines dealer and customer financing, vehicle leasing, direct banking and insurance activities as well as fleet management and mobility services.

The following table provides an overview for the periods indicated of the deliveries to customers (including the joint venture companies in China), sales revenue and operating result of the Volkswagen Group and Volkswagen's divisions:

	For the year ended December 31, (unaudited, unless otherwise indicated)								
	Deliveries to customers[1]			Sales revenue			Operating result		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
	(Thousand vehicles)			(€ million)			(€ million)		
Volkswagen Group[2]	8,263	8,882	9,305	279,232[3]	250,200[3]	222,884[3]	22,124[3]	19,275[3]	9,675[3]
of which:									
Automotive Division[4]	8,263	8,882	9,305	232,385	206,237	182,106	16,468	13,230	6,664
Financial Services Division[5]	–	–	–	46,847[3]	43,963[3]	40,778[3]	5,656[3]	6,045[3]	3,012[3]

(1) Deliveries for 2021 and 2020 have been updated to reflect subsequent statistical trends. As of July 1, 2021, the figures include Navistar.

(2) The sales revenue and operating result of the joint venture companies in China are not included in Volkswagen's figures. The Chinese companies are accounted for using the equity method and recorded a proportionate operating result of €3,280 million €3,026 million and €3,602 million for the years ended December 31, 2022, 2021 and 2020, respectively.

(3) Audited.

(4) Sales revenue and operating result include allocation of consolidation adjustments between the Automotive and Financial Services Divisions.

(5) Financial Services Division corresponds to the Financial Services segment.

	For the nine months ended September 30, (unaudited)					
	Deliveries to customers[1]		Sales revenue		Operating result	
	2023	2022	2023	2022[2]	2023	2022[2]
	(Thousand vehicles)		(€ million)		(€ million)	
Volkswagen Group[3]	6,762	6,243	235,102	202,885	16,241	17,079
of which:						
Automotive Division[4]	6,762	6,243	195,060	168,191	13,226	12,908
Financial Services Division[5]	–	–	40,042	34,693	3,015	4,171

(1) Deliveries for the nine months ended September 30, 2022 have been updated to reflect subsequent statistical trends.

(2) Figures for the nine months ended September 30, 2022 adjusted due to the first-time application of IFRS 17 beginning January 1, 2023.

(3) The sales revenue and operating result of the joint venture companies in China are not included in Volkswagen's figures. The Chinese companies are accounted for using the equity method and recorded a proportionate operating result of €1,880 million and €2,558 million for the nine months ended September 30, 2023 and 2022, respectively.

(4) Sales revenue and operating result include allocation of consolidation adjustments between the Automotive and Financial Services Divisions.

(5) Financial Services Division corresponds to the Financial Services segment.

Volkswagen Group's financial reporting comprises four reportable segments: the Passenger Cars and Light Commercial Vehicles segment, Commercial Vehicles segment, Power Engineering segment and Financial Services segment.

The Automotive Division's three business areas described above conform to Volkswagen's financial reporting segments as follows: The Passenger Cars business area corresponds to the Passenger Cars and Light Commercial Vehicles reporting segment together with the reconciliation, to account for intra-group activities. The Commercial Vehicles business area and Power Engineering business area correspond to the reporting segments of the same name. The Financial Services Division corresponds to the Financial Services segment.

The following tables present an overview of Volkswagen's key figures by reporting segment for the periods indicated:

	For the year ended December 31, 2022 (audited, unless otherwise indicated)						
	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
				(€ million)			
Total sales revenue	210,371	39,516	3,565	46,847	300,299	21,067	279,232
Segment result (operating result)	17,153	1,588	281	5,656	24,677	2,553	22,124
as a % of total sales revenue[1]	8.2	4.0	7.9	12.1	–	–	7.9
Capex, including capitalized development costs[2]	20,125	1,907	84	217	22,334	338	22,672

(1) Unaudited.

(2) In the 2022 Group Financial Statements, shown as investments in intangible assets, property, plant and equipment, and investment property.

	For the nine months ended September 30, 2023 (unaudited)						
	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconcilia-tion	Volkswagen Group
				(€ million)			
Total sales revenue	178,793	33,349	2,876	40,042	255,059	–19,958	235,102
Segment result (operating result)	14,801	2,661	289	3,015	20,766	–4,525	16,241
as a % of total sales revenue	8.3%	8.0%	10.0%	7.5%	–	–	6.9%

From January 1, 2022, responsibilities within the Volkswagen Group were divided among eleven board-level management functions. In addition to the Chair of the Board of Management, a function which also included the Volume brand group, the other Board functions were Purchasing, Technology, Finance, Human Resources and Truck & Bus, Integrity and Legal Affairs, Premium, Sport & Luxury, IT, China and Volkswagen Passenger Cars. With effect from February 1, 2022, a new Group Sales function was created.

As of September 1, 2022, the Volkswagen Group refined its Group management. The Board of Management was streamlined and the division of responsibilities was reorganized. As a result, the Purchasing and Group Sales Board functions were dissolved. Furthermore, the Volkswagen Passenger Cars function was renamed Volume. Since then, responsibilities have been divided among ten board-level management functions. In addition to the Chair of the Board of Management, the other Board functions are Technology, Finance, Human Resources and Truck & Bus, Integrity and Legal Affairs, Volume, Premium, Sport & Luxury, IT and China. The Chair of the Board of Management is also responsible for Sport & Luxury. Directly attached to the Board are a number of Group Management functions that act as an extension to the board-level management functions. These comprise the Group Sales, Group Production, Procurement and Technical Architecture functions.

The "Volume" brand group comprises the Volkswagen Passenger Cars, ŠKODA, SEAT/CUPRA and Volkswagen Commercial Vehicles brands. The "Premium" brand group comprises the Audi, Lamborghini, Bentley and Ducati brands. The "Sport & Luxury" brand group consists of the Porsche brand. In the Truck & Bus brand group, TRATON SE acts as the umbrella for the Scania, MAN, Volkswagen Truck & Bus and Navistar commercial vehicles brands. As well as strengthening the brand groups, the reorganization and creation of new units enabled substantial progress with the Software, Battery & Charging and Mobility Solutions technology platforms in 2022. The software subsidiary CARIAD SE ("**CARIAD**") was further expanded, with a subsidiary of its own in China, among other things.

In addition to this, Volkswagen founded PowerCo SE in 2022 as part of the Battery & Charging technology platform. This company will be responsible for the Group's global battery business. In addition to producing battery cells, it will also take on other activities along the battery value chain in future. In the Mobility Solutions technology platform, Volkswagen strengthened the Group's expertise in advanced fleet management through the equity investment in the Europcar Mobility Group in 2022. The aim is to be able to achieve even better coverage of all customers' mobility needs based on a new mobility platform.

In June 2023 the Volkswagen Group presented a new leadership model. This entailed a realignment that also included a renaming of the brand groups: Volume has become Core, Premium is now called Progressive, Sport & Luxury has changed to Sport Luxury and Truck & Bus to Trucks. A strategic return on sales target has been set for each Group brand as well as for the technology platforms PowerCo and CARIAD. For the purposes of this Offering Memorandum, brand group names as of December 31, 2022 are used for consistency with Group Financial Statements.

Volkswagen sells vehicles in about 150 countries. Volkswagen's key sale markets for its automobiles as of December 31, 2022 include Western Europe, China, the United States, Brazil, Poland, Mexico, Türkiye and the Czech Republic.

The following table presents the regional markets for Volkswagen's products and services and the percentages of sales revenue from external customers by region (in each case excluding the Chinese joint ventures, which are accounted for using the equity method):

	Percentages of sales revenue from external customers by region (unaudited)				
	For the nine months ended September 30		For the year ended December 31		
	2023[2]	2022[1][2]	2022[2]	2021[2]	2020[2]
			(%)		
Europe/Other Markets (including Germany)[3]	58.7	54.4	54.9	58.1	59.8
North America	20.8	21.6	21.3	18.1	16.5
South America	5.2	5.4	5.5	4.4	3.9
Asia–Pacific[4]	15.3	18.6	18.3	19.4	19.8

[1] Figures for the nine months ended September 30, 2022 adjusted due to the first-time application of IFRS 17 beginning January 1, 2023.

[2] Effects of hedging transactions relating to sales revenue in foreign currency are not allocated to regions.

[3] Other Markets mainly comprises Türkiye and South Africa.

[4] The sales revenue of the joint venture companies in China is not included in the figures for the Asia-Pacific market.

Volkswagen had an average of 669,275 employees worldwide (including the equity-accounted Chinese joint ventures) in 2022. As of September 30, 2023, Volkswagen employed a total of 680,288 employees worldwide (including the equity-accounted Chinese joint ventures).

1.2 The Offering

The summary below describes the principal terms of the Notes and the Guarantee. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "*Terms and Conditions of the Notes*" and "*Form of Guarantee of the Notes*" sections of this Offering Memorandum contain more detailed descriptions of the terms and conditions of the Notes and the Guarantee.

Issuer	Volkswagen Group of America Finance, LLC
Guarantor	Volkswagen Aktiengesellschaft
Offered Securities	U.S.$ aggregate principal amount of % Guaranteed Notes due 20 (the "**A Notes**"), U.S.$ aggregate principal amount of % Guaranteed Notes due 20 (the "**B Notes**"), U.S.$ aggregate principal amount of % Guaranteed Notes due 20 (the "**C Notes**") and U.S.$ aggregate principal amount of Floating Rate Guaranteed Notes due 20 (the "**D Notes**" and, together with the A Notes, the B Notes and the C Notes, the "**Notes**").
Guarantee	The Guarantor will unconditionally and irrevocably guarantee the payment of principal, premium, if any, interest and Additional Amounts, if any, payable in respect of the Notes.
Issue Date	, 2023
Maturity Date	The A Notes will mature on , 20 , the B Notes will mature on , 20 , the C Notes will mature on , 20 and the D Notes will mature on , 20 .
Ranking	The Notes will be unsecured senior obligations of the Issuer and will: • rank *pari passu* in right of payment with all of the Issuer's existing and future unsecured senior indebtedness; • rank senior in right of payment to all of the Issuer's existing and future subordinated indebtedness;

	• be effectively subordinated in right of payment to all of the Issuer's secured indebtedness, to the extent of the value of the assets securing such indebtedness; and • be effectively subordinated in right of payment to all existing and future indebtedness and other liabilities of each of the Issuer's subsidiaries. • The Guarantee will be senior unsecured debt obligations of the Guarantor and will rank *pari passu* in right of payment with all of its other senior and unsecured debt obligations.
Interest Payment Dates.....	Interest on the A Notes will be payable semi-annually in arrear on and of each year, commencing on , 20 . Interest on the B Notes will be payable semi-annually in arrear on and of each year, commencing on , 20 . Interest on the C Notes will be payable semi-annually in arrear on and of each year, commencing on , 20 . Interest on the D Notes will be payable quarterly in arrear on , , and of each year, commencing on , 20 .
Compounded SOFR.....	A compounded average of daily SOFR (as defined herein) determined for each quarterly Interest Period in accordance with the specific formula described under "*Terms and Conditions of the Notes – Interest*" based on the relevant Observation Period.
Interest Period.....	Each quarterly period from, and including, an Interest Payment Date (or, in the case of the initial Interest Period, the original issue date) to, but excluding, the immediately succeeding Interest Payment Date (or in the case of the final Interest Period, the Maturity Date).
Interest Payment Determination Date.....	The date that is two U.S. Government Securities Business Days before each Interest Payment Date.
Observation Period.....	In respect of each Interest Period, the period from, and including, the date that is two U.S. Government Securities Business Days preceding the first date in such Interest Period to, but excluding, the Interest Payment Determination Date for such Interest Period. In respect of the payment of any interest in connection with any redemption of the Notes, the period from, and including, the date that is two U.S. Government Securities Business Days preceding the first date in the Interest Period in which such redemption occurs to, but excluding, the date that is two U.S. Government Securities Business Days before such redemption in the case of the floating rate notes tranche.
U.S. Government Securities Business Day.....	Any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.
Regular Record Dates for Interest.....	The close of business on the business day prior to the Interest Payment Date.
Business Day.....	Any day which is a day on which (a) the real time gross settlement system operated by the Eurosystem, or any successor system (T2) is open for business and (b) commercial banks and foreign exchange markets

	settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City.
Day Count Fraction.....	30/360 in respect of the A Notes, the B Notes and the C Notes, and Actual/360 in respect of the D Notes.
Day Count Convention.....	Following unadjusted in respect of the A Notes, the B Notes and the C Notes, and adjusted modified following business day in respect of the D Notes.
Optional Redemption.....	Prior to the applicable Maturity Date with respect to the A Notes, and prior to the applicable Par Call Date (as defined in Condition 6(c)) with respect to the B Notes and the C Notes, the A Notes, the B Notes or the C Notes may be redeemed, in whole or in part, at any time or from time to time, at the Issuer's option, at the redemption price described in "*Terms and Conditions of the Notes — Redemption, Purchase and Cancellation — Make whole Redemption of A Notes, the B Notes or the C Notes at the Option of the Issuer*" in this Offering Memorandum plus in each case accrued and unpaid interest to the date of redemption.
Tax Redemption	The A Notes, the B Notes, the C Notes or the D Notes or all of the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), if: (i) the Issuer or the Guarantor has or will become obliged to pay Additional Amounts (as defined in Condition 8) as a result of any change in, or amendment to, the laws or regulations of any Tax Jurisdiction (as defined in Condition 8), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the Offering Memorandum (or, in the case of a successor to the Issuer or the Guarantor that is organized in or a resident for tax purposes of a jurisdiction other than the United States or Germany, the date of such succession), and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Amounts were a payment in respect of the Notes to be redeemed (or the Guarantee, as the case may be) then due. The Notes will be redeemed at a price equal to 100% of the principal amount of the Notes to be redeemed then outstanding plus accrued and unpaid interest on the principal amount being redeemed (and all Additional Amounts, if any) to (but excluding) the date of redemption.
Payment of Additional Amounts	Subject to certain exceptions, if the Issuer or the Guarantor is required to withhold or deduct certain taxes imposed by the jurisdiction in which it is incorporated or resident for tax purposes or through which it makes payments, from payments made on the Notes or under the Guarantee, the Issuer or the Guarantor, as the case may be, will pay Additional Amounts on those payments so that the amount received by the Holders will equal the amount that would have been received if no such taxes had been applicable.
Certain Covenants.....	The Notes will contain covenants:

	• limiting the Issuer's and the Guarantor's ability to incur liens; and • restricting the Issuer's and the Guarantor's ability to pledge its assets, secure certain borrowings and create or incur liens on its property. These covenants will be subject to a number of important qualifications and limitations.
Cross Default	None
Use of Proceeds.....	The net proceeds from the Notes, less commissions but before expenses payable by the Volkswagen Group in connection with the Notes, will be approximately U.S.$ and will be used by the Volkswagen Group for general corporate purposes, including working capital requirements.
Ratings.....	The Guarantor's long-term credit ratings are A3 (stable) (Moody's Investors Service Ltd.) and BBB+ (stable) (Standard & Poor's Ratings Services). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning credit rating agency. Neither the credit rating agency nor the Issuer and the Guarantor are obligated to provide a holder of Notes with any notice of any suspension, change or withdrawal of any rating.
Transfer Restrictions	The Securities have not been and will not be registered under the Securities Act, or the securities laws of any other jurisdiction. Unless they are registered, the Notes may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or other securities laws and may only be transferred in accordance with the restrictions set forth in "*Purchase and Transfer Restrictions*".
No Prior Market.....	The Notes are new issues of securities for which there currently is no market. The Initial Subscribers have advised Volkswagen that they intend to make a market in the Notes. The Initial Subscribers are not obligated, however, to make a market in the Notes, and any such market-making may be discontinued by the Initial Subscribers in their discretion at any time without notice. Accordingly, Volkswagen cannot assure you that a liquid market for the Notes will develop or be maintained.
Listing.....	The Notes will not be listed on any securities exchange.
Further Issuances	The Issuer may from time to time without the consent of the Noteholders create and issue further notes having in each such case the same terms and conditions as either the A Notes, the B Notes, the C Notes or the D Notes other than the issue price and, if applicable, the first interest payment date (so that, for the avoidance of doubt, references in the conditions of such Notes to "Issue Date" shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with the A Notes, the B Notes, the C Notes or the D Notes, as the case may be, and references in the Conditions (as defined in "*Terms and Conditions of the Notes*") to the "A Notes", the "B Notes", the "C Notes" or the "D Notes" as the case may be, shall be construed accordingly, provided however, that in the event any further notes are not fungible

	with the Notes issued in this Offering for U.S. federal income tax purposes such non-fungible further notes will be issued with a separate CUSIP, ISIN or other identifying number so that they are distinguishable from the Notes.
Denominations	The Notes will be issued only in book-entry form, in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Fiscal and Paying Agent	Citibank, N.A., London Branch Agency & Trust Citigroup Centre Canada Square, Canary Wharf London E14 5LB United Kingdom
Registrar.....	Citibank Europe plc Agency & Trust Department 1 North Wall Quay Dublin 1 Ireland
Governing Law	The Terms and Conditions of the Notes, the Fiscal and Paying Agency Agreement and the Deed of Covenant will be governed by, and construed in accordance with, the laws of England. The Guarantee will be governed by, and construed in accordance with, the laws of Germany.
Risk Factors	Potential investors should carefully consider the information set forth in the section entitled "*Risk Factors*" and the other information included in this Offering Memorandum in deciding whether to purchase the Notes. See "*Risk Factors*".

Notes due 20	**(A Notes)**	**Rule 144A**	**Regulation S**
		CUSIP 928668CA8	CUSIP..... U9273ADW2
		ISIN..... US928668CA84	ISIN USU9273ADW28
Notes due 20	**(B Notes)**	**Rule 144A**	**Regulation S**
		CUSIP 928668CB6	CUSIP..... U9273ADX0
		ISIN.....US928668CB67	ISIN USU9273ADX01
Notes due 20	**(C Notes)**	**Rule 144A**	**Regulation S**
		CUSIP 928668CC4	CUSIP..... U9273ADY8
		ISIN.....US928668CC41	ISIN USU9273ADY83

Notes due 20	**(D Notes)**	**Rule 144A**	**Regulation S**
		CUSIP 928668BZ4	CUSIP..... U9273ADV4
		ISIN..... US928668BZ45	ISIN USU9273ADV45

1.3 **Overview of Consolidated Financial Information of the Volkswagen Group**

The consolidated financial information of the Volkswagen Group set forth below as of and for the years ended December 31, 2022, 2021 and 2020 and the consolidated financial information of the Volkswagen Group as of September 30, 2023 and for the nine-month periods ended September 30, 2023 and 2022 have been taken or derived from and should be read in conjunction with the Financial Statements prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to section 315e (1) of the German Commercial Code (*Handelsgesetzbuch, HGB*) and with IFRS on interim financial reporting (IAS 34), respectively.

Unless otherwise indicated, the 2022 and the 2021 financial information included in this Offering Memorandum has been taken or derived from the 2022 Group Financial Statements. The 2020 financial information has been taken or derived from the 2021 Group Financial Statements. The financial information as of September 30, 2023 and for the nine-month periods ended September 30, 2023, and September 30, 2022 has been taken or derived from the Group Interim Financial Statements. As a result, not all financial information may be comparable.

In the Group Interim Financial Statements, the Volkswagen Group applied IFRS 17 "Insurance Contracts" as of January 1, 2023 for the first time. The transition was conducted using the full retrospective approach, unless using that approach was impracticable. This was the case when not all of the required historical information, in particular for multiyear contracts, was available without undue cost and effort. In these instances, the Volkswagen Group generally used the modified retrospective approach. Prior-period comparative figures as of December 31, 2022 and for the nine-month period ended September 30, 2022 in the Group Interim Financial Statements have been adjusted accordingly. For more information see Note "Accounting policies" – "IFRS 17 – Insurance Contracts" to the Group Interim Financial Statements.

Where financial information in the tables below is labeled "audited", it has been taken from the Group Financial Statements. The label "unaudited" is used to indicate that financial information in the tables below has not been taken from the Group Financial Statements but has been derived from the Group Financial Statements or has been taken or derived from the Group Interim Financial Statements or the Company's accounting records or management reporting or is based on calculations of figures from the aforementioned sources.

Prospective investors should read the selected financial and other information in conjunction with the information contained in the sections "*General Information—Presentation of Financial Data*", "*Risk Factors*", "*Capitalization*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Business of the Volkswagen Group*" as well as in the 2023 Q3 Report Excerpts and the Financial Statements, including the notes thereto, and other financial data and related discussion and analysis included or incorporated by reference in this Offering Memorandum.

Income Statement Information

	For the nine months ended September 30		For the year ended December 31		
	2023	**2022[1]**	**2022**	**2021**	**2020**
	(unaudited)		**(in € million) (audited, unless otherwise indicated)**		
Sales revenue	**235,102**	**202,885**	**279,232**	**250,200**	**222,884**

	For the nine months ended September 30		For the year ended December 31		
	2023	2022[1]	2022	2021	2020
	(unaudited)		(in € million) (audited, unless otherwise indicated)		
Cost of sales	–190,777	–163,769	– 227,005	–202,959	–183,937
Gross result	**44,324**	**39,116**	**52,228**	**47,241**	**38,947**
Distribution expenses	–15,344	–13,913	– 19,840	–19,228	–18,407
Administrative expenses	–9,333	–8,668	– 11,689	–10,420	–9,399
Other operating result[2]	–3,406	544	1,426	1,682	–1,466
Operating result	**16,241**	**17,079**	**22,124**	**19,275**	**9,675**
Share of the result of equity-accounted investments	1,814	1,802	2,395	2,321	2,756
Interest result and other financial result[3]	–355	–1,889	– 2,476	–1,470	–765
Financial result	**1,459**	**–87**	**– 81**	**851**	**1,991**
Earnings before tax	**17,700**	**16,992**	**22,044**	**20,126**	**11,667**
Income tax expense	–4,832	–4,203	– 6,208	–4,698	–2,843
Earnings after tax	**12,868**	**12,789**	**15,836**	**15,428**	**8,824**
of which attributable to					
Noncontrolling interests	1,098	88	393	46	–43
Volkswagen AG hybrid capital investors	421	431	576	539	533
Volkswagen AG shareholders	11,348	12,271	14,867	14,843	8,334

(1) Income statement figures for the nine months ended September 30, 2022 adjusted due to the first-time application of IFRS 17 beginning January 1, 2023.

(2) Total of: other operating income and other operating expenses; unaudited.

(3) Total of: interest income, interest expenses and other financial result; unaudited.

Balance Sheet Information

	As of September 30,	As of December 31,		
	2023	2022[1]	2021	2020
	(unaudited)	(in € million) (unaudited)	(audited, unless otherwise indicated)	
Assets				
Noncurrent assets	**349,509**	**339,853**	**328,261**	**302,170**
Intangible assets	86,824	83,241	77,689	67,968
Property, plant and equipment	64,899	63,890	63,695	63,884
Lease assets	62,892	59,380	59,699	50,686
Financial services receivables	90,989	86,944	84,954	82,565
Investment property, equity–accounted investments, other equity investments, other receivables and financial assets[2]	43,905	46,399	42,224	37,067
Current assets	**245,069**	**224,159**	**200,347**	**194,944**
Inventories	58,512	52,274	43,725	43,823
Financial services receivables	65,070	61,549	56,498	58,006
Other receivables and financial assets[3]	49,620	43,226	37,195	38,044
Marketable securities and time deposits[4]	25,878	37,206	22,532	21,162
Cash and cash equivalents	45,662	29,172	39,723	33,909
Assets held for sale	327	733	674	–
Total assets	**594,577**	**564,013**	**528,609**	**497,114**
Equity and Liabilities				
Equity	**189,117**	**178,328**	**146,154**	**128,783**
Equity attributable to Volkswagen AG shareholders[5]	159,822	151,255	130,009	111,336
Equity attributable to Volkswagen AG hybrid capital investors	15,027	14,121	14,439	15,713
Equity attributable to Volkswagen AG shareholders and hybrid capital investors	174,850	165,376	144,449	127,049
Noncontrolling interests	14,267	12,952	1,705	1,734
Noncurrent liabilities	**204,102**	**202,961**	**218,062**	**202,921**
Financial liabilities	124,984	121,737	131,618	114,809
Provisions for pensions	25,008	27,553	41,550	45,081
Other noncurrent liabilities[6]	54,110	53,671	44,894	43,031
Current liabilities	**201,358**	**182,723**	**164,393**	**165,410**

	As of September 30,	As of December 31,		
	2023	2022[1]	2021	2020
		(in € million)		
	(unaudited)	(unaudited)	(audited, unless otherwise indicated)	
Financial liabilities	104,147	83,448	78,584	88,648
Trade payables	30,028	28,738	23,624	22,677
Other current liabilities[7]	67,032	70,380	61,948	54,085
Liabilities associated with assets held for sale	152	158	238	–
Total equity and liabilities	**594,577**	**564,013**	**528,609**	**497,114**

(1) Balance sheet figures as of December 31, 2022 adjusted due to the first-time application of IFRS 17 beginning January 1, 2023 as shown in the Group Interim Financial Statements.

(2) Including noncurrent tax receivables, noncurrent deferred tax assets; unaudited.

(3) Total of: trade receivables, current other financial assets, current other receivables, current tax receivables; unaudited.

(4) As of December 31, 2022 and as of September 30, 2023, investments in time deposits with maturities of more than three months are reported together with securities.

(5) Total of: subscribed capital, capital reserve, retained earnings, other reserves; unaudited.

(6) Total of: noncurrent other liabilities, deferred tax liabilities, noncurrent provisions for taxes, noncurrent other provisions, noncurrent other financial liabilities; unaudited.

(7) Total of: tax payables, current other liabilities, current provisions for taxes, current other provisions, current other financial liabilities; unaudited.

Cash Flow Statement Information

	For the nine months ended September 30		For the year ended December 31		
	2023	2022[2]	2022	2021	2020
			(in € million)		
	(unaudited)		(audited)		
Cash and cash equivalents at beginning of period	**29,738**	**39,123**	**39,123**	**33,432**	**24,329**
Cash flows from operating activities	**12,560**	**26,886**	**28,496**	**38,633**	**24,901**
Cash flows from investing activities	**–7,714**	**–18,921**	**–41,822**	**–26,128**	**–22,690**
Cash flows from financing activities	**11,723**	**–14,858**	**4,225**	**–7,754**	**7,637**
Effect of exchange rate changes on cash and cash equivalents	–602	796	–285	942	–745
Change of loss allowance within cash and cash equivalents	–1	0	1	–1	0
Net change in cash and cash equivalents	**15,966**	**–6,097**	**–9,385**	**5,691**	**9,103**
Cash and cash equivalents at end of period[1]	**45,704**	**33,025**	**29,738**	**39,123**	**33,432**
Securities and time deposits and loans	40,356	35,893	49,771	34,515	32,645

(1) Cash and cash equivalents comprise cash at banks, checks, cash-in-hand and call deposits.

(2) Cash Flow statement figures for the nine months ended September 30, 2022 adjusted due to the first-time application of IFRS 17 beginning January 1, 2023.

2. RISK FACTORS

Each of the Issuer and the Company believes that the following factors may affect its ability to fulfill its obligations under the Notes and the Guarantee, as applicable. Some of these factors are contingencies which may or may not occur and neither the Issuer nor the Company is in a position to express a view on the likelihood of any such contingency occurring or not occurring.

If any of the risks described below actually materializes, the Volkswagen Group's business, prospects, financial condition, cash flows or results of operations may be materially adversely affected. If that were to happen, the trading price of the Notes may decline, or the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes and the Guarantor may be unable to honor the Guarantee and investors may lose all or part of their investment.

Each of the Issuer and the Company believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer or the Company to pay interest, principal or other amounts on or in connection with any Notes, or otherwise perform their respective obligations under the Notes and the Guarantee, may occur for other reasons which the Issuer and the Company may not consider to be significant risks based on information currently available to them or for reasons which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Offering Memorandum and reach their own views prior to making any investment decision.

The order in which the risk factors are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on the Volkswagen Group's business, prospects, financial condition, cash flows or results of operations.

Risk Factors regarding Volkswagen Aktiengesellschaft and Volkswagen Group

2.1 Macroeconomic, sector specific, markets and sales risks

2.1.1 *Demand for Volkswagen's products and services depends upon the overall economic situation and sector specific requirements; restrictions on trade and increasingly protectionist tendencies can result in a negative trend in markets and impact Volkswagen's unit sales.*

The sales volume of Volkswagen's products and services depends upon the general global economic situation. Economic growth and developments in advanced economies and emerging markets have been adversely affected by volatility in the financial and commodity markets, restrictions on trade, increasingly protectionist tendencies and structural deficits, which pose a threat to the performance of both advanced economies and emerging markets. There may also be decreased demand in certain important sales regions or countries in the future, such as Western Europe, Germany or China, for example due to geopolitical developments, changes in requirements that must be observed in order to operate in certain jurisdictions, a decline in the population that impacts the economic situation or consumer purchasing power in such regions or countries or slower economic growth than in previous years, which could result in lower sales volumes and demand for financial services or otherwise negatively impact the financial position and results of operations of the Group. In addition, there are increasing environmental challenges, for example relating to climate change and natural disasters, that affect individual countries and regions to varying degrees. Furthermore, the worldwide transition from an expansionary monetary policy to a more restrictive one also presents risks for the macroeconomic environment. In particular, inflation rates in many economies worldwide have risen significantly since 2021. Further increases in inflation rates and actions taken by central banks and other state actors to combat rising inflation rates, including raising interest rates, have negatively affected economic growth, have led or may lead to regional or global economic recessions, and may lead to declines in consumer spending and confidence and increase borrowing costs. In addition, high levels of public and private debt, movements in major currencies, volatile energy and commodity prices as well as political and economic uncertainty have in the past and may in the future have a negative impact on consumption, damaging the macroeconomic environment. Certain business areas within the Volkswagen Group, such as Power Engineering, can be particularly affected by changes in the economic environment, which can result in changes in customer demand or the cancellation of existing orders. Such developments could materially adversely impact Volkswagen's sales revenue, net assets, cash flows, financial condition and results of operations.

Particular risks to the economic environment, international trade and demand for Volkswagen's products and services may arise from increasing protectionist sentiment in Volkswagen's key markets and the introduction of further tariff and non-tariff barriers or similar measures due to increasing protectionist tendencies or because of other political reasons. For example, trade tensions between the United States and China, or a reorientation of United States economic policy in an effort to strengthen its domestic value chain could have such an impact. Other domestic policies, such as the United States Inflation Reduction Act of 2022, which provides financial incentives for U.S. consumers to buy North American-assembled electric cars, may have a further negative impact on Volkswagen's sales and results of operations. For example, the United States Inflation Reduction Act of 2022 could have a negative impact on the volume of Audi sales in North America since Audi does not currently assemble battery electric vehicles in the respective free trade zone. Any introduction of additional regional or international trade barriers, including customs duties, minimum local content requirements, changes in taxation which have similar effects, or withdrawal from or renegotiation of multilateral trade agreements, could adversely impact Volkswagen's business and results of operations. Any retaliatory measures by regional or global trading partners could further adversely affect global economic growth and have an adverse impact on Volkswagen's business activities, net assets, financial position and results of operations.

Furthermore, geopolitical tensions and conflicts, along with signs of fragmentation in the global economy, are a further major risk factor to the performance of individual countries and regions. In light of the existing, strong global interdependence of major markets, local developments could have adverse effects on the world economy. Any escalation of the tensions between for example the United States and China as well as in the Middle East or escalation of the conflicts in Eastern Europe, South and East Asia or Africa and especially the current conflict between Russia and Ukraine, for example, have caused and may continue to cause upheaval on the global energy and commodity markets, supply chains and trade and exacerbate migration trends and cause declines for Volkswagen's products and services. See also "*Macroeconomic, sector specific, markets and sales risks – The continuing impact to the global economy, energy supplies, and energy-intensive sectors from the Russian-Ukraine conflict and the sanctions imposed by numerous countries and multinational entities in response thereto is uncertain but may have negative implications for Volkswagen's operations.*". The same applies to violent conflicts, terrorist activities, cyber-attacks and the spread of infectious diseases, such as the coronavirus ("**SARS-CoV-2**") pandemic, which have resulted and may continue to result in unexpected, short-term market reactions and declines in demand for Volkswagen's products and services.

A deteriorating macroeconomic environment may also disproportionately reduce demand for premium, sport and luxury vehicles, which have typically been the most profitable products for Volkswagen Group. Stagnating economic growth or declines or economic disruptions in countries and regions that are major economic centers or are relevant to the global supply chain, in particular the United States and China, have an immediate effect on the global economy and thus pose a key risk for Volkswagen's businesses. The economic development of some emerging economies is also being hampered primarily by dependence on energy and commodity prices and capital inflows, but also by sociopolitical tensions. See also "*Legal Risks – Volkswagen is exposed to political, economic, tax and legal risks in numerous countries*."

2.1.2 ***The continuing impact to the global economy, energy supplies, and energy-intensive sectors from the Russian-Ukraine conflict and the sanctions imposed by numerous countries and multinational entities in response thereto may have negative implications for Volkswagen's operations.***

As of the date of this Offering Memorandum, the Russia-Ukraine conflict has had and will likely continue to have a negative impact on the Volkswagen Group's business. The conflict resulted in increased uncertainty in respect of developments in the global economy and prompted large sections of the community of Western states to impose sanctions on a wide range of Russian state and corporate entities and individuals, ranging from extensive trade embargoes to asset freezes to the exclusion of certain Russian banks from the global financial system; on the other hand, Russia has cut, or limited to a significant extent, exports of energy goods to European countries. This has caused and may continue to cause bottlenecks in the Volkswagen Group's supply chains and parts shortages, volatility in commodity and energy prices and fluctuations in exchange rates. As of the date of this Offering Memorandum, it is not possible to conclusively assess the specific effects that this conflict will have on Volkswagen's business. Nor is it possible to predict with sufficient certainty to what extent a further escalation of the Russia-Ukraine conflict could impact the global economy and the growth of the automotive industry in the future.

While the Volkswagen Group does not have any material subsidiaries or equity investments in Ukraine, its operations have been and may continue to be affected by disruptions to counterparties and third-party suppliers located in the region. In 2022, comprehensive loss allowances on assets of production facilities and financial services companies were recognized, as were risk provisions, especially for third-party expenses expected from the discontinuation of activities in Russia. Overall, total expenses of around €2 billion were recognized in 2022 as a direct result of the Russia-Ukraine conflict, which are reported in cost of sales and in the other operating result. As of September 2023, Volkswagen had sold some companies in Russia and further sale negotiations had been initiated (see also: *2.6.7 Accounting assessments may result in a negative effect. In particular, the value of goodwill, brand names or capitalized development costs reported in Volkswagen's consolidated financial statements may need to be partially or fully impaired as a result of revaluations.*). In relation to the net assets, financial position and results of operations of the Volkswagen Group, the business activities of the Volkswagen Group in these two countries are insignificant; however, there is a risk that a further escalation of the conflict could have a material adverse effect on the results of operations, financial position and net assets of the Group. The full scope of the short and long-term implications of the Russia-Ukraine conflict and the related sanctions are difficult to predict at this time. However, the ongoing conflict has caused and may continue to cause, or contribute to, adverse effects on the global economy as well as general worsening of the macroeconomic environment in Europe, Asia and the U.S. (including the risk of recession).

Furthermore, the conflict has resulted and may further result in direct severe adverse impacts on large consumers of natural gas and energy-intensive sectors specifically (e.g., heavy industry such as steel and aluminum metallurgy, automotive, and chemical manufacturers). European countries have relied to a significant extent on oil and natural gas sourced from Russia and plans to reduce this exposure require an extended period of time to take effect. Depending on developments in the Russia-Ukraine conflict, these risks may become particularly acute during colder weather. Russia has previously cut the delivery of natural gas to various European countries and has progressively reduced, or for periods of time, paused entirely, deliveries of natural gas to other European countries, including Germany, and could potentially entirely cut off the supply of natural gas to certain countries. These measures as well as potential measures may further trigger supply chain issues and energy-shortages, as well as production stoppages in the short term, and in the long-term may lead to a reduction in overall competitiveness, rising unemployment and economic recession in Volkswagen's key markets.

In the event of natural gas supply shortages, industrial corporations that use natural gas may face significant negative impacts if they are unable to meet their energy needs from other sources at acceptable prices, or at all. Affected industrial corporations could include Volkswagen and its suppliers. Volkswagen's customers could also be adversely affected by natural gas shortages or increased natural gas prices and may choose to delay or forgo purchasing its products as a result. In such cases, Volkswagen's business, financial condition and results of operations would be materially and adversely affected.

Contemplated or implemented emergency plans on the part of certain governments may lead to oil and natural gas rationing if Russia further disrupts or halts supplies, and disrupted trade flows may lead to limited oil and gas supplies in the EU, in the short or long-term. As of the date of this Offering Memorandum, EU member states, and in particular Germany, have provided emergency financing to a number of major energy companies to avoid their collapse and have introduced further measures to support certain other energy-intensive companies. Furthermore, national and local government authorities (in particular in Germany) have taken steps in order to reduce energy consumption in the public and private sector. Further, in the event of worsening natural gas supply, national governments may introduce gas rationing plans or measures which permit further market and non-market based measures to prioritize natural gas supply to protected consumers (e.g., private households, essential social services and certain district heating). Government measures rationing gas supplies may cause industrial gas consumers such as the Group and many of its Europe-based suppliers who rely on gas to carry on their manufacturing activities to be unable to meet their energy needs. This could lead to production stoppages, factory shutdowns, a decline in output, delayed product development and decreased sales and sales revenue of the Group or such affected suppliers.

Volkswagen may also experience a rise in commodity prices for various raw materials (e.g., steel, aluminum and battery raw materials) as well as increased dealer and/or supplier claims and disputes due to a lower amount of delivered vehicles or a decrease in the purchase of supplier parts. Furthermore, if any of the above risks materialize, Volkswagen may not be able to adjust its production capacity in a sufficient and timely manner if

demand fluctuates beyond the limits of Volkswagen's organizational and technical flexibility. Volkswagen may not be able to sufficiently reduce its fixed and variable operational costs and defer its own external liabilities, which could potentially materially adversely affect Volkswagen's financial position.

The above risks may also have the effect of heightening Volkswagen's other business risks, such as those relating to cyber-security, supply chain, inflationary and other volatility in prices of goods and materials, and the condition of the markets including as related to Volkswagen's ability to access additional capital, any of which could negatively affect Volkswagen's business. Because of the highly uncertain and dynamic nature of these events, it is not currently possible to estimate the total impact of the Russia-Ukraine conflict on Volkswagen's business, financial condition, results of operations and cash flows in a long-term perspective.

2.1.3 ***The larger share of Western Europe, particularly Germany, and of China in Volkswagen's sales exposes Volkswagen to these regions' overall economic development and competitive pressures. The material deterioration of economic conditions and financial markets in these regions caused by the SARS-CoV-2 pandemic and different effects of the Russia-Ukraine conflict on these regions have resulted and may continue to result in a marked decline in consumer demand and investment activity and has significantly adversely affected and may continue to affect Volkswagen's business.***

In 2022, Volkswagen delivered 33% of its passenger cars and light commercial vehicles to customers in Western Europe. In particular, in 2022, 13% of total Volkswagen's passenger cars and light commercial vehicles deliveries were to customers in Germany. In the same year, Volkswagen delivered 40% of its passenger cars and light commercial vehicles to customers in China. A sustained decrease in demand for Volkswagen's products, especially for battery electric vehicles, and services in Western Europe, especially in Germany, or in China would have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations. This also applies to the commercial vehicle market, in which demand is particularly dependent on economic developments.

A decline in consumer demand or in product prices in Western Europe, Germany or China would have a material adverse effect on Volkswagen's business, financial position and results of operations. The effects of the SARS-CoV-2 pandemic and Russia-Ukraine conflict caused a significant worldwide economic downturn, affecting among others, Europe, Germany and China. This resulted in risks for Volkswagen's trading and sales companies, such as in relation to efficient inventory management and ability to maintain a profitable dealer network. The pandemic also caused a severe decline in demand for automobiles and other goods, which could lead to significant prolonged long-term economic weakness or recession and declines in automobile demand. This has had and could continue to have material adverse effects on Volkswagen's sales revenue, net assets, cash flows, financial condition and results of operations.

2.1.4 ***Volkswagen faces strong competition in all markets, which may lead to a significant decline in unit sales or price deterioration.***

The markets in which Volkswagen conducts business are marked by intense competition, and Volkswagen expects competition in the international automotive market to intensify further in the coming years. In previous years, before the SARS-CoV-2 pandemic, this led to considerable price reductions and increase of incentives offered by individual automobile manufacturers.

Volkswagen expects that the automotive industry will experience significant and continued transformation over the coming years. In the long term, the electrification of vehicles is expected to play an important role and the earnings contribution per vehicle for battery electric vehicles may be lower than that for vehicles with internal combustion engines. This will require Volkswagen to be responsive not only to its traditional competitors but also to new industry entrants and evolving trends in mobility. New participants are seeking to disrupt the industry's historic business model through the introduction of new technologies, products or services, new business models or new modes of transportation and car ownership. Competitive pressure will therefore encompass a wider range of competitors, products and services, including those that may be outside Volkswagen's current main business, such as autonomous vehicles, car sharing concepts and transportation as a service. If Volkswagen does not accurately assess, prepare for and respond to these challenges, its competitive position could erode, and its business could be harmed.

Competitive pressure, particularly in the automotive markets in Western Europe, the United States, China, Brazil and India may further intensify due to cooperation between existing manufacturers or the market entry of new manufacturers, particularly from the United States, China or India, or an expansion of production by existing manufacturers or due to governmental regulations. In addition, Volkswagen's competitors may increasingly attempt to serve the Western European market with their spare production capacity or new product offers oriented towards European consumers. Alongside this, China's automotive industry is intensely competitive, with many domestic and foreign manufacturers attempting to maintain or grow their market share, for example, through marketing incentives. Such competition in China is especially acute in the market for battery electric vehicles, where some Chinese consumers may prefer brands other than Volkswagen, including those of domestic manufacturers. A further increase in competitive pressures in Western European or Chinese markets could result in falling prices and decreasing demand for Volkswagen's vehicles, which could adversely affect sales, operating margins and cause a loss of market share. Intensified competition could reduce the number of Volkswagen's marketable products and services, as well as the prices and margins Volkswagen can obtain, which would negatively affect Volkswagen's market position and could materially adversely affect Volkswagen's general business activities, net assets, financial position and results of operations.

2.1.5 ***A decline in retail customers' purchasing power or in corporate customers' financial situation and willingness to invest as well as increased price pressure could significantly adversely affect Volkswagen's business.***

Demand for vehicles for personal use generally depends on consumers' net purchasing power and their confidence in future economic developments, while demand for vehicles for commercial use by corporate customers (including fleet customers) primarily depends on the customers' financial condition, their willingness to invest (which is affected by expected future business prospects), available financing, satisfaction with current products, and changes in mobility demand. A decrease in potential customers' disposable income or their financial condition will generally have a negative impact on vehicle sales. For example, the material deterioration in the global economy and financial markets, including increases in unemployment levels, rising inflation and interest rates, and partial declines in income and personal wealth caused by the SARS-CoV-2 pandemic and the Russia-Ukraine conflict, have to some extent, led to and may continue to lead to significant declines in demand for automobiles.

A weak macroeconomic environment and higher inflation, combined with restrictive lending and a low level of consumer sentiment, reduces consumers' willingness to buy, lease or finance a vehicle. Government intervention, such as tax increases, can have a similar effect. This tends to lead to existing and potential customers refraining from new vehicle purchases or, if the purchases are made, to potentially choose cheaper and less well-equipped vehicles.

Special sales incentives and increased price pressures in the new car business also influence price levels in the used car market, with a negative effect on vehicle resale values. This may have a negative impact on the profitability of the used car business in Volkswagen's dealer organization including Volkswagen's Financial Services Division.

2.1.6 ***Demand for Volkswagen products, in particular hybrid and electric vehicles, is driven to a certain extent by government incentives, tax incentives and other third-party incentives***

Volkswagen believes that demand for certain vehicles in the Volkswagen Group's product range is partly driven by third-party incentives such as rebates, tax-incentives and other environmental incentives promulgated by the government. This applies in particular to hybrid and electric vehicles.

Government sales incentives, such as temporary tax incentives, could for a given period encourage customers to make vehicle purchases earlier than originally planned, generating the risk that future revenues will be reduced accordingly. Alternatively, government sales incentives may focus on market segments which are not beneficial for Volkswagen. Furthermore, such government incentives may terminate and/or new incentives may provide less incentives for customers to purchase Volkswagen products. This may have a negative impact on the demand for Volkswagen vehicles and adversely affect Volkswagen's general business activities, net assets, financial position and results of operations.

2.1.7 ***Volkswagen's commercial success depends on its own and its competitors' efforts in Asia, North America, South America and Central and Eastern Europe.***

Volkswagen believes that its future growth will, to a considerable extent, depend on demand for products and services of the Volkswagen Group from China, and more generally in growth markets in Central and Eastern Europe, South America, Asia and North America. Accordingly, Volkswagen has increased its investments in these regions and intends to make further investments there in the future. This also applies to Volkswagen's Financial Services Division.

However, a number of growth markets have high customs barriers or minimum local content requirements for production, for example, presenting challenges to Volkswagen's plans. Furthermore, several Volkswagen competitors, in particular major Asian manufacturers, have also considerably expanded their production capacity or are in the process of doing so in these relevant regions. These facilities primarily serve the respective local markets, where demand for automobiles strongly depends on local economic growth.

If local economic growth and demand for Volkswagen's products weaken, Volkswagen may sell fewer products in these markets or obtain lower prices than expected. A decline in, or lack of, economic growth in such local markets could also lead to significantly intensified price competition, rising inventories and excess production capacity. This could significantly decrease Volkswagen's revenue and income. For example, the impact of the SARS-CoV-2 pandemic on local economic growth in these markets, particularly in Asia, has caused, and may continue to cause a significant decline in demand for Volkswagen's products and services, causing Volkswagen to sell fewer products in these markets and/or obtain lower prices than expected. Furthermore, due to a lack of economic growth and resulting price competition, Volkswagen may not realize a return on investments in these markets at all or realize it later than planned, which may have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

Volkswagen's future growth plans significantly depend on the market development in China. Volkswagen operates in the Chinese market mainly through a number of joint ventures. An economic slowdown or new, unfavorable government policies (including ceasing subsidies and trade flow duties) — such as regulations setting quotas for new energy vehicles (e.g., battery electric vehicles and plug-in hybrid electric vehicles) — may affect the demand for automobiles. In addition, restrictions on vehicle registrations in metropolitan areas — such as those in effect, for example, in Beijing, Shanghai and Guangzhou — may be extended to other major cities in China. This could have a material adverse effect on Volkswagen's sales in China.

2.1.8 ***Changing consumer preferences and governmental regulations with respect to modes of transportation could limit Volkswagen's ability to sell Volkswagen's traditional product lines at current volume levels.***

Many consumers today are more focused on acquiring smaller, more fuel efficient and environmentally friendly vehicles, including hybrid and electric models. The size, performance and accessories features of the passenger cars and light commercial vehicles that Volkswagen sells have an impact on Volkswagen's profitability. Generally, larger vehicles in higher vehicle categories with higher engine power contribute more to Volkswagen's operating result than smaller vehicles in lower vehicle categories with lower engine power. It is technically demanding and cost intensive for Volkswagen to develop engines that are smaller and more efficient, but which maintain the same performance. On the other hand, the high level of customer interest in sports utility vehicles (SUV) could impact the carbon dioxide ("**CO_2**") balance of Volkswagen's fleet and Volkswagen could incur higher costs in meeting the applicable CO_2 targets. Volkswagen also faces growing pressure for enhanced digitalization and automated driving features in addition to increasing regulatory requirements. Implementing such changes involves, among other things, technical challenges, the burden of meeting changing customers' preferences, as well as increased costs. For competitive reasons Volkswagen may only be able to pass these costs on to customers to a limited extent, if at all, which could affect Volkswagen's profitability.

In the past, Volkswagen observed that private and commercial users were increasingly open to alternative modes of transportation to the detriment of self-owned vehicles, especially in connection with growing urbanization. While this trend has reversed partly as a result of the SARS-CoV-2 pandemic, it is unclear whether the reversal will continue long-term.

A change in consumer preferences or governmental regulations away from transport by automobile, as well as a trend towards smaller vehicles or vehicles equipped with smaller engines, alternative drivetrains or other technical enhancements could have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

2.1.9 ***Volkswagen's multiple brand strategy may result in overlap in the sales approach, which could lead to weakening of the brands and there could be other developments or restrictions in certain jurisdictions which limit the ability of Volkswagen to successfully deploy its brand strategy.***

In the Automotive Division, Volkswagen has several brands, some of which serve similar customer segments. Additionally, the trend of increasing number of body styles (for example, cross-over body styles) based on customer expectations and competitive actions increases the risk of an overlap in the marketing approach, which can have a negative effect on the overall position and market share of the individual brands. This risk can be intensified by Volkswagen's modular strategy, which provides the same platforms and components for certain segments.

A shift in demand in the volume market in which Volkswagen simultaneously offers many brands and models, for example, in the compact vehicle class, would necessitate additional marketing activities to broaden brand perception and create higher differentiation among brands.

These risks may lead to internal cannibalization, loss of sales or additional expenses associated with higher investment to reposition affected models or brands, which could have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

Volkswagen may also face other limitations in certain jurisdictions which inhibit its overall brand strategy. Any delay or unanticipated legal or other complication related to planned brand deployment as part of Volkswagen's overall strategy could have a negative impact on Volkswagen's general business activities and results of operations.

2.1.10 ***Volkswagen is dependent on the sale of vehicles to corporate customers (including fleet customers) and is therefore dependent on their economic situation and preferences.***

Corporate customers, including fleet customers, generate more stable incoming orders than retail customers. Fleet customers need vehicles to travel, distribute their goods and services and visit their customers. They rely on cars, light commercial vehicles, trucks and busses for their daily work and in most cases, they provide a specific budget for the acquisition of the vehicles, generating stable incoming orders. Fleet registrations of Volkswagen Group passenger vehicles as a share of total registrations in Europe amounted to 42.4% in 2022 for the overall market. The fleet customer business is characterized by increasing concentration and internationalization, such that the loss of individual fleet customers could result in relatively high volume losses.

Although Volkswagen does not depend on any individual corporate customer, corporate customers, in aggregate, represent an important customer group. Therefore, Volkswagen is dependent on this customer segment's economic situation and any worsening of such situation or worsening of the wider macroeconomic environment may deter corporate customers from investing in or from the leasing of vehicles for commercial use leading to a postponement of fleet renewal contracts. For example, the sensitivity of this customer group to the material deterioration of the global economy and the financial markets resulting from the SARS-CoV-2 pandemic (and the resulting shift from business travel to online meetings) has caused and may continue to cause Volkswagen to sell significantly fewer vehicles to such corporate customers. Sales in Volkswagen's truck business are particularly sensitive to economic developments due to the transportation sector's strong cyclicality. The resulting production fluctuations require significant flexibility on the part of truck producers, given the even higher complexity of the product offering with respect to trucks as compared to passenger vehicles. In addition, if Volkswagen sells fewer vehicles to corporate customers, the Financial Services Division may conclude fewer leasing or financing agreements.

Furthermore, due to the higher number of vehicles purchased by corporate customers compared to individual customers, large corporate customers are generally granted larger discounts. There is a risk that Volkswagen may only be able to partially offset discounts to corporate customers, if at all.

Corporate customers tend to include CO_2 restrictions in relation to exhaust emissions into their company policies. There is a risk that large corporate customers will reduce or eliminate purchases of Volkswagen products if the Volkswagen Group is not able to offer products with sufficiently low exhaust emissions values. Additionally, corporate customers are increasingly interested in new forms of mobility as well as mobile online services. There is a risk that Volkswagen could lose sales if the Volkswagen Group's shift to new mobility concepts does not proceed in a timely manner.

A decline in sales to corporate customers could have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

2.1.11 ***Issues in relation to exhaust emissions have negatively affected and may continue to affect brand image or brand confidence.***

The reputation of the Volkswagen Group and its brands is one of its most important assets and forms the basis for the Volkswagen Group's long-term business success. Volkswagen's attitude and strategic orientation with regard to issues such as integrity, ethics and sustainability are the focus of public attention. However, misconduct or criminal acts by individuals and the resulting damage to Volkswagen's reputation can never be completely prevented. In addition, media reactions can have a negative impact on the image of Volkswagen Group and its brands. This effect could be exacerbated by inadequate crisis communication.

Reputational issues may adversely impact Volkswagen's business, revenues, net assets, cash flows, financial condition and results of operations. See also "*Legal Risks – Government authorities in a number of jurisdictions worldwide have conducted and are continuing to conduct investigations of Volkswagen regarding findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The results of these and any further investigations, and related civil and criminal litigation, may have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as the prices of its securities, including the Notes, and its ability to make payments under its securities.*"

2.1.12 ***The SARS-CoV-2 pandemic has had a material adverse effect on Volkswagen's business, affecting sales, production and supply chains, and employees. Further, the SARS-CoV-2 pandemic has caused, and may continue to cause, directly or indirectly, severe disruptions in the European and global economy and financial markets and could potentially create widespread business continuity issues.***

The scale and duration of the SARS-CoV-2 pandemic severely impacted global financial and energy and commodity markets and regional and global economies, pushing most into recession, including Volkswagen's primary markets and the locations of its principal operations, Germany and Europe as a whole, North and South America and China and Asia as a whole.

Measures taken by governments to control the spread of the pandemic have caused and may continue to cause a material deterioration of the global economy and the financial markets, with serious negative consequences for both advanced economies and emerging markets, including all of Volkswagen's core markets, disrupting global supply chains and affecting production output, affecting consumer demand and spending, and adversely impacting a number of industries, including the automobile industry. The resurgence of SARS-CoV-2, or novel mutations thereof, in a number of countries worldwide or the extended duration of impacts from this and different national containment as well as mitigation strategies or another pandemic could further negatively impact financial and energy and commodity markets and regional and global economies.

The effects of the SARS-CoV-2 pandemic have had and may continue to have a material adverse effect on the demand for and sales of Volkswagen's products and services, its business and results of operations. The duration and intensity of the pandemic, national responses thereto, the resulting economic consequences, and the shape of the economic recovery in different regions could individually or together adversely impact Volkswagen's ability to successfully operate in the future. For example, the impact of the SARS-CoV-2 pandemic on global demand, supply chains and commodity and raw material markets as well as the resulting slowdowns or suspensions in production due to lockdowns have affected Volkswagen's business and results of operations. Sales and operations in specific regions or for particular Volkswagen Group brands may be more severely impacted than others depending on differences in the development of the pandemic in different regions and the respective governmental responses thereto. While production, sales revenue and operating results for the

Volkswagen Group partially recovered in 2022, the impacts of the SARS-CoV-2 pandemic on Volkswagen's business, financial position and results of operations may continue.

As a result of the SARS-CoV-2 pandemic and an ensuing decline in vehicle sales in the automotive industry, leading semiconductor manufacturers reassigned their production capacities to other customer sectors which maintained or saw increases in demand, such as consumer electronics. This subsequently resulted in a semiconductor shortage in the automotive industry. Such supply chain issues or other indirect impacts from the pandemic may continue to persist even after the direct impacts have declined.

Future epidemics or pandemics could potentially cause further significant damage to the global economy and to Volkswagen's business. SARS-CoV-2 continues to present material uncertainty and risk and has had and could continue to have material adverse effects on Volkswagen's sales revenue, net assets, cash flows, financial condition and results of operations.

2.2 Research and development risks

2.2.1 *The automotive industry faces a process of transformation with far-reaching changes and Volkswagen's future business success depends on its ability to develop new, attractive and energy-efficient products; failure to develop products in line with demand and regulations, especially in view of e-mobility, software and digitalization trends could materially impact Volkswagen's operations.*

Customers are increasingly focusing on lower fuel consumption and exhaust emissions when they make a purchasing decision. Alternative drive technologies (for example electric or hybrid powertrains) are becoming more important both due to growing customer demand for local zero emissions mobility and for compliance with the highest legal requirements. Recently, many car companies, including Volkswagen, are developing autonomous driving technologies and introducing electric and/or hybrid automobiles and automotive digitalization products and services.

A significant factor for Volkswagen's future success is its ability to recognize such trends early enough to react accordingly and thus strengthen Volkswagen's position in the existing product and service range and the market segments it already serves, as well as enabling it to expand into new market segments. Volkswagen encounters research and development challenges as its products become more complex and as it introduces new, more environmentally friendly technologies. Primarily due to increasingly stringent emission and consumption regulations, it may have difficulties in achieving stated efficiency targets and fulfilling fleet average targets without loss of quality or decline in profitability. See also: "*Volkswagen is subject to a range of different environmental regulatory and legal requirements worldwide that are constantly changing; and not meeting CO_2-related regulations could lead to substantial fees, penalties, damages and other materially adverse effects.*".

Volkswagen is pursuing developments in electric mobility and planning further extensive investments – including in battery technology and digitalization – to expand its electric car model range. This plan entails considerable risk, including: uncertainties regarding future regulations and the extent of governmental support; uncertainties regarding the widespread adoption by consumers of electric vehicles and their performance: availability of the necessary charging infrastructure; Volkswagen's ability to react to cyber-attacks and cyber-crime in an appropriate time and manner; Volkswagen's technological and organizational capabilities to shift from a traditional car manufacturer into a provider of sustainable mobility, availability of supply of required materials (such as lithium or cobalt) and components (in particular safe and reliable batteries); and Volkswagen's ability to sufficiently increase its capacity to serve the new market with comprehensive products and mobility services. In particular, Volkswagen has invested and will continue to invest heavily in its software subsidiary CARIAD SE ("**CARIAD**") as part of the development of a unified Volkswagen technology and software platform, and Volkswagen may not recoup or benefit from these investments should there be failures or delays in developing the platform, issues with its roll-out or customer acceptance difficulties, among other potential issues. Volkswagen has entered into a variety of cooperative arrangements to research and develop new technologies, particularly for alternative drive and energy source technologies, such as high-performance lithium ion batteries for electric cars. Nevertheless, Volkswagen may not achieve its objectives for

electrification of its product range and other future technological advances or may not achieve an acceptable return on investment or profitability at the historical levels in the new market segments.

Volkswagen's competitors or their joint ventures may develop better solutions and be able to manufacture the resulting products more rapidly, in larger quantities, with a higher quality or at a lower cost. This could lead to increased demand for competitors' products and result in a loss of Volkswagen's market share. Furthermore, if Volkswagen's financial condition deteriorates, for example as a result of rising interest rates, the capital required for making future investments in research and development may not be readily available.

As a result of the intensity of automotive competition and the pace of technological developments, Volkswagen faces continual pressure to develop new products and improve existing products in shorter time. If Volkswagen miscalculates, delays recognition of, or fails to adapt its products and services to trends, legal and customer requirements in individual markets or other changes in demand, Volkswagen's unit sales could drop. Volkswagen cannot eliminate this risk, even with extensive market research. If Volkswagen makes fundamental or repeated miscalculations over the long term, it could lose customers and the reputation of its affected brands could suffer. Such miscalculations could also lead to unprofitable investments and associated costs.

Recent progress in the development of electric vehicles and new software driven technologies like autonomous driving, will lead to a major shift of revenue and profit pools and therefore to a fundamental change in the automotive business. As part of its mid- and long-term strategic initiatives, such as the "NEW AUTO" initiative introduced in 2021, Volkswagen is targeting a re-alignment from a vehicle manufacturer to a global software-driven mobility provider, requiring the development of a unified battery cell, the expansion of charging infrastructure and new energy services, as well as the development of mobility solutions for owned and shared vehicles.

If Volkswagen is unable to successfully execute is strategic initiatives, encounters delays in bringing new vehicle models to market or if customers do not accept Volkswagen's new models, or if the other risks mentioned above occur, this could have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

2.2.2 *Volkswagen faces challenges in connection with stricter processes/requirements for vehicle approval (homologation) and new test procedures.*

The potential introduction of more stringent emission and fuel consumption regulations like EU7 for the European market will impose additional material cost increases for the Internal Combustion Engine ("**ICE**"), Mild Hybrid Electric Vehicle ("**mHEV**") and Plug-in Hybrid Electric Vehicle ("**PHEV**") portfolios and pose increased implementation challenges and risks once the regulation content and implementation timing is confirmed by the European Commission. Other jurisdictions may adopt similarly more stringent emissions and fuel consumption regulations. The costs of compliance with regulatory requirements continue to be considerable, given the expected increased scrutiny, periodic regulatory changes, the need to develop new harmonized internal standards to comply with regulations, and stricter enforcement by regulators globally. In the past, Volkswagen was required and may in the future be required to devote significant resources to conduct the product compliance management activities for the current, future and past vehicle portfolio. Although such activities are intended to mitigate the risks posed they may not always be successful in doing so.

A violation of applicable regulations could lead to the imposition of penalties, fines, damages, recalls, restrictions on or revocations of Volkswagen's permits and licenses (including vehicle certifications or other authorizations that must be in place before a particular vehicle may be sold in the authorizing jurisdiction), restrictions on or prohibitions of business operations, reputational harm and other adverse consequences. This, in turn, could have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

2.2.3 *Volkswagen faces regulatory risks and greater competition in vehicle aftermarkets resulting from EU regulations.*

Volkswagen maintains a European-wide distribution network with selected dealers and workshops based on standardized contracts that are adapted to European and local laws. For the distribution of new motor vehicles,

Volkswagen uses quantitative and qualitative selection criteria in accordance with the Vertical Block Exemption Regulation (EU) No. 2022/720 ("**VBER**"), which entered into force on June 1, 2022 and replaced the former Vertical Block Exemption Regulation (EU) No. 330/2010. Generally, Volkswagen is entitled to limit the number of dealers to those who fulfil qualitative criteria. However, Volkswagen may be required to self-assess its situation and potentially change its distribution contracts to admit further dealers into its network in markets where Volkswagen's market share exceeds 40%.

Additionally, Volkswagen is obliged to grant access to technical information for independent market participants in accordance with the Euro 5/Euro 6 legislation (Regulation (EU) No. 566/2011, Regulation (EC) No. 715/2007 and Regulation (EC) No. 692/2008). Due to the amendment of the Euro 5/Euro 6 legislation in the form of Regulation (EC) No. 2018/858 effective September 1, 2020, Volkswagen must grant independent operators access to technical information that goes beyond the previous requirements. The expansion of independent market participants' access to such information causes additional expenses in connection with the review of existing arrangements and other costs that Volkswagen must incur in order to adapt to the new regulation. The regulations described above could also expose Volkswagen to greater competition in the aftermarkets.

The European Commission has prolonged the Motor Vehicle Block Exemption Regulation (461/2010, MVBER) for five years, meaning that it will be applicable until May 31, 2028. It has also updated the "Supplementary Guidelines on Vertical Restraints in Agreements on the Sale and Repair of Motor Vehicles and the Distribution of Motor Vehicle Spare Parts" to EU Regulation 461/2010 (the "**Supplementary Guidelines**"). The Supplementary Guidelines clarify that data generated by vehicle sensors may be an essential input for the provision of repair and maintenance services. Thus the existing principles for the provision of technical information have been extended to explicitly cover vehicle-generated data and the Supplementary Guidelines clarify that Article 102 of the Treaty on the Functioning of the European Union ("**TFEU**") may be applicable where a supplier unilaterally withholds this input from independent operators. It is not yet possible to predict whether and to what extent Volkswagen AG will be affected by corresponding claims of independent market operators and what economic effects these claims may have.

For example, Germany initiated a change in the national design law which came into force in December 2020, restricting or abolishing design protection for spare parts for repair purposes parts by introducing a "repair clause". Furthermore, the European Commission plans to end design protection for visible vehicle parts. If this plan is implemented, it could adversely affect Volkswagen's genuine parts business. The developments in Germany or possible further restriction or abolitions of design protection for replacement parts could have a negative impact on the Volkswagen Group's genuine parts business.

2.3 Operational risks

2.3.1 *Any unauthorized control or manipulation of Volkswagen's in-vehicle systems could impact the safety of Volkswagen customers and reduce confidence in Volkswagen's products.*

Volkswagen's vehicles contain increasingly complex IT systems. These systems control various vehicle functions including engine, transmission, safety, steering, navigation, acceleration, braking, and window and door lock functions. Hackers have reportedly attempted, and may attempt in the future, to gain unauthorized access to modify, alter and use such systems to gain control of, or to change, vehicles' functionality, user interface and performance characteristics, or to gain access to data stored in or generated by the vehicle.

Any unauthorized access to or control of Volkswagen's vehicles or their systems or any loss of data, or undiscovered software flaws or other malfunctions, could impact the safety of Volkswagen's customers or security of their private data, reduce confidence in Volkswagen's products, or result in legal claims or proceedings, liability or regulatory penalties. In addition, regardless of their veracity, reports of unauthorized access to vehicles, their systems or data could negatively affect Volkswagen's brand and reputation, and harm its business, results of operations, financial condition and prospects.

2.3.2 ***Volkswagen operates complex IT systems and is exposed to risks in the areas of cyber security and new regulatory requirements for IT.***

Volkswagen operates comprehensive and complex IT systems. IT risks exist in relation to confidentiality, data integrity and availability, and can arise in the form of unauthorized access to, modification of and extraction of sensitive electronic corporate or customer data as well as limited systems availability as a consequence of downtime and disasters.

Volkswagen collects and stores sensitive data, including intellectual property, proprietary business information, proprietary business information of Volkswagen's dealers and suppliers, as well as personally identifiable information of customers and employees, in data centers (both internal and cloud-based) and on IT networks. The secure operation of these systems and products, and the processing and maintenance of the information processed by these systems and products, is critical to Volkswagen's business operations and strategy. The importance and complexity of electronically processed data continues to increase, and applicable data protection laws place onerous obligations on Volkswagen's IT systems. The Volkswagen Group, as a globally active enterprise, is subject to the growing stringent national and international data protection requirements, including the EU General Data Protection Regulation (GDPR), Chinese laws such as the Cyber Security Law (CCSL) or Personal Information Protection Law (PIPL) or California Customer Privacy Act (CCPA). In addition, new regulation on data sharing and trustworthy artificial intelligence systems is currently being prepared by national and international governance bodies, such as the EU Data Act and the EU Artificial Intelligence Act. New vehicle and software development requirements are also the focus of increasing cyber security guidelines and standards in the EU, United States and China. In addition, Volkswagen Group is providing more services (business services as well as car and customer-oriented services through private and public clouds), thus increasing the Group's dependencies on third parties such as cloud vendors. Development and provisioning of cloud software and services is characterized by rapid iterations and rollouts. As a result, there is an increased risk that existing IT compliance and testing procedures will not adequately mitigate IT and information security risks.

Systems and products may be vulnerable to damage, disruptions or shutdowns caused by attacks by hackers, computer viruses, or breaches due to errors or malfeasance by employees, contractors and others who have access to these systems and products or otherwise be subject to IT downtime or other interruptions. Further, software and hardware of some of Volkswagen's established IT systems are no longer supported by their vendors, which increases the difficulty of ensuring that they continue to operate properly and securely. The occurrence of any of these events could compromise the operational integrity of these systems and products and could result in the compromise or loss of the information processed by these systems and products. Such events could result in, among other things, the loss of proprietary data, interruptions or delays in Volkswagen's business operations, reputational damage or damage to Volkswagen's financial performance and to its relationships with customers and suppliers, legal claims or proceedings, or other liability or regulatory penalties. Volkswagen has experienced such events in the past and, although past events were immaterial, future events may occur and lead to material adverse effects.

Where economically reasonable, Volkswagen Group intends to harmonize various IT systems. There are risks inherent in non-uniform IT systems, such as compatibility issues for both hardware and software or the necessity to train personnel for different systems. Additionally, numerous essential functional processes in the development, production and sales of vehicles and components depend on computer-controlled applications and cannot be carried out without properly functioning IT systems and IT infrastructure. Volkswagen expects further integration and implementation of the Internet of Things (IoT) infrastructure that may increase the dependency between Volkswagen's infrastructure and that of its partners. Malfunctions or errors in internal or external IT systems and networks could have adverse effects on Volkswagen's operations, harm Volkswagen's reputation and expose it to regulatory actions or litigation.

Volkswagen's efforts to mitigate these risks may turn out to be inadequate. The costs (including any insurance) of protecting against IT risks are high and could further increase in the future.

2.3.3 ***If Volkswagen is unable to obtain automotive parts and components from suppliers at a reasonable price or at all, for example, due to a supply bottleneck, particularly within a limited supplier***

environment, Volkswagen's procurement, production, transport and service chains could be interrupted or impaired.

Volkswagen's business depends, among other things, on the timely availability of automotive parts and components. In addition, the smooth flow of Volkswagen's production depends on the quality of the parts, components, commodities and other materials, as well as reliable and timely delivery by suppliers.

Volkswagen generally sources automotive parts and components from several suppliers, however, in some cases, Volkswagen relies on one or a few suppliers for the delivery of certain parts, components and other materials and it faces risks should the suppliers be unable or unwilling to fulfil delivery obligations. This could have a material financial impact on the Volkswagen Group. Supply risks arise particularly in the area of battery cell production due to the increasing demand for battery cells, semiconductors and the dependence of automotive manufacturers on a limited pool of suppliers, technological developments and the service life of battery cells. There is a risk that looming supply breakdowns may not be recognized early enough and that countermeasures may not be initiated in time to maintain adequate production levels. Since Volkswagen applies a modular component concept in vehicle production, Volkswagen's risk is increased because individual components are used in several different models and brands.

For example, in 2021 and 2022, the international semiconductor shortage had, and may continue to have, a material effect on Volkswagen's ability to obtain automotive parts and components from suppliers. This affected production at Volkswagen plants and caused shortfalls in deliveries of Volkswagen cars to consumers during the past two years. Due to the limited market capacity and a long production lead time, there is an ongoing supply risk for semiconductors, which has caused and could continue to cause production issues for Volkswagen until supply recovers. This has affected and may continue to affect Volkswagen's competitive position, in particular regarding hybrid and electric vehicles.

In addition, quality problems may necessitate technical measures involving a considerable financial outlay where costs cannot be passed on to the supplier or can only be passed on to a limited extent. Although Volkswagen has implemented a thorough evaluation process for suppliers of critical parts (i.e. parts required at high volumes across different brands), risks that suppliers may be unable or unwilling to fulfil delivery obligations persist. This effect may be exacerbated by Volkswagen's increasingly local production, in particular in countries such as Brazil, India, China and the United States, where Volkswagen uses regionally-based suppliers whose ability to deliver may be adversely affected by regional conditions and events. Concentrating on only a few financially strong suppliers gives rise to the risk of insufficient competition. Examples include consolidation of the local supply base in different regions as well as exchange rate fluctuations. The availability of parts from local suppliers in these markets may be at risk and resorting to sources outside these regions could have an adverse impact on production cost due to unfavorable exchange rates, local content requirements and import duties.

Weakening growth in the global economy, ongoing trade disputes and shifts in customer demand – especially the technological shift toward e-mobility – along with the resulting changes in order volume from suppliers are posing challenges for Volkswagen's suppliers, resulting in an increased need for financing. The SARS-CoV-2 pandemic and the Russia-Ukraine conflict, in particular, has had, and may continue to have, a material effect on Volkswagen's ability to obtain automotive parts and components from suppliers. Some of Volkswagen's suppliers have experienced and could continue to experience financial distress or file for insolvency as a result. Financial distress in the supply chain has resulted and may continue to result in delivery bottlenecks, a loss of quality and price increases. Additionally, if vehicle sales decline significantly across the automotive market, competition in the automotive industry will increase, which could have a significant adverse effect on the financial position of some of Volkswagen's suppliers. Moreover, as demand for automotive vehicles along with other electronic goods reliant on semiconductors recovered in 2021, automotive manufacturers, including the Volkswagen Group, experienced and continue to experience semiconductor shortages, alongside other supply chain disruptions, negatively affecting Volkswagen's production.

Furthermore, Volkswagen is also facing different environmental and social risks in its complex globally fragmented supply chains. New legislation and stakeholders such as fleet customers, investors or non-governmental organizations are calling for a contribution from Volkswagen to address sustainability issues upstream in its supply chains and establish a thorough human rights and environmental due diligence scheme.

New technologies such as electro mobility will change the composition of materials required for the vehicle fleet. Metals used for high voltage batteries necessary for electric vehicles are partly produced in countries with low sustainability performance and weak enforcement of national labor and environmental laws, which increases the risk of violations of Volkswagen's sustainability requirements. Future legislation can also increase financial risks due to fines, import restrictions or exclusion from public procurement tenders. Social or environmental problems could result in reputational damage to Volkswagen or instability of material supply.

2.3.4 ***Volkswagen is exposed to risks arising from procurement of raw materials and energy, potentially impacting its procurement, production, transport and service chains.***

Prices of certain raw materials, such as steel, aluminum, copper, lead, coking coal, crude oil, magnesium, precious metals and rare earth elements have remained highly volatile. Rises in demand for raw materials or other issues affecting our suppliers' ability to provide such materials could create a shortage of the raw materials that are important for Volkswagen's production and further price increases. In addition, the accelerated use of new technologies, such as electrified powertrains, could increase Volkswagen's procurement risks. An industry-wide shift to electro mobility could lead to bottlenecks in supplies and price increases of certain critical materials, such as lithium, rhodium or cobalt, which could limit Volkswagen's ability to scale the new technologies profitably. Furthermore, the technological transformation will require significant changes to Volkswagen's supply chain, as it increasingly sources parts and supplies designed for new technologies. Such planned changes may not always be successful. These risks could lead to higher manufacturing costs for end products, parts and components.

A shortage of raw materials and energy sources could arise from decreases in extraction and production due to natural disasters, political instability or unrest, or other events such as violent confrontations, such as the current conflict between Russia and Ukraine, epidemics or pandemics such as the SARS-CoV-2 pandemic or production limits imposed in extracting and producing countries. For example, China, which is currently the predominant producer of rare earth elements, has limited the export of such elements in the past and is increasingly using other mechanisms, such as an export licensing system or the imposition of higher raw material duties, which could limit access to such elements. Similarly, geopolitical risks exist with respect to supplies of cobalt, a key metal for battery production.

If the prices for these or other raw materials, including energy, increase and if Volkswagen is not able to pass such increases on to customers, or if Volkswagen is unable to ensure its supply of scarce raw materials, Volkswagen may face higher component and production costs that could in turn negatively affect future profitability and cash flows.

2.3.5 ***Volkswagen's future business success depends on its ability to maintain high quality and Volkswagen may incur substantial costs as a result of having to comply with government-prescribed standards for vehicles and components.***

In order to maintain high quality standards for its products and to comply with government-prescribed standards, such as safety, security, emissions or environmental standards, Volkswagen incurs substantial costs for monitoring and quality assurance. In particular, there are numerous legal requirements regarding the use, handling and storage of substances and mixtures (including restrictions concerning chemicals, heavy metals, biocides and persistent organic pollutants), of increasing relevance as a result of the automotive industry's transition to e-mobility solutions. Nevertheless, Volkswagen's vehicles and components, but also components sourced from suppliers as well components or designs Volkswagen itself supplies to third parties may breach applicable standards and require Volkswagen to take remedial measures (see for example the Takata recalls under "*Volkswagen is exposed to risks in connection with product-related guarantees and warranties as well as the provision of voluntary services, in particular in relation to recall campaigns*.")

In the past, Volkswagen was required and may in the future be required to implement service measures or recall vehicles if there are defects irregularities or critical security vulnerabilities in parts or components that Volkswagen sources externally or manufactures in-house. Volkswagen may need to develop new technical solutions that require governmental authorization. These measures could be costly and time-consuming, which may lead to warranty-related provisions and expenses that exceed existing provisions.

In addition, product recalls or cyber-attacks can harm Volkswagen's reputation and cause it to lose customers, particularly if the recalls cause consumers to question the quality, safety, security or reliability of Volkswagen's products. There is a risk that competent authorities may impose, among other things, waste disposal orders and/or fines against Volkswagen.

Product safety, product security and other defects can subject Volkswagen to investigations, fines for non-compliance, customer complaints and litigation with substantial financial consequences. Volkswagen continues to face investigations in connection with the diesel issue, as described under "*Legal Risks – Government authorities in a number of jurisdictions worldwide have conducted and are continuing to conduct investigations of Volkswagen regarding findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The results of these and any further investigations, and related civil and criminal litigation, may have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as the prices of its securities, including the Notes, and its ability to make payments under its securities.*" In the future, it cannot be ruled out that Volkswagen may experience further quality issues in relation to emissions or otherwise.

Product quality significantly influences consumers' decision to purchase vehicles. Customers increasingly demand that Volkswagen assumes the costs of repairs even after the guarantee period has expired.

A decline in Volkswagen's product quality or customer perception of such decline could harm the image of Volkswagen's selected brands or Volkswagen's image as a prime manufacturer, which in turn could have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

2.3.6 ***Volkswagen may not be able to adjust its production capacity sufficiently and timely in response to certain scenarios.***

Production capacity for each vehicle project is planned several years in advance on the basis of expected sales developments. Future sales are subject to a wide range of factors, including market dynamics and cannot be estimated with certainty. In particular, the ongoing transformation in the automotive industry makes it more difficult to forecast future sales of electric, hybrid and traditional vehicles, which increases the risk of Volkswagen's production planning. If Volkswagen's sales forecasts prove to be too optimistic, there is a risk that available capacity is underutilized, while pessimistic forecasts could lead to capacity being insufficient to meet demand.

Various factors can cause overall demand for vehicles or demand for particular vehicle models to fluctuate. This requires Volkswagen to continuously adjust production capacity at its many facilities worldwide. As the range of Volkswagen's models grows, while at the same time product lifecycles become shorter, the number of new vehicle start-ups and the risks related to production planning at Volkswagen's sites increase. The processes, quality and technical systems used for this are complex and there is thus a risk that vehicle deliveries could be delayed, negatively affecting demand and consumer satisfaction.

Volkswagen utilizes certain measures such as flexible work hours and production network configuration to calibrate production capacity. However, Volkswagen or its suppliers may not be able to adjust production capacity sufficiently and timely or may only be able to do so at an increased overall cost if demand fluctuates beyond the limits of their organizational and technical flexibility. For example, the SARS-CoV-2 pandemic had a material impact on Volkswagen's production, leading to the slowdown or temporary closure of Volkswagen facilities worldwide at the start of the pandemic. This has presented financial challenges for Volkswagen, as it is challenging to reduce fixed operation costs in line with the decrease in sales revenue. Further outbreaks of the SARS-CoV-2 pandemic, or other events such as violent confrontations, such as the current conflict between Russia and Ukraine, may cause these measures to be re-imposed or further measures to be necessary in the future.

In addition, in certain scenarios Volkswagen may not be able to adjust production capacity as planned for political, regulatory or legal reasons. Any restructuring measures could lead to significant one-time costs. If Volkswagen's competitors can react more effectively, they could gain market share, which could have a material

adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

2.3.7 *Unforeseen business interruptions to production facilities may lead to production bottlenecks or downtime, and deviations from planning in connection with large projects may hinder their realization.*

Volkswagen has numerous production facilities worldwide. The production facilities may be disrupted or interrupted. These disruptions or interruptions can occur for reasons beyond Volkswagen's control (such as terrorism, epidemics, such as the SARS-CoV-2 pandemic, or natural catastrophes) or for other reasons (such as fire, explosion, release of substances harmful to the environment or health, or strikes). Operational disruptions and interruptions may lead to significant production downtimes and can also affect upstream and downstream processes. For example, SARS-CoV-2 resulted in regional, national and international restrictions on the business activities of Volkswagen and its suppliers and the unavailability of critical workforce in 2020 and 2021, contributing to the decision to slow down or suspend production at Volkswagen's facilities worldwide at certain times, which affected Volkswagen's business, financial position and results of operation. In addition, since the beginning of 2021, a significant shortage of semiconductor capacities has led to various supply bottlenecks in the automotive industry, affecting production.

Volkswagen believes that it maintains a suitable level of insurance with respect to these risks based on a cost benefit analysis. However, insurance may not fully cover the aforementioned scenarios. Special risks may arise during large projects, which are often only identified during the course of such projects. In particular, risks may arise from contracting deficiencies, mistakes in costing, post-contracting changes in economic and technical conditions, deviations in product launches (e.g., launch costs, start of production date), weaknesses in project management, quality defects or unnoticed product malfunctions, and poor performance on the part of subcontractors.

Any production downtime or stoppage, or deviation from planning in connection with a large project, can have a material adverse effect on Volkswagen's reputation and general business operations. In the case of insufficient insurance coverage, any of these can also have a material adverse effect on Volkswagen's net assets, financial position and results of operations.

2.4 Environmental and Social risks

2.4.1 *Volkswagen is subject to a range of different environmental regulatory and legal requirements worldwide that are constantly changing; and not meeting CO_2-related regulations could lead to substantial fees, penalties, damages and other materially adverse effects.*

Volkswagen's business operations worldwide are subject to comprehensive and constantly changing government regulations. This includes automobile design, manufacture, marketing and after-sales services or measures undertaken to encourage customer loyalty to the vehicle and brand following sale, including vehicle recycling, vehicle registration and operation regulations, and activities in the financial services sector. Further, Volkswagen is subject to numerous regulatory requirements on the national and international level regarding the use, handling and storage of various substances (including restrictions or prohibitions on the use of chemicals, heavy metals, biocidal products and persistent organic pollutants) in the manufacturing process and their use in Volkswagen's products, including the use of parts provided by suppliers, as well as in car-related infrastructure designed or built by Volkswagen (i.e., e-charging stations).

Volkswagen must comply with various regulatory requirements that are not always homogeneous, and which are subject to increasing governmental scrutiny and enforcement. Volkswagen is in continuous discussions/exchanges with the relevant/competent regulators on the interpretation of regulatory requirements and from time to time may need to take measures to address the results of these discussions. This applies in particular to regulatory requirements for the protection of the environment, health and safety. Vehicles are particularly affected by regulatory requirements concerning fuel economy, CO_2 and other emission limits (such as NOx), as well as tax regulations in relation to CO_2 or fuel consumption-based motor vehicle tax models. Due to different limits in various countries, Volkswagen is often unable to market a vehicle with the same specifications worldwide. In addition, the operation of older vehicles (including Volkswagen's own products)

has in the past been restricted in major Volkswagen markets (Germany, United States, France, China, etc.) by a lowering of regulatory limits (e.g., driving bans in cities for older diesel vehicles) after the vehicle's sale in response to, among other things, local air quality and may be further restricted in particular cities or regions.

For example, the European Commission has imposed increasingly strict regulations regarding CO_2 emissions of all passenger cars (calculated on a fleet average) offered for sale in the European Union. The specific emission targets for all new passenger car and light commercial vehicle fleets for brands and groups in the EU for 2020 and subsequent years are set out in Regulation (EU) No 2019/631. Adopted and published by the EU in 2019, the regulation states that, from 2020 onward, the EU fleet wide target for the average emissions of new passenger cars must be no higher than 95g CO_2/km. Up to and including 2020, European fleet legislation was complied with on the basis of the New European Driving Cycle ("**NEDC**"). From 2021 onward, the NEDC target value was replaced by a WLTP target value through a process defined by lawmakers; this change has not led to additional tightening of the target value. A similar approach applies to new light commercial vehicles, where a target of 147g CO_2/km applied to the entire fleet from 2020 onward.

The targets described above will be tightened as from 2025 (Regulation (EU) 2023/851): for new European passenger car fleets, a reduction of 15% in CO_2 emissions will therefore be required from 2025 and a reduction of 55% from 2030 compared to 2021 levels. For new light commercial vehicle fleets, the required reductions will be 15% from 2025 and 50% from 2030 compared to 2021 levels. From 2035, a CO_2 reduction target of 100% will then apply to new passenger car and light commercial vehicle fleets. In each case, the starting point is the WLTP fleet value in 2021. These targets can only be achieved through a growing proportion of electric vehicles within the fleet. If the respective fleet-wide target is not fulfilled, the Commission may impose an excess emissions premium, amounting to €95 per excess gram of CO_2 per newly registered vehicle.

At the same time, regulations governing fleet fuel consumption of new vehicles are being developed or introduced outside the European Union, for example in Brazil, Canada, China, India, Japan, Mexico, Saudi Arabia, South Korea, Switzerland, Taiwan, the United Kingdom and the United States. The fuel consumption regulations in China for the period 2021 to 2025 set a phasing in target of 4.6 liters/100 km (WLTP) by 2025. In addition to this legislation on fleet consumption, a so-called "new energy vehicle ("**NEV**") quota" applies in China, requiring every manufacturer to increase the share of electric vehicles in its total production and import volume. The NEV credit quota for 2022 was 16%, to be fulfilled through battery-electric vehicles, plug-in hybrids, or fuel cell vehicles. For 2023, it is increasing by two percentage points to 18%, and a further rise is under discussion for 2024 and 2025. There is no indication as to possible targets after 2025. Finally, in the United States, current federal fleet consumption regulation and greenhouse gas emissions rules are subject to litigation and as a result, are undergoing review and are likely to be revised. Further, California has recently completed updates to its regulations regarding pollutants and Zero Emissions Vehicles (ZEVs) for 2026 through 2035; these regulations are also likely to be subject to challenge.

Commercial vehicles are also increasingly subject to ever stricter environmental regulations all around the world, particularly to regulations relating to climate change and vehicle emissions. For example, with Regulation (EU) 2019/1242 of June 20, 2019, which specifies CO_2 emission standards for new heavy commercial vehicles with a permitted gross weight of over 16 tonnes, the EU has set manufacturers very ambitious targets for reducing CO_2 emissions within the next decade. The CO_2 emissions from such vehicles must be reduced by 15% by 2025 and 30% by 2030 compared to a reference value for a monitoring period from July 2019 to June 2020. If emissions exceed these targets, vehicle manufacturers will be liable to substantial premiums amounting to €4,250 per excess gram of CO_2/ton-kilometer (tkm) per vehicle for the period from 2025 to 2029 and €6,800 per excess gram of CO_2/tkm per vehicle for the period from 2030 onward.

The target of a greenhouse gas emissions reduction of 30% by 2030 set out in the regulation was revised at the beginning of 2023. The European Commission proposes a 45% CO_2 emissions reduction compared to the 2019 reference value by 2025, scaling up to 65% by 2035 and 90% by 2040. In the European Green Deal, the Commission defined the goal of achieving climate neutrality by 2050. Targeting a general reduction in EU CO_2 emissions of at least 55% (previously 40%) compared to 1990 levels by 2030, this represents a big challenge for the entire transport sector. The revision of CO_2 emission requirements for heavy-duty vehicles planned in the EU for spring 2023 and the proposals for a new Euro 7 standard that have already been published could further exacerbate these challenges.

Future legislative measures in connection with the European Green Deal or otherwise at the level of the European Union, its Member States or other countries (including their political subdivisions such as individual states, cities or municipalities) may also pose risks for Volkswagen, such as risks from the obligation to take back end-of-life vehicles and batteries, expected restrictions outlined in the Chemicals Strategy for Sustainability communication published by the European Commission in October 2020, obligations in connection with the EU's Circular Economy Action Plan adopted in March 2020 or risks arising from an integrated energy and climate protection program that could require alterations in permitted or favored fuel sources to be used in vehicles or could result in significant changes to requirements governing permissible air emissions from vehicles. Volkswagen expects that in order to comply with fuel economy and emission control requirements, it will be required to offer a significant volume of hybrid or electric vehicles, as well as implement new technologies for conventional internal combustion engines, all at increased cost levels. There is no assurance that Volkswagen will be able to produce and sell vehicles that use such technologies profitably or that customers will purchase such vehicles in the sufficient quantities for Volkswagen to comply with applicable regulations, and failure to do so may result in administrative penalties or other measures.

Moreover, Volkswagen has been the target of and may in the future be the target of claims or litigation brought by individuals, environmental groups, other NGOs (non-governmental organizations), or governmental agencies on alleged emissions, climate change, pollution or other environmental or social grounds, seeking damages or injunctive relief against Volkswagen's business or operations, in order to change the Group's business model or products. For example, in November 2021, with the support of Greenpeace, two lawsuits were filed against Volkswagen AG in Germany seeking changes in the Group's business due to climate change concerns. The competent courts dismissed the lawsuits in February 2023 and appeals by the claimants are pending.

The costs of compliance with regulatory requirements are considerable, and such costs are likely to increase further in the future, given the expected increased scrutiny, regulatory changes that result in increased stringency or novel interpretations of current regulations and stricter enforcement by regulators globally. Failure to comply with applicable regulations could lead to the imposition of penalties, fees, damages, recalls, restrictions on or revocations of Volkswagen's permits and licenses (including vehicle certifications or other authorizations that must be in place before a particular vehicle may be sold in the authorizing jurisdiction), restrictions on or prohibitions of business operations, reputational harm and other adverse consequences.

2.4.2 ***Volkswagen is exposed to environmental and security-related liability risks.***

Volkswagen operates complex industrial plants that manufacture, use, store, manage, generate, emit and dispose of various substances that may constitute a hazard to human life and health as well as to the environment and natural resources. Moreover, Volkswagen Group generally transports products, parts, substances, chemicals and other items that are subject to requirements under international regulations (such as among others, EU Regulation 1272/2008/EC, also known as the Classification, Labeling, and Packaging Regulation ("**CLP**") and the United Nation's Globally Harmonized System of Classification and Labelling of Chemicals ("**GHS**")) or that classify as 'dangerous goods' under domestic or international rules. Requirements and standards under such rules and regulations are expected to intensify in the future and this could pose challenges and increase costs for Volkswagen in order to ensure that internal systems and processes are adequate. In the past, environmentally hazardous substances from those operations and transportation may have entered and in the future, may enter the air, watercourses, especially groundwater, or surface or subsurface soils at Volkswagen facilities or third-party locations, and the environment, natural resources, human health, life and safety of persons and property may have been or may be affected or endangered otherwise because of those environmentally hazardous substances. Volkswagen may be jointly or severally liable, possibly regardless of fault and without any caps on liability, to remove or clean up such harm and to pay damages, including any resulting natural resource damages, arising from those environmentally hazardous substances. These risks could have a material adverse effect on Volkswagen's general business activities, reputation, net assets, financial position and results of operations.

2.4.3 ***Volkswagen's future success depends on its ability to attract, retain and provide further training to qualified employees and managers.***

Volkswagen's success depends substantially on the quality of its employees and senior managers as well as employees in key functions. If Volkswagen loses important employees e.g., due to turnover, targeted recruiting by competitors or others, or age-related departures, this may lead to a significant drain on Volkswagen's know-how. Competition for qualified personnel is increasing, particularly in the area of automotive and electrical engineering, chemistry, IT, research and development, and is especially intense in areas requiring advanced technological skills. In addition, if Volkswagen's employees do not possess the skills and qualifications necessary to advance Volkswagen's strategic goals, there is a risk that these objectives (e.g., technological change and digitalization) will not be met. If Volkswagen fails to retain qualified personnel to the necessary extent, or if it fails to recruit qualified personnel or to continue to train existing personnel, Volkswagen may not reach its strategic and economic objectives.

2.4.4 ***Statements made by Volkswagen in compliance with the current interpretation of the EU Taxonomy Regulation may affect Volkswagen's reputation and brand image.***

EU Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment ("**EU Taxonomy Regulation**") entered into force on July 12, 2020 and applies since January 2021 with respect to two environmental objectives: "climate change mitigation" and "climate change adaptation." The EU Taxonomy Regulation inter alia requires that companies subject to non-financial reporting obligations pursuant to Art. 19a and 29a of Directive 2013/34/EU (as amended from time to time) should include information in their non-financial statements on how and to what extent the company's activities are associated with economic activities that qualify as environmentally sustainable within the meaning of the EU Taxonomy Regulation. In 2021 and 2022 the EU Commission adopted delegated acts specifying the technical screening criteria for an economic activity to qualify as environmentally sustainable. The legislative procedure for further delegated acts is currently ongoing. In addition, in July 2021, the Commission Delegated Regulation (EU) 2021/2178 was adopted to specify the content and presentation of information to be disclosed under the EU Taxonomy Regulation. Volkswagen published such information in connection with its year-end reporting for the fiscal years 2021 and 2022.

As of January 2023, the EU Taxonomy Regulation also applies with regard to four remaining environmental objectives (i.e. "sustainable use and protection of water and marine resources," "transition to a circular economy," "pollution prevention and control," and "protection and restoration of biodiversity and ecosystems,"). As a result, beginning with January 2024, reporting obligations under the EU Taxonomy Regulation expand to all six environmental objectives, with disclosure requirements applying to the fiscal year 2023.

The EU Taxonomy Regulation and the delegated acts adopted thereunder can be expected to be further amended in the future and, in addition contain certain wording and terms in respect to what represents taxonomy-aligned activities. Such wording and terms are still subject to considerable interpretation uncertainties, and clarifications may have not been published yet in every case. As a result, in complying with the EU Taxonomy Regulation, Volkswagen may be required to report that certain activities undertaken by the Group which have been previously reported as such are not, or may not be, taxonomy-aligned (such as for example group activities related and/or relevant for manufacturing of battery electric vehicles or plug-in hybrids). Such disclosures by Volkswagen could have a negative impact on its image and reputation, may be subject to change in the future and may be inconsistent with statements made in relation to Volkswagen AG's green finance framework dated October 2022.

2.4.5 ***Volkswagen is dependent on good relationships with its employees and their unions.***

Personnel expenses are a major cost factor for Volkswagen. Employees at Volkswagen's German locations and at a number of foreign subsidiaries have traditionally been heavily unionized. When the current collective agreements and collective wage agreements expire, Volkswagen may not be able to conclude new agreements on terms and conditions that Volkswagen considers to be reasonable. Furthermore, Volkswagen may be able to conclude such agreements only after industrial actions such as strikes or similar measures. If Volkswagen's production or other areas of business are affected by industrial actions for an extended period, this may have

material adverse effects on Volkswagen's business, net assets, financial position and results of operations. In addition, Volkswagen's competitors may obtain competitive advantages if they succeed in negotiating collective wage agreements on better terms and conditions than Volkswagen. Foreign competitors, in particular, may also obtain competitive advantages due to more flexible legal environments.

In particular, Volkswagen faces risks from the collective wage agreement for long-term plant and job security (*Zukunftstarifvertrag*) entered into with the German Metalworkers Union (*Industriegewerkschaft Metall*) and the German Christian Metalworkers Union (*Christliche Gewerkschaft Metall*) applicable to Volkswagen's German locations. In 2022, Volkswagen employed 293,862 workers in Germany, or 43.5% of its worldwide employees. This agreement and the pact for the future workforce transformation measures agreed between Volkswagen and its employees (*Zukunftspakt)* may limit Volkswagen's ability to react in a timely manner to a change in economic conditions, rules out compulsory redundancies and sets certain limitations on changes to the number of employees at German locations, subject to agreed measures on the rebalancing of personnel in accordance with Volkswagen's business needs. In addition to the *Zukunftspakt*, the board of management of Volkswagen AG ("**Board of Management**") and Volkswagen's General Works Council agreed on a digital transformation roadmap, with a focus on, among other things, personnel development, that ensures employees are prepared for the new challenges of digitization. There can be no assurance that any benefits Volkswagen expects from agreements with its employees will be achieved.

2.4.6 ***Volkswagen faces risks arising from pension obligations.***

Volkswagen provides retirement benefits to its employees. To determine its pension obligations, Volkswagen makes certain assumptions. If these assumptions prove to be inaccurate, Volkswagen's balance sheet or actual pension obligations could increase substantially, and Volkswagen would have to raise its pension provisions. Existing pension obligations are not fully covered by plan assets.

Furthermore, if the market value of plan assets falls, Volkswagen may have to substantially increase its pension provisions. In particular factors such as currency, interest rate and fluctuations in securities prices may adversely affect the value of the plan assets. In such event, the value of the plan assets would fall short of the aggregate pension claims and Volkswagen would have to cover the short fall, which could materially adversely affect Volkswagen's net assets, financial position and results of operations.

2.4.7 ***Dual mandates where individuals are board members of Volkswagen AG and at the same time board members at Porsche AG, at other Volkswagen Group subsidiaries or at Porsche SE, as well as other relationships with Porsche AG, may result in conflicts of interest.***

Dr. Oliver Blume was appointed as Chair of the Board of Management of Volkswagen AG by the supervisory board of Volkswagen AG ("**Supervisory Board**") on July 22, 2022, effective September 1, 2022. Dr. Blume is also chairperson of the executive board of Dr. Ing. h.c. F. Porsche AG ("**Porsche AG**"). According to the understanding between Porsche AG and Volkswagen AG, Dr. Blume will devote 50% of his working capacity to his role as chairperson of the executive board of Porsche AG and the other 50% to his role as Chair of the Board of Management of Volkswagen AG and he has service agreements both with Porsche AG as well as with Volkswagen AG. As from January 1, 2023, Dr. Blume will receive remuneration both from Volkswagen AG on the one hand and from Porsche AG on the other hand, reflecting the split of working capacity. In addition, certain members of the Porsche AG supervisory board also hold board memberships or senior positions at Volkswagen AG, other companies of Volkswagen Group or Porsche Automobil Holding SE ("**Porsche SE**") respectively, and hold shares in Volkswagen AG and/or Porsche SE, including virtual shares as part of the remuneration they receive from Volkswagen AG.

Since the interests of the Volkswagen Group and the interests of Porsche AG or Porsche SE are not necessarily always aligned, the aforementioned dual mandates and other relationships with Porsche AG and Porsche SE may in the future potentially result in conflicts of interest for the management of Volkswagen Group. Such conflicts of interest may not only require Dr. Oliver Blume to abstain from voting on certain agenda items in meetings of the Board of Management, but also to abstain from the entire decision-making process in relation to items where material conflicts of interest arise. Further issues in relation to conflicting interest and overlapping spheres of interest may arise from Volkswagen AG's right under a shareholder's agreement with Porsche SE to designate up to five members of the supervisory board of Porsche AG. Although supervisory

board membership is a personal office and supervisory board members are free of any instructions, in practice members of the supervisory board may be involuntarily influenced by their role at Volkswagen AG and the fact that they have been designated by Volkswagen AG, represented by Volkswagen AG's Board of Management, including Dr. Oliver Blume.

The German Stock Corporation Act (*Aktiengesetz)* and the rules of procedure (*Geschäftsordnung*) of the executive board as well as the rules of procedure (*Geschäftsordnung*) of the supervisory board contain provisions to protect companies from the negative effects of potential conflicts of interest in case of personnel overlap. In general, members of the executive board and supervisory board of a stock corporation, such as Volkswagen AG, Porsche AG or Porsche SE, have a legal duty to act solely in the interests of the respective company. This duty can mean that board members may not be permitted to vote on certain decisions in the one and/or the other board of the respective companies where the person concerned has a dual mandate. Under the rules of procedure (*Geschäftsordnung*) of the executive board each member of the executive board has to disclose any potential conflict of interest to the supervisory board without undue delay and shall inform the other members of the executive board. The boards will then decide on a case-to-case basis on how to deal with respective potential conflicts of interest. This may include, *inter alia*, having the potentially conflicted members of the Board of Management of Volkswagen AG abstain from taking part in relevant resolutions of the Board of Management of Volkswagen AG or executive board of Porsche AG and/or the other respective board of which they are a member.

Furthermore, it cannot be excluded that in some cases conflicts of interest may arise from dual mandates and other relationships the members of the Board of Management and the Supervisory Board may have with Porsche AG and/or Porsche SE. Any such conflict of interest, if not appropriately dealt with, could have an adverse effect on Volkswagen Group's business, assets, results of operations and financial condition.

2.5 **Legal risks**

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

On September 18, 2015, the U.S. Environmental Protection Agency ("**EPA**") publicly announced in a "Notice of Violation" that irregularities in relation to nitrogen oxide ("**NOx**") emissions had been discovered in emissions tests on certain Volkswagen Group vehicles with type 2.0 l diesel engines in the U.S. In this context, Volkswagen AG announced that noticeable discrepancies between the figures recorded in testing and those measured in actual road use had been identified in type EA 189 diesel engines and that this engine type had been installed in roughly eleven million vehicles worldwide. On November 2, 2015, the EPA issued a second "Notice of Violation" alleging that irregularities had also been discovered in the software installed in U.S. vehicles with type V6 3.0 l diesel engines.

Numerous governmental proceedings seeking damages, recalls and/or technical fixes for affected diesel vehicles, criminal and administrative proceedings, consumer claims and investor lawsuits were subsequently initiated in the U.S., Canada, Germany and the rest of the world. In October 2015, Volkswagen AG initiated its own internal inquiries and an external investigation. At the end of March 2021, the Supervisory Board of Volkswagen AG announced the completion of the investigation initiated into the causes of and those responsible for the diesel issue. The Board resolved to claim damages from Prof. Dr. Martin Winterkorn, former Chair of the Board of Management of Volkswagen AG, and from Rupert Stadler, former member of the Board of Management of Volkswagen AG and former Chair of the executive board of AUDI AG, for breach of their duty of care under stock corporation law. The investigation found no breaches of duty by other members of the Volkswagen AG Board of Management. The resolution was based on a review of liability claims conducted by a law firm on behalf of the Supervisory Board and the negligent breaches of duty identified in the resulting report. The investigation covered all members of the Board of Management who were in office during the relevant period. Furthermore, claims for damages were asserted against individual former members of the AUDI AG and Porsche AG boards of management. Claims were already asserted against a former member of the

Volkswagen Passenger Cars brand board of management. In June 2021, Volkswagen and Audi entered into damage settlements (liability settlements) with Prof. Winterkorn and Mr. Stadler respectively in connection with the diesel issue. Prof. Winterkorn's total damage compensation amounts to €11.2 million and that of Mr. Stadler to €4.1 million. Volkswagen has furthermore reached agreement with the relevant insurers under its directors and officers liability policies (D&O insurance) on payment of an aggregate sum of €270 million (coverage settlement). In addition, agreement was reached on damage payments by a former member of AUDI AG's board of management and by a former member of Porsche AG's board of management.

From 2015 to 2022, Volkswagen recognized over €30 billion in expenses directly related to the diesel issue, adversely affecting its operating profit, financial position and results of operations. Work in respect of the legal proceedings that are still pending in the U.S. and the rest of the world is ongoing, will require considerable efforts and coordination from Volkswagen, may demand significant management resources, and is expected to continue for some time. Ongoing and potential further legal proceedings related to the diesel issue could result in considerable further financial charges.

In agreement with the respective responsible authorities, the Volkswagen Group is making technical measures available worldwide for virtually all diesel vehicles with type EA 189 engines. In this context, within the Volkswagen Group, Volkswagen AG has development responsibility for the four-cylinder diesel engines such as the type EA 189, and AUDI AG has development responsibility for the six- and eight-cylinder diesel engines such as the type V6 3.0 l and V8 diesel engines. These measures have resulted in, and may continue to result in, significant expenses for the Volkswagen Group.

In the U.S., Volkswagen AG and certain affiliates reached settlement agreements with various government authorities and private plaintiffs, the latter represented by a Plaintiffs' Steering Committee in a multidistrict litigation in the U.S. state of California. These agreements resolved certain civil claims as well as criminal charges under U.S. federal law and the laws of certain U.S. states in connection with the diesel issue. As part of the agreements entered into with the U.S. Department of Justice ("**DOJ**") and the State of California (plea agreement and Third Partial Consent Decrees), an independent compliance monitor and an independent compliance auditor were appointed for Volkswagen in 2017 for a term of three years. The term of the Independent Compliance Auditor under the Third Partial Consent Decree and the Third California Partial Consent Decree ended in June 2020. Furthermore, on September 14, 2020, the term of the plea agreement and the term of the Independent Compliance Monitor retained pursuant to the plea agreement expired as well. Although Volkswagen AG and its subsidiaries and affiliates are firmly committed to fulfilling the obligations arising from these agreements, a breach of these obligations cannot be completely ruled out. In the event of a violation, significant penalties could be imposed as stipulated in the agreements, in addition to the possibility of further monetary fines, criminal sanctions and injunctive relief.

Several thousand consumers initially opted out of the settlement agreements, and many of these consumers filed civil lawsuits seeking monetary damages for fraud and violations of state consumer protection acts. As a result of various subsequent resolutions, the only remaining opt-out proceeding concerns legal fees and costs for a group of opt-out plaintiffs who settled their claims but have not yet moved for payment of their legal fees and costs.

In Canada, which has the same NOx emissions limits as the U.S., Volkswagen has reached settlements with consumers relating to 2.0 l and 3.0 l diesel vehicles, which, inter alia, provided for cash payments for completing free vehicle emissions modifications, buy-backs/trade-ins and early lease terminations, as applicable. In connection with these consumer settlements, Volkswagen Group Canada and the Canadian Competition Bureau reached civil resolutions related to consumer protection issues in relation to the 2.0 l and 3.0 l diesel engines.

Outside the U.S. and Canada, Volkswagen has also reached agreements with regard to the implementation of technical measures with numerous authorities.

In agreement with the respective responsible authorities, the Volkswagen Group made technical measures available worldwide for virtually all diesel vehicles with type EA 189 engines. In the European Union (EU 27), the German Federal Motor Transport Authority ("**KBA**"– *Kraftfahrt-Bundesamt*) ascertained for all clusters (groups of vehicles) that implementation of the technical measures would not bring about any adverse changes in fuel consumption figures, CO_2 emission figures, engine output, maximum torque, and noise emissions.

Nevertheless, the proposed technical measures are currently under varying stages of implementation and under consideration by the KBA.

Following the studies carried out by AUDI AG to check all relevant diesel concepts for possible irregularities and retrofit potentials, measures proposed by AUDI AG have been adopted and mandated by the KBA in various recall orders pertaining to vehicle models with V6 and V8 TDI engines. Currently, AUDI AG assumes that the total cost, including the amount based on recalls, of the ongoing largely software based retrofit program that began in July 2017 will be manageable and has recognized corresponding balance-sheet risk provisions. However, if AUDI AG's assumptions are incorrect and costs exceed expectations and balance-sheet provisions, AUDI AG and Volkswagen's results of operations and cash flows may be adversely affected. AUDI AG has in the meantime developed software updates for many of the affected powertrains and, after approval by the KBA, already installed these updates in the vehicles of a large number of affected customers. KBA approval is still expected for the small number of software updates that are still pending.

Separately, Volkswagen has also been involved in administrative proceedings with the KBA with respect to so-called 'thermal windows' in diesel vehicles. Based on industry-wide technical standards, many automotive manufacturers' diesel vehicles, including those of the Volkswagen Group, are equipped with a temperature dependent exhaust gas recirculation function (a so-called "**thermal window**"). Although the specific details of thermal windows may vary by manufacturer and model, the thermal window is essentially a function in which the exhaust gas recirculation rate ("**EGR**"), which, in certain conditions, alters a vehicle's normal emission profile, is gradually reduced or shut down completely outside a certain temperature range depending on the ambient temperature in order to protect the engine against damage and for safe operation of the vehicle.

In February 2023, the Administrative Court of Schleswig upheld a lawsuit brought by Deutsche Umwelthilfe against the KBA in the first instance and ordered the KBA to revoke the approval decision for a software update for certain older models of the EA189 Golf Plus, insofar as the approval decision relates to thermal windows. Both Volkswagen and the KBA have appealed the decision. In addition, in July 2022, the ECJ issued three (virtually identical) judgments concerning certain VW vehicles with EA189 engines according to which thermal windows are only permissible under two conditions: First, the thermal window must be necessary to protect the engine and ensure the safe operation of the vehicle. Second, the thermal window must not impair the effectiveness of the exhaust gas purification system due to its specific parameters during "most of the year". Whether a particular thermal window meets the standard set forth in the ECJ's judgments may depend on the "real driving conditions prevalent in the territory of the European Union", such as, among other factors, average ambient temperatures. The application of the standards set by the ECJ in individual cases is up to national authorities and courts. Following the ECJ ruling, the KBA opened administrative proceedings against specific Volkswagen brand diesel vehicles equipped with EA189 and V-TDI engines in which the ambient temperature-dependent EGR engages at similar climatic conditions to those identified by the ECJ in its decision.

Volkswagen Group had already begun the process of rolling out software updates to optimize the ambient temperature range for its thermal windows, which may affect a significant number of existing Volkswagen Group vehicles. Alongside this process, the KBA, in July and October 2023, issued two orders stating that previous versions of thermal windows in some of the affected Audi diesel vehicles prior to the start of rollout for the new software update, did not fulfill the new ECJ-criteria. AUDI AG appealed against the first KBA order as of July 2023. As of the date of this Offering Memorandum, AUDI AG is still evaluating whether it will challenge the second KBA order as of October 2023, too. However, this does not affect Volkswagen Group's rollout of the software updates.

Furthermore, it cannot be excluded that comparable KBA orders will be issued against other Volkswagen Group brands, potentially impacting a further substantial number of Volkswagen Group vehicles. While currently Volkswagen Group is proceeding with a voluntary software update, if Volkswagen is not able to implement the ongoing software updates in line with the KBA's expectations, the KBA may request further measures. Irrespective of whether software updates are available, the owners of these vehicles may seek damages from Volkswagen. In any such cases, Volkswagen Group may incur material costs and/or reputational damage.

Separately, in July 2023, Volkswagen AG presented to the KBA first results of technical tests of vehicles equipped with EA 288 EU6 diesel engines for a specific function which relates to engine temperature dependent exhaust gas recirculation (so-called "**Cor0**") and explained the correlation with the thermal window (ambient

temperature dependent exhaust gas recirculation) function to the KBA. The Cor0 function is present in a significant number of current Volkswagen Group vehicles equipped with EA 288 diesel engines. Volkswagen AG explained to the KBA that, at the time of its implementation, the Cor0 function was justified to protect the engine against damage and for safe operation of the vehicle. In September 2023, AUDI AG presented the Cor0 function to SNCH. The KBA and SNCH have not assessed the Cor0 function yet but are currently investigating this to understand further details.

Since the outcome of the ruling(s) of administrative and civil courts on the thermal window is difficult to predict, the Volkswagen Group has decided, as a precautionary measure, to inform customers prior to their acquisition of a diesel vehicle (except vehicles also certified under real driving conditions as part of the certification process), about the thermal window and other functions challenged by the Administrative Court of Schleswig and other courts. Currently, Volkswagen Group is assessing whether it will extend the customer information to the current production (i.e. to vehicles for which verification of compliance under real driving conditions was required as part of the certification process). This could have an adverse impact on future sales of diesel vehicles.

Worldwide, responsible authorities are continuing their review and assessment of the diesel concepts and of the technical solutions. Volkswagen may be required to repurchase vehicles sold in the U.S., Germany, Canada and elsewhere. This could lead to further significant costs. In addition, AUDI AG is responding to requests from the U.S. authorities for information regarding automatic gearboxes in certain vehicles. Furthermore, if the technical solutions implemented by Volkswagen in order to rectify the diesel issue are not implemented in a timely or effective manner or have an undisclosed negative effect on the performance, fuel consumption or resale value of the affected vehicles, regulatory proceedings and/or customer claims for damages could be brought in the future. Further field measures with financial consequences cannot be ruled out completely at this time.

Alongside coordination with authorities on technical measures, there are ongoing criminal and administrative proceedings in relation to the diesel issue in the U.S., Germany and other countries worldwide.

In the U.S., Volkswagen has entered into agreements to resolve federal criminal liability relating to the diesel issue and to resolve civil penalties and injunctive relief under the U.S. Clean Air Act and other civil claims relating to the diesel issue. As part of its plea agreement, Volkswagen AG has pleaded guilty to three felony counts under U.S. law, including conspiracy to commit fraud, obstruction of justice and using false statements to import cars into the U.S., and has been sentenced to three years' probation. DOJ prosecutions concerning the conduct of various individuals who may be responsible for criminal violations relating to the diesel issue remain ongoing. Volkswagen is required to cooperate with these prosecutions. In the event of non-compliance with the terms of the plea agreement, Volkswagen could face further penalties and prosecution. Volkswagen has also reached separate settlement agreements with the attorneys general of every U.S. state to resolve existing or potential consumer protection and unfair trade practices claims. Volkswagen has also settled the environmental claims of certain states. However, one state (Texas) and certain municipalities still have pending state or local environmental law claims against Volkswagen. Furthermore, there is a risk that other states or jurisdictions may pursue similar claims, following decisions of the U.S. Court of Appeals for the Ninth Circuit on June 1, 2020 and the Ohio Supreme Court on June 29, 2021 that permitted certain environmental claims to proceed. On November 15, 2021, the U.S. Supreme Court declined to review those decisions. In January 2022, Volkswagen settled environmental claims brought by Ohio. In May 2023, Volkswagen reached a settlement-in-principle (subject to documentation) to resolve environmental claims brought by Texas and the Texas counties. On June 22, 2023, a federal trial court granted Volkswagen summary judgment on all of the claims brought by Hillsborough County and Salt Lake County. Hillsborough County and Salt Lake County have appealed that decision.

Investigations by U.S. regulatory and other government authorities, including in areas relating to securities are ongoing. In March 2019, the SEC filed a complaint in the U.S. District Court for the Northern District of California against Volkswagen AG, Volkswagen Group of America Finance LLC and VW Credit Inc., asserting claims under U.S. federal securities law based, among other things, on alleged misstatements and omissions in connection with the offer and sale of certain bonds and asset-backed securities. The SEC complaint seeks permanent injunctions, disgorgement of allegedly ill-gotten gains with prejudgment interest, and civil penalties. In August 2020, the court granted in part and denied in part Volkswagen's motion to dismiss. The claims

dismissed by the court included all claims against VW Credit, Inc. related to asset-backed securities. In September 2020, the SEC filed an amended complaint that, among other things, removed the dismissed claims. Volkswagen AG and Volkswagen Group of America Finance LLC are discussing with the SEC Staff a potential resolution of the SEC's claims against them. Volkswagen cannot predict the ultimate outcome or timing of any resolution with the SEC, or the effect on the business, prospects, operating results and financial condition.

In addition, in May 2018, U.S. federal prosecutors unsealed charges in Detroit against, among others, former Volkswagen CEO, Martin Winterkorn, which had been filed under seal in March 2018. Prof. Winterkorn is charged with a conspiracy to defraud the U.S., to commit wire fraud, and to violate the Clean Air Act from at least May 2006 through at least November 2015, as well as three counts of wire fraud. Should these proceedings result in adverse court decisions against the individuals involved, this could have a negative impact on the outcome of other proceedings against Volkswagen and/or could have other material adverse financial consequences.

In Canada, in December 2019, the Canadian federal environmental regulator filed charges against Volkswagen AG in respect of 2.0 l and 3.0 l Volkswagen and Audi vehicles at the conclusion of its criminal enforcement-related investigation into the diesel issue. Volkswagen AG cooperated with the investigation and agreed to a plea resolution addressing all of the charges. In January 2020, Volkswagen AG pleaded guilty to the charges and agreed to pay a penalty of CAD 196.5 million, which was approved by the court. Following this approval, the Ontario provincial environmental regulator withdrew its action against Volkswagen AG charging a quasi-criminal enforcement-related offense with respect to certain Volkswagen and Audi 2.0 l diesel vehicles. As to pending matters in Canada, an environmental class action has been authorized on behalf of residents in Quebec. This environmental class action was authorized by the court on the sole issue of whether punitive damages could be recovered and on the basis that unresolved questions about the viability of plaintiffs' damages theory were determined to be a matter for trial. The case has been settled for a lump sum payment of CAD 6.7 million. The Superior Court of Quebec approved the settlement in June 2022 and an appeal of that approval on the limited subject of consent fees has been dismissed in the meantime so that settlement may now proceed.

In addition to the U.S. and Canadian proceedings, criminal investigations/misdemeanor proceedings have been opened in Germany by, among others, the public prosecutor's offices in Braunschweig, Stuttgart and Munich and by the Federal Financial Supervisory Authority ("**BaFin**" – *Bundesanstalt für Finanzdienstleistungsaufsicht*). Some of these regulatory offense proceedings against Volkswagen AG were terminated in 2018 and 2019, with the authorities issuing administrative notices imposing fines on Volkswagen Group companies. The related BaFin proceedings have been finally terminated.

Proceedings are ongoing in relation to current and former employees of Volkswagen. In September 2019, the public prosecutor's office in Braunschweig has issued indictments against one current and two former Volkswagen AG Board of Management members regarding their possible involvement in potential market manipulation in connection with the diesel issue. In July 2018, the public prosecutor's office in Braunschweig formally opened a misdemeanor proceeding in this regard against Volkswagen AG. In April 2019, the Braunschweig public prosecutors brought criminal charges, among others, against former Volkswagen CEO, Martin Winterkorn, in relation to alleged crimes tied to the diesel issue. The September 2019 proceedings have been finally dismissed with regard to one current and one former board member and with regard to Volkswagen AG, while the September 2019 proceedings with regard to the former CEO of Volkswagen AG, Martin Winterkorn, have been provisionally terminated. The Stuttgart public prosecutor's office also confirmed that it was investigating, among others, the former CEO of Volkswagen AG, Martin Winterkorn, in his capacity as member of the management board of Porsche SE, regarding his possible involvement in potential market manipulation in connection with this same issue. Meanwhile, the Stuttgart proceedings with regard to Martin Winterkorn have been provisionally terminated while the investigation against other persons in this context have been finally terminated. Moreover, the Stuttgart public prosecutor's office has commenced a criminal investigation into the diesel issue against one board member and several employees of Porsche AG, on suspicion of fraud and false advertising. The proceedings against the board member were discontinued against a payment without a finding of wrongdoing. A single penalty order (*Strafbefehl*) regarding a limited number of EU vehicles between 2016 and 2017 was issued against an employee. This employee did not appeal the order to conclude the matter. In addition, the Stuttgart public prosecutor's office initiated a criminal investigation against one further employee of the Company due to attempted obstruction of prosecution or punishment. The allegation

related to the behavior of the employee during the search of premises of Porsche AG in connection with the diesel issue. This employee withdrew the appeal against the penalty order that was issued in this regard to conclude the matter. Furthermore, the public prosecutor's office at the Munich II Regional Court is investigating certain current and former employees in connection with the alleged irregularities in the NOx emissions of certain V-TDI engines in the U.S. and Europe. In July 2019, the Munich II public prosecutor brought criminal charges against, among others, former Audi CEO, Rupert Stadler, in relation to alleged crimes tied to the diesel issue. In September 2020, the trial against four suspects, including the former Audi CEO, began in the Munich II Regional Court. In April 2023, the Munich II Regional Court discontinued the proceedings against one of the defendants. After confessions in April 2023 and a procedural restriction regarding certain vehicles/engines, the Munich II Regional Court issued a verdict in June 2023 against the three remaining defendants. The former Audi CEO received a suspended sentence of one year and nine months' imprisonment. The other two defendants – the former head of EA at Audi and Volkswagen and Porsche AG board member, Wolfgang Hatz, and a former Audi employee – also received suspended sentences of imprisonment. Amongst other things, fines were imposed as conditions of probation. The verdict is not yet final. Should any of these ongoing proceedings, especially those headed against (former) board members, result in final criminal court decisions against these individuals, it could result in substantial additional costs and have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, and could have an impact on the consolidated financial statements and on the group management report for 2019 and prior years. Potential impacts are currently under review.

There are additional regulatory, criminal and/or civil proceedings in several jurisdictions worldwide. Volkswagen continues to cooperate with government authorities. However, there is a risk the criminal administrative proceedings discussed above, or any other further claims that may arise, could ultimately result in further fines for Volkswagen.

Customers, consumer associations and/or environmental associations in the affected markets have filed civil lawsuits against Volkswagen AG, other Volkswagen Group companies and non-Volkswagen Group importers and dealers involved in the sales process. In addition, it is possible that importers and dealers could assert claims against Volkswagen, for example through recourse claims. Further lawsuits are possible.

Product related class action, collective or mass proceedings against Volkswagen AG and other Volkswagen Group companies are pending in various countries such as Belgium, Brazil, England and Wales, France, Germany, Italy, the Netherlands, South Africa and the U.S. These proceedings are lawsuits aimed among other things at asserting damages, rescission of the purchase contracts or seeking declaratory judgments that customers are entitled to damages. Many of these proceedings are in an early procedural stage and it is difficult to assess their prospects of success or to quantify the exposure. In some proceedings it is even impossible to define the claimants' precise causes of action or allegations. However, should these actions be resolved in favor of the claimants, they could result in significant civil damages, fines, the imposition of penalties, sanctions, injunctions and other consequences for Volkswagen.

Individual product-related lawsuits and similar proceedings are pending against Volkswagen AG and other Volkswagen Group companies in multiple countries relating to various diesel engine types, most of these lawsuits are seeking damages or rescission of purchase contracts. In Germany, there are around 31 thousand such individual lawsuits.

Furthermore, private and institutional investors from Germany and other jurisdictions (including the U.S. and Canada) have filed claims seeking significant damages against Volkswagen AG, in some cases along with Porsche SE – as joint and several debtors – based on purported losses due to alleged misconduct in capital market communications in connection with the diesel issue. The claims relate to Volkswagen AG's shares and other securities, including bonds, issued by Volkswagen Group companies, as well as third-party securities. The vast majority of these investor lawsuits are currently pending at the Braunschweig Regional Court, with further investor lawsuits filed at the Stuttgart Regional Court. Further investor claims could be brought.

In August 2016, the Braunschweig Regional Court ordered that common issues of law and fact relevant to the lawsuits pending at the Braunschweig Regional Court be referred to the Higher Regional Court (*Oberlandesgericht*) in Braunschweig for binding declaratory rulings pursuant to the German Act on Model Case Proceedings in Disputes under Capital Markets Law (Capital Markets Model Case Act – KapMuG

(Kapitalanleger-Musterverfahrensgesetz)). The lawsuits filed by investors against Volkswagen AG in Germany are stayed pending resolution of the common issues, unless the cases can be dismissed for reasons independent of the common issues that are to be adjudicated in the model case proceedings. The resolution in the model case proceedings of the common issues of law and fact will be binding for the pending cases that have been stayed in the described manner. The model case plaintiff is Deka Investment GmbH. Oral argument in the model case proceedings before the Braunschweig Higher Regional Court began in September 2018. In March 2023, the Braunschweig Higher Regional Court invited the parties to consider entering into discussions aimed at a potential settlement, since the Braunschweig Higher Regional Court envisages the further proceedings to be extensive and time consuming. Volkswagen AG maintains that the investors' claims are unfounded but, without prejudice to its legal position, Volkswagen AG has indicated that it is prepared to consider the Braunschweig Higher Regional Court's suggestion, provided that the model case proceedings continue. In July 2023, the Braunschweig Higher Regional Court issued an order for the taking of evidence including the examination of numerous persons as well as the production and consultation of documents and records. The ordered taking of evidence focuses on whether the Board of Management of Volkswagen AG or individual members thereof and/or individual members of Volkswagen AG's Ad Hoc Disclosure Clearing Office had or, reflecting Volkswagen AG's state of knowledge, lacked knowledge of the installation of switching devices prohibited under US law in Volkswagen AG vehicles, as well as on the conceptions of these persons regarding the potential share price impact of the information that each respectively possessed. As of the date of this Offering Memorandum, several witnesses have asserted alleged rights to refuse to testify. The Braunschweig Higher Regional Court will decide on whether, and to what extent, witnesses actually have a right to refuse to testify. According to the Braunschweig Higher Regional Court, Volkswagen AG bears the burden of proof regarding the lack of knowledge and grossly negligent lack of knowledge of persons responsible for ad hoc disclosures for a significant portion of the claims. Against this background, it is important for Volkswagen AG that sufficient evidence, including witness evidence, is made available to the court. Witness testimony hearings began mid-September 2023 and are being continued at subsequent hearings.

At the Stuttgart Regional Court, further investor lawsuits have been filed against Volkswagen AG, in some cases along with Porsche SE as joint and several debtor. A further investor action for binding declaratory ruling pursuant to the KapMuG was initiated before the Stuttgart Higher Regional Court against Porsche SE; Volkswagen AG was involved in this action as a third party intervening in support of a party to the dispute. The Wolverhampton City Council, Administrating Authority for the West Midlands Metropolitan Authorities Pension Fund, has been appointed model case plaintiff. In late March 2023, the Stuttgart Higher Regional Court rendered a model declaratory judgment. Based on the determinations made in the model declaratory judgment and the current substantive status of the underlying actions, all of the suspended investor lawsuits against Porsche SE would in effect have to be dismissed. The model declaratory judgment is not yet final. The model case plaintiff, several interested parties summoned, and Porsche SE have petitioned the BGH for review on points of law. Volkswagen AG has declared its intervention as a third-party supporting the petition for review of Porsche SE.

In the Netherlands, a shareholder association filed an unquantified lawsuit seeking a determination that Volkswagen AG supposedly misled the capital markets. The lawsuit was withdrawn in early July 2021 after the European Court of Justice had denied international jurisdiction of the Netherland's courts in a similar case. Volkswagen AG consented to the withdrawal of the action, thereby terminating the litigation, but not precluding subsequent litigation.

The investor lawsuits, judicial applications for dunning procedures and conciliation proceedings, and claims under the KapMuG that are currently pending against Volkswagen AG in connection with the diesel issue outside the U.S. and Canada amount to an aggregated exposure of approximately €9.5 billion (plus accessory claims).

In the U.S., a putative class action has also been filed on behalf of purchasers of certain USD-denominated Volkswagen bonds, alleging that these bonds were trading at artificially inflated prices due to Volkswagen's alleged misstatements and omissions to disclose material facts, and that the value of these bonds declined after the EPA issued its "Notices of Violation". This lawsuit has also been consolidated in the federal multidistrict litigation proceeding in the State of California described above. On June 25, 2021, the Ninth Circuit granted Volkswagen's interlocutory appeal, reversing the district court's denial of Volkswagen's motion for summary

judgment. In July 2021, plaintiff petitioned the Ninth Circuit for rehearing either before the original panel or *en banc*. On September 23, 2021, the Ninth Circuit denied the petition and on October 12, 2021 issued the mandate formally entering its judgment of reversal and remanding to the district court for determination as to whether summary judgment should be granted. No provisions have been recognized. In addition, contingent liabilities have not been disclosed as they currently cannot be measured.

Overall, from 2015 to 2022, Volkswagen recognized over €30 billion in expenses directly related to the diesel issue, adversely affecting its operating profit, financial position and results of operations.

In addition, as of December 31, 2022, contingent liabilities in relation to the diesel issue amounted to €4.2 billion in the aggregate (December 31, 2021: €4.3 billion), of which lawsuits filed by investors in Germany account for €3.6 billion (December 31, 2021: €3.6 billion). Also included are certain elements of the class action lawsuits relating to the diesel issue as well as proceedings/misdemeanor proceedings as far as these can be quantified. As some of these proceedings are still at a very early stage, the plaintiffs have in a number of cases so far not specified the basis of their claims and/or there is insufficient certainty about the number of plaintiffs or the amounts being claimed. As of September 30, 2023, there were no significant changes to contingent liabilities compared to December 31, 2022.

Evaluating known information and making reliable estimates for provisions is a continuous process. The provisions recognized, and the contingent liabilities disclosed as well as the other latent legal risks in the context of the diesel issue are in part subject to substantial estimation risks given the complexity of the individual relevant factors and the ongoing coordination with the authorities, and that the fact-finding efforts, excluding the investigations by the Supervisory Board, have not yet been concluded. Should these legal or estimation risks materialize, this could result in further substantial financial charges. In particular, adjustment of the provisions recognized in light of knowledge acquired or events occurring in the future cannot be ruled out. Furthermore, new information not known to Volkswagen AG's Board of Management at present may surface, requiring further revaluation of the amounts estimated. Considerable financial charges may be incurred, and further substantial provisions may be necessary as the issues and legal risks, fines and penalties crystallize.

In addition to ongoing, extensive investigations by governmental authorities in various jurisdictions worldwide, further investigations (including in relation to areas carved out of the plea agreement with the U.S. authorities, such as tax) could be launched in the future and existing investigations could be expanded. Furthermore, there could be pending or threatened claims against the Volkswagen Group of which Volkswagen's management is not yet aware. Ongoing and future investigations may result in further legal actions being taken against Volkswagen or some of its employees. These actions could include the following: additional assessments of substantial criminal and civil fines as well as forfeiture of gains; the imposition of penalties, sanctions and injunctions against future conduct; the loss of vehicle type certifications; and sales stops and business restrictions. The timing of the release of new information on the investigations and the maximum amount of penalties that may be imposed cannot be reliably determined at present. New information may arise at any time, including after the offer, sale and delivery of the Notes.

Any of the above-described negative developments could result in substantial additional costs and have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as on the prices of its securities and its capability to make payments under its securities, including the Notes.

Moreover, the issues described above have caused or could cause the following effects:

- damage to Volkswagen's reputation or brand image and impairment of Volkswagen's relationship with customers, dealers, suppliers, other important business partners, employees and investors, which could be exacerbated by negative publicity and perception that Volkswagen is insufficiently communicating these developments;

- lower sales, sales prices and margins and higher marketing and sales expenses for new and used Volkswagen Group vehicles, including the cost of Volkswagen having to perform inspections of vehicles free of charge which could have an adverse impact on Volkswagen's ability to compete, as a result of which Volkswagen could lose significant sales revenue;

- higher product inventories, which could increase working capital requirements;
- an adverse impact on Volkswagen's ability to pursue its strategic goals;
- an impairment of Volkswagen's ability to obtain financing required to maintain its operations, rendering Volkswagen's funding sources less efficient and more costly. Volkswagen's credit ratings have been downgraded in the wake of these findings and could be subject to further downgrades, see "*Financial risks — Volkswagen may not succeed in refinancing its capital requirements in due time and to the extent necessary, or at all. There is also a risk that Volkswagen may refinance on unfavorable terms and conditions.*";
- an early redemption of asset-backed securities with respect to which Volkswagen Group vehicles with diesel engines serve as collateral;
- Volkswagen having to dispose of certain assets, brands, subsidiaries or investments at prices below their fair market value in order to cover emissions-related financial liabilities, especially if the timing of any emissions-related payments leads to constraints on Volkswagen's cash flows; and
- an erosion of Volkswagen's competitive position due to reduced investments.

The majority of the investigations, proceedings and litigation are ongoing at this time. These proceedings could take an extended period of time to resolve, and Volkswagen cannot predict when they will be completed or what their outcomes will be, including the potential effect that their results or the reactions of third parties thereto may have on Volkswagen's business.

Future developments in these investigations, proceedings and litigation, the need to respond to the requests of governmental authorities and private plaintiffs, and the need to cooperate in these proceedings, especially if Volkswagen is not able to resolve these matters in a timely manner, could divert management's attention and resources from other issues facing Volkswagen's business.

The results of these and any future investigations, proceedings and litigation may have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as on the prices of its securities and its ability to make payments under its securities and may result in a negative net cash flow. If Volkswagen's efforts to address, manage and remediate the issues described above are not successful, Volkswagen's business, reputation and competitive position could suffer substantial and irreparable harm. Additionally, the emissions issue could affect or exacerbate the impact of the other risks Volkswagen faces as described in this Offering Memorandum.

2.5.2 ***The diesel issue led to a review and ongoing reforms of Volkswagen's internal controls, compliance function and company culture. If these reforms are not implemented or maintained and future material compliance failures occur, Volkswagen could be exposed to significant adverse consequences.***

In the wake of the diesel issue and in accordance with the settlement agreements between Volkswagen and the U.S. government, Volkswagen initiated programs and projects to enhance its internal controls, procedures and compliance systems to strengthen its culture of integrity and accountability. Behaving with integrity is a prerequisite for Volkswagen's future commercial success.

Among other things, Volkswagen's efforts include improvements of internal controls for its product development process and the testing of vehicles, reforms of its whistleblower system, revisions to its code of conduct, increased employee training, improvements to its risk assessment systems, and creation of a centralized integrity management function by setting up a new Board of Management position for Integrity and Legal Affairs. The so-called Golden Rules (internal procedures developed to optimize Volkswagen's operational internal control system) set forth certain minimum requirements for engine control unit software development, emission certification and escalation management.

In addition, pursuant to the settlement agreements with the U.S. authorities, Volkswagen was required to retain for a three-year period an external Independent Compliance Monitor ("**Monitor**") and Compliance Auditor ("**Auditor**") to review and audit Volkswagen's compliance with its obligations under the plea agreement and Third Partial Consent Decrees, respectively. Larry D. Thompson was appointed as the Monitor and Auditor in April 2017. Mr. Thompson subsequently prepared and submitted a number of review reports pursuant to the plea agreement throughout his appointment. On August 14, 2020, Volkswagen's CEO and CFO certified to the DOJ that Volkswagen had met its disclosure obligations pursuant to the plea agreement. On September 1, 2020, the Monitor certified to DOJ that Volkswagen's compliance program, including its policies and procedures, is reasonably designed and implemented to prevent and detect violations of anti-fraud and environmental laws, pursuant to the plea agreement and, on September 14, 2020, the term of the Monitor and term of the plea agreement expired.

Additionally, on August 17, 2018 and August 16, 2019, Mr. Thompson submitted his first and second annual reports under the Third Partial Consent Decrees. On June 16, 2020, Mr. Thompson submitted his third and final annual report under the Third Partial Consent Decrees. The term of the Auditor under the Third Partial Consent Decree and the Third California Partial Consent Decree ended in June 2020.

Moreover, on August 13, 2019, the EPA and Volkswagen AG, Volkswagen Group of America, Inc., Volkswagen Group of America Chattanooga Operations, LLC, and AUDI AG entered into an administrative agreement, which resolves all administrative matters relating to suspension and debarment and any suspension and debarment matter based on affiliation or imputation arising from the plea agreement. The agreement, which had a three-year term, required Volkswagen AG to retain an independent EPA auditor for the duration of the agreement to review and audit compliance with the agreement. Volkswagen AG retained John Hanson to serve as the independent EPA auditor in August 2019. The term of the independent EPA auditor ended on August 13, 2022.

The goal of these measures is to reinforce Volkswagen's governance and compliance to help deter and prevent future misconduct. Nevertheless, there remains a risk that Volkswagen fails to effectively implement or maintain the revised rules and procedures and that employees do not comply with them or otherwise fail to act in a lawful manner at all times. Furthermore, Volkswagen may face conflicts between requests for information in the context of various U.S. agreements entered into in connection with the diesel issue on the one hand and both German and international data protection requirements on the other. Any of the above factors could lead to penalties, liabilities, reputational damage and materially adverse business consequences. In addition, violations of Volkswagen's obligations under the settlement agreements cannot be ruled out. In this case, significant penalties could be imposed as stipulated in the agreements, in addition to the possibility of further monetary fines, criminal sanctions and injunctive relief.

2.5.3 ***Volkswagen's compliance and risk management systems may prove to be inadequate to prevent and discover breaches of laws and regulations and to identify, measure and take appropriate countermeasures against all relevant risks.***

In connection with its worldwide business operations, Volkswagen must comply with a range of legislative requirements in a number of countries. Volkswagen maintains a compliance management system that supports Volkswagen's operational business processes, helps to ensure compliance with legislative provisions and, where necessary, initiates appropriate countermeasures.

Members of Volkswagen's governing bodies, employees, authorized representatives or agents may violate applicable laws, and internal standards and procedures. Volkswagen may not be able to identify such violations, evaluate them correctly or take appropriate countermeasures. Furthermore, Volkswagen's compliance and risk management systems may not be appropriate to the company's size, complexity and geographical diversification and may fail for various reasons. In addition, on the basis of experience, Volkswagen cannot rule out that, for example in contract negotiations connected with business initiation, members of Volkswagen's governing bodies, employees, authorized representatives or agents have accepted, granted or promised advantages for themselves, Volkswagen or third parties, have applied comparable unfair business practices, or continue to do so. Volkswagen's compliance system may not be sufficient to prevent such actions. See also "*Government authorities in a number of jurisdictions worldwide have conducted and are continuing to conduct investigations of Volkswagen regarding findings of irregularities relating to exhaust emissions from diesel engines in certain*

Volkswagen Group vehicles. The results of these and any further investigations, and related civil and criminal litigation, may have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as the prices of its securities, including the Notes, and its ability to make payments under its securities." and "*The diesel issue led to a review and ongoing reforms of Volkswagen's internal controls, compliance function and company culture. If these reforms are not implemented or maintained and future material compliance failures occur, Volkswagen could be exposed to significant adverse consequences.*"

The occurrence of these risks may result in a reputational loss and various adverse legal consequences, such as the imposition of fines and penalties on Volkswagen or members of its governing bodies or employees, or the assertion of damages claims. Volkswagen is particularly exposed to these risks with respect to its minority interests and joint ventures, as well as its listed subsidiaries, where it is difficult and, in some cases, possible only to a limited extent to integrate these entities fully into Volkswagen's compliance and risk management systems.

2.5.4 ***Volkswagen may fail to adequately protect its intellectual property and know-how or may be liable for infringement of third-party intellectual property.***

Volkswagen owns a large number of patents and other intellectual property rights, a number of which are of essential importance to Volkswagen's business success. Despite ownership of these rights, Volkswagen may fail to enforce claims against third parties to the extent required or desired. Volkswagen's intellectual property rights may be challenged, and Volkswagen may not be able to secure such rights in the future. In particular, there is a heightened risk that Volkswagen may not be in a position to secure all necessary intellectual property rights with respect to the development of new technologies, as part of Volkswagen's collaborative partnerships or otherwise.

Furthermore, third parties (including joint venture partners or partners in collaborative projects) may violate Volkswagen's patents and other intellectual property rights and Volkswagen may not be able to prevent such violations for legal or practical reasons. This applies to product piracy where Volkswagen's vehicles and components are copied, possibly with poor quality, resulting in additional reputational and warranty risks. Trade secrets and know-how that cannot be safeguarded through intellectual property rights are also important for Volkswagen's business success. Volkswagen may be unable to prevent disclosure of trade secrets.

Volkswagen may also infringe patents, trademarks or other third-party rights or may not have validly acquired service inventions. Furthermore, Volkswagen may not obtain the licenses necessary for its business success on reasonable terms in the future. If Volkswagen is alleged or determined to have violated third-party intellectual property rights, it may have to pay damages, modify manufacturing processes, redesign products or may be barred from marketing certain products. Volkswagen could also face costly litigation. These risks could lead to delivery and production restrictions or interruptions and materially adversely affect Volkswagen's general business activities, net assets, financial position and results of operations.

2.5.5 ***Volkswagen is exposed to risks in connection with product-related guarantees and warranties as well as the provision of voluntary services, in particular in relation to recall campaigns.***

As a result of contractual and legal provisions, Volkswagen is obliged to provide extensive warranties to its dealers, importers and national distributors (quality defect liability) as well as, in certain countries, to customers. Volkswagen may face additional liability depending on the applicable laws and contractual obligations.

As a rule, Volkswagen forms provisions for these obligations on an ongoing basis. Nevertheless, relative to the guarantees and warranties that it grants, Volkswagen may have set the calculated product prices and the provisions for guarantee and warranty risks too low or may do so in the future. Volkswagen's suppliers have also provided guarantees and warranties, however, when claims are made against them, these suppliers may not be able to fulfil their obligations. Furthermore, costs associated with electric vehicles could be significantly higher in the future than originally thought (for example, recalls may be more expensive than for internal combustion vehicles; claims for damages after serious accidents may be higher and raw material prices relevant to electric mobility may increase).

Supervisory authorities may request that Volkswagen performs recall campaigns and could compel a recall and modification of Volkswagen's products or components included in Volkswagen's products. Frequently, such recalls concern a small number of vehicles. However, substantial numbers of vehicles could also be affected. The risk of a recall of a substantial number of vehicles could be exacerbated due to Volkswagen's application of modular vehicle components that are used for the production of vehicles across brands and classes.

Due to the diesel issue, Volkswagen was ordered to initiate a comprehensive recall in various jurisdictions to modify certain of its vehicles to bring their emissions systems into compliance with emissions standards. For more information, see "*Government authorities in a number of jurisdictions worldwide have conducted and are continuing to conduct investigations of Volkswagen regarding findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The results of these and any further investigations, and related civil and criminal litigation, may have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as the prices of its securities, including the Notes, and its ability to make payments under its securities.*" The related costs incurred to date are considerable and there could be additional substantial costs. There could be future recalls affecting additional jurisdictions and vehicles. The recalls could pose significant challenges to Volkswagen's dealers. Depending on the required repairs, in particular in the United States and Canada, dealers may lack sufficient technical capacities to implement the modifications on time. In addition, dealers may experience liquidity issues. To the extent Volkswagen is required to provide support to its dealer network in connection with any recalls, in particular in the United States, it may incur significant costs. Moreover, Volkswagen could be required to compensate dealers for any litigation claims they might face *vis-à-vis* their customers.

On May 5, 2016, the U.S. National Highway Traffic Safety Administration ("**NHTSA**") announced, jointly with the Takata company, a further extension of the recall for various models from different manufacturers containing certain airbags produced by the Takata company. Recalls were also requested by the local authorities in individual countries. The recalls also included models manufactured by the Volkswagen Group. Appropriate provisions have been recognized. Furthermore, in May 2020, Volkswagen agreed with NHTSA on future recalls of models with a certain type of Takata airbag inflators in the U.S. Based on findings from Volkswagen's analysis program, further models were voluntarily recalled in certain countries with specific climate conditions. Currently, the possibility of further extensions to the recalls, in the U.S. or other countries worldwide, that could also affect Volkswagen Group models cannot be ruled out and could, therefore, have an adverse financial impact.

Volkswagen may not have claims against third parties (for example suppliers) for expenses and costs associated with recalls or part exchanges. Although Volkswagen aims to comply with comprehensive development and production requirements, Volkswagen may have designed products with product defects or may manufacture faulty products. Moreover, Volkswagen may provide services as a courtesy or for reputational reasons although Volkswagen is not legally obligated to do so. These occurrences could materially adversely affect Volkswagen's general business activities, reputation, net assets, financial position and results of operations.

2.5.6 ***Volkswagen's existing insurance coverage may not be sufficient and insurance premiums may increase.***

Volkswagen has obtained insurance coverage in relation to a number of risks associated with its business activities that are subject to standard exclusions, such as willful misconduct. However, Volkswagen may suffer losses or claimants may bring claims that exceed the type and scope of Volkswagen's existing insurance coverage. Significant losses could lead to higher insurance premium payments. In addition, there are risks left intentionally uninsured based on Volkswagen's cost benefit analysis (such as, but not limited to, business interruption, interruptions following marine cargo damage, supplier insolvency, industrial disputes, specific natural hazards or comprehensive car cover), and Volkswagen therefore has no insurance against these events.

Where the risks arising from legal disputes and investigations can be assessed and insurance coverage is economically sensible, Volkswagen has purchased customary insurance coverage or recognized provisions or contingent liabilities in relation to these risks. However, as certain risks cannot be estimated or can be estimated only with difficulty, Volkswagen may incur losses that are not covered by insurance or provisions. In particular, this is the case concerning estimations of legal risks arising out of the diesel issue. As a result, legal risks could

have a material adverse effect on Volkswagen's reputation, business, net assets, financial position and results of operations.

If Volkswagen sustains damages for which there is no or insufficient insurance coverage, or if it has to pay higher insurance premiums or encounters restrictions on insurance coverage, this may materially adversely affect Volkswagen's general business activities, net assets, financial position and results of operations.

2.5.7 ***Volkswagen is exposed to tax risks, which could arise in particular as a result of tax audits or as a result of past measures.***

Volkswagen AG and its subsidiaries have operations worldwide and are audited by local tax authorities on an ongoing basis. Amendments to tax laws, including as a result of e.g., the EU Commission's proposal to introduce a debt-equity bias reduction allowance (DEBRA) or rules to prevent the misuse of shell entities for tax purposes (ATAD 3), and changes in legal precedent and their interpretation by the tax authorities in the respective countries may lead to tax payments that differ from the estimates made in the financial statements.

Risks arise particularly from tax assessment of the cross-border supply of intragroup goods and services. Through organizational measures, such as the implementation of an advance pricing agreement as well as the monitoring of transfer prices, Volkswagen is constantly monitoring the development of tax risks as well as the impact thereof on its consolidated financial statements. Furthermore, German tax authorities may not accept all costs, expenses, fines or similar liabilities incurred by Volkswagen and its subsidiaries in Germany as a result of the diesel issue as tax deductible business expense.

Tax provisions were recognized for potential future tax payments for former years, while other provisions were recognized for ancillary tax payments arising in this connection.

Volkswagen's provisions for tax risks may be insufficient to cover any actual settlement amount. Risks may also arise due to changes in tax laws or accounting principles. The occurrence of these risks could have a material adverse effect on Volkswagen's net assets, financial position and results of operations.

In December 2021, the Organisation for Economic Co-operation and Development 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 directive. While the overarching framework has been published, domestic legislation and detailed guidance to assess the full implications in various jurisdictions is outstanding.

2.5.8 ***In Germany, investors have brought conciliation and legal proceedings against Volkswagen AG in connection with Porsche SE's acquisition of Volkswagen AG shares, claiming significant damages for alleged breaches of capital market laws.***

In 2011, ARFB Anlegerschutz UG (*haftungsbeschränkt*) brought an action against Volkswagen AG and Porsche SE claiming damages for allegedly violating disclosure requirements under capital market law in connection with the acquisition of ordinary shares in Volkswagen AG by Porsche SE in 2008. The damages currently being sought are based on allegedly assigned rights and amount to approximately €2.26 billion plus interest.

On September 30, 2022, the Higher Regional Court in Celle (Lower Saxony), in a declaratory judgment according to the German Act on Model Case Proceedings in Capital Markets Issues (KapMuG – *Kapitalanleger-Musterverfahrensgesetz*), rejected all applications of ARFB Anlegerschutz UG and the other summoned parties to assess liability of Volkswagen AG and Porsche SE for being unfounded.

ARFB Anlegerschutz UG and another summoned party have filed appeals to the German Federal Court of Justice (*Bundesgerichtshof*). ARFB has confined its appeal to Porsche SE, while accepting the findings of the declaratory judgment in relation to Volkswagen. The other summoned party, however, has generally appealed and has also directed its appeal against Volkswagen AG.

Volkswagen AG continues to consider the alleged claims to be without merit. However, in the event of a settlement or an unfavorable decision in the legal proceedings, Volkswagen AG could sustain considerable losses.

2.5.9 ***The European Commission's antitrust proceedings involving Scania AB and MAN SE have resulted in the imposition of fines and further damages are being sought. Volkswagen is also subject to further antitrust investigations.***

In 2011, the European Commission conducted searches at the premises of several European truck manufacturers on suspicion of violations of EU antitrust rules in the European truck sector and issued a statement of objections to MAN, Scania and the other truck manufacturers concerned in November 2014. With its settlement decision in July 2016, the European Commission fined five European truck manufacturers holding that collusive arrangements on pricing and gross price increases for medium- and heavy-duty trucks in the European Economic Area and the timing and the passing on of costs for the introduction of emission technologies for medium- and heavy-duty trucks required by EURO III to EURO VI standards had lasted from January 17, 1997 to January 18, 2011 (for MAN: until September 20, 2010). MAN's fine was waived in full as the company had informed the European Commission about the irregularities as a key witness.

In September 2017, the European Commission fined Scania €0.88 billion. Scania had appealed to the European General Court (Court of First Instance) in Luxembourg that rendered its decision in February 2022. Scania's appeal was fully rejected and the fining decision of the European Commission confirmed. Scania appealed against the judgment to the European Court of Justice in April 2022. The €0.88 billion fine plus interest from the EU antitrust proceedings was paid on April 12, 2022, to avoid additional interest penalties.

Furthermore, a significant number of (direct or indirect) truck customers in various jurisdictions have initiated or joined lawsuits for damages against MAN and/or Scania. As is the case in any antitrust proceedings, further lawsuits for damages cannot be excluded. No provisions or contingent liabilities for these cases have been recognized.

In July 2021, the European Commission assessed a fine totaling roughly € 502 million against Volkswagen AG, AUDI AG, and Porsche AG pursuant to a settlement decision. Volkswagen declined to file an appeal, hence the decision has become final. The subject matter scope of the decision is limited to the cooperation of German automobile manufacturers on individual technical questions in connection with the development and introduction of SCR (selective catalytic reduction) systems for passenger cars that were sold in the European Economic Area. The manufacturers are not charged with any other misconduct such as price fixing or allocating markets and customers.

Based on the facts of the EU case, in April 2023 the Korean competition authority ("**KFTC**") issued the administrative fine decision that it had announced in its February 2023 press release. As announced, no fine was imposed on Volkswagen AG, and Porsche AG is not affected by the decision. A fine equaling just under €3 million was imposed against AUDI AG. AUDI AG and Volkswagen AG have appealed the decision to the relevant court in Seoul/Korea. Proceedings in this matter have also been finalized in Türkiye. There, these three Group brands have received a decision from the competition authority that did not impose any fines on the three Group brands. Based on comparable matters, the Chinese competition authority has instituted proceedings against Volkswagen, Audi, and Porsche, among others, and issued requests for information.

In March 2020, the U.S. District Court for the Northern District of California dismissed two putative class action complaints brought by purchasers of German luxury vehicles alleging that, since the 1990s, several automobile manufacturers, including Volkswagen AG and other Group companies conspired to unlawfully increase the prices of German luxury vehicles in violation of U.S. antitrust and consumer protection law. The court held that the plaintiffs have not stated a claim for relief because the allegations in the complaints do not plausibly support that the alleged agreements unreasonably restrained competition in violation of U.S. law. The plaintiffs appealed this ruling. In August 2021, the plaintiffs in one of the two class actions withdrew their appeal. In October 2021, the Ninth Circuit Court of Appeals affirmed the dismissal of the other class action by the U.S. District Court for the Northern District of California. In January 2022, the Ninth Circuit Court of Appeals denied the plaintiffs' motion (filed at the end of 2021) for rehearing on the decision in which the court had affirmed the judgment of the U.S. District Court. In February 2022, the U.S. District Court also denied the

plaintiffs' motion to set aside its judgment and to be allowed to file a new complaint. In June 2022, the U.S. Supreme Court denied the petition filed by the plaintiffs seeking review of this decision.

Plaintiffs in Canada filed claims with similar allegations on behalf of putative classes of purchasers of German luxury vehicles against several automobile manufacturers, including Volkswagen Group Canada Inc., Audi Canada Inc., and other Group companies. Neither provisions nor contingent liabilities were stated because the early stage of proceedings makes an assessment currently impossible.

In March 2022, the European Commission and the Competition and Markets Authority ("**CMA**"), the English antitrust authorities, searched the premises of various automotive manufacturers and automotive industry organizations and/or served them with formal requests for information. Within the Volkswagen Group, the investigation affects Volkswagen Group UK, which was searched by the CMA, and Volkswagen AG, which has received a Group-wide information request from the European Commission. The investigation relates to European, Japanese, and Korean manufacturers as well as national organizations operating in such countries and the European organization European Automobile Manufacturers' Association ("**ACEA**"), which are suspected of having agreed from 2001/2002 to the present to avoid paying for the services of recycling companies that dispose of end-of-life vehicles ("**ELV**") (specifically passenger cars and vans up to 3.75 tons). Also alleged is an agreement to refrain from competitive use of ELV issues, that is, not to publicize relevant recycling data (recyclates, recyclability, recovery) for competitive purposes. Volkswagen AG has responded to the European Commission's information requests. Volkswagen Group UK is cooperating with the CMA. The CMA has furthermore issued requests for information to Volkswagen AG in connection with this matter. In July 2022, Volkswagen AG filed an action for judicial review challenging the CMA's requests for information in particular because Volkswagen AG believes that they exceed the CMA's jurisdiction. In February 2023, the court issued a decision in favor of Volkswagen AG, to which the CMA filed an appeal in April 2023. Volkswagen AG continues to examine the possibilities for reasonable cooperation with CMA

In addition, a few national and international authorities have initiated antitrust investigations. Volkswagen is cooperating closely with the responsible authorities in these investigations. A number of the above proceedings are currently pending, and it is too early to assess the potential consequences of the investigation on Volkswagen. Furthermore, Volkswagen Group is exposed to antitrust risks, and may face further such risks in the future, in connection with the Group's acquisitions, joint ventures or strategic partnerships, where the operations of such acquirees, joint ventures or partners can face scrutiny from antitrust authorities. Any such developments may have a material adverse effect on Volkswagen's reputation, operating results and cash flows.

2.5.10 ***Volkswagen is subject to risks arising from legal disputes and government investigations.***

In connection with its general business activities, Volkswagen, as well as entities in which Volkswagen holds a direct or indirect interest, are currently the subject of legal disputes and government investigations in Germany as well as abroad and may continue to be so in the future. Such disputes and investigations may, in particular, arise from Volkswagen's relationships with authorities, suppliers, dealers, customers, employees or investors. Volkswagen may be required to pay fines or take or refrain from taking certain actions. To the extent customers, particularly in the United States, assert claims for existing or alleged vehicle defects individually or in a class-action lawsuit, Volkswagen may have to undertake costly defense measures, reimburse plaintiffs' legal fees and pay significant damages, including punitive damages. Complaints brought by suppliers, dealers, investors or other third parties (such as governmental authorities or patent exploitation companies) in the United States and elsewhere may also result in significant costs, risks or damages. This particularly relates to current and future class-action lawsuits, actions relating to patent rights and antitrust disputes among others. On November 1, 2018, the German Act on Model Declaratory Action came into effect, allowing certain entities to file an action for declaratory judgment on behalf of consumers. This law has already led to a significant increase in consumer litigation in Germany, including with respect to diesel-related litigation against Volkswagen and it may lead to further increases in litigation the future.

Furthermore, there may be investigations by governmental authorities in connection with Volkswagen's compliance with regulatory requirements, in particular where Volkswagen's and the regulators' interpretation of the applicable requirements differ. Uncertainties or differing assessments of risk surrounding enforcement or regulatory interpretations could result in substantial costs, including civil and criminal penalties. Investigations could relate to circumstances of which Volkswagen currently is not aware, or which have already

arisen or will arise in the future, including supervisory and environmental law, competition law, state aid or criminal proceedings.

Risks may also emerge in connection with the adherence to regulatory requirements. This particularly applies in the case of regulatory grey areas where Volkswagen and the authorities responsible for the respective regulations may interpret the regulations differently.

In addition, legal risks can arise from criminal activities of individual persons, which even the best compliance management system can never completely prevent. Risk may further arise where there is a change or expansion of legal liability due to the implementation of new legislation or court decisions that impact current practices. For example, the European Court of Justice has determined that manufacturers can also be liable for damage under European law if an impermissible defeat device is installed in a vehicle through negligence. While the effects of this decision are still being determined, Volkswagen could for example be exposed to further claims in Germany and may be exposed to further claims in other EU countries.

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

2.5.11 ***Volkswagen is exposed to political, economic, tax and legal risks in numerous countries.***

Volkswagen manufactures products in various countries, such as Germany, Sweden, Spain, the Czech Republic and the United States, in countries at the threshold of becoming industrialized nations, as well as those that only recently crossed such threshold, such as China, Brazil, Russia, India and Mexico. Volkswagen offers its products and services globally. In certain countries in which Volkswagen manufactures and sells products and services, the underlying conditions differ significantly from those in Western Europe, and there is less economic, political and legal stability. In a number of countries, there is a history of recurring political or economic crises and changes. This presents Volkswagen with risks over which it has no control, and which could have material adverse effects on its business activities and growth opportunities in these countries.

Demand for vehicles and production conditions in certain countries may be influenced by regulatory, foreign trade policy and other government market interventions. For example, restrictions on the granting or retention of approvals for vehicles or production facilities, international trade disputes, revocation of existing tax privileges, demand for the repayment of subsidies and the maintenance or introduction of new customs duties or other trade barriers such as import restrictions, may negatively affect Volkswagen's sales, procurement activities, production costs and expansion plans in the affected regions.

The expansion of bilateral and multilateral free-trade agreements between countries could also negatively affect Volkswagen's market position. This is particularly the case in Southeast Asia, where increasing numbers of Japanese companies are obtaining preferential market access based on free-trade agreements. Volkswagen's inability to gain access to markets or ability to do so only on restrictive terms could have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

2.6 Financial risks

2.6.1 *Volkswagen is exposed to risks from volatile foreign exchange markets; changes in exchange rates, interest rates and commodity prices as well as respective hedging transactions may have a negative impact on Volkswagen operating result.*

Volkswagen operates across numerous jurisdictions around the world, conducting business in multiple currencies and as a result, is exposed to financial risks that may arise from changes in interest rates, exchange rates, raw material prices, or share and fund prices. These market risks may have substantial adverse effects on Volkswagen's operating results and cash flows. Volkswagen enters into hedging transactions to lower currency, interest rate and commodity price risks. Management of these financial and liquidity risks is centrally operated

by the Group's treasury department, using non-derivative and derivative financial instruments. However, these risks are not fully hedged and losses arising from hedging activities, together with the expenses of hedging transactions, may result in significant costs.

Volkswagen is exposed to the effects of changes in the exchange rates – especially against the euro - of several currencies that play a significant role in the group's worldwide operations. Such currencies include but are not limited to, the: Australian dollar, Brazilian real, British pound sterling, Canadian dollar, Chinese renminbi, Czech koruna, Hong Kong dollar, Hungarian forint, Indian rupee, Japanese yen, Mexican peso, Norwegian krone, Polish zloty, Russian rouble, Singapore dollar, South African rand, South Korean won, Swedish krona, Swiss franc, Taiwan dollar and U.S. dollar. When business and economic conditions are favorable, Volkswagen is normally able to obtain the equivalent of euro-denominated prices for its products and services. However, this is usually not possible during weak economic periods, with the result that a strong euro may have an intensified negative impact. This could affect results from hedging activities and adversely affect Volkswagen's operating results and cash flows.

Moreover, in order to manage the liquidity and cash needs of its day-to-day operations, Volkswagen holds a variety of interest rate sensitive assets and liabilities, exposing the group to interest rate risk. This also applies to the leasing and financing operations. Volkswagen hedges interest rate risk – where appropriate in combination with currency risk – and risks arising from fluctuations in the value of financial instruments by means of interest rate swaps, cross-currency interest rate swaps and other interest rate contracts with generally matching amounts and maturities. However, if interest rates develop in an adverse manner and/or if Volkswagen's hedge positions are inadequate, this could result in losses, affect results from hedging activities, create liquidity issues, and adversely affect Volkswagen's operating results and cash flows.

Finally, the hedging of commodity prices entails risks relating to the availability of raw materials and price trends. See also: "*Volkswagen is exposed to risks arising from procurement of raw materials, potentially impacting its procurement, production, transport and service chains."* Volkswagen limits these risks mainly by entering into forward transactions and swaps. Volkswagen has entered into similar transactions in order to supplement and improve allocations of CO_2 emission certificates. Changes in prices due to high market demand for such commodities as well as changes in market values of hedges for such commodities might impact Volkswagen's ability to maintain appropriate hedge positions for affected commodities, and could in turn adversely affect Volkswagen's operating results.

In addition to the above, the effects of the SARS-CoV-2 pandemic or of violent conflicts, such as the current conflict between Russia and Ukraine, on the global economy have created significant volatility in exchange rates and commodity prices, caused interest rates to drop and severely disrupted financial markets. There is a risk that exchange rate and commodity prices disruptions will be further exacerbated as a result of the Russia-Ukraine conflict. These developments have affected and could continue to affect Volkswagens results, including results from hedging activities, and may exacerbate the financial risks to which Volkswagen is exposed and have a material adverse effect on Volkswagen's operating results and cash flows.

2.6.2 ***Volkswagen may not succeed in financing or refinancing its capital requirements in due time and to the extent necessary, or at all. There is also a risk that Volkswagen may refinance on unfavorable terms and conditions.***

Volkswagen depends on its ability to cover its financing requirements adequately. As of September 30, 2023, Volkswagen's noncurrent and current financial liabilities amounted to €229,131 million.

Volkswagen's Automotive Division and Financial Services Division carry out refinancing separately, but in principle are subject to the same financing risks. The Automotive Division finances itself primarily through retained, undistributed earnings as well as through borrowings in the form of bonds and other instruments. The Financial Services Division satisfies its funding requirements through the issuance of long and short-term debt securities out of money market and capital market programs, bank loans, operating cash flows, retail and wholesale deposits, central bank facilities and the securitization of lease and loan receivables. The Financial Services Division regularly funds itself via the Automotive Division.

Volkswagen's financing opportunities may be adversely affected by a deterioration in financial and general market conditions, a weakening of its credit profile and outlook as well as by a rating downgrade or withdrawal. In these cases, the demand from capital market participants for securities issued by Volkswagen may decrease, which could adversely impact the rates of interest Volkswagen has to pay and may result in lower capacity to access the capital markets.

The SARS-CoV-2 pandemic, the Russia-Ukraine conflict, ongoing elevated inflation levels, particularly core inflation, alongside a global trend of central bank tightening, and risks around further deglobalization has resulted and may continue to result in a material deterioration of global economic conditions and financial markets, which may make it difficult for Volkswagen to obtain sufficient financing to meet its needs or may prevent Volkswagen from being able to finance or refinance on reasonable terms or at all. This, alongside any similar effects resulting from other events such as shortages in the global supply chain or violent confrontations, such as the current conflict between Russia and Ukraine, may have a material adverse effect on Volkswagen's business, net assets, financial position and results of operations.

Volkswagen AG's credit ratings were downgraded in the wake of the diesel issue and Volkswagen has in the past, and may in the future experience limited access to refinancing opportunities. See also "*Legal Risks – Government authorities in a number of jurisdictions worldwide have conducted and are continuing to conduct investigations of Volkswagen regarding findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The results of these and any further investigations, and related civil and criminal litigation, may have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as the prices of its securities, including the Notes, and its ability to make payments under its securities*."

If financial and general market conditions deteriorate or credit spreads and/or the general level of interest rates increase, this would result in higher interest expenses for Volkswagen. If Volkswagen does not limit its exposure to changes in interest rates accordingly, it could incur materially higher financing costs which in turn would lead to lower profitability.

2.6.3 ***Volkswagen is exposed to the risk that a contract party will default or that the credit quality of its customers or other contractual counterparties will deteriorate.***

Credit risk

Volkswagen is exposed to the risk that the credit quality of its retail customers and business partners (such as dealers and other corporate customers) may deteriorate and in the worst case that they may default (risk of counterparty default). This includes the risk of default on lease payments as well as on repayments of and interest payments on financing contracts (credit risk). Credit risk is influenced by, among other factors, customers' financial strength, collateral quality, overall demand for vehicles and general macroeconomic conditions. If, for example, an economic downturn leads to increased inability or unwillingness of borrowers or lessees to repay their debts, increased write-downs and higher provisions would be required, which in turn could adversely affect Volkswagen's results of operations. In addition, restrictions on the use of vehicles, such as for example in the context of potential driving bans in cities for older diesel vehicles, could decrease market prices and in turn collateral values of vehicles. Lower collateral values could negatively impact the asset situation of Volkswagen Group.

Volkswagen has implemented detailed procedures in order to contact delinquent customers for payment, arrange for the repossession of unpaid vehicles and sell repossessed vehicles. However, there is still the risk that Volkswagen's assessment procedures, monitoring of credit risk, maintenance of customer account records and repossession policies might not be sufficient to prevent negative effects for Volkswagen.

Volkswagen's dealers could encounter financial difficulties as a result of the diesel issue and regulatory or political decisions. Due to lower sales in new and used car business, or sales carried out with low or (in extreme cases) no margin due to a buying restraint of customers caused by the uncertainties surrounding the diesel issue or other factors, dealers may not be able to generate sufficient cash flows to meet their financial liabilities.

The current worldwide shortage of components (e.g., semiconductors), stressed supply chains, rising raw material and energy prices and increasing logistic costs since the outbreak of the Sars-CoV-2 pandemic and Russia-Ukraine conflict have had a material impact on the global automotive industry and the production of vehicles. The decrease in vehicles produced had temporarily weakened the dealer business of the Volkswagen Financial Services Division. With fewer vehicles to sell to end customers, dealers' revenues will decline, which may negatively impact the financial condition of the dealers. In addition, an increasing shortage of components and intermediate products could increase car prices, which could negatively affect customer demand. Furthermore, general logistic problems (such as limited manpower or insufficient infrastructure) may cause extended delivery times of new cars and could cause an increase of the cancellations by the customers. The shortage of components and wide variety of impediments have already had a negative impact on the volume of the business due to the decreased number of new vehicles and could continue to have a material negative impact on the assets, operating result and financial positions of Volkswagen Financial Services Division and Volkswagen Group.

Counterparty risk / Issuer risk

Volkswagen is exposed to the risk of deterioration of the credit quality of its contractual counterparties in the money markets and the capital markets. In both its Automotive and Financial Services Divisions, Volkswagen maintains extensive business relationships with banks and financial institutions, in particular, to control liquidity through call money and fixed term deposits and to hedge against such risks as currency exchange rate, interest rate and commodity price risks using derivatives. Volkswagen incurs default risks with respect to the repayment of and interest on the deposits and the fulfillment of obligations under such derivatives. Volkswagen invests surplus liquidity in bonds and similar financial instruments, among others. If the credit quality of an issuer of these financial instruments deteriorates, or if such an issuer becomes insolvent, this may result in losses if Volkswagen sells the financial instrument before or at its maturity. This can even result in the issuer's default on the receivable.

If the macroeconomic environment were to deteriorate in the future, the risks described above could rise and Volkswagen may have to increase its risk provisioning. The foregoing risks could have a material adverse effect on Volkswagen's business, net assets, financial position and results of operations.

2.6.4 ***The Volkswagen Financial Services Division is dependent on Volkswagen Group sales, and any risk that negatively influences the vehicle delivery of the Volkswagen Group may have adverse effects on the business of the Financial Services Division.***

The Volkswagen Financial Services Division, as a captive finance company, has a limited business model, namely the sales support of products of the Automotive Division. Thus, the financial success of the Financial Services Division depends largely on the success of the Automotive Division. The development of vehicle deliveries to customers of the Volkswagen Group is crucial and material to the generation of new contracts for the Financial Services Division. As a result, fewer vehicle deliveries would also result in reduced business for the Financial Services Division.

The reasons for fewer vehicle sales can be diverse, including but not limited to the following: If economic growth does not materialize to the extent expected or if economic conditions weaken in a particular market, the Volkswagen Group may sell fewer products in these markets or obtain lower-than-expected prices. Additionally, a lack of economic growth could lead to a decrease of deliveries to customers caused by intensified price competition among automotive manufacturers. Furthermore, a weakening economy is accompanied by lower disposable income from both existing and potential new customers. A decrease in customers' disposable income or their financial condition will generally have a negative impact on vehicle sales.

Moreover, further legal investigations might be launched in the future and existing investigations could be expanded. This may result in further legal actions being taken against the Volkswagen Group and could have a negative influence on customer behavior and the business of Financial Services Division. Finally, if regulatory/political decisions (e.g., sales stops, driving bans, WLTP) or technological developments (e.g., e-mobility) influence customer demand, the sales of Volkswagen Group could be negatively affected, resulting in less business opportunities for the Financial Services Division.

Although the Financial Services Division operates different brands in numerous countries, a simultaneous and strong reduction of vehicle deliveries in several core markets might result in negative volume and financial performance for the Financial Services Division. These risks could have a material adverse effect on Volkswagen's business activities, net assets, financial position and results of operations.

2.6.5 ***A decrease in the residual values or the sales proceeds of leased vehicles or vehicles financed with a product with balloon rate and return option could have a material adverse effect on the business, financial condition and results of operations of Volkswagen.***

As a lessor under leasing contracts, including contracts with a balloon rate and return option for the customer, the Financial Services Division generally bears the risk that the market value of vehicles sold at the end of the term may be lower than the contracted residual value at the time the contract was entered into (so-called residual value risk). The Financial Services Division takes such differences into account in establishing provisions for the existing portfolio and in its determination of the contracted residual values for new business.

Volkswagen distinguishes between direct and indirect residual value risks. If the Financial Services Division carries the residual value risk, it is referred to as a direct residual value risk. Residual value risk is indirect when that risk has been transferred to a third party (such as a dealer) based on a residual value guarantee. The Financial Services Division frequently enters into agreements that require dealers to repurchase vehicles, so dealers, as residual value guarantors, would bear the residual value risk. When dealers act as the residual value guarantors, the Financial Services Division is exposed to counterparty credit risk. If the residual value guarantor defaults, the leased asset and also the residual value risk pass to the Volkswagen Group.

The residual value risk could be influenced by many different external factors. A decline in the residual value of used cars could be caused by initiatives to promote sales of new vehicles, which was evident during the global financial and economic crisis when incentive programs were offered by governments (for example, scrapping premiums) and automobile manufacturers. Among other things, Volkswagen was required to increase existing loss provisioning for residual value risks in the past. It cannot be ruled out that a similar scenario due to renewed deterioration of the macroeconomic environment could occur in the future.

Moreover, an adverse change in consumer confidence and consumer preferences could lead to higher residual value risks for Volkswagen. Customers determine the demand for and therefore the prices of used cars. If customers refrain from purchasing Volkswagen Group vehicles, for example due to such vehicles' perceived poor image or unappealing design, this could have a negative impact on residual values.

Furthermore, changes in economic conditions, government policies, exchange rates, marketing programs, the actual or perceived quality, safety or reliability of vehicles or fuel and energy prices could also influence the residual value risk. For instance, public discussions on potential political activities in relation to driving bans for diesel vehicles might influence the residual value risk of the relevant Financial Services Division portfolio. Due to the fact that customers might change their consumption behavior and refrain from buying diesel vehicles, these bans could have a negative impact on the corresponding market prices of these vehicles. Furthermore, the shortage of components (e.g., semiconductor shortages), rising raw material costs, energy prices, logistic costs and further challenges in procurement and delivery have caused and may cause in the future decreased new vehicle production, which might also influence used car values. As a result of any of the above factors, the residual value risk might increase and could materially adversely affect Volkswagen's net assets, financial position and results of operations.

The development of residual value risks could be influenced by the topic of e-mobility. On the one hand, rapid technical progress in the field of battery technology in favor of vehicle ranges could lead to increasing residual value risks in existing electric vehicle portfolios, as customer demand for outdated technologies declines, especially in the first few years. On the other hand, due to substitution effects, sales of electric cars as a result of changing customer behavior could have a negative impact on the residual values of conventional combustion-based vehicles, as a result of decreasing customer demand. Finally, e-mobility developments and the impact on residual value risks are difficult to predict and could therefore materially adversely affect Volkswagen Financial Services Division's net assets, financial position and results of operations.

Uncertainties may also exist with respect to the internal methods for calculating residual values, for example due to assumptions that later prove to be incorrect. Although Volkswagen continuously monitors used car price trends and makes adjustments to its risk valuation, assessing residual value risk in advance of actual market indicators remains subject to the risk of assumptions that may prove to be incorrect.

Estimates of provisions for residual value risks may be less than the amounts actually required to be paid due to miscalculations of initial residual value forecasts or changes in market or regulatory conditions. Such a potential shortfall may have a material adverse effect on Volkswagen's business activities, net assets, financial position and results of operations.

Due to the remaining uncertainties surrounding the diesel issue, the demand for Volkswagen Group vehicles could decline, which in turn could result in falling new and used car prices. Falling prices would affect Volkswagen at various stages. It could lead to pressure on margins in leasing products and products with balloon rate and return options. In addition, the residual value risk from vehicle returns could increase since the residual values calculated may not correspond with the current residual value assumptions for the end of the contract. As a result, Volkswagen would have to maintain higher value adjustments or record direct partial write-offs against income on its residual value risk portfolio, which would adversely affect Volkswagen's net assets, financial position and results of operations.

As a result of changes in economic conditions, Volkswagen could face an increasing residual value risk. Due to the drop in consumer demand, new vehicles may have to be sold at a significant discount, which could have a material impact on the residual value of used vehicles. In addition, consumer demand for used vehicles may also decline, which could further impact the residual values of used vehicles. Decreasing residual values and resulting residual value risks could influence both Volkswagen Group (direct residual value risk) and the dealers, which are financed by the Financial Services Division (indirect residual value risk). Consequently, Volkswagen Group may have to post direct write-offs on its portfolio or build higher loss allowances, which would have a material adverse effect on operating result.

2.6.6 ***Volkswagen AG and Porsche SE are liable to the Bundesverband deutscher Banken e.V. (Association of German Banks) if the latter incurs losses as a result of having provided assistance to Volkswagen Bank.***

Volkswagen Bank GmbH, Braunschweig, Germany ("**Volkswagen Bank**") is a member of the Deposit Protection Fund of the Association of German Banks. The Deposit Protection Fund in principle protects all deposits of private individuals and foundations and certain deposits of commercial enterprises, institutional investors and public-sector entities. Under the by-laws of the Association's Deposit Protection Fund, Volkswagen AG and Porsche SE have each provided a declaration of indemnity for Volkswagen Bank. Under these declarations, they have agreed to hold the Association of German Banks harmless from any losses it incurs resulting from assistance provided to Volkswagen Bank. Volkswagen AG, in turn, has provided a declaration of indemnity to Porsche SE in respect of the indemnity provided by Porsche SE to the Association of German Banks. These circumstances may have a material adverse effect on Volkswagen's business, net assets, financial position and results of operations. Moreover, any rescue measures taken by the Deposit Protection Fund may result in a reputational damage.

2.6.7 ***Accounting assessments may result in a negative effect. In particular, the value of goodwill, brand names or capitalized development costs reported in Volkswagen's consolidated financial statements may need to be partially or fully impaired as a result of revaluations.***

As of September 30, 2023, goodwill reported in Volkswagen's balance sheet amounted to €26,326 million, the reported values of brand names amounted to €17,502 million, the capitalized development costs for products under development amounted to €20,369 million and the capitalized development costs for products currently in use amounted to €16,923 million.

At least once a year, Volkswagen reviews whether the value of goodwill, brand names or capitalized development costs may be impaired based on the underlying cash-generating units. If there is objective evidence that the recoverable amount is lower than the carrying amount for the asset concerned, Volkswagen incurs an

impairment loss. Should Volkswagen need to record an impairment loss in the future, this may have a material adverse effect to its balance sheet and result of operations.

Russia's partial mobilization on September 21, 2022 and the ensuing tightening of sanctions led to adjustments to the risk assessment in relation to the situation in Russia in the third quarter of 2022 and to the potential future development of the Group's business activities in Russia. Since there was no noticeable easing in the Russia-Ukraine conflict in the fourth quarter of 2022, the discontinuation of business activities in Russia took concrete shape in the Volkswagen Group. In this context, some companies were sold and further sale negotiations were initiated. Overall, comprehensive impairment losses on assets of production facilities and financial services companies as well as risk provisions, especially for third-party expenses expected from the discontinuation of activities in Russia, were recognized in 2022. Overall, total expenses of around €2 billion were recognized in 2022 as a direct result of the Russia-Ukraine conflict, which are reported in cost of sales and in the other operating result. Of this amount, €1.5 billion was attributable to the Automotive Division and €0.5 billion to the Financial Services Division.

On May 18, 2023, Volkswagen Group completed the sale of its shares in OOO Volkswagen Group Rus (Volkswagen Group Rus), Kaluga/Russia, including its local subsidiaries (OOO Volkswagen Components and Services, Kaluga/Russia, OOO Scania Leasing, Moscow/Russia, OOO Scania Finance, Moscow/Russia, OOO Scania Insurance, Moscow/Russia) to OOO ART-FINANCE, Moscow/Russia, who is supported by the Russian Dealer AO Avilon Automotive Group, Moscow/Russia. With the registration of the transaction on May 22, 2023, ownership of the shares in the authorized capital of Volkswagen Group Rus was transferred from the seller side to the buyer. The transaction includes the production facilities in Kaluga, the importer structure of the Group brands Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, AUDI, ŠKODA, Bentley, Lamborghini und Ducati for potential after-sales business and the warehousing as well as the Scania financial services activities with all its associated employees. In this context, the Volkswagen Group has already made significant impairments in 2022 and taken appropriate provisions (see above). The sale price amounted to €125 million. The deconsolidation of the affected companies resulted in a loss of €0.4 billion in the nine months ended September 30, 2023, reported in other operating result, being mainly attributable to the realization of currency translation effects of €-0.3 billion, which had been reclassified from foreign currency translation reserve to other operating expenses. This result is split between the Automotive Division (€-0.4 billion) and the Financial Services Division (€0.1 billion). It was resolved in the fourth quarter of 2022 to sell the following fully consolidated subsidiaries allocated to the Financial Services segment: OOO Volkswagen Bank RUS, Moscow/Russia, OOO Volkswagen Group Finanz, Moscow/Russia, and OOO Volkswagen Financial Services RUS, Moscow/Russia. The resolution by the responsible bodies was followed by the implementation of a disposal plan, which is expected to be completed in the fourth quarter of 2023. Impairment losses of €202 million were recognized in this context in the nine months ended September 30, 2023. For more information see also: "*Macroeconomic, sector specific, markets and sales risks – The continuing impact to the global economy, energy supplies, and energy-intensive sectors from the Russian-Ukraine conflict and the sanctions imposed by numerous countries and multinational entities in response thereto is uncertain but may have negative implications for Volkswagen's operations*".

2.7 Risks from mergers & acquisitions, strategic partnerships and/or investments

2.7.1 *Cooperation with joint venture partners or other partners may entail risks that could endanger Volkswagen's market position and cause financial losses.*

At times Volkswagen enters into joint ventures with strategic partners for research and development, market launches and large projects. In addition to Volkswagen's joint ventures in China, important relationships relate to strategic areas, such as e-mobility, battery development, digitalization, autonomous driving, mobility concepts and infrastructure. With respect to its strategic development, Volkswagen expects to rely to a greater extent on partnerships, and cooperations, the success of which will impact the Group's future profitability. A change in or the termination of such agreements could have a negative impact on the Group and these areas of strategic focus.

If Volkswagen fails to fulfil its obligations stipulated in the related agreements, it may be subject to claims for damages and contractual penalties, or the joint venture agreement may be terminated. In addition, a breach of contract by Volkswagen's partners or unforeseen events may impair the successful implementation of a project.

Moreover, the success of Volkswagen's joint ventures requires that the partners constructively pursue the same goals, which may not always be the case. If Volkswagen decides to divest its shareholdings or withdraw from the joint venture, it may not be able to find a buyer for its shares, or it may not be able to sell the shares for other reasons, or Volkswagen's joint venture partner may claim damages. Disputes with joint venture partners can be costly and divert management's attention from the operation of the business. Additionally, it is possible that Volkswagen's partners may use, outside of the scope of the joint venture project, technologies or intellectual property acquired in the course of the joint venture. The diesel issue could affect Volkswagen's ability to attract future potential cooperation partners, for example, in the area of research and development.

Volkswagen is particularly exposed to these risks in relation to its joint ventures in China, due to their strategic importance in terms of Volkswagen's growth strategy in Asia. Any impairment of the business activities of these joint ventures, irrespective of any associated claims for damages arising from them, may have a material adverse effect on the functioning of these joint ventures. This could result from a number of factors within the respective partnership or due to the partners' differing strategic goals.

If any of these factors were to occur, Volkswagen may lose orders and customers and endanger its strategic market position in the relevant markets, which may result in a time-consuming and costly search for alternative partners and the loss of costs already incurred.

2.7.2 *Volkswagen may be exposed to risks in relation to corporate acquisitions and equity interests in companies as well as with regard to disposals and the rights of minority shareholders.*

Volkswagen has made significant acquisitions in the past and may continue to acquire companies and equity interests in companies in the future. Corporate acquisitions are typically associated with significant investments and risks. For instance, Volkswagen may not be granted full access or be provided with all relevant information to completely review the target company before the acquisition or investment or can do so only after incurring disproportionately high costs. Therefore, Volkswagen may not recognize all risks related to such a transaction in advance and may not adequately protect itself against such risks. Target companies may also be located in countries in which the underlying legal, economic, political and cultural conditions do not correspond to those customary in the European Union, or have other national peculiarities with which Volkswagen is not familiar. In addition, acquisitions and integration of companies generally tie up significant management resources. There is also a danger that acquired or licensed technologies or other assets may not be legally valid or intrinsically valuable. Furthermore, Volkswagen may not succeed in retaining, maintaining and integrating the employees, business relationships and operations of the acquired companies.

Volkswagen may not realize the targets for growth, economies of scale, cost savings, development, production and distribution targets, or other strategic goals that Volkswagen seeks from the acquisition. Moreover, anticipated synergies may not materialize, the purchase price may prove to have been too high or unforeseen restructuring expenses may become necessary. Thus, Volkswagen's corporate acquisitions or purchases of equity interests in companies may not be successful or may otherwise negatively impact the Group. For example, in 2022 an impairment loss of €1.9 billion recognized on the equity investment in Argo AI, LLC ("**Argo AI**"). Moreover, in many countries and regions, planned acquisitions are subject to a review by the competition and other regulatory authorities, which may impede a planned transaction. It is also possible that the flow of information to Volkswagen may be restricted for legal reasons in the case of equity interests in companies with minority shareholders.

Furthermore, Volkswagen may not be able to recover guarantees and indemnities provided to it by third parties in the context of acquisitions or investments. There is also a possibility that the acquired entities' contractual partners may be entitled to cancel contracts or make other claims which are disadvantageous to Volkswagen.

In relation to asset disposals, Volkswagen is also exposed to risks typically associated with such transactions, including potential liabilities resulting from contractual warranties and indemnities, as well as regulatory risks of not being able to obtain required approvals.

If any of these risks occurs, or if Volkswagen incorrectly assesses the risks or if there are other failures in relation to Volkswagen's acquisitions, investments or disposals, it may lead to an impairment of the acquisition,

reputational damage and compliance risks, and may have a material adverse effect on Volkswagen's business activities, net assets, financial position and results of operations.

Risks related to the Notes

2.8 **The Notes do not contain any financial covenants.**

Neither Volkswagen nor any of its subsidiaries (including the Issuer) will be restricted from incurring additional unsecured debt or other liabilities, including senior debt under the terms of the Notes or the Fiscal and Paying Agency Agreement. If Volkswagen incurs additional debt or liabilities, the Issuer and/or Volkswagen's ability to pay its obligations on the Notes could be adversely affected. In addition, under the Notes or the Fiscal and Paying Agency Agreement, neither the Issuer nor Volkswagen Aktiengesellschaft will be restricted from paying dividends or issuing or repurchasing their other securities.

Noteholders will not be protected under the terms of the Notes or the Fiscal and Paying Agency Agreement in the event of a highly leveraged transaction, a reorganization or a restructuring, merger or similar transaction that may adversely affect Noteholders.

2.9 **The Notes and the Guarantee are unsecured obligations of the Issuer and the Guarantor, respectively, and are subordinated to secured obligations on insolvency.**

Holders of secured obligations of the Issuer and the Guarantor will have claims that are prior to the claims of holders of the Notes to the extent of the value of the assets securing those other obligations. The Notes are effectively subordinated to secured indebtedness to the extent of the value of the assets securing those other obligations. In the event of any distribution of assets or payment in any foreclosure, dissolution, winding up, liquidation, reorganization, or other bankruptcy proceeding, the assets securing the claims of secured creditors will be available to satisfy the claims of those creditors, if any, before they are available to unsecured creditors, including the holders of the Notes. In any of the foregoing events, there is no assurance to holders of the Notes that there will be sufficient assets to pay amounts due on the Notes.

2.10 **The Volkswagen Group may incur substantially more debt in the future.**

The Volkswagen Group may incur substantial additional indebtedness in the future, some of which may be secured by some or all of its assets. The terms of the Notes will not limit the amount of indebtedness Volkswagen may incur. Any such incurrence of additional indebtedness could exacerbate the related risks described in this Offering Memorandum or pose new risks not described in this Offering Memorandum.

2.11 **Disruptions in credit and capital markets could affect the liquidity and pricing of the Notes.**

Concerns regarding high sovereign debt burdens, contagious effects of rating downgrades, possible sovereign defaults and the future of the euro could affect economic growth rates, interest rates and inflation. As a result of risk aversion by investors, demand for, and values of, some securities have decreased and may decrease further in the future. Continued volatility or intensified turmoil in global credit markets may adversely affect the liquidity and pricing of the Notes.

2.12 **Transfer of the Notes will be restricted, which may adversely affect the value of the Notes.**

The Notes have not been and will not be registered under the Securities Act or the securities laws of any other jurisdiction. Purchasers may not offer the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws, or pursuant to an effective registration statement. The Notes and the Fiscal and Paying Agency Agreement under which the Notes are issued will contain provisions that will restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A or other exceptions under the Securities Act. It is the Noteholder's obligation to ensure that any offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See "*Purchase and Transfer Restrictions*".

2.13 **An active trading market may not develop for the Notes, in which case the Noteholder's ability to transfer the Notes will be more limited.**

The Notes are new securities for which there currently is no market. The Notes will not be listed on any stock exchange and the Issuer cannot assure you as to the liquidity of any market that may develop for the Notes, the ability of holders of the Notes to sell them or the price at which holders of the Notes may be able to sell them. The liquidity of any market for the Notes will depend on a number of factors, including general economic conditions and the Volkswagen Group's own financial condition, performance and prospects, as well as recommendations of securities analysts. The Issuer cannot assure prospective purchasers that an active trading market for the Notes will develop or, if one does develop, that it will be maintained.

The liquidity of, and trading market for, the Notes may also be hurt by general declines in the market for similar securities. Such a decline may adversely affect any liquidity and trading of the Notes independent of the Volkswagen Group's financial performance and prospects.

2.14 **The Notes will initially be held in book-entry form and therefore holders of the Notes must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.**

Unless and until notes in definitive registered form, or definitive registered notes, are issued in exchange for book-entry interests, owners of book-entry interests will not be considered owners or holders of notes. DTC, or its nominee, will be the registered holder of the Global Notes for the benefit of their respective participants. After payment to the registered holder, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if a holder owns a book-entry interest, such holder must rely on the procedures of DTC, and if such holder is not a participant in DTC, on the procedures of the participant through which the holder owns its interest, to exercise any rights and obligations of a holder under the Fiscal and Paying Agency Agreement. See "*Book-Entry, Delivery and Form*".

Unlike the holders of the Notes themselves, owners of book-entry interests will not have any direct rights to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if a holder owns a book-entry interest, such holder will be permitted to act only to the extent such holders has received appropriate proxies to do so from DTC, or if applicable, from a participant. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable a holder to vote on any matters on a timely basis.

Similarly, upon the occurrence of an event of default under the Fiscal and Paying Agency Agreement, unless and until definitive registered notes are issued in respect of all book-entry interests, if a holder owns a book-entry interest, such holder will be restricted to acting through DTC. There can be no assurance that the procedures to be implemented through DTC will be adequate to ensure the timely exercise of rights under the Notes. See "*Book-Entry, Delivery and Form*".

2.15 **Holders of Notes with a fixed interest rate are exposed to interest rate risk.**

Holders of Notes with a fixed interest rate are particularly exposed to the risk that the price of such fixed rate note may fall as a result of changes in the market interest rate. This may materialize if the holder sells the fixed rate note prior to its final maturity. While the nominal interest rate of a fixed rate note is fixed during the life of such note, the current interest rate on the capital market ("**Market Interest Rate**") typically changes on a daily basis. As the Market Interest Rate changes, the price of a fixed rate note also changes, but in the opposite direction. If the Market Interest Rate increases, the price of the fixed rate note typically falls, until the yield of such note is approximately equal to the Market Interest Rate. If the Market Interest Rate falls, the price of a fixed rate note typically increases, until the yield of such note is approximately equal to the Market Interest Rate. If the holder of a fixed rate note holds it until maturity, changes in the Market Interest Rate are without relevance to such holder as the note will be redeemed at a specified redemption amount, usually the principal amount of such note. Fixed rate notes may also bear an interest rate of zero per cent., in which case no interest will be paid. If a holder of a fixed rate note purchases such note at a price (which term shall include any possible issue surcharge or any provisions, commissions or transactional costs in connection with such purchase) higher than the redemption amount of such note, the yield of the note so purchased may be negative and the holder of fixed rate notes may suffer a loss.

2.16 **Holders of Notes with a floating interest rate are exposed to fluctuating interest rate levels and uncertain interest income.**

Fluctuating interest rate levels make it impossible to determine the profitability of floating rate Notes ("**Floating Rate Notes**") in advance. The holder of a Floating Rate Note is also exposed to the risk that the price of such Floating Rate Note may fall as a result of changes in the Market Interest Rate. This may materialize if the holder of a Floating Rate Note sells such Floating Rate Note prior to its final maturity. Neither the current nor the historical value of the relevant floating rate should be taken as an indication of the future development of such floating rate during the term of the Floating Rate Notes.

2.17 **The composition and characteristics of SOFR are not the same as those of U.S. dollar LIBOR, and SOFR is not expected to be comparable to U.S. dollar LIBOR.**

In June 2017, the Federal Reserve Bank of New York's Alternative Reference Rates Committee (the "**ARRC**") identified the Secured Overnight Financing Rate (or "**SOFR**") as the rate that, in the consensus view of the ARRC, represented best practice for use in certain new U.S. dollar derivatives and other financial contracts. However, the composition and characteristics of SOFR are not the same as those of U.S. dollar London Interbank Offered Rate (or "**LIBOR**"). SOFR is a broad Treasury repurchase financing rate that represents overnight secured funding transactions and is not the economic equivalent of U.S. dollar LIBOR. While SOFR is a secured rate, U.S. dollar LIBOR is an unsecured rate. And, while SOFR is currently only an overnight rate, U.S. dollar LIBOR is a forward-looking rate that represents interbank funding for a specified term.

As a result, there can be no assurance that SOFR will perform in the same way as U.S. dollar LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, bank credit risk, market volatility or global or regional economic, financial, political, regulatory, judicial or other events.

2.18 **The market continues to develop in relation to SOFR as a reference rate for Floating Rate Notes; any failure of SOFR to gain market acceptance could adversely affect the Floating Rate Notes.**

SOFR may fail to gain market acceptance. Any failure of SOFR to gain market acceptance could result in reduced liquidity or increased volatility or could otherwise affect the return on and the market price of Floating Rate Notes. In addition, the manner of adoption or application of SOFR in the bond markets may differ materially compared with the application and adoption of SOFR based rates in other markets, such as the derivatives and loan markets. Prospective investors should carefully consider how any mismatch between the adoption of SOFR across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of the Floating Rate Notes.

The level of Compounded SOFR applicable to a particular interest period and, therefore, the amount of interest payable with respect to such interest period will be determined on the relevant interest determination date for the Floating Rate Notes for such interest period. Because each such date is near the end of such interest period, holders of Floating Rate Notes will not know the amount of interest payable on the Floating Rate Notes with respect to a particular interest period until shortly prior to the related interest payment date and it may be difficult for holders of Notes to reliably estimate the amount of interest that will be payable on each such interest payment date.

Investors should be aware that the market may not continue to develop in relation to SOFR. The trading price of the Floating Rate Notes may be lower than those of securities that are linked to rates or methods of determining interest that are more or become more widely used. Similarly, market terms for floating-rate debt securities linked to SOFR, such as the spread over the base rate reflected in interest rate provisions or the manner of compounding the base rate, may evolve over time, and trading prices of the Floating Rate Notes may be lower than those of later-issued SOFR-based debt securities as a result. Investors in the Floating Rate Notes may not be able to sell the Floating Rate Notes at all or may not be able to sell the Floating Rate Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market and may consequently suffer from increased pricing volatility and market risk.

The New York Federal Reserve (or a successor), as administrator of SOFR, may make methodological or other changes that could change the value of SOFR, including changes related to the method by which SOFR is calculated, eligibility criteria applicable to the transactions used to calculate SOFR, or timing related to the publication of SOFR. If the manner in which SOFR is calculated is changed, that change may result in a reduction of the amount of interest payable on the Floating Rate Notes, which may adversely affect the trading prices of the Floating Rate Notes. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SOFR in which case a fallback method of determining the interest rate on the Floating Rate Notes will apply (described in detail in the Terms and Conditions). The administrator has no obligation to consider the interests of holders of Notes when calculating, adjusting, converting, revising or discontinuing SOFR.

If SOFR were to be discontinued or otherwise unavailable, the applicable rate to be used to calculate the interest rate on the Notes will be determined using the alternative methods (described in detail in the Terms and Conditions). Any of these alternative methods may result in interest payments that are lower than, or do not otherwise correlate over time with, the payments that would have been made on the Notes if SOFR had been provided in its current form. In addition, the use of the alternative methods may also result in a fixed rate of interest being applied to the Notes.

Investors should consider these matters when making their investment decision with respect to any such Notes.

2.19 **The secondary trading market for securities linked to SOFR may be limited.**

If SOFR does not prove to be widely used as a benchmark in securities that are similar or comparable to the Floating Rate Notes, the trading price of the Floating Rate Notes may be lower than those of securities that are linked to rates that are more widely used. Similarly, market terms for securities that are linked to SOFR, including, but not limited to, the spread over the reference rate reflected in the interest rate provisions, may evolve over time, and as a result, trading prices of the Floating Rate Notes may be lower than those of later-issued securities that are based on SOFR. Investors in the Floating Rate Notes may not be able to sell the Floating Rate Notes at all or may not be able to sell the Floating Rate Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market and may consequently suffer from increased pricing volatility and market risk.

2.20 **If SOFR is discontinued, the Floating Rate Notes will bear interest by reference to a different base rate, which could adversely affect the value of the Floating Rate Notes; there is no guarantee that any replacement base rate will be a comparable substitute for SOFR.**

Under certain circumstances, the Rate of Interest on the Floating Rate Notes will no longer be determined by reference to SOFR, but instead will be determined by reference to a different rate, which will be a different benchmark than SOFR plus a spread adjustment, which is referred to as a Benchmark Replacement (as defined under "*Terms and Conditions of the Notes — Interest*") and a Benchmark Replacement Adjustment, (as defined under "*Terms and Conditions of the Notes — Interest*") respectively.

If a particular Benchmark Replacement or Benchmark Replacement Adjustment cannot be determined, then the next-available Benchmark Replacement or Benchmark Replacement Adjustment will apply. These replacement rates and adjustments may be selected, recommended or formulated by (i) the Relevant Governmental Body (such as the ARRC), (ii) the International Swaps and Derivatives Association, Inc. ("**ISDA**") or (iii) in certain circumstances, the Issuer or its Independent Advisor (as defined under "*Terms and Conditions of the Notes — Interest*"). In addition, the terms of the Floating Rate Notes expressly authorize the Issuer or its Independent Advisor to make Benchmark Replacement Conforming Changes (as defined under "*Terms and Conditions of the Notes — Interest*") with respect to, among other things, the definition of the "Floating Rate Interest Period", timing and frequency of determining rates and making payments of interest and other administrative matters. The determination of a Benchmark Replacement, the calculation of the interest rate on the Floating Rate Notes by reference to a Benchmark Replacement (including the application of a Benchmark Replacement Adjustment), any implementation of Benchmark Replacement Conforming Changes and any other determinations, decisions or elections that may be made under the terms of the Floating Rate Notes in connection with a Benchmark Transition Event (as defined in "*Terms and Conditions of the Notes — Interest*")

could adversely affect the value of the Floating Rate Notes, the return on the Floating Rate Notes and the price at which a holder of Floating Rate Notes can sell the Floating Rate Notes.

In addition, (i) the composition and characteristics of the Benchmark Replacement will not be the same as those of SOFR, the Benchmark Replacement will not be the economic equivalent of SOFR, there can be no assurance that the Benchmark Replacement will perform in the same way as SOFR would have at any time and there is no guarantee that the Benchmark Replacement will be a comparable substitute for SOFR (each of which means that a Benchmark Transition Event could adversely affect the value of the Floating Rate Notes, the return on the Floating Rate Notes and the price at which holders of Floating Rate Notes can sell such Floating Rate Notes), (ii) any failure of the Benchmark Replacement to gain market acceptance could adversely affect the Floating Rate Notes, (iii) the Benchmark Replacement may have a more limited history and the future performance of the Benchmark Replacement cannot be predicted based on historical performance, (iv) the secondary trading market for the notes linked to the Benchmark Replacement may be limited and (v) the administrator of the Benchmark Replacement may make changes that could change the value of the Benchmark Replacement or discontinue the Benchmark Replacement and has no obligation to consider any holder's interests in doing so.

2.21 **The Issuer or its Independent Advisor will make determinations with respect to the Floating Rate Notes.**

The Issuer or its Independent Advisor will make certain determinations with respect to the Floating Rate Notes as further described under "*Terms and Conditions of the Notes — Interest*". In addition, if a Benchmark Transition Event and its related benchmark replacement date have occurred, the Issuer or its Independent Advisor will make certain determinations with respect to the Floating Rate Notes in the Issuer's or its Independent Advisor's reasonable discretion as further described under "*Terms and Conditions of the Notes — Interest*".

Any of these determinations may adversely affect the value of the Floating Rate Notes, the return on the Floating Rate Notes and the price at which holders of Floating Rate Notes can sell such Floating Rate Notes. Moreover, certain determinations may require the exercise of discretion and the making of subjective judgments, such as with respect to Compounded SOFR or the occurrence or non-occurrence of a Benchmark Transition Event and any benchmark replacement conforming changes. These potentially subjective determinations may adversely affect the value of the Floating Rate Notes, the return on the Floating Rate Notes and the price at which holders of Floating Rate Notes can sell such Floating Rate Notes.

2.22 **Credit ratings may not reflect all risks.**

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market and additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

3. USE OF PROCEEDS

The net proceeds from the Notes, less commissions but before expenses payable by the Volkswagen Group in connection with the Notes, will be approximately U.S.$ and will be used by the Volkswagen Group for general corporate purposes, including working capital requirements.

4. CAPITALIZATION

The following table sets forth the Volkswagen Group's cash, cash equivalents and time deposits and capitalization (a) as of September 30, 2023, as derived from the Group Interim Financial Statements and (b) as adjusted to give effect to the issuance of the Notes and the application of proceeds therefrom as discussed under "Use of Proceeds" as if this Offering had been completed as of September 30, 2023. This table should be read in conjunction with the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations", the 2023 Q3 Report Excerpts and the Financial Statements, in particular the balance sheet, and the notes thereto and related discussion and analysis included or incorporated by reference in this Offering Memorandum.

	As of September 30, 2023	
	Actual[1]	As adjusted
	(in € million) (unaudited)	
Cash and cash equivalents	**45,662**	[2]
Financial liabilities		
Noncurrent financial liabilities	**124,984**	[2]
Bonds, commercial paper and notes	97,134	[2]
Liabilities to banks	19,441	
Deposit business	2,552	
Lease liabilities	5,023	
Other financial liabilities	834	
Current financial liabilities	**104,147**	
Bonds, commercial paper and notes	45,214	
Liabilities to banks	24,123	
Deposit business	32,611	
Lease liabilities	1,057	
Other financial liabilities	1,142	
Total financial liabilities	**229,131**	[2]
Total equity	**189,117**	
Total capitalization[3]	**418,248**	[2]

(1) Financial information of the Company has been derived from the Group Interim Financial Statements.

(2) Figure includes the gross proceeds from the Notes, less commissions but before other expenses payable by the Volkswagen Group in connection with the Notes, amounting to U.S.$ million. The euro equivalent of Notes offered hereby is based on a euro/U.S. dollar exchange rate of U.S.$1.0583 = €1.00, which was the middle rate as of September 29, 2023 used to record foreign currency monetary items in the balance sheet. The proceeds from this Offering are intended to be used for general corporate purposes, including working capital requirements, as described under "*Use of Proceeds.*"

(3) Total capitalization is calculated as the sum of total financial liabilities and total equity.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in the Volkswagen Group's results of operations and financial condition. Historical results may not indicate future performance. The forward-looking statements contained in this discussion are subject to a variety of factors that could cause actual results to differ materially from those contemplated by such statements. Factors that may cause such a difference include, but are not limited to, those discussed in "General Information – Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

This discussion and analysis is based on and should be read in conjunction with the Group Interim Financial Statements, the Group Financial Statements and the other information included elsewhere or incorporated by reference in this Offering Memorandum. Unless otherwise indicated, all of the financial data and discussions thereof are based upon the Financial Statements prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to section 315e (1) of the German Commercial Code (Handelsgesetzbuch, HGB) and with IFRS on interim financial reporting (IAS 34), respectively. Additional information on the trends and significant changes in the Volkswagen Group's results of operations and financial condition as of and for the nine-month period ended September 30, 2023 can be found in the 2023 Q3 Report Excerpts incorporated herein by reference.

Unless otherwise indicated, the 2022 and the 2021 financial information included in this discussion and analysis has been taken or derived from the 2022 Group Financial Statements. The 2020 financial information has been taken or derived from the 2021 Group Financial Statements. The financial information as of September 30, 2023 and for the nine-month periods ended September 30, 2023 and 2022 has been taken or derived from the Group Interim Financial Statements. As a result, not all financial information may be comparable.

In the Group Interim Financial Statements the Volkswagen Group applied IFRS 17 "Insurance Contracts" as of January 1, 2023 for the first time. The transition was conducted using the full retrospective approach, unless using that approach was impracticable. This was the case when not all of the required historical information, in particular for multiyear contracts, was available without undue cost and effort. In these instances, the Volkswagen Group generally used the modified retrospective approach. Prior-period comparative figures as of December 31, 2022 and for the nine-month period ended September 30, 2022 in the Group Interim Financial Statements have been adjusted accordingly. For more information see Note "Accounting policies" – "IFRS 17 – Insurance Contracts" to the Group Interim Financial Statements.

Where financial information in the tables in this discussion and analysis is labeled "audited", it has been taken from the Group Financial Statements. The label "unaudited" is used to indicate that financial information in the tables in this discussion and analysis has not been taken from the Group Financial Statements but has been derived from the Group Financial Statements or has been taken or derived from the Group Interim Financial Statements or the Company's accounting records or management reporting or is based on calculations of figures from the aforementioned sources.

5.1 Business Overview

The Volkswagen Group is one of the world's leading multi-brand companies in the automotive industry in terms of sales volume (i.e., the number of vehicles delivered to dealers). In 2022, Volkswagen Group achieved sales revenue of €279,232 million, operating result of €22,124 million and earnings after tax of €15,836 million. Volkswagen Group delivered 8.3 million vehicles to its customers worldwide in 2022.

Volkswagen Group comprises the following brands: Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, ŠKODA, SEAT/CUPRA, Audi, Lamborghini, Bentley, Ducati, Porsche, MAN, Scania, Volkswagen Truck & Bus and Navistar. For more information on each brand see "*Business of the Volkswagen Group — Volkswagen's Divisions and their Products and Services — Automotive Division*".

The Volkswagen Group's business activities comprise two divisions: the Automotive Division and the Financial Services Division. The Automotive Division is composed of three business areas: Passenger Cars, Commercial Vehicles and Power Engineering:

- The Passenger Cars business area essentially consolidates the Volkswagen Group's passenger car brands and the Volkswagen Commercial Vehicles brand. Activities focus on the development of vehicles, engines and vehicle software, the production and sale of passenger cars and light commercial vehicles, and the genuine parts business. The product portfolio ranges from compact cars to luxury vehicles and also includes motorcycles, and is supplemented by mobility solutions.

- The Commercial Vehicles business area primarily comprises the development, production and sale of trucks and buses, the corresponding genuine parts business, and related services. The commercial vehicles portfolio ranges from light vans to heavy trucks and buses. The collaboration between the commercial vehicle brands is coordinated within TRATON SE.

- The Power Engineering business area combines the large-bore diesel engines, turbomachinery and propulsion components businesses.

The Financial Services Division combines dealer and customer financing, vehicle leasing, direct banking and insurance activities as well as fleet management and mobility services.

The following table provides an overview of the deliveries to customers (including the joint venture companies in China), sales revenue and operating result of the Volkswagen Group and Volkswagen's divisions for the periods indicated:

	For the year ended December 31, (unaudited, unless otherwise indicated)								
	Deliveries to customers[1]			Sales revenue			Operating result		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
	(Thousand vehicles)			(€ million)			(€ million)		
Volkswagen Group[2]	8,263	8,882	9,305	279,232[3]	250,200[3]	222,884[3]	22,124[3]	19,275[3]	9,675[3]
of which:									
Automotive Division[4]	8,263	8,882	9,305	232,385	206,237	182,106	16,468	13,230	6,664
Financial Services Division[5]	–	–	–	46,847[3]	43,963[3]	40,778[3]	5,656[3]	6,045[3]	3,012[3]

[1] Deliveries for 2021 and 2020 have been updated to reflect subsequent statistical trends. As of July 1, 2021, the figures include Navistar.

[2] The sales revenue and operating result of the joint venture companies in China are not included in Volkswagen's figures. The Chinese companies are accounted for using the equity method and recorded a proportionate operating result of €3,280 million €3,026 million and €3,602 million for the years ended December 31, 2022, 2021 and 2020, respectively.

[3] Audited.

[4] Sales revenue and operating result include allocation of consolidation adjustments between the Automotive and Financial Services Divisions.

[5] Financial Services Division corresponds to the Financial Services segment.

Volkswagen Group's financial reporting comprises four reportable segments: the Passenger Cars and Light Commercial Vehicles segment, Commercial Vehicles segment, Power Engineering segment and Financial Services segment.

The Automotive Division's three business areas described above conform to Volkswagen's financial reporting segments as follows: The Passenger Cars business area corresponds to the Passenger Cars and Light Commercial Vehicles reporting segment together with the reconciliation, to account for intra-group activities. The Commercial Vehicles business area and Power Engineering business area correspond to the reporting segments of the same name. The Financial Services Division corresponds to the Financial Services segment.

The following table presents an overview of Volkswagen's key figures by reporting segment for the period indicated:

	For the year ended December 31, 2022 (audited, unless otherwise indicated)						
	Passenger Cars and Light Commercial Vehicles	Commer-cial Vehicles	Power Engineering	Financial Services	Total segments	Reconci liation	Volkswagen Group
	(€ million, unless otherwise indicated)						
Total sales revenue	210,371	39,516	3,565	46,847	300,299	– 21,067	279,232
Segment result (operating result)	17,153	1,588	281	5,656	24,677	– 2,553	22,124
as a % of total sales revenue[(1)]	8.2	4.0	7.9	12.1	–	–	7.9
Capex, including capitalized development costs[(2)]	20,125	1,907	84	217	22,334	338	22,672

(1) Unaudited.

(2) In the 2022 Group Financial Statements, shown as investments in intangible assets, property, plant and equipment, and investment property.

From January 1, 2022, responsibilities within the Volkswagen Group were divided among eleven board-level management functions. In addition to the Chair of the Board of Management, a function which also included the Volume brand group, the other Board functions were Purchasing, Technology, Finance, Human Resources and Truck & Bus, Integrity and Legal Affairs, Premium, Sport & Luxury, IT, China and Volkswagen Passenger Cars. With effect from February 1, 2022, a new Group Sales function was created.

As of September 1, 2022, the Volkswagen Group refined its Group management. The Board of Management was streamlined and the division of responsibilities was reorganized. As a result, the Purchasing and Group Sales Board functions were dissolved. Furthermore, the Volkswagen Passenger Cars function was renamed Volume. Since then, responsibilities have been divided among ten board-level management functions. In addition to the Chair of the Board of Management, the other Board functions are Technology, Finance, Human Resources and Truck & Bus, Integrity and Legal Affairs, Volume, Premium, Sport & Luxury, IT and China. The Chair of the Board of Management is also responsible for Sport & Luxury. Directly attached to the Board are a number of Group Management functions that act as an extension to the board-level management functions. These comprise the Group Sales, Group Production, Procurement and Technical Architecture functions.

The "Volume" brand group comprises the Volkswagen Passenger Cars, ŠKODA, SEAT/CUPRA and Volkswagen Commercial Vehicles brands. The "Premium" brand group comprises the Audi, Lamborghini, Bentley and Ducati brands. The "Sport & Luxury" brand group consists of the Porsche brand. In the Truck & Bus brand group, TRATON SE acts as the umbrella for the Scania, MAN, Volkswagen Truck & Bus and Navistar commercial vehicles brands. As well as strengthening the brand groups, the reorganization and creation of new units enabled substantial progress with the Software, Battery & Charging and Mobility Solutions technology platforms in 2022. The software subsidiary CARIAD was further expanded, with a subsidiary of its own in China, among other things.

In addition to this, Volkswagen founded PowerCo SE in 2022 as part of the Battery & Charging technology platform. This company will be responsible for the Group's global battery business. In addition to producing battery cells, it will also take on other activities along the battery value chain in future. In the Mobility Solutions technology platform, Volkswagen strengthened the Group's expertise in advanced fleet management through the equity investment in the Europcar Mobility Group in 2022. The aim is to be able to achieve even better coverage of all customers' mobility needs based on a new mobility platform.

In June 2023 the Volkswagen Group presented a new leadership model. This entailed a realignment that also included a renaming of the brand groups: Volume has become Core, Premium is now called Progressive, Sport & Luxury has changed to Sport Luxury and Truck & Bus to Trucks. A strategic return on sales target has been set for each Group brand as well as for the technology platforms PowerCo and CARIAD. For the purposes of this Offering Memorandum, brand group names as of December 31, 2022 are used for consistency with Group Financial Statements.

Volkswagen sells vehicles in about 150 countries. Volkswagen's key sale markets for its automobiles as of December 31, 2022 include Western Europe, China, the United States, Brazil, Poland, Mexico, Türkiye and the Czech Republic.

The following table presents the regional markets for Volkswagen's products and services and the percentages of sales revenue from external customers by region (in each case excluding the Chinese joint ventures, which are accounted for using the equity method) for the periods indicated:

	Percentages of sales revenue from external customers by region For the year ended December 31, (unaudited)		
	2022[1]	2021[1]	2020[1]
	(%)		
Germany	17.4	17.7	19.2
Europe/Other Markets[2] (excluding Germany)	37.5	40.4	40.6
North America	21.3	18.1	16.5
South America	5.5	4.4	3.9
Asia-Pacific[3]	18.3	19.4	19.8

(1) Effects of hedging transactions relating to sales revenue in foreign currency are not allocated to regions.

(2) Other Markets mainly comprises Türkiye and South Africa.

(3) The sales revenue of the joint venture companies in China is not included in the figures for the Asia-Pacific market.

Volkswagen had an average of 669,275 employees worldwide (including the equity-accounted Chinese joint ventures) in 2022.

5.2 Basis of Presentation

In addition to Volkswagen AG, its consolidated financial statements comprise all significant German and non-German subsidiaries, including structured entities, which are controlled directly or indirectly by Volkswagen AG. This is the case if Volkswagen AG obtains power over the potential subsidiaries directly or indirectly from voting rights or similar rights, is exposed, or has rights to, positive or negative variable returns from its involvement with the subsidiaries, and is able to influence those returns. In the case of the structured entities consolidated in the Volkswagen Group, Volkswagen is able to direct the material relevant activities remaining after the change in the structure even if it is not invested in the structured entity concerned and is thus able to influence the variable returns from its involvement. The structured entities are used primarily to enter into asset-backed securities transactions to refinance the financial services business and to invest surplus liquidity in special securities funds. Consolidation of subsidiaries begins at the first date on which control exists, and ends when such control no longer exists.

Subsidiaries whose business is dormant or insignificant, both individually and in the aggregate, for the fair presentation of the net assets, financial position and results of operations as well as the cash flows of the Volkswagen Group are not consolidated. They were carried in Volkswagen AG's consolidated financial statements at cost net of any impairment losses and reversals of impairment losses required to be recognized.

Significant companies where Volkswagen AG is able, directly or indirectly, to significantly influence financial and operating policy decisions (associates), or that are directly or indirectly jointly controlled (joint ventures), are accounted for using the equity method. Joint ventures also include companies in which the Volkswagen Group holds the majority of voting rights, but whose articles of association or partnership agreements stipulate that important decisions may only be resolved unanimously. Insignificant associates and joint ventures are carried at cost net of any impairment losses and reversals of impairment losses required to be recognized.

5.3 Material Changes in Investments

5.3.1 *IPO of Porsche AG*

On September 28, 2022, as part of the IPO of Porsche AG, a total of 113,875,000 preferred shares of Porsche AG were successfully placed with investors at a placement price of €82.50 per preferred share, totalling around

€9.4 billion, including 14,853,260 preferred shares to cover potential additional allocations. The non-voting no-par value bearer shares came from the portfolio of Porsche Holding Stuttgart GmbH, Stuttgart, a wholly owned subsidiary of Volkswagen AG. The total number of preferred shares offered in the IPO corresponded to up to 25% of the preference share capital of Porsche AG (including additional allocations). The non-voting preferred shares of Porsche AG have been traded on the Regulated Market of the Frankfurt Stock Exchange since September 29, 2022. Up to the early termination of the stabilization period on October 11, 2022, a total of 3,794,199 preferred shares had been bought back on the market. The free float of the preferred shares after the end of the stabilization period is therefore 24.2% and comprises 110,080,801 preferred shares.

In connection with the IPO, Volkswagen additionally sold an interest of 25% of Porsche AG's ordinary shares plus one ordinary share to Porsche Automobil Holding SE, Stuttgart (Porsche SE). As consideration, Porsche SE has undertaken to pay a purchase price of around €10.1 billion to Volkswagen; this purchase price includes a premium of 7.5% on the placement price of the preferred shares per share. The purchase of the ordinary shares was completed in two tranches of 79,712,501 and 34,162,500 shares respectively.

As a result of the transactions, the Volkswagen Group's equity increased by €19.1 billion, net of bank commissions and fees in the amount of €0.1 billion taken directly to equity; of this amount, €10.8 billion is reported as noncontrolling interests. The cash inflow for the preferred shares and the first tranche of the ordinary shares occurred at the beginning of the fourth quarter of 2022.

The resolution of the extraordinary General Meeting of Volkswagen AG on December 16, 2022 gave rise to the obligation to pay a dividend, which was increased by €19.06 per ordinary and preferred share (the "**Special Dividend**") and led to a total obligation to the shareholders of Volkswagen AG amounting to €9.6 billion. Taking into account the offsetting transaction described below, a corresponding liability was recognized for this payment as of December 31, 2022. The cash outflow was scheduled for January 9, 2023 and occurred on that day.

Volkswagen AG and Porsche SE agreed to offset the obligation to pay Special Dividend to Porsche SE against Volkswagen AG's claim to the payment of the purchase price still outstanding for the second tranche of ordinary shares. In the consolidated financial statements as of December 31, 2022, the purchase price receivable of €3.0 billion for the second tranche and the dividend liability of €3.1 billion were therefore presented on a net basis. Upon payment of the Special Dividend on January 9, 2023, the netting process was completed.

The employees of Volkswagen AG and Volkswagen Sachsen GmbH are to participate in the economic success of the placement of the preferred shares and the sale of ordinary shares in Porsche AG by way of a one-off payment of up to €2,000 per employee. A liability of €0.3 billion was recognized to this end as of December 31, 2022. On October 17, 2022, the Board of Management and the Works Council of Porsche AG communicated a special payment to employees to mark the successful IPO; the payment was made and recognized in profit or loss in the fourth quarter of 2022. The total bonus for employees in connection with the IPO of Porsche AG amounted to €0.5 billion in the Volkswagen Group as of December 31, 2022.

5.3.2 *Takeover of Europcar*

In 2021, together with investment firm Attestor Limited and Pon Holdings B.V., Volkswagen made a joint public takeover offer for the shares of Europcar Mobility Group S.A., Paris/France ("**Europcar**") through the consortium company Green Mobility Holding S.A. ("**GMH**") based in Strassen/Luxembourg. The European Commission issued final antitrust approval at the end of May 2022. During the extended offer period, the French Financial Markets Authority gave Europcar shareholders the opportunity to tender their shares to the consortium company. In total, 93.6% of Europcar's shareholders accepted the offer. The consortium jointly assumed control of Europcar in mid-June 2022. Because the acceptance rate was over 90%, a squeeze-out was initiated for the remaining Europcar shares in July 2022, and the company was delisted. Since July 13, 2022, the consortium company has held 100% of the shares in Europcar. The purchase price was 51 cents per Europcar share.

At the end of June 2022, the entire portion of the purchase price attributable to Volkswagen, amounting to €1.7 billion, was contributed to GMH. Since joint control has been contractually agreed, the company, in which Volkswagen holds 66% of the shares, will be accounted for using the equity method in the Volkswagen consolidated financial statements. In addition, Volkswagen is the writer of put options held by the other

members of the consortium, and the other members have granted Volkswagen call options on their shares in the consortium company. The options with Attestor were extended on a long-term basis in December 2022. The measurement of the options led to a total non-cash expense of €0.3 billion in 2022, which was recognized in the financial result.

5.3.3 *Brose Sitech Sp. z o.o. Transaction*

Following the fulfillment of all closing conditions, Brose Fahrzeugteile SE & Co. Kommanditgesellschaft ("**Brose**") and Volkswagen Finance Luxemburg S.A., a subsidiary of Volkswagen AG, created a jointly operated company in early 2022 for the development and manufacture of complete seat units, seat structures and components, and solutions for vehicle interiors. As part of this arrangement, Brose acquired half of the shares in the previous Volkswagen Group company SITECH Sp. z o.o., Polkowice/Poland. As of the end of 2022, Brose and Volkswagen each held 50% of the jointly operated company – Brose Sitech Sp. z o.o. – with Brose taking the industrial lead and controlling the company. Given its significant influence, Volkswagen accounts for Brose Sitech as an associate using the equity method. The change in the accounting policy did not have any material effect on the Volkswagen Group's profit or loss.

5.3.4 *Acquisition of Navistar*

On July 1, 2021, TRATON SE (together with its consolidated subsidiaries "**TRATON**") acquired all of the outstanding shares in Navistar International Corporation ("**Navistar**"), a US manufacturer of commercial vehicles based in Lisle, Illinois/USA. The purchase price of €3.1 billion (USD 3.7 billion) was paid in cash. TRATON now indirectly holds 100% of the shares in Navistar International Corporation. Prior to the acquisition, TRATON's 16.7% interest in Navistar was accounted for using the equity method. Trading in Navistar shares on the New York Stock exchange has been discontinued. The acquisition resulted in goodwill in the amount of €2,783 million to reflect the synergies arising from the operation with Navistar as of December 31, 2021. Due to the size of the transaction, it was not possible to complete the in-house reviews of the information underlying the purchase price allocation until the end of 2022. The update to the purchase price allocation did not materially affect the results of operations, financial position and net assets of the Volkswagen Group for 2022. These relate particularly to the growth in the share of the market, to procurement, production costs, modularization and the use of shared components, and to the area of research and development.

In 2021, the fair value of the equity interest in Navistar that TRATON had held immediately prior to the acquisition date was determined on the basis of the share price of USD 44.50/share at the acquisition date and amounted to €624 million. The remeasurement of this equity interest resulted in a gain of €219 million in 2021. Moreover, the derecognition of the equity-accounted investment during the initial consolidation of Navistar resulted in income and expenses previously recognized directly in equity being reclassified to the income statement, which led to an expense of €37 million in 2021. This in turn resulted in a gain of €182 million in 2021, which is presented in the share of the result of equity-accounted investments.

5.3.5 *Impairment of Argo AI*

On July 12, 2019, Volkswagen announced that, together with Ford Motor Company ("**Ford**"), it would be investing in Argo AI, a company that is working on the development of a system for autonomous driving. The investment involves the provision of financial resources totaling USD 1.0 billion, spread over several years, and the contribution by Volkswagen of its consolidated subsidiary Autonomous Intelligent Driving ("**AID**"). Furthermore, Volkswagen acquired existing Argo AI shares from Ford for a purchase price of USD 500 million, payable in three equal annual installments. The transaction, including the contribution of AID, was executed as of June 1, 2020. After proportional profit elimination, the contribution of AID to Argo AI at fair value resulted in a non-cash gain of €0.8 billion in 2020, which was recognized in the other operating result.

In the third quarter of 2022, Volkswagen took the strategic decision not to make further investments in Argo AI to develop autonomous driving. Since Argo AI had previously been unable to win new investors and no returns were consequently expected, an impairment loss on the entire interest was therefore recognized. This resulted in an expense of €1.9 billion in fiscal year 2022, which is recognized in the other financial result. There are plans to liquidate Argo AI.

5.4 **Material Factors Affecting Results of Operations and Financial Position**

Volkswagen believes that the factors described below have had a material effect on its business, financial position and results of operations and that these factors may continue to have such an effect in the future.

5.4.1 ***General economic conditions***

The development of the general economic situation and the global markets for automobiles, especially for passenger cars and light commercial vehicles, is a material factor that affects Volkswagen's sales revenue and results, as well as its net assets, financial position and results of operations, in particular in Germany and Western Europe, with the region accounting for 32.9% of Volkswagen's total passenger car deliveries to customers in 2022 (2021: 32.1%; 2020: 31.3%). The vehicles that are produced by Volkswagen and distributed worldwide, and the financial services offered in this context, are predominantly purchased and used by private individuals, transportation and logistics companies, and business entities. In turn, their willingness to invest in Volkswagen products depends on the foreseeable state of the economy. The relevant factors include disposable private household income and consumer confidence, the financial situation of business customers and their willingness to invest, the availability and terms of vehicle financing, the price of oil and fuel, and government support programs. In addition, Volkswagen's operations in terms of deliveries and production output can be negatively impacted by ongoing geopolitical tensions and conflicts, especially the Russia-Ukraine conflict.

In 2022, the volume of the passenger car market worldwide was slightly below the year 2021 at 69.6 million vehicles. Gains and losses in individual markets were very uneven, since shortages and disruption in global supply chains, the effects of the Russia-Ukraine conflict and the further consequences of the SARS-CoV-2 pandemic varied around the world in terms of the strength of their impact. Shortages of semiconductors and other intermediate products, which already occurred in the second half of 2021, and the resulting supply bottlenecks, could also not be fully resolved in 2022. Moderate or noticeable growth was recorded in the overall markets of the Asia-Pacific and Middle East regions respectively in 2022, while South America and Africa were on a level with 2021. Sales fell in the remaining regions while market volume was moderately down in Western Europe and noticeably down in North America, Central and Eastern Europe recorded a very strong decline. In 2022, the global volume of new registrations for light commercial vehicles was slightly lower than in 2021.

Along with fiscal policy measures, factors substantially affecting the automotive industry were shortages and disruptions in global supply chains, the SARS-CoV-2 pandemic and the impacts of the Russia-Ukraine conflict. This contributed considerably to the mixed trends in unit sales in the markets in 2022. As a result of the Russia-Ukraine conflict, sanctions were imposed that restricted the production and sale of vehicles, particularly in Russia. The fiscal policy measures included tax cuts or increases, incentive programs and sales incentives, as well as import duties. In addition, a rise in non-tariff trade barriers to protect the respective domestic automotive industries made the movement of vehicles, parts and components more difficult.

In 2022, global truck markets declined sharply. This was due to upheaval on the Chinese market, which slumped dramatically on the back of purchases brought forward to 2021 prior to the introduction of the new emission level and due to the zero-Covid strategy pursued there. However, in the markets that are most important for the Volkswagen Group, demand for mid-sized and heavy trucks with a gross weight of more than six tonnes experienced noticeable growth of 5.5% in 2022 compared to 2021.

In the 27 EU states excluding Malta, but including the United Kingdom, Norway and Switzerland ("**EU27+3**"), the number of new truck registrations was noticeably up in 2022 compared to 2021, increasing by 5.1% to a total of 337 thousand vehicles. Growth could be observed in many truck markets in the region, albeit to differing degrees. The substantial market recovery seen in 2021 slowed during 2022 to a more measured level of growth. In 2022, new registrations in Germany, the largest market in this region, were on a level with 2021. The United Kingdom recorded a noticeable increase of 9.8% in 2022 compared to 2021, while demand in France was on a level with 2021. The Russian market declined sharply as a result of the Russia-Ukraine conflict in 2022.

5.4.2 *Supply chain disruptions and continued effects of the SARS-CoV-2 pandemic on Volkswagen's deliveries*

In 2022, following the slump in global economic output in 2020 and the incipient recovery due to base and catchup effects in 2021, the global economy recorded positive overall growth of 3.0%. In 2022, the Volkswagen Group produced 8,716,606 vehicles (including the equity-accounted companies in China), 5.2% more than in 2021. The shortage of semiconductors and the disruption of supply chains caused by the Russia-Ukraine conflict and the SARS-CoV-2 pandemic restricted production in the Volkswagen Group; the supply and production situation eased toward the end of 2022. Production in Germany increased by 11.1% to 1,647,611 vehicles in 2022. The proportion of the Group's total production accounted for by Germany increased to 18.9% in 2022 compared to 17.9% in 2021.

The average rate of expansion of gross domestic product ("**GDP**") in 2021 was far above the 2020 level in both the advanced economies and the emerging markets. The progress made by many countries in administering vaccines to their populations had a positive effect, while the emergence of new variants of the virus led to renewed national rises in infections. At a national level, performance was dependent on the extent to which the negative impacts of the SARS-CoV-2 pandemic were materializing and the intensity with which measures were taken to contain the spread. In 2021, some countries and economies recovered from the impact of the SARS-CoV-2 pandemic however not at the same level as the pre-SARS-CoV-2 growth. Other countries and economies in 2021 fully recovered from the impacts of the SARS-CoV-2 pandemic. For example, the economy in Western Europe recorded positive overall growth of 5.4% in 2021, compared to an overall decrease of –6.5% in 2020. Germany's economic output recorded a positive growth rate of 2.7% in 2021 (2020: –4.9%) and US economic output increased by 5.7% in 2021 compared to the prior year (2020: –3.4%) despite increasing infection rates at times.

In 2021, the Volkswagen Group produced 8,282,954 vehicles (including the equity-accounted Chinese joint ventures), 6.9% less than in 2020. Furthermore, in 2021 supply shortages, especially for semiconductors, further weighed negatively on production capacity, causing cutbacks in production volumes. In Germany, Volkswagen's production contracted by 9.2% to a total of 1,483,281 vehicles in 2021. The percentage of the Group's total production accounted for by Germany fell to 17.9% in 2021 compared to 18.4% in 2020. In 2021 however, despite a further the decline in production and unit sales, product mix effects, better price positioning, and the good business performance of the Financial Services Division and the Commercial Vehicles Business Area particularly had a positive impact on Volkswagen's sales revenue (+12.3% compared to 2020) and operating result (+99.2% compared to 2020), offsetting the above decrease in production.

5.4.3 *Trends in the markets for automobiles*

The economic success of the Volkswagen Group is dependent on its success in navigating the trends in the automotive markets. Overall, the automotive industry is undergoing a radical transformation process with far-reaching changes. Automotive manufacturers like Volkswagen are facing major challenges in the area of technological advances. Electric drives, connected vehicles, autonomous driving and demand for alternative modes of mobility, such as ride hailing, ride pooling and car sharing, are associated with both opportunities and risks for Volkswagen's business and demand for its products and require Volkswagen to make additional investments in specific product solutions and business models to defend its overall market position (for example e-mobility and automotive software integration). Furthermore, more rapidly evolving customer trends, swift implementation of legislative initiatives and the market entry of new competitors require changed products (e.g., development of new, fuel-efficient vehicles and alternative drive technologies), a faster pace of innovation and adjustments to business models. In addition, many of these factors differ by geographic market, requiring automotive manufacturers to develop different approaches depending on the markets in which they operate. Key aspects of legislative developments are the implementation of increasingly stringent emission and consumption regulations, taking new test procedures and test cycles (e.g., the Worldwide Harmonized Light-Duty Vehicle Test Procedure) into account, regulations regarding the use, handling and storage of certain substances (which apply to both the manufacturing of automobiles and the automobile itself), as well as compliance with approval processes (homologation), which are becoming increasingly more complex and time-consuming and may vary by country. In Europe, further municipalities and cities might impose driving bans on diesel vehicles in order to comply with emissions limits which could also affect demand for Volkswagen's products.

Finally, the effect of the SARS-CoV-2 pandemic on the foregoing trends, due to the medium- and long-term economic impact of the outbreak, including on consumer demand, as well as other pandemic-driven factors such as possible changes in commuting patterns, levels of reliance on public transportation, trains and aircraft versus privately-owned automobiles, and the ongoing possibility of further outbreaks, is highly uncertain but could be significant.

5.4.4 *Price competition and sales promotion measures*

Volkswagen is exposed to intense competition that has increased in recent years because of the globalization and concentration of the automotive industry, as well as greater market transparency. Additionally, the automotive industry has been suffering from surplus capacity for a number of years, a situation that has increased because of the entry into the market of new automobile manufacturers, in particular from China and India. Competitive pressures are likely to intensify in the future.

The vehicles produced by Volkswagen also compete with other means of transportation, such as trains, aircraft and ships, and it cannot be ruled out that private and business travelers will increasingly use means of transportation other than automobiles in the future. The reasons for this may include rising costs for automotive passenger and freight transportation, the growing density of traffic in urban areas and environmental protection considerations.

At the same time, it can be observed that declining unit sales of certain automobile manufacturers have led to growing price competition with, in some cases, aggressive sales promotion measures, causing prices of both new and, consequently, used vehicles to fall and thus putting pressure on the margins of the automobile manufacturers for new vehicles and the residual values of leased and other used vehicles.

The price pressure could partially be further reinforced, especially if customer expectations of lower prices for new vehicles have become firmly established. As a result, automobile manufacturers could be prompted to engage in aggressive sales promotion by means of continued discounts, which would expose Volkswagen to increased competition and affect it to a significant extent because it offers volume models in the compact and midsize classes.

Although Volkswagen does not intend to participate in aggressive price competition, sales promotion measures, such as discounts, special models, cheaper or no cost accessories packages, and lower cost financing and leasing terms, are becoming increasingly important. Such measures would put pressure on the price of new vehicles produced by Volkswagen and increase the pressure on Volkswagen to offer sales promotion measures to a larger extent. This would adversely affect the margins in the Automotive Division. The residual values of leased and other used vehicles would also be impaired, which would be reflected in increased residual value risk and associated increased impairment losses and risk provisions in the Financial Services Division. In the case of lower cost financing and leasing terms, the costs of these measures would also affect the margins obtainable by the Automotive Division and by dealers, because the dealers assume the cost of lower interest rates charged by the Financial Services Division.

5.4.5 *Product and market mix*

The prices for identical vehicle models may differ from market to market for a number of reasons, such as the local competitive situation, the taxation of the vehicles in the markets concerned, or Volkswagen's strategic considerations. The same applies to the material and production costs incurred to produce a certain vehicle model in various markets. As a result, different margins and earnings contributions are generated for the same vehicle model in different geographic markets. The product mix also differs from geographic market to market. As a result, shifts in the product and market mix, including the geographic distribution of the vehicles sold have a considerable impact on Volkswagen's results of operations. Another material factor is the development of exchange rates, which considerably affect the profitability of the cars sold in the different markets especially in markets where Volkswagen Group does not produce locally. The results are further influenced by the scope and value of the level of accessories demanded by customers. Here, too, demand varies by geographic market and vehicle type. In total, Volkswagen expects an uneven development, which will likely be marked by increasing awareness of CO_2 emissions, country-specific tax and legal developments, rising protectionist tendencies, as well as generally rising prices for energy.

In 2022, product and market mix effects had a significant positive impact on Volkswagen's sales revenue and results of operations, outweighing the negative impact of decreasing production and vehicles sales resulting from continued effects of the Russia-Ukraine conflict, semiconductor shortages and other supply chain disruptions.

5.4.6 *Share of the result of equity-accounted investments*

As of December 31, 2022, Volkswagen held interests in the following significant companies that are accounted for as equity-accounted investments and contribute to the share of the result of equity-accounted investments:

- 40% in FAW-Volkswagen Automotive Company, Ltd., Changchun, China;
- 50% in SAIC-Volkswagen Automotive Company Ltd., Shanghai, China;
- 30% in SAIC-Volkswagen Sales Company, Shanghai, China;
- 25% in Sinotruk (Hong Kong) Limited, Hong Kong, China;
- 29% in Bertrandt AG, Ehningen, Germany; and
- 30% in There Holding B.V., Rijswijk, the Netherlands, in its capacity as shareholder of HERE International B.V. ("**HERE**").

See also "*Business of the Volkswagen Group — Volkswagen's Divisions and their Products and Services — Automotive Division – Significant equity interests*."

The share of the result of equity-accounted investments amounted to €2,395 million in 2022, an increase of €74 million compared to €2,321 million in 2021.

In the equity method of accounting, the income and expenses, as well as the assets and liabilities, of the relevant equity-accounted investments are not fully included in the consolidated income statement and the consolidated balance sheet. Rather, the carrying amount of the investment is mainly increased or decreased by the share of the equity-accounted investment's income or expense attributable to the Volkswagen Group. The share of the result of equity-accounted investments determined in this way is not included in the Volkswagen Group's operating result, but is allocated to the financial result. For this reason, the business development of the Chinese joint ventures, for example, is only reflected in Volkswagen's operating result by deliveries of vehicles and vehicle parts in sales revenue as well as license revenue.

The cost of equity-accounted investments is adjusted to reflect the share attributable to the Volkswagen Group of increases or reductions in equity of associates and joint ventures after their acquisition, as well as any effects from purchase price allocation. Additionally, the investment is tested for impairment if there are indications of impairment and written down to the lower recoverable amount if necessary. The recoverable amount is determined using the principles described for indefinite-lived intangible assets. If the reason for impairment ceases to apply at a later date, the impairment loss is reversed to the carrying amount that would have been determined had no impairment loss been recognized.

5.4.7 *Procurement costs*

The cost of materials, raw materials and energy, as well as of vehicle parts and components, accounts for a large portion of the cost of sales. Materials purchased for production amounted to approximately 50% of Volkswagen Group's sales revenue for each of the 2022, 2021 and 2020 fiscal years.

The main raw materials required for vehicle production (in terms of quantity and costs) are steel, synthetic material, aluminum, copper, lead, nickel, platinum, palladium and rhodium. In addition, Volkswagen needs energy, primarily in the form of electricity, some of which Volkswagen produces partly by itself by burning coal and natural gas. Commodity and energy prices are subject to fluctuations, which can be considerable (and also sudden), and were exposed to frequent and at times significant changes in the recent past. For example, the

prices of certain raw materials that are used by Volkswagen and Volkswagen's suppliers to manufacture their products or components, such as steel, aluminum, copper, lead, and various precious metals as well as battery components are volatile. For further information on changes in global market prices of the main raw materials required by Volkswagen and its suppliers, see "*Business of the Volkswagen Group — Volkswagen's Divisions and their Products and Services — Automotive Division — Procurement — Procurement of production materials*".

In addition, Volkswagen could face an increased price and procurement risk due to a shortage in scarce raw materials that are needed in vehicle production, particularly in the production of vehicle's electronic components. This includes for example the so-called rare earths, which to a large extent occur in China and which are currently quarried almost exclusively in China. In the past China has restricted export of rare earths but is increasingly using other mechanisms, such as an export licensing system or the imposition of higher raw material duties. If Volkswagen or its suppliers are not able to ensure a sufficient supply of rare earths, this could have a negative impact on vehicle production and on Volkswagen's results of operations before taxes.

The compounding effects from the Russia-Ukraine conflict, the SARS-CoV-2 pandemic and related supply chain issues has caused significant volatility in the prices and supply of raw materials and may continue to impact the prices and supply of raw materials, as worldwide supply chains are affected by production shortages, while on the other hand, many companies are facing a decline in demand, impacting prices.

Because Volkswagen is dependent on the raw materials listed above, as well as on energy, whose prices and availability in turn affect the prices of vehicle parts and components, changes in raw materials and energy prices materially affect Volkswagen's overall cost of materials. Due to the intense competition in the automotive market, Volkswagen generally cannot pass on price increases for raw materials, energy, parts and components to its customers in full. To reduce these price and purchasing risks on the procurement side, Volkswagen relies in particular on globally coordinated purchasing activities, long-term supply contracts, continuous optimization of its supplier portfolio and the materials, and technical research for alternative materials. Among other things, the business model that is employed by Volkswagen to reflect the demand situation in specific regions encompasses, among other things, alliances with local suppliers and local purchasing agreements, which are designed to ensure the lowest possible cost rate per vehicle through localized production and procurement. Additionally, Volkswagen tries to limit certain availability and pricing risks arising from the purchase of raw materials by entering into forward and swap transactions. Volkswagen has, through the use of appropriate contracts, hedged some of its requirements for raw materials over a period of up to six years. Similar transactions have been entered into for the purpose of supplementing and optimizing allocations of CO_2 emission certificates, in particular for burning coal to generate electricity.

Challenges related to supplies and costs were key areas of focus in 2022. 2022 was mainly devoted to safeguarding the supply of parts. Through pin-pointed task force work, Volkswagen minimized impending vehicle losses due particularly to the shortage of parts in connection with the Russia-Ukraine conflict. In the second half of 2022, the focus was additionally on rising energy prices, the resulting supplier receivables, and safeguarding the energy supply at Volkswagen's own plants and at those of its suppliers.

5.4.8 ***Research and development costs***

Volkswagen's economic success and competitiveness depend on its ability to adapt its existing product and service range to technology progress, legal requirements and changing customer requirements in a timely manner, and to set new technical and customer trends.

Especially in developed markets, the global automotive market has been marked in recent years by growing demand for socially responsible and more environmentally friendly technologies. This is linked in particular to the public debate about global warming and climate protection, as well as at times very high, and very volatile, oil and fuel prices. In addition to continuing the development of the current generation of combustion engines, Volkswagen is therefore focusing on the research, development and production of alternative drive technologies such as hybrid and electric drives.

In addition, Volkswagen plans to systematically reduce the complexity of the individual products and the costs incurred to develop and manufacture them by further developing the cross-brand modular strategy and by

introducing and expanding the modular component and modular platform concepts. The development and deployment of modular platforms will be systematically extended in order to exploit potential for sustained efficiency gains by reducing development times and unit costs per vehicle. In addition, the modular component concept allows faster model changes and new products that are tailored to meet local customer preferences to be launched in the relevant markets.

The table below shows the research and development costs reported in Volkswagen's income statement, their share of capitalized development costs and the amortization of capitalized development costs in 2022, 2021 and 2020; these figures are only related to the Automotive Division:

	For the year ended December 31,				
	2022	2021	2020	Change 2021/2022	Change 2021/2020
		(in € million) (unaudited)		(%) (unaudited)	
Total research and development costs	18,908	15,583	13,885	+21.3	+12.2
of which capitalized development costs	9,723	7,843	6,473	+24.0	+21.2
Capitalization ratio (%)	51.4	50.3	46.6		
Amortization of capitalized development costs	5,144	5,050	4,644	+1.9	+8.7
Research and development costs recognized in profit or loss	**14,329**	**12,790**	**12,056**	**+12.0**	**+6.1**
Total research and development costs as % of sales revenue of the Automotive Division	8.1	7.6	7.6	–	–

The capitalization ratio of development costs depends on the production cycle that the brands' individual model series pass through in different periods. The main focus of Volkswagen's research and development costs is on the electrification of its vehicle portfolio, a more efficient range of engines, lightweight construction, digitalization and the development of alternative drives and modular toolkits.

5.4.9 *Exchange rate movements*

Volkswagen is active in a large number of countries worldwide and generates a significant portion of its sales revenue in currencies other than the euro, particularly in Argentine peso, Australian dollar, Brazilian real, British pound sterling, Canadian dollar, Chinese renminbi, Czech koruna, Hong Kong dollar, Hungarian forint, Indian rupee, Japanese yen, Mexican peso, Norwegian krone, Polish zloty, Singapore dollar, South African rand, South Korean won, Swedish krona, Swiss franc, Taiwan dollar and U.S. dollar. Similarly, a major proportion of Volkswagen's expenses are incurred in a variety of currencies, in particular those listed above.

Because income and expenses in the relevant currencies rarely match in any given period, an adverse development in the exchange rates for these currencies may result in a difference between the value of the service provided calculated in euros and the value of the consideration received ("**transaction effects**").

Gains and losses from exchange rate movements are reported in Volkswagen's consolidated financial statements mainly under "sales revenues" or "other operating income" and "other operating expenses". These items mainly comprise gains or losses from changes in exchange rates between the dates of initial recognition and payment of receivables and liabilities denominated in foreign currencies, as well as exchange rate gains or losses resulting from measurement at the closing rate. Operating income from foreign exchange gains in 2022 amounted to €3,640 million (2021: €2,610 million and 2020: €2,588 million), while foreign exchange losses in the operating result in 2022 amounted to €3,762 million (2021: €1,909 million and 2020: €3,123 million).

Significant exchange rate movements, as compared to the euro, especially of the Argentine peso, Australian dollar, Brazilian real, British pound sterling, Canadian dollar, Chinese renminbi, Czech koruna, Hong Kong dollar, Hungarian forint, Indian rupee, Japanese yen, Mexican peso, Norwegian krone, Polish zloty, Russian ruble, Singapore dollar, South African rand, South Korean won, Swedish krona, Swiss franc, Taiwan dollar and U.S. dollar, were observable in the past three years and thus had a corresponding effect on Volkswagen's results of operations. Losses arising from hedging strategies, together with the expenses of hedging transactions, may result in significant costs.

In accordance with a sensitivity analysis by Volkswagen, for example, a weakening of the following currencies against the euro by 10% in 2022 would have resulted in a deterioration in the earnings after tax of approximately the following amounts:

	Effect on earnings after tax by +10% exchange rate against euro For the year ended December 31, 2022
	(in € million)
Currency	
British pound sterling	–120
U.S. dollar	–731
Chinese renminbi	–342
Swiss franc	–1
Swedish krona	–67
Japanese yen	–36
Australian dollar	–31
South Korean Won	–46
Canadian dollar	–20
Taiwan dollar	–10
Czech koruna	–65
Brazilian real	–66

During the course of its general business activities, Volkswagen reduces its foreign currency risk primarily through "natural hedging", i.e. by flexibly adapting its production capacity at its locations around the world and by establishing new production facilities in the most important currency areas, as well as by purchasing materials in the same currency areas in which the sales are generated. The residual foreign currency risk is hedged primarily for a period of up to six years (maximum tenor of 10 years) using financial hedging instruments. These include predominantly currency forwards, currency options, currency swaps and cross-currency swaps. In the case of cash flow hedges, the hedging instruments are also measured at fair value. The designated effective portion of the hedging instrument is accounted for through other comprehensive income I ("**OCI I**") and the non-designated portion through other comprehensive income II ("**OCI II**"). They are recognized in the income statement when the hedged item is recognized in profit or loss. The ineffective portion of cash flow hedges is recognized through profit or loss immediately.

In 2022, €1,094 million was transferred from OCI I to operating result, decreasing earnings, and €753 million was transferred from OCI II to operating result, decreasing earnings. In 2021, €70 million was transferred from OCI I to operating result, increasing earnings, and €1,114 million was transferred from OCI II to operating result, decreasing earnings. In 2020, €1,122 million was transferred from OCI I to operating result, increasing earnings, and €1,178 million was transferred from OCI II to operating result, decreasing earnings.

Finally, various subsidiaries and equity investments of the Volkswagen Group prepare their financial statements in currencies other than the euro. These financial statements must be translated into Euros to enable preparation of the Volkswagen Group's consolidated financial statements. This translation may result in corresponding effects in the Volkswagen Group's consolidated financial statements ("**translation effects**").

Economic developments have had and may continue to have significant effects on the exchange rates of many foreign currencies, in particular but not limited to a deterioration in the value of several emerging market currencies as compared to the Euro. Furthermore, the Russia-Ukraine conflict may lead to increased inflation which may negatively impact exchange rates. Due to significant changes in forecasted inflows and outflows of several of the previously mentioned foreign currencies, hedging positions had to be modified as part of the reaction to the coronavirus pandemic. At this time, Volkswagen cannot fully assess the impact of the pandemic on the group's foreign exchange rate exposure.

5.4.10 *Financial services*

Volkswagen has bundled together its financial services activities in its Financial Services Division, offering services worldwide. The vehicle related activities are essentially classified into the following areas: financing

(customer and dealer financing), vehicle leasing, insurance activities, fleet management and mobility services. Volkswagen is also active in the direct banking business, which through the deposit business represents an important pillar of the Financial Services Division's refinancing strategy. The objective of Volkswagen's financial services activities is to support the sale of vehicles produced by Volkswagen and to strengthen customer loyalty to the Group's brands. In addition, the financing activities are designed to optimize the Automotive Division's liquidity position.

The Financial Services Division's income from financing, leasing and insurance activities is positively correlated with vehicle sales, the selling price that can be obtained for the vehicles, the term of financing and leasing products, the amount of prepayments and the penetration rate, i.e. the number of vehicles delivered by Volkswagen that are financed by the Financial Services Division.

In the case of financing and leasing products, the Financial Services Division's margin is determined by the interest rate underlying the contract (less refinancing costs) and a surcharge for administrative expenses and risk provisions. If refinancing costs rise, for example because of higher interest rates on the money and capital markets, or for deposits in the direct banking business, the Financial Services Division's margin is reduced correspondingly if such an increase cannot be offset in the short term by modifying the interest rate underlying a contract or being passed on to new customers. This risk is mitigated by the implementation of a central Asset/Liability-steering that defines and follows-up the level of mismatch by market. If low interest rates or more attractive terms are offered as part of special financing deals to the Automotive Division's customers to promote sales, the Automotive Division assumes the difference between the standard market rate of interest and the lower interest rate, in part together with the dealer organization.

In addition, the result from the financing and leasing business is affected by the default rates. If the default rates rise, this results in additional impairment losses and expenses for risk provisions, which adversely affect the Volkswagen Group's results of operations. Processes are in place to closely monitor the behaviour of worldwide portfolios and take corrective actions if needed.

Other factors that affect the results of the Financial Services Division are linked to the development of innovative new products as well as increasing costs of regulatory compliance.

5.4.11 *Financing and refinancing costs*

The Automotive Division obtains most of its financing from retained earnings and debt in the form of commercial paper, bonds and bank loans. The Financial Services Division mainly uses established money and capital market programs, the securitization of loan and lease receivables (asset-backed securitization programs), Volkswagen Bank's direct banking deposits and bank loans for refinancing purposes.

The terms at which Volkswagen is able to raise debt finance depend not only on the general market conditions, especially interest rate developments in the financial markets, but also on the assessment of Volkswagen's credit quality by market participants and rating agencies. As a result of the diesel issue, Volkswagen's ability to access individual refinancing instruments in the money and capital markets in 2015 and 2016 was restricted. Since 2017, Volkswagen was able to improve the ability to access individual refinancing instruments in the money and capital markets. However, as a result of rising interest rates in 2021 and 2022, financing has become more expensive and this may continue in the future.

5.4.12 *Amount of income taxes*

Volkswagen Group's profit is also affected by the amount of effective income taxes. The income tax rate (the ratio of reported income tax expense to earnings before tax) was 28.2% in 2022 (2021: 23.3%; 2020: 24.4%) The amount of effective income taxes is mainly affected by tax-exempt income from dividends and the effects of different tax rates outside Germany on the one hand (decreasing effect) and by non-deductible withholding taxes and non-deductible expenses on the other hand (increasing effect). The increase in the tax rate for the year 2022 mainly resulted from taxes relating to other periods and valuation allowances.

5.5 Certain Income Statement Items

5.5.1 *Sales Revenue*

Sales revenue includes revenue from the sale of vehicles and genuine parts (mainly spare parts), used vehicles and third-party products, engines, powertrains and parts deliveries, Power Engineering, motorcycles, income from the leasing business, interest and similar income from the financial services business, hedges sales revenue and other sales revenue (comprises revenue from workshop services and license revenue, among other things). Sales revenue, interest and commission income from financial services and other operating income is recognized only when the relevant service has been rendered or the goods have been delivered, i.e. when the customer has obtained control of the goods or services.

Sales revenue in the Automotive Division primarily relates to sales revenue from the sale of vehicles, genuine parts, used vehicles and third-party products, engines, powertrains and part deliveries, and Power Engineering.

Sales revenue in the Financial Services Division primarily relates to the sale of used vehicles and third-party products, leasing business and interest and similar income.

5.5.2 *Cost of Sales*

Cost of sales includes the costs incurred to generate the sales revenue and the cost of goods purchased for resale. This item also includes the costs of additions to warranty provisions. Research and development costs not eligible for capitalization in the period and amortization of development costs are likewise carried under cost of sales. Reflecting the presentation of interest and commission income in sales revenue, the interest and commission expenses attributable to the financial services business are presented in cost of sales. Furthermore, cost of sales includes impairment losses on intangible assets, property, plant and equipment, and lease assets.

5.5.3 *Distribution and Administrative Expenses*

Distribution expenses include non-staff overheads and personnel costs, and depreciation and amortization attributable to the distribution function, as well as the costs of shipping, advertising and sales promotion. Administrative expenses mainly include non-staff overheads and personnel costs as well as depreciation and amortization attributable to the administrative function.

5.5.4 *Other Operating Income*

Other operating income primarily comprised income from reversal of valuation allowances on receivables and other assets as well as income from reversal of provisions and accruals, income from derivatives not within hedge accounting Financial Services, income from other hedges, and income from foreign exchange gains as well as income from cost allocations and gains on asset disposals, the reversal of impairment losses on noncurrent assets and miscellaneous other operating income.

Foreign exchange gains mainly comprise gains from changes in exchange rates between the dates of recognition and payment of receivables and liabilities denominated in foreign currencies, as well as exchange rate gains resulting from measurement at the closing rate. Foreign exchange losses from these items are included in other operating expenses.

Accounting for provisions is also 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.

Income from other hedges includes primarily gains from the fair value measurement of financial instruments used to hedge exchange rates and commodity prices in the Automotive Division that are not designated in a hedging relationship. Losses are included in other operating expenses.

Income from cost allocations comprises costs passed through to other parties such as warranty costs, service costs, or other overhead costs.

5.5.5 *Other Operating Expenses*

Other operating expenses primarily comprise loss allowances on other receivables and other assets, and expenses from derivatives not within hedge accounting Financial Services, expenses from other hedges, foreign exchange losses as well as miscellaneous other operating expenses. Allowances on other receivables and other assets include allowances on receivables from long-term construction contracts as well as expenses incurred in connection with the Russia-Ukraine conflict.

Foreign exchange losses mainly comprise losses from changes in exchange rates between the dates of recognition and payment of receivables and liabilities denominated in foreign currencies, as well as losses resulting from the fair value measurement at the closing rate. Foreign exchange gains from these items are included in other operating income.

Expenses from other hedges include primarily losses from the fair value measurement of financial instruments used to hedge exchange rates and commodity prices in the Automotive Division that are not designated in a hedging relationship. Miscellaneous other operating expenses consist, among other items, of expenses in connection with the diesel issue.

5.5.6 *Interest result*

Interest result includes all interest income and expenses of the Volkswagen Group including other interest and similar income or expenses, income and expenses from valuation of fair value hedges, expenses from discounting lease liabilities as well as interest income, expenses from compounding/discounting other noncurrent liabilities and the net interest on the net defined benefit liability. The positive interest result from compounding/discounting other noncurrent liabilities in 2022 is mainly the result of adjustments to the discount rates used to measure noncurrent provisions.

5.5.7 *Other Financial Result*

Other financial result primarily comprises other income and expenses from equity investments, gains and losses from marketable securities and loans, realized income and expenses of loan receivables and payables in foreign currency as well as gains and losses from the fair value changes of hedging instruments or of derivatives both not included and included in hedge accounting.

5.6 Results of Operations

The following discussion compares Volkswagen's results of operations for the years ended December 31, 2022, 2021 and 2020. It also includes a discussion of the sales revenue and operating result of the divisions and a presentation by operating segment and geographic market (segment discussion). The Company has chosen to apply the internationally accepted cost of sales (function of expense) method to the income statement. In the cost of sales method, expenses are classified by function (production (included in cost of sales), distribution and administrative expenses).

The following table presents the main items in Volkswagen's income statements for the years ended December 31, 2022, 2021 and 2020.

	For the year ended December 31,		
	2022	2021	2020
		(in € million) (audited)	
Sales revenue	279,232	250,200	222,884
Cost of sales	–227,005	–202,959	–183,937
Gross result	**52,228**	**47,241**	**38,947**
Distribution expenses	–19,840	–19,228	–18,407
Administrative expenses	–11,689	–10,420	–9,399
Other operating income	19,238	14,731	12,438
Other operating expenses	–17,812	–13,049	–13,904
Operating result	22,124	19,275	9,675

	For the year ended December 31,		
	2022	2021	2020
		(in € million) (audited)	
Share of the result of equity-accounted investments	2,395	2,321	2,756
Interest income	1,325	810	793
Interest expenses	–442	–1,818	–2,291
Other financial result	–3,359	–463	733
Financial result	–81	851	1,991
Earnings before tax	22,044	20,126	11,667
Income tax expense	–6,208	–4,698	–2,843
Earnings after tax	15,836	15,428	8,824
of which attributable to			
Noncontrolling interests	393	46	–43
Volkswagen AG hybrid capital investors	576	539	533
Volkswagen AG shareholders	14,867	14,843	8,334

5.6.1 *Results of Operations — 2022 compared with 2021*

5.6.1.1 *Sales revenue*

The Volkswagen Group generated sales revenue of €279.2 billion in 2022, 11.6% higher than in 2021, primarily as a result of price positioning, product mix and exchange rate trends, as well as a positive business performance in the Financial Services Division. Lower vehicle sales due to parts supply shortages in 2022 had a negative effect on sales revenue. The major share of sales revenue (excluding sales revenue from hedges) was generated outside Germany (82.6% in 2022 compared with 82.3% in 2021).

Volkswagen's sales revenue by source is as follows:

	For the year ended December 31,		
	2022	2021	Change 2022/2021
	(in € million) (audited)		(%) (unaudited)
Vehicles	171,447	148,067	+15.8
Genuine parts	21,570	18,015	+19.7
Used vehicles and third–party products	30,643	30,864	-0.7
Engines, powertrains and parts deliveries	13,105	12,853	+2.0
Power Engineering	3,564	3,276	+8.8
Motorcycles	915	732	+25.0
Leasing business	17,895	16,474	+8.6
Interest and similar income	8,742	7,721	+13.2
Hedges sales revenue	–2,294	–386	>-100.0
Other sales revenue	13,645	12,583	+8.4
	279,232	**250,200**	**+11.6**

There was an increase in sales revenue from the sale of vehicles by €23.4 billion, or 15.8%, in 2022 compared to 2021, primarily as a result of better price positioning, product mix effects, and the good business performance of the Commercial Vehicles Business Area, which offset the fact that vehicle availability continued to be limited due to parts supply shortages.

Sales revenue from the sale of genuine parts grew by €3.6 billion or 19.7% in 2022 compared to 2021, and the sale of used vehicles and third-party products decreased by €221 million or 0.7% in 2022 compared to 2021, respectively. The total sales revenue of engines, powertrains and parts deliveries increased in 2022 compared to 2021 by €252 million, or 2.0%. Power Engineering reported an increase in sales revenue of €288 million, or 8.8% in 2022 compared to 2021.

Sales revenue from the Financial Services Division primarily relates to used vehicles and third-party products, leasing business, interest and similar income and hedges sales revenue. Compared with 2021, sales revenue

from the leasing business increased in 2022 by €1.4 billion, or 8.6%. Sales revenue from interest and similar income increased in 2022 compared to 2021 by €1.0 billion, or 13.2%.

Other sales revenue comprises revenue from workshop services and license revenue, among other things. Other sales revenue increased by €1.0 billion, or 8.4%, in 2022 compared with 2021.

Of the sales revenue recognized in 2022, an amount of €8,045 million was included in contract liabilities as of January 1, 2022. €718 million of the sales revenue recognized in 2022 is attributable to performance obligations satisfied in a prior period as compared to €575 million in 2021.

Volkswagen's sales revenue by division is as follows:

	For the year ended December 31,		
	2022	2021	Change 2022/2021
	(in € million) (unaudited, unless otherwise indicated)		(%) (unaudited)
Automotive Division[1]	232,385	206,237	+12.7
Financial Services Division	46,847	43,963	+6.6
Volkswagen Group	**279,232[2]**	**250,200[2]**	**+11.6**

[1] Including allocation of consolidation adjustments between the Automotive and Financial Services Divisions.

[2] Audited.

The Automotive Division's sales revenue increased by 12.7% to €232.4 billion in 2022, from €206.2 billion in 2021. The improvement resulted primarily from improvements in the product mix and price positioning as well as favorable exchange rate trends. Limited vehicle availability due to parts supply shortages an adverse impact. As the Chinese joint ventures are accounted for using the equity method, the Volkswagen Group's performance in the Chinese passenger car market is reflected in the Group's sales revenue almost exclusively through deliveries of vehicles and vehicle parts.

In 2022, sales revenue in the Passenger Cars Business Area was 9.5% higher than 2021, at €189.3 billion (2021: €172.9 billion), mainly because of positive mix and price positioning as well as reduced incentives. Increased commodity prices had a negative effect. Sales revenue in the Commercial Vehicles Business Area amounted to €39.5 billion in 2022, a 31.3% increase compared to €30.1 billion in 2021. This increase was mainly driven by the Navistar integration, a positive mix and better price positioning. The Power Engineering Business Area recorded sales revenue of €3.6 billion in 2022, an increase of 8.8% compared to sales revenue of €3.3 billion in 2021, primarily resulting from the effects of Engines & Marine Systems and Turbomachinery, which together generated more than three quarters of overall sales revenue. The Financial Services Division generated sales revenue of €46.8 billion in 2022 (2021: €44.0 billion). The 6.6% rise in 2022 over the 2021 figure was mainly attributable to the high demand for used vehicles. Expenses relating to loss allowances and risk provisions as a consequence of the direct impact of the Russia-Ukraine conflict had a negative effect.

The breakdown of Volkswagen's sales revenue from external customers by region is as follows:

	For the year ended December 31,		
	2022[1]	2021[1]	Change 2022/2021
	(in € million) (audited)		(%) (unaudited)
Germany	49,054	44,452	+10.4
Europe and Other Markets[2] (excluding Germany)	105,475	101,118	+4.3
North America	60,077	45,305	+32.6
South America	15,476	11,039	+40.2
Asia-Pacific[3]	51,444	48,672	+5.7

	For the year ended December 31,		
	2022[1]	2021[1]	Change 2022/2021
	(in € million) (audited)		(%) (unaudited)
Hedges sales revenue	–2,294	–386	>-100.0
Total	**279,232**	**250,200**	**+11.6**

(1) Effects of hedging transactions relating to sales revenue in foreign currency are not allocated to regions.

(2) Other Markets comprises mainly Türkiye and South Africa.

(3) The sales revenue of the joint venture companies in China is not included in the figures for the Asia-Pacific market.

In Germany, combined with Europe and Other Markets, sales revenue increased by 6.2% to €154.5 billion in 2022 compared to 2021 due to positive product mix and pricing. Sales revenue in North America rose 32.6% to €60.1 billion in 2022 compared to 2021, primarily due to the consolidation of Navistar from July 1, 2021 and exchange rate effects. In South America, sales revenue increased by 40.2% to €15.5 billion in 2022 compared to 2021, due to product mix and exchange rate effects. In the Asia-Pacific region, sales revenue improved to €51.4 billion in 2022 compared to €48.7 billion in 2021. Negative effects resulting from lower volumes, not including Volkswagen's Chinese joint ventures, were offset by positive exchange rate effects. This figure does not include the sales revenue generated by Volkswagen's Chinese joint ventures.

5.6.1.2 *Cost of sales*

Volkswagen's cost of sales and the ratio of cost of sales to sales revenue are as follows:

	For the year ended December 31,		
	2022	2021	Change 2022/2021
	(in € million) (audited, unless otherwise indicated)		(%) (unaudited)
Cost of sales	227,005	202,959	+11.8
as % of sales revenue *(unaudited)*	81.3	81.1	+0.2

Cost of sales grew by €24.0 billion, or 11.8%, in 2022 compared to 2021, mainly as a result of higher product costs (especially for commodities). In 2022, the ratio of cost of sales to sales revenue increased slightly. Total research and development costs as a percentage of the Automotive Division's sales revenue (research and development ratio or R&D ratio) amounted to 8.1% in 2022 and 7.6% in 2021. In addition to new models, the R&D activities focused above all on the electrification of the vehicle portfolio, digitalization, new technologies and modular toolkits and platforms.

Cost of sales includes interest expenses of €3,323 million in 2022 (compared with €1,984 million in 2021) attributable to the financial services business. This item also includes impairment losses on intangible assets (primarily development costs), property, plant and equipment (primarily other equipment, operating and office equipment), and lease assets in the amount of €843 million in 2022 (compared with €805 million in 2021). The impairment losses of €572 million in 2022 (compared with €344 million in 2021) on intangible assets and items of property, plant and equipment resulted in particular from lower values in use of various products in the Passenger Cars and Light Commercial Vehicles segment, from market and exchange rate risks, and in particular from expected declines in volumes. The impairment losses on lease assets in the amount of €270 million in 2022 (compared with €461 million in 2021) were predominantly attributable to the Financial Services segment. They are based on constantly updated internal and external information that is factored into the forecast residual values of the vehicles. Thereof, €10 million in 2022 (compared with €27 million in 2021) were reported in current lease assets.

5.6.1.3 *Distribution and administrative expenses*

Distribution expenses in 2022 were €19.8 billion, with 2021 at €19.2 billion. The ratio of distribution expenses to sales revenue was down. At €11.7 billion, administrative expenses rose by 12.2% between 2021 and 2022, and the ratio of administrative expenses to sales revenue was virtually unchanged as against 2021.

Volkswagen's distribution and administrative expenses and the ratio of these expenses to sales revenue are as follows:

	For the year ended December 31,		
	2022	2021	Change 2022/2021
	(in € million) (audited, unless otherwise indicated)		(%) (unaudited)
Distribution expenses	19,840	19,228	+3.2
as % of sales revenue *(unaudited)*	7.1	7.7	
Administrative expenses	11,689	10,420	+12.2
as % of sales revenue *(unaudited)*	4.2	4.2	
	31,529[(1)]	**29,648**[(1)]	**+6.3**

(1) Unaudited.

In the Automotive Division, there was a year-on-year rise in both distribution and administrative expenses in 2022 as compared with 2021. The ratio of distribution expenses to sales revenue went down, while the ratio of administrative expenses was virtually unchanged.

In the Financial Services Division, after a change in single dealer compensation conditions, the former commissions paid are now capitalized over the duration of the contract which resulted in distribution expenses decreasing in 2022 as compared with 2021. Administrative expenses increased in 2022 as compared with 2021. The rise in expenses was attributable to higher personnel and IT expenses. Overall, the ratio of costs to sales revenue was down slightly.

5.6.1.4 *Other operating income*

The composition of Volkswagen's other operating income and the ratio of this income to sales revenue are as follows:

	For the year ended December 31,		
	2022	2021	Change 2022/2021
	(in € million) (audited, unless otherwise indicated)		(%) (unaudited)
Income from reversal of loss allowances on receivables and other assets	1,512	1,754	-13.8
Income from reversal of provisions and accruals	988	1,236	-20.1
Income from derivatives within hedge accounting	892	339	>+100.0
Income from derivatives not within hedge accounting Financial Services	2,001	572	>+100.0
Income from other hedges	5,396	3,547	+52.1
Income from foreign exchange gains	3,640	2,610	+39.5
Income from sale of promotional material	339	398	-14.8
Income from cost allocations	1,099	1,040	+5.7
Income from investment property	30	10	>+100.0
Gains on asset disposals and the reversal of impairment losses on noncurrent assets	724	771	-6.1
Miscellaneous other operating income	2,616	2,455	+6.6
	19,238	**14,731**	**+30.6**
as % of sales revenue *(unaudited)*	6.9	5.9	

Other operating income rose by €4.5 billion, or 30.6%, in 2022 compared with 2021, primarily as a result of an increase in income from derivatives not within hedge accounting Financial Services and income from other hedges.

The fair value of an amount receivable by MAN Truck & Bus SE from Navistar arising from the termination of a development project in 2021 exceeded the previously recognized carrying amount by €12.0 million. The difference was recognized through profit or loss in other operating income in 2021.

5.6.1.5 *Other operating expenses*

The composition of Volkswagen's other operating expenses and the ratio of these expenses to sales revenue are as follows:

	For the year ended December 31,		
	2022	2021	Change 2022/2021
	(in € million) (audited, unless otherwise indicated)		(%) (unaudited)
Loss allowances on trade receivables	345	294	+17.3
Loss allowances on other receivables and other assets	2,756	1,632	+68.9
Expenses from derivatives within hedge accounting	971	869	+11.7
Expenses from derivatives not within hedge accounting Financial Services	1,309	404	>+100.0
Expenses from other hedges	2,417	1,091	>+100.0
Foreign exchange losses	3,762	1,909	+97.1
Expenses from cost allocations	833	653	+27.6
Expenses for termination agreements	280	333	-15.9
Losses on disposal of noncurrent assets	321	253	+26.9
Miscellaneous other operating expenses	4,818	5,611	-14.1
	17,812	**13,049**	**+36.5**
as % of sales revenue (*unaudited*)	6.4	5.2	

Other operating expenses increased by €4.8 billion, or 36.5% in 2022 compared to 2021, primarily due to an increase in foreign exchange losses.

Expenses from other hedges included primarily losses from the fair value measurement of financial instruments used to hedge exchange rates and commodity prices in the Automotive Division that are not designated in a hedging relationship. Gains are included in other operating income. In relation to an administrative action, in connection with an initial statement of objections issued by the European Commission in April 2019 against Volkswagen AG, AUDI AG, and Porsche AG, a settlement decision was eventually issued on July 8, 2021, concluding the administrative action and assessing a total fine of approximately €0.5 billion against the three brands. This amount was recognized under other operating expenses in 2021. Furthermore, the sale of MAN Truck & Bus Österreich GesmbH, Steyr/Austria (MTBÖ) as part of restructuring measures was completed with effect from August 31, 2021. The sale led to the recognition of a total expense of €304 million which is presented in other operating expenses.

In December 2022, Dr. Ing. h.c. F. Porsche AG, Stuttgart (Porsche AG) entered into an agreement with an independent, non-Group investor for the sale of two Russian sales companies in the Passenger Cars and Light Commercial Vehicles segment, OOO Porsche Russland, Moscow/Russia, and OOO Porsche Center Moscow, Moscow/Russia, as well as one company assigned to the Financial Services segment, OOO Porsche Financial Services Russland, Moscow/Russia. Moreover, a repurchase option was agreed with this investor, which can be exercised at the earliest five years and at the latest ten years after the sale. An impairment loss of €25 million was recognized for the disposal group as of December 31, 2022. Another minor impairment loss and offsetting currency translation effects were identified in the first half of 2023; these are recognized in the other operating result for the respective period.

TRATON signed a declaration of intent in the third quarter of 2022 under which 100% of the shares in OOO Scania-Rus, Moscow, Golitsino/Russia (OOO Scania-Rus), are to be sold. OOO Scania-Rus was consequently

classified as a disposal group held for sale as to September 30, 2022. The sale was completed on December 14, 2022 at a purchase price of €75 million. The sale led to the recognition of an expense of €102 million. With the exception of cash and cash equivalents and other receivables, an impairment loss was recognized on all assets of OOO Scania-Rus. Of the total expense, an amount of €56 million was attributable to other operating expenses in 2022. Negative accumulated other comprehensive income of €43 million was attributable to OOO Scania-Rus; it relates to currency translation effects and was reclassified to other operating expenses at the time of the sale. TRATON also entered into an agreement with a Russian supplier in the third quarter of 2022 for the sale of 100% of the shares of OOO MAN Truck and Bus RUS, Moscow/Russia. The sale was completed effective December 2, 2022 at a selling price of €5 million. The sale led to the recognition of an expense of €97 million. With the exception of cash and cash equivalents, an impairment loss was recognized on all assets. An additional provision of €43 million was recognized separately from the disposal group and subsequently derecognized as part of the deconsolidation. Of the total impairment loss, an amount of €74 million was attributable to other operating expenses in 2022.

In addition, in 2022, negative accumulated other comprehensive income of €18 million was attributable to OOO MAN Truck and Bus RUS; it relates to currency translation effects and was likewise reclassified to other operating expenses at the time of the sale. The sale by TRATON of International Indústria Automotiva Da América Do Sul Ltda to Tupy, S.A. Brazil was completed on November 30, 2022. A gain of €7 million was recognized in connection with the sale. This included impairment losses of €2 million, which are disclosed under other operating expenses in 2022. In addition, in 2022, positive accumulated other comprehensive income of €9 million was attributable to the sale; it relates to currency translation effects and was reclassified to other operating expenses at the time of the sale.

5.6.1.6 *Operating result*

In 2022, the Volkswagen Group generated an operating result of €22.1 billion, which was €2.8 billion higher than in 2021 (€19.3 billion). The increase was mainly attributable to improved price positioning and product mix as well as positive effects of €3.7 billion (2021: €2.7 billion) from the measurement of derivatives to which hedge accounting is not applied (especially commodity, currency and interest rate hedges). These factors were offset by increased product costs, especially for commodities, and expenses of around €2 billion relating to loss allowances and risk provisions as a consequence of the direct impact of the Russia-Ukraine conflict.

One-off expenses of €0.2 billion for restructuring measures were recognized in the Passenger Cars Business Area at SEAT in 2022. An expense of €0.1 billion was recognized for transaction costs in connection with the IPO of Porsche AG. In addition, employees of Volkswagen AG, Volkswagen Sachsen GmbH and the Porsche AG Group participated in the economic success of the sale of shares in Porsche AG by way of a one-off payment; to this end, an amount of €0.5 billion was recognized in personnel costs.

Special items in connection with the diesel issue weighed on the operating result, reducing this item by €-0.4 billion in 2022 (2021: €–0.8 billion). The operating return on sales rose to 7.9% in 2022 (2021: 7.7%).

Volkswagen's operating result by division is as follows:

	For the year ended December 31,		
	2022	2021	Change 2022/2021
	(in € million) (unaudited, unless otherwise indicated)		(%) (unaudited)
Automotive[1]	16,468	13,230	+24.5
as % of sales revenue of the Automotive Division[2]	7.1	6.4	
Financial Services	5,656	6,045	-6.4
as % of sales revenue of the Financial Services Division[2]	12.1	13.8	
Volkswagen Group	**22,124[3]**	**19,275[3]**	**+14.8**
as % of Group sales revenue[2]	7.9	7.7	

[1] Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

(2) Operating return on sales.

(3) Audited.

The Automotive Division's operating result rose to €16.5 billion in 2022, a 24.5% increase from 2021. The division recorded an operating return on sales of 7.1% in 2022 compared with 6.4% in 2021. The main contributors to the Automotive Division's operating result in 2022 were improvements in price positioning, and in the product mix. These factors were offset by a decline in unit sales as a result of parts supply shortages, higher product costs (especially for commodities), charges incurred because of the Russia-Ukraine conflict, and expenses incurred in connection with the IPO of Porsche AG.

The Passenger Cars Business Area – which for purposes of financial statement segment reporting includes the segment Passenger Cars and Light Commercial Vehicles – generated an operating result of €14.6 billion in 2022, an increase of €1.5 billion compared with 2021. The operating return on sales was 7.7% in 2022 compared with 7.5% in 2021.

In the Commercial Vehicles Business Area, operating result rose to €1,588 million in 2022 compared with €134 million in 2021, while the operating return on sales amounted to 4.0% in 2022 (2021: 0.4%). This increase was mainly driven by the Navistar integration, a positive mix and better price positioning. In 2021, an increase in provisions in connection with the EU antitrust proceedings against Scania and one-off expenses for restructuring measures weighed on the result.

Operating result in the Power Engineering Business Area rose to €281 million in 2022 compared with €45 million in 2021, while the operating return on sales amounted to 7.9% in 2022 (2021: 1.4%).

Operating result in the Financial Services Division decreased from €6.0 billion in 2021 to €5.7 billion in 2022. The decrease was primarily due to expenses relating to loss allowances and risk provisions due to the direct impact of the Russia-Ukraine conflict. The operating return on sales amounted to 12.1% in 2022 (2021: 13.8%).

5.6.1.7 *Share of the result of equity-accounted investments*

The composition of Volkswagen's share of the result of equity-accounted investments is as follows:

	For the year ended December 31,		
	2022	2021	Change 2022/2021
	(in € million) (audited)		(%) (unaudited)
Share of profits of equity-accounted investments	2,950	2,669	+10.5
of which			
from joint ventures	2,886	2,364	+22.1
from associates	64	306	-79.1
Share of losses of equity-accounted investments	554	349	+58.7
of which			
from joint ventures	187	236	-20.8
from associates	367	113	>+100.0
	2,395	**2,321**	**+3.2**

The share of the result of equity-accounted investments amounted to €2,395 million in 2022, an increase of 3.2% or €74 million compared to 2021. This is primarily attributable to the higher profit generated by the Chinese joint ventures as a result of improvements in the mix and cost optimization in 2022.

The sales revenue and operating result of the joint venture companies in China are not included in the figures for the Volkswagen Group. The Chinese companies are accounted for using the equity method and recorded a proportionate operating result of €3,280 million in 2022, an 8.4% increase from €3,026 million in 2021.

5.6.1.8 *Interest result*

The composition of Volkswagen's interest result is as follows:

	For the year ended December 31,		
	2022	2021	Change 2022/2021
	(in € million) (audited)		(%) (unaudited)
Interest income	1,325	**810**	**+63.6**
Other interest and similar income	1,325	810	+63.6
Interest expenses	–442	**–1,818**	**-75.7**
Other interest and similar expenses	–938	–1,449	-35.3
Result from valuation of fair value hedges	1	–27	>+100.0
Expenses from discounting lease liabilities	–158	–168	+6
Interest result from compounding/discounting other noncurrent liabilities	1,203	180	>+100.0
Net interest on the net defined benefit liability	–549	–354	+55.1
Interest result	**883**	**–1,007**	**>+100.0**

In 2022, interest result amounted to €0.9 billion compared to €–1.0 billion in 2021. The increase in interest result arose from a positive discounting effect on other noncurrent liabilities and in an increase in other interest and similar income.

5.6.1.9 *Other financial result*

The composition of Volkswagen's other financial result is as follows:

	For the year ended December 31,		
	2022	2021	Change 2022/2021
	(in € million) (audited)		(%) (unaudited)
Income from profit and loss transfer agreements	55	43	+27.9
Cost of loss absorption	–52	–81	+35.8
Other income from equity investments	168	315	-46.7
Other expenses from equity investments	–2,270	–210	>-100.0
Gains and losses from marketable securities and loans	–1,013	164	>-100.0
Realized income of loan receivables and payables in foreign currency	1,227	753	+62.9
Realized expenses of loan receivables and payables in foreign currency	–985	–928	-6.1
Gains and losses from remeasurement and impairment of financial instruments	166	94	+76.6
Gains and losses from fair value changes of hedging instruments/derivatives not included in hedge accounting	–662	–648	+2.2
Gains and losses from fair value changes of hedging instruments/derivatives included in hedge accounting	7	36	-80.6
Other financial result	**–3,359**	**–463**	**>-100.0**

The other financial result decreased to €–3.4 billion in 2022 compared €–0.5 billion in 2021. The other financial result was negatively impacted by the impairment loss of €1.9 billion recognized on the equity investment in Argo AI, which weighed on net other investment income, and by changes in share prices, mainly as a result of the Russia-Ukraine conflict, which affected net income from securities and funds. Both factors were offset by favorable exchange rate effects. The measurement of forward purchase agreements for new shares in QuantumScape Corporation ("**QuantumScape**") had additionally weighed on 2021.

5.6.1.10 *Financial result*

Volkswagen's financial result amounted to €– 0.1 billion in 2022 compared to €0.9 billion in 2021. The interest expenses included in this item decreased due to measurement-related factors resulting primarily from a change in the discount rates used in the measurement of provisions.

In 2022, the Automotive Division's financial result amounted to €-6 million compared to €915 million in 2021. The financial result of the Financial Services Division amounted to €–75 million in 2022 compared to €–64 million in 2021.

5.6.1.11 *Income tax income/expense*

The composition of Volkswagen's income tax expense is as follows:

	For the year ended December 31,		
	2022	2021	Change 2022/2021
	(in € million) (audited)		(%) (unaudited)
Current tax expense, Germany	1,180	1,230	-4.1
Current tax expense, abroad	4,082	3,382	+20.7
Current income tax expense	**5,262**	**4,612**	**+14.1**
of which prior-period income (-)/expense (+)	666	310	>+100.0
Deferred tax income (-)/expense (+), Germany	3,323	1,072	>+100.0
Deferred tax income (-)/expense (+), abroad	–2,377	–986	>-100.0
Deferred tax income (-)/expense (+)	**946**	**86**	**>+100.0**
Income tax income/expense	**6,208**	**4,698**	**+32.1**

Income tax expense increased by €1.5 billion to €6.2 billion in 2022 compared with 2021. The tax expense reported for 2022 of €6,208 million was €405 million lower than the expected tax expense of €6,613 million that would have resulted from application of a tax rate for the Group of 30.0% to the earnings before tax of the Volkswagen Group. This resulted primarily from tax-exempt income. A tax rate of 30.0% (2021: 30.0%) was used to measure deferred taxes in the German consolidated tax group in 2022.

5.6.2 ***Results of Operations — 2021 compared with 2020***

5.6.2.1 *Sales revenue*

The Volkswagen Group generated sales revenue of €250.2 billion in 2021, 12.3% higher than in 2020, despite the decline in unit sales. Strong demand coupled with constrained supply led to a favorable pricing environment and mix effects; and the good business performance of the Financial Services Division and the Commercial Vehicles Business Area particularly had a positive impact. Bottlenecks in the supply of semiconductors and the resulting limited availability of vehicles led to a reduction in vehicle sales. Changes in exchange rates also had a negative effect. The major share of sales revenue (excluding sales revenue from hedges) was generated outside Germany (82.3% in 2021 compared with 80.8% in 2020).

Volkswagen's sales revenue by source is as follows:

	For the year ended December 31,		
	2021	2020	Change 2021/2020
	(in € million) (audited)		(%) (unaudited)
Vehicles[(1)]	148,067	129,164	+14.6
Genuine parts	18,015	14,886	+21.0
Used vehicles and third–party products[(1)]	30,864	27,348	+12.9
Engines, powertrains and parts deliveries	12,853	13,253	–3.0
Power Engineering	3,276	3,638	–9.9

	For the year ended December 31,		
	2021	2020	Change 2021/2020
	(in € million) (audited)		(%) (unaudited)
Motorcycles	732	567	+29.1
Leasing business[1]	16,474	15,295	+7.7
Interest and similar income	7,721	7,646	+1.0
Hedges sales revenue	–386	–345	–11.9
Other sales revenue[1]	12,583	11,433	+10.1
	250,200	**222,884**	**+12.3**

[1] Beginning in fiscal year 2021, all sales of used vehicles that were presented in the vehicles, leasing business and other sales revenue line items in the previous year were allocated to the used vehicles and third-party products line item in the 2021 Group Financial Statements. Previously, for example, the transfer of a leased vehicle from the lessee had been reported in the leasing business line item. The prior-year comparative figures for the fiscal year 2020 in the 2021 Group Financial Statements were adjusted accordingly.

There was an increase in sales revenue from the sale of vehicles by €18.9 billion, or 14.6%, in 2021 compared to 2020, primarily as a result of better price positioning, product mix effects, and the good business performance of the Financial Services Division and the Commercial Vehicles Business Area, which offset the negative effects of supply chain bottlenecks for semiconductors and the resulting limited vehicle availability, and the negative effects from changes in exchange rates. Sales revenue from the sale of genuine parts grew by €3.1 billion or 21.0% in 2021 compared to 2020, and the sale of used vehicles and third-party products grew by €3.5 billion or 12.9% in 2021 compared to 2020, respectively. The total sales revenue of engines, powertrains and parts deliveries decreased in 2021 compared to 2020 by €400 million, or 3.0%. Power Engineering reported a decrease in sales revenue of €362 million, or 9.9% in 2021 compared to 2020.

Sales revenue from the Financial Services Division primarily relates to operating lease payments and the sale of used vehicles. Interest and similar income is generated by the financial services business and primarily consists of interest income from customer and dealer financing, and from finance leases. Similar income primarily relates to commission income from insurance brokerage services. Compared with 2020, sales revenue from the leasing business increased in 2021 by €1.2 billion, or 7.7%. Sales revenue from interest and similar income increased in 2021 compared to 2020 by €75 million, or 1.0%.

Other sales revenue comprises revenue from workshop services and license revenue, among other things. Other sales revenue increased by €1.2 billion, or 10.1%, in 2021 compared with 2020.

Of the sales revenue recognized in 2021, an amount of €6,877 million was included in contract liabilities as of January 1, 2021. €575 million of the sales revenue recognized in 2021 is attributable to performance obligations satisfied in a prior period as compared to €345 million in 2020.

Volkswagen's sales revenue by division is as follows:

	For the year ended December 31,		
	2021	2020	Change 2021/2020
	(in € million) (unaudited, unless otherwise indicated)		(%) (unaudited)
Automotive Division[1]	206,237	182,106	+13.3
Financial Services Division	43,963	40,778	+7.8
Volkswagen Group	**250,200**[2]	**222,884**[2]	**+12.3**

[1] Including allocation of consolidation adjustments between the Automotive and Financial Services Divisions.

[2] Audited.

The Automotive Division's sales revenue increased by 13.3% to €206.2 billion in 2021, from €182.1 billion in 2020, which had been more severely impacted by the spread of the SARS-CoV-2 pandemic and its negative

consequences. The improvement resulted primarily from improvements in the product mix and price positioning. Limited vehicle availability due to the semiconductor shortage and changes in exchange rates has an adverse impact. As the Chinese joint ventures are accounted for using the equity method, the Volkswagen Group's performance in the Chinese passenger car market is reflected in the Group's sales revenue almost exclusively through deliveries of vehicles and vehicle parts.

In 2021, sales revenue in the Passenger Cars Business Area was 10.6% higher than 2020, at €172.9 billion (2020: €156.3 billion), mainly because of positive mix and price positioning. Exchange rates had a negative effect. Sales revenue in the Commercial Vehicles Business Area amounted to €30.1 billion in 2021, a 35.8% increase compared to €22.2 billion in 2020. This increase was also driven mainly by better price positioning and a positive mix. The Power Engineering Business Area recorded sales revenue of €3.3 billion in 2021, a decrease of 9.9% compared to sales revenue of €3.6 billion in 2020, primarily resulting from the effects of the sale of the Renk business, which was only included until October 2020.

The Financial Services Division generated sales revenue of €44.0 billion in 2021. The 7.8% rise in 2021 over the 2020 figure was mainly attributable to the high demand for used vehicles.

The breakdown of Volkswagen's sales revenue from external customers by region is as follows:

	For the year ended December 31,		
	2021[1]	2020[1]	Change 2021/2020
	(in € million) (audited)		(%) (unaudited)
Germany	44,452	42,847	+3.7%
Europe and Other Markets[2] (excluding Germany)	101,118	90,652	+11.5%
North America	45,305	36,810	+23.1%
South America	11,039	8,632	+27.9%
Asia-Pacific[3]	48,672	44,288	+9.9%
Hedges sales revenue	–386	–345	+11.9%
Total	**250,200**	**222,884**	**+12.3%**

(1) Effects of hedging transactions relating to sales revenue in foreign currency are not allocated to regions.

(2) Other Markets comprises mainly Türkiye and South Africa.

(3) The sales revenue of the joint venture companies in China is not included in the figures for the Asia-Pacific market.

In Germany, combined with Europe and Other Markets, sales revenue increased by 9.0% to €145.6 billion in 2021 compared to 2020 due to positive product mix and pricing. Sales revenue in North America rose 23.1% to €45.3 billion in 2021 compared to 2020, primarily due to the higher volumes and product mix effects, as well as the consolidation of Navistar from July 1, 2021; compensating for the negative impact of unfavorable exchange rate trends. In South America, increased unit sales contributed to an 27.9% increase in sales revenue to €11.0 billion in 2021 compared to 2020, while exchange rate trends had a negative impact. Sales revenue in the Asia-Pacific region amounted to €48.7 billion in 2021, with the 9.9% increase over 2020 attributable to an improved mix and positive exchange rate effects. These figures do not include the sales revenue generated by Volkswagen's Chinese joint ventures, since these are accounted for using the equity method.

5.6.2.2 *Cost of sales*

Volkswagen's cost of sales and the ratio of cost of sales to sales revenue are as follows:

	For the year ended December 31,		
	2021	2020	Change 2021/2020
	(in € million) (audited, unless otherwise indicated)		(%) (unaudited)
Cost of sales	202,959	183,937	+10.3
as % of sales revenue *(unaudited)*	81.1	82.5	—

Cost of sales grew by €19.0 billion, or 10.3%, in 2021 compared to 2020, mainly as a result of a rise in research and development costs recognized in profit or loss. As a result of the marked growth in sales revenue, the ratio of cost of sales to sales revenue decreased. Total research and development costs as a percentage of the Automotive Division's sales revenue (research and development ratio or R&D ratio) amounted to 7.6% in 2021 and was unchanged from 7.6% in 2020. In addition to new models, the R&D activities focused above all on the electrification of the vehicle portfolio, digitalization, new technologies and modular toolkits and platforms.

Cost of sales includes interest expenses of €1,984 million in 2021 (compared with €2,303 million in 2020) attributable to the financial services business. This item also includes impairment losses on intangible assets (primarily development costs), property, plant and equipment (primarily other equipment, operating and office equipment), and lease assets in the amount of €805 million in 2021 (compared with €1,180 million in 2020). The impairment losses of €344 million in 2021 (compared with €356 million in 2020) on intangible assets and items of property, plant and equipment resulted in particular from lower values in use of various products in the Passenger Cars segment, from market and exchange rate risks, and in particular from expected declines in volumes. The impairment losses on lease assets in the amount of €461 million in 2021 (compared with €824 million in 2020) were predominantly attributable to the Financial Services segment. They are based on constantly updated internal and external information that is factored into the forecast residual values of the vehicles. Thereof, €27 million in 2021 (compared with €60 million in 2020) were reported in current lease assets.

5.6.2.3 *Distribution and administrative expenses*

Distribution expenses in 2021 were €19.2 billion, with the previous year 2020 at €18.4 billion. The ratio of distribution expenses to sales revenue was down. At €10.4 billion, administrative expenses rose by 10.9% between 2020 and 2021, and the ratio of administrative expenses to sales revenue was virtually unchanged as against 2020.

Volkswagen's distribution and administrative expenses and the ratio of these expenses to sales revenue are as follows:

	For the year ended December 31,		
	2021	**2020**	**Change 2021/2020**
	(in € million) (audited, unless otherwise indicated)		**(%) (unaudited)**
Distribution expenses	19,228	18,407	+4.5
as % of sales revenue *(unaudited)*	7.7	8.3	—
Administrative expenses	10,420	9,399	+10.9
as % of sales revenue *(unaudited)*	4.2	4.2	—
	29,648[(1)]	**27,806[(1)]**	**+6.6**

(1) Unaudited.

In the Automotive Division, there was a year-on-year rise in both distribution and administrative expenses in 2021 as compared with 2020. The ratio of distribution expenses to sales revenue went down, while the ratio of administrative expenses was virtually unchanged.

In the Financial Services Division, distribution expenses as well as administrative expenses increased in 2021 as compared with 2020. The rise in expenses was attributable to higher business volumes. Overall, the ratio of costs to sales revenue was down slightly.

5.6.2.4 *Other operating income*

The composition of Volkswagen's other operating income and the ratio of this income to sales revenue are as follows:

	For the year ended December 31,		
	2021	2020	Change 2021/2020
	(in € million) (audited, unless otherwise indicated)		(%) (unaudited)
Income from reversal of loss allowances on receivables and other assets	1,754	1,334	+31.5
Income from reversal of provisions and accruals	1,236	1,086	+13.8
Income from foreign currency hedging derivatives within hedge accounting	910	1,185	–23.2
Income from other hedges	3,547	1,709	>+100.0
Income from foreign exchange gains	2,610	2,588	+0.9
Income from sale of promotional material	398	312	+27.6
Income from cost allocations	1,040	1,039	+0.1
Income from investment property	10	10	0.0
Gains on asset disposals and the reversal of impairment losses on noncurrent assets	771	299	>+100.0
Miscellaneous other operating income	2,455	2,876	–14.6
	14,731	**12,438**	**+18.4**
as % of sales revenue *(unaudited)*	5.9	5.6	—

Other operating income rose by €2.3 billion, or 18.4%, in 2021 compared with 2020, primarily as a result of an increase in income from other hedges and income from reversal of allowances on receivables and other assets.

The fair value of an amount receivable by MAN Truck & Bus SE from Navistar arising from the termination of a development project exceeded the previously recognized carrying amount by €12.0 million. The difference was recognized through profit or loss in other operating income in fiscal year 2021. Furthermore, in 2020, the contribution of AID to Argo AI at fair value resulted, after proportional profit elimination, in a non-cash gain of €0.8 billion, which was recognized in the other operating result.

5.6.2.5 *Other operating expenses*

The composition of Volkswagen's other operating expenses and the ratio of these expenses to sales revenue are as follows:

	For the year ended December 31,		
	2021	2020	Change 2021/2020
	(in € million) (audited, unless otherwise indicated)		(%) (unaudited)
Loss allowances on trade receivables	294	316	–7.0
Loss allowances on other receivables and other assets	1,632	2,302	–29.1
Losses from foreign currency hedging derivatives within hedge accounting	1,273	1,034	+23.1
Expenses from other hedges	1,091	1,806	–39.6
Foreign exchange losses	1,909	3,123	–38.9
Expenses from cost allocations	653	743	–12.1
Expenses for termination agreements	333	391	–14.8
Losses on disposal of noncurrent assets	253	212	+19.3
Miscellaneous other operating expenses	5,611	3,979	+41.0
	13,049	**13,904**	**–6.1**
as % of sales revenue (*unaudited*)	5.2	6.2	—

Other operating expenses fell by €855 million, or 6.1% in 2021 compared to 2020, primarily due to a decrease in foreign exchange losses. Expenses from other hedges included primarily foreign exchange losses from the fair value measurement of financial instruments used to hedge exchange rates and commodity prices and that are not designated in a hedging relationship. In relation to an administrative action, in connection with an initial statement of objections issued by the European Commission in April 2019 against Volkswagen AG, AUDI AG, and Porsche AG, a settlement decision was eventually issued on July 8, 2021, concluding the administrative action and assessing a total fine of approximately €0.5 billion against the three brands. This amount was recognized under other operating expenses. Furthermore, the sale of MAN Truck & Bus Österreich GesmbH, Steyr/Austria (MTBÖ) as part of restructuring measures was completed with effect from August 31, 2021. The sale led to the recognition of a total expense of €304 million which is presented in other operating expenses.

5.6.2.6 *Operating result*

In 2021, the Volkswagen Group generated an operating result of €19.3 billion, which was €9.6 billion higher than in 2020 (€9.7 billion). The increase was mainly attributable to positive mix effects, improved price positioning and positive effects of €2.5 billion (2020: €–0.1 billion) from the measurement of derivatives to which hedge accounting is not applied (especially commodity hedging derivatives). The good business performance of the Financial Services Division also made a positive contribution.

One-off expenses of €0.7 billion for restructuring measures were recognized in the Commercial Vehicles Business Area in 2021. These primarily included expenses from the sale of the commercial vehicle plant in Steyr, Austria, which became effective on August 31, 2021. In addition, incurred expenses of €0.5 billion in 2021 in connection with the EU antitrust proceedings against Scania had a negative effect. Special items in connection with the diesel issue weighed on the operating result, reducing this item by €-0.8 billion in 2021 (2020: €–0.9 billion). The operating return on sales rose to 7.7% in 2021 (2020: 4.3%).

Volkswagen's operating result by division is as follows:

	For the year ended December 31,		Change 2021/2020
	2021	2020	
	(in € million) (unaudited, unless otherwise indicated)		(%) (unaudited)
Automotive[1]	13,230	6,664	+98.5
as % of sales revenue of the Automotive Division[2]	6.4	3.7	—
Financial Services	6,045	3,012	>+100.0
as % of sales revenue of the Financial Services Division[2]	13.8	7.4	—
Volkswagen Group	**19,275[3]**	**9,675[3]**	**+99.2**
as % of Group sales revenue[2]	7.7	4.3	—

[1] Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

[2] Operating return on sales.

[3] Audited.

The Automotive Division's operating result rose to €13.2 billion in 2021, a 98.5% jump from 2020. The division recorded an operating return on sales of 6.4% in 2021 compared with 3.7% in 2020. The main contributors to the Automotive Division's operating result in 2021 were favorable price positioning, the fair value measurement of derivatives to which hedge accounting is not applied and changes in the mix. These factors were offset by limited vehicle availability as a result of the semiconductor shortage, an increase in provisions in connection with the EU antitrust proceedings against Scania in 2021 and one-off expenses for restructuring measures in the Commercial Vehicles Business Area.

The Passenger Cars Business Area – which for purposes of financial statement segment reporting includes the segment Passenger Cars and Light Commercial Vehicles – generated an operating result of €13.1 billion in 2021, an increase of €5.8 billion compared with 2020. The operating return on sales was 7.5% in 2021 compared with 4.6% in 2020.

In the Commercial Vehicles Business Area, operating result rose to €134 million in 2021 compared with €–79 million in 2020, while the operating return on sales amounted to 0.4% in 2021 (2020: –0.4%). The increase in 2021 was mainly due to a sales increase, while an increase in provisions in connection with the EU antitrust proceedings against Scania in 2021 and one-off expenses for restructuring measures weighed on the result.

Operating result in the Power Engineering Business Area rose to €45 million in 2021 compared with €–482 million in 2020, while the operating return on sales amounted to 1.4% in 2021 (2020: –13.2%).

Operating result in the Financial Services Division rose from €3.0 billion in 2020 to €6.0 billion in 2021. The increase was primarily due to improved business performance, which was driven above all by strong demand for used vehicles, and lower risk costs for credit and residual value risks. The operating return on sales amounted to 13.8% in 2021 (2020: 7.4%).

5.6.2.7 *Share of the result of equity-accounted investments*

The composition of Volkswagen's share of the result of equity-accounted investments is as follows:

	For the year ended December 31,		
	2021	2020	Change 2021/2020
	(in € million) (audited)		(%) (unaudited)
Share of profits of equity-accounted investments	2,669	3,159	–15.5
of which			
from joint ventures	2,364	2,916	–18.9
from associates	306	243	+25.9
Share of losses of equity-accounted investments	349	403	–13.4
of which			
from joint ventures	236	269	–12.3
from associates	113	134	–15.7
	2,321	**2,756**	**–15.8**

The share of the result of equity-accounted investments amounted to €2,321 million in 2021, a decrease of 15.8% or €435 million compared to 2020. This is primarily attributable to the lower profit generated by the Chinese joint ventures, which was again a reflection of the bottlenecks in the supply of semiconductors and the resulting limited availability of vehicles.

The sales revenue and operating result of the joint venture companies in China are not included in the figures for the Volkswagen Group. The Chinese companies are accounted for using the equity method and recorded a proportionate operating result of €3,026 million in 2021, a 16.0% decrease from €3,602 million in 2020.

5.6.2.8 *Interest result*

The composition of Volkswagen's interest result is as follows:

	For the year ended December 31,		
	2021	2020	Change 2021/2020
	(in € million) (audited)		(%) (unaudited)
Interest income	**810**	**793**	**+2.1**
Other interest and similar income	810	788	+2.8
Income from valuation of interest derivatives	0	5	–100.0
Interest expenses	**–1,818**	**–2,291**	**+20.6**
Other interest and similar expenses	–1,449	–1,499	+3.3
Expenses from valuation of interest derivatives	–27	–23	–17.4
Interest expenses included in lease payments	–168	–206	+18.4
Interest result from discounting other noncurrent liabilities	180	–104	>+100.0

	For the year ended December 31,		
	2021	2020	Change 2021/2020
	(in € million) (audited)		(%) (unaudited)
Net interest on the net defined benefit liability	–354	–459	+22.9
Interest result	**–1,007**	**–1,498**	**+32.8**

In 2021, interest result amounted to €–1.0 billion compared to €–1.5 billion in 2020. The increase in interest result arose from a positive discounting effect on other noncurrent liabilities.

5.6.2.9 *Other financial result*

The composition of Volkswagen's other financial result is as follows:

	For the year ended December 31,		
	2021	2020	Change 2021/2020
	(in € million) (audited)		(%) (unaudited)
Income from profit and loss transfer agreements	43	23	+87.0
Cost of loss absorption	–81	–103	+21.4
Other income from equity investments	315	91	>+100.0
Other expenses from equity investments	–210	–433	+51.5
Income from marketable securities and loans	164	–230	>+100.0
Realized income of loan receivables and payables in foreign currency	753	1,097	–31.4
Realized expenses of loan receivables and payables in foreign currency	–928	–1,620	+42.7
Gains and losses from remeasurement and impairment of financial instruments	94	–61	>+100.0
Gains and losses from fair value changes of hedging instruments/derivatives not included in hedge accounting	–648	1,950	>–100.0
Gains and losses from fair value changes of hedging instruments/derivatives included in hedge accounting	36	20	+80.0
Other financial result	**–463**	**733**	**>–100.0**

The other financial result declined to €–0.5 billion in 2021 compared with €0.7 billion in 2020. This item included losses from forward purchase agreements for new shares in QuantumScape (€0.6 billion) in 2021. In 2020, the measurement and realization of these forward agreements had led to a non-cash gain of €1.4 billion.

5.6.2.10 *Financial result*

Volkswagen's financial result decreased by €1.1 billion to €0.9 billion in 2021 compared to 2020. The interest expenses included in this item increased, due mainly to the interest cost on provisions. In 2020, changes in share prices had weighed on net income from securities and funds as a result of the SARS-CoV-2 pandemic.

In 2021, the Automotive Division's financial result amounted to €915 million compared to €2.2 billion in 2020. The financial result of the Financial Services Division amounted to €–64 million in 2021 compared to €–236 million in 2020.

5.6.2.11 *Income tax income/expense*

The composition of Volkswagen's income tax expense is as follows:

	For the year ended December 31,		
	2021	2020	Change 2021/2020
	(in € million) (audited)		(%) (unaudited)
Current tax expense, Germany	1,230	940	+30.9
Current tax expense, abroad	3,382	2,210	+53.0
Current income tax expense	**4,612**	**3,150**	**+46.4**
of which prior-period income (-)/expense (+)	310	299	+3.7
Deferred tax income (-)/expense (+), Germany	1,072	–1,026	>+100.0
Deferred tax income (-)/expense (+), abroad	–986	719	>–100.0
Deferred tax income (-)/expense (+)	**86**	**–307**	**>+100.0**
Income tax income/expense	**4,698**	**2,843**	**+65.2**

Income tax expense increased by €1.9 billion to €4.7 billion in 2021 compared with 2020. The tax expense reported for 2021 of €4,698 million was €1,340 million lower than the expected tax expense of €6,038 million that would have resulted from application of a tax rate for the Group of 30.0% to the earnings before tax of the Volkswagen Group. This resulted primarily from tax-exempt income. A tax rate of 30.0% (2020: 30.0%) was used to measure deferred taxes in the German consolidated tax group in 2021.

5.7 Pension Obligations

As of December 31, 2022, Volkswagen recognized €27.6 billion (December 31, 2021: €41.6 billion) in provisions for pensions and other post-employment benefits. Please refer to note 29 to each of the Group Financial Statements for detailed information concerning pension obligations.

5.8 Liquidity and Capital Resources

5.8.1 *Sources of liquidity*

Volkswagen primarily uses retained earnings and the capital and money markets as sources of refinancing by issuing bonds, commercial paper and notes, asset-backed securities ("**ABS**") and deposits from the direct banking business.

In the capital markets, Volkswagen placed undated subordinated, or hybrid, notes in September 2013, March 2014, March 2015, June 2017, June 2018, June 2020, September 2020, March 2022, and September 2023.

The following table sets forth information regarding the issuance of undated subordinated, or hybrid, notes.

Undated Subordinated Notes				
Date of issuance	First Call Date[(1)]	Relevant Swap Rate	Coupon	Amount
September 4, 2013	September 4, 2023	10 year	5.125%	€750,000,000
March 24, 2014	March 24, 2026	12 year	4.625%	€1,750,000,000
March 20, 2015	March 20, 2030	15 year	3.50%	€1,400,000,000
June 14, 2017	December 14, 2022	5.5 year	2.70%	€1,500,000,000
June 14, 2017	June 14, 2027	10 year	3.875%	€2,000,000,000
June 27, 2018	June 27, 2024	6 year	3.375%	€1,250,000,000
June 27, 2018	June 27, 2028	10 year	4.625%	€1,500,000,000
June 17, 2020	June 17, 2025	5 year	3.500%	€1,500,000,000
June 17, 2020	June 17, 2029	9 year	3.875%	€1,500,000,000
March 28, 2022	December 28, 2027	5 year	3.748%	€1,000,000,000
March 28, 2022	March 28, 2031	9 year	4.375%	€1,250,000,000
September 6, 2023	September 6, 2028	5 year	7.500%	€1,000,000,000
September 6, 2023	September 6, 2032	9 year	7.875%	€750,000,000

(1) Beginning on the First Call Date for each issuance, the coupon will be calculated based upon the relevant swap rate plus a margin.

In the credit market, Volkswagen was able to secure reserves through confirmed credit lines. At the end of fiscal year 2019, a banking syndicate granted Volkswagen AG a syndicated line of credit amounting to €10.0 billion that runs until December 2026.

Other Volkswagen Group companies have obtained syndicated credit lines totaling €12.4 billion, of which €12.0 billion had not been drawn down as of December 31, 2022. In addition, Volkswagen Group companies have arranged bilateral, confirmed credit lines with national and international banks in various other countries in the amount of €4.9 billion of which €4.3 billion had not been drawn down as of December 31, 2022. Furthermore, a Sustainability Linked Loan was closed in November 2021 on behalf of Volkswagen AG in the amount of €1.8 billion.

Certain projects are financed by, among other things, loans provided by national development banks such as Kreditanstalt für Wiederaufbau (KfW) or Banco Nacional de Desenvolvimento Econômico e Social (BNDES).

As part of its refinancing strategy, Volkswagen pursues a comprehensive capital market and hedging strategy, as well as a consistent rating strategy. Volkswagen's refinancing policy is to source funds with matching maturities that are as diversified as possible across currency areas, using a range of financing instruments and a broad investor base, and that exclude currency risks to a large extent. The solvency and liquidity of the Volkswagen Group are supported at all times by rolling liquidity planning, a liquidity reserve in the form of cash, cash equivalents, securities, loans and time deposits, confirmed credit lines and globally available debt issuance programs. This extensive range of options means that the liquidity risk to the Volkswagen Group is extremely low.

5.8.2 *Cash flows*

The following table presents the main items in Volkswagen's cash flow statements for the years ended December 31, 2022, 2021 and 2020.

	For the year ended December 31,		
	2022	2021	2020
	(in € million)		
	(audited, unless otherwise indicated)		
Cash and cash equivalents at beginning of period	**39,123**	**33,432**	**24,329**
Earnings before tax	22,044	20,126	11,667
Income taxes paid	–4,415	–4,216	–2,646
Depreciation and amortization expense[(1) (2)]	30,670	27,473	27,069
Change in pension provisions[(2)]	898	992	806
Share of the result of equity-accounted investments	575	787	536
Other noncash income/expense and reclassifications[(3)(2)(4)]	–511	–1,473	–2,461
Gross cash flow[(2)]	**49,261**	**43,690**	**34,971**
Change in working capital[(2)]	**–20,765**	**–5,056**	**–10,070**
Change in inventories	–8,385	2,110	1,334
Change in receivables (excluding financial services)	–3,207	1,888	712
Change in liabilities (excluding financial liabilities)	8,586	1,856	540
Change in other provisions[(2)]	–2,754	951	–2
Change in lease assets (excluding depreciation)	–8,711	–16,205	–12,914
Change in financial services receivables	–6,294	4,345	260
Cash flows from operating activities	**28,496**	**38,633**	**24,901**
Cash flows from investing activities attributable to operating activities[(2)]	**–25,454**	**–24,181**	**–18,372**
of which:			
Investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs	–12,948	–10,655	–11,273
Capitalized development costs	–9,723	–7,843	–6,473
Acquisition and disposal of equity investments[(5) (2)]	–3,219	–6,151	–1,037
Net cash flow[(6)(2)]	**3,042**	**14,453**	**6,529**
Change in investments in securities, loans and time deposits[(7) (2)]	–16,368	–1,948	–4,319
Cash flows from investing activities	**–41,822**	**–26,128**	**–22,690**
Cash flows from financing activities	**4,225**	**–7,754**	**7,637**
of which:			
Capital transactions with noncontrolling interests	16,198	–590	–238

	For the year ended December 31,		
	2022	2021	2020
	(in € million) (audited, unless otherwise indicated)		
Capital contributions/capital redemptions	–235	–1,071	2,984
Effect of exchange rate changes on cash and cash equivalents	–285	942	–745
Change of loss allowance within cash and cash equivalents	1	–1	–0
Net change in cash and cash equivalents	**–9,385**	**5,691**	**9,103**
Cash and cash equivalents at Dec. 31[8]	**29,738**	**39,123**	**33,432**
Securities, loans and time deposits	49,771	34,515	32,645
Gross liquidity[9]	**79,509**	**73,637**	**66,078**
Total third-party borrowings	–205,312	–210,213	–203,457
Net liquidity[10]	**–125,803**	**–136,576**	**–137,380**

(1) Total of: depreciation and amortization of, and impairment losses on, intangible assets, property, plant and equipment, and investment property, amortization of and impairment losses on capitalized development costs, impairment losses on equity investments and depreciation of and impairment losses on lease assets, each net of impairment reversals.

(2) Unaudited.

(3) Total of: gain/loss on disposal of noncurrent assets and equity investments, other noncash expense/income.

(4) These relate mainly to the fair value measurement of financial instruments and the reclassification of gains/losses on disposal of noncurrent assets and equity investments to investing activities.

(5) Total of: acquisition of subsidiaries, acquisition of other equity investments, disposal of subsidiaries and disposal of other equity investments.

(6) Net cash flow: cash flows from operating activities, net of cash flows from investing activities attributable to operating activities (investing activities excluding change in investments in securities, loans and time deposits).

(7) Total of: change in investments in securities and change in loans and time deposits.

(8) Cash and cash equivalents comprise cash at banks, checks, cash-in-hand and call deposits.

(9) Total of: cash and cash equivalents as well as securities, loans and time deposits.

(10) The total of cash, cash equivalents, securities, loan receivables from related parties as well as joint ventures and time deposits net of third-party borrowings (noncurrent and current financial liabilities).

5.8.2.1 *Cash flows from operating activities*

Cash flows from operating activities are derived indirectly from earnings before tax. Earnings before tax are adjusted to eliminate noncash expenditures (mainly depreciation, amortization and impairment losses) and income. Other noncash income and expense results are mainly from measurement effects in connection with financial instruments and to fair value changes relating to hedging transactions. This results in cash flows from operating activities after accounting for changes in working capital, which also include changes in lease assets and in financial services receivables.

The Volkswagen Group generated gross cash flow of €49.3 billion in 2022, 12.8% greater than the 2021 level for earnings-related reasons. The change in working capital amounted to €–20.8 billion in 2022 compared to €–5.1 billion in 2021. In 2022, a smaller rise in lease assets and a higher rise in liabilities were unable to offset an increase in inventories and receivables and a reduction in other provisions compared to the prior year 2021. In the Automotive Division, the change in working capital amounted to €–3.3 billion in 2022 compared to €3.4 billion in 2021, resulting mainly from higher inventories and lower other provisions, offset by a larger increase in liabilities in 2022 compared to 2021. In the Automotive Division, higher cash outflows attributable to the diesel issue also had a negative effect (this applies even if the inflows from the agreements regarding the settlement of damages are not taken into account). The Volkswagen Group's cash flows from operating activities decreased by €10.1 billion to €28.5 billion in 2022 from €38.6 billion in 2021. The Automotive Division's gross cash flow amounted to €33.2 billion in 2022, an increase of €4.1 billion compared with €29.0 billion in 2021. Cash flows from operating activities in the Automotive Division decreased by €2.5 billion to €29.9 billion in 2022 compared to €32.4 billion in 2021. The Financial Services Division's gross cash flow increased by €1.5 billion from 2021 to €16.1 billion in 2022. Cash flows from operating activities of the Financial Services Division amounted to €–1.4 billion in 2022 compared to €6.2 billion in 2021. Funds allocated to working capital for the Financial Services Division decreased by €9.1 billion to €–17.5 billion in 2022 (2021: €–8.4 billion).

The Volkswagen Group generated gross cash flow of €43.7 billion in 2021, 24.9 % greater than the 2020 level. The increase in 2021 compared to 2020 was largely attributable to the improvement in profit. The change in working capital amounted to €–5.1 billion in 2021 compared to €–10.1 billion in 2020. In the Financial Services Division, a reduction of receivables and inventories were set against a rise in lease assets and led to a decrease in funds tied up in working capital in 2021 compared with 2020. In the Automotive Division a rise of €2.3 billion in working capital in 2021 compared to 2020 was due to increases in liabilities and in other provisions, offset by a smaller decline in inventories. In the Automotive Division, markedly lower cash outflows attributable to the diesel issue also had a positive effect (this applies even if the inflows from the agreements regarding the settlement of damages are not taken into account). Cash flows from operating activities increased by €13.7 billion to €38.6 billion in 2021 from €24.9 billion in 2020. The Automotive Division's gross cash flow amounted to €29.0 billion in 2021, an increase of €5.4 billion compared with €23.6 billion in 2020. Cash flows from operating activities in the Automotive Division increased by €7.7 billion to €32.4 billion in 2021 compared to 2020. The Financial Services Division's gross cash flow increased by €3.3 billion from 2020 to €14.6 billion in 2021. Cash flows from operating activities of the Financial Services Division amounted to €6.2 billion in 2021, an increase of €6.1 billion compared to €0.2 billion in 2020. Funds allocated to working capital for the Financial Services Division increased by €2.7 billion to €–8.4 billion in 2021 (2020: €–11.1 billion).

5.8.2.2 *Cash flows from investing activities*

Investing activities include investing activities attributable to operating activities (additions to property, plant and equipment and equity investments, additions to capitalized development costs) and investments in securities and time deposits as well as loans.

At €25.5 billion, the Volkswagen Group's investing activities attributable to operating activities in 2022 which was up 5.3% above the 2021 level of €24.2 billion. Investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex) increased by €2.2 billion to €12.9 billion in 2022 compared to 2021, while capitalized development costs increased by €1.9 billion to €9.7 billion in 2022 compared to 2021.

In the Automotive Division, investing activities attributable to operating activities increased to €25.1 billion in 2022 compared with €23.8 billion in 2021. At €12.7 billion (2021: €10.5 billion) within the Automotive Division, capex in 2022 was 21.3% higher than in 2021. The ratio of capex to sales revenue within the Automotive Division amounted to 5.5% in 2022 as compared to 5.1% in 2021. A considerable portion of capex was allocated to the production facilities and to models launched in 2022 or planned to launch in 2023, or for which production is set to start. Other investment priorities included the electrification and digitalization of Group products and modular toolkits and platforms. Capitalized development costs increased by €1.9 billion to €9.7 billion in 2022 compared to 2021 (2021: €7.8 billion). Within the "Acquisition and disposal of equity investments" item (M&A), investments in a number of companies, especially Europcar offset by the sale of Sitech Sp. z o.o led to a €2.9 billion decrease from 2021 to €3.0 billion in 2022 within the Automotive Division. In 2021, the "Acquisition and disposal of equity investments" item (M&A) had included, among other items, the acquisition of Navistar and the investment in the associate Gotion High-Tech Co. Ltd. ("**Gotion High-Tech**"). In the Financial Services Division, investing activities were on a level with the previous year at €0.4 billion in 2022 (2021: €0.4 billion). The Financial Services Division's financing activities resulted in a cash outflow of €– 4.4 billion in 2022 compared to €– 0.4 billion in 2021. This figure relates primarily to the issuance and redemption of bonds and to other financial liabilities, as well as dividend payments by the financing companies.

At €24.2 billion, the Volkswagen Group's investing activities attributable to operating activities in 2021 which was up 31.6% above the 2020 level of €18.4 billion. Investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex) decreased by €0.6 billion to €10.7 billion in 2021 compared to 2020, while capitalized development costs increased by €1.3 billion to €7.8 billion in 2021. In the Automotive Division, investing activities attributable to operating activities increased to €23.8 billion in 2021 compared with €18.4 billion in 2020. At €10.5 billion (2020: €11.1 billion) within the Automotive Division, capex in 2021 was 5.1% lower than in 2020. The ratio of capex to sales revenue within the Automotive Division amounted to 5.1% in 2021 as compared to 6.1% in 2020. A considerable portion of capex was allocated to the production facilities and to models launched in 2021 or planned to launch in 2022, or for which production is set to start. Other investment priorities included the electrification and digitalization

of Group products and modular toolkits and platforms. Capitalized development costs increased by €1.4 billion to €7.8 billion in 2021 compared to 2020 (2020: €6.5 billion). Within the "Acquisition and disposal of equity investments" item (M&A), investments in a number of companies (in particular Navistar, the associates Gotion and Northvolt AB ("**Northvolt**"), and the joint venture Argo AI) led to a €4.7 billion increase from 2020 to €5.9 billion in 2021 within the Automotive Division. In 2020, the "Acquisition and disposal of equity investments" item (M&A) had included the sale of the shares in Renk AG. In the Financial Services Division, investing activities attributable to operating activities expanded to €0.4 billion in 2021 (2020: €0.0 billion). In the Financial Services Division, the "Acquisition and disposal of equity investments" item went up in 2021 as a result of strategic investments in a number of companies.

5.8.2.3 *Cash flows from financing activities*

Financing activities include outflows of funds from dividend payments and redemption of bonds, inflows from capital increases and the issuance of bonds, and changes in other financial liabilities.

Volkswagen Group's cash outflows from financing activities changed significantly from €7.8 billion in 2021 to cash inflows of €4.2 billion in 2022. Financing activities related primarily to the issuance and redemption of bonds and other financial liabilities, the redemption of the hybrid notes called in February and November 2022, the issuance of the hybrid notes successfully placed in March 2022, the payment of the €3.8 billion dividend to the shareholders of Volkswagen AG from the appropriation of net profit for fiscal year 2021, and the cash inflow of €16.1 billion from the IPO of Porsche AG in 2022 (partial cash inflow from the sale of the ordinary and preferred shares).

In the Automotive Division, cash outflows from financing activities of €7.4 billion in 2021 changed to cash inflows of €8.6 billion in 2022. Hybrid notes with a total nominal amount of €2.25 billion, which were successfully issued via Volkswagen International Finance N.V. in March 2022, led to the cash inflow in 2022. The repayment of the hybrid notes called in February and November 2022 resulted in a cash outflow totalling €2.6 billion in 2022. The dividend payment to shareholders of Volkswagen AG was made in May 2022 from the appropriation of net profits for 2021. It was set against cash inflows from the dividends paid by the financial services companies. The "capital transactions with noncontrolling interests" item includes the cash inflow from the sale of the shares of Porsche AG related to that company's IPO. In 2021, this item had included the present value of the cash settlement for MAN noncontrolling interest shareholders in connection with the merger of MAN SE and TRATON SE. In addition, 2021 had included the repayment of a hybrid note. Financing activities also include the issuance and redemption of bonds and changes in other financial liabilities.

Volkswagen Group's cash inflows from financing activities changed significantly from €7.6 billion in 2020 to cash outflows of €7.8 billion in 2021. This change is primarily attributable to the redemption of the hybrid note called in the first quarter of 2021, the dividend paid to the shareholders of Volkswagen AG and the issuance and redemption of bonds, as well as to changes in other financial liabilities. In 2020, there had been cash inflows of €7.6 billion to boost gross liquidity by placing hybrid bonds and issuing the green bond.

In the Automotive Division, cash inflows from financing activities of €2.9 billion in 2020 changed to cash outflows of €7.4 billion in 2021. In 2020, the cash inflows boosted gross liquidity through measures such as the placement of hybrid notes and the issuance of the green bond. The redemption of the hybrid note called in the first quarter of 2021 led to cash outflows of around €1.2 billion. A dividend totaling €2.4 billion was paid to the shareholders of Volkswagen AG in July 2021. Financing activities also include the issuance and redemption of bonds and changes in other financial liabilities. The "Transactions with noncontrolling interests" item includes the present value of the cash settlement for MAN noncontrolling interest shareholders in connection with the merger of MAN and TRATON; the settlement was paid at the beginning of September 2021. In 2020, the transfer of all outstanding Audi shares to Volkswagen AG had been reported in this item.

5.8.2.4 *Cash and cash equivalents*

Cash and cash equivalents were €29.7 billion as of December 31, 2022, compared with €39.1 billion as of December 31, 2021, and €33.4 billion in 2020.

5.8.2.5 *Noncurrent and current financial services receivables*

The following table shows noncurrent and current financial services receivables as of December 31, 2022, 2021 and 2020:

	As of December 31,				
	2022	2021	2020	Change 2022/2021	Change 2021/2020
		(in € million) (audited)		(%) (unaudited)	
Noncurrent receivables from financing business	**51,735**	**50,435**	**48,157**	**+2.6**	**+4.7**
of which:					
customer financing	49,065	48,639	46,157	+0.9	+5.4
dealer financing	2,653	1,785	1,994	+48.6	–10.5
direct banking	17	12	7	+41.7	+71.4
Current receivables from financing business	**41,668**	**37,230**	**39,500**	**+11.9**	**–5.7**
of which:					
customer financing	27,087	27,272	26,758	–0.7	+1.9
dealer financing	14,243	9,647	12,435	+47.6	–22.4
direct banking	338	311	307	+8.7	+1.3
	93,403	**87,665**	**87,658**	**+6.5**	**0.0**
Noncurrent receivables from leases					
Receivables from operating leases	–	–	–	n.a.	n.a.
Receivables from finance leases	35,209	34,519	34,408	+2.0	+0.3
Current receivables from leases					
Receivables from operating leases	387	325	379	+19.1	–14.2
Receivables from finance leases	19,493	18,943	18,127	+2.9	+4.5
Total noncurrent and current financial services receivables	**148,493**	**141,452**	**140,571**	**+5.0**	**+0.6**

For further information regarding the direct banking activities, refer to "Business of the Volkswagen Group — Volkswagen's Divisions and their Products and Services — Financial Services Division — Products and services of the Financial Services Division — Direct banking business".

The following table shows receivables from customer financing, receivables from dealer financing, receivables from direct banking, receivables from operating leases and receivables from finance leases as of December 31, 2022, 2021 and 2020:

	As of December 31,				
	2022	2021	2020	Change 2022/2021	Change 2021/2020
		(in € million) (audited)		(%) (unaudited)	
Receivables from customer financing	**76,152**	**75,911**	**72,916**	**+0.3**	**+4.1**
of which:					
Noncurrent receivables	49,065	48,639	46,157	+0.9	+5.4
Current receivables	27,087	27,272	26,758	–0.7	+1.9
Receivables from dealer financing	**16,896**	**11,432**	**14,428**	**+47.8**	**–20.8**
of which:					
Noncurrent receivables	2,653	1,785	1,994	+48.6	–10.5
Current receivables	14,243	9,647	12,435	+47.6	–22.4
Receivables from direct banking	**356**	**322**	**314**	**+10.6**	**+2.5**
of which:					
Noncurrent receivables	17	12	7	+41.7	+71.4
Current receivables	338	311	307	+8.7	+1.3
Receivables from operating leases	**387**	**325**	**379**	**+19.1**	**–14.2**
of which:					
Noncurrent receivables	—	—	—	n.a.	n.a.
Current receivables	387	325	379	+19.1	–14.2
Receivables from finance leases	**54,702**	**53,462**	**52,534**	**+2.3**	**+1.8**
of which:					
Noncurrent receivables	35,209	34,519	34,408	+2.0	+0.3
Current receivables	19,493	18,943	18,127	+2.9	+4.5

In 2022, receivables from dealer financing increased primarily as a result of supply chain bottlenecks on semiconductors.

5.9 Sources of Refinancing and Other Sources of Liquidity

The following table presents Volkswagen's total noncurrent and current liabilities as of December 31, 2022, 2021 and 2020:

	As of December 31,		
	2022	2021	2020
	(in € million) (audited, unless otherwise indicated)		
Total noncurrent and current liabilities (unaudited)	386,445	382,455	368,331
Of which non-current	203,453	218,062	202,921
Of which current	182,992	164,393	165,410

The following table presents an overview of Volkswagen's noncurrent and current financial liabilities as of December 31, 2022, 2021 and 2020:

	As of December 31,					
	2022		2021		2020	
	current	noncurrent	current	noncurrent	current	noncurrent
	(in € million) (audited)					
Bonds	21,284	71,835	21,722	76,317	25,909	66,717
Commercial paper and notes	17,239	18,034	16,781	20,796	16,146	21,380
Liabilities to banks	18,840	23,266	12,786	25,904	18,060	17,273
Deposit business	24,107	2,642	24,243	2,588	26,735	2,411
Loans and miscellaneous liabilities	876	677	1,944	875	794	1,909
Lease liabilities	1,102	5,283	1,108	5,137	1,005	5,119
	83,448	**121,737**	**78,584**	**131,618**	**88,648**	**114,809**

Financial liabilities with a remaining maturity of more than one year are classified as noncurrent, and financial liabilities with a remaining maturity of up to one year are classified as current.

The deposits from banking business contained in the Volkswagen Group's financial liabilities of €26,749 million as of December 31, 2022 decreased from €26,831 million as of December 31, 2021 and €29,145 million as of December 31, 2020.

Structured entities are used to enter into ABS transactions to refinance the financial services business and to invest surplus liquidity in special securities funds. Receivables from the customer financing and the leasing business serve as collateral.

ABS transactions amounting to €28.0 billion were entered into in 2022 (compared with €33.0 billion in 2021) to refinance the financial services business; these are included in bonds, commercial paper and notes, and liabilities from loans. The corresponding carrying amount of the receivables from the customer and dealer financing and the finance lease business amounted to €34.6 billion in 2022 (compared with €38.2 billion in 2021). Collateral furnished in ABS transactions amounted to €53.1 billion in total in 2022 (compared with €55.8 billion in 2021). The expected payments were assigned to structured entities and the equitable liens in the financed vehicles were transferred. These ABS transactions did not result in the receivables from financial services business being derecognized, as the Group retains nonpayment and late payment risks. The difference between the assigned receivables and the related liabilities is the result of different terms and conditions and the share of the securitized paper and notes held by the Volkswagen Group itself.

Most of the public and private ABS transactions of the Volkswagen Group can be repaid in advance (clean-up call) if less than 10% of the original transaction volume is outstanding. The assigned receivables cannot be assigned again or pledged elsewhere as collateral. The claims of the holders of commercial paper and notes are limited to the assigned receivables and the receipts from those receivables are earmarked for the repayment of the corresponding liability. As of December 31, 2022, the fair value of the assigned receivables still recognized in the balance sheet was €32.8 billion compared with €38.5 billion as of December 31, 2021. The fair value of the related liabilities was €27.5 billion as of December 31, 2022 (December 31, 2021: €32.6 billion).

In addition to financial liabilities, provisions for pensions and other provisions reported as noncurrent liabilities, and other liabilities, other provisions and trade payables reported as current liabilities, are the largest liability items.

5.10 Contingent Liabilities and Other Financial Obligations

5.10.1 *Contingent Liabilities*

The following table shows Volkswagen's contingent liabilities as of December 31, 2022, 2021 and 2020:

	As of December 31,		
	2022	2021	2020
		(in € million) (audited)	
Liabilities under guarantees	521	504	525
Liabilities under warranty contracts	73	71	165
Assets pledged as security for third-party liabilities	11	15	19
Other contingent liabilities	10,000	9,111	7,912
	10,604	**9,700**	**8,621**

In the case of liabilities from guarantees, the Group is required to make specific payments if the debtors fail to meet their financial obligations.

The other contingent liabilities primarily comprise potential liabilities arising from matters relating to taxes and customs duties, as well as litigation and proceedings relating to suppliers, dealers, customers, employees and investors. The contingent liabilities recognized in connection with the diesel issue totaled €4.2 billion as of December 31, 2022 (December 31, 2021: €4.3 billion), of which €3.6 billion (December 31, 2021: €3.6 billion) was attributable to investor lawsuits in Germany. Also included are certain elements of the class action lawsuits and proceedings/misdemeanor proceedings relating to the diesel issue as far as these can be quantified. As some of the proceedings are still at very early stage, the plaintiffs have in a number of cases so far not specified the basis of their claims and/or there is insufficient certainty about the number of plaintiffs or the amounts being claimed. These lawsuits meet the definition of a contingent liability but cannot, as a rule, be disclosed because it is impossible to measure the amount involved. For additional information regarding these proceedings, see "*Business of the Volkswagen Group — Legal and Arbitration Proceedings — Proceedings related to Diesel Issue*".

In addition, as of December 31, 2022, other contingent liabilities include €0.6 billion for potential liabilities resulting from the risk of tax proceedings instituted by the Brazilian tax authorities against Volkswagen Truck & Bus (formerly: MAN Latin America). See also "*Business of the Volkswagen Group — Legal and Arbitration Proceedings — MAN Latin America Tax Proceedings*".

Since 2016, the U.S. National Highway Traffic Safety Administration (NHTSA) has announced further extensions of the recalls for various models from different manufacturers containing certain airbags produced by the Takata company. Recalls were also ordered by the local authorities in individual countries. The recalls also included models manufactured by the Volkswagen Group. Appropriate provisions have been recognized. Currently, the possibility of further extensions to the recalls that could also affect Volkswagen Group models cannot be ruled out. The technical investigations and consultations with the authorities are still being carried out.

5.10.2 *Other Financial Obligations*

The following table shows Volkswagen's other financial obligations as of December 31, 2022, 2021 and 2020:

	As of December 31,		
	2022	2021	2020
		(in € million) (audited)	
Purchase commitments in respect of			
property, plant and equipment	10,191	7,368	7,438
intangible assets	2,645	2,324	1,332
investment property	16	15	6
Obligations from			
loan commitments and irrevocable credit commitments	12,441	14,734	11,739
leasing and rental contracts	762	774	746
Miscellaneous other financial obligations	9,318	9,485	9,026

Other financial obligations primarily result from purchase commitments for property, plant and equipment and irrevocable credit commitments to customers. In addition, as of December 31, 2022, they include €0.5 billion for investments to which the Volkswagen Group has committed itself, in the infrastructure for zero-emission vehicles and in initiatives to promote access to and awareness of these technologies. These commitments were made as part of the settlement agreements in the USA in connection with the diesel issue.

As of December 31, 2020, this item reflected the payment of the purchase price for the acquisition of all of Navistar's outstanding shares totaling around USD 3.7 billion.

The rise in the remaining other financial obligations is mainly attributable to obligations under development and supply contracts. In addition to the other financial obligations shown in the table, purchase commitments exist for inventories with a short turnover period, which arise primarily from the Master Collaboration Agreement with Ford Motor Company for the joint development of vans and mid-sized pickups for the global market.

5.11 Critical Accounting Estimates

Preparation of Volkswagen's consolidated financial statements requires management to make certain estimates and assumptions. The recognition and measurement of assets and liabilities, as well as of the income and expenses recognized in the income statement, are affected by these estimates and assumptions. The estimates and assumptions used are based on underlying assumptions that reflect the current state of available knowledge. Estimates and assumptions are subject to a high degree of uncertainty. Actual carrying amounts may differ from the amounts estimated by management.

For additional information on Volkswagen's accounting policies, refer to "*Accounting policies*" in the Group Financial Statements.

5.11.1 *Impairment Tests*

Goodwill, intangible assets with indefinite useful lives and intangible assets that are not yet available for use are tested for impairment at least once a year. Assets in use and other intangible assets with finite useful lives are tested for impairment only if there are specific indications that they may be impaired.

The Volkswagen Group's intangible assets amounted to €83,241 million as of December 31, 2022 (December 31, 2021: €77,689 million; December 31, 2020: €67,968 million). Of this total as of December 31, 2022, €17,528 million was attributable to brand names (December 31, 2021: €17,572 million; December 31, 2020: €16,828 million), €26,202 million to goodwill (December 31, 2021: €26,174 million; December 31, 2020: €23,318 million), €17,502 million to capitalized development costs for products under development (December 31, 2021: €10,199 million; December 31, 2020: €6,351 million) and €15,929 million to capitalized development costs for products in use (December 31, 2021: €18,685 million; December 31, 2020: €19,183 million). The reported intangible assets attributed to brand names mainly relate to Porsche (December 31, 2022: €13,823

million), Scania Vehicles and Services (December 31, 2022: €878 million), MAN Truck & Bus (December 31, 2022: €1,127 million), MAN Energy Solutions (December 31, 2022: €415 million), Navistar (December 31, 2022: €813 million) and Ducati (December 31, 2022: €404 million).

€18,825 million of the goodwill reported as of December 31, 2022 related to Porsche (December 31, 2021: €18,825 million; December 31, 2020: €18,825 million), €2,548 million to Scania Vehicles and Services (December 31, 2021: €2,749 million; December 31, 2020: €2,808 million), €587 million to MAN Truck & Bus (December 31, 2021: €587 million; December 31, 2020: €587 million), €263 million to MAN Energy Solutions (December 31, 2021: €264 million; December 31, 2020: €263 million), €3,101 million to Navistar (December 31, 2021: €2,917 million); €290 million to Ducati (December 31, 2021: €290 million; December 31, 2020: €290 million), €168 million to ŠKODA (December 31, 2021: €163 million; December 31, 2020: €155 million) and €126 million to Porsche Holding Salzburg (December 31, 2021: €127 million; December 31, 2020: €130 million). The recoverability of reported goodwill was regularly tested for impairment in the course of preparing the Group Financial Statements. There was no need to recognize significant impairment losses.

Goodwill from consolidation is not amortized. The recoverable amount of goodwill and of the individual affiliated companies and other equity investments is tested for impairment once a year or if there are indications that a triggering event has occurred. The impairment test for recognized goodwill and brand names is based on value in use, which has been determined at the level of the respective brand. For the Porsche cash generating unit, the recoverable amount corresponds to fair value less costs of disposal, which is determined according to the price of Porsche AG shares. The following aspects were of significance for the brands with material recognized brand names and goodwill:

In the Commercial Vehicles reporting segment, the five-year planning reflects an expansion of e-mobility for all cash generating units. The foundation for the electrification of the commercial vehicle sector in Europe was laid in fiscal year 2022 with the establishment of the Milence joint venture. The purpose of the joint venture, which TRATON has formed together with Daimler Truck and the Volvo Group, is to create a charging infrastructure for heavy-duty trucks and coach buses.

Furthermore, at MAN Truck & Bus, the planning reflects positive effects in the planning period from the realignment program initiated in fiscal year 2022. Moreover, Navistar is to be taken to new levels of strength. The measures applied to this end range from using the powerful component and technology organization within TRATON through expanding the financial services business down to making even more effective use of one of the largest independent dealer and service networks in the North American market that Navistar has already established.

In the impairment test process, the weighted average cost of capital (WACC) rates, based on the risk-free rate of interest, a market risk premium and the cost of debt, are applied. To do this, value in use is determined by an enterprise valuation using the discounted cash flow method. The cash flow projections used for this are based on management's current planning or on publicly available capital market expectations. For the perpetual annuity phase (2028 and thereafter), a growth discount of up to 1.0% is applied to the cost of capital in individual cases. Country-specific and business-specific discount factors before tax of at least 10.2% (2021: 6.2%; 2020: 6.8%) for the passenger cars segment, 13.4% (2021: 8.3%; 2020: 8.7%) for the commercial vehicles segment and 14.2% (2021: 9.2%; 2020: 9.3%) for the power engineering segment are applied when determining value in use for the purpose of impairment testing of goodwill and of other intangible assets with indefinite useful lives in the Automotive Division.

Volkswagen Group generally applies the higher of value in use and fair value less costs to sell of the relevant cash-generating unit (brands or products) to determine the recoverable amount of goodwill and intangible assets with indefinite and finite useful lives. Measurement of value in use is based on management's current medium-term planning. The planning period generally covers five years. This planning is based on expectations regarding future global economic trends and on assumptions derived from those trends about the markets for passenger cars and commercial vehicles, expected trends in the Volkswagen Group's market shares, the volume, timing and cost of the development of vehicle models and investments in production facilities, as well as changes in price and cost structures, taking particular account of the transformation to e-mobility and an increase in regulatory requirements. The planning for the Financial Services segment is likewise prepared on the basis of these expectations, and also reflects the relevant market penetration rates of expected vehicle sales with

finance or lease agreements and other services, as well as regulatory requirements. The planning for the Power Engineering segment reflects expectations about trends in the various individual markets. The planning includes reasonable assumptions about macroeconomic trends (exchange rate, interest rate and commodity price trends) and historical developments.

The planning is based on based on the assumption that global economic output will grow overall in 2023 albeit at a slower pace. The persistently high inflation in many regions and the resulting restrictive monetary policy measures taken by central banks are expected to increasingly dampen consumer spending. Volkswagen believes that risks will arise from protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, growth prospects will be negatively impacted by ongoing geopolitical tensions and conflicts, with risks continuing to arise from the Russia-Ukraine conflict. It cannot be ruled out that risks may also arise if new variants of the SARS-CoV-2 pandemic occur, particularly regional outbreaks and the associated measures. Volkswagen assumes that both the advanced economies and the emerging markets will show positive momentum on average, even with below-average growth in GDP. The Volkswagen Group's automotive market and volume planning reflects the above regional differentiation and takes account of the impact of the SARS-CoV-2 pandemic, the Russia-Ukraine conflict, and shortages of intermediates and commodities on the initial years of the planning period. The negative impact on earnings expected to arise from 2023 onward from more stringent emission and fuel consumption legislation and the sustained effects of the SARS-CoV-2 pandemic is to be offset by corresponding programs to increase efficiency. In addition, the planning is based on the assumption that the supply situation for intermediates and commodities will improve from fiscal year 2023 onward. The change in the operating return on sales assumed for fiscal year 2023 for the purpose of the impairment test is within the range forecast by Volkswagen.

The impairment losses totaling €572 million (2021: €344 million) recognized in 2022 on intangible assets and items of property, plant and equipment result primarily from lower values in use of various products in the Passenger Cars and Light Commercial Vehicles segment, due to market and exchange rate risks, and in particular from expected declines in volumes.

5.11.2 *Provisions for Legal Risks and Warranty Claims and the Management of Residual Value Risk*

In accordance with IAS 37, provisions are recognized where a present obligation exists to third parties as a result of a past event, where a future outflow of resources with economic benefits is probable and where a reliable estimate of that outflow can be made. Refer to note 30 to each of the Group Financial Statements for additional information on other 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 and loss. The provisions are regularly adjusted to reflect new information obtained. The use of expected values means that unused provisions are reversed or additional amounts have to be recognized for provisions. Similarly to expenses for the recognition of provisions, income from the reversal of provisions is allocated to the respective functions.

Warranty claims from sales transactions are calculated on the basis of losses to date, estimated future losses and the policy on ex gratia arrangements. For the provisions recognized in connection with the diesel issue, assumptions were made in particular about working hours, material costs and hourly wage rates, depending on the series, model year and country concerned. In addition, assumptions are made about future resale prices of repurchased vehicles. These assumptions are based on qualified estimates, which are based in turn on external data, and also reflect additional information available internally, such as values derived from experience.

With regard to the risk assessment of the diesel issue, the provisions recognized, the contingent liabilities disclosed and the other latent legal risks are in part subject to substantial estimation risks given the complexity of the individual factors, the ongoing coordination with the authorities and the fact that the fact-finding efforts have not yet been concluded.

To protect against the currently known legal risks related to the diesel issue, provisions of €1.4 billion existed as of December 31, 2022 (2021: €2.1 billion) on the basis of existing information and current assessments at

the time. Beyond this, appropriate provisions have been recognized for defense and legal advice expenses. Insofar as these can be adequately measured at this stage, total contingent liabilities in relation to the diesel issue as of December 31, 2022 in an aggregate amount of €4.2 billion (2021: €4.3 billion), of which lawsuits filed by investors accounted for €3.6 billion (2021: €3.6 billion), were disclosed in the notes to the Group Financial Statements.

In the financial services business, Volkswagen agrees to buy back selected vehicles at a residual value that is fixed at inception of the contract. Residual values are set at a realistic amount so that Volkswagen is able to leverage market opportunities. The underlying lease contracts are evaluated at regular intervals and necessary provisions are recognized to the extent any potential risks are identified. Management of the residual value risk or allowances is based on a defined feedback loop, seeking to ensure the full assessment, monitoring, management and communication of risks. This process design helps ensure not only professional management of residual risks but also that the handling of residual value risks can be systematically improved and enhanced. As part of its risk management, Volkswagen uses residual value forecasts to regularly assess the appropriateness of the provisions for risks and the potential for residual value risk – also with a view to the emissions issue and the current debate on the possible introduction of driving bans for diesel vehicles in major European cities. In the process, Volkswagen compares the contractually agreed residual values with the fair values obtainable. These are determined utilizing data from external service providers and Volkswagen's own marketing data. The upside in residual market values is not taken into account when making provisions for risks. The impairment losses on current lease assets at Volkswagen Financial Services decreased to €10 million in 2022, from €27 million in 2021.

5.12 **Related Party Transactions**

Volkswagen's related party transactions are described under "Related party disclosures in accordance with IAS 24", note 46 to the 2022 Group Financial Statements and the 2021 Group Financial Statements.

5.13 **Recent Accounting Pronouncements**

Volkswagen AG has applied all accounting pronouncements adopted by the EU and effective for periods beginning in fiscal year 2022.

The Volkswagen Group is exposed to the interest rate benchmark reform regarding its variable IBOR-related transactions. To avoid any material risk arising from the transition to alternative benchmark rates (interest rate basis risk, liquidity risk, litigation risk, operational risk) risk management strategies and procedures have been implemented. The Volkswagen Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by the IBOR regulators.

Regarding financial instruments that reference discontinued benchmark rates, the Volkswagen Group aims to complete its transition process prior to their official cessation dates, i.e. any existing derivatives transactions ("legacy trades") have been or will be transitioned to alternative benchmark rates (active approach) rather than relying on the incorporation of a contractual fallback language made available by the International Swaps and Derivatives Association (ISDA) via ISDA 2020 IBOR Fallbacks Protocol or respective bilateral agreements with the Group's counterparties (passive approach). For new derivatives transactions that reference discontinued rates (if any), respective fallback mechanisms have been incorporated into the relevant framework agreements with the Group's counterparties via ISDA 2020 IBOR Fallbacks Supplement to the 2006 ISDA Definitions, the 2021 ISDA Interest Rate Derivatives Definitions and/or the 2018 ISDA Benchmark Supplement.

The exposures of financial instruments that are still affected by the interest rate benchmark reform at the reporting date arise on derivative and non-derivative financial assets and liabilities. They are exposed to the following significant benchmark rates. From the Volkswagen Group's point of view EURIBOR is not affected by a replacement and these types of financial instruments are therefore not included in the disclosure.

Disclosures on exposures impacted by interest rate benchmark reform as of December 31, 2022:

€ million	Non-derivative financial assets Carrying amount	Non-derivative financial liabilities Carrying amount	Derivatives Nominal Amount
USD LIBOR	47	3,933	10,011
CAD CDOR	15	265	2,339
SEK STIBOR	0	1,693	2,483
Total	**62**	**5,891**	**14,833**

Refer to the notes to the Group Financial Statements and the Group Interim Financial Statements for additional information relating to the accounting pronouncements adopted by the Company.

6. THE ISSUER

The Issuer is a wholly-owned subsidiary of Volkswagen Group of America, Inc., which is a wholly-owned subsidiary of the Company. The Issuer is a Delaware limited liability company, having its registered office at 251 Little Falls Drive, Suite 400, Wilmington, Delaware 19808, USA. The Issuer's principal place of business is at 1950 Opportunity Way, Reston, Virginia, 20190, USA.

The Issuer was formed in the State of Delaware on February 14, 2014 and has unlimited duration. The principal activity of the Issuer is acting as an issuing company within the debt markets to support the funding requirements of the Volkswagen Group. The Issuer's Board of Directors consists of four members: Bjoern Baetge, Dr. Elmar Licharz, Lawrence Tolep and Michael Zucknick.

The following table sets forth information regarding the outstanding notes previously issued by Volkswagen Group of America Finance, LLC pursuant to Rule 144A under the Securities Act.

Rule 144A Notes

Date of issuance	Maturity	Coupon	Amount
November 13, 2018	November 13, 2023	4.250%	USD 1,250,000,000
November 13, 2018	November 13, 2025	4.625%	USD 750,000,000
November 13, 2018	November 13, 2028	4.750%	USD 1,250,000,000
September 26, 2019	September 26, 2024	2.850%	USD 500,000,000
September 26, 2019	September 26, 2026	3.200%	USD 500,000,000
May 13, 2020	May 13, 2025	3.350%	USD 1,000,000,000
May 13, 2020	May 13, 2030	3.750%	USD 500,000,000
November 24, 2020	November 22, 2023	0.875%	USD 1,250,000,000
November 24, 2020	November 24, 2025	1.250%	USD 1,250,000,000
November 24, 2020	November 24, 2027	1.625%	USD 500,000,000
June 8, 2022	June 7, 2024	SOFR + 0.95%	USD 500,000,000
June 8, 2022	June 6, 2025	3.950%	USD 900,000,000
June 8, 2022	June 8, 2027	4.350%	USD 1,100,000,000
June 8, 2022	June 8, 2029	4.600%	USD 500,000,000
September 12, 2023	September 12, 2025	SOFR + 0.93%	USD 500,000,000
September 12, 2023	September 12, 2025	5.800%	USD 800,000,000
September 12, 2023	September 12, 2026	5.700%	USD 900,000,000
September 12, 2023	September 12, 2028	5.650%	USD 700,000,000
September 12, 2023	September 12, 2033	5.900%	USD 500,000,000

7. BUSINESS OF THE VOLKSWAGEN GROUP

7.1 Overview

The Volkswagen Group is one of the world's leading multi-brand companies in the automotive industry in terms of sales volume (i.e., the number of vehicles delivered to dealers). In 2022, Volkswagen Group achieved sales revenue of €279,232 million, operating result of €22,124 million and earnings after tax of €15,836 million. In the first nine months of 2023, Volkswagen Group achieved sales revenue of €235,102 million, operating result of €16,241 million and earnings after tax of €12,868 million. Volkswagen Group delivered 8.3 million vehicles (passenger cars, light commercial vehicles, trucks and buses) to its customers worldwide in 2022 and 6.7 million vehicles in the first nine months of 2023.

Volkswagen Group comprises the following brands: Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, ŠKODA, SEAT/CUPRA, Audi, Lamborghini, Bentley, Ducati, Porsche, MAN, Scania, Volkswagen Truck & Bus and Navistar. For more information on each brand see "*Business of the Volkswagen Group — Volkswagen's Divisions and their Products and Services — Automotive Division*".

The Volkswagen Group's business activities comprise two divisions: the Automotive Division and the Financial Services Division. The Automotive Division is composed of three business areas: Passenger Cars, Commercial Vehicles and Power Engineering:

- The Passenger Cars business area essentially consolidates the Volkswagen Group's passenger car brands and the Volkswagen Commercial Vehicles brand. Activities focus on the development of vehicles, engines and vehicle software, the production and sale of passenger cars and light commercial vehicles, and the genuine parts business. The product portfolio ranges from compact cars to luxury vehicles and also includes motorcycles, and is supplemented by mobility solutions.

- The Commercial Vehicles business area primarily comprises the development, production and sale of trucks and buses, the corresponding genuine parts business, and related services. The commercial vehicles portfolio ranges from light vans to heavy trucks and buses. The collaboration between the commercial vehicle brands is coordinated within TRATON SE.

- The Power Engineering business area combines the large-bore diesel engines, turbomachinery and propulsion components businesses.

The Financial Services Division combines dealer and customer financing, vehicle leasing, direct banking and insurance activities as well as fleet management and mobility services.

The following table provides an overview of the deliveries to customers (including the joint venture companies in China), sales revenue and operating result of the Volkswagen Group and Volkswagen's divisions for the periods indicated:

	For the year ended December 31, (unaudited, unless otherwise indicated)								
	Deliveries to customers[1]			Sales revenue			Operating result		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
	(Thousand vehicles)			(€ million)			(€ million)		
Volkswagen Group[2]	8,263	8,882	9,305	279,232[3]	250,200[3]	222,884[3]	22,124[3]	19,275[3]	9,675[3]
of which:									
Automotive Division[4]	8,263	8,882	9,305	232,385	206,237	182,106	16,468	13,230	6,664
Financial Services Division[5]	–	–	–	46,847[3]	43,963[3]	40,778[3]	5,656[3]	6,045[3]	3,012[3]

[1] Deliveries for 2021 and 2020 have been updated to reflect subsequent statistical trends. As of July 1, 2021, the figures include Navistar.

[2] The sales revenue and operating result of the joint venture companies in China are not included in Volkswagen's figures. The Chinese companies are accounted for using the equity method and recorded a proportionate operating result of €3,280 million €3,026 million and €3,602 million for the years ended December 31, 2022, 2021 and 2020, respectively.

[3] Audited.

(4) Sales revenue and operating result include allocation of consolidation adjustments between the Automotive and Financial Services Divisions.

(5) Financial Services Division corresponds to the Financial Services segment.

7.2 Volkswagen Group Reporting Structure

Volkswagen Group's financial reporting comprises four reportable segments: the Passenger Cars and Light Commercial Vehicles segment, Commercial Vehicles segment, Power Engineering segment and Financial Services segment.

The following table shows Volkswagen Group's reporting structure as of December 31, 2022:

Automotive Division			Financial Services Division
Passenger Cars Business Area	**Commercial Vehicles Business Area**	**Power Engineering Business Area**	
Volkswagen Passenger Cars ŠKODA SEAT Volkswagen Commercial Vehicles Tech. Components Audi Porsche Automotive CARIAD Others	TRATON Commercial Vehicles	MAN Energy Solutions	Dealer and customer financing Leasing Direct bank Insurance Fleet management Mobility services

The Automotive Division's three business areas described above conform to Volkswagen's financial reporting segments as follows: The Passenger Cars business area corresponds to the Passenger Cars and Light Commercial Vehicle reporting segment together with the reconciliation, to account for intra-group activities. The Commercial Vehicles business area and Power Engineering business area correspond to the reporting segments of the same name. The Financial Services Division corresponds to the Financial Services segment.

The following table presents an overview of Volkswagen's key figures by reporting segments for the year ended December 31, 2022.

	For the year ended December 31, 2022 (audited, unless otherwise indicated)						
	Passenger Cars and Light Commercial Vehicles	**Commercial Vehicles**	**Power Engineering**	**Financial Services**	**Total segments**	**Recon-ciliation**	**Volkswagen Group**
				(€ million)			
Total sales revenue	**210,371**	**39,516**	**3,565**	**46,847**	**300,299**	**– 21,067**	**279,232**
Segment result (operating result)	17,153	1,588	281	5,656	24,677	– 2,553	22,124
as a % of total sales revenue[1]	8.2	4.0	7.9	12.1	–	–	7.9
Capex, including capitalized development costs[2]	20,125	1,907	84	217	22,334	338	22,672

(1) Unaudited.

(2) In the 2022 Group Financial Statements, shown as investments in intangible assets, property, plant and equipment, and investment property.

From January 1, 2022, responsibilities within the Volkswagen Group were divided among eleven board-level management functions. In addition to the Chair of the Board of Management, a function which also included the Volume brand group, the other Board functions were Purchasing, Technology, Finance, Human Resources and Truck & Bus, Integrity and Legal Affairs, Premium, Sport & Luxury, IT, China and Volkswagen Passenger Cars. With effect from February 1, 2022, a new Group Sales function was created.

As of September 1, 2022, the Volkswagen Group refined its Group management. The Board of Management was streamlined and the division of responsibilities was reorganized. As a result, the Purchasing and Group

Sales Board functions were dissolved. Furthermore, the Volkswagen Passenger Cars function was renamed Volume. Since then, responsibilities have been divided among ten board-level management functions. In addition to the Chair of the Board of Management, the other Board functions are Technology, Finance, Human Resources and Truck & Bus, Integrity and Legal Affairs, Volume, Premium, Sport & Luxury, IT and China. The Chair of the Board of Management is also responsible for Sport & Luxury. Directly attached to the Board are a number of Group Management functions that act as an extension to the board-level management functions. These comprise the Group Sales, Group Production, Procurement and Technical Architecture functions.

The "Volume" brand group comprises the Volkswagen Passenger Cars, ŠKODA, SEAT/CUPRA and Volkswagen Commercial Vehicles brands. The "Premium" brand group comprises the Audi, Lamborghini, Bentley and Ducati brands. The "Sport & Luxury" brand group consists of the Porsche brand. In the Truck & Bus brand group, TRATON SE acts as the umbrella for the Scania, MAN, Volkswagen Truck & Bus and Navistar commercial vehicles brands. As well as strengthening the brand groups, the reorganization and creation of new units enabled substantial progress with the Software, Battery & Charging and Mobility Solutions technology platforms in 2022. The software subsidiary CARIAD was further expanded, with a subsidiary of its own in China, among other things.

In addition to this, Volkswagen founded PowerCo SE in 2022 as part of the Battery & Charging technology platform. This company will be responsible for the Group's global battery business. In addition to producing battery cells, it will also take on other activities along the battery value chain in future. In the Mobility Solutions technology platform, Volkswagen strengthened the Group's expertise in advanced fleet management through the equity investment in the Europcar Mobility Group in 2022. The aim is to be able to achieve even better coverage of all customers' mobility needs based on a new mobility platform.

In June 2023 the Volkswagen Group presented a new leadership model. This entailed a realignment that also included a renaming of the brand groups: Volume has become Core, Premium is now called Progressive, Sport & Luxury has changed to Sport Luxury and Truck & Bus to Trucks. A strategic return on sales target has been set for each Group brand as well as for the technology platforms PowerCo and CARIAD.

Volkswagen sells vehicles in about 150 countries. Volkswagen's key sale markets for its automobiles as of December 31, 2022 include Western Europe, China, the United States, Brazil, Poland, Mexico, Türkiye and the Czech Republic.

The following table presents the regional markets for Volkswagen's products and services and the percentages of sales revenue from external customers by region (in each case excluding the Chinese joint ventures, which are accounted for using the equity method) for the periods indicated:

	Percentages of sales revenue from external customers by region For the year ended December 31, (unaudited)		
	2022[1]	2021[1]	2020[1]
		(%)	
Germany	17.4	17.7	19.2
Europe/Other Markets[2] (excluding Germany)	37.5	40.4	40.6
North America	21.3	18.1	16.5
South America	5.5	4.4	3.9
Asia-Pacific[3]	18.3	19.4	19.8

(1) Effects of hedging transactions relating to sales revenue in foreign currency are not allocated to regions.

(2) Other Markets mainly comprises Türkiye and South Africa.

(3) The sales revenue of the joint venture companies in China is not included in the figures for the Asia-Pacific market.

The Company was formed on May 28, 1937 as a limited liability company under the laws of Germany as "Gesellschaft zur Vorbereitung des Deutschen Volkswagens mbH". During the years that followed the Company's formation, its name was changed several times. In 1960, the legal form of the Company was changed from a limited liability company to a corporation (Aktiengesellschaft) organized under the laws of Germany.

In 1985, the Company changed its name to "VOLKSWAGEN AKTIENGESELLSCHAFT", which is its current name.

The Company is the parent company of Volkswagen Group. On the one hand, it develops vehicles and car components for the Volkswagen Group, and on the other hand it produces and sells, in particular, passenger cars and light commercial vehicles under the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands. In its capacity as parent company, Volkswagen AG holds direct or indirect interests in AUDI AG, SEAT S.A., ŠKODA AUTO a.s., Porsche AG, TRATON, Volkswagen Financial Services AG, Volkswagen Bank and a large number of other companies in Germany and abroad. Following the completion of their initial public offerings in 2019 and 2022, respectively, TRATON SE and Porsche AG are listed indirect subsidiaries of Volkswagen AG.

Volkswagen had an average of 669,275 employees worldwide (including the equity-accounted Chinese joint ventures) in 2022.

7.3 **The Global Automotive Market**

The global automotive market is highly competitive and volatile. The demand for automobiles is affected by a number of factors, including: social, political and economic conditions; introduction of new vehicles and technologies; costs incurred by customers to purchase and own a vehicle; and consumer confidence. These factors can cause consumer demand to vary substantially from year to year in different geographic markets and in individual segments of automobiles.

In 2021, the global passenger car and light commercial vehicle market increased moderately by 4.4% to 79.7 million units from a weak level in the prior year 2020. Global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes in the markets that are relevant for the Volkswagen Group (which included USA, Canada and Mexico as a result of the Navistar acquisition) rebounded, increasing by 19.5% compared to the low 2020 levels. However, the market rebounds were uneven owing to the effects of the SARS-CoV-2 pandemic, which varied strongly from region to region both in 2020 and in 2021. The semiconductor shortage and the resulting supply bottlenecks also had a negative impact in the second half of 2021. In 2022, the volume for the passenger car and light commercial vehicle market worldwide was slightly below the year 2021. Gains and losses in individual markets were very uneven, since shortages and disruption in global supply chains, the effects of the Russia-Ukraine conflict and the further consequences of the SARS-CoV-2 pandemic varied around the world in terms of strength of their impact. Shortages of semiconductors and other intermediate products could not be fully resolved in 2022. Global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes increased by 5.5% compared to 2021. However, global truck markets declined due to the upheaval on the Chinese market, which slumped dramatically on the back of purchases brought forward in 2021 prior to the introduction of the new emission level and due to the zero- SARS-CoV-2 pursued there. (Source: Volkswagen Group data)

For information concerning worldwide and regional new vehicle sales, see "— *Volkswagen's Divisions and their Products and Services – Automotive Division – Markets and competition*" and the sections "*Business Development – General Economic Development*" and "*Business Development – Trends in the Markets for Passenger Cars and Light Commercial Vehicles*" from the 2023 Q3 Report Excerpts, incorporated by reference to this Offering Memorandum.

The global automotive industry is heavily affected by government regulations on environmental protection and vehicle safety as well as fuel economy standards. Many governments also mandate local procurement of automotive parts and components, impose tariffs and other trade barriers, and exercise price or exchange rate controls. Compliance with regulations and government-imposed restrictions has increased and will increase the cost of manufacturing vehicles. For example, the CO_2 targets that governments in the EU, the U.S. and China have imposed on the auto industry could be extended to other parts of the globe, increasing the pressure for new product development and investment in new technologies. Moreover, regulations and government-imposed restrictions may limit operations of automakers and in some cases, make it difficult to repatriate profits to an automaker's home country or, alternatively, require such repatriation. To reduce exposure to fluctuations in foreign exchange rates and avoid trade restrictions and tariffs, manufacturers increasingly seek to localize the

design and manufacture of automobiles, as well as parts and components in the markets where automobiles are to be sold.

The global automotive industry has been undergoing a phase of consolidation as a result of excess global production capacity, demand for higher cost efficiency, and companies' desire to expand their global presence into particular segments or geographic markets.

Provided that the effects of the SARS-CoV-2 pandemic, the Russia-Ukraine conflict and supply chain disruptions, in particular concerning semiconductors, could be overcome in the medium to long term, Volkswagen believes that the global automotive market will mainly be affected by (i) a shift of purchasing power to new growth markets, such as Asia's emerging economies and to a lesser degree, Central and Eastern Europe, South America and Asia, (ii) increasing awareness of and requirements for environmental protection and sustainable vehicles, leading to greater demand for electric or hybrid drive vehicles and small-sized vehicles, (iii) growing urbanization leading to greater demand for vehicles such as buses to bolster local public transportation, as well as smaller vehicles designed for city driving, and (iv) flexible mobility alternatives (for example car-sharing) which could result in changes in vehicle demand.

Before the outbreak of the Russia-Ukraine conflict and based on external market forecasts, Volkswagen expected sales of passenger cars and light commercial vehicles in the coming years to be in line with figures seen in prior reporting years; expecting this trend to center on expected growth in emerging markets and the recovery path in Eastern Europe and South America. As of the date of this Offering Memorandum, it is not possible to conclusively assess the specific effects of the Russia-Ukraine conflict, nor is it possible to predict with sufficient certainty to what extent further escalation of the conflict will impact the global economy and growth in the automotive industry in 2023. As the conflict continues, including any escalation of hostilities or effects of sanctions already imposed, as well as new sanctions and general developments in Russia, any projection for the short term is purely speculative.

7.4 **Volkswagen's Divisions and their Products and Services**

7.4.1 ***Automotive Division***

The Automotive Division is composed of three business areas: Passenger Cars, Commercial Vehicles and Power Engineering and comprises the following brands: Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, ŠKODA, SEAT/CUPRA, Audi, Lamborghini, Bentley, Ducati, Porsche, MAN, Scania, Volkswagen Truck & Bus and Navistar, which have their own characteristics and operate independently in the market. Except for the Volkswagen Passenger Cars and Commercial Vehicles brands, each of Volkswagen's brands is owned by an independent legal entity. The brands are allocated in the business areas as follows:

- Passenger Cars business area includes following brand groups: Volume brand group with Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, ŠKODA, SEAT (including CUPRA brand) and Tech. Components, Audi (Premium brand group including Bentley, Lamborghini and Ducati brands) and Porsche Automotive (Sport & Luxury brand group). The Passenger Cars business also contains CARIAD;

- Commercial Vehicles business area: TRATON Commercial Vehicles (including Scania, MAN, Volkswagen Truck & Bus and Navistar); and

- Power Engineering business area: MAN Energy Solutions.

The following table provides an overview of the sales volume, sales revenue and operating result for Volkswagen's brand's companies in the years ended December 31, 2022, 2021 and 2020. Operating result shows the operating result of the individual brands and, with respect to those brands indicated in the footnotes in the table below, are before expenses directly related to the diesel issue for the years 2022, 2021 and 2020. The figures below may not relate exclusively to the sales volume, sales revenue and operating result of the particular brand. This is because the unit sales figures refer to models sold by each brand company, including vehicles of other Volkswagen Group brands. For example, the figures for the Audi brand may also include the sales volume, sales revenue and operating result from sales of vehicles of Volkswagen Passenger Cars, SEAT or other brands.

	For the year ended December 31, (unaudited unless otherwise indicated)					
	Vehicle sales		Sales revenue		Operating result	
	2022	2021	2022	2021	2022	2021
	(Thousand vehicles)		(€ million)		(€ million)	
Volume brand group	4,069	4,133	113,762	101,858	4,045	3,488
Volkswagen Passenger Cars	2,594	2,719	73,773	67,856	2,647	2,160
ŠKODA	863	784	21,026	17,743	628	1,083
SEAT	468	494	10,941	9,614	33	–233
Volkswagen Commercial Vehicles	340	326	11,455	9,909	529	73
Tech. Components	–	–	17,966	16,386	130	329
Consolidation	–195	–190	–21,399	–19,650	78	76
Audi (Premium brand group)[1]	1,070	1,024	61,753	55,914	7,622	5,936
Porsche Automotive (Sport & Luxury brand group)[2]	314	297	34,591	30,289	6,423	5,006
TRATON Commercial Vehicles[3]	306	273	39,516	30,092	1,583	161
Equity-accounted companies in China[4]	3,122	3,042	–	–	–	–
MAN Energy Solutions	–	–	3,565	3,278	284	179
CARIAD	–	–	796	518	–2,068	–1,327
Volkswagen Financial Services	–	–	44,155	41,662	5,602	5,672
Other[5]	–400	–195	–18,907	–13,410	–966	913
Volkswagen Group before special items	–	–	–	–	**22,523**	**20,026**
Special items	–	–	–	–	–399	–751
Volkswagen Group	**8,481**	**8,576**	**279,232[6]**	**250,200[6]**	**22,124[6]**	**19,275[6]**
Automotive Division[7]	8,481	8,576	232,385	206,237	16,468	13,230
of which: Passenger Cars Business Area	8,175	8,303	189,304	172,868	14,600	13,051
Commercial Vehicles Business Area	306	273	39,516[6]	30,092[6]	1,588[6]	134[6]
Power Engineering Business Area	–	–	3,565[6]	3,278[6]	281[6]	45[6]
Financial Services Division	–	–	46,847[6]	43,963[6]	5,656[6]	6,045[6]

(1) 2021 figures were calculated by means of the simple addition of the figures for Bentley.

(2) Porsche (including Financial Services): sales revenue €37,630 million (2021: €33,138 million); operating result before special items €6,770 million (2021: €5,286 million)

(3) Includes Navistar as of July 1, 2021.

(4) The sales revenue and operating result of the equity-accounted companies in China are not included in the consolidated figures; the share of the operating result generated by these companies amounted to €3,280 million (2021: €3,026 million).

(5) In the operating result, mainly intragroup items recognized in profit or loss, in particular from the elimination of intercompany profits; the figure includes depreciation and amortization of identifiable assets as part of purchase price allocation, as well as companies not allocated to the brands.

(6) Audited.

(7) Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

The figures presented in the following sections provide an overview of the key volume and financial indicators of brands and business fields for the years ended December 31, 2022, 2021 and 2020. Operating result shown in the following tables does not eliminate intra-company transactions and with respect to those brands indicated in the footnote, is before expenses directly related to the diesel issue. Operating result is one of the key metrics used by management to measure the performance of Volkswagen's brands and reflects the brands' management's responsibility.

7.4.1.1 *Volkswagen Passenger Cars business area*

Passenger cars and light commercial vehicles are generally classified by vehicle types and product classes. Volkswagen has a broad portfolio of brands, covering the entire spectrum of vehicle product classes and types. Volkswagen classifies its vehicles into ten vehicle types: (i) hatchback, (ii) notchback/saloon, (iii) station wagon/estate, (iv) MPV (multipurpose vehicle), (v) SUV (sports utility vehicle), (vi) coupé, (vii) convertible, (viii) roadster, (ix) SLW/TRP (city delivery van/transporter) and (x) pick-up.

7.4.1.1.1 *Volkswagen Passenger Cars brand*

The Company owns the Volkswagen Passenger Cars brand, which primarily produces vehicles in the compact and mid-range classes in Volkswagen's high-volume business. The Company has been producing and selling cars in Germany since 1945, in other European markets since 1947 and in markets worldwide since 1952.

	For the year ended December 31, (unaudited)			Change in % (unaudited)	
	2022	2021	2020	2022/2021	2021/2020
Deliveries (thousand units)	4,563	4,897	5,328	–6.8	–8.1
Vehicle sales (thousand units)	2,594	2,719	2,835	–4.6	–4.1
Production (thousand units)	4,811	4,575	5,081	+5.1	–9.9
Sales revenue (in € million)[(1)]	73,773	67,856	71,076	+8.7	–4.5
Operating result (in € million)[(1)(2)]	2,647	2,160	454	+22.5	>+100.0
As percentage of the brand's sales revenue	3.6	3.2	0.6	—	—

(1) The 2022 and 2021 figures have been derived from the Annual Report 2022 of Volkswagen AG and the 2020 figures have been derived from the Annual Report 2021 of Volkswagen AG, Brands and Business Fields section. Therefore, the figures are not comparable due to the separate disclosure of Tech Components.

(2) Before expenses directly related to the diesel issue.

The main production facilities for Volkswagen Passenger Cars brand vehicles are located in Western Europe (in particular in Germany) and Central and Eastern Europe (in particular in Russia and Slovakia). Other major production facilities are located in South America (Brazil and Argentina), North America (Mexico and the United States), as well as South Africa and Asia-Pacific (in particular in China). The main markets for Volkswagen Passenger Cars brand products are Western Europe (in particular Germany), North America, South America (in particular Brazil) and the Asia-Pacific region (in particular China). Since 1983, Volkswagen Passenger Cars brand products have also been produced, sold and delivered to and in China. See "— *Significant equity interests*", for a description of the Chinese joint ventures.

7.4.1.1.2 *ŠKODA brand*

Volkswagen owns 100% of the shares of ŠKODA AUTO a.s., based in Mladá Boleslav, Czech Republic ("**ŠKODA**"). Volkswagen produces both subcompact and compact vehicles under the ŠKODA brand, as well as mid-range vehicles.

	For the year ended December 31, (unaudited)			Change in % (unaudited)	
	2022	2021	2020	2022/2021	2021/2020
Deliveries (thousand units)	731	878	1,005	–16.7	–12.6
Vehicle sales (thousand units)	863	784	849	+10.1	–7.7
Production (thousand units)	765	802	941	–4.6	–14.8
Sales revenue (in € million)	21,026	17,743	17,081	+18.5	+3.9
Operating result (in € million)	628	1,083	756	–42.0	+43.2
As percentage of the brand's sales revenue	3.0	6.1	4.4	—	—

The main production facilities for the ŠKODA brand are located in Central and Eastern Europe (in particular in the Czech Republic) and Asia-Pacific (in particular in India and China). The main markets for products of the ŠKODA brand are Western Europe, Central and Eastern Europe and Asia-Pacific (in particular India). Since 2007, ŠKODA vehicles have also been produced, sold and delivered in China. See "— *Significant equity interests*", for a description of the Chinese joint ventures.

7.4.1.1.3 *SEAT brand*

Volkswagen owns 100% of the shares of SEAT S.A. ("**SEAT**"), based in Martorell, Spain. SEAT is a company with two clearly defined brands: SEAT and CUPRA. SEAT produces compact and subcompact vehicles and also offers mid-range vehicles. Most SEAT vehicles are produced in Spain. CUPRA is focused on compact and mid-range vehicles in the upper volume segment. The main market for SEAT products is Western Europe (in particular Spain and Germany).

	For the year ended December 31, (unaudited)			Change in % (unaudited)	
	2022	2021	2020	2022/2021	2021/2020
Deliveries (thousand units)	386	471	427	–18.1	+10.3
Vehicle sales (thousand units)	468	494	484	–5.2	+2.1
Production (thousand units)	420	424	406	–0.8	+4.2
Sales revenue (in € million)	10,941	9,614	9,198	+13.8	+4.5
Operating result (in € million)	33	–233	–339	>=100	+31.2
As percentage of the brand's sales revenue	0.3	–2.4	–3.7	—	—

7.4.1.1.4 *Volkswagen Commercial Vehicles brand*

In 1950, Volkswagen began mass production of the Volkswagen Transporter, a Volkswagen Commercial Vehicles brand vehicle. In 1995, the Company introduced Volkswagen Commercial Vehicles as a brand. The Volkswagen Group's model portfolio under its Volkswagen Commercial Vehicles brand primarily covers city delivery vans, small transporters, large MPVs, camper vans and pick-ups.

	For the year ended December 31, (unaudited)			Change in % (unaudited)	
	2022	2021	2020	2022/2021	2021/2020
Deliveries (thousand units)	329	360	372	–8.6	–3.2
Vehicle sales (thousand units)	340	326	345	+4.3	–5.6
Production (thousand units)	351	335	344	+4.9	–2.5
Sales revenue (in € million)	11,455	9,909	9,358	+15.6	+5.9
Operating result (in € million)	529	73	–454	>+100.0	>=100
As percentage of the brand's sales revenue	4.6	0.7	–4.9	—	—

The main production facilities for Volkswagen Commercial Vehicles are located in Germany, Poland and Argentina. The main market for the Volkswagen Commercial Vehicles brand is Europe, especially Germany. The Volkswagen Commercial Vehicles brand offers commercial vehicles, and compact, mid-range and upper mid-range passenger cars.

7.4.1.1.5 *Audi (Premium brand group)*

Volkswagen holds 100.00% of the shares in AUDI AG, based in Ingolstadt, Germany. Audi primarily produces compact, mid-range, upper mid-range and premium vehicles. The figures for the Bentley, Lamborghini and Ducati brands are included in the key financial indicators for the Audi brand.

	For the year ended December 31, (unaudited)			Change in % (unaudited)	
	2022	2021	2020[1]	2022/2021	2021/2020
Deliveries (thousand units)	1,639	1,704	1,700	–3.8	+0.2
Vehicle sales (thousand units)	1,070	1,024	1,017	+4.5	+0.7
Production (thousand units)[2]	1,715	1,595	1,663	+7.5	–4.1
Sales revenue (in € million)	61,753	55,914	49,973	+10.4	+11.9
Operating result (in € million)	7,622[3]	5,936[3]	2,739[3]	+28.4	>+100.0
As percentage of the brand's sales revenue	12.3[3]	10.6[3]	5.5[3]	—	—

[1] Excludes Bentley.

[2] Includes Ducati (deliveries: 2022:61,562; 2021: 59,447; production: 2022: 70,389; 2021: 59,214; 2020: 44,827).

[3] Before expenses directly related to the diesel issue.

The main production facilities for the Audi brand are located in Western Europe (primarily in Germany), Central and Eastern Europe (primarily in Hungary), Asia-Pacific region (primarily in China) and in Mexico. The main markets for the Audi brand are Western Europe (in particular Germany and the UK), Central and Eastern Europe, North America and Asia-Pacific. Since 1988, Audi brand vehicles have also been produced, sold and delivered to and in China. See "— *Significant equity interests*", for a description of the Chinese joint ventures.

Volkswagen owns Bentley Motors Ltd., based in Crewe, United Kingdom, which manufactures and markets the Bentley brand and has been operating under the name Bentley Motors Ltd. since 2002. Bentley develops and sells luxury cars and SUVs with the main production facilities located in Crewe, UK. During the years ended December 31, 2022, 2021 and 2020, respectively, Volkswagen produced 16,365, 14,788 and 10,693 Bentley brand vehicles and delivered 15,174, 14,659 and 11,206 Bentley brand vehicles worldwide.

Volkswagen also owns Lamborghini Holding S.p.A., based in Sant'Agata Bolognese, Italy, which owns the Lamborghini brand. Lamborghini produces ultimate performance luxury sports cars and SUVs. During the years ended December 31, 2022, 2021 and 2020, respectively, Volkswagen produced 9,855, 8,303 and 7,250 Lamborghini brand vehicles and delivered 9,233, 8,405 and 7,430 Lamborghini brand vehicles worldwide.

7.4.1.1.6 *Porsche Automotive brand (Sport & Luxury brand group)*

As of the date of this Offering Memorandum, Volkswagen indirectly owns 75% of the shares of Porsche AG, based in Stuttgart, via Porsche Holding Stuttgart GmbH. Porsche develops, produces and sells sports cars from mid-range to premium class in the saloon, sports utility vehicle, coupe and roadster segments. The Porsche Group also offers various financial services and operates an original parts business.

	For the year ended December 31, (unaudited)			Change in % (unaudited)	
	2022	2021	2020	2022/2021	2021/2020
Deliveries (thousand units)[(1)]	310	302	272	+2.6	+10.9
Vehicle sales (thousand units)[(1)]	314	297	265	+5.5	+12.1
Production (thousand units)[(1)]	338	283	263	+19.2	+7.6
Sales revenue (in € million)	34,591	30,289	26,086	+14.2	+16.1
Operating result (in € million)	6,423	5,006[(2)]	4,021	+28.3	+24.5
As percentage of the brand's sales revenue	18.6	16.5[(2)]	15.4	—	—

(1) Porsche Automotive and Financial Services 2022 sales revenue: €37,630 million (2021: €33,138 million, 2020: €28,695 million) and operating result before expenses directly related to the diesel issue in 2022: €6,770 million (operating result 2021: €5,286 million, 2020: €4,176 million).

(2) Before expenses directly related to the diesel issue.

Porsche maintains production sites in Stuttgart-Zuffenhausen as well as in Leipzig and produces cars at the Volkswagen plant in Bratislava. Porsche's key sales markets are China, the United States and Germany.

7.4.1.2 *Commercial Vehicles business area / TRATON Commercial Vehicles*

The Commercial Vehicles business area contains the TRATON Commercial Vehicles business. It combines the brands Scania, MAN, Navistar, Volkswagen Truck & Bus and RIO. As of September 30, 2023, Volkswagen held an 89.72% interest in the share capital of TRATON. As of September 30, 2023, TRATON held 100% of the shares in Scania AB and held a 100% interest in the share capital of MAN Truck & Bus SE.

	For the year ended December 31, (unaudited)		Change in % (unaudited)
	2022	2021	2022/2021
Deliveries (thousand units)	305	271	+12.6
Vehicle sales (thousand units)	306	273	+12.4
Production (thousand units)	318	269	+18.2
Sales revenue (in € million)	39,516	30,092	+31.3
Operating result (in € million)	1,583	161	—
As percentage of the brand's sales revenue	4.0	0.5	

Based in Södertälje, Sweden, Scania's product portfolio consists of heavy-duty trucks (>16 tons), offering tailor-made solutions for different applications (in the segments of long-distance, urban and construction as well as special-purpose and defense applications) and buses (city buses, intercity buses, coaches and bus chassis). Furthermore, Scania's product offering includes a comprehensive set of power solutions for industrial, marine and power generation applications.

The main production facilities for the Scania brand are located in Europe (in particular in Sweden and The Netherlands) and South America (in particular in Brazil). The main markets for the Scania brand are Europe and South America. Volkswagen generally includes figures of the Scania brand in the TRATON Commercial Vehicles business. During the years ended December 31, 2022, 2021 and 2020, respectively, Volkswagen produced 88,142, 92,718 and 72,536. Scania brand vehicles and delivered 85,232, 90,366 and 72,085. Scania brand vehicles worldwide.

Based in Munich, Germany, MAN is one of the leading European companies in the transportation-related engineering sector. It develops, produces and sells trucks and buses with a gross vehicle weight of 7.5 to 44 tons up to 250 tons as well as vans with a weight of between 3 and 5.5 tons. Furthermore, MAN Truck & Bus develops, manufactures and sells diesel and natural gas engines and components.

The main production facilities for the MAN Brand are located in Europe (in particular Poland and Germany), in South America (in particular Brazil) as well as in South Africa. Volkswagen generally includes figures of the MAN brand in the TRATON Commercial Vehicles business. During the years ended December 31, 2022, 2021 and 2020, respectively, Volkswagen produced 88,952, 90,286 and 81,352 MAN brand vehicles and delivered 84,377, 93,578 and 118,102 MAN brand vehicles worldwide. Until the first quarter of 2022, deliveries for Volkswagen Truck & Bus were reported within MAN.

Based in Lisle, United States of America, Navistar's product portfolio comprises commercial trucks (under the brand "International") and school and commercial buses (under the brand "IC Bus") with proprietary and non-proprietary engines and service parts for trucks and diesel engines. Navistar manufactures and distributes Class 4 through 8 trucks and buses. On July 1, 2021, TRATON SE (together with its consolidated subsidiaries "**TRATON**") acquired all of the outstanding shares in Navistar International Corporation ("**Navistar**"), a US manufacturer of commercial vehicles based in Lisle, Illinois/USA. The purchase price of €3.1 billion (USD 3.7 billion) was paid in cash. TRATON now indirectly holds 100% of the shares in Navistar International Corporation. Prior to the acquisition, TRATON's 16.7% interest in Navistar was accounted for using the equity method. Trading in Navistar shares on the New York Stock exchange has been discontinued. Due to the size of the transaction, it was not possible to complete the in-house reviews of the information underlying the purchase price allocation until the end of 2022. The update to the purchase price allocation did not materially affect the results of operations, financial position and net assets of the Volkswagen Group for 2022. The acquisition resulted in goodwill in the amount of €2,783 million to reflect the synergies arising from the operation with Navistar. These relate particularly to the growth in the share of the market, to procurement, production costs, modularization and the use of shared components, and to the area of research and development.

In 2021, the fair value of the equity interest in Navistar that TRATON had held immediately prior to the acquisition date was determined on the basis of the share price of USD 44.50/share at the acquisition date and amounted to €624 million. The remeasurement of this equity interest resulted in a gain of €219 million in 2021. Moreover, the derecognition of the equity-accounted investment during the initial consolidation of Navistar resulted in income and expenses previously recognized directly in equity being reclassified to the income statement, which led to an expense of €37 million in 2021. This in turn resulted in a gain of €182 million in 2021, which is presented in the share of the result of equity-accounted investments.

Volkswagen generally includes figures of the Navistar brand in the TRATON Commercial Vehicles business. During the years ended December 31, 2022 and 2021 respectively, Volkswagen produced 82,071 and 28,669 Navistar brand vehicles and delivered 81,888 and 29,876, Navistar brand vehicles worldwide.

Volkswagen generally includes figures of the Volkswagen Truck & Bus brand in the TRATON Commercial Vehicles business. Volkswagen Truck & Bus's renewed product portfolio includes full range of light- to heavy-duty trucks for short distances, long-haul, distribution and special purposes as well as buses and bus chassis. Until the first quarter of 2022, deliveries for Volkswagen Truck & Bus were reported within MAN. During the years ended December 31, 2022 and 2021 respectively, Volkswagen produced 58,647 and 57,095 Volkswagen Truck & bus brand vehicles and delivered 53,991 and 57,370. Volkswagen Truck & Bus brand vehicles worldwide.

7.4.1.3 *Power Engineering business area*

The Power Engineering business area combines the large-bore diesel engines, turbomachinery and propulsion components businesses. In October 2018, Volkswagen AG and TRATON SE agreed on the sale of MAN's Power Engineering business to a Volkswagen Group subsidiary. The sale was executed on December 31, 2018. On October 6, 2020, Volkswagen sold its shareholding in RENK AG.

	For the year ended December 31, (unaudited)		
	2022	2021	2020
Power Engineering			
Sales revenue (in € million)	3,565	3,278	3,640
Operating result (in € million)	281	45	–482
As percentage of sales revenue	7.9	1.4	–13.2

7.4.1.4 *Significant equity interests*

As of September 30, 2023, Volkswagen owned equity interests in the joint ventures and associates described below, which are considered material due to their size. Volkswagen has limited access to financial information of these companies because it does not fully consolidate them.

7.4.1.4.1 *Joint ventures*

SAIC Volkswagen Automotive Company, Ltd.: Volkswagen holds directly and indirectly 50% of the shares in SAIC Volkswagen Automotive Company, Ltd., a joint venture based in Shanghai, China (formerly named Shanghai Volkswagen Automotive Company, Ltd.). SAIC Volkswagen Automotive Company, Ltd. develops and produces passenger cars. There is an agreement in place between Volkswagen Group companies and the joint venture partner, Shanghai Automotive Industry Corporation, regarding a long-term strategic partnership. ŠKODA, as part of Volkswagen's 50%-share, holds 1% of the shares in SAIC Volkswagen Automotive Company, Ltd. and permits SAIC Volkswagen Automotive Company, Ltd. to manufacture its models under licenses. Audi also holds 1% of the shares in SAIC Volkswagen Automotive Company, Ltd., as part of Volkswagen's 50%-share.

FAW-Volkswagen Automotive Company, Ltd.: Volkswagen holds directly and indirectly 40% of the shares in FAW-Volkswagen Automotive Company, Ltd., a joint venture based in Changchun, China. FAW-Volkswagen Automotive Company, Ltd. develops, produces and sells passenger cars. There is an agreement in place between Volkswagen Group companies and the joint venture partner, China FAW Corporation Limited, regarding a long-term strategic partnership. Audi, as part of Volkswagen's 40%-share, holds 5% of the shares in FAW-Volkswagen Automotive Company, Ltd. and permits FAW-Volkswagen Automotive Company, Ltd. to manufacture its models under licenses.

SAIC-Volkswagen Sales Company Ltd.: Volkswagen indirectly holds 30% of the shares in SAIC-Volkswagen Sales Company Ltd., a joint venture based in Shanghai, China. SAIC-Volkswagen Sales Company Ltd. sells passenger cars for SAIC Volkswagen Automotive Company, Ltd. There is an agreement in place between Volkswagen Group companies and the joint venture partner, Shanghai Automotive Industry Corporation, regarding a long-term strategic partnership.

7.4.1.4.2 *Associates*

QuantumScape Corporation

As of September 30, 2023, the quoted market value of the Volkswagen shares in QuantumScape amounted to €544 million (17.62% participating interest). QuantumScape Corporation, based in San José, United States is a start-up company for lithium-metal solid state batteries. A strategic partnership has been set up between Volkswagen Group companies and QuantumScape Corporation for the joint production of battery cells in the future.

Gotion High-Tech Co. Ltd.

As of September 30, 2023, the quoted market value of the Volkswagen shares in Gotion amounted to €1,320 million (25% participating interest). Gotion, based in Hefei, China, is a Chinese technology company that engages primarily in research and development, production and sales of lithium-ion batteries and in electric transmission and transformation businesses. Volkswagen Group companies and Gotion have agreed a strategic framework for cooperation in the development, manufacture and distribution of battery cells.

Northvolt AB

As of September 30, 2023, the participating interest of Volkswagen in Northvolt AB amounted to 23%. Northvolt, based in Stockholm, Sweden, develops and produces lithium-ion batteries. Battery purchase agreements are in place between Volkswagen Group companies and Northvolt AB.

Sinotruk (Hong Kong) Ltd.: As of September 30, 2023, the quoted market value of the Volkswagen shares in Sinotruk amounted to €1,253 million (25.0% participating interest). Sinotruk, based in Hong Kong, China, is one of the largest truck manufacturers in the Chinese market. There is an agreement in place between Volkswagen Group companies and Sinotruk regarding a long-term strategic partnership, under which Volkswagen participates in the local market.

Bertrandt AG: As of September 30, 2023, the quoted market value of the Volkswagen shares in Bertrandt amounted to €129 million (29.0% participating interest). Bertrandt, based in Ehningen, Germany, is an engineering partner to companies in the automotive and aviation industry. Its portfolio of services ranges from developing individual components through complex modules to end-to-end solutions.

There Holding B.V.: There Holding B.V., Rijswijk/the Netherlands, is an investment company that holds shares in HERE International B.V., Eindhoven/the Netherlands, one of the world's largest producers of digital road maps for navigation systems. In the first half of 2023, capital transactions conducted at the level of There Holding B.V. increased the interest held by the Volkswagen Group in There Holding B.V. from 29.7% at the end of fiscal year 2022 to currently 30.6%. In addition, There Holding B.V. participated in several capital increases at HERE International B.V. in this period. The share of the result of the equity-accounted investment in There Holding B.V. in the first nine months of 2023 includes an expense of €92 million resulting from an impairment test on There Holding B.V.'s investment in HERE International B.V.

7.4.1.5 *Genuine parts business*

Volkswagen's genuine parts business aims at directing and optimizing the supply of the genuine parts of Volkswagen's different brands worldwide. The genuine parts include parts procured from outside suppliers and parts produced by Volkswagen.

7.4.1.6 *Markets and competition*

The market information, information on vehicle sales for passenger cars and light commercial vehicles in the market as a whole across all automobile manufacturers worldwide (including Volkswagen) as well as in the individual sales and production regions, and the information on unit sales and deliveries to customers for the Volkswagen Group, as presented in this section, is based on unaudited data and estimates of the Company. See also "*General Information — Industry Information*".

Volkswagen's market shares in this section are calculated as the ratio of vehicles delivered to customers by the Volkswagen Group to the number of vehicles sold in the relevant market as a whole, as estimated by the Company. Volkswagen's market position is determined on the basis of its calculated market share in the relevant market as a whole. Information on the market positions of the Volkswagen Group's competitors is based on the Company's information and estimates. In certain markets, Volkswagen reports consolidated numbers for Group deliveries and/or sales of passenger cars with respective numbers of light commercial vehicles. On the other hand, market data may refer to passenger cars and/or light commercial vehicles separately, depending on the region breakdown, and as a result, not all figures and market share comparisons will be fully comparable. The

following table provides an overview of the worldwide sales of passenger cars in the years ended December 31, 2022, 2021 and 2020:

Worldwide passenger cars sales (units)	For the year ended December 31, 2022	2021	2020	Change (%) 2022/2021	2021/2020
Europe/Other markets	**15,936,200**	**17,160,227**	**16,798,374**	**-7.1%**	**2.2%**
Western Europe	**10,235,092**	**10,691,194**	**10,904,288**	**-4.3%**	**-2.0%**
Germany	2,651,357	2,622,132	2,917,678	1.1%	-10.1%
France	1,526,563	1,655,198	1,646,995	-7.8%	0.5%
United Kingdom	1,614,063	1,647,181	1,631,064	-2.0%	1.0%
Italy	1,324,522	1,468,139	1,390,100	-9.8%	5.6%
Spain	850,491	917,438	926,201	-7.3%	-0.9%
Central and Eastern Europe	**1,843,950**	**2,917,132**	**2,829,716**	**-36.8%**	**3.1%**
Czech Republic	192,087	206,876	202,971	-7.1%	1.9%
Russia	603,570	1,534,845	1,488,144	-60.7%	3.1%
Poland	421,429	448,500	428,362	-6.0%	4.7%
Other markets	3,857,158	3,551,901	3,064,370	8.6%	15.9%
Türkiye	592,660	561,853	610,109	5.5%	-7.9%
South Africa	363,836	304,265	246,629	19.6%	23.4%
North America[(1)]	**16,477,488**	**17,732,315**	**17,070,448**	**-7.1%**	**3.9%**
United States	13,903,429	15,079,182	14,582,997	-7.8%	3.4%
Canada	1,479,450	1,638,398	1,537,388	-9.7%	6.6%
Mexico	1,094,609	1,014,735	950,063	7.9%	6.8%
South America[(1)]	**3,586,658**	**3,522,657**	**3,119,725**	**1.8%**	**12.9%**
Brazil	1,960,461	1,977,101	1,954,827	-0.8%	1.1%
Argentina	380,306	355,227	323,960	7.1%	9.7%
Asia-Pacific	**33,927,950**	**32,644,343**	**31,127,828**	**3.9%**	**4.9%**
China	21,049,889	20,672,942	19,916,634	1.8%	3.8%
India	3,649,225	2,960,006	2,345,653	23.3%	26.2%
Japan	3,491,625	3,737,020	3,853,934	-6.6%	-3.0%
Worldwide	**69,928,296**	**71,059,542**	**68,116,375**	**-1.6%**	**4.3%**

(*Source*: Volkswagen Group data)

(1) In North and South America, the light vehicle market is reported as part of the passenger car market, which includes both passenger cars and light commercial vehicles.

The following table shows the number of passenger cars delivered by Volkswagen Group passenger car brands to customers in the years ended December 31, 2022, 2021 and 2020:

Volkswagen Group deliveries to customers by markets (units)[(1)]	For the year ended December 31, (unaudited) 2022	2021	2020	Change (%) (unaudited) 2022/2021	2021/2020
Europe/Other markets	**3,297,402**	**3,698,948**	**3,779,397**	**-10.9**	**-2.1**
Western Europe	**2,615,864**	**2,761,629**	**2,848,474**	**-5.3**	**-3.1**
of which: Germany	998,000	959,748	1,065,811	+4.0	-10.0
France	211,430	238,365	222,520	-11.3	+7.1
United Kingdom	377,449	422,594	409,016	-10.7	+3.3
Italy	223,864	248,414	239,167	-9.9	+3.9
Spain	192,311	220,151	213,700	-12.6	+3.0
Central and Eastern Europe	**418,513**	**624,801**	**652,819**	**-33.0**	**-4.3**
of which: Czech Republic	103,223	114,250	112,586	-9.7	+1.5
Russia	41,864	204,772	221,811	-79.6	-7.7
Poland	112,389	120,831	126,883	-7.0	-4.8
Other markets	**263,025**	**312,518**	**278,104**	**-15.8**	**+12.4**
of which: Türkiye	102,735	121,885	121,129	-15.7	+0.62
South Africa	71,437	72,847	64,693	-1.9	+12.6
North America	**759,791**	**876,558**	**784,299**	**-13.3**	**+11.8**
of which: USA	564,705	647,521	574,822	-12.8	+12.6
Canada	85,860	98,829	83,531	-13.1	+18.3
Mexico	109,226	130,208	125,946	-16.1	+3.4
South America	**397,539**	**436,852**	**440,326**	**-9.0**	**-0.8**
of which: Brazil	277,806	311,519	336,773	-10.8	-7.5
Argentina	48,263	56,186	57,555	-14.1	-2.4
Asia-Pacific	**3,502,556**	**3,598,344**	**4,110,782**	**-2.7**	**-12.5**
of which: China	3,182,428	3,301,334	3,844,679	-3.6	-14.1
India	97,610	52,481	28,423	+86.0	+84.6

Volkswagen Group deliveries to customers by markets (units)[1]	For the year ended December 31, (unaudited)			Change (%) (unaudited)	
	2022	2021	2020	2022/2021	2021/2020
Japan	61,112	65,549	66,935	-6.8	-2.1
Worldwide	**7,957,288**	**8,610,702**	**9,114,804**	**-7.6**	**-5.5**

[1] Deliveries for 2021 and 2020 have been updated or amended to reflect subsequent statistical trends and the changes in reporting structure. The figures include the equity-accounted Chinese joint ventures.

The following table sets forth Volkswagen's estimated market share of the passenger car market by region in the years ended December 31, 2022, 2021 and 2020:

Market Share Volkswagen Group[1]	For the year ended December 31,			Change	
	2022[1]	2021[1]	2020[1]	2022/2021	2021/2020
		(in %)		(in %-pts)	
Western Europe	23.3	23.5	23.7	-0.2	–0.2
Central and Eastern Europe	21.7	20.4	22.0	+1.3	–1.5
North America	4.6	4.9	4.6	-0.3	+0.3
South America	11.1	12.4	14.1	-1.3	–1.7
Asia-Pacific	10.3	11.0	13.1	-0.7	–2.2
Rest of the World	6.8	8.5	8.6	-1.7	–0.1
Worldwide	**11.0**	**11.7**	**12.9**	**-0.6**	**–1.2**

[1] Volkswagen's market share is calculated as the ratio of vehicles delivered to customers by the Volkswagen Group passenger car brands to the number of vehicles sold in the market as a whole. In North and South America, the light vehicle market is reported as part of the passenger car market, which includes both passenger cars and light commercial vehicles. In the other regions, Volkswagen adjusts the passenger car market data and light vehicle market data in order to present an estimate of Volkswagen Group's market share based on its reported deliveries (which includes both passenger cars and light commercial vehicles). The figures include the equity-accounted Chinese joint ventures.

7.4.1.6.1 *Competition; developments and trends in Volkswagen's main markets*

As a global company, Volkswagen is exposed to both global and regional competition. Volkswagen Group considers BMW, Ford, General Motors, Honda, Hyundai/Kia, Mercedes Benz, Renault-Nissan-Mitsubishi, Stellantis and Toyota to be its main competitors in the passenger car market and also faces new competition especially for electric vehicles from brands such as Tesla and Chinese brands. Volkswagen believes that, based on the total number of vehicles delivered to customers, Volkswagen Group ranked second worldwide behind Toyota in 2022. Volkswagen estimates that in 2022 it has reached a worldwide market share of 11.0% in the passenger car market. Volkswagen believes it is also the market leader for passenger cars in Western Europe, with an estimated market share of 23.3% in 2022 (Source: Volkswagen Group data). In the market for trucks and buses, Volkswagen's key globally active competitors in the truck and bus segment include, in particular, Volvo Group and Daimler Truck.

(i) *Western Europe*

In Western Europe, the Volkswagen Group delivered 2,615,864 passenger cars and light commercial vehicles to customers in 2022 in an overall market experiencing slight contraction. Deliveries were thus down 5.3% on the already weak previous year (2021: 2,761,629 units). As with the Group's overall deliveries, limited vehicle availability as a result of the SARS-CoV-2 pandemic and bottlenecks in the supply of parts caused by the shortage of semiconductors and the Russia-Ukraine conflict had a negative impact. In addition, disruptions in logistics resulted in delays. (Source: Volkswagen Group data)

(ii) *Central and Eastern Europe*

In the Central and Eastern Europe region, the number of Volkswagen vehicles handed over to customers in 2022 compared to 2021 decreased by 33.0% to 418,513 units (2021: 624,801 units). This was due in particular to the slump in sales in the Russian market as a consequence of the sanctions imposed in connection with the Russia-Ukraine conflict. At the same time, the overall market recorded a sharp decline in volumes. The

Volkswagen Group's share of the passenger car market in the Central and Eastern Europe region in 2022 amounted to 21.7% (2021: 20.4%). (Source: Volkswagen Group data)

(iii) *North America*

In North America, the number of Volkswagen Group vehicles delivered to customers in 2022 compared to 2021 decreased by 13.3% to 759,791 units (2021: 876,558 units). The North American market overall saw a noticeable decline year-on-year. The Group's share of the market in this region amounted to 4.6% in 2022 (2021: 4.9%). (Source: Volkswagen Group data)

In the U.S. market, which witnessed a noticeable decline, the Volkswagen Group delivered 12.8% fewer vehicles to customers in 2022 compared to 2021. In Canada, the number of vehicles delivered to Volkswagen Group customers decreased by 13.1% in 2022 compared with 2021. The overall market recorded a noticeable decline during this period. In Mexico, where the market as a whole saw noticeable growth, the Volkswagen Group sold 16.1% fewer vehicles to customers in 2022 than in 2021.

(iv) *South America*

In the South American market for passenger cars and light commercial vehicles, which was on a level with the previous year 2021, the number of Group models handed over to customers decreased by 9.0% to 397,539 units in 2022 compared with the prior year (2021: 436,852 units). The Group's share of the market in South America amounted to 11.1% in 2022 (2021: 12.4%). In the Brazilian market, which performed at the prior year level, the Volkswagen Group's delivered vehicles to customers decreased 10.8% to 277,806 units in 2022 (2021: 311,519 units). In Argentina, the number of Volkswagen Group vehicles delivered to customers in 2022 decreased by 14.1% to 48,263 units (2021: 56,186 units) in an overall market exhibiting noticeable growth.

(v) *Asia-Pacific*

In the Asia Pacific region, the Volkswagen Group saw deliveries to customers decrease by 2.7% to 3,502,556 units in 2022 compared with the prior year (2021: 3,598,344 units) in a market that experienced slight growth overall. The Group's share of the passenger car market in this region in 2022 amounted to 10.3% (2021: 11.0%). In China, the recovery of the market as a whole continued at a slower pace in 2022, with Volkswagen Group delivering 3.6% fewer vehicles compared to 2021 (2022: 3,182,428 units; 2021: 3,301,334 units). In India, where the market recorded strong growth, the Group delivered 86% more vehicles compared to the prior year with 97,610 units in 2022 (2021: 52,481 units).

(vi) *Commercial Vehicles*

Volkswagen is active in the light commercial vehicles market through its Volkswagen Commercial Vehicles brand and through MAN and in trucks and buses sales through TRATON (comprising Scania, MAN, Volkswagen Truck & Bus and Navistar).

The following table shows the number of commercial vehicles delivered to Volkswagen's customers in the years ended December 31, 2022, 2021 and 2020:

	For the year ended December 31, (unaudited)			Change (%) (unaudited)	
Deliveries to customers by markets (units)[1]	**2022**	**2021[1]**	**2020[1]**	**2022/2021**	**2021/2020**
Europe/Other markets	**135,066**	**149,407**	**127,893**	**-9.6**	**+16.8**
of which: EU27+3[2]	115,532	119,029	105,131	-2.9	+13.2
of which: Germany	31,623	32,130	31,859	-1.6	+0.9
Russia	1,557	11,293	8,486	-86.2	+33.1
Türkiye	4,413	4,398	2,681	+0.3	+64.0
South Africa	3,681	3,942	3,111	-6.6	+26.7
North America	**82,824**	**31,869**	**1,502**	**>+100.0**	**>+100.0**
of which: USA	66,405	24,234	—	>+100.0	—
Mexico	11,131	5,375	1,498	>+100.0	>+100.0
South America	**76,152**	**77,774**	**49,372**	**-2.1**	**+57.5**
of which: Brazil	59,630	65,005	40,855	-8.3	+59.1

Deliveries to customers by markets (units)[1]	For the year ended December 31, (unaudited)			Change (%) (unaudited)	
	2022	2021[1]	2020[1]	2022/2021	2021/2020
Asia-Pacific	**11,446**	**12,140**	**11,420**	**-5.7**	**+6.3**
Worldwide	**305,488**	**271,190**	**190,187**	**+12.6**	**+42.6**

(1) Deliveries for 2021 and 2020 have been updated to reflect subsequent statistical trends. As of July 1, 2021, the figures include Navistar.

(2) EU27+3 consists of the 27 EU states excluding Malta, but including the United Kingdom, Norway and Switzerland.

In 2022, the Volkswagen Group delivered 12.6% more commercial vehicles to customers worldwide than in 2021, with a total of 305,488 commercial vehicles delivered to customers in 2022 (2021: 271,190 units). Of such deliveries, trucks accounted for 254,313 units (a 10.5% increase compared to 2021) and buses accounted for 29,591 units (a 56.8% increase compared to 2021). A total of 21,584 vehicles (a 2.8% decrease compared to 2021) from the MAN TGE van series were delivered. The American commercial vehicle manufacturer Navistar became a TRATON brand on July 1, 2021 and Navistars's sales totalled 81,888 units during 2022.

In the EU 27 states excluding Malta, but including the United Kingdom, Norway and Switzerland (EU27+3), sales decreased by 2.9% in 2022 compared to the prior year 2021, to a total of 115,532 units (2021: 119,029 units), of which 89,061 were trucks and 5,041 were buses. The MAN brand delivered 21,430 vehicles from the MAN TGE van series in 2022.

As a result of the sanctions imposed in connection with the Russia-Ukraine conflict, sales in Russia fell year-on-year to 1,557 units in 2022 (2021: 11,293 units), comprising 1,550 trucks and 7 buses. Since the conflict began, no orders for new vehicles have been accepted in Russia.

Sales in North America increased in 2022 to 82,824 vehicles compared to the prior year (2021: 31,869 units); this included 68,903 trucks and 13,921 buses. From July 1, 2021, the figures also include Navistar's sales (78,988 for the year 2022) whose vehicles were all handed over to customers in the United States.

Deliveries in South America in 2022 decreased to a total of 76,152 vehicles (2021: 77,774 units), a decrease of 2.1% compared to 2021, of which 68,211 were trucks and 7,941 were buses. Sales in Brazil decreased by 8.3% in 2022 to 59,630 units (2021: 65,005 units), of which 53,704 were trucks and 5,926 were buses.

In the Asia Pacific region, the Volkswagen Group sold 11,446 vehicles to customers in 2022 (2021: 12,140 units) a decrease of 5.7% compared to 2021, of which 10,528 were trucks and 911 were buses.

7.4.1.7 *Procurement*

7.4.1.7.1 *Overview*

Procurement purchases of goods include raw materials, vehicle parts and components, services and capital expenditure items. In the year ended December 31, 2022, the incoming goods and order volume amounted to €133.4 billion (excluding orders from the Chinese joint ventures). Volkswagen works with approximately 40,000 suppliers worldwide. The most important procurement markets for Volkswagen are Europe, followed by North/South America and Asia-Pacific. See also "*Risk Factors — Volkswagen faces regulatory risks and greater competition in vehicle aftermarkets resulting from the adoption of the new EU Vertical Block Exemptions Regulation changes."* and *"— If Volkswagen is unable to obtain automotive parts and components from suppliers at a reasonable price or at all, for example, due to a supply bottleneck, particularly within a limited supplier environment, Volkswagen's procurement, production, transport and service chains could be interrupted or impaired." and "— Volkswagen operates complex IT systems and is exposed to risks in the areas of cyber security and new regulatory requirements for IT."*

The following table provides an overview of Volkswagen's total procurement volume (excluding the Chinese joint ventures) in 2022, categorized by procurement market:

	For the year ended December 31, 2022
	(unaudited) in € billion
Europe/Other markets	170.6
North America	11.4
South America	3.6
Asia-Pacific	10.7

7.4.1.7.2 *Procurement of production materials*

Volkswagen procures raw materials and pre-products. Pre-products consist of parts and components produced by external suppliers according to Volkswagen's specifications, such as navigation devices and audio systems, wheels, tires, air filters and brake pads.

In 2022, Volkswagen purchased more than 8 million tonnes of steel, primarily from European markets. In 2022, Volkswagen's major suppliers of vehicle parts and components and pre-products were Bosch, Faurecia and ZF. The ten largest suppliers of vehicle parts and components based on supply volume accounted for approximately 28% of Volkswagen's procurement volume in 2022 (excluding the Chinese joint ventures). As an effort to reduce production costs, Volkswagen endeavors to procure raw materials and pre-products from local suppliers. Furthermore, Volkswagen hedges price and to a limited extent also shortage risks associated with raw materials and pre-products by entering into forward transactions and swaps.

7.4.1.7.3 *General procurement*

The general procurement sub-division is responsible for the purchase of all goods and services that are not directly connected to vehicle production. In 2022, the procurement volume of the general procurement sub-division amounted to approximately €32.8 billion.

7.4.1.8 *Production*

7.4.1.8.1 *Production locations*

Volkswagen had 119 operating production locations worldwide (including Chinese joint ventures) as of December 31, 2022, of which 72 are vehicle production plans: 34 locations in Europe, 20 locations in Asia-Pacific, 8 locations in North America, 6 locations in South America and 4 locations in Africa.

Volkswagen Group produced 8,716,606 vehicles (including the equity-accounted companies in China) in 2022 (2021: 8,282,954, 2020: 8,900,154), 5.2% more than in 2021. The shortage of semiconductors and the disruption of supply chains caused by the Russia-Ukraine conflict and the SARS-CoV-2 pandemic restricted production in the Volkswagen Group; the supply and production situation eased toward the end of 2022. Production in Germany increased by 11.1% to 1,647,611 vehicles in 2022. The proportion of the Group's total production accounted for by Germany increased to 18.9% in 2022 (2021: 17.9%, 2020: 18.4%).

7.4.1.8.2 *Description of production*

The modular platform strategy and the modular toolkit concept are key features of production for Volkswagen. Volkswagen has developed the modular platform strategy into the engineering concept of modular toolkits. There are several types of modular toolkits: the modular transverse toolkit platforms for vehicles with transversely mounted engines and the modular longitudinal toolkit platforms for vehicles with longitudinally mounted engines. Other toolkits, e.g., for sports cars, have been added and, recently, a modular electric drive toolkit has been developed. A modular toolkit consists of several vehicle components that are combined in a standardized manner. For example, there is a modular toolkit for the seating systems of a vehicle, a modular toolkit for the underbody and a modular toolkit for the axles and for the steering. Modular toolkits can be used for production of vehicles across brands and vehicle classes.

The engineering concept of the modular toolkits means that, in the production of its volume models, Volkswagen mostly uses modular toolkits independently of the brand or vehicle class of the individual model, rather than individual components manufactured for individual brands, vehicle classes or models. Volkswagen intends to expand the development and use of modular components to reduce development time, one-time expenses and unit costs per vehicle. Furthermore, the modular component concept facilitates faster model changes and the launch of new products in various markets to reflect local customer preferences. Volkswagen believes that this engineering concept will enhance its ability to adapt to demand fluctuations and increase the average utilization capacity of its plants.

7.4.1.9 *Marketing*

Volkswagen pursues a multi-brand strategy in which each company brand has an autonomous character and operates and markets independently. The profiles of Volkswagen's individual brands are conceived so that, as far as possible, they do not overlap. Volkswagen's brands are strengthened through the development of overall brand concepts and core values geared to the specific target customer segments of each brand. Volkswagen's products are developed according to the specific customer requirements of the target group and the relevant competition in that group. Thereby, the Volkswagen Group strives for a sufficient differentiation of its brands in terms of values and products in terms of design and equipment in order to reduce unnecessary diversion of sales from one Volkswagen brand to another and to maximize sales.

One of Volkswagen's key marketing strategies is its remarketing strategy. Volkswagen views a vehicle's resale value as one factor that influences a customer's purchase decision. In the early course of product development and manufacture, Volkswagen takes into consideration all relevant factors affecting the resale value such as quality, durability, design and equipment. Volkswagen conducts regular customer surveys through internal and external service providers to determine the needs and the requirements of customers for a used car.

The organizational marketing structure of the Volkswagen Group ensures that the brand-specific marketing measures and the image of each brand remain clearly recognizable and differentiable. In order to ensure the autonomy of the brands while simultaneously protecting Volkswagen Group interests, the management of the brands is supported by the respective brand boards of management and Volkswagen's Board of Management.

7.4.1.10 *Customers and sales*

The sale of vehicles of individual brands is fundamentally the responsibility of the respective brand. Each brand generally sells only its own products.

Depending on the country where the vehicle is sold, the sales set-up may differ. If the country of the brand parent company is identical to the country of sale, the vehicles are sold from the parent company via a retail dealer system to the customer. Otherwise, a subsidiary of the Volkswagen Group or brand parent company (for example, in France, the United Kingdom or Sweden) or an independent company (for example, in Belgium, the Netherlands or Switzerland) will act as intermediary wholesaler between the brand parent company and the local retail dealers. The subsidiary or the wholesale company is responsible for the sale of vehicles of one or more brands for one country. Local retail dealers are predominantly independent external entrepreneurs.

The independent wholesale companies and independent local dealers generally act in their own names and for their own accounts. In the main markets, Volkswagen has set up a system to monitor the financial positions of independent dealers to ensure that they are not insolvent or on the edge of insolvency.

In terms of genuine parts sales, Volkswagen Group is following the same approach as for new car sales. In brand parent company markets as well as in markets with subsidiary wholesalers, there is an own logistics network and warehouses to facilitate the sales. Volkswagen maintains a total of approximately 130 logistics and warehousing centers worldwide.

7.4.2 ***Financial Services Division***

The Financial Services Division comprises Volkswagen's financial services activities. The vehicle-related activities are broken down into the following areas: financing (customer and dealer financing), leasing,

insurance, service and fleet management. Volkswagen is also active in the direct banking business. The objective of Volkswagen's financial services activities is to support the sale of vehicles produced by Volkswagen and to strengthen customer loyalty to the Group's brands.

Although Volkswagen allocates the financial services activities of the Scania and Navistar brands and Porsche Holding Salzburg to the Financial Services Division, these activities are managed principally by Scania, Navistar and Porsche Holding Salzburg, respectively. Therefore, the description of the Financial Services Division in this section of the Offering Memorandum does not cover the financial services activities of Scania, Navistar and Porsche Holding Salzburg nor do the key financial figures include the corresponding data of Scania, Navistar and Porsche Holding Salzburg (unless indicated otherwise).

Volkswagen Financial Services AG ("**VWFS AG**"), a wholly owned subsidiary of the Company, is responsible for the coordination of the Company's worldwide financial services activities. Volkswagen Group's financial services activities are provided by VWFS AG and its affiliated companies, by Volkswagen Bank GmbH ("**Volkswagen Bank**"), and by Porsche Financial Services as well as through financial services companies in the United States and Canada, except for the financial services business of the Scania and Navistar brands and of Porsche Holding Salzburg as stated above.

In March 2023, the management board of VWFS AG and the board of managing directors of Volkswagen Bank resolved to initiate a reorganization of the subgroups of VWFS AG and Volkswagen Bank. To implement the planned reorganization, the majority of the German and European companies (including the respective subsidiaries and participations) as well as other assets, liabilities and further legal relationships of VWFS AG and Volkswagen Bank (including its participations) are to be combined and consolidated under a new financial holding company for European companies supervised by the European Central Bank ("**ECB**"). The current VWFS AG will act as a holding company for non-European companies. Volkswagen Leasing GmbH ("**Volkswagen Leasing**") is to be completely transferred to Volkswagen Bank. The current VWFS AG will act as a holding company for non-European companies and change its legal name to Volkswagen Financial Services Overseas AG ("**VWFS Overseas AG**"). In the context of the planned measures, existing control and profit and loss transfer agreements will also be adjusted and extended to the new financial holding company for European companies. Both the new financial holding company and the holding company for non-European companies will continue to be an integral part of the Volkswagen Group, but with a different geographic business focus. By bundling its activities in a European financial services provider, the Group plans to use the refinancing strength of Volkswagen Bank for the growth of the leasing business in Germany and Europe. The Volkswagen Group is thus laying the foundation for the implementation of the Group’s strategy in the mobility sector, taking into account the regulatory framework. It is intended to complete the main steps of the reorganization mid-2024.

As of May 31, 2023, in preparation of the establishment of the new financial holding company for European companies, the previous company "Volkswagen Group Mobility GmbH" was transformed into a German stock corporation (*Aktiengesellschaft*) under the name "Volkswagen Financial Services Europe AG" by way of change of legal form (*Formwechsel*). Volkswagen Financial Services Europe AG ("**VWFS Europe AG**") is intended to be the new financial holding company.

As of July 13, 2023, all shares in VWFS Europe AG were transferred by way of a spin-off (*Abspaltung*) according to Section 123 (2) no. 1 of the German Transformation Act (*Umwandlungsgesetz*) from VWFS AG to Volkswagen AG together with the rights, obligations and legal positions of VWFS AG arising from the existing domination and profit and loss transfer agreement between VWFS AG as the dominating company and VWFS Europe AG as the dependent company, as already decided on March 1, 2023.

Furthermore, it is intended that all shares in Volkswagen Leasing and all rights, obligations and legal positions under the existing profit and loss sharing agreement between Volkswagen Leasing and VWFS AG are transferred from VWFS AG to Volkswagen Bank by way of a spin-off (*Abspaltung*) according to Section 123 para. 2 no. 1 of the German Transformation Act (*Umwandlungsgesetz*) and all shares in Volkswagen Bank are then transferred from Volkswagen AG to VWFS Europe AG by way of contribution in kind (*Sacheinlage*).

Subsequent to this, most European participations and further assets and liabilities will be transferred from VWFS AG to VWFS Europe AG. This will include also VW Finance Europe B.V. which has been newly established as of May 31, 2023 and is intended to be the new parent company of Volkswagen Financial Services N.V. The transfer is set to take place by way of spin-off (*Abspaltung*) according to Section 123 (2) no. 1 of the German Transformation Act (*Umwandlungsgesetz*) from VWFS AG to VWFS Europe AG. Pursuant to Section 133 (1) of the German Transformation Act (*Umwandlungsgesetz*), VWFS AG and the acquiring entities shall be jointly and severally liable for any liabilities of VWFS AG established prior to the spin-off taking effect, whereas Section 133 (3) of the German Transformation Act (*Umwandlungsgesetz*) provides for certain temporal restrictions regarding such liability. Under the German Transformation Act (*Umwandlungsgesetz*), VWFS AG may be obliged to provide security to its creditors under certain circumstances.

Lastly, it is intended that further participations are transferred from the current VWFS AG to VWFS Europe AG and that the current VWFS AG is then renamed into "Volkswagen Financial Services Overseas Aktiengesellschaft" and VWFS Europe AG is then renamed into "Volkswagen Financial Services Aktiengesellschaft" ("**New VWFS AG**").

Volkswagen Financial Services is represented in 47 countries. The main markets for Volkswagen Financial Services are Germany, the United States, the United Kingdom, China, Italy, France, Spain and Canada. The key companies are Volkswagen Financial Services AG and its affiliated companies such as Volkswagen Leasing, as well as Volkswagen Bank, Porsche Financial Services and the financial services companies in the United States and Canada.

Volkswagen's financial services operations include mainly loans, leasing as well as insurance programs for customers and dealers. In 2022, 32.3% (2021: 35.8%; 2020: 35.2%) of Volkswagen's vehicles delivered worldwide were financed by or leased from the companies of Volkswagen's Financial Services Division (including the equity-accounted Chinese joint ventures but excluding Scania and Porsche Holding Salzburg financial services). Volkswagen's financing and leasing activities are offered in close coordination and cooperation with Volkswagen's Automotive Division.

The following table provides information about Volkswagen Group's financial services receivables (including Scania and Porsche Holding Salzburg) as of December 31, 2022, 2021 and 2020.

	As of December 31,					
	2022		2021		2020	
	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
	(audited) (in € million)					
Receivables from financing business						
Customer financing	27,087	49,065	27,272	48,639	26,758	46,157
Dealer financing	14,243	2,653	9,647	1,785	12,435	1,994
Direct banking	338	17	311	12	307	7
	41,668	**51,735**	**37,230**	**50,435**	**39,500**	**48,157**
Receivables from operating leases	387	–	325	–	379	–
Receivables from finance leases	19,493	35,209	18,943	34,519	18,127	34,408
	61,549	**86,944**	**56,498**	**84,954**	58,006	**82,565**

Volkswagen's Financial Services Division is represented in growth markets by subsidiaries or through cooperations with local banks, although the volume of business is in all cases minor compared to the main markets.

7.4.2.1 *Products and services of the Financial Services Division*

Volkswagen's Financial Services Division is present in Volkswagen's main markets, offering its customers vehicle and mobility centered financial and banking services and products through the relevant regional companies and branches. Products of the direct banking business are offered through the internet, by branches, by telephone and in a few cases also through sales partnerships.

An overview of the products and services of Volkswagen's Financial Services Division (exclusive of the direct banking business), broken down by customer segments, can be described as follows:

Customer segments	Financing	Leasing	Insurance	Service	New Mobility
Private customers	• Customer financing	• Private leasing	• Car insurance • Personal insurance		• Charging • Fueling • Car rental • Carsharing
Dealers	• Dealer financing	• Leasing of office and business furniture and equipment	• Dealer insurance • Car • Personal • Buildings		• Car rental
Other services centering around the automobile.....				• Service & Maintenance • Charge & Fuel cards • Tire replacement • Fleet management	
Corporate/fleet customers..	• Customer financing	• Financial leasing • Operating leasing	• Product packages for leasing & fleet customers • Extension of manufacturer's warranty		• Truck / Car rental • Charging & Fueling • Carsharing

7.4.2.1.1 *Financing*

In the area of vehicle financing, Volkswagen offers financial solutions for private and corporate/fleet customers and dealers. In the private customer business, vehicles are financed through classic installment loans (*ClassicCredit*) or flexible credit products such as balloon loans (*AutoCredit*). With financing products, the ownership of the vehicle is with the customer.

With the classic installment loan, upon the purchase of the vehicle customers can make a down payment, which is set flexibly. The loan is then repaid in full through monthly installment payments.

With what are referred to as balloon loans, the customer also initially can make a down payment. During the relevant financing period, the customer then pays lower installments than, for example, in the case of a classic installment loan. At the end of the term, the customer has three options: (a) return of the vehicle to the dealer at a previously agreed price, (b) entry into a refinancing agreement, or (c) final payment of the balloon rate.

The finance contract is entered into directly between Volkswagen's financial services entity and the customer who purchases the car from a dealer. The dealer mediates the contract between the customer and Volkswagen's financial services entity and receives a commission for this service. The Financial Services Division has responsibility for collection of the loans. If the customer does not pay the agreed instalments, Volkswagen is entitled to repossess the vehicle from the customer. Loans are generally non-recourse *vis-a-vis* the dealers.

As part of dealer financing, the Financial Services Division offers authorized dealers of the Volkswagen Group the ability to obtain loans. Such loans serve primarily to finance vehicles, genuine and replacement parts and investments.

To optimize the Automotive Division's liquidity position, the Financial Services Division uses factoring to finance the payment terms agreed between Volkswagen, on the one hand, and importers and dealers on the other, as well as payment terms agreed between importers and dealers.

AutoEuropa Financial Services, Braunschweig, Germany, a brand-related branch of Volkswagen Bank, also finances vehicles, caravans and motor homes other than those of Volkswagen.

7.4.2.1.2 *Leasing*

The leasing products offered by the Financial Services Division are used primarily by individual business customers and corporate customers (including fleet customers).

With respect to leases, the lessor retains ownership of the vehicle during the entire term of the lease. The lessee makes lease payments, which pay for the use of the vehicle and which, depending on the structure of the relevant contract, may pay for services such as vehicle insurance and maintenance.

Leasing contracts are entered into directly between Volkswagen's financial services entity and the customer. The dealer acts as mediator and receives a commission for this service. Volkswagen Financial Services collect the leasing instalments. Vehicles that are returned at the end of the lease are offered back to the dealer at the agreed residual value or are re-marketed directly by Volkswagen Financial Services.

A fundamental distinction can be made between finance leasing and operating leasing. In finance leasing, the economic risks and benefits pass over to the lessee. The realization risk (risk that at the end of the lease term the leasing asset actually has the value predicted and reflected in the leasing agreement) of the underlying asset is not borne by the lessor.

In operating leasing, the economic risks and benefits of the vehicle and, therefore, the realization risk of the leasing asset, remain with the lessor throughout the lease term. The lessor includes the leasing assets in its accounts as "leased assets". An operating lease can also result in residual value risk for the lessor. Generally, an exposure to residual value risk exists when the market value for realization of the leasing asset at the end of the term of the lease agreement is lower than the residual value calculated when the lease is concluded.

Volkswagen's used-car marketing is supported by the Financial Services Division, both through leasing and financing products.

7.4.2.1.3 *Insurance services*

The Financial Services Division provides insurance products as insurer or as intermediary (broker or agent), depending on the specific market environment. With the aim to ensure a best practice business model in each market, the Financial Services Division also cooperates with a large number of different insurance companies.

The major products in the area of private and individual business customers are motor insurance (both third party liability and full comprehensive insurance), warranty insurance, credit or leasing protection insurance and gap insurance. Extended and used car warranty products are offered as insurance products, which cover electronic and mechanical breakdown of automobile parts. Credit or leasing protection insurance policies cover remaining payments of the relevant financing or leasing contract in the event of disability, unemployment, or similar circumstances. In addition, so-called "gap insurance" offers protection against the risk that the residual value of the vehicle is below the remaining outstanding financing or leasing payments in case of damages.

For corporate customers (including fleet customers), specific product packages are developed and adapted to their specific requirements. Vehicle, personal and property insurance policies are brokered for dealers.

The Financial Services Division is also active in the warranty insurance business via its own primary insurance carrier, Volkswagen Versicherung AG, which offers extended warranty insurance products in Germany and France. Additionally, used car warranty products are offered in Austria, the Czech Republic, France, Ireland, Italy, Poland, The Netherlands, Spain, Sweden, Switzerland, Türkiye and the United Kingdom via freedom of services (i.e. on the basis of the right to provide cross-border business services in European Economic Area member states) or reinsurance with a local company fronting the business.

Through Volkswagen Versicherung AG, the Financial Services Division also reinsures significant quotas of the brokered credit/leasing protection insurance portfolios.

Volkswagen Autoversicherung AG, in which VWFS AG holds 51% and the Allianz Group 49% of the shares, offers customized motor insurance and motor insurance-related products to customers of the Volkswagen brands in Germany.

7.4.2.1.4 *Services*

In the service area, the Financial Services Division offers its customers vehicle services which are rendered as part of fleet contracts, but can also be purchased individually by retail and fleet customers.

Fleet management includes fleet planning, administration, analysis and control. This includes reporting for fleet customers, which allows them to obtain precise usage data regarding their vehicles and drivers. In addition, the processing of insurance premiums and taxes, repairs and realization of the vehicle are offered as services. In addition, management of vehicle-related consumable materials and supplies, such as fuels, lubricants, tires and the like, is also offered.

7.4.2.1.5 *Mobility Services*

The Financial Services Division provides vehicle-related and further mobility services. The current portfolio includes charge and fuel cards, toll, car rental, car subscription, car sharing and payment services. The mobility services portfolio is operated by the companies LOGPAY Financial Services GmbH, J.P. Morgan Mobility Payments Solutions S.A., Collect Car B.V., EURO-Leasing GmbH and Europcar France SAS.

Together with the charging network of the Volkswagen Group brand Elli, the Financial Services Division provides through the Charge&Fuel Card & App access to over 550,000 public charging points and another 50,000 fueling stations in Europe. Furthermore, the Financial Services Division offers its customers under the VW FS | Auto Abo product name a flexible car subscription as an alternative to traditional leasing and credit financing. It covers several brands of the Volkswagen Group and enables customers to use a vehicle without any long-term commitment. The Financial Services Division is also responsible for the car subscription offerings of other Group brands, such as Volkswagen, Audi and CUPRA.

In addition, the Financial Services Division offers payment solutions regarding mobility services, e.g., mobile ticket sale for public transport and their payment transactions.

7.4.2.1.6 *Direct banking business*

Through Volkswagen Bank's direct banking business unit, Volkswagen Group offers direct banking services. In the years ended December 31, 2022, 2021 and 2020, 975 thousand, 1,006 thousand and 1,037 thousand customers were served, respectively. Customer deposits at Volkswagen Bank totaled €26.2 billion, €26.5 billion and €28.7 billion as of December 31, 2022, 2021 and 2020, respectively.

Volkswagen Bank offers typical bank services such as maintaining checking accounts, overnight deposit accounts, fixed-term deposit accounts, non-business loans and credit cards for retail customers. Additionally, Volkswagen Bank provides services related to cashless payment systems for commercial customers.

The securities accounts, mortgage loans and insurance policies that Volkswagen Bank offers are products of external third parties, which Volkswagen facilitates on a cooperative basis. Volkswagen's major partners in this commission-based business currently consist of Smartbroker AG (securities transactions and securities account maintenance), Whitebox GmbH (online financial advisor) and interhyp GmbH (mortgages). In the insurance business, the partners are JDC (Jung DMS & Cie. Pro GmbH) and HDI Versicherung AG.

7.4.2.1.7 *Risk management in the Financial Services Division*

Volkswagen Financial Services Division is separated into the risk management of the Volkswagen Bank and its subsidiaries (the "**Volkswagen Bank Group**") and the internal control system of the VWFS AG and its subsidiaries (the "**VWFS AG Group**").

7.4.2.1.8 *Risk management in the Volkswagen Bank Group*

In accordance with the requirements of the German Banking Act and the German Stock Corporation Act, a system for identifying, measuring, monitoring and managing risk positions has been established for the Volkswagen Bank Group.

Along with the quantification of risk positions, as required by regulation, and the classification of available equity capital components, Volkswagen Bank Group has established a system for determining risk-bearing capacity. Using this system, it compares the economic risk with the available risk-taking potential and performs a quarterly assessment as to whether Volkswagen Bank Group is in a position to bear the risks that could result from the business activity, with the goal of ensuring a going concern.

Volkswagen Bank Group utilizes a limit system, derived from its analysis of risk-bearing capacity, which makes it possible to limit and manage relevant risk types with respect to their amount. The limit system comprises three steps: In a first step, an overall group risk limit is determined. For this purpose, the management of Volkswagen Bank Group determines the portion of the available risk-taking potential (essentially equity capital) that is intended to be available for covering material risks. In the second step, the overall group risk limit is broken down into risk limits for risk types considered to be material and quantifiable. In the third step, the risk type limits are further broken down to branch and subsidiary level, taking into account the planned business and risk development. Regular reports are made to senior management and the management as part of the submission of the risk management reporting.

The management of Volkswagen Bank Group is responsible for establishing and implementing Volkswagen Bank Group's risk strategy, which contains the risk policy principles for Volkswagen Bank Group. The Chief Risk Officer reports to the management and the Supervisory Board of Volkswagen Bank Group on a regular basis on the overall risk position of the Volkswagen Bank Group. The departments in risk management, which report to the Chief Risk Officer, formulate the corresponding risk-policy guidelines for risk management, develop methods and procedures, analyze the current risk position on an ongoing basis and ensure the transparency of reporting. The departments of risk management report to the management of Volkswagen Bank Group and its Supervisory Board at least once a quarter.

Risk management, i.e. the management of the respective portfolios, is in principle integrated into the individual branches and subsidiaries of the Volkswagen Bank Group. In addition, the internal audit function of the Volkswagen Bank Group, an independent department acting on behalf of the management of Volkswagen Bank Group, performs risk-related audits of the operating and commercial processes of the Volkswagen Bank Group.

7.4.2.1.9 *Risk Management in VWFS AG Group*

Risk Management ("**RM**") adopts a cross-sectional function for risk control, and thus, acts as an interlinkage between local legal entities and the Board of Management of VWFS AG Group. RM operates within the "Three Lines" model and is in charge of the central coordination and reconciliation of individual risks with risk owners, which are appointed by the Board of Management of VWFS AG Group.

The 1st Line contains the approach of sovereignty in risk control within the local units. They are obliged to fulfill central requirements, defined by risk owners and RM in the 2nd Line. RM supports the local units in implementing these central requirements. The 3rd Line is represented by the internal audit function of VWFS AG Group, acting as an independent department on behalf of the Board of Management of VWFS AG Group and performing audits on the operating, commercial and supporting processes on the basis of a risk-related audit plan.

The early warning system of VWFS AG Group is essentially considered as an economic forward-looking monitoring, that summarizes each risk owner's individual activities in risk steering with an early warning character. Thereby, the "Three Lines" model assures the risk-type-specialized recognition. Each risk owner takes the responsibility for implementing a risk-based steering concept (risk management circle), which consists of defining the target, identification, assessment, steering, controlling and communication of the risks and determining the risk's individual early warning indicators. In addition to local risk management measures and methods, RM and risk owners formulate the overall corresponding risk-policy guidelines, support the

development of methods and procedures, analyze the current overall risk position on an ongoing basis and ensure the transparency of reporting.

7.4.2.1.10 *Management of credit risk*

In order to monitor credit risk, which encompasses the risk of default by customers and dealers on loans and leases, rating procedures are utilized for dealers and corporate customers and scoring procedures are utilized for retail customers in general. These procedures form the basis for credit decisions.

The scoring procedures for retail customers have been developed based on multi-year data histories. The rating procedures for dealers as well as corporate customers include in general both financial statement data and qualitative factors, such as quality of management, market and industry environment, and payment behavior. Additionally, models for loss given default and credit conversion factors are in place.

The Group uses product approval procedures, regular portfolio analyses, planning sessions for the timely identification of new risks and changes in risk. All risks are quantified as part of a quarterly assessment procedure.

Due to the type of financing activity, the outstanding financing amount is essentially secured by the financed vehicles. Therefore, the Financial Services Division monitors changes in the market values of motor vehicles on an ongoing basis. If major changes in market values occur, the forecast values and the processes for liquidating collateral are adjusted.

If customers get into payment difficulties, the affected loans are passed on to the collections department. If the unpaid amounts cannot be recovered, the vehicles serving as collateral are liquidated.

7.4.2.1.11 *Management of residual value risk*

Residual value risks arise in particular in connection with leasing products and products with balloon rate and return option when the market value at the time of liquidating the asset at the end of the contract term is lower than the residual value calculated when the contract was concluded.

To the extent that the Financial Services Division bears the residual value risks with regard to their development, the Financial Services Division continuously monitors trends in used car prices, for which it can utilize internal group information and experience as well as external sources such as the Schwacke Eurotax Glass' list. If the residual value risk increases, the risk provision is adjusted accordingly. That approach is based on the residual value risk management circle of the Financial Services Division.

7.4.2.1.12 *Management of market price risk*

Volkswagen Financial Services Division is exposed to various market price risks, which consist of interest rate risk in the banking book, foreign currency risk as well as price risk. In the course of its regular business activities, financial risks may arise from changes in interest rates, exchange rates or prices of financial assets.

The Financial Services Division maintains a risk monitoring and management system within the entire Financial Services Division, the goal of which is to identify and evaluate all market price risks and help ensure active management by limiting and monitoring the market price risk at the level of the individual subsidiaries.

If the prescribed limits are exceeded, the management of Volkswagen Bank Group or VWFS AG Group, as applicable, is informed. Appropriate measures are then discussed and resolved in the Asset Liability Management Committee in order to keep the risk position at or below the approved limit.

7.4.2.1.13 *Management of liquidity risk*

The Financial Services Division faces liquidity risk, in particular the risk of a negative difference between actual cash inflows and cash outflows and expected cash inflows and cash outflows. Cash outflows must be covered at all times by cash in hand and cash inflows.

Liquidity management for VWFS AG, Volkswagen Bank and Volkswagen Leasing is the responsibility of Volkswagen Bank's treasury department. It is carried out within the framework of a multi-step planning and takes into account known cash inflows and payment obligations, the potential growth of the credit and lease business and the development of the deposit business. The Operative Liquidity Committees, which are composed of representatives of the treasury, controlling, direct banking and risk management departments, are responsible for monitoring and micro-managing liquidity within the liquidity risk management and ICS concepts.

7.5 Research and Development

Total research and development costs in the Automotive Division of Volkswagen Group in the years ended December 31, 2022, 2021 and 2020 were €18,908 million, €15,583 million and €13,885 million, respectively, which corresponded to 8.1%, 7.6% and 7.6% of its sales revenue, respectively. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Material Factors Affecting Results of Operations and Financial Position — Research and development costs*".

Volkswagen's top priority for research and development in 2022, 2021 and 2020 was to develop conventional engines and alternative powertrain concepts to reduce emissions, and to further develop and optimize the modular longitudinal toolkit platforms, the modular transverse toolkit platforms and digitalization. In March 2021, Volkswagen announced that it has no further plans to develop new conventional engines and powertrains for the Volkswagen brand in the future. In the Research and Development function, Volkswagen employed 58,912 people worldwide as of December 31, 2022 (including the equity-accounted Chinese joint ventures).

At Volkswagen, research and development differ through their basic orientation. Research is detached from specific series projects and covers future technologies. Mobility, energy, safety, digitalization and sustainability are the most important areas of activity. Development is involved primarily with the further development and new development of specific vehicle projects and technologies for utilization in series. This also includes the development of a new vehicle platform and the integration of the new electronics architecture into vehicle projects.

While development of specific vehicle projects is primarily a function and responsibility of each brand, individual modules and components are developed jointly with the development departments of the brands and as a result are made available to all vehicles. Examples of such components are the dual clutch gearbox, the radio navigation system, the modular transverse toolkit, the modular longitudinal toolkit and the modular electrification toolkit.

7.5.1 ***Research***

From 2015 through 2022, a major focus of Volkswagen's research was on the following areas: future trends and new mobility, fuel and drive trains, emissions reduction, advanced materials, automated driving, communication and car networking. In addition, Volkswagen Group is researching on upgrading battery technology and preparing further production facilities for the manufacture of electric vehicles.

In the coming years, research strategic emphasis will be on the efficiency and sustainability of the entire system — environmentally friendly propulsion and energy systems, material design and smart manufacturing and seamless mobility through safe, intelligent vehicles, future vehicle concepts and mobility solutions, digitalization and artificial intelligence.

From 2015 through 2022, Volkswagen's most important research cooperations with external partners were in the fields of fuel cells and upgrading battery technology (for example, all-solid-state batteries) for hybrid drives and electric vehicles, as well as additive manufacturing (e.g. use of 3D printing technology for the manufacturing of automotive parts) and advanced displays (for example, stereoscopic 3D displays).

7.5.2 *Development*

From 2015 through 2022, the focus of the brands' development activities was, among other things, in the following areas: powertrain technology, the modular transverse toolkit, the further development of assistance systems, the electrification of powertrains and new electrical/electronic architectures.

Several battery-powered electric cars and plug-in hybrid electric vehicles are already available for sale and many more are in development as part of Volkswagen Group's comprehensive electrification initiative. In addition CARIAD, the software subsidiary of the Volkswagen Group, develops its own software platform and electronic architectures with the aim of bringing innovation to vehicle projects and supporting the future business model of the Group.

Among the major development results of the Scania brand is the driver eco-module which continuously analyzes data from various sensors in the vehicle and with it identifies the driving style of the driver who receives suggestions in real time through a display on an economically and ecologically optimized driving style. This module is integrated into the Ecolution program of Scania, which also includes trainings for fuel efficient driving and specific services such as a maintenance module to ensure better technical efficiency.

Volkswagen's development capacities are supplemented through cooperation with external partners such as suppliers and strategic partners. The major partnerships with external parties in the development function include the joint development and production of Volkswagen's models. The joint development and production of certain vehicle models together with strategic external partners makes it possible to reduce development and production costs. At the same time, Volkswagen's expertise and know-how in vehicle development is strengthened through cooperation within the group. Examples of synergies of this kind are the joint development and production of the models Volkswagen Touareg, Audi Q7 and Porsche Cayenne.

7.5.3 *Product and services development*

A focal point of Volkswagen's current and future development activities is and will be future innovative mobility concepts, including a customer-centered ecosystem, and the reduction of fuel consumption and emissions of the fleet. The Volkswagen Group's new passenger car fleet in the EU (excluding Lamborghini and Bentley) emitted an average of 119 g CO_2/km in 2022, which was approximately 3% below the VW-fleet, based on provisional EU data. With a broad range of development activities in the powertrain and other sectors, Volkswagen will continue to reduce the emissions of its vehicles in the coming years. To this end, Volkswagen has and will continue to expand the electrification of powertrains by introducing new models with hybrid and electric drives, and at the same time, will continue to optimize the use of conventional combustion engines. As small volume manufacturers, the Lamborghini and Bentley brands each have an independent fleet for the purposes of the European CO_2 legislation; both Bentley and Lamborghini were slightly above their targets.

7.6 **Intellectual Property**

Volkswagen generates and holds a significant number of patents in a number of countries in connection with the operation of its business. While none of these patents by itself is material to its business as a whole, these patents are important to Volkswagen's business and continued technological development. In addition, Volkswagen Group holds a number of trademarks and service marks that are important to its identity and recognition in the marketplace.

7.7 **Business Portfolio**

One of Volkswagen's strategic goals is to make Volkswagen a competitive, financially sound mobility provider that focuses on its core business and uses its capital to the best advantage. For this, the Volkswagen Group's business portfolio is being analyzed in detail and existing options are being examined. A standardized process for continuous evaluation of the Volkswagen Group's business portfolio will also be developed.

7.8 Property, Plants and Real Estate

Volkswagen's real estate consists primarily of the vehicle and component production plants of its individual companies. In Volkswagen's Automotive Division, real estate holdings include administrative buildings, which are mostly on plant premises, as well as warehouses for the spare parts business and several buildings primarily used by Volkswagen's wholesale trading companies, located mainly in Germany and other European countries and the United States.

The real estate owned by the Company, which in Germany for Volkswagen AG consists of six plants and their surrounding areas, is encumbered by real property liens totaling approximately €1.3 billion in favor of Volkswagen Pension Trust e.V. as of December 31, 2022, as security for current semi-retirement and individual long-term working time credit balances in order to protect the credit balances of individuals in semi-retirement against insolvency.

Furthermore, Volkswagen Group occasionally leases or rents its real estate to third parties. Volkswagen has rented or leased various real estate properties which are not essential for production, such as office space, from third parties. In connection with land and buildings, as of December 31, 2022 in total real property liens of €1,517 million are pledged as collateral for partial retirement obligations, financial liabilities and other liabilities within the Volkswagen Group.

The following table shows Volkswagen's key plants (in terms of size, investment volume and/or book value) as of December 31, 2022.

	As of December 31, 2022		
City, country	Size of property in thousand m^2	Gross size of buildings in thousand m^2	Volkswagen or third- party owned
Volkswagen plant, Wolfsburg, Germany (including proving grounds Ehra and additional nearby properties)	approx. 20,700	approx. 3,600	group owned
Audi plant, Ingolstadt, Germany	approx. 6,900	approx. 3,500	group owned
ŠKODA plant, Mladá Boleslav, Czech Republic	approx. 6,600	approx. 1,000	group owned
Audi plant, Neckarsulm, Germany	approx. 1,300	approx. 2,000	group owned
SEAT plant, Martorell, Spain	approx. 3,000	approx. 1,000	group owned

7.9 Employees

Including the equity-accounted Chinese joint ventures, Volkswagen had an average of 669,275, 667,647 and 665,445 employees in the years ended December 31, 2022, 2021 and 2020, respectively. Volkswagen's companies based in Germany had an average of 289,499, 294,479 and 295,133 employees in the years ended December 31, 2022, 2021 and 2020, respectively.

As of December 31, 2022, 12,378 employees had entered into early retirement agreements with Volkswagen. Volkswagen continuously analyzes whether to enter into further agreements of this kind on the basis of personnel planning, taking into account assumptions regarding job security and financial feasibility.

Employees at Volkswagen's German locations and at a number of foreign subsidiaries have traditionally been heavily unionized. See also "*Risk Factors — Risk Factors regarding Volkswagen Aktiengesellschaft and Volkswagen Group — Other Risks — Volkswagen is dependent on good relationships with its employees and their unions.*"

7.10 Risk Management

Volkswagen has established a risk management system, which is based on the internationally recognized COSO enterprise risk management framework, to identify, assess, document and monitor relevant risks, as well as to implement countermeasures. Volkswagen defines risk as the danger of a negative deviation from corporate objectives due to internal and external factors.

Volkswagen's risk management system is an integral part of the Volkswagen Group's structure and workflows and is embedded into its day-to-day business processes. Events that entail risk are identified and assessed on a decentralized basis in the divisions of the group, as well as in subsidiaries and other investees.

The major risks of the Company are documented quarterly in accordance with the requirements of German law. In these processes, a qualitative likelihood of occurrence, the relative range of loss and additional qualitative criteria are allocated to each identified risk. To mitigate identified risks, suitable countermeasures have to be implemented in an appropriate timeframe. The regular update of risk documentation is coordinated centrally and independently.

The external auditors check both the processes and procedures implemented in this respect and the adequacy of the documentation on an annual basis. The auditors analyzed the risk management system, concluding that the Board of Management had taken the measures required by section 91(2) of the German Stock Corporation Act to ensure early detection of any risks endangering the continued existence of the company.

The Financial Services Division, which operates the banking, leasing and insurance business, is subject to special risks and regulatory requirements for risk management. For this reason, the Financial Services Division maintains an autonomous risk management system in accordance with regulatory requirements. See "— *Volkswagen's Divisions and their Products and Services — Financial Services Division –Risk management in the Financial Services Division*".

The Company's Audit Committee and the Board of Management are informed on a regular basis about risk management procedures and results. Volkswagen's risk management system is subject to continuous improvement.

7.11 **Environmental Management**

Volkswagen AG has implemented an Environmental Compliance Management System ("**ECMS**") that applies to its manufacturing, warehouse or other facilities including requirements for Energy Management Systems. Through ECMS in collaboration with other relevant management systems (esp. Product Compliance Management System, Quality Management System), Volkswagen assesses and manages the environmental practices and impacts of manufacturing and product development as well as other activities with environmental relevance. Accordingly, Volkswagen specifies responsibilities and processes applicable to activities that relate to environmental protection and continually reviews the environmental practices and impacts of its facilities. The ECMS contains an element for managing the process used to assure compliance with legal and regulatory obligations. These processes are aligned with international standards such as ISO 14001 or ISO 50001, including their provisions governing internal audits. External auditors assess the ECMS and issue appropriate certificates indicating that the respective facilities' ECMS conform with the ISO standard.

Volkswagen has adopted and applies comparable environmental standards throughout the group. Minimum requirements have been described in a group policy, which also contains strategic guidelines. Worldwide all production sites of the Volkswagen brand (excluding joint-ventures) have also established site-specific ECMSs based on ISO 14001 and ISO 50001. The development, updating, and application of the ECMSs is supported, among other things, by a regular exchange of experience among those entrusted with environmental responsibility and by additional working groups.

7.12 **Compliance Management System**

Volkswagen has set up a compliance management system. This system supports operational business processes, helps to ensure compliance with legal provisions and, when necessary, initiates appropriate countermeasures which are continuously integrated into operational business processes. This approach is based on the contents prescribed in the voluntary auditing standard of the Institute of Public Auditors in Germany (IDW) for the verification of compliance management systems (IDW PS 980).

Following the diesel issue and in accordance with the settlement agreements between Volkswagen and the U.S. government, Volkswagen has initiated programs and projects to enhance its internal controls, procedures and compliance systems to strengthen its culture of integrity and accountability. Among other things, Volkswagen

has focused on creating an organizational framework for a centralized integrity management function by setting up a new Board of Management position for Integrity and Legal Affairs in 2016. This function is responsible for planning, preparing and implementing programs aimed at raising, clarifying and intensifying a collective awareness of integrity. In addition, pursuant to the settlement agreements, Volkswagen was required to retain for a three-year period an external independent compliance monitor/compliance auditor to review and audit Volkswagen's compliance with the obligations under the settlement agreements. Larry D. Thompson was appointed as the Independent Compliance Monitor in April 2017. On October 17, 2019, Volkswagen announced that it has been granted a 90-day extension by the Department of Justice ("**DOJ**") and Mr. Thompson to demonstrate that it has met its commitments under the terms of the Plea Agreement. On September 1, 2020, the Monitor certified to DOJ that Volkswagen's compliance program, including its policies and procedures, is reasonably designed and implemented to prevent and detect violations of anti-fraud and environmental laws, pursuant to the Plea Agreement. On September 14, 2020, the term of the independent compliance monitor expired. See also "*Risk Factors — Risk Factors regarding Volkswagen Aktiengesellschaft and Volkswagen Group — The diesel issue led to a review and ongoing reforms of Volkswagen's internal controls, compliance function and company culture. If these reforms are not completed and future material compliance failures occur, Volkswagen could be exposed to significant adverse consequences.*"

A central Compliance Office has responsibility for setting up a group-wide compliance organization and implements steps to comply with regulations, such as the development and implementation of a code of conduct. Various bodies support the work of the compliance organization at Group and brand company level. For example, a core compliance team was formed at the Group level. In order to implement a uniform policy, the Compliance Office established a group-wide network consisting of a Group Chief Compliance Officer, Divisional Compliance Officer, Chief Compliance Officers, Compliance Officers and Compliance Representatives, to support the brand parent companies, companies, locations and business units in promoting and assuring compliance. A new Group Chief Compliance Officer of the Volkswagen Group was appointed in April 2017, reporting directly to the member of the Board of Management with responsibility for Integrity and Legal Affairs. His responsibilities include the introduction and monitoring of preventive measures. The Group Chief Compliance Officer is supported by six Divisional Compliance Officers and one Regional Compliance Officer China, who are responsible for the Divisions.

The compliance scope covers topics such as anti-corruption, money laundering prevention, embezzlement prevention and investigation of compliance violations of employees. Providing information to employees at all work levels continues to be a core component of compliance work within the Volkswagen Group.

Volkswagen maintains a whistleblower system. Tips can be given internally and externally. The internal team consists of lawyers who process tips professionally. Additionally, one independent lawyer is available as ombudsman to all employees, as well as to outside third parties. The ombudsman is bound by professional secrecy and only discloses information to company investigators. Any breach of the law or internal guidelines leads to appropriate sanction up to, and including, dismissal.

7.13 **Insurance**

The Company and its subsidiaries carry various insurance policies, including comprehensive general liability insurance, product liability insurance, environmental liability insurance, property insurance, marine cargo insurance, property business interruption insurance and terrorism insurance policies. Furthermore, the Company has taken out directors' and officers' liability insurance for members of the Board of Management and Supervisory Board of the Company. The Company has also taken out directors' and officers' liability insurance for members of the Board of Management and the Supervisory Board of the Issuer.

The insurance protection is regularly reviewed and adjusted. However, losses incurred by Volkswagen or claimed against Volkswagen may not be fully covered by existing insurance policies. This includes claims associated with product recalls, which are not fully insurable.

7.14 **Legal and Arbitration Proceedings**

Various legal risks could potentially have materially adverse consequences for Volkswagen's business, results of operations, financial position and net assets.

7.14.1 ***Diesel Issue***

The Volkswagen Group is involved in extensive investigations and legal proceedings in relation to the diesel issue as further detailed below. See also "*Risk Factors — Risk Factors regarding Volkswagen Aktiengesellschaft and Volkswagen Group — Government authorities in a number of jurisdictions worldwide have conducted and are continuing to conduct investigations of Volkswagen regarding findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The results of these and any further investigations, and related civil and criminal litigation, may have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as the prices of its securities, including the Notes, and its ability to make payments under its securities*".

7.14.1.1 *Overview of the Diesel Issue*

The diesel issue is rooted in a modification of parts of the software of the relevant engine's control units – which, according to Volkswagen AG's legal position, is only unlawful under U.S. law – for the type EA 189 diesel engines that Volkswagen AG was developing at that time.

In the months following publication of a study by the International Council on Clean Transportation in May 2014, Volkswagen AG's Powertrain Development department checked the test set-ups on which the study was based for plausibility and confirmed the unusually high NOx emissions from certain U.S. vehicles with type EA 189 2.0 l diesel engines. The California Air Resources Board (CARB) – a part of the environmental regulatory authority of California – was informed of this result, and, at the same time, Volkswagen offered to recalibrate the engine control unit software of type EA 189 diesel engines in the U.S. This measure was evaluated and adopted by the *Ausschuss für Produktsicherheit* (APS – Product Safety Committee), which initiates necessary and appropriate measures to ensure the safety and conformity of Volkswagen AG's products that are placed in the market.

In the course of the summer of 2015, it became successively apparent to individual members of Volkswagen AG's Board of Management that the cause of the discrepancies in the U.S. was a modification of parts of the software of the engine control unit, which was later identified as an unlawful "defeat device" as defined by U.S. law. This culminated in the disclosure of the existence of a "defeat device" in certain U.S. vehicles with diesel engines to EPA and CARB on September 3, 2015. According to the assessment of the responsible persons dealing with the matter at that time, the scope of the costs expected by the Volkswagen Group (recall costs, retrofitting costs and financial penalties) was not fundamentally dissimilar to that of previous cases involving other vehicle manufacturers, and, therefore, appeared to be manageable overall with a view to the business activities of the Volkswagen Group. This assessment by the Volkswagen Group was based, among other things, on the advice of a law firm engaged in the U.S. for compliance issues, according to which similar cases in the past were resolved amicably with the U.S. authorities.

On September 18, 2015, the U.S. Environmental Protection Agency ("**EPA**") publicly announced in a "Notice of Violation" that irregularities in relation to nitrogen oxide ("**NOx**") emissions had been discovered in emissions tests on certain vehicles of Volkswagen Group with type 2.0 l diesel engines in the U.S. In this context, on September 22, 2015, Volkswagen AG announced that noticeable discrepancies between the figures recorded in testing and those measured in actual road use had been identified in type EA189 diesel engines and that around eleven million vehicles with such engines were sold worldwide. On November 2, 2015, the EPA issued a second "Notice of Violation" alleging that irregularities had also been discovered in the software installed in U.S. vehicles with type V6 3.0 l diesel engines.

Numerous governmental proceedings seeking damages, recalls and/or technical fixes for affected diesel vehicles, criminal and administrative proceedings, consumer, dealer and salespersons claims and investor lawsuits were subsequently initiated in the U.S., Canada, Germany and the rest of the world.

After the first Notice of Violation was issued, Volkswagen AG initiated its own internal inquiries and an external investigation. The Supervisory Board of Volkswagen AG formed a special committee to coordinate the activities relating to the diesel issue for the Supervisory Board. To resolve U.S. criminal law charges, Volkswagen AG and the DoJ entered into a plea agreement, which includes a Statement of Facts. At the end of March 2021, the Supervisory Board of Volkswagen AG announced the completion of the investigation initiated

in October 2015 into the causes of and those responsible for the diesel issue. The Board resolved to claim damages from Prof. Dr. Martin Winterkorn, former Chair of the Board of Management of Volkswagen AG, and from Rupert Stadler, former member of the Board of Management of Volkswagen AG and former Chair of the board of management of AUDI AG, for breach of their duty of care under stock corporation law. The investigation found no breaches of duty by other members of the Volkswagen AG Board of Management. The resolution was based on a review of liability claims conducted by a law firm on behalf of the Supervisory Board and the negligent breaches of duty identified in the resulting report. The investigation covered all members of the Board of Management who were in office during the relevant period. Furthermore, claims for damages were asserted against individual former members of the AUDI AG and Porsche AG boards of management. Claims were already asserted against a former member of the Volkswagen Passenger Cars brand board of management. In June 2021, Volkswagen and Audi entered into damage settlements (liability settlements) with Prof. Winterkorn and Mr. Stadler respectively in connection with the diesel issue. Prof. Winterkorn's total damage compensation amounts to €11.2 million and that of Mr. Stadler to €4.1 million. Volkswagen has furthermore reached agreement with the relevant insurers under its directors and officers liability policies (D&O insurance) on payment of an aggregate sum of €270 million (coverage settlement). In addition, agreement was reached on damage payments by a former member of AUDI AG's board of management and by a former member of Porsche AG's board of management.

Work in respect of the legal proceedings that are still pending in the U.S. and the rest of the world is ongoing, will require considerable efforts and coordination from Volkswagen, may demand significant management resources, and is expected to continue for some time. In connection with this further work, Volkswagen AG is being advised by a number of external law firms. Ongoing legal proceedings related to the diesel issue could result in further considerable financial charges.

The diesel issue has affected and will continue to affect Volkswagen's business, financial position and results of operations. From 2015 to 2022, Volkswagen recognized over €30 billion in expenses directly related to the diesel issue, adversely affecting its operating profit, financial position and results of operations.

As of December 31, 2022, contingent liabilities in relation to the diesel issue amounted to €4.2 billion in the aggregate (December 31, 2021: €4.3 billion), of which lawsuits filed by investors in Germany account for €3.6 billion (December 31, 2021: €3.6 billion). Also included are certain elements of the class action lawsuits relating to the diesel issue as well as proceedings/misdemeanor proceedings as far as these can be quantified. As some of these proceedings are still at a very early stage, the plaintiffs have in a number of cases so far not specified the basis of their claims and/or there is insufficient certainty about the number of plaintiffs or the amounts being claimed.

As of September 30, 2023, no additional expenses directly related to the diesel issue have been recognized.

Evaluating known information and making reliable estimates for provisions is a continuous process. The provisions recognized, and the contingent liabilities disclosed as well as the other latent legal risks in the context of the diesel issue are in part subject to substantial estimation risks given the complexity of the individual relevant factors and the ongoing coordination with the authorities, and that the fact-finding efforts, excluding the investigations by the Supervisory Board, have not yet been concluded. Should these legal or estimation risks materialize, this could result in further substantial financial charges. In particular, adjustment of the provisions recognized in light of knowledge acquired or events occurring in the future cannot be ruled out. Furthermore, new information not known to Volkswagen AG's Board of Management at present may surface, requiring further revaluation of the amounts estimated. Considerable financial charges may be incurred, and further substantial provisions may be necessary as the issues and legal risks, fines and penalties crystallize.

Tax legislation varies from country to country and taxes related to vehicle registration or vehicle ownership are based on a variety of parameters. Investigations by various regulatory and government authorities, including in areas relating to tax, are ongoing. However, should any tax demands be made, Volkswagen may be required to make additional payments, which would thus increase costs.

7.14.1.2 *Coordination with authorities on technical measures*

In coordination with the respective responsible authorities, Volkswagen Group is making technical measures available designed to rectify the diesel issue in affected diesel vehicles worldwide. In this context, within the Volkswagen Group, Volkswagen AG has development responsibility for the four-cylinder diesel engines such as the type EA 189, and AUDI AG has development responsibility for the six- and eight-cylinder diesel engines such as the type V6 3.0 l and V8 diesel engines. These measures have resulted in, and may continue to result in, significant expenses for the Volkswagen Group.

In the United States and Canada, where Volkswagen's planned actions for the four-cylinder and six-cylinder diesel engines must be approved by U.S. regulators, intensive exchanges of information with the authorities have resulted in approval of emissions modifications for these engines in certain vehicles in the markets. Due to NOx limits in the United States and Canada that are considerably stricter than in the EU and much of the rest of the world, it is a greater technical challenge to refit the vehicles so that the emission standards defined in the U.S. settlement agreements for these vehicles can be achieved. In 2017 and 2018, the EPA/CARB issued the outstanding approvals needed for the technical solutions for affected vehicles with 2.0 l TDI and with V6 3.0 l TDI engines. In the case of 2.0 l Generation 2 diesel vehicles with manual transmissions, Volkswagen elected to withdraw the approved emissions modification proposal, whereby owners were given the option of a buyback and lessees were given the option of early lease termination. Further field measures with financial consequences cannot be ruled out completely at this time. On October 31, 2018, after discussions with DOJ, EPA, and CARB, the parties agreed to modify the First and Second Partial Consent Decrees to clarify that Volkswagen may repair certain technical issues with approved emissions modifications through an "AEM Correction" (Approved Emissions Modification Correction).

Where emissions modifications have been approved by U.S. regulators, similar emissions recall programs to those in the U.S. have been developed for Canada. Because, as in the U.S., no repair will be available in Canada for 2.0 l Generation 2 manual transmission vehicles, consumers in possession of these vehicles had the option to participate in the Canadian settlement and receive a buyback, trade-in or early lease termination or, if they had not already made a claim or received benefits, opt out of the settlement between June 15, 2018 and August 15, 2018.

Volkswagen may be required to repurchase any other 2.0 l Generation 2 diesel vehicles with manual transmissions and any other diesel vehicles sold in the U.S., Canada and elsewhere, even if not covered under a settlement. This could lead to further significant costs. For example, in Canada, as agreed with the federal environmental regulator, any owners or lessees of manual transmission 2.0 l Generation 2 diesel vehicles who made a claim by the September 1, 2018 settlement deadline could surrender their vehicle, even if they were not eligible under the Canadian settlement. Furthermore, if the technical solutions implemented by Volkswagen in order to rectify the diesel issue are not implemented in a timely or effective manner or have an undisclosed negative effect on the performance, fuel consumption or resale value of the affected vehicles, regulatory proceedings and/or customer claims for damages could be brought in the future.

In October and December 2015, the KBA ordered the Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, SEAT and Audi brands to recall all EA189 diesel vehicles that had been issued with vehicle type approval by the KBA. The recall concerned the member states of the European Union (EU 27). Volkswagen Group has been recalling the affected vehicles, of which there are around 8.5 million in total in the EU 27, to service workshops since January 2016. The technical measures differ in scope depending on the engine variant. The technical measures cover software and in some cases hardware modifications, depending on the series and model year. The KBA has ascertained for all clusters (groups of vehicles) that the implementation of the technical measures would not bring about any adverse changes in fuel consumption figures, CO_2 emissions figures, engine power, maximum torque and noise emissions. On Volkswagen's voluntary notification the KBA approved a voluntary modification for the technical measures for one class of EA189 engines (1.2l 3-cylinder only). In addition, in February 2020, Volkswagen together with AUDI AG proposed a voluntary modification to the onboard monitoring system (On-Board Diagnosis (OBD)) for certain vehicles equipped with EA 288 EU6 diesel engines, which has been accepted by the KBA in March 2020 for Volkswagen; whereas for AUDI AG the proposed voluntary modification has been accepted by the SNCH, the Luxembourg national certification and homologation authority (*Société Nationale de Certification et d'Homologation*, "**SNCH**") in

April 2020. The implementation of the modification has been accepted by the KBA and is under varying stages of its roll-out.

Following the studies carried out by AUDI AG to check all relevant diesel concepts for possible irregularities and retrofit potential, measures proposed by AUDI AG have been adopted and mandated by the KBA in various recall orders pertaining to vehicle models with V6 and V8 TDI engines. AUDI AG continues to anticipate that the total cost, including recall expenses, of the ongoing largely software-based retrofit program that began in July 2017 will be manageable and has recognized corresponding balance-sheet risk provisions. AUDI AG has in the meantime developed software updates for many of the affected powertrains and, after approval by the KBA, already installed these updates in the vehicles of a large number of affected customers. A few software updates regarding EU4 vehicles are still in the final approval process at the KBA.

In some countries outside the EU (excluding U.S. and Canada), vehicles are homologated by national type approval authorities; the technical measure had to be approved by the national authorities. This approval process has been concluded in all countries.

7.14.1.3 *Thermal Windows*

Separately, Volkswagen has also been involved in administrative proceedings with the KBA with respect to so-called 'thermal windows' in diesel vehicles. Based on industry-wide technical standards, many automotive manufacturers' diesel vehicles, including those of the Volkswagen Group, are equipped with a temperature dependent exhaust gas recirculation function (a so-called "**thermal window**"). Although the specific details of thermal windows may vary by manufacturer and model, the thermal window is essentially a function in which the exhaust gas recirculation rate ("**EGR**"), which, in certain conditions, alters a vehicle's normal emission profile, is gradually reduced or shut down completely outside a certain temperature range depending on the ambient temperature in order to protect the engine against damage and for safe operation of the vehicle.

In February 2023, the Administrative Court of Schleswig upheld a lawsuit brought by Deutsche Umwelthilfe against the KBA in the first instance and ordered the KBA to revoke the approval decision for a software update for certain older models of the EA189 Golf Plus, insofar as the approval decision relates to thermal windows. Both Volkswagen and the KBA have appealed the decision. In addition, in July 2022, the ECJ issued three (virtually identical) judgments concerning certain VW vehicles with EA189 engines according to which thermal windows are only permissible under two conditions: First, the thermal window must be necessary to protect the engine and ensure the safe operation of the vehicle. Second, the thermal window must not impair the effectiveness of the exhaust gas purification system due to its specific parameters during "most of the year". Whether a particular thermal window meets the standard set forth in the ECJ's judgments may depend on the "real driving conditions prevalent in the territory of the European Union", such as, among other factors, average ambient temperatures. The application of the standards set by the ECJ in individual cases is up to national authorities and courts. Following the ECJ ruling, the KBA opened administrative proceedings against specific Volkswagen brand diesel vehicles equipped with EA189 and V-TDI engines in which the ambient temperature-dependent EGR engages at similar climatic conditions to those identified by the ECJ in its decision.

Volkswagen Group had already begun the process of rolling out software updates to optimize the ambient temperature range for its thermal windows, which may affect a significant number of existing Volkswagen Group vehicles. Alongside this process, the KBA, in July and October 2023, issued two orders stating that previous versions of thermal windows in some of the affected Audi diesel vehicles prior to the start of rollout for the new software update, did not fulfill the new ECJ-criteria. AUDI AG appealed against the first KBA order as of July 2023. As of the date of this Offering Memorandum, AUDI AG is still evaluating whether it will challenge the second KBA order as of October 2023, too. However, this does not affect Volkswagen Group's rollout of the software updates.

Furthermore, it cannot be excluded that comparable KBA orders will be issued against other Volkswagen Group brands, potentially impacting a further substantial number of Volkswagen Group vehicles. While currently Volkswagen Group is proceeding with a voluntary software update, if Volkswagen is not able to implement the ongoing software updates in line with the KBA's expectations, the KBA may request further measures. Irrespective of whether software updates are available, the owners of these vehicles may seek damages from Volkswagen. In any such cases, Volkswagen Group may incur material costs and/or reputational damage.

Separately, in July 2023, Volkswagen AG presented to the KBA first results of technical tests of vehicles equipped with EA 288 EU6 diesel engines for a specific function which relates to engine temperature dependent exhaust gas recirculation (so-called "**Cor0**") and explained the correlation with the thermal window (ambient temperature dependent exhaust gas recirculation) function to the KBA. The Cor0 function is present in a significant number of current Volkswagen Group vehicles equipped with EA 288 diesel engines. Volkswagen AG explained to the KBA that, at the time of its implementation, the Cor0 function was justified to protect the engine against damage and for safe operation of the vehicle. In September 2023, AUDI AG presented the Cor0 function to SNCH. The KBA and SNCH have not assessed the Cor0 function yet but are currently investigating this to understand further details.

Since the outcome of the ruling(s) of administrative and civil courts on the thermal window is difficult to predict, the Volkswagen Group has decided, as a precautionary measure, to inform customers prior to their acquisition of a diesel vehicle (except vehicles also certified under real driving conditions as part of the certification process), about the thermal window and other functions challenged by the Administrative Court of Schleswig and other courts. Currently, Volkswagen Group is assessing whether it will extend the customer information to the current production (i.e. to vehicles for which verification of compliance under real driving conditions was required as part of the certification process). This could have an adverse impact on future sales of diesel vehicles.

7.14.1.4 *Criminal and administrative proceedings worldwide (excluding the United States/Canada)*

Criminal investigations, regulatory offense proceedings, and/or administrative proceedings have been opened in some countries (in Germany for example by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – "**BaFin**")). The public prosecutor's offices in Braunschweig and Munich are investigating the core issues of the diesel case.

In April 2019, the Braunschweig Office of the Public Prosecutor issued an indictment against, among others, Volkswagen AG's former CEO, Martin Winterkorn, charging, among other things, fraud relating to type EA 189 engines in connection with the diesel issue. In September 2019, the Braunschweig Office of the Public Prosecutor furthermore indicted the current and a former Chairman of the Board of Management of Volkswagen AG as well as a former member of its Board of Management (currently Chairman of the Supervisory Board) on charges of market manipulation relating to capital market disclosure obligations in connection with the diesel issue. The Braunschweig Regional Court has named Volkswagen AG as a collateral participant in the proceedings.

The September 2019 proceedings have been fully dismissed with regard to one current and one former board member and with regard to Volkswagen AG; and so have the related BaFin proceedings in relation to the same individuals and Volkswagen AG. The capital market proceedings with regard to the former Chairman of the Board of Management of Volkswagen AG have been provisionally terminated but may be reinstated depending on the outcome in the investigations relating to fraud in connection with the type EA 189 engines.

In July 2019, the Munich II Office of the Public Prosecutor issued an indictment, against, among others, Rupert Stadler, the former Chairman of the board of management of AUDI AG, charging, among other things, fraud relating to 3.0l TDI engines in connection with the diesel issue. In June 2020, the Munich II Regional Court allowed the prosecution's charges in respect to four suspects, including the former Audi CEO, and opened the main proceedings. The trial began in September 2020.

As the type approval authority of proper jurisdiction, the KBA is moreover continuously testing Audi, Volkswagen, and Porsche brand vehicles for problematic functions. If certain functions are deemed impermissible by the KBA, the affected vehicles are recalled pursuant to a recall order or they are brought back into compliance by means of a voluntary service measure.

Furthermore, additional administrative actions relating to the diesel issue are ongoing in other jurisdictions. The companies of the Volkswagen Group continue to cooperate with the government authorities. Whether the criminal and administrative proceedings will ultimately result in fines or other consequences for the Volkswagen Group, and if so what amounts these may entail, is currently subject to estimation risks. Should these proceedings result in adverse court decisions against the individuals involved, this could have a negative

impact on the outcome of other proceedings against Volkswagen and/or could have other material adverse financial consequences. In connection with the various criminal proceedings, offices of Volkswagen AG and its subsidiaries have been searched by different public prosecutor's offices. Contingent liabilities have been disclosed in cases where they can be assessed and for which the likelihood of a sanction was deemed not lower than 10%. Provisions were recognized to a small extent.

7.14.1.5 *Product-related lawsuits worldwide (excluding the United States/Canada)*

Customers, consumer associations and/or environmental associations in the affected markets have filed civil lawsuits against Volkswagen AG, other Volkswagen Group companies and non-Volkswagen Group importers and dealers involved in the sales process. In addition, it is possible that importers and dealers could assert claims against Volkswagen, for example through recourse claims. Further lawsuits are possible. Many of these proceedings are in an early procedural stage and it is difficult to assess their prospects of success or to quantify the exposure. In some proceedings it is even impossible to define the claimants' precise causes of action or allegations. However, should these actions be resolved in favor of the claimants, they could result in significant civil damages, fines, the imposition of penalties, sanctions, injunctions and other consequences.

Customer class action lawsuits and actions brought by consumer and/or environmental organizations are pending against Volkswagen AG and other Volkswagen Group companies in a number of countries including Belgium, Brazil, England and Wales, France, Germany, Italy, the Netherlands, and South Africa. Alleged rights to damages and other relief are asserted in these actions. The pending actions include in particular the following:

In Belgium, the Belgian consumer organization Test Aankoop VZW has filed a class action to which an opt-out mechanism has been held to apply. Given the opt-out rule, the class action potentially covers all vehicles with type EA 189 engines purchased by consumers on the Belgian market on or after September 1, 2014, unless the right to opt out is actively exercised. The asserted claims are based on purported violations of unfair competition and consumer protection law as well as on alleged breach of contract. In July 2023, a first-instance ruling was issued in the class action, ordering Volkswagen AG to pay 5% of the purchase price or 5% of the difference between the purchase price and the resale price, depending on whether the buyer still owned the vehicle at the time of the ruling or had resold it, if a consumer purchased a new or used EA189 vehicle between 1 September 2014 and 22 September 2015, did not apply the software update, and can provide relevant documentation.

In Brazil, two consumer protection class actions are pending. In the first class action, which pertains to some 17 thousand Amarok vehicles, the Superior Court of Justice in August 2022 rejected in part the appeal filed by Volkswagen do Brasil, Volkswagen's Brazilian subsidiary, against the May 2019 judgment at the first appeals level that had initially reduced the damage liability of Volkswagen do Brasil considerably to around BRL172 million. Volkswagen do Brasil has appealed this decision. The judgment therefore remains non-final. The plaintiff in the second class action, which pertains to roughly 67 thousand later generation Amaroks, has appealed the trial court’s October 2021 judgment dismissing the complaint and through a decision in June 2023, the appellate court rejected the appeal.

The financialright GmbH filed consolidated actions before various German courts asserting claims assigned to it by customers in Germany, Slovenia, and Switzerland against Volkswagen Group companies. Following the withdrawal of numerous motions for relief, approximately 9 thousand claims are currently still pending. Some cases have in the meantime moved to the first or second appeals level. In Germany, the Federal Court of Justice (BGH – *Bundesgerichtshof*) found the assignment of claims to financialright GmbH to be effective in a judgement from June 2022 concerning claims for damages by Swiss vehicle purchasers. The BGH did not deal with the substantive merits of the claims.

In England and Wales, the approximately 91 thousand claims in the single collective action (group litigation) against the Volkswagen Group were settled on a no-admissions basis in May 2022 by an out-of-court settlement in the amount of GBP 193 million (€ 231 million) and a separate contribution to the claimants' legal costs and other fees. In addition, Volkswagen AG and other Group companies have been notified of proceedings in England and Wales relating to certain diesel vehicles leased or purchased in England, Wales and Northern Ireland since 2009 and containing various engine types. These claims are all at a very early stage, have not been formally served and a number of them remain unparticularized. A separate letter before action has been received

by certain Volkswagen Group companies in Scotland in relation to certain diesel vehicles; these claims are also at a very early stage, and remain unparticularized.

In France, a class action is pending that was filed by the French consumer organization Confédération de la Consommation, du Logement et du Cadre de Vie (CLCV) against Volkswagen Group Automotive Retail France and Volkswagen AG for up to 1 million French owners and lessees of vehicles with type EA 189 engines. This is an opt-in class action.

In Italy, a trial level judgment in favor of the plaintiffs was rendered by the Venice Regional Court in July 2021 in the class action brought by the consumer association Altroconsumo on behalf of Italian customers; the judgment requires Volkswagen AG and Volkswagen Group Italia to pay damages to some 63 thousand consumers in an aggregate amount of roughly € 185 million. Volkswagen AG and Volkswagen Group Italia have appealed this decision.

In the Netherlands, an opt-out class action is pending that was brought by Stichting Car Claim seeking declaratory rulings for up to 165 thousand Dutch customers (increased to 200 thousand as part of the appeal). A declaratory judgment partially granting the relief sought was issued in July 2021. In the opinion of the court, Volkswagen AG and the other defendant Group companies acted unlawfully with respect to the original engine management software. The court moreover held that consumers are entitled to a purchase price reduction from the defendant dealerships. No specific payment obligations result from the declaratory judgment. Any individual claims would then have to be established afterwards in separate proceedings. Volkswagen AG, the other defendant Group companies and the defendant dealerships have appealed the decision. Furthermore, an opt-out class action lawsuit brought by the Diesel Emissions Justice Foundation ("**DEJF**") seeking monetary damages on behalf of Dutch consumers (and an opt-in class action on behalf of all non-Dutch European consumers) is also pending. In March 2022, the court of first instance issued an interim judgment stating that the new class action regime, according to which not only the determination of claims but also the payment of damages can be asserted, was not applicable to these proceedings. Moreover, the court in Amsterdam had no jurisdiction to hear claims brought on behalf of consumers outside the Netherlands. DEJF appealed against the judgment, but only with regard to the applicability of the new class action regime, so that the decision of the court in Amsterdam with regard to its lack of jurisdiction over the claims on behalf of consumers outside the Netherlands is final and binding. The court of first instance stayed the proceedings pending a decision by the court of appeal.

In South Africa, an opt-out class action seeking damages is pending that pertains to around 80 thousand vehicles, including vehicles with type EA 189 engines.

Furthermore, individual lawsuits and similar proceedings are pending against Volkswagen AG and other Volkswagen Group companies in various countries; most of these lawsuits are seeking damages or rescission of the purchase contract.

In Germany, roughly 31 thousand individual lawsuits relating to various diesel engine types are currently pending against Volkswagen AG or other Group companies, with the plaintiffs suing for damages or rescission of the contract in most cases.

In 2020, the BGH issued a series of fundamental judgments deciding legal issues of major importance for the litigation still pending with regard to vehicles with type EA 189 engines. The BGH held that buyers who had purchased vehicles prior to public disclosure of the diesel issue had damage claims against Volkswagen AG. While buyers can require reimbursement of the purchase price paid, they must accept a deduction for the benefit derived from using the vehicle and must return it to Volkswagen AG. Buyers have no tort-based claim on the ground of intentional immoral damage if they purchased their vehicles after the ad hoc announcement of September 22, 2015 or if they raise claims based solely on a temperature-dependent emissions control feature (so-called thermal window) in the engine. In February 2022, the BGH issued further fundamental judgments concerning vehicles with EA 189 motors deciding that buyers of new vehicles of the Volkswagen brand were entitled to so-called residual damage claims against Volkswagen AG after the knowledge-based limitation period has expired, after previously denying such a claim for buyers of used cars. The BGH ruled that buyers must allow the benefits of use to be offset and can only demand payment against return of the vehicles and deduction of the dealer's margin. In an additional fundamental judgment rendered in July 2022 concerning

vehicles with EA 189 engines, the BGH held that buyers of new vehicles of other Group brands have no claim for residual damages against Volkswagen AG. On May 8, 2023, an oral hearing before the BGH took place on the implications of the European Court of Justice ("**ECJ**") ruling of March 21, 2023 (Case C-100/21; Mercedes Benz Group) for German liability law. The oral hearing involved diesel proceedings against three manufacturers, including Volkswagen AG and AUDI AG, respectively. According to the ECJ ruling of March 21, 2023, the provisions of EU type-approval law are to be interpreted as protecting not only general legal interests but also individual interests of the individual purchaser of a vehicle against its manufacturer if this vehicle is equipped with an inadmissible defeat device. In late June 2023, the BGH issued further judgments in lawsuits against Volkswagen AG and AUDI AG addressing how the case law of the ECJ on the potential claims of buyers under European type approval law should be implemented in German law. The BGH held that the negligent use of an impermissible defeat device may in principle entitle plaintiffs to differential damages amounting to 5% to 15% of their vehicle's purchase price. Whether this claim is given in a particular instance is for the appeals courts to determine. The BGH stated that it did not matter whether the limits in the NEDC testing procedure would be complied with even when system functioning was modified. The BGH held that liability does not arise where the manufacturer is not at fault, e.g. because the relevant public authority had approved the defeat device in its specific configuration and taking account of identified combinations of defeat devices, or would have done so upon request. Where a claim for differential damages exists in principle, the buyer must furthermore accept an offset for the benefit derived from using the vehicle and for the vehicle's value to the extent these exceed the vehicle's diminished value. An implemented software update may also potentially mitigate damages.

Contingent liabilities are disclosed for these proceedings where the amount of such liabilities can be measured and the chance that the plaintiff will prevail was assessed as not implausible. Since many of these proceedings are still in an early procedural stage, it is in many cases not yet possible to quantify the realistic risk exposure. Furthermore, provisions were recognized to the extent necessary based on the current assessment.

At this time, it cannot be estimated how many customers will choose to file lawsuits in the future in addition to those already pending and what prospect of success such lawsuits might have.

7.14.1.6 *Investor proceedings outside the United States and Canada*

Private and institutional investors from Germany and abroad have filed claims seeking significant damages against Volkswagen AG – in some cases along with Porsche SE as joint and several debtors – based on purported losses due to alleged misconduct in capital market communications in connection with the diesel issue. The claims relate to Volkswagen AG's shares and other securities, including bonds, issued by Volkswagen Group companies, as well as third-party securities.

The vast majority of these investor lawsuits are currently pending before the Braunschweig Regional Court. In August 2016, the Braunschweig Regional Court ordered that common issues of law and fact relevant to the lawsuits pending at the Braunschweig Regional Court be referred to the Higher Regional Court (*Oberlandesgericht*) in Braunschweig for binding declaratory rulings pursuant to the German Act on Model Case Proceedings in Disputes under Capital Markets Law (Capital Markets Model Case Act – KapMuG *(Kapitalanleger-Musterverfahrensgesetz)*). The lawsuits filed by investors against Volkswagen AG in Germany are stayed pending resolution of the common issues, unless the cases can be dismissed for reasons independent of the common issues that are to be adjudicated in the model case proceedings. The resolution in the model case proceedings of the common issues of law and fact will be binding for the pending cases that have been stayed in the described manner. The model case plaintiff is Deka Investment GmbH. Oral argument in the model case proceedings before the Braunschweig Higher Regional Court began in September 2018. In March 2023, the Braunschweig Higher Regional Court invited the parties to consider entering into discussions aimed at a potential settlement, since the Braunschweig Higher Regional Court envisages the further proceedings to be extensive and time consuming. Volkswagen AG maintains that the investors' claims are unfounded but, without prejudice to its legal position, Volkswagen AG has indicated that it is prepared to consider the Braunschweig Higher Regional Court's suggestion, provided that the model case proceedings continue. In July 2023, the Braunschweig Higher Regional Court issued an order for the taking of evidence including the examination of numerous persons as well as the production and consultation of documents and records. The ordered taking of evidence focuses on whether the Board of Management of Volkswagen AG or individual members thereof and/or individual members of Volkswagen AG's Ad Hoc Disclosure Clearing Office had or, reflecting

Volkswagen AG's state of knowledge, lacked knowledge of the installation of switching devices prohibited under US law in Volkswagen AG vehicles, as well as on the conceptions of these persons regarding the potential share price impact of the information that each respectively possessed. As of the date of this Offering Memorandum, several witnesses have asserted alleged rights to refuse to testify. The Braunschweig Higher Regional Court will decide on whether, and to what extent, witnesses actually have a right to refuse to testify. According to the Braunschweig Higher Regional Court, Volkswagen AG bears the burden of proof regarding the lack of knowledge and grossly negligent lack of knowledge of persons responsible for ad hoc disclosures for a significant portion of the claims. Against this background, it is important for Volkswagen AG that sufficient evidence, including witness evidence, is made available to the court. Witness testimony hearings began in mid-September, 2023 and are being continued at subsequent hearings.

Further investor lawsuits have been filed with the Stuttgart Regional Court against Volkswagen AG, in some cases along with Porsche SE as joint and several debtor. A further investor action for a binding declaratory ruling pursuant to the KapMuG was initiated before the Stuttgart Higher Regional Court against Porsche SE; Volkswagen AG was involved in this action as a third party intervening in support of a party to the dispute. The Wolverhampton City Council, Administrating Authority for the West Midlands Metropolitan Authorities Pension Fund, has been appointed model case plaintiff. In late March 2023, the Stuttgart Higher Regional Court rendered a model declaratory judgment. Based on the determinations made in the model declaratory judgment and the current substantive status of the underlying actions, all of the suspended investor lawsuits against Porsche SE would in effect have to be dismissed. The model declaratory judgment is not yet final. The model case plaintiff, several interested parties summoned, and Porsche SE have petitioned the BGH for review on points of law. Volkswagen AG has declared its intervention as a third-party supporting the petition for review of Porsche SE.

Excluding the United States and Canada and following the withdrawal of various actions, claims in connection with the diesel issue totaling roughly €9.5 billion (plus accessory claims) are currently pending worldwide against Volkswagen AG in the form of investor lawsuits, judicial applications for dunning and conciliation procedures, and claims under the KapMuG. Volkswagen AG remains of the opinion that it duly complied with its capital market obligations. Therefore, no provisions have been recognized for these investor lawsuits. Contingent liabilities have been disclosed where the chance of success was estimated to be not less than 10%.

7.14.1.7 *Special Audit*

In a November 2017 ruling, the Higher Regional Court of Celle ordered, upon the request of three U.S. funds, the appointment of a special auditor for Volkswagen AG. The special auditor had to examine whether the members of the Board of Management and Supervisory Board of Volkswagen AG breached their duties in connection with the diesel issue from June 22, 2006 onwards and, if so, whether this resulted in damages for Volkswagen AG. The ruling by the Higher Regional Court of Celle was originally formally unappealable.

Volkswagen AG had lodged a constitutional appeal against this originally formally legally binding decision before the Federal Constitutional Court. Volkswagen AG had also lodged a constitutional complaint against the further, originally also formally legally binding decision of the Higher Regional Court of Celle to appoint a special auditor other than the one initially appointed. In its decisions of September 2022, the Federal Constitutional Court upheld the two constitutional complaints and determined that the decisions of the Higher Regional Court of Celle repeatedly violated Volkswagen AG's constitutionally guaranteed rights. The decisions of the Higher Regional Court were set aside and the cases were referred back to the Higher Regional Court, which as of the date of this Offering Memorandum, has not yet heard the case following the referral. In addition, Volkswagen AG had brought an action for an injunction against the special auditor at the Regional Court of Braunschweig, requesting that the special audit not be carried out as long as the special auditor had not sufficiently demonstrated his independence. The Regional Court of Braunschweig dismissed the injunction action in the summer of 2022, and Volkswagen AG then appealed to the Higher Regional Court of Braunschweig.

In addition, a second motion seeking appointment of a special auditor for Volkswagen AG to examine matters relating to the diesel issue has been filed with the Regional Court of Hanover. This proceeding was originally stayed pending a decision by the Federal Constitutional Court in the initial special auditor litigation. Following the rulings of the Federal Constitutional Court in November 2022 finding both constitutional complaints lodged

by Volkswagen AG to be meritorious, the proceedings before the Hanover Regional Court have been resumed as a result but as of the date of this Offering Memorandum, have not yet been heard by the Court.

7.14.1.8 *Proceedings in the United States/Canada*

Following the publication of the EPA's "Notices of Violation" of the U.S. Clean Air Act, Volkswagen AG and other Volkswagen Group companies have been the subject of intense scrutiny, ongoing investigations (civil and criminal) and civil litigation. Volkswagen AG and/or other Volkswagen Group companies have received subpoenas and inquiries from state attorneys general and other governmental authorities and are responding to such investigations and inquiries. In addition, Volkswagen AG and other Volkswagen Group companies in the U.S. and Canada are facing litigation on a number of different fronts relating to the matters described in the EPA's "Notices of Violation".

A large number of putative class action lawsuits by consumers, investors, dealers and salespersons have been filed in U.S. federal courts and consolidated for pretrial coordination purposes in the federal multidistrict litigation proceeding in the State of California.

On January 4, 2016, the DoJ, Civil Division, on behalf of the EPA, initiated a civil complaint against Volkswagen AG, AUDI AG and certain other Volkswagen Group companies. The action sought statutory penalties under the U.S. Clean Air Act, as well as certain injunctive relief, and was consolidated for pretrial coordination purposes in the California multidistrict litigation. On January 12, 2016, CARB announced that it intended to seek civil fines for alleged violations of the California Health & Safety Code and various CARB regulations.

Volkswagen was able to end many significant court and governmental proceedings in the U.S. by concluding settlement agreements with (i) the DoJ on behalf of the EPA and the State of California on behalf of CARB and the California Attorney General, (ii) the U.S. Federal Trade Commission, and (iii) private plaintiffs represented by a Plaintiffs' Steering Committee (PSC) in a multi-district litigation in California. The settlement agreements resolved certain civil claims made in relation to affected diesel vehicles in the U.S. Depending on the type of diesel engine, under the settlement agreements Volkswagen provided for, *inter alia*, free emissions modification of vehicles, buy-backs/trade-ins or early lease terminations, and made cash payments to affected current owners or lessees as well as certain former owners or lessees. Volkswagen also agreed to support environmental programs, make significant investments over a period of ten years in zero emissions vehicle infrastructure as well as corresponding access and awareness initiatives. Several thousand consumers initially opted out of the settlement agreements, and many of these consumers filed civil lawsuits seeking monetary damages for fraud and violations of state consumer protection acts. As a result of various subsequent resolutions, the only remaining opt-out proceeding concerns legal fees and costs for a group of opt-out plaintiffs who settled their claims but have not yet moved for payment of their legal fees and costs.

The DoJ also opened a criminal investigation focusing on allegations that various federal law criminal offenses were committed. As part of its plea agreement, Volkswagen AG pleaded guilty on March 10, 2017 to three felony counts under U.S. law: (i) conspiracy to defraud the U.S., to commit wire fraud and to violate the Clean Air Act, (ii) obstruction of justice, and (iii) using false statements to import cars into the U.S. The court accepted Volkswagen AG's guilty plea to all three charges and sentenced the company to three years' probation on April 21, 2017. The plea agreement provides for payment of a criminal fine of U.S.$2.8 billion. Pursuant to the terms of this agreement, Volkswagen was required to retain for a three-year period an external independent compliance monitor/compliance auditor to review and audit Volkswagen's compliance with its obligations under the settlement agreements. Larry D. Thompson was appointed as the independent compliance monitor in April 2017. This included overseeing the implementation of measures to further strengthen compliance, reporting and monitoring systems, including an enhanced ethics program. On October 17, 2019, Volkswagen announced that it was granted a 90-day extension by DOJ and the Monitor to demonstrate that it has met its commitments under the terms of the plea agreement. On September 14, 2020, the term of the plea agreement and the term of the Independent Compliance Monitor retained pursuant to the plea agreement expired. Volkswagen will also continue to cooperate with the DoJ's ongoing prosecution of individual employees or former employees who may be responsible for criminal violations. Additionally, the term of the Independent Compliance Auditor under the Third Partial Consent Decree and the Third California Partial Consent Decree ended earlier in June 2020.

Volkswagen AG, AUDI AG and other Volkswagen Group companies have further agreed to pay a combined civil penalty of U.S.$1.45 billion to resolve U.S. federal customs-related claims in the U.S. Furthermore, Volkswagen AG and Volkswagen Group of America, Inc. have agreed to pay a smaller civil penalty to the DoJ to settle other potential claims arising under federal statute. DoJ prosecutions concerning the conduct of various individuals relating to the diesel issue remain ongoing. Volkswagen is required to cooperate with these prosecutions. In the event of non-compliance with the terms of the plea agreement, Volkswagen could face further penalties and prosecution.

Moreover, investigations by U.S. regulatory and government authorities, including in areas relating to securities are ongoing. On March 14, 2019, the SEC filed a complaint in the U.S. District Court for the Northern District of California, against Volkswagen AG, Volkswagen Group of America Finance, LLC and VW Credit Inc., asserting claims under U.S. federal securities law based, among other things, on alleged misstatements and omissions in connection with the offer and sale of certain bonds and asset-backed securities. The SEC complaint seeks permanent injunctions, disgorgement of allegedly ill-gotten gains with prejudgment interest, and civil penalties. In August 2020, the court granted in part and denied in part Volkswagen's motion to dismiss. The claims dismissed by the court included all claims against VW Credit, Inc. related to asset-backed securities. In September 2020, the SEC filed an amended complaint that, among other things, removed the dismissed claims. Volkswagen AG and Volkswagen Group of America Finance LLC are discussing with the SEC Staff a potential resolution of the SEC’s claims against them. Volkswagen cannot predict the ultimate outcome or timing of any resolution with the SEC, or the effect on the business, prospects, operating results and financial condition.

Further, private plaintiffs purporting to represent a putative class of individuals who purchased or leased TDI vehicles but who no longer owned or leased those vehicles filed a class action complaint in the federal multidistrict litigation in California. The court dismissed the complaint in November 2020. Plaintiffs appealed this decision to the Ninth Circuit, which affirmed the lower court's decision on January 20, 2022.

In the U.S., Volkswagen has reached separate agreements with the attorneys general of all 50 states, the District of Columbia and Puerto Rico to resolve their existing or potential consumer protection and unfair trade practices claims in connection with both 2.0l TDI and 3.0l TDI vehicles in the U.S. Volkswagen has also reached separate agreements with the attorneys general of seventeen U.S. states (California, Connecticut, Delaware, Illinois, Maine, Maryland, Massachusetts, Montana, New Hampshire, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Vermont, and Washington) to resolve their existing or potential future claims for civil penalties and injunctive relief for alleged violations of environmental laws. The attorney general of one other U.S. state (Texas) and some municipalities have suits pending in state and federal courts against Volkswagen AG, Volkswagen Group of America, Inc. and/or certain affiliates, alleging violations of environmental laws. The environmental claims of nine states – Alabama, Illinois, Minnesota, Missouri, Montana, Ohio, Tennessee, Texas, and Wyoming – as well as Hillsborough County (Florida), Salt Lake County (Utah), and two Texas counties, have been dismissed in full or in part by trial or appellate courts as preempted by federal law. On June 1, 2020, the U.S. Court of Appeals for the Ninth Circuit reversed in part the dismissal of the claims asserted by Hillsborough County and Salt Lake County. On June 29, 2021, the Ohio Supreme Court affirmed a decision by an Ohio appellate court that permitted certain environmental claims by Ohio to proceed. Volkswagen sought to appeal the U.S. Court of Appeals for the Ninth Circuit and Ohio Supreme Court decisions to the U.S. Supreme Court, but on November 15, 2021, the U.S. Supreme Court declined to hear Volkswagen's appeals. In January 2022, Volkswagen settled all remaining environmental claims brought by Ohio.

In May 2023, Volkswagen reached a settlement-in-principle (subject to documentation) to resolve all remaining environmental claims brought by Texas and the Texas counties. On June 22, 2023, a federal trial court granted Volkswagen summary judgment on all of the claims brought by Hillsborough County and Salt Lake County. Hillsborough County and Salt Lake County have appealed that decision.

A putative class action has also been filed on behalf of purchasers of certain USD-denominated Volkswagen bonds, alleging that these bonds were trading at artificially inflated prices due to Volkswagen's alleged misstatements and omissions to disclose material facts, and that the value of these bonds declined after the EPA issued its "Notices of Violation". This lawsuit has also been consolidated in the federal multidistrict litigation proceeding in the State of California described above. On June 25, 2021, the Ninth Circuit granted Volkswagen's interlocutory appeal, reversing the district court's denial of Volkswagen's motion for summary

judgment. In July 2021, plaintiff petitioned the Ninth Circuit for rehearing either before the original panel or *en banc*. On September 23, 2021, the Ninth Circuit denied the petition and on October 12, 2021 issued the mandate formally entering its judgment of reversal and remanding to the district court for determination as to whether summary judgment should be granted.

As to pending matters in Canada, an environmental class action has been authorized on behalf of residents in Quebec. This action was authorized by the court on the sole issue of whether punitive damages could be recovered and on the basis that unresolved questions about the viability of plaintiffs' damages theory would be a matter for trial. The case has been settled for an all inclusive payment of CAD 6.7 million. The Superior Court of Quebec approved the settlement in June 2022 and an appeal of that approval on the limited subject of counsel fees has been dismissed in the meantime so that settlement may now proceed.

7.14.2 *Potential regulatory issues relating to hardware and software components used in certain type approval measurements for gasoline vehicles*

Porsche AG has discovered potential regulatory issues relating to vehicles for various markets worldwide. There are questions as to the permissibility of specific hardware and software components used in type approval measurements. Differences compared with production versions may also have occurred in certain cases. Based on the information presently available, current production is not affected. The issues are unrelated to the defeat devices that were at the root of the diesel issue. Porsche AG is cooperating with the relevant authorities including the Stuttgart Office of the Public Prosecutor, which is investigating the matter in Germany. Based on the available information, no formal criminal investigation has been opened against the company. Porsche's own internal investigations are largely complete. In January 2021, a consolidated complaint was filed with the U.S. District Court for the Northern District of California, combining six different class action complaints originally directed at Porsche AG and its American importer subsidiary, Volkswagen AG and AUDI AG and alleging that the affected vehicles used certain software and/or hardware that resulted in increased emissions and/or overstated fuel economy estimates as compared to the results of certification testing. In December 2021, the parties agreed to a draft settlement in the amount of USD 80 million (including a possible additional USD 5 million further payment obligation). Following a settlement hearing, the judge presiding in the matter granted final approval in November 2022 and the settlement amount was paid during the fiscal year 2022. In December 2022, a member of the class who had objected to the settlement filed a notice of appeal to the United States Court of Appeals for the Ninth Circuit, challenging the final approval order. The appeal does not impact the ongoing processing of claims and payments to class members under the settlement. A further class action lawsuit, affecting a smaller number of vehicles, is pending in Canada, and Porsche AG has also been working with other regulatory authorities, such as the California Air Resources Board and the National Highway Traffic Safety Administration, to conclude inquiries in connection with this matter. In June 2022, the US Department of Justice issued a letter confirming that it would not be conducting any further inquiry into these issues.

7.14.3 *Investor Claims in connection with Porsche*

In 2011, ARFB Anlegerschutz UG (*haftungsbeschränkt*) filed a claim for damages against Volkswagen AG and Porsche SE for allegedly violating disclosure requirements under capital market law in connection with the acquisition of ordinary shares in Volkswagen AG by Porsche SE in 2008. The damages being sought based on allegedly assigned rights currently amount to approximately €2.26 billion plus interest. On September 30, 2022, the Higher Regional Court in Celle (Lower Saxony), in a declaratory judgment according to the German Act on Model Case Proceedings in Capital Markets Issues (KapMuG – *Kapitalanleger-Musterverfahrensgesetz*), rejected all applications of ARFB Anlegerschutz UG and the other summoned parties to assess a liability of Volkswagen AG and Porsche SE for being unfounded.

ARFB Anlegerschutz UG and another summoned party have filed appeals to the German Federal Court of Justice (*Bundesgerichtshof).* ARFB has confined its appeal to Porsche SE, while accepting the findings of the declaratory judgment in relation to Volkswagen. The other summoned party however has generally appealed and has also directed its appeal against Volkswagen AG.

Volkswagen AG continues to consider the alleged claims to be without merit. However, in the event of a settlement or an unfavorable decision in the legal proceedings, Volkswagen AG could sustain considerable losses.

7.14.4 ***Antitrust Proceedings***

7.14.4.1 *Europe*

In 2014, the European Commission opened antitrust proceedings against European truck manufacturers including MAN and Scania. With its first decision following individual settlements in July 2016 the European Commission fined five European truck manufacturers excluding MAN and Scania. MAN was not fined as the company had informed the European Commission about the irregularities as a key witness. With regard to Scania, the European Commission issued a contentious fine decision in September 2017 by which a fine of €0.88 billion was imposed. Scania appealed to the European Court in Luxembourg that rendered its decision in February 2022. The Scania appeal was fully rejected and the fining decision of the European Commission confirmed. In April 2022, Scania appealed against the judgment of the General Court of the European Union from February 2022 to the European Court of Justice. The €0.88 billion fine plus interest from the EU antitrust proceedings was paid in April 12, 2022, to avoid additional interest penalties. Following the settlement decisions, lawsuits for damages from a significant number of (direct and indirect) truck customers against MAN and Scania have been filed and will continue to be filed, which could result in substantial liabilities. With the merger of MAN SE and TRATON SE taking effect, TRATON SE has, in most jurisdictions, automatically assumed the procedural role of MAN SE as legal successor in the respective proceedings.

In July 2021, the European Commission assessed a fine totaling roughly €502 million against Volkswagen AG, AUDI AG and Porsche AG pursuant to a settlement decision. Volkswagen declined to file an appeal, hence the decision has become final. The subject matter scope of the decision is limited to the cooperation of German automobile manufacturers on individual technical questions in connection with the development and introduction of SCR (selective catalytic reduction) systems for passenger cars that were sold in the European Economic Area. The manufacturers are not charged with any other misconduct such as price fixing or allocating markets and customers.

Based on the facts of the EU case, in April 2023 the Korean competition authority KFTC issued the administrative fine decision that it had announced in its February 2023 press release. As announced, no fine was imposed on Volkswagen AG, and Porsche AG is not affected by the decision. A fine equaling just under €3 million was imposed against AUDI AG. AUDI AG and Volkswagen AG have appealed the decision to the relevant court in Seoul/Korea. Proceedings in this matter have also been finalized in Türkiye. There, these three Group brands have received a decision from the competition authority that did not impose any fines on the three Group brands. Based on comparable matters, the Chinese competition authority has instituted proceedings against Volkswagen, Audi, and Porsche, among others, and issued requests for information.

In March 2022, the European Commission and the CMA, the English antitrust authorities, searched the premises of various automotive manufacturers and automotive industry organizations and/or served them with formal requests for information. Within the Volkswagen Group, the investigation affects Volkswagen Group UK, which was searched by the CMA, and Volkswagen AG, which has received a Group-wide information request from the European Commission. The investigation relates to European, Japanese, and Korean manufacturers as well as national organizations operating in such countries and the European organization ACEA, which are suspected of having agreed from 2001/2002 to the present to avoid paying for the services of recycling companies that dispose of ELV (specifically passenger cars and vans up to 3.75 tons). Also alleged is an agreement to refrain from competitive use of ELV issues, that is, not to publicize relevant recycling data (recyclates, recyclability, recovery) for competitive purposes. Volkswagen AG has responded to the European Commission's information requests. Volkswagen Group UK is cooperating with the CMA. The CMA has furthermore issued requests for information to Volkswagen AG in connection with this matter. In July 2022, Volkswagen AG filed an action for judicial review challenging the CMA's requests for information in particular because Volkswagen AG believes that they exceed the CMA's jurisdiction. In February 2023, the court issued a decision in favor of Volkswagen AG, to which the CMA filed an appeal in April 2023. Volkswagen AG continues to examine the possibilities for reasonable cooperation with CMA.

In addition, a few national and international authorities have initiated antitrust investigations. Volkswagen is cooperating closely with the responsible authorities in these investigations. The above proceedings are currently pending, and it is too early to assess the potential consequences of the investigation on Volkswagen.

7.14.4.2 *United States and Canada*

In March 2020, the U.S. District Court for the Northern District of California dismissed two putative class action complaints brought by purchasers of German luxury vehicles alleging that, since the 1990s, several automobile manufacturers, including Volkswagen AG and other Group companies conspired to unlawfully increase the prices of German luxury vehicles in violation of U.S. antitrust and consumer protection law. The court held that the plaintiffs have not stated a claim for relief because the allegations in the complaints do not plausibly support the alleged agreements unreasonably restrained competition in violation of U.S. law. The plaintiffs appealed this ruling. In August 2021, the plaintiffs in one of the two class actions withdrew their appeal. In October 2021, the Ninth Circuit Court of Appeals affirmed the dismissal of the other class action by the U.S. District Court for the Northern District of California. In January 2022, the Ninth Circuit Court of Appeals denied the plaintiffs' motion (filed at the end of 2021) for rehearing on the decision in which the court had affirmed the judgment of the U.S. District Court. In February 2022, the U.S. District Court also denied the plaintiffs' motion to set aside its judgment and to be allowed to file a new complaint. In June 2022, the U.S. Supreme Court denied the petition filed by the plaintiffs seeking review of this decision.

Plaintiffs in Canada filed claims with similar allegations on behalf of putative classes of purchasers of German luxury vehicles against several automobile manufacturers, including Volkswagen Group Canada Inc., Audi Canada Inc., and other Group companies.

Additionally, Volkswagen AG and certain of its former executives and a current director have been named as defendants in a putative class action filed in the United States District Court for the Eastern District of New York. The complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, based on allegations relating to statements in Volkswagen AG's Annual Reports for the years 2012 through 2016, including statements regarding Volkswagen AG's compliance measures, in particular those relating to competition and antitrust law. On May 20, 2021, the District Court dismissed with prejudice all of Plaintiffs' claims, holding that none of the statements identified by Plaintiffs gave rise to a cause of action under U.S. securities laws. On March 15, 2022, the United States Court of Appeals for the Second Circuit affirmed the District Court's dismissal of the action.

7.14.5 ***Nullification Lawsuits***

On August 23, 2021, two claims were initiated against Volkswagen in the District Court (Landgericht) of Hannover seeking nullification of certain resolutions passed at the annual General Meeting of Shareholders on July 22, 2021. Specifically, both claims seek nullification of: (i) the resolutions on the approval of settlement agreements with former Chairman of the Board of Management Professor Martin Winterkorn and former member of the Board of Management Rupert Stadler and (ii) the resolution on the approval of a settlement agreement with the D&O insurers of Volkswagen Aktiengesellschaft. Additionally, the second claim seeks nullification of: (i) the discharge of the members of the Board of Management for the fiscal year 2020 and (ii) the discharge of the members of the Supervisory Board for the fiscal year 2020. In its judgment dated October 12, 2022, the District Court (*Landgericht*) of Hannover dismissed both claims as unfounded and determined that the resolutions challenged by the claimants were lawful. The claimants then filed appeals with the Higher Regional Court (*Oberlandesgericht*) of Celle which have not yet been heard by the court.

7.14.6 ***VW Truck & Bus Ltda. Tax Proceedings***

In the tax proceedings between Volkswagen Truck & Bus Indústria e Comércio de Veículos Ltda. ("**VW Truck & Bus Ltda.**") and the Brazilian tax authorities, the Brazilian tax authorities took a different view of the tax implications of the acquisition structure chosen by MAN SE (now TRATON SE) for the acquisition of VW Truck & Bus Ltda in 2009. The tax proceedings have been divided into two auditing periods, covering the years 2009/2011 (***Phase 1***) and 2012/2014 (***Phase 2***). In December 2017, an adverse last instance judgment was rendered by the Brazilian Administrative Court (Phase 1), which was negative for VW Truck & Bus Ltda. VW Truck & Bus Ltda. appealed this judgement before a regular judicial court in 2018. The tax proceeding related to Phase 2 is still pending judgment by the Brazilian tax authorities. Because of the potential range of penalties plus interest which could apply under Brazilian law, the estimated size of the risk in the event that the tax authorities are able to prevail overall with their view is uncertain. This could result in a risk of about €0.6 billion as of September 30, 2023 for the contested period from 2009 onward. This assessment is based on the

accumulated accounts at the reporting date for the claimed tax liability including the potential penalty surcharges, as well as accumulated interest, but excluding any future interest and without discounting any cash flows. Several banks have issued bank guarantees for the benefit of VW Truck & Bus Ltda. as is customary in connection with such tax proceedings, which in turn are secured by TRATON SE.

7.14.7 *Navistar*

In December 2021, Navistar entered into a final Profit Sharing Settlement Agreement to terminate with past, present, and future effect certain disputes most recently litigated before an arbitration tribunal concerning the calculation of profit sharing amounts for purposes of Navistar's corporate retiree healthcare commitments.

At the same time and in the same context, an agreement to settle the class action lawsuits was also reached with class action members; this agreement was subject to approval by the supervising court. The final agreement provides for a payment by Navistar in an amount of €491 million (USD 556 million); in fulfillment of the agreement, Navistar has already made an initial payments totaling €88 million (USD 100 million). Navistar recognized provisions in this regard in prior periods. In June 2022, the Profit Sharing Settlement Agreement was approved by the competent court. Following this, Navistar made the contractually agreed final payment of USD 424 million (€401 million) including interest. The deadline for appealing the court's final approval of the class action settlement has expired.

7.14.8 *MAN SE merger squeeze-out*

The merger of MAN SE with TRATON SE was entered in the commercial register of MAN SE and TRATON SE on August 31, 2021. With this, MAN SE ceased to exist as an independent legal entity, and all rights and obligations were transferred to TRATON SE. MAN SE shares were delisted at the same time. Cash compensation in the amount of €70.68 per common and preferred share was paid out to MAN SE noncontrolling shareholders on September 3, 2021. This marked the conclusion of the MAN SE merger squeeze-out. The appropriateness of the cash compensation was reviewed by a court-appointed auditor as part of the judicial award proceedings initiated by affected noncontrolling interest shareholders. The auditor confirmed the cash compensation to be adequate. TRATON SE submitted its response to the court at the end of June 2022. Judicial proceedings are still underway. No provisions or contingent liabilities have been recognized.

7.14.9 *Environmental claims*

In November 2021, three claimants supported by Greenpeace filed a lawsuit against Volkswagen AG before the Braunschweig Regional Court. The action seeks to compel Volkswagen, *inter alia*, to initially reduce in stages and after 2029 completely cease its production and sale of vehicles with internal combustion engines as well as to significantly reduce greenhouse gas emissions from development, production, and marketing by 2030 (including third party vehicle use). The lawsuit further seeks to compel Volkswagen to exercise influence over Group companies, subsidiaries, and joint ventures to cause them to fulfil these demands as well. Simultaneously, another action with almost identical requests for relief and by and large the same rationale has been filed by an organic farmer with the support of Greenpeace before the Detmold Regional Court. Both lawsuits were dismissed in February 2023. The plaintiffs have filed appeals against the judgments dismissing their complaints (in March 2023 with the Braunschweig Higher Regional Court and in April 2023 with the Hamm Higher Regional Court). In the appeal proceedings, the motions were tightened, among other things, to the effect that Volkswagen should no longer be allowed to sell vehicles with internal combustion engines with immediate effect and worldwide.

7.15 **Legal Factors Influencing Business**

As with other international companies, Volkswagen's business is affected by numerous laws in Germany and abroad. In particular, these are legal requirements relating to development, production and distribution, and also include tax, capital market, commercial and company law, as well as antitrust, environmental, labor, banking, state aid, energy and insurance regulations.

Risks from the legal and political framework have a considerable impact on Volkswagen's future business success and have tended to become greater during the recent period. Regulations concerning vehicles'

emissions, fuel consumption and safety play a particularly important role. Complying with these varied and often diverging regulations across the world requires strenuous efforts on the part of the automotive industry. In addition to emissions, consumption and safety regulations, traffic-policy restrictions for the reduction of traffic congestion, noise and pollution are becoming increasingly important in cities and urban areas in the European Union and other regions. For example, bans on diesel vehicles are being gradually implemented in several jurisdictions.

When transparent and economically viable, insurance cover is taken out for these risks. For the identifiable and measurable risks, corresponding provisions are recognized and information about contingent liabilities is disclosed. As some risks cannot be assessed or can only be assessed to a limited extent, the possibility of loss or damage not being covered by the insured amounts and provisions cannot be ruled out. This particularly applies to legal risk assessment regarding the diesel issue.

8. REGULATION

Volkswagen's business is subject to regulatory requirements in various countries. These relate, among other things, to environmental law, intellectual property and copyright law, consumer protection law, product warranty and product liability law, energy law, labor and employment protection law, hazardous substances and chemicals law, export control regulations, banking and insurance law, competition and antitrust law, construction and planning law and tax law, anti-money laundering law and criminal law. In addition, international agreements, including bilateral and multilateral agreements between countries concerning customs duties or other regulations related to the import and export of products, are important for Volkswagen.

Applicable regulatory requirements are not always homogeneous. The cost of compliance with regulatory requirements can be significant and is ongoing.

The regulatory environment applicable to Volkswagen's business operations, broken down by division, is briefly described below.

8.1 Automotive Division

The automotive business is in particular subject to regulations concerning the development, design, production and sale/distribution of vehicles, as well as product-related regulations.

8.1.1 ***Regulations concerning the development, design, production and distribution of vehicles***

8.1.1.1 *Industrial environmental control*

8.1.1.1.1 *Requirements in Member States of the European Union*

All legal systems of the Member States of the European Union impose restrictions on excessive pollution of the environment, including regulations on air pollutants, chemicals, heavy metals, persistent organic pollutants ("**POPs**"), and biocides. Volkswagen must comply with these regulations in their manufacturing processes and regarding the contents of their end products.

Volkswagen's European processes are subject to the Regulation for Registration, Evaluation, Authorization and Restriction of Chemicals (Regulation (EC) No 1907/2006 of the European Parliament and of the Council of December 18, 2006, as last amended by Commission Regulation (EU) No 2020/1149 of August 3, 2020) ("**REACH**"). REACH requires manufacturers and importers of chemicals to identify and manage risks linked to the substances they manufacture and market, to submit a registration dossier for substances produced or imported in quantities of one ton or more per year per company, and to provide their downstream users with the risk information they need to be able to use the substances safely. In addition, for "substances of very high concern," REACH may either require authorization for further use or impose restrictions in the future, which may delay or increase the costs of operations.

EU Regulation 1272/2008/EC, also known as the Classification, Labeling, and Packaging Regulation ("**CLP**"), governs the classification, labeling, and packaging of chemicals and mixtures. The Regulation implements the Globally Harmonized System of Classification and Labelling of Chemicals ("**GHS**") developed by the United Nations. The CLP regulation aligns with the GHS. This alignment ensures that the EU system is consistent with international standards.

For certain substances and mixtures, manufacturers, importers, downstream users and distributors must determine the hazard classification themselves. In certain cases, the classification of a chemical is harmonized at EU level. CLP establishes a harmonized system for labeling and classifying chemicals based on their intrinsic properties i.e. how hazardous a substance or mixture is. The labels must include standardized hazard pictograms, signal words, hazard statements, and precautionary statements. CLP also establishes packaging standards to ensure the safety of workers, consumers, and the environment. CLP sets an obligation for manufacturers and importers to notify relevant authorities of the hazardous substances they produce or import. In some cases, they may need to register these substances with the European Chemicals Agency. This ensures better tracking and

control of hazardous chemicals in the EU. Penalties may be imposed for non-compliance, such as incorrect labeling or failure to notify or register hazardous chemicals.

Further, Volkswagen must comply with the Stockholm Convention on Persistent Organic Pollutants, which the European Union adopted as Regulation (EU) 2019/1021, restricting or, in some cases, prohibiting the production, release and use of numerous POPs, and the Biocidal Product Regulation (Regulation (EU) 528/2012), which regulates how pesticides and anti-microbial substances are used and placed in the market.

Liability for violations of these and other environmental regulations is governed by the national laws of the respective European Union states that implement the requirements and restrictions of Directive 2004/35/EC on environmental liability with regard to the prevention and remedying of environmental damage. The Directive establishes a comprehensive liability system, based on the "polluter pays" principle, for damage to natural resources, protected species and natural habitats, waters and soil. Operators of activities that cause environmental damage or direct danger of damage to these natural resources could be held responsible for restoring the damage caused, or made to pay for restoration, irrespective of whether they are at fault.

8.1.1.1.2 *Requirements in the United States*

Assembly, manufacturing and other operations in the United States, carried out by Volkswagen Group of America, Inc. or one of its subsidiaries, must meet substantial regulatory requirements under numerous federal, state, and local environmental laws. In particular, Volkswagen must comply with the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Comprehensive Environmental Response, Compensation, and Liability Act, the Emergency Planning and Community Right-To-Know Act of 1986, and the Resource Conservation and Recovery Act, as respectively amended. These and related federal, state and local environmental laws and regulations thereunder substantially restrict airborne and waterborne emissions, discharges of pollutants and the disposal of waste from Volkswagen Group of America, Inc.'s facilities, govern the use and handling of hazardous materials and other regulated chemicals and substances, and address remediation and other liabilities arising from environmental contamination. These requirements may change over time and may require Volkswagen Group of America, Inc. to take additional measures, e.g., upgrade existing or install additional pollution control equipment or emission monitoring devices, alter waste-disposal practices, change chemical products or other regulated components employed in operations, clean up areas of environmental contamination, and meet technical certification requirements relating to vehicle emissions that govern which vehicles may be sold in the United States or individual States. Satisfying any of these obligations could be costly, and failure to meet them could have a significant adverse effect on operations.

8.1.1.2 *Cross-border import and export of vehicles*

Volkswagen's import and export of goods are subject to the national and international foreign trade legislation and customs laws. Most countries in which Volkswagen conducts business have export control regulations.

The most important foreign trade regulations applicable to Volkswagen in Germany are contained in the German Foreign Trade and Payments Act, the German Foreign Trade and Payments Regulation and Council Regulation (EU) No 2021/821, setting up a Community regime for the control of exports, transfer, brokering and transit of dual-use items. Regulatory systems differ depending on whether the exchange of goods is between Member States of the European Union (so-called intra-community business) or with non-Member States (so-called third-party countries). The German Foreign Trade and Payments Regulation, Regulation (EU) No 2021/821 classify certain goods as subject to export control by the German Federal Office of Economics and Export Control. Whether an export of a certain good is prohibited or subject to approval depends on the circumstances of the individual case, i.e. on the type of goods, the (end-) destination country, to whom and for which end use. For example, certain all-terrain vehicles, which according to German law are classified as military goods, as a rule require an export license.

Volkswagen has implemented processes to check its business partners against European and international sanction lists, in which different persons are listed (e.g., Council Regulation (EC) No 881/2002, 2580/2001 and the U.S. Specially Designated Nationals List), to ensure that business is not conducted with any person, entity or country which is subject to any sanctions enforced by one of the mentioned sanctions authorities that could result in an enforcement action against Volkswagen.

In addition to national and European export control legislation, Volkswagen monitors different international regulations, in particular, in countries where products are exported and where companies of the Volkswagen Group produce vehicles. Volkswagen especially monitors U.S. re-export regulations, principally Export Administration Regulations, which cover all relevant regulations regarding dual-use items, and certain sanctions of the U.S. Treasury's Office of Foreign Asset Control (OFAC) are primary focuses when importing and exporting goods, services and technology.

8.1.1.3 *Antitrust law*

Volkswagen must observe various antitrust laws and regulations applicable in the jurisdictions in which it operates. Provisions on merger control, the prohibition of anti-competitive agreements and collusive behavior and the prohibition of abuse of a dominant position within the market are particularly relevant.

Within the European Union, compliance with applicable European and national competition laws is monitored by the European Commission and the national competition authorities. Article 101(2) TFEU provides for the invalidity of anti-competitive agreements which are covered by Article 101(1) TFEU to the extent that the requirements of Article 101(3) TFEU are not met.

The assessment of whether the conditions of Article 101(3) TFEU are met must be made by each company in a so-called self-assessment. The self-assessment of compliance of Volkswagen's agreements with dealers, suppliers or competitors generally carries the risk that the European Commission, national competition authorities or national courts could come to a different conclusion as to whether there is an infringement of competition law.

The self-assessment is facilitated through Commission Regulations and Notices, for example Commission Notice on the implementation of Article 101(3) TFEU, and so-called Block Exemption Regulations ("**BERs**"). BERs create a safe harbor for groups of agreements which can be assumed to meet the requirements for an exemption from the cartel prohibition without an individual review under Article 101(3) TFEU.

For new vehicle sales, the non-sector specific General BER on vertical agreements (Regulation (EU) No 330/2010) ("**General BER**") that entered into force on June 1, 2010 and the sector-specific guidelines issued by the European Commission have been replaced by the Regulation (EU) 720/2022 and new guidelines which apply to the sale of new motor vehicles. Based on a review of the new requirements, Volkswagen AG does not expect its current distribution system to be affected.

For spare part sales and the provision of repair and maintenance services, the European Commission has issued on May 27, 2010 a BER, Commission Regulation (EU) No 461/2010 on the application of Article 101(3) TFEU to categories of vertical agreements and concerted practices in the motor vehicle sector ("**Motor Vehicle BER, MVBER**"), applicable since June 1, 2010. The European Commission has prolonged this Motor Vehicle Block Exemption Regulation for five years, meaning that it will be applicable until May 31, 2028. It has also updated the sector-specific Supplementary Guidelines. The Supplementary Guidelines clarify that data generated by vehicle sensors may be an essential input for the provision of repair and maintenance services. Thus the existing principles for the provision of technical information have been extended to explicitly cover vehicle-generated data and the Supplementary Guidelines clarify that Article 102 TFEU may be applicable where a supplier unilaterally withholds this input from independent operators. It is not yet possible to predict whether and to what extent Volkswagen AG will be affected by corresponding claims of independent market operators and what economic effects these claims may have. The Motor Vehicle BER is supplemented by the rules of the General BER.

Based on Europe-wide standardized contracts, which were adapted to the requirements of national law, Volkswagen has established a selective sales and distribution system throughout Europe with vehicle dealers and workshops.

In the area of new vehicle sales and in accordance with the specifications of the General BER, Volkswagen applies a quantitative selective system, under which the number of dealers, which must fulfil specified qualitative standards, can be limited. This system is exempt from Article 101(1) TFEU only if the market share of the supplier does not exceed 30%.

However, the European Commission stated in the sector-specific guidelines to the MBVER that a quantitative selective distribution will generally satisfy the conditions laid down in Article 103(3) of the Treaty if the parties' market shares do not exceed 40%. Where Volkswagen has a market share above 40%, it uses a purely qualitative selection for new vehicle sales, which is permitted even if the 40% threshold has been exceeded. If a change becomes necessary due to the revised legal framework, Volkswagen may have to change its distribution agreements and admit further dealers into its network.

Since June 1, 2010, the aftermarkets (genuine parts and provision of repair and maintenance services) have been subject to the Motor Vehicle BER, which has just been prolonged by the European Commission until May 31, 2028. Under the Motor Vehicle BER, vertical agreements regarding the sale of genuine parts and on repair and maintenance services are block-exempted only if they satisfy the requirements set forth in the General BER and comply with more stringent requirements with respect to certain types of restrictions on competition which could limit the supply of genuine parts in the motor vehicle aftermarket (in particular with regard to independent dealers, independent repair shops and end users).

Additionally, Volkswagen is obliged to grant access to technical information for independent market participants in accordance with the Euro 5/Euro 6 legislation (Regulation (EU) No 566/2011, Regulation (EC) No 715/2007 and Regulation (EC) No 692/2008). Due to the amendment of the Euro 5/Euro 6 legislation in the form of Regulation (EC) No. 2018/858 effective September 1, 2020, Volkswagen must grant independent operators access to technical information that goes beyond the previous requirements, in particular to technical information on Volkswagen's genuine parts. The expansion of independent market participants' access to such information causes additional expenses in connection with the review of existing arrangements and other costs that Volkswagen incurs in order to adapt to the new regulation. The regulations described above could also expose Volkswagen to greater competition in the aftermarkets.

8.1.1.4 *Emission trading*

Volkswagen is subject to the European and national emission trading system. The system is based on a "cap and trade" principle which is designed to lead to a reduction in carbon dioxide emissions by limiting the number of emission allowances (cap) required for certain facilities and the possibility of purchasing shortfall or selling surplus emission allowances (trade).

During the current allocation period (2021 to 2030), which started on January 1, 2021 (the fourth trading period of the EU Emissions Trading Scheme) emission allowances are issued to facility operators on an auction basis except for certain defined categories of operators which may be allocated emission allowances free of charge. The general legal framework for emission trading is provided in Directive 2003/87/EC, as amended by Directive 2009/29/EC (and other directives) and has been implemented into German law. The Directive, among other things, extends the number of facilities that are subject to European emission trading and establishes the framework for the respective auction systems for emission allowances in the member states of the European Union. General exceptions exist for certain parts of manufacturing, trade and certain energy generation facilities. In addition, the European Union has announced the binding target to reduce domestic greenhouse gas emissions by at least 40% below the 1990 level by 2030. This will have repercussions on Volkswagen's production facilities to varying degrees.

Furthermore, other relevant markets might introduce similar schemes in the near-term future which could potentially impact the business operations of Volkswagen. In particular, China has rolled out pilot cap-and-trade systems on the automotive industry in several regions which may be followed by a nationwide system if the regional pilot schemes prove effective.

In addition, at the 2015 United Nations Framework Convention on Climate Change in Paris, nearly 200 nations, including Germany, entered into an international climate agreement (referred to as the "**Paris Agreement**"), which entered into effect in November 2016. The Paris Agreement sets a goal of limiting the increase in global average temperature to well below 2 degrees Celsius and pursuing efforts to limit the increase to 1.5 degrees Celsius, with global greenhouse gas emissions to peak and begin to decline as soon as possible. The Paris Agreement consists of two elements: a commitment by each participating country to set a voluntary emissions reduction target (referred to as "nationally determined contributions" or "**NDCs**"), with a review of the NDCs

that could lead to updates and enhancements every five years beginning in 2023 and a transparency commitment requiring participating countries to disclose in full their progress.

8.1.2 ***Product-related regulations***

Each country where Volkswagen develops, produces and sells its vehicles and vehicle components has various product-related regulatory requirements. Volkswagen must comply with substantial licensing, certification, approval and permit requirements, as well as numerous and continually increasing technical product requirements, particularly with regard to environmental protection and the safety of vehicle occupants and other road users. For instance, Volkswagen is required to recall vehicles and vehicle components found to have safety related defects. The cost of such recalls can be substantial depending on the nature of the repair and the number of vehicles affected.

The following regulations are of particular relevance for Volkswagen.

8.1.2.1 *Type-approval procedure*

8.1.2.1.1 *Requirements in Member States of the European Union*

In order to be placed on the European Union market, vehicles must comply with EC type-approval legislation, which sets out the standardized requirements for vehicles, systems, components and separate technical units. Within the context of the Regulation (EU) 2018/858 and the Directive 2000/53/EC, Volkswagen must comply with extensive legislation regulating specific safety, emissions, technical features and reuse, recovery and recyclability rates of vehicles and their components. The Regulation (EU) 2018/858 provides for an EC type-approval system. With the EC type-approval, the competent government agency of the Member State certifies that a type of vehicle or system (such as braking systems), component (such as tires) or separate technical unit (such as lateral safety devices) conforms to the applicable regulations and technical requirements. A valid EC type-approval is a prerequisite to registering, selling and operating vehicles, systems, components or separate technical units in the Member States of the European Union.

8.1.2.1.2 *Requirements in the United States*

The National Highway Traffic Safety Administration ("**NHTSA**") issues federal motor vehicle safety standards covering a wide range of vehicle components and systems such as airbags, seatbelts, brakes, windshields, tires, steering columns, displays, lights, door locks, side impact protection, and fuel systems. Volkswagen is required to test and certify in good faith that all vehicles and equipment meet or exceed the federal motor vehicle safety standards before introducing to, or selling them in, the United States.

These standards add to the cost and complexity of designing and producing vehicles and equipment. In recent years, the NHTSA has mandated, among other things:

- a system for collecting information relating to vehicle performance and customer complaints to assist in the early identification of potential vehicle defects; and

- enhanced requirements for frontal and side impact, including a lateral pole impact.

8.1.2.1.3 *Requirements in other markets of significance to Volkswagen*

Most countries in the major markets in which Volkswagen operates have established type-approval systems and vehicle safety regulations. For example, China has established extensive and complex vehicle certification procedures.

8.1.2.2 *Emission control*

Volkswagen is subject to laws and regulations that require it to control automotive emissions, including exhaust emission standards, vehicle fuel evaporation standards and onboard diagnostic system requirements.

8.1.2.2.1 *Requirements in Member States of the European Union*

Volkswagen's vehicles must comply with increasingly stringent requirements concerning emissions. With respect to exhaust emissions, new type approvals of passenger cars and light commercial vehicles of class N1,I (i.e., with a reference mass up to 1,305 kg) must comply with the strict Euro 6 emission standard since September 2014 and all newly manufactured class I vehicles since September 2015. Light commercial vehicles of class N1,II and N1,III (i.e., with a reference mass above 1,305 kg) and N2 must comply with Euro 6 since September 2015 (new vehicle types) and September 2016 (all newly manufactured vehicles) respectively. Heavy passenger and commercial vehicles must currently meet the Euro VI standard. The competent government authorities in the Member States of the European Union monitor compliance with the limits and may require non-compliant manufacturers to take certain measures, including a recall of the affected vehicles.

Since 2012, automobile manufacturers have to reduce the CO_2 emissions of their new passenger car fleet in the European Union with an average industry target of 130g CO_2/km (subject to a gradual phase-in process), based on Regulation (EC) 443/2009. The target to be achieved with a phase in from 2020 onward is 95g CO_2/km. The NEDC-target will be recalculated to set a target with the comparable stringency level under the new drive cycle WLTP. Regulation 510/2011 setting performance standards to reduce CO_2 emissions for new light commercial vehicles became effective in 2011, supplementing the regulation on CO_2 emissions of passenger cars. Under the Regulation, manufacturers in the European Union must, for the average of their new fleet of light commercial vehicles, reduce the CO_2 emissions of such vehicles in category N1, phasing in to 175g CO_2/km for all new light commercial vehicles of such manufacturer by 2017. 147g CO_2/km was set as the limit to be achieved by 2020. As for passenger cars, the target level will be recalculated under the WLTP. On April 17, 2019, the European Parliament and the Council adopted new Regulations for both passenger cars and light commercial vehicles, which introduce new CO_2 emission performance standards for the period after 2020. These targets will tighten starting from 2025 by Regulation (EU) 2023/851: for new European passenger car fleets, a reduction of 15% in CO_2 emissions will therefore be required from 2025 and a reduction of 55% from 2030 compared to 2021 levels. For new light commercial vehicle fleets, the required reductions will be 15% from 2025 and 50% from 2030 compared to 2021 levels. From 2035, a CO_2 reduction target of 100% will then apply to new passenger car and light commercial vehicle fleets. In each case, the starting point is the WLTP fleet value in 2021. A failure to meet the CO_2 emission targets results in an excess emission premium on the automobile manufacturer based on the level by which the emission limits were exceeded. The European Commission also enforced a CO_2 regulation for heavy-duty vehicles, starting with an initial monitoring phase.

Europe was the first market where the new real driving emission regulation came in place. This regulation enforces emission limits for nitrogen oxide (NOx) and number of particles (PN) under "real world driving" conditions on public roads. The regulation for passenger cars and class N1,I light commercial vehicles applies with mandatory limits for new vehicle types as of September 2017 and for all newly manufactured vehicles as of September 2018 for the emission PN and September 2019 for the emission NOx. Light commercial vehicles of class N1,II, N1,III and N2 have to comply with the real-world driving emission regulation as of September 2018 (new vehicle types) and September 2019 (all newly manufactured vehicles) for both emission PN and NOx. The real-driving emissions regulation requires additional technologies and will further increase the cost of combustion engines. Compliance with real-driving emissions tests introduces additional cost pressures especially on European Union market for smaller diesel vehicles.

8.1.2.2.2 *Requirements in the United States*

U.S. federal and state governments and agencies (i.e. the U.S. Environmental Protection Agency ("**EPA**") and California Air Resources Board ("**CARB**")) have created a suite of vehicle and engine emission regulations aimed at improving local air quality and minimizing the potential effects of global climate change. Currently, under Section 177 of the Clean Air Act, states are permitted to adopt California's criteria pollutant and greenhouse gas regulations, as well as California's Zero-Emission Vehicle ("**ZEV**") regulations. Automobile manufacturers must ensure that their individual vehicles, and in some cases, fleets of vehicles, comply with various pollutant, carbon dioxide, on-board diagnostic, fuel economy, and zero-emission technology requirements. Additional requirements for evaporative emissions and the onboard refueling vapor recovery systems are regulated. Emission and onboard diagnostic requirements become more stringent each year. In particular, increasingly stringent and complex onboard diagnostic standards may lead to increased vehicle recall and warranty costs. The results of various federal and state regulatory and judicial proceedings with respect to

fuel quality could also impact a vehicle manufacturer's warranty costs and its ability to comply with the aforementioned emissions standards. Beginning with MY26, California's Advanced Clean Cars II ("**ACCII**") program regulations impose additional requirements on the development and certification of both internal combustion engine vehicles and electric vehicles ("**EVs**"). The ACCII ZEV rules set aggressive and challenging requirements for the distribution and sale of EVs in California and the other states who adopt these standards.

Volkswagen is responsible under these regulations for the performance of vehicle emission control systems, as well as the emission performance of its sold cars and light duty trucks over certain time and mileage periods. Regulatory authorities may conduct ongoing evaluations of the compliance of Volkswagen's products with relevant emissions and other certification-relevant regulations, including vehicle emissions testing, road loads, and review of emission control strategies. EPA regulations are primarily covered by the following main programs:

- Tier 2 and Tier 3 light-duty emissions regulations: Tier 2 emission standards impose individual vehicle and manufacturer fleet average requirements for tailpipe pollutants. The updated Tier 3 program implements increasingly more stringent vehicle and fleet average requirements starting in model year ("**MY**") 2017 and is mostly aligned with California's LEVIII program that started in MY 2015. Further emissions regulations for a Tier 4 program have been proposed by the EPA. The proposed Tier 4 program is expected to be finalized in early 2024, and will come into force beginning with MY 2027.

- Light-duty vehicle greenhouse gas fleet average standard: Starting with MY 2012, each manufacturer must ensure that their fleet of passenger cars and light duty trucks achieve an annual fleet average target depending on their average footprint, which is increasingly more stringent year-by-year through MY 2025. EPA's proposed multipollutant rule for MY27+ light duty vehicles includes greenhouse gas regulations that require manufacturers to accelerate the introduction of EVs to the US market - 67% EV penetration by 2032. The California Air Resources Board is expected to propose light-duty greenhouse gas rules for the time period beyond MY2025.

- The U.S. Department of Transportation's National Highway Transportation and Safety Administration ("**NHTSA**") under Congressional authority, currently regulates light-duty fleet average fuel economy standards under the corporate average fuel economy ("**CAFE**") program. CAFE standards require each original equipment manufacturer ("**OEM**") to achieve annual fleet average fuel economy minimum targets for all passenger cars and light duty trucks sold in the United States. NHTSA has recently proposed new CAFE program regulations for MY27-32 that reflect a year over year increase in fuel efficiency of 2% for the passenger car fleet and 4% for the light truck fleet. Compliance with the proposed rule is further challenged by a change proposed by the Department of Energy ("**DOE**") in the petroleum equivalency factor ("**PEF**"), the value used to calculate the petroleum-equivalent fuel economy of EVs for use in the NHTSA CAFE program. Based on projections of the planned fleets in the US, Volkswagen is likely to face significant additional compliance costs, and fines/penalties during this time period. NHTSA's proposed CAFE regulations are expected to be finalized in before the end of 2024.

California and several other states have developed a separate set of vehicle emission regulations, mainly the following three programs:

- LEV ("**Low Emission Vehicle**")-II and LEV-III light-duty emissions regulations: LEV-II emission standards impose individual vehicle and fleet average requirements for tailpipe pollutants. Identical standards exist for passenger cars and light-duty trucks. The updated LEV-III program implements increasingly more stringent vehicle and fleet average requirements starting in MY 2015. With MY 2026 California's LEV-IV program will come into force. Main topics will be additional emission test cycles for different soak times and lower idle times and elimination of highest emissions levels.

- Light-duty greenhouse gas fleet average emission standards: Fleet average targets are determined individually per OEM based on a sale weighted mix of vehicles (passenger cars and light duty trucks) sold in California and other states that have separate vehicle emission regulations. The California Air

Resources Board is expected to propose light-duty greenhouse gas rules for the time period beyond MY2025.

- Zero Emission Vehicle mandate (ZEVI until MY 2017, ZEVII with MY 2018 through MY 2025, ZEVIII starting with MY 2026): California and other states that have separate vehicle emission regulations have established regulatory programs which mandate minimum annual sales volumes for vehicles equipped with qualified zero and near-zero emission powertrain technologies, such as battery-electric, fuel cell, plug-in hybrid, hybrid, and partial zero-emission combustion engines. By MY 2025, it is currently expected that up to 15% of a manufacturer's total sale volume in California and other states will need to be made up of ZEVII-compliant vehicles. Volkswagen is subject to sell Zero Emission Vehicles under ZEVII as a large volume manufacturer. In addition, ZEVII increases the time and mileage periods during which a manufacturer is responsible for a vehicle's emission performance. ZEV III program starting with MY 2026. It contains a constantly rising requirement of ZEV share up to 100% of the fleet for MY 2035. The ZEV III program regulations also include a set of new requirements – e.g., data standardization, battery state of health display – that are conditions for certifying EVs for sale in California and in the other states that adopt these requirements.

There have been several attempts to harmonize these programs that could lead to further changes in the regulatory framework.

8.1.2.2.3 *Requirements in other markets of significance to Volkswagen*

Most other markets of significance to Volkswagen have regulations concerning vehicle emissions. For example, India, Russia, Australia, Korea and other countries follow the emission classes and emission requirements specified in the European Union, partly with modifications.

China, which is important for Volkswagen due to its high sales volume, is rapidly implementing more stringent legislation. The China 6 exhaust emission regulation, which started in 07/2019 in some key regions and in 07/2020 nationwide, requires for light-duty vehicles drastically reduced exhaust emission limits for gaseous pollutants (up to 50% below Euro 6), stringent exhaust emission limits for particulates (equal to Euro 6, but for all engine types), drastically reduced evaporative and refueling emission limits (65% below Euro 6), increased requirements regarding on-board diagnostics and from 07/2023 on the measurement of exhaust emissions on the road (real-driving emissions).

The Ministry of Industry and Information Technology regulates the passenger car fleet within the corporate average fuel consumption ("**CAFC**") standard since 2011. CAFC standards require each manufacturer or importer in China to achieve an annual fleet average fuel consumption target for all passenger cars produced or imported in China. The CAFC standard was recently updated to include increasingly more stringent requirements year-by-year, with an average industry target of 5.0 l/100km in 2020. In 2021, the drive cycle was changed from NEDC for fuel consumption to WLTP (for ICE and PHEV) and with an average industry target of 4.6l/100km in 2025.

In addition, a regulation was published in September 2017, mandating a minimum annual production volumes for vehicles equipped with powertrain technologies such as battery-electric, fuel cell and plug-in hybrid. Starting in 2020, a NEV credit quota of 12% has to be achieved by the manufacturer or importer. The amount of credit per vehicle depends on the technology and the electrical range or energy consumption for NEV (including PHEV, BEV and FCEV). Under the Administrative Measures on Corporate Average Fuel Consumption and New Energy Vehicle Dual-credit Scheme for Passenger Vehicle Enterprises promulgated on June 15, 2020 and effective as of January 1, 2021, the NEV credit quota for 2021, 2022 and 2023 was and is 14%, 16% and 18%, respectively.

8.1.2.3 *Genuine parts*

Genuine parts (and hence, also original parts sold by Volkswagen) are protected by design patents in most European countries. From time to time, efforts are being made to limit this protection by introducing throughout Europe a so-called "repair clause" aimed to eliminate the design protection for visible genuine parts, i.e. component parts of a complex product for the purpose of the repair of that complex product so as to restore its

original appearance. Thus, all genuine parts which must necessarily be identical with the original part would be affected by the introduction of the repair clause. Eliminating design patent protection for visible genuine parts would have a significant consequence for Volkswagen as it would lead to intensified competition in the genuine parts market. Certain European countries, the latest including Germany, have already adopted such repairs clauses within national design law. However, a harmonized European directive has not been implemented thus far. On the European level, the EU Community Design Patent Regulation provides a similar "repair clause" for registered EU design patents. Other countries are considering the withdrawal of design patent protection entirely.

8.1.2.4 *Reuse, recycling and recovery*

Directive 2000/53/EC on end-of-life vehicles (the "**ELV Directive**"), Directive 2006/66/EC on batteries (the "**Batteries Directive**") and Directive 2012/19/EC on waste electric and electronic equipment (the "**WEEE Directive**") govern the recovery of motor vehicles, batteries, and electric and electronic equipment within the European Union. The Directives require ambitious reuse and recovery and reuse and recycling rates.

The ELV Directive, Batteries Directive and WEEE Directive also contain provisions concerning the collection of end-of-life vehicles, batteries, and electric and electronic equipment. These directives ensure that the take-back occurs without any cost to the last owner. The manufacturers must meet all, or a significant part of, the costs associated with undertaking these measures.

Apart from the above, the ELV Directive, the Batteries Directive as well as Directive 2011/65/EC on the restrictions of the use of certain hazardous substances in electrical and electronic equipment limit manufacturing options because they also contain prohibitions on the use of certain identified substances and materials. The Batteries Directive has been revised and was replaced by a regulation. New requirements, particularly in the area of recycling and use of recycled materials in new batteries, are more stringent or completely new. Furthermore, the ELV Directive is currently undergoing a revision process. The draft was recently published by the European Commission.

Although there may be differences in the manner of implementation of laws and regulations concerning the reuse, recycling and recovery, several other markets in which Volkswagen is active also have enacted laws and regulations with similar goals to those implemented in Germany and/or in the European Union (e.g., in Japan, South Korea, China, Russia). Failure to comply with provisions of the directives and regulations can lead to action from competent authorities against manufacturers. This is the case even for components supplied by third parties. There is a risk that the competent authorities may impose, among other things, waste disposal orders and/or fines against Volkswagen.

8.1.2.5 *Fuel requirements*

Directive 2003/30/EC on the promotion of the use of biofuels or other renewable fuels for transport specifies that a minimum proportion of the fuel sold in EU Member States is derived from biofuels (fuels produced from biomass, i.e. biodegradable waste and residues that originate, among other things, from agriculture and forestry). Generally, the Directive mandates that this minimum percentage must be at least 5.75% of all diesel and petrol quantities sold.

The Directive on biofuels 2003/30/EC was replaced by Directive 2009/28/EC on the promotion of the use of energy from renewable sources on January 1, 2012. Pursuant to this Directive, each Member State shall ensure that the share of energy from renewable sources in all forms of transport in 2020 is at least 10% of the final consumption of energy in transport in that Member State. Directive 2009/28/EC was replaced by Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources ("**Renewable Energy Directive II**").

The Renewable Energy Directive II, which member states had to transpose into national law by mid-2021, establishes a framework for the promotion of energy from renewable sources in the European Union until 2030 and continues to promote the use of renewable energy in transport, including liquid fuel and electricity, with a target of at least 32% renewables in the final energy consumption by 2030. Under the Renewable Energy Directive II, each Member State is required to ensure that the share of renewable energy within the final consumption of energy in the transport sector is at least 14 % by 2030.

On 13 October 2023 European Parliament and European Council adopted a Directive amending Directive (EU) 2018/2001, Regulation (EU) 2018/1999 and Directive 98/70/EC as regards the promotion of energy from renewable sources and repealing Council Directive (EU) 2015/652 2021/0218 (COD) ("**Renewable Energy Directive III**") which is to be published shortly in the Official Journal of the European Union. Under the Renewable Energy Directive III, member states even have to ensure that the amount of renewable fuels and renewable electricity supplied to the transport sector leads to a share of renewable energy within the final consumption of energy in the transport sector of at least 29 % by 2030 or a greenhouse gas intensity reduction of at least 14.5 % by 2030.

Regardless of the differences in the implementation of the legislative provisions, in most other significant markets in which Volkswagen is active, provisions have been enacted pursuing legislative goals similar to those in the European Union.

8.1.2.6 *Road safety*

Regulation (EC) 661/2009 of the European Parliament and Council ("**GSR**"), is superseded by Regulation (EC) 2019/2144 ("**GSR 2**"), governs the type approval requirements for the general safety of motor vehicles, as well as their trailers, systems, components, and separate technical units. The regulation lists the compulsory implementing measures and the vehicle categories to which each regulation applies. In addition, Regulation (EC) 78/2009 on the type approval of motor vehicles with regard to the protection of pedestrians and other vulnerable road users ("**VRUs**") (the "**Pedestrian Safety Regulation**") has replaced Directive 2003/102/EC with modified and more advanced provisions, adapted to technical progress. These modifications include passive safety requirements to mitigate the risk of critical injury in the event of a collision between a vehicle and a person. Regulation (EC) 78/2009 has also been repealed by Regulation (EC) 2019/2144.

The GSR requires the Commission to report to the European Parliament periodically with proposals for amendments to the regulation or other relevant community legislation. These proposals relate to the inclusion of new safety features that meet the criteria of the CARS 2020 Action Plan and the policy orientations on road safety 2011-2020. The Pedestrian Safety Regulation also requires the Commission to provide monitoring reports to the European Parliament. Beginning with July 2022, GSR 2 mandates a large number of advanced safety features as standard equipment such as: tyre pressure monitoring systems; intelligent speed assistance; alcohol interlock installation facilitation; driver drowsiness and attention monitoring; advanced driver distraction recognition; emergency stop signal; reversing detection; lane departure warning systems/emergency lane-keeping systems; advanced emergency braking systems and event data recorder.

8.2 Financial Services Division

Volkswagen Bank with its subsidiaries forms a supervised credit institution group within the meaning of the Regulation (EU) No 575/2013 of June 26, 2013, as amended from time to time ("**CRR**"), in conjunction with the German Banking Act (*Kreditwesengesetz*, "**Banking Act**"). The consolidated group of companies of the supervised group under supervisory law includes subsidiaries pursuant to Article 4(1)(16) of the CRR comprising financial institutions pursuant to Article 4(1)(26) of the CRR and an ancillary services undertaking pursuant to Article 4(1)(18) of the CRR. Volkswagen Bank acts as the parent and superordinated company of the group under the CRR and the Banking Act.

Volkswagen Bank holds the requisite license to carry out banking business and provide financial services in accordance with the Banking Act. Volkswagen Leasing operates as a financial services institution that provides finance leases and factoring in accordance with the Banking Act. Volkswagen Versicherung AG is a direct insurer (guarantee insurance) with reinsurance business under the German Insurance Supervision Act (*Versicherungsaufsichtsgesetz*).

The VWFS AG group, however, includes a number of institutions that are supervised by the supervisory authorities of the countries in which these institutions are based or provide their services.

The intended reorganization of the subgroups of VWFS AG and Volkswagen Bank is described further in Section 7.4.2. As a result of the reorganization, the majority of the German and European companies (including subsidiaries and participations) of VWFS and Volkswagen Bank shall be combined and consolidated under a

new financial holding company within the meaning of Article 4(1)(20) of the CRR supervised by ECB. The current VWFS AG shall act as holding company for the non-European companies. The main aspects of the reorganization are expected to be completed by mid-2024.

8.2.1 *Banking supervision*

The ECB, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "**BaFin**"), and the German Central Bank (*Deutsche Bundesbank*), are the main supervisory authorities for Volkswagen Bank and the Volkswagen Bank group.

Regulation (EU) No 1022/2013 of October 22, 2013, Regulation (EU) No 1024/2013 of October 15, 2013 ("**SSM Regulation**") and Regulation 468/2014 of the European Central Bank of April 16, 2014 ("**SSM Framework Regulation**") create a single supervisory mechanism ("**SSM**") for the oversight of banks and other credit institutions of banks established in those member states that have the euro as their common currency ("**Eurozone**") as well as any member states that decide to join the SSM. Under the SSM, specific tasks related to financial stability and banking supervision have been conferred to the ECB. Within the framework of Articles 4 and 6 of the SSM Regulation, the ECB directly supervises credit institutions, financial holding companies or mixed financial holding companies that are significant at the highest level of consolidation within the participating member states.

The ECB determined on October 16, 2017 that Volkswagen Bank and its consolidated holding group ("**Supervised Group**") is a significant group within the meaning of Article 6(4) of the SSM Regulation, and that all its subsidiaries within the Supervised Group that are subject to prudential supervision on a consolidated basis in accordance with the CRR are significant supervised entities within the meaning of Article 6(4) of the SSM Regulation.

The list of group entities subject to the prudential supervision on a consolidated basis consists of Volkswagen Bank and its subsidiaries within the meaning of Article 4(1)(16) of the CRR.

The ECB co-operates and in particular exchanges information with national supervisory authorities in exercising its direct supervision of significant institutions. With respect to certain supervisory tasks under the SSM Regulation, BaFin is required to assist the ECB in its supervisory tasks relating to the Supervised Group and to follow the ECB's instructions. Where Volkswagen describes the fulfillment of banking supervisory tasks relevant for regulated Volkswagen entities in the following, Volkswagen refers to the "**competent authorities**" for carrying out such supervisory tasks.

The Banking Act, the CRR and Directive 2013/36/EU of June 26, 2013, as amended by Directive (EU) 2019/878 ("**CRD V**") and related regulations and publications form the legal basis for the supervision of the business activities of the Supervised Group, Volkswagen Bank as a credit institution and Volkswagen Leasing, a subsidiary of VWFS AG, as a financial services institution.

According to the Banking Act, a license is required for the operation of a banking business and provision of financial services. The CRR and the Banking Act also stipulate the regulatory requirements which must be observed by credit institutions and financial services institutions as well as financial holding companies when operating their respective businesses.

As part of their statutory responsibilities, the competent authorities may issue ordinances with respect to institutions, financial holding companies, their managing directors and their shareholders in order to prevent or remedy infringements of regulatory provisions. The admission to carry out business operations, compliance with capital adequacy requirements, liquidity requirements and large exposure limits, as well as the proper business organization of the institutions, including appropriate risk management, are subject to supervision by the competent authorities.

If the competent authorities discover violations of regulatory laws, they may, under certain conditions, revoke an institution's license or take a less severe action such as dismissing the managing directors or prohibiting them from continuing to perform their functions.

If the capital adequacy or liquidity requirements are not satisfied and the credit institution does not remedy the deficiencies within a specified period, the competent authorities may under certain circumstances, among other things, prohibit or limit the distribution of profits, payments on equity instruments or the granting of further loans. Further, the competent authorities may instruct the credit institution to take measures in order to reduce risks resulting from certain types of businesses and products or the utilization of certain systems.

If there is a risk that a credit institution will not meet its obligations *vis-a-vis* its creditors, and, in particular, if the safety of the assets entrusted to the institution is at risk, or if there is a legitimate suspicion that effective supervision of the credit institution is not possible, the competent authorities may take interim measures in order to prevent these risks. These measures may include instructions to the institution's management, prohibitions on accepting funds or securities from customers or the granting of loans, prohibitions or limitations of the activities of the managing directors, issuance of a temporary ban on dispositions and payments, prohibitions on accepting payments that are not designated for the discharge of the institution's liabilities, or the closure of the institution to customer business.

The ECB is empowered, in particular as part of the Supervisory Review and Evaluation Process ("**SREP**"), *inter alia*, to analyze the business model, reliability of internal control arrangements (including the internal models to measure adequacy of capital and liquidity also referred to as "Internal Capital Adequacy Assessment Process" (ICAAP) and "Internal Liquidity Adequacy Assessment Process" (ILAAP), respectively), risk governance of individual groups of significant credit institutions (such as Volkswagen Bank) and to require those to comply with own funds and liquidity adequacy requirements which may exceed regular regulatory requirements or to take early correction measures to address potential issues.

The key result of the application of the SREP is a common scoring which may result in specific additional individual capital and liquidity requirements for the supervised credit institutions subject to the SSM. As a result, each affected credit institution will receive a SREP decision by the ECB affecting, among other, individual capital requirements which may increase the capital requirements applicable to it.

After the approval of the ECB to establish a financial holding company pursuant to section 2f of the Banking Act with the financial holding company as superordinated company of the supervised group and after the reorganization of VWFS AG and Volkswagen Bank is completed (as described further in Section 7.4.2) comparable implications to those described above are possible for Volkswagen Bank.

8.2.2 *Capital adequacy requirements*

Credit institutions and sub-groups subject to prudential supervision are required to have adequate levels of own funds in the interest of meeting their obligations to creditors and, in particular, to secure the assets entrusted to them.

Volkswagen Bank has to comply with regulatory reporting requirements on a standalone level as well as a group level.

According to the CRR and the Banking Act, an institution has an adequate level of own funds if, at close of business on each day, it is able to fulfill the capital adequacy requirements in relation to risks of counterparty credit (risk of non-performance of debtors), operational risks (risk of losses due to failure of internal systems or as a consequence of external events) as well as the own funds requirements with relation to market risks. Market risks include in general foreign currency risks, commodity risks and trading book position risks. These requirements must also be fulfilled by German banking and financial holding groups on a consolidated basis. The CRR and the related delegated regulations contain detailed provisions for the calculation of own funds and the total risk exposure amounts that are to be backed by own funds. The minimum requirement for the most important form of capital, "Common Equity Tier 1" capital (primarily consisting of share capital, retained earnings and other reserves), is to maintain at least a 4.5% ratio of Common Equity Tier 1 capital to the total risk exposure amount. The minimum requirement for Tier 1 capital, which consists of Common Equity Tier 1 capital and Additional Tier 1 capital, is to maintain at least a 6% ratio. The minimum requirement for the own funds, which consist of the sum of its Tier 1 capital and Tier 2 capital, is to maintain at least an 8% ratio. The competent authorities have additional powers to impose additional of own funds requirements under certain circumstances. Additionally, banks are required to fulfil the capital buffer requirements in form of Common

Equity Tier 1 capital. The capital buffer requirements include the capital conservation buffer of 2.5% in relation to the risk weighted exposure amounts. The competent authorities may further impose a countercyclical capital buffer of up to 2.5% of total risk exposure amounts, consisting of Common Equity Tier 1 capital which is designed to be accumulated during phases of excessive credit growth. Additional buffers may apply to institutions depending on systemic relevance and risks. Moreover, the additional capital adequacy requirements pursuant to SREP outcome have to be considered.

At the end of October 2021, the European Commission published a proposal for the amendment of Regulation (EU) No 575/2013 (CRR III) and Directive 2013/36/EU (CRD VI) in order to finalize the Basel III requirements (so-called Basel IV). After the planned reorganization of VWFS AG and Volkswagen Bank as further described in Section 7.4.2 above, these implications will also apply for the financial holding group.

8.2.3 *Liquidity requirements*

Volkswagen Bank is subject to the Liquidity Coverage Ratio ("**LCR**") and the Net Stable Funding Ratio ("**NSFR**"), in accordance with the requirements of the CRR. The liquidity requirements relating to the LCR (which requires credit institutions to maintain certain high-quality liquid assets that cover net outflows for a 30-day period against the background of a stress scenario) must be fulfilled with a minimum ratio of 100%. The NSFR requires credit institutions to refinance their long-term assets with corresponding long-term stable refinancing; the ratio must also be at least 100%. Since the minimum LCR and NSFR ratio of 100% came into force, Volkswagen Bank has always complied with the given limit.

Volkswagen Bank must also comply with requirements relating to unencumbered ECB-eligible assets and liquidity position, based on the supervisory regulations regarding recovery planning. The unencumbered ECB-eligible assets represent the free lending value within the ECB pledge account, with a minimum requirement (recovery threshold) of €1.0 billion. The liquidity position (counter balancing capacity) represents the stock of unencumbered assets and withdrawable central bank reserves which are legally and practically available to cover potential funding gaps. The minimum requirement (recovery threshold) for the liquidity position is €4.0 billion. Volkswagen Bank has always complied with the given limits for the unencumbered ECB-eligible assets and liquidity position.

8.2.4 *Leverage ratio requirements*

Banks are required to calculate and to report a leverage ratio to the supervisory authority. Furthermore, since 2015 all banks must disclose their leverage ratios and its components. The amending regulation to the CRR, Regulation EU 2019/876 (CRR II), introduced a legally binding minimum leverage ratio of 3%. The introduction of a minimum requirement of 3% for the leverage ratio may constrain the Volkswagen Bank's ability to grow in the future or even require it to reduce its business volumes.

8.2.5 *Organization and risk management in the Financial Services Division*

Volkswagen Financial Services Division is separated into the risk management of Volkswagen Bank Group and the internal control system ("**ICS**") of the VWFS AG Group.

8.2.5.1 *Organization and risk management in Volkswagen Bank Group*

CRD V and the Banking Act contain strict standards of corporate governance, improved risk management functions and risk control, and improved regulatory supervision of financial institutions, as well as the possibility of national regulatory supervisors to impose effective, proportional and deterring sanctions.

According to the Banking Act, institutions (including Volkswagen Bank) and financial holding groups (including the Supervised Group) must maintain a proper business organization that includes appropriate and effective risk management.

Under the applicable risk management framework, appropriate and effective risk management includes specifying strategies and establishing internal monitoring procedures, taking into account the risk-bearing capacity of the relevant institution. The internal monitoring procedures consist of internal control systems and

internal auditing functions. The internal monitoring system comprises rules regarding the structural and operational arrangements and processes for identifying, assessing, treating, monitoring and communicating risks.

The risk management framework in Volkswagen Bank also sets forth provisions for risk management at the group level. The group related requirements extend to strategies, risk-bearing capacity, risk management and risk monitoring processes, procedural provisions and group auditing. The way risk management is implemented at Volkswagen Bank Group depends on the nature, scope, complexity and level of risk, as well as the corporate law framework.

The Banking Act further provides for the separation of proprietary trading and lending to hedge funds and other highly leveraged funds from deposit taking and requires the transfer of such activities to a financially, organizationally and legally independent financial trading entity (*Finanzhandelsinstitut*) upon reaching a certain threshold. Volkswagen Bank Group does not currently reach or exceed such threshold. BaFin is given powers to impose additional separation requirements.

The ECB, EBA and BaFin regularly assess risks and vulnerabilities in the European and German banking sectors, in particular by conducting stress tests on credit institutions such as Volkswagen Bank Group. The outcome of these stress tests may be published and may therefore have a negative impact on investors' confidence in the financial market as such or in specific institutions such as Volkswagen Bank Group.

For a description of risk management in Volkswagen's Financial Services Division, see "*Business of the Volkswagen Group — Volkswagen's Divisions and their Products and Services — Financial Services Division — Risk management in the Volkswagen Bank Group*."

8.2.5.2 *Organization and risk management in VWFS AG Group*

The Board of Management of VWFS AG Group consigns the establishment of a system for identifying, measuring, monitoring and managing risk positions to the Risk Management function. The assurance of compliance with regulatory obligations as well as corporate guidelines and industry standards is in the responsibility of the legal entities. They are obliged to fulfill central requirements, defined by risk owners and the Risk Management function.

For a description of the internal control system in Volkswagen's Financial Services Division, see "*Business of the Volkswagen Group — Volkswagen's Divisions and their Products and Services — Financial Services Division — Risk Management in VWFS AG Group*."

8.2.6 ***Recovery and resolution measures***

Credit institutions such as Volkswagen Bank are subject to the German Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz*, "**SAG**") which has implemented the Directive for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU –"**BRRD**") into German law. BRRD was amended by Directive (EU) 2019/879 ("**BRRD II**"). Within the European Union in addition to the BRRD, by Regulation (EU) No. 806/2014 ("**SRMR**") as amended by Regulation (EU) 2019/877 ("**SRMR II**"), a Single Resolution Mechanism (the "**SRM**" and together with the SAG, the "**Resolution Framework**") establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms and a Single Resolution Fund (the "**Fund**") was established for the participating member states of the SSM. The SRM is considered as the second pillar of the so-called EU Banking Union (and in this respect, supplements the SSM as the respective first pillar), according to which a new agency of the European Union, the resolution board (the Single Resolution Board or the "**SRB**") has been established for the purposes of a centralized and uniform application of the resolution regime. The predominant part of the provisions of the SRMR has been applicable since January 1, 2016 and was amended most recently in June 2019 by SRMR II. The SRB and the BaFin form together the competent resolution authority for certain significant banks, including Volkswagen Bank (which is subject to direct supervision by the ECB).

The SAG and the SRM Regulation confer additional crisis prevention measures and resolution tools on the competent authorities which are aimed at preventing the occurrence of a financial crisis at an early stage.

Volkswagen Bank may also be subject to crisis prevention measures under the SAG and SRMR, which, *inter alia*, enable the competent authorities to act when they identify any impediments to resolution.

The resolution powers of competent resolution authority include the bail-in tool. Pursuant to this and ancillary measures, claims for payment of principal, interest or other amounts under certain debt instruments (instruments counting towards the institution's own funds as well as other liabilities) may be subject to a permanent reduction, including to zero, variations of the terms and conditions of the debt instruments in other aspects (e.g., changes of the debt instrument's maturity) or a conversion into one or more instruments that constitute common equity tier 1 capital instruments (such as share capital) by intervention of the competent resolution authorities. These measures entail the risk that creditors whose claims are affected (i) suffer a partial or complete write-down of the nominal amount of their outstanding claim, (ii) may otherwise lose all or part of their investment e.g., by being subject to a permanent reduction, including to zero, or variation of the terms and conditions of the debt instruments in other aspects (e.g., extension of the maturity of a debt instrument) or (iii) receive shares or other instruments of the core capital (*hartes Kernkapital*) in exchange for their claims (whereby such equity instruments may be highly diluted and have a value close to zero). Pursuant to the applicable provisions, any write-down (or conversion) in accordance with the bail-in tool or the write-down tool would not constitute an event of default under the terms of the relevant instruments. Consequently, any amounts so written down would be irrevocably lost and the holders of such instruments would cease to have any claims thereunder. The competent resolution authority may, however, restore the position of the holders of bail-in or write-down instruments should the position of the respective institution improve. Payments made in breach of the order of the competent resolution authority would have to be reimbursed.

Volkswagen Bank is required to comply with a minimum requirement for own funds and eligible liabilities ("**MREL**") which may be subject to the bail-in tool. The MREL shall be calculated as the amount of own funds and eligible liabilities expressed as a percentage of both Risk-Weighted Assets ("**RWA**") and the Leverage Ratio Exposure ("**LRE**") of the institution. BRRD II and the SRMR II aim at reaching consistency with the requirements on Total Loss Absorbing Capacity (TLAC) which are agreed on the international level and solely applicable for globally systemic relevant banks (G-SIBs). The obligation to meet minimum requirements of MREL-eligible liabilities may increase refinancing costs and may adversely affect Volkswagen Bank's ability to meet the payment obligations under the debt instruments issued by it. If existing instruments ceased to be eligible for MREL, Volkswagen Bank would need to fulfil any upcoming MREL by virtue of issuing new debt instruments in the future.

8.2.7 *Holders of significant interests*

The Banking Act also includes a number of requirements and empowers the competent authorities to take action with respect to individuals and companies owning a significant interest (being a qualifying holding within the meaning of the CRR, i.e. a direct or indirect holding in an undertaking which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking) in an institution. For example, the competent authorities may suspend an institution's license if there are facts justifying the assumption that the holder of a significant interest or its representative appointed by law or according to the articles of association is not reliable or does not, for other reasons, meet the requirements in the interest of a sound and prudent management of the institution. In order to implement the reorganization of VWFS AG and Volkswagen Bank as described further in Section 7.4.2 above, a number of owner control procedures have to be completed.

8.2.8 *Deposit protection*

As a deposit taking credit institution, Volkswagen Bank is subject to the statutory deposit protection rules. It is a member of the Compensation Scheme of German Banks (*Entschädigungseinrichtung deutscher Banken GmbH*). If a creditor is entitled to compensation, such creditor has a direct claim against the Compensation Scheme of German Banks, which is limited to €100,000 (€500,000 in specific cases).

Volkswagen Bank is also a member of the Deposit Protection Fund (*Einlagensicherungsfonds*) of the Association of German Banks (*Bundesverband deutscher Banken*), which supplements the government deposit protection by means of a voluntary self-help arrangement. The Deposit Protection Fund in principle protects all deposits of private individuals and foundations, certain deposits of commercial enterprises, institutional

investors (other than banks, financial institutions and investment firms) and public-sector entities. A guarantee is paid to each creditor up to a limit of €5 million for private creditors and a limit of €50 million for companies, but not more than 15% of the liable capital of the credit institution relevant for deposit protection. As of January 1, 2025, the security limit for private creditors is expected to be €3 million and the security limit for corporate creditors is expected to be €30 million. As of January 1, 2030 the security limit for private creditors is expected to be €1 million and for corporate creditors the security limit is expected to be €10 million, but not more than 8.75% of the liable capital of the credit institution relevant for deposit protection.

The Deposit Protection Fund is funded by an annual contribution from the participating banks. If the resources in the fund are not sufficient, or it is otherwise required in order to enable the fund to perform its tasks, the Association of German Banks may resolve that one or more special contributions shall be levied in each business year, whereby the sum of all special contributions in a given business year shall not exceed 100% of the annual contribution (not taking into account certain rebates or certain surcharges and discounts) for the respective business year.

Banks contributing to the Deposit Protection Fund must submit a mandatory declaration to the Association of German Banks of individuals or companies who own the majority of the shares in the relevant bank, or who can exercise a direct or indirect controlling influence on such bank. The declaration contains the obligation to indemnify the Association of German Banks against any losses incurred by it as a result of assistance provided to such bank. Volkswagen AG and Porsche SE have submitted such declaration in respect of Volkswagen Bank.

9. MAJOR SHAREHOLDERS

The following table sets forth information regarding the shareholders who hold voting rights in the Company as of the date of this Offering Memorandum. The Company receives notifications in accordance with the German Securities Trading Act (WpHG — *Wertpapierhandelsgesetz*) indicating shareholders that hold directly more than 3% of the ordinary voting shares of the Company. The table below shows the percentage of voting rights for the Company's significant shareholders:

Shareholders subject to the notification requirement	**Percentage of voting rights**
Porsche Automobil Holding SE, Stuttgart[(1)]	53.3%
State of Lower Saxony	20.0%
Qatar Holding LLC[(2)]	17.0%
Free-Float Shares	9.7%

(1) These shares are held indirectly by and for the benefit of individuals from the Porsche and Piëch families who are the ultimate beneficial owners of such shares. There are agreements and other arrangements in place among the intermediate holding companies and the individuals with respect to the shares of Volkswagen AG. Volkswagen AG is not a party to and has no information concerning the terms of these arrangements.

(2) These shares are attributed to the State of Qatar (via various intermediate holding companies).

10. RELATED PARTY TRANSACTIONS

Persons related to Volkswagen AG include its principal shareholders, including Porsche SE, which is indirectly controlled by the Porsche and Piëch families, together with the State of Lower Saxony and the State of Qatar. See "*Major Shareholders*".

In addition to the direct and indirect equity interests and voting rights in Volkswagen AG held by Porsche SE and the Porsche and Piëch families, members of the Porsche and Piëch families serve on the governing bodies of Volkswagen AG, AUDI AG, MAN SE and Porsche Holding Gesellschaft m.b.H. Salzburg, as well as Porsche SE and its affiliated companies. For additional information, see "*Board of Management and Supervisory Board*".

The Porsche and Piëch families also hold significant interests in Porsche Familienholding GmbH and Porsche Gesellschaft m.b.H., both based in Salzburg. Following Porsche Gesellschaft m.b.H.'s exercise of its put option, Volkswagen acquired Porsche Holding's operating trading business as of March 1, 2011.

In 2022, Volkswagen rendered supplies and services to related parties totaling €17,755 million (€18,835 million in 2021 and €18,783 million in 2020). Volkswagen's total sales revenue amounted to €279,232 million in 2022 (€250,200 million in 2021 and €222,884 million in 2020). For more information concerning the amounts of the supplies and services transacted, as well as outstanding receivables and liabilities between consolidated companies of the Volkswagen Group and related parties, please refer to note 46 of the 2022 Group Financial Statements and note 46 of the 2021 Group Financial Statements.

All business relations with unconsolidated subsidiaries, joint ventures, associates and other related parties are, in the opinion of the Company, conducted on arm's length terms.

10.1 Relationships of the Volkswagen Group with Porsche SE and the Porsche and Piëch families

10.1.1 *Porsche SE*

Volkswagen maintains legal and business relationships with Porsche SE, which holds 53.3% of Volkswagen AG's voting capital.

10.1.1.1 *Relationships under company law, dual mandates*

Members of Volkswagen's Supervisory Board and Board of Management serve simultaneously on the boards of Porsche SE and AUDI AG. For additional information, see "*Board of Management and Supervisory Board*".

Volkswagen AG ensures that both members of the Board of Management, in the performance of their duties, separate their functions as member of Volkswagen AG's Board of Management and as member of Porsche SE's Executive Board and act in accordance with applicable statutory provisions.

10.1.1.2 *Contractual relationships*

Various business relationships exist between the Volkswagen Group and Porsche SE companies and their subsidiaries. These relationships are largely regulated by reciprocal consulting framework agreements and, to minor extent, by other contracts.

Since 2008, the Board of Management of Volkswagen AG has represented in its annual report that Volkswagen AG received appropriate consideration in all legal transactions with affiliated companies, including Porsche SE and its subsidiaries.

10.1.2 *Porsche and Piëch families*

The Porsche and Piëch families have significant interests in Porsche SE, Porsche Familienholding GmbH and Porsche Gesellschaft m.b.H.

Members of the Porsche and Piëch families are represented on Volkswagen AG's Supervisory Board. These are Dr. jur. Hans Michel Piëch, Dr. jur. Ferdinand Oliver Porsche and Dr. rer. comm. Wolfgang Porsche. See "*Board of Management and Supervisory Board — Supervisory Board*".

10.2 Relationships of the Volkswagen Group with the State of Qatar

The State of Qatar indirectly holds approximately 17.0% of Volkswagen AG's voting capital and has three representatives, Dr. Hussain Ali Al-Abdulla, Dr. Hessa Sultan Al-Jaber and Mansoor Ebrahim Al-Mahmoud, on Volkswagen AG's Supervisory Board.

10.3 Relationships of the Volkswagen Group with the State of Lower Saxony

The State of Lower Saxony holds, directly and indirectly, approximately 20.0% of Volkswagen AG's voting capital. See "*Major Shareholders*".

In accordance with Volkswagen AG's articles of association, the State of Lower Saxony is entitled to appoint two members of the Supervisory Board of Volkswagen AG for as long as it directly or indirectly holds at least 15% of Volkswagen AG's ordinary shares.

Transactions with the State of Lower Saxony and private-law entities of the State of Lower Saxony are, in the opinion of the Company, conducted on arm's length terms. In addition, the State of Lower Saxony and its private-law entities have not instructed Volkswagen to enter into, or refrain from entering into, any transactions.

11. BOARD OF MANAGEMENT AND SUPERVISORY BOARD

As required by the German Stock Corporation Act, Volkswagen AG has a two-tier board system, consisting of a Supervisory Board (*Aufsichtsrat*) and a Board of Management (*Vorstand*).

11.1 Board of Management

The Board of Management is directly responsible for managing the Company.

Pursuant to the articles of association of the Company, the Company is represented by two members of the Board of Management or by one member of the Board of Management and an authorized signatory.

The number of members of the Board of Management is determined by the Supervisory Board. The Board of Management must consist of at least three members. The Board of Management of Volkswagen AG has eight members. Pursuant to German statutory requirements, one member of the Board of Management must be assigned the responsibility for labor matters.

The members of the Board of Management are appointed by the Supervisory Board for a maximum term of five years. The Supervisory Board may also reappoint a member of the Board of Management or extend such member's term of office, in each case for a maximum of five years. The Supervisory Board can revoke the appointment of a member of the Board of Management before the expiration of his term of office for good cause, for example for gross violation of duties or if the general shareholders' meeting declares it no longer has confidence in such member of the Board of Management, unless the vote of "no confidence" was based on grounds that are obviously not objective.

The Board of Management adopts resolutions by a simple majority of the votes cast. If there is a tied vote, the Chairman has the casting vote.

According to the articles of association of the Company, the Board of Management requires the prior approval of the Supervisory Board to take certain measures and to enter into certain transactions which are of particular importance to the Company or which entail exceptional economic risks. Article 9 of the articles of association contains a list of transactions requiring the approval of the Supervisory Board, such as establishing and closing branch offices, setting up and relocating production facilities, or investing under investment programs that must be regularly submitted to the Supervisory Board and investing outside these investment programs, insofar as the costs exceed certain thresholds in the individual case. In addition, the rules of procedure of the Board of Management contain details and additions to these approval reservations. Moreover, the Supervisory Board may require its approval for additional types of transactions. It may also generally give its approval to certain types of transactions in advance or subject to certain conditions, such as approvals of limits.

The Board of Management provides the Supervisory Board with regular, timely and comprehensive information on all matters relevant to the Company and the Volkswagen Group with regard to planning, business developments, risks and risk management. It reports on deviations of the course of business from agreed plans and goals and identifies the reasons. In general, the Board of Management must provide the Supervisory Board with a long-term plan for the group on an annual basis and must report on significant deviations from the existing plan.

The Supervisory Board may request special reports from the Board of Management at any time. In addition, the Board of Management and the Supervisory Board report on the corporate governance of the Company in the annual report.

11.1.1 *Members of the Board of Management*

The table below lists the names of the members of the Board of Management of Volkswagen AG as of the date of this Offering Memorandum and their respective ages as of December 31, 2022:

Name	Age	Position at Volkswagen AG
Dr. Oliver Blume[1]	54	Chair; Sport & Luxury brand group; Chair of the executive board of Porsche AG
Dr. Arno Antlitz[2]	52	Finance and Operations
Ralf Brandstätter[3]	54	Volkswagen Passenger Cars; Chair of the board of management of the Volkswagen Passenger Cars Brand; China; Chair of the board of management of Volkswagen (China) Investment Co. Ltd.
Dr. Jur. Manfred Döss[4]	64	Integrity and Legal Affairs
Gernot Döllner[5]	54	Chairman of the Board of Management of AUDI AG, Premium brand group
Gunnar Kilian[6]	47	Human Resources and Truck and Bus
Thomas Schäfer[7]	52	Volume brand group, Chair of the board of management of the Volkswagen Passenger Cars brand
Thomas Schmall-von Westerholt[8]	58	Technology and Chairman of the Board of Management of Volkswagen Group Components
Hauke Stars[9]	55	IT

(1) Mr. Oliver Blume, Chair of the executive board of Porsche AG, was appointed as a new member of the Board of Management in April 2018 following the departure of Mr. Francisco Javier Garcia Sanz, head of Procurement, who left the Company at his own request. On July 22, 2022, the Supervisory Board of Volkswagen AG appointed Dr. Oliver Blume as the new Chair of the Board of Management of Volkswagen AG effective from September 1, 2022.

(2) Mr. Arno Antlitz has been appointed as a new member of the Board of Management since April 1, 2021. Until February 1, 2022 he was responsible for the business area IT. Since February 1, 2022, Dr. Arno Antlitz has been responsible for the business area Finance and since September 1, 2022, Dr. Arno Antlitz has also been responsible for the business area Operations.

(3) Mr. Ralf Brandstätter has been appointed as a new member of the Board of Management since January 1, 2022.

(4) Dr. Jur. Manfred Döss has been appointed as a new member of the Board of Management since February 1, 2022, replacing Ms. Hiltrud Dorothea Werner.

(5) Mr. Gernot Döllner has taken over the responsibility as the Chairman of the Board of Management of AUDI AG, as of September 1, 2023, replacing Mr. Markus Duesmann.

(6) Mr. Gunnar Kilian has taken over the responsibility for Human Resources and Organization from Mr. Karlheinz Blessing in April 2018. Mr. Blessing has left the Board of Management by mutual agreement. As of July 15, 2020, Mr. Killian took over responsibility for Truck & Bus brand group.

(7) Mr. Thomas Schäfer has been appointed as a new member of the Board of Management since July 1, 2022.

(8) Mr. Thomas Schmall-von Westerholt has been appointed as a new member of the Board of Management effective January 1, 2021 in connection with the December 2020 decision of the Supervisory Board to split up the responsibility for Components and Procurement into Purchasing and Technology.

(9) Ms. Hauke Stars has been appointed as a new member of the Board of Management since February 1, 2022.

There are no family relationships between any of the individuals listed above.

Dr. Oliver Blume was born on June 6, 1968 in Brunswick. He holds a PhD in mechanical engineering and has been with the Volkswagen Group since 1994. After graduating from high school, Mr. Blume began his studies at TU Braunschweig in 1988, and was awarded a degree in mechanical engineering in 1994. He completed his

PhD thesis to receive the title of Doctor of Engineering in Vehicle Engineering from the Institute of Vehicle Technology at Tongji University, Shanghai, in 2001. Mr. Blume already started his professional career in 1994, joining the international trainee program at AUDI AG. After roles in body construction planning and logistics, he held various senior management functions until 2006, including Head of Body Construction for the A3, Head of the AUDI AG Pilot Plant, and Head of Planning and the Pilot Series Centre at SEAT S.A. in Barcelona. Mr. Blume moved to Wolfsburg as Head of Production Planning at the Volkswagen brand in 2009. He became the member of the Executive Board for Production and Logistics at Porsche AG in 2013. He was appointed Chairman of the Executive Board of Dr. Ing. h. c. F. Porsche AG in 2015. On July 22, 2022, the Supervisory Board of Volkswagen AG appointed Dr. Oliver Blume as the new Chair of the Board of Management of Volkswagen AG effective from September 1, 2022.

Dr. Blume was not a member of the executive, administrative, or supervisory bodies and/or a partner in any enterprises or companies as of December 31, 2022.

Dr. Arno Antlitz was born March 30, 1970 in Premich, Lower Franconia, Germany. He studied industrial engineering at the Technical University Darmstadt, specializing in mechanical engineering, and earned his doctorate in political science (Dr. rer. pol.) at the Otto Beisheim School of Management (WHU). In 1999, he started at the business consulting firm McKinsey & Company, where he was last employed as an Associate Principal. His areas of emphasis included strategy, organization optimization and cost optimization in the automotive and supplier industries. Dr. Antlitz joined Volkswagen Aktiengesellschaft in 2004. Early in 2005, he was given responsibility for global product controlling at Volkswagen brand. Since January 1, 2010 Dr. Antlitz was Member of the Volkswagen Brand Board of Management for "Controlling and Accounting". From March 1, 2020 until March 31, 2021 Dr. Antlitz was Chief Financial Officer of the AUDI Aktiengesellschaft in Ingolstadt. The Supervisory Board of Volkswagen AG transferred responsibility for Finance at Group level in the Board of Management to Dr. Antlitz with effect from April 1, 2021. Since February 1, 2022, Dr. Arno Antlitz has been responsible for the business area Finance and since September 1, 2022, Dr. Arno Antlitz has also been responsible for the business area Operations at Group level in the Board of Management.

Dr. Antlitz was not a member of the executive, administrative, or supervisory bodies and/or a partner in any enterprises or companies as of December 31, 2022.

Ralf Brandstätter was born in Brunswick on September 8, 1968. He trained as a shopfitter at the Volkswagen plant in Brunswick. He then studied industrial engineering and joined the Volkswagen Group in 1993. Following positions in international project steering in the procurement division, he became an assistant to the Board of Management in the General Secretariat of Volkswagen AG. In 1998, he took charge of metal procurement for chassis and powertrain components and was made project manager for new vehicle projects in 2003. In 2005, he moved to Spain as head of procurement. He became the member of the SEAT Executive Committee responsible for Purchasing in 2008. Brandstätter was named Head of Group Procurement Exterieur in 2010. He was appointed Head of Group Purchasing New Product Launches in 2012 and was made a General Representative of Volkswagen AG in October 2015. Mr. Brandstätter was appointed a member of the Board of Management of the Volkswagen Passenger Cars brand on December 9, 2015. He held responsibility for procurement from December 2015 to the end of February 2019. Mr. Brandstätter has led the Volkswagen Passenger Cars brand as Chief Operating Officer (COO) since August 1, 2018. Mr. Brandstätter became Chairman of the Board of Management (CEO) of the Volkswagen Passenger Cars brand on July 1, 2020. Mr. Brandstätter was appointed to the Board of Management as of January 1, 2022.

Mr. Brandstätter was not a member of any comparable executive, administrative, or supervisory bodies and/or a partner in any enterprises or companies as of December 31, 2022.

Dr. Jur. Manfred Döss was born in 1958 in Bad Kreuznach, Germany. He studied law at the Johannes Gutenberg University in Mainz, Germany. After his post-graduate clerkship in 1987, he received his doctorate in 1990. Dr. Döss started his career at Metallgesellschaft AG (today Gea AG) in the legal department. In 1996, he became head of the legal department and in 1994, he also became representative of senior executives in the co-determined Supervisory Board of Metallgesellschaft AG. From 2005 to 2013, Dr. Döss worked as head of the legal department of RWE AG. From 2007 to 2009, he also served as non-executive director during the initial public offering of American Water Works Co. Inc., Voorhees (NJ), USA, a former subsidiary of the RWE Group. From 2013 to 2015, Dr. Döss served as head of the Legal department of Porsche Automobil Holding

SE. Since 2016, Dr. Döss has served as member of the Management Board of Porsche Automobil Holding SE, responsible for Legal and Compliance. Dr. Döss was appointed to the Board of Management as of February 1, 2022.

Dr. Döss was not a member of any comparable executive, administrative, or supervisory bodies and/or a partner in any enterprises or companies as of December 31, 2022.

Gernot Döllner was born in 1969, studied mechanical engineering as well as design engineering/vehicle technology in Braunschweig, Germany, and Waterloo, Canada. In 1993, he joined Volkswagen AG as a doctoral student in Wolfsburg. Following his doctorate, he initially worked as a systems analyst. In 1998, he moved to Porsche AG in Weissach, as project manager for reengineering. From 2001 to 2010, he was head of the Vehicle Concepts and Package department there. At the same time, he took over project management for the Porsche 918 Spyder in 2009/2010. He then became the main department head of Product Strategy at Porsche AG before taking over as head of the Panamera model series from 2011 to 2018. After that, he was head of Product and Concept at Porsche AG. In 2021, he returned to Wolfsburg, where he led the Group Strategy, the Group Product Strategy, and of the General Secretariat of Volkswagen AG. The Supervisory Board of AUDI AG appointed Gernot Döllner as Chairman of the Board of Management of AUDI AG effective September 1, 2023. Since then, he has also been a member of the Board of Management of the Volkswagen Group and heads the Progressive brand group which includes Audi, Bentley, Lamborghini, and Ducati.

Mr. Döllner was not a member of the executive, administrative, or supervisory bodies and/or a partner in any enterprises or companies as of December 31, 2022.

Gunnar Kilian was born on January 31, 1975 in Westerland/Sylt and has worked for the Volkswagen Group since 2000. He started his professional career in 1995 as an intern with a newspaper, subsequently holding various editorial posts before joining Volkswagen AG as a public relations officer in 2000. From 2003, Mr. Kilian ran the office of a member of the German Bundestag, and returned to Volkswagen AG in 2006 as press spokesperson for the Group Works Council. He worked in the Salzburg office of the Chairman of the Volkswagen AG Supervisory Board from 2012 before returning to Wolfsburg in 2013 to take up the post of Secretary-General and General Manager of the Group Works Council. Mr. Kilian also held Supervisory Board mandates at Wolfsburg AG, Porsche Holding Stuttgart GmbH, Volkswagen Truck & Bus GmbH, MAN Diesel & Turbo SE, Allianz für die Region GmbH as well as Volkswagen Vertriebsbetreuungsgesellschaft and MOIA GmbH. Mr. Kilian has engaged in voluntary work for many years, for example as Chairman of the Volkswagen Belegschaftsstiftung (Volkswagen Employee Foundation) and also as a member of the Stiftungsrat (Board of Trustees) of the International Youth Meeting Center in Auschwitz.

Mr. Kilian was a member of the executive, administrative, or supervisory bodies and/or a partner in the enterprise or company listed below as of December 31, 2022:

- Wolfsburg AG, Wolfsburg

Thomas Schäfer was born in Marburg, Germany, in 1970. He entered the automotive industry through a dual study program at Daimler AG and graduated with a degree in mechanical engineering in 1994. He held various management positions in the areas of production and quality assurance in Germany, the USA and South Africa at Daimler until 2002. From 2002 to 2005, he was a founding member of DaimlerChrysler Malaysia as the Board Member for Technology. At the Stuttgart headquarters, he was responsible for vehicle deliveries, customer centres and the global CKD business in emerging markets between 2005 and 2012. In May 2012, he moved to Volkswagen AG, where he headed up the Volkswagen Group's International Production and was responsible for CKD projects and negotiations on new production sites. From 2015, he held the position of Chairman and Managing Director of Volkswagen Group South Africa and was responsible for the development of the Group brands in the sub-Saharan Africa region. Schäfer became CEO of ŠKODA AUTO in August 2020. He launched the new corporate strategy NEXT LEVEL – ŠKODA STRATEGY 2030, advanced the electrification of the model portfolio and laid the foundation for becoming the leading European brand in growth regions like India and North Africa. He assumed the position of Chief Operating Officer of the Volkswagen brand on 1 April 2022. Since 1 July 2022, he has been a member of the Group Board of Management, CEO of the Volkswagen Passenger Cars brand and Head of the Brand Group Volume.

Mr. Schäfer was not a member of the executive, administrative, or supervisory bodies and/or a partner in any enterprises or companies as of December 31, 2022.

Thomas Schmall-von Westerholt was born on January 9, 1964. After leaving school, he studied business management and labour and organisational psychology at the University of Giessen. Mr. Schmall-von Westerholt joined the Volkswagen Group in 1991. Following posts in industrial engineering in Wolfsburg, Germany, Mexico and South Africa, Mr. Schmall-von Westerholt moved to Volkswagen do Brasil in 1999, becoming manager of the Curitiba plant one year later. Mr. Schmall-von Westerholt joined Volkswagen Slovakia as Board member for Technology in 2003, becoming Chairman of the Volkswagen Slovakia Board of Management based at the Bratislava plant two years later. Thomas Schmall-von Westerholt was appointed CEO of Volkswagen do Brasil in 2007. He also held the post of Vice President of the São Paulo German-Brazilian Chamber of Commerce between 2009 and 2013 and was then elected President of the Chamber until March 2015. Thomas Schmall-von Westerholt was appointed member of the Volkswagen Brand Board of Management responsible for Components effective 1 January 2015. Thomas Schmall-von Westerholt has been CEO of Volkswagen Group Components, an autonomous corporate unit under the umbrella of Volkswagen AG, since 1 January 2019. In this role he supervised the transformation of the division into a stand-alone unit. Mr Schmall-von Westerholt shaped this transition, above all, with an eye on adequate return on investment to ensure self-financing in all business areas. Under central management, Components increased its competitiveness, achieved synergies, optimized plant utilization and investment planning - with the objective of making a lasting positive and sustainable value contribution to the Volkswagen Group's operating profit. Mr. Schmall-von Westerholt was appointed to the Board of Management as of 1 January 2021.

Mr. Schmall-von Westerholt was not a member of the executive, administrative, or supervisory bodies and/or a partner in any enterprises or companies as of December 31, 2022.

Hauke Stars was born on June 3, 1967. Ms. Stars studied applied computer science at the Technical University of Magdeburg and studied further in the UK, graduating as a Master of Science in Engineering. Ms. Stars' whole working life has also been closely tied to information technology. Ms. Stars began her professional career in the IT division of Bertelsmann at the beginning of the 1990s. She moved to the IT service provider Triaton in 1998, where she was initially in charge of software development and, from 2000 on, the member of the Management Board responsible for sales and marketing. Triaton was acquired by Hewlett Packard (HP) in 2004, with the result that Stars continued her career at this global IT group. She was responsible at HP for IT services business in the Netherlands and, from 2007, was Managing Director of HP's local organization in Switzerland. In 2012, she joined the Executive Board of the DAX 40 company Deutsche Börse AG, where she was responsible for IT, capital market business and human resources (as Labor Director) until 2020. The technology and financial market expert has also held seats on various Supervisory Boards since 2009, currently with Supervisory Board mandates at the power company RWE and the logistics company Kühne+Nagel. Ms. Stars was appointed as a member of the Board of Management as of February 1, 2022. In this capacity, Ms. Stars is responsible for all Group-wide activities in the areas of IT, data, organizational development and process management.

Ms. Stars was not a member of any comparable executive, administrative, or supervisory bodies and/or a partner in any enterprises or companies as of December 31, 2022.

11.1.2 *Remuneration of members of the Board of Management*

The new remuneration system has applied since January 1, 2021 to all Board of Management members with service contracts newly concluded or renewed after the Supervisory Board resolution of December 14, 2020. For the Board of Management members already appointed at the time of the resolution by the Supervisory Board on December 14, 2020, the new remuneration system also applies in principle from January 1, 2021. Until such time as their contracts are renewed, however, the following exceptions apply: the performance share plan of the Board of Management members already appointed continues to have only a three-year performance period but otherwise corresponds to the performance share plan described in this system. Penalty and clawback rules will only apply to Board of Management members already appointed on renewal of their contracts.

On March 3, 2023, the Supervisory Board resolved to further adjust the remuneration system to, among other things, lower the percentage of fixed remuneration and increase the percentage of long-term variable

remuneration, remove the possibility to grant a special bonus payment and increase the maximum remuneration and the maximum values of target achievement for variable remuneration components. These changes were approved at the 2023 Annual General Meeting and will apply with retroactive effect from January 1, 2023 on newly concluded or extended service agreements or for service agreements that are amended. The following descriptions outline the remuneration provisions as they applied during the period for which the 2022 reported compensation relates.

11.1.2.1 *Fixed remuneration components*

The fixed remuneration components of the remuneration system include (i) base salary; (ii) fringe benefits; and (iii) occupational retirement provisions. The base salary is composed of twelve equal installments payable at month-end. The Chair of the Board of Management receives €2,235,000 and a Board of Management member receives €1,420,000. Fringe benefit allowance (€175,000) covers certain benefits at the discretion of the Board of Management member, for example: (a) company cars; (b) preventative medical check-ups; (c) allowances for health and long-term care insurance; and (d) accident insurance. Volkswagen credits benefits against the fringe benefit allowance where these are subject to payroll tax and then there is payment of the remaining amount. The basic remuneration and fringe benefits are intended to reflect the tasks and responsibility of the Board of Management members, provide a basic income and prevent members from taking inappropriate risks.

The occupational retirement provision of the fixed remuneration component involves a defined contribution plan by means of direct commitments to retirement, disability and surviving dependents' benefits. Retirement normally occurs when the members reach the age of 65 (or 63 in the case of Board of Management members who took office before January 1, 2020). There is an annual pension contribution of 40% of the contractually agreed base salary (or 50% in the case of Board of Management members who took office before January 1, 2018). The occupational retirement provision is intended to provide Board of Management members with an adequate pension when they retire.

11.1.2.2 *Variable remuneration components*

The variable remuneration components include (i) an annual bonus; and (ii) a long-term incentive component. The annual bonus involves a target bonus: (i) the Chair of the Board of Management has a target amount of €3,045,000; and (ii) a Board of Management member: €1,350,000. The payment amount for the annual bonus is capped at 180% of the target amount for the annual bonus. A member's annual bonus payment amount is calculated by: individual target amount x financial target achievement x ESG factor. The annual bonus is designed to motivate Board of Management members to pursue ambitious targets. The financial performance targets support the strategic target of achieving competitive profitability. Integration of the sustainability targets takes into account the importance of ESG factors.

11.1.2.2.1 *Annual bonus – financial subtarget*

Each member's performance criteria includes the financial subtargets of: (a) operating result ("**OR**") including Chinese joint ventures (proportionately) which accounts for 50% and (b) operating return on sales which accounts for the other 50%. The Supervisory Board defines minimum, target and maximum values for the financial subtargets for each fiscal year. The minimum corresponds to subtarget achievement of 0% of the OR including Chinese joint ventures (proportionate) or 50% of the operating return on sales. The target value corresponds to a subtarget achievement of 100% in each case and the maximum value is the subtarget achievement of 150%. The overall financial target achievement equals: subtarget achievement "operating result including Chinese joint ventures (proportionate)" x 50% + "subtarget achievement operating return on sales" x 50%.

11.1.2.2.2 *Annual bonus – ESG factor*

The performance criteria to receiving one's annual bonus is also affected by an ESG factor. In this structure, there are subtargets of: (i) 50% each for the Environment (decarbonization index) and Social (sentiment rating and diversity index) and (ii) the Governance factor between 0.9 and 1.1 (compliance & integrity, standard value of 1.0). The Supervisory Board defines minimum, target, and maximum values for the Environment and Social subtargets for each fiscal year. The minimum, target, and maximum values correspond to subtarget achievement

of 0.7, 1.0, and 1.3, respectively. Interim values are interpolated on a linear basis. The Supervisory Board sets the Governance factor after the end of the fiscal year taking into account the collective performance of the Board of Management as a whole and the performance of each Management Board member individually. The overall calculation of the ESG factor is: (Environment subtarget achievement x 50% + Social subtarget achievement x 50%) x Governance factor (0.9 – 1.1).

11.1.2.2.3 *Long-term incentive*

The long-term incentive involves a phantom performance share plan. The long-term incentive serves to align the remuneration of the Board of Management members with the Company's long-term performance. The financial performance target EPS (earnings per share) in conjunction with share price performance and the dividends paid, measured over four years, ensures long-term behavioral incentives and supports the strategic target of achieving competitive profitability. The performance period is measured forward over four years. For the Board of Management members already appointed prior to December 14, 2020, a three-year performance period continues to apply until their contracts are renewed. In all other respects, the performance share plan corresponds to the new system for fiscal years 2021 and 2022. The target amount for (i) the Chair of the Board of Management is €3,830,000; and (ii) a Board of Management member: €1,800,000. The payment amount under the performance share plan is limited to 200% of the target amount. In terms of the allocation of performance shares: at the start of each fiscal year, the individually agreed target amount is divided by the arithmetic mean of the closing prices of Volkswagen's preferred shares (German Securities Identification Number: 766403) in the Xetra trading system of Deutsche Börse AG as of the last 30 trading days prior to January 1 in the respective performance period (the initial reference price).

At the start of the performance period, the Supervisory Board defines minimum, target and maximum values for EPS (as presented in the annual report as audited) which is presented as audited, fully diluted earnings per Volkswagen preferred share from the Company's continuing and discontinued operations. The EPS minimum corresponds to a target achievement of 50%, the EPS target corresponds to a target achievement of 100% and the EPS maximum corresponds to a target achievement of 150%. The determination of one-quarter of the allocated performance shares at the end of each fiscal year depends on the EPS target achievement.

In terms of calculating the payment amount, the fixed performance shares are multiplied by the arithmetic mean of the closing prices of Volkswagen's preferred shares in the Xetra trading system of Deutsche Börse AG on the last 30 trading days prior to the end of the performance period (the "**closing reference price**") and the dividends paid out per Volkswagen preferred share during the performance period (the "**dividend equivalent**"). Payment is made in cash in the month following the approval of the consolidated financial statements for the last fiscal year of the respective performance period. However if a member's service contract ends before the end of the performance period due to a bad leaver case (for example, extraordinary termination for cause or a breach of a contractual or post contractual restraint on competition), all performance shares will be forfeited.

11.1.2.3 *Other services*

Volkswagen may also offer a special payment which is intended to reward outstanding and exceptional performance and may only be granted if they are in the Company's interest and are associated with future benefits for the Company. Special payments are only on the basis of a separate contractual agreement with the Board of Management member. The agreement is made in advance for the fiscal year and defines performance criteria for the special payment. There are currently no special payment agreements with Board of Management members.

Volkswagen may also offer certain benefits as agreed with new Board of Management members for either a defined period of time or for the entire term of their service contracts. Such payments are designed to attract qualified candidates. These benefits are only on the basis of a separate contractual agreement with the new Board of Management member. Payments may compensate for declining variable remuneration or other financial disadvantages. Benefits may be offered in connection with a relocation. Such payments serve as a minimum remuneration guarantee. New Board of Management members did not receive any special benefits in the past fiscal year.

11.1.2.4 *Other remuneration provisions*

11.1.2.4.1 *Penalty and clawback rules*

Penalty and clawback rules are intended to counteract individual misconduct and negligence on the part of the organization. For the Board of Management members already appointed prior to December 14, 2020, penalty and clawback rules only apply once such members' contracts have been renewed. Essentially, the Supervisory Board may reduce or request repayment of the annual bonus and LTI by up to 100% in the event of misconduct during the assessment period. A clawback is not permissible if more than three years has elapsed since the bonus was paid.

11.1.2.4.2 *Maximum remuneration*

The aim of the maximum remuneration is to ensure that the remuneration of Board of Management members is not inappropriately high when measured against the peer group. The relevant components are the base salary paid for the respective fiscal year, the fringe benefits granted, the service cost for occupational retirement provision, the annual bonus granted for the respective fiscal year and paid out in the following year, the performance share plan paid out in the respective fiscal year and for which the performance period ended immediately before the respective fiscal year, any special payment granted for the respective fiscal year and any benefits granted to new Board of Management members.

For Board of Management members, the maximum threshold is €7,000,000 (gross) per fiscal year and for the chair of the Board of Management the maximum threshold is €12,000,000 (gross) per fiscal year. If the maximum remuneration is exceeded, the annual bonus will be reduced. If a reduction is not sufficient, the Supervisory Board may, at its discretion, reduce other remuneration components or request repayment of remuneration paid out.

11.1.2.4.3 *Cap on cash remuneration*

The cap on cash remuneration is intended to prevent unacceptably high disbursements in the individual fiscal year. This mechanism is in addition to maximum remuneration. The cash remuneration includes the base salary paid in the respective fiscal year, the annual bonus granted for the respective fiscal year and paid out in the following year, the performance share plan paid in the respective fiscal year and any special payment granted for the respective fiscal year. For Board of Management members, the threshold is €5,500,000 (gross) per fiscal year and for the chair of the Board of Management, the threshold is €10,000,000 (gross) per fiscal year.

11.1.3 ***Remuneration of the Board of Management members appointed in fiscal year 2022***

The following table shows the remuneration actually received by the Board of Management members in 2022 (Mr. Ralf Brandstätter joined the Board of Management as of January 1, 2022, Dr. Jur. Manfred Döss and Ms. Hauke Stars joined the Board of Management as of February 1, 2022 and Mr. Thomas Schäfer joined the Board of Management as of July 1, 2022). The remuneration reported as granted in fiscal year 2022 thus consists of the base salary paid out in fiscal year 2022, the fringe benefits, the annual bonus paid in the month following the approval of the Company's consolidated financial statements for fiscal year 2022 and the LTI for the performance period 2019 to 2021 paid in fiscal year 2022. As the Company was not in default on the payment of remuneration components, no remuneration owed is reported in the tables.

The relative shares shown in the tables relate to the remuneration components granted and owed in the respective fiscal year in accordance with section 162(1) sentence 1 of the AktG. They thus include all benefits actually received in the respective fiscal year, regardless of the fiscal year for which the Board of Management members received them. The relative shares indicated here are thus not comparable with the respective relative shares of fixed and variable remuneration components as part of total remuneration in the description of the remuneration system according to section 87a(1) sentence 2 no. 3 of the AktG. The shares indicated in the remuneration system relate to the targets agreed for the relevant fiscal year, irrespective of the time at which the respective remuneration component was paid out.

Pension expense is reported as service cost within the meaning of IAS 19. The service cost in accordance with IAS 19 does not constitute remuneration granted or owed within the meaning of section 162(1) sentence 1 of the AktG as it is not actually received by the Board of Management member in 2022.

Maximum remuneration corresponds to maximum remuneration within the meaning of section 87a(1) sentence 2 no. 1 of the AktG in accordance with the remuneration system adopted by the Supervisory Board and approved by the Annual General Meeting. As in the past, in addition to maximum remuneration, a limit on cash remuneration, which includes the base salary paid out for the relevant fiscal year, the annual bonus granted for the relevant fiscal year and paid out in the subsequent year, the performance share plan paid out in the relevant fiscal year and any special payment granted for the relevant fiscal year, has been agreed with the members of the Board of Management.

Board of Management service contracts that are new or have been renewed since the Supervisory Board adopted the new remuneration system for the members of the Board of Management on December 14, 2020 also contain the penalty and clawback rules provided for in this remuneration system. The service contracts of the Board of Management members Mr. Duesmann, who were already appointed as of December 14, 2020, therefore do not contain penalty or clawback rules, nor did Ms. Werner's service contract, which ended on January 31, 2022. For Mr. Blume, the penalty and clawback rules apply starting from his new appointment (i.e. from September 1, 2022). Volkswagen AG did not make use of the existing penalty and clawback rules in fiscal year 2022.

	Component of remuneration				
		Variable remuneration			
	Fixed remuneration components	One-year variable remuneration/annual bonus	Long-term incentive (performance share plan) 2019-2021	Other remuneration	Total remuneration granted
Dr. Oliver Blume	1,877,847.64	3,138,685.00	1,392,871.72	–	6,409,404.36
Murat Aksel*	1,112,867.64	1,473,079.31	–	–	2,585,946.95
Arno Anlitz	1,600,689.00	2,212,650.00	–	–	3,813,339.00
Ralf Brandstätter[1]	1,846,963.96	2,212,650.00	–	–	4,059,613.96
Herbert Diess*	1,656,201.00	1,158,419.71	4,018,246.96	–	6,832,867.67
Manfred Döss[2]	1,097,142.00	1,521,196.88	–	–	2,618,338.88
Markus Duesmann[3]	1,617,300.00	2,212,650.00	–	–	3,829,950.00
Gunnar Kilian	1,602,139.00	1,247,128.28	2,832,871.72	–	5,682,139.00
Thomas Schäfer	801,088.98	1,106,325.00	–	–	1,907,413.98
Thomas Schmall-Von Westerholt	1,602,040.00	2,212,650.00	–	–	3,814,690.00
Hauke Stars	1,467,697.63	2,028,262.50	–	–	3,495,960.13
Hiltrud Dorothea Werner*	148,661.33	86,768.36	236,072.64	–	471,502.33
Hildegard Wortmann*	1,001,203.31	1,285,155.62	–	–	2,286,358.93
Total	**17,431,841.49**	**21,895,620.66**	**8,480,063.04**	**0**	**47,807,525.19**

	Pension expenses	Total remuneration including pension expenses	Max remuneration	Clawback
Dr. Oliver Blume	977,063.00	7,386,467.36	8,666,666.67	-
Murat Aksel*	709,917.51	3,295,864.46	4,666,666.67	-
Arno Anlitz	1,008,397.00	4,821,736.00	7,000,000.00	-
Ralf Brandstätter	696,524.00	4,756,137.96	7,000,000.00	-
Herbert Diess*	1,069,163.33	7,902,031.00	8,000,000.00	-
Manfred Döss	665,163.00	3,283,501.88	4,812,500.00	-
Markus Duesmann*	993,152.00	4,823,102.00	7,000,000.00	-
Gunnar Kilian	1,137,688.00	6,819,827.00	7,000,000.00	-
Thomas Schäfer	388,544.00	2,295,957.98	3,500,000.00	-
Thomas Schmall-Von Westerholt	885,829.00	4,700,519.00	7,000,000.00	-
Hauke Stars	542,174.00	4,038,134.13	6,416,666.67	-
Hiltrud Dorothea Werner*	111,831.00	583,333.33	583,333.33	-
Hildegard Wortmann*	291,581.90	2,577,940.82	4,083,333.33	-
Total	**9,477,027.74**	**57,284,552.92**	**75,729,166.67**	**0**

* No longer part of the Board of Management as of the date of this Offering Memorandum.

(1) Mr. Brandstätter receives 90% of the remuneration of a regular Board of Management member of Volkswagen AG from Volkswagen (China) Investment Company Limited (VCIC) for his work as CEO of VCIC. VCIC accounts for Mr. Brandstätter as if he received his remuneration from Volkswagen AG in Germany. These amounts are disclosed here. The actual gross expense incurred by VCIC may differ on account of Chinese tax law. The fringe benefits presented by VCIC include, in particular, the benefits paid by VCIC for Mr. Brandstätter's assignment to China (such as housing, flight expenses). Assignment-specific fringe benefits are not counted against the fringe benefit allowance provided by VCIC.

(2) Mr. Döss receives remuneration in the amount of 75% of the remuneration of a regular member of the Board of Management of Volkswagen AG.

(3) Mr. Duesmann received remuneration of €99,860 from FC Bayern München AG for a Supervisory Board appointment. This remuneration was offset in full against the reported variable remuneration granted by Volkswagen AG for fiscal year 2022.

11.1.4 *Performance criteria for the long-term incentive (LTI)*

The four-year performance share plan has applied since January 1, 2021 to all Board of Management members with service contracts newly concluded or renewed after the Supervisory Board resolution of December 14, 2020. This includes Mr. Antlitz, Mr. Aksel and Mr. Schmall-von Westerholt. For the Board of Management members already appointed at the time of the Supervisory Board resolution of December 14, 2020, a three-year performance period continues to apply until their contracts are renewed. This is the case for Ms. Werner and Mr. Duesmann. For fiscal year 2022, the four-year performance share plan applies pro rata to Mr. Blume starting from September 1, 2022.

11.1.5 *Benefit and pension commitments to Board of Management members for early termination*

The remuneration system for the members of the Board of Management and the service contracts of the Board of Management members provide for severance payments in the event that an appointment as member of the Board of Management is revoked. In such cases – except where there is good cause entitling the Company to terminate the service contract prematurely or where the appointment is revoked due to a gross breach of duty – the Board of Management member receives a gross severance payment in the amount of the total remuneration of the past fiscal year up to the end of the regular term of the appointment, for a maximum of two years, calculated as of the date of the termination of the appointment as member of the Board of Management. Any special payment will not be taken into account for the calculation. Should a Board of Management member leave during the course of the first fiscal year of the appointment, the calculation will by way of exception be based on the expected total remuneration for the current fiscal year.

11.1.6 *Pension commitments to Board of Management members for regular termination of service*

In the event of regular termination of their service on the Board of Management, the members of the Board of Management are entitled to a pension, including a surviving dependents' pension, as well as the use of company cars for the period in which they receive their pension. The agreed benefits are paid or made available when the Board of Management member reaches the age of 65, or in Mr. Blume's, Mr. Diess's, Mr. Kilian's and Ms. Werner's case, when they reach the age of 63. The Board of Management members received a defined contribution plan, which is based in principle on a works agreement that also applies to the employees of Volkswagen AG covered by collective agreements and includes retirement, invalidity and surviving dependents' benefits. A pension contribution in the amount of 40% of the base salary, and for Ms. Werner and Mr. Diess in the amount of 50% of the base salary, is paid to Volkswagen Pension Trust e.V. at the end of the calendar year for each year they are appointed to the Board of Management. The annual pension contributions result in modules of what is, in principle, a lifelong pension in line with the arrangements that also apply to employees covered by collective agreements.

The individual pension modules vest immediately upon payment to Volkswagen Pension Trust e.V.. Instead of a lifelong pension, benefits can optionally be paid out as a lump sum or in installments when the beneficiary reaches retirement age. Volkswagen AG has assumed responsibility for pension entitlements due to Mr. Witter from the time before his service with the Company. The earliest point at which he can draw his pension is when he reaches the age of 60; for his other pension entitlements, the earliest point at which Mr. Witter may retire is at the age of 62.

11.1.7 *Benefits and pension commitments to Board of Management members who left in fiscal year 2022*

Ms. Werner, Mr. Diess, Ms. Wortmann and Mr. Aksel left the Board of Management in fiscal year 2022.

Mr. Diess was originally appointed as a member of the Volkswagen AG Board of Management until the close of October 24, 2025 and had been appointed Chair of the Board of Management. Mr. Diess's appointment to the Board of Management of Volkswagen AG was terminated early by mutual agreement with effect from the close of August 31, 2022. Due to this termination, Volkswagen AG concluded a termination agreement with Mr. Diess. The subject of this termination agreement included the continuation of his service contract until its regular termination date, i.e. until the close of October 24, 2025. Volkswagen AG agreed to continue paying Mr. Diess his remuneration until the termination date of his service contract. Variable remuneration components will be paid at the contractually agreed time; there will be no early calculation and pay-out. The annual bonus will be based in each case on a Governance factor of 1.0. Mr. Diess is entitled to fringe benefits and will be available to Volkswagen AG in an advisory capacity until the end of his service contract. He is not receiving a severance payment from Volkswagen AG in the form of a one-off payment.

Ms. Wortmann was originally appointed as a member of the Board of Management until the close of January 31, 2025. As part of changes to Volkswagen Group management, Ms. Wortmann's appointment to the Board of Management of Volkswagen AG and her service contract were terminated by mutual agreement with effect from the close of August 31, 2022. Since that time, Ms. Wortmann has been a member of extended Volkswagen Group Management. In this context, Volkswagen AG and Ms. Wortmann have concluded a termination agreement, under which Ms. Wortmann's remuneration for fiscal year 2022 is paid pro rata. Variable remuneration components will be paid at the contractually agreed time; there will be no early calculation and pay-out. Since September 1, 2022, a temporary employment contract for membership of extended Volkswagen Group Management has been in place between Ms. Wortmann and Volkswagen AG with an end date of January 31, 2025; the remuneration-related provisions of the Board of Management service contract will continue to apply for the duration of this employment contract. The appointment of Ms. Wortmann as a member of the Board of Management of AUDI AG, currently until the close of June 30, 2027, remains unaffected by her move to extended Volkswagen Group Management.

Mr. Aksel was originally appointed as a member of the Board of Management until the close of December 31, 2023. As part of changes to Group management, Mr. Aksel's appointment to the Board of Management of Volkswagen AG and his service contract were terminated by mutual agreement with effect from the close of August 31, 2022. In this context, Volkswagen AG and Mr. Aksel have concluded a termination agreement, under which Mr. Aksel's remuneration for fiscal year 2022 is paid pro rata. Variable remuneration components will be paid at the contractually agreed time; there will be no early calculation and payout. From September 1, 2022, an employment contract for membership of extended Volkswagen Group Management was in place between Mr. Aksel and Volkswagen AG with an end date of December 31, 2022; the remuneration-related provisions of the Board of Management service contract continued to apply for that period. Mr. Aksel took over responsibility for Procurement on the MAN Truck & Bus Executive Board effective January 1, 2023.

11.2 **Supervisory Board**

The Supervisory Board advises the Board of Management on managing the Company and supervises its conduct of the business. In this regard, the Supervisory Board may demand special reports from the Board of Management at any time. In addition, the Board of Management must report to the Supervisory Board on a regular basis about the business of the Company and fundamental matters of business planning.

In accordance with German statutory law and the Company's articles of association, the Supervisory Board consists of 20 members, of whom 10 are shareholder representatives and 10 are elected by the employees.

Pursuant to the Company's articles of association, the German Federal State of Lower Saxony is entitled to appoint two of the shareholder representatives to the Supervisory Board of the Company, as long as the State of Lower Saxony directly or indirectly holds at least 15% of the ordinary shares of the Company. The Supervisory Board membership of Dr. Bernd Althusmann and Stephan Weil are based on this right. The remaining shareholder representatives on the Supervisory Board are elected by the general shareholders' meeting.

The members of the Supervisory Board are elected for a term that ends upon the close of the general shareholders' meeting which resolves the discharge of members from their supervisory duties for the fourth year following the start of their terms of office. The year in which the term of appointment commences is not included in this calculation. A member of the Supervisory Board may resign from his position at any time by giving the Supervisory Board Chairman one month's prior written notice.

A Supervisory Board member elected by the general shareholders' meeting without being bound by an election proposal, i.e. a member elected outside the special rules for the election of employee representatives, may be removed by the general shareholders' meeting at any time before the expiration of his appointment without cause, by resolution adopted by a majority of three quarters of the votes cast.

Resolutions of the Supervisory Board require a majority of the votes cast, unless otherwise provided in the articles of association or by law. If there is a tie vote on the Supervisory Board, and a second vote on the same matter also results in a tie, the Supervisory Board Chairman has two votes. The Deputy Chairman is not entitled to a second vote; this applies also in the absence of the Supervisory Board Chairman. Resolutions on setting up or relocating production facilities require a two-thirds majority of the members of the Supervisory Board.

11.2.1 *Committees*

The Supervisory Board has formed the following four committees: the Executive Committee, the Mediation Committee, the Audit Committee and the Nomination Committee. The Special Diesel Engine Committee was dissolved with effect from the end of December 31, 2021.

The Executive Committee is comprised of four shareholder representatives and four employee representatives. The shareholder representatives on the Executive Committee make up the Nomination Committee. The Audit Committee and the Mediation Committee are each composed of two shareholder representatives and two employee representatives.

The responsibilities of the Executive Committee include preparing the resolutions of the Supervisory Board and deciding on contractual matters regarding the Board of Management. The following persons are members of the Executive Committee: Hans Dieter Pötsch (Chairman), Jörg Hofmann (Deputy Chairman), Daniela Cavallo, Peter Mosch, Dr. jur. Hans Michel Piëch, Dr. rer. comm. Wolfgang Porsche, Jens Rothe and Stephan Weil. The Executive Committee met 22 times during 2022.

The Mediation Committee is responsible, in accordance with the German Co-Determination Act, for appointing the members of the Board of Management. The following persons are members of the Mediation Committee: Hans Dieter Pötsch (Chairman), Jörg Hofmann (Deputy Chairman), Daniela Cavallo and Stephan Weil. The Mediation Committee did not need to convene in 2022.

The Audit Committee prepares the advice and resolutions of the Supervisory Board on accounting matters. This includes approval of the Group Financial Statements of Volkswagen AG and the consolidated financial statements, questions relating to accounting and risk management, particularly reviewing the risk monitoring system for compliance issues, and the independence of the external auditor and commissioning an external auditor to audit the annual and consolidated financial statements, including establishing focal points for the audit and agreeing on fees. The Supervisory Board may assign additional tasks to the Audit Committee. The following persons are members of the Audit Committee: Mansoor Ebrahim Al-Mahmoud (Chairman), Daniela Cavallo (Deputy Chairwoman), Marianne Heiß, Dr. jur. Ferdinand Oliver Porsche, Jens Rothe and Conny Schönhardt. The Audit Committee met four times in 2022.

The task of the Nomination Committee is to suggest suitable candidates to the Supervisory Board who it may propose for election to the general shareholders' meeting. The following persons are members of the Nomination Committee: Hans Dieter Pötsch (Chairman), Dr. jur. Hans Michel Piëch, Dr. rer. comm. Wolfgang Porsche and Stephan Weil. No meetings of this committee took place in 2022.

A further committee formed by the Supervisory Board is the Special Diesel Engine Committee, which was in existence from October 2015 to December 2021. The tasks of the Special Diesel Engine Committee were

essentially completed by the end of December 2021, by when the Supervisory Board had completed its investigations into the diesel issue as far as the civil liability of the members of the boards are concerned.

11.2.2 ***Members of the Supervisory Board***

The below table shows the names of the members of the Supervisory Board of Volkswagen AG as of the date of this Offering Memorandum and their respective ages as of December 31, 2022. Information regarding their principal business activities performed outside Volkswagen AG, including other principal directorships, listed below is as of December 31, 2022 unless otherwise indicated.

Name, Position	**Age**	**Principal activities outside Volkswagen AG**
Hans Dieter Pötsch Chair Chair of the board of management of Porsche Automobil Holding SE	71	• AUDI AG, Ingolstadt[(1)] • Bertelsmann Management SE, Gütersloh[(1)] • Bertelsmann SE & Co. KGaA, Gütersloh[(1)] • Dr. Ing. h.c. F. Porsche AG, Stuttgart[(1)] • TRATON SE[(2)], Munich (Chair) • Wolfsburg AG, Wolfsburg[(1)] • Autostadt GmbH, Wolfsburg[(2)] • Porsche Austria Gesellschaft m.b.H., Salzburg (Chair)[(2)] • Porsche Holding Gesellschaft m.b.H., Salzburg (Chair)[(2)] • Porsche Retail GmbH, Salzburg (Chair)[(2)] • VfL Wolfsburg-Fußball GmbH, Wolfsburg (Deputy Chair)[(2)]
Jörg Hofmann* Deputy Chair First Chairman of IG Metall	67	• Robert Bosch GmbH, Stuttgart[(1)]
Dr. Hussain Ali Al Abdulla Minister of State	65	• Gulf Investment Corporation, Safat/Kuwait[(2)] • Qatar Supreme Council for Economic Affairs and Investment, Doha[(2)]
Dr. Hessa Sultan Al Jaber Former Minister of Information and Communiciations Technology, Qatar	63	• Malomatia, Doha (Chair)[(2)] • MEEZA, Doha[(2)] • Qatar Satellite Company (Es'hailSat), Doha (Chair)[(2)] • Trio Investment, Doha (Chair)[(2)]
Mansoor Ebrahim Al-Mahmoud Chief Executive Officer of Qatar Investment Authority	48	• Harrods Ltd., London[(2)] • Harrods Group (Holding) Ltd., London (Chair)[(2)] • Qatar Airways, Doha (Deputy Chair)[(2)] • Qatar National Bank, Doha[(2)] • Qatar Stock Exchange, Doha (Deputy Chair)[(2)] • Qatari Diar Real Estate Investment Company, Doha[(2)]
Dr. Bernd Althusmann Minister of Economic Affairs, Labor, Transport and Digitalization for the Federal State of Lower Saxony	56	• Deutsche Messe, AG, Hanover (Deputy Chair)[(1)] • Container Terminal Wilhelmshaven JadeWeserPort-Marketing GmbH & Co. KG, Wilhelmshaven (Chair)[(2)] • JadeWeserPort Realisierungs GmbH & Co. KG, Wilhelmshaven (Chair)[(2)] • JadeWeserPort Realisierungs-Beteiligungs GmbH, Wilhelmshaven (Chair)[(2)]

Name, Position	Age	Principal activities outside Volkswagen AG
		• Niedersachsen Ports GmbH & Co. KG, Oldenburg (Chair)[2] • Transformationsagentur Niedersachsen, Gmbh, Hanover[2]
Harald Buck* ..... Chair of the General Group Works Councils of Dr. Ing. h.c. F. Porsche AG	60	• Dr. Ing. h.c. F. Porsche AG, Stuttgart[2]
Matías Carnero Sojo..... Chair of the General Works Council of SEAT	54	• n.a.
Daniela Cavallo*..... Chair of the General and Group Works Councils of Volkswagen AG	47	• PowerCo SE, Salzgitter[1] • TRATON SE, Munich[1] • Volkswagen Financial Services AG, Braunschweig (Deputy Chair) [1] • Wolfsburg AG, Wolfsburg[1] • Allianz für die Region GmbH, Braunschweig[2] • Brose Sitech Sp. Z o.o., Polkowice[2] • Porsche Holding Gesellschaft m.b.H., Salzburg[2] • SEAT, S.A., Martorell[2] • ŠKODA Auto, a.s., Mladá Boleslav[2] • VfL Wolfsburg-Fußball GmbH, Wolfsburg[2] • Volkswagen Group Services GmbH[2]
Dr. jur. Hans-Peter Fischer*..... Chair of the board of management of Volkswagen Management Association e.V.	63	• Volkswagen Pension Trust e.V., Wolfsburg[2]
Julia Willie Hamburg ..... Minister of Education and Cultural Affairs for the Federal State of Lower Saxony	36	• n.a.
Marianne Heiß..... Chief Financial Officer of BBDO Group Germany GmbH, Düsseldorf	50	• AUDI AG, Ingolstadt[1] • Porsche Automobil Holding SE, Stuttgart[1]
Dr.-Ing. Arno Homburg ..... Chair of the board of management of Volkswagen Management Association e.V.	54	• Volkswagen Pension Trust e.V., Wolfsburg[2]
Ulrike Jakob* ..... Deputy Chair of the Works Council of Volkswagen AG, Kassel plant	62	n.a.
Simone Mahler*..... Chair of the Joint Works Council of VW Financial Services AG and Volkswagen Bank GmbH	51	• EURO-Leasing GmbH, Stuttgart[1] • Volkswagen Financial Services AG, Braunschweig[1] • Volkswagen Pension Trust e.V., Wolfsburg[2]
Peter Mosch*..... Chairman of the General Works Council of AUDI AG	50	• AUDI AG, Ingolstadt (Deputy Chair)[1] • Audi Pensionskasse – Altersversorgung der AUTO UNION GmbH, VVaG, Ingolstadt[1] • CARIAD SE, Wolfsburg (Deputy Chair)[1] • Audi Stiftung für Umwelt GmbH, Ingolstadt[2]

Name, Position	Age	Principal activities outside Volkswagen AG
Bertina Murkovic* ..... Chair of the Works Council of Volkswagen Commercial Vehicles	65	• MOIA GmbH, Berlin[2]
Daniela Nowak* ..... Chair of Works Council of Volkswagen AG, Braunschweig plant	52	• Volkswagen Pension Trust e.V., Wolfsburg[2]
Dr. jur. Hans Michel Piëch ..... Lawyer	80	• AUDI AG, Ingolstadt[1] • Dr. Ing. h.c. F. Porsche AG, Stuttgart[1] • Porsche Automobil Holding SE, Stuttgart (Deputy Chair)[1] • Porsche Holding Gesellschaft m.b.H., Salzburg[2] • Schmittenhöhebahn AG, Zell am See[2]
Dr. jur. Ferdinand Oliver Porsche .. Member of the board of management of Familie Porsche AG Beteiligungsgesellschaft	61	• AUDI AG, Ingolstadt[1] • Dr. Ing. h.c. F. Porsche AG, Stuttgart[1] • Porsche Automobil Holding SE, Stuttgart[1] • Porsche Holding Gesellschaft m.b.H., Salzburg[2] • Porsche Lifestyle GmbH & Co. KG, Ludwigsburg[2]
Dr. rer. comm. Wolfgang Porsche.. Chair of the supervisory board of Porsche Automobil Holding SE Chair of the supervisory board of Dr. Ing. h.c. F. Porsche AG	79	• AUDI AG, Ingolstadt[1] • Dr. Ing. h.c. F. Porsche AG, Stuttgart (Chair)[1] • Porsche Automobil Holding SE, Stuttgart (Chair)[1] • Familie Porsche AG Beteiligungsgesellschaft, Salzburg (Chair)[2] • Porsche Holding Gesellschaft m.b.H., Salzburg[2] • Schmittenhöhebahn AG, Zell am See[2]
Jens Rothe* ..... Chair of the General Works Council and the Works Council of the Volkswagen Sachsen GmbH	52	• Volkswagen Sachsen GmbH, Zwickau[1]
Conny Schönhardt* ..... Union Secretary and Head of the Mobility and Vehicle Construction Unit attached to the IG Metall Board	44	• CARIAD SE, Wolfsburg[1] • PowerCo SE, Salzgitter[1] • Volkswagen Bank GmbH, Braunschweig[1]
Stephan Weil* ..... Minister-President of the Federal State of Lower Saxony	64	n.a.
Werner Weresch* ..... Member of the Executive Committee of the Works Council of Porsche Automobil Holding SE and Chairman of the General and Group Works Councils of Dr. Ing. h.c. F. Porsche AG	61	n.a.

* Employee representative.

[1] Membership of statutory supervisory boards in Germany.

[2] Comparable appointments in Germany and abroad.

The following family relationships exist between the members of the Supervisory Board: Dr. jur. Hans Michel Piëch and Dr. rer. comm. Wolfgang Porsche are cousins. In addition, Dr. jur. Ferdinand Oliver Porsche is a nephew of the aforementioned members of the Supervisory Board. There are no family relationships among the remaining members of the Supervisory Board.

11.2.3 *Remuneration of members of the Supervisory Board*

Section 113(3) of the AktG, as amended by ARUG II, requires the Annual General Meeting of listed companies to pass a resolution on the remuneration of Supervisory Board members at least every four years, whereby a resolution confirming the existing remuneration is also permissible. At the Annual General Meeting on July 22, 2021, the Supervisory Board and Board of Management presented the existing remuneration of the members of the Supervisory Board for confirmation and the remuneration system for approval. For 2022, the members of the Supervisory Board of Volkswagen AG received the following remuneration, effected January 1, 2017:

- A fixed remuneration of €100,000 per fiscal year in addition to the reimbursement of their expenses.
- The Chairman of the Supervisory Board shall receive three times the amount, and the Deputy Chairman shall receive two times the amount of the fixed remuneration specified above.
- In addition, each member of the Supervisory Board shall receive an additional fixed remuneration of €50,000 per committee per fiscal year for his work in a committee of the Supervisory Board, if the respective committee has met at least once a year in fulfilment of its duties. This shall not include membership of the Nomination Committee and the Mediation Committee in accordance with Section 27 (3) of the German Codetermination Act (*Mitbestimmungsgesetz*). The chairmen of the committees shall receive two times the amount, and their deputy chairmen shall receive one-and-a-half times the amount of the aforementioned committee remuneration.
- The work on a maximum of two committees shall be included in calculating the remuneration. In case this maximum is exceeded the two most highly remunerated functions shall be decisive for the respective remuneration.
- Members of the Supervisory Board who have been member of the Supervisory Board or a committee of the Supervisory Board for only part of a fiscal year shall receive the remuneration on a *pro rata temporis* basis.
- For attendance at a meeting of the Supervisory Board or of a committee of the Supervisory Board each attending member shall receive an attendance fee of €1,000; if several meetings take place on the same day, the attendance fee shall only be paid once.
- The remuneration and the attendance fees shall be payable after the end of each fiscal year.
- The Company shall reimburse to each Supervisory Board member the value-added tax incurred on his remuneration. In addition, the Company undertakes to conclude a liability insurance in favor of the members of the Supervisory Board.

At the 2023 Annual General Meeting, shareholders resolved to increase the remuneration of members of the Supervisory Board, with retroactive effect from January 1, 2023, which includes increasing the fixed remuneration to €170,000 per fiscal year and increasing the additional fixed remuneration for each member of the Supervisory Board serving on a committee, except for the committees as outlined above, to €75,000 per committee per fiscal year.

Members of the Supervisory Board who are also members of the Supervisory Board of other companies of the Volkswagen Group may receive additional remuneration from these companies.

In 2022, the aggregate remuneration of the Supervisory Board of the Company amounted to €3,386,794.52. The fixed remuneration for members of the Supervisory Board of the Company amounted to €2,192,876.71 and the remuneration for work in the committees of the Supervisory Board of the Company amounted to

€791,917.81 in 2022. Remuneration for attendance fees amounted to €402,000.00 in 2022. The following table shows the remuneration of the Supervisory Board members in 2022.

	Component of remuneration				
	Fixed	Work in the Committees	Meeting Attendance Fees	Total	Remuneration for serving on Boards of Other Group Companies[1]
			(in EUR) (unaudited)		
Hans Dieter Pötsch	300,000.00	100,000.00	20,000.00	**420,000.00**	512,605.48
Jörg Hofmann[2]	200,000.00	75,000.00	37,000.00	**312,000.00**	–
Hussain Ali Al-Abdulla (until May 12, 2022)	36,164.38	–	5,000.00	**41,164.38**	–
Hessa Sultan Al-Jaber	100,000.00	–	11,000.00	**111,000.00**	–
Mansoor Ebrahim Al-Mahmoud (since May 12, 2022)	63,835.62	41,917.81	8,000.00	**113,753.43**	–
Bernd Althusmann (until November 8, 2022)[3]	85,479.45	–	11,000.00	**96,479.45**	–
Harald Buck (since October 4, 2022)[2]	24,109.59	–	3,000.00	**27,109.59**	175,936.73
Matías Carnero Sojo[4]	–	–	–	–	–
Daniela Cavallo[2]	100,000.00	97,876.71	39,000.00	**236,876.71**	137,671.23
Hans-Peter Fischer (until May 12, 2022)[2]	36,164.38	–	5,000.00	**41,164.38**	–
Julia Willie Hamburg (since November 8, 2022)[3]	14,520.55	–	2,000.00	**16,520.55**	–
Marianne Heiß	100,000.00	50,000.00	19,000.00	**169,000.00**	75,000.00
Arno Homburg (since May 12, 2022)[2]	63,835.62	–	11,000.00	**74,835.62**	–
Ulrike Jakob (until May 12, 2022)[2]	36,164.38	–	5,000.00	**41,164.38**	–
Louise Kiesling (until December 9, 2022)	93,972.60	–	8,000.00	**101,972.60**	–
Simone Mahler (since May 12, 2022)[2]	63,835.62	–	11,000.00	**74,835.62**	–
Peter Mosch[2]	100,000.00	77,123.29	37,000.00	**214,123.29**	186,250.00
Bertina Murkovic (until May 12, 2022)[2]	36,164.38	18,082.19	14,000.00	**68,246.57**	–
Daniela Nowak (since May 12, 2022)[2]	63,835.62	–	11,000.00	**74,835.62**	–
Hans Michel Piëch	100,000.00	50,000.00	20,000.00	**170,000.00**	206,105.48
Ferdinand Oliver Porsche	100,000.00	79,041.10	14,000.00	**193,041.10**	204,804.11
Wolfgang Porsche	100,000.00	50,000.00	20,000.00	**170,000.00**	300,680.83
Jens Rothe[2]	100,000.00	52,876.71	28,000.00	**180,876.71**	–
Conny Schönhardt[2]	100,000.00	50,000.00	19,000.00	**169,000.00**	–
Stephan Weil[3]	100,000.00	50,000.00	35,000.00	**185,000.00**	–
Werner Weresch (until September 30, 2022)[2]	74,794.52	–	9,000.00	**83,794.52**	84,528.76
Total	**2,192,876.71**	**791,917.81**	**402,000.00**	**3,386,794.52**	**1,883,582.62**

(1) The remuneration for membership of other Group bodies includes variable remuneration components for the following members of the Supervisory Board: Hans Dieter Pötsch (€150,427.40), Harald Buck (€110,950.43), Daniela Cavallo (€45,000.00), Marianne Heiß (€5,000.00), Peter Mosch (€46,250.00), Hans Michel Piëch (€68,927.40), Ferdinand Oliver Porsche (€67,626.03), Wolfgang Porsche (€96,324.66), Werner Weresch (€34,158.90).

(2) These employee representatives have stated that they will transfer their Supervisory Board remuneration to the Hans Böckler Foundation in accordance with the guidelines issued by the *Deutscher Gewerkschaftsbund* (DGB –German Confederation of Trade Unions).

(3) Under section 5(3) of the *Niedersächsisches Ministergesetz* (German Act Governing Ministers of the State of Lower Saxony), these members of the Supervisory Board are obliged to transfer their Supervisory Board remuneration to the State of Lower Saxony as soon as and in so far as it exceeds €6,200 per annum. Remuneration is defined for this purpose as Supervisory Board remuneration and attendance fees exceeding the amount of €200.

(4) Mr. Carnero Sojo waived his remuneration for fiscal year 2022 in its entirety.

11.2.4 *Significant shareholdings of members of the Supervisory Board*

Dr. jur. Hans Michel Piëch, Dr. jur. Ferdinand Oliver Porsche and Dr. rer. comm. Wolfgang Porsche are members of the Supervisory Board and are indirect owners of voting rights in Volkswagen AG. See "*Major Shareholders*".

11.3 Conflicts of Interest and Related Party Transactions

Some of the members of the Board of Management and the Supervisory Board are also members of executive bodies of Volkswagen Group companies, which are companies in which Volkswagen AG has a substantial interest, and of key shareholders of Volkswagen AG, so-called dual mandates.

Such dual mandates are, for example, held by Ms. Hauke Stars, Mr. Manfred Döss and Mr. Gunnar Kilian, who are simultaneously members of the supervisory board of AUDI AG. A member of the Board of Management, Dr. Oliver Blume, is simultaneously the Chairman of the board of management of Porsche AG and Ms. Hauke Stars and Dr. Arno Antlitz are further simultaneous members of the supervisory board of Porsche AG.

Dual mandates also exist in relation to key shareholders of Volkswagen AG and the members of its governing bodies.

Dr. jur. Hans Michel Piëch, Dr. jur. Ferdinand Oliver Porsche and Marianne Heiß are simultaneously members of the Supervisory Board of Volkswagen AG and members of the Supervisory Board of Porsche Automobil Holding SE. Dr. rer. comm. Wolfgang Porsche, Chairman of the Supervisory Board of Porsche Automobil Holding SE, is simultaneously a member of the Supervisory Board of Volkswagen AG.

Dr. jur. Hans Michel Piëch and Dr. jur. Ferdinand Oliver Porsche are simultaneously members of the Supervisory Board of Volkswagen AG and members of the Supervisory Board of Porsche AG. Dr. rer. comm. Wolfgang Porsche, Chairman of the Supervisory Board of Porsche AG, is simultaneously a member of the Supervisory Board of Volkswagen AG.

Dr. jur. Hans Michel Piëch, Dr. jur. Ferdinand Oliver Porsche, Dr. rer. comm. Wolfgang Porsche, Peter Mosch and Marianne Heiß are members of the Supervisory Board of Volkswagen AG and members of the Supervisory Board of AUDI AG.

Due to the dual mandates, there could be instances in which there arises a conflict of interest in the structuring of business relationships between Volkswagen companies, as well as with other companies outside the Volkswagen Group, or a disadvantageous exercise of influence over the Volkswagen Group's business. This is particularly the case given the background that, due to the overlap of personnel and the Volkswagen Group's structure, decision-making within the Board of Management and the Supervisory Board cannot take place as independently as would be the case for subsidiaries which are not as connected with their parent company in the same manner. To the extent that conflicts of interest occur, the relevant members deal with them in a responsible manner and in accordance with legal requirements.

For information regarding benefits provided to members of the Board of Management and the Supervisory Board at the end of their employment relationship, see "*—Benefit and pension commitments to Board of Management members for early termination*", "*—Pension commitments to Board of Management members for regular termination of service*", "*—Benefits and pension commitments to Board of Management members who left in fiscal year 2021*", and "*—Supervisory Board—Remuneration of members of the Supervisory Board*".

Dr. jur. Hans Michel Piëch, Dr. jur. Ferdinand Oliver Porsche and Dr. rer. comm. Wolfgang Porsche are members of the Supervisory Board and are indirect owners of voting rights in Volkswagen AG, as described above and under "*Major Shareholders*". For information regarding related party transactions involving these persons directly or their affiliates, refer to "*Related Party Transactions — Relationships of the Volkswagen Group with Porsche SE and the Porsche and Piëch families*".

Apart from the facts indicated above, there are no potential conflicts of interests between any duties to the Guarantor of the members of the Board of Management and the Supervisory Board and their private interests and or other duties.

12. EXCHANGE RATE INFORMATION

The following tables set forth information regarding the noon buying rates for euro in New York City as certified for customs purposes by the Federal Reserve Bank of New York expressed in U.S. dollars per euro during the periods and as of the dates shown ("**noon buying rates**"). The average exchange rate for the periods shown is the average of the month-end rates during the period, except for monthly average rates, which are determined by averaging the daily rates during the respective months. Unless otherwise noted, the rate used for the translations was U.S.$1.0679 per €1.00, the noon buying rate on December 31, 2022. On November 3, 2023, the euro market bid price at noon New York time and as indicated by Bloomberg Finance L.P. was U.S.$1.0732 per €1.00.

Solely for the convenience of the reader, this Offering Memorandum contains translations of certain euro amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the euro amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated.

The following tables show the noon buying rates in U.S. dollars per euro.

Year Ended December 31	High	Low	Average	Period End
2018	1.2488	1.1281	1.1817	1.1456
2019	1.1524	1.0905	1.1194	1.1227
2020	1.2280	1.0682	1.1410	1.2230
2021	1.2295	1.1196	1.1830	1.1318
2022	1.1481	0.9573	1.0533	1.0679

Year Ending December 31, 2023	High	Low	Average	Period End
First Nine Months	1.1232	1.0502	1.0830	1.0566

The above rates may vary slightly from the rates used for translating foreign currencies into euro in the preparation of the consolidated financial statements of Volkswagen AG.

13. TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions (the "Conditions") that shall be applicable to the U.S.$ % Guaranteed Notes due 20 (the "A Notes"), the U.S.$ % Guaranteed Notes due 20 (the "B Notes"), the U.S.$ % Guaranteed Notes due 20 (the "C Notes") and the U.S.$ Floating Rate Guaranteed Notes due 20 (the "D Notes" and, together with the A Notes, the B Notes and the C Notes, the "Notes"). These terms and conditions shall be incorporated by reference into each Global Note (as defined below) and each Note in definitive form. All capitalized terms that are not defined in these Conditions will have the meanings given to them in the Fiscal and Paying Agency Agreement (as defined below).

Unless the context requires otherwise, references in these Conditions to any law, statutory provision or legislative enactment of mandatory effect are subject to amendment to the extent that such law, provision or legislative enactment is altered or re-enacted with retroactive effect.

References herein to the Notes shall mean (i) the global Notes (each, a "**Global Note**") and (ii) any Notes in definitive form.

The Notes are issued on , 2023 (the "**Issue Date**") pursuant to a fiscal and paying agency agreement dated on or about , 2023 (as amended and supplemented from time to time, the "**Fiscal and Paying Agency Agreement**") among Volkswagen Group of America Finance, LLC (the "**Issuer**"), Volkswagen Aktiengesellschaft (the "**Guarantor**"), Citibank, N.A., London Branch as fiscal agent, transfer agent, calculation agent and paying agent (the "**Fiscal Agent**", "**Transfer Agent**", **Calculation Agent** and "**Paying Agent**", respectively) and Citibank Europe plc as registrar (the "**Registrar**" and, together with the Fiscal Agent, the Transfer Agent, Calculation Agent and the Paying Agent, the "**Agents**"), and with the benefit of a deed of covenant dated the Issue Date and executed by the Issuer in relation to the Notes (as amended and supplemented from time to time, the "**Deed of Covenant**"), and a Guarantee dated the Issue Date and executed by the Guarantor in relation to the guarantee of the Notes (as amended and supplemented from time to time, the "**Guarantee**"). The Noteholders (as defined herein) are deemed to have notice of all of the provisions of the Fiscal and Paying Agency Agreement, the Deed of Covenant and the Guarantee applicable to them.

The Notes will be unconditionally and irrevocably guaranteed by Volkswagen Aktiengesellschaft, in its capacity as Guarantor, pursuant to the Guarantee. Under the Guarantee, the Guarantor has guaranteed the due and punctual payment of all amounts due under the Notes and the Deed of Covenant as and when the same shall become due and payable. The original of the Guarantee is held by the Fiscal Agent.

The Notes that are initially offered and sold in the United States to persons who are qualified institutional buyers (each, a "**Qualified Institutional Buyer**") (as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**")) will be represented by beneficial interests in one or more global notes (the "**Rule 144A Global Notes**") in registered form without interest coupons, which will be deposited on or about the Issue Date with the custodian for, and registered in the name of Cede & Co. as nominee of, The Depository Trust Company ("**DTC**").

The Notes that are offered and sold in reliance on Regulation S ("**Regulation S**") under the Securities Act will be represented by beneficial interests in one or more global notes (the "**Regulation S Global Notes**") in registered form without interest coupons, which will be deposited on or about the Issue Date with, the custodian for and registered in the name of Cede & Co., as nominee of DTC.

As used herein, the term "**Global Notes**" refers to both the Rule 144A Global Notes and the Regulation S Global Notes.

Beneficial interests in the Global Notes may be held only through DTC (or any successor clearing system) and its participants. Investors may hold their interests in the Global Notes directly through DTC if they are participants in or indirectly through organizations which are participants in such system.

Noteholders will hold beneficial interests in the Global Notes through DTC in book-entry form. Notes in definitive form will only be issued under the limited circumstances set forth below.

The Notes (including any beneficial interest in a Global Note) will be subject to certain restrictions on transfer set forth in the Notes and the Fiscal and Paying Agency Agreement. The Global Notes and any Notes issued in definitive form will bear a legend regarding the restrictions as set forth under "*Purchase and Transfer Restrictions*" of the offering memorandum dated , 2023 relating to the Notes (the "**Offering Memorandum**"). Under certain circumstances, transfers may be made only upon receipt by the Registrar and Transfer Agent of a written certification (in the form provided in the Fiscal and Paying Agency Agreement).

The Issuer does not intend to list the Notes on any securities exchange or quoted on any automated quotation system. There is currently no public market for the Notes.

Any reference to "**Noteholders**" or "**holders**" shall mean the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below.

Copies of the Fiscal and Paying Agency Agreement, the Deed of Covenant and the Guarantee are available for inspection at the specified offices of each of the Agents.

The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Fiscal and Paying Agency Agreement.

1. **Form, Denomination and Title**

The Notes will be issued only in registered form and serially numbered, in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (the "**Specified Denomination**").

Subject as set out below, title to the Notes will pass upon registration of transfers in accordance with the provisions of the Fiscal and Paying Agency Agreement. The Issuer, the Guarantor and any Agent will (except as otherwise required by law or ordered by a court having jurisdiction or an official authority) deem and treat the registered holder of any Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as DTC or its nominee is the registered owner or holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Fiscal and Paying Agency Agreement and the Notes, except to the extent that, in accordance with DTC's published rules and procedures, any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes that are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC and its participants (including Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**")) and its indirect participants, as the case may be.

2. **Transfers**

(a) ***Transfers within Global Notes***: Subject to the procedures and limitations described in the Fiscal and Paying Agency Agreement, including the transfer restrictions set forth in Schedule 3 thereto, transfers of beneficial interests within a Global Note may be made without delivery to the Issuer, the Guarantor or the Fiscal Agent of any written certifications or other documentation by the transferor or transferee.

(b) ***Transfers of interests in Global Notes***: Transfers of beneficial interests in Global Notes will be effected by DTC and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Global Note only in Specified Denominations and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream,

Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Fiscal and Paying Agency Agreement. Transfers of a Global Note shall be limited to transfers of such Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

(c) ***Transfers between the Global Notes***: A beneficial interest in a Regulation S Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through a Rule 144A Global Note only upon receipt by the Transfer Agent of a written certification (in the form provided in the Fiscal and Paying Agency Agreement) from the transferor to the effect that the transferor (i) reasonably believes that the transferee is a Qualified Institutional Buyer purchasing for its own account (or for the account of one or more Qualified Institutional Buyers over which account it exercises sole investment discretion), (ii) is transferring such note in a transaction meeting the requirements of Rule 144A and (iii) has notified the transferee of the restrictions on transfer and the representations set forth under the heading on transfer set forth under the heading "Purchase and Transfer Restrictions" of the Offering Memorandum, if then applicable.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note without any written certification from the transferor or the transferee, and each transferee of a Rule 144A Global Note, in making its purchase, will be subject to certain restrictions and must be able to make and will be deemed to have made certain acknowledgements, representations and agreements for itself and for each account for which it is purchasing as set forth under the heading "*Purchase and Transfer Restrictions — Rule 144A Notes*" of the Offering Memorandum.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note only upon receipt by the Transfer Agent of a written certification (in the form provided in the Fiscal and Paying Agency Agreement) from the transferor to the effect that such transfer is being made in compliance with the restrictions and representations set forth under the heading "*Purchase and Transfer Restrictions*" of the Offering Memorandum and in accordance with Rule 904 of Regulation S. No representation can be made by the Issuer as to the availability of the exemption provided by Rule 144 for resale of an interest in a Rule 144A Global Note.

Any beneficial interest in a Rule 144A Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in a Regulation S Global Note will, upon transfer, cease to be a beneficial interest in such Rule 144A Global Note and will become a beneficial interest in the Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such Regulation S Global Note for so long as such person retains such an interest.

Any beneficial interest in a Regulation S Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in a Rule 144A Global Note will, upon transfer, cease to be a beneficial interest in such Regulation S Global Note and will become a beneficial interest in the Rule 144A Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such Rule 144A Global Note for so long as such person retains such an interest.

(d) ***Transfers or Exchanges from Global Notes to Definitive Notes***: Each Global Note may be exchangeable, in whole or in part, for Notes in definitive, registered form (each, a "**Definitive Note**"):

if DTC notifies the Issuer that it is unwilling or unable to hold the applicable Global Note or DTC ceases to be a clearing agency registered under the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and in each case the Issuer does not appoint a successor depositary which shall be registered under the Exchange Act within 90 days of the Issuer's receiving such notice or DTC's ceasing to be so registered;

if a payment default has occurred and is continuing; or

if, in the event of a bankruptcy or liquidation default pursuant to Condition 10(d) and (e) respectively, the Issuer (or failing whom, the Guarantor) fails to make payment on the Notes when due.

(e) ***Transfer of Definitive Notes***: Upon the terms and subject to the conditions set forth in the Fiscal and Paying Agency Agreement, a Definitive Note may be transferred in whole or in part (in Specified Denominations). In order to effect any such transfer (i) the holder or holders must (A) surrender the Note for registration of the transfer of the Note (or the relevant part of the Note) at the specified office of the Registrar or the Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorized in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the Transfer Agent and (ii) the Registrar or, as the case may be, the Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 3 to the Fiscal and Paying Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the Transfer Agent will, within five business days (being for this purpose a day, other than a Saturday or Sunday, on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located (a "Definitive Note Business Day")) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request, a new Definitive Note of a like aggregate nominal amount to the Note (or the relevant part of the Note) transferred. In the case of the transfer of part only of a Definitive Note, a new Definitive Note in respect of the balance of the Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the address of the transferor as the transferor may request.

Upon the transfer, exchange or replacement of Definitive Notes set forth in Schedule 1, Parts I and III to the Fiscal and Paying Agency Agreement, the Issuer will deliver only Definitive Notes that bear such legend.

(f) ***Exchange and Costs***: Exchanges and transfers of Notes on registration, transfer or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require), which tax or charge shall be borne by the relevant Noteholder. Holders of Definitive Notes may exchange such Notes for interests in a Global Note of the same type at any time.

3. **Status of the Notes and the Guarantee**

(a) ***Notes***: The Notes constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation, at all times rank pari passu with all other unsecured and unsubordinated indebtedness of the Issuer, present and future.

(b) ***Guarantee***: The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Notes. Its obligations in that respect are contained in the Guarantee. The Guarantee will be the direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Guarantor. The

payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation, at all times rank pari passu with all other unsecured and unsubordinated obligations of the Guarantor, present and future.

4. **Negative Pledge**

(a) So long as any of the Notes remain outstanding (as defined in the Fiscal and Paying Agency Agreement), the Issuer shall not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (each, a "**Security Interest**") upon the whole or any part of its respective assets or revenues of whatever nature present or future, to secure any notes or bonds, or any guarantee of or indemnity in respect of thereof, unless at the same time or prior thereto the Issuer's obligations under the Notes are secured equally and ratably therewith or benefit from a Security Interest or guarantee or indemnity in substantially identical terms thereto to the extent permitted by applicable law or regulation. For the avoidance of doubt, this undertaking shall not apply to any Security Interest provided in connection with asset-backed securities issued by the Issuer, or by a special purpose vehicle where the Issuer is the originator of the underlying assets.

(b) So long as any of the Notes remain outstanding (as defined in the Fiscal and Paying Agency Agreement), neither the Guarantor nor any of the Guarantor's Principal Subsidiaries (as defined below) shall create or permit to subsist any Security Interest upon the whole or any part of its respective assets or revenues of whatever nature present or future, to secure any Relevant Debt (as defined below) or any guarantee of or indemnity in respect thereof, unless at the same time or prior thereto the Issuer's obligations under the Notes are secured equally and ratably therewith or benefit from a Security Interest or guarantee or indemnity in substantially identical terms thereto to the extent permitted by applicable law or regulation. For the avoidance of doubt, this undertaking shall not apply to any Security Interest provided in connection with asset-backed securities issued by the Guarantor or any of the Guarantor's Principal Subsidiaries, or by a special purpose vehicle where the Guarantor or any of the Guarantor's Principal Subsidiaries is the originator of the underlying assets.

"**Relevant Debt**" means any present or future indebtedness for borrowed money in the form of, or represented by, bonds, notes or other securities that are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter market or other securities market.

"**Principal Subsidiary**" means at anytime

each of AUDI AG, Porsche AG, SEAT S.A., ŠKODA Auto A.S., Volkswagen Financial Services AG, Volkswagen Bank GmbH and Volkswagen Leasing GmbH; and

any Subsidiary of Volkswagen Aktiengesellschaft (other than a Securitization Entity) which has consolidated sales revenues which exceed 10% of the consolidated total sales revenues of the Volkswagen Group. Compliance with this provision shall be determined by reference to the most recent audited consolidated profit and loss accounts of the Volkswagen Group and such Subsidiary.

"**Securitization Entity**" means a special purpose entity created to facilitate one or more financings of receivables, loans, installment sales contracts, leases and/or leased assets, floor plan or other loans or leases to vehicle dealers or similar or related assets and for which Volkswagen Aktiengesellschaft and its Principal Subsidiaries do not provide recourse for credit losses or residual value losses.

"**Subsidiary**" means, as to any Person, any corporation, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons

performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries (unless such partnership can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries).

"**Person**" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

"**Volkswagen Group**" means Volkswagen Aktiengesellschaft together with its consolidated subsidiaries, including the Issuer.

5. **Interest**

(a) ***Fixed Interest Rate***: Each of the A Notes, the B Notes and the C Notes bears interest from and including the Issue Date at a rate of % per annum in the case of the A Notes (the "**A Note Rate of Interest**"), % per annum in the case of the B Notes (the "**B Note Rate of Interest**") and % per annum in the case of the C Notes (the "**C Note Rate of Interest**"), payable semi-annually in arrear on and in each year for the A Notes, on and in each year for the B Notes and on and in each year for the C Notes (each, an "**Interest Payment Date**") commencing on , 20 in the case of the A Notes, , 20 in the case of the B Notes and , 20 in the case of the C Notes, up to (and including) , 20 in the case of the A Notes (the "**A Note Maturity Date**"), , 20 in the case of the B Notes (the "**B Note Maturity Date**") and , 20 in the case of the C Notes (the "**C Note Maturity Date**").

The amount of interest payable on the Notes on an Interest Payment Date shall be calculated on the basis of a 360-day year consisting of twelve 30-day months (unadjusted, following Business Day) and by applying the A Note Rate of Interest, the B Note Rate of Interest or the C Note Rate of Interest, as relevant, to an increment of U.S.$1,000 (rounding the resultant figure to the nearest whole cent, with U.S.$0.005 rounded upwards), multiplied by the nominal amount of such Note divided by 1,000.

(b) ***Floating Interest Rate***: The D Notes ("**Floating Rate Notes**") bear interest from and including the Issue Date at a floating interest rate interest as determined in accordance with Condition 5(c) below (the "**Floating Rate of Interest**"), payable quarterly in arrear on , , and in each year (each, a "**Floating Rate Interest Payment Date**") commencing on , 20 up to (and including) the Floating Rate Interest Payment Date falling on or around , 20 (the "**D Note Maturity Date**" and together with the A Note Maturity Date, the B Note Maturity Date and the C Note Maturity Date, "**Maturity Dates**" and each, a "**Maturity Date**").

The amount of interest payable on the Floating Rate Notes on a Floating Rate Interest Payment Date for each Floating Rate Interest Period (as defined below) shall be calculated on the basis of the actual number of days in the relevant Observation Period (as defined below) divided by 360 (adjusted, modified following Business Day) (the "**Floating Rate Day Count Fraction**").

(c) ***Determination of the Floating Rate of Interest***: The Floating Rate of Interest for each Floating Rate Interest Period will be equal to the sum of the Compounded SOFR as determined on the applicable Interest Determination Date and basis points per annum (the "**Margin**"), all as determined by the Calculation Agent in accordance with the following definitions and subject to the provisions set out below. If such sum determined in accordance with these conditions in respect of any Interest Period is less than 0.000 per cent. per annum, the Floating Rate of Interest for such Interest Period shall be 0.000 per cent. per annum.

The amount of interest accrued and payable on the Notes for each Floating Rate Interest Period will be equal to the product of (i) (a) the Floating Rate of Interest for the relevant Floating Rate Interest Period multiplied by (b) the Floating Rate Day Count Fraction, and (ii) an increment of U.S.$1,000 (rounding the resultant figure to the nearest whole cent, with U.S.$0.005 rounded upwards), multiplied by the nominal amount of such Note divided by 1,000.

"**Compounded SOFR**" means, with respect to any Interest Period, the rate of return of a daily compound interest investment computed by the Calculation Agent in accordance with the following formula (and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards to 0.00001):

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \; x \; n_i}{360}\right)-1\right] x \; \frac{360}{d}$$

"**d_0**" for any Observation Period, is the number of U.S. Government Securities Business Days in the relevant Observation Period;

"**i**" is a series of whole numbers from one to d_0, each representing the relevant U.S. Government Securities Business Day in chronological order from, and including, the first U.S. Government Securities Business Day in the relevant Observation Period to and including the last U.S. Government Securities Business Day in such period;

"**$SOFR_i$**", for any U.S. Government Securities Business Day "i" in the relevant Observation Period, is equal to SOFR in respect of that U.S. Government Securities Business Day "i";

"**n_i**", for any U.S. Government Securities Business Day "i" in the relevant Observation Period, is the number of calendar days from and including such U.S. Government Securities Business Day "i" to but excluding the following U.S. Government Securities Business Day ("i+1"); and

"**d**" is the number of calendar days in the relevant Observation Period.

And where:

"**Floating Rate Interest Period**" means each period from and including a Floating Rate Interest Payment Date (or, in the case of the initial Interest Period, the Issue Date) to but excluding the immediately succeeding Floating Rate Interest Payment Date (or in the case of the final Floating Rate Interest Period, the D Notes Maturity Date or, if the D Notes are redeemed, the date of redemption).

"**Interest Determination Date**" is the date that is two U.S. Government Securities Business Days before each Floating Rate Interest Payment Date.

"**Observation Period**" is (i) in respect of each Floating Rate Interest Period the period from and including the date that is two U.S. Government Securities Business Days preceding the first date in such Floating Rate Interest Period to but excluding the Interest Determination Date for such Floating Rate Interest Period and (ii) in respect of the payment of any interest in connection with any redemption of the Floating Rate Notes, the period from and including the date that is two U.S. Government Securities Business Days preceding the first date in the Floating Rate Interest Period in which such redemption occurs to but excluding the date that is two U.S. Government Securities Business Days before the date of redemption.

For purposes of determining Compounded SOFR, "**SOFR**" means, with respect to any U.S. Government Securities Business Day:

(i) the Secured Overnight Financing Rate published for such U.S. Government Securities Business Day as such rate appears on the SOFR Administrator's Website at 3:00 p.m. (New York City time) on the immediately following U.S. Government Securities Business Day (the "**SOFR Determination Time**");

(ii) if the rate specified in clause (i) above does not so appear at the SOFR Determination Time, unless both a Benchmark Transition Event and its related Benchmark Replacement Date have occurred, the Secured Overnight Financing Rate as published in respect of the first preceding U.S. Government Securities Business Day for which the Secured Overnight Financing Rate was published on the SOFR Administrator's Website; or

(iii) if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred prior to the relevant Floating Rate Interest Period end date, the Calculation Agent will use the Benchmark Replacement to determine the Floating Rate of Interest and for all other purposes relating to the D Notes.

"**SOFR Administrator**" means the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate).

"**SOFR Administrator's Website**" means the website of the Federal Reserve Bank of New York, or any successor source.

"**U.S. Government Securities Business Day**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(d) **Effect of a Benchmark Transition Event.**

If for any Interest Determination Date the Issuer or its Independent Advisor (as defined below) determine on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark (including any daily published component used in the calculation thereof), the Benchmark Replacement will replace the then-current Benchmark (or such component) for all purposes relating to the Floating Rate Notes in respect of such determination on such date and for all determinations on all subsequent Interest Determination Dates.

In connection with the implementation of a Benchmark Replacement, the Issuer or its Independent Advisor will have the right to make Benchmark Replacement Conforming Changes from time to time, without any requirement for the consent or approval of the holders of the Notes.

Any determination, decision or election that may be made by the Issuer or its Independent Advisor pursuant to this section, including any determination with respect to any Benchmark Replacement Conforming Changes, a determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection:

(i) will be conclusive and binding absent manifest error;

(ii) will be made in the Issuer's or its Independent Advisor's reasonable discretion; and

(iii) notwithstanding anything to the contrary in the documentation relating to the Floating Rate Notes, shall become effective without consent from the holders of the Floating Rate Notes or any other party.

As used herein the following terms have the meanings assigned to them:

"**Benchmark**" means, initially, Compounded SOFR, as such term is defined above; provided that if for any Interest Determination Date the Issuer or its Independent Advisor determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Compounded SOFR (or the published daily SOFR used in the calculation thereof) or the then-current Benchmark (including any daily published component used in the calculation thereof), then "**Benchmark**" means the applicable Benchmark Replacement.

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Issuer or its Independent Advisor as of the Benchmark Replacement Date:

(i) the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) and (b) the Benchmark Replacement Adjustment;

(ii) the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment; or

(iii) the sum of: (a) the alternate rate of interest that has been selected by the Issuer or its Independent Advisor as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated floating rate notes at such time and (b) the Benchmark Replacement Adjustment.

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Issuer or its Independent Advisor as of the Benchmark Replacement Date:

(i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its Independent Advisor giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate notes at such time.

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of the Floating Rate Interest Period, timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer or its Independent Advisor decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its Independent Advisor decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its Independent Advisor determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its Independent Advisor determines is reasonably necessary).

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(i) in the case of clauses (i) or (ii) of the definition of "**Benchmark Transition Event**", the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(ii) in the case of clause (iii) of the definition of "**Benchmark Transition Event**", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event that gives rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination.

For the avoidance of doubt, for purposes of the definitions of Benchmark Replacement Date and Benchmark Transition Event, references to Benchmark also include any reference rate underlying such Benchmark.

"**Benchmark Transition Event**" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(i) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component);

(ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative.

"**Independent Advisor**" means a reputable independent financial institution or other reputable independent financial advisor experienced in the international debt capital markets, in each case appointed by the Issuer at its own expense.

"**ISDA**" means the International Swaps and Derivatives Association, Inc.

"**ISDA Definitions**" means the 2006 ISDA Definitions published by ISDA or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time, including the 2021 ISDA Interest Rate Derivatives Definitions, as amended or supplemented from time to time.

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark.

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment.

"**Reference Time**" with respect to any determination of the Benchmark means (1) if the Benchmark is Compounded SOFR, the SOFR Determination Time, and (2) if the Benchmark is not Compounded SOFR, the time determined by the Issuer or its Independent Advisor after giving effect to the Benchmark Replacement Conforming Changes.

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(e) ***Duties of the Calculation Agent***: The Calculation Agent will, subject to this Condition 5, determine the Floating Rate of Interest on each Interest Payment Determination Date and will calculate immediately the payable amount of interest (the "**Interest Amount**"). Furthermore, the Calculation Agent will make such determination and calculation according to these Conditions and will cause the Floating Rate of Interest and the Interest Amount for the relevant Interest Period and each Interest Payment Date to be notified to the Fiscal Agent, the Issuer and the Guarantor and to the holders of the Floating Rate Notes in accordance with Condition 14 of the Conditions, as soon as possible after their determination or calculation.

The determination of the relevant Floating Rate of Interest and the Interest Amount by the Calculation Agent will (in the absence of manifest error) be final and binding upon the Issuer and the Holders.

If the Floating Rate Notes become due and payable, the Floating Rate of Interest and the accrued interest payable in respect of the Floating Rate Notes will nevertheless continue to be calculated in accordance with this Condition 5 (b) of the Conditions but no publication of the Floating Rate of Interest or the Interest Amount, so calculated, need to be made.

(f) ***Accrual of Interest***: Interest on the A Notes, the B Notes, the C Notes and the D Notes shall cease to accrue on each Note on the due date for redemption unless, upon due presentation,

payment is improperly withheld or refused, in which event interest shall continue to accrue at the relevant rate of interest until the earlier of the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, with immediate effect, upon further presentation of the Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

6. **Redemption, Purchase and Cancellation**

(a) ***Final Redemption***: Unless previously redeemed or purchased and cancelled as provided below, each Note shall be finally redeemed on the relevant Maturity Date specified herein, in each case at its principal amount in U.S. dollars.

(b) ***Redemption for Taxation Reasons***: The A Notes, the B Notes, the C Notes and/or the D Notes or all of the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), if: (i) the Issuer or the Guarantor (or any successor to the Issuer or the Guarantor) has or will become obliged to pay Additional Amounts (as defined in Condition 8) as a result of any change in, or amendment to, the laws or regulations of any Tax Jurisdiction (as defined in Condition 8), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the Offering Memorandum (or, in the case of a successor to the Issuer or the Guarantor that is organized in or a resident for tax purposes of a jurisdiction other than the United States or Germany, the date of such succession), and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Amounts were a payment in respect of the Notes to be redeemed (or the Guarantee, as the case may be) then due. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by a duly authorized officer of the Issuer (or the Guarantor, as the case may be) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognized standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such Additional Amounts as a result of such change or amendment. Notes redeemed pursuant to this Condition 6(b) will be redeemed at a price equal to 100% of the principal amount of the Notes to be redeemed then outstanding plus accrued and unpaid interest on the principal amount being redeemed (and all Additional Amounts, if any) to (but excluding) the date of redemption.

(c) ***Redemption at par of the B Notes and the C Notes at the Option of the Issuer***: The Issuer may redeem the B Notes and the C Notes, in whole but not in part, at any time at the Issuer's election, upon not less than 10 nor more than 60 days' notice in accordance with Condition 14, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, at any time during the period from and including the applicable Par Call Date (as defined below) to but excluding the applicable Maturity Date. Once notice of redemption is sent, the relevant Notes called for redemption will become due and payable on the date of redemption and at 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest thereon to the date of redemption, subject to any conditions precedent specified in such notice.

"***Par Call Date***" means the B Notes par call date (the date that is one month prior to the Scheduled Maturity Date) with respect to the B Notes or the C Notes par call date (the date that is two months prior to the scheduled Maturity Date of the C Notes) with respect to the C Notes, as applicable. The A Notes and the D Notes will not be subject to any par call period.

(d) ***Make whole Redemption of A Notes, the B Notes or the C Notes at the Option of the Issuer***: Prior to the applicable Maturity Date specified herein with respect to the A Notes, and prior to the applicable Par Call Date (as defined above) with respect to the B Notes and the C Notes, the Issuer may redeem the A Notes, the B Notes and/or the C Notes, in whole or in part, at any time and from time to time at the Issuer's election, upon not less than 10 nor more than 60 days' notice in accordance with Condition 14, at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed, and (ii) as determined by the Issuer, or on its behalf by a person designated by it (the "**Designee**"), the sum of the present values of the remaining scheduled payments of principal of and interest on the Notes to be redeemed (assuming for this purpose that the relevant Notes mature on the applicable Maturity Date or, as the case may be, the applicable Par Call Date, and not including any portion of such payments of interest accrued as of the date of redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus basis points for the A Notes, basis points for the B Notes, and basis points for the C Notes, in each case, accrued and unpaid interest thereon to the date of redemption. If fewer than all of the Notes are being redeemed, they shall be redeemed on a pro rata pass-through distribution basis and in accordance with the procedures of DTC. Once notice of redemption is sent, the relevant Notes called for redemption will become due and payable on the date of redemption and at the applicable redemption price, plus accrued and unpaid interest thereon to the date of redemption, subject to any conditions precedent specified in such notice. In connection with such optional redemption, the following defined terms apply:

"**Treasury Rate**" means, with respect to any date of redemption, the yield determined by the Issuer, or its Designee, in accordance with the following two paragraphs:

The Treasury Rate shall be determined by the Issuer, or its Designee, after 4:15 p.m., New York City time (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System), on the third Business Day preceding the date of redemption based upon the yield or yields for the most recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as "Selected Interest Rates (Daily) - H.15" (or any successor designation or publication) under the caption "U.S. government securities–Treasury constant maturities–Nominal" (or any successor caption or heading) ("**H.15 TCM**"). In determining the Treasury Rate, the Issuer, or its Designee, shall select, as applicable: (1) the yield for the Treasury constant maturity on H.15 TCM exactly equal to the period from the date of redemption to the relevant Maturity Date (the "**Remaining Life**"); or (2) if there is no such Treasury constant maturity on H.15 TCM exactly equal to the Remaining Life, the two yields – one yield corresponding to the Treasury constant maturity on H.15 TCM immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 TCM immediately longer than the Remaining Life – and shall interpolate to the relevant Maturity Date on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places; or (3) if there is no such Treasury constant maturity on H.15 TCM shorter than or longer than the Remaining Life, the yield for the single Treasury constant maturity on H.15 TCM closest to the Remaining Life. For purposes of this paragraph, the applicable Treasury constant maturity or maturities on H.15 TCM shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the date of redemption.

If on the third Business Day preceding the date of redemption H.15 TCM is no longer published, the Issuer, or its Designee, shall calculate the Treasury Rate based on the rate *per annum* equal to the semi-annual equivalent yield to maturity at 11:00 a.m., New York City time, on the second Business Day preceding such date of redemption of the United States Treasury security maturing on, or with a maturity that is closest to, the Maturity Date. If there is no United States Treasury security maturing on the Maturity Date but there are two or more United States Treasury securities with a maturity date equally distant from the Maturity Date,

one with a maturity date preceding the Maturity Date and one with a maturity date following the Maturity Date, the Issuer, or its Designee, shall select the United States Treasury security with a maturity date preceding the Maturity Date. If there are two or more United States Treasury securities maturing on the Maturity Date or two or more United States Treasury securities meeting the criteria of the preceding sentence, the Issuer, or its Designee, shall select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities at 11:00 a.m., New York City time. In determining the Treasury Rate in accordance with the terms of this paragraph, the semi-annual yield to maturity of the applicable United States Treasury security shall be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) at 11:00 a.m., New York City time, of such United States Treasury security, and rounded to three decimal places.

"**Business Day**" is any day which is a day on which (a) the real time gross settlement system operated by the Eurosystem, or any successor system (T2) is open for business and (b) commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City.

(e) ***Purchases***: The Issuer, the Guarantor and any of their subsidiaries may at any time purchase Notes in the open market or otherwise at any price. Such Notes may be held, resold (subject to the restrictions on sale and resale set forth in the Fiscal and Paying Agency Agreement) or, at the option of the Issuer, surrendered to the Fiscal Agent or Registrar, as the case may be, for cancellation. Any Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any of their respective subsidiaries, shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 11(a).

(f) ***Cancellation***: Any Notes purchased by or on behalf of the Issuer, the Guarantor or any of their subsidiaries may, at the option of the Issuer, Guarantor or the relevant subsidiary, as the case may be, be surrendered for cancellation. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

7. **Payments**

(a) ***Method of Payment***: Subject as provided below, payments will be made by credit or transfer to an account in U.S. dollars maintained by the payee with a bank in New York City. All payments in respect of the Notes will be subject in all cases to any applicable fiscal or other laws and regulations in the place of payment or other laws and regulations to which the relevant Issuer, the Guarantor or their agents are subject, but without prejudice to the provisions of Condition 8.

(b) ***Payment procedures:***

Payments of principal in respect of each Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Note at the specified office of the Registrar or any of the Paying Agent. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Note appearing in the register of holders of the Notes maintained by the Registrar (the "**Register**") at the close of business on the business day (being for this purpose a day on which banks are open for general business in the city where the specified office of the Registrar is located) prior to the relevant due date (the "**Record Date**"). If (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.$1,000,000, payment will instead be made by a check in U.S. dollars drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account maintained by a holder with a Designated

Bank and identified as such in the Register and "**Designated Bank**" means a bank in New York City.

Payments of interest in respect of each Note (whether or not in global form) will be made by transfer to the Designated Account of the holder (or the first named of joint holders) of the Note appearing in the Register at the close of business on the Record Date (or in the case of Notes in definitive form, at the close of business on the 15th day (whether or not such 15th day is a business day) before the Record Date) at his address shown in the Register on the Record Date. If a holder does not have a Designated Account, payment will instead be made by a check in U.S. dollars drawn on a Designated Bank. Payment of the interest due in respect of each Note on redemption and the final installment of principal will be made in the same manner as payment of the principal amount of such Note.

Holders will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Note as a result of a check posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Notes.

None of the Issuer, the Guarantor and the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(c) ***General provisions concerning payments***: The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to DTC, Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Note. Street name and other indirect holders should consult their banks or brokers for information on how they will receive payments.

(d) ***Payment day***: If the date for payment of any amount in respect of any Note is not a Business Day, the holder thereof shall not be entitled to payment until the next following Business Day and shall not be entitled to further interest or other payment in respect of such delay.

(e) ***Interpretation of principal and interest***: References in these Conditions to (i) "principal" shall be deemed to include any premium payable in respect of the Notes and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "interest" shall be deemed to include all interest amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "principal" and/or "interest" shall be deemed to include any Additional Amounts that may be payable under Condition 8 (*Taxation*).

8. **Taxation**

All payments of principal and interest in respect of the Notes or under the Guarantee by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by any Tax Jurisdiction (as defined below), unless the Issuer or the Guarantor, as the case may be, is required by law to make such withholding or deduction. In that event, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts (the "**Additional Amounts**") as shall result in receipt by holders that are not subject to income tax in the

United States on a net income basis of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable:

(a) in respect of any tax, assessment or governmental charge (including backup withholding) that would not have been so withheld or deducted but for:

the beneficial owner or the holder, or a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, the holder if the holder is an estate, trust, partnership, limited liability company, corporation or other entity, or a person holding a power over an estate or trust administered by a fiduciary holder, being considered as: (w) being or having been present or engaged in a trade or business in the relevant Tax Jurisdiction or having or having had a permanent establishment in the relevant Tax Jurisdiction, (x) having a current or former relationship with the relevant Tax Jurisdiction (other than merely the holding of such Notes or receipt of interest, principal or premiums in respect thereof or activities (including enforcement) incidental thereto), including a relationship as a citizen or resident thereof, (y) being or having been a foreign or domestic personal holding company, a passive foreign investment company or a controlled foreign corporation with respect to the United States, a corporation that has accumulated earnings to avoid United States federal income tax or a private foundation or other tax-exempt organization, (z) being or having been a "10-percent shareholder" of the Company as defined in Section 871(h)(3) of the United States Internal Revenue Code of 1986, as amended, or the Code, or any successor provision or being or having been a bank whose receipt of interest on a note is described in Section 881(c)(3)(A) of the Code or any successor provision;

the failure of the holder or any other person to comply with certification, information, documentation, reporting or other similar requirements concerning the nationality, residence, identity or connection with the relevant Tax Jurisdiction of the holder or beneficial owner of such Note, (including, but not limited to, the failure to provide U.S. Internal Revenue Service, or IRS, Form W-8BEN, W-8BEN-E or W-8ECI or any subsequent versions thereof), or any other certification, information, documentation, reporting or other similar requirement under the income tax laws or regulations of the relevant Tax Jurisdiction that would establish entitlement to otherwise applicable relief or exemption from any tax, assessment or governmental charge;

the failure of the holder to present the Note for payment (where such presentation is required) within 30 days of the Relevant Date (as defined below); or

the presentation of the Note by or on behalf of a holder or beneficial owner of the Note (where such presentation is required) for payment in one location if the holder or beneficial owner would have been able to avoid such tax by presenting the Note for payment elsewhere;

(b) in respect of any estate, inheritance, gift, sales, excise, transfer, wealth or personal property tax or a similar tax, assessment or governmental charge;

(c) in respect of any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal of or interest on any note, if such payment can be made without such withholding by any other paying agent;

(d) in respect of a tax, assessment or governmental charge that is imposed otherwise than by withholding by the Issuer, the Guarantor or one of their agents from the payment; or

(e) in respect of any combination of the foregoing clauses.

As used in these Conditions,

"**Tax Jurisdiction**" means, with respect to any payment made under the Notes by the Issuer or Guarantor, any jurisdiction or any political subdivision or taxing authority thereof or therein in which the Issuer or Guarantor is organized, is a resident for tax purposes or conducts business; and

"**Relevant Date**" means, with respect to any payment due from the Issuer or Guarantor, the date on which such payment becomes due or, if the full amount payable has not been received by the Paying Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the holders of the Notes.

Notwithstanding any other provision of these Terms and Conditions, any amounts to be paid in respect of the Notes or under the Guarantee by or on behalf of the Issuer or the Guarantor will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code ("**FATCA Withholding**"). Neither the Issuer, the Guarantor, nor any other Person will be required to pay Additional Amounts on account of any FATCA Withholding.

9. **Prescription**

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the applicable due date.

10. **Events of Default**

If any of the following events ("**Events of Default**") occurs and is continuing:

(a) the Issuer fails to pay principal, interest or Additional Amounts due thereon within 15 days from the relevant due date; or

(b) the Issuer fails duly to perform any other obligation arising from the Notes or the Guarantor fails to perform any obligation arising from the Guarantee which failure is not capable of remedy or, if such failure is capable of remedy, such failure continues for more than 45 days after the Fiscal Agent has received notice thereof from a Noteholder; or

(c) the Issuer or the Guarantor announces its inability to meet its financial obligations or ceases its payments; or

(d) a court opens bankruptcy or other insolvency proceedings against the Issuer or the Guarantor, or such proceedings are instituted and have not been discharged or stayed within 60 days, or the Issuer or the Guarantor applies for or institutes such proceedings; or

(e) the Issuer or the Guarantor goes into liquidation unless this is done in connection with a merger or other form of combination with another company and such company assumes in writing all obligations contracted by the Issuer or the Guarantor, as the case may be, under the Notes or the Guarantee; or

(f) the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect, then any Noteholder may, by written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, declare any of the Notes held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at their principal amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

To the extent legally permissible, the Issuer shall not be in default of its payment obligation under the Notes if payment to the Fiscal Agent or the Clearing System is not effected due to any law or regulation provided that the Issuer cannot effect payment to the Fiscal Agent or the Clearing System by reasonable means. For the avoidance of doubt, in no event shall the Issuer be obligated to pay directly to any Holder.

11. **Meetings of Noteholders; Modifications and Amendments**

(a) ***Meetings of Noteholders***: The Fiscal and Paying Agency Agreement contains provisions for convening meetings of the Noteholders of the A Notes ("**Tranche A Noteholders**"), meetings of the Noteholders of the B Notes (the "**Tranche B Noteholders**"), meetings of the Noteholders of the C Notes (the "**Tranche C Noteholders**"), meetings of the Noteholders of the D Notes (the "**Tranche D Noteholders**") and meetings of all Noteholders, in each case to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined below) of certain modifications of the relevant Notes or the provisions of the Fiscal and Paying Agency Agreement. Such a meeting may be convened by the Issuer or Noteholders holding not less than one-twentieth in nominal amount of the A Notes in respect of matters affecting the interests of the Tranche A Noteholders only, the B Notes in respect of matters affecting the interests of the Tranche B Noteholders only, the C Notes in respect of matters affecting the interests of the Tranche C Noteholders only, the D Notes in respect of matters affecting the interests of the Tranche D Noteholders only, and all Noteholders in respect of any matter affecting the interest of all Noteholders, in each case for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than one-half in nominal amount of the relevant Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing the relevant Noteholders whatever the nominal amount of the relevant Notes so held or represented. An Extraordinary Resolution passed at any meeting of the Tranche A Noteholders shall be binding on all the Tranche A Noteholders, an Extraordinary Resolution passed at any meeting of the Tranche B Noteholders shall be binding on all the Tranche B Noteholders, an Extraordinary Resolution passed at any meeting of the Tranche C Noteholders shall be binding on all the Tranche C Noteholders, an Extraordinary Resolution passed at any meeting of the Tranche D Noteholders shall be binding on all the Tranche D Noteholders and an Extraordinary Resolution passed at any meeting of all Noteholders shall be binding on all the Noteholders, in each case whether or not they are present at the meeting, provided that no Extraordinary Resolution passed at a meeting of the Tranche A Noteholders only shall be binding on any of the Tranche B Noteholders, any of the Tranche C Noteholders or any of the Tranche D Noteholders; no Extraordinary Resolution passed at a meeting of the Tranche B Noteholders only shall be binding on any of the Tranche A Noteholders, any of the Tranche C Noteholders, or any of the Tranche D Noteholders; no Extraordinary Resolution passed at a meeting of the Tranche C Noteholders only shall be binding on any of the Tranche A Noteholders, any of the Tranche B Noteholders, or any of the Tranche D Noteholders; and no Extraordinary Resolution passed at a meeting of the Tranche D Noteholders only shall be binding on any of the Tranche A Noteholders, any of the Tranche B Noteholders, or any of the Tranche C Noteholders.

(b) Notwithstanding Condition 11(a) above, no Extraordinary Resolution shall be passed or become effective, and no other modification of the A Notes, the B Notes, the C Notes or the D Notes or any provision of the Fiscal and Paying Agency Agreement shall have any effect, in each case, without the consent of the holder of each Note that would be affected thereby, if the effect of such Extraordinary Resolution or other modification would be to:

change the maturity of the principal of any A Note, B Note, C Note or D Note or reduce the principal amount thereof, or reduce the rate or extend the time of payment of any installment of interest thereon, or change the place or currency of payment of principal of, or interest on, any A Note, B Note, C Note or D Note, or change the Issuer's or the Guarantor's obligation to pay Additional Amounts, impair or affect the right of any Noteholder to institute suit for the

enforcement of any such payment on or after the due date thereof (or in the case of redemption, on or after the redemption date) or change in any manner adverse to the interests of the Tranche A Noteholders, the Tranche B Noteholders, the Tranche C Noteholders and/or the Tranche D Noteholders the terms and provisions of the Guarantees in respect of the due and punctual payment of principal amount of the A Notes, the B Notes, the C Notes or the D Notes then outstanding plus accrued and unpaid interest (and all Additional Amounts, if any); or reduce the aforesaid requirement for consent of the Tranche A Noteholders, the Tranche B Noteholders, the Tranche C Noteholders, the Tranche D Noteholders or all Noteholders, as applicable.

(c) The Issuer, the Guarantor and the Fiscal Agent may, without the consent of any of the Noteholders or the need for any meeting of Noteholders to be convened pursuant to Condition 11(a), from time to time and at any time, enter into a fiscal and paying agency agreement or fiscal and paying agency agreements supplemental thereto for one or more of the following purposes:

to convey, transfer, assign, mortgage or pledge to the Fiscal Agent or another person as security for the Notes any property or assets;

to evidence the succession of another person to the Issuer or the Guarantor, or successive successions, and the assumption by the successor person of the covenants, agreements and obligations of the Issuer or the Guarantor, pursuant to the Fiscal and Paying Agency Agreement;

to evidence and provide for the acceptance of appointment of a successor or successors to the Fiscal Agent in any of its capacities;

to add to the covenants of the Issuer or the Guarantor, such further covenants, restrictions, conditions or provisions as the Issuer or the Guarantor, as the case may be, shall reasonably consider to be for the protection of the Noteholders, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default under the Notes permitting the enforcement of all or any of the several remedies provided in the applicable fiscal and paying agency agreement; **provided that**, in respect of any such additional covenant, restriction, condition or provision, such supplemental fiscal and paying agency agreement may provide for a particular period of grace after default (which may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such an Event of Default or may limit the right of any of the Tranche A Noteholders of a majority in aggregate principal amount of the A Notes, the Tranche B Noteholders of a majority in aggregate principal amount of the B Notes, the Tranche C Noteholders of a majority in aggregate principal amount of the C Notes, the Tranche D Noteholders of a majority in aggregate principal amount of the D Notes or all Noteholders of a majority in aggregate principal amount of all Notes, as the case may be, to waive such an Event of Default;

to modify the restrictions on, and procedures for, resale and other transfers of the Notes pursuant to law, regulation or practice relating to the resale or transfer of restricted securities generally;

to cure any ambiguity or to correct or supplement any provision contained in the Fiscal and Paying Agency Agreement, the Notes or the Guarantees, or in any supplemental agreement, which may be defective or inconsistent with any other provision contained therein or in any supplemental agreement or to make such other provision in regard to matters or questions arising under the Fiscal and Paying Agency Agreement or under any supplemental agreement as the Issuer may deem necessary or desirable and which will not adversely affect the interests of the Noteholders to which such provision relates in any material respect; and

to "reopen" the A Notes, the B Notes, the C Notes and/or the D Notes and create and issue further A Notes, B Notes, C Notes and/or the D Notes, as applicable, in accordance with Condition 13 below.

"**Extraordinary Resolution**" means a resolution passed at a meeting of the Tranche A Noteholders, a meeting of the Tranche B Noteholders, a meeting of the Tranche C Noteholders, a meeting of the Tranche D Noteholders or a meeting of all Noteholders, as applicable, in each case duly convened and held in accordance with the provisions contained in these Conditions by a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands or if a poll shall be duly demanded then by a majority consisting of not less than three-fourths of the votes given on the poll.

(d) The Floating Rate Notes may be amended without the consent of any Noteholder to reflect the implementation of the benchmark transition provisions as described in Conditions 5 (b) in relation to the Benchmark Transition Event.

12. **Replacement of Notes**

If a Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and regulations, at the specified office of the Fiscal Agent and of the Registrar (in the case of Definitive Notes) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees, costs, taxes and duties incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia,* that if the allegedly lost, stolen or destroyed Note is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes) and otherwise as the Issuer may require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

13. **Further Issues**

The Issuer may from time to time without the consent of the Noteholders create and issue further notes having in each such case the same terms and conditions as the A Notes, the B Notes, the C Notes or the D Notes, other than the issue price and, if applicable, the interest commencement date and the first interest payment date (so that, for the avoidance of doubt, references in the conditions of such Notes to "Issue Date" shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with the A Notes, the B Notes, the C Notes or the D Notes, as the case may be, and references in these Conditions to the "A Notes", the "B Notes", the "C Notes" or the "D Notes", as the case may be, shall be construed accordingly, **provided, however, that** in the event any further notes are not fungible with the Notes issued in this Offering for U.S. federal income tax purposes such non-fungible further notes will be issued with a separate CUSIP, ISIN or other identifying number so that they are distinguishable from the Notes.

14. **Notices**

Any notice to the Noteholders will be given (i) so long as the Notes are represented by Global Notes, by delivery of the relevant notice to DTC for communication by it to entitled participants, or (ii) in the case of Definitive Notes, by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Definitive Note) with the relative Note or Notes, with the Registrar. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Paying Agent or the Registrar through DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Paying Agent, the Registrar and DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. **Currency Indemnity**

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or the Guarantor or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer or the Guarantor shall only constitute a discharge to the Issuer or the Guarantor, as the case may be, to the extent of the amount in the currency of payment under the relevant Note that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note (such amount being the "**shortfall**"), the Issuer failing whom the Guarantor shall, to the fullest extent permitted by applicable law, indemnify the recipient in an amount equal to the shortfall and, if a purchase is made, against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder to demonstrate that a shortfall would have arisen had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantor's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

16. **Agents**

The names of the initial Agents and their initial specified offices are set forth in the Fiscal and Paying Agency Agreement.

The Issuer and the Guarantor are entitled to terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, **provided that**:

(a) there will at all times be a Paying Agent and a Registrar; and

(b) there will at all times be a Paying Agent in a jurisdiction within Continental Europe, other than the jurisdiction in which the Issuer or the Guarantor is incorporated.

Any termination, appointment or change shall take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days prior written notice thereof, which notice shall expire not less than 30 days before or after any due date for payment of any principal or interest in respect of the Notes, shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Fiscal and Paying Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation to, or relationship of agency or trust with, any Noteholders. The Fiscal and Paying Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent. If the Issuer appoints an Independent Advisor in accordance with Condition 5(d) this paragraph shall apply *mutatis mutandis* to the Independent Advisor.

The Fiscal and Paying Agent will also act as initial calculation agent (the "**Calculation Agent**"). If the Calculation Agent is incapable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amounts or any other requirements, the Issuer will appoint the London office of a leading bank engaged in the London Interbank Market to act as such in its place.

17. **Governing Law, Jurisdiction and Service of Process**

(a) ***Governing Law***: The Notes (and any non-contractual obligations arising out of or in connection with them), the Deed of Covenant and the Fiscal and Paying Agency Agreement are governed by, and shall be construed in accordance with, English law. The Guarantee of the Guarantor is governed by German law.

(b) ***Jurisdiction***: The courts of England are to have non-exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Notes, the Deed of Covenant and the Fiscal and Paying Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with any Notes, the Deed of Covenant and the Fiscal and Paying Agency Agreement ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantor irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

The non-exclusive place of jurisdiction for all legal proceedings arising out of or in connection with the Guarantee against the Guarantor is Frankfurt am Main, Germany.

(c) ***Service of Process***: Each of the Issuer and the Guarantor irrevocably appoints Volkswagen Group United Kingdom Limited, Yeomans Drive, Blakelands, Milton Keynes MK14 5AN, United Kingdom as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer or the Guarantor). If for any reason such process agent ceases to be able to act as such or no longer has an address in England, each of the Issuer and the Guarantor irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 14. Nothing shall affect the right to serve process in any manner permitted by law.

(d) ***Consent to Enforcement***: Each of the Issuer and the Guarantor consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any judgment or award which may be made or given in such Proceedings.

(e) ***Waiver of Immunity***: To the extent that either the Issuer or the Guarantor may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before the making of a judgment or an award or otherwise) or other legal process including in relation to the enforcement of an arbitration award and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer, the Guarantor or their respective assets or revenues, each of the Issuer and the Guarantor agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

18. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

14. FORM OF GUARANTEE OF THE NOTES

GUARANTEE AND NEGATIVE PLEDGE

by
VOLKSWAGEN AKTIENGESELLSCHAFT,
Wolfsburg, Germany,
(the "**Guarantor**")

in favour of the holders of Notes (as defined below) issued by
Volkswagen Group of America Finance, LLC,
Delaware, United States of America,
(the "**Issuer**")
under the

U.S.$	% Guaranteed Notes due 20	(the "**A Notes**"),
U.S.$	% Guaranteed Notes due 20	(the "**B Notes**"),
U.S.$	% Guaranteed Notes due 20	(the "**C Notes**") and
U.S.$	Floating Rate Guaranteed Notes due 20	(the "**D Notes**"

and, together with the A Notes, the B Notes and the C Notes, the "**Notes**")

The Guarantor hereby unconditionally and irrevocably guarantees to the holder of (i) each Note and (ii) any direct rights arising in relation to such Note ("**Direct Rights**") pursuant to a deed of covenant relating to the Notes and dated the date hereof (the "**Deed of Covenant**") (in each case, a "**Holder**") the due payment of the amounts corresponding to the principal of and interest, if any, on the respective Notes or Direct Rights in accordance with the respective terms applicable to such Notes or Direct Rights.

The intent and purpose of this Guarantee and Negative Pledge is to ensure that the Holders under all circumstances, whether factual or legal, and regardless of the motives or considerations by reason of which the Issuer may fail to effect payment, shall receive the amounts payable as principal and interest, if any, on the dates provided for in the Terms and Conditions (the "**Conditions**") applicable to the respective Notes.

The Guarantor expressly guarantees the payment of principal of, and interest, if any, on, all Notes or Direct Rights.

The payment obligations of the Guarantor under this Guarantee shall, save for such exceptions as may be provided by applicable legislation, at all times rank *pari passu* with all other unsecured and unsubordinated obligations of the Guarantor, present and future.

The Guarantor further undertakes, as long as Notes or Direct Rights are outstanding, but only up to the time all amounts of principal and interest, if any, have been placed at the disposal of the Fiscal Agent, not to provide for any other Bond Issue, including any guarantee or indemnity in respect thereof, any security upon its assets without at the same time having the Holders share equally and rateably in such security. For the avoidance of doubt, this undertaking shall not apply to security provided in connection with asset-backed securities issued by (i) the Issuer, (ii) a special purpose vehicle where the Issuer is the originator of the underlying assets, (iii) the Guarantor or any of the Guarantor's Principal Subsidiaries, or (iv) a special purpose vehicle where the Guarantor or any of the Guarantor's Principal Subsidiaries is the originator of the underlying assets. For the purposes of this Guarantee and Negative Pledge, "**Bond Issue**" shall mean an issue of debt securities which is, or is intended to be, or is capable of being, quoted, listed or dealt in on any stock exchange, over-the-counter or other securities market.

This Guarantee and Negative Pledge is given in respect of any and all Notes which are or will be issued by the Issuer on or after the date hereof and any Direct Rights relating thereto.

This Guarantee and Negative Pledge and all undertakings contained herein constitute a contract for the benefit of the Holders from time to time as third-party beneficiaries pursuant to § 328 (1) BGB (German Civil Code)[1]. They give rise to the right of each such Holder to require performance of the obligations undertaken herein directly from the Guarantor, and to enforce such obligations directly against the Guarantor.

Any Holder has the right in case of non-performance of any payments on the Notes or the Direct Rights to enforce the Guarantee by filing a suit directly against the Guarantor without the need to take prior proceedings against the Issuer.

Citibank, N.A., London Branch, which accepted this Guarantee and Negative Pledge in its capacity as Fiscal Agent, does not act in a relationship of agency or trust, a fiduciary or in any other similar capacity for the Holders.

All payments of principal and interest under this Guarantee by the Guarantor shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed informally, unless such withholding or deduction is required by German law. In that event, subject to the provisions of the Conditions, the Guarantor shall pay Additional Amounts to the Holders.

Terms used in this Guarantee and Negative Pledge and not otherwise defined herein shall have the meaning attributed to them in the Conditions.

This Guarantee and Negative Pledge may be amended in accordance with Condition 11. Should the Conditions of a Note be amended in accordance with Condition 11 this Guarantee shall also apply to payments due under the amended Conditions.

The rights and obligations arising from this Guarantee and Negative Pledge shall in all respects be determined in accordance with German law. Place of performance shall be Frankfurt am Main.

The original version of this Guarantee and Negative Pledge shall be delivered to, and kept by, Citibank, N.A., London Branch.

The non-exclusive place of jurisdiction for all legal proceedings arising out of or in connection with this Guarantee and Negative Pledge against the Guarantor shall be Frankfurt am Main.

On the basis of a copy of this Guarantee and Negative Pledge certified as being a true copy by a duly authorized officer of Citibank, N.A., London Branch, each Holder may protect and enforce in his own name his rights arising under this Guarantee and Negative Pledge in any legal proceedings against the Guarantor or to which such Holder and the Guarantor are parties, without the need for production of the original version of this Guarantee and Negative Pledge in such proceedings.

Wolfsburg, _____, 2023

[1] An English language translation of § 328 (1) German Civil Code would read as follows: "A contract may stipulate performance for the benefit of a third party, to the effect that the third party acquires the right directly to demand performance."

Volkswagen Aktiengesellschaft
as Guarantor

By: _____

By: _____

Citibank, N.A., London Branch
as Fiscal Agent

By: _____

15. BOOK-ENTRY, DELIVERY AND FORM

The information set out below in connection with DTC is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC currently in effect. The information in this section concerning DTC has been obtained from sources believed to be reliable, but neither the Issuer nor the Guarantor nor any Initial Subscriber takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any clearing system are advised to confirm the continued applicability of the rules, regulations and procedures of such clearing system. Neither the Issuer nor the Guarantor nor any Initial Subscriber nor any affiliate of any of the above or any person by whom any of the above is controlled (as such term is defined in the Securities Act) will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial interests in the Notes held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

15.1 General

The Notes that are initially offered and sold in the United States to Qualified Institutional Buyers will be represented by beneficial interests in one or more global notes (the "**Rule 144A Global Notes**") in registered form without interest coupons, which will be deposited on or about the Issue Date with the custodian for and registered in the name of Cede & Co. as nominee of DTC. DTC is referred to as the "depositary". Noteholders will hold beneficial interests in the Notes through DTC in book-entry form. This means that the Issuer will not issue certificates to each holder. The Notes that are offered and sold in reliance on Regulation S will be represented by beneficial interests in one or more global notes (the "**Regulation S Global Notes**") in registered form without interest coupons, which will be deposited on or about the Issue Date with the custodian for and registered in the name of Cede & Co., as nominee of DTC.

Beneficial interests in the Global Notes may be held only through DTC (or any successor clearing system) and its participants. Investors may hold their interests in the Global Notes directly through DTC if they are participants in or indirectly through organizations which are participants in such system.

As used in this Offering Memorandum, "**Global Notes**" refers to both the Rule 144A Global Notes and the Regulation S Global Notes.

So long as DTC or its nominee is the registered holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the applicable Global Note for all purposes set forth under the Fiscal and Paying Agency Agreement and the Notes (except as the context otherwise requires in respect of additional amounts).

The Notes (including any beneficial interest in a Global Note) will be subject to certain restrictions on transfer set forth in the Notes and the Fiscal and Paying Agency Agreement and under "*Purchase and Transfer Restrictions*". The Global Notes and any Notes issued in definitive form will bear a legend regarding the restrictions as set forth under "*Purchase and Transfer Restrictions*". Under certain circumstances, transfers may be made only upon receipt by the transfer agent or the registrar of a written certification (in the form provided in the Fiscal and Paying Agency Agreement). See "*Terms and Conditions of the Notes*" and "*Purchase and Transfer Restrictions*".

The Notes will not be listed on any securities exchange or quoted on any automated quotation system.

15.2 Transfers within Global Notes

Subject to the procedures and limitations described herein, including under "*Purchase and Transfer Restrictions*," transfers of beneficial interests within a Global Note may be made without delivery to the Issuer, the Guarantor or the Fiscal Agent of any written certifications or other documentation by the transferor or transferee.

15.3 **Transfers of interest in Global Notes**

Transfers of beneficial interests in Global Notes will be effected by DTC and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Global Note only in Specified Denominations and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Fiscal and Paying Agency Agreement. Transfers of a Global Note shall be limited to transfers of such Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

15.4 **Transfers between the Global Notes**

A beneficial interest in a Regulation S Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through a Rule 144A Global Note only upon receipt by the transfer agent of a written certification (in the form provided in the Fiscal and Paying Agency Agreement) from the transferor to the effect that the transferor (i) reasonably believes that the transferee is a Qualified Institutional Buyer purchasing for its own account (or for the account of one or more Qualified Institutional Buyers over which account it exercises sole investment discretion), (ii) transfers such note in a transaction meeting the requirements of Rule 144A and (iii) has notified the transferee of the restrictions on transfer and the representations set forth under "*Purchase and Transfer Restrictions*".

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note without any written certification from the transferor or the transferee, and each transferee of a Rule 144A Global Note, in making its purchase, will be subject to certain restrictions and must be able to make and will be deemed to have made certain acknowledgements, representations and agreements for itself and for each account for which it is purchasing as set forth under "*Purchase and Transfer Restrictions — Rule 144A.*"

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note only upon receipt by the transfer agent of a written certification (in the form provided in the Fiscal and Paying Agency Agreement) from the transferor to the effect that such transfer is being made in compliance with the restrictions and representations set forth under "*Purchase and Transfer Restrictions*" and in accordance with Rule 904 of Regulation S under the Securities Act. No representation can be made as to the availability of the exemption provided by Rule 144 for resale of an interest in a Rule 144A Global Note.

Any beneficial interest in a Rule 144A Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in a Regulation S Global Note will, upon transfer, cease to be a beneficial interest in such Rule 144A Global Note and become a beneficial interest in the Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such Regulation S Global Note for so long as such person retains such an interest.

Any beneficial interest in a Regulation S Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in a Rule 144A Global Note will, upon transfer, cease to be a beneficial interest in such Regulation S Global Note and become a beneficial interest in the Rule 144A Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such Rule 144A Global Note for so long as such person retains such an interest.

15.5 **Transfers or Exchanges from Global Notes to Definitive Notes**

No Global Note may be exchanged in whole or in part for Notes in definitive registered form ("**Definitive Notes**") unless:

- the depositary notifies the Issuer that it is unwilling or unable to hold the applicable Global Note or the depositary ceases to be a clearing agency registered under the Exchange Act, and in each case the Issuer

does not appoint a successor depositary which shall be registered under the Exchange Act within 90 days;

- a payment default has occurred and is continuing; or
- in the event of bankruptcy or liquidation default pursuant to the terms and conditions of the Notes, the Issuer (or failing whom, the Guarantor) fails to make payment on the Notes when due.

On or after the Exchange Date, the holder of the relevant Global Note may surrender such Global Note to or to the order of the registrar or any transfer agent. In exchange for the relevant Global Note, as provided in the Fiscal and Paying Agency Agreement, the registrar will deliver, or procure the delivery of, an equal aggregate amount of duly executed and authenticated Definitive Notes in or substantially in the form set out in the relevant schedule to the Fiscal and Paying Agency Agreement.

The registrar will not register the transfer of, or exchange of interests in, a Global Note for Definitive Notes for a period of 15 calendar days immediately preceding the due date for redemption of any of the Notes.

"**Exchange Date**" means a day falling not later than 30 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which DTC is located.

15.6 **Delivery**

In such circumstances, the relevant Global Note shall be exchanged in full for Definitive Notes and the Issuer will, at the cost of the Guarantor (but against such indemnity as the registrar or any relevant transfer agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Notes to be executed and delivered to the registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note must provide the registrar with (a) a written order containing instructions and such other information as the Issuer, the Guarantor and the registrar may require to complete, execute and deliver such Notes and (b) in the case of a Rule 144A Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a Qualified Institutional Buyer. Definitive Notes issued in exchange for a beneficial interest in a Rule 144A Global Note shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "*Purchase and Transfer Restrictions*".

15.7 **Legends**

The holder of a Definitive Note may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the registrar or any transfer agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of Definitive Notes bearing the legend set forth under "*Purchase and Transfer Restrictions — Rule 144A Notes*", or upon specific request for removal of the legend on a Rule 144A Note that is a Definitive Note, the Issuer will deliver only Definitive Notes that bear such legend or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Upon the transfer, exchange or replacement of Definitive Notes bearing the legend set forth under "*Purchase and Transfer Restrictions — Regulation S Notes*" on or prior to the 40th day after the later of the commencement of the sale of the relevant tranche of Notes and the final delivery date with respect thereto, the Issuer will deliver only Definitive Notes that bear such legend.

Each Definitive Note will benefit from the Guarantee of the Guarantor, in the form set forth herein under "*Form of Guarantee of the Notes*," and will include terms substantially in the form of those set forth in the Fiscal and Paying Agency Agreement.

15.8 **Direct Rights**

The Noteholders are entitled to the benefit of the Deed of Covenant dated the Issue Date and executed by the Issuer (the "**Deed of Covenant**"). Pursuant to the Deed of Covenant, if at any time any Global Note becomes void in accordance with its terms (such time, the "**Determination Date**"), each holder of an account with DTC will have against the Issuer all rights (including the right to receive payments due on the Notes) ("**Direct Rights**") which such accountholder would have had in respect of such Notes if, immediately before the Determination Date, it had been the holder of Definitive Notes. No further action will be required on the part of the Issuer or any other person for such accountholders to enjoy the Direct Rights, or for each such accountholder to have the benefit of the Conditions as if they had been incorporated *mutatis mutandis* into the Deed of Covenant, **provided, however, that** nothing in the Deed of Covenant will entitle any such accountholder to receive any payment which has already been made in accordance with the terms of any Global Note.

15.9 **Clearing and Settlement**

Under the rules, regulations, and procedures creating and affecting DTC and its operations (the "**Rules**"), DTC is required to make book-entry transfers of Notes among DTC participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system as described below (the "**DTC Notes**") and to receive and transmit distributions of the nominal amount and interest on the DTC Notes. DTC participants and indirect DTC participants with which beneficial owners of DTC Notes ("**owners**") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective owners. Accordingly, although owners who hold DTC Notes through DTC participants or indirect DTC participants will not possess Notes, the Rules by virtue of the requirements described above, provide a mechanism by which such owners will receive payments and will be able to transfer their interests with respect to the Notes.

Transfers of ownership or other interests in the Notes in DTC may be made only through DTC participants. Indirect DTC participants are required to effect transfers through a DTC participant. DTC has no knowledge of the actual beneficial owners of the Notes. DTC's records reflect only the identity of the DTC participants to whose accounts the Notes are credited, which may not be the beneficial owners. DTC participants will remain responsible for keeping account of their holdings on behalf of their customers and for forwarding all notices concerning the Notes to their customers.

So long as DTC, or its nominee, is the registered holder of a Global Note, payments on the applicable Notes will be made in immediately available funds to DTC. DTC's practice is to credit DTC participants' accounts on the applicable payment date in accordance with their respective holdings shown on its records, unless DTC has reason to believe that it will not receive payment on that date. Payments by DTC participants to beneficial owners will be governed by standing instructions and customary practices, and will be the responsibility of the DTC participants and not of DTC, or any other party, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the paying agent. Disbursement of payments for DTC participants will be DTC's responsibility, and disbursement of payments to the beneficial owners will be the responsibility of DTC participants and indirect DTC participants.

Because DTC can only act on behalf of DTC participants, who in turn act on behalf of indirect DTC participants, and because owners of beneficial interests in the Notes holding through DTC will hold interests in the Notes through DTC participants or indirect DTC participants, the ability of the owners of the beneficial interests to pledge Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to the Notes, may be limited.

DTC will take any action permitted to be taken by an owner only at the direction of one or more DTC participants to whose account with DTC such owner's DTC Notes are credited. Additionally, DTC has advised the Issuer that it will take such actions with respect to any percentage of the beneficial interest of owners who hold Notes through DTC participants or indirect participants only at the direction of and on behalf of DTC participants whose account holders include undivided interests that satisfy any such percentage.

To the extent permitted under applicable law and regulations, DTC may take conflicting actions with respect to other undivided interests to the extent that such actions are taken on behalf of DTC participants whose account holders include such undivided interests.

Ownership of interests in the Global Notes will be shown on, and the transfer of those ownership interests will be effected only through records maintained by, DTC, the DTC participants and the indirect DTC participants. Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules.

15.10 **Limitation on Responsibilities**

Although the foregoing sets out the procedures of the depositaries established in order to facilitate the transfer of interests in the Global Notes among their participants, none of the depositaries is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

DTC has no knowledge of the actual beneficial owners of interests in a Global Note. DTC's records reflect only the identity of the DTC participants to whose accounts those Global Notes are credited, which may or may not be the beneficial owners of interests in a Global Note.

None of the Issuer, the Guarantor or the Initial Subscribers, nor any of their respective agents will have any responsibility for the performance by any depositary or its respective participants of their respective obligations under the rules and procedures governing their operations.

15.11 **Initial Settlement**

Upon the issue of a Global Note deposited with DTC or a nominee therefor, DTC or its nominee, as the case may be, will credit, on its internal system, the respective nominal amount of the individual beneficial interest represented by such relevant DTC Note or Notes to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant dealers. Ownership of beneficial interest in a DTC Note will be limited to DTC participants or indirect DTC participants. Ownership of beneficial interests in DTC Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC participants) and the records of DTC Participants (with respect to interests of indirect DTC participants).

Investors that hold their interests in a DTC Note will follow the settlement procedures applicable to global bond issues. Investors' securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

15.12 **Secondary Market**

Since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date. Although DTC has agreed to the following procedures in order to facilitate transfers of interests in Global Notes deposited with DTC or a custodian therefor among participants of DTC, DTC is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer nor any agent of the Issuer will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Secondary market trading between DTC participants will be settled using the procedures applicable to global bond issues in same-day funds.

15.13 **Payments**

So long as any of the Notes remains outstanding, the Issuer and the Guarantor will maintain an office or agency in London (a) where the Notes may be presented for payment (by the Issuer pursuant to the Notes or by the Guarantor pursuant to the Guarantee), (b) in the case of the Issuer, where the Notes may be presented for registration of transfer and for exchange and (c) where notices and demands to or upon the Issuer, or the Guarantor or under the Fiscal and Paying Agency Agreement may be served. The Issuer and the Guarantor, as applicable, will give the Fiscal Agent written notice of the location of any such office or agency and of any

change of location thereof. The Issuer and the Guarantor, as applicable, will initially designate Citibank, N.A., London Branch, in London for such purposes.

The Issuer or Guarantor, may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes or where such notices or demands may be served and may from time to time rescind such designations; **provided, however, that** no such designation or rescission shall in any manner relieve the Issuer, or any Guarantor, of any obligation to maintain an office or agency in London for such purposes. The Issuer, or the Guarantor, shall give written notice to the agents of any such designation or rescission and of any such change in the location of any other office or agency.

The Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any exchange or registration of transfer of Notes and any other expenses (including the fees and expenses of the Agents). No service charge will be made for any such transaction.

No transfer shall be registered (i) for so long as the Notes are represented by the Global Notes, for a period of three business days (as such term is defined in the Fiscal and Paying Agency Agreement) and (ii) if the Notes are represented by Definitive Notes, 15 calendar days, in each case immediately preceding the due date for redemption of any of the Notes.

The Notes will be issued in registered form without coupons and transferable in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The laws of some jurisdictions require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in the Global Notes is limited to such extent.

16. TAX CONSIDERATIONS

16.1 U.S. Federal Income Tax Considerations

The following summary describes certain U.S. federal income tax consequences of the acquisition, ownership and disposition of a Note by an investor that acquires the Note in the initial offering from the Initial Subscribers at the issue price (the first price at which a substantial amount of the Notes is sold for money to investors) and holds it as a capital asset (generally, property held for investment). This summary does not address all aspects of U.S. federal income taxation that may be applicable to a particular investor's decision to acquire, own or dispose of a Note.

The discussion below is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), U.S. Treasury regulations thereunder, and judicial and administrative interpretations thereof, all as of the date of this Offering Memorandum and any of which may at any time be repealed, revoked or modified or subject to differing interpretations, potentially retroactively, so as to result in U.S. federal income tax consequences different from those discussed below. In addition, there can be no assurances that the U.S. Internal Revenue Service (the "**IRS**") would not assert, or that a U.S. court would not uphold, positions concerning the U.S. federal income tax consequences of an investor's acquisition, ownership or disposition of a Note that are contrary to the discussion below.

If an entity or arrangement classified as a partnership for U.S. federal income tax purposes invests in a Note, the U.S. federal income tax consequences to the partners of such partnership will depend on the activities of the partnership and the status of the partners. Such entities or arrangements should consult with their own tax advisers about the consequences to them and the partners of an investment in the Notes.

16.1.1 *U.S. Holders*

As used herein, the term "**U.S. Holder**" means a beneficial owner of a Note that is for U.S. federal income tax purposes: (i) an individual who is a citizen or resident of the United States; (ii) a corporation created or organized in or under the laws of the United States, any state therein or the District of Columbia; (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust.

This summary does not address all U.S. federal income tax consequences that apply to prospective investors subject to special tax rules, including, among others:

- tax-exempt organizations;
- financial institutions;
- dealers and traders in securities or currencies;
- persons required for U.S. federal income tax purposes to accelerate the recognition of any item of gross income with respect to the Notes as a result of such income being recognized on an applicable financial statement;
- U.S. Holders that will hold a Note as part of a "straddle," hedging transaction or "conversion transaction" for U.S. federal income tax purposes;
- U.S. Holders that enter into "constructive sale" transactions with respect to the Notes;
- U.S. Holders that own (directly or through attribution) 10% or more of the equity, by vote or value, of the Issuer;
- U.S. Holders that have a "functional currency" other than the U.S. dollar;

- Partnerships (or entities or arrangements treated as partnerships for U.S. federal income tax purposes), or partners therein; and

- certain U.S. expatriates.

In addition this summary does not address consequences to U.S. Holders of the acquisition, ownership and disposition of a Note under U.S. federal tax laws other than the U.S. federal income tax (such as the alternative minimum tax or the Medicare contribution tax) or the tax laws of any state, locality or other political subdivision of the United States or other countries or jurisdictions.

Prospective purchasers should consult their own tax advisers as to the particular tax considerations for them relating to the purchase, ownership and disposition of a Note, including the applicability of any U.S. federal, state, or local tax laws, or non-U.S. tax laws, any changes in applicable tax laws, and any pending or proposed legislation or regulations.

16.1.1.1 *Payments of stated interest*

In general, a payment of stated interest on a Note will be taxable to a U.S. Holder as U.S. source ordinary interest income at the time it is accrued or is paid in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

16.1.1.2 *Original issue discount*

If the issue price of a Note is less than its principal amount by more than a *de minimis* amount, U.S. Holders will be subject to special U.S. federal income tax rules with respect to this original issue discount ("**OID**"). OID will be considered to be *de minimis* if it is less than 0.25% of the principal amount multiplied by the number of complete years to maturity from the issue date. U.S. Holders will be required to include any OID in income for U.S. federal tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, even though the cash attributable to this income will not be received until a Note is sold, exchanged, redeemed or otherwise disposed of.

16.1.1.3 *Sale, exchange, redemption, retirement at maturity or other taxable disposition of the Notes*

Upon the sale, exchange, redemption, retirement at maturity or other taxable disposition of a Note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount of cash and the fair market value of any property received on the disposition (except to the extent such cash or property is attributable to accrued and unpaid stated interest, which will be treated like a payment of interest, as described above) and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the amount paid for the Note increased by the amount of any OID included in the U.S. Holder's income with respect to the Note.

Any gain or loss that a U.S. Holder recognizes upon the sale, exchange, redemption, retirement at maturity or other taxable disposition of a Note generally will be U.S. source capital gain or loss and will be long-term capital gain or loss if, at the time of the disposition, the U.S. Holder's holding period for the Note is more than one year. The deductibility of capital losses is subject to limitations.

16.1.1.4 *Information reporting and backup withholding requirements*

U.S. Holders may be subject to information reporting on the amounts paid to them (including OID accrued in the manner described above), unless they provide proof of an applicable exemption. If a U.S. Holder does not provide this proof of exemption, it may be subject to backup withholding on such amounts unless the U.S. Holder provides its taxpayer identification number and otherwise complies with the requirements of the backup withholding rules. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, **provided that** the required information is timely furnished to the IRS.

U.S. Holders should consult their tax advisers about any additional reporting obligations that may apply as a result of the acquisition, ownership or disposition of a Note. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

16.1.2 ***Non-U.S. Holders***

As used herein, the term "**Non-U.S. Holder**" means a beneficial owner of a Note that is, for U.S. federal income tax purposes: (i) a nonresident alien individual; (ii) a corporation created or organized in or under the laws of a jurisdiction outside of the United States or of any political subdivision thereof or (iii) an estate or trust the income of which is not subject to U.S. federal income taxation regardless of its source.

The following discussion describes certain U.S. federal income tax consequences of the acquisition, ownership and disposition of a Note by a Non-U.S. Holder. This discussion does not consider the specific facts and circumstances that may be relevant to a particular Non-U.S. Holder. In particular, this discussion does not address, among others, potential investors that:

- are banks;
- own (directly, indirectly or through attribution) equity possessing 10% or more of the total combined voting power of the Issuer;
- are controlled foreign corporations for U.S. federal income tax purposes that are considered to be related parties of the Issuer;
- are partnerships (or entities or arrangements treated as partnerships for U.S. federal income tax purposes), or partners therein;
- are treated as earning income on a Note that is effectively connected with a trade or business of the potential investor in the United States; or
- are individuals that are present in the United States for 183 days or more in a taxable year in which they dispose of a Note.

Prospective investors should consult their own tax advisers with regard to the application of the U.S. federal income tax laws to their particular circumstances as well as any tax consequences arising under U.S. federal tax laws (other than the U.S. federal income tax laws) and the laws of any state, local or non-U.S. taxing jurisdiction.

Subject to the discussion under "— *FATCA Withholding*" below, a Non-U.S. Holder will not be subject to U.S. federal income tax or backup withholding on payments (including OID, if any) on, or gain realized on the sale, exchange or other disposition of, a Note **provided that** the Non-U.S. Holder certifies on the appropriate IRS Form W-8, under penalties of perjury, that it is not a U.S. person. A Non-U.S. Holder that fails to certify on the appropriate IRS Form W-8 its status as a non-U.S. person will generally be subject to U.S. withholding tax on payments of stated interest (and OID, if any) on a Note at a flat rate of 30%.

16.1.3 ***FATCA Withholding***

U.S. tax rules commonly referred to as FATCA impose a 30% withholding tax on certain U.S. source payments, including interest (and OID if any), if paid to a foreign financial institution, whether as a beneficial owner or intermediary, unless the financial institution collects and reports certain information regarding U.S. financial account holders (including certain account holders that are foreign entities with U.S. owners), or otherwise qualifies for an exemption. These rules also generally impose a withholding tax of 30% on such payments made to certain other payees that are not classified as financial institutions unless they provide the withholding agent with certain documentation containing information about their identity and their FATCA status, and if required a certification identifying their direct and indirect substantial U.S. owners. Under certain circumstances, an investor may be eligible for a refund or credit of such withheld taxes.

These rules generally apply to interest payments made on the Notes. If withholding does apply, there will be no additional amounts paid in respect of such withholding. Prospective investors are urged to consult with their own tax advisers regarding the possible implications of these rules on their investment in the Notes.

THE U.S. FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISERS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER OTHER FEDERAL TAX RULES, STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAWS.

17. CERTAIN ERISA AND RELATED CONSIDERATIONS

Sections 404 and 406 of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and Section 4975 of the Code impose fiduciary and prohibited transaction restrictions on the activities of employee benefit plans and certain other retirement plans and arrangements subject to such provisions of law, including investment funds, bank collective investment funds and insurance company accounts whose assets are deemed to be "plan assets" within the meaning of 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (together referred to as "**Benefit Plan Investors**").

Governmental plans (as defined in Section 3(32) of ERISA), plans maintained outside the United States primarily for the benefit of persons substantially all of whom are non-resident aliens (as described in Section 4(b)(4) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA) are not subject to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code but may be subject to federal, state, local or non-U.S. laws or regulations substantially similar to such provisions of law ("**Similar Law**"). The Issuer, the Guarantor, the Initial Subscribers, the Fiscal and Paying Agent, the Registrar and their respective affiliates (collectively, the "**Transaction Parties**") may be "parties in interest" (as defined in Section 3(14) of ERISA) or "disqualified persons" (as defined in Section 4975(e)(2) of the Code) as to certain Benefit Plan Investors. Thus, the acquisition, holding or disposition of Notes by or on behalf of a Benefit Plan Investor may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code unless a statutory or administrative exemption applies. Fiduciaries and other persons involved in a non-exempt prohibited transaction may be subject to penalties and other liabilities under ERISA or Section 4975 of the Code, and the prohibited transaction may need to be rescinded or otherwise corrected.

There are statutory and administrative exemptions that could apply, depending on the circumstances, to provide relief from certain of the prohibited transaction provisions of ERISA or Section 4975 of the Code in connection with the acquisition or holding of Notes, including, but not limited to: Prohibited Transaction Class Exemption ("**PTCE**") 84-14 (applicable to a "qualified professional asset manager"); PTCE 90-1 (applicable to insurance company separate accounts); PTCE 91-38 (applicable to bank collective investment funds); PTCE 95-60 (applicable to insurance company general accounts); and PTCE 96-23 (applicable to an "in-house asset manager"). In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code generally exempt certain transactions with a person that is a party in interest or disqualified person to a Benefit Plan Investor solely by reason of it or its affiliate providing services to the Benefit Plan Investor where such services are not in a fiduciary capacity within the meaning of ERISA or Section 4975 of the Code in connection with the investment of "plan assets" of the Benefit Plan Investor involved in the transaction, and the Benefit Plan Investor pays no more than, and receives no less than, "adequate consideration" in connection with the transaction.

There can be no assurance that any prohibited exemption will apply to the acquisition or holding, or subsequent transfer or other disposition, of Notes by any particular Benefit Plan Investor or, even if all of the conditions specified therein were satisfied, that the exemption would apply to all prohibited transactions that may occur in connection with such investment. Each Benefit Plan Investor and its fiduciary acting on its behalf shall be solely responsible for determining whether any prohibited transaction exemptions apply and provide full relief to the acquisition and holding of Notes by the Benefit Plan Investor.

Each purchaser and transferee of any Note (or interest therein) will be deemed to have represented and warranted by its acquisition of such Note (or interest therein) that either (a) it is not, and is not acting on behalf of, a Benefit Plan Investor or a governmental, church or non-U.S. plan subject to Similar Law or (b) its acquisition, holding and disposition of such Note (or interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of applicable Similar Law or subject the Issuer's assets to Section 404 or 406 of ERISA, Section 4975 of the Code or any Similar Law.

Each of the Transaction Parties has its own interests in the Offering and related transactions, which differ from the interests of any Benefit Plan Investor considering the acquisition or holding of Notes, and such financial interests are disclosed in this Offering Memorandum. Any person that, for any direct or indirect compensation, makes a suggestion, directly or indirectly, to engage in or refrain from a particular action in connection with the acquisition or holding of a Note by any Benefit Plan Investor might be rendering "investment advice" so as to become a fiduciary to the Benefit Plan Investor.

In this regard, each purchaser and transferee of the Notes (or interests therein) that is, or is acting on behalf of, a Benefit Plan Investor will be deemed to have represented by its acquisition of such Notes (or interests therein) that (x) none of the Transaction Parties has provided any investment recommendation or investment advice to the Benefit Plan Investor, or any fiduciary or other person investing on behalf of the Benefit Plan Investor or who otherwise has discretion or control over the investment and management of "plan assets" (a "**Plan Fiduciary**"), on which either the Benefit Plan Investor or Plan Fiduciary has relied in connection with the decision to acquire such Notes (or interests therein), (y) none of the Transaction Parties is undertaking to act as a "fiduciary" within the meaning of Section 3(21) of ERISA or Section 4975(e)(3) of the Code to the Benefit Plan Investor or Plan Fiduciary in connection with the Benefit Plan Investor's acquisition of such Notes (or interests therein) and (z) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction. Any Plan Fiduciary or any fiduciary or representative of a plan that is subject to Similar Law that proposes to acquire or hold Notes (or interests therein) on behalf of or with the assets of a Benefit Plan Investor or such other plan is encouraged to consult with its counsel regarding the application of the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of ERISA and Section 4975 of the Code or the applicability of Similar Law before making the proposed investment.

The sale of Notes to a Benefit Plan Investor is in no respect a representation by the Issuer or Initial Subscribers that such an investment meets all relevant legal requirements with respect to investments by Benefit Plan Investors generally or any particular Benefit Plan Investor, or that such an investment is appropriate for Benefit Plan Investors generally or any particular Benefit Plan Investor.

18. PLAN OF DISTRIBUTION

18.1 Subscription

The Issuer and the Guarantor have entered into a Subscription Agreement dated November , 2023 (the "**Subscription Agreement**") with the Initial Subscribers named below (the "**Initial Subscribers**"), pursuant to which, and subject to the terms and conditions set forth therein, the Issuer has agreed to issue and sell to the Initial Subscribers and each Initial Subscriber has severally agreed to subscribe to, the principal amount of the Notes as set forth below:

Initial Subscribers	Principal Amount of A Notes	Principal Amount of B Notes	Principal Amount of C Notes	Principal Amount of D Notes
Barclays Capital Inc.	U.S.$	U.S.$	U.S.$	U.S.$
BofA Securities, Inc.	U.S.$	U.S.$	U.S.$	U.S.$
J.P. Morgan Securities LLC.....	U.S.$	U.S.$	U.S.$	U.S.$
SMBC Nikko Securities America, Inc.....	U.S.$	U.S.$	U.S.$	U.S.$
Wells Fargo Securities, LLC.....	U.S.$	U.S.$	U.S.$	U.S.$
Total	**U.S.$**	**U.S.$**	**U.S.$**	**U.S.$**

The obligations of the Initial Subscribers under the Subscription Agreement, including their agreement to subscribe to the Notes from the Issuer, are several and not joint. The Subscription Agreement provides that the Initial Subscribers will subscribe, subject to certain conditions precedent, to all the Notes if any of them are subscribed to.

The Initial Subscribers initially propose to offer and sell the Notes of each tranche at the applicable prices set forth on the cover page of this Offering Memorandum. If all of the Notes of a tranche are not sold at the initial offering price, the initial offering price and other selling terms may be changed at any time without notice. The offering of the Notes by the Initial Subscribers is subject to receipt and acceptance and subject to the Initial Subscribers' right to reject any order in whole or in part. The Initial Subscribers may offer and sell Notes through certain of their affiliates.

In the Subscription Agreement, the Issuer and the Guarantor have agreed, jointly and severally, to indemnify and hold harmless each Initial Subscriber, its affiliates, directors, officers, partners, employees and controlling persons against certain liabilities in connection with the Offering and to contribute to payments that the Initial Subscribers may be required to make in respect thereof. The Initial Subscribers have agreed to reimburse certain of the Issuer's offering-related expenses.

The Notes are new issues of securities for which there currently are no markets and the Issuer has no intention of listing the Notes on any securities exchange or arranging for their quotation on any automated quotation system. Certain of the Initial Subscribers have advised the Issuer that following the completion of the Offering, they intend to make a market in the Notes of each tranche. They are not obligated to do so, however, and any market-making activities with respect to the Notes may be discontinued at any time at their sole discretion without notice. In addition, such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, the Issuer cannot give any assurance as to the development of any markets or the liquidity of any markets for the Notes.

In connection with the Offering, the Initial Subscribers may engage in over-allotment, stabilizing transactions and syndicate covering transactions. Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Subscribers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the prices of the Notes. Syndicate covering transactions involve purchasers of the Notes in the open market after the distribution has been completed in

order to cover short positions. Any of these activities may prevent a decline in the market prices of the Notes, and may also cause the prices of the Notes to be higher than they would otherwise be in the absence of these transactions. The Initial Subscribers may conduct these transactions in the over-the-counter market or otherwise. If the Initial Subscribers commence any of these transactions, they may discontinue them at any time and, if begun, must be brought to an end after a limited period. Any stabilization action or over-allotment must be conducted by the Initial Subscribers in accordance with all applicable laws and rules.

The Initial Subscribers also may impose a penalty bid. This occurs when a particular Initial Subscriber repays to the Initial Subscribers a portion of the underwriting discount received by it because such Initial Subscriber or its affiliates have repurchased notes sold by or for the account of such Initial Subscriber in stabilizing or short covering transactions.

The Initial Subscribers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Some of the Initial Subscribers and their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Guarantor or affiliates of the Issuer or Guarantor. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Initial Subscribers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or affiliates of the Issuer or Guarantor. Certain of the Initial Subscribers or their respective affiliates that have a lending relationship with the Issuer, the Guarantor or affiliates of the Issuer or Guarantor routinely hedge, and certain other of these Initial Subscribers or their respective affiliates are likely to hedge, their credit exposure to the Issuer, the Guarantor or affiliates of the Issuer or Guarantor consistent with their customary risk management policies. Typically, such Initial Subscribers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities of the Issuer, the Guarantor or affiliates of the Issuer or Guarantor, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Subscribers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Delivery of the Notes is expected to be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be the seventh business day (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T+7"). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the next two succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

18.2 **Selling Restrictions**

18.2.1 ***United States***

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only to (i) persons reasonably believed to be Qualified Institutional Buyers within the United States in each case purchasing for their own account or the account of one or more persons, each of which is a Qualified Institutional Buyer, as to which the purchaser exercises sole investment discretion, in transactions meeting the

requirements of Rule 144A and (ii) non-U.S. persons located outside the United States in reliance on Regulation S under the Securities Act.

The Notes being offered and sold pursuant to Regulation S may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any U.S. person, unless the Notes are registered under the Securities Act or an exemption from the registration requirements under the Securities Act is available. Terms used above have the meaning given to them by Regulation S and Rule 144A. See "*Purchase and Transfer Restrictions*".

In addition, until forty days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of the Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

18.2.2 ***Retail Investors in the European Economic Area and the United Kingdom***

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

18.2.3 ***United Kingdom***

Each of the Initial Subscribers has severally represented, warranted and agreed that:

(a) It has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity within the meaning of Section 21 of the FSMA received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) It has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

18.2.4 ***Hong Kong***

Each of the Initial Subscribers has severally represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**CWUMPO**") or which do not constitute an offer to the public within the meaning of the CWUMPO; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

18.2.5 ***Japan***

Each of the Initial Subscribers has severally represented and agreed that the Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Initial Subscriber has severally represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

18.2.6 ***Singapore***

Each of the Initial Subscribers has severally acknowledged that this Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**").

Accordingly, each of the Initial Subscribers has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

18.2.7 ***Switzerland***

This Offering Memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Notes. The Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**") and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Offering Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to FinSA, and neither this Offering Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

18.2.8 ***Canada***

Prospective Canadian investors are advised that the information contained within the Offering Memorandum has not been prepared with regard to matters that may be of particular concern to Canadian investors. Accordingly, prospective Canadian investors should consult with their own legal, financial and tax advisers

concerning the information contained within the Offering Memorandums and as to the suitability of an investment in the Notes in their particular circumstances.

Each Initial Subscriber has severally represented and agreed that the Notes may only be offered or sold in the provinces of Alberta, British Columbia, Ontario and Québec or to or for the benefit of a resident of these provinces pursuant to an exemption from the requirement to file a prospectus in such province in which such offer or sale is made, and only by a dealer duly registered under the applicable securities laws of that province or by a dealer that is relying in that province on the "international dealer" exemption provided by section 8.18 of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("**NI 31-103**"). Furthermore, the Notes may only be offered or sold to or for the benefit of a resident of any such province, purchasing, or deemed to be purchasing, as principal that is both an "accredited investor" as defined in section 1.1 of National Instrument 45-106 *Prospectus Exemptions* ("**NI 45-106**") or subsection 73.3 (1) of the *Securities Act* (Ontario) and a "permitted client" as defined in NI 31-103. By purchasing any Notes and accepting delivery of a purchase confirmation a purchaser is deemed to have represented to the Initial Subscribers and the dealer from whom the purchase confirmation is received that (i) the purchaser is entitled under applicable securities laws to purchase the Notes without the benefit of a prospectus qualified under those securities laws, (ii) the purchaser is purchasing the Notes as principal and not as agent, or is otherwise deemed to be purchasing as principal in accordance with applicable securities laws; (iii) it is an "accredited investor" and "permitted client" as defined above; and (iv) the purchaser is purchasing the Notes for investment only and not with a view to resale or distribution. The distribution of the Notes in Canada is being made on a private placement basis only and any resale of the Notes must be made in accordance with applicable Canadian securities laws, which will vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with prospectus and registration requirements or exemptions from the prospectus and registration requirements.

By purchasing any Notes and accepting delivery of a purchase confirmation a Canadian purchaser is deemed to have represented, warranted and acknowledged to the Initial Subscribers and the dealer from whom the purchase confirmation is received that (i) no securities commission, stock exchange or other similar regulatory authority in Canada has reviewed or in any way passed upon this Offering Memorandum or the merits of the Notes described herein, nor has any such securities commission, stock exchange or other similar regulatory authority in Canada made any recommendation or endorsement with respect to, the Notes; (ii) the purchaser is basing its investment decision solely on this Offering Memorandum and not on any other information concerning the Issuer, the Guarantor, or the Initial Subscribers or the offering of the Notes and the offering of the Notes was made exclusively through this Offering Memorandum and was not made through an advertisement of the Notes in any printed media of general and regular paid circulation, radio, television or telecommunications, including electronic display, or any other form of advertising in Canada; (iii) no person has made any representation or given any undertaking, written or oral, to such purchaser (A) that any person will resell or repurchase the Notes purchased by such purchaser; (B) that the Notes will be freely tradeable by such purchaser without any restrictions or hold periods; (C) that any person will refund the purchase price of the Notes; or (D) as to the future price or value of the Notes; (iv) that the Issuer is not a "reporting issuer" (as such term is defined under applicable Securities Laws) and is not, and may never be, a reporting issuer in any province, or territory of Canada; (v) there currently is no public market in Canada for any of the Notes, and one may never develop; (vi) that the Notes will be subject to resale restrictions under applicable Canadian securities laws; and (vii) if required by applicable securities laws or stock exchange rules, the purchaser will execute, deliver and file or assist the Issuer, the Guarantor or the Initial Subscribers, as applicable, in filing such reports, undertakings and other documents relating to the purchaser of the Notes as may be required by any securities commission, stock exchange or other regulatory authority, including for greater certainty any information that is required for completion of Form 45-106F1 under NI 45-106.

In respect of any Initial Subscriber making offers and sales of the Notes in any such province relying on the "international dealer exemption" in NI 31-103 from the registration requirements of such province such Initial Subscriber will provide its jurisdiction of residence and the name and address of its agent for service of process to purchasers of the Notes in such province. Each purchaser purchasing from such International Subscriber in such province acknowledges that it has been notified that (a) such Initial Subscriber is not registered as a securities dealer in any province or territory of Canada (or, if so registered, is not relying upon its registration status to trade the Notes); (b) all or substantially all of the assets of the Issuer, the Guarantor or such Initial

Subscriber may be situated outside of Canada; and (c) there may be difficulty enforcing legal rights against such Initial Subscribers, the Issuer or the Guarantor for these reasons.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment hereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the Subsequent Purchaser's province or territory. Subsequent Purchasers should refer to any applicable provisions of the securities legislation of the Subsequent Purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Under Canadian securities law, National Instrument 33-105 – *Underwriting Conflicts* ("**NI 33-105**") provides disclosure requirements with respect to potential conflicts of interest between an issuer and underwriters, dealers or placement agents, as the case may be. To the extent any conflict of interest may exist in respect of this offering that would be required to be disclosed under NI33-105, the applicable parties to this offering are relying on the exemption from these disclosure requirements provided to them by section 3A.3 of NI 33-105 (exemption based on U.S. disclosure).

The Issuer, the Guarantor and the Initial Subscribers hereby notify prospective Canadian investors that: (a) we and our respective agents and advisors may be required to collect, use and provide personal information pertaining to the purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the aggregate purchase price of any Notes purchased) ("**personal information**"), which Form 45-106F1 may be required to be filed by us under NI 45-106, (b) such personal information may be delivered to the securities regulatory authorities in applicable provinces of Canada in accordance with NI 45-106, (c) such personal information is collected indirectly by securities regulatory authorities in Canada under the authority granted to it under the applicable Canadian securities laws, (d) such personal information is collected for the purposes of the administration and enforcement of the securities legislation of the applicable provinces of Canada; and (e) the public official in the applicable local jurisdiction who can answer questions about the security regulatory authority's or regulator's indirect collection of such personal information is as follows: (i) Alberta Securities Commission, Suite 600, 250 - 5th Street SW, Calgary, Alberta T2P 0R4, Attention: FOIP Coordinator, Tel: (403) 297-6454, Toll free in Canada: 1-877-355-0585, Public official contact regarding indirect collection of information: FOIP Coordinator; (ii) Autorité des marchés financiers, 800, rue du Square-Victoria, 22e étage, C.P. 246, Tour de la Bourse, Montréal, Québec H4Z 1G3, Attention: Corporate Secretary, Tel: (514) 395-0337 or 1-877-525-0337, Email: financementdessocietes@lautorite.qc.ca, Public official contact regarding indirect collection of information: Secrétaire générale; (iii) British Columbia Securities Commission, P.O. Box 10142, Pacific Centre 701 West Georgia Street, Vancouver, British Columbia V7Y 1L2, Attention: FOI Inquiries, Tel: (604) 899-6854, Toll free in Canada: 1-800-373-6393, Email: FOI-privacy@bcsc.bc.ca, Public official contact regarding indirect collection of information: FOI Inquiries; and (iv) Ontario Securities Commission, 20 Queen Street West, 22nd Floor, Toronto, Ontario M5H 3S8, Attention: Inquiries Officer, Tel: (416) 593-8314, Toll free in Canada: 1-877-785-1555, Email: exemptmarketfilings@osc.gov.on.ca, Public official contact regarding indirect collection of information: Inquiries Officer. Prospective Canadian investors that purchase Notes in this offering will be deemed to have authorized the indirect collection of the personal information by applicable securities regulatory authorities in Canada, and to have acknowledged and consented to its name, address, telephone number and other specified information, including the aggregate purchase price paid by the purchaser, being disclosed to other securities regulatory authorities in Canada, and to have acknowledged that such information may become available to the public in accordance with requirements of applicable Canadian laws.

In order to comply with the dealer registration requirements of Canadian securities laws, any resale of the Notes must be made either by a person not required to register as a dealer under applicable Canadian securities laws, or through an appropriately registered dealer or in accordance with applicable Canadian securities laws, or through an appropriately registered dealer or in accordance with an exemption from the dealer registration requirements.Upon receipt of this document, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Notes (including any purchase confirmation or notice) be drawn up in the English language only.

Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs

mobilières décrites aux présentes (incluant toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

19. PURCHASE AND TRANSFER RESTRICTIONS

19.1 General

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.

The offering is being made in accordance with Rule 144A and Regulation S under the Securities Act. The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction and, accordingly, may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except as set forth below.

The Notes (including any beneficial interest in a Global Note) will be subject to certain restrictions on transfer set forth in the Notes and the Fiscal and Paying Agency Agreement. A beneficial interest in a Regulation S Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through a Rule 144A Global Note only upon receipt by the transfer agent of a written certification (in the form provided in the Fiscal and Paying Agency Agreement) from the transferor to the effect that the transferor (i) reasonably believes that the transferee is a Qualified Institutional Buyer purchasing for its own account (or for the account of one or more Qualified Institutional Buyers over which account it exercises sole investment discretion), (ii) transfers such note in a transaction meeting the requirements of Rule 144A and (iii) has notified the transferee of the restrictions on transfer and the representations described in this section.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note without any written certification from the transferor or the transferee.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note only upon receipt by the transfer agent of a written certification (in the form provided in the Fiscal and Paying Agency Agreement) from the transferor to the effect that such transfer is being made in compliance with the restrictions and representations described in this section and in accordance with Rule 904 of Regulation S under the Securities Act.

Any beneficial interest in a Rule 144A Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in a Regulation S Global Note will, upon transfer, cease to be a beneficial interest in such Rule 144A Global Note and become a beneficial interest in the Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such Regulation S Global Note for so long as such person retains such an interest.

Any beneficial interest in a Regulation S Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in a Rule 144A Global Note will, upon transfer, cease to be a beneficial interest in such Regulation S Global Note and become a beneficial interest in the Rule 144A Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such Rule 144A Global Note for so long as such person retains such an interest.

19.2 Rule 144A Notes

Each purchaser of the Notes (including the registered holders and beneficial owners of the Notes as they exist from time to time, including as a result of transfers, in each case, as of the time of purchase) offered hereby in reliance on Rule 144A (the "**Rule 144A Notes**") must be able to and will be deemed to have represented and agreed, on its own behalf and on behalf of each account for which it is purchasing, as follows:

(a) It is a Qualified Institutional Buyer; is aware the sale of the Notes to it is being made in reliance on Rule 144A; and is acquiring such Notes for its own account or the account of a Qualified Institutional Buyer as to which the purchaser exercises sole investment discretion:

(b) It understands and acknowledges that such Rule 144A Notes are being offered only in a transaction not involving any public offering in the United States, within the meaning of the Securities Act, and the

Rule 144A Notes offered hereby have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or otherwise transferred except to a person who the seller reasonably believes is a Qualified Institutional Buyer in a transaction meeting the requirements of Rule 144A, in accordance with all applicable securities laws of the states of the United States.

(c) It agrees that it will deliver to each person to whom it transfers the Rule 144A Notes notice of any restrictions on transfer of such Rule 144A Notes.

(d) It understands and acknowledges that Rule 144A Global Notes (or any interest therein) may be purchased, sold, pledged or otherwise transferred only in minimum principal amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

(e) Either (a) it is not, and is not acting on behalf of, a Benefit Plan Investor or other plan or arrangement subject to Similar Law or (b) (i) its acquisition, holding and disposition of such Note (or interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of applicable Similar Law or subject the Issuer's assets to Section 404 or 406 of ERISA, Section 4975 of the Code or any Similar Law, and (ii) if it is, or is acting on behalf of, a Benefit Plan Investor, (1) none of the Transaction Parties (x) has provided any investment recommendation or investment advice to the Benefit Plan Investor or any Plan Fiduciary on which either the Benefit Plan Investor or Plan Fiduciary has relied in connection with the decision to acquire such Note (or interest therein), and (y) is undertaking to act as a "fiduciary" within the meaning of Section 3(21) of ERISA or Section 4975(e)(3) of the Code to the Benefit Plan Investor or Plan Fiduciary in connection with the Benefit Plan Investor's acquisition of such Note (or interest therein) and (2) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction.

(f) It understands that each Rule 144A Global Note, and each Definitive Note issued in exchange for all or part of a Rule 144A Global Note or an interest therein, will bear a legend to the following effect, unless the Issuer determines otherwise in compliance with applicable law:

"THE NOTES EVIDENCED BY THIS RESTRICTED GLOBAL NOTE MAY BE PURCHASED AND TRANSFERRED ONLY IN MINIMUM PRINCIPAL AMOUNTS OF U.S. $200,000 AND INTEGRAL MULTIPLES OF U.S. $1,000 IN EXCESS THEREOF.

NEITHER THE NOTES EVIDENCED BY THIS RESTRICTED GLOBAL NOTE NOR THE RELATED GUARANTEE HAS BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"). THE NOTES EVIDENCED BY THIS RESTRICTED GLOBAL NOTE MAY NOT BE REOFFERED, SOLD, ASSIGNED, ENCUMBERED, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHO THE HOLDER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER AS TO WHICH THE PURCHASER EXERCISES SOLE INVESTMENT DISCRETION, IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S ("**REGULATION S**") UNDER THE SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), AND (B) IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES, **PROVIDED THAT**, AS A CONDITION TO THE REGISTRATION OF THE TRANSFER HEREOF, THE ISSUER, THE GUARANTOR OR THE FISCAL AGENT MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL, THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH THE FOREGOING. THE HOLDER OF NOTES EVIDENCED BY THIS RESTRICTED GLOBAL NOTE, BY PURCHASING OR ACCEPTING NOTES EVIDENCED BY THIS RESTRICTED GLOBAL NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF NOTES

EVIDENCED BY THIS RESTRICTED GLOBAL NOTE FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE."

(g) It understands that no representation can be made as to the availability of the exemption provided by Rule 144 for resales of the Notes offered hereby.

(h) It acknowledges that until 40 days after the commencement of the offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

(i) It acknowledges that the Fiscal Agent will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to the Issuer and the Guarantor that the restrictions set forth herein have been complied with.

(j) It acknowledges that the Issuer, the Guarantor, the Initial Subscribers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agrees that if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the Notes are no longer accurate, it shall promptly notify the Issuer and the Initial Subscribers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

19.3 **Regulation S Notes**

Each purchaser of Notes other than the Rule 144A Notes ("**Regulation S Notes**") must be able to and will be deemed to have represented and agreed as follows:

(a) It is a non-U.S. person who is acquiring such Regulation S Notes in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, and is not acting for the account or benefit of a U.S. person.

(b) It understands that such Regulation S Notes are being offered only outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act and that the Regulation S Notes offered hereby have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons except as permitted by the legend set forth in paragraph (e) below.

(c) It agrees that it will deliver to each person to whom it transfers the Regulation S Notes notice of any restrictions on transfer of such Regulation S Notes.

(d) Either (a) it is not, and is not acting on behalf of, a Benefit Plan Investor or a governmental, church or non-U.S. plan subject to Similar Law or (b) (i) its acquisition, holding and disposition of such Note (or interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of applicable Similar Law or subject the Issuer's assets to Section 404 or 406 of ERISA, Section 4975 of the Code or any Similar Law, and (ii) if it is, or is acting on behalf of, a Benefit Plan Investor, (1) none of the Transaction Parties (x) has provided any investment recommendation or investment advice to the Benefit Plan Investor or any Plan Fiduciary on which either the Benefit Plan Investor or Plan Fiduciary has relied in connection with the decision to acquire such Note (or interest therein), and (y) is undertaking to act as a "fiduciary" within the meaning of Section 3(21) of ERISA or Section 4975(e)(3) of the Code to the Benefit Plan Investor or Plan Fiduciary in connection with the Benefit Plan Investor's acquisition of such Note (or interest therein) and (2) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction.

(e) It understands that each Regulation S Global Note, and each Definitive Note issued in exchange for all or part of a Regulation S Global Note or interest therein, will bear a legend to the following effect, unless the Issuer determines otherwise in compliance with applicable law:

"THE NOTES EVIDENCED BY THIS UNRESTRICTED GLOBAL NOTE MAY BE PURCHASED AND TRANSFERRED ONLY IN MINIMUM PRINCIPAL AMOUNTS OF U.S. $200,000 AND INTEGRAL MULTIPLES OF U.S. $1,000 IN EXCESS THEREOF.

NEITHER THE NOTES EVIDENCED BY THIS UNRESTRICTED GLOBAL NOTE NOR THE RELATED GUARANTEE HAS BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND MAY NOT BE REOFFERED, SOLD, ASSIGNED, ENCUMBERED, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (EACH AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. THE ISSUER OF THE NOTES EVIDENCED BY THIS UNRESTRICTED GLOBAL NOTE HAS AGREED THAT THIS PARAGRAPH OF THIS LEGEND SHALL BE DEEMED TO HAVE BEEN REMOVED ON THE 41ST DAY FOLLOWING THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES EVIDENCED BY THIS UNRESTRICTED GLOBAL NOTE AND THE FINAL DELIVERY DATE WITH RESPECT THERETO."

(f) It acknowledges that the Fiscal Agent will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to the Issuer and the Guarantor that the restrictions set forth herein have been complied with.

(g) It acknowledges that the Issuer, the Guarantor, the Initial Subscribers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agrees that if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the Notes are no longer accurate, it shall promptly notify the Issuer and the Initial Subscribers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

20. LEGAL MATTERS

The validity of the Notes and the Guarantee and certain legal matters in connection with the Offering with respect to United States federal securities law, New York law, German law and English law will be passed upon for the Issuer and the Company by Clifford Chance. Certain legal matters in connection with the Offering with respect to Delaware law will be passed upon for the Issuer by Richards, Layton & Finger, P.A. Certain matters of United States federal securities law, New York law, German law and English law will be passed upon for the Initial Subscribers by Linklaters LLP.

21. INDEPENDENT AUDITORS

The German language consolidated financial statements of Volkswagen Aktiengesellschaft as of and for the years ended December 31, 2022 and December 31, 2021, of which the English language translations are incorporated by reference in this Offering Memorandum, have been audited in accordance with section 317 of the German Commercial Code (*Handelsgesetzbuch, HGB*) and the German generally accepted standards for financial statement audits promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland, IDW*) by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Hanover office, Landschaftsstraße 8, 30159 Hanover, Germany ("**EY**"), a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Berlin, as stated in their German language independent auditor's reports (*Bestätigungsvermerke des unabhängigen Abschlussprüfers*) thereon.

In its independent auditor's reports (*Bestätigungsvermerke des unabhängigen Abschlussprüfers*) on the consolidated financial statements of Volkswagen Aktiengesellschaft as of and for the years ended December 31, 2022 and December 31, 2021, EY drew attention to disclosures made in relation to the EU Taxonomy Regulation by using an emphasis of matter paragraph. This is in line with the practical advice of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland, IDW*). Therefore, this emphasis of matter paragraph can be found in independent auditor's reports on consolidated financial statements of German issuers. It refers to the immanent risk that undefined legal terms may be interpreted differently and the legal conformity of the interpretation is subject to uncertainties. The opinion of EY on the group management report is not modified in this respect.

The unqualified independent auditor's reports (*uneingeschränkte Bestätigungsvermerke des unabhängigen Abschlussprüfers*) on the consolidated financial statements of Volkswagen Aktiengesellschaft as of and for the years ended December 31, 2022 and December 31, 2021 contain the following emphasis of matter paragraph referring to "Immanent risk due to uncertainties regarding the legal conformity of the interpretation of the EU Taxonomy regulation":

"We draw attention to the executive directors' comments on the EU Taxonomy disclosures in the "EU Taxonomy" section of the group management report, where it is stated that the EU Taxonomy Regulation and the Delegated Acts adopted thereunder contain wording and terms that are still subject to interpretation uncertainties and for which clarifications have not yet been published in every case. The executive directors describe how they interpreted the EU Taxonomy Regulation and the Delegated Acts adopted thereunder. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties. Our opinion on the group management report is not modified in this respect."

The German language unaudited condensed interim consolidated financial statements of Volkswagen Aktiengesellschaft as of and for the nine-month period ended September 30, 2023, of which the English language translation is incorporated by reference in this Offering Memorandum, have been reviewed in accordance with German generally accepted standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschafsprüfer in Deutschland, IDW*) by EY as stated in their German language review report (*Bescheinigung nach prüferischer Durchsicht*) thereon.

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10 Upper Bank Street
London E14 5JJ
United Kingdom

As to Delaware law:

Richards, Layton & Finger, P.A.
920 King Street
Wilmington, Delaware 19801
United States of America

To the Joint Book-Running Managers

As to U.S. and German law:

Linklaters LLP
Taunusanlage 8
60329 Frankfurt am Main
Germany

As to English law:

Linklaters LLP
1 Silk Street
London EC2Y 8HQ
United Kingdom

AUDITORS

Of the Guarantor:

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft
Stuttgart, Hanover office,
Landschaftsstraße 8, 30159 Hanover,
Germany

VOLKSWAGEN

VOLKSWAGEN GROUP OF AMERICA FINANCE, LLC

U.S.$

consisting of

U.S.$ % Guaranteed Notes due 20

U.S.$ % Guaranteed Notes due 20

U.S.$ % Guaranteed Notes due 20 and

U.S.$ Floating Rate Guaranteed Notes due 20

Each with an unconditional and irrevocable guarantee of principal and interest from

VOLKSWAGEN AKTIENGESELLSCHAFT

OFFERING MEMORANDUM

, 2023

Joint Book-Running Managers

Barclays **BofA Securities** **J.P. Morgan** **SMBC Nikko** **Wells Fargo Securities**