

# VOLKSWAGEN

## Volkswagen International Finance N.V.

(public limited liability corporation (*naamloze vennootschap*) under the laws of The Netherlands)

**EUR 1,500,000,000 Undated Subordinated Notes subject to Interest Rate Reset with a First Call Date in 2022**  
**Issue Price: 99.757%**

**EUR 2,000,000,000 Undated Subordinated Notes subject to Interest Rate Reset with a First Call Date in 2027**  
**Issue Price: 100.00%**

guaranteed on a subordinated basis by

## VOLKSWAGEN AKTIENGESELLSCHAFT

(a stock corporation (*Aktiengesellschaft*) incorporated under the laws of the Federal Republic of Germany)

Volkswagen International Finance N.V. (the "**Issuer**" or "**VIF**") will issue EUR 1,500,000,000 in aggregate principal amount of undated subordinated notes subject to interest rate reset with a first call date on December 14, 2022 (the "**NC5.5 Notes**") and EUR 2,000,000,000 in aggregate principal amount of undated subordinated notes subject to interest rate reset with a first call date on June 14, 2027 (the "**NC10 Notes**" and, together with the NC5.5 Notes, the "**Notes**") in a denomination of EUR 100,000 each on June 14, 2017 (the "**Issue Date**") at an issue price of 99.757% of their principal amount in respect of the NC5.5 Notes and 100.00% of their principal amount in respect of the NC10 Notes (the "**Offering**"). The Notes are unconditionally and irrevocably guaranteed, on a subordinated basis, by Volkswagen Aktiengesellschaft (the "**Guarantor**" or "**Volkswagen AG**") and together with its consolidated subsidiaries, the "**Volkswagen Group**" or "**Volkswagen**").

The NC5.5 Notes shall bear interest on their principal amount (i) from and including June 14, 2017 (the "**NC5.5 Interest Commencement Date**") to but excluding December 14, 2022 (the "**NC5.5 First Call Date**") at a rate of 2.700% per annum; (ii) from and including the NC5.5 First Call Date to but excluding December 14, 2027 (the "**First NC5.5 Step-up Date**") at the relevant 5-year swap rate for the relevant Reset Period (as defined herein) plus a margin of 254 basis points per annum (no step-up); (iii) from and including the First NC5.5 Step-up Date to but excluding December 14, 2042 (the "**Second NC5.5 Step-up Date**") at the relevant 5-year swap rate for the relevant Reset Period plus a margin of 279 basis points per annum (including a 25 basis points step-up); and (iv) from and including the Second NC5.5 Step-up Date to but excluding the date on which the Issuer redeems the Notes in whole at the relevant 5-year swap rate for the relevant Reset Period plus a margin of 354 basis points per annum (including a further 75 basis points step-up). During each such period interest is scheduled to be paid annually in arrear on December 14 of each year (each an "**Interest Payment Date**"), commencing on December 14, 2017 (short first coupon).

The NC10 Notes shall bear interest on their principal amount (i) from and including June 14, 2017 (the "**NC10 Interest Commencement Date**") to but excluding June 14, 2027 (the "**NC10 First Call Date**") at a rate of 3.875% per annum; (ii) from and including the NC10 First Call Date to but excluding June 14, 2047 (the "**Second NC10 Step-up Date**") at the relevant 10-year swap rate for the relevant Reset Period plus a margin of 337 basis points per annum (including a 25 basis points step-up); and (iii) from and including the Second NC10 Step-up Date to but excluding the date on which the Issuer redeems the Notes in whole at the relevant 10-year swap rate for the relevant Reset Period plus a margin of 412 basis points per annum (including a further 75 basis points step-up). During each such period interest is scheduled to be paid annually in arrear on June 14 of each year (each an "**Interest Payment Date**"), commencing on June 14, 2018.

The Issuer is entitled to defer payments of interest on any Interest Payment Date (as defined in the Terms and Conditions) ("**Arrears of Interest**") and may pay such Arrears of Interest voluntarily at any time, but only has to pay such Arrears of Interest under certain circumstances as laid out in the terms and conditions of the NC5.5 Notes (the "**NC5.5 Note Terms and Conditions**") or the terms and conditions of the NC10 Notes (the "**NC10 Note Terms and Conditions**" and, together with the NC5.5 Note Terms and Conditions, the "**Terms and Conditions**"), as applicable.

Each issue of the Notes is redeemable in whole but not in part at the option of the Issuer at their principal amount plus accrued and unpaid interest and upon payment of any outstanding Arrears of Interest on the NC5.5 First Call Date for the NC5.5 Notes and on the NC10 First Call Date for the NC10 Notes and on any respective Interest Payment Date thereafter. The Issuer may also redeem each issue separately in whole but not in part at any time before the respective first call dates following a Rating Event, an Accounting Event, a Tax Deductibility Event or a Gross-up Event at the Early Redemption Amount (each as defined in the applicable Terms and Conditions). Additionally the Issuer may redeem each issue separately, in whole but not in part, if any of the Issuer, the Guarantor or any of the Guarantor's subsidiaries has, severally or jointly, purchased or redeemed at least 80% of the originally issued aggregate principal amount of the Notes of such issue.

Each of the Notes will initially be represented by a temporary global note, without interest coupons, which will be exchangeable in whole or in part for a permanent global note without interest coupons, not earlier than 40 days after the Issue Date, upon certification as to non-U.S. beneficial ownership. The Notes are issued in bearer form with a denomination of EUR 100,000 each.

The Notes are rated BBB- by Standard & Poor's Ratings Services ("**S&P**") and Baa2 by Moody's Investors Service Ltd. ("**Moody's**" and, together with S&P, the "**Rating Agencies**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (as amended) (the "**CRA Regulation**"). In general, European regulated investors are restricted from using a credit rating for regulatory purposes if such credit rating is not issued by a rating agency established in the European Union and registered under the CRA Regulation. A list of credit rating agencies registered under the CRA Regulation is available for viewing at the ESMA's website.

This prospectus (the "**Prospectus**") constitutes a prospectus within the meaning of Article 5.3 of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 as amended from time to time (the "**Prospectus Directive**"). This Prospectus, any supplement thereto and all documents incorporated by reference will be published in electronic form on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and will be available free of charge at the specified office of the Issuer.

This Prospectus has been approved by the Commission de Surveillance du Secteur Financier of the Grand Duchy of Luxembourg (the "**CSSF**") in its capacity as competent authority under the Luxembourg law relating to prospectuses for securities, as amended (*Loi du 10 juillet 2005 relative aux prospectus pour valeurs mobilières* – the "**Luxembourg Prospectus Law**"). As provided in Article 7(7) of the Luxembourg Prospectus Law, by approving this Prospectus, the CSSF does not give any undertaking as to the economical and financial soundness of the operation or the quality or solvency of the Issuer. The Issuer will prepare and make available an appropriate supplement to this Prospectus if at any time the Issuer will be required to prepare a prospectus supplement pursuant to Article 13 of the Luxembourg Prospectus Law.

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**Prospective investors should be aware that an investment in the Notes involves a risk and that, if certain risks, in particular those described under "*Risk Factors*" occur, the investors may lose all or a very substantial part of their investment.**

This document does not constitute an offer to sell, or the solicitation of an offer to buy Notes in any jurisdiction where such offer or solicitation is unlawful. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Notes and on the distribution of this document, see "*Selling Restrictions*".

Application has been made to the Luxembourg Stock Exchange for the Notes to be listed on the Official List of the Luxembourg Stock Exchange (the "**Official List**") and to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market. The Luxembourg Stock Exchange's Regulated Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of April 21, 2004 on Markets in Financial Instruments, as amended.

*Joint Bookrunners*

**BofA Merrill Lynch**

**Crédit Agricole CIB**

**Goldman Sachs  
International**

**HSBC**

**MUFG**

*The date of this Prospectus is June 8, 2017*

The Issuer and the Guarantor accept responsibility for the information contained in this Prospectus and relating to the Notes. To the best of the knowledge and belief of the Issuer and the Guarantor (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with any supplement hereto and with the documents incorporated by reference as set forth in "*General Information—Documents Incorporated by Reference*". This Prospectus should be read and construed on the basis that the documents incorporated by reference form part of the Prospectus.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Notes and does not constitute an offer to sell or a solicitation of an offer to buy any Notes to any person in any jurisdiction in which it is unlawful to make any such offer or solicitation to such person.

Crédit Agricole Corporate and Investment Bank, Goldman Sachs International, HSBC Bank plc, Merrill Lynch International and MUFG Securities EMEA plc (together, the "**Joint Bookrunners**" or the "**Managers**") expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the term of the Notes or to advise any investor in the Notes of any information coming to their attention. No Manager accepts any liability or makes any representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Offering, and nothing in this Prospectus is, or shall be relied upon as, a promise or representation by the Managers.

To the fullest extent permitted by law, the Managers accept no responsibility whatsoever for the contents of this Prospectus or for any other statement, made or purported to be made by a Manager or on its behalf in connection with the Issuer, the Guarantor, or the issue and offering of the Notes. Each Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Prospectus or any such statement.

Only persons authorized in this Prospectus are entitled to use the Prospectus in connection with the Offering.

The delivery of this Prospectus at any time after the date hereof shall not, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or that the information set out in this Prospectus is correct as at any time since its date. No person is or has been authorized by the Issuer to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Offering and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer or any of the Managers.

Neither this Prospectus nor any other information supplied in connection with the Offering (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Managers that any recipient of this Prospectus or any other information supplied in connection with the Offering should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantor.

This Prospectus has been prepared by the Issuer in connection with the Offering solely for the purpose of enabling a prospective investor to consider the purchase of the Notes and to comply with the listing requirements of the regulated market of the Luxembourg Stock Exchange. In making an investment decision regarding the Notes, investors must rely on their own examination of the Issuer and the Guarantor and the terms of the Offering, including the merits and risks involved. The Offering is being made solely on the basis of this Prospectus.

Reproduction and distribution of this Prospectus or disclosure or use of the information contained herein for any purpose other than considering an investment in the Notes is prohibited. The information contained in this Prospectus has been provided by the Issuer. No representation or warranty, explicit or implied, is made by the Managers as to the accuracy or completeness of the information set forth herein and nothing contained in this Prospectus is, or shall be relied upon as a promise or representation, whether as to the past or the future.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult its own lawyer, financial adviser or tax adviser for legal, financial or tax advice.

The Issuer, the Guarantor and the Managers do not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, subject to the following paragraph, no action has been taken by the Issuer or the Managers which is intended to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Subject to the following paragraph, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States and the European Economic Area — see "*Selling Restrictions*".

This Prospectus contains certain forward-looking statements, in particular statements using the words "believes", "anticipates", "intends", "expects" or other similar terms. This applies in particular to statements under the captions "*Description of the Issuer*", "*Description of the Guarantor*" and elsewhere in this Prospectus relating to, among other things, the future financial performance, potential synergies to be realized in connection with potential acquisitions, plans and expectations regarding developments in the business of the Issuer, the Guarantor and the Volkswagen Group. These forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that may cause the actual results, including the financial position and profitability of the Issuer and the Guarantor, to be materially different from or worse than those expressed or implied by these forward-looking statements. Neither the Issuer nor the Guarantor assumes any obligation to update such forward-looking statements and to adapt them to future events or developments.

Where information has been sourced from a third party, the Issuer and the Guarantor confirm that this information has been accurately reproduced and that as far the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where such information has been included in this Prospectus, the source is indicated.

Any websites referred to or included in the Prospectus are for information purposes only and do not form part of the Prospectus.

The legally binding language of this Prospectus is English, except for the Terms and Conditions in respect of which German is the legally binding language.

In this Prospectus, all references to "€", "EUR" or "Euro" are to the currency introduced at the start of the third stage of the European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the Euro, as amended, all references to "U.S.\$" or "USD" are to United States dollars, and all references to "Can\$" or "CAD" are to Canadian dollars.

IN CONNECTION WITH THE ISSUE OF THE NOTES, MERRILL LYNCH INTERNATIONAL (THE "**STABILIZING MANAGER**") (OR ANY PERSON ACTING ON BEHALF OF ANY STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILIZATION MAY NOT NECESSARILY OCCUR. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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## 1. RISK FACTORS

*Prospective investors should carefully review the following risk factors in conjunction with the other information contained in this Prospectus before making an investment in the Notes. If these risks materialize, individually or together with other circumstances, they may have a material adverse effect on Volkswagen's business, results of operations and financial condition. The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer and the Guarantor may be unable to fulfill their respective obligations under the Notes and the Guarantee for reasons other than those described below. Additional risks not currently known to the Issuer or the Guarantor or that they currently believe are immaterial may also adversely affect Volkswagen's business, results of operations and financial condition. Should any of these risks materialize, the trading price of the Notes could decline, the Issuer and the Guarantor may not be able to fulfill their respective obligations under the Notes and the Guarantee, and investors could lose all or a part of their investment. The order in which the individual risks are presented does not provide an indication of the likelihood of their occurrence nor of the severity or significance of the individual risks.*

*Each prospective purchaser of Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes is fully consistent with its financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it and is a fit, proper and suitable investment for it, notwithstanding the clear and substantial risks inherent in investing in or holding the Notes. A prospective purchaser may not rely on the Issuer, the Guarantor, the Managers or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to above.*

### 1.1 Risk Factors regarding Volkswagen Aktiengesellschaft and Volkswagen Group

#### 1.1.1 ***Government authorities in a number of jurisdictions worldwide are conducting 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 may have a material adverse effect on Volkswagen's business, financial position, results of operations, reputation, the price 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 (the "EPA") publicly announced in a "Notice of Violation" of the U.S. Clean Air Act that irregularities in the level of nitrogen oxide ("NOx") emissions had been discovered in emissions tests of certain vehicles with Volkswagen Group 2.0 liter TDI diesel engines. The EPA alleged that Volkswagen had installed undisclosed engine management software in certain four-cylinder diesel engines used in certain model year 2009 to 2015 vehicles to circumvent NOx emissions testing regulations in the United States in order to comply with certification requirements. The environmental regulatory authority of California, the California Air Resources Board ("CARB"), announced its own enforcement investigation related to this issue as well. Following these announcements by the EPA and CARB, authorities in various jurisdictions worldwide commenced their own investigations.

On September 22, 2015, in its *ad hoc* release pursuant to section 15 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), Volkswagen announced that discrepancies in the level of NOx emissions figures achieved in testing and in actual road use had been identified in around 11 million Volkswagen Group vehicles worldwide with certain types of 1.2 liter, 1.6 liter and 2.0 liter TDI diesel engines, the latter also including those vehicles with 2.0 liter TDI diesel engines sold in the United States. This predominantly concerns type EA 189 engines and includes vehicles from the VW Passenger Cars, VW Commercial Vehicles, SEAT, ŠKODA and Audi brands. The software being used in these engines enabled a test bench situation to be recognized by the vehicle and enabled the engine control system to optimize NOx emission levels during the test cycle.

On November 2, 2015, the EPA issued an additional "Notice of Violation" of the U.S. Clean Air Act announcing that it had determined that engine management software installed in certain vehicles with Volkswagen Group's six-cylinder 3.0 liter TDI diesel engines contained "auxiliary emission control devices" ("AECDs") that had not been disclosed adequately in the U.S. approval process. Also on November 2, 2015,

and additionally on November 25, 2015, CARB published allegations that legal requirements for NOx emissions were circumvented through the use of engine management software under test conditions. Approximately 113,000 3.0 liter TDI diesel engines in vehicles from model years 2009 to 2016 of the Audi, VW Passenger Cars and Porsche brands are affected in the United States and Canada. Audi has confirmed that at least three AECDS were inadequately disclosed in the course of the U.S. approval process.

On January 4, 2016, the U.S. Department of Justice (the "**DoJ**"), on behalf of the EPA, initiated a civil lawsuit in connection with the diesel issue related to the 2.0 liter and 3.0 liter TDI vehicles against Volkswagen AG, AUDI AG and certain other Volkswagen Group companies, seeking statutory penalties under the U.S. Clean Air Act, as well as certain equitable relief.

On January 12, 2016, CARB announced that it intended to seek civil fines for alleged violations by Volkswagen of the California Health and Safety Code and various CARB regulations. The State of California, by and through CARB and the California Attorney General, ultimately filed a lawsuit on June 27, 2016.

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 public and governmental scrutiny, ongoing investigations (civil and criminal) and civil litigation worldwide.

In the United States and Canada, Volkswagen AG and 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. The DoJ also opened a criminal investigation into whether various U.S. federal criminal offenses were committed. These investigations resulted and may further result in additional assessments of monetary penalties and other consequences. 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 on these topics may arise at any time, including after the offer, sale and delivery of the Notes.

In June and December 2016 and January 2017, Volkswagen announced that Volkswagen AG, AUDI AG, Volkswagen Group of America, Inc. and certain affiliates reached settlement agreements in the United States with (i) the DoJ on behalf of the EPA, CARB and the California Attorney General, (ii) the U.S. Federal Trade Commission ("**FTC**"), and (iii) private plaintiffs represented by a Plaintiffs' Steering Committee (the "**PSC**") in a multi-district litigation in California. The settlement agreements resolve certain civil claims in relation to affected diesel vehicles in the United States: approximately 475,000 vehicles with four-cylinder 2.0 liter TDI diesel engines from the Volkswagen Passenger Cars and Audi brands and around 83,000 vehicles with six-cylinder 3.0 liter TDI diesel engines from the Volkswagen Passenger Cars, Audi and Porsche brands. In October 2016, the court finally approved the settlement agreements in connection with the four-cylinder 2.0 liter TDI diesel engines. A number of class members have filed appeals to a U.S. appellate court from the order approving the settlement agreements in connection with the four-cylinder 2.0 liter TDI diesel engines. On February 14, 2017, the court granted preliminary approval of the settlement agreements in relation to the six-cylinder 3.0 liter TDI diesel engines, which were lodged with the court on January 31, 2017. On May 17, 2017, the court finally approved the settlement agreements in connection with the six-cylinder 3.0 liter TDI diesel engines.

The settlement agreements with respect to the four-cylinder 2.0 liter TDI diesel engine vehicles provide affected customers with the option of a buyback or, for leased vehicles, early lease termination, or a free emissions modification of the vehicles, provided that EPA and CARB approve the proposed modification. To date, the EPA/CARB have approved the modification for Generation 3 (model year 2015) vehicles and Generation 2 (model year 2012-2014) automatic transmission diesel Passat vehicles. The settlement agreements with respect to the six-cylinder 3.0 liter TDI diesel engine vehicles provide for: (i) a buyback or, for leased vehicles, early lease termination program, or a free emissions modification provided that EPA and CARB approve the modification, for Generation 1 (model years 2009-2012) six-cylinder 3.0 liter TDI diesel engine vehicles, and (ii) a free emissions recall and modification program (pending EPA and CARB approval) for Generation 2 (model years 2013-2016) six-cylinder 3.0 liter TDI diesel engine vehicles. If modifications are not approved for Generation 2 six-cylinder 3.0 liter TDI diesel engine vehicles, the settlement agreements require Volkswagen to offer a buyback or, for leased vehicles, early lease termination for those vehicles. Volkswagen will also make additional cash payments to affected current owners or lessees as well as certain former owners or lessees.



In addition, Volkswagen agreed to support environmental programs. Under the settlement agreements in connection with the four-cylinder 2.0 liter TDI diesel engines, Volkswagen will pay U.S.\$2.7 billion over three years. Volkswagen will also invest in total U.S.\$2.0 billion over ten years in zero emissions vehicle infrastructure as well as corresponding access and awareness initiatives in the United States. In addition, the six-cylinder 3.0 liter TDI diesel engine vehicle settlement calls for an additional U.S.\$25 million payment to CARB to support the availability of zero emissions vehicles in California and Audi will make an additional one-time payment in the amount of U.S.\$225 million into an environmental trust, managed by a trustee appointed by the court, to offset excess NOx emissions.

In January 2017, Volkswagen AG agreed with the United States government to resolve federal criminal liability relating to the diesel issue. The Volkswagen Group also agreed with the United States government to resolve civil penalties and injunctive relief under the Clean Air Act and other civil claims relating to the diesel issue. The coordinated resolutions involve four settlements, including a plea agreement between Volkswagen AG and the DoJ. The plea agreement is accompanied by a published Statement of Facts that lays out relevant facts and has been acknowledged by Volkswagen AG. As part of its plea agreement, Volkswagen AG pleaded guilty on March 10, 2017 to three felony counts under United States law: conspiracy to commit fraud, obstruction of justice and using false statements to import cars into the United States. 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, *inter alia*, for payment of a criminal fine of U.S.\$2.8 billion following sentencing and the appointment of an independent monitor for a period of three years. The independent monitor, who was appointed in April 2017, will assess and oversee the compliance with the terms of the resolutions. This includes overseeing the implementation of measures to further strengthen compliance, reporting and monitoring systems, including an enhanced ethics program. Volkswagen AG, AUDI AG and other Volkswagen Group companies have further agreed to pay a combined civil penalty of U.S.\$1.45 billion (plus any accrued interest) to resolve U.S. federal environmental and customs-related claims in the United States. Furthermore, Volkswagen AG and Volkswagen Group of America, Inc. have agreed to pay a separate civil penalty of U.S.\$50 million (plus any accrued interest) to the Civil Division of the DoJ to settle potential claims asserted under the Financial Institutions Reform, Recovery and Enforcement Act ("**FIRREA**"). On April 13, 2017, the court entered an order approving the settlement of these civil penalty claims. By their terms, the aforementioned settlement agreements resolve only certain liability issues under United States law and are not intended to address any liability issues, where such exist, under the laws or regulations of any jurisdiction outside the United States. Volkswagen continues to cooperate in full with investigations by the DoJ into the conduct of various individuals.

Volkswagen also reached separate settlement agreements with the attorneys general of 44 U.S. 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 2.0 liter TDI and 3.0 liter TDI vehicles in the United States – for a settlement amount of U.S.\$603 million. In addition, Volkswagen reached separate settlement agreements with the attorneys general of 10 U.S. states to resolve their existing or potential state environmental law claims – in connection with both 2.0 liter TDI and 3.0 liter TDI vehicles in the United States – for a settlement amount of U.S.\$157 million. Six states still have pending consumer protection and unfair trade practices claims against Volkswagen, and 13 states have pending claims under state environmental laws. With respect to certain consumer and environmental actions that had been removed to the federal multidistrict litigation in California, on May 23, 2017, the court granted the motions of twelve state attorneys general (Alabama, Illinois, Maryland, Minnesota, Missouri, Montana, New Hampshire, New Mexico, Ohio, Oklahoma, Tennessee, and Vermont) to remand their lawsuits to their respective state courts. Moreover, investigations by various U.S. regulatory and government authorities, including in areas relating to securities, financing and tax, are ongoing.

On September 30, 2016, Volkswagen announced that it had finalized an agreement to resolve the claims of Volkswagen-branded franchise dealers in the United States relating to the affected vehicles and other matters asserted concerning the value of the franchise. The settlement agreement includes a cash payment of up to U.S.\$1.208 billion and additional benefits to resolve alleged past, current, and future claims of losses in franchise value. The court approved the settlement agreement in January 2017. On April 12, 2017, the court granted the dealer class counsel U.S.\$3.1 million in attorneys' fees and costs.

In Canada, the NOx emissions limits for vehicles are the same as in the United States. Civil consumer claims and regulatory investigations have been initiated for vehicles with 2.0 liter and 3.0 liter diesel engines. In

December 2016, Volkswagen AG and other Canadian and U.S. Volkswagen Group companies reached a class action settlement in Canada with consumers relating to 2.0 liter diesel vehicles. The settlement provides for cash payments of up to CAD 564 million to eligible owners and lessees, and many of these affected customers will also have the option of a free emissions modification of their vehicle if approved by regulators, or a buyback or trade-in or – for leased vehicles – early lease termination. The class settlement was approved by the courts on April 21, 2017. Concurrently with the announcement of the class settlement in December 2016, Volkswagen Group Canada agreed with the Commissioner of Competition in Canada to a civil resolution of its regulatory inquiry into consumer protection issues as to 2.0 liter diesel vehicles. This resolution was reached on the basis of the class settlement and payment of a CAD 15 million civil administrative monetary penalty. Civil consumer claims and the Commissioner of Competition's investigation with respect to 3.0 liter diesel vehicles remain pending. Also, criminal enforcement related investigations by the federal environmental regulator and quasi-criminal enforcement related investigations by a provincial environmental regulator are ongoing in Canada in relation to 2.0 liter and 3.0 liter diesel vehicles.

The public prosecutor's office in Braunschweig, Germany, is investigating the core issue of the criminal investigations. The public prosecutor's office in Braunschweig also initiated investigations against one current and two former Volkswagen AG Management Board members regarding their possible involvement in potential market manipulation in connection with the release of information concerning the diesel issue. The Stuttgart public prosecutor's office also confirmed that it is investigating, among others, the CEO of Volkswagen AG 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. Furthermore, the public prosecutor's office in Munich opened a criminal investigation in connection with the alleged anomalies in the NOx emissions of certain Audi vehicles with diesel engines in the United States and Europe.

Volkswagen is working intensively to eliminate the emissions level deviations through technical improvements and is cooperating with the relevant agencies. A final decision has not been made regarding all necessary technical remedies for the affected vehicles. In particular, Volkswagen continues discussions with the EPA and the CARB concerning technical solutions for the U.S. (and, by extension, Canadian) market. These discussions could require Volkswagen to repurchase vehicles sold in the United States, Canada and elsewhere if no technical solution is approved for those vehicles.

In addition to ongoing extensive investigations by governmental authorities in various jurisdictions worldwide (the most significant being in Europe, the United States and South Korea), further investigations could be launched in the future and existing investigations could be expanded. Ongoing and future investigations may result in further legal actions being taken against Volkswagen or some of its employees. These actions could include substantial criminal and civil fines, as well as penalties, sanctions, injunctions against future conduct, the loss of vehicle type certifications, sales stops and business licenses or other restrictions. In addition to monetary and other penalties, Volkswagen may be required to modify further its controls processes and compliance programs.

The diesel issue has also led to the commencement of significant third-party litigation against Volkswagen worldwide. This includes lawsuits by affected customers and dealers seeking substantial damages. Private and institutional investors from Germany and other jurisdictions are pursuing claims for damages against Volkswagen AG. The claims allege damages incurred by Volkswagen AG allegedly omitting or delaying the immediate publication of price sensitive insider information relating to the diesel issue, wrongful financial reporting, as well as in some cases tort and prospectus liability claims. The claims relate to Volkswagen AG's shares, American Depositary Receipts and other securities, including bonds, issued by Volkswagen Group companies, as well as third-party securities linked to Volkswagen.

Further regulatory proceedings, product-related and investor claims could be raised in the future in various jurisdictions worldwide. This could include regulatory proceedings and/or customer claims for damages 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 a negative effect on the performance, fuel consumption or resale value of the affected vehicles. Moreover, further investor claims, including those raised by holders of other Volkswagen Group bonds, may be brought. In addition, there could be pending or threatened claims against the Volkswagen Group of which Volkswagen's management is not yet aware. Further regulatory proceedings or proceedings or claims involving or affecting the Volkswagen Group or the Volkswagen Group's management could result in additional costs or otherwise adversely affect the Volkswagen Group and the

Volkswagen Group's financial position, results of operations, reputation, the price of its securities and its ability to make payments under its securities and/or adversely impact the reputation of the Volkswagen Group or its management.

Any of the above-described negative developments could have a material adverse effect on Volkswagen's business, financial position, results of operations, reputation, the price of its securities and its capability to make payments under its securities.

The Volkswagen Group has recognized expenses directly related to the diesel issue in the total amount of €16.2 billion in operating result in 2015. This primarily entailed recognizing provisions for field activities (such as service measures and recalls) and for repurchases in the amount of €7.8 billion, as well as €7.0 billion for legal risks. Additional expenses of €6.4 billion were recognized in 2016 in connection with the diesel issue. These additions resulted from an increase in expenses attributable to legal risks amounting to €5.1 billion, higher warranty costs amounting to €0.4 billion, specific sales programs amounting to €0.5 billion, impairment losses on inventories amounting to €0.3 billion and impairment losses on intangible assets and property, plant and equipment amounting to €0.3 billion, which are offset by impairment reversals of noncurrent and current lease assets in the amount of €0.1 billion. In addition, in 2016 provisions of €0.3 billion were recognized for the investments totaling USD 2.0 billion over 10 years in zero emissions vehicle infrastructure as well as corresponding access and awareness initiatives for these technologies to which the Volkswagen Group had committed under the settlement agreements. The translation at December 31, 2016 of provisions denominated in foreign currencies resulted in expenses of €0.2 billion after hedging.

Evaluating known information and making reliable estimates for provisions is a continuous process. Due to the ongoing nature of the extensive investigations and proceedings, as well as the complexities of the various negotiations and continuing regulatory approval processes with the relevant authorities, the recognized provisions, contingent liabilities and additional latent legal risks are subject to significant estimation risk. Furthermore, new information not known to Volkswagen's Management Board 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.

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

- damage Volkswagen's reputation or brand image and impair Volkswagen's relationship with customers, dealers, suppliers, other important business partners, employees and investors;
- lead to lower sales, sales prices and margins and higher marketing and sales expenses for new and used Volkswagen Group vehicles, require Volkswagen to perform inspections of vehicles free of charge, and have an adverse impact on Volkswagen's ability to compete, as a result of which Volkswagen could lose significant sales revenue;
- lead to higher product inventories, which could increase working capital requirements;
- adversely affect Volkswagen's ability to pursue its strategic goals;
- impair Volkswagen's ability to obtain financing required to maintain its operations and render 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 unfavourable terms and conditions*";
- lead to an early redemption of asset-backed securities with respect to which Volkswagen Group vehicles with diesel engines serve as collateral;
- require Volkswagen to dispose of certain assets, brands, subsidiaries or investments at below their fair market value in order to cover emissions-related financial liabilities, in particular if the timing of any emissions-related payments leads to constraints on Volkswagen's cash flows; and
- threaten Volkswagen's competitive position due to reduced investments.

In addition, investigations by various regulatory and government authorities, including in areas relating to securities, financing and tax, are ongoing.

The governmental investigations and proceedings, the investigation conducted by external legal counsel mandated by Volkswagen, and the third-party litigations are incomplete at this time. While these proceedings could take an extended period of time to resolve, Volkswagen cannot predict when they will be completed or what their outcome 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 and proceedings, responding to the requests of governmental authorities and private plaintiffs, and cooperating 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 and claims may have a material adverse effect on Volkswagen's business, financial position, results of operations, reputation, the price 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 irreparable harm. Additionally, the emissions issue could affect or exacerbate the impact of the risks faced by Volkswagen as described in this Prospectus.

#### **1.1.2 *Demand for Volkswagen's products and services depends upon the overall economic situation.***

The sales volume of Volkswagen's products and services depends upon the general global economic situation. Economic growth and developments in some industrialized countries and emerging markets have been endangered by volatility in the financial markets and structural deficits. In particular, high levels of public and private debt, movements from major currencies, volatile commodity prices as well as political uncertainty have negatively impacted consumption, damaging the macroeconomic environment which may deteriorate further. Additional risks to the economic environment could arise from rising protectionist tendencies. Stagnation or declines in countries and regions that are major economic centers have an immediate effect on the global economy and thus pose a key risk for Volkswagen's business.

Automobile manufacturers generally responded to the declines in demand by cutting back investments and production in negatively affected regions and by reducing working hours and implementing sales promotions. Excess capacities in worldwide automobile production could still occur, which may lead to an increase in inventories thus immobilizing capital. Excess capacities and higher inventories, as well as a decrease in demand for vehicles and genuine parts, could cause automobile manufacturers to adjust their capacities or intensify sales promotions, resulting in additional costs and increased price pressures among Volkswagen and its competitors.

However, if demand for vehicles and optional equipment recovers quickly, limited production capacities may lead to supply constraints, which may mean that Volkswagen will not be able to process orders within a reasonable period of time. This may reduce Volkswagen's sales volume compared to competitors who can match their production capacities to market demand more quickly. These risks could have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

#### **1.1.3 *A decline in retail customers' purchasing power or in corporate customers' financial situation and willingness to invest 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 (motivated by expected future business prospects) and available financing. A decrease in potential customers' disposable income or their financial security will generally have a negative impact on vehicle sales.

A weak macroeconomic environment, combined with restrictive lending and a low level of consumer sentiment, reduces consumers' willingness to buy. This tends to lead to existing and potential customers refraining from new vehicle purchases or, if the purchases are made, to potentially choose cheaper vehicles with fewer accessories. In other cases, government sales supporting schemes could for a given period encourage customers to make vehicle purchases earlier than originally planned, generating risk that future

revenues will be reduced accordingly. A deteriorating macroeconomic environment may also disproportionately reduce demand for premium vehicles, which have typically been the most profitable segment for Volkswagen. It also leads to reluctance by corporate customers to invest in vehicles for commercial use and leased vehicles leading to a postponement of fleet renewal contracts.

To stimulate demand, the automotive industry has offered customers and dealers price reductions on vehicles and services, which has led to increased price pressures and sharpened competition within the automotive industry. As a provider of numerous high-volume models, Volkswagen's profitability and cash flows are significantly affected by the risk of rising competitive and price pressures.

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.

**1.1.4 *Volkswagen's large market share in Western Europe, particularly in Germany, exposes it to this region's overall economic development and competitive pressures. A decline in consumer demand and investment activity could significantly adversely affect Volkswagen's business. Volkswagen particularly depends on the Audi brand and Porsche brand, which contribute significantly to Volkswagen's profitability and results of operations.***

In 2016, Volkswagen delivered 32.3% of its passenger cars to customers in Western Europe, of which 11.8% were delivered to customers in Germany. A decrease in demand for Volkswagen's products and services in Western Europe, especially in Germany, 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.

The continuing economic uncertainty, including the slower than expected economic recovery, large-scale government austerity measures and tax increases, could lead to significant long-term economic weakness and low economic growth. In addition, the decision by the United Kingdom in June 2016 to leave the European Union could have consequences for macroeconomic growth, affect exchange rates and negatively impact demand for Volkswagen's products. A decline in consumer demand in Western Europe would have a material adverse effect on Volkswagen's business, financial position and results of operations.

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. A further increase in competitive pressures in Western European markets could result in falling prices and decreased demand for Volkswagen's vehicles, which could adversely affect operating margins and cause a loss of market share.

The brand Audi (pre-consolidated sub group) contributed EUR 3,052 million and the brand Porsche (pre-consolidated sub group) contributed EUR 3,877 million (amounts do not include the elimination of intragroup transactions such as intercompany profits and, in the case of Porsche, do not include depreciation and amortization expenses of identifiable assets as part of purchase price allocation on Volkswagen Group level) to Volkswagen's consolidated operating result of EUR 7,103 million in 2016. Therefore, a significant impairment of the brand or business activities of either Audi or Porsche would also have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

**1.1.5 *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, this led to considerable price reductions and increase of incentives offered by individual automobile manufacturers.

Competitive pressure, particularly in the automotive markets in Western Europe, the United States, China, Brazil, India and Russia may further intensify due to cooperation between existing vendors or the market entry of new vendors, particularly from China, India or Russia, or an expansion of production by existing vendors or due to governmental regulations.

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.

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

Recent studies in several geographic markets have indicated that consumers today are more open to the idea of 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. As a general rule, larger vehicles in higher vehicle categories with higher engine power contribute more to Volkswagen's earnings 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. Volkswagen also faces growing pressure regarding customer demands for enhanced digitalization and automated driving features in addition to increasing regulatory requirements. Implementing such changes involves certain technical challenges as well as increased costs. For competitive reasons Volkswagen may be able to pass these costs on to customers only to a limited extent, if at all, which could affect Volkswagen's profitability.

Private and commercial users are increasingly open to use modes of transportation other than the automobile, especially in connection with growing urbanization. The reasons for this could include rising costs associated with owning a vehicle, increasing traffic density in major cities and environmental awareness. Furthermore, the increased openness to use car sharing concepts and new city-based car rental schemes may reduce dependency on private automobiles altogether. Moreover, transport of goods may shift from trucks to other modes of transport, which could lead to lower demand for Volkswagen's commercial vehicles or could change the customer requirements towards commercial vehicles.

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

1.1.7 ***Volkswagen's commercial success depends on Volkswagen's own and its competitors' expansion 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 of the Volkswagen Group from China, India, Brazil, Russia 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.

A number of Volkswagen's 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 does not increase as Volkswagen expects or if it weakens, Volkswagen may sell fewer products in these markets or obtain lower prices than expected. Lack of economic growth in local markets could also lead to significantly intensified price competition among automobile manufacturers, rising inventories and excess production capacity. This could significantly decrease Volkswagen's revenue and income.

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.

A sharp rise in interest rates in the United States could have a negative impact on economic developments not only in the United States, but also in emerging markets, which have profited recently from capital inflows. This could result in increased currency pressures on many markets, which may also have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

In particular, 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 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, Guiyang and Guangzhou — may be extended to other major cities in China. This could have a material adverse effect on Volkswagen's sales in China.

#### 1.1.8 **Strategic risks**

1.1.8.1 *Volkswagen may be unable to implement its strategic objectives or it may be able to do so only at a higher-than-expected cost and Volkswagen may not reach its medium- and long-term financial goals.*

In 2016, based on the significant changes affecting the automotive sector, Volkswagen initiated a new strategy, "TOGETHER – Strategy 2025", aimed at ensuring that Volkswagen participates in shaping the future of mobility, with a focus on digitalization, electrification and sustainability. This will involve developing further core competencies such as battery technology, digital and autonomous driving, as well as intensifying the focus on profitable growth. Further, as part of its strategic development, Volkswagen anticipates to rely to a greater extent on partnerships and venture capital investments. Within this framework, the strategic targets were developed based on a stakeholder concept, with the key targets being: excited customers, competitive profitability, Volkswagen as a role model for the environment, safety and integrity, and Volkswagen as an excellent employer, with such targets leading to sustainable growth.

Numerous factors, some of which are beyond Volkswagen's control, such as a slow recovery or deterioration in the business climate in Volkswagen's core markets, weaker development in emerging markets or the occurrence of one or more risks described in this Prospectus, can frustrate implementation of the basic strategic policy and the attainment of the specific goals. If Volkswagen is unable to achieve its strategic goals, in whole or in part, or if the costs associated with the basic strategic policy exceed expectations, this could have a material adverse effect on Volkswagen's reputation, general business activities, net assets, financial position and results of operations. In particular, the attainment of strategic goals may be frustrated by problems related to exhaust emissions, as discussed under "*Government authorities in a number of jurisdictions worldwide are conducting 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 may have a material adverse effect on Volkswagen's business, financial position, results of operations, reputation, the price of its securities, including the Notes, and its ability to make payments under its securities.*"

#### 1.1.9 **Research and development risks**

1.1.9.1 *Volkswagen's future business success depends on its ability to develop new, attractive and energy-efficient products that are tailored to its customers' needs and to offer these products on competitive terms and conditions.*

Customers are increasingly focusing on lower fuel consumption and exhaust emissions when they make a purchasing decision. Alternative drive technologies (for example electric powertrains or hybrid engines) are becoming more important both for the customer and for compliance with legal requirements. A significant factor for Volkswagen's future success is its ability to recognize these trends early enough to react accordingly and thus strengthen Volkswagen's position in the existing product range and the market segments it already serves, as well as enabling it to expand into new market segments. Volkswagen is under constant pressure to develop new products and to improve existing products in increasingly shorter time periods.

Volkswagen encounters research and development challenges as its products become more complex and as it introduces new, more environmentally friendly technologies. 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 researching high-performance lithium ion batteries for electric cars. These research and development activities may not achieve their planned objectives. Additionally, 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, the capital required for making future investments in research and development may not be readily available.

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.

If any of the factors described above occurs, or if:

- Volkswagen encounters delays in bringing new vehicle models to market,
- Volkswagen has difficulties in achieving stated efficiency targets and fulfilling fleet average targets without loss of quality,
- customers do not accept Volkswagen's new model range,
- Volkswagen encounters temporary bottlenecks in the delivery of parts, components and materials for the manufacture of new car models,

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

#### 1.1.10 **Procurement risks**

1.1.10.1 *If Volkswagen encounters a shortage of raw materials, or is unable to obtain automotive parts and components from suppliers, for example, due to a supply bottleneck, particularly within a limited supplier environment, or if Volkswagen's suppliers face increasing economic pressure, Volkswagen's procurement, production, transport and service chains could be interrupted or impaired. As a consequence there could be a general risk of loss of production for the Volkswagen Group.*

Volkswagen's business depends, among other things, on the timely availability of raw materials, automotive parts and components, commodities and other materials. 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 materials, 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. In these cases, Volkswagen faces the risk of a production downtime if one or more suppliers are unable or unwilling to fulfill delivery obligations. 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 may persist. This effect may be exacerbated by Volkswagen's increasingly local production, in particular in countries such as Brazil, Russia, India and China, where Volkswagen uses regionally-based suppliers whose ability to deliver may be adversely affected by regional conditions and events. Recent examples include consolidation of the local supply base in Brazil as well as the Russian currency devaluation and capital outflow. 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 and import duties.

If vehicle sales decline significantly, competition in the automotive industry will increase, which could have a significant adverse effect on the financial position of some of Volkswagen's suppliers. As a result, some of



Volkswagen's suppliers could experience financial distress or file for insolvency. Financial distress in the supply chain may result in delivery bottlenecks, a loss of quality and price increases.

Prices of certain raw materials, such as steel, aluminium, copper, lead, coking coal, crude oil, precious metals and rare earth elements have remained highly volatile. Further economic recovery in key markets and the associated rise in demand could create a shortage of the raw materials that are important for Volkswagen's production and further price increases, resulting in 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 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, that could limit access to such elements.

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.

#### 1.1.11 **Production risks**

1.1.11.1 *Volkswagen may not be able to adjust its production capacity sufficiently and timely.*

Production capacity for each vehicle project is planned several years in advance on the basis of expected sales developments. Future sales are subject to market dynamics and cannot be estimated with certainty. 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. Volkswagen utilizes certain measures such as flexible work hours and production network configuration to calibrate production capacity. However, Volkswagen or its important suppliers may not be able to adjust production capacity sufficiently and timely if demand fluctuates beyond their organizational and technical flexibility. In addition, 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 are able to 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.

1.1.11.2 *Volkswagen's future business success depends on its ability to maintain high quality.*

In order to maintain high quality standards for its products, Volkswagen incurs substantial costs for monitoring and quality assurance.

Volkswagen may be required to implement service or recall vehicles if there are defects or irregularities in parts or components that Volkswagen buys 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. Since Volkswagen applies the modular component concept in vehicle production, Volkswagen's risk is increased because individual components are used in a number of different models and brands. Volkswagen faces investigations and certain allegations in connection with emissions from diesel engines in certain Volkswagen Group vehicles, as described under "*Government authorities in a number of jurisdictions worldwide are conducting 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 may have a material adverse effect on Volkswagen's business, financial position, results of operations, reputation, the price 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 incur 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.

1.1.11.3 *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 airplane crashes, terrorism, epidemics 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. 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. These result in particular from contracting deficiencies, miscosting, post-contracting changes in economic and technical conditions, deviations in product launches (e.g., launch costs, start of production date), weaknesses in project management 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.

#### 1.1.12 ***Sales and distribution risks***

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

As a rule, 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 passenger vehicles as a share of total registrations in Europe amounted to 28.9% in 2016 for the overall market.

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. Sales in Volkswagen's truck business are particularly sensitive to economic developments due to the transportation sector's strong cyclicity. The resulting production fluctuations require significant flexibility on the part of truck producers, in particular 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 agreements. In relation to the diesel issue, fleet customers have reacted cautiously as their own corporate policies may be affected.

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 be able to offset discounts to corporate customers only partially or not at all.

Corporate customers tend to include CO<sub>2</sub> 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 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.

1.1.12.2 *Volkswagen's multiple brand strategy may result in overlap in the sales approach, which could lead to weakening of the brands.*

In the Automotive Division, Volkswagen has a number of 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 an 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, necessitates 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.

1.1.12.3 *Issues in relation to exhaust emissions may result in a weaker brand image or brand confidence.*

The recent issues faced by Volkswagen in relation to exhaust emissions have negatively influenced customers' brand perception (for example, brand image or brand confidence), especially for the Volkswagen brand, which may have a negative impact on customers' purchase decisions and may impair Volkswagen's profitability and market share.

#### 1.1.13 **Financial risks**

1.1.13.1 *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.*

Volkswagen depends on its ability to cover adequately its capital requirements. As of 31 December 2016, Volkswagen's noncurrent and current financial liabilities amounted to EUR 154,819 million.

Volkswagen may not be able to obtain sufficient capital to meet its financing needs or Volkswagen may not be able to finance on reasonable terms and conditions, which in turn may have a material adverse effect on Volkswagen's business, net assets, financial position and results of operations.

Volkswagen's Automotive Division and Financial Services Division carry out refinancing separately, but follow the same refinancing strategy and, therefore, 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. Nevertheless, the Financial Services Division regularly funds itself via the Automotive Division.

Volkswagen's refinancing opportunities may be adversely affected by a deterioration in general market conditions, a weakening of its financial 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. Volkswagen AG's credit ratings have been downgraded in the wake of the findings

of irregularities of exhaust emissions in certain vehicle engines. As a result of the uncertainties in relation to the diesel issue, Volkswagen may experience limited access to refinancing opportunities. See also *"Government authorities in a number of jurisdictions worldwide are conducting 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 may have a material adverse effect on Volkswagen's business, financial position, results of operations, reputation, the price of its securities, including the Notes, and its ability to make payments under its securities."*

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

1.1.13.2 *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 were to lead 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.

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. 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, dealers may not be able to generate sufficient cash flows to meet their financial liabilities. This could have a material adverse effect on Volkswagen's business, net assets, financial position and results of operations.

#### *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 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.

1.1.13.3 *Changes in exchange rates and interest rates as well as hedging transactions may have a negative impact on Volkswagen.*

Volkswagen's businesses, operations, financial results and cash flows are exposed to a variety of market risks, including in particular the effects of changes in the exchange rates of the Argentine peso, Australian dollar, Brazilian real, British pound sterling, Canadian dollar, Chinese renminbi, Czech koruna, Hungarian forint, Indian rupee, Japanese yen, Mexican peso, Polish zloty, Russian ruble, Singapore Dollar, South African rand, South Korean won, Swedish krona, Swiss franc, Taiwan Dollar and U.S. dollar especially against the euro. 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. Volkswagen enters into hedging transactions to lower currency risks. However, Volkswagen's exchange rate risks are not fully hedged. Moreover, hedging transactions reflect the market trends Volkswagen predicts at the time the respective contracts were concluded. Hence, Volkswagen may incur losses if the actual exchange rate fluctuations deviate from its predictions. Losses arising from unsuccessful hedging strategies, together with the expenses of hedging transactions, may result in significant costs.

Due to the continuing uncertainties regarding the impact on Volkswagen of the diesel issue, Volkswagen faces a risk of increased volatility of cash flows in foreign currencies. This could also affect results from hedging activities.

In addition, 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. Volkswagen also holds a substantial volume of interest rate sensitive assets and liabilities in connection with its lease and sales financing business. Changes in interest rates may have substantial adverse effects on Volkswagen's operating results and cash flows.

1.1.13.4 *The Volkswagen Financial Services Division is by nature dependent on sales by the Volkswagen Group, meaning that 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 parent group. Thus, the financial success of the Financial Services Division depends largely on the success of the Volkswagen Group. 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 long as the Volkswagen Group is able to satisfy customer needs with innovative and reliable vehicles and thus maintain or grow its deliveries to customers, the Financial Services Division is in a position to benefit. However, due to this dependency, fewer vehicle deliveries would also result in reduced business for the Financial Services Division.

As a result, 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. Although the Financial Services Division operates different brands in numerous countries, a simultaneous and exceptionally 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.

1.1.13.5 *A decrease in the residual values or the sales proceeds of leased vehicles 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. For example, in Germany, 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 premium) 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 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 exchange rates, marketing programs, the actual or perceived quality, safety or reliability of vehicles or fuel prices could also influence the residual value risk. A decline in the residual values of Volkswagen Group vehicles could materially adversely affect Volkswagen'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 owing to assumptions that prove to have been incorrect. Although Volkswagen continuously monitors used car price trends and makes adjustments to its risk valuation, there is still the risk of using false assumptions to assess the residual value risk.

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 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. So as to be able to place leasing products and products with balloon rate and return option in the market, this could, on the one hand, lead to pressure on margins. On the other hand, the residual value risk from lease returns could increase since the residual values calculated may not correspond with the current residual value assumptions for the end of the contract. The risk of this residual value difference is partly borne by the Financial Services Division itself (direct residual value risk) and partly by the dealers who in turn are financed by the Financial Services Division (indirect residual value risk). As a result, Volkswagen would have to maintain higher value adjustments or record direct partial write-offs against income on its leasing portfolio, which would adversely affect Volkswagen's net assets, financial position and results of operations.

#### 1.1.14 **Other Risks**

1.1.14.1 *The value of goodwill or brand names reported in Volkswagen's consolidated financial statements may need to be partially or fully impaired as a result of revaluations.*

As of December 31, 2016, goodwill reported in Volkswagen's balance sheet amounted to EUR 23,558 million and the reported value of brand names amounted to EUR 16,941 million.

At least once a year, Volkswagen reviews whether the value of intangible assets may be impaired based on the underlying cash-generating units. If there is objective evidence that the carrying amount is higher than the recoverable amount for the asset concerned, Volkswagen incurs an impairment loss. An impairment loss may be triggered, among other things, by an increase in interest rates. As a consequence, Volkswagen may need to record an impairment loss in the future.

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

Volkswagen's success depends substantially on the quality of its senior managers and employees as well as employees in key functions. If Volkswagen loses important employees due to turnover, targeted recruiting 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 engineering, research and development. If Volkswagen fails to retain qualified personnel to the necessary extent, or if it fails to add additional qualified personnel or to continue to train existing personnel, Volkswagen may not reach its strategic and economic objectives.

1.1.14.3 *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 entered into with the German Metalworkers Union (*Industriegewerkschaft Metall*) and the German Christian Metalworkers Union (*Christliche Gewerkschaft Metall*). This agreement became effective on January 1, 2009 and may be terminated at the end of a calendar quarter with a three-month notice period. The agreement, which is generally applicable to all employees of Volkswagen AG, rules out compulsory redundancies during its term. In addition, Volkswagen agreed to the target to keep the number of employees at its six West German locations stable, subject to additional structural measures agreed among management and the employees and their representatives. The agreement may limit Volkswagen's ability to react in a timely manner to a change in economic conditions.

In addition, the Board of Management and the General Works Council of Volkswagen have agreed on a pact for the future, effective as of December 1, 2016. In addition to regulations regarding personnel transformation, the parties have agreed on measures in relation to safeguarding the future and in relation to efficiency, which will include job reductions. As part of the pact for the future, the parties agreed to continue the employment protection as stipulated in the collective wage agreement with the industrial union until at least December 31, 2025 and therefore to avoid redundancies until then. There can be no assurance that any benefits Volkswagen expects from the pact will be achieved.

1.1.14.4 *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.

Since January 1, 2001, Volkswagen has invested part of Volkswagen AG's remuneration-linked pension expenses in plan assets that qualify to offset Volkswagen's pension provisions. If the market value of plan assets falls, Volkswagen may have to substantially increase its pension provisions. Existing pension obligations are not fully covered by plan assets.

Currency, interest rate and price fluctuations may adversely affect the value of the plan assets. Although these risks are monitored and countermeasures taken by entering into hedging transactions, these countermeasures may prove to be insufficient. As a result, 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.

1.1.14.5 *Volkswagen is exposed to IT risks, IT security risks and data protection risks.*

Volkswagen operates comprehensive and complex IT systems. A group-wide harmonization of Volkswagen's various IT systems, and the third-party IT systems connected thereto, with a view to creating a uniform IT architecture, represents a special challenge due to, among other things, the size, complexity and international nature of the Volkswagen Group. Failure to create a uniform IT architecture across Volkswagen subjects it to risks inherent in a non-uniform IT system, 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. Malfunctions or errors in internal or external IT systems and networks, including potential outside intrusions by hackers or computer viruses, software or hardware errors, and violations of data integrity could have adverse effects on Volkswagen's operations. Volkswagen faces the further risks of modern industrial espionage and targeted attacks as well as the possibility of insider attacks, which challenge it to protect the availability, confidentiality, integrity and traceability of Volkswagen's systems and data.

Furthermore, regular or event-driven updates are required for many of Volkswagen's IT systems in order to meet increasingly complex business and regulatory requirements. The 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. IT system downtime, interruptions or security flaws may significantly adversely affect customer relationships, accounting, management or credit administration and may result in significant expenses for data restoration and verification. Among other things, IT incidents or malicious attacks involving mobile online services and connected cars directly affect customers and may attract negative media attention.

Volkswagen collects, processes and uses employee and customer data which are confidential, for example in the areas of human resources and in the Financial Services Division. In this regard, Volkswagen must comply with applicable data protection laws. Violations of such laws may damage Volkswagen's reputation, constitute administrative offenses or criminal acts and lead to damages claims and fines.

1.1.15 ***Risks from Joint Ventures, Acquisitions, Equity Interests in Companies and other Co-operations***

1.1.15.1 *Cooperation with joint venture 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 the related agreements, Volkswagen undertakes certain obligations. If Volkswagen fails to fulfill its obligations, in whole or in part, 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. 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. Additionally, it is possible that Volkswagen's partners may use, outside of the scope of the joint venture project, technologies acquired in the course of the joint venture. Issues in relation to exhaust emissions 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.



1.1.15.2 *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 recent 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 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 and business relationships 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. Moreover, in many countries and regions, planned acquisitions are subject to a review by the competition 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, this may have a material adverse effect on Volkswagen's business activities, net assets, financial position and results of operations.

1.1.16 ***Regulatory, Legal and Tax-Related Risks***

1.1.16.1 *Volkswagen is subject to a range of different regulatory and legal requirements worldwide that are constantly changing.*

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, and activities in the financial services sector.

Volkswagen must comply with various regulatory requirements that are not always homogeneous. This applies in particular to regulatory requirements for the protection of the environment, health and safety. Vehicles are particularly affected by regulatory requirements concerning harmful emission and CO<sub>2</sub> emission limits, as well as tax regulations in relation to CO<sub>2</sub> or consumption-based motor vehicle tax models. Due to different limits in various countries, Volkswagen may not be able to market a vehicle with the same specifications worldwide. In addition, the operation of Volkswagen's products may be prohibited in a particular country by a lowering of limits after the vehicle's sale. For example, the European Commission has imposed increasingly stricter regulations regarding CO<sub>2</sub> emissions of all passenger cars (the average of fleet) offered for sale in the European Union since 2012. Future legislative measures at the level of the European Union, its Member States or other countries may also pose risks for Volkswagen, such as risks from the

obligation to take back end-of-life vehicles or risks arising from an integrated energy and climate protection program.

For example, June 13, 2017 will mark the end of the one-year transitional period for the EU Radio Equipment Directive (2014/53/EU), which is applicable to radio equipment installed into vehicles sold in the European Union and includes, among other things, component certification and labelling requirements. This directive is also applicable to radio equipment which is installed into Volkswagen Group vehicles. As of the date of this Prospectus, Volkswagen cannot guarantee that all of its vehicles and brands will contain radio equipment that will be in conformity with the directive, which could lead to penalties, other legal consequences and delays in vehicle deliveries.

The costs of compliance with regulatory requirements are considerable, and such costs are likely to increase further in the future. A violation of applicable regulations could lead to the imposition of penalties, fines, damages, restrictions on or revocations of Volkswagen's permits and licenses, restrictions on or prohibitions of business operations and other adverse consequences.

Volkswagen is subject to extensive ongoing investigations and claims in a number of jurisdictions worldwide in relation to irregularities relating to emissions from diesel engines in certain Volkswagen Group vehicles. These proceedings could lead to substantial fines, penalties, damages and other materially adverse effects which cannot be estimated fully at present. For more information, see "*Government authorities in a number of jurisdictions worldwide are conducting 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 may have a material adverse effect on Volkswagen's business, financial position, results of operations, reputation, the price of its securities, including the Notes, and its ability to make payments under its securities.*"

1.1.16.2 *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.

1.1.16.3 *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 are conducting 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 may have a material adverse effect on Volkswagen's business, financial position, results of operations, reputation, the price of its securities, including the Notes, and its ability to make payments under its securities.*"

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 fully these entities into Volkswagen's compliance and risk management systems.

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

Volkswagen operates complex industrial plants and relies on the manufacture, storage and use of various substances that may constitute a hazard to human life and health as well as to the environment. In the past or in the future, environmentally hazardous substances may have entered or may enter the air, watercourses, especially groundwater, or the ground, and the environment, human health, life and safety of persons and property may have been or may be affected or endangered otherwise. Volkswagen may be liable, possibly regardless of fault and in an unlimited amount, to remove or clean up such harm and to pay damages. These risks could have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

1.1.16.5 *Volkswagen may not 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 not 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. Furthermore, third parties may violate Volkswagen's patents and other intellectual property rights and Volkswagen may not be able to prevent such violations for legal or factual 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.

1.1.16.6 *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 an extensive warranty 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 fulfill their obligations.

Supervisory authorities may request that Volkswagen performs recall campaigns and could compel a recall and modification of Volkswagen's products. Frequently, such recalls concern a smaller 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 the EU 28 Member States to retrofit certain of its vehicles to bring their emissions systems into compliance with pollution regulations. For more information, see "*Government authorities in a number of jurisdictions worldwide are conducting 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 may have a material adverse effect on Volkswagen's business, financial position, results of operations, reputation, the price of its securities, including the Notes, and its ability to make payments under its securities.*" The related costs are expected to be substantial. 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 works 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-a-vis* their customers.

On May 5, 2016, the U.S. National Highway Traffic Safety Administration (NHTSA) announced, jointly with Takata Corporation, a further extension of the recall for various vehicle models from different manufacturers containing certain airbags produced by Takata Corporation. Recalls were also ordered by the local authorities in Canada, Japan and South Korea. The recalls also included models manufactured by the Volkswagen Group, for which Volkswagen has made a total provision of €0.6 billion as at December 31, 2016, thereof, €0.3 billion were recognized in 2016. Technical investigations and consultations with the authorities are still being carried out. Further extensions to the recalls that could also affect Volkswagen Group vehicle 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. 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.

1.1.16.7 *Volkswagen's existing insurance coverage may be not 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.

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.

1.1.16.8 *Volkswagen faces regulatory risks in the aftermarkets and with respect to its genuine parts business.*

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. Generally, Volkswagen can limit the number of those dealers who fulfill the qualitative criteria. However, under Regulation (EU) No 330/2010 Volkswagen may be required to self-assess its situation and may be required to change its distribution contracts and admit further dealers into its network in markets where Volkswagen's market share may exceed 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 ongoing political discussions in relation to potential future amendments of the Euro 5/Euro 6 legislation, Volkswagen might be required in the future to grant independent market participants access to technical information that goes beyond the current requirements, in particular to technical information on Volkswagen's genuine parts. The expansion of independent market participants' access to such information could give rise to additional expenses in connection with a review of existing arrangements and other costs that Volkswagen would have to bear in order to adapt to the new regulation. The above-described regulations could also expose Volkswagen to greater competition in the aftermarkets.

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.

1.1.16.9 *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 and its subsidiaries based in Germany are subject to regular tax audits. The most recent tax audit of the major Volkswagen Group companies based in Germany covered 1996 up to and including 2000. The tax assessment notices regarding this audit are available to Volkswagen and the back taxes have been paid. Volkswagen's foreign companies are subject to the audit requirements of their respective national tax authorities.

Ongoing or future tax audits may lead to demands for back taxes, tax penalties and similar payments. Such payments may arise, for example, from the full or partial non-recognition of intra-group transfer prices. In countries where there are no limitation periods for tax payments (such as China), Volkswagen may also face demands for back taxes relating to earlier periods.

Considerable tax risks could arise from the restructuring measures implemented at Porsche Automobil Holding SE ("**Porsche SE**") in 2009 (the merger of the former Dr. Ing. h.c. F. Porsche Aktiengesellschaft with Porsche Holding Stuttgart GmbH (formerly: Porsche Zweite Zwischenholding GmbH)) and the subsequent spin-off to Dr. Ing. h.c. F. Porsche AG ("**Porsche AG**"), and from the indirect interest of Volkswagen AG in Porsche AG and the transfer of funds from Volkswagen AG's cash contribution to Porsche SE in the form of a loan. These measures could be viewed as tainted transactions during the blocking periods running until 2016, and consequently lead to subsequent taxation of the spin-offs. The internal reorganization and most of the other measures were discussed with the tax authorities and made the subject of binding rulings prior to their implementation. However, the binding rulings could cease to be valid if the actual circumstances differ from their presentation in the applications for the binding rulings. In addition, other measures could be implemented during the blocking periods running until 2016 that could give rise to subsequent taxation of the spin-offs implemented in 2009.

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.

1.1.16.10 *Volkswagen Financial Services AG, 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. Under the by-laws of the Association's Deposit Protection Fund, Volkswagen Financial Services AG, Volkswagen AG and Porsche SE have provided a declaration of indemnity for Volkswagen Bank. Under this declaration, they have agreed to hold the Association of German Banks harmless from any losses it incurs resulting from assistance provided to Volkswagen Bank. The Deposit Protection Fund in principle protects all non-bank deposits, that is, deposits of private individuals, commercial enterprises and public-sector entities. 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.

1.1.16.11 *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.*

ARFB Anlegerschutz UG (haftungsbeschränkt), Berlin, brought an action against Porsche SE, Stuttgart, and Volkswagen AG for claims for damages allegedly assigned to it in the amount of approximately €2.26 billion. The plaintiff asserts that these claims are based on alleged breaches by the defendants of legislation to protect the capital markets in connection with Porsche's acquisition of Volkswagen AG shares in 2008. With its April 2016 ruling, the District Court of Hannover referred certain common facts and legal issues to the Higher Regional Court in Celle for determination by way of a model proceeding. The Higher Regional Court in Celle has recently appointed the model plaintiff and has scheduled a number of consecutive trial hearings starting in September 2017. In all other cases, the claims were dismissed. In various cases since 2010, investors initiated conciliation proceedings for other alleged damages – including claims against Volkswagen AG – that amounted to approximately €4.6 billion in total and that also related to transactions at that time. In each case, Volkswagen rejected the claims asserted and refused to participate in any conciliation proceedings. Volkswagen AG continues to consider the alleged claims to be without merit.

In the future, Volkswagen could be subject to further lawsuits or conciliation proceedings in Europe or elsewhere arising from these facts. In the event of a settlement or an unfavorable decision in the conciliation or legal proceedings, Volkswagen AG could sustain considerable losses.

1.1.16.12 *The European Commission's antitrust proceedings involving Scania AB and MAN SE may result in the imposition of fines.*

In 2011, the European Commission opened antitrust proceedings against European truck manufacturers including MAN and Scania. With its settlement decision as of July 19, 2016 the European Commission has fined five European truck manufacturers excluding MAN and Scania. MAN was not fined as the company had informed the EU Commission about the cartel as a key witness. With regard to Scania, the antitrust proceedings are ongoing. Scania decided to fully exercise its rights of defense in the ongoing investigation. A provision of EUR 0.4 billion was recognized as at December 31, 2016 in order to cover possible fines. Depending on how the legal proceedings develop, actual fines may differ. As is the case in any antitrust proceedings, this may result in further lawsuits for damages.

1.1.16.13 *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. 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. Such 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.

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.

*See also "Government authorities in a number of jurisdictions worldwide are conducting 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 legal actions taken by other parties, including shareholders, vehicle owners and distributors, may have a material adverse effect on Volkswagen's business, financial position, results of operations, reputation, the price of its securities, including the Notes, and its ability to make payments under its securities."*

## **1.2 Risk Factors regarding Volkswagen International Finance N.V**

Risk is defined as the possibility of negative future developments in the economic situation of VIF. The principal risks to which VIF is exposed are described below.

### **1.2.1 Risk related to exhaust emissions**

Government authorities in a number of jurisdictions worldwide are conducting 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 future investigations may have a material adverse effect on Volkswagen's business, financial position, results of operations, reputation, the price of its securities and its ability to make payments under its securities.

VIF's commercial success largely depends on the financial health and reputation of its ultimate shareholder, Volkswagen AG. The diesel issue could have, among others, the following effects:

- Further downgrading of Volkswagen's credit ratings might render VIF's funding sources less efficient and more costly and therefore VIF may refinance on unfavorable terms and conditions;
- Due to the recent investigations, VIF as an issuer may face risks arising from legal disputes from investors claiming damages for alleged breaches of applicable laws.

### **1.2.2 Risk of counterparty default**

Risk of counterparty default is defined as the possible loss in value due to non-payment by a customer or deterioration of his creditworthiness. A distinction is made between credit risks, counterparty risks, country risks and shareholder risks.

### **1.2.3 Credit risk**

Credit risk is defined as the risk of a partial or total default of contracted interest payment or principal payment by a borrower. Credit risks mainly result from loans granted to group and joint venture companies and bank deposits as well as cross currency and interest rate swaps. Credit risk represents the largest component of the indicated risk factors affecting VIF. Risk acceptance is approved by the Board of Management and the Supervisory Board regularly monitors VIF's risk profile. Lending guidelines regulate credit processes and competences.

#### 1.2.4 **Counterparty risk**

Counterparty risk arises from overnight money and time deposit investments carried out in the inter-bank sector as well as derivatives transactions.

#### 1.2.5 **Country risk**

Country risk includes risks in the course of international business, which do not result from the contracting party itself, but are due to its foreign investments. For example, critical political or economic developments as well as difficulties in the entire finance system in this country can lead to the fact that agreed trans-border capital payments (interest and repayment) cannot take place or take place incompletely or delayed, due to difficulties of transfer by reason of mandatory measures by a foreign state.

The evaluation of country risks is based on the assessments of the long-term foreign currency liabilities of a state (sovereign ratings) by the rating agencies Moody's and Standard & Poor's.

#### 1.2.6 **Shareholder risk**

Shareholder risk is defined as the risk of losses negatively affecting the shareholding book value.

#### 1.2.7 **Market risk**

Market risks signify potential losses because of disadvantageous changes of market prices or price-influencing parameters. At VIF, market risk is subdivided into interest rate risks and currency risks.

#### 1.2.8 **Interest rate risk**

Interest rate risk includes potential losses from changes in market rates. These risks result from refinancing at non-matching interest periods and from different degrees of interest rate elasticity of individual assets and liabilities.

#### 1.2.9 **Currency risk**

Currency risk means the possible negative evolution of the exchange rate of a foreign currency in relation to the Euro, which is the base currency of VIF. These changes could then create a negative result if in a specific currency assets and liabilities do not match (currency position).

#### 1.2.10 **Liquidity risk**

Liquidity risk could occur when the receivables dates do not match the corresponding liability dates. Although VIF has access to multiple funding sources, such as a debt issuance programme and a commercial paper programme as well as the possibility to benefit from the parent company's facilities, it is still exposed to the liquidity risk. The prime objective of cash flow management at VIF is to ensure the ability to pay at all times.

#### 1.2.11 **Refinancing risk**

Refinancing risks can be described as the possibility of not being able to meet finance requirements of affiliated group companies or subsidiaries, due to worsening markets conditions on the capital market, such as significant negative alteration of Volkswagen's credit rating, growing economic instability or negative changes in solvency for major international banks, possibly undermining VIF's ability to refinance itself.

#### 1.2.12 **Operational risk**

Operational risk is the term used for the threat of losses due to inadequate or failing internal processes, personnel and systems. This also takes into account risks that result from external factors such as natural disasters, terrorist attacks, political unrest or legal risks.



### 1.2.13 *IT and system risk*

VIF's information technology ("IT") is exposed to risks that occur when one or more fundamental security objectives such as confidentiality, integrity and availability of data and services are threatened by weak spots in either the organization or in the use or administration of IT systems.

### 1.2.14 *Personnel risk*

Personnel risks may result from high personnel turnover, insufficient availability of personnel, inadequate personnel qualification and human error.

### 1.2.15 *Legal risk*

Legal risk is the risk arising from the failure to comply with applicable legal and regulatory requirements and the risk of liability and other costs imposed under various laws and regulations, including changes in legislation and new regulatory requirements or incurred as a result of litigation.

Although the tax department, supported by local advisors, monitors the international tax situation, some risks, such as the introduction of withholding taxes or other restrictive tax implications for one of its contract parties, as described above, could occur during the lifetime of its assets and liabilities, thus causing negative tax implications with regard to (re)payment of principal or interest funds.

## 1.3 **Risks relating to the Notes**

### 1.3.1 *The Notes may not be a suitable investment for all investors.*

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes, and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- have access to and knowledge of appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviors of any relevant indices and financial markets;
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and
- recognize that it may not be possible to dispose of the Notes for a substantial period of time or at all.

### 1.3.2 *The Notes are undated securities in which an investment constitutes a financial risk for an indefinite period.*

The Notes are undated securities and Noteholders may not declare the Notes due and payable. Therefore, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Notes for an indefinite period and may not recover their investment in a foreseeable future.

### 1.3.3 *Noteholders are subject to risks relating to the early redemption of the Notes.*

At the Issuer's option each type of the Notes may be redeemed at 100% of the principal amount plus accrued and unpaid interest and any Arrears of Interest pursuant to the Terms and Conditions (i) on the respective First

Call Date of an issue or any Interest Payment Date thereafter, (ii) if as a consequence of a change in law it has to pay any additional amounts with respect to taxation or (iii) if 80% or more in principal amount of such issue of Notes initially issued has been redeemed or repurchased.

In addition, the Issuer may at its option redeem each issue of the Notes at 101% of the principal amount plus accrued and unpaid interest and any Arrears of Interest pursuant to the Terms and Conditions, if (i) interest payable in respect of such issue of the Notes is no longer fully income tax deductible, (ii) the funds raised through the issuance of such issue of Notes must not or must no longer be recorded as "equity capital" of the Issuer, (iii) Moody's and / or S&P determine to no longer grant the same or higher category of "equity credit" to such issue of Notes as a result of an amendment, clarification or change to the equity credit criteria of such rating agency.

In the case of redemption, Noteholders might suffer a lower than expected yield and might not be able to reinvest the funds on the same terms. Moreover, the redemption amount in the event of a redemption may be lower than the prevailing market price of the Notes.

#### 1.3.4 ***The Notes are subordinated to senior obligations of the Issuer.***

The obligations of the Issuer under the Notes will be unsecured subordinated obligations of the Issuer which in an insolvency or liquidation of the Issuer rank *pari passu* among themselves and with certain other obligations of the Issuer, subordinated to all present and future unsubordinated and subordinated obligations of the Issuer and senior only to the Issuer's share capital and similar present or future instruments. According to the Terms and Conditions, in an insolvency or liquidation of the Issuer, no payments under the Notes will be made to the Noteholders unless the Issuer has discharged or secured in full (i.e. not only with a quota) all claims that rank senior to the Notes. In a liquidation, insolvency or any other proceeding for the avoidance of insolvency of the Issuer, the Noteholders may recover proportionately less than the Noteholders of unsubordinated or subordinated obligations of the Issuer or may recover nothing at all. Investors should take into consideration that liabilities ranking senior to the Notes may also arise out of events that are not reflected on the Issuer's balance sheet, including, without limitation, the issuance of guarantees or other payment undertakings. Claims of beneficiaries under such guarantees or other payment undertakings will, in liquidation or insolvency proceedings of the Issuer, become unsubordinated or subordinated liabilities and will therefore be paid in full before payments are made to Noteholders.

#### 1.3.5 ***The Notes do not include express events of default or a cross default.***

The Noteholders should be aware that the Terms and Conditions do not contain any express event of default provisions. There will also not be any cross default under the Notes.

#### 1.3.6 ***The Issuer will partially depend on payments from other members of the Volkswagen Group to make payments on the Notes.***

The Issuer's cash flow and ability to service debt depend upon its own business operations, which consist principally of the receipt of payments from the other operating subsidiaries within the Volkswagen Group for amounts lent to such subsidiaries. Applicable laws and regulations and the terms of other agreements to which the Issuer or other Volkswagen Group operating subsidiaries may be or may become subject, could restrict their ability to provide the Issuer with adequate funds.

#### 1.3.7 ***The Notes do not contain any financial covenants.***

Neither the Guarantor 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. If the Guarantor incurs additional debt or liabilities, the Issuer and/or the Guarantor's ability to pay its obligations on the Notes could be adversely affected. In addition, under the Notes, neither the Issuer nor the Guarantor will be restricted from paying dividends or issuing or repurchasing their other securities. Noteholders will not be protected under the terms of the Notes in the event of a highly leveraged transaction, a reorganization or a restructuring, merger or similar transaction that may adversely affect Noteholders.

1.3.8 ***The Noteholders have no voting rights.***

The Notes are non-voting with respect to general meetings of the Issuer. Consequently, the Noteholders cannot influence any decisions by the Issuer to defer interest payments or to optionally settle such Arrears of Interest or any other decisions by the Issuer's shareholders concerning the capital structure or any other matters relating to the Issuer.

1.3.9 ***The Noteholders' only remedy against the Issuer is the institution of legal proceedings to enforce payment or to file an application for insolvency proceedings.***

The only remedy against the Issuer available to the Noteholders for recovery of amounts which have become due in respect of the Notes will be the institution of legal proceedings to enforce payment of the amounts or to file an application for the institution of insolvency proceedings. On an insolvency or liquidation of the Issuer, any holder may only declare its Notes due and payable and may claim the amounts due and payable under the Notes, after the Issuer has discharged or secured in full (i.e. not only with a quota) all claims that rank senior to the Notes.

1.3.10 ***No limitation on issuing further debt ranking senior or pari passu with the Notes.***

There is no restriction on the amount of debt which the Issuer may issue ranking senior or equal to the obligations under or in connection with the Notes. Such issuance of further debt would reduce the amount recoverable by the holders upon insolvency or liquidation of the Issuer or may increase the likelihood that the Issuer is required or permitted to defer payments of interest under the Notes.

1.3.11 ***Subordinated claims under Guarantee.***

The Guarantor's obligations under the Guarantee are unsecured deeply subordinated obligations of the Guarantor ranking subordinated to all unsubordinated obligations and to all subordinated obligations within the meaning of section 39 paragraph 1 of the German Insolvency Code (*Insolvenzordnung*) (including any shareholder loans) and at least *pari passu* amongst them-selves and with all present unsecured obligations of the Guarantor which rank subordinated to all unsubordinated obligations and to all subordinated obligations under section 39 paragraph 1 of the German Insolvency Code, except for any subordinated obligations required to be preferred by mandatory provisions of law. In the event of the liquidation, dissolution or insolvency of the Guarantor or any proceeding for the avoidance of insolvency of the Guarantor, the obligations of the Guarantor under the Guarantee are subordinated to the claims of all holders of unsubordinated obligations and subordinated obligations within the meaning of section 39 paragraph 1 of the German Insolvency Code, so that in any such event payments in respect of the Guarantee will not be made until all claims against the Guarantor under obligations which rank senior to obligations of the Guarantor under the Guarantee have been satisfied in full (i.e. not only with a quota). The obligations of the Guarantor under the Guarantee are senior only to the Junior Obligations of the Guarantor.

Investors should take into consideration that liabilities ranking senior to the Guarantee may also arise out of events that are not reflected on the Guarantor's balance sheet, including, without limitation, the issuance of guarantees or other payment undertakings. Claims of beneficiaries under such guarantees or other payment undertakings will, in liquidation or insolvency proceedings of the Guarantor, become unsubordinated or subordinated liabilities and will therefore be paid in full before payments are made to holders.

1.3.12 ***The beneficiaries under the Guarantee have limited rights in German insolvency proceedings.***

In an insolvency over the assets of the Guarantor, claims against the Guarantor under the Guarantee would be treated as a deeply subordinated insolvency claim (*nachrangige Insolvenzforderungen*). According to Section 174 paragraph 3 of the German Insolvency Code, deeply subordinated insolvency claims must not be registered with the insolvency court unless the insolvency court handling the case has granted special permission allowing these deeply subordinated insolvency claims to be filed which is not the rule, but the exception. The beneficiaries of the Guarantee would not participate in any creditors' committee (*Gläubigerausschuss*) and would have very limited rights within the creditors' assembly (*Gläubigerversammlung*). They may be invited to participate in the creditors' assembly, but would not be entitled to vote within such meetings (Section 77 paragraph 1 of the German Insolvency Code).

In case of insolvency plan proceedings (*Insolvenzplanverfahren*) the beneficiaries under the Guarantee generally would have no voting right on the adoption of an insolvency plan presented by the Guarantor, the relevant insolvency administrator or custodian (Sections 237 and 246 of the German Insolvency Code). In addition, their claims would be waived after the adoption of the insolvency plan unless the insolvency plan makes an exception to this general rule (Section 225 paragraph 1 German Insolvency Code).

1.3.13 ***The Notes have not been admitted to trading and any trading market may be volatile.***

Application has been made for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange. There can, however, be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue. In an illiquid market, an investor may not be able to sell his Notes at any time at fair market prices. The ability of Noteholders to sell the Notes might also be restricted for country-specific reasons.

Moreover, the trading market for the Notes may be volatile and can be adversely impacted by many events. The market for the Notes may be influenced by economic and market conditions in Germany or Luxembourg and, to varying degrees, by market conditions, interest rates, currency exchange rates and inflation rates in other European and other industrialized countries. There can be no assurance that events in Luxembourg, Germany, Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of the Notes or that economic and market conditions will not have other adverse effects.

1.3.14 ***There is a risk that trading in the Notes will be suspended, interrupted or terminated.***

The listing of the Notes may be suspended or interrupted by the Luxembourg Stock Exchange or a competent regulatory authority for any of a number of reasons, including violation of price limits, breach of statutory provisions, occurrence of operational problems of the stock exchange or generally if deemed required in order to secure a functioning market or to safeguard the interests of investors. Furthermore, trading in the Notes may be terminated, either upon decision of the stock exchange, a regulatory authority or upon application by the Issuer. Investors should note that the Issuer has no influence on trading suspension or interruptions (other than where trading in the Notes is terminated upon the Issuer's decision) and that investors in any event must bear the risks connected therewith. In particular, investors may not be able to sell their Notes where trading is suspended, interrupted or terminated, and the stock exchange quotations of such Notes may not adequately reflect the price of such Notes. Finally, even if trading in the Notes is suspended, interrupted or terminated, investors should note that such measures may neither be sufficient nor adequate nor in time to prevent price disruptions or to safeguard the investors' interests; for example, where trading in the Notes is suspended after price-sensitive information relating to such Notes has been published, the price of such Notes may already have been adversely affected. All these risks would, if they materialize, have a material adverse effect on the investors.

1.3.15 ***The Noteholders are exposed to risks relating to the fixed interest notes.***

Each issue of Notes bears interest at a fixed rate to but excluding the First Call Date for that issue of Notes.

A holder of a fixed interest rate note is exposed to the risk that the price of such note may fall because of changes in the market interest rate. While the nominal interest rate of a fixed interest rate note is fixed during the life of such note or during a certain period of time, the current interest rate on the capital market (market interest rate) typically changes on a daily basis. If the market interest rate changes, the price of such bond changes in the opposite direction. If the market interest rate increases, the price of such 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 interest rate note typically increases, until the yield of such bond is approximately equal to the market interest rate. Noteholders should be aware that movements of the market interest rate can adversely affect the market price of the Notes and can lead to losses for Noteholders if they sell their Notes.

1.3.16 ***The Noteholders are exposed to risks relating to the reset of interest rates linked to the 5-year swap rate or 10-year swap rate.***

From and including the First Call Date to but excluding the date on which the Issuer redeems the Notes in whole, the Notes bear interest at a rate which will be determined on each reset date at the 5-year swap rate or the 10-year swap rate, as applicable, for the relevant reset period plus a margin.

Investors should be aware that the performance of the 5-year swap rate or the 10-year swap rate, as applicable, and the interest income on the Notes cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of the Notes at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. In addition, after interest payment dates, investors are exposed to the reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing.

Furthermore, during each Reset Period, it cannot be ruled out that the price of the Notes may fall as a result of changes in the current interest rate on the capital market (market interest rate), as the market interest rate fluctuates. During each of these periods, the investor is exposed to the risk as described under "*The Noteholders are exposed to risks relating to the fixed interest notes*".

**1.3.17 *Interest payments under the Notes may be deferred at the option of the Issuer.***

Noteholders should be aware that interest may not be due and payable (*fällig*) on the scheduled Interest Payment Date, and that the payment of the resulting Arrears of Interest is subject to certain further conditions. Failure to pay interest as a result of an interest deferral will not constitute a default of the Issuer or a breach of any other obligations under the Notes or for any other purposes. Noteholders will not receive any additional interest or compensation for the deferral of payment. In particular, the resulting Arrears of Interest will not bear interest.

**1.3.18 *Ratings of the Issuer, the Guarantor or the Notes may be subject to change at all times.***

A rating of the Issuer or the Guarantor may not adequately reflect all risks of the investment in the Notes. Equally, ratings may be suspended, downgraded or withdrawn. Such suspension, downgrading or withdrawal may have an adverse effect on the market value and trading price of the Notes. 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 structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. Rating agencies may also change their methodologies for rating securities with features similar to the Notes in the future.

If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Notes were to be subsequently lowered, this may have a negative impact on the trading price 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.

**1.3.19 *For Noteholders for which the Euro represents a foreign currency, the Notes expose them to currency risk.***

The Notes are denominated in Euro. If such currency represents a foreign currency to a holder, such holder is particularly exposed to the risk of changes in currency exchange rates which may affect the yield of such Notes measured in the holder's currency. Changes in currency exchange rates result from various factors such as macroeconomic factors, speculative transactions and interventions by central banks and governments.

In addition, government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable currency exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

**1.3.20 *Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.***

The Notes will be represented by one or more global notes. Such global notes will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Investors will not be entitled to receive definitive notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the global notes. While the Notes are represented by one or more global notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and the Issuer will discharge its payment obligations under the Notes by making payments to the common depository for Euroclear and

Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in global notes must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of beneficial interests in, the global notes.

**1.3.21 *Risks in connection with the application of the German Act on Issues of Debt Securities (Gesetz über Schuldverschreibungen aus Gesamtemissionen).***

A holder is subject to the risk of being outvoted and of losing rights towards the Issuer against his will in the event that Noteholders agree pursuant to the Terms and Conditions of the Notes to amendments of the Terms and Conditions of the Notes by majority vote according to the German Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen*). In the event of an appointment of a Noteholders' representative for all Noteholders a particular holder may lose, in whole or in part, the possibility to enforce and claim his rights against the Issuer regardless of other Noteholders. As a result, the Noteholders may lose all or a very substantial part of their investment.

**1.3.22 *Investors in the Notes assume the risk that the credit spread of the Issuer changes (credit spread risk).***

A credit spread is the margin payable by the Issuer to the holder of a Note as a premium for the assumed credit risk of the Issuer. Credit spreads are offered and sold as premiums on current risk-free interest rates or as discounts on the price.

Factors influencing the credit spread include, among other things, the creditworthiness and rating of the Issuer, probability of default, recovery rate, remaining term to maturity of obligations under any collateralization or guarantee and declarations as to any preferred payment or subordination. The liquidity situation, the general level of interest rates, overall economic developments, and the currency, in which the relevant obligation is denominated may also have a positive or negative effect.

Investors are exposed to the risk that the credit spread of the Issuer widens, resulting in a decrease in the price of the Notes.

**1.3.23 *Due to future money depreciation (inflation), the real yield of an investment may be reduced.***

Inflation risk describes the possibility that the value of assets such as the Notes or income therefrom will decrease as inflation reduces the purchasing power of a currency. Inflation causes the rate of return to decrease in value. If the inflation rate exceeds the interest paid on any Notes the yield on such Notes will become negative and investors will have to suffer a loss.

**1.3.24 *The tax impact of an investment in the Notes should be carefully considered.***

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. Potential investors are advised not to rely upon the tax overview contained in this Prospectus but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Notes. Only these advisers are in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the section "Taxation" of this Prospectus.

**1.3.25 *If a loan is used to finance the acquisition of the Notes, the loan may significantly increase the risk of a loss.***

If a loan is used to finance the acquisition of the Notes by an investor and the Notes subsequently go into default, or if the trading price diminishes significantly, the investor may not only have to face a potential loss on its investment, but it will also have to repay the loan and pay interest thereon. A loan may significantly increase the risk of a loss. Investors should not assume that they will be able to repay the loan or pay interest thereon from the profits of a transaction in the Notes. Instead, investors should assess their financial situation prior to an investment, as to whether they are able to pay interest on the loan, repay the loan on demand, and that they may suffer losses instead of realizing gains.

1.3.26 ***Incidental costs related in particular to the purchase and sale of the Notes may have a significant impact on the profit potential of the Notes.***

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) may be incurred in addition to the purchase or sale price of the Notes. These incidental costs may significantly reduce or eliminate any profit from holding the Notes. Credit institutions as a rule charge commissions which are either fixed minimum commissions or pro-rata commissions, depending on the order value. To the extent that additional - domestic or foreign - parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, investors may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of Notes (direct costs), investors must also take into account any follow-up costs (such as custody fees). Investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

1.3.27 ***Payments under the Notes may be subject to withholding tax pursuant to FATCA.***

The United States has enacted rules, commonly referred to as "FATCA", that generally impose a new reporting and withholding regime with respect to certain payments made by entities that are classified as financial institutions under FATCA. The United States has entered into intergovernmental agreements regarding the implementation of FATCA with a number of jurisdictions including the Netherlands and the Federal Republic of Germany. Based on the current FATCA rules and under the intergovernmental agreements, as currently drafted, the Issuer does not expect payments made on or with respect to the Notes to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the Notes in the future. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes, none of the Issuer, the Guarantor, any paying agent or any other person would pursuant to the conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding of such tax. Prospective investors should consult their own tax advisors regarding the potential impact of FATCA.

## 2. TERMS AND CONDITIONS OF THE NC5.5 NOTES

### Terms and Conditions

These Terms and Conditions are written in the German language and provided with an English language translation. The German text will be the only legally binding version. The English language translation is provided for convenience only.

#### §1 (Form and Denomination)

##### (1) Currency, Denomination and Form.

Volkswagen International Finance N.V. (the "**Issuer**") issues undated unsecured subordinated notes with a first call date in 2022 in an aggregate principal amount of EUR 1,500,000,000 (the "**Notes**"). The Notes are guaranteed on a subordinated basis by Volkswagen Aktiengesellschaft (the "**Guarantor**") and have a denomination of EUR 100,000 each (the "**Principal Amount**").

##### (2) Global Notes and Exchange.

The Notes will initially be represented by one temporary global bearer note (the "**Temporary Global Note**") without coupons which will be deposited with a common depository for Clearstream Banking S.A., Luxembourg and Euroclear Bank SA/NV (together hereinafter referred to as the "**Clearing System**") on or around the date of issue of the Notes. The Temporary Global Note will be exchangeable for a permanent global bearer note (the "**Permanent Global Note**" and, together with the Temporary Global Note, the "**Global Notes**") without coupons not earlier than 40 and not later than 180 days after the date of issue of the Notes upon certification as to non-U.S. beneficial ownership in the Notes in accordance with the rules and operating procedures of the Clearing System. Payments on the Temporary Global Note will only be made against presentation of such certification. No definitive notes or interest coupons will be issued.

##### (3) Proportional Co-ownership Interests.

The holders of the Notes (the "**Noteholders**") are entitled to proportional co-ownership interests or rights in the Temporary Global Note and the Permanent Global Note, which are transferable in accordance with applicable law and the rules and

### Anleihebedingungen

Diese Anleihebedingungen sind in deutscher Sprache abgefasst und mit einer Übersetzung in die englische Sprache versehen. Der deutsche Wortlaut ist allein rechtsverbindlich. Die englische Übersetzung dient nur zur Information.

#### §1 (Verbriefung und Nennbetrag)

##### (1) Währung, Nennbetrag und Form.

Volkswagen International Finance N.V. (die "**Emittentin**") begibt unbesicherte nachrangige Schuldverschreibungen ohne feste Laufzeit erstmals kündbar in 2022 im Gesamtnennbetrag von EUR 1.500.000.000 (die "**Schuldverschreibungen**"). Die Schuldverschreibungen werden von der Volkswagen Aktiengesellschaft auf nachrangiger Basis garantiert (die "**Garantin**") und haben einen Nennbetrag von je EUR 100.000 (der "**Nennbetrag**").

##### (2) Globalurkunden und Austausch.

Die Schuldverschreibungen werden zunächst von einer vorläufigen Globalurkunde (die "**Vorläufige Globalurkunde**") ohne Zinsscheine verbrieft welche am oder um den Tag der Begebung der Schuldverschreibungen bei einer gemeinsamen Verwahrstelle für Clearstream Banking S.A., Luxemburg und Euroclear Bank SA/NV (beide gemeinsam nachstehend als "**Clearingsystem**" bezeichnet) hinterlegt wird. Die Vorläufige Globalurkunde wird nicht vor Ablauf von 40 und spätestens nach Ablauf von 180 Tagen nach dem Tag der Begebung der Schuldverschreibungen gegen Vorlage einer Bestätigung über das Nichtbestehen U.S.-amerikanischen wirtschaftlichen Eigentums (*beneficial ownership*) an den Schuldverschreibungen gemäß den Regeln und Betriebsabläufen des Clearingsystems gegen eine endgültige Globalurkunde (die "**Dauer-Globalurkunde**" und, gemeinsam mit der Vorläufigen Globalurkunde, die "**Globalurkunden**") ohne Zinsscheine ausgetauscht. Zahlungen auf die Vorläufige Globalurkunde erfolgen nur gegen Vorlage einer solchen Bestätigung. Einzelurkunden oder Zinsscheine werden nicht ausgegeben.

##### (3) Miteigentumsanteile.

Den Inhabern der Schuldverschreibungen (die "**Anleihegläubiger**") stehen Miteigentumsanteile bzw. Rechte an der Vorläufigen Globalurkunde und der Dauer-Globalurkunde zu, die nach Maßgabe des anwendbaren Rechts und der Regeln und



regulations of the Clearing System.

Bestimmungen des Clearingsystems übertragen werden können.

## §2 (Status)

### (1) Status of the Notes.

The Issuer's obligations under the Notes constitute subordinated and unsecured obligations of the Issuer and in the event of the winding-up, dissolution or liquidation of the Issuer rank:

- (a) senior only to the Junior Obligations of the Issuer,
- (b) *pari passu* among themselves and with any Parity Obligations of the Issuer, and
- (c) junior to all other present and future obligations of the Issuer, whether subordinated or unsecured, except as otherwise provided by mandatory provisions of law or as expressly provided for by the terms of the relevant instrument.

**"Junior Obligations of the Issuer"** means (i) the ordinary shares of the Issuer, (ii) any present or future share of any other class of shares of the Issuer, (iii) any other present or future security, registered security or other instrument of the Issuer under which the Issuer's obligations rank or are expressed to rank *pari passu* with the ordinary shares of the Issuer and (iv) any present or future security, registered security or other instrument which is issued by a Subsidiary of the Issuer and guaranteed by the Issuer or for which the Issuer has otherwise assumed liability where the Issuer's obligations under such guarantee or other assumptions of liability rank or are expressed to rank *pari passu* with the instruments described under (i) and (ii).

**"Parity Obligations of the Issuer"** means any present or future obligation which (i) is issued by the Issuer and the obligations under which rank or are expressed to rank *pari passu* with the Issuer's obligations under the Notes, or (ii) benefits from a guarantee or support agreement expressed to rank *pari passu* with its obligations under the Notes. For the avoidance of doubt, Parity Obligations of the Issuer include its undated unsecured subordinated notes with a first call date in 2027, ISIN XS1629774230; its undated unsecured subordinated notes with a first call date in 2022, ISIN XS1206540806, its undated unsecured

## §2 (Status)

### (1) Status der Schuldverschreibungen.

Die Schuldverschreibungen begründen nicht besicherte, nachrangige Verbindlichkeiten der Emittentin, die im Fall der Abwicklung, Auflösung oder Liquidation der Emittentin:

- (a) nur Nachrangigen Verbindlichkeiten der Emittentin im Rang vorgehen,
- (b) untereinander und mit jeder Gleichrangigen Verbindlichkeit im Rang gleich stehen, und
- (c) allen anderen bestehenden und zukünftigen Verbindlichkeiten der Emittentin, ob nachrangig oder nicht nachrangig, im Rang nachgehen, soweit zwingende gesetzliche Vorschriften nichts anderes vorschreiben bzw. die Bedingungen des betreffenden Instruments ausdrücklich etwas anderes vorsehen.

**"Nachrangige Verbindlichkeiten der Emittentin"** bezeichnet (i) die Stammaktien der Emittentin, (ii) jede gegenwärtige oder zukünftige Aktie einer anderen Gattung von Aktien der Emittentin, (iii) jedes andere gegenwärtige oder zukünftige Wertpapier, Namenswertpapier oder jedes andere Instrument, das von der Emittentin begeben ist und bei dem die daraus folgenden Verbindlichkeiten der Emittentin mit den Stammaktien der Emittentin gleichrangig vereinbart sind und (iv) jedes gegenwärtige oder zukünftige Wertpapier, Namenswertpapier oder jedes andere Instrument, das von einer Tochtergesellschaft der Emittentin begeben und von der Emittentin dergestalt garantiert ist oder für das die Emittentin dergestalt die Haftung übernommen hat, dass die betreffenden Verbindlichkeiten der Emittentin aus der maßgeblichen Garantie oder Haftungsübernahme mit den unter (i) und (ii) genannten Instrumenten gleichrangig oder als gleichrangig vereinbart sind.

**"Gleichrangige Verbindlichkeiten der Emittentin"** bezeichnet jede bestehende und zukünftige Verbindlichkeit, die (i) von der Emittentin begeben wurde und die gleichrangig im Verhältnis zu den Verbindlichkeiten der Emittentin unter den Schuldverschreibungen ist oder ausdrücklich als gleichrangig vereinbart ist oder die (ii) von einer Garantie oder Haftungsübernahme profitiert, bei der die Verbindlichkeiten der Emittentin aus der betreffenden Garantie oder Haftungsübernahme mit den Verbindlichkeiten der Emittentin aus den Schuldverschreibungen als gleichrangig vereinbart sind. Gleichrangige Verbindlichkeiten der Emittentin

subordinated notes with a first call date in 2030, ISIN XS1206541366, its undated unsecured subordinated notes with a first call date in 2021, ISIN XS1048428012, its undated unsecured subordinated notes with a first call date in 2026, ISIN XS1048428442, its undated unsecured subordinated notes with a first call date in 2018, ISIN XS0968913268, and its undated unsecured subordinated notes with a first call date in 2023, ISIN XS0968913342 (together the "**Hybrid Securities**").

sind, unter anderem, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2027, ISIN XS1629774230, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2022, ISIN XS1206540806, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2030, ISIN XS1206541366, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2021, ISIN XS1048428012, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2026, ISIN XS1048428442, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2018, ISIN XS0968913268, und die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2023, ISIN XS0968913342 (zusammen die "**Hybridanleihen**").

"**Subsidiary of the Issuer**" means any corporation, partnership or other enterprise in which the Issuer directly or indirectly holds in the aggregate more than 50 per cent. of the capital or the voting rights.

"**Tochtergesellschaft der Emittentin**" bezeichnet jede Gesellschaft, Personengesellschaft und jedes sonstige Unternehmen oder jede andere Person an der bzw. dem die Emittentin direkt oder indirekt insgesamt mehr als 50 % des Kapitals oder der Stimmrechte hält.

(2) **Insolvency or Liquidation of the Issuer.**

In an insolvency or liquidation of the Issuer, no payments under the Notes shall be made to the Noteholders unless all claims that, pursuant to § 2(1), rank senior to the Notes (condition precedent) have been discharged or secured in full (i.e. not only with a quota).

(2) **Insolvenz oder Liquidation der Emittentin.**

Im Falle einer Insolvenz oder Liquidation der Emittentin steht jedwede Zahlung unter den Schuldverschreibungen an die Anleihegläubiger unter dem Vorbehalt, dass zuvor sämtliche Verpflichtungen auf gegenüber den Schuldverschreibungen gemäß § 2(1) vorrangige Verbindlichkeiten zur Gänze (d.h. nicht nur quotenmäßig) bezahlt oder sichergestellt wurden.

**§3  
(Guarantee)**

(1) **Unconditional and Irrevocable Guarantee.**

The Notes will be unconditionally and irrevocably guaranteed by the Guarantor on a subordinated basis as to payments (the "**Guarantee**").

(2) **Status of the Guarantee.**

The obligations of the Guarantor under the Guarantee rank:

(a) senior only to the Junior Obligations of the

**§3  
(Garantie)**

(1) **Unbedingte und Unwiderrufliche Garantie.**

Die Schuldverschreibungen werden unbedingt und unwiderruflich durch die Garantin auf nachrangiger Ebene im Hinblick auf Zahlungen garantiert (die "**Garantie**").

(2) **Status der Garantie.**

Die Verbindlichkeiten der Garantin unter der Garantie:

(b) gehen nur Nachrangigen Verbindlichkeiten

Guarantor,

(b) *pari passu* with any other present and future Parity Obligations of the Guarantor, and

(c) junior to the Guarantor's unsubordinated obligations, contractually and statutorily subordinated obligations except as expressly provided for otherwise by the terms of the relevant obligation, and subordinated obligations required to be preferred by law.

**"Junior Obligations of the Guarantor"** means (i) the ordinary shares and preferred shares of the Guarantor, (ii) any present or future share of any other class of shares of the Guarantor, (iii) any other present or future security, registered security or other instrument of the Guarantor under which the Guarantor's obligations rank or are expressed to rank *pari passu* with the ordinary shares or the preferred shares of the Guarantor and (iv) any present or future security, registered security or other instrument which is issued by a Subsidiary of the Guarantor and guaranteed by the Guarantor or for which the Guarantor has otherwise assumed liability where the Guarantor's obligations under such guarantee or other assumption of liability rank or are expressed to rank *pari passu* with the instruments described under (i), (ii) and (iii).

**"Parity Obligations of the Guarantor"** means any present or future obligation which (i) is issued by the Guarantor and the obligations under which rank or are expressed to rank *pari passu* with the Guarantor's obligations under the Guarantee, or (ii) benefits from a guarantee or support agreement that ranks or is expressed to rank *pari passu* with its obligations under the Guarantee. For the avoidance of doubt, Parity Obligations of the Guarantor include its obligations under the guarantees for the Issuer's Hybrid Securities.

**"Subsidiary of the Guarantor"** means any corporation, partnership or other enterprise in which the Guarantor directly or indirectly holds in the aggregate more than 50 per cent. of the capital or the voting rights.

der Garantin im Rang vor,

(b) stehen gleich im Rang untereinander und mit jeder Gleichrangigen Verbindlichkeit der Garantin, und

(c) gehen allen anderen nicht nachrangigen Verbindlichkeiten der Garantin, gesetzlich nachrangigen und vertraglich nachrangigen Verbindlichkeiten, außer wenn in den Bedingungen der betreffenden Verbindlichkeit etwas anderes geregelt sein sollte, und nachrangigen Verbindlichkeiten, die durch Gesetz vorrangig sein müssen, im Rang nach.

**"Nachrangige Verbindlichkeiten der Garantin"** bezeichnet (i) die Stammaktien und die Vorzugsaktien der Garantin, (ii) jede gegenwärtige oder zukünftige Aktie einer anderen Gattung von Aktien der Garantin, (iii) jedes andere gegenwärtige oder zukünftige Wertpapier, Namenswertpapier oder jedes andere Instrument, das von der Garantin begeben ist und bei dem die daraus folgenden Verbindlichkeiten der Garantin mit den Stammaktien oder den Vorzugsaktien der Garantin gleichrangig vereinbart sind und (iv) jedes gegenwärtige oder zukünftige Wertpapier, Namenswertpapier oder jedes andere Instrument, das von einer Tochtergesellschaft der Garantin begeben und von der Garantin dergestalt garantiert ist oder für das die Garantin dergestalt die Haftung übernommen hat, dass die betreffenden Verbindlichkeiten der Garantin aus der maßgeblichen Garantie oder Haftungsübernahme mit den unter (i), (ii) und (iii) genannten Instrumenten gleichrangig oder als gleichrangig vereinbart sind.

**"Gleichrangige Verbindlichkeiten der Garantin"** bezeichnet jede bestehende und zukünftige Verbindlichkeit, die (i) von der Garantin begeben wurde und die gleichrangig im Verhältnis zu den Verbindlichkeiten der Garantin aus der Garantie ist oder ausdrücklich als gleichrangig vereinbart ist oder die (ii) von einer Garantie oder Haftungsübernahme profitiert, bei der die Verbindlichkeiten der Garantin aus der betreffenden Garantie oder Haftungsübernahme mit den Verbindlichkeiten der Garantin aus der Garantie gleichrangig oder als gleichrangig vereinbart sind. Gleichrangige Verbindlichkeiten der Garantin sind, unter anderem, ihre Verbindlichkeiten aus der Garantie für die Hybridanleihen.

**"Tochtergesellschaft der Garantin"** bezeichnet jede Gesellschaft, Personengesellschaft und jedes sonstige Unternehmen oder jede andere Person an der bzw. dem die Garantin direkt oder indirekt insgesamt mehr als 50 % des Kapitals oder der Stimmrechte hält.

**§4  
(Prohibition of Set-off)**

No Noteholder may set-off any claims arising under the Notes or the Guarantee against any claims that the Issuer or the Guarantor may have against it. The Issuer may not set-off any claims it may have against the Noteholders against any of its obligations under the Notes. The Guarantor may not set-off any claims it may have against the Noteholders against any of its obligations under the Guarantee.

**§5  
(Interest)**

**(1) Interest accrual.**

From and including June 14, 2017 (the "**Interest Commencement Date**") to but excluding December 14, 2022 (the "**First Call Date**") the Notes bear interest on their principal amount at a rate of 2.700 per cent. per annum.

From and including the First Call Date to but excluding the date on which the Issuer redeems the Notes in whole pursuant to § 7(3) or § 7(4) the Notes bear interest at the relevant Reset Rate of Interest for the Interest Period.

"**Reset Rate of Interest**" means the Reset Reference Rate for the relevant Reset Period in which the relevant Interest Period falls plus the relevant Margin for the relevant Interest Period.

Interest is scheduled to be paid annually in arrears on December 14 of each year (each an "**Interest Payment Date**"), commencing on December 14, 2017 (short first coupon), and will be due and payable (*fällig*) in accordance with the conditions set out in § 6.

**(2) Definitions.**

The "**5-year Swap Rate**" for the relevant Reset Period will be determined by the Calculation Agent on the Reset Rate Determination Date prior to the relevant Reset Date on which the relevant Reset Period commences (the "**Reference Reset Date**") and will be the annual mid swap rate for euro swap transactions with a term of 5 years commencing on the Reference Reset Date, expressed as a percentage, which appears on the Reuters screen ICESWAP2 Page under the heading "EURIBOR BASIS-EUR" and above the caption "11:00AM FRANKFURT" as of 11:00 a.m., Frankfurt time, on the Reset Rate

**§4  
(Aufrechnungsverbot)**

Die Anleihegläubiger sind nicht berechtigt, Forderungen aus den Schuldverschreibungen bzw. aus der Garantie gegen mögliche Forderungen der Emittentin bzw. der Garantin aufzurechnen. Die Emittentin ist nicht berechtigt, Forderungen gegenüber Anleihegläubigern gegen Verpflichtungen aus den Schuldverschreibungen aufzurechnen. Die Garantin ist nicht berechtigt, Forderungen gegenüber Anleihegläubigern gegen Verpflichtungen aus der Garantie aufzurechnen.

**§5  
(Zinsen)**

**(1) Zinslauf.**

In dem Zeitraum ab dem 14. Juni 2017 (der "**Zinslaufbeginn**") (einschließlich) bis zum 14. Dezember 2022 (der "**Erste Rückzahlungstermin**") (ausschließlich) belaufen sich die Zinsen auf den Nennbetrag der Schuldverschreibungen auf 2,700 % per annum.

In dem Zeitraum ab dem Ersten Rückzahlungstermin (einschließlich) bis zu dem Tag, an dem die Emittentin die Schuldverschreibungen vollständig gemäß § 7(3) oder § 7(4) zurückzahlt, belaufen sich die Zinsen auf den jeweiligen Reset-Zinssatz für die jeweilige Zinsperiode.

"**Reset-Zinssatz**" bezeichnet den jeweiligen Reset-Referenzsatz für den jeweiligen Reset-Zeitraum, in den die jeweilige Zinsperiode fällt, zuzüglich der relevanten Marge für die jeweilige Zinsperiode.

Zinsen sind nachträglich am 14. Dezember eines jeden Jahres (jeweils ein "**Zinszahlungstag**") zur Zahlung vorgesehen, erstmals am 14. Dezember 2017 (kurzer erster Kupon), und werden nach Maßgabe der in § 6 dargelegten Bedingungen fällig.

**(2) Definitionen.**

Der "**5-Jahres Swapsatz**" für den jeweiligen Reset-Zeitraum wird von der Berechnungsstelle am Reset-Referenzsatz-Bestimmungstag vor dem jeweiligen Reset-Termin zu dem der jeweilige Reset-Zeitraum beginnt (der "**Referenz-Reset-Termin**") bestimmt und ist der jährliche Mid-Swapsatz für Euro-Swap-Transaktionen mit einer Laufzeit von 5 Jahren beginnend mit dem Referenz-Reset-Termin, ausgedrückt als Prozentsatz, der am Reset-Referenzsatz-Bestimmungstag um 11:00 Uhr, Frankfurter Zeit auf der Reuters-Bildschirmseite ICESWAP2 unter der Überschrift "EURIBOR

Determination Date. If such rate does not appear on the Reuters screen ICESWAP2 Page, the Reset Reference Rate for that Reset Date will be the Reset Reference Bank Rate.

**"Business Day"** means a day on which all relevant parts of the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) system are operational.

**"Interest Period"** means each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and thereafter from and including each Interest Payment Date to but excluding the next following Interest Payment Date.

**"Margin"** means:

(i) in respect of each Interest Period from and including the First Call Date to but excluding December 14, 2027 (the **"First Step-up Date"**): 254 basis points per annum (no step-up);

(ii) in respect of each Interest Period from and including the First Step-up Date to but excluding December 14, 2042 (the **"Second Step-up Date"**): 279 basis points per annum (including a 25 basis points step-up); and

(iii) in respect of each Interest Period from and including the Second Step-up Date to but excluding the date on which the Issuer redeems the Notes in whole pursuant to § 7(3) or § 7(4): 354 basis points per annum (including a further 75 basis points step-up).

**"Reference Banks"** means five leading swap dealers in the interbank market.

**"Representative Amount"** means an amount that is representative for a single transaction in the swap market at the relevant time.

**"Reset Date"** means the First Call Date and each fifth anniversary of the First Call Date.

**"Reset Period"** means each period from and including the First Call Date to but excluding the next following Reset Date and thereafter from and including each Reset Date to but excluding the next following Reset Date.

**"Reset Reference Rate"** means the relevant 5-year Swap Rate for the relevant Reset Period, as

BASIS-EUR" und über der Angabe "11:00AM FRANKFURT" angezeigt wird. Falls ein solcher Zinssatz nicht auf der Reuters-Bildschirmseite ICESWAP2 angezeigt wird, ist der Reset-Referenzsatz für den Reset-Termin der Reset-Referenzbankenzinssatz.

**"Geschäftstag"** bezeichnet einen Tag, an dem alle maßgeblichen Stellen des Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) Systems Geschäfte tätigen.

**"Zinsperiode"** bezeichnet jeden Zeitraum ab dem Zinslaufbeginn (einschließlich) bis zum ersten Zinszahlungstag (ausschließlich) und nachfolgend ab jedem Zinszahlungstag (einschließlich) bis zu dem jeweils nächstfolgenden Zinszahlungstag (ausschließlich).

**"Marge"** bedeutet:

(i) für jede Zinsperiode ab dem Ersten Rückzahlungstermin (einschließlich) bis zum 14. Dezember 2027 (der **"Erste Step-up Termin"**): 254 Basispunkte per annum (kein Step-Up);

(ii) für jede Zinsperiode ab dem Ersten Step-up Termin (einschließlich) bis zum 14. Dezember 2042 (der **"Zweite Step-up Termin"**): 279 Basispunkte per annum (einschließlich eines 25 Basispunkte Step-up); und

(iii) für jede Zinsperiode ab dem Zweiten Step-up Termin (einschließlich) bis zum Tag an dem die Emittentin die Schuldverschreibungen vollständig gemäß § 7(3) oder § 7(4) zurückzahlt: 354 Basispunkte per annum (einschließlich eines weiteren 75 Basispunkte Step-up).

**"Referenzbanken"** bedeutet fünf im Interbankenmarkt führende Swap Dealer.

**"Repräsentative Höhe"** bedeutet die Höhe einer einzelnen Transaktion, die zur jeweiligen Zeit im Swap-Markt typisch ist.

**"Reset-Termin"** bezeichnet den Ersten Rückzahlungstermin und jeden fünften Jahrestag des Ersten Rückzahlungstermins.

**"Reset-Zeitraum"** bezeichnet jeden Zeitraum ab dem Ersten Rückzahlungstermin (einschließlich) bis zum ersten Reset-Termin (ausschließlich) und nachfolgend ab jedem Reset-Termin (einschließlich) bis zu dem jeweils nächstfolgenden Reset-Termin (ausschließlich).

**"Reset-Referenzsatz"** ist der jeweilige 5-Jahres Swap Zinssatz für den jeweiligen Reset-Zeitraum, wie er

determined by the Calculation Agent.

**"Reset Rate Determination Date"** means the second Business Day prior to the relevant Reset Date.

**"Reset Reference Bank Rate"** means a percentage determined on the basis of the mid-market annual swap rate quotations provided by the Reference Banks at approximately 11:00 a.m., Frankfurt time on the Reset Rate Determination Date. For this purpose, the mid-market annual swap rate means the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term of 5 years commencing on that Reference Reset Date and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to a designated maturity of six months. The Calculation Agent will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate for that Reset Date will be the arithmetic mean (rounded if necessary to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards) of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, and if the International Swaps and Derivatives Association, Inc. ("**ISDA**") has published a fallback provision for the determination of the Reset Reference Bank Rate at the relevant time, the Calculation Agent will determine the Reset Reference Bank Rate on the basis of such fallback provision. If the ISDA has not published such a fallback provision at the relevant time, the following shall apply: If only two quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided. If no quotations are provided, the Reset Reference Bank Rate will be equal to the last available 5 year mid swap rate for euro swap transactions, expressed as an annual rate, on the Reuters screen ICESWAP2 page.

von der Berechnungsstelle festgestellt wird.

**"Reset-Referenzsatz-Bestimmungstag"** ist der zweite Geschäftstag vor dem jeweiligen Reset-Termin.

Der **"Reset-Referenzbankenzinssatz"** bezeichnet den Prozentsatz, der auf Basis der Mid-market Jahres-Swapsatz-Angebotssätze von den Referenzbanken um ungefähr 11:00 Uhr, Frankfurter Zeit, am Reset-Referenzsatz-Bestimmungstag festgestellt wird. Der Mid-market Jahres-Swapsatz ist das arithmetische Mittel des Geld- und Briefkurses für den Jahres-Festzinsszahlungsstrom, berechnet auf Basis eines 30/360 Zinstagequotienten, einer Fest-zu-variabel Euro-Zinsswaptransaktion mit einer Laufzeit von 5 Jahren beginnend mit dem Referenz-Reset-Termin, die in einer Repräsentativen Höhe mit einem anerkannten Händler von guter Bonität im Swapmarkt abgeschlossen wurde, wobei der variable Teil, berechnet basierend auf einem Actual/360 Zinstagequotienten, eine Endfälligkeit von sechs Monaten hat. Die Berechnungsstelle wird bei der Hauptniederlassung der Referenzbanken jeweils um einen Angebotssatz bitten. Falls zumindest drei Angebotssätze zur Verfügung gestellt werden, ist der Zinssatz für den Reset-Termin das arithmetische Mittel (falls erforderlich, auf- oder abgerundet auf das nächste Tausendstel Prozent, wobei 0,0005 aufgerundet wird) der Angebotssätze, bereinigt um den höchsten Angebotssatz (oder, falls mehrere Angebotssätze gleich hoch sind, einer der höchsten) und den niedrigsten Angebotssatz (oder, falls mehrere Angebotssätze gleich niedrig sind, einen der niedrigsten). Falls nur zwei oder weniger Quotierungen zur Verfügung gestellt werden, und falls zum betreffenden Zeitpunkt die International Swaps and Derivatives Association, Inc. ("**ISDA**") eine Auffangregelung zur Bestimmung des Reset-Referenzbankenzinssatzes veröffentlicht hat, wird die Berechnungsstelle den Reset-Referenzbankenzinssatz auf Basis dieser Auffangregelung berechnen. Falls die ISDA zum betreffenden Zeitpunkt keine solche Auffangregelung veröffentlicht hat, gilt folgendes: Falls nur zwei Quotierungen zur Verfügung gestellt werden, ist der Reset-Referenzbankenzinssatz das rechnerische Mittel der zur Verfügung gestellten Quotierungen. Falls nur eine Quotierung zur Verfügung gestellt wird, ist der Reset-Referenzbankenzinssatz die zur Verfügung gestellte Quotierung. Falls keine Quotierungen zur Verfügung gestellt werden, ist der Reset-Referenzbankenzinssatz der letzte Mid-Swapsatz für Euro-Swap-Transaktionen mit einer Laufzeit von 5 Jahren, ausgedrückt auf jährlicher Basis, der auf der Reuters-Bildschirmseite ICESWAP2 verfügbar ist.

**(3) Determination or calculation by Calculation Agent**

The Calculation Agent will, on the Reset Rate Determination Date, determine the Reset Rate of Interest and cause the same to be notified to the Issuer, the Principal Paying Agent and, if required by the rules of any stock exchange on which the Notes are then listed, to such stock exchange, and to the Noteholders in accordance with § 13 without undue delay, but, in any case, not later than on the eighth Business Day after its determination.

**(4) Day Count Fraction.**

Where interest is to be calculated in respect of any period of time that is equal to or shorter than an Interest Period (the "**Calculation Period**"), the interest will be calculated on the basis of the actual number of days elapsed in such Calculation Period (from and including the day from which interest begins to accrue to but excluding the day on which it falls due), divided by the number of days in the Interest Period in which the Calculation Period falls (Act/Act (ICMA)) (including the first such day of the relevant Interest Period but excluding the last day of the relevant Interest Period).

**(5) Cessation of interest accrual.**

The Notes will cease to bear interest from the beginning of the day their principal amount is due for repayment. If the Issuer fails to make any payment of principal under the Notes when due, the Notes will cease to bear interest from the beginning of the day on which such payment is made. In such case the applicable rate of interest will be determined pursuant to this § 3(1).

**§6**

**(Due date for interest payments; Deferral of interest payments; Payment of Arrears of Interest)**

**(1) Due date for interest payments; optional interest deferral.**

(a) Interest which accrues during an Interest Period will be due and payable (*fällig*) on the relevant Interest Payment Date, unless the Issuer elects, by giving notice to the Noteholders not less than 10 Business Days prior the relevant Interest Payment Date in accordance with § 13, to defer the relevant payment of interest (in whole but not in

**(3) Berechnungen und Feststellungen durch die Berechnungsstelle.**

Die Berechnungsstelle wird den Reset-Zinssatz für die Schuldverschreibungen am Reset-Referenzsatz-Bestimmungstag bestimmen und veranlassen, dass dieser der Emittentin, der Hauptzahlstelle und jeder Börse, an der die Schuldverschreibungen zu diesem Zeitpunkt notiert sind und deren Regeln eine Mitteilung an die Börse verlangen, sowie den Anleihegläubigern gemäß § 13 unverzüglich, aber keinesfalls später als am achten auf dessen Bestimmung folgenden Geschäftstag mitgeteilt wird.

**(4) Zinstagekoeffizient.**

Sind Zinsen für einen Zeitraum zu berechnen (der "**Zinsberechnungszeitraum**"), der kürzer als eine Zinsperiode ist oder einer Zinsperiode entspricht, so werden sie auf der Grundlage der tatsächlichen Anzahl der Tage in dem betreffenden Zinsberechnungszeitraum (ab dem ersten Tag, an dem Zinsen auflaufen (einschließlich) bis zu dem Tag, an dem die Zinsen fällig werden (ausschließlich)) berechnet, dividiert durch die Anzahl der Tage in der Zinsperiode, in die der betreffende Zinsberechnungszeitraum fällt (Act/Act (ICMA)) (einschließlich des ersten Tages der betreffenden Zinsperiode, aber ausschließlich des letzten Tages der betreffenden Zinsperiode).

**(5) Zinslaufende.**

Die Verzinsung der Schuldverschreibungen endet mit Beginn des Tages, an dem ihr Kapitalbetrag zur Rückzahlung fällig wird. Sollte die Emittentin eine Zahlung von Kapital auf die Schuldverschreibungen bei Fälligkeit nicht leisten, endet die Verzinsung der Schuldverschreibungen mit Beginn des Tages der tatsächlichen Zahlung. Der in einem solchen Fall jeweils anzuwendende Zinssatz wird gemäß § 3(1) bestimmt.

**§6**

**(Fälligkeit von Zinszahlungen; Aufschub von Zinszahlungen; Zahlung Aufgeschobener Zinszahlungen)**

**(1) Fälligkeit von Zinszahlungen; wahlweiser Zinsaufschub.**

(a) Zinsen, die während einer Zinsperiode auflaufen, werden an dem betreffenden Zinszahlungstag fällig, sofern sich die Emittentin nicht durch eine Bekanntmachung an die Anleihegläubiger gemäß § 13 innerhalb einer Frist von nicht weniger als 10 Geschäftstagen vor dem betreffenden Zinszahlungstag dazu entscheidet, die betreffende Zinszahlung (insgesamt, jedoch nicht

part).

If the Issuer elects not to pay accrued interest on an Interest Payment Date, then it will not have any obligation to pay such interest on such Interest Payment Date. Any such non-payment of interest will not constitute a default of the Issuer or any other breach of its obligations under the Notes or for any other purpose.

Interest not due and payable in accordance with this § 6(1)(a) will constitute arrears of interest ("**Arrears of Interest**").

(b) Arrears of Interest will not bear interest.

(2) **Optional Settlement of Arrears of Interest.**

The Issuer or the Guarantor will be entitled to pay outstanding Arrears of Interest (in whole but not in part) at any time by giving notice to the Noteholders not less than 10 Business Days before such voluntary payment and specifying (i) the amount of Arrears of Interest to be paid and (ii) the date fixed for such payment.

(3) **Mandatory Payment of Arrears of Interest**

The Issuer must pay outstanding Arrears of Interest (in whole but not in part) on the earliest of the following calendar days (each a "**Mandatory Settlement Date**"):

(a) the calendar day on which a dividend, other distribution or other payment was validly resolved on, declared, paid, or made in respect of Junior Obligations of the Guarantor, Parity Obligations of the Issuer or Parity Obligations of the Guarantor (except where such dividend, other distribution or payment was required in respect of employee share schemes);

(b) the calendar day on which the Issuer, the Guarantor, a Subsidiary of the Issuer or a Subsidiary of the Guarantor has redeemed, repurchased or otherwise acquired Junior Obligations of the Issuer, Junior Obligations of the Guarantor, Parity Obligations of the Issuer or Parity Obligations of the Guarantor (except where such redemption or repurchase was mandatory under the terms of the instrument or required in respect of employee share

teilweise) auszusetzen.

Wenn sich die Emittentin an einem Zinszahlungstag zur Nichtzahlung aufgelaufener Zinsen entscheidet, dann ist sie nicht verpflichtet, an dem betreffenden Zinszahlungstag Zinsen zu zahlen. Eine Nichtzahlung von Zinsen aus diesem Grunde begründet keinen Verzug der Emittentin und keine anderweitige Verletzung ihrer Verpflichtungen aufgrund der Schuldverschreibungen oder für sonstige Zwecke.

Nach Maßgabe dieses § 6(1)(a) nicht fällig gewordene Zinsen sind aufgeschobene Zinszahlungen ("**Aufgeschobene Zinszahlungen**").

(b) Aufgeschobene Zinszahlungen werden nicht verzinst.

(2) **Freiwillige Zahlung von Aufgeschobenen Zinszahlungen.**

Die Emittentin oder Garantin ist berechtigt, ausstehende Aufgeschobene Zinszahlungen jederzeit insgesamt, jedoch nicht teilweise nach Bekanntmachung an die Anleihegläubiger unter Einhaltung einer Frist von nicht weniger als 10 Geschäftstagen vor einer freiwilligen Zinszahlung, wobei eine solche Bekanntmachung (i) den Betrag an Aufgeschobenen Zinszahlungen, der gezahlt werden soll, und (ii) den für diese Zahlung festgelegten Termin enthalten muss.

(3) **Pflicht zur Zahlung von Aufgeschobenen Zinszahlungen**

Die Emittentin ist verpflichtet, Aufgeschobene Zinszahlungen insgesamt und nicht nur teilweise am ersten der folgenden Kalendertage zu zahlen (jeweils ein "**Pflichtnachzahlungstag**"):

(a) am Kalendertag, an dem eine Dividende oder sonstige Ausschüttung oder sonstige Zahlung in Bezug auf Nachrangige Verbindlichkeiten der Garantin, Gleichrangige Verbindlichkeiten der Emittentin oder Gleichrangige Verbindlichkeiten der Garantin erklärt, beschlossen, gezahlt oder geleistet wurde (außer in dem Fall, dass die Dividende oder sonstige Ausschüttung oder Zahlung unter einem Mitarbeiterbeteiligungsprogramm erforderlich war);

(b) am Kalendertag, an dem die Emittentin, die Garantin, eine Tochtergesellschaft der Emittentin oder eine Tochtergesellschaft der Garantin Nachrangige Verbindlichkeiten der Emittentin, Nachrangige Verbindlichkeiten der Garantin, Gleichrangige Verbindlichkeiten der Emittentin oder Gleichrangige Verbindlichkeiten der Garantin zurückgekauft, zurückgezahlt oder anderweitig erworben hat (außer in dem Fall, dass die



schemes);

(c) the calendar day on which the Notes are redeemed;

(d) the next Interest Payment Date on which the Issuer pays interest on the Notes scheduled to be paid on such Interest Payment Date; or

(e) the calendar day after an order is made for the winding-up, dissolution or liquidation of the Issuer or the Guarantor (other than for the purposes of or pursuant to an amalgamation, reorganization or restructuring while solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer or Guarantor, as the case may be);

provided that

(x) in the cases (a) and (b) above no Mandatory Settlement Date occurs if the Issuer, the Guarantor or the relevant Subsidiary is obliged under the terms and conditions of such parity or junior obligations to make such payment, such redemption, such repurchase or such other acquisition; and

(y) in the case (b) above no Mandatory Settlement Date occurs if the Issuer, the Guarantor or the relevant Subsidiary repurchases or otherwise acquires any Parity Obligations of the Issuer or Parity Obligations of the Guarantor in whole or in part in a public tender offer or public exchange offer at a purchase price per Parity Obligation below its par value.

## §7

### (Redemption and Repurchase)

#### (1) No Scheduled Redemption.

The Notes have no final maturity date and shall not be redeemed except in accordance with the provisions set out in this § 7.

#### (2) Repurchase.

Subject to applicable laws, the Issuer, the Guarantor or any Subsidiary of the Guarantor may at any time purchase Notes in the open market or otherwise and

Rückzahlung oder der Rückkauf nach den Bedingungen des Instruments verpflichtend war oder unter einem Mitarbeiterbeteiligungsprogramm erforderlich war);

(c) am Kalendertag, an dem die Schuldverschreibungen zurückgezahlt wurden;

(d) am nächsten Zinszahlungstag, an dem die Emittentin Zinsen auf die Schuldverschreibungen zahlt; oder

(e) am Kalendertag, nach dem ein Beschluss zur Auflösung, Abwicklung oder Liquidation der Emittentin oder der Garantin ergangen ist (aber nur, wenn dies nicht für die Zwecke oder als Folge eines Zusammenschlusses, einer Umstrukturierung oder Sanierung geschieht und die Emittentin bzw. die Garantin noch zahlungsfähig sind und die übernehmende Gesellschaft im Wesentlichen alle Vermögenswerte und Verpflichtungen der Emittentin bzw. der Garantin übernimmt);

mit der Maßgabe, dass

(x) in den vorgenannten Fällen (a) und (b) kein Pflichtnachzahlungstag vorliegt, wenn die Emittentin, die Garantin oder die betreffende Tochtergesellschaft nach Maßgabe der Emissionsbedingungen der betreffenden gleichrangigen oder nachrangigen Verbindlichkeit zu der Zahlung, zu der Rückzahlung, zu dem Rückkauf oder zu dem anderweitigen Erwerb verpflichtet ist; und

(y) im vorgenannten Fall (b) kein Pflichtnachzahlungstag vorliegt, wenn die Emittentin, die Garantin oder die betreffende Tochtergesellschaft Gleichrangige Verbindlichkeiten der Emittentin oder Gleichrangige Verbindlichkeiten der Garantin nach einem öffentlichen Rückkaufangebot oder öffentlichen Umtauschangebot zu einem unter dem Nennwert je Gleichrangiger Verbindlichkeit liegenden Kaufpreis zurückkauft oder anderweitig erwirbt.

## §7

### (Rückzahlung und Rückkauf)

#### (1) Keine Endfälligkeit.

Die Schuldverschreibungen haben keinen Endfälligkeitstag und werden, außer gemäß den Bestimmungen in diesem § 7, nicht zurückgezahlt.

#### (2) Rückkauf.

Die Emittentin, die Garantin oder eine Tochtergesellschaft der Garantin kann, soweit gesetzlich zulässig, jederzeit Schuldverschreibungen

at any price. Such acquired Notes may be cancelled, held or resold.

**(3) Redemption at the Option of the Issuer and in Case of Minimum Outstanding Aggregate Principal Amount.**

(a) The Issuer may, upon giving not less than 20 nor more than 40 days notice pursuant to § 13 call the Notes for redemption (in whole but not in part) for the first time with effect as of the First Call Date and subsequently with effect as of each Interest Payment Date thereafter. In this case the Issuer shall redeem each Note at its Principal Amount plus accrued and unpaid interest and any Arrears of Interest on the redemption date specified in the notice.

(b) The Issuer may, upon giving not less than 20 nor more than 40 days notice pursuant to § 13, call the Notes for redemption (in whole but not in part) at any time if at least 80 per cent. of the originally issued aggregate principal amount of the Notes have been redeemed or purchased and cancelled. In this case the Issuer shall redeem each Note at its Principal Amount plus accrued and unpaid interest and any Arrears of Interest on the redemption date specified in the notice.

**(4) Other Special Redemption Events.**

The Issuer may upon giving not less than 20 nor more than 40 days notice pursuant to § 13, call the Notes for redemption (in whole but not in part) at any time if any of the special events as set forth below has occurred. In this case the Issuer shall redeem each Note at the Early Redemption Amount on the redemption date specified in the notice. The notice shall set forth the underlying facts of the Issuer's right to early redemption and specify the redemption date:

(a) If (i)(A) any Rating Agency publishes a change in hybrid capital methodology or the

auf dem freien Markt oder anderweitig sowie zu jedem beliebigen Preis kaufen. Derartig erworbene Schuldverschreibungen können entwertet, gehalten oder wieder veräußert werden.

**(3) Rückzahlung nach Wahl der Emittentin und bei geringem ausstehendem Gesamtnennbetrag.**

(a) Die Emittentin ist berechtigt, durch Bekanntmachung gemäß § 13 unter Einhaltung einer Frist von nicht weniger als 20 und nicht mehr als 40 Geschäftstagen, die Schuldverschreibungen (insgesamt und nicht nur teilweise) erstmals mit Wirkung zum Ersten Rückzahlungstag, und danach mit Wirkung zu jedem nachfolgenden Zinszahlungstag zu kündigen. Im Falle einer solchen Kündigung ist die Emittentin verpflichtet, jede Schuldverschreibung an dem in der Bekanntmachung festgelegten Rückzahlungstag zu ihrem Nennbetrag zuzüglich aufgelaufener aber noch nicht bezahlter Zinsbeträge sowie Aufgeschobener Zinszahlungen zurückzuzahlen.

(b) Die Emittentin ist berechtigt, durch Bekanntmachung gemäß § 13 unter Einhaltung einer Frist von nicht weniger als 20 und nicht mehr als 40 Geschäftstagen, die Schuldverschreibungen (insgesamt und nicht nur teilweise) jederzeit zu kündigen, falls mindestens 80 % des ursprünglich begebenen Gesamtnennbetrages der Schuldverschreibungen zurückgezahlt oder erworben und eingezogen worden sind. Im Falle einer solchen Kündigung ist die Emittentin verpflichtet, jede Schuldverschreibung an dem in der Bekanntmachung festgelegten Rückzahlungstag zu ihrem Nennbetrag zuzüglich aufgelaufener aber noch nicht bezahlter Zinsbeträge sowie Aufgeschobener Zinszahlungen zurückzuzahlen.

**(4) Besondere Rückzahlungsereignisse.**

Die Emittentin ist berechtigt, durch Bekanntmachung gemäß § 13 unter Einhaltung einer Frist von nicht weniger als 20 und nicht mehr als 40 Geschäftstagen, die Schuldverschreibungen (insgesamt und nicht nur teilweise) jederzeit zu kündigen, falls eines der folgenden besonderen Ereignisse eingetreten ist. Im Falle einer solchen Kündigung ist die Emittentin verpflichtet, jede Schuldverschreibung an dem in der Bekanntmachung festgelegten Rückzahlungstag zu ihrem Vorzeitigen Rückzahlungsbetrag zurückzuzahlen. Die Bekanntmachung hat den Grund der vorzeitigen Rückzahlung und den Rückzahlungstag anzugeben:

(a) Falls (i)(A) eine Ratingagentur eine Veränderung in der Methodologie für Hybridkapital

interpretation thereof, as a result of which change the Notes would no longer be eligible for the same or a higher category of "equity credit" or such similar nomenclature as may be used by that Rating Agency from time to time to describe the degree to which the terms of an instrument are supportive of the Guarantor's senior obligations, attributed to the Notes at the Issue Date (a "**Loss in Equity Credit**"), or (B) the Issuer has received, and has provided the Principal Paying Agent with a copy of, a written confirmation from any Rating Agency that due to a change in hybrid capital methodology or the interpretation thereof, a Loss in Equity Credit occurred (the events described in (A) and (B) each a "**Rating Event**") and (ii) the Issuer has given notice to the Noteholders in accordance with § 13 of such Rating Event prior to giving the notice of redemption referred to above.

"**Rating Agency**" means each of Moody's and S&P, where "**Moody's**" means Moody's Investors Services Limited or any of its successors, and "**S&P**" means Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc., or any of its subsidiaries or successors.

(b) A recognized accountancy firm, acting upon instructions of the Issuer or Guarantor, has delivered a letter or report to the Issuer or Guarantor, stating that as a result of a change in accounting principles (or the application thereof) since the Issue Date, the Notes may not or may no longer be recorded as "equity" in the audited annual or the semi-annual consolidated financial statements of the Guarantor pursuant to the International Financial Reporting Standards ("**IFRS**") or any other accounting standards that may replace IFRS for the purposes of preparing the annual consolidated financial statements of the Guarantor (an "**Accounting Event**").

(c) An opinion of a recognized law firm of international standing has been delivered to the Issuer or Guarantor, stating that by reason of a change in German or Dutch law or regulation, or any change in the official application or interpretation of such law, after the Issue Date, the tax regime of any payments under the Notes is modified and such modification results in payments of interest payable by the Issuer or the Guarantor in respect of the Notes being no longer deductible for corporate income tax purposes

oder der Interpretation dieser Methodologie veröffentlicht, wodurch die Schuldverschreibungen nicht mehr länger in derselben oder einer höheren Kategorie von Eigenkapital (oder eine vergleichbare Beschreibung, die von der Ratingagentur in Zukunft genutzt wird, um zu beschreiben in wieweit die Bedingungen eines Instruments die vorrangigen Verbindlichkeiten der Garantin unterstützen) wie am Ausgabetag einzuordnen sind (ein "**Verlust der Eigenkapitalzuordnung**"), oder (B) die Emittentin hat eine schriftliche Bestätigung von einer Ratingagentur erhalten und hat diese an die Hauptzahlstelle in Kopie weitergegeben, welche besagt, dass aufgrund einer Änderung der Methodologie für Hybridkapital oder der Interpretation dieser Methodologie, ein Verlust der Eigenkapitalzuordnung erfolgt ist (die Ereignisse unter (A) und (B) jeweils ein "**Ratingereignis**") und (ii) die Emittentin die Anleihegläubiger über das Ratingereignis gemäß § 13 informiert hat, bevor die Mitteilung der Rückzahlung (wie oben beschrieben) bekanntgemacht wurde.

"**Ratingagentur**" bezeichnet jeweils Moody's und S&P, wobei "**Moody's**" Moody's Investors Services Limited oder eine ihrer Nachfolgegesellschaften bezeichnet und "**S&P**" Standard & Poor's Rating Services, eine Abteilung der McGraw-Hill Companies, Inc. oder eine ihrer Tochter- oder Nachfolgegesellschaften bezeichnet.

(b) Eine anerkannte Wirtschaftsprüfungsgesellschaft, die im Auftrag der Emittentin oder der Garantin handelt, hat der Emittentin oder der Garantin einen Brief oder ein Gutachten übermittelt, wonach aufgrund einer Änderung der Rechnungslegungsgrundsätze (oder deren Auslegung) seit dem Ausgabetag die Schuldverschreibungen nicht oder nicht mehr als "Eigenkapital" in den konsolidierten Jahres- oder Halbjahresabschlüssen der Garantin gemäß den International Financial Reporting Standards ("**IFRS**") bzw. anderen Rechnungslegungsstandards, die die Garantin für die Erstellung ihrer konsolidierten Jahresabschlüsse anstelle der IFRS anwenden kann, ausgewiesen werden dürfen (ein "**Rechnungslegungsereignis**").

(c) Erhalt durch die Emittentin oder die Garantin eines Gutachtens einer international anerkannten Rechtsanwaltskanzlei, aus dem hervorgeht, dass nach dem Ausgabetag als Folge einer Änderung von deutschem oder niederländischen Recht oder dessen offizieller Auslegung oder Anwendung die steuerliche Behandlung von Zinszahlungen, die von der Emittentin oder der Garantin in Bezug auf die Schuldverschreibungen zahlbar sind, dergestalt geändert wurde, dass sie nicht mehr für die Zwecke

in whole or in part; and such risk cannot be avoided by the Issuer taking reasonable measures available to it (a "**Tax Deductibility Event**").

(d) If, by reason of any change in German or Dutch law or published regulations becoming effective after the Issue Date, the Issuer or the Guarantor would have to pay Additional Amounts, provided that the payment obligation cannot be avoided by the Issuer taking such reasonable measures it (acting in good faith) deems appropriate (a "**Gross-up Event**").

The "**Early Redemption Amount**" shall be equal to 101 per cent. of the Principal Amount plus accrued and unpaid interest and any Arrears of Interest in the case of a Rating Event, Accounting Event or Tax Deductibility Event, and 100 per cent. of the Principal Amount plus accrued and unpaid interest and any Arrears of Interest in the case of a Gross-Up Event.

#### **§8 (Payments)**

(1) The Issuer undertakes to pay, as and when due, principal and interest on the Notes in euro. Payment of principal and interest on the Notes will be made, subject to applicable fiscal and other laws and regulations, through the Principal Paying Agent for on-payment to the Clearing System or to its order for credit to the respective account holders. Payments to the Clearing System or to its order will to the extent of amounts so paid constitute the discharge of the Issuer from its corresponding liabilities under the Notes. Any reference in these Terms and Conditions of the Notes to principal or interest will be deemed to include any Additional Amounts as set forth in § 9.

der Körperschaftssteuer ganz oder teilweise abzugsfähig sind; und die Emittentin dieses Risiko nicht durch das Ergreifen zumutbarer Maßnahmen vermeiden kann (ein "**Steuerereignis**").

(d) Falls die Emittentin oder die Garantin als Folge einer Änderung nach dem Ausgabetag von deutschen oder niederländischen Gesetzen oder veröffentlichten Vorschriften verpflichtet ist, Zusätzliche Beträge zu zahlen, allerdings nur soweit die Emittentin oder Garantin die Zahlungsverpflichtung nicht durch das Ergreifen zumutbarer Maßnahmen vermeiden kann, die sie nach Treu und Glauben für angemessen hält (ein "**Gross-up Ereignis**").

Der "**Vorzeitige Rückzahlungsbetrag**" bezeichnet 101 % des Nennbetrages zuzüglich aufgelaufener aber noch nicht bezahlter Zinsbeträge sowie Aufgeschobener Zinszahlungen im Falle eines Ratingereignisses, eines Rechnungslegungsereignisses oder eines Steuerereignisses und 100 % des Nennbetrages zuzüglich aufgelaufener aber noch nicht bezahlter Zinsbeträge sowie Aufgeschobener Zinszahlungen im Falle eines Gross-Up Ereignisses.

#### **§8 (Zahlungen)**

(1) Die Emittentin verpflichtet sich, Kapital und Zinsen auf die Schuldverschreibungen bei Fälligkeit in Euro zu zahlen. Die Zahlung von Kapital und Zinsen auf die Schuldverschreibungen erfolgt, vorbehaltlich geltender steuerrechtlicher und sonstiger gesetzlicher Regelungen und Vorschriften, über die Hauptzahlstelle zur Weiterleitung an das Clearingsystem oder nach dessen Weisung zur Gutschrift für die jeweiligen Kontoinhaber. Die Zahlung an das Clearingsystem oder nach dessen Weisung befreit die Emittentin in Höhe der geleisteten Zahlung von ihren entsprechenden Verbindlichkeiten aus den Schuldverschreibungen. Eine Bezugnahme in diesen Anleihebedingungen auf Kapital oder Zinsen der Schuldverschreibungen schließt jegliche Zusätzlichen Beträge gemäß § 9 ein.

(2) If the due date for any payment of principal and/or interest is not a Business Day, payment will be effected only on the next Business Day. The Noteholders will have no right to claim payment of any interest or other indemnity in respect of such delay in payment.

### §9 (Taxation)

All payments of principal and interest in respect of the Notes by the Issuer or (as the case may be) the Guarantor under the Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of The Netherlands or the Federal Republic of Germany or, in each case, any authority therein or thereof having power to tax, unless the Issuer or the Guarantor is required by law to make such withholding or deduction of such taxes, duties, assessments or governmental charges. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts ("**Additional Amounts**") as may be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been received in respect of the Notes in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable on account of any taxes or duties which:

(a) are payable otherwise than by withholding or deduction from amounts payable; or

(b) are payable by reason of the Noteholder having, or having had, some personal or business connection with The Netherlands or the Federal Republic of Germany and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, The Netherlands or the Federal Republic of Germany; or

(c) are to be withheld or deducted pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest income, or (ii) any international treaty, agreement or understanding relating to such taxation and to which Issuer's country of domicile for tax purposes or the Guarantor's country of domicile for tax purposes or the European Union is a party, or (iii) any provision of law

(2) Falls ein Fälligkeitstag für die Zahlung von Kapital und/oder Zinsen kein Geschäftstag ist, erfolgt die Zahlung erst am nächstfolgenden Geschäftstag; die Anleihegläubiger sind nicht berechtigt, Zinsen oder eine andere Entschädigung wegen eines solchen Zahlungsaufschubs zu verlangen.

### §9 (Besteuerung)

Sämtliche auf die Schuldverschreibungen zu zahlenden Beträge von Kapital oder Zinsen sind ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftiger Steuern, sonstigen Abgaben oder behördlicher Gebühren gleich welcher Art durch die Emittentin oder gegebenenfalls die Garantin unter der Garantie zu leisten, die von oder in den Niederlanden oder der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer Gebietskörperschaft oder Steuerbehörde der oder in den Niederlanden oder der Bundesrepublik Deutschland auferlegt oder erhoben werden, es sei denn, die Emittentin ist gesetzlich verpflichtet, einen solchen Einbehalt oder Abzug vorzunehmen. In diesem Fall wird die Emittentin oder die Garantin diejenigen zusätzlichen Beträge (die "**Zusätzlichen Beträge**") zahlen, die erforderlich sind, damit die den Anleihegläubigern zufließenden Nettobeträge nach diesem Einbehalt oder Abzug jeweils den Beträgen entsprechen, die ohne einen solchen Einbehalt oder Abzug von den Inhabern der Schuldverschreibungen empfangen worden wären; die Verpflichtung zur Zahlung solcher zusätzlicher Beträge besteht jedoch nicht im Hinblick auf Steuern und Abgaben, die:

(a) auf andere Weise als durch Einbehalt oder Abzug von zahlbaren Beträgen zu entrichten sind; oder

(b) wegen einer gegenwärtigen oder früheren persönlichen oder geschäftlichen Beziehung des Anleihegläubigers zu den Niederlanden oder der Bundesrepublik Deutschland zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen aus Quellen in den Niederlanden oder der Bundesrepublik Deutschland stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind; oder

(c) aufgrund (i) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder (ii) einer zwischenstaatlichen Vereinbarung, eines zwischenstaatlichen Abkommens oder einer zwischenstaatlichen Verständigung über deren Besteuerung, an der der Staat, in dem die Emittentin steuerlich ansässig ist bzw. der Staat, in dem die Garantin steuerlich ansässig ist oder die

implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty, agreement or understanding; or

(d) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment of principal or interest becomes due, or, if later, is duly provided for and notice thereof is published in accordance with § 13; or

(e) are deducted or withheld by a Paying Agent from a payment if the payment could have been made by another Paying Agent without such deduction or withholding.

Notwithstanding anything to the contrary in these Terms and Conditions, the Issuer shall be permitted to withhold or deduct any amounts required by Sections 1471 to 1474 ("FATCA") of the U.S. Internal Revenue Code of 1986, any treaty, law, regulation or other official guidance implementing FATCA, or any agreement (or related guidance) between the Issuer, a paying agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA and none of the Issuer, any paying agent or any other person shall be required to pay any additional amounts with respect to any FATCA withholding or deduction imposed on or with respect to any Note.

#### §10

##### (Presentation Period, Prescription)

The period for presentation of the Notes will be reduced to 10 years. The period of limitation for all claims (including claims for interest payment and repayment, if any) under the Notes presented during the period for presentation will be two years calculated from the expiration of the relevant presentation period.

#### §11

##### (Paying and Calculation Agent)

###### (1) Appointment.

The Issuer has appointed Citibank, N.A., London Branch as principal paying agent with respect to the Notes (the "**Principal Paying Agent**" and, together with any additional paying agent appointed by the

Europäische Union beteiligt ist, oder (iii) einer gesetzlichen Vorschrift, die diese Richtlinie, Verordnung, Vereinbarung, Verständigung oder dieses Abkommen umsetzt oder befolgt, abzuziehen oder einzubehalten sind; oder

(d) aufgrund einer Rechtsänderung zu zahlen sind, welche später als 30 Tage nach Fälligkeit der betreffenden Zahlung von Kapital oder Zinsen oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Bekanntmachung gemäß § 13 wirksam wird; oder

(e) von einer Zahlstelle abgezogen oder einbehalten werden, wenn eine andere Zahlstelle die Zahlung ohne einen solchen Abzug oder Einbehalt hätte leisten können.

Ungeachtet anders lautender Bestimmungen in den Anleihebedingungen, kann die Emittentin sämtliche Beträge einbehalten oder abziehen, die nach §§ 1471 - 1474 ("FATCA") des US-amerikanischen Steuergesetzes von 1986 (*U.S. Internal Revenue Code of 1986*) anfallen oder nach einem Vertrag, einem Gesetz, einer Verordnung oder sonstigen offiziellen Leitlinien, die FATCA umsetzen, oder nach einer Vereinbarung (oder damit verbundenen Leitlinien) zwischen der Emittentin, der Zahlstelle oder einer anderen Person und den Vereinigten Staaten, einer anderen Jurisdiktion, oder einer Behörde der Vorgenannten, die FATCA umsetzen, und weder die Emittentin, eine Zahlstelle oder eine andere Person ist verpflichtet, zusätzliche Beträge hinsichtlich eines FATCA-Einbehalts oder -Abzugs zu zahlen, der bezüglich der Schuldverschreibungen auferlegt wurde oder hinsichtlich dieser anfällt.

#### §10

##### (Vorlegungsfrist, Verjährung)

Die Vorlegungsfrist der Schuldverschreibungen wird auf zehn Jahre reduziert. Die Verjährungsfrist für alle Ansprüche (inklusive Ansprüche auf Zinszahlungen und gegebenenfalls Rückzahlung) aus den Schuldverschreibungen, die innerhalb der Vorlegungsfrist zur Zahlung vorgelegt wurden, beträgt zwei Jahre von dem Ende der betreffenden Vorlegungsfrist an.

#### §11

##### (Zahlstellen und Berechnungsstelle)

###### (1) Bestellung.

Die Emittentin hat Citibank, N.A., London Branch als Hauptzahlstelle in Bezug auf die Schuldverschreibungen (die "**Hauptzahlstelle**" und gemeinsam mit jeder etwaigen von der Emittentin

Issuer in accordance with § 11(2), the "**Paying Agents**").

The Issuer has appointed Citibank, N.A., London Branch as calculation agent with respect to the Notes (the "**Calculation Agent**" and, together with the Paying Agents, the "**Agents**").

The addresses of the specified offices of the Agents are:

*Principal Paying Agent:*

Citibank, N.A., London Branch  
Citigroup Centre  
Canada Square, Canary Wharf  
London E14 5LB  
United Kingdom

*Calculation Agent:*

Citibank, N.A., London Branch  
Citigroup Centre  
Canada Square, Canary Wharf  
London E14 5LB  
United Kingdom

**(2) Variation or Termination of Appointment.**

The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint successor or additional Paying Agents. Notice of any change in the Paying Agents or in the specified office of any Paying Agent will promptly be given to the Noteholders pursuant to § 13.

**(3) Status of the Agents.**

The Paying Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligations towards or relationship of contract, agency or trust for or with any of the Noteholders.

**§12  
(Further Issues)**

The Issuer may from time to time, without the consent of the Noteholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (except for the first payment of interest) so as to form a single series with the Notes.

nach § 11(2) bestellten zusätzlichen Zahlstelle, die "**Zahlstellen**") bestellt.

Die Emittentin hat Citibank, N.A., London Branch als Berechnungsstelle in Bezug auf die Schuldverschreibungen (die "**Berechnungsstelle**" und, gemeinsam mit den Zahlstellen, die "**Verwaltungsstellen**") bestellt.

Die Geschäftsräume der Verwaltungsstellen befinden sich unter den folgenden Adressen:

*Hauptzahlstelle:*

Citibank, N.A., London Branch  
Citigroup Centre  
Canada Square, Canary Wharf  
London E14 5LB  
Vereinigtes Königreich

*Berechnungsstelle:*

Citibank, N.A., London Branch  
Citigroup Centre  
Canada Square, Canary Wharf  
London E14 5LB  
Vereinigtes Königreich

**(2) Änderung oder Beendigung der Bestellung.**

Die Emittentin behält sich das Recht vor, jederzeit die Benennung einer Zahlstelle zu verändern oder zu beenden und Nachfolger bzw. zusätzliche Zahlstellen zu ernennen. Den Anleihegläubigern werden Änderungen in Bezug auf die Zahlstellen, deren angegebenen Geschäftsstellen umgehend gemäß § 13 bekannt gemacht.

**(3) Status der beauftragten Stellen.**

Die Zahlstellen und die Berechnungsstelle handeln ausschließlich als Vertreter der Emittentin und übernehmen keine Verpflichtungen gegenüber den Anleihegläubigern; es wird kein Vertrags-, Auftrags- oder Treuhandverhältnis zwischen ihnen und den Anleihegläubigern begründet.

**§12  
(Weitere Emissionen)**

Die Emittentin kann ohne Zustimmung der Anleihegläubiger weitere Schuldverschreibungen begeben, die in jeder Hinsicht (mit Ausnahme der ersten Zinszahlung) die gleichen Bedingungen wie die Schuldverschreibungen haben und die zusammen mit den Schuldverschreibungen eine einzige Anleihe bilden.

**§13**  
**(Notices)**

**(1) Notices Published on www.bourse.lu.**

All notices regarding the Notes will be published (so long as any of the Notes is listed on the Luxembourg Stock Exchange) on the website of the Luxembourg Stock Exchange on www.bourse.lu. Any notice will become effective for all purposes on the date of the first such publication.

**(2) Notices delivered to the Clearing System.**

The Issuer will also be entitled to deliver all notices concerning the Notes to the Clearing System for communication by the Clearing System to the Noteholders. A notice will have been deemed to have been given to Noteholders if such notice is sent to the Clearing Systems for publication to Noteholders.

**§14**  
**(Substitution)**

**(1) Substitution.**

The Issuer may at any time, without the consent of the Noteholders, substitute for itself any majority-owned subsidiary of the Guarantor whose primary purpose is to raise financing for the Guarantor and other group entities as new debtor (the "**New Debtor**") in respect of all obligations arising under or in connection with the Notes, with the effect of releasing the Issuer of all such obligations, if:

(a) the Issuer is not in default in respect of any amount payable under any of the Notes;

(b) the New Debtor assumes all obligations of the Issuer in respect of the Notes;

(c) the New Debtor and the Issuer have obtained all authorizations and approvals necessary for the substitution and the fulfillment of the obligations under or in connection with the Notes;

**§13**  
**(Bekanntmachungen)**

**(1) Bekanntmachungen auf www.bourse.lu.**

Alle Bekanntmachungen, die die Schuldverschreibungen betreffen, werden (solange eine der Schuldverschreibungen an der Luxemburger Wertpapierbörse notiert ist) auf der Internet-Seite der Luxemburger Börse unter www.bourse.lu veröffentlicht. Für das Datum und die Rechtswirksamkeit sämtlicher Bekanntmachungen ist die erste Veröffentlichung maßgeblich.

**(2) Mitteilungen, die an das Clearingsystem weitergeleitet werden.**

Die Emittentin ist ferner berechtigt, alle die Schuldverschreibungen betreffenden Mitteilungen an das Clearingsystem zur Weiterleitung an die Anleihegläubiger zu übermitteln. Eine Nachricht gilt als an die Anleihegläubiger übermittelt, wenn sie an die Clearingsysteme zur Veröffentlichung für die Anleihegläubiger gesendet wurde.

**§14**  
**(Ersetzung)**

**(1) Ersetzung.**

Die Emittentin ist jederzeit berechtigt, ohne Zustimmung der Anleihegläubiger eine Tochtergesellschaft im Mehrheitsbesitz der Garantin, deren vorrangiger Zweck die Beschaffung von Kapital für die Garantin und andere Konzerngesellschaften ist, als neue Anleiheschuldnerin für alle sich aus oder im Zusammenhang mit den Schuldverschreibungen ergebenden Verpflichtungen mit Schuld befreiender Wirkung für die Emittentin an die Stelle der Emittentin zu setzen (die "**Neue Anleiheschuldnerin**"), sofern:

(a) die Emittentin nicht mit irgendwelchen auf die Schuldverschreibungen zahlbaren Beträgen in Verzug ist;

(b) die Neue Anleiheschuldnerin alle Verpflichtungen der Emittentin in Bezug auf die Schuldverschreibungen übernimmt;

(c) die Neue Anleiheschuldnerin und die Emittentin sämtliche für die Schuldnerersetzung und die Erfüllung der Verpflichtungen aus oder im Zusammenhang mit den Schuldverschreibungen erforderlichen Genehmigungen und Zustimmungen erhalten hat;



(d) the New Debtor has obtained all necessary governmental authorizations and may transfer to the Paying Agent in the currency required hereunder and without being obligated to deduct or withhold any taxes or other duties of whatever nature imposed, levied or deducted by the country (or countries) in which the New Debtor has its domicile or tax residence all amounts required for the performance of the payment obligations arising from or in connection with the Notes;

(e) the New Debtor has agreed to indemnify the Noteholders against such taxes, duties or governmental charges as may be imposed on the Noteholders in connection with the substitution;

(f) each stock exchange on which the Notes are listed shall have confirmed that, following the proposed substitution of the New Debtor, such Notes will continue to be listed on such stock exchange; and

(g) no event would occur as a result of the substitution that would give rise to the right of the New Debtor to call the Notes for redemption pursuant to § 7(4).

## (2) References.

In the event of a substitution pursuant to § 14(1), any reference in these Terms and Conditions to the Issuer will be a reference to the New Debtor and any reference to the Netherlands will be a reference to the New Debtor's country (countries) of domicile for tax purposes.

## (3) Notice and Effectiveness of Substitution.

Notice of any substitution of the Issuer will be given by publication in accordance with § 13. Upon such publication, the substitution will become effective, and the Issuer and in the event of a repeated application of this § 14, any previous New Debtor will be discharged from any and all obligations under the Notes.

### §15 (Enforcement)

(1) If the Issuer fails to pay any interest or principal on the Notes when due, each Noteholder may institute legal proceedings to enforce payment of the amounts due or file an application for the

(d) die Neue Anleiheschuldnerin alle behördlichen Genehmigungen erhalten hat und berechtigt ist, an die Zahlstelle die zur Erfüllung der Zahlungsverpflichtungen auf die Schuldverschreibungen zu zahlenden Beträge in der hierin festgelegten Währung zu zahlen, und zwar ohne Abzug oder Einbehalt von Steuern oder sonstigen Abgaben jedweder Art, die von dem Land (oder den Ländern), in dem (in denen) die Neue Anleiheschuldnerin ihren Sitz oder Steuersitz hat, auferlegt, erhoben oder eingezogen werden;

(e) die Neue Anleiheschuldnerin sich verpflichtet hat, die Anleihegläubiger hinsichtlich solcher Steuern, Abgaben oder behördlicher Gebühren freizustellen, die den Anleihegläubigern bezüglich der Ersetzung auferlegt werden;

(f) jede Wertpapierbörse, an der die Schuldverschreibungen zugelassen sind, bestätigt hat, dass nach der vorgesehenen Ersetzung durch die Neue Anleiheschuldnerin diese Schuldverschreibungen weiterhin an dieser Wertpapierbörse zugelassen sind; und

(g) aufgrund der Ersetzung kein Ereignis eintreten würde, welches die Neue Anleiheschuldnerin dazu berechtigen würde, die Schuldverschreibungen gemäß § 7(4) zu kündigen und zurückzuzahlen.

## (2) Bezugnahmen.

Im Fall einer Schuldnerersetzung gemäß § 14(1) gilt jede Bezugnahme in diesen Anleihebedingungen auf die Emittentin als eine solche auf die Neue Anleiheschuldnerin und jede Bezugnahme auf die Niederlande als eine solche auf den Staat (die Staaten), in welchem die Neue Anleiheschuldnerin steuerlich ansässig ist.

## (3) Bekanntmachung und Wirksamwerden der Ersetzung.

Die Ersetzung der Emittentin ist gemäß § 13 bekannt zu machen. Mit der Bekanntmachung der Ersetzung wird die Ersetzung wirksam und die Emittentin und, im Falle einer wiederholten Anwendung dieses § 14, jede frühere Neue Anleiheschuldnerin von ihren sämtlichen Verbindlichkeiten aus den Schuldverschreibungen frei.

### §15 (Durchsetzung)

(1) Falls die Emittentin Zinsen oder Kapital auf die Schuldverschreibungen bei Fälligkeit nicht oder nicht rechtzeitig zahlt, ist jeder Anleihegläubiger berechtigt, rechtliche Schritte zur Durchsetzung der

institution of insolvency proceedings for the assets of the Issuer.

(2) Any Noteholder may, by notice in text form addressed to the Issuer and the Principal Paying Agent, declare its Notes due and payable, whereupon such Notes shall become immediately due and payable at their Principal Amount plus any interest accrued on such Notes to but excluding the date of redemption but yet unpaid and, for the avoidance of doubt, any Arrears of Interest due to be paid pursuant to § 6(3) without further action or formality, if an order is made for the winding up, dissolution or liquidation of the Issuer (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer).

(3) There is no cross default under the Notes.

#### **§16**

##### **(Amendments to the Terms and Conditions by resolution of the Noteholders; Joint Representative)**

(1) The Issuer may amend the Terms and Conditions with the consent of a majority resolution of the Noteholders pursuant to §§ 5 et seq. of the German Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen*) (*Schuldverschreibungsgesetz - SchVG*), as amended from time to time (the "**SchVG**"). In particular, the Noteholders may consent to amendments which materially change the substance of the Terms and Conditions, including such measures as provided for under § 5(3) of the SchVG, but excluding a substitution of the Issuer, which is exclusively subject to the provisions in § 12, by resolutions passed by such majority of the votes of the Noteholders as stated under § 16(2) below. A duly passed majority resolution will be binding upon all Noteholders.

(2) Except as provided by the following sentence and provided that the quorum requirements are being met, the Noteholders may pass resolutions by simple majority of the voting rights participating in the vote. Resolutions which materially change the substance of the Terms and Conditions, in particular in the cases of § 5(3) numbers 1 through 9 of the SchVG, may

fälligen Beträge einzuleiten oder einen Antrag auf Eröffnung eines Insolvenzverfahrens über das Vermögen der Emittentin zu stellen.

(2) Jeder Anleihegläubiger ist berechtigt, seine Schuldverschreibungen durch Mitteilung in Textform gegenüber der Emittentin und der Hauptzahlstelle zur Rückzahlung fällig zu stellen, woraufhin diese Schuldverschreibungen sofort zum Nennbetrag zuzüglich der bis zum Tag der Rückzahlung in Bezug auf die Schuldverschreibungen aufgelaufenen, aber noch nicht bezahlten Zinsen sowie, zur Klarstellung, sämtlicher gemäß § 6(3) zur Nachzahlung fälligen Aufgeschobenen Zinszahlungen ohne weitere Handlungen oder Formalitäten fällig werden, falls eine Anordnung zur Abwicklung, Auflösung oder Liquidation der Emittentin ergeht (sofern dies nicht für die Zwecke oder als Folge eines Zusammenschlusses, einer Umstrukturierung oder Sanierung geschieht, bei dem bzw. bei der die Emittentin noch zahlungsfähig ist und bei dem bzw. bei der die fortführende Gesellschaft im Wesentlichen alle Vermögenswerte und Verpflichtungen der Emittentin übernimmt).

(3) Die Schuldverschreibungen sehen keinen Drittverzug vor.

#### **§16**

##### **(Änderung der Anleihebedingungen durch Beschluss der Anleihegläubiger; Gemeinsamer Vertreter)**

(1) Die Emittentin kann die Anleihebedingungen mit Zustimmung aufgrund Mehrheitsbeschlusses der Anleihegläubiger nach Maßgabe der §§ 5 ff. des Gesetzes über Schuldverschreibungen aus Gesamtemissionen (*Schuldverschreibungsgesetz - SchVG*) in seiner jeweiligen gültigen Fassung (das "**SchVG**") ändern. Die Anleihegläubiger können insbesondere einer Änderung wesentlicher Inhalte der Anleihebedingungen, einschließlich der in § 5 Absatz 3 SchVG vorgesehenen Maßnahmen mit Ausnahme der Ersetzung der Emittentin, die in § 12 abschließend geregelt ist, mit den in dem nachstehenden § 16(2) genannten Mehrheiten zustimmen. Ein ordnungsgemäß gefasster Mehrheitsbeschluss ist für alle Anleihegläubiger verbindlich.

(2) Vorbehaltlich des nachstehenden Satzes und der Erreichung der erforderlichen Beschlussfähigkeit, beschließen die Anleihegläubiger mit der einfachen Mehrheit der an der Abstimmung teilnehmenden Stimmrechte. Beschlüsse, durch welche der wesentliche Inhalt der Anleihebedingungen, insbesondere in den Fällen des § 5 Absatz 3 Nummer

only be passed by a majority of at least 75 per cent. of the voting rights participating in the vote (a "**Qualified Majority**"). The voting right is suspended as long as any Notes are attributable to the Issuer or any of its affiliates (within the meaning of § 271(2) of the German Commercial Code (*Handelsgesetzbuch*)) or are being held for the account of the Issuer or any of its affiliates.

(3) Resolutions of the Noteholders will be made either in a Noteholders' meeting in accordance with § 16(3)(a) or by means of a vote without a meeting (*Abstimmung ohne Versammlung*) in accordance with § 16(3)(b), in either case convened by the Issuer or a joint representative, if any. Pursuant to § 9(1) sentence 2 of the SchVG, Noteholders holding Notes in the total amount of 5 per cent. of the outstanding principal amount of the Notes may in writing request to convene a Noteholders' meeting or vote without a meeting for any of the reasons permitted pursuant to § 9(1) sentence 2 of the SchVG.

(a) Resolutions of the Noteholders in a Noteholders' meeting will be made in accordance with § 9 et seq. of the SchVG. The convening notice of a Noteholders' meeting will provide the further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions will be notified to the Noteholders in the agenda of the meeting. The attendance at the Noteholders' meeting or the exercise of voting rights requires a registration of the Noteholders prior to the meeting.

(b) Resolutions of the Noteholders by means of a voting not requiring a physical meeting (*Abstimmung ohne Versammlung*) will be made in accordance with § 18 of the SchVG. The request for voting as submitted by the chairman (*Abstimmungsleiter*) will provide the further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions will be notified to Noteholders together with the request for voting.

(4) The exercise of voting rights is subject to the registration of the Noteholders. The registration must be received at the address stated in the request for voting no later than the third day preceding the beginning of the voting period. As part of the registration, Noteholders must demonstrate their eligibility to participate in the vote by means of a special confirmation of its custodian bank hereof in

1 bis 9 SchVG, geändert wird, bedürfen zu ihrer Wirksamkeit einer Mehrheit von mindestens 75 % der an der Abstimmung teilnehmenden Stimmrechte (eine "**Qualifizierte Mehrheit**"). Das Stimmrecht ruht, solange die Schuldverschreibungen der Emittentin oder einem mit ihr verbundenen Unternehmen (§ 271 Absatz 2 HGB) zustehen oder für Rechnung der Emittentin oder eines mit ihr verbundenen Unternehmens gehalten werden.

(3) Beschlüsse der Anleihegläubiger werden entweder in einer Gläubigerversammlung nach § 16(3)(a) oder im Wege der Abstimmung ohne Versammlung nach § 16(3)(b) getroffen, die von der Emittentin oder einem gemeinsamen Vertreter einberufen wird. Gemäß § 9 Absatz 1 S. 2 SchVG können Anleihegläubiger, deren Schuldverschreibungen zusammen 5 % des jeweils ausstehenden Gesamtnennbetrags der Schuldverschreibungen erreichen, schriftlich die Durchführung einer Anleihegläubigerversammlung oder Abstimmung ohne Versammlung mit einer gemäß § 9 Absatz 1 S. 2 SchVG zulässigen Begründung verlangen.

(a) Beschlüsse der Anleihegläubiger im Rahmen einer Gläubigerversammlung werden nach §§ 9 ff. SchVG getroffen. Die Einberufung der Gläubigerversammlung regelt die weiteren Einzelheiten der Beschlussfassung und der Abstimmung. Mit der Einberufung der Gläubigerversammlung werden in der Tagesordnung die Beschlussgegenstände sowie die Vorschläge zur Beschlussfassung den Anleihegläubigern bekannt gegeben. Für die Teilnahme an der Gläubigerversammlung oder die Ausübung der Stimmrechte ist eine Anmeldung der Anleihegläubiger vor der Versammlung erforderlich.

(b) Beschlüsse der Anleihegläubiger im Wege der Abstimmung ohne Versammlung werden nach § 18 SchVG getroffen. Die Aufforderung zur Stimmabgabe durch den Abstimmungsleiter regelt die weiteren Einzelheiten der Beschlussfassung und der Abstimmung. Mit der Aufforderung zur Stimmabgabe werden die Beschlussgegenstände sowie die Vorschläge zur Beschlussfassung den Anleihegläubigern bekannt gegeben.

(4) Die Stimmrechtsausübung ist von einer vorherigen Anmeldung der Anleihegläubiger abhängig. Die Anmeldung muss bis zum dritten Tag vor dem Beginn des Abstimmungszeitraums unter der in der Aufforderung zur Stimmabgabe angegebenen Anschrift zugehen. Zusammen mit der Anmeldung müssen Anleihegläubiger den Nachweis ihrer Berechtigung zur Teilnahme an der Abstimmung

text form and by submission of a blocking instruction by the custodian bank stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the day the voting period ends.

(5) If it is ascertained that no quorum exists for the vote without meeting pursuant to § 16(3)(b), the chairman (*Abstimmungsleiter*) may convene a meeting, which shall be deemed to be a second meeting within the meaning of § 15(3) sentence 3 of the SchVG. Attendance at the second meeting and exercise of voting rights is subject to the registration of the Noteholders. The registration must be received at the address stated in the convening notice no later than the third day preceding the second Noteholders' meeting. Noteholders must demonstrate their eligibility to participate in the vote by means of a special confirmation of its custodian bank hereof in text form and by submission of a blocking instruction by the custodian bank stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the stated end of the meeting.

(6) The Noteholders may by majority resolution provide for the appointment or dismissal of a joint representative, the duties and responsibilities and the powers of such joint representative, the transfer of the rights of the Noteholders to the joint representative and a limitation of liability of the joint representative. Appointment of a joint representative may only be passed by a Qualified Majority if such joint representative is to be authorised to consent to a material change in the substance of the Terms and Conditions in accordance with § 16(1) hereof,

(7) Any notices concerning this § 16 will be made in accordance with § 5 et seq. of the SchVG and § 13.

### **§17 (Final Provisions)**

#### **(1) Applicable Law.**

The Notes are governed by, and construed in accordance with, the laws of the Federal Republic of Germany.

durch eine besondere Bescheinigung seiner Depotbank in Textform und die Vorlage eines Sperrvermerks der Depotbank erbringen, aus dem hervorgeht, dass die relevanten Schuldverschreibungen für den Zeitraum vom Tag der Absendung der Anmeldung (einschließlich) bis dem Ende des Abstimmungszeitraums (einschließlich) nicht übertragen werden können.

(5) Wird die Beschlussfähigkeit bei der Abstimmung ohne Versammlung nach § 16(3)(b) nicht festgestellt, kann der Abstimmungsleiter eine Gläubigerversammlung einberufen, welche als zweite Gläubigerversammlung im Sinne des § 15(3) Satz 3 SchVG gilt. Die Teilnahme an der zweiten Gläubigerversammlung und die Stimmrechtsausübung sind von einer vorherigen Anmeldung der Anleihegläubiger abhängig. Die Anmeldung muss bis zum dritten Tag vor der zweiten Gläubigerversammlung unter der in der Einberufung angegebenen Anschrift zugehen. Zusammen mit der Anmeldung müssen Anleihegläubiger den Nachweis ihrer Berechtigung zur Teilnahme an der Abstimmung durch eine besondere Bescheinigung seiner Depotbank in Textform und die Vorlage eines Sperrvermerks der Depotbank erbringen, aus dem hervorgeht, dass die relevanten Schuldverschreibungen für den Zeitraum vom Tag der Absendung der Anmeldung (einschließlich) bis zum angegebenen Ende der Versammlung (einschließlich) nicht übertragen werden können.

(6) Die Anleihegläubiger können durch Mehrheitsbeschluss die Bestellung und Abberufung eines gemeinsamen Vertreters, die Aufgaben und Befugnisse des gemeinsamen Vertreters, die Übertragung von Rechten der Anleihegläubiger auf den gemeinsamen Vertreter und eine Beschränkung der Haftung des gemeinsamen Vertreters bestimmen. Die Bestellung eines gemeinsamen Vertreters bedarf einer Qualifizierten Mehrheit, wenn er ermächtigt wird, wesentlichen Änderungen der Anleihebedingungen gemäß § 16(1) zuzustimmen.

(7) Bekanntmachungen betreffend diesen § 16 erfolgen gemäß den §§ 5ff. SchVG sowie nach § 13.

### **§17 (Schlussbestimmungen)**

#### **(1) Anzuwendendes Recht.**

Form und Inhalt der Schuldverschreibungen bestimmen sich nach dem Recht der Bundesrepublik Deutschland.

(2) **Place of Jurisdiction.**

To the extent legally permissible, exclusive place of jurisdiction for all proceedings arising from matters provided for in these Terms and Conditions will be Frankfurt am Main, Federal Republic of Germany. The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of Frankfurt am Main being nominated as the forum to hear and determine any proceedings and to settle any disputes, and agrees not to claim that any of those courts is not a convenient or appropriate forum.

The local court (*Amtsgericht*) of Frankfurt will have jurisdiction for all judgments pursuant to § 9(2), § 13(3) and § 18(2) SchVG in accordance with § 9(3) SchVG. The regional court (*Landgericht*) of Frankfurt am Main will have exclusive jurisdiction for all judgments over contested resolutions by Noteholders in accordance with § 20(3) SchVG.

(3) **Place of Performance.**

Place of performance will be Frankfurt am Main, Federal Republic of Germany.

(4) **Enforcement of Rights.**

Any Noteholder may in any proceedings against the Issuer or to which the Noteholder and the Issuer are parties protect and enforce in his own name his rights arising under his Notes on the basis of:

(a) a certificate issued by his Custodian (A) stating the full name and address of the Noteholder, (B) specifying an aggregate Principal Amount of Notes credited on the date of such statement to such Noteholder's securities account(s) maintained with his Custodian and (C) confirming that his Custodian has given a written notice to the Clearing System and the Principal Paying Agent containing the information specified in (A) and (B) and bearing acknowledgements of the Clearing System and the relevant account holder in the Clearing System and

(b) a copy of the Global Notes relating to the Notes, certified as being true copies by a duly authorised officer of the Clearing System or the Principal Paying Agent; or

(c) any other means of evidence permitted in legal proceedings in the country of enforcement.

"Custodian" means any bank or other financial

(2) **Gerichtsstand.**

Ausschließlicher Gerichtsstand für alle Rechtsstreitigkeiten aus den in diesen Anleihebedingungen geregelten Angelegenheiten ist, soweit gesetzlich zulässig, Frankfurt am Main, Bundesrepublik Deutschland. Die Emittentin verzichtet unwiderruflich darauf, gegenwärtig oder zukünftig gegen die Gerichte in Frankfurt am Main als Forum für Rechtsstreitigkeiten Einwände zu erheben, und versichert, keines der Gerichte in Frankfurt am Main als ungelegenes oder unangemessenes Forum zu bezeichnen.

Für Entscheidungen gemäß § 9 Absatz 2, § 13 Absatz 3 und § 18 Absatz 2 SchVG ist gemäß § 9 Absatz 3 SchVG das Amtsgericht Frankfurt am Main zuständig. Für Entscheidungen über die Anfechtung von Beschlüssen der Anleihegläubiger ist gemäß § 20 Absatz 3 SchVG das Landgericht Frankfurt am Main ausschließlich zuständig.

(3) **Erfüllungsort.**

Erfüllungsort ist Frankfurt am Main, Bundesrepublik Deutschland.

(4) **Geltendmachung von Rechten.**

Jeder Anleihegläubiger ist berechtigt, in jedem Rechtsstreit gegen die Emittentin oder in jedem Rechtsstreit, in dem der Anleihegläubiger und die Emittentin Partei sind, seine Rechte aus diesen Schuldverschreibungen im eigenen Namen geltend zu machen gegen Vorlage:

(a) einer Bescheinigung der Depotbank, die (A) den vollen Namen und die volle Anschrift des Anleihegläubigers bezeichnet, (B) den gesamten Nennbetrag von Schuldverschreibungen angibt, die am Ausstellungstag dieser Bescheinigung den bei dieser Depotbank bestehenden Depots dieses Anleihegläubigers gutgeschrieben sind und (C) bestätigt, dass die Depotbank dem Clearingsystem und der Hauptzahlstelle eine schriftliche Mitteilung gemacht hat, die die Angaben gemäß (A) und (B) enthält und Bestätigungsvermerke des Clearingsystems sowie des betroffenen Kontoinhabers bei dem Clearingsystem trägt sowie

(b) einer von einem Vertretungsberechtigten des Clearingsystems oder der Hauptzahlstelle beglaubigten Ablichtung der Globalurkunden; oder

(c) eines anderen, in Rechtsstreitigkeiten in dem Land der Geltendmachung zulässigen Beweismittels.

"Depotbank" bezeichnet ein Bank- oder sonstiges

institution with which the Noteholder maintains a securities account in respect of any Notes and having an account maintained with the Clearing System, including the Clearing System.

### §18 (Language)

These Terms and Conditions are written in the German language and provided with an English language translation. The German text will be the only legally binding version. The English language translation is provided for convenience only.

### **Restrictions regarding the Redemption and Repurchase of the Notes**

*The following paragraphs in italics do not form part of the Terms and Conditions.*

*The Issuer intends (without thereby assuming a legal or contractual obligation) that it will redeem or repurchase the Notes only to the extent they are replaced with instruments with equivalent S&P equity credit. Such replacement would be provided during the 360-day period prior to the date of such redemption or repurchase. The net proceeds received by the Issuer, the Guarantor or subsidiary of the Guarantor from the sale to third party purchasers of securities which are assigned an S&P equity credit that is at least equal to the initial equity credit of the Notes will count as replacement.*

*The following exceptions apply as to the Issuer's replacement intention. The Notes are not required to be replaced:*

*(i) if the rating assigned by S&P to the Issuer or the Guarantor is at least BBB+ and the Issuer or the Guarantor (as applicable) is comfortable that such rating would not fall below this level as a result of such redemption or repurchase, or*

*(ii) in the case of repurchase of less than (x) 10 per cent of the aggregate principal amount of the Notes originally issued in any period of 12 consecutive months or (y) 25 per cent of the aggregate principal amount of the Notes originally issued in any period of 10 consecutive years is repurchased, or*

*(iii) if the Notes are redeemed pursuant to a Rating Event (to the extent it is triggered by a change of methodology at S&P), an Accounting Event, a Tax*

Finanzinstitut, bei dem der Anleihegläubiger Schuldverschreibungen im Depot verwahren lässt und das ein Konto bei dem Clearingsystem hat, einschließlich des Clearingsystems.

### §18 (Sprache)

Diese Anleihebedingungen sind in deutscher Sprache abgefasst und mit einer Übersetzung in die englische Sprache versehen. Der deutsche Wortlaut ist allein rechtsverbindlich. Die englische Übersetzung dient nur zur Information.

### **Beschränkungen bezüglich der Rückzahlung und des Rückkaufs der Schuldverschreibungen.**

*Der folgende Absatz in Kursivschrift ist nicht Bestandteil der Anleihebedingungen.*

*Die Emittentin beabsichtigt (ohne dadurch eine Rechtspflicht zu übernehmen) die Schuldverschreibungen nur zurückzuzahlen oder zurückzukaufen, soweit sie durch Instrumente mit gleichwertiger S&P Eigenkapitalanrechnung ersetzt werden. Ein solcher Ersatz würde innerhalb von 360 Tagen vor dem Tag der Rückzahlung oder des Rückkaufs geschaffen werden. Als Ersatz gelten die Nettoerlöse, die die Emittentin, die Garantin oder eine Tochtergesellschaft der Garantin aus dem Verkauf an Dritte von Wertpapieren erhält, die eine S&P Eigenkapitalanrechnung haben, die mindestens so hoch ist wie die ursprüngliche S&P Eigenkapitalanrechnung der Schuldverschreibungen.*

*Es gelten jedoch folgende Ausnahmen in Bezug auf die Absicht der Emittentin. Es muss nicht für Ersatz gesorgt werden:*

*(i) wenn das der Emittentin oder der Garantin durch S&P erteilte Rating mindestens BBB+ beträgt und die Emittentin oder die Garantin (je nach Fall) sich sicher ist, dass ein solches Rating infolge der Rückzahlung oder des Rückkaufs nicht unter diesen Wert fallen würde oder*

*(ii) im Fall eines Rückkaufs von Schuldverschreibungen in Höhe von weniger als (x) 10 % des ursprünglich ausgegebenen Gesamtnennbetrags der Schuldverschreibungen während einer Frist von 12 aufeinander folgenden Monaten oder (y) 25 % des ursprünglich ausgegebenen Gesamtnennbetrags der Schuldverschreibungen während einer Frist von 10 aufeinander folgenden Jahren oder*

*(iii) im Fall der Rückzahlung der Schuldverschreibungen gemäß einem Ratingereignis (sofern es durch eine Änderung von S&P*

*Deductibility Event or a Gross-Up Event, or*

*Methodologie verursacht wurde), einem Rechnungslegungsereignis, einem Steuerereignis oder einem Gross-Up Ereignis erfolgt oder*

*(iv) if the Notes are not assigned an "equity credit" (or such similar nomenclature then used by S&P at the time of such redemption or repurchase), or*

*(iv) wenn die Schuldverschreibungen keine Eigenkapitalanrechnung (oder eine solche von S&P zum Zeitpunkt der Rückzahlung oder des Rückkaufs dann verwendete gleichartige Klassifikation) aufweisen oder*

*(v) if such redemption or repurchase occurs on or after December 14, 2042.*

*(v) wenn die Rückzahlung oder der Rückkauf am oder nach dem 14. Dezember, 2042 erfolgt.*

### 3. TERMS AND CONDITIONS OF THE NC10 NOTES

#### Terms and Conditions

These Terms and Conditions are written in the German language and provided with an English language translation. The German text will be the only legally binding version. The English language translation is provided for convenience only.

#### §1

##### (Form and Denomination)

##### (1) Currency, Denomination and Form.

Volkswagen International Finance N.V. (the "**Issuer**") issues undated unsecured subordinated notes with a first call date in 2027 in an aggregate principal amount of EUR 2,000,000,000 (the "**Notes**"). The Notes are guaranteed on a subordinated basis by Volkswagen Aktiengesellschaft (the "**Guarantor**") and have a denomination of EUR 100,000 each (the "**Principal Amount**").

##### (2) Global Notes and Exchange.

The Notes will initially be represented by one temporary global bearer note (the "**Temporary Global Note**") without coupons which will be deposited with a common depository for Clearstream Banking, *société anonyme*, Luxembourg and Euroclear Bank SA/NV (together hereinafter referred to as the "**Clearing System**") on or around the date of issue of the Notes. The Temporary Global Note will be exchangeable for a permanent global bearer note (the "**Permanent Global Note**" and, together with the Temporary Global Note, the "**Global Notes**") without coupons not earlier than 40 and not later than 180 days after the date of issue of the Notes upon certification as to non-U.S. beneficial ownership in the Notes in accordance with the rules and operating procedures of the Clearing System. Payments on the Temporary Global Note will only be made against presentation of such certification. No definitive notes or interest coupons will be issued.

##### (3) Proportional Co-ownership Interests.

The holders of the Notes (the "**Noteholders**") are entitled to proportional co-ownership interests or rights in the Temporary Global Note and the Permanent Global Note, which are transferable in accordance with applicable law and the rules and

#### Anleihebedingungen

Diese Anleihebedingungen sind in deutscher Sprache abgefasst und mit einer Übersetzung in die englische Sprache versehen. Der deutsche Wortlaut ist allein rechtsverbindlich. Die englische Übersetzung dient nur zur Information.

#### §1

##### (Verbriefung und Nennbetrag)

##### (1) Währung, Nennbetrag und Form.

Volkswagen International Finance N.V. (die "**Emittentin**") begibt unbesicherte nachrangige Schuldverschreibungen ohne feste Laufzeit erstmals kündbar in 2027 im Gesamtnennbetrag von EUR 2.000.000.000 (die "**Schuldverschreibungen**"). Die Schuldverschreibungen werden von der Volkswagen Aktiengesellschaft auf nachrangiger Basis garantiert (die "**Garantin**") und haben einen Nennbetrag von je EUR 100.000 (der "**Nennbetrag**").

##### (2) Globalurkunden und Austausch.

Die Schuldverschreibungen werden zunächst von einer vorläufigen Globalurkunde (die "**Vorläufige Globalurkunde**") ohne Zinsscheine verbrieft welche am oder um den Tag der Begebung der Schuldverschreibungen bei einer gemeinsamen Verwahrstelle für Clearstream Banking, *société anonyme*, Luxemburg und Euroclear Bank SA/NV (beide gemeinsam nachstehend als "**Clearingsystem**" bezeichnet) hinterlegt wird. Die Vorläufige Globalurkunde wird nicht vor Ablauf von 40 und spätestens nach Ablauf von 180 Tagen nach dem Tag der Begebung der Schuldverschreibungen gegen Vorlage einer Bestätigung über das Nichtbestehen U.S.-amerikanischen wirtschaftlichen Eigentums (*beneficial ownership*) an den Schuldverschreibungen gemäß den Regeln und Betriebsabläufen des Clearingsystems gegen eine endgültige Globalurkunde (die "**Dauer-Globalurkunde**" und, gemeinsam mit der Vorläufigen Globalurkunde, die "**Globalurkunden**") ohne Zinsscheine ausgetauscht. Zahlungen auf die Vorläufige Globalurkunde erfolgen nur gegen Vorlage einer solchen Bestätigung. Einzelurkunden oder Zinsscheine werden nicht ausgegeben.

##### (3) Miteigentumsanteile.

Den Inhabern der Schuldverschreibungen (die "**Anleihegläubiger**") stehen Miteigentumsanteile bzw. Rechte an der Vorläufigen Globalurkunde und der Dauer-Globalurkunde zu, die nach Maßgabe des anwendbaren Rechts und der Regeln und



regulations of the Clearing System.

Bestimmungen des Clearingsystems übertragen werden können.

## §2 (Status)

### (1) Status of the Notes.

The Issuer's obligations under the Notes constitute subordinated and unsecured obligations of the Issuer and in the event of the winding-up, dissolution or liquidation of the Issuer rank:

- (a) senior only to the Junior Obligations of the Issuer,
- (b) *pari passu* among themselves and with any Parity Obligations of the Issuer, and
- (c) junior to all other present and future obligations of the Issuer, whether subordinated or unsecured, except as otherwise provided by mandatory provisions of law or as expressly provided for by the terms of the relevant instrument.

**"Junior Obligations of the Issuer"** means (i) the ordinary shares of the Issuer, (ii) any present or future share of any other class of shares of the Issuer, (iii) any other present or future security, registered security or other instrument of the Issuer under which the Issuer's obligations rank or are expressed to rank *pari passu* with the ordinary shares of the Issuer and (iv) any present or future security, registered security or other instrument which is issued by a Subsidiary of the Issuer and guaranteed by the Issuer or for which the Issuer has otherwise assumed liability where the Issuer's obligations under such guarantee or other assumptions of liability rank or are expressed to rank *pari passu* with the instruments described under (i) and (ii).

**"Parity Obligations of the Issuer"** means any present or future obligation which (i) is issued by the Issuer and the obligations under which rank or are expressed to rank *pari passu* with the Issuer's obligations under the Notes, or (ii) benefits from a guarantee or support agreement expressed to rank *pari passu* with its obligations under the Notes. For the avoidance of doubt, Parity Obligations of the Issuer include its undated unsecured subordinated notes with a first call date in 2022, ISIN XS1629658755, its undated unsecured subordinated notes with a first call date in 2022, ISIN XS1206540806, its undated unsecured

## §2 (Status)

### (1) Status der Schuldverschreibungen.

Die Schuldverschreibungen begründen nicht besicherte, nachrangige Verbindlichkeiten der Emittentin, die im Fall der Abwicklung, Auflösung oder Liquidation der Emittentin:

- (a) nur Nachrangigen Verbindlichkeiten der Emittentin im Rang vorgehen,
- (b) untereinander und mit jeder Gleichrangigen Verbindlichkeit im Rang gleich stehen, und
- (c) allen anderen bestehenden und zukünftigen Verbindlichkeiten der Emittentin, ob nachrangig oder nicht nachrangig, im Rang nachgehen, soweit zwingende gesetzliche Vorschriften nichts anderes vorschreiben bzw. die Bedingungen des betreffenden Instruments ausdrücklich etwas anderes vorsehen.

**"Nachrangige Verbindlichkeiten der Emittentin"** bezeichnet (i) die Stammaktien der Emittentin, (ii) jede gegenwärtige oder zukünftige Aktie einer anderen Gattung von Aktien der Emittentin, (iii) jedes andere gegenwärtige oder zukünftige Wertpapier, Namenswertpapier oder jedes andere Instrument, das von der Emittentin begeben ist und bei dem die daraus folgenden Verbindlichkeiten der Emittentin mit den Stammaktien der Emittentin gleichrangig vereinbart sind und (iv) jedes gegenwärtige oder zukünftige Wertpapier, Namenswertpapier oder jedes andere Instrument, das von einer Tochtergesellschaft der Emittentin begeben und von der Emittentin dergestalt garantiert ist oder für das die Emittentin dergestalt die Haftung übernommen hat, dass die betreffenden Verbindlichkeiten der Emittentin aus der maßgeblichen Garantie oder Haftungsübernahme mit den unter (i) und (ii) genannten Instrumenten gleichrangig oder als gleichrangig vereinbart sind.

**"Gleichrangige Verbindlichkeiten der Emittentin"** bezeichnet jede bestehende und zukünftige Verbindlichkeit, die (i) von der Emittentin begeben wurde und die gleichrangig im Verhältnis zu den Verbindlichkeiten der Emittentin unter den Schuldverschreibungen ist oder ausdrücklich als gleichrangig vereinbart ist oder die (ii) von einer Garantie oder Haftungsübernahme profitiert, bei der die Verbindlichkeiten der Emittentin aus der betreffenden Garantie oder Haftungsübernahme mit den Verbindlichkeiten der Emittentin aus den Schuldverschreibungen als gleichrangig vereinbart sind. Gleichrangige Verbindlichkeiten der Emittentin

subordinated notes with a first call date in 2030, ISIN XS1206541366, its undated unsecured subordinated notes with a first call date in 2021, ISIN XS1048428012, its undated unsecured subordinated notes with a first call date in 2026, ISIN XS1048428442, its undated unsecured subordinated notes with a first call date in 2018, ISIN XS0968913268, and its undated unsecured subordinated notes with a first call date in 2023, ISIN XS0968913342 (together the "**Hybrid Securities**").

"**Subsidiary of the Issuer**" means any corporation, partnership or other enterprise in which the Issuer directly or indirectly holds in the aggregate more than 50 per cent. of the capital or the voting rights.

(2) **Insolvency or Liquidation of the Issuer.**

In an insolvency or liquidation of the Issuer, no payments under the Notes shall be made to the Noteholders unless all claims that, pursuant to § 2(1), rank senior to the Notes (condition precedent) have been discharged or secured in full (i.e. not only with a quota).

**§3  
(Guarantee)**

(1) **Unconditional and Irrevocable Guarantee.**

The Notes will be unconditionally and irrevocably guaranteed by the Guarantor on a subordinated basis as to payments (the "**Guarantee**").

(2) **Status of the Guarantee.**

The obligations of the Guarantor under the Guarantee rank:

(a) senior only to the Junior Obligations of the

sind, unter anderem, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2022, ISIN XS1629658755, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2022, ISIN XS1206540806, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2030, ISIN XS1206541366, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2021, ISIN XS1048428012, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2026, ISIN XS1048428442, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2018, ISIN XS0968913268, und die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2023, ISIN XS0968913342 (zusammen die "**Hybridanleihen**").

"**Tochtergesellschaft der Emittentin**" bezeichnet jede Gesellschaft, Personengesellschaft und jedes sonstige Unternehmen oder jede andere Person an der bzw. dem die Emittentin direkt oder indirekt insgesamt mehr als 50 % des Kapitals oder der Stimmrechte hält.

(2) **Insolvenz oder Liquidation der Emittentin.**

Im Falle einer Insolvenz oder Liquidation der Emittentin steht jedwede Zahlung unter den Schuldverschreibungen an die Anleihegläubiger unter dem Vorbehalt, dass zuvor sämtliche Verpflichtungen auf gegenüber den Schuldverschreibungen gemäß § 2(1) vorrangige Verbindlichkeiten zur Gänze (d.h. nicht nur quotenmäßig) bezahlt oder sichergestellt wurden.

**§3  
(Garantie)**

(1) **Unbedingte und Unwiderrufliche Garantie.**

Die Schuldverschreibungen werden unbedingt und unwiderruflich durch die Garantin auf nachrangiger Ebene im Hinblick auf Zahlungen garantiert (die "**Garantie**").

(2) **Status der Garantie.**

Die Verbindlichkeiten der Garantin unter der Garantie:

(a) gehen nur Nachrangigen Verbindlichkeiten

Guarantor,

(b) *pari passu* with any other present and future Parity Obligations of the Guarantor, and

(c) junior to the Guarantor's unsubordinated obligations, contractually and statutorily subordinated obligations except as expressly provided for otherwise by the terms of the relevant obligation, and subordinated obligations required to be preferred by law.

**"Junior Obligations of the Guarantor"** means (i) the ordinary shares and preferred shares of the Guarantor, (ii) any present or future share of any other class of shares of the Guarantor, (iii) any other present or future security, registered security or other instrument of the Guarantor under which the Guarantor's obligations rank or are expressed to rank *pari passu* with the ordinary shares or the preferred shares of the Guarantor and (iv) any present or future security, registered security or other instrument which is issued by a Subsidiary of the Guarantor and guaranteed by the Guarantor or for which the Guarantor has otherwise assumed liability where the Guarantor's obligations under such guarantee or other assumption of liability rank or are expressed to rank *pari passu* with the instruments described under (i), (ii) and (iii).

**"Parity Obligations of the Guarantor"** means any present or future obligation which (i) is issued by the Guarantor and the obligations under which rank or are expressed to rank *pari passu* with the Guarantor's obligations under the Guarantee, or (ii) benefits from a guarantee or support agreement that ranks or is expressed to rank *pari passu* with its obligations under the Guarantee. For the avoidance of doubt, Parity Obligations of the Guarantor include its obligations under the guarantees for the Issuer's Hybrid Securities.

der Garantin im Rang vor,

(b) stehen gleich im Rang untereinander und mit jeder Gleichrangigen Verbindlichkeit der Garantin, und

(c) gehen allen anderen nicht nachrangigen Verbindlichkeiten der Garantin, gesetzlich nachrangigen und vertraglich nachrangigen Verbindlichkeiten, außer wenn in den Bedingungen der betreffenden Verbindlichkeit etwas anderes geregelt sein sollte, und nachrangigen Verbindlichkeiten, die durch Gesetz vorrangig sein müssen, im Rang nach.

**"Nachrangige Verbindlichkeiten der Garantin"** bezeichnet (i) die Stammaktien und die Vorzugsaktien der Garantin, (ii) jede gegenwärtige oder zukünftige Aktie einer anderen Gattung von Aktien der Garantin, (iii) jedes andere gegenwärtige oder zukünftige Wertpapier, Namenswertpapier oder jedes andere Instrument, das von der Garantin begeben ist und bei dem die daraus folgenden Verbindlichkeiten der Garantin mit den Stammaktien oder den Vorzugsaktien der Garantin gleichrangig vereinbart sind und (iv) jedes gegenwärtige oder zukünftige Wertpapier, Namenswertpapier oder jedes andere Instrument, das von einer Tochtergesellschaft der Garantin begeben und von der Garantin dergestalt garantiert ist oder für das die Garantin dergestalt die Haftung übernommen hat, dass die betreffenden Verbindlichkeiten der Garantin aus der maßgeblichen Garantie oder Haftungsübernahme mit den unter (i), (ii) und (iii) genannten Instrumenten gleichrangig oder als gleichrangig vereinbart sind.

**"Gleichrangige Verbindlichkeiten der Garantin"** bezeichnet jede bestehende und zukünftige Verbindlichkeit, die (i) von der Garantin begeben wurde und die gleichrangig im Verhältnis zu den Verbindlichkeiten der Garantin aus der Garantie ist oder ausdrücklich als gleichrangig vereinbart ist oder die (ii) von einer Garantie oder Haftungsübernahme profitiert, bei der die Verbindlichkeiten der Garantin aus der betreffenden Garantie oder Haftungsübernahme mit den Verbindlichkeiten der Garantin aus der Garantie gleichrangig oder als gleichrangig vereinbart sind. Gleichrangige Verbindlichkeiten der Garantin sind, unter anderem, ihre Verbindlichkeiten aus der Garantie für die Hybridanleihen.

"**Subsidiary of the Guarantor**" means any corporation, partnership or other enterprise in which the Guarantor directly or indirectly holds in the aggregate more than 50 per cent. of the capital or the voting rights.

**§4  
(Prohibition of Set-off)**

No Noteholder may set-off any claims arising under the Notes or the Guarantee against any claims that the Issuer or the Guarantor may have against it. The Issuer may not set-off any claims it may have against the Noteholders against any of its obligations under the Notes. The Guarantor may not set-off any claims it may have against the Noteholders against any of its obligations under the Guarantee.

**§5  
(Interest)**

(1) **Interest accrual.**

From and including June 14, 2017 (the "**Interest Commencement Date**") to but excluding June 14, 2027 (the "**First Call Date**") the Notes bear interest on their principal amount at a rate of 3.875 per cent. per annum.

From and including the First Call Date to but excluding the date on which the Issuer redeems the Notes in whole pursuant to § 7(3) or § 7(4) the Notes bear interest at the relevant Reset Rate of Interest for the Interest Period.

"**Reset Rate of Interest**" means the Reset Reference Rate for the relevant Reset Period in which the relevant Interest Period falls plus the relevant Margin for the relevant Interest Period.

Interest is scheduled to be paid annually in arrears on June 14 of each year (each an "**Interest Payment Date**"), commencing on June 14, 2018 and will be due and payable (*fällig*) in accordance with the conditions set out in § 6.

(2) **Definitions.**

The "**10-year Swap Rate**" for the relevant Reset Period will be determined by the Calculation Agent on the Reset Rate Determination Date prior to the relevant Reset Date on which the relevant Reset Period commences (the "**Reference Reset Date**") and will be the annual mid swap rate for euro swap transactions with a term of 10 years commencing on

"**Tochtergesellschaft der Garantin**" bezeichnet jede Gesellschaft, Personengesellschaft und jedes sonstige Unternehmen oder jede andere Person an der bzw. dem die Garantin direkt oder indirekt insgesamt mehr als 50 % des Kapitals oder der Stimmrechte hält.

**§4  
(Aufrechnungsverbot)**

Die Anleihegläubiger sind nicht berechtigt, Forderungen aus den Schuldverschreibungen bzw. aus der Garantie gegen mögliche Forderungen der Emittentin bzw. der Garantin aufzurechnen. Die Emittentin ist nicht berechtigt, Forderungen gegenüber Anleihegläubigern gegen Verpflichtungen aus den Schuldverschreibungen aufzurechnen. Die Garantin ist nicht berechtigt, Forderungen gegenüber Anleihegläubigern gegen Verpflichtungen aus der Garantie aufzurechnen.

**§5  
(Zinsen)**

(1) **Zinslauf.**

In dem Zeitraum ab dem 14. Juni 2017 (der "**Zinslaufbeginn**") (einschließlich) bis zum 14. Juni 2027 (der "**Erste Rückzahlungstermin**") (ausschließlich) belaufen sich die Zinsen auf den Nennbetrag der Schuldverschreibungen auf 3,875 % per annum.

In dem Zeitraum ab dem Ersten Rückzahlungstermin (einschließlich) bis zu dem Tag, an dem die Emittentin die Schuldverschreibungen vollständig gemäß § 7(3) oder § 7(4) zurückzahlt, belaufen sich die Zinsen auf den jeweiligen Reset-Zinssatz für die jeweilige Zinsperiode.

"**Reset-Zinssatz**" bezeichnet den jeweiligen Reset-Referenzsatz für den jeweiligen Reset-Zeitraum, in den die jeweilige Zinsperiode fällt, zuzüglich der relevanten Marge für die jeweilige Zinsperiode.

Zinsen sind nachträglich am 14. Juni eines jeden Jahres (jeweils ein "**Zinszahlungstag**") zur Zahlung vorgesehen, erstmals am 14. Juni 2018, und werden nach Maßgabe der in § 6 dargelegten Bedingungen fällig.

(2) **Definitionen.**

Der "**10-Jahres Swapsatz**" für den jeweiligen Reset-Zeitraum wird von der Berechnungsstelle am Reset-Referenzsatz-Bestimmungstag vor dem jeweiligen Reset-Termin zu dem der jeweilige Reset-Zeitraum beginnt (der "**Referenz-Reset-Termin**") bestimmt und ist der jährliche Mid-Swapsatz für Euro-Swap-Transaktionen mit einer Laufzeit von 10 Jahren

the Reference Reset Date, expressed as a percentage, which appears on the Reuters screen ICESWAP2 Page under the heading "EURIBOR BASIS-EUR" and above the caption "11:00AM FRANKFURT" as of 11:00 a.m., Frankfurt time, on the Reset Rate Determination Date. If such rate does not appear on the Reuters screen ICESWAP2 Page, the Reset Reference Rate for that Reset Date will be the Reset Reference Bank Rate.

**"Business Day"** means a day on which all relevant parts of the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) system are operational.

**"Interest Period"** means each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and thereafter from and including each Interest Payment Date to but excluding the next following Interest Payment Date.

**"Margin"** means:

(i) in respect of each Interest Period from and including the First Call Date (which equals the first step-up date) to but excluding June 14, 2047 (the **"Second Step-up Date"**): 337 basis points per annum (including a 25 basis points step-up); and

(ii) in respect of each Interest Period from and including the Second Step-up Date to but excluding the date on which the Issuer redeems the Notes in whole pursuant to § 7(3) or § 7(4): 412 basis points per annum (including a further 75 basis points step-up).

**"Reference Banks"** means five leading swap dealers in the interbank market.

**"Representative Amount"** means an amount that is representative for a single transaction in the swap market at the relevant time.

**"Reset Date"** means the First Call Date and each tenth anniversary of the First Call Date.

**"Reset Period"** means each period from and including the First Call Date to but excluding the next following Reset Date and thereafter from and including each Reset Date to but excluding the next following Reset Date.

**"Reset Reference Rate"** means the relevant 10-year

beginnend mit dem Referenz-Reset-Termin, ausgedrückt als Prozentsatz, der am Reset-Referenzsatz-Bestimmungstag um 11:00 Uhr, Frankfurter Zeit auf der Reuters-Bildschirmseite ICESWAP2 unter der Überschrift "EURIBOR BASIS-EUR" und über der Angabe "11:00AM FRANKFURT" angezeigt wird. Falls ein solcher Zinssatz nicht auf der Reuters-Bildschirmseite ICESWAP2 angezeigt wird, ist der Reset-Referenzsatz für den Reset-Termin der Reset-Referenzbankzinssatz.

**"Geschäftstag"** bezeichnet einen Tag, an dem alle maßgeblichen Stellen des Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) Systems Geschäfte tätigen.

**"Zinsperiode"** bezeichnet jeden Zeitraum ab dem Zinslaufbeginn (einschließlich) bis zum ersten Zinszahlungstag (ausschließlich) und nachfolgend ab jedem Zinszahlungstag (einschließlich) bis zu dem jeweils nächstfolgenden Zinszahlungstag (ausschließlich).

**"Marge"** bedeutet:

(i) für jede Zinsperiode ab dem Ersten Rückzahlungstermin (einschließlich) (welcher auch der erste Step-up Termin ist) bis zum 14. Juni 2047 (der **"Zweite Step-up Termin"**): 337 Basispunkte per annum (einschließlich eines 25 Basispunkte Step-up); und

(ii) für jede Zinsperiode ab dem Zweiten Step-up Termin (einschließlich) bis zum Tag an dem die Emittentin die Schuldverschreibungen vollständig gemäß § 7(3) oder § 7(4) zurückzahlt: 412 Basispunkte per annum (einschließlich eines weiteren 75 Basispunkte Step-up).

**"Referenzbanken"** bedeutet fünf im Interbankenmarkt führende Swap Dealer.

**"Repräsentative Höhe"** bedeutet die Höhe einer einzelnen Transaktion, die zur jeweiligen Zeit im Swap-Markt typisch ist.

**"Reset-Termin"** bezeichnet den Ersten Rückzahlungstermin und jeden zehnten Jahrestag des Ersten Rückzahlungstermins.

**"Reset-Zeitraum"** bezeichnet jeden Zeitraum ab dem Ersten Rückzahlungstermin (einschließlich) bis zum ersten Reset-Termin (ausschließlich) und nachfolgend ab jedem Reset-Termin (einschließlich) bis zu dem jeweils nächstfolgenden Reset-Termin (ausschließlich).

**"Reset-Referenzsatz"** ist der jeweilige 10-Jahres

Swap Rate for the relevant Reset Period, as determined by the Calculation Agent.

**"Reset Rate Determination Date"** means the second Business Day prior to the relevant Reset Date.

**"Reset Reference Bank Rate"** means a percentage determined on the basis of the mid-market annual swap rate quotations provided by the Reference Banks at approximately 11:00 a.m., Frankfurt time on the Reset Rate Determination Date. For this purpose, the mid-market annual swap rate means the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term of 10 years commencing on that Reference Reset Date and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to a designated maturity of six months. The Calculation Agent will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate for that Reset Date will be the arithmetic mean (rounded if necessary to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards) of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, and if the International Swaps and Derivatives Association, Inc. ("**ISDA**") has published a fallback provision for the determination of the Reset Reference Bank Rate at the relevant time, the Calculation Agent will determine the Reset Reference Bank Rate on the basis of such fallback provision. If the ISDA has not published such a fallback provision at the relevant time, the following shall apply: If only two quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided. If no quotations are provided, the Reset Reference Bank Rate will be equal to the last available 10 year mid swap rate for euro swap transactions, expressed as an annual rate, on the Reuters screen ICESWAP2 page.

Swap Zinssatz für den jeweiligen Reset-Zeitraum, wie er von der Berechnungsstelle festgestellt wird.

**"Reset-Referenzsatz-Bestimmungstag"** ist der zweite Geschäftstag vor dem jeweiligen Reset-Termin.

Der **"Reset-Referenzbankenzinssatz"** bezeichnet den Prozentsatz, der auf Basis der Mid-market Jahres-Swapsatz-Angebotssätze von den Referenzbanken um ungefähr 11:00 Uhr, Frankfurter Zeit, am Reset-Referenzsatz-Bestimmungstag festgestellt wird. Der Mid-market Jahres-Swapsatz ist das arithmetische Mittel des Geld- und Briefkurses für den Jahres-Festzinshausstrom, berechnet auf Basis eines 30/360 Zinstagequotienten, einer Fest-zu-variabel Euro-Zinsswaptransaktion mit einer Laufzeit von 10 Jahren beginnend mit dem Referenz-Reset-Termin, die in einer Repräsentativen Höhe mit einem anerkannten Händler von guter Bonität im Swapmarkt abgeschlossen wurde, wobei der variable Teil, berechnet basierend auf einem Actual/360 Zinstagequotienten, eine Endfälligkeit von sechs Monaten hat. Die Berechnungsstelle wird bei der Hauptniederlassung der Referenzbanken jeweils um einen Angebotssatz bitten. Falls zumindest drei Angebotssätze zur Verfügung gestellt werden, ist der Zinssatz für den Reset-Termin das arithmetische Mittel (falls erforderlich, auf- oder abgerundet auf das nächste Tausendstel Prozent, wobei 0,0005 aufgerundet wird) der Angebotssätze, bereinigt um den höchsten Angebotssatz (oder, falls mehrere Angebotssätze gleich hoch sind, einer der höchsten) und den niedrigsten Angebotssatz (oder, falls mehrere Angebotssätze gleich niedrig sind, einen der niedrigsten). Falls nur zwei oder weniger Quotierungen zur Verfügung gestellt werden, und falls zum betreffenden Zeitpunkt die International Swaps and Derivatives Association, Inc. ("**ISDA**") eine Auffangregelung zur Bestimmung des Reset-Referenzbankenzinssatzes veröffentlicht hat, wird die Berechnungsstelle den Reset-Referenzbankenzinssatz auf Basis dieser Auffangregelung berechnen. Falls die ISDA zum betreffenden Zeitpunkt keine solche Auffangregelung veröffentlicht hat, gilt folgendes: Falls nur zwei Quotierungen zur Verfügung gestellt werden, ist der Reset-Referenzbankenzinssatz das rechnerische Mittel der zur Verfügung gestellten Quotierungen. Falls nur eine Quotierung zur Verfügung gestellt wird, ist der Reset-Referenzbankenzinssatz die zur Verfügung gestellte Quotierung. Falls keine Quotierungen zur Verfügung gestellt werden, ist der Reset-Referenzbankenzinssatz der letzte Mid-Swapsatz für Euro-Swap-Transaktionen mit einer Laufzeit von 10 Jahren, ausgedrückt auf jährlicher Basis, der auf der Reuters-Bildschirmseite ICESWAP2 verfügbar ist.

**(3) Determination or calculation by Calculation Agent**

The Calculation Agent will, on the Reset Rate Determination Date, determine the Reset Rate of Interest and cause the same to be notified to the Issuer, the Principal Paying Agent and, if required by the rules of any stock exchange on which the Notes are then listed, to such stock exchange, and to the Noteholders in accordance with § 13 without undue delay, but, in any case, not later than on the eighth Business Day after its determination.

**(4) Day Count Fraction.**

Where interest is to be calculated in respect of any period of time that is equal to or shorter than an Interest Period (the "**Calculation Period**"), the interest will be calculated on the basis of the actual number of days elapsed in such Calculation Period (from and including the day from which interest begins to accrue to but excluding the day on which it falls due), divided by the number of days in the Interest Period in which the Calculation Period falls (Act/Act (ICMA)) (including the first such day of the relevant Interest Period but excluding the last day of the relevant Interest Period).

**(5) Cessation of interest accrual.**

The Notes will cease to bear interest from the beginning of the day their principal amount is due for repayment. If the Issuer fails to make any payment of principal under the Notes when due, the Notes will cease to bear interest from the beginning of the day on which such payment is made. In such case the applicable rate of interest will be determined pursuant to this § 3(1).

**§6**

**(Due date for interest payments; Deferral of interest payments; Payment of Arrears of Interest)**

**(1) Due date for interest payments; optional interest deferral.**

(a) Interest which accrues during an Interest Period will be due and payable (*fällig*) on the relevant Interest Payment Date, unless the Issuer elects, by giving notice to the Noteholders not less than 10 Business Days prior the relevant Interest Payment Date in accordance with § 13, to defer the relevant payment of interest (in whole but not in

**(3) Berechnungen und Feststellungen durch die Berechnungsstelle.**

Die Berechnungsstelle wird den Reset-Zinssatz für die Schuldverschreibungen am Reset-Referenzsatz-Bestimmungstag bestimmen und veranlassen, dass dieser der Emittentin, der Hauptzahlstelle und jeder Börse, an der die Schuldverschreibungen zu diesem Zeitpunkt notiert sind und deren Regeln eine Mitteilung an die Börse verlangen, sowie den Anleihegläubigern gemäß § 13 unverzüglich, aber keinesfalls später als am achten auf dessen Bestimmung folgenden Geschäftstag mitgeteilt wird.

**(4) Zinstagekoeffizient.**

Sind Zinsen für einen Zeitraum zu berechnen (der "**Zinsberechnungszeitraum**"), der kürzer als eine Zinsperiode ist oder einer Zinsperiode entspricht, so werden sie auf der Grundlage der tatsächlichen Anzahl der Tage in dem betreffenden Zinsberechnungszeitraum (ab dem ersten Tag, an dem Zinsen auflaufen (einschließlich) bis zu dem Tag, an dem die Zinsen fällig werden (ausschließlich)) berechnet, dividiert durch die Anzahl der Tage in der Zinsperiode, in die der betreffende Zinsberechnungszeitraum fällt (Act/Act (ICMA)) (einschließlich des ersten Tages der betreffenden Zinsperiode, aber ausschließlich des letzten Tages der betreffenden Zinsperiode).

**(5) Zinslaufende.**

Die Verzinsung der Schuldverschreibungen endet mit Beginn des Tages, an dem ihr Kapitalbetrag zur Rückzahlung fällig wird. Sollte die Emittentin eine Zahlung von Kapital auf die Schuldverschreibungen bei Fälligkeit nicht leisten, endet die Verzinsung der Schuldverschreibungen mit Beginn des Tages der tatsächlichen Zahlung. Der in einem solchen Fall jeweils anzuwendende Zinssatz wird gemäß § 3(1) bestimmt.

**§6**

**(Fälligkeit von Zinszahlungen; Aufschub von Zinszahlungen; Zahlung Aufgeschobener Zinszahlungen)**

**(1) Fälligkeit von Zinszahlungen; wahlweiser Zinsaufschub.**

(a) Zinsen, die während einer Zinsperiode auflaufen, werden an dem betreffenden Zinszahlungstag fällig, sofern sich die Emittentin nicht durch eine Bekanntmachung an die Anleihegläubiger gemäß § 13 innerhalb einer Frist von nicht weniger als 10 Geschäftstagen vor dem betreffenden Zinszahlungstag dazu entscheidet, die betreffende Zinszahlung (insgesamt, jedoch nicht

part).

If the Issuer elects not to pay accrued interest on an Interest Payment Date, then it will not have any obligation to pay such interest on such Interest Payment Date. Any such non-payment of interest will not constitute a default of the Issuer or any other breach of its obligations under the Notes or for any other purpose.

Interest not due and payable in accordance with this § 6(1)(a) will constitute arrears of interest ("**Arrears of Interest**").

(b) Arrears of Interest will not bear interest.

(2) **Optional Settlement of Arrears of Interest.**

The Issuer or the Guarantor will be entitled to pay outstanding Arrears of Interest (in whole but not in part) at any time by giving notice to the Noteholders not less than 10 Business Days before such voluntary payment and specifying (i) the amount of Arrears of Interest to be paid and (ii) the date fixed for such payment.

(3) **Mandatory Payment of Arrears of Interest**

The Issuer must pay outstanding Arrears of Interest (in whole but not in part) on the earliest of the following calendar days (each a "**Mandatory Settlement Date**"):

(a) the calendar day on which a dividend, other distribution or other payment was validly resolved on, declared, paid, or made in respect of Junior Obligations of the Guarantor, Parity Obligations of the Issuer or Parity Obligations of the Guarantor (except where such dividend, other distribution or payment was required in respect of employee share schemes);

(b) the calendar day on which the Issuer, the Guarantor, a Subsidiary of the Issuer or a Subsidiary of the Guarantor has redeemed, repurchased or otherwise acquired Junior Obligations of the Issuer, Junior Obligations of the Guarantor, Parity Obligations of the Issuer or Parity Obligations of the Guarantor (except where such redemption or repurchase was mandatory under the terms of the instrument or required in respect of employee share

teilweise) auszusetzen.

Wenn sich die Emittentin an einem Zinszahlungstag zur Nichtzahlung aufgelaufener Zinsen entscheidet, dann ist sie nicht verpflichtet, an dem betreffenden Zinszahlungstag Zinsen zu zahlen. Eine Nichtzahlung von Zinsen aus diesem Grunde begründet keinen Verzug der Emittentin und keine anderweitige Verletzung ihrer Verpflichtungen aufgrund der Schuldverschreibungen oder für sonstige Zwecke.

Nach Maßgabe dieses § 6(1)(a) nicht fällig gewordene Zinsen sind aufgeschobene Zinszahlungen ("**Aufgeschobene Zinszahlungen**").

(b) Aufgeschobene Zinszahlungen werden nicht verzinst.

(2) **Freiwillige Zahlung von Aufgeschobenen Zinszahlungen.**

Die Emittentin oder Garantin ist berechtigt, ausstehende Aufgeschobene Zinszahlungen jederzeit insgesamt, jedoch nicht teilweise nach Bekanntmachung an die Anleihegläubiger unter Einhaltung einer Frist von nicht weniger als 10 Geschäftstagen vor einer freiwilligen Zinszahlung, wobei eine solche Bekanntmachung (i) den Betrag an Aufgeschobenen Zinszahlungen, der gezahlt werden soll, und (ii) den für diese Zahlung festgelegten Termin enthalten muss.

(3) **Pflicht zur Zahlung von Aufgeschobenen Zinszahlungen**

Die Emittentin ist verpflichtet, Aufgeschobene Zinszahlungen insgesamt und nicht nur teilweise am ersten der folgenden Kalendertage zu zahlen (jeweils ein "**Pflichtnachzahlungstag**"):

(a) am Kalendertag, an dem eine Dividende oder sonstige Ausschüttung oder sonstige Zahlung in Bezug auf Nachrangige Verbindlichkeiten der Garantin, Gleichrangige Verbindlichkeiten der Emittentin oder Gleichrangige Verbindlichkeiten der Garantin erklärt, beschlossen, gezahlt oder geleistet wurde (außer in dem Fall, dass die Dividende oder sonstige Ausschüttung oder Zahlung unter einem Mitarbeiterbeteiligungsprogramm erforderlich war);

(b) am Kalendertag, an dem die Emittentin, die Garantin, eine Tochtergesellschaft der Emittentin oder eine Tochtergesellschaft der Garantin Nachrangige Verbindlichkeiten der Emittentin, Nachrangige Verbindlichkeiten der Garantin, Gleichrangige Verbindlichkeiten der Emittentin oder Gleichrangige Verbindlichkeiten der Garantin zurückgekauft, zurückgezahlt oder anderweitig erworben hat (außer in dem Fall, dass die



schemes);

(c) the calendar day on which the Notes are redeemed;

(d) the next Interest Payment Date on which the Issuer pays interest on the Notes scheduled to be paid on such Interest Payment Date; or

(e) the calendar day after an order is made for the winding-up, dissolution or liquidation of the Issuer or the Guarantor (other than for the purposes of or pursuant to an amalgamation, reorganization or restructuring while solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer or Guarantor, as the case may be);

provided that

(x) in the cases (a) and (b) above no Mandatory Settlement Date occurs if the Issuer, the Guarantor or the relevant Subsidiary is obliged under the terms and conditions of such parity or junior obligations to make such payment, such redemption, such repurchase or such other acquisition; and

(y) in the case (b) above no Mandatory Settlement Date occurs if the Issuer, the Guarantor or the relevant Subsidiary repurchases or otherwise acquires any Parity Obligations of the Issuer or Parity Obligations of the Guarantor in whole or in part in a public tender offer or public exchange offer at a purchase price per Parity Obligation below its par value.

## §7

### (Redemption and Repurchase)

#### (1) No Scheduled Redemption.

The Notes have no final maturity date and shall not be redeemed except in accordance with the provisions set out in this § 7.

#### (2) Repurchase.

Subject to applicable laws, the Issuer, the Guarantor or any Subsidiary of the Guarantor may at any time purchase Notes in the open market or otherwise and

Rückzahlung oder der Rückkauf nach den Bedingungen des Instruments verpflichtend war oder unter einem Mitarbeiterbeteiligungsprogramm erforderlich war);

(c) am Kalendertag, an dem die Schuldverschreibungen zurückgezahlt wurden;

(d) am nächsten Zinszahlungstag, an dem die Emittentin Zinsen auf die Schuldverschreibungen zahlt; oder

(e) am Kalendertag, nach dem ein Beschluss zur Auflösung, Abwicklung oder Liquidation der Emittentin oder der Garantin ergangen ist (aber nur, wenn dies nicht für die Zwecke oder als Folge eines Zusammenschlusses, einer Umstrukturierung oder Sanierung geschieht und die Emittentin bzw. die Garantin noch zahlungsfähig sind und die übernehmende Gesellschaft im Wesentlichen alle Vermögenswerte und Verpflichtungen der Emittentin bzw. der Garantin übernimmt);

mit der Maßgabe, dass

(x) in den vorgenannten Fällen (a) und (b) kein Pflichtnachzahlungstag vorliegt, wenn die Emittentin, die Garantin oder die betreffende Tochtergesellschaft nach Maßgabe der Emissionsbedingungen der betreffenden gleichrangigen oder nachrangigen Verbindlichkeit zu der Zahlung, zu der Rückzahlung, zu dem Rückkauf oder zu dem anderweitigen Erwerb verpflichtet ist; und

(y) im vorgenannten Fall (b) kein Pflichtnachzahlungstag vorliegt, wenn die Emittentin, die Garantin oder die betreffende Tochtergesellschaft Gleichrangige Verbindlichkeiten der Emittentin oder Gleichrangige Verbindlichkeiten der Garantin nach einem öffentlichen Rückkaufangebot oder öffentlichen Umtauschangebot zu einem unter dem Nennwert je Gleichrangiger Verbindlichkeit liegenden Kaufpreis zurückkauft oder anderweitig erwirbt.

## §7

### (Rückzahlung und Rückkauf)

#### (1) Keine Endfälligkeit.

Die Schuldverschreibungen haben keinen Endfälligkeitstag und werden, außer gemäß den Bestimmungen in diesem § 7, nicht zurückgezahlt.

#### (2) Rückkauf.

Die Emittentin, die Garantin oder eine Tochtergesellschaft der Garantin kann, soweit gesetzlich zulässig, jederzeit Schuldverschreibungen

at any price. Such acquired Notes may be cancelled, held or resold.

**(3) Redemption at the Option of the Issuer and in Case of Minimum Outstanding Aggregate Principal Amount.**

(a) The Issuer may, upon giving not less than 20 nor more than 40 days notice pursuant to § 13 call the Notes for redemption (in whole but not in part) for the first time with effect as of the First Call Date and subsequently with effect as of each Interest Payment Date thereafter. In this case the Issuer shall redeem each Note at its Principal Amount plus accrued and unpaid interest and any Arrears of Interest on the redemption date specified in the notice.

(b) The Issuer may, upon giving not less than 20 nor more than 40 days notice pursuant to § 13, call the Notes for redemption (in whole but not in part) at any time if at least 80 per cent. of the originally issued aggregate principal amount of the Notes have been redeemed or purchased and cancelled. In this case the Issuer shall redeem each Note at its Principal Amount plus accrued and unpaid interest and any Arrears of Interest on the redemption date specified in the notice.

**(4) Other Special Redemption Events.**

The Issuer may upon giving not less than 20 nor more than 40 days notice pursuant to § 13, call the Notes for redemption (in whole but not in part) at any time if any of the special events as set forth below has occurred. In this case the Issuer shall redeem each Note at the Early Redemption Amount on the redemption date specified in the notice. The notice shall set forth the underlying facts of the Issuer's right to early redemption and specify the redemption date:

auf dem freien Markt oder anderweitig sowie zu jedem beliebigen Preis kaufen. Derartig erworbene Schuldverschreibungen können entwertet, gehalten oder wieder veräußert werden.

**(3) Rückzahlung nach Wahl der Emittentin und bei geringem ausstehendem Gesamtnennbetrag.**

(a) Die Emittentin ist berechtigt, durch Bekanntmachung gemäß § 13 unter Einhaltung einer Frist von nicht weniger als 20 und nicht mehr als 40 Geschäftstagen, die Schuldverschreibungen (insgesamt und nicht nur teilweise) erstmals mit Wirkung zum Ersten Kündigungstag, und danach mit Wirkung zu jedem nachfolgenden Zinszahlungstag zu kündigen. Im Falle einer solchen Kündigung ist die Emittentin verpflichtet, jede Schuldverschreibung an dem in der Bekanntmachung festgelegten Rückzahlungstag zu ihrem Nennbetrag zuzüglich aufgelaufener aber noch nicht bezahlter Zinsbeträge sowie Aufgeschobener Zinszahlungen zurückzuzahlen.

(b) Die Emittentin ist berechtigt, durch Bekanntmachung gemäß § 13 unter Einhaltung einer Frist von nicht weniger als 20 und nicht mehr als 40 Geschäftstagen, die Schuldverschreibungen (insgesamt und nicht nur teilweise) jederzeit zu kündigen, falls mindestens 80 % des ursprünglich begebenen Gesamtnennbetrages der Schuldverschreibungen zurückgezahlt oder erworben und eingezogen worden sind. Im Falle einer solchen Kündigung ist die Emittentin verpflichtet, jede Schuldverschreibung an dem in der Bekanntmachung festgelegten Rückzahlungstag zu ihrem Nennbetrag zuzüglich aufgelaufener aber noch nicht bezahlter Zinsbeträge sowie Aufgeschobener Zinszahlungen zurückzuzahlen.

**(4) Besondere Rückzahlungsereignisse.**

Die Emittentin ist berechtigt, durch Bekanntmachung gemäß § 13 unter Einhaltung einer Frist von nicht weniger als 20 und nicht mehr als 40 Geschäftstagen, die Schuldverschreibungen (insgesamt und nicht nur teilweise) jederzeit zu kündigen, falls eines der folgenden besonderen Ereignisse eingetreten ist. Im Falle einer solchen Kündigung ist die Emittentin verpflichtet, jede Schuldverschreibung an dem in der Bekanntmachung festgelegten Rückzahlungstag zu ihrem Vorzeitigen Rückzahlungsbetrag zurückzuzahlen. Die Bekanntmachung hat den Grund der vorzeitigen Rückzahlung und den Rückzahlungstag anzugeben:

(a) If (i)(A) any Rating Agency publishes a change in hybrid capital methodology or the interpretation thereof, as a result of which change the Notes would no longer be eligible for the same or a higher category of "equity credit" or such similar nomenclature as may be used by that Rating Agency from time to time to describe the degree to which the terms of an instrument are supportive of the Guarantor's senior obligations, attributed to the Notes at the Issue Date (a "**Loss in Equity Credit**"), or (B) the Issuer has received, and has provided the Principal Paying Agent with a copy of, a written confirmation from any Rating Agency that due to a change in hybrid capital methodology or the interpretation thereof, a Loss in Equity Credit occurred (the events described in (A) and (B) each a "**Rating Event**") and (ii) the Issuer has given notice to the Noteholders in accordance with § 13 of such Rating Event prior to giving the notice of redemption referred to above.

"**Rating Agency**" means each of Moody's and S&P, where "**Moody's**" means Moody's Investors Services Limited or any of its successors, and "**S&P**" means Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc., or any of its subsidiaries or successors.

(b) A recognized accountancy firm, acting upon instructions of the Issuer or Guarantor, has delivered a letter or report to the Issuer or Guarantor, stating that as a result of a change in accounting principles (or the application thereof) since the Issue Date, the Notes may not or may no longer be recorded as "equity" in the audited annual or the semi-annual consolidated financial statements of the Guarantor pursuant to the International Financial Reporting Standards ("**IFRS**") or any other accounting standards that may replace IFRS for the purposes of preparing the annual consolidated financial statements of the Guarantor (an "**Accounting Event**").

(c) An opinion of a recognized law firm of international standing has been delivered to the Issuer or Guarantor, stating that by reason of a change in German or Dutch law or regulation, or any change in the official application or interpretation of such law, after the Issue Date, the tax regime of any payments under the Notes is modified and such modification results in payments of interest payable by the Issuer

(a) Falls (i)(A) eine Ratingagentur eine Veränderung in der Methodologie für Hybridkapital oder der Interpretation dieser Methodologie veröffentlicht, wodurch die Schuldverschreibungen nicht mehr länger in derselben oder einer höheren Kategorie von Eigenkapital (oder eine vergleichbare Beschreibung, die von der Ratingagentur in Zukunft genutzt wird, um zu beschreiben in wie weit die Bedingungen eines Instruments die vorrangigen Verbindlichkeiten der Garantin unterstützen) wie am Ausgabetag einzuordnen sind (ein "**Verlust der Eigenkapitalzuordnung**"), oder (B) die Emittentin hat eine schriftliche Bestätigung von einer Ratingagentur erhalten und hat diese an die Hauptzahlstelle in Kopie weitergegeben, welche besagt, dass aufgrund einer Änderung der Methodologie für Hybridkapital oder der Interpretation dieser Methodologie, ein Verlust der Eigenkapitalzuordnung erfolgt ist (die Ereignisse unter (A) und (B) jeweils ein "**Ratingereignis**") und (ii) die Emittentin die Anleihegläubiger über das Ratingereignis gemäß § 13 informiert hat, bevor die Mitteilung der Rückzahlung (wie oben beschrieben) bekanntgemacht wurde.

"**Ratingagentur**" bezeichnet jeweils Moody's und S&P, wobei "**Moody's**" Moody's Investors Services Limited oder eine ihrer Nachfolgegesellschaften bezeichnet und "**S&P**" Standard & Poor's Rating Services, eine Abteilung der McGraw-Hill Companies, Inc. oder eine ihrer Tochter- oder Nachfolgegesellschaften bezeichnet.

(b) Eine anerkannte Wirtschaftsprüfungsgesellschaft, die im Auftrag der Emittentin oder der Garantin handelt, hat der Emittentin oder der Garantin einen Brief oder ein Gutachten übermittelt, wonach aufgrund einer Änderung der Rechnungslegungsgrundsätze (oder deren Auslegung) seit dem Ausgabetag die Schuldverschreibungen nicht oder nicht mehr als "Eigenkapital" in den konsolidierten Jahres- oder Halbjahresabschlüssen der Garantin gemäß den International Financial Reporting Standards ("**IFRS**") bzw. anderen Rechnungslegungsstandards, die die Garantin für die Erstellung ihrer konsolidierten Jahresabschlüsse anstelle der IFRS anwenden kann, ausgewiesen werden dürfen (ein "**Rechnungslegungsereignis**").

(c) Erhalt durch die Emittentin oder die Garantin eines Gutachtens einer international anerkannten Rechtsanwaltskanzlei, aus dem hervorgeht, dass nach dem Ausgabetag als Folge einer Änderung von deutschem oder niederländischen Recht oder dessen offizieller Auslegung oder Anwendung die steuerliche Behandlung von Zinszahlungen, die von der Emittentin oder der Garantin in Bezug auf die

or the Guarantor in respect of the Notes being no longer deductible for corporate income tax purposes in whole or in part; and such risk cannot be avoided by the Issuer taking reasonable measures available to it (a "**Tax Deductibility Event**").

(d) If, by reason of any change in German or Dutch law or published regulations becoming effective after the Issue Date, the Issuer or the Guarantor would have to pay Additional Amounts, provided that the payment obligation cannot be avoided by the Issuer taking such reasonable measures it (acting in good faith) deems appropriate (a "**Gross-up Event**").

The "**Early Redemption Amount**" shall be equal to 101 per cent. of the Principal Amount plus accrued and unpaid interest and any Arrears of Interest in the case of a Rating Event, Accounting Event or Tax Deductibility Event, and 100 per cent. of the Principal Amount plus accrued and unpaid interest and any Arrears of Interest in the case of a Gross-Up Event.

#### §8 (Payments)

(1) The Issuer undertakes to pay, as and when due, principal and interest on the Notes in euro. Payment of principal and interest on the Notes will be made, subject to applicable fiscal and other laws and regulations, through the Principal Paying Agent for on-payment to the Clearing System or to its order for credit to the respective account holders. Payments to the Clearing System or to its order will to the extent of amounts so paid constitute the discharge of the Issuer from its corresponding liabilities under the Notes. Any reference in these Terms and Conditions of the Notes to principal or interest will be deemed to include any Additional Amounts as set forth in § 9.

(2) If the due date for any payment of principal and/or interest is not a Business Day, payment will be effected only on the next Business Day. The Noteholders will have no right to claim payment of any interest or other indemnity in respect of such delay in payment.

Schuldverschreibungen zahlbar sind, dergestalt geändert wurde, dass sie nicht mehr für die Zwecke der Körperschaftssteuer ganz oder teilweise abzugsfähig sind; und die Emittentin dieses Risiko nicht durch das Ergreifen zumutbarer Maßnahmen vermeiden kann (ein "**Steuerereignis**").

(d) Falls die Emittentin oder die Garantin als Folge einer Änderung nach dem Ausgabetag von deutschen oder niederländischen Gesetzen oder veröffentlichten Vorschriften verpflichtet ist, Zusätzliche Beträge zu zahlen, allerdings nur soweit die Emittentin oder Garantin die Zahlungsverpflichtung nicht durch das Ergreifen zumutbarer Maßnahmen vermeiden kann, die sie nach Treu und Glauben für angemessen hält (ein "**Gross-up Ereignis**").

Der "**Vorzeitige Rückzahlungsbetrag**" bezeichnet 101 % des Nennbetrages zuzüglich aufgelaufener aber noch nicht bezahlter Zinsbeträge sowie Aufgeschobener Zinszahlungen im Falle eines Ratingereignisses, eines Rechnungslegungsereignisses oder eines Steuerereignisses und 100 % des Nennbetrages zuzüglich aufgelaufener aber noch nicht bezahlter Zinsbeträge sowie Aufgeschobener Zinszahlungen im Falle eines Gross-Up Ereignisses.

#### §8 (Zahlungen)

(1) Die Emittentin verpflichtet sich, Kapital und Zinsen auf die Schuldverschreibungen bei Fälligkeit in Euro zu zahlen. Die Zahlung von Kapital und Zinsen auf die Schuldverschreibungen erfolgt, vorbehaltlich geltender steuerrechtlicher und sonstiger gesetzlicher Regelungen und Vorschriften, über die Hauptzahlstelle zur Weiterleitung an das Clearingsystem oder nach dessen Weisung zur Gutschrift für die jeweiligen Kontoinhaber. Die Zahlung an das Clearingsystem oder nach dessen Weisung befreit die Emittentin in Höhe der geleisteten Zahlung von ihren entsprechenden Verbindlichkeiten aus den Schuldverschreibungen. Eine Bezugnahme in diesen Anleihebedingungen auf Kapital oder Zinsen der Schuldverschreibungen schließt jegliche Zusätzlichen Beträge gemäß § 9 ein.

(2) Falls ein Fälligkeitstag für die Zahlung von Kapital und/oder Zinsen kein Geschäftstag ist, erfolgt die Zahlung erst am nächstfolgenden Geschäftstag; die Anleihegläubiger sind nicht berechtigt, Zinsen oder eine andere Entschädigung wegen eines solchen Zahlungsaufschubs zu verlangen.

**§9  
(Taxation)**

All payments of principal and interest in respect of the Notes by the Issuer or (as the case may be) the Guarantor under the Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of The Netherlands or the Federal Republic of Germany or, in each case, any authority therein or thereof having power to tax, unless the Issuer or the Guarantor is required by law to make such withholding or deduction of such taxes, duties, assessments or governmental charges. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts ("**Additional Amounts**") as may be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been received in respect of the Notes in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable on account of any taxes or duties which:

- (a) are payable otherwise than by withholding or deduction from amounts payable; or
- (b) are payable by reason of the Noteholder having, or having had, some personal or business connection with The Netherlands or the Federal Republic of Germany and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, The Netherlands or the Federal Republic of Germany; or
- (c) are to be withheld or deducted pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest income, or (ii) any international treaty, agreement or understanding relating to such taxation and to which Issuer's country of domicile for tax purposes or the Guarantor's country of domicile for tax purposes or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty, agreement or understanding; or

**§9  
(Besteuerung)**

Sämtliche auf die Schuldverschreibungen zu zahlenden Beträge von Kapital oder Zinsen sind ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftiger Steuern, sonstigen Abgaben oder behördlicher Gebühren gleich welcher Art durch die Emittentin oder gegebenenfalls die Garantin unter der Garantie zu leisten, die von oder in den Niederlanden oder der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer Gebietskörperschaft oder Steuerbehörde der oder in den Niederlanden oder der Bundesrepublik Deutschland auferlegt oder erhoben werden, es sei denn, die Emittentin ist gesetzlich verpflichtet, einen solchen Einbehalt oder Abzug vorzunehmen. In diesem Fall wird die Emittentin oder die Garantin diejenigen zusätzlichen Beträge (die "**Zusätzlichen Beträge**") zahlen, die erforderlich sind, damit die den Anleihegläubigern zufließenden Nettobeträge nach diesem Einbehalt oder Abzug jeweils den Beträgen entsprechen, die ohne einen solchen Einbehalt oder Abzug von den Inhabern der Schuldverschreibungen empfangen worden wären; die Verpflichtung zur Zahlung solcher zusätzlicher Beträge besteht jedoch nicht im Hinblick auf Steuern und Abgaben, die:

- (a) auf andere Weise als durch Einbehalt oder Abzug von zahlbaren Beträgen zu entrichten sind; oder
- (b) wegen einer gegenwärtigen oder früheren persönlichen oder geschäftlichen Beziehung des Anleihegläubigers zu den Niederlanden oder der Bundesrepublik Deutschland zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen aus Quellen in den Niederlanden oder der Bundesrepublik Deutschland stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind; oder
- (c) aufgrund (i) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder (ii) einer zwischenstaatlichen Vereinbarung, eines zwischenstaatlichen Abkommens oder einer zwischenstaatlichen Verständigung über deren Besteuerung, an der der Staat, in dem die Emittentin steuerlich ansässig ist bzw. der Staat, in dem die Garantin steuerlich ansässig ist oder die Europäische Union beteiligt ist, oder (iii) einer gesetzlichen Vorschrift, die diese Richtlinie, Verordnung, Vereinbarung, Verständigung oder dieses Abkommen umsetzt oder befolgt, abzuziehen oder einzubehalten sind; oder

(d) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment of principal or interest becomes due, or, if later, is duly provided for and notice thereof is published in accordance with § 13; or

(e) are deducted or withheld by a Paying Agent from a payment if the payment could have been made by another Paying Agent without such deduction or withholding.

Notwithstanding anything to the contrary in these Terms and Conditions, the Issuer shall be permitted to withhold or deduct any amounts required by Sections 1471 to 1474 ("FATCA") of the U.S. Internal Revenue Code of 1986, any treaty, law, regulation or other official guidance implementing FATCA, or any agreement (or related guidance) between the Issuer, a paying agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA and none of the Issuer, any paying agent or any other person shall be required to pay any additional amounts with respect to any FATCA withholding or deduction imposed on or with respect to any Note.

#### §10

##### (Presentation Period, Prescription)

The period for presentation of the Notes will be reduced to 10 years. The period of limitation for all claims (including claims for interest payment and repayment, if any) under the Notes presented during the period for presentation will be two years calculated from the expiration of the relevant presentation period.

#### §11

##### (Paying and Calculation Agent)

###### (1) Appointment.

The Issuer has appointed Citibank, N.A., London Branch as principal paying agent with respect to the Notes (the "**Principal Paying Agent**" and, together with any additional paying agent appointed by the Issuer in accordance with § 11(2), the "**Paying Agents**").

The Issuer has appointed Citibank, N.A., London Branch as calculation agent with respect to the Notes (the "**Calculation Agent**" and, together with the

(d) aufgrund einer Rechtsänderung zu zahlen sind, welche später als 30 Tage nach Fälligkeit der betreffenden Zahlung von Kapital oder Zinsen oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Bekanntmachung gemäß § 13 wirksam wird; oder

(e) von einer Zahlstelle abgezogen oder einbehalten werden, wenn eine andere Zahlstelle die Zahlung ohne einen solchen Abzug oder Einbehalt hätte leisten können.

Ungeachtet anders lautender Bestimmungen in den Anleihebedingungen, kann die Emittentin sämtliche Beträge einbehalten oder abziehen, die nach §§ 1471 - 1474 ("FATCA") des US-amerikanischen Steuergesetzes von 1986 (*U.S. Internal Revenue Code of 1986*) anfallen oder nach einem Vertrag, einem Gesetz, einer Verordnung oder sonstigen offiziellen Leitlinien, die FATCA umsetzen, oder nach einer Vereinbarung (oder damit verbundenen Leitlinien) zwischen der Emittentin, der Zahlstelle oder einer anderen Person und den Vereinigten Staaten, einer anderen Jurisdiktion, oder einer Behörde der Vorgenannten, die FATCA umsetzen, und weder die Emittentin, eine Zahlstelle oder eine andere Person ist verpflichtet, zusätzliche Beträge hinsichtlich eines FATCA-Einbehalts oder –Abzugs zu zahlen, der bezüglich der Schuldverschreibungen auferlegt wurde oder hinsichtlich dieser anfällt.

#### §10

##### (Vorlegungsfrist, Verjährung)

Die Vorlegungsfrist der Schuldverschreibungen wird auf zehn Jahre reduziert. Die Verjährungsfrist für alle Ansprüche (inklusive Ansprüche auf Zinszahlungen und gegebenenfalls Rückzahlung) aus den Schuldverschreibungen, die innerhalb der Vorlegungsfrist zur Zahlung vorgelegt wurden, beträgt zwei Jahre von dem Ende der betreffenden Vorlegungsfrist an.

#### §11

##### (Zahlstellen und Berechnungsstelle)

###### (1) Bestellung.

Die Emittentin hat Citibank, N.A., London Branch als Hauptzahlstelle in Bezug auf die Schuldverschreibungen (die "**Hauptzahlstelle**" und gemeinsam mit jeder etwaigen von der Emittentin nach § 11(2) bestellten zusätzlichen Zahlstelle, die "**Zahlstellen**") bestellt.

Die Emittentin hat Citibank, N.A., London Branch als Berechnungsstelle in Bezug auf die Schuldverschreibungen (die "**Berechnungsstelle**"

Paying Agents, the "Agents").

The addresses of the specified offices of the Agents are:

*Principal Paying Agent:*

Citibank, N.A., London Branch  
Citigroup Centre  
Canada Square, Canary Wharf  
London E14 5LB  
United Kingdom

*Calculation Agent:*

Citibank, N.A., London Branch  
Citigroup Centre  
Canada Square, Canary Wharf  
London E14 5LB  
United Kingdom

**(2) Variation or Termination of Appointment.**

The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint successor or additional Paying Agents. Notice of any change in the Paying Agents or in the specified office of any Paying Agent will promptly be given to the Noteholders pursuant to § 13.

**(3) Status of the Agents.**

The Paying Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligations towards or relationship of contract, agency or trust for or with any of the Noteholders.

**§12  
(Further Issues)**

The Issuer may from time to time, without the consent of the Noteholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (except for the first payment of interest) so as to form a single series with the Notes.

**§13  
(Notices)**

**(1) Notices Published on [www.bourse.lu](http://www.bourse.lu).**

All notices regarding the Notes will be published (so long as any of the Notes is listed on the Luxembourg Stock Exchange) on the website of the Luxembourg

und, gemeinsam mit den Zahlstellen, die "Verwaltungsstellen") bestellt.

Die Geschäftsräume der Verwaltungsstellen befinden sich unter den folgenden Adressen:

*Hauptzahlstelle:*

Citibank, N.A., London Branch  
Citigroup Centre  
Canada Square, Canary Wharf  
London E14 5LB  
Vereinigtes Königreich

*Berechnungsstelle:*

Citibank, N.A., London Branch  
Citigroup Centre  
Canada Square, Canary Wharf  
London E14 5LB  
Vereinigtes Königreich

**(2) Änderung oder Beendigung der Bestellung.**

Die Emittentin behält sich das Recht vor, jederzeit die Benennung einer Zahlstelle zu verändern oder zu beenden und Nachfolger bzw. zusätzliche Zahlstellen zu ernennen. Den Anleihegläubigern werden Änderungen in Bezug auf die Zahlstellen, deren angegebenen Geschäftsstellen umgehend gemäß § 13 bekannt gemacht.

**(3) Status der beauftragten Stellen.**

Die Zahlstellen und die Berechnungsstelle handeln ausschließlich als Vertreter der Emittentin und übernehmen keine Verpflichtungen gegenüber den Anleihegläubigern; es wird kein Vertrags-, Auftrags- oder Treuhandverhältnis zwischen ihnen und den Anleihegläubigern begründet.

**§12  
(Weitere Emissionen)**

Die Emittentin kann ohne Zustimmung der Anleihegläubiger weitere Schuldverschreibungen begeben, die in jeder Hinsicht (mit Ausnahme der ersten Zinszahlung) die gleichen Bedingungen wie die Schuldverschreibungen haben und die zusammen mit den Schuldverschreibungen eine einzige Anleihe bilden.

**§13  
(Bekanntmachungen)**

**(1) Bekanntmachungen auf [www.bourse.lu](http://www.bourse.lu).**

Alle Bekanntmachungen, die die Schuldverschreibungen betreffen, werden (solange eine der Schuldverschreibungen an der Luxemburger

Stock Exchange on [www.bourse.lu](http://www.bourse.lu). Any notice will become effective for all purposes on the date of the first such publication.

(2) **Notices delivered to the Clearing System.**

The Issuer will also be entitled to deliver all notices concerning the Notes to the Clearing System for communication by the Clearing System to the Noteholders. A notice will have been deemed to have been given to Noteholders if such notice is sent to the Clearing Systems for publication to Noteholders.

**§14  
(Substitution)**

(1) **Substitution.**

The Issuer may at any time, without the consent of the Noteholders, substitute for itself any majority-owned subsidiary of the Guarantor whose primary purpose is to raise financing for the Guarantor and other group entities as new debtor (the "**New Debtor**") in respect of all obligations arising under or in connection with the Notes, with the effect of releasing the Issuer of all such obligations, if:

(a) the Issuer is not in default in respect of any amount payable under any of the Notes;

(b) the New Debtor assumes all obligations of the Issuer in respect of the Notes;

(c) the New Debtor and the Issuer have obtained all authorizations and approvals necessary for the substitution and the fulfillment of the obligations under or in connection with the Notes;

(d) the New Debtor has obtained all necessary governmental authorizations and may transfer to the Paying Agent in the currency required hereunder and without being obligated to deduct or withhold any taxes or other duties of whatever nature imposed, levied or deducted by the country (or countries) in which the New Debtor has its domicile or tax residence all amounts required for the performance of the payment obligations arising from or in connection

Wertpapierbörse notiert ist) auf der Internet-Seite der Luxemburger Börse unter [www.bourse.lu](http://www.bourse.lu) veröffentlicht. Für das Datum und die Rechtswirksamkeit sämtlicher Bekanntmachungen ist die erste Veröffentlichung maßgeblich.

(2) **Mitteilungen, die an das Clearingsystem weitergeleitet werden.**

Die Emittentin ist ferner berechtigt, alle die Schuldverschreibungen betreffenden Mitteilungen an das Clearingsystem zur Weiterleitung an die Anleihegläubiger zu übermitteln. Eine Nachricht gilt als an die Anleihegläubiger übermittelt, wenn sie an die Clearingsysteme zur Veröffentlichung für die Anleihegläubiger gesendet wurde.

**§14  
(Ersetzung)**

(1) **Ersetzung.**

Die Emittentin ist jederzeit berechtigt, ohne Zustimmung der Anleihegläubiger eine Tochtergesellschaft im Mehrheitsbesitz der Garantin, deren vorrangiger Zweck die Beschaffung von Kapital für die Garantin und andere Konzerngesellschaften ist, als neue Anleiheschuldnerin für alle sich aus oder im Zusammenhang mit den Schuldverschreibungen ergebenden Verpflichtungen mit Schuld befreiender Wirkung für die Emittentin an die Stelle der Emittentin zu setzen (die "**Neue Anleiheschuldnerin**"), sofern:

(a) die Emittentin nicht mit irgendwelchen auf die Schuldverschreibungen zahlbaren Beträgen in Verzug ist;

(b) die Neue Anleiheschuldnerin alle Verpflichtungen der Emittentin in Bezug auf die Schuldverschreibungen übernimmt;

(c) die Neue Anleiheschuldnerin und die Emittentin sämtliche für die Schuldnerersetzung und die Erfüllung der Verpflichtungen aus oder im Zusammenhang mit den Schuldverschreibungen erforderlichen Genehmigungen und Zustimmungen erhalten hat;

(d) die Neue Anleiheschuldnerin alle behördlichen Genehmigungen erhalten hat und berechtigt ist, an die Zahlstelle die zur Erfüllung der Zahlungsverpflichtungen auf die Schuldverschreibungen zu zahlenden Beträge in der hierin festgelegten Währung zu zahlen, und zwar ohne Abzug oder Einbehalt von Steuern oder sonstigen Abgaben jedweder Art, die von dem Land (oder den Ländern), in dem (in denen) die Neue



with the Notes;

(e) the New Debtor has agreed to indemnify the Noteholders against such taxes, duties or governmental charges as may be imposed on the Noteholders in connection with the substitution;

(f) each stock exchange on which the Notes are listed shall have confirmed that, following the proposed substitution of the New Debtor, such Notes will continue to be listed on such stock exchange; and

(g) no event would occur as a result of the substitution that would give rise to the right of the New Debtor to call the Notes for redemption pursuant to § 7(4).

## (2) **References.**

In the event of a substitution pursuant to § 14(1), any reference in these Terms and Conditions to the Issuer will be a reference to the New Debtor and any reference to the Netherlands will be a reference to the New Debtor's country (countries) of domicile for tax purposes.

## (3) **Notice and Effectiveness of Substitution.**

Notice of any substitution of the Issuer will be given by publication in accordance with § 13. Upon such publication, the substitution will become effective, and the Issuer and in the event of a repeated application of this § 14, any previous New Debtor will be discharged from any and all obligations under the Notes.

### **§15 (Enforcement)**

(1) If the Issuer fails to pay any interest or principal on the Notes when due, each Noteholder may institute legal proceedings to enforce payment of the amounts due or file an application for the institution of insolvency proceedings for the assets of the Issuer.

(2) Any Noteholder may, by notice in text form addressed to the Issuer and the Principal Paying Agent, declare its Notes due and payable, whereupon such Notes shall become immediately due and payable at their Principal Amount plus any interest

Anleiheschuldnerin ihren Sitz oder Steuersitz hat, auferlegt, erhoben oder eingezogen werden;

(e) die Neue Anleiheschuldnerin sich verpflichtet hat, die Anleihegläubiger hinsichtlich solcher Steuern, Abgaben oder behördlicher Gebühren freizustellen, die den Anleihegläubigern bezüglich der Ersetzung auferlegt werden;

(f) jede Wertpapierbörse, an der die Schuldverschreibungen zugelassen sind, bestätigt hat, dass nach der vorgesehenen Ersetzung durch die Neue Anleiheschuldnerin diese Schuldverschreibungen weiterhin an dieser Wertpapierbörse zugelassen sind; und

(g) aufgrund der Ersetzung kein Ereignis eintreten würde, welches die Neue Anleiheschuldnerin dazu berechtigen würde, die Schuldverschreibungen gemäß § 7(4) zu kündigen und zurückzuzahlen.

## (2) **Bezugnahmen.**

Im Fall einer Schuldnerersetzung gemäß § 14(1) gilt jede Bezugnahme in diesen Anleihebedingungen auf die Emittentin als eine solche auf die Neue Anleiheschuldnerin und jede Bezugnahme auf die Niederlande als eine solche auf den Staat (die Staaten), in welchem die Neue Anleiheschuldnerin steuerlich ansässig ist.

## (3) **Bekanntmachung und Wirksamwerden der Ersetzung.**

Die Ersetzung der Emittentin ist gemäß § 13 bekannt zu machen. Mit der Bekanntmachung der Ersetzung wird die Ersetzung wirksam und die Emittentin und, im Falle einer wiederholten Anwendung dieses § 14, jede frühere Neue Anleiheschuldnerin von ihren sämtlichen Verbindlichkeiten aus den Schuldverschreibungen frei.

### **§15 (Durchsetzung)**

(1) Falls die Emittentin Zinsen oder Kapital auf die Schuldverschreibungen bei Fälligkeit nicht oder nicht rechtzeitig zahlt, ist jeder Anleihegläubiger berechtigt, rechtliche Schritte zur Durchsetzung der fälligen Beträge einzuleiten oder einen Antrag auf Eröffnung eines Insolvenzverfahrens über das Vermögen der Emittentin zu stellen.

(2) Jeder Anleihegläubiger ist berechtigt, seine Schuldverschreibungen durch Mitteilung in Textform gegenüber der Emittentin und der Hauptzahlstelle zur Rückzahlung fällig zu stellen, woraufhin diese Schuldverschreibungen sofort zum Nennbetrag

accrued on such Notes to but excluding the date of redemption but yet unpaid and, for the avoidance of doubt, any Arrears of Interest due to be paid pursuant to § 6(3) without further action or formality, if an order is made for the winding up, dissolution or liquidation of the Issuer (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer).

(3) There is no cross default under the Notes.

### §16

#### (Amendments to the Terms and Conditions by resolution of the Noteholders; Joint Representative)

(1) The Issuer may amend the Terms and Conditions with the consent of a majority resolution of the Noteholders pursuant to §§ 5 et seq. of the German Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen*) (*Schuldverschreibungsgesetz - SchVG*), as amended from time to time (the "**SchVG**"). In particular, the Noteholders may consent to amendments which materially change the substance of the Terms and Conditions, including such measures as provided for under § 5(3) of the SchVG, but excluding a substitution of the Issuer, which is exclusively subject to the provisions in § 12, by resolutions passed by such majority of the votes of the Noteholders as stated under § 16(2) below. A duly passed majority resolution will be binding upon all Noteholders.

(2) Except as provided by the following sentence and provided that the quorum requirements are being met, the Noteholders may pass resolutions by simple majority of the voting rights participating in the vote. Resolutions which materially change the substance of the Terms and Conditions, in particular in the cases of § 5(3) numbers 1 through 9 of the SchVG, may only be passed by a majority of at least 75 per cent. of the voting rights participating in the vote (a "**Qualified Majority**"). The voting right is suspended as long as any Notes are attributable to the Issuer or any of its affiliates (within the meaning of § 271(2) of the German Commercial Code (*Handelsgesetzbuch*)) or are being held for the account of the Issuer or any of its affiliates.

zuzüglich der bis zum Tag der Rückzahlung in Bezug auf die Schuldverschreibungen aufgelaufenen, aber noch nicht bezahlten Zinsen sowie, zur Klarstellung, sämtlicher gemäß § 6(3) zur Nachzahlung fälligen Aufgeschobenen Zinszahlungen ohne weitere Handlungen oder Formalitäten fällig werden, falls eine Anordnung zur Abwicklung, Auflösung oder Liquidation der Emittentin ergeht (sofern dies nicht für die Zwecke oder als Folge eines Zusammenschlusses, einer Umstrukturierung oder Sanierung geschieht, bei dem bzw. bei der die Emittentin noch zahlungsfähig ist und bei dem bzw. bei der die fortführende Gesellschaft im Wesentlichen alle Vermögenswerte und Verpflichtungen der Emittentin übernimmt).

(3) Die Schuldverschreibungen sehen keinen Drittverzug vor.

### §16

#### (Änderung der Anleihebedingungen durch Beschluss der Anleihegläubiger; Gemeinsamer Vertreter)

(1) Die Emittentin kann die Anleihebedingungen mit Zustimmung aufgrund Mehrheitsbeschlusses der Anleihegläubiger nach Maßgabe der §§ 5 ff. des Gesetzes über Schuldverschreibungen aus Gesamtemissionen (*Schuldverschreibungsgesetz - SchVG*) in seiner jeweiligen gültigen Fassung (das "**SchVG**") ändern. Die Anleihegläubiger können insbesondere einer Änderung wesentlicher Inhalte der Anleihebedingungen, einschließlich der in § 5 Absatz 3 SchVG vorgesehenen Maßnahmen mit Ausnahme der Ersetzung der Emittentin, die in § 12 abschließend geregelt ist, mit den in dem nachstehenden § 16(2) genannten Mehrheiten zustimmen. Ein ordnungsgemäß gefasster Mehrheitsbeschluss ist für alle Anleihegläubiger verbindlich.

(2) Vorbehaltlich des nachstehenden Satzes und der Erreichung der erforderlichen Beschlussfähigkeit, beschließen die Anleihegläubiger mit der einfachen Mehrheit der an der Abstimmung teilnehmenden Stimmrechte. Beschlüsse, durch welche der wesentliche Inhalt der Anleihebedingungen, insbesondere in den Fällen des § 5 Absatz 3 Nummer 1 bis 9 SchVG, geändert wird, bedürfen zu ihrer Wirksamkeit einer Mehrheit von mindestens 75 % der an der Abstimmung teilnehmenden Stimmrechte (eine "**Qualifizierte Mehrheit**"). Das Stimmrecht ruht, solange die Schuldverschreibungen der Emittentin oder einem mit ihr verbundenen Unternehmen (§ 271 Absatz 2 HGB) zustehen oder für Rechnung der Emittentin oder eines mit ihr verbundenen

Unternehmens gehalten werden.

(3) Resolutions of the Noteholders will be made either in a Noteholders' meeting in accordance with § 16(3)(a) or by means of a vote without a meeting (*Abstimmung ohne Versammlung*) in accordance with § 16(3)(b), in either case convened by the Issuer or a joint representative, if any. Pursuant to § 9(1) sentence 2 of the SchVG, Noteholders holding Notes in the total amount of 5 per cent. of the outstanding principal amount of the Notes may in writing request to convene a Noteholders' meeting or vote without a meeting for any of the reasons permitted pursuant to § 9(1) sentence 2 of the SchVG.

(a) Resolutions of the Noteholders in a Noteholders' meeting will be made in accordance with § 9 et seq. of the SchVG. The convening notice of a Noteholders' meeting will provide the further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions will be notified to the Noteholders in the agenda of the meeting. The attendance at the Noteholders' meeting or the exercise of voting rights requires a registration of the Noteholders prior to the meeting.

(b) Resolutions of the Noteholders by means of a voting not requiring a physical meeting (*Abstimmung ohne Versammlung*) will be made in accordance with § 18 of the SchVG. The request for voting as submitted by the chairman (*Abstimmungsleiter*) will provide the further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions will be notified to Noteholders together with the request for voting.

(4) The exercise of voting rights is subject to the registration of the Noteholders. The registration must be received at the address stated in the request for voting no later than the third day preceding the beginning of the voting period. As part of the registration, Noteholders must demonstrate their eligibility to participate in the vote by means of a special confirmation of its custodian bank hereof in text form and by submission of a blocking instruction by the custodian bank stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the day the voting period ends.

(3) Beschlüsse der Anleihegläubiger werden entweder in einer Gläubigerversammlung nach § 16(3)(a) oder im Wege der Abstimmung ohne Versammlung nach § 16(3)(b) getroffen, die von der Emittentin oder einem gemeinsamen Vertreter einberufen wird. Gemäß § 9 Absatz 1 S. 2 SchVG können Anleihegläubiger, deren Schuldverschreibungen zusammen 5 % des jeweils ausstehenden Gesamtnennbetrags der Schuldverschreibungen erreichen, schriftlich die Durchführung einer Anleihegläubigerversammlung oder Abstimmung ohne Versammlung mit einer gemäß § 9 Absatz 1 S. 2 SchVG zulässigen Begründung verlangen.

(a) Beschlüsse der Anleihegläubiger im Rahmen einer Gläubigerversammlung werden nach §§ 9 ff. SchVG getroffen. Die Einberufung der Gläubigerversammlung regelt die weiteren Einzelheiten der Beschlussfassung und der Abstimmung. Mit der Einberufung der Gläubigerversammlung werden in der Tagesordnung die Beschlussgegenstände sowie die Vorschläge zur Beschlussfassung den Anleihegläubigern bekannt gegeben. Für die Teilnahme an der Gläubigerversammlung oder die Ausübung der Stimmrechte ist eine Anmeldung der Anleihegläubiger vor der Versammlung erforderlich.

(b) Beschlüsse der Anleihegläubiger im Wege der Abstimmung ohne Versammlung werden nach § 18 SchVG getroffen. Die Aufforderung zur Stimmabgabe durch den Abstimmungsleiter regelt die weiteren Einzelheiten der Beschlussfassung und der Abstimmung. Mit der Aufforderung zur Stimmabgabe werden die Beschlussgegenstände sowie die Vorschläge zur Beschlussfassung den Anleihegläubigern bekannt gegeben.

(4) Die Stimmrechtsausübung ist von einer vorherigen Anmeldung der Anleihegläubiger abhängig. Die Anmeldung muss bis zum dritten Tag vor dem Beginn des Abstimmungszeitraums unter der in der Aufforderung zur Stimmabgabe angegebenen Anschrift zugehen. Zusammen mit der Anmeldung müssen Anleihegläubiger den Nachweis ihrer Berechtigung zur Teilnahme an der Abstimmung durch eine besondere Bescheinigung seiner Depotbank in Textform und die Vorlage eines Sperrvermerks der Depotbank erbringen, aus dem hervorgeht, dass die relevanten Schuldverschreibungen für den Zeitraum vom Tag der Absendung der Anmeldung (einschließlich) bis dem Ende des Abstimmungszeitraums

(einschließlich) nicht übertragen werden können.

(5) If it is ascertained that no quorum exists for the vote without meeting pursuant to § 16(3)(b), the chairman (*Abstimmungsleiter*) may convene a meeting, which shall be deemed to be a second meeting within the meaning of § 15(3) sentence 3 of the SchVG. Attendance at the second meeting and exercise of voting rights is subject to the registration of the Noteholders. The registration must be received at the address stated in the convening notice no later than the third day preceding the second Noteholders' meeting. Noteholders must demonstrate their eligibility to participate in the vote by means of a special confirmation of its custodian bank hereof in text form and by submission of a blocking instruction by the custodian bank stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the stated end of the meeting.

(5) Wird die Beschlussfähigkeit bei der Abstimmung ohne Versammlung nach § 16(3)(b) nicht festgestellt, kann der Abstimmungsleiter eine Gläubigerversammlung einberufen, welche als zweite Gläubigerversammlung im Sinne des § 15(3) Satz 3 SchVG gilt. Die Teilnahme an der zweiten Gläubigerversammlung und die Stimmrechtsausübung sind von einer vorherigen Anmeldung der Anleihegläubiger abhängig. Die Anmeldung muss bis zum dritten Tag vor der zweiten Gläubigerversammlung unter der in der Einberufung angegebenen Anschrift zugehen. Zusammen mit der Anmeldung müssen Anleihegläubiger den Nachweis ihrer Berechtigung zur Teilnahme an der Abstimmung durch eine besondere Bescheinigung seiner Depotbank in Textform und die Vorlage eines Sperrvermerks der Depotbank erbringen, aus dem hervorgeht, dass die relevanten Schuldverschreibungen für den Zeitraum vom Tag der Absendung der Anmeldung (einschließlich) bis zum angegebenen Ende der Versammlung (einschließlich) nicht übertragen werden können.

(6) The Noteholders may by majority resolution provide for the appointment or dismissal of a joint representative, the duties and responsibilities and the powers of such joint representative, the transfer of the rights of the Noteholders to the joint representative and a limitation of liability of the joint representative. Appointment of a joint representative may only be passed by a Qualified Majority if such joint representative is to be authorised to consent to a material change in the substance of the Terms and Conditions in accordance with § 16(1) hereof,

(6) Die Anleihegläubiger können durch Mehrheitsbeschluss die Bestellung und Abberufung eines gemeinsamen Vertreters, die Aufgaben und Befugnisse des gemeinsamen Vertreters, die Übertragung von Rechten der Anleihegläubiger auf den gemeinsamen Vertreter und eine Beschränkung der Haftung des gemeinsamen Vertreters bestimmen. Die Bestellung eines gemeinsamen Vertreters bedarf einer Qualifizierten Mehrheit, wenn er ermächtigt wird, wesentlichen Änderungen der Anleihebedingungen gemäß § 16(1) zuzustimmen.

(7) Any notices concerning this § 16 will be made in accordance with § 5 et seq. of the SchVG and § 13.

(7) Bekanntmachungen betreffend diesen § 16 erfolgen gemäß den §§ 5ff. SchVG sowie nach § 13.

## **§17 (Final Provisions)**

### **(1) Applicable Law.**

The Notes are governed by, and construed in accordance with, the laws of the Federal Republic of Germany.

### **(2) Place of Jurisdiction.**

To the extent legally permissible, exclusive place of jurisdiction for all proceedings arising from matters provided for in these Terms and Conditions will be Frankfurt am Main, Federal Republic of Germany. The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of Frankfurt am Main being nominated as the forum to

## **§17 (Schlussbestimmungen)**

### **(1) Anzuwendendes Recht.**

Form und Inhalt der Schuldverschreibungen bestimmen sich nach dem Recht der Bundesrepublik Deutschland.

### **(2) Gerichtsstand.**

Ausschließlicher Gerichtsstand für alle Rechtsstreitigkeiten aus den in diesen Anleihebedingungen geregelten Angelegenheiten ist, soweit gesetzlich zulässig, Frankfurt am Main, Bundesrepublik Deutschland. Die Emittentin verzichtet unwiderruflich darauf, gegenwärtig oder zukünftig gegen die Gerichte in Frankfurt am Main

hear and determine any proceedings and to settle any disputes, and agrees not to claim that any of those courts is not a convenient or appropriate forum.

The local court (*Amtsgericht*) of Frankfurt will have jurisdiction for all judgments pursuant to § 9(2), § 13(3) and § 18(2) SchVG in accordance with § 9(3) SchVG. The regional court (*Landgericht*) of Frankfurt am Main will have exclusive jurisdiction for all judgments over contested resolutions by Noteholders in accordance with § 20(3) SchVG.

(3) **Place of Performance.**

Place of performance will be Frankfurt am Main, Federal Republic of Germany.

(4) **Enforcement of Rights.**

Any Noteholder may in any proceedings against the Issuer or to which the Noteholder and the Issuer are parties protect and enforce in his own name his rights arising under his Notes on the basis of:

(a) a certificate issued by his Custodian (A) stating the full name and address of the Noteholder, (B) specifying an aggregate Principal Amount of Notes credited on the date of such statement to such Noteholder's securities account(s) maintained with his Custodian and (C) confirming that his Custodian has given a written notice to the Clearing System and the Principal Paying Agent containing the information specified in (A) and (B) and bearing acknowledgements of the Clearing System and the relevant account holder in the Clearing System and

(b) a copy of the Global Notes relating to the Notes, certified as being true copies by a duly authorised officer of the Clearing System or the Principal Paying Agent; or

(c) any other means of evidence permitted in legal proceedings in the country of enforcement.

**"Custodian"** means any bank or other financial institution with which the Noteholder maintains a securities account in respect of any Notes and having an account maintained with the Clearing System, including the Clearing System.

als Forum für Rechtsstreitigkeiten Einwände zu erheben, und versichert, keines der Gerichte in Frankfurt am Main als ungelegenes oder unangemessenes Forum zu bezeichnen.

Für Entscheidungen gemäß § 9 Absatz 2, § 13 Absatz 3 und § 18 Absatz 2 SchVG ist gemäß § 9 Absatz 3 SchVG das Amtsgericht Frankfurt am Main zuständig. Für Entscheidungen über die Anfechtung von Beschlüssen der Anleihegläubiger ist gemäß § 20 Absatz 3 SchVG das Landgericht Frankfurt am Main ausschließlich zuständig.

(3) **Erfüllungsort.**

Erfüllungsort ist Frankfurt am Main, Bundesrepublik Deutschland.

(4) **Geltendmachung von Rechten.**

Jeder Anleihegläubiger ist berechtigt, in jedem Rechtsstreit gegen die Emittentin oder in jedem Rechtsstreit, in dem der Anleihegläubiger und die Emittentin Partei sind, seine Rechte aus diesen Schuldverschreibungen im eigenen Namen geltend zu machen gegen Vorlage:

(a) einer Bescheinigung der Depotbank, die (A) den vollen Namen und die volle Anschrift des Anleihegläubigers bezeichnet, (B) den gesamten Nennbetrag von Schuldverschreibungen angibt, die am Ausstellungstag dieser Bescheinigung den bei dieser Depotbank bestehenden Depots dieses Anleihegläubigers gutgeschrieben sind und (C) bestätigt, dass die Depotbank dem Clearingsystem und der Hauptzahlstelle eine schriftliche Mitteilung gemacht hat, die die Angaben gemäß (A) und (B) enthält und Bestätigungsvermerke des Clearingsystems sowie des betroffenen Kontoinhabers bei dem Clearingsystem trägt sowie

(b) einer von einem Vertretungsberechtigten des Clearingsystems oder der Hauptzahlstelle beglaubigten Ablichtung der Globalurkunden; oder

(c) eines anderen, in Rechtsstreitigkeiten in dem Land der Geltendmachung zulässigen Beweismittels.

**"Depotbank"** bezeichnet ein Bank- oder sonstiges Finanzinstitut, bei dem der Anleihegläubiger Schuldverschreibungen im Depot verwahren lässt und das ein Konto bei dem Clearingsystem hat, einschließlich des Clearingsystems.

**§18  
(Language)**

These Terms and Conditions are written in the German language and provided with an English language translation. The German text will be the only legally binding version. The English language translation is provided for convenience only.

**Restrictions regarding the Redemption and Repurchase of the Notes**

*The following paragraphs in italics do not form part of the Terms and Conditions.*

*The Issuer intends (without thereby assuming a legal or contractual obligation) that it will redeem or repurchase the Notes only to the extent they are replaced with instruments with equivalent S&P equity credit. Such replacement would be provided during the 360-day period prior to the date of such redemption or repurchase. The net proceeds received by the Issuer, the Guarantor or subsidiary of the Guarantor from the sale to third party purchasers of securities which are assigned an S&P equity credit that is at least equal to the initial equity credit of the Notes will count as replacement.*

*The following exceptions apply as to the Issuer's replacement intention. The Notes are not required to be replaced:*

*(i) if the rating assigned by S&P to the Issuer or the Guarantor is at least BBB+ and the Issuer or the Guarantor (as applicable) is comfortable that such rating would not fall below this level as a result of such redemption or repurchase, or*

*(ii) in the case of repurchase of less than (x) 10 per cent of the aggregate principal amount of the Notes originally issued in any period of 12 consecutive months or (y) 25 per cent of the aggregate principal amount of the Notes originally issued in any period of 10 consecutive years is repurchased, or*

*(iii) if the Notes are redeemed pursuant to a Rating Event (to the extent it is triggered by a change of methodology at S&P), an Accounting Event, a Tax Deductibility Event or a Gross-Up Event, or*

**§18  
(Sprache)**

Diese Anleihebedingungen sind in deutscher Sprache abgefasst und mit einer Übersetzung in die englische Sprache versehen. Der deutsche Wortlaut ist allein rechtsverbindlich. Die englische Übersetzung dient nur zur Information.

**Beschränkungen bezüglich der Rückzahlung und des Rückkaufs der Schuldverschreibungen.**

*Der folgende Absatz in Kursivschrift ist nicht Bestandteil der Anleihebedingungen.*

*Die Emittentin beabsichtigt (ohne dadurch eine Rechtspflicht zu übernehmen) die Schuldverschreibungen nur zurückzuzahlen oder zurückzukaufen, soweit sie durch Instrumente mit gleichwertiger S&P Eigenkapitalanrechnung ersetzt werden. Ein solcher Ersatz würde innerhalb von 360 Tagen vor dem Tag der Rückzahlung oder des Rückkaufs geschaffen werden. Als Ersatz gelten die Nettoerlöse, die die Emittentin, die Garantin oder eine Tochtergesellschaft der Garantin aus dem Verkauf an Dritte von Wertpapieren erhält, die eine S&P Eigenkapitalanrechnung haben, die mindestens so hoch ist wie die ursprüngliche S&P Eigenkapitalanrechnung der Schuldverschreibungen.*

*Es gelten jedoch folgende Ausnahmen in Bezug auf die Absicht der Emittentin. Es muss nicht für Ersatz gesorgt werden:*

*(i) wenn das der Emittentin oder der Garantin durch S&P erteilte Rating mindestens BBB+ beträgt und die Emittentin oder die Garantin (je nach Fall) sich sicher ist, dass ein solches Rating infolge der Rückzahlung oder des Rückkaufs nicht unter diesen Wert fallen würde oder*

*(ii) im Fall eines Rückkaufs von Schuldverschreibungen in Höhe von weniger als (x) 10 % des ursprünglich ausgegebenen Gesamtnennbetrags der Schuldverschreibungen während einer Frist von 12 aufeinander folgenden Monaten oder (y) 25 % des ursprünglich ausgegebenen Gesamtnennbetrags der Schuldverschreibungen während einer Frist von 10 aufeinander folgenden Jahren oder*

*(iii) im Fall der Rückzahlung der Schuldverschreibungen gemäß einem Ratingereignis (sofern es durch eine Änderung von S&P Methodologie verursacht wurde), einem Rechnungslegungsereignis, einem Steuerereignis oder einem Gross-Up Ereignis erfolgt oder*

*(iv) if the Notes are not assigned an "equity credit" (or such similar nomenclature then used by S&P at the time of such redemption or repurchase), or*

*(v) if such redemption or repurchase occurs on or after June 14, 2047.*

*(iv) wenn die Schuldverschreibungen keine Eigenkapitalanrechnung (oder eine solche von S&P zum Zeitpunkt der Rückzahlung oder des Rückkaufs dann verwendete gleichartige Klassifikation) aufweisen oder*

*(v) wenn die Rückzahlung oder der Rückkauf am oder nach dem 14. Juni, 2047 erfolgt.*

#### 4. GUARANTEE OF THE NC5.5 NOTES

##### GUARANTEE

of

**Volkswagen AG**  
(Wolfsburg, *Germany*)  
(the "**Guarantor**")

for the benefit of the Noteholders of the EUR 1,500,000,000 guaranteed undated unsecured subordinated Notes with a first call date in 2022 (the "**Notes**"), divided into notes in bearer form with a principal amount of EUR 100,000 each, which rank *pari passu* among themselves, issued by

**Volkswagen International Finance N.V.**  
(*incorporated as a limited liability company under the laws of The Netherlands*)  
(the "**Issuer**")

ISIN XS1629658755.

##### WHEREAS:

(A) The Guarantor intends to guarantee on a subordinated basis the due and punctual payment of any amounts payable by the Issuer in accordance with the terms and conditions of the Notes (the "**Terms and Conditions**").

(B) The intent and purpose of this Guarantee is to ensure that the Noteholders under any and all circumstances, whether factual or legal, and irrespective of validity or enforceability of the obligations of the Issuer under the Notes, or any other reasons on the basis of which the Issuer may fail to fulfil its obligations, receive on the respective due date any and all sums payable in accordance with the Terms and Conditions.

##### IT IS AGREED AS FOLLOWS:

###### 1. Definitions

Terms used in this Guarantee and not otherwise defined herein will have the meaning attributed to them in the Terms and Conditions.

###### 2. Guarantee

(a) The Guarantor unconditionally and irrevocably guarantees towards Citibank N.A. (the "**Principal Paying Agent**") for the benefit of each holder (each a "**Noteholder**") of each Note (which

##### GARANTIE

der

**Volkswagen AG**  
(Wolfsburg, *Deutschland*)  
(die "**Garantin**")

zugunsten der Anleihegläubiger der EUR 1.500.000.000 garantierten, unbefristeten, nicht besicherten nachrangigen Schuldverschreibungen, erstmals kündbar in 2022 (die "**Schuldverschreibungen**"), eingeteilt in untereinander gleichberechtigte, auf den Inhaber lautende Schuldverschreibungen im Nennbetrag von je EUR 100.000, die von der

**Volkswagen International Finance N.V.**  
(*einer mit beschränkter Haftung nach dem Recht der Niederlande errichteten Gesellschaft*)  
(die "**Emittentin**")

begeben worden sind, ISIN XS1629658755.

##### VORBEMERKUNG:

(A) Die Garantin beabsichtigt die ordnungsgemäße Zahlung von allen Beträgen, die nach Maßgabe der Emissionsbedingungen (die "**Emissionsbedingungen**") der von der Emittentin begebenen Schuldverschreibungen zu zahlen sind, auf nachrangiger Basis zu garantieren.

(B) Es ist Sinn und Zweck dieser Garantie, sicherzustellen, dass die Anleihegläubiger unter allen tatsächlichen und rechtlichen Umständen und unabhängig von Wirksamkeit und Durchsetzbarkeit der Verpflichtungen der Emittentin aus den Schuldverschreibungen und unabhängig von sonstigen Gründen, aufgrund derer die Emittentin ihre Verpflichtungen nicht erfüllt, bei Fälligkeit alle nach Maßgabe der Emissionsbedingungen zu zahlenden Beträge erhalten.

##### ES WIRD FOLGENDES VEREINBART:

###### 1. Definitionen

Die in dieser Garantie verwendeten und nicht anders definierten Begriffe haben die ihnen in den Emissionsbedingungen zugewiesene Bedeutung.

###### 2. Garantie

(a) Die Garantin übernimmt gegenüber Citibank N.A. (die "**Hauptzahlstelle**") zugunsten jedes Anleihegläubigers (jeweils ein "**Anleihegläubiger**") der Schuldverschreibungen (wobei dieser Begriff jede



expression will include any Global Note representing the Notes), the due payment of all amounts which are payable by the Issuer in accordance with the Terms and Conditions, as and when the same will become due.

(b) The obligations of the Guarantor under the Guarantee rank:

- (i) senior only to the Junior Obligations of the Guarantor,
- (ii) *pari passu* with any other present and future Parity Obligations of the Guarantor, and
- (iii) junior to the Guarantor's unsubordinated obligations, contractually and statutorily subordinated obligations except as expressly provided for otherwise by the terms of the relevant obligation, and subordinated obligations required to be preferred by law.

**"Junior Obligations of the Guarantor"** means (i) the ordinary shares and preferred shares of the Guarantor, (ii) any present or future share of any other class of shares of the Guarantor, (iii) any other present or future security, registered security or other instrument of the Guarantor under which the Guarantor's obligations rank or are expressed to rank *pari passu* with the ordinary shares or the preferred shares of the Guarantor and (iv) any present or future security, registered security or other instrument which is issued by a Subsidiary of the Guarantor and guaranteed by the Guarantor or for which the Guarantor has otherwise assumed liability where the Guarantor's obligations under such guarantee or other assumption of liability rank or are expressed to rank *pari passu* with the instruments described under (i), (ii) and (iii).

**"Parity Obligations of the Guarantor"** means any present or future obligation which (i) is issued by the Guarantor and the obligations under which rank or are expressed to rank *pari passu* with the Guarantor's obligations under the Guarantee, or (ii) benefits from a guarantee or support agreement that ranks or is expressed to rank *pari passu* with its obligations under the Guarantee. For the avoidance of doubt, Parity Obligations of the Guarantor include its obligations under the guarantees for the Issuer's undated unsecured subordinated notes with a first call

Globalurkunde, welche die Schuldverschreibungen verbrieft, einschließt), die unbedingte und unwiderrufliche Garantie für die ordnungsgemäße Zahlung aller gemäß den Emissionsbedingungen von der Emittentin zu zahlenden Beträge bei Fälligkeit.

(b) Die Verbindlichkeiten der Garantin unter der Garantie:

- (i) gehen nur Nachrangigen Verbindlichkeiten der Garantin im Rang vor,
- (ii) stehen gleich im Rang untereinander und mit jeder Gleichrangigen Verbindlichkeit der Garantin, und
- (iii) gehen allen anderen nicht nachrangigen Verbindlichkeiten der Garantin, gesetzlich nachrangigen und vertraglich nachrangigen Verbindlichkeiten, außer wenn in den Bedingungen der betreffenden Verbindlichkeit etwas anderes geregelt sein sollte, und nachrangigen Verbindlichkeiten, die durch Gesetz vorrangig sein müssen, im Rang nach.

**"Nachrangige Verbindlichkeiten der Garantin"** bezeichnet (i) die Stammaktien und die Vorzugsaktien der Garantin, (ii) jede gegenwärtige oder zukünftige Aktie einer anderen Gattung von Aktien der Garantin, (iii) jedes andere gegenwärtige oder zukünftige Wertpapier, Namenswertpapier oder jedes andere Instrument, das von der Garantin begeben ist und bei dem die daraus folgenden Verbindlichkeiten der Garantin mit den Stammaktien oder den Vorzugsaktien der Garantin gleichrangig vereinbart sind und (iv) jedes gegenwärtige oder zukünftige Wertpapier, Namenswertpapier oder jedes andere Instrument, das von einer Tochtergesellschaft der Garantin begeben und von der Garantin dergestalt garantiert ist oder für das die Garantin dergestalt die Haftung übernommen hat, dass die betreffenden Verbindlichkeiten der Garantin aus der maßgeblichen Garantie oder Haftungsübernahme mit den unter (i), (ii) und (iii) genannten Instrumenten gleichrangig oder als gleichrangig vereinbart sind.

**"Gleichrangige Verbindlichkeiten der Garantin"** bezeichnet jede bestehende und zukünftige Verbindlichkeit, die (i) von der Garantin begeben wurde und die gleichrangig im Verhältnis zu den Verbindlichkeiten der Garantin aus der Garantie ist oder ausdrücklich als gleichrangig vereinbart ist oder die (ii) von einer Garantie oder Haftungsübernahme profitiert, bei der die Verbindlichkeiten der Garantin aus der betreffenden Garantie oder Haftungsübernahme mit den Verbindlichkeiten der Garantin aus der Garantie gleichrangig oder als

date in 2027, ISIN XS1629774230, its obligations under the guarantees for the Issuer's undated unsecured subordinated notes with a first call date in 2022, ISIN XS1206540806, its obligations under the guarantees for the Issuer's undated unsecured subordinated notes with a first call date in 2030, ISIN XS1206541366, its obligations under the guarantee for the Issuer's undated unsecured subordinated notes with a first call date in 2021, ISIN XS1048428012, its obligations under the guarantee for the Issuer's undated unsecured subordinated notes with a first call date in 2026, ISIN XS1048428442, its obligations under the guarantee for the Issuer's undated unsecured subordinated notes with a first call date in 2018, ISIN XS0968913268, and its obligations under the guarantee for the Issuer's undated unsecured subordinated notes with a first call date in 2023, ISIN XS0968913342.

**"Subsidiary of the Guarantor"** means any corporation, partnership or other enterprise in which the Guarantor directly or indirectly holds in the aggregate more than 50 per cent. of the capital or the voting rights.

(c) In the event of liquidation, dissolution, insolvency, composition or other proceedings for the avoidance of insolvency of, or against the Guarantor, the claims of the Noteholders under the Guarantee will be satisfied after (but only after) the obligations of the Guarantor that rank senior to the Notes. In any such event, Noteholders will not receive any amounts payable in respect of the Guarantee until the claims of all obligations of the Guarantor that rank senior to the Notes have first been satisfied in full.

No Noteholder may set off any claims arising under the Guarantee against claims that the Guarantor may have against it. The Guarantor may not set off any claims it may have against any Noteholder against any of its obligations under the Guarantee.

gleichrangig vereinbart sind. Gleichrangige Verbindlichkeiten der Garantin sind, unter anderem, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2027, ISIN XS1629774230, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2022, ISIN XS1206540806, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2030, ISIN XS1206541366, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2021, ISIN XS1048428012, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2026, ISIN XS1048428442, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2018, ISIN XS0968913268, und ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2023, ISIN XS0968913342.

**"Tochtergesellschaft der Garantin"** bezeichnet jede Gesellschaft, Personengesellschaft und jedes sonstige Unternehmen oder jede andere Person an der bzw. dem die Garantin direkt oder indirekt insgesamt mehr als 50% des Kapitals oder der Stimmrechte hält.

(c) Im Fall der Liquidation, der Auflösung oder der Insolvenz der Garantin oder eines Vergleichs oder eines anderen der Abwendung der Insolvenz dienenden Verfahrens gegen die Garantin werden die Ansprüche der Anleihegläubiger aus der Garantie erst nach den Ansprüchen der Inhaber aller anderen gegenüber den Schuldverschreibungen vorrangigen Verbindlichkeiten der Garantin bedient. In einem solchen Fall werden die Anleihegläubiger keine Zahlungen auf die Garantie erhalten, bis alle Ansprüche aus den gegenüber den Schuldverschreibungen vorrangigen Verbindlichkeiten der Garantin vollständig bedient sind.

Die Anleihegläubiger sind nicht berechtigt, Forderungen aus der Garantie mit etwaigen gegen sie gerichteten Forderungen der Garantin aufzurechnen. Die Garantin ist nicht berechtigt, Forderungen gegenüber Anleihegläubigern mit den

(d) The obligations of the Guarantor under this guarantee (i) will be separate and independent from the obligations of the Issuer under the Notes, (ii) will exist irrespective of the legality, validity and binding effect or enforceability of the Notes, and (iii) will not be affected by any event, condition or circumstance of whatever nature, whether factual or legal, save the full, definitive and irrevocable satisfaction of any and all payment obligations expressed to be assumed under the Notes.

(e) In the event of a substitution of the Issuer by a New Debtor pursuant to § 14 of the Terms and Conditions, this Guarantee will extend to any and all amounts payable by the New Debtor pursuant to the Terms and Conditions. The foregoing will also apply if the New Debtor will have assumed the obligations arising under the Notes directly from the Guarantor.

(f) The Guarantor will make all payments in respect of the Notes and the Guarantee without deduction of taxes or other duties which the Guarantor would be required by law to deduct under the law applicable on June 14, 2017.

All payments of principal and interest in respect of the Notes by the Guarantor under the Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of The Netherlands or the Federal Republic of Germany or, in each case, any authority therein or thereof having power to tax, unless the Guarantor is required by law to make such withholding or deduction of such taxes, duties, assessments or governmental charges. In that event, the Guarantor will pay such Additional Amounts as may be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been received in respect of the Notes, in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable on account of any taxes or duties which:

(i) are payable otherwise than by withholding

Verpflichtungen aus der Garantie aufzurechnen.

(d) Die Verpflichtungen der Garantin aus dieser Garantie (i) sind selbständig und unabhängig von den Verpflichtungen der Emittentin aus den Schuldverschreibungen, (ii) bestehen unabhängig von der Rechtmäßigkeit, Gültigkeit, Verbindlichkeit oder Durchsetzbarkeit der Schuldverschreibungen und (iii) werden nicht durch Ereignisse, Bedingungen oder Umstände tatsächlicher oder rechtlicher Art berührt, außer durch die vollständige, endgültige und unwiderrufliche Erfüllung sämtlicher in den Schuldverschreibungen eingegangenen Zahlungsverpflichtungen.

(e) Im Falle einer Ersetzung der Emittentin durch eine Neue Anleiheschuldnerin gemäß § 14 der Emissionsbedingungen erstreckt sich diese Garantie auf sämtliche von der Neuen Anleiheschuldnerin gemäß den Emissionsbedingungen zu zahlenden Beträge. Dies gilt auch dann, wenn die Neue Anleiheschuldnerin die Verpflichtungen aus den Schuldverschreibungen unmittelbar von der Garantin übernommen hat.

(f) Die Garantin wird sämtliche auf die Garantie zu zahlenden Beträge ohne Abzug von Steuern oder sonstigen Abgaben leisten, zu deren Abzug die Garantin nach dem am 14. Juni 2017 geltenden Recht gesetzlich verpflichtet wäre.

Sämtliche auf die Schuldverschreibungen zu zahlenden Beträge von Kapital oder Zinsen sind ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftiger Steuern, sonstigen Abgaben oder behördlicher Gebühren gleich welcher Art durch die Garantin unter der Garantie zu leisten, die von oder in den Niederlanden oder der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer Gebietskörperschaft oder Steuerbehörde der oder in den Niederlanden oder der Bundesrepublik Deutschland auferlegt oder erhoben werden, es sei denn, die Garantin ist gesetzlich verpflichtet, einen solchen Einbehalt oder Abzug vorzunehmen. In diesem Fall wird die Garantin diejenigen Zusätzlichen Beträge zahlen, die erforderlich sind, damit die den Anleihegläubigern zufließenden Nettobeträge nach diesem Einbehalt oder Abzug jeweils den Beträgen entsprechen, die ohne einen solchen Einbehalt oder Abzug von den Inhabern der Schuldverschreibungen empfangen worden wären; die Verpflichtung zur Zahlung solcher zusätzlicher Beträge besteht jedoch nicht im Hinblick auf Steuern und Abgaben, die:

(i) auf andere Weise als durch Einbehalt oder Abzug von zahlbaren Beträgen zu

or deduction from amounts payable; or

(ii) are payable by reason of the Noteholder having, or having had, some personal or business connection with The Netherlands or the Federal Republic of Germany and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, The Netherlands or the Federal Republic of Germany; or

(iii) are withheld or deducted from a payment to an individual or a residual entity within the meaning of the European Council Directive 2003/48/EC and are required to be made pursuant to the European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment of principal or interest becomes due, or, if later, is duly provided for and notice thereof is published in accordance with § 13 of the Terms and Conditions; or

(v) are deducted or withheld by a Paying Agent from a payment if the payment could have been made by another Paying Agent without such deduction or withholding.

3. This Guarantee and all undertakings contained herein constitute a contract for the benefit of the Noteholders from time to time as third party beneficiaries pursuant to § 328 (1) of the BGB. They give rise to the right of each such Noteholder to require performance of the obligations undertaken herein directly from the Guarantor, and to enforce such obligations directly against the Guarantor.

4. The Principal Paying Agent does not act in a fiduciary or in any other similar capacity for the Noteholders.

entrichten sind; oder

(ii) wegen einer gegenwärtigen oder früheren persönlichen oder geschäftlichen Beziehung des Anleihegläubigers zu den Niederlanden oder der Bundesrepublik Deutschland zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen aus Quellen in den Niederlanden oder der Bundesrepublik Deutschland stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind; oder

(iii) aufgrund der Richtlinie des Europäischen Rats 2003/48/EG oder jeder anderen Richtlinie, die die Schlussfolgerungen des Treffens des ECOFIN-Rates vom 26. - 27. November 2000 betreffend die Besteuerung von Zinserträgen, umsetzt, oder aufgrund einer gesetzlichen Vorschrift, die diese Richtlinie umsetzt oder befolgt oder erlassen wurde, um der Richtlinie zu entsprechen, von Zahlungen an eine natürliche Person oder eine sonstige Einrichtung im Sinne der Richtlinie des Europäischen Rates 2003/48/EG einzubehalten oder abzuziehen sind; oder

(iv) aufgrund einer Rechtsänderung zu zahlen sind, welche später als 30 Tage nach Fälligkeit der betreffenden Zahlung von Kapital oder Zinsen oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Bekanntmachung gemäß § 13 der Emissionsbedingungen wirksam wird; oder

(v) von einer Zahlstelle abgezogen oder einbehalten werden, wenn eine andere Zahlstelle die Zahlung ohne einen solchen Abzug oder Einbehalt hätte leisten können.

3. Diese Garantie und alle darin enthaltenen Vereinbarungen stellen einen Vertrag zugunsten der jeweiligen Anleihegläubiger als begünstigte Dritte gemäß § 328 Absatz 1 BGB dar. Sie begründen das Recht eines jeden Anleihegläubigers, die Erfüllung der hierin eingegangenen Verpflichtungen unmittelbar von der Garantin zu fordern und diese Verpflichtungen unmittelbar gegenüber der Garantin durchzusetzen.

4. Die Hauptzahlstelle handelt nicht als Treuhänder oder in einer ähnlichen Eigenschaft für die Anleihegläubiger.

5. Miscellaneous Provisions

(a) This Guarantee will be governed by, and construed in accordance with, German law.

(b) Place of performance will be Frankfurt am Main.

(c) The District Court (*Landgericht*) in Frankfurt am Main will have non-exclusive jurisdiction for any action or other legal proceedings arising out of or in connection with the Guarantee.

(d) On the basis of a copy of this Guarantee certified as being a true copy by a duly authorised officer of the Principal Paying Agent, each Noteholder may protect and enforce in its own name its rights arising under this Guarantee in any legal proceedings against the Guarantor or to which such Noteholder and the Guarantor are parties, without the need for presentation of this Guarantee in such proceedings.

(e) The Principal Paying Agent agrees to hold the original copy of this Guarantee in custody until all obligations under the Notes and this Guarantee have been fulfilled.

6. In relation to amendments of the terms of the Guarantee by resolution of the Noteholders with the consent of the Guarantor, § 16 of the Terms and Conditions applies *mutatis mutandis*.

5. Verschiedene Bestimmungen

(a) Diese Garantie unterliegt deutschem Recht.

(b) Erfüllungsort ist Frankfurt am Main.

(c) Nicht ausschließlich zuständig für sämtliche im Zusammenhang mit der Garantie entstehenden Klagen oder sonstige Verfahren ist das Landgericht Frankfurt am Main.

(d) Jeder Anleihegläubiger kann in jedem Rechtsstreit gegen die Garantin und in jedem Rechtsstreit, in dem er und die Garantin Partei sind, seine Rechte aus dieser Garantie auf der Grundlage einer von einer vertretungsberechtigten Person der Hauptzahlstelle beglaubigten Kopie dieser Garantie ohne Vorlage des Originals im eigenen Namen wahrnehmen und durchsetzen.

(e) Die Hauptzahlstelle verpflichtet sich, das Original dieser Garantie bis zur Erfüllung sämtlicher Verpflichtungen aus den Schuldverschreibungen und dieser Garantie zu verwahren.

6. Für Änderungen der Bedingungen der Garantie durch Beschluss der Anleihegläubiger mit Zustimmung der Garantin gilt § 16 der Emissionsbedingungen entsprechend.

## 5. GUARANTEE OF THE NC10 NOTES

### GUARANTEE

of

**Volkswagen AG**  
(Wolfsburg, *Germany*)  
(the "**Guarantor**")

for the benefit of the Noteholders of the EUR 2,000,000,000 guaranteed undated unsecured subordinated Notes with a first call date in 2027 (the "**Notes**"), divided into notes in bearer form with a principal amount of EUR 100,000 each, which rank *pari passu* among themselves, issued by

**Volkswagen International Finance N.V.**  
(*incorporated as a limited liability company under the laws of The Netherlands*)  
(the "**Issuer**")

ISIN XS1629774230.

#### WHEREAS:

(A) The Guarantor intends to guarantee on a subordinated basis the due and punctual payment of any amounts payable by the Issuer in accordance with the terms and conditions of the Notes (the "**Terms and Conditions**").

(B) The intent and purpose of this Guarantee is to ensure that the Noteholders under any and all circumstances, whether factual or legal, and irrespective of validity or enforceability of the obligations of the Issuer under the Notes, or any other reasons on the basis of which the Issuer may fail to fulfil its obligations, receive on the respective due date any and all sums payable in accordance with the Terms and Conditions.

#### IT IS AGREED AS FOLLOWS:

##### 1. Definitions

Terms used in this Guarantee and not otherwise defined herein will have the meaning attributed to them in the Terms and Conditions.

##### 2. Guarantee

(a) The Guarantor unconditionally and irrevocably guarantees towards Citibank N.A. (the "**Principal Paying Agent**") for the benefit of each holder (each a "**Noteholder**") of each Note (which

### GARANTIE

der

**Volkswagen AG**  
(Wolfsburg, *Deutschland*)  
(die "**Garantin**")

zugunsten der Anleihegläubiger der EUR 2.000.000.000 garantierten, unbefristeten, nicht besicherten nachrangigen Schuldverschreibungen, erstmals kündbar in 2027 (die "**Schuldverschreibungen**"), eingeteilt in untereinander gleichberechtigte, auf den Inhaber lautende Schuldverschreibungen im Nennbetrag von je EUR 100.000, die von der

**Volkswagen International Finance N.V.**  
(*einer mit beschränkter Haftung nach dem Recht der Niederlande errichteten Gesellschaft*)  
(die "**Emittentin**")

begeben worden sind, ISIN XS1629774230.

#### VORBEMERKUNG:

(A) Die Garantin beabsichtigt die ordnungsgemäße Zahlung von allen Beträgen, die nach Maßgabe der Emissionsbedingungen (die "**Emissionsbedingungen**") der von der Emittentin begebenen Schuldverschreibungen zu zahlen sind, auf nachrangiger Basis zu garantieren.

(B) Es ist Sinn und Zweck dieser Garantie, sicherzustellen, dass die Anleihegläubiger unter allen tatsächlichen und rechtlichen Umständen und unabhängig von Wirksamkeit und Durchsetzbarkeit der Verpflichtungen der Emittentin aus den Schuldverschreibungen und unabhängig von sonstigen Gründen, aufgrund derer die Emittentin ihre Verpflichtungen nicht erfüllt, bei Fälligkeit alle nach Maßgabe der Emissionsbedingungen zu zahlenden Beträge erhalten.

#### ES WIRD FOLGENDES VEREINBART:

##### 1. Definitionen

Die in dieser Garantie verwendeten und nicht anders definierten Begriffe haben die ihnen in den Emissionsbedingungen zugewiesene Bedeutung.

##### 2. Garantie

(a) Die Garantin übernimmt gegenüber Citibank N.A. (die "**Hauptzahlstelle**") zugunsten jedes Anleihegläubigers (jeweils ein "**Anleihegläubiger**") der Schuldverschreibungen (wobei dieser Begriff jede

expression will include any Global Note representing the Notes), the due payment of all amounts which are payable by the Issuer in accordance with the Terms and Conditions, as and when the same will become due.

(b) The obligations of the Guarantor under the Guarantee rank:

- (i) senior only to the Junior Obligations of the Guarantor,
- (ii) *pari passu* with any other present and future Parity Obligations of the Guarantor, and
- (iii) junior to the Guarantor's unsubordinated obligations, contractually and statutorily subordinated obligations except as expressly provided for otherwise by the terms of the relevant obligation, and subordinated obligations required to be preferred by law.

**"Junior Obligations of the Guarantor"** means (i) the ordinary shares and preferred shares of the Guarantor, (ii) any present or future share of any other class of shares of the Guarantor, (iii) any other present or future security, registered security or other instrument of the Guarantor under which the Guarantor's obligations rank or are expressed to rank *pari passu* with the ordinary shares or the preferred shares of the Guarantor and (iv) any present or future security, registered security or other instrument which is issued by a Subsidiary of the Guarantor and guaranteed by the Guarantor or for which the Guarantor has otherwise assumed liability where the Guarantor's obligations under such guarantee or other assumption of liability rank or are expressed to rank *pari passu* with the instruments described under (i), (ii) and (iii).

**"Parity Obligations of the Guarantor"** means any present or future obligation which (i) is issued by the Guarantor and the obligations under which rank or are expressed to rank *pari passu* with the Guarantor's obligations under the Guarantee, or (ii) benefits from a guarantee or support agreement that ranks or is expressed to rank *pari passu* with its obligations under the Guarantee. For the avoidance of doubt, Parity Obligations of the Guarantor include its obligations under the guarantees for the Issuer's undated unsecured subordinated notes with a first call

Globalurkunde, welche die Schuldverschreibungen verbrieft, einschließt), die unbedingte und unwiderrufliche Garantie für die ordnungsgemäße Zahlung aller gemäß den Emissionsbedingungen von der Emittentin zu zahlenden Beträge bei Fälligkeit.

(b) Die Verbindlichkeiten der Garantin unter der Garantie:

- (i) gehen nur Nachrangigen Verbindlichkeiten der Garantin im Rang vor,
- (ii) stehen gleich im Rang untereinander und mit jeder Gleichrangigen Verbindlichkeit der Garantin, und
- (iii) gehen allen anderen nicht nachrangigen Verbindlichkeiten der Garantin, gesetzlich nachrangigen und vertraglich nachrangigen Verbindlichkeiten, außer wenn in den Bedingungen der betreffenden Verbindlichkeit etwas anderes geregelt sein sollte, und nachrangigen Verbindlichkeiten, die durch Gesetz vorrangig sein müssen, im Rang nach.

**"Nachrangige Verbindlichkeiten der Garantin"** bezeichnet (i) die Stammaktien und die Vorzugsaktien der Garantin, (ii) jede gegenwärtige oder zukünftige Aktie einer anderen Gattung von Aktien der Garantin, (iii) jedes andere gegenwärtige oder zukünftige Wertpapier, Namenswertpapier oder jedes andere Instrument, das von der Garantin begeben ist und bei dem die daraus folgenden Verbindlichkeiten der Garantin mit den Stammaktien oder den Vorzugsaktien der Garantin gleichrangig vereinbart sind und (iv) jedes gegenwärtige oder zukünftige Wertpapier, Namenswertpapier oder jedes andere Instrument, das von einer Tochtergesellschaft der Garantin begeben und von der Garantin dergestalt garantiert ist oder für das die Garantin dergestalt die Haftung übernommen hat, dass die betreffenden Verbindlichkeiten der Garantin aus der maßgeblichen Garantie oder Haftungsübernahme mit den unter (i), (ii) und (iii) genannten Instrumenten gleichrangig oder als gleichrangig vereinbart sind.

**"Gleichrangige Verbindlichkeiten der Garantin"** bezeichnet jede bestehende und zukünftige Verbindlichkeit, die (i) von der Garantin begeben wurde und die gleichrangig im Verhältnis zu den Verbindlichkeiten der Garantin aus der Garantie ist oder ausdrücklich als gleichrangig vereinbart ist oder die (ii) von einer Garantie oder Haftungsübernahme profitiert, bei der die Verbindlichkeiten der Garantin aus der betreffenden Garantie oder Haftungsübernahme mit den Verbindlichkeiten der Garantin aus der Garantie gleichrangig oder als

date in 2022, ISIN XS1629658755, its obligations under the guarantees for the Issuer's undated unsecured subordinated notes with a first call date in 2022, ISIN XS1206540806, its obligations under the guarantees for the Issuer's undated unsecured subordinated notes with a first call date in 2030, ISIN XS1206541366, its obligations under the guarantee for the Issuer's undated unsecured subordinated notes with a first call date in 2021, ISIN XS1048428012, its obligations under the guarantee for the Issuer's undated unsecured subordinated notes with a first call date in 2026, ISIN XS1048428442, its obligations under the guarantee for the Issuer's undated unsecured subordinated notes with a first call date in 2018, ISIN XS0968913268, and its obligations under the guarantee for the Issuer's undated unsecured subordinated notes with a first call date in 2023, ISIN XS0968913342.

**"Subsidiary of the Guarantor"** means any corporation, partnership or other enterprise in which the Guarantor directly or indirectly holds in the aggregate more than 50 per cent. of the capital or the voting rights.

(c) In the event of liquidation, dissolution, insolvency, composition or other proceedings for the avoidance of insolvency of, or against the Guarantor, the claims of the Noteholders under the Guarantee will be satisfied after (but only after) the obligations of the Guarantor that rank senior to the Notes. In any such event, Noteholders will not receive any amounts payable in respect of the Guarantee until the claims of all obligations of the Guarantor that rank senior to the Notes have first been satisfied in full.

No Noteholder may set off any claims arising under the Guarantee against claims that the Guarantor may have against it. The Guarantor may not set off any claims it may have against any Noteholder against any of its obligations under the Guarantee.

gleichrangig vereinbart sind. Gleichrangige Verbindlichkeiten der Garantin sind, unter anderem, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2022, ISIN XS1629658755, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2022, ISIN XS1206540806, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2030, ISIN XS1206541366, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2021, ISIN XS1048428012, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2026, ISIN XS1048428442, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2018, ISIN XS0968913268, und ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2023, ISIN XS0968913342.

**"Tochtergesellschaft der Garantin"** bezeichnet jede Gesellschaft, Personengesellschaft und jedes sonstige Unternehmen oder jede andere Person an der bzw. dem die Garantin direkt oder indirekt insgesamt mehr als 50% des Kapitals oder der Stimmrechte hält.

(c) Im Fall der Liquidation, der Auflösung oder der Insolvenz der Garantin oder eines Vergleichs oder eines anderen der Abwendung der Insolvenz dienenden Verfahrens gegen die Garantin werden die Ansprüche der Anleihegläubiger aus der Garantie erst nach den Ansprüchen der Inhaber aller anderen gegenüber den Schuldverschreibungen vorrangigen Verbindlichkeiten der Garantin bedient. In einem solchen Fall werden die Anleihegläubiger keine Zahlungen auf die Garantie erhalten, bis alle Ansprüche aus den gegenüber den Schuldverschreibungen vorrangigen Verbindlichkeiten der Garantin vollständig bedient sind.

Die Anleihegläubiger sind nicht berechtigt, Forderungen aus der Garantie mit etwaigen gegen sie gerichteten Forderungen der Garantin aufzurechnen. Die Garantin ist nicht berechtigt, Forderungen gegenüber Anleihegläubigern mit den



(d) The obligations of the Guarantor under this guarantee (i) will be separate and independent from the obligations of the Issuer under the Notes, (ii) will exist irrespective of the legality, validity and binding effect or enforceability of the Notes, and (iii) will not be affected by any event, condition or circumstance of whatever nature, whether factual or legal, save the full, definitive and irrevocable satisfaction of any and all payment obligations expressed to be assumed under the Notes.

(e) In the event of a substitution of the Issuer by a New Debtor pursuant to § 14 of the Terms and Conditions, this Guarantee will extend to any and all amounts payable by the New Debtor pursuant to the Terms and Conditions. The foregoing will also apply if the New Debtor will have assumed the obligations arising under the Notes directly from the Guarantor.

(f) The Guarantor will make all payments in respect of the Notes and the Guarantee without deduction of taxes or other duties which the Guarantor would be required by law to deduct under the law applicable on June 14, 2017.

All payments of principal and interest in respect of the Notes by the Guarantor under the Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of The Netherlands or the Federal Republic of Germany or, in each case, any authority therein or thereof having power to tax, unless the Guarantor is required by law to make such withholding or deduction of such taxes, duties, assessments or governmental charges. In that event, the Guarantor will pay such Additional Amounts as may be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been received in respect of the Notes, in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable on account of any taxes or duties which:

(i) are payable otherwise than by withholding

Verpflichtungen aus der Garantie aufzurechnen.

(d) Die Verpflichtungen der Garantin aus dieser Garantie (i) sind selbständig und unabhängig von den Verpflichtungen der Emittentin aus den Schuldverschreibungen, (ii) bestehen unabhängig von der Rechtmäßigkeit, Gültigkeit, Verbindlichkeit oder Durchsetzbarkeit der Schuldverschreibungen und (iii) werden nicht durch Ereignisse, Bedingungen oder Umstände tatsächlicher oder rechtlicher Art berührt, außer durch die vollständige, endgültige und unwiderrufliche Erfüllung sämtlicher in den Schuldverschreibungen eingegangenen Zahlungsverpflichtungen.

(e) Im Falle einer Ersetzung der Emittentin durch eine Neue Anleiheschuldnerin gemäß § 14 der Emissionsbedingungen erstreckt sich diese Garantie auf sämtliche von der Neuen Anleiheschuldnerin gemäß den Emissionsbedingungen zu zahlenden Beträge. Dies gilt auch dann, wenn die Neue Anleiheschuldnerin die Verpflichtungen aus den Schuldverschreibungen unmittelbar von der Garantin übernommen hat.

(f) Die Garantin wird sämtliche auf die Garantie zu zahlenden Beträge ohne Abzug von Steuern oder sonstigen Abgaben leisten, zu deren Abzug die Garantin nach dem am 14. Juni 2017 geltenden Recht gesetzlich verpflichtet wäre.

Sämtliche auf die Schuldverschreibungen zu zahlenden Beträge von Kapital oder Zinsen sind ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftiger Steuern, sonstigen Abgaben oder behördlicher Gebühren gleich welcher Art durch die Garantin unter der Garantie zu leisten, die von oder in den Niederlanden oder der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer Gebietskörperschaft oder Steuerbehörde der oder in den Niederlanden oder der Bundesrepublik Deutschland auferlegt oder erhoben werden, es sei denn, die Garantin ist gesetzlich verpflichtet, einen solchen Einbehalt oder Abzug vorzunehmen. In diesem Fall wird die Garantin diejenigen Zusätzlichen Beträge zahlen, die erforderlich sind, damit die den Anleihegläubigern zufließenden Nettobeträge nach diesem Einbehalt oder Abzug jeweils den Beträgen entsprechen, die ohne einen solchen Einbehalt oder Abzug von den Inhabern der Schuldverschreibungen empfangen worden wären; die Verpflichtung zur Zahlung solcher zusätzlicher Beträge besteht jedoch nicht im Hinblick auf Steuern und Abgaben, die:

(i) auf andere Weise als durch Einbehalt oder Abzug von zahlbaren Beträgen zu

or deduction from amounts payable; or

- (ii) are payable by reason of the Noteholder having, or having had, some personal or business connection with The Netherlands or the Federal Republic of Germany and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, The Netherlands or the Federal Republic of Germany; or
- (iii) are withheld or deducted from a payment to an individual or a residual entity within the meaning of the European Council Directive 2003/48/EC and are required to be made pursuant to the European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iv) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment of principal or interest becomes due, or, if later, is duly provided for and notice thereof is published in accordance with § 13 of the Terms and Conditions; or
- (v) are deducted or withheld by a Paying Agent from a payment if the payment could have been made by another Paying Agent without such deduction or withholding.

3. This Guarantee and all undertakings contained herein constitute a contract for the benefit of the Noteholders from time to time as third party beneficiaries pursuant to § 328 (1) of the BGB. They give rise to the right of each such Noteholder to require performance of the obligations undertaken herein directly from the Guarantor, and to enforce such obligations directly against the Guarantor.

4. The Principal Paying Agent does not act in a fiduciary or in any other similar capacity for the Noteholders.

entrichten sind; oder

- (ii) wegen einer gegenwärtigen oder früheren persönlichen oder geschäftlichen Beziehung des Anleihegläubigers zu den Niederlanden oder der Bundesrepublik Deutschland zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen aus Quellen in den Niederlanden oder der Bundesrepublik Deutschland stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind; oder
- (iii) aufgrund der Richtlinie des Europäischen Rats 2003/48/EG oder jeder anderen Richtlinie, die die Schlussfolgerungen des Treffens des ECOFIN-Rates vom 26. - 27. November 2000 betreffend die Besteuerung von Zinserträgen, umsetzt, oder aufgrund einer gesetzlichen Vorschrift, die diese Richtlinie umsetzt oder befolgt oder erlassen wurde, um der Richtlinie zu entsprechen, von Zahlungen an eine natürliche Person oder eine sonstige Einrichtung im Sinne der Richtlinie des Europäischen Rates 2003/48/EG einzubehalten oder abzuziehen sind; oder
- (iv) aufgrund einer Rechtsänderung zu zahlen sind, welche später als 30 Tage nach Fälligkeit der betreffenden Zahlung von Kapital oder Zinsen oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Bekanntmachung gemäß § 13 der Emissionsbedingungen wirksam wird; oder
- (v) von einer Zahlstelle abgezogen oder einbehalten werden, wenn eine andere Zahlstelle die Zahlung ohne einen solchen Abzug oder Einbehalt hätte leisten können.

3. Diese Garantie und alle darin enthaltenen Vereinbarungen stellen einen Vertrag zugunsten der jeweiligen Anleihegläubiger als begünstigte Dritte gemäß § 328 Absatz 1 BGB dar. Sie begründen das Recht eines jeden Anleihegläubigers, die Erfüllung der hierin eingegangenen Verpflichtungen unmittelbar von der Garantin zu fordern und diese Verpflichtungen unmittelbar gegenüber der Garantin durchzusetzen.

4. Die Hauptzahlstelle handelt nicht als Treuhänder oder in einer ähnlichen Eigenschaft für die Anleihegläubiger.

5. Miscellaneous Provisions

(a) This Guarantee will be governed by, and construed in accordance with, German law.

(b) Place of performance will be Frankfurt am Main.

(c) The District Court (*Landgericht*) in Frankfurt am Main will have non-exclusive jurisdiction for any action or other legal proceedings arising out of or in connection with the Guarantee.

(d) On the basis of a copy of this Guarantee certified as being a true copy by a duly authorised officer of the Principal Paying Agent, each Noteholder may protect and enforce in its own name its rights arising under this Guarantee in any legal proceedings against the Guarantor or to which such Noteholder and the Guarantor are parties, without the need for presentation of this Guarantee in such proceedings.

(e) The Principal Paying Agent agrees to hold the original copy of this Guarantee in custody until all obligations under the Notes and this Guarantee have been fulfilled.

6. In relation to amendments of the terms of the Guarantee by resolution of the Noteholders with the consent of the Guarantor, § 16 of the Terms and Conditions applies *mutatis mutandis*.

5. Verschiedene Bestimmungen

(a) Diese Garantie unterliegt deutschem Recht.

(b) Erfüllungsort ist Frankfurt am Main.

(c) Nicht ausschließlich zuständig für sämtliche im Zusammenhang mit der Garantie entstehenden Klagen oder sonstige Verfahren ist das Landgericht Frankfurt am Main.

(d) Jeder Anleihegläubiger kann in jedem Rechtsstreit gegen die Garantin und in jedem Rechtsstreit, in dem er und die Garantin Partei sind, seine Rechte aus dieser Garantie auf der Grundlage einer von einer vertretungsberechtigten Person der Hauptzahlstelle beglaubigten Kopie dieser Garantie ohne Vorlage des Originals im eigenen Namen wahrnehmen und durchsetzen.

(e) Die Hauptzahlstelle verpflichtet sich, das Original dieser Garantie bis zur Erfüllung sämtlicher Verpflichtungen aus den Schuldverschreibungen und dieser Garantie zu verwahren.

6. Für Änderungen der Bedingungen der Garantie durch Beschluss der Anleihegläubiger mit Zustimmung der Garantin gilt § 16 der Emissionsbedingungen entsprechend.

## 6. DESCRIPTION OF THE ISSUER

### 6.1 History and Development

Volkswagen International Finance N.V. (the "**Issuer**" or "**VIF**"), which is both the legal and the commercial name, was incorporated as a stock corporation (*naamloze vennootschap*) under the laws of The Netherlands for an indefinite period of time on April 15, 1977. It is registered with the Register of Commerce under No. 33148825. VIF is subject to the provisions of the *Boek 2 Burgerlijk Wetboek* (Book 2 of the Dutch Civil Code). VIF's registered office is in Amsterdam, The Netherlands; its head office is at Paleisstraat 1, 1012 RB Amsterdam, The Netherlands (telephone number +31 ((20) 624 5971).

### 6.2 Articles of Association

The purposes of VIF according to Article 2 of its Articles of Association are to finance and to participate in companies and enterprises. VIF may borrow, raise and secure money in all manners expedient to it, especially by means of issuance of bonds, convertible bonds, stock and securities of indefinite currency term or otherwise, be it or be it not by binding some or all of its assets, present or future assets, including the capital not paid in, as well as to redeem or repay such securities.

### 6.3 Investments

There were no principal investments made since the date of the last published financial statements.

The management bodies of VIF have not formed firm decisions on principal future investments.

### 6.4 Organizational Structure / Shareholder Structure

Volkswagen AG is the ultimate parent company of the Volkswagen Group, which consists of numerous subsidiaries and affiliates in Germany and overseas. The Volkswagen Group's activities span two principal areas: the production and sale of passenger cars, commercial vehicles and spare parts (automotive) and the leasing and rental of cars as well as financing and other activities (financial services).

Legal shareholder of VIF is Volkswagen Finance Luxemburg S.A. ("**VFL**"), which is a wholly-owned direct subsidiary of Volkswagen AG.

### 6.5 Share Capital

As of 31 December 2016, the authorized capital of VIF amounted to EUR 104,370,000 divided into 104,370 registered shares with a par nominal value of EUR 1,000 each, 103,035 of which were issued and fully paid-up.

### 6.6 Employees

During the year 2016, the average number of employees calculated on a full-time-equivalent basis was 16.

### 6.7 Business Overview

#### 6.7.1 *Principal activities*

The main activity of VIF consists in financing the Volkswagen Group companies.

Within the financing business VIF issues notes under the EUR 30 billion debt issuance programme and commercial papers under a EUR 15 billion commercial paper programme. Furthermore, VIF occasionally issues bonds on a standalone basis to accommodate particular financing needs of the VW Group. Such issues include hybrid and convertible instruments as well as instruments targeted at special markets such as, *inter alia*, the Asian market. Both programmes, and the standalone bonds issued by VIF, are guaranteed by VIF's ultimate parent company Volkswagen AG. The funds raised are granted to Volkswagen Group companies.

As a holding company VIF owned the following subsidiaries on December 31, 2016:

<u>Company name</u>	<u>Main activity</u>	<u>Country of Registration</u>	<u>Participation (%)</u>	<u>Equity (Million EUR)</u>	<u>Year of acquisition</u>
VW Autoeuropa, Lda. ....	Production of vehicles	Portugal Kingdom of Saudi	26	133.0	2006/2008
VW Group Saudi Arabia LLC .....	Import of vehicles	Arabia	51	9.6	2013

In addition to the participations in the above listed Volkswagen Group companies in which VIF holds interests greater than 20%, VIF also holds 9.01% capital interest and 99% of voting rights in Volkswagen India Private Limited as well as 1 share in the capital of Volkswagen Group Services S.A. For VW Group Saudi Arabia LLC and Volkswagen India Private Limited VIF has concluded de-domination agreements (*Stimmbindungsvereinbarungen*) with its parent company VFL regarding the execution of the voting rights in these companies. As of May 2017, VIF also holds 1 share in the capital of Volkswagen do Brasil.

### 6.7.2 *Principal markets*

VIF finances Volkswagen Group companies primarily situated on the European, American and Asian market. Participations are held in Europe, Asia and in the Middle East.

## 6.8 **Administrative, Management and Supervisory Bodies**

### 6.8.1 *Management Board*

The Management Board of VIF consists of two members. Present members of the Management Board are:

<u>Name</u>	<u>Additional Activities</u>
Thomas Fries, Managing Director	Managing Director of Volkswagen Financial Services N.V., Amsterdam  Managing Director of Global Mobility Holding B.V., Amsterdam  Managing Director of VW Finance Overseas B.V., Amsterdam  Managing Director of Fleet Investment B.V., Amsterdam
Vincent Delva, Managing Director	Secretary General of Volkswagen Group Services S.A., Brussels  Managing Director of Volkswagen Finance Luxemburg S.A., Luxemburg  Managing Director of Volkswagen International Luxemburg S.A., Luxemburg  Managing Director of Volkswagen New Mobility Luxemburg S.A., Luxemburg  Managing Director of Audi Luxemburg S.A., Luxemburg  Managing Director of Global Mobility Holding B.V., Amsterdam  Managing Director of Fleet Investment B.V., Amsterdam

## 6.8.2 *Supervisory Board*

The Supervisory Board of VIF consists of one or more members. Present members of the Supervisory Board are:

<b>Name</b>	<b>Additional Activities</b>
Albrecht Möhle, Chairman	Head of Global Markets and Group Funding of Volkswagen AG, Wolfsburg Chairman of the Supervisory Board of Volkswagen Finance Luxembourg S.A., Luxembourg Chairman of the Supervisory Board of Volkswagen International Luxembourg S.A., Luxembourg Chairman of the Supervisory Board of Volkswagen Group Services S.A., Brussels Chairman of the Board at Volkswagen Pension Trust e.V., Wolfsburg Managing Director of Porsche Holding Finance plc., Dublin Managing Director of Porsche Siebte Vermögensverwaltung GmbH, Wolfsburg Managing Director of Volkswagen Beteiligungs-verwaltung GmbH, Wolfsburg
Gudrun Letzel	Group Legal – Head of Commercial Vehicles at Volkswagen AG, Wolfsburg Member of the Supervisory Board of Volkswagen Finance Luxembourg S.A., Luxembourg Member of the Supervisory Board of Volkswagen International Luxembourg S.A., Luxembourg Member of the Supervisory Board of Volkswagen New Mobility Luxembourg S.A., Luxembourg
Stefan Rasche	Chairman of the Management Board of Volkswagen Group Services S.A., Brussels Member of the Supervisory Board of Volkswagen Finance Belgium S.A., Brussels Member of the Supervisory Board of Volkswagen Finance Luxembourg S.A., Luxembourg Member of the Supervisory Board of Volkswagen International Luxembourg S.A., Luxembourg

The members of the Management Board and of the Supervisory Board can be contacted at the address of the head office of the Issuer at Paleisstraat 1, 1012 RB Amsterdam, The Netherlands

There are no potential conflicts of interests between any duties of the members of the Management Board and the Supervisory Board owed to the Issuer and their private interests and/or other duties.

## 6.9 Board Practices

Pursuant to the Dutch Corporate Governance Decree of March 20, 2009 implementing further accounting standards for annual reports (*Besluit Corporate Governance*) and based on the listing of VIF's debt securities issued on regulated markets in the EU, VIF is subject to the less restrictive regime under the Corporate Governance Decree, pursuant to which the Corporate Governance Statement in VIF's annual report (directly or incorporated by reference) must contain information on the main features of VIF's internal control and risk management system in relation to the financial reporting process of VIF and its group companies. The Corporate Governance Statement in the Guarantor's 2016 annual report contains information on the main features of the internal control and risk management system in relation to the financial reporting process of the company and their group companies.

The integrity and quality of VIF's management is evaluated in accordance with instructions from the shareholder by a Board of Supervisory Directors consisting of 3 executives from the ultimate parent company. In addition, periodic internal and external audits are conducted of VIF's accounting and operations, including the risk management. VIF has no specific audit committee. The members of the Supervisory Board are in charge of all relevant tasks.

VIF's company works with proven transparent systems for accounting and treasury. All operations are subject to a so-called "4 eye principle" so that virtually all decisions and external instructions have to be approved by at least 2 persons in an effort to reduce the possibility of abuse of authority and privileges.

The management of risks in VIF's work particularly of its interest rate mismatch risks and foreign exchange position risks is subject to narrowly defined limits and monthly reporting apart from the frequent audits.

Members of management may not have other external functions, which could imply conflict of interest. Any other function requires the approval of the Board.

## 6.10 Selected Financial Information

The following table shows selected financial information of VIF extracted without material adjustment from the audited financial statements as of and for the years ended December 31, 2016 and December 31, 2015 and prepared in accordance with accounting standards generally accepted in The Netherlands (*Dutch GAAP*):

	Year ended December 31	
	2016	2015
	<i>(audited)</i>	
	<i>in EUR thousands</i>	
<i>Key Financial Information (Dutch GAAP)</i>		
Total assets .....	27,406,756	28,655,308
Shares in participations .....	142,610	164,596
Loans to and receivables due from Volkswagen Group companies.....	27,123,167	27,834,971
Receivables due from joint ventures of Volkswagen Group .....	10,362	12,213
Total receivables from loans .....	27,133,529	27,847,184
Total shareholder's equity .....	203,805	763,485
Liabilities from external funding activities (bonds and commercial papers) .....	26,426,493	27,028,295
Liabilities to Volkswagen Group companies .....	367,501	369,346
Total liabilities from funding activities.....	26,793,994	27,397,641
Interest, similar and other operating income.....	697,946	985,219
Interest, similar and other operating expenses .....	-674,306	-954,623
Financial result .....	23,640	30,596
Result before taxation.....	20,419	27,452
Taxation on result on ordinary activities.....	-5,100	-6,860
Result from participations .....	-15,999	42,783
Result after taxation.....	-680	63,375
Net cash flow current year .....	-369,289	257,274

### **6.11 Interim Financial Information**

VIF publishes short-form financial reports as of June 30 each year.

### **6.12 Third Party Information and Statement by Expert and Declarations of any Interest**

There are no third party information and statements by experts and declarations of any interest regarding VIF.

### **6.13 Legal and Arbitration Proceedings**

As of the date of this Prospectus, the Issuer is not involved in any governmental, legal or arbitration proceedings nor is the Issuer aware of any such proceedings pending or being threatened, the results of which have had during the previous 12 months, or which could, at present, have a significant effect on its financial position or profitability. However, as a result of the recent investigations in relation to the diesel issue, VIF as an issuer may in future face legal disputes from investors claiming damages for alleged breaches of applicable laws.



## 7. DESCRIPTION OF THE GUARANTOR

### 7.1 History and Development

Volkswagen Aktiengesellschaft was incorporated under German law as "*Gesellschaft zur Vorbereitung des deutschen Volkswagens mbH*" (Limited Liability Company for the Development of the German Volkswagen) which was founded in Berlin on May 28, 1937. The company was renamed "*Volkswagenwerk Gesellschaft mit beschränkter Haftung*" (Volkswagenwerk limited liability company) in 1938. The company was later converted into a joint stock corporation under German law which was entered into the commercial register (Handelsregister) at Wolfsburg local court (Amtsgericht) on August 22, 1960. The name was changed to "VOLKSWAGEN AKTIENGESELLSCHAFT" by resolution of the Annual Meeting on July 4, 1985 which is the legal and commercial name of Volkswagen AG.

Volkswagen AG is located in Wolfsburg. Since August 1, 2005 it has been listed in the commercial register (*Handelsregister*) at the Braunschweig local court (*Amtsgericht*) under the number HRB 100484. Volkswagen AG is subject to the provisions of the German Stock Corporation Act (*Aktiengesetz*). Its head office and registered office are located at Berliner Ring 2, 38440 Wolfsburg, Germany (telephone number + 49 (0) 5361 9-0).

### 7.2 Articles of Association

The objects of Volkswagen AG, according to § 2 of its Articles of Association, are the manufacture and sale of vehicles and engines of all kinds, their accessories, and all other equipment, machinery, tools and other technical products.

Volkswagen AG is entitled to conduct all business and take all measures connected with these objects or as appear capable of furthering such objects directly or indirectly. For this purpose, Volkswagen AG may establish branch offices within Germany and abroad or can found, acquire or participate in other enterprises.

### 7.3 Investments

The Volkswagen Group is planning to make investments of a total of €18 billion in the Automotive Division in 2017. Scheduled capex (investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs) is expected to amount to €13 billion in 2017. The ratio of capex to sales revenue in 2017 shall be at a level of 6-7% and slightly lower than 2016. The majority of capex is expected to be spent on new products and the continued rollout and development of the modular toolkit. The focus is on the electrification and digitalization of the Volkswagen Group's vehicles, in particular through the advancement of the Modular Electric Toolkit (MEB). At the same time, the Volkswagen Group primarily plans to further expand the SUV range.

Besides capex, investing activities are expected to include additions of €5 billion to capitalized development costs in 2017. Among other things, these reflect upfront expenditures in connection with compliance with environmental standards and the extension and updating of the Volkswagen Group's model range.

These plans are based on the Volkswagen Group's current structures. They do not take into account the possible settlement payable to other shareholders associated with the control and profit and loss transfer agreement with MAN SE. The Volkswagen Group's joint ventures in China are not consolidated and are therefore also not included in the above figures. These companies are expected to finance their investments from their own funds.

### 7.4 Organizational Structure

The Volkswagen Group consists of two divisions: the Automotive Division and the Financial Services Division. The Automotive Division comprises the Passenger Cars, Commercial Vehicles and Power Engineering Business Areas. The activities of the Automotive Division comprise the development of vehicles and engines, the production and sale of passenger cars, light commercial vehicles, trucks, buses and motorcycles, as well as the genuine parts, large-bore diesel engines, turbomachinery, special gear units, propulsion components and testing systems businesses. The Ducati brand is allocated to the Audi brand and is thus presented in the Passenger Cars segment. The Financial Services Division, which corresponds to the Financial Services segment, combines dealer and customer financing, leasing, banking and insurance

activities, fleet management and mobility offerings. The primary purpose of the Financial Services Division is to promote Volkswagen Group's sales and customer retention.

Volkswagen AG is the parent company of the Volkswagen Group. It develops vehicles and components for the Volkswagen Group's brands, but also produces and sells vehicles, in particular passenger cars and light commercial vehicles for the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands. In its function as parent company, Volkswagen AG holds direct and indirect interests in AUDI AG, SEAT S.A., ŠKODA AUTO a.s., Dr. Ing. h.c. F. Porsche AG, Scania AB, MAN SE, Volkswagen Financial Services AG and numerous other companies in Germany and abroad.

## 7.5 Volkswagen Group

Division:	Automotive					Financial Services
<i>Brand / Business Field:</i>	Audi	Bentley	MAN	Porsche	SEAT	Dealer and customer financing
	Scania	ŠKODA	Volkswagen Commercial Vehicles	Volkswagen Passenger Cars	Other	Leasing Direct bank Insurance Fleet management Mobility offerings

## 7.6 Shareholder Structure

Volkswagen AG's subscribed capital amounted to EUR 1,283,315,873.28 as of December 31, 2016.

The distribution of voting rights for the 295,089,818 ordinary shares at December 31, 2016 was the following: Porsche Automobil Holding SE, Stuttgart, held 52.2% of the voting rights. The second-largest shareholder was the State of Lower Saxony, which held 20.0% of the voting rights. Qatar Holding LLC was the third-largest shareholder, with 17.0%. The remaining 10.8% of ordinary shares were attributable to other shareholders.

Notifications of changes in voting rights in accordance with the German Securities Trading Act (*Wertpapierhandelsgesetz (WpHG)*) are published on Volkswagen AG's website. The following table shows the shareholder structure of Volkswagen AG as a percentage of subscribed capital:

Porsche Automobil Holding SE .....	30.8%
Foreign institutional investors .....	22.5%
Qatar Holding LLC .....	14.6%
State of Lower Saxony .....	11.8%
Private shareholders / Others .....	18.1%
German institutional investors .....	2.3%

## 7.7 General Meeting of Shareholders

The annual General Meeting of Shareholders is to be held in Wolfsburg or in a German city where a stock exchange is located or at another appropriate place in Germany within the first eight months of each financial year.

## 7.8 Share Capital

On December 31, 2016, the share capital of Volkswagen AG amounted to EUR 1,283,315,873.28. It was composed of 295,089,818 ordinary shares and 206,205,445 non-voting preferred shares. Each share conveys a notional interest of EUR 2.56 in the share capital. All shares have been issued and are fully paid.

## 7.9 Diesel Issue

On September 18, 2015, the EPA publicly announced in a "Notice of Violation" of the U.S. Clean Air Act that irregularities in the level of NOx emissions had been discovered in emissions tests of certain vehicles with Volkswagen Group 2.0 liter TDI diesel engines. The EPA alleged that Volkswagen had installed undisclosed engine management software in certain four-cylinder diesel engines used in certain model year 2009 to 2015 vehicles to circumvent NOx emissions testing regulations in the United States in order to comply with

certification requirements. The environmental authority of California, CARB, announced its own enforcement investigation related to this issue as well. Following these announcements by the EPA and CARB, authorities in various jurisdictions worldwide commenced their own investigations.

On September 22, 2015, in its *ad hoc* release pursuant to section 15 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), Volkswagen announced that discrepancies in the level of NOx emissions figures achieved in testing and in actual road use had been identified in around 11 million Volkswagen Group vehicles worldwide with certain types of 1.2-liter, 1.6-liter and 2.0 liter TDI diesel engines, the latter also including those vehicles with 2.0 liter TDI diesel engines sold in the United States. This predominantly concerns type EA 189 engines and includes vehicles from the VW Passenger Cars, VW Commercial Vehicles, SEAT, ŠKODA and Audi brands. The software being used in these engines enabled a test bench situation to be recognized by the vehicle and enabled the engine control system to optimize NOx emission levels during the test cycle.

On November 2, 2015, the EPA issued an additional "Notice of Violation" of the U.S. Clean Air Act announcing that it had determined that engine management software installed in certain vehicles with Volkswagen Group's six-cylinder 3.0 liter TDI diesel engines contained AECDS that had not been disclosed adequately in the U.S. approval process. Also on November 2, 2015, and additionally on November 25, 2015, CARB published allegations that legal requirements for NOx emissions were circumvented through the use of engine management software under test conditions. Approximately 113,000 3.0 liter TDI diesel engines in vehicles from model years 2009 to 2016 of the Audi, VW Passenger Cars and Porsche brands are affected in the United States and Canada. Audi has confirmed that at least three AECDS were inadequately disclosed in the course of the U.S. approval process.

On January 4, 2016, the DoJ, on behalf of the EPA, initiated a civil lawsuit in connection with the diesel issue related to the 2.0 liter and 3.0 liter TDI vehicles against Volkswagen AG, AUDI AG and certain other Volkswagen Group companies, seeking statutory penalties under the U.S. Clean Air Act, as well as certain other equitable relief.

On January 12, 2016, CARB announced that it intended to seek civil fines for alleged violations by Volkswagen of the California Health and Safety Code and various CARB regulations. The State of California, by and through CARB and the California Attorney General, ultimately filed a lawsuit on June 27, 2016.

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 public and governmental scrutiny, ongoing investigations (civil and criminal) and civil litigation worldwide.

In the United States and Canada, Volkswagen AG and 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. The DoJ also opened a criminal investigation into whether various U.S. federal criminal offenses were committed. These investigations resulted and may further result in additional assessments of monetary penalties and other consequences. 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 on these topics may arise at any time, including after the offer, sale and delivery of the Notes.

In June and December 2016 and January 2017, Volkswagen announced that Volkswagen AG, AUDI AG, Volkswagen Group of America, Inc. and certain affiliates reached settlement agreements in the United States with (i) the DoJ on behalf of the EPA, CARB and the California Attorney General, (ii) the FTC, and (iii) the PSC in a multi-district litigation in California. The settlement agreements resolve certain civil claims in relation to affected diesel vehicles in the United States: approximately 475,000 vehicles with four-cylinder 2.0 liter TDI diesel engines from the Volkswagen Passenger Cars and Audi brands and around 83,000 vehicles with six-cylinder 3.0 liter TDI diesel engines from the Volkswagen Passenger Cars, Audi and Porsche brands. In October 2016, the court finally approved the settlement agreements in connection with the four-cylinder 2.0 liter TDI diesel engines. A number of class members have filed appeals to a U.S. appellate court from the order approving the settlement agreements in connection with the four-cylinder 2.0 liter TDI diesel engines. On February 14, 2017, the court granted preliminary approval of the settlement agreements in relation to the six-cylinder 3.0 liter TDI diesel engines, which were lodged with the court on January 31, 2017. On May 17,

2017, the court finally approved the settlement agreements in connection with the six-cylinder 3.0 liter TDI diesel engines.

The settlement agreements with respect to the four-cylinder 2.0 liter TDI diesel engine vehicles provide affected customers with the option of a buyback or, for leased vehicles, early lease termination, or a free emissions modification of the vehicles, provided that EPA and CARB approve the proposed modification. To date, the EPA/CARB have approved the modification for Generation 3 (model year 2015) vehicles and Generation 2 (model year 2012-2014) automatic transmission diesel Passat vehicles. The settlement agreements with respect to the six-cylinder 3.0 liter TDI diesel engine vehicles provide for: (i) a buyback or, for leased vehicles, early lease termination program, or a free emissions modification provided that EPA and CARB approve the modification, for Generation 1 (model years 2009-2012) six-cylinder 3.0 liter TDI diesel engine vehicles, and (ii) a free emissions recall and modification program (pending EPA and CARB approval) for Generation 2 (model years 2013-2016) six-cylinder 3.0 liter TDI diesel engine vehicles. If modifications are not approved for Generation 2 six-cylinder 3.0 liter TDI diesel engine vehicles, the settlement agreements require Volkswagen to offer a buyback or, for leased vehicles, early lease termination for those vehicles. Volkswagen will also make additional cash payments to affected current owners or lessees as well as certain former owners or lessees.

In addition, Volkswagen agreed to support environmental programs. Under the settlement agreements in connection with the four-cylinder 2.0 liter TDI diesel engines, Volkswagen will pay U.S.\$2.7 billion over three years. Volkswagen will also invest in total U.S.\$2.0 billion over ten years in zero emissions vehicle infrastructure as well as corresponding access and awareness initiatives in the United States. In addition, the six-cylinder 3.0 liter TDI diesel engines vehicle settlement calls for an additional U.S.\$25 million payment to CARB to support the availability of zero emissions vehicles in California and Audi will make an additional one-time payment in the amount of U.S.\$225 million into an environmental trust, managed by a trustee appointed by the court, to offset excess NOx emissions.

In January 2017, Volkswagen AG agreed with the United States government to resolve federal criminal liability relating to the diesel issue. The Volkswagen Group also agreed with the United States government to resolve civil penalties and injunctive relief under the Clean Air Act and other civil claims relating to the diesel issue. The coordinated resolutions involve four settlements, including a plea agreement between Volkswagen AG and the DoJ. The plea agreement is accompanied by a published Statement of Facts that lays out relevant facts and has been acknowledged by Volkswagen AG. As part of its plea agreement, Volkswagen AG pleaded guilty on March 10, 2017 to three felony counts under United States law: conspiracy to commit fraud, obstruction of justice and using false statements to import cars into the United States. 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, *inter alia*, for payment of a criminal fine of U.S.\$2.8 billion following sentencing and the appointment of an independent monitor for a period of three years. The independent monitor, who was appointed in April 2017, will assess and oversee the compliance with the terms of the resolutions. This includes overseeing the implementation of measures to further strengthen compliance, reporting and monitoring systems, including an enhanced ethics program. Volkswagen AG, AUDI AG and other Volkswagen Group companies have further agreed to pay a combined civil penalty of U.S.\$1.45 billion (plus any accrued interest) to resolve U.S. federal environmental and customs-related claims in the United States. Furthermore, Volkswagen AG and Volkswagen Group of America, Inc. have agreed to pay a separate civil penalty of U.S.\$50 million (plus any accrued interest) to the Civil Division of the DoJ to settle potential claims asserted under FIRREA. On April 13, 2017, the court entered an order approving the settlement of the civil penalty claims. By their terms, the aforementioned settlements resolve only certain liability issues under United States law and are not intended to address any liability issues, where such exist, under the laws or regulations of any jurisdiction outside the United States. Volkswagen continues to cooperate in full with investigations by the DoJ into the conduct of various individuals.

Volkswagen also reached separate settlement agreements with the attorneys general of 44 U.S. 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 2.0 liter TDI and 3.0 liter TDI vehicles in the United States – for a settlement amount of U.S.\$603 million. In addition, Volkswagen reached separate settlement agreements with the attorneys general of 10 U.S. states to resolve their existing or potential state environmental law claims – in connection with both 2.0 liter TDI and 3.0 liter TDI vehicles in the United States – for a settlement amount of U.S.\$157 million. Six states still have pending consumer protection and unfair trade practices

claims against Volkswagen, and 13 states have pending claims under state environmental laws. With respect to certain consumer and environmental actions that had been removed to the federal multidistrict litigation in California, on May 23, 2017, the court granted the motions of twelve state attorneys general (Alabama, Illinois, Maryland, Minnesota, Missouri, Montana, New Hampshire, New Mexico, Ohio, Oklahoma, Tennessee, and Vermont) to remand their lawsuits to their respective state courts. Moreover, investigations by various U.S. regulatory and government authorities, including in areas relating to securities, financing and tax, are ongoing.

On September 30, 2016, Volkswagen announced that it had finalized an agreement to resolve the claims of Volkswagen-branded franchise dealers in the United States relating to the affected vehicles and other matters asserted concerning the value of the franchise. The settlement agreement includes a cash payment of up to U.S.\$1.208 billion and additional benefits to resolve alleged past, current, and future claims of losses in franchise value. The court approved the settlement agreement in January 2017. On April 12, 2017, the court granted the dealer class counsel U.S.\$3.1 million in attorneys' fees and costs.

In Canada, the NOx emissions limits for vehicles are the same as in the United States. Civil consumer claims and regulatory investigations have been initiated for vehicles with 2.0 liter and 3.0 liter TDI diesel engines. In December 2016, Volkswagen AG and other Canadian and U.S. Volkswagen Group companies reached a class action settlement in Canada with consumers relating to 2.0 liter TDI diesel vehicles. The settlement provides for cash payments of up to CAD 564 million to eligible owners and lessees, and many of these affected customers will also have the option of a free emissions modification of their vehicle if approved by regulators, or a buyback or trade-in or – for leased vehicles – early lease termination. The class settlement was approved by the courts on April 21, 2017. Concurrently with the announcement of the class settlement in December 2016, Volkswagen Group Canada agreed with the Commissioner of Competition in Canada to a civil resolution of its regulatory inquiry into consumer protection issues as to 2.0 liter TDI diesel vehicles. This resolution was reached on the basis of the class settlement and payment of a CAD 15 million civil administrative monetary penalty. Civil consumer claims and the Commissioner of Competition's investigation with respect to 3.0 liter TDI diesel vehicles remain pending. Also, criminal enforcement related investigations by the federal environmental regulator and quasi-criminal enforcement related investigations by a provincial environmental regulator are ongoing in Canada in relation to 2.0 liter and 3.0 liter TDI diesel vehicles.

Volkswagen is cooperating with all responsible authorities to try to resolve the outstanding legal and regulatory matters completely and transparently.

#### 7.9.1 ***Investigation***

Volkswagen is working intensively to clarify the diesel issue. To this end, Volkswagen ordered both internal inquiries and external investigations. The external investigation is being conducted with the involvement of external lawyers in Germany and the United States. To facilitate the investigations in the course of clarifying the facts, the Management Board established a cooperation program, which was in place for a limited time and was open to all employees covered by collective agreements.

The Supervisory Board of Volkswagen AG formed a special committee that coordinates all activities relating to the diesel issue for the Supervisory Board. Volkswagen AG commissioned an external investigation by the U.S. law firm Jones Day to conduct an independent and comprehensive investigation to address the diesel issue. The results of Jones Day's investigation have been reflected in the Statement of Facts included in the plea agreement between Volkswagen AG and the DoJ.

#### 7.9.2 ***Technical Solutions***

Volkswagen is in contact with the German Federal Motor Transport Authority (*Kraftfahrt-Bundesamt*, the "KBA") and further responsible authorities in multiple jurisdictions in order to provide technical solutions suitable for each market. For further information, see "*Legal and Arbitration Proceedings—Proceedings related to Diesel Issue*".

In 2016, the KBA issued official approvals needed for modification of the Volkswagen Group vehicles fitted with four-cylinder EA 189 1.2 l, 1.6 l and 2.0 l diesel engines falling within its remit. Meanwhile, the approvals for each type have been granted by the KBA.

The KBA ascertained for all approved clusters (groups of vehicles) that implementation of the technical solutions would not bring about any unfavorable changes in fuel consumption, engine power, torque and noise emissions. Once the modifications have been made, these vehicles will thus comply with all legal requirements and the emission standards applicable in each case.

The SEAT brand received approvals from its type approval authority, the Ministry of Industry in Spain. Type approval authority for the ŠKODA brand is the Vehicle Certification Agency (the "VCA") in the United Kingdom. On May 5, 2017, the VCA approved all pending ŠKODA clusters.

In some countries outside the EU – among others South Korea, Taiwan and Turkey – national type approval is based on prior recognition of the EC/ECE type approval. Except for South Korea, the approval process with the authorities in all these countries has been finalized.

Volkswagen is working expeditiously to implement the technical solutions in the field. In agreement with the relevant authorities, the owners of the affected vehicles will be notified and can then make an appointment for modification in an authorized workshop.

The implementation of the technical solution for the highest-volume variant – the 2.0 l TDI engine – began already in January 2016. The 1.2 l TDI followed in the course of 2016. A software update is being performed for these engine versions. The implementation phase for the recall of the 1.6 l TDI engine began in November 2016, which provided additional lead time necessary for the hardware modification. In the 1.6 l TDI engines, a "flow transformer" will be fitted in front of the air mass sensor to improve the sensor's measuring accuracy. Combined with updated software, this will optimize the amount of diesel injected. Based on current planning, implementation of measures will take the 2017 calendar year to complete. Volkswagen guarantees that the solutions will be implemented free of charge for its customers.

In addition, Volkswagen AG has, until December 31, 2017, expressly waived citation of the statute of limitations with regard to any claims made in relation to the software installed in vehicles with engines of type EA 189 by vehicle customers outside the United States and Canada.

### 7.9.3 *Tax Issues*

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 pay the amounts, which would lead to additional costs.

### 7.9.4 *Risks*

The Volkswagen Group has recognized expenses directly related to the diesel issue in the total amount of €16.2 billion in operating result in 2015. This primarily entailed recognizing provisions for field activities (such as service measures and recalls) and for repurchases in the amount of €7.8 billion, as well as €7.0 billion for legal risks. Additional expenses of €6.4 billion were recognized in 2016 in connection with the diesel issue. These additions resulted from an increase in expenses attributable to legal risks amounting to €5.1 billion, higher warranty costs amounting to €0.4 billion, specific sales programs amounting to €0.5 billion, impairment losses on inventories amounting to €0.3 billion and impairment losses on intangible assets and property, plant and equipment amounting to €0.3 billion, which are offset by impairment reversals of noncurrent and current lease assets in the amount of €0.1 billion. The impairment losses recognized on noncurrent assets resulted primarily from the lower value in use of various products in the Passenger Cars segment due to expected declines in volumes. In addition, in 2016 provisions of €0.3 billion were recognized for the investments totaling USD 2.0 billion over 10 years in zero emissions vehicle infrastructure as well as corresponding access and awareness initiatives for these technologies to which the Volkswagen Group had committed under the settlement agreements. Unutilized provisions for legal risks and sales-related measures amounting to a total of €0.5 billion had an offsetting effect. The Volkswagen Group has started entering into exchange rate hedges relating to the outstanding obligations denominated in foreign currencies. The translation at December 31, 2016 of provisions denominated in foreign currencies resulted in expenses of €0.2 billion after hedging.

To protect against the currently known legal risks, including suitable expenses for defense and legal advice related to the diesel issue, existing information and assessments at the time indicated the need to recognize expenses in 2016 to the amount of €5.1 billion (2015: €7.0 billion). Prior year provisions for legal risks in an amount of €0.4 billion had to be reversed through profit or loss. In addition, in relation to the diesel issue – in so far as these can be adequately measured at this stage – especially the contingent liabilities in conjunction with lawsuits filed by investors to the amount of €3.1 billion (2015: €1.0 billion) were reported as of December 31, 2016. The provisions recognized, the contingent liabilities disclosed and the other latent legal risks are partially subject to substantial estimation risks given the complexity of the individual factors, the ongoing approval process with the authorities and the fact that the independent and comprehensive investigations have not yet been completed.

Evaluating known information and making reliable estimates for provisions is a continuous process. Due to the ongoing nature of the extensive investigations and proceedings, as well as the complexities of the various negotiations and continuing regulatory approval processes with the relevant authorities, the recognized provisions, contingent liabilities and additional latent legal risks are subject to significant estimation risk. Furthermore, new information not known to Volkswagen's Management Board 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.

For further information on risks associated with the diesel issue, see "*Risk Factors—Risk Factors regarding Volkswagen Aktiengesellschaft and Volkswagen Group—Government authorities in a number of jurisdictions worldwide are conducting 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 may have a material adverse effect on Volkswagen's business, financial position, results of operations, reputation, the price of its securities, including the Notes, and its ability to make payments under its securities.*" See also "*Legal and Arbitration Proceedings—Proceedings related to Diesel Issue*".

#### 7.10 Business Overview

In terms of sales volume (i.e. the number of vehicles delivered to dealers), the Volkswagen Group is one of the leading multi-brand groups in the automotive industry. The Volkswagen Group consists of twelve brands with their origins in seven European countries: Volkswagen Passenger Cars, Audi, SEAT, ŠKODA, Bentley, Bugatti, Lamborghini, Porsche, Ducati, Volkswagen Commercial Vehicles, Scania and MAN. Each brand has its own character and operates as an independent entity in the market. The product spectrum ranges from motorcycles to low-consumption small cars and luxury vehicles. In the commercial vehicle sector, the products include pick-ups, buses and heavy trucks.

Effective as of January 14, 2015, Volkswagen AG controls 100% of the shares in Scania. As of December 31, 2016, Volkswagen AG indirectly held 75.73% of the ordinary shares and 46.43% of the preferred shares of MAN SE. Since August 1, 2012, Volkswagen AG indirectly holds 100% of the share capital of Dr. Ing. h.c. F. Porsche AG. Effective as of July 19, 2012, the Volkswagen Group acquired 100% of the voting rights of Ducati Motor Holding S.p.A., Bologna.

The Volkswagen Group's business operations encompass the Automotive and Financial Services Divisions, as described under "*—Organizational Structure*". In 2016, the Volkswagen Group delivered a total of 10.3 million vehicles (passenger cars, light commercial vehicles, trucks and buses) to its customers worldwide. The Volkswagen Group's range of products comprises 336 passenger car, commercial vehicle and motorcycle models and their derivatives. The Volkswagen Group's product range covers almost all key segments and body types, with offerings from small cars to super sports cars in the passenger car segment, and from pickups to heavy trucks and buses in the commercial vehicles segment, as well as motorcycles.

In addition to its core activities involving Passenger Cars, Commercial Vehicles, Power Engineering and Financial Services, Volkswagen holds a portfolio of non-core assets. Consistent with its focus on core activities and the execution of its strategy, Volkswagen reviews its non-core asset portfolio on an ongoing basis and may take measures to optimize the portfolio.

The Volkswagen Group's production network consisted of 120 production facilities worldwide at the end of 2016, including 68 passenger car, commercial vehicle and motorcycle locations as well as 52 powertrain and component sites. The sites are spread out over the continents of Europe, North and South America, Africa and

Asia. Including the Chinese joint ventures, the Volkswagen Group employed an average of 619,346 personnel in 2016.

In June 2016, Volkswagen announced its new long-term, future-oriented strategy "TOGETHER – Strategy 2025". The new Volkswagen Group strategy comprises a raft of far-reaching strategic decisions and specific initiatives essentially aimed at safeguarding the Volkswagen Group's long-term future and generating profitable growth. A total of 16 strategic Volkswagen Group initiatives are assigned to the four key building blocks of the program. The first key building block is focused on transforming the core business. As part of this transformation process, Volkswagen is expected to sharpen the positioning of the Volkswagen Group's brands and optimize the vehicle and drivetrain portfolio to focus on the most attractive and fastest-growing market segments. The regional growth strategy will continue in particularly attractive automotive markets. The Volkswagen Group's product portfolio is expected to be geared to profitability, taking the needs of customers and regional markets into account. One focus will be on e-mobility. This will involve developing new core competencies in forward-looking areas, such as battery technology, autonomous driving and artificial intelligence. The second building block of the new strategy is the establishment of a new cross-brand mobility solutions business. The cornerstone and starting point of the new business unit will be the provision of on-demand mobility. Among others, it is planned that the unit will subsequently offer services tailored to customer requirements such as robotaxis, carsharing and on-demand transport for the logistics industry. Volkswagen has secured the City of Hamburg as a strategic partner as a step towards becoming an end-to-end mobility provider. The focus of this partnership is on sustainable urban mobility concepts, intermodality, innovative vehicle concepts and technologies, autonomous driving and parking as well as traffic flow management. With the third key building block Volkswagen is set on strengthening its innovation power and placing it on an even broader footing than before. To this end, the Volkswagen Group is pushing ahead with the digital transformation in all parts of the company. The fourth key building block concerns securing funding for the future investments. Volkswagen aims to adjust all available levers to achieve this primarily through efficiency gains. The Volkswagen Group expects that funds for investments may also be generated by optimizing the existing portfolio of brands and equity investments.

## 7.11 Automotive

### 7.11.1 Figures of 2016

#### *Sales to the Dealer Organization*

In 2016, the Volkswagen Group's worldwide unit sales to the dealer organization – including the Chinese joint ventures – amounted to 10.4 million vehicles (2015: 10.0 million vehicles).

#### *Volkswagen Group Deliveries Worldwide*

In 2016, the Volkswagen Group increased its deliveries to customers worldwide by 3.7% and reached a new all-time high of 10,296,997 vehicles (2015: 9,930,596).

The following table shows the Volkswagen Group's passenger car deliveries to customers, broken down by markets and brands, for the periods indicated (figures include the Chinese joint ventures):

<b>Deliveries to customers by markets (units)(1)</b>	<b>Year Ended December 31, 2016</b>	<b>Year Ended December 31, 2015</b>	<b>Change (%)</b>
<b>Europe/Other markets</b> .....	<b>4,062,452</b>	<b>4,006,105</b>	<b>+1.4</b>
<b>Western Europe</b> .....	<b>3,114,030</b>	<b>3,062,371</b>	<b>+1.7</b>
Germany.....	1,136,971	1,147,484	-0.9
United Kingdom.....	523,111	521,345	+0.3
France.....	249,145	252,530	-1.3
Spain.....	244,990	235,141	+4.2
Italy.....	238,537	207,821	+14.8
<b>Central and Eastern Europe</b> .....	<b>592,275</b>	<b>559,946</b>	<b>+5.8</b>
Russia.....	155,672	164,653	-5.5
Czech Republic.....	134,926	126,886	+6.3
Poland.....	122,622	104,772	+17.0
<b>Other markets</b> .....	<b>356,147</b>	<b>383,788</b>	<b>-7.2</b>
Turkey.....	173,965	164,787	+5.6
South Africa.....	78,897	90,659	-13.0
<b>North America</b> .....	<b>928,033</b>	<b>922,774</b>	<b>+0.6</b>
USA.....	591,063	607,096	-2.6
Mexico.....	238,946	211,845	+12.8



<b>Deliveries to customers by markets (units)(1)</b>	<b>Year Ended December 31, 2016</b>	<b>Year Ended December 31, 2015</b>	<b>Change (%)</b>
Canada .....	98,024	103,833	-5.6
<b>South America</b> .....	<b>362,343</b>	<b>489,636</b>	<b>-26.0</b>
Brazil .....	231,196	353,508	-34.6
Argentina.....	92,257	97,775	-5.6
<b>Asia-Pacific</b> .....	<b>4,282,656</b>	<b>3,902,172</b>	<b>+9.8</b>
China .....	3,975,071	3,542,467	+12.2
Japan .....	83,109	91,152	-8.8
India .....	66,046	69,323	-4.7
<b>Worldwide</b> .....	<b>9,635,484</b>	<b>9,320,687</b>	<b>+3.4</b>

<b>Deliveries to customers by brands (units)(1)</b>	<b>Year Ended December 31, 2016</b>	<b>Year Ended December 31, 2015</b>	<b>Change (%)</b>
Volkswagen Passenger Cars.....	5,980,307	5,823,414	+2.7
Audi .....	1,867,738	1,803,246	+3.6
ŠKODA .....	1,126,477	1,055,501	+6.7
SEAT .....	408,703	400,037	+2.2
Porsche .....	237,778	225,121	+5.6
Bentley .....	11,023	10,100	+9.1
Lamborghini .....	3,457	3,245	+6.5
Bugatti .....	1	23	-95.7
<b>Volkswagen Group (total)</b> .....	<b>9,635,484</b>	<b>9,320,687</b>	<b>+3.4</b>

1 Deliveries for 2015 have been updated to reflect subsequent statistical trends. The figures include the Chinese joint ventures.

The following table shows the Volkswagen Group's commercial vehicle deliveries to customers, broken down by markets and brands, for the periods indicated:

<b>Deliveries to customers by markets (units)</b>	<b>Year Ended December 31, 2016</b>	<b>Year Ended December 31, 2015(1)</b>	<b>Change (%)</b>
<b>Europe/Other markets</b> .....	<b>555,294</b>	<b>498,906</b>	<b>+11.3</b>
Western Europe.....	418,931	368,622	+13.6
Central and Eastern Europe .....	65,436	55,348	+18.2
Other markets.....	70,927	74,936	-5.3
<b>North America</b> .....	<b>11,140</b>	<b>9,099</b>	<b>+22.4</b>
<b>South America</b> .....	<b>59,196</b>	<b>68,958</b>	<b>-14.2</b>
Brazil .....	26,532	36,513	-27.3
<b>Asia-Pacific</b> .....	<b>35,883</b>	<b>32,946</b>	<b>+8.9</b>
China .....	7,071	6,165	+14.7
<b>Worldwide</b> .....	<b>661,513</b>	<b>609,909</b>	<b>+8.9</b>

<b>Deliveries to customers by brands (units)</b>	<b>Year Ended December 31, 2016</b>	<b>Year Ended December 31, 2015(1)</b>	<b>Change (%)</b>
Volkswagen Commercial Vehicles.....	477,932	430,874	+8.5
Scania .....	81,346	76,561	+6.2
MAN .....	102,235	102,474	-0.2
<b>Volkswagen Group (total)</b> .....	<b>661,513</b>	<b>609,909</b>	<b>+8.5</b>

1 Deliveries for 2015 have been updated to reflect subsequent statistical trends.

### *Passenger Car Deliveries*

With its passenger car brands, the Volkswagen Group has a presence in all relevant automotive markets around the world. The Volkswagen Group's key sales markets currently include Western Europe, China, the United States, Mexico and Brazil. In 2016, the Volkswagen Group maintained its strong position amid persistently challenging competition thanks to its wide range of models and recorded growth in many key markets.

Amid continuing difficult conditions in relevant markets, such as Brazil and Russia, the Volkswagen Group delivered 9,635,484 passenger cars to customers in 2016, 314,797 vehicles more at an increase of 3.4% on the previous year.

The passenger car market as a whole expanded by 5.4% in 2016, which meant that the Volkswagen Group's share of the global market declined slightly to 11.9% (2015: 12.2%). The Volkswagen Group recorded the highest growth in absolute terms in China. Sales figures in Brazil, Russia and other countries were impacted by low demand. The diesel issue affected the individual markets, mainly in the United States and Canada, in different ways during 2016, depending on the brand. Nearly all brands surpassed the previous year's delivery figures, with the Volkswagen Passenger Cars brand recording the strongest growth in absolute terms. Audi, ŠKODA, and Porsche set new records, as did Bentley and Lamborghini.

In 2016, the passenger car market as a whole expanded by 5.8% in Western Europe. The Volkswagen Group's deliveries to customers in this region increased by 1.7%. The Volkswagen Group's share of the passenger car market in Western Europe was 22.3% in 2016 (2015: 23.2%). In the passenger car markets of Central and Eastern Europe, which declined overall, Volkswagen handed over 5.8% more passenger cars to customers in 2016 than in the year before. The Volkswagen Group recorded growth in almost all markets, with the highest increases recorded in Poland and the Czech Republic. In Russia, the continuing weak economic situation and political tensions caused a decline in the deliveries to customers. Volkswagen's share of the passenger car market in Central and Eastern Europe rose to 21.9% (2015: 20.2%). In South Africa, the number of Volkswagen Group vehicles delivered to customers fell by 13.0% year-on-year in 2016. The passenger car market as a whole declined by 12.4% in the same period. The German passenger car market continued its growth in 2016, expanding by 4.5%. The Volkswagen Group handed over 1,136,971 vehicles to customers in its home market. This was slightly fewer than in 2015 (-0.9%). In North America, the Volkswagen Group delivered 928,033 vehicles to customers in a slightly growing overall market for passenger cars and light commercial vehicles in 2016; it sold 0.6% more passenger cars in 2016 compared to the previous year. The Volkswagen Group's share of the passenger car market amounted to 4.4% (2015: 4.5%). Demand for Volkswagen Group models on the U.S. market was down 2.6% year-on-year in 2016, primarily as a result of the diesel issue. The overall market remained steady year-on-year (+0.5%) over this period. In the growing Canadian market Volkswagen delivered 5.6% fewer vehicles to customers in 2016 than in 2015, mainly as a consequence of the diesel issue. In Mexico, the strong momentum of the market as whole continued in 2016. The Volkswagen Group's sales were up 12.8% year-on-year. Conditions in the highly competitive South American markets remained challenging in 2016. In the generally sharply declining markets in this region, Volkswagen delivered 362,343 vehicles to customers, 26.0% fewer than in the already weak previous year. The Volkswagen Group's share of the passenger car market in this region declined to 10.5% (2015: 12.5%). The passenger car markets in the Asia-Pacific region experienced the largest growth in absolute terms of any world region in 2016. Demand for Volkswagen Group models there increased by 9.8% year-on-year to 4,282,656 units. Volkswagen's market share in this region was 12.1% (2015: 12.4%). China was again the growth driver of the Asia-Pacific region in 2016, recording the highest absolute increase. In 2016, Volkswagen delivered 12.2% more vehicles to customers in China than in 2015. In the growing passenger car market in India, 4.7% fewer Volkswagen Group vehicles were sold in 2016 than in 2015. In Japan, sales of Volkswagen Group vehicles were down 8.8% on the prior-year figure. The total market volume declined by 1.6% in the same period.

### *Commercial Vehicle Deliveries*

The Volkswagen Group delivered a total of 661,513 commercial vehicles to customers worldwide in 2016, 8.5% more than in the previous year. Trucks accounted for 165,806 units (+2.4% year-on-year) and buses for 17,775 units (+3.7% year-on-year). Sales by the Volkswagen Commercial Vehicles brand were up 10.9% on the previous year figure, with 477,932 vehicles delivered in 2016. The MAN brand handed over 102,235 vehicles to customers in 2016, 0.2% fewer than in 2015, while the Scania brand's deliveries were up 6.2% year-on-year at 81,346 units. In Western Europe, the Volkswagen Group's commercial vehicle deliveries were up 13.6% in 2016 compared with the previous year, at 418,931 vehicles as a result of the sustained economic recovery. In Central and Eastern Europe, the Volkswagen Group delivered a total of 65,436 vehicles to customers in 2016 (+18.2% year-on-year). In Russia, the region's largest market, deliveries to customers increased by 15.4% to 11,300 vehicles. In the Other markets, deliveries of Volkswagen Group vehicles fell by 5.3% to a total of 70,927 units. Deliveries in North America amounted to 11,140 commercial vehicles to customers in 2016 (+22.4% year-on-year), which were handed over almost exclusively to customers in Mexico. The Volkswagen Group sold a total of 59,196 units in South America (-14.2% year-on-year). The persistently difficult economic situation and the difficult financing conditions in Brazil led to a 27.3% decrease in deliveries. In the Asia-Pacific region, the Volkswagen Group delivered 35,883 vehicles to

customers in 2016, 8.9% more than in 2015. In China, sales in 2016 were up 14.7% on the previous year at 7,071 vehicles.

### *Worldwide Development of Inventories*

Global inventories at the Volkswagen Group companies and in the dealer organization were higher at the end of 2016 than at year-end 2015.

### *Production*

The Volkswagen Group produced a total of 10,405,092 vehicles worldwide in the fiscal year 2016, an increase of 3.9% than in the previous year 2015. In total, the Chinese joint ventures produced 13.9% more units than in 2015. The percentage of the Volkswagen Group's total production accounted for by Germany was lower than in 2015, at 25.8% (2015: 26.8%). Worldwide, the Volkswagen Group produced an average of 43,186 vehicles per working day, an increase of 3.1% on the prior-year level.

### **7.11.2 Figures of First Quarter 2017**

#### *Volkswagen Group Deliveries Worldwide*

In the first quarter of 2017, the Volkswagen Group delivered 2,495,053 vehicles to customers, a decrease of 13,026 units or 0.5% on the prior-year period.

The following table shows the Volkswagen Group's passenger car deliveries to customers, broken down by markets and brands, for the periods indicated (figures include the Chinese joint ventures):

<b>Deliveries to customers by markets (units)(1)</b>	<b>Three Months Ended March 31, 2017</b>	<b>Three Months Ended March 31, 2016</b>	<b>Change (%)</b>
<b>Europe/Other markets</b> .....	<b>1,047,618</b>	<b>1,020,866</b>	<b>+2.6</b>
<b>Western Europe</b> .....	<b>818,562</b>	<b>800,813</b>	<b>+2.2</b>
Germany.....	281,074	283,788	-1.0
United Kingdom.....	147,762	143,580	+2.9
Italy.....	73,248	63,390	+15.6
Spain.....	71,645	65,799	+8.9
France.....	62,794	66,804	-6.0
<b>Central and Eastern Europe</b> .....	<b>153,736</b>	<b>136,557</b>	<b>+12.6</b>
Poland.....	37,822	31,366	+20.6
Czech Republic.....	36,863	32,368	+13.9
Russia.....	35,023	34,429	+1.7
<b>Other markets</b> .....	<b>75,320</b>	<b>83,496</b>	<b>-9.8</b>
Turkey.....	25,745	30,702	-16.1
South Africa.....	22,528	22,126	+1.8
<b>North America</b> .....	<b>210,269</b>	<b>199,251</b>	<b>+5.5</b>
USA.....	135,436	124,027	+9.2
Mexico.....	56,140	56,034	+0.2
Canada.....	18,693	19,190	-2.6
<b>South America</b> .....	<b>105,693</b>	<b>95,334</b>	<b>+10.9</b>
Brazil.....	61,650	63,699	-3.2
Argentina.....	32,718	23,531	+39.0
<b>Asia-Pacific</b> .....	<b>963,756</b>	<b>1,037,930</b>	<b>-7.1</b>
China.....	889,608	954,346	-6.8
Japan.....	23,163	22,008	+5.2
India.....	19,369	16,444	+17.8
<b>Worldwide</b> .....	<b>2,327,336</b>	<b>2,353,381</b>	<b>-1.1</b>

<b>Deliveries to customers by brands (units)(1)</b>	<b>Three Months Ended March 31, 2017</b>	<b>Three Months Ended March 31, 2016</b>	<b>Change (%)</b>
Volkswagen Passenger Cars.....	1,440,924	1,459,517	-1.3
Audi.....	422,603	455,869	-7.3
ŠKODA.....	283,482	276,625	+2.5
SEAT.....	117,272	102,914	+14.0
Bentley.....	2,377	1,554	+53.0
Lamborghini.....	987	928	+6.4
Porsche.....	59,689	55,974	+6.6
Bugatti.....	2	0	n.m.

<b>Deliveries to customers by brands (units)(1)</b>	<b>Three Months Ended March 31, 2017</b>	<b>Three Months Ended March 31, 2016</b>	<b>Change (%)</b>
<b>Volkswagen Group (total)</b> .....	<b>2,327,336</b>	<b>2,353,381</b>	<b>-1.1</b>

1 Deliveries for 2016 have been updated to reflect subsequent statistical trends. The figures include the Chinese joint ventures.

The following table shows the Volkswagen Group's commercial vehicle deliveries to customers, broken down by markets and brands, for the periods indicated:

<b>Deliveries to customers by markets (units)</b>	<b>Three Months Ended March 31, 2017</b>	<b>Three Months Ended March 31, 2016(1)</b>	<b>Change (%)</b>
<b>Europe/Other markets</b> .....	<b>138,277</b>	<b>129,889</b>	<b>+6.5</b>
Western Europe .....	109,765	100,336	+9.4
Central and Eastern Europe .....	15,880	14,455	+9.9
Other markets .....	12,632	15,098	-16.3
<b>North America</b> .....	<b>3,426</b>	<b>2,279</b>	<b>+50.3</b>
<b>South America</b> .....	<b>16,113</b>	<b>14,978</b>	<b>+7.6</b>
Brazil .....	6,613	7,441	-11.1
<b>Asia-Pacific</b> .....	<b>9,901</b>	<b>7,552</b>	<b>+31.1</b>
China .....	1,941	1,157	+67.8
<b>Worldwide</b> .....	<b>167,717</b>	<b>154,698</b>	<b>+8.4</b>

<b>Deliveries to customers by brands (units)</b>	<b>Three Months Ended March 31, 2017</b>	<b>Three Months Ended March 31, 2016(1)</b>	<b>Change (%)</b>
Volkswagen Commercial Vehicles .....	121,846	112,812	+8.0
Scania .....	20,656	18,440	+12.0
MAN .....	25,215	23,446	+7.5
<b>Volkswagen Group (total)</b> .....	<b>167,717</b>	<b>154,698</b>	<b>+8.4</b>

1 Deliveries for 2016 have been updated to reflect subsequent statistical trends.

### *Passenger Car Deliveries*

The Volkswagen Group handed over 2,327,336 passenger cars to customers worldwide from January to March 2017, 1.1% fewer than in the prior-year period. The market as a whole grew by 3.3% in the same period. The ŠKODA (+2.5%), SEAT (+14.0%), Bentley (+53.0%), Lamborghini (+6.4%) and Porsche (+6.6%) brands reported encouraging growth rates. The Volkswagen Passenger Cars (-1.3%) and Audi (-7.3%) brands were unable to keep pace with the previous year's volume. Whereas demand for Volkswagen Group passenger cars was higher than in the previous year in the Western Europe, Central and Eastern Europe, and North and South America regions, deliveries in the Asia-Pacific region fell below the previous year's level.

In Western Europe, demand for Volkswagen Group vehicles in the three months ended March 31, 2017 grew by 2.2% to 818,562 units, and thus less rapidly than the market as a whole (+7.4%). This trend was partly the result of the Golf model change, but was also due to the fact that customer confidence has not yet been fully restored following the diesel issue. However, the number of Volkswagen Group models sold was up year-on-year in most of the markets in this region. In Western Europe, the Volkswagen Group's share of the passenger car market was 20.7% (21.8% in the prior-year period). From January to March 2017, sales of Volkswagen Group passenger cars in Germany were down 1.0% on the prior-year figure. The German market as a whole grew by 6.7% in the same period. The Volkswagen Group delivered 12.6% more vehicles to customers in the expanding passenger car markets in the Central and Eastern Europe region in the first quarter of 2017 than in the same period in 2016. The Czech Republic and Poland saw strong growth, and sales figures topped the previous year's level in Russia as well. The Volkswagen Group's share of the market in this region rose to 22.9% (22.1% in the prior-year period). In South Africa, the Volkswagen Group handed over 1.8% more vehicles to customers in the first three months of 2017 than in 2016. During the same period, the growth of the market as a whole was slightly weaker.

From January to March 2017, deliveries to customers of the Volkswagen Group in North America rose 5.5% compared with the previous year, with the overall passenger car and light commercial vehicle market nearly stagnant. The Volkswagen Group's share of the market amounted to 4.4% (4.1% in the prior-year period). In the United States, demand for Volkswagen Group vehicles recovered in the first three months of 2017, rising 9.2% year-on-year. The market as a whole declined slightly in the same period. In the growing Canadian

market, the Volkswagen Group handed over 2.6% fewer vehicles to customers in the first three months of 2017 than in the prior-year period, which was mainly due to the diesel issue. In Mexico, the strong momentum of the market as whole continued in the first quarter of 2017. The Volkswagen Group delivered 0.2% more vehicles there than in the previous year.

The South American markets for passenger cars and light commercial vehicles performed positively on the whole in the first three months of 2017. During this period, the Volkswagen Group delivered 10.9% more vehicles to customers there than in the previous year. The Volkswagen Group's share of the passenger car market in South America was 12.2% (12.0% in the prior-year period). Brazil saw the decline in market volume slow considerably in the reporting period. At -3.2%, demand for Volkswagen Group vehicles also decreased less sharply than in the previous year. Group sales between January and March 2017 were up 39.0% year-on-year in Argentina. The market as a whole grew at a similar rate during the same period.

In the Asia-Pacific region, the number of Volkswagen Group passenger cars sold in the first quarter of 2017 fell 7.1% below the high prior-year figure although the market as a whole grew. This was primarily due to an exceptional situation at Audi due to the strategic reorientation of the brand's business in China. As a result, the Volkswagen Group's share of the market in this region declined to 10.9% (12.2% in the prior-year period). The passenger car market in China lost momentum during the first three months of 2017. Demand for Group models in China decreased by 6.8% compared with the previous year. In the growing passenger car market in India, the Volkswagen Group delivered 17.8% more vehicles to customers in the first three months of 2017 than in 2016. Volkswagen Group passenger car sales in Japan rose by 5.2% in the first quarter of 2017, topping the weak prior-year figure. The market as a whole also performed well during the same period.

#### *Commercial Vehicle Deliveries*

The Volkswagen Group delivered a total of 167,717 commercial vehicles worldwide in the period from January to March 2017, an increase of 8.4% on the previous year. Sales of trucks rose to 42,100 vehicles (+9.0%). Bus delivery volumes amounted to 3,771 units (+16.2%). With 121,846 units sold, Volkswagen Commercial Vehicles exceeded the prior-year figure by 8.0%. Scania lifted its sales by 12.0% in the first three months of 2017 to 20,656 units. MAN delivered 25,215 vehicles, 7.5% more than in 2016. As a result of the sustained economic recovery the Volkswagen Group handed over 109,765 units to customers in the Western European markets in the period from January to March 2017, 9.4% more than in the previous year. The Volkswagen Group's commercial vehicle brands sold a total of 15,880 units in Central and Eastern Europe (+9.9%). In Russia, sales were up substantially on the prior-year level at 2,720 units, buoyed by the incipient economic recovery and receding inflation rates. The Volkswagen Group sold 12,632 vehicles in the Other markets, a decrease of 16.3% compared with the previous year. Sales in North America climbed to 3,426 units, exceeding the previous year's level by 50.3%. In Mexico, 2,704 light commercial vehicles, 199 trucks and 521 buses were handed over to customers. In the South American markets, deliveries increased by 7.6% to 16,113 commercial vehicles. Sales in Brazil declined by 11.1% to 6,613 units in the period from January to March 2017. The Volkswagen Group handed over a total of 9,901 commercial vehicles to customers in the Asia-Pacific region, an increase of 31.1%. Sales figures rose in China and India in particular.

#### *Worldwide Development of Inventories*

Global inventories at the Volkswagen Group companies and in the dealer organization were higher on March 31, 2017 than at year-end 2016 and also up on the March 31, 2016 level.

#### *Production*

The Volkswagen Group produced a total of 2,737,577 vehicles in the period from January to March 2017, an increase of 7.1% year-on-year. Production in Germany declined by 2.7% to 665,191 units. The proportion of vehicles produced in Germany decreased to 24.3% (26.7% in the prior-year period).

### **7.12 Volkswagen Group Financial Services**

The Financial Services Division combines the Volkswagen Group's dealer and customer financing, leasing, banking and insurance activities, fleet management and mobility offerings. The division comprises Volkswagen Financial Services and the financial services activities of Scania, Porsche and Porsche Holding Salzburg.

The number of new contracts signed worldwide in 2016 in the Customer Financing/Leasing and Service/Insurance areas rose by 13.1% year-on-year to 7.1 million. The total number of contracts was 17.4 million at the end of 2016, surpassing the prior-year figure by 10.0%. The number of contracts in the Customer Financing/Leasing area was up by 6.8% to 9.5 million, while the number of contracts in the Service/Insurance area increased by 14.1% to 8.0 million. The ratio of leased or financed vehicles to the Volkswagen Group's deliveries (penetration rate) increased to 33.3% (2015: 31.5%) in the Financial Services Division's markets.

Demand for the Financial Services Division's products and services remained strong in the first quarter of 2017. At 1.7 million, the number of new financing, leasing, service and insurance contracts signed worldwide was on the previous year's level (1.7 million). At 17.5 million, the total number of contracts as of March 31, 2017 was 0.6% higher than the 2016 year-end figure. The ratio of leased or financed vehicles to Group deliveries (penetration rate) in the Financial Services Division's markets rose to 32.7% (31.9% in the prior-year period) in the first three months of 2017.

## 7.13 Volkswagen Group Sales Revenue and Profit

### 7.13.1 *Figures of 2016*

The Volkswagen Group generated sales revenue of €217.3 billion in 2016, thus surpassing the prior year figure for 2015 by €4.0 billion. Improvements in the mix and the good business development in the Financial Services Division were offset by negative exchange rate effects and a slight decline in vehicle unit sales, excluding the Chinese joint ventures. The proportion of the Volkswagen Group's sales revenue generated outside of Germany was 79.9% during 2016 (compared to 80.2% in 2015).

At €7.1 billion, the Volkswagen Group's operating profit was up significantly on the previous year (operating loss in 2015: €4.1 billion). Negative effects of €7.5 billion (2015: €16.9 billion), particularly for legal risks, weighed on operating profit relating to the diesel issue they amounted to €6.4 billion in fiscal year 2016 (2015: €16.2 billion), mainly due to higher expenses attributable to the recognition of provisions for legal risks. Additional provisions had to be recognized for the replacement of potentially faulty airbags manufactured and supplied by Takata that had been imposed by the competent authorities on all affected automobile manufacturers. The effects recognized in the operating result relating to these measures amount to €0.3 billion in fiscal year 2016 (2015 €0.3 billion). In addition, expenses for restructuring measures weighed on both the passenger cars business and the trucks business in an amount of €0.3 billion in fiscal year 2016 (2015: €0.4 billion) in South America; in the Power Engineering Business Area, operating profit was impacted in an amount of €0.2 billion in 2016. The measures are aimed at sustainably enhancing competitiveness and safeguarding future viability. Provisions for legal risks relating to the commercial vehicles antitrust proceedings launched by the European Commission resulted in first-time expenses of €0.4 billion in the Commercial Vehicles Business Area in 2016. The operating return on sales rose to 3.3% in 2016 (compared to -1.9 % in 2015).

At €0.2 billion, the financial result was €2.6 billion lower than in 2015. In the previous year, the income from the sale of the Suzuki shares had a clearly positive effect. The decline was also the result of a year-on-year decrease in income from the equity-accounted Chinese joint ventures, higher finance costs due to interest-related and remeasurement effects as well as higher expenses from derivative financial instruments. The income from the sale of the LeasePlan shares had a positive effect.

At €7.3 billion, the Volkswagen Group's profit before tax was €8.6 billion higher in 2016 than in the previous year. The return on sales before tax rose from -0.6% to 3.4%. The income tax expense amounted to €1.9 billion (2015: €0.1 billion), resulting in an effective tax rate of 26.2% in 2016. Compared with the previous year, profit after tax grew by €6.7 billion year-on-year to €5.4 billion.

### 7.13.2 *Figures of First Quarter 2017*

The Volkswagen Group's sales revenue amounted to €56.2 billion in the period from January 1 to March 31, 2017, an increase of 10.3% compared with the prior-year period. This increase was mainly due to improvements in volumes and in the mix. In the first three months of 2017, the Volkswagen Group generated 80.0% (78.8% in the prior-year period) of its sales revenue outside Germany.

At €4.4 billion, the Volkswagen Group's operating profit in the first quarter of 2017 was up €0.9 billion year-on-year due to volume-, mix- and margin-related factors, positive exchange rate effects and product cost optimization. The operating return on sales improved to 7.8% in the first quarter of 2017 (6.8% in the prior-year period).

The financial result rose by €0.5 billion to €0.3 billion in the first quarter of 2017; lower expenses from the measurement of derivative financial instruments on March 31, 2017 as well as lower finance costs due to remeasurement effects had a positive impact. The share of profits and losses of equity-accounted investments was down on the prior-year period figure. The income from the remeasurement of the shares in HERE following investment by further investors was offset by the share of profits and losses of equity-accounted investments in the Chinese joint ventures, which was down on the prior-year period. Moreover, the figure for the first quarter of 2016 had been favorably influenced by the income from the sale of the shares in LeasePlan.

Earnings before tax rose by €1.4 billion year-on-year to €4.6 billion in the first quarter of 2017. Earnings after tax amounted to €3.4 billion in the first quarter of 2017, an increase of €1.0 billion compared with the prior-year period.

## 7.14 Administration, Management and Supervisory Bodies

### 7.14.1 Board of Management

The Board of Management shall consist of at least three members. As of the date of this Prospectus, its members are:

<b>Name</b>	<b>Area of responsibility</b>
Matthias Müller	Chairman
Dr. rer. soc. Karlheinz Blessing	Human Resources and Organization
Dr. Ing. Herbert Diess	Chairman of the Brand Board of Management of Volkswagen Passenger Cars
Dr. rer. pol. h.c. Francisco Javier Garcia Sanz	Procurement
Prof. Dr. rer. pol. Dr.-Ing. E. h. Jochem Heizmann	China
Hiltrud Dorothea Werner	Integrity and Legal Affairs
Andreas Renschler	Commercial Vehicles
Prof. Rupert Stadler	Chairman of the Board of Management of AUDI AG
Frank Witter	Finance and Controlling

The members of the Board of Management hold the following additional mandates in supervisory bodies<sup>1</sup>:

<b>Name</b>	<b>Additional activities (as of December 31, 2016)</b>
Dr. rer. soc. Karlheinz Blessing	Wolfsburg AG, Wolfsburg <sup>2</sup>
Dr. Ing. Herbert Diess	Infineon Technologies AG, Neubiberg <sup>2</sup>
Dr. rer. pol. h. c. Francisco Javier Garcia Sanz	Hochtief AG, Essen <sup>2</sup> Criteria CaixaHolding S.A., Barcelona <sup>3</sup>
Prof. Dr. rer. pol. Dr.-Ing. E. h. Jochem Heizmann	Lufthansa Technik AG, Hamburg <sup>2</sup>
Andreas Renschler	Deutsche Messe AG, Hanover <sup>2</sup>

<b>Name</b>	<b>Additional activities (as of December 31, 2016)</b>
Prof. Rupert Stadler	FC Bayern München AG, Munich <sup>2</sup>

<sup>1</sup> As part of their duty to manage and supervise the Volkswagen Group's business, the members of the Board of Management hold other offices on the supervisory boards of consolidated Volkswagen Group companies and other significant investees.

<sup>2</sup> Membership of statutory supervisory boards in Germany.

<sup>3</sup> Comparable appointments in Germany and abroad.

#### 7.14.2 *Supervisory Board*

The Supervisory Board shall consist of 20 members. As of the date of this Prospectus, its members are:

<b>Name</b>	<b>Additional Activities (as of December 31, 2016)</b>
Hans Dieter Pötsch	AUDI AG, Ingolstadt <sup>1</sup>
Chairman	Autostadt GmbH, Wolfsburg (Chairman) <sup>1</sup>
Chairman of the executive board and Chief Financial Officer of Porsche Automobil Holding SE	Bertelsmann Management SE, Gütersloh <sup>1</sup>
	Bertelsmann SE & Co. KGaA, Gütersloh <sup>1</sup>
	Dr. Ing. h.c. F. Porsche AG, Stuttgart <sup>1</sup>
	Porsche Austria Gesellschaft m.b.H., Salzburg (Chairman) <sup>2</sup>
	Porsche Holding Gesellschaft m.b.H., Salzburg (Chairman) <sup>2</sup>
	Porsche Retail GmbH, Salzburg (Chairman) <sup>2</sup>
	VfL Wolfsburg-Fußball GmbH, Wolfsburg (Deputy Chairman) <sup>2</sup>
	Volkswagen Truck & Bus GmbH, Braunschweig <sup>2</sup>
Jörg Hofmann*	Robert Bosch GmbH, Stuttgart <sup>1</sup>
Deputy Chairman	
First Chairman of IG Metall	
Dr. Hussain Ali Al-Abdulla	Gulf Investment Corporation, Safat/Kuwait <sup>2</sup>
Minister of State	Kirnaf Finance, Riyadh (Chairman) <sup>2</sup>
	Masraf Al Rayan, Doha (Chairman) <sup>2</sup>
	Qatar Holding, Doha <sup>2</sup>
	Qatar Investment Authority, Doha <sup>2</sup>
Dr. Hessa Sultan Al-Jaber	Qatar Satellite Company, Doha <sup>2</sup>
Minister of State	Malomatia, Doha <sup>2</sup>
	Trio Investment, Doha <sup>2</sup>
Annika Falkengren	FAM AB, Stockholm <sup>2</sup>



<u>Name</u>	<u>Additional Activities (as of December 31, 2016)</u>
President and Group Chief Executive of Skandinaviska Enskilda Banken AB	Scania CV AB, Södertälje <sup>2</sup>
Dr. jur. Hans-Peter Fischer*	Volkswagen Pension Trust e.V., Wolfsburg <sup>2</sup>
Chairman of the Board of Management of Volkswagen Management Association	
Birgit Dietze*	n.a.
Secretary to the Board of IG Metall Trade Union	
Uwe Hück*	Dr. Ing. h.c. F. Porsche AG, Stuttgart (Deputy Chairman) <sup>1</sup>
Chairman of the General and Group Works Council of Dr. Ing. h.c. F. Porsche AG	Porsche Automobil Holding SE, Stuttgart (Deputy Chairman) <sup>1</sup>
Ulrike Jakob*	n.a.
Johan Järvklo*	Scania CV AB, Södertälje <sup>2</sup>
Chairman of IF Metall at Scania AB	Volkswagen Truck & Bus GmbH, Braunschweig <sup>2</sup>
Dr. Louise Kiesling	
Designer and entrepreneur	
Olaf Lies	Deutsche Messe AG, Hanover (Chairman) <sup>1</sup>
Minister of Economic Affairs, Labor and Transport for the Federal State of Lower Saxony	Demografieagentur für die niedersächsische Wirtschaft GmbH, Hanover (Chairman) <sup>2</sup>
	JadeWeserPort Realisierungs GmbH Co. KG, Wilhelmshaven (Chairman) <sup>2</sup>
	Container Terminal Wilhelmshaven JadeWeserPort-Marketing GmbH & Co. KG, Wilhelmshaven (Chairman) <sup>2</sup>
	JadeWeserPort Realisierungs-Beteiligungs GmbH, Wilhelmshaven (Chairman) <sup>2</sup>
Peter Mosch*	AUDI AG, Ingolstadt <sup>1</sup>
Chairman of the General Works Council of AUDI AG	Porsche Automobil Holding SE, Stuttgart <sup>1</sup>
	Audi Pensionskasse, Altersversorgung der AUTO UNION GmbH, VVaG, Ingolstadt <sup>1</sup>
Bertina Murkovic*	n.a.
Bernd Osterloh*	Autostadt GmbH, Wolfsburg <sup>1</sup>
Chairman of the General and Group Works Councils of Volkswagen AG	Porsche Automobil Holding SE, Stuttgart <sup>1</sup>
	Wolfsburg AG, Wolfsburg <sup>1</sup>

Name	Additional Activities (as of December 31, 2016)
	<p>Allianz für die Region GmbH, Braunschweig<sup>2</sup></p> <p>Porsche Holding Gesellschaft m.b.H., Salzburg<sup>2</sup></p> <p>SEAT, S.A., Martorell<sup>2</sup></p> <p>ŠKODA Auto a.s., Mladá Boleslav<sup>2</sup></p> <p>VfL Wolfsburg-Fußball GmbH, Wolfsburg<sup>2</sup></p> <p>Volkswagen Immobilien GmbH, Wolfsburg<sup>2</sup></p> <p>Volkswagen Truck &amp; Bus GmbH, Braunschweig<sup>2</sup></p>
<p>Dr. jur. Hans Michel Piëch</p> <p>Lawyer in private practice</p>	<p>AUDI AG, Ingolstadt<sup>1</sup></p> <p>Dr. Ing. h.c. F. Porsche AG, Stuttgart<sup>1</sup></p> <p>Porsche Automobil Holding SE, Stuttgart<sup>1</sup></p> <p>Porsche Cars Great Britain Ltd., Reading<sup>2</sup></p> <p>Porsche Cars North America Inc., Atlanta<sup>2</sup></p> <p>Porsche Holding Gesellschaft m.b.H., Salzburg<sup>2</sup></p> <p>Porsche Ibérica S.A., Madrid<sup>2</sup></p> <p>Porsche Italia S.p.A., Padua<sup>2</sup></p> <p>Schmittenhöhebahn AG, Zell am See<sup>2</sup></p> <p>Volksoper Wien GmbH, Vienna<sup>2</sup></p>
<p>Dr. jur. Ferdinand Oliver Porsche</p> <p>Member of the Board of Management of Familie Porsche AG Beteiligungsgesellschaft</p>	<p>AUDI AG, Ingolstadt<sup>1</sup></p> <p>Dr. Ing. h.c. F. Porsche AG, Stuttgart<sup>1</sup></p> <p>Porsche Automobil Holding SE, Stuttgart<sup>1</sup></p> <p>PGA S.A., Paris<sup>2</sup></p> <p>Porsche Holding Gesellschaft m.b.H., Salzburg<sup>2</sup></p> <p>Porsche Lizenz- und Handelsgesellschaft mbH &amp; Co. KG, Ludwigsburg<sup>2</sup></p> <p>Volkswagen Truck &amp; Bus GmbH, Braunschweig<sup>2</sup></p>
<p>Dr. rer. comm. Wolfgang Porsche</p> <p>Chairman of the Supervisory Board of Porsche Automobil Holding SE</p>	<p>AUDI AG, Ingolstadt<sup>1</sup></p> <p>Dr. Ing. h.c. F. Porsche AG, Stuttgart (Chairman)<sup>1</sup></p>
<p>Chairman of the Supervisory Board of Dr. Ing. h.c. F. Porsche AG</p>	<p>Porsche Automobil Holding SE, Stuttgart (Chairman)<sup>1</sup></p> <p>Familie Porsche AG Beteiligungsgesellschaft, Salzburg (Chairman)<sup>2</sup></p>

<u>Name</u>	<u>Additional Activities (as of December 31, 2016)</u>
	Porsche Cars Great Britain Ltd., Reading <sup>2</sup>
	Porsche Cars North America Inc., Atlanta <sup>2</sup>
	Porsche Holding Gesellschaft m.b.H., Salzburg <sup>2</sup>
	Porsche Ibérica S.A., Madrid <sup>2</sup>
	Porsche Italia S.p.A., Padua <sup>2</sup>
	Schmittenhöhebahn AG, Zell am See <sup>2</sup>
Athanasios Stimoniaris*	n.a.
Stephan Weil	
Minister-President of the Federal State of Lower Saxony	

\* Employee representative. Ulrike Jakob, Bertina Murkovic and Athanasios Stimoniaris were elected as members of the Supervisory Board on April 6, 2017, with their term of office taking effect on May 10, 2017. Information regarding additional activities for these newly elected members as of December 31, 2016 is not available.

<sup>1</sup> Membership of statutory supervisory boards in Germany.

<sup>2</sup> Comparable appointments in Germany and abroad.

The members of the Board of Management and the members of the Supervisory Board may be contacted at Volkswagen AG's business address: Volkswagen Aktiengesellschaft, Generalsekretariat, Berliner Ring 2, 38440 Wolfsburg, Germany.

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 Dr. jur. Hans Michel Piëch. Dr. Louise Kiesling is a niece of Dr. jur. Hans Michel Piëch. There are no family relationships among the remaining members of the Supervisory Board.

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 Matthias Müller, who is also Chairman of the Supervisory Board of AUDI AG and by Dr. rer. pol. h.c. Francisco Javier Garcia Sanz and Ms. Hiltrud Dorothea Werner, who are simultaneously members of the Supervisory Board of AUDI AG. The member of the Board of Management, Prof. Rupert Stadler, is simultaneously the Chairman of the Board of Management of AUDI 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, Peter Mosch and Bernd Osterloh 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 Dr. Ing. h.c. F. Porsche AG. Dr. rer. comm. Wolfgang Porsche, Chairman of the Supervisory Board of Dr. Ing. h.c. F. 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 and Peter Mosch 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.

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.

Dr. Louise Kiesling, 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.

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.

#### 7.15 Board Practices

In accordance with the provisions of the German Stock Corporation Act (*Aktiengesetz* – AktG) and the German Co-Determination Act (*Mitbestimmungsgesetz* – "MitbestG"), the Supervisory Board elects a Chairman and a Deputy Chairman for the respective terms of office. If the Chairman or his Deputy leaves before expiration of his term of office, the Supervisory Board must promptly hold a new election to fill the position for the remainder of the departed member's term of office. The Articles of Association of Volkswagen AG provide that declarations of intent by the Supervisory Board are made by the Chairman of the Supervisory Board on its behalf.

In accordance with the Articles of Association of Volkswagen AG, the Supervisory Board may form further committees from among its members to perform specific functions, in addition to the committee to be formed in accordance with section 27(3) of the MitbestG.

The Supervisory Board had formed the following five committees: the Executive Committee, the Mediation Committee, the Audit Committee, the Nomination Committee and the Special Committee on Diesel Engines.

The Executive Committee and the Special Committee on Diesel Engines each consists of three shareholder representatives and three employee representatives. The members of the Nomination Committee are the shareholder representatives in the Executive Committee. The Mediation Committee and the Audit Committee are each composed of two shareholder representatives and two employee representatives.

The Executive Committee met 20 times during 2016, mainly discussing current matters related to the diesel issue. The committee also prepared the resolutions by the Supervisory Board in detail and dealt with the composition of and contractual issues concerning the Board of Management other than those relating to members' remuneration. The following persons are members of the Executive Committee: Hans Dieter Pötsch (Chairman), Jörg Hofmann (Deputy Chairman), Bernd Osterloh, Dr. Wolfgang Porsche, Stephan Weil and Peter Mosch.

The Nomination Committee is responsible for proposing suitable candidates for the Supervisory Board to recommend for election to the Annual General Meeting. The Nomination Committee met once during 2016. The following persons are members of the Nomination Committee: Hans Dieter Pötsch (Chairman), Dr. Wolfgang Porsche and Stephan Weil.

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), Bernd Osterloh and Stephan Weil. The Mediation Committee did not convene in 2016.

The Audit Committee met six times during 2016. It focused primarily on the consolidated financial statements, risk management (including the internal control system), and the work performed by Volkswagen AG's compliance organization. In addition, the Audit Committee addressed the quarterly reports and the half-yearly financial report of the Volkswagen Group, as well as current financial reporting issues and their examination by the auditors. The following persons are members of the Audit Committee: Dr. Ferdinand Oliver Porsche (Chairman), Bernd Osterloh (Deputy Chairman), Annika Falkengren and Birgit Dietze.

The Special Committee on Diesel Engines met ten times during 2016. It focuses on leading further clarifying steps including the preparation of the necessary consequences with regard to diesel issue identified with respect to certain diesel engines. The following persons are members of the Special Committee on Diesel Engines: Dr. Wolfgang Porsche (Chairman), Bertina Murkovic, Peter Mosch, Olaf Lies, Bernd Osterloh and Dr. Ferdinand Oliver Porsche.

## 7.16 Corporate Governance

The government commission on the German Corporate Governance Code appointed by the Federal Ministry of Justice (*Bundesministerium für Justiz*) in September 2001 adopted the German Corporate Governance Code ("**AktG**" or the "**Code**") on February 26, 2002 and, most recently, adopted various amendments to the Code on February 7, 2017 (published by the Federal Ministry of Justice in the official section of the Federal Gazette on April 24, 2017). The Code provides recommendations and suggestions on managing and supervising listed German companies. In doing so, it is based on recognized international and national standards for good and responsible corporate governance. The purpose of the Code is to make the German corporate governance system transparent and comprehensible. The Code contains recommendations and suggestions on corporate governance with respect to shareholders and the general meeting, the board of management, the supervisory board, transparency, accounting and auditing.

There is no obligation to comply with the recommendations and suggestions of the Code. German stock corporation law merely requires the board of management and supervisory board of a listed company to either make an annual declaration that the company has been and will be in compliance with the recommendations of the Code, or state which recommendations have not or will not be applied and why. The statement is to be made permanently available on the website of Volkswagen AG. A company may deviate from the suggestions made in the Code without disclosing this.

On November 18, 2016, the Board of Management and the Supervisory Board of Volkswagen AG issued the annual declaration of conformity with the German Corporate Governance Code as required by section 161 of the AktG with the following wording:

"The Board of Management and the Supervisory Board declare the following:

The recommendations of the Government Commission of the German Corporate Governance Code in the version dated May 5, 2015 (DCGK), that was published by the German Ministry of Justice in the official section of the Federal Gazette (*Bundesanzeiger*) on June 12, 2015 was complied with in the period from the last Declaration of Conformity from November 20, 2015 and will continue to be complied with, with the exception of the recommendations and their stated reasons and periods listed below.

(a) 4.2.3 (2) sentence 8 (exclusion of retroactive changes to comparison parameters)

On April 22, 2016, the Supervisory Board adjusted the performance targets and comparison parameters used to determine the variable remuneration for the members of the Board of Management in fiscal year 2015 in agreement with the individual members of the Board of Management. Article 4.2.3(2) sentence 8 of the DCGK excludes retroactive changes to the performance targets and comparison parameters for the variable remuneration components. However, the Supervisory Board and the members of the Board of Management were of the opinion that continued adherence to the previous performance targets and comparison parameters would have led to results that do not adequately reflect the situation of the company. A retroactive adjustment of the performance targets and comparison parameters was therefore considered advisable. As such, a supplement to the Declaration of Conformity dated November 20, 2015 was issued on April 22, 2016 in which the company declares that an exception will be made in respect of article 4.2.3(2) sentence 8 of the DCGK (exclusion of retroactive changes to the comparison parameters). The deviation is limited to the changes listed and since then the recommendation was and continues to be complied with once again.

(b) 4.2.3(4) (severance pay cap)

A severance pay cap will be included in new contracts concluded with members of the Board of Management, but not in contracts concluded with Board of Management members entering their third term of office or beyond, provided a cap did not form part of the initial contract. Grandfather rights have been applied accordingly.

(c) 5.1.2(2) sentence 3 (age limit for members of the Board of Management)

Previously, the members of the Supervisory Board had not considered an age limit for members of the Board of Management to be appropriate because the ability to manage a company successfully does not necessarily cease when a specific age is reached and a fixed age limit could be discriminating. The Supervisory Board has come to the conclusion that this concern can be allayed by drafting an appropriate definition for an age limit and has therefore determined a corresponding age limit today for members of the Board of Management. This recommendation shall therefore be approved again from today onwards.

(d) 5.3.2 sentence 3 (independence of the chair of the Audit Committee)

It is unclear from the wording of this recommendation whether the Chairman of the Audit Committee is "independent" within the meaning of number 5.3.2 sentence 3 of the DCGK. Such independence could be considered lacking in view of his membership of the Supervisory Board of Porsche Automobil Holding SE, kinship with other members of the Supervisory Board of the company and of Porsche Automobil Holding SE, his indirect minority interest in Porsche Automobil Holding SE, and business relations with other members of the Porsche and Piëch families who also have an indirect interest in Porsche Automobil Holding SE. However, in the opinion of the Supervisory Board and the Board of Management, these relationships do not constitute a conflict of interest nor do they interfere with his duties as the Chairman of the Audit Committee. This exception is therefore being declared purely as a precautionary measure.

(e) 5.4.1(5) to (7) (disclosure regarding election recommendations)

With regard to recommendation number 5.4.1(5) to (7) of the DCGK stating that certain circumstances must be disclosed by the Supervisory Board when making election recommendations to the Annual General Meeting, the stipulations of the DCGK are vague and the definitions unclear. Purely as a precautionary measure, the Board of Management and the Supervisory Board therefore declare a deviation from the DCGK in this respect. Notwithstanding this, the Supervisory Board will make every effort to satisfy the requirements of the recommendation.

(f) 5.4.6(2) sentence 2 (performance-related remuneration of members of the Supervisory Board)

The remuneration of members of the Supervisory Board is regulated by the shareholders in article 17(1) of our Articles of Association. This regulation includes the linking of remuneration to dividend distribution. We therefore assume that we have complied with the DCGK and that the variable compensation component is oriented toward the sustainable growth of the enterprise as defined in number 5.4.6(2) sentence 2 of the DCGK. However, as it cannot be ruled out that other views will be taken in this respect, a deviation from this recommendation in the DCGK is being declared as a precautionary measure.

(g) 7.1.2 sentence 4 (deadlines for publication)

Due to the unresolved questions relating to the consequences of the emissions issue and the resulting assessment questions, the Board of Management and the Supervisory Board have decided that the 2015 Consolidated Financial Statements and the interim report for the first quarter of 2016 will not be publicly accessible within 90 days of the end of the fiscal year or within 45 days of the end of the quarter. As such, the supplement to the Declaration of Conformity issued on November 20, 2015 included an explanation on March 14, 2016 of the deviation from item 7.1.2 sentence 4 of the German Corporate Governance DCGK (deadlines for publication). The deviation was limited to the publications listed and the recommendation was and continues to be complied with once again since the 2016 Half-Yearly Financial Report."

With the exception of article 5.1.2(2) sentence 1 (appointment period for first-time appointments to the Board of Management), the suggestions of the current version of the DCGK have been complied with. The Supervisory Board decides the appointment period for each first-time appointment to the Board of

Management on an individual basis, taking the best interests of the Company into account. The suggestion made in article 2.3.2 (availability of the proxy during the Annual General Meeting) was implemented at the 2016 Annual General Meeting in such a manner that the shareholders were able to reach, by electronic means and until 1:00 pm on the day of the Annual General Meeting, the proxies named by the Company to exercise their voting rights. The suggestion made in article 2.3.3 (broadcasting of the Annual General Meeting) was implemented at the 2016 Annual General Meeting in such a manner that the introductory remarks of the Chairman of the Supervisory Board and the speech of the Chairman of the Board of Management were broadcast.

## 7.17 Selected Historical Financial Information

The following consolidated operating and financial data were extracted from the Volkswagen Group's interim report for the period January 1, 2017 to March 31, 2017:

Volume Data <sup>1</sup> (unaudited)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	%
Vehicle sales (units) .....	2,610,425	2,577,123	+1.3
Production (units) .....	2,737,577	2,555,404	+7.1
Employees at 31 March 2017/31 December 2016 .....	632,791	626,715	+1.0

<sup>1</sup> Volume data including the unconsolidated Chinese joint ventures. These companies are accounted for using the equity method.

Financial Data (IFRS), € million (unaudited)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	%
Sales revenue .....	56,197	50,964	+10.3
Operating profit <sup>1</sup> .....	4,367	3,440	+27.0
Profit before tax .....	4,623	3,203	+44.3
Profit after tax .....	3,403	2,365	+43.9
Profit attributable to Volkswagen AG shareholders .....	3,345	2,306	+45.0
Cash flows from operating activities .....	299	1,354	-77.9
Cash flows from investing activities attributable to operating activities .....	3,512	1,163	n.m.
Automotive Division <sup>2</sup> .....			
Cash flows from operating activities .....	835	2,402	-65.2
Cash flows from investing activities attributable to operating activities <sup>3</sup> .....	3,418	1,117	n.m.
of which: capex <sup>4</sup> .....	1,840	2,120	-13.2
as a percentage of sales revenue <sup>4</sup> .....	3.8	4.9	
capitalized development costs .....	1,446	1,240	+16.6
as a percentage of sales revenue .....	3.0	2.8	
Net cash flow <sup>5</sup> .....	-2,583	1,285	n.m.
Net liquidity <sup>6</sup> at 31 March .....	23,645	25,964	-8.9

Sales revenue and operating profit on the Volkswagen Group level as well as capex as a percentage of sales revenue, net cash flow and net liquidity in the Automotive Division are - among others - core performance indicators, which are derived from the current strategic goals and therefore are the basis of the internal management system. All figures are disclosed in the annual reports and the interim reports of Volkswagen AG for the respective periods.

<sup>1</sup> Operating profit is defined as sales revenue net of cost of sales, distribution expenses, administrative expenses and other operating income/expenses in the income statement.

<sup>2</sup> Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

<sup>3</sup> Excluding acquisition and disposal of equity investments: €3,161 million (prior-year period: €3,293 million).

<sup>4</sup> Capex is defined as investments in intangible assets (excluding capitalized development costs), property, plant and equipment, and investment property (three months ended March 31, 2017: €1,840 million, March 31, 2016: €2,120 million), and as percentage of sales divided by sales revenue (three months ended March 31, 2017: €47,825 million, March 31, 2016: €43,530 million).

<sup>5</sup> Net cash flow is defined as cash flows from operating activities (three months ended March 31, 2017: €835 million, March 31, 2016: €2,402 million), net of investing activities attributable to operating activities (investing activities excluding change in investments in securities, loans and time deposits) (three months ended March 31, 2017: €3,418 million, March 31, 2016: €1,117 million).

<sup>6</sup> Net liquidity is defined as the total of cash and cash equivalents (three months ended March 31, 2017: €21,128 million, March 31, 2016: €25,681 million), securities, loans from related parties and time deposits (three months ended March 31, 2017: €16,271 million, March 31, 2016: €13,253 million) net of third-party borrowings (noncurrent and current financial liabilities) (three months ended March 31, 2017: €13,755 million, March 31, 2016: €12,971 million).

The following consolidated operating and financial data were extracted from the Volkswagen Group's 2016 annual report:

<b>Volume Data<sup>1</sup> (unaudited)</b>	<b>2016</b>	<b>2015</b>	<b>%</b>
Vehicle sales (units) .....	10,391,113	10,009,605	+3.8
Production (units) .....	10,405,092	10,017,191	+3.9
Employees at 31 December .....	626,715	610,076	+2.7

<sup>1</sup> Volume data including the unconsolidated Chinese joint ventures. These companies are accounted for using the equity method.

<b>Financial Data (IFRS), € million (audited)</b>	<b>2016</b>	<b>2015</b>	<b>% (unaudited)</b>
Sales revenue .....	217,267	213,292	+1.9
Operating result <sup>1</sup> .....	7,103	-4,069	n.m.
Earnings before tax .....	7,292	-1,301	n.m.
Earnings after tax .....	5,379	-1,361	n.m.
Earnings attributable to Volkswagen AG shareholders .....	5,144	-1,582	n.m.
Cash flows from operating activities .....	9,430	13,679	-13.1
Cash flows from investing activities attributable to operating activities .....	16,797	15,523	+8.2
Automotive Division <sup>2</sup> .....			
Cash flows from operating activities .....	20,271	23,796	-14.8
Cash flows from investing activities attributable to operating activities <sup>3</sup> .....	15,941	14,909	+6.9
of which: capex <sup>4</sup> .....	12,795	12,738	+0.4
as a percentage of sales revenue (unaudited) <sup>4</sup> .....	6.9	6.9	
capitalized development costs .....	5,750	5,021	+14.5
as a percentage of sales revenue (unaudited) .....	3.1	2.7	
Net cash flow <sup>5</sup> .....	4,330	8,887	-51.3
Net liquidity <sup>6</sup> at 31 December .....	27,180	24,522	+10.8

Sales revenue and operating profit on the Volkswagen Group level as well as capex as a percentage of sales revenue, net cash flow and net liquidity in the Automotive Division are - amongst others - core performance indicators, which are derived from the current strategic goals and therefore are the basis of the internal management system. All figures are disclosed in the annual reports and the financial reports of Volkswagen AG for the respective periods.

<sup>1</sup> Operating profit is defined as sales revenue net of cost of sales, distribution expenses, administrative expenses and other operating income/expenses in the income statement.

<sup>2</sup> Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

<sup>3</sup> Excluding acquisition and disposal of equity investments: €18,224 million (2015: €17,270 million).

<sup>4</sup> Capex is defined as investments in intangible assets (excluding capitalized development costs), property, plant and equipment, and investment property (2016: €12,795 million, 2015: €12,738 million) and as percentage of sales divided by sales revenue (2016: €186,016 million, 2015: €183,936 million).

<sup>5</sup> Net cash flow is defined as cash flows from operating activities (2016: €20,271 million, 2015: €23,796 million), net of investing activities attributable to operating activities (investing activities excluding change in investments in securities, loans and time deposits) (2016: €15,941 million, 2015: €14,909 million).

<sup>6</sup> Net liquidity is defined as the total of cash and cash equivalents (2016: €14,125 million, 2015: €15,294 million), securities, loans from related parties and time deposits (2016: €17,911 million, 2015: €14,812 million) net of third-party borrowings (noncurrent and current financial liabilities) (2016: €4,856 million, 2015: €5,583 million).

The following tables show selected operating and financial data for Volkswagen AG for the years indicated:

<b>Volume Data (unaudited)</b>	<b>2016</b>	<b>2015</b>	<b>%</b>
Vehicle sales (units) .....	2,632,144	2,676,629	-1.7
Production (units) .....	1,241,217	1,255,771	-1.2
Employees at 31 December .....	113,928	114,066	-0.1

<b>Financial Data (HGB), € million (audited)</b>	<b>2016</b>	<b>2015</b>	<b>% (unaudited)</b>
Sales .....	75,310	73,510	+2.4
Net income/Net loss for the year .....	2,799	-5,515	n.m.
Dividends (€) .....			
per ordinary share .....	2.00 <sup>1</sup>	0.11	
per preferred share .....	2.06 <sup>1</sup>	0.17	

<sup>1</sup> 2016 figures relate to the proposed dividend.



The following consolidated operating and financial data were extracted from the Volkswagen Group's 2015 annual report:

<b>Volume Data<sup>1</sup> (unaudited)</b>	<b>2015</b>	<b>2014</b>	<b>%</b>
Vehicle sales (units) .....	10,009,605	10,217,003	-2.0
Production (units) .....	10,017,191	10,212,562	-1.9
Employees at 31 December .....	610,076	592,586	+3.0

<sup>1</sup> Volume data including the unconsolidated Chinese joint ventures. These companies are accounted for using the equity method.

<b>Financial Data (IFRS), € million (audited)</b>	<b>2015</b>	<b>2014</b>	<b>% (unaudited)</b>
Sales revenue .....	213,292	202,458	+5.4
Operating result <sup>1</sup> .....	-4,069	12,697	n.m.
Earnings before tax .....	-1,301	14,794	n.m.
Earnings after tax .....	-1,361	11,068	n.m.
Earnings attributable to Volkswagen AG shareholders .....	-1,582	10,847	n.m.
Cash flows from operating activities .....	13,679	10,784	+26.8
Cash flows from investing activities attributable to operating activities .....	15,523	16,452	-5.6
Automotive Division <sup>2</sup> .....			
Cash flows from operating activities .....	23,796	21,593	+10.2
Cash flows from investing activities attributable to operating activities <sup>3</sup> .....	14,909	15,476	-3.7
of which: capex <sup>4</sup> .....	12,738	11,495	+10.8
as a percentage of sales revenue (unaudited) <sup>4</sup> .....	6.9	6.5	
capitalized development costs .....	5,021	4,601	+9.1
as a percentage of sales revenue (unaudited) .....	2.7	2.6	
Net cash flow <sup>5</sup> .....	8,887	6,117	+45.3
Net liquidity <sup>6</sup> at 31 December .....	24,522	17,639	+39.0

Sales revenue and operating profit on the Volkswagen Group level as well as capex as a percentage of sales revenue, net cash flow and net liquidity in the Automotive Division are - amongst others - core performance indicators, which are derived from the current strategic goals and therefore are the basis of the internal management system. All figures are disclosed in the annual reports and the financial reports of Volkswagen AG for the respective periods.

<sup>1</sup> Operating profit is defined as sales revenue net of cost of sales, distribution expenses, administrative expenses and other operating income/expenses in the income statement.

<sup>2</sup> Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

<sup>3</sup> Excluding acquisition and disposal of equity investments: €17,270 million (2014: €15,719 million).

<sup>4</sup> Capex is defined as investments in intangible assets (excluding capitalized development costs), property, plant and equipment, and investment property (2015: €12,738 million, 2014: €11,495 million,) and as percentage of sales divided by sales revenue (2015: €183,936 million, 2014: €177,538 million).

<sup>5</sup> Net cash flow is defined as cash flows from operating activities (2015: €23,796 million, 2014: €21,593 million.), net of investing activities attributable to operating activities (investing activities excluding change in investments in securities, loans and time deposits) (2015: €14,909 million, 2014: €15,476 million.).

<sup>6</sup> Net liquidity is defined as the total of cash and cash equivalents (2015: €15,294 million, 2014: €16,010 million), securities, loans from related parties and time deposits (2015: €14,812 million, 2014: €11,424 million), net of third-party borrowings (noncurrent and current financial liabilities) (2015: €5,583 million, 2014: €9,795 million).

The following tables show selected operating and financial data for Volkswagen AG for the years indicated:

<b>Volume Data (unaudited)</b>	<b>2015</b>	<b>2014</b>	<b>%</b>
Vehicle sales (units) .....	2,676,629	2,615,686	+2.3
Production (units) .....	1,255,771	1,230,891	+2.0
Employees at 31 December .....	114,066	112,561	+1.3

<b>Financial Data (HGB), € million (audited)</b>	<b>2015</b>	<b>2014</b>	<b>% (unaudited)</b>
Sales .....	73,510	68,971	+6.6
Net loss/Net income for the year .....	-5,515	2,476	n.m.
Dividends (€) .....			
per ordinary share .....	0.11	4.80	
per preferred share .....	0.17	4.86	

## 7.18 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.

### 7.18.1 *Proceedings related to Diesel Issue*

The Volkswagen Group is involved in extensive investigations and legal proceedings in relation to the diesel issue described in "*Diesel Issue*" and "*Risk Factors—Risk Factors regarding Volkswagen Aktiengesellschaft and Volkswagen Group—Government authorities in a number of jurisdictions worldwide are conducting 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 may have a material adverse effect on Volkswagen's business, financial position, results of operations, reputation, the price of its securities, including the Notes, and its ability to make payments under its securities*", as further detailed below.

Based on decisions dated October 15, 2015, the KBA ordered the Volkswagen Passenger Cars, Volkswagen Commercial Vehicles and SEAT brands to recall all diesel vehicles from among the 11 million vehicles affected by the diesel issue. The recall concerns the Member States of the European Union (EU 28). On December 10, 2015, a similar decision was issued regarding Audi vehicles with type EA 189 engines. The timetable and action plan forming the basis for the recall order correspond to the proposals presented in advance by Volkswagen. Depending on the technical complexity of the remedial actions, the affected vehicles, of which there are around 8.5 million in total in the EU 28, are being recalled to the service workshops since January 2016. The remedial actions differ in scope depending on the engine variant involved. The technical solutions cover software and in some cases hardware modifications, depending on the series and model year.

The details of the remedial actions for the Volkswagen Group vehicles falling within its jurisdiction have been agreed in close cooperation with the KBA, which had to approve all fixes in advance. In the meantime, the approval for all engine types has been granted by the KBA.

The SEAT brand received approvals in principle from its respective type approval authority, the Ministry of Industry in Spain. Type approval authority for the ŠKODA brand is the VCA in the United Kingdom. On 5 May 2017, the VCA approved all pending ŠKODA clusters.

In some countries outside the EU – among others South Korea, Taiwan and Turkey – national type approval is based on prior recognition of the EC/ECE type approval. Except for South Korea, the approval process with the authorities in all these countries has been finalized.

In addition, there is an intensive exchange of information with the authorities in the United States and Canada, where Volkswagen's planned actions for the four-cylinder and six-cylinder diesel engines will also have to be approved. Due to considerably stricter NOx limits in the United States and Canada, it is a greater technical challenge to refit the vehicles so that all applicable emissions limits can be met. In March 2017, Volkswagen received approval from the EPA on a program to sell model year 2015 vehicles with four-cylinder diesel engines in the United States after updating the vehicles with the first phase of a two-part approved technical solution, and a similar program has been developed for Canada. Volkswagen continues to work with the U.S. regulators on developing approved technical solutions for other four-cylinder and affected six-cylinder diesel engines in the United States and Canada.

Volkswagen is working intensively to finalize the above-mentioned remedial actions. Meanwhile, the KBA confirmed for all EU 5 vehicles and engine variants that completing the technical modification had not resulted in any negative impact whatsoever on fuel consumption values, CO2 emission values, engine performance, torque levels or noise emissions. However, although it is Volkswagen's aim that customers will not be faced with any inconveniences following the implementation of the technical solution, including a potential reduction in the value to their vehicles, it remains unclear whether this aim will be fully achieved.

#### 7.19.1.1 *Criminal and administrative proceedings worldwide (excluding the United States/Canada)*

In addition to the above-described approval processes with the responsible approval authorities, criminal investigations/misdemeanor proceedings (for example, by the public prosecutor's office in Braunschweig, Germany) and/or administrative proceedings (for example, by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – "**BaFin**")) have been commenced. The public prosecutor's office in Braunschweig is investigating the core issue of the criminal investigations. Whether these investigations will result in fines for Volkswagen, and if so what their amount might be, is currently

subject to estimation risks. Contingent liabilities have been disclosed in cases where they can be assessed and for which the likelihood for the imposition of fines is currently assessed to be not lower than 10%.

In addition, the public prosecutor's office in Braunschweig announced that it has also initiated investigations against one current and two former Volkswagen AG Management Board members regarding their possible involvement in potential market manipulation in connection with the release of information concerning the diesel issue. The Stuttgart public prosecutor's office also confirmed that it is investigating, among others, the CEO of Volkswagen AG 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. Furthermore, the public prosecutor's office in Munich opened a criminal investigation in connection with the alleged anomalies in the NOx emissions of certain Audi vehicles with diesel engines in the United States and Europe.

In connection with the various criminal proceedings, offices of Volkswagen AG and its subsidiaries have been searched by different public prosecutor's offices.

#### 7.19.1.2 *Product-related lawsuits worldwide (excluding the United States/Canada)*

Customers 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. As well as individual lawsuits, law suits initiated by consumer protection agencies as well as class action lawsuits are possible in various jurisdictions (albeit currently not in Germany).

Such proceedings against Volkswagen AG and other Volkswagen Group companies are pending in various countries such as Argentina, Australia, Belgium, Brazil, China, Czech Republic, India, Israel, Italy, Mexico, Poland, Portugal, Taiwan and the United Kingdom. These proceedings are lawsuits aimed among other things at asserting monetary relief. The amount of the monetary relief cannot yet be reliably quantified due to the early stage of the proceedings. In South Korea, various mass proceedings are pending (in some of these individual lawsuits several hundred litigants have been aggregated). These lawsuits are filed to assert damages and to rescind the purchase contract including repayment of the purchase price. Due to special circumstances in the market and specific characteristics of the South Korean legal system, Volkswagen estimates the litigants' prospects of success in the South Korean mass proceedings mentioned above to be inherently higher than in proceedings in other jurisdictions outside the United States and Canada.

Contingent liabilities have been disclosed for pending class action proceedings that can be assessed and for which the chance of success was deemed not implausible. Provisions were recognized to a small extent.

Furthermore, individual lawsuits and similar proceedings are pending against Volkswagen AG and other Volkswagen Group companies in numerous countries. In Germany, around 2,100 individual law suits, in Italy and Spain law suits in the low three-digit range and in France, Ireland and Austria individual lawsuits in the two-digit range are pending, most of which are aimed at asserting damages or rescinding the purchase contract. Contingent liabilities have been disclosed for those lawsuits that can be assessed and for which the chance of success was deemed not implausible. It is too early to estimate how many customers will take advantage of the option to file lawsuits in the future, beyond the existing lawsuits, or what their prospects of success will be.

Given that most of the aforementioned collective actions are still at an early stage, it is difficult to assess their prospects of success. For example, in some cases it is still unclear what precisely will be alleged by the potential claimants, including the precise causes of action they will rely upon. Furthermore, the prospects depend on the impact of the technical measures on the affected vehicles and the outcome of the ongoing investigations relating to allegations of fraudulent conduct. As these issues evolve over time, they have the potential to significantly impact the prospects of success.

#### 7.19.1.3 *Investor proceedings (excluding the United States/Canada)*

Investors from Germany and abroad have filed claims for damages against Volkswagen AG 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 issued by Volkswagen Group companies, as well as third-party securities linked to Volkswagen.

As of the date of this Prospectus, approximately 2,000 actions (including conciliatory proceedings and legal default actions) have been served on Volkswagen AG with an overall dispute value totalling around EUR 8.8 billion. The vast majority of lawsuits (approximately 1,500 with an overall volume of about EUR 8.75 billion) are currently pending at the District Court (*Landgericht*) in Braunschweig.

On August 5, 2016, the Braunschweig District Court ordered that common questions of law and fact relevant to the lawsuits pending at the Braunschweig District Court be referred to the Higher Regional Court (*Oberlandesgericht*) in Braunschweig for a binding declaratory decision pursuant to the German Act on Model Case Proceedings in Disputes Regarding Capital Market Information (*Kapitalanleger-Musterverfahrensgesetz*), which establishes a procedure for consolidated adjudication in a higher regional court of legal and factual questions common to numerous securities actions. In this proceeding, common questions of law and fact relevant to these actions shall be adjudicated in a consolidated manner by the Higher Regional Court in Braunschweig. All lawsuits at the Braunschweig District Court will be stayed pending resolution of the common issues, unless they can be dismissed for reasons independent of the common issues that are adjudicated in the model case proceedings.

In March 2017, the Braunschweig Higher Regional Court selected, from those plaintiffs whose securities actions are stayed, a model case plaintiff who will conduct the model case proceedings. The resolution of the common issues in the model case proceedings will be binding on all pending cases in the stayed lawsuits.

At the District Court in Stuttgart further lawsuits have been filed against Volkswagen AG and Porsche SE as joint and several debtors. It is currently unclear whether model case proceedings will be initiated in respect of these lawsuits and whether they will take place at the Higher Regional Court in Stuttgart or referred to the Higher Regional Court in Braunschweig. Volkswagen AG has filed a motion at the Higher Regional Court in Braunschweig requesting it to determine the jurisdiction of the courts in Braunschweig also over the actions currently pending in Stuttgart, which has been referred by the Higher Regional Court in Braunschweig for decision to the Higher Regional Court in Stuttgart.

Further investor lawsuits with a dispute value of less than EUR 1 million are pending at various courts in Austria and the Netherlands.

Altogether, Volkswagen has so far been served with investor lawsuits (including conciliatory proceedings and legal default actions) with claims amounting to approximately EUR 9 billion. No provisions have been recognized for these investor lawsuits. Insofar as the chance of success was estimated at not lower than 10%, contingent liabilities have been disclosed.

BaFin initiated in October 2015 investigations into the question whether Volkswagen AG complied with its capital market disclosure obligations under the German Securities Trading Act (*Wertpapierhandelsgesetz*) in the context of the diesel issue. In June 2016, on the basis of a notice by BaFin, the State Prosecutor's office in Braunschweig initiated an investigation concerning potential market manipulation and violation of securities laws against Volkswagen AG's former CEO, Martin Winterkorn, and Herbert Diess, Volkswagen AG's Management Board member responsible for the Volkswagen Passenger Cars brand. These investigations were later extended to Hans Dieter Pötsch, former CFO and current Chairman of the Supervisory Board of Volkswagen AG.

In addition, the German Financial Reporting Enforcement Panel (*Deutsche Prüfstelle für Rechnungslegung*) is investigating whether Volkswagen AG complied with its reporting obligations under applicable law as regards the half-yearly financial report for January - June 2015 in the context of the diesel issue.

In August 2016, Deutsche Schutzvereinigung für Wertpapierbesitz e.V. ("**DSW**"), a German association for private investors, initiated court proceedings on behalf of certain large U.S. institutional investors, to enforce by a court decision a special independent audit of the diesel issue, including the question whether in the context of the diesel issue the Management Board and the Supervisory Board of Volkswagen AG violated their legal duties, and a review of Volkswagen's risk management and compliance systems. In December 2016, Deminor Recovery Services, an association located in Brussels, Belgium, initiated comparable court proceedings on behalf of certain large U.S., British and Swedish institutional investors. Both proceedings were instituted after Volkswagen AG's general shareholders' meeting in June 2016 voted down resolutions proposed by DSW and Deminor Recovery Services, respectively, to appoint a special auditor. The proceedings are ongoing.

#### 7.19.1.4 *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 United States 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 affected customers and dealers 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 seeks statutory penalties under the U.S. Clean Air Act, as well as certain injunctive relief, and has been consolidated for pretrial coordination purposes in the California multidistrict litigation.

On January 12, 2016, CARB announced that it intends to seek civil fines for alleged violations of the California Health & Safety Code and various CARB regulations. In June 2016, Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates reached settlement agreements with the DoJ on behalf of the EPA, CARB and the California Attorney General; private plaintiffs represented by a PSC in the Multi-District Litigation pending in California and the FTC. These settlement agreements will resolve certain civil claims made in relation to affected diesel vehicles with 2.0 liter TDI diesel engines from the Volkswagen Passenger Cars and Audi brands in the United States. Volkswagen AG and certain affiliates also entered into a first partial consent decree with the DoJ, EPA, CARB and the California Attorney General, which was lodged with the court on June 28, 2016. On October 18, 2016, a fairness hearing on whether final approval should be granted was held, and on October 25, 2016, the court granted final approval of the settlement agreements and the partial consent order. A number of class members have filed appeals to a U.S. appellate court from the order approving the settlements.

The settlements provide affected customers with the option of a buyback or, for leased vehicles, early lease termination, or a free emissions modification of the vehicles, which is currently only available for Generation 3 2.0 liter vehicles and Generation 2 automatic transmission diesel Passat vehicles. Volkswagen will also make additional cash payments to affected current owners or lessees as well as certain former owners or lessees. Volkswagen also agreed to support environmental programs. The company will pay USD 2.7 billion over three years into an environmental trust, managed by a trustee appointed by the court, to offset excess NOx emissions; Volkswagen made the first payment of USD 900 million on October 27, 2016. Volkswagen will also invest in total USD 2.0 billion over ten years in zero emissions vehicle infrastructure as well as corresponding access and awareness initiatives.

Volkswagen AG and certain affiliates also entered into a separate partial consent decree with CARB and the California Attorney General resolving certain claims under California unfair competition, false advertising, and consumer protection laws related to both the 2.0 liter and 3.0 liter TDI diesel engine vehicles, which was lodged with the court on July 7, 2016.

Under the terms of the agreement, Volkswagen agreed to pay California USD 86 million. The court entered judgment on the partial consent decree on September 1, 2016 and the USD 86 million payment was made on September 28, 2016. The partial consent decree includes injunctive and periodic reporting obligations aimed at improving Volkswagen's compliance system.

On December 20, 2016, Volkswagen entered into a second partial consent decree with the DoJ, EPA, CARB and the California Attorney General that resolved claims for injunctive relief under the Clean Air Act and California environmental, consumer protection and false advertising laws related to the 3.0 liter TDI diesel engine vehicles. Under the terms of this consent decree, Volkswagen agreed to implement a buyback and lease termination program for Generation 1 (model years 2009-2012) 3.0 liter TDI diesel engine vehicles and a free emissions recall and modification program for Generation 2 (model years 2013-2016) 3.0 liter TDI diesel engine vehicles (if the modification program for Generation 2 vehicles is not approved by the EPA and

CARB, Volkswagen will be required to offer a buyback and lease termination program for those vehicles); and pay USD 225 million into the environmental mitigation trust that will be established pursuant to the first partial consent decree. The second partial consent decree was lodged with the court on December 20, 2016 and approved on May 17, 2017.

In addition, on December 20, 2016, Volkswagen entered into an additional, concurrent second partial consent decree, subject to court approval, with CARB and the California Attorney General that resolved claims for injunctive relief under California environmental, consumer protection and false advertising laws related to the 3.0 liter TDI diesel engine vehicles. Under the terms of this consent decree, Volkswagen agreed to provide additional injunctive relief to California, including the implementation of a "Green City" initiative and the introduction of three new Battery Electric Vehicle ("**BEV**") models in California by 2020, as well as a USD 25 million payment to CARB to support the availability of BEVs in California.

On January 11, 2017, Volkswagen entered into a third partial consent decree with the DoJ and EPA that resolved claims for civil penalties and injunctive relief under the Clean Air Act related to the 2.0 liter and 3.0 liter TDI diesel engine vehicles. Volkswagen agreed to pay USD 1.45 billion (plus any accrued interest) to resolve the civil penalty and injunctive relief claims under the Clean Air Act, as well as the customs claims of the U.S. Customs and Border Protection.

Under the third partial consent decree, the injunctive relief includes monitoring, auditing and compliance obligations. This consent decree, which is subject to public comment, was lodged with the court on January 11, 2017. Also on January 11, 2017, Volkswagen entered into a settlement agreement with the DoJ to resolve any claims under FIRREA and agreed to pay USD 50 million (plus any accrued interest), specifically denying any liability and expressly disputing any claims. The court entered judgment on the third partial consent decree on April 13, 2017.

On January 11, Volkswagen reached an agreement with CARB to pay USD 153.8 million in civil penalties and cost reimbursements. These penalties covered California air quality rule violations for both the 2.0 liter and 3.0 liter TDI diesel engine vehicles.

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 United States law: conspiracy to commit fraud, obstruction of justice and using false statements to import cars into the United States. 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 will be on probation for three years and will work with an independent monitor for three years. The independent monitor, who was appointed in April 2017, will assess and oversee the company's compliance with the terms of the resolution. This includes overseeing the implementation of measures to further strengthen compliance, reporting and monitoring systems, including an enhanced ethics program. Volkswagen will also continue to cooperate with the DoJ's ongoing investigation of individual employees or former employees who may be responsible for criminal violations. Moreover, investigations by various U.S. regulatory and government authorities, including in areas relating to securities, financing and tax, are ongoing.

On January 31, 2017, Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates entered into a settlement agreement with private plaintiffs represented by the PSC in the multidistrict litigation pending in California and a consent order with the FTC. These agreements will resolve certain civil claims made in relation to affected diesel vehicles with 3.0 liter TDI diesel engines from the Volkswagen, Audi and Porsche brands in the United States. On February 14, 2017, the court granted preliminary approval of the settlement agreements in relation to the six-cylinder 3.0 liter TDI diesel engines, which were lodged with the court on January 31, 2017. On May 17, 2017, the court finally approved the settlement agreements in connection with the six-cylinder 3.0 liter TDI diesel engines.

Under the settlements, consumers' options and compensation will depend on whether their vehicles are classified as Generation 1 or Generation 2. Generation 1 (model years 2009-2012) consumers will have the option of a buyback, early lease termination, trade-in, or a free emissions modification, provided that EPA and CARB approve the modification. Additionally, Generation 1 owners and lessees, as well as certain former owners and lessees, will be eligible to receive cash payments.

Generation 2 (model years 2013-2016) consumers will receive a free emissions compliant repair to bring the vehicles into compliance with the emissions standards to which they were originally certified—provided that EPA and CARB grant approval—as well as cash payments. If Volkswagen ultimately cannot obtain EPA and CARB approval for emissions compliant repairs within the time limits set out in the settlement agreement, Generation 2 consumers will be offered the options for buyback, lease termination, trade-in or—if approved by EPA and CARB—an emissions modification that reduces the amount of emissions but does not bring the vehicles into compliance with original certification standards, in addition to cash payments. Volkswagen will also make cash payments to certain former Generation 2 owners or lessees.

In September 2016, Volkswagen announced that it had finalized an agreement to resolve the claims of Volkswagen branded franchise dealers in the United States relating to TDI vehicles and other matters asserted concerning the value of the franchise. The settlement agreement includes a cash payment of up to USD 1.208 billion, and additional benefits to resolve alleged past, current, and future claims of losses in franchise value. On January 18, 2017, a fairness hearing on whether final approval should be granted was held, and on January 23, 2017, the court granted final approval of the settlement agreement. On April 12, 2017, the court granted the dealer class counsel \$3.1 million in attorneys' fees and costs.

Additionally, in the United States, some putative class actions, some individual customers' lawsuits and some state or municipal claims have been filed in state courts.

Volkswagen reached separate agreements with the attorneys general of 44 U.S. 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 2.0 l TDI and 3.0 l TDI vehicles in the United States – for a settlement amount of USD 603 million. Six states did not join these settlements and still have consumer claims outstanding: Arizona, New Jersey, New Mexico, Oklahoma, Vermont and West Virginia.

Volkswagen also reached an agreement with the attorneys general of ten U.S. states (Connecticut, Delaware, Maine, Massachusetts, New York, Oregon, Pennsylvania, Rhode Island, Vermont and Washington) to resolve their existing or potential state environmental law claims – in connection with both 2.0 liter and 3.0 liter TDI vehicles – for a settlement amount of approximately USD 157 million. Thirteen U.S. states (Alabama, Illinois, Maryland, Minnesota, Missouri, Montana, New Hampshire, New Jersey, New Mexico, Ohio, Tennessee, Texas and Wyoming) and some municipalities have suits proceeding in state and federal courts against Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates seeking civil penalties and injunctive relief for alleged violations of environmental laws. Alabama, Illinois, Maryland, Minnesota, Missouri, Montana, New Hampshire, Ohio, Tennessee, Texas and Wyoming participated in the state settlements described above with respect to consumer protection and unfair trade practices claims, but those settlements did not include claims for environmental penalties. With respect to certain consumer and environmental actions that had been removed to the federal multidistrict litigation in California, on May 23, 2017, the court granted the motions of twelve state attorneys general (Alabama, Illinois, Maryland, Minnesota, Missouri, Montana, New Hampshire, New Mexico, Ohio, Oklahoma, Tennessee, and Vermont) to remand their lawsuits to their respective state courts.

In addition to the lawsuits described above, for which provisions have been recognized, a putative class action has been filed on behalf of purchasers of Volkswagen AG American Depositary Receipts, alleging a drop in price purportedly resulting from the matters described in the EPA's "Notices of Violation." A putative class action has also been filed on behalf of purchasers of certain USD-denominated Volkswagen bonds, alleging that these bonds were trading artificially inflated prices due to Volkswagen's alleged misstatements and that the value of these bonds declined after the EPA issued its "Notices of Violation."

These lawsuits have also been consolidated in the federal multidistrict litigation proceeding in the State of California described above. No provisions have been recognized. In addition, contingent liabilities have not been disclosed as they currently cannot be measured.

In Canada, civil consumer claims and regulatory investigations have been initiated for vehicles with 2.0 liter and 3.0 liter TDI diesel engines. On December 19, 2016, Volkswagen AG and other Canadian and U.S. Volkswagen Group companies reached a class action settlement in Canada with consumers relating to 2.0 liter TDI diesel engine vehicles. Also on December 19, 2016, Volkswagen Group Canada agreed with the Commissioner of Competition in Canada to a civil resolution of its regulatory inquiry into consumer protection issues as to those vehicles. Civil consumer claims and the Commissioner's investigation with

respect to 3.0 liter TDI diesel engine vehicles remain pending. Also, criminal enforcement related investigations by the federal environmental regulator and quasi-criminal enforcement related investigations by a provincial environmental regulator are ongoing in Canada in relation to 2.0 liter and 3.0 liter TDI diesel engine vehicles. Provisions have been recognized for possible obligations stemming from pending lawsuits in Canada. For further information, see "*Diesel Issue*".

#### 7.19.1.5 *Proceedings in relation to automatic transmissions*

Since November 2016, Volkswagen has been responding to information requests from the EPA and CARB related to automatic transmissions in certain vehicles. Additionally, fourteen putative class actions have been filed against Audi and certain affiliates alleging that defendants concealed the existence of "defeat devices" in Audi brand vehicles with automatic transmissions. These putative class actions have been transferred to the federal multidistrict litigation proceeding in the State of California, where the court has directed plaintiffs to file a consolidated complaint by June 30, 2017 and defendant to respond by August 31, 2017.

#### 7.19.1.6 *Scrapping subsidies*

Volkswagen AG has received a request for information from the German Federal Office for Economic Affairs and Export Control (*Bundesamt für Wirtschaft und Ausfuhrkontrolle*) in relation to the scrapping subsidies (*Umweltprämie*) granted to vehicle owners by the German government in 2009 and 2010. The scrapping premium per vehicle amounted to €2,500. The authority seeks to determine whether approximately 705,000 Volkswagen Group vehicles fulfilled the then-applicable conditions necessary to qualify for the grant. This includes vehicles with various types of gasoline and diesel engines. The authority has not yet requested Volkswagen to reimburse any subsidies granted to Volkswagen Group customers for vehicles affected by the diesel issue. Based on Volkswagen's current assessment, the reimbursement has no legal basis. However, as of the date of this Prospectus, it cannot be finally excluded that Volkswagen could be required to reimburse any amounts.

#### 7.19.1.7 *Investigations in relation to European Investment Bank loans*

The European Anti-Fraud Office has initiated investigations against Volkswagen AG seeking to determine whether Volkswagen used loans from the European Investment Bank or any other funding from the European Union for purposes other than agreed in the respective agreements or funding guidelines, in particular in relation to research and development of the EA 189 engine. Based on its current knowledge and the current status of investigations, Volkswagen is of the opinion that all proceeds from European Investment Bank loans as well as any other funding from the European Union have been and are being used for their intended purposes. As of the date of this Prospectus, Volkswagen cannot assess if and to what extent risks may arise from such investigations.

#### 7.18.2 *Investor Claims in connection with Porsche*

ARFB Anlegerschutz UG (haftungsbeschränkt), Berlin, brought an action against Porsche SE, Stuttgart, and Volkswagen AG for claims for damages allegedly assigned to it in the amount of approximately €2.26 billion. The plaintiff asserts that these claims are based on alleged breaches by the defendants of legislation to protect the capital markets in connection with Porsche's acquisition of Volkswagen AG shares in 2008. With its April 2016 ruling, the District Court of Hannover referred certain common facts and legal issues to the Higher Regional Court in Celle for determination by way of a model proceeding. The Higher Regional Court in Celle has recently appointed the model plaintiff and has scheduled a number of consecutive trial hearings starting in September 2017. In all other cases, the claims were dismissed for being inadmissible. In various cases since 2010, investors initiated conciliation proceedings for other alleged damages – including claims against Volkswagen AG – that amounted to approximately €4.6 billion in total and that also related to transactions at that time. In each case, Volkswagen rejected the claims asserted and refused to participate in any conciliation proceedings.

#### 7.18.3 *Investigations of Scania AB and MAN SE*

In 2011, the European Commission opened antitrust proceedings against European truck manufacturers concerning inappropriate exchange of information during the period 1997–2011 and sent a statement of objections to including MAN, Scania and the other truck manufacturers concerned in November 2014. With



its settlement decision as of July 19, 2016 the European Commission has fined five European truck manufacturers excluding MAN and Scania. MAN was not fined as the company had informed the EU Commission about the cartel as a key witness. With regard to Scania, the antitrust proceedings are ongoing. Scania has decided to fully exercise its rights of defense in the ongoing investigation. A provision of EUR 0.4 billion was recognized in order to cover possible fines. Furthermore, antitrust lawsuits for damages from customers were received. As is the case in any antitrust proceedings, this may result in further lawsuits for damages.

#### 7.18.4 *MAN SE Award Proceedings*

The Annual General Meeting of MAN SE approved the conclusion of a control and profit and loss transfer agreement between MAN SE and Volkswagen Truck & Bus GmbH (formerly Truck & Bus GmbH), a subsidiary of Volkswagen AG, in June 2013. In July 2013, award proceedings were instituted to review the appropriateness of the cash settlement set out in the agreement in accordance with section 305 of the German Stock Corporation Act and the cash compensation in accordance with section 304 of the German Stock Corporation Act. It is not uncommon for noncontrolling interest shareholders to institute such proceedings. In July 2015, the Munich Regional Court ruled in the first instance that the amount of the cash settlement payable to the noncontrolling interest shareholders of MAN SE should be increased from €80.89 to €90.29 per share; at the same time, the amount of the cash compensation was confirmed. The assessment of liability for put options and compensation rights granted to noncontrolling interest shareholders was adjusted in 2015. Both applicants and Volkswagen Truck & Bus GmbH have appealed to the Higher Regional Court in Munich. Volkswagen continues to maintain that the results of the valuation are correct. The appropriateness of the valuation was confirmed by the audit firms engaged by the parties and by the court-appointed auditor of the agreement.

#### 7.18.5 *Nullification Lawsuit*

Two separate claims have been initiated against Volkswagen in the District Court (*Landgericht*) of Hannover seeking nullification of certain resolutions passed at the annual General Meeting of Shareholders on June 22, 2016. Specifically, the first claim seeks nullification of: (i) the discharge of members of the Management Board for the financial year 2015, (ii) the discharge of members of the Supervisory Board for the financial year 2015 and (iii) the election to the Supervisory Board of Dr. Hessa Sultan Al-Jaber, Ms. Annika Falkengren, Dr. Louise Kiesling and Mr. Hans Dieter Pötsch. The second claim also addresses some of these same issues and specifically seeks the nullification of the resolutions on: (i) profit sharing, (ii) the discharge of members of the Management Board for the financial year 2015, (iii) the discharge of members of the Supervisory Board for the financial year 2015 and (iv) the election of Dr. Louise Kiesling and Mr. Hans Dieter Pötsch to the Supervisory Board.

### 7.19 **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.

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. TAXATION

*The following is a general overview of certain tax consequences under the tax laws of Luxembourg, the Federal Republic of Germany and The Netherlands of the acquisition, ownership and disposal of the Notes. It contains the information required on taxation by the Commission Regulation (EC) No 809/2004 of April 29, 2004. Information exceeding this information requirement is included herein solely for information purposes. This overview does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase the Notes. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser, relates only to the position of persons who are absolute beneficial owners of the Notes and may not apply to certain classes of persons such as dealers, certain professional investors or persons connected with the Issuer. This overview is based on the laws of Luxembourg, the Federal Republic of Germany and The Netherlands currently in force and as applied on the date of this Prospectus, which are subject to change, possibly with retroactive or retrospective effect. It is not intended to be, nor should it be construed to be, legal or tax advice.*

**PROSPECTIVE PURCHASERS OF NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSAL OF THE NOTES, INCLUDING THE EFFECT OF ANY STATE OR LOCAL TAXES UNDER THE TAX LAWS APPLICABLE IN LUXEMBOURG, THE FEDERAL REPUBLIC OF GERMANY AND THE NETHERLANDS AND EACH COUNTRY OF WHICH THEY ARE RESIDENTS.**

### 8.1 Taxation in Luxembourg

The following overview is of a general nature. It contains the information required on taxation by the Commission Regulation (EC) No 809/2004 of April 29, 2004. Information exceeding this information requirement is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice.

Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

#### 8.1.1 *Luxembourg tax residency of the Noteholders*

A Noteholder will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of the Notes.

#### 8.1.2 *Withholding tax and self-applied tax*

##### *Non-resident Noteholders*

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident Noteholders, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident Noteholders.

##### *Resident Noteholders*

Under Luxembourg general tax laws currently in force and subject to the law of December 23, 2005 as amended (the "**Law**") mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident Noteholders, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident Noteholders.

Under the Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her/its private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent.

Pursuant to the Law as amended, Luxembourg resident individuals, acting in the course of their private wealth, can opt to self-declare and pay a 20% tax (the "**Levy**") on interest payments made after December 31, 2007 by paying agents located in a Member State of the European Union other than Luxembourg or a Member State of the European Economic Area.

### 8.1.3 *Taxation of the Noteholders*

#### *Taxation of Luxembourg non-residents*

Noteholders who are non-residents of Luxembourg and who have neither a permanent establishment nor a fixed place of business or a permanent representative in Luxembourg to which the Notes are attributable are not liable to any Luxembourg income tax, whether they receive payments of principal or interest (including accrued but unpaid interest) or realize capital gains upon redemption, repurchase, sale or exchange of any Notes.

Noteholders who are non-residents of Luxembourg and who have a permanent establishment, a fixed place of business or a permanent representative in Luxembourg to which the Notes are attributable may have to include any interest received or accrued, as well as any capital gain realized on the sale or disposal of the Notes in their taxable income for Luxembourg income tax assessment purposes.

#### *Taxation of Luxembourg residents*

- *General*

Noteholders who are resident of Luxembourg must, for income tax purposes, include any interest paid or accrued in their taxable income. Specific exemptions may be available for certain tax payers benefiting from a particular status.

- *Luxembourg resident individuals*

A Luxembourg resident individual Noteholder, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts under the Notes, except if a withholding tax has been levied by the Luxembourg paying agent on such payments or, in case of a non-resident paying agent, if such individual Noteholder has opted for the Levy.

Under Luxembourg domestic tax law, gains realized upon the sale, disposal or redemption of the Notes, which do not constitute Zero Coupon Notes, by a Luxembourg resident individual Noteholder, who acts in the course of the management of his/her private wealth, on the sale or disposal, in any form whatsoever, of Notes are not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the acquisition of the Notes. A Luxembourg resident individual Noteholder, who acts in the course of the management of his/her private wealth, has further to include the portion of the gain corresponding to accrued but unpaid income in respect of the Notes in his/her taxable income, insofar as the accrued but unpaid interest is indicated separately in the agreement.

A gain realized upon a sale of Zero Coupon Notes before their maturity by Luxembourg resident individual Noteholders, in the course of the management of their private wealth must be included in their taxable income for Luxembourg income tax assessment purposes.

Luxembourg resident individual Noteholders acting in the course of the management of a professional or business undertaking to which the Notes are attributable, may have to include any interest received or accrued, as well as any gain realized on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed. The same tax treatment applies to non-resident Noteholders who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable.

- *Luxembourg corporate residents*

Luxembourg corporate Noteholders must include any interest received or accrued, as well as any gain realized on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

- *Luxembourg corporate residents benefiting from a special tax regime*

Luxembourg corporate resident Noteholders who benefit from a special tax regime, such as, for example, (i) undertakings for collective investment subject to the law of 17 December 2010 (amending the laws of 20 December 2002), (ii) specialized investment funds subject to the law dated 13 February 2007 (as amended), (iii) family wealth management companies subject to the law dated 11 May 2007 (as amended) or (iv) reserved alternative investment funds within the meaning of the law of 23 July 2016, provided it is not foreseen in the incorporation documents that (i) the exclusive object is the investment in risk capital and that (ii) article 48 of the aforementioned law of 23 July 2016 applies, are exempt from income tax in Luxembourg and thus income derived from the Notes, as well as gains realized thereon, are not subject to Luxembourg income taxes.

#### 8.1.4 *Net Wealth Tax*

Luxembourg resident Noteholders or non-resident Noteholders who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable, are subject to Luxembourg wealth tax on such Notes, except if the Noteholder is (i) a resident or non-resident individual taxpayer, or (ii) an undertaking for collective investment subject to the law of 17 December 2010 (amending the law of 20 December 2002), or (iii) a securitization vehicle governed by the law of 22 March 2004 (as amended) on securitization, or (iv) a company governed by the law of 15 June 2004 (as amended) on venture capital vehicles, or (v) a specialized investment fund subject to the law of 13 February 2007 (as amended) or (vi) a family wealth management company subject to the law of 11 May 2007 (as amended) or (vi) a reserved alternative investment fund within the meaning of the law of 14 July 2016.

However, please note that (i) securitization companies governed by the law of 22 March 2004 on securitization, as amended, or (ii) capital companies governed by the law of 15 June 2004 on venture capital vehicles, as amended, or (iii) reserved alternative investment funds governed by the law of 23 July 2016 and which fall under the special tax regime set out under article 48 thereof may, under certain conditions, be subject to minimum net wealth tax.

This minimum net wealth tax amounts to EUR 4,815, if the relevant Noteholder holds assets such as fixed financial assets, receivables owed to affiliated companies, transferable securities, postal checking accounts, checks and cash, in a proportion that exceeds 90% of its total balance sheet value and if the total balance sheet value of these very assets exceeds EUR 350,000 or (b) to a minimum net wealth tax between EUR 535 and EUR 32,100 based on the total amount of its assets.

#### 8.1.5 *Other Taxes*

##### *Registration taxes and stamp duties*

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the Noteholders as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or repurchase of the Notes.

##### *Value added tax*

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

### *Inheritance tax and gift tax*

No estate or inheritance taxes are levied on the transfer of the Notes upon death of a Noteholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes.

Gift tax may be due on a gift or donation of Notes if the gift is recorded in a deed passed in front of a Luxembourg notary or otherwise registered in Luxembourg

## **8.2 Taxation in Germany**

### **8.2.1 Investors resident in Germany**

Persons (individuals and corporate entities) who are tax resident in Germany (in particular, persons having a residence, habitual abode, seat or place of management in Germany) are subject to income taxation (income tax or corporate income tax, as the case may be, plus solidarity surcharge thereon plus church tax and/or trade tax, if applicable) on their worldwide income, regardless of its source, including interest from debt of any kind (such as the Notes) and, in general, capital gains.

#### *Taxation if the Notes are held as private assets (Privatvermögen)*

In the case of German tax-resident individual investors (*unbeschränkt Steuerpflichtige*) holding the Notes as private assets (*Privatvermögen*), the following applies:

##### *8.2.1.1 Income*

The Notes should qualify as other capital receivables (*sonstige Kapitalforderungen*) in terms of section 20 para 1 no 7 German Income Tax Act ("**ITA**" — *Einkommensteuergesetz*).

Accordingly, payments of interest on the Notes should qualify as taxable savings income (*Einkünfte aus Kapitalvermögen*) pursuant to section 20 para 1 no 7 ITA.

Capital gains / capital losses realised upon sale of the Notes, computed as the difference between the acquisition costs and the sales proceeds reduced by expenses directly and factually related to the sale, should qualify as positive or negative savings income in terms of section 20 para 2 sentence 1 no 7 ITA. Where the Notes are acquired and/or sold in a currency other than Euro, the acquisition costs will be converted into Euro at the time of acquisition, the sales proceeds will be converted into Euro at the time of sale and the difference will then be computed in Euro. If the Notes are assigned, redeemed, repaid or contributed into a corporation by way of a hidden contribution (*verdeckte Einlage in eine Kapitalgesellschaft*) rather than sold, as a rule, such transaction is treated like a sale. Losses from the sale of Notes can only be offset against other savings income and, if there is not sufficient other positive savings income, carried forward in subsequent assessment periods.

Pursuant to the view of German tax authorities, capital losses suffered upon a bad debt loss (*Forderungsausfall*) and a waiver of a receivable (*Forderungsverzicht*) shall, in general, not be deductible for tax purposes. With respect to a bad debt loss a German lower fiscal court has recently confirmed the view of the German tax authorities in a non-final decision. With respect to a (voluntary) waiver of receivable a German lower fiscal court has recently confirmed the view of the German tax authorities in a final decision. Furthermore, capital losses might not be recognised by the German tax authorities if the Notes are sold at a market price, which is lower than the transaction costs or if the level of transaction costs is restricted because of a mutual agreement that the transaction costs are calculated by subtracting a certain amount from the sales price. This view has however been challenged in 2014 by a final judgement of a German lower fiscal court.

If the Issuer exercises the right to substitute the debtor of the Notes, the substitution might, for German tax purposes, be treated as an exchange of the Notes for new notes issued by the new debtor. Such a substitution could result in the recognition of a taxable gain or loss for the respective investors.

#### 8.2.1.2 German withholding tax (*Kapitalertragsteuer*)

With regard to savings earnings (*Kapitalerträge*), e.g. interest or capital gains, German withholding tax (*Kapitalertragsteuer*) will be levied if the Notes are held in a custodial account which the investor maintains with a German branch of a German or non-German credit or financial services institution or with a German securities trading business or a German securities trading bank (a "**German Disbursing Agent**") and such German Disbursing Agent credits or pays out the earnings.

The tax base is, in principle, equal to the taxable gross income as set out above (i.e. prior to withholding). However, in the case of capital gains, if the custodial account has changed since the time of acquisition of the Notes (e.g. if the Notes are transferred from a non-EU custodial account) and the acquisition costs of the Notes are not proven to the German Disbursing Agent in the form required by law or not allowed to be proven to the German Disbursing Agent, withholding tax is applied to 30% of the proceeds from the redemption or sale of the Notes. When computing the tax base for withholding tax purposes, the German Disbursing Agent has generally to deduct any negative savings earnings (*negative Kapitalerträge*) or paid accrued interest (*Stückzinsen*) in the same calendar year or unused negative savings earnings of previous calendar years, subject to further requirements.

German withholding tax will be levied by a German Disbursing Agent at a flat withholding tax rate of 26.375% (including solidarity surcharge) plus, if applicable, church tax. Church tax will be collected by the German Disbursing Agent by way of withholding unless the investor has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*). In the latter case, the investor has to include the savings income in the income tax return and will then be assessed to church tax, if applicable.

No German withholding tax will be levied if the investor has filed a withholding tax exemption certificate (*Freistellungsauftrag*) with the German Disbursing Agent, but only to the extent the savings income does not exceed the exemption amount shown on the withholding tax exemption certificate. Currently, the maximum exemption amount is EUR 801 (EUR 1,602 in the case of jointly assessed investors). Similarly, no withholding tax will be levied if the relevant investor has submitted a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the relevant local tax office to the German Disbursing Agent.

The Issuer is, as a rule, not obliged to levy German withholding tax in respect of payments on the Notes. If, however, the Issuer is deemed to be resident in Germany for tax purposes and if, further, the Notes qualify as hybrid instruments (e.g., silent partnership, profit participating notes, *jouissance* rights (*Genussrechte*)), German withholding tax has to be imposed by the Issuer irrespective of whether or not the Notes are held in a custodial account maintained with a German Disbursing Agent.

#### 8.2.1.3 Tax assessment

The taxation of savings income shall take place mainly by way of levying withholding tax (please see above). If and to the extent German withholding tax has been levied, such withholding tax shall, in principle, become definitive and satisfy the investor's income tax obligation with regard to the underlying savings income. If no or not sufficient withholding tax has been levied other than by virtue of a withholding tax exemption certificate (*Freistellungsauftrag*) and in certain other cases, the investor is nevertheless obliged to file an income tax return, and the savings income will then be taxed within the assessment procedure. If the investor is subject to church tax and has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*), the investor is also obliged to include the savings income in the income tax return for church tax purposes, if applicable.

However, also in the assessment procedure, savings income is principally taxed at a separate tax rate for savings income (*gesonderter Steuertarif für Einkünfte aus Kapitalvermögen*) being identical to the withholding tax rate (26.375% — including solidarity surcharge (*Solidaritätszuschlag*) plus, if applicable, church tax). In certain cases, the investor may apply to be assessed on the basis of its personal income tax rate if such rate is lower than the above tax rate. Such application can only be filed consistently for all savings income within the assessment period. In case of jointly assessed investors the application can only be filed for savings income of both investors.

When computing the savings income, the saver's lump sum amount (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 in the case of jointly assessed investors) will be deducted. The deduction of the actual income related expenses, if any, is excluded. That holds true even if the investor applies to be assessed on the basis of its personal rate.

#### 8.2.1.4 *Taxation if the Notes are held as business assets (Betriebsvermögen)*

In the case of German tax-resident corporations or individual investors (*unbeschränkt Steuerpflichtige*) holding the Notes as business assets (*Betriebsvermögen*), interest payments and capital gains will be subject to corporate income tax at a rate of 15% or income tax at a rate of up to 45%, as the case may be, (in each case plus 5.5% solidarity surcharge thereon). In addition, trade tax may be levied, the rate of which depends on the municipality where the business is located. Further, in the case of individuals, church tax may be levied. Business expenses that are connected with the Notes are deductible.

The provisions regarding German withholding tax (*Kapitalertragsteuer*) apply, in principle, as set out above for private investors. However, investors holding the Notes as business assets cannot file a withholding tax exemption certificate with the German Disbursing Agent. Instead, no withholding tax will be levied on capital gains from the redemption, sale or assignment of the Notes if, for example, (a) the Notes are held by a corporation or (b) the proceeds from the Notes qualify as income of a domestic business and the investor notifies this to the German Disbursing Agent by use of the officially required form.

Any withholding tax levied is credited as prepayment against the German (corporate) income tax amount. If the tax withheld exceeds the respective (corporate) income tax amount, the difference will be refunded within the tax assessment procedure.

#### 8.2.2 *Investors not resident in Germany*

Persons who are not tax resident in Germany are not subject to tax with regard to income from the Notes unless (i) the Notes are held as business assets (*Betriebsvermögen*) of a German permanent establishment (including a permanent representative) which is maintained by the investor or (ii) the income from the Notes qualifies for other reasons as taxable German source income. If a non-resident person is subject to tax with its income from the Notes, in principle, similar rules apply as set out above with regard to German tax resident persons (please see above).

#### 8.2.3 *Inheritance and Gift Tax*

Inheritance or gift taxes with respect to any Note will, in principle, arise under German law if, in the case of inheritance tax, either the decedent or the beneficiary or, in the case of gift tax, either the donor or the donee is a resident of Germany or if such Note is attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed.

The few existing double taxation treaties regarding inheritance and gift tax may lead to different results. Special rules apply to certain German citizens that are living in a foreign country and German expatriates.

#### 8.2.4 *Other Taxes*

No stamp, issue, registration or similar taxes or duties are payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax (*Vermögensteuer*) is not levied in Germany. It is intended to introduce a financial transaction tax. However, it is unclear if and in what form such tax will be actually introduced as described in "*Proposed Financial Transactions Tax*" below.

### 8.3 **Taxation in The Netherlands**

The following summary of certain Dutch taxation matters is based on the laws and practice in force as of the date of this Prospectus and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of Notes or Coupons, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

For the purpose of the paragraph "Taxes on Income and Capital Gains" below it is assumed that:

- a holder of Notes, being an individual or a non-resident entity, does not have nor will have a substantial interest (*aanmerkelijk belang*), or — in the case of such holder being an entity — a deemed substantial interest, in the Issuer and that no connected person (*verbonden persoon*) to the holder has or will have a substantial interest in the Issuer;
- a holder of Notes which is an entity is not a pension fund, otherwise not a taxpayer or exempt for tax purposes; and
- a holder of Notes which is an entity is not a resident of Aruba, Curaçao or Sint Maarten.

Generally speaking, an individual has a substantial interest in a company if (a) such individual, either alone or together with his partner, directly or indirectly has, or is deemed to have or (b) certain relatives of such individual or his partner directly or indirectly have or are deemed to have (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5 per cent or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (*winstbewijzen*) that relate to 5 per cent or more of either the annual profit or the liquidation proceeds of such company.

Generally speaking, a non-resident entity has a substantial interest in a company if such entity, directly or indirectly has (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5 per cent or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (*winstbewijzen*) that relate to 5 per cent or more of either the annual profit or the liquidation proceeds of such company. An entity has a deemed substantial interest in a company if such entity has disposed of or is deemed to have disposed of all or part of a substantial interest on a non-recognition basis.

For the purpose of this summary, the term "entity" means a corporation as well as any other person that is taxable as a corporation for Dutch corporate tax purposes.

Where this summary refers to a holder of Notes, an individual holding Notes or an entity holding Notes, such reference is restricted to an individual or entity holding legal title to as well as an economic interest in such Notes or otherwise being regarded as owning Notes for Dutch tax purposes. It is noted that for purposes of Dutch income, corporate, gift and inheritance tax, assets legally owned by a third party such as a trustee, foundation or similar entity, may be treated as assets owned by the (deemed) settlor, grantor or similar originator or the beneficiaries in proportion to their interest in such arrangement.

Where the summary refers to "the Netherlands" or "Dutch" it refers only to the European part of the Kingdom of the Netherlands.

**Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of Notes or Coupons.**

#### 8.3.1 *Withholding Tax*

All payments made by the Issuer of interest and principal under the Notes can be made free of withholding or deduction of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

#### 8.3.2 *Taxes on Income and Capital Gains*

##### *Residents*

##### *Resident entities*

An entity holding Notes which is, or is deemed to be, resident in the Netherlands for corporate tax purposes and which is not tax exempt, will generally be subject to corporate tax in respect of income or a capital gain derived from the Notes at the prevailing statutory rates.



### *Resident individuals*

An individual holding Notes who is, or is deemed to be, resident in the Netherlands for income tax purposes will be subject to income tax in respect of income or a capital gain derived from the Notes at rates up to 52 per cent if:

- (i) the income or capital gain is attributable to an enterprise from which the holder derives profits (other than as a shareholder); or
- (ii) the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor (ii) applies, an individual holding Notes will be subject to income tax on the basis of a deemed return, regardless of any actual income or capital gain derived from the Notes. For 2017, the deemed return ranges from 2.87 per cent. to 5.39 per cent of the fair market value of the individual's net assets exceeding a certain threshold as at the beginning of the relevant fiscal year (including the Notes). Subject to application of certain allowances, the deemed return will be taxed at a rate of 30 per cent.

### *Non-residents*

A holder which is not, and is not deemed to be, resident in the Netherlands for the relevant tax purposes will not be subject to taxation on income or a capital gain derived from the Notes unless:

- (i) the income or capital gain is attributable to an enterprise or part thereof which is either effectively managed in the Netherlands or carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) taxable in the Netherlands and the holder of Notes derives profits from such enterprise (other than by way of securities); or
- (ii) the holder is an individual and the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

#### **8.3.3 Gift and Inheritance Taxes**

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of Notes by way of gift by, or on the death of, a holder of Notes, unless:

- (i) such holder is, or is deemed to be, resident in the Netherlands for the purpose of the relevant provisions; or
- (ii) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions.

#### **8.3.4 Value Added Tax**

There is no Dutch value added tax payable by a holder of Notes in respect of payments in consideration for the issue of the Notes or in respect of the payment of interest or principal under the Notes, or the transfer of Notes.

#### **8.3.5 Other Taxes and Duties**

There is no Dutch registration tax, stamp duty or any other similar tax or duty payable in the Netherlands by a holder of Notes in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgement in the courts of the Netherlands) of the Notes or the performance of the Issuer's obligations under the Notes.

### 8.3.6 *Residence*

A holder of Notes will not be and will not be deemed to be resident in the Netherlands for tax purposes and, subject to the exceptions set out above, will not otherwise become subject to Dutch taxation, by reason only of acquiring, holding or disposing of Notes or the execution, performance, delivery and/or enforcement of Notes.

### 8.4 **Proposed Financial Transactions Tax**

On February 14, 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

However, the FTT proposal remains subject to negotiation between Participating Member States. It may, therefore, be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## 9. DESCRIPTION OF RULES REGARDING RESOLUTIONS OF NOTEHOLDERS

The Terms and Conditions provide that the Noteholders may agree to amendments or decide on other matters relating to the Notes by way of resolution to be passed by taking votes without a meeting. Any such resolution duly adopted by resolution of the Noteholders shall be binding on each Noteholder, irrespective of whether such Noteholder took part in the vote and whether such Noteholder voted in favor or against such resolution.

In addition to the provisions included in the Terms and Conditions of the Notes, the rules regarding resolutions of Holders are substantially set out in a Schedule to the Fiscal Agency Agreement in the German language together with an English translation. If the Notes are for their life represented by Global Notes, the rules pertaining to resolutions of Holders are incorporated by reference into the Terms and Conditions of the Notes in the form of such Schedule to the Fiscal Agency Agreement. Under the German Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen* – "**SchVG**"), these rules are largely mandatory, although they permit in limited circumstances supplementary provisions set out in or incorporated into the Terms and Conditions

The following is a brief summary of some of the statutory rules regarding the taking of votes without meetings, the passing and publication of resolutions as well as their implementation and challenge before German courts.

### 9.1 Specific Rules regarding Votes without Meeting

The voting shall be conducted by the person presiding over the taking of votes. Such person shall be (i) a notary public appointed by the Issuer, (ii) if the vote was solicited by the joint representative (*gemeinsamer Vertreter*) of the Noteholders (the "**Noteholders' Representative**"), the Noteholders' Representative, or (iii) a person appointed by the competent court.

The notice soliciting the Noteholders' votes shall set out the period within which votes may be cast. During such voting period, the Noteholders may cast their votes to the person presiding over the taking of votes. Such notice shall also set out in detail the conditions to be met for the votes to be valid.

The person presiding over the taking of votes shall ascertain each Noteholder's entitlement to cast a vote based on evidence provided by such Noteholder and shall prepare a list of the Noteholders entitled to vote. If it is established that no quorum exists, the person presiding over the taking of votes may convene a meeting of the Noteholders. Within one year following the end of the voting period, each Noteholder participating in the vote may request a copy of the minutes of such vote and any annexes thereto from the Issuer.

Each Noteholder participating in the vote may object in writing to the result of the vote within two weeks following the publication of the resolutions passed. The objection shall be decided upon by the person presiding over the taking of votes. If he remedies the objection, the person presiding over the taking of votes shall promptly publish the result. If the person presiding over the taking of votes does not remedy the objection, he shall promptly inform the objecting Noteholder in writing.

The Issuer shall bear the costs of the vote and, if the court has convened a meeting, also the costs of such proceedings.

### 9.2 Rules regarding Noteholders' Meetings applicable to Votes without Meeting

In addition, the statutory rules applicable to the convening and conduct of Noteholders' meetings will apply *mutatis mutandis* to any vote without a meeting. The following summarises some of such rules.

Meetings of Noteholders may be convened by the Issuer or the Noteholders' Representative. Meetings of Noteholders must be convened if one or more Noteholders holding five per cent or more of the outstanding Notes so require for specified reasons permitted by statute.

Meetings may be convened not less than 14 days prior to the date of the meeting. Attendance and exercise of voting rights at the meeting may be made subject to prior registration of Noteholders. The convening notice will provide what proof will be required for attendance and voting at the meeting. The place of the meeting is the place of the Issuer's registered offices, provided, however, that where the Notes are listed on a stock

exchange within the European Union or the European Economic Area, the meeting may be held at the place of such stock exchange.

The convening notice shall be made publicly available together with the agenda of the meeting setting out the proposals for resolution.

Each Noteholder may be represented by proxy. The Noteholders' meeting will have a quorum if the persons attending represent at least 50 per cent of the outstanding Notes by value. If the quorum is not reached, a second meeting may be convened at which no quorum will be required, provided that where a resolution may only be adopted by a qualified majority, a quorum requires the presence of at least 25 per cent of the aggregate principal amount of outstanding Notes.

All resolutions adopted must be properly published. Resolutions which amend or supplement the Terms and Conditions have to be implemented by supplementing or amending the Global Note.

In insolvency proceedings instituted in Germany against the Issuer, the Noteholders' Representative is obliged and exclusively entitled to assert the Noteholders' rights under the Notes. Any resolutions passed by the Noteholders are subject to the provisions of the Insolvency Code (*Insolvenzordnung*).

If a resolution constitutes a breach of the statute or the Terms and Conditions, Noteholders may bring an action to set aside such resolution. Such action must be filed with the competent court within one month following the publication of the resolution.

## **10. OFFER, SALE AND SUBSCRIPTION OF THE NOTES**

### **10.1 Subscription of the Notes**

Pursuant to a subscription agreement dated June 7, 2017 (the "**Subscription Agreement**") among the Issuer, the Guarantor and the Managers, the Issuer has agreed to sell to the Managers, and the Managers have agreed, subject to certain customary closing conditions, to purchase the Notes on the Issue Date. The Issuer has furthermore agreed to pay certain commissions to the Managers and to reimburse the Managers for certain expenses incurred in connection with the issue of the Notes. Commissions may also be payable by the Managers to certain third-party intermediaries in connection with the initial sale and distribution of the Notes.

The Subscription Agreement provides that the Managers under certain circumstances will be entitled to terminate the Subscription Agreement. In such event, Notes will not be delivered to investors. Furthermore, the Issuer and the Guarantor agree in the Subscription Agreement to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes.

### **10.2 Pricing of the Notes and Yield**

The pricing details have been set in the pricing term sheet dated June 7, 2017. The yield in respect of (i) the NC5.5 Notes from the Issue Date to the NC5.5 First Call Date is 2.750 per cent. per annum and (ii) the NC10 Notes from the Issue Date to the NC10 First Call Date is 3.875 per cent. per annum and is calculated on the basis of the issue price of the Notes.

### **10.3 Delivery of the Notes to Investors**

Delivery and payment of the Notes will be made on the Issue Date, i.e. June 14, 2017. The Notes so purchased will be delivered via book-entry through the Clearing Systems and their depository banks against payment of the Issue Price therefor.

## **11. USE OF PROCEEDS**

The Issuer intends to use the net proceeds for general corporate purposes, which will include lending the net proceeds to the Guarantor for the Guarantor's general corporate purposes.

## 12. SELLING RESTRICTIONS

### 12.1 General

Each Manager has acknowledged that other than explicitly mentioned in this Prospectus, no action is taken or will be taken by the Issuer in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of any offering material relating to them, in any jurisdiction where action for that purpose is required.

Each Manager has represented and agreed that it will comply with all applicable laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes any offering material relating to them.

### 12.2 United States of America

The Notes and the Guarantee 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 accordance with Regulation S under the Securities Act ("**Regulation S**") or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in these paragraphs have the meanings given to them by Regulation S.

Each Manager has represented and agreed that it has offered and sold the Notes and the Guarantee, and it will offer and sell the Notes and the Guarantee (a) as part of their distribution at any time and (b) otherwise until 40 days after the completion of the distribution of all the Notes and the Guarantee only in accordance with Rule 903 of Regulation S. Neither any Manager, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes and the Guarantee in the United States, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Manager has also agreed that at or prior to confirmation of sale of the Notes and the Guarantee, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes and the Guarantee from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Notes and the Guarantee covered hereby have not been registered under the United States Securities Act of 1933, as amended (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 (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes and the Guarantee as determined and certified by each Manager, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S."

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

The Notes will be issued in accordance with the provisions of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D), or substantially identical successor provisions (the "**TEFRA D Rules**").

Each Manager has represented, warranted and undertaken that:

- (i) except to the extent permitted under the TEFRA D Rules, (x) it has not offered or sold, and during the restricted period will not offer or sell, Notes to a person who is within the United States or its possessions or to a United States person, and (y) such Manager has not delivered and will not deliver within the United States or its possessions definitive Notes that are sold during the restricted period;
- (ii) it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;

- (iii) if such Manager is a United States person, it represents that it is acquiring the Notes for purposes of resale, in connection with their original issuance and if such Manager retains Notes for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6) or substantially identical successor provision;
- (iv) with respect to each affiliate that acquires from such Manager Notes for the purposes of offering or selling such Notes during the restricted period, such Manager either (x) repeats and confirms the representations and agreements contained in sub-clauses (i), (ii) and (iii) above on such affiliate's behalf or (y) agrees that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in sub-clauses (i), (ii) and (iii) above; and
- (v) if such Manager enters into a written contract with a distributor within the meaning of the TEFRA D Rules that is not an affiliate of such Manager and that acquires Notes from such Manager for the purposes of offering or selling such Notes during the restricted period pursuant to such contract, it will obtain from such distributor, for the benefit of the Issuer, the representations and agreements contained in sub-clauses (i), (ii), (iii) and (iv) above and this sub-clause (v).

Terms used in sub-clauses (i), (ii), (iii), (iv) and (v) above have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the TEFRA D Rules.

In addition, until 40 days after the commencement of the offering of the Notes and the Guarantee and the Issue Date, an offer or sale of the Notes and the Guarantee within the United States by any Manager may violate the registration requirements of the Securities Act.

### **12.3 United Kingdom of Great Britain and Northern Ireland**

Each Manager has further represented, warranted and undertaken 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 Financial Services and Markets Act 2000 as amended (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.

### **12.4 The Netherlands**

No offer of the Notes which are the subject of the offering contemplated by this Prospectus will be made to the public in The Netherlands in reliance on Article 3(2) of the Prospectus Directive, unless such offer is made exclusively to legal entities which are qualified investors (as defined in the Financial Markets Supervisions Act (*Wet op het financieel toezicht*) and which includes authorised discretionary asset managers acting for the account of retail investors under a discretionary investment management contract) in The Netherlands, provided that no such offer of Notes shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.



## 13. GENERAL INFORMATION

### 13.1 Listing and Admission to Trading

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Regulated Market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*). The Regulated Market of the Luxembourg Stock Exchange is a regulated market for the purposes of the Market and Financial Instruments Directive 2004/39/EC.

### 13.2 Authorizations

The Notes will be issued by virtue of resolutions by the Guarantor's Board of Management dated February 3, 2015, the Guarantor's Supervisory Board dated February 27, 2015, the Issuer's Board of Managing Directors dated January 20, 2017 and the Issuer's Supervisory Board dated January 26, 2017.

### 13.3 Statutory Auditors

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (formerly PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft) ("**PwC**"), Fuhrberger Str. 5, 30625 Hannover, Germany, audited the unconsolidated financial statements of the Guarantor as of and for the fiscal year ended December 31, 2016, which were prepared in accordance with the German Commercial Code (*Handelsgesetzbuch* — "**HGB**"), as well as the consolidated financial statements of the Guarantor as of and for the fiscal years ended December 31, 2016 and December 31, 2015, which were prepared in accordance with International Financial Reporting Standards, as adopted in the European Union ("**IFRS**"), and the additional requirements of German commercial law pursuant to Section 315a (1) of the HGB, and issued in each case an unqualified auditor's report (*Bestätigungsvermerk*).

The auditor's reports (*Bestätigungsvermerke*) issued on the unconsolidated financial statements and the consolidated financial statements of the Guarantor as of and for the fiscal year ended December 31, 2016 as well as December 31, 2015 each contain an emphasis of matter paragraph concerning "The Diesel Issue", the awareness of management and the provisions for warranties and legal risks.

PwC issued a review report (*Bescheinigung nach prüferischer Durchsicht*) on the unaudited IFRS consolidated interim financial statements of the Guarantor as of and for the three-month period ended March 31, 2017. The review report (*Bescheinigung nach prüferischer Durchsicht*) contains an emphasis of matter paragraph concerning "The Diesel Issue", the awareness of management and the provisions for warranties and legal risks.

PwC is member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer, Körperschaft des öffentlichen Rechts*), Berlin, Germany.

PricewaterhouseCoopers Accountants N.V., Fascinatio Boulevard 350, 3065 WB Rotterdam, P.O. Box 8800, 3009 AV Rotterdam, The Netherlands, independent auditors of the Issuer, have audited and issued an unqualified auditor's report on the financial statements of the Issuer as of and for the year ended December 31, 2015. Due to the mandatory rotation of audit firms, BDO Audit & Assurance B.V., Krijgsman 9, 1186 DM Amstelveen, P.O. Box 71730, 1008 DE Amsterdam, The Netherlands, have audited and issued an unqualified auditor's report on the financial statements of the Issuer as of and for the year ended December 31, 2016. The financial statements as of and for the year ended December 31, 2015 and December 31, 2016 have been prepared by the Issuer's management in accordance with "Dutch GAAP", which term is used to indicate the whole body of authoritative Dutch accounting literature including the Dutch Civil Code and the Framework and the Guidelines on Annual Reporting from the Dutch Accounting Standards Board (collectively referred to as "**Dutch GAAP**"). PricewaterhouseCoopers Accountants N.V. and BDO Audit & Assurance B.V., are members of the NBA (*Nederlandse Beroepsorganisatie van Accountants* — "**The Netherlands Institute of Chartered Accountants**"), the Dutch Accountants board, are registered at and act under the supervision of the Dutch Authority Financial Markets (AFM) in compliance with the Act on the Supervision of Auditors' Organizations (*Wet toezicht accountantsorganisaties*, Wta).

### 13.4 Interests of Natural and Legal Persons involved in the Issue/Offer

The Managers and their affiliates may be customers of, borrowers from and creditors of the Issuer or the Volkswagen Group and their affiliates. In particular, the Managers act as lenders under a €20 billion revolving credit facility agreement entered into among Volkswagen AG and a syndicate of banks on December 4, 2015. In addition, certain Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer, the Volkswagen Group and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Managers and their 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 their affiliates. Certain of the Managers or their affiliates that have a lending relationship with the Issuer, the Volkswagen Group or their affiliates routinely hedge their credit exposure consistent with their customary risk management policies. Typically, such Managers and their 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, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Managers and their 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. There are no interests of natural and legal persons other than the Issuer involved in the issue, including conflicting ones that are material to the issue.

### 13.5 Expenses of the Issue

The total expenses related to the admission to trading of the Notes are estimated to amount to approximately EUR 23.0 million.

### 13.6 Ratings

#### 13.6.1 Credit Ratings of the Issuer

As of the publication date of the Prospectus, no ratings had been assigned to the Issuer.

#### 13.6.2 Credit Ratings of the Guarantor

The following ratings have been assigned to the Guarantor at the date of this Prospectus:

#### **Standard & Poor's Ratings Services**

<b>Rating</b>	<b>Short term</b>	<b>Long term</b>	<b>Outlook</b>
Volkswagen AG	A-2	BBB +	Negative

#### **Moody's Investors Service Ltd.**

<b>Rating</b>	<b>Short term</b>	<b>Long term</b>	<b>Outlook</b>
Volkswagen AG	Prime-2	A3	Negative

Standard & Poor's Ratings Services ("**S&P**") and Moody's Investors Service Ltd. ("**Moody's**") are established in the European Community and are registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of September 16, 2009 on credit rating agencies, amended by Regulation (EU) No. 513/2011 of the European Parliament and of the Council of March 11, 2011. The European Securities and Markets Authority publishes on its website a list of credit rating agencies registered in accordance with the CRA Regulation. That list is updated within five working days following the adoption of a decision under Article 16, 17 or 20 CRA Regulation. The European Commission shall publish that updated list in the Official Journal of the European Union within 30 days following such update.

Moody's has its registered office at One Canada Square, Canary Wharf, London E14 5FA, United Kingdom and is registered at Companies House in England.

S&P has its registered office at 20 Canada Square, Canary Wharf, London E14 5LH, United Kingdom and is registered at Companies House in England.

### 13.6.3 *Ratings assigned to the Notes*

The Issuer has applied for ratings to be assigned to the Notes by Moody's and S&P. As of the publication date of the Prospectus, the Notes are rated Baa2 by Moody's and BBB- by S&P.

Obligations of companies rated BBB- by S&P include an adequate capacity to meet financial commitments, but are subject to adverse economic conditions. Obligations rated Baa2 by Moody's are subject to moderate credit risk and are considered mediumgrade and as such may possess certain speculative characteristics.

More information regarding the meaning of the rating and the qualifications which have to be observed in connection therewith can be found on Moody's and S&P's websites.

***A rating is not a recommendation to buy, sell or hold securities and may be suspended, changed or withdrawn at any time by the assigning rating agency.***

### 13.7 **Significant Changes and Material Adverse Changes**

There has been no significant change in the financial or trading position of the Issuer since the date of its last published audited consolidated financial statements as of and for the year ended December 31, 2016. There has been no significant change in the financial or trading position of the Guarantor since the date of its last published unaudited consolidated interim financial statements as of and for the three months ended March 31, 2017.

There has been no material adverse change in the prospects of the Guarantor since the date of its last published audited consolidated financial statements as of and for the year ended December 31, 2016.

A material adverse change in the prospects of the Issuer may occur after the date of its last published audited financial statements as of and for the year ended December 31, 2016. Such material adverse change would – should it occur – relate mainly to the diesel issue of Volkswagen AG, as discussed in detail under "*Risk Factors—Risk Factors regarding Volkswagen Aktiengesellschaft and Volkswagen Group—Government authorities in a number of jurisdictions worldwide are conducting 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 may have a material adverse effect on Volkswagen's business, financial position, results of operations, reputation, the price of its securities, including the Notes, and its ability to make payments under its securities*" and "*—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.*" and "*Description of the Guarantor—Diesel Issue*" and "*—Legal and Arbitration Proceedings—Proceedings related to Diesel Issue*". The outcome of the diesel issue may have a material adverse effect on Volkswagen's business, and may, as a consequence, influence VIF's prospects in an unfavorable manner.

### 13.8 **U.S. Legend**

Each Note will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sec. 165(j) and 1287(a) of the Internal Revenue Code".

### 13.9 Clearance

The Notes have been accepted for clearance through Euroclear Bank S.A./N.V., Koning Albert II laan 1 1210 Saint-Josse-ten-Noode, Belgium and Clearstream Banking S.A., 42 Avenue JF Kennedy, 1855 Luxembourg. The following table sets forth the securities identifying data for the Notes.

	Common Code	International Securities Identification Number (ISIN)	German Securities Identification Number (WKN)
NC5.5 Notes .....	162965875	XS1629658755	A19JX3
NC10 Notes .....	162977423	XS1629774230	A19JX4

### 13.10 Documents Incorporated by Reference

Excerpts from the following documents which have been published or which are published simultaneously with this Prospectus and filed with the CSSF shall be incorporated in, and form part of, this Prospectus, to the extent set out under "*Cross Reference List of Information Incorporated by Reference*" below:

1. Interim Report of Volkswagen AG for the three months ended March 31, 2017
2. Annual Report 2016 of Volkswagen AG
3. Annual Report 2015 of Volkswagen AG
4. Financial Statements 2016 of VIF
5. Financial Statements 2015 of VIF

#### *Cross Reference List of Information Incorporated by Reference*

Page of Prospectus	Section	Pages of document incorporated by reference
Pages 121 – 123	Volkswagen AG – Historical Financial Statements	<p><b>The Guarantor's unaudited interim consolidated financial statements as of and for the three months ended March 31, 2017, prepared in accordance with IFRS, and contained in the Guarantor's interim report pages 27-53:</b></p> <ul style="list-style-type: none"> <li>• Income Statement of the Volkswagen Group for the period 1 January to 31 March 2017 (p. 27)</li> <li>• Statement of Comprehensive Income of the Volkswagen Group for the Period 1 January to 31 March 2017 (p. 28)</li> <li>• Balance Sheet of the Volkswagen Group as of 31 March 2017 (p. 29)</li> <li>• Statement of Changes in Equity of Volkswagen Group for the period 1 January to 31 March 2017 (p. 30-31)</li> </ul>

Page of Prospectus	Section	Pages of document incorporated by reference
		<ul style="list-style-type: none"> <li>• Cash Flow Statement of the Volkswagen Group for the period 1 January to 31 March 2017 (p. 32)</li> <li>• Notes to the Interim Consolidated Financial Statements of the Volkswagen Group as of 31 March 2017 (p. 33-51)</li> </ul> <p>- Review Report (p. 52-53)</p>
		<p>- <b>The Guarantor's audited consolidated financial statements as of and for the year ended December 31, 2016, prepared in accordance with IFRS, and contained in the Guarantor's annual report pages 205-318:</b></p>
		<ul style="list-style-type: none"> <li>• Income Statement of the Volkswagen Group for the period 1 January to 31 December 2016 (p. 205)</li> <li>• Statement of Comprehensive Income of the Volkswagen Group for the Period 1 January to 31 December 2016 (p. 206-207)</li> <li>• Balance Sheet of the Volkswagen Group as of 31 December 2016 (p. 208-209)</li> <li>• Statement of Changes in Equity of Volkswagen Group for the period 1 January to 31 December 2016 (p. 210-211)</li> <li>• Cash Flow Statement of the Volkswagen Group for the period 1 January to 31 December 2016 (p. 212)</li> <li>• Notes to the Consolidated Financial Statements of the Volkswagen Group as of 31 December 2016 (p. 213-318)</li> </ul> <p>- Auditors' Report in respect of the consolidated financial statements 2016 of Volkswagen AG (p. 320-321)</p>
		<p>- <b>The Guarantor's audited consolidated financial statements as of and for the year ended 31 December 2015, prepared in accordance with IFRS, and contained in the Guarantor's annual report pages 193-300:</b></p>

Page of Prospectus	Section	Pages of document incorporated by reference
		<ul style="list-style-type: none"> <li>• Income Statement of the Volkswagen Group for the period 1 January to 31 December 2015 (p. 193)</li> <li>• Statement of Comprehensive Income of the Volkswagen Group for the Period 1 January to 31 December 2015 (p. 194-195)</li> <li>• Balance Sheet of the Volkswagen Group as of 31 December 2015 (p. 196-197)</li> <li>• Statement of Changes in Equity of Volkswagen Group for the period 1 January to 31 December 2015 (p. 198-199)</li> </ul>
		<ul style="list-style-type: none"> <li>• Cash Flow Statement of the Volkswagen Group for the period 1 January to 31 December 2015 (p. 200)</li> <li>• Notes to the Consolidated Financial Statements of the Volkswagen Group as of 31 December 2015 (p. 201-300)</li> </ul> <p>- Auditors' Report in respect of the consolidated financial statements 2015 of Volkswagen AG (p. 302-303)</p>
Page 97	VIF - Historical Financial Information	<p>- <b>Audited Financial Statements 2016 of VIF:</b></p> <ul style="list-style-type: none"> <li>• Balance Sheet as of 31 December 2016 (p. 7-8)</li> <li>• Income Statement 2016 (p. 9)</li> <li>• Cash Flow Statement 2016 (p. 10)</li> <li>• Notes to the financial statements (p. 11-35)</li> </ul> <p>- Auditor's Report 2016 (p. 37-42)</p>
		<p>- <b>Audited Financial Statements 2015 of VIF:</b></p> <ul style="list-style-type: none"> <li>• Balance Sheet as of 31 December 2015 (p. 6-7)</li> <li>• Income Statement 2015 (p. 8)</li> <li>• Cash Flow Statement 2015 (p. 9)</li> </ul>

Page of Prospectus	Section	Pages of document incorporated by reference
		<ul style="list-style-type: none"> <li data-bbox="890 208 1455 271">• Notes to the financial statements (p. 10-33)</li> <li data-bbox="799 309 1278 338">- Auditor's Report 2015 (p. 37-44)</li> </ul>

Any information not incorporated by reference into this Prospectus but contained in one of the documents mentioned as source documents in the cross reference list above is either not relevant for the investor or covered in another part of this Prospectus.

### 13.11 Documents on Display

This Prospectus, any supplement thereto, if any, and any documents incorporated by reference into this Prospectus will be published in electronic form on the website of the Luxembourg Stock Exchange under ([www.bourse.lu](http://www.bourse.lu)) and will be available, during normal business hours, free of charge at the office of the Issuer.

Copies of the following documents will be available at the office of the Listing Agent during usual business hours for 12 months from the date of this Prospectus:

- the Articles of Association of the Issuer and the Guarantor;
- the annual audited financial statements of the Issuer and the Guarantor as of and for the years ended December 31, 2016 and December 31, 2015; and
- the unaudited interim financial statements of the Guarantor as of and for the three months ended March 31, 2017.

**14. STATEMENTS PURSUANT TO COMMISSION REGULATION (EC) NO 809/2004 OF 29  
APRIL 2004**

Volkswagen International Finance N.V. as Issuer under this Prospectus is responsible for the correctness of the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

**Volkswagen International Finance N.V. (as Issuer)**



**REGISTERED OFFICE OF THE ISSUER**

**Volkswagen International Finance N.V.**

Paleisstraat 1  
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The Netherlands  
Telephone no.: +31 20 624 5971

**REGISTERED OFFICE OF THE GUARANTOR**

**VOLKSWAGEN AKTIENGESELLSCHAFT**

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Telephone no: +49 5361 9 0

**JOINT BOOKRUNNERS**

**Crédit Agricole  
Corporate and  
Investment Bank**  
12, place des Etats-  
Unis  
CS 70052  
92547 Montrouge  
Cedex  
France

**Goldman Sachs  
International**  
Peterborough Court  
133 Fleet Street  
London EC4A 2BB  
United Kingdom

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**Merrill Lynch  
International**  
2 King Edward  
Street  
London EC1A 1HQ  
United Kingdom

**MUFG Securities  
EMEA plc**  
Ropemaker Place  
25 Ropemaker  
Street  
London EC2Y 9AJ  
United Kingdom

**PRINCIPAL PAYING AGENT AND  
CALCULATION AGENT**

**Citibank, N.A., London Branch**  
Citigroup Centre  
Canada Square, Canary Wharf  
London E14 5LB  
United Kingdom

**LISTING AGENT**

**BNP Paribas Securities Services  
Luxembourg Branch**  
60 avenue J.F. Kennedy  
L-2085 Luxembourg  
Grand Duchy of Luxembourg

**LEGAL ADVISERS**

*To Volkswagen*

*As to German Law:*

**Clifford Chance Deutschland LLP**  
Mainzer Landstraße 46  
60325 Frankfurt am Main  
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*As to Dutch law:*

**Clifford Chance LLP**  
Droogbak 1A  
1013 GE Amsterdam  
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*To the Joint Bookrunners*

*As to German Law:*

**Linklaters LLP**  
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*As to Dutch law:*

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**AUDITORS**

*To the Guarantor*

**PricewaterhouseCoopers GmbH  
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*To the Issuer*

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