



Volkswagen International Finance N.V.

(public limited liability corporation (*naamloze vennootschap*) under the laws of The Netherlands, having its corporate domicile in Amsterdam, The Netherlands)

€ • Floating Rate Notes due 2019

Issue Price: • per cent.

€ • • per cent. Notes due 2021

Issue Price: • per cent.

€ • • per cent. Notes due 2023

Issue Price: • per cent.

€ • • per cent. Notes due 2027

Issue Price: • per cent.

each unconditionally and irrevocably guaranteed by

Volkswagen Aktiengesellschaft

(a stock corporation (*Aktiengesellschaft*) incorporated under the laws of the Federal Republic of Germany, having its corporate domicile in Wolfsburg, Federal Republic of Germany)

Volkswagen International Finance N.V. (the "**Issuer**") will issue on 30 March 2017 (the "**Issue Date**") EUR • floating rate Notes due 2019 (the "**2019 Notes**" or "**Floating Rate Notes**"), EUR • • per cent. Notes due 2021 (the "**2021 Notes**"), EUR • • per cent. Notes due 2023 (the "**2023 Notes**"), EUR • • per cent. Notes due 2027 (the "**2027 Notes**"), and together with the 2021 Notes and 2023 Notes, the "**Fixed Rate Notes**" and, together with the Floating Rate Notes, the "**Notes**") under the unconditional and irrevocable guarantee (the "**Guarantee**") of Volkswagen Aktiengesellschaft (the "**Guarantor**" or "**Volkswagen AG**"). The 2019 Notes will be redeemed at par on 30 March 2019, the 2021 Notes will be redeemed at par on 30 March 2021, the 2023 Notes will be redeemed at par on 2 October 2023 and the 2027 Notes will be redeemed at par on 30 March 2027. The 2019 Notes will bear interest from and including the Issue Date to, but excluding, 30 March 2019 at a floating interest rate payable quarterly in arrears on 30 March, 30 June, 30 September and 30 December in each year, commencing on 30 June 2017. The 2021 Notes will bear interest from and including the Issue Date to, but excluding, 30 March 2021 at a rate of • per cent. *per annum*, payable annually in arrears on 30 March in each year, commencing on 30 March 2018. The 2023 Notes will bear interest from and including the Issue Date to, but excluding, 2 October 2023 at a rate of • per cent. *per annum*, payable annually in arrears on 2 October in each year, commencing on 2 October 2017 (short first coupon). The 2027 Notes will bear interest from and including the Issue Date to, but excluding, 30 March 2027 at a rate of • per cent. *per annum*, payable annually in arrears on 30 March in each year, commencing on 30 March 2018.

This prospectus (the "**Prospectus**") constitutes a prospectus within the meaning of Article 5.3 of the 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 will be published in electronic form together with all documents incorporated by reference on the website of the

Luxembourg Stock Exchange (www.bourse.lu). 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 "**Prospectus Law**"), which implements the Prospectus Directive into Luxembourg law.

Application has been made for the Notes to be listed on the official list of the Luxembourg Stock Exchange and to be admitted to trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market for the purposes of Directive 2014/65/EC of the European Parliament and of the Council of 15 May 2014 on Markets in Financial Instruments, as amended.

The issue price of the Notes, the aggregate principal amount of the Notes, the interest rate of the Notes, the issue proceeds, and the yield of the Notes will be included in the Pricing Notice (as defined in "Subscription, Sale and Offer of the Notes") which will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) on or prior to the Issue Date.

The Notes are issued in bearer form with a denomination of € 100,000 each.

The 2019 Notes have been assigned the following securities codes: ISIN XS1586555515, Common Code 158655551, WKN A19E9R.

The 2021 Notes have been assigned the following securities codes: ISIN XS1586555606, Common Code 158655560, WKN A19E9S.

The 2023 Notes have been assigned the following securities codes: ISIN XS1586555861, Common Code 158655586, WKN A19E9T.

The 2027 Notes have been assigned the following securities codes: ISIN XS1586555945, Common Code 158655594, WKN A19E9U.

Joint Lead Managers

Barclays	BNP PARIBAS	Citigroup
Mizuho Securities	Société Générale Corporate & Investment Banking	UniCredit Bank

RESPONSIBILITY STATEMENT

Each of Volkswagen International Finance N.V. (the "**Issuer**" or "**VIF**") with its corporate domicile in Amsterdam, The Netherlands, and Volkswagen Aktiengesellschaft (the "**Guarantor**" or "**Volkswagen AG**" and, together with its direct and indirect subsidiaries and joint ventures at the date of this Prospectus, "**Volkswagen**" or the "**Volkswagen Group**") having its corporate domicile in Wolfsburg, Germany, accepts responsibility for the information contained in and incorporated by reference into this Prospectus including the English language translations of the Terms and Conditions and the Guarantee and hereby 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 its import.

Each of the Issuer and the Guarantor further confirms that (i) this Prospectus contains all information with respect to the Issuer as well as to the Guarantor and their respective subsidiaries and affiliates and to the Notes which is material in the context of the issue and offering of the Notes, including all information which, according to the particular nature of the Issuer, the Guarantor and the Notes is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and the Guarantor and of the rights attached to the Notes; (ii) the statements contained in this Prospectus relating to the Issuer, the Guarantor and the Notes are in every material particular true and accurate and not misleading; (iii) there are no other facts in relation to the Issuer, the Guarantor or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in the Prospectus misleading in any material respect; and (iv) reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

As per Article 7(7) of the Prospectus Law, the CSSF gives no undertaking as to the economic and financial soundness of the issue of the Notes and the quality or solvency of the Issuer.

NOTICE

No person is authorised to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantor or Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Mizuho International plc, Société Générale or UniCredit Bank AG (together, the "**Joint Lead Managers**" or the "**Managers**"). Neither the delivery of this Prospectus nor any offering or sale of any Notes made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor or any of its affiliates since the date of this Prospectus, or that the information herein is correct at any time since its date.

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 "Volkswagen Aktiengesellschaft as Guarantor" and "Volkswagen International Finance N.V. as Issuer" and statements elsewhere in this Prospectus relating to, among other things, the future financial performance, potential synergies to be realised 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 assume any obligation to update such forward-looking statements and to adapt them to future events or developments.

This Prospectus should be read and understood in conjunction with any supplement hereto and with any other documents incorporated herein by reference.

To the fullest extent permitted by law, neither the Joint Lead Managers nor any other person mentioned in this Prospectus, except for the Issuer and the Guarantor, is responsible for the information contained in this Prospectus or any other document incorporated herein by reference, and

accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons accepts any responsibility for the accuracy and completeness of the information contained in any of these documents. The Joint Lead Managers have not independently verified any such information and accept no responsibility for the accuracy thereof.

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 of the Guarantor. Neither this Prospectus nor any other information supplied in connection with the Notes should be considered as a recommendation by the Issuer, the Guarantor or the Joint Lead Managers to a recipient hereof and thereof that such recipient should purchase any Notes.

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

The offer, sale and delivery of the Notes and the Guarantee and the distribution of this Prospectus in certain jurisdictions are restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantor and the Joint Lead Managers to inform themselves about and to observe any such restrictions. In particular, the Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). The Notes are subject to U.S. tax law requirements. Subject to certain limited exceptions, the Notes and the Guarantee may not be offered, sold or delivered within the United States of America (the "**United States**") or to U.S. persons. For a further description of certain restrictions on offerings and sales of the Notes and the Guarantee and distribution of this Prospectus (or of any part thereof) see "Selling Restrictions."

IN CONNECTION WITH THE ISSUE OF THE NOTES, BARCLAYS BANK PLC (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN AT ANY TIME AFTER THE ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE DATE OF THE RECEIPT OF THE PROCEEDS OF THE ISSUE BY THE ISSUER AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL LAWS, DIRECTIVES, REGULATIONS AND RULES OF ANY RELEVANT JURISDICTION.

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.

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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 18 September 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 22 September 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 2 November 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 2 November 2015, and additionally on 25 November 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 4 January 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 12 January 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 27 June 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 has also opened a criminal investigation into whether various U.S. federal criminal offenses were committed. These investigations resulted and could result in criminal and civil charges as well as further 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 could 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 will resolve certain civil claims made 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 14 February 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 31 January 2017. A final approval hearing is scheduled for 11 May 2017. The agreement with the FTC will also be subject to court approval.

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. The settlement agreements with respect to the six-cylinder 3.0 liter TDI diesel engine vehicles, which remain subject to court approval, 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 agreements, if approved by the court, 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 10 March 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 set the sentencing date for 21 April 2017. The plea agreement provides 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 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, subject to court approval, a combined penalty of U.S.\$1.45 billion (plus any accrued interest) to resolve U.S. federal environmental and customs-related civil 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**"). 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 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. These settlement agreements do not resolve potential state environmental claims related to the affected vehicles or certain other claims. Moreover, investigations by various U.S. regulatory and government authorities, including in areas relating to securities, financing and tax, are ongoing.

On 30 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 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.

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 is subject to court approval, the hearings for which are scheduled for 22 March 2017 and 31 March 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 Volkswagen Group Canada will also pay 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 one former Volkswagen AG Management Board member as well as one Volkswagen AG Supervisory Board member regarding their possible involvement in potential market manipulation in connection with the release of information concerning the diesel issue.

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. 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 as well as against Volkswagen International Finance N.V. 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 31 December 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, political uncertainty as well as a continued lack of consumer confidence in some markets have negatively impacted consumption, damaging the macroeconomic environment which may deteriorate further. Additional risks to the economic environment could arise from 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, reduced 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 reduce 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 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, 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 cyclical nature. 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 CO₂ 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 31 December 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 1 January 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 1 December 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 31 December 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 1 January 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

CO2 emission limits, as well as tax regulations in relation to CO2 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 CO2 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.

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 5 May 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 31 December 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.*

Since 2010, several institutional and private investors in Germany initiated conciliation proceedings (*Güteverfahren*) against Volkswagen AG, as well as Porsche SE and Volkswagen AG jointly together with regard to the assertion of claims based on alleged violations of provisions of capital market laws in connection with Porsche SE's acquisition of a shareholding in Volkswagen AG. The alleged claims concern alleged losses of approximately EUR 5 billion incurred by investors as a result of their sale of or other transactions with respect to shares in Volkswagen AG and derivatives in 2008. Volkswagen rejected the claims and refused to participate in the conciliation proceedings.

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 19 July 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 31 December 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 Risk Factors regarding the Notes

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

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

- (i) 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;
- (ii) 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;
- (iii) have sufficient financial resources and liquidity to bear all of the 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;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) 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.

1.3.2 *Liquidity risk*

Application has been made to the Luxembourg Stock Exchange for Notes to be listed on the official list of the Luxembourg Stock Exchange and to be admitted to trading on the regulated market of the Luxembourg Stock Exchange. Regardless of whether the Notes are listed and admitted to trading or not, there can be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue. The fact that the Notes may be listed and admitted to trading does not necessarily lead to greater liquidity compared to unlisted Notes. If the Notes are not listed on any exchange, pricing information for such Notes may, however, be more difficult to obtain which may affect the liquidity of the Notes adversely. In an illiquid market, an investor might not be able to sell his Notes at any time at fair market prices. The possibility to sell the Notes might additionally be restricted by country specific reasons.

1.3.3 *Market price risk*

The development of market prices of the Notes depends on various factors, such as changes of market interest rate levels, the policy of central banks, overall economic developments, inflation rates or the lack of or excess demand for the relevant type of Note. The Holder of Notes is therefore exposed to the risk of an unfavourable development of market prices of its Notes which materialises if the Holder sells the Notes prior to the final maturity of the Notes. If the Holder decides to hold the Notes until final maturity the Notes will be redeemed at their principal amount.

1.3.4 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 home 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.

1.3.5 Risk of early redemption

The Issuer has the right to call the Notes prior to maturity for reasons of taxation. If the Issuer redeems the Notes prior to maturity, a Holder of the Notes is exposed to the risk that due to early redemption his investment may have a lower than expected yield. The Issuer might exercise his call right if the yield on comparable Notes in the capital market falls which means that the investor may only be able to reinvest the redemption proceeds in Notes with a lower yield.

1.3.6 Fixed rate notes

A holder of fixed rate notes is exposed to the risk that the price of such notes falls as a result of changes in the market interest rate. While the nominal interest rate of fixed rate notes is fixed during the life of such notes, the current interest rate on the capital market ("market interest rate") typically changes on a daily basis. As the market interest rate changes, the price of fixed rate notes also changes, but in the opposite direction. If the market interest rate increases, the price of fixed rate notes typically falls, until the yield of such notes is approximately equal to the market interest rate of comparable issues. If the market interest rate falls, the price of fixed rate notes typically increases, until the yield of such notes is approximately equal to the market interest rate of comparable issues. If the holder of fixed rate notes holds such notes until maturity, changes in the market interest rate are without relevance to such holder as such notes will be redeemed at the principal amount of such notes.

1.3.7 Floating Rate Notes

A holder of Floating Rate Notes is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of Floating Rate Notes in advance. In the event that the reference rate used to calculate the applicable interest rate turns negative, the interest rate will be below the margin, if any, and may be zero and accordingly, the holders of Floating Rate Notes may not be entitled to interest payments for certain or all interest periods.

Neither the current nor the historical value of the relevant floating rate should be taken as an indication of the future development of such floating rate during the term of Floating Rate Notes.

1.3.8 Resolutions of Holders

Since the Notes provide for the taking of votes without a meeting, a Holder is subject to the risk of being outvoted by a majority resolution of the Holders. As such majority resolution is binding on all Holders, certain rights of such Holder against the Issuer under the Terms and Conditions may be amended or reduced or even cancelled.

1.3.9 Holders' Representative

If the Notes provide for the appointment of a Holders' Representative, either in the Terms and Conditions or by a majority resolution of the Holders, it is possible that a Holder may be deprived of its individual right to pursue and enforce its rights under the Terms and Conditions against the Issuer, such right passing to the Holders' Representative who is then exclusively responsible to claim and enforce the rights of all the Holders.

1.3.10 *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. VOLKSWAGEN AKTIENGESELLSCHAFT AS GUARANTOR

2.1 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 28 May 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 22 August 1960. The name was changed to "VOLKSWAGEN AKTIENGESELLSCHAFT" by resolution of the Annual Meeting on 4 July 1985 which is the legal and commercial name of Volkswagen AG.

Volkswagen AG is located in Wolfsburg. Since 1 August 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).

2.2 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.

2.3 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%. 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.

2.4 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.

2.5 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

2.6 Shareholder Structure as of 31 December 2016

Volkswagen AG's subscribed capital amounted to EUR 1,283,315,873.28 as of 31 December 2016.

The distribution of voting rights for the 295,089,818 ordinary shares at 31 December 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%

2.7 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.

2.8 Share Capital

On 31 December 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.

2.9 Diesel Issue

On 18 September 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 22 September 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 2 November 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 2 November 2015, and additionally on 25 November 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 4 January 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 12 January 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 27 June 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 has also opened a criminal investigation into whether various U.S. federal criminal offenses were committed. These investigations resulted and could result in further assessments of monetary penalties and other consequences. The timing of the release of new information on the investigation and the maximum

amount of penalties that could 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 will resolve certain civil claims made 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 14 February 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 31 January 2017. A final approval hearing is scheduled for 11 May 2017. The agreement with the FTC will also be subject to court approval.

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. The settlement agreements with respect to the six-cylinder 3.0 liter TDI diesel engine vehicles, which remain subject to court approval, 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, if approved by the court, 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 10 March 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 set the sentencing date for 21 April 2017. The plea agreement provides 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 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, subject to court approval, a combined penalty of U.S.\$1.45 billion (plus any accrued interest) to resolve U.S. federal environmental and customs-related civil 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. 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 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. These settlement agreements do not resolve potential state environmental claims related to the affected vehicles or certain other claims. Moreover, investigations by various U.S. regulatory and government authorities, including in areas relating to securities, financing and tax, are ongoing.

On 30 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 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.

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 is subject to court approval, the hearings for which are scheduled for 22 March 2017 and 31 March 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 Volkswagen Group Canada will also pay 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.

2.9.1 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.

2.9.2 **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 I, 1.6 I and 2.0 I diesel engines falling within its remit. Only the approval of the technical solution for 14 thousand vehicles is still outstanding, which is expected to be granted within the next weeks.

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 in principle from its respective type approval authority, the Ministry of Industry in Spain. Type approval authority for the ŠKODA brand is the Vehicle Certification Agency in the United Kingdom. The approval process for ŠKODA vehicles is still ongoing.

In some countries outside the EU – among others Switzerland, Australia, South Korea, Taiwan and Turkey – national type approval is based on prior recognition of the EC/ECE type approval. Volkswagen is in close contact with the authorities in these countries to finalize the approval process.

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 I TDI engine – began already in January 2016. The 1.2 I 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 I TDI engine began in November 2016, which provided additional lead time necessary for the hardware modification. In the 1.6 I 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.

2.9.3 **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.

2.9.4 **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 31 December 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 31 December 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".

2.10 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 14 January 2015, Volkswagen AG controls 100% of the shares in Scania. As of 31 December 2016, Volkswagen AG indirectly held 75.73% of the ordinary shares and 46.43% of the preferred shares of MAN SE. Since 1 August 2012, Volkswagen AG indirectly holds 100% of the share capital of Dr. Ing. h.c. F. Porsche AG. Effective as of 19 July 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.

2.11 Automotive

2.11.1 Figures of 2016

2.11.1.1 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).

2.11.1.2 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):

Deliveries to customers by markets (units)	Year Ended 31 December 2016	Year Ended 31 December 2015 ¹	Change (%)
Europe/Other markets	4,062,452	4,006,105	+1.4
Western Europe	3,114,030	3,062,371	+1.7
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
Central and Eastern Europe	592,275	559,946	+5.8
Russia	155,672	164,653	-5.5
Czech Republic	134,926	126,886	+6.3
Poland	122,622	104,772	+17.0
Other markets	356,147	383,788	-7.2
Turkey	173,965	164,787	+5.6
South Africa	78,897	90,659	-13.0
North America	928,033	922,774	+0.6
USA	591,063	607,096	-2.6
Mexico	238,946	211,845	+12.8
Canada	98,024	103,833	-5.6
South America	362,343	489,636	-26.0
Brazil	231,196	353,508	-34.6
Argentina	92,257	97,775	-5.6
Asia-Pacific	4,282,656	3,902,172	+9.8
China	3,975,071	3,542,467	+12.2
Japan	83,109	91,152	-8.8
India	66,046	69,323	-4.7
Worldwide	9,635,484	9,320,687	+3.4

Deliveries to customers by brands (units)	Year Ended 31 December 2016	Year Ended 31 December 2015 ¹	Change (%)
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
Volkswagen Group (total)	9,635,484	9,320,687	+3.4

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:

Deliveries to customers by markets (units)	Year Ended 31 December 2016	Year Ended 31 December 2015 ²	Change (%)
Europe/Other markets	555,294	498,906	+11.3
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
North America	11,140	9,099	+22.4
South America	59,196	68,958	-14.2
Brazil	26,532	36,513	-27.3
Asia-Pacific	35,883	32,946	+8.9
China	7,071	6,165	+14.7
Worldwide	661,513	609,909	+8.9

Deliveries to customers by brands (units)	Year Ended 31 December 2016	Year Ended 31 December 2015	Change (%)
Volkswagen Commercial Vehicles	477,932	430,874	+8.5
Scania	81,346	76,561	+6.2
MAN	102,235	102,474	-0.2
Volkswagen Group (total)	661,513	609,909	+8.5

2.11.1.3 *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

² Deliveries for 2015 have been updated to reflect subsequent statistical trends.

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.

2.11.1.4 *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.

2.11.1.5 *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.

2.12 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.

2.13 Volkswagen Group Sales Revenue and Profit

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 €41.0 billion (2015: €33.9 billion), gross profit was up year-on-year. The gross margin amounted to 18.9% (2015: 15.9%).

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.

2.14 Administration, Management and Supervisory Bodies

2.14.1 Board of Management

The Board of Management shall consist of at least three members. As of the date of this Prospectus, its members are:

Name	Area of responsibility
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 bodies¹:

Name	Additional activities (as of 31 December 2016)
Dr. Ing. Herbert Diess	Infineon Technologies AG, Neubiberg ²
Dr. rer. pol. h. c. Francisco Javier Garcia Sanz	Hochtief AG, Essen ² Criteria CaixaHolding S.A., Barcelona ³
Prof. Dr. rer. pol. Dr.-Ing. E. h. Jochem Heizmann	Lufthansa Technik AG, Hamburg ²
Andreas Renschler	Deutsche Messe AG, Hanover ²
Prof. Rupert Stadler	FC Bayern München AG, Munich ²

¹ 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.

² Membership of statutory supervisory boards in Germany.

³ Comparable appointments in Germany and abroad.

2.14.2 ***Supervisory Board***

The Supervisory Board shall consist of 20 members. As of the date of this Prospectus, its members are:

Name	Additional Activities (as of 31 December 2016)
Hans Dieter Pötsch	AUDI AG, Ingolstadt ¹
Chairman	Autostadt GmbH, Wolfsburg (Chairman) ¹
Chairman of the executive board and Chief Financial Officer of Porsche Automobil Holding SE	Bertelsmann Management SE, Gütersloh ¹
	Bertelsmann SE & Co. KGaA, Gütersloh ¹
	Dr. Ing. h.c. F. Porsche AG, Stuttgart ¹
	Porsche Austria Gesellschaft m.b.H., Salzburg (Chairman) ²
	Porsche Holding Gesellschaft m.b.H., Salzburg (Chairman) ²
	Porsche Retail GmbH, Salzburg (Chairman) ²
	VfL Wolfsburg-Fußball GmbH, Wolfsburg (Deputy Chairman) ²
	Volkswagen Truck & Bus GmbH, Braunschweig ²
Jörg Hofmann*	Robert Bosch GmbH, Stuttgart ¹
Deputy Chairman	
First Chairman of IG Metall	
Dr. Hussain Ali Al-Abdulla	Gulf Investment Corporation, Safat/Kuwait ²
Minister of State	Kirnaf Finance, Riad (Chairman) ²
	Masraf Al Rayan, Doha (Chairman) ²
	Qatar Holding, Doha ²
	Qatar Investment Authority, Doha ²
Dr. Hessa Sultan Al-Jaber	Qatar Satellite Company, Doha ²
Minister of State	Malomatia, Doha ²
	Trio Investment, Doha ²
Annika Falkengren	FAM AB, Stockholm ²
President and Group Chief Executive of Skandinaviska Enskilda Banken AB	Scania CV AB, Södertälje ²

Name	Additional Activities (as of 31 December 2016)
Dr. jur. Hans-Peter Fischer*	Volkswagen Pension Trust e.V., Wolfsburg ²
Chairman of the Board of Management of Volkswagen Management Association	
Uwe Fritsch*	Eintracht Braunschweig GmbH & Co KGaA, Braunschweig ²
Chairman of the Works Council at the Volkswagen AG Braunschweig plant	Basketball Löwen Braunschweig GmbH, Braunschweig ²
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) ¹
Chairman of the General and Group Works Council of Dr. Ing. h.c. F. Porsche AG	Porsche Automobil Holding SE, Stuttgart (Deputy Chairman) ¹
Johan Järvklo*	Scania CV AB, Södertälje ²
Chairman of IF Metall at Scania AB	Volkswagen Truck & Bus GmbH, Braunschweig ²
Dr. Louise Kiesling	
Designer and entrepreneur	
Olaf Lies	Deutsche Messe AG, Hanover (Chairman) ¹
Minister of Economic Affairs, Labor and Transport for the Federal State of Lower Saxony	Demografieagentur für die niedersächsische Wirtschaft GmbH, Hanover (Chairman) ²
	JadeWeserPort Realisierungs GmbH Co. KG, Wilhelmshaven (Chairman) ²
	Container Terminal Wilhelmshaven JadeWeserPort-Marketing GmbH & Co. KG, Wilhelmshaven (Chairman) ²
	JadeWeserPort Realisierungs-Beteiligungs GmbH, Wilhelmshaven (Chairman) ²
Peter Mosch*	AUDI AG, Ingolstadt ¹
Chairman of the General Works Council of AUDI AG	Porsche Automobil Holding SE, Stuttgart ¹
	Audi Pensionskasse, Altersversorgung der AUTO UNION GmbH, VVaG, Ingolstadt ¹

Name	Additional Activities (as of 31 December 2016)
Bernd Osterloh*	Autostadt GmbH, Wolfsburg ¹
Chairman of the General and Group Works Councils of Volkswagen AG	Porsche Automobil Holding SE, Stuttgart ¹
	Wolfsburg AG, Wolfsburg ¹
	Allianz für die Region GmbH, Braunschweig ²
	Porsche Holding Gesellschaft m.b.H., Salzburg ²
	SEAT, S.A., Martorell ²
	ŠKODA Auto a.s., Mladá Boleslav ²
	VfL Wolfsburg-Fußball GmbH, Wolfsburg ²
	Volkswagen Immobilien GmbH, Wolfsburg ²
	Volkswagen Truck & Bus GmbH, Braunschweig ²
Dr. jur. Hans Michel Piëch	AUDI AG, Ingolstadt ¹
Lawyer in private practice	Dr. Ing. h.c. F. Porsche AG, Stuttgart ¹
	Porsche Automobil Holding SE, Stuttgart ¹
	Porsche Cars Great Britain Ltd., Reading ²
	Porsche Cars North America Inc., Atlanta ²
	Porsche Holding Gesellschaft m.b.H., Salzburg ²
	Porsche Ibérica S.A., Madrid ²
	Porsche Italia S.p.A., Padua ²
	Schmittenhöhebahn AG, Zell am See ²
	Volksooper Wien GmbH, Vienna ²
Dr. jur. Ferdinand Oliver Porsche	AUDI AG, Ingolstadt ¹
Member of the Board of Management of Familie Porsche AG Beteiligungsgesellschaft	Dr. Ing. h.c. F. Porsche AG, Stuttgart ¹
	Porsche Automobil Holding SE, Stuttgart ¹
	PGA S.A., Paris ²
	Porsche Holding Gesellschaft m.b.H., Salzburg ²
	Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Ludwigsburg ²
	Volkswagen Truck & Bus GmbH, Braunschweig ²

Name	Additional Activities (as of 31 December 2016)
Dr. rer. comm. Wolfgang Porsche	AUDI AG, Ingolstadt ¹
Chairman of the Supervisory Board of Porsche Automobil Holding SE	Dr. Ing. h.c. F. Porsche AG, Stuttgart (Chairman) ¹
Chairman of the Supervisory Board of Dr. Ing. h.c. F. Porsche AG	Porsche Automobil Holding SE, Stuttgart (Chairman) ¹
	Familie Porsche AG Beteiligungsgesellschaft, Salzburg (Chairman) ²
	Porsche Cars Great Britain Ltd., Reading ²
	Porsche Cars North America Inc., Atlanta ²
	Porsche Holding Gesellschaft m.b.H., Salzburg ²
	Porsche Ibérica S.A., Madrid ²
	Porsche Italia S.p.A., Padua ²
	Schmittenhöhebahn AG, Zell am See ²
Stephan Weil	
Minister-President of the Federal State of Lower Saxony	
Stephan Wolf*	Volkswagen Financial Services AG, Braunschweig ¹
Deputy Chairman of the General and Group Works Council of Volkswagen AG	Wolfsburg AG, Wolfsburg ¹
	Volkswagen Pension Trust e.V., Wolfsburg ²
Thomas Zwiebler*	
Chairman of the Works Council of Volkswagen Commercial Vehicles	

* Employee representative.

¹ Membership of statutory supervisory boards in Germany.

² 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, who is simultaneously member 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.

2.15 Recent Events

On 10 March 2017, Volkswagen published a press release in which it announced the signing of a memorandum of understanding between the Volkswagen Group and Tata Motors Ltd. Under the terms of the memorandum of understanding, the Volkswagen Group and Tata Motors Ltd. agreed to explore a strategic alliance for joint development projects in India with the goal of bundling the expertise of both car manufacturers with a view to jointly developing vehicle components and possibly also vehicle concepts.

2.16 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 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 Stephan Wolf.

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), Peter Mosch (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), Uwe Fritsch, Thomas Zwiebler, Olaf Lies, Bernd Osterloh and Dr. Ferdinand Oliver Porsche.

2.17 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 26 February 2002 and, most recently, adopted various amendments to the Code on 5 May 2015. 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 18 November 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 (Accessibility of the proxy during the Annual General Meeting) was implemented at the Annual General Meeting 2016 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 Annual General Meeting 2016 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.

2.18 Selected Historical Financial Information

The following consolidated operating and financial data were extracted from the Volkswagen Group's 2016 annual report:

Volume Data ¹ (unaudited)	2016	2015	%
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

¹ Volume data including the unconsolidated Chinese joint ventures. These companies are accounted for using the equity method.

Financial Data (IFRS), € million (audited)	2016	2015	% (unaudited)
Sales revenue.....	217,267	213,292	+1.9
Operating result.....	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 ¹			
Cash flows from operating activities.....	20,271	23,796	-14.8
Cash flows from investing activities attributable to operating activities ²	15,941	14,909	+6.9
of which: capex ³	12,795	12,738	+0.4
as a percentage of sales revenue (unaudited).....	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 ⁴	4,330	8,887	-51.3
Net liquidity ⁵ at 31 December.....	27,180	24,522	+10.8

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

² Excluding acquisition and disposal of equity investments: €18,224 million (2015: €17,270 million).

³ Investments in intangible assets (excluding capitalized development costs), property, plant and equipment, and investment property.

⁴ Cash flows from operating activities, net of investing activities attributable to operating activities (investing activities excluding change in investments in securities, loans and time deposits).

⁵ The total of cash, cash equivalents, securities, loans from related parties and time deposits net of third-party borrowings (noncurrent and current financial liabilities).

The following tables show selected operating and financial data for Volkswagen AG for the years indicated:

Volume Data (unaudited)	2016	2015	%
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

Financial Data (HGB), € million (audited)	2016	2015	% (unaudited)
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 ¹	0.11	
per preferred share	2.06 ¹	0.17	

¹ 2016 figures relate to the proposed dividend.

The following consolidated operating and financial data were extracted from the Volkswagen Group's 2015 annual report:

Volume Data¹ (unaudited)	2015	2014	%
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

¹ Volume data including the unconsolidated Chinese joint ventures. These companies are accounted for using the equity method.

Financial Data (IFRS), € million (audited)	2015	2014	% (unaudited)
Sales revenue.....	213,292	202,458	+5.4
Operating result.....	-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 ¹			
Cash flows from operating activities.....	23,796	21,593	+10.2
Cash flows from investing activities attributable to operating activities ²	14,909	15,476	-3.7
of which: capex ³	12,738	11,495	+10.8
as a percentage of sales revenue (unaudited).....	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 ⁴	8,887	6,117	+45.3
Net liquidity ⁵ at 31 December.....	24,522	17,639	+39.0

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

² Excluding acquisition and disposal of equity investments: €17,270 million (2014: €15,719 million).

³ Investments in intangible assets (excluding capitalized development costs), property, plant and equipment, and investment property.

⁴ Cash flows from operating activities, net of investing activities attributable to operating activities (investing activities excluding change in investments in securities, loans and time deposits).

⁵ The total of cash, cash equivalents, securities, loans from related parties and time deposits net of third-party borrowings (noncurrent and current financial liabilities).

The following tables show selected operating and financial data for Volkswagen AG for the years indicated:

Volume Data (unaudited)	2015	2014	%
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

Financial Data (HGB), € million (audited)	2015	2014	% (unaudited)
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	

2.19 Historical Financial Information

The audited consolidated financial statements of Volkswagen AG as of and for the fiscal years ended 31 December 2016 and 31 December 2015 are incorporated herein by reference and form part of this Prospectus.

2.20 Statutory Auditors

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (formerly PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft) ("**PwC**") audited the unconsolidated financial statements of the Guarantor as of and for the fiscal year ended 31 December 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 31 December 2016 and 31 December 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 31 December 2016 as well as 31 December 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 is member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer, Körperschaft des öffentlichen Rechts*), Berlin, Germany.

2.21 Significant Change in the Financial or Trading Position

There has been no significant change in the financial or trading position of the Volkswagen Group since the date of its last published audited consolidated financial statements as of and for the year ended 31 December 2016.

2.22 Trend Information

There has been no material adverse change in the prospects of Volkswagen AG since the date of its last published audited consolidated financial statements as of and for the year ended 31 December 2016.

2.23 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.

2.23.1 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 15 October 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 10 December 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. Only the approval of the technical solution for 14 thousand vehicles is still outstanding, which is expected to be granted within the next weeks.

SEAT received approvals in principle from its respective type approval authority, the Ministry of Industry in Spain. Type approval authority for ŠKODA is the Vehicle Certification Agency in the United Kingdom. The approval process for ŠKODA vehicles is still ongoing.

In some countries outside the EU – among others Switzerland, Australia, South Korea, Taiwan and Turkey – national type approval is based on prior recognition of the EC/ECE type approval. Volkswagen is in close contact with the authorities in these countries to finalize the approval process.

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.

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.

2.23.1.1 *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 opened. 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 was deemed not lower than 10%.

In addition, the public prosecutor's office in Braunschweig announced that it has also initiated investigations against one current and one former Volkswagen AG Management Board member as well as one Volkswagen AG Supervisory Board member regarding their possible involvement in potential market manipulation in connection with the release of information concerning the diesel issue.

In connection with the various criminal proceedings, offices of Volkswagen AG and its subsidiaries have been searched by different public prosecutor's offices.

2.23.1.2 *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, India, Israel, Italy, Mexico, Poland, Portugal, Taiwan and the United Kingdom. These class action proceedings are lawsuits

aimed among other things at asserting monetary relief. The amount of these damages cannot yet be 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 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 1,300 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 lawsuits – including all class 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.

2.23.1.3 *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 EUR 8.75 billion) are currently pending at the District Court (*Landgericht*) in Braunschweig.

On 5 August 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.

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, judicial applications for dunning procedures and conciliation proceedings 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 the Management Board and the Supervisory Board of Volkswagen AG violated their legal duties and to review 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 a Swedish institutional investors. The proceedings were instituted after Volkswagen AG's general shareholders' meeting in June 2016 voted down respective resolutions proposed by both DSW and Deminor Recovery Services to appoint a special auditor. The proceedings are ongoing.

2.23.1.4 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 4 January 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 12 January 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 28 June 2016. On 18 October 2016, a fairness hearing on whether final approval should be granted was held, and on 25 October 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, provided that EPA and CARB approve the modification. 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 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 7 July 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 1 September 2016 and the USD 86 million payment was made on 28 September 2016.

On 20 December 2016, Volkswagen entered into a second partial consent decree, subject to court approval, 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 20 December 2016 and is currently in its notice and comment period.

In addition, on 20 December 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 11 January 2017, Volkswagen entered into a third partial consent decree, subject to court approval, 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 11 January 2017. Also on 11 January 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 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 10 March 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 set a sentencing date for 21 April 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 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 31 January 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 14 February 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 31 January 2017. A final approval hearing is scheduled for 11 May 2017.

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 18 January 2017, a fairness hearing on whether final approval should be granted was held, and on 23 January 2017, the court granted final approval of the settlement agreement.

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. The attorneys general of eighteen U.S. states (Alabama, Illinois, Maine, Maryland, Massachusetts, Minnesota, Missouri, Montana, New Hampshire, New Jersey, New Mexico, New York, Ohio, Pennsylvania, Tennessee, Texas, Vermont and Wyoming) and some municipalities have also filed suits in state and federal courts – and the state of Washington has asserted a penalty claim through administrative proceedings – 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, Maine, Maryland, Massachusetts, Minnesota, Missouri, Montana, New Hampshire, New York, Ohio, Pennsylvania, Tennessee, Texas, Washington 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. In addition, four states (Connecticut, Delaware, Oregon and Rhode Island) have expressed their intention to participate in settlement negotiations without filing suit.

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 19 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 engine vehicles. Also on 19 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 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".

2.23.1.5 *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, thirteen 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. A number of these putative class actions have been transferred to the federal multidistrict litigation proceeding in the State of California.

2.23.1.6 *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.

2.23.1.7 *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.

2.23.2 *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.

2.23.3 *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 19 July 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.

2.23.4 *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.

2.23.5 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 22 June 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.

2.24 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.

2.25 Documents on Display

For the life of the Prospectus, copies of the Articles of Association of Volkswagen AG, the Guarantee and Negative Pledge and the Annual Reports for the financial years ended 31 December 2016 and 2015 are available free of charge at the administrative seat of Volkswagen Aktiengesellschaft, Berliner Ring 2, 38440 Wolfsburg, Germany and at the offices of the Paying Agent in Luxembourg.

3. VOLKSWAGEN INTERNATIONAL FINANCE N.V. AS ISSUER

3.1 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 under the laws of The Netherlands for an indefinite period of time on 15 April 1977. It is registered with the Dutch Register of Commerce under No. 33148825. VIF is subject to the relevant provisions of *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).

3.2 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.

3.3 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.

3.4 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.

3.5 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.

3.6 Employees

During the year 2016, the average number of employees calculated on a full-time-equivalent basis was 16.

3.7 Business Overview

3.7.1 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 10 billion commercial paper programme. Furthermore, VIF occasionally issues bonds on a standalone basis to accommodate particular financing needs of the Volkswagen 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 31 December 2016:

Company name	Main activity	Country of registration	Participation (%)	Book value (million EUR)	Year of acquisition
VW Autoeuropa, Lda.	Production of vehicles	Portugal	26	133.0	2006/2008
VW Group Saudi Arabia LLC.....	Import of vehicles	Kingdom of Saudi 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.

3.7.2 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.

3.8 Administrative, Management and Supervisory Bodies

3.8.1 Management Board

The Management Board of VIF consists of two members. Present members of the Management Board are:

Name	Additional Activities
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

Name	Additional Activities
	Luxemburg S.A., Luxembourg
	Managing Director of Volkswagen International Luxemburg S.A., Luxembourg
	Managing Director of Volkswagen New Mobility Luxemburg S.A., Luxembourg
	Managing Director of Audi Luxembourg S.A., Luxembourg
	Managing Director of Global Mobility Holding B.V., Amsterdam
	Managing Director of Fleet Investment B.V., Amsterdam

3.8.2 ***Supervisory Board***

The Supervisory Board of VIF consists of one or more members. Present members of the Supervisory Board are:

Name	Additional Activities
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

Name	Additional Activities
	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 to the Issuer of the members of the Management Board and the Supervisory Board and their private interests and or other duties.

3.9 Board Practices

Pursuant to the Dutch Corporate Governance Decree of 20 March 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.

3.10 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 31 December 2016 and 31 December 2015 and prepared in accordance with accounting standards generally accepted in The Netherlands (*Dutch GAAP*):

	Year ended 31 December	
	2016	2015
	(audited)	
	in EUR thousands	
Key Financial Information (Dutch GAAP)		
Total assets	27,407,260	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).....	26,426,997	27,028,295
Liabilities to Volkswagen Group companies	367,501	369,346
Total liabilities from funding activities	26,794,498	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

3.11 Historical Financial Information

The audited financial statements of VIF as of and for the financial years ended 31 December 2016 and 31 December 2015 are incorporated herein by reference and form part of this Prospectus.

3.12 Statutory Auditors

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 31 December 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, independent auditors of the Issuer from the financial year 2016 onwards, have audited and issued an unqualified auditor's report on the financial statements of the Issuer as of and for the year ended 31 December 2016. The financial statements as of and for the year ended 31 December 2015 and 31 December 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).

3.13 Significant Change in VIF's Financial or Trading Position

There has been no significant change in the financial or trading position of VIF since the end of the last financial period which was reported and published in the audited financial statements as of and for the year ended 31 December 2016.

3.14 Interim Financial Information

VIF publishes short-form financial reports as of 30 June each year.

3.15 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.

3.16 Trend Information

A material adverse change in the prospects of VIF may occur after the date of its last published audited financial statements as of and for the year ended 31 December 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 "Volkswagen Aktiengesellschaft as 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.

3.17 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.

3.18 Documents on Display

For the life of the Prospectus, copies of the Articles of Association of VIF and the annual reports for the financial years ended 31 December 2016 and 2015 are available for inspection and free of charge at Volkswagen International Finance N.V., Paleisstraat 1, 1012 RB Amsterdam, The Netherlands and at the offices of the paying agent in Luxembourg.

4. **CONDITIONS OF ISSUE FOR FLOATING RATE NOTES
(ENGLISH LANGUAGE VERSION)**

§1

CURRENCY, DENOMINATION, FORM, CERTAIN DEFINITIONS

(1) *Currency; Denomination.* This Series of Notes (the "**Notes**") of Volkswagen International Finance N.V. (the "**Issuer**") is being issued in Euro (the "**Specified Currency**") in the aggregate principal amount (subject to § 1(6)) of • (in words: •) in the denomination of EUR 100,000 (the "**Specified Denomination**").

(2) *Form.* The Notes are in bearer form and represented by one or more global notes (each a "**Global Note**").

(3) *Temporary Global Note – Exchange.*

(a) The Notes are initially represented by a temporary global note (the "**Temporary Global Note**") without coupons. The Temporary Global Note will be exchangeable for Notes in Specified Denominations represented by a permanent global note (the "**Permanent Global Note**") without coupons. The Temporary Global Note and the Permanent Global Note shall each be signed manually by two authorised signatories of the Issuer and shall each be authenticated by or on behalf of the Fiscal Agent. Definitive Notes and interest coupons will not be issued.

(b) The Temporary Global Note shall be exchanged for the Permanent Global Note on a date (the "**Exchange Date**") not later than 180 days after the date of issue of the Notes represented by the Temporary Global Note. The Exchange Date will not be earlier than 40 days after the date of issue. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note is not a U.S. person (other than certain financial institutions or certain persons holding Notes through such financial institutions). Payment of interest on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. A separate certification shall be required in respect of each such payment of interest. Any such certification received on or after the 40th day after the date of issue of the Notes represented by the Temporary Global Note will be treated as a request to exchange such Temporary Global Note pursuant to this § 1(3)(b). Any securities delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States (as defined in § 6(2)).

(4) *Clearing System.* The Global Note representing the Notes will be kept in custody by or on behalf of the Clearing System. "**Clearing System**" means each of the following: Clearstream Banking, société anonyme, 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg ("**CBL**") and Euroclear Bank SA/NV, Boulevard du Roi Albert II, 1210 Brussels, Belgium ("**Euroclear**") (CBL and Euroclear each an "**ICSD**" and together the "**ICSDs**") and any successor in such capacity.

The Notes are issued in new global note ("**NGN**") form and are kept in custody by a common safekeeper on behalf of both ICSDs.

(5) *Holder of Notes.* "**Holder**" means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.

(6) *Records of the ICSDs.* The principal amount of Notes represented by the Global Note shall be the aggregate amount from time to time entered in the records of both ICSDs. The records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflect the amount of such customer's interest in the Notes) shall be conclusive evidence of the principal amount of Notes represented by the Global Note and, for these purposes, a statement issued by a ICSD stating the principal amount of Notes so represented at any time shall be conclusive evidence of the records of the relevant ICSD at that time.

On any redemption or payment of an instalment or interest being made in respect of, or purchase and cancellation of, any of the Notes represented by the Global Note the Issuer shall procure that details

of any redemption, payment or purchase and cancellation (as the case may be) in respect of the Global Note shall be entered pro rata in the records of the ICSDs and, upon any such entry being made, the principal amount of the Notes recorded in the records of the ICSDs and represented by the Global Note shall be reduced by the aggregate principal amount of the Notes so redeemed or purchased and cancelled or by the aggregate amount of such instalment so paid.

On an exchange of a portion only of the Notes represented by a Temporary Global Note, the Issuer shall procure that details of such exchange shall be entered pro rata in the records of the ICSDs.

§ 2 STATUS, NEGATIVE PLEDGE AND GUARANTEE

(1) *Status*. The obligations under the Notes constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer ranking *pari passu* among themselves and *pari passu* with all other unsecured obligations of the Issuer, unless such obligations are accorded priority under mandatory provisions of statutory law.

(2) *Negative Pledge*. So long as any Note remains outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Fiscal Agent, the Issuer undertakes not to provide for other notes or bonds, including any guarantee or indemnity in respect thereof, any security upon its assets without at the same time having the Holders share equally and rateably in such security. For the avoidance of doubt, this undertaking shall not apply to security provided in connection with asset backed securities issued by the Issuer or a special purpose vehicle where the Issuer is the originator of the underlying assets.

(3) *Guarantee*. Volkswagen Aktiengesellschaft (the "**Guarantor**") has given its unconditional and irrevocable guarantee (the "**Guarantee**") for the due payment of principal of, and interest on, the Notes. In this Guarantee, the Guarantor has further undertaken (the "**Undertaking**"), so long as any of the Notes remains outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Fiscal Agent, not to provide for any Bond Issue, including any guarantee or indemnity in respect thereof, any security upon its assets without at the same time having the Holders share equally and rateably in such security. For the avoidance of doubt, this undertaking shall not apply to security provided in connection with asset backed securities issued by the Guarantor or a special purpose vehicle where the Guarantor is the originator of the underlying assets.

For the purpose of these Conditions "**Bond Issue**" means an issue of debt securities which is, or is intended to be, or is being capable of being, quoted, listed or dealt in on any stock exchange, over-the-counter or other securities market.

The Guarantee constitutes a contract for the benefit of the Holders from time to time as third party beneficiaries in accordance with § 328(1) of the German Civil Code⁽¹⁾, giving rise to the right of each Holder to require performance of the Guarantee and the Negative Pledge directly from the Guarantor and to enforce the Guarantee and the Negative Pledge directly against the Guarantor. Copies of the Guarantee and the Negative Pledge may be obtained free of charge at the principal office of the Guarantor and at the specified office of the Fiscal Agent set forth in § 6.

⁽¹⁾ An English language translation of § 328(1) German Civil Code would read as follows: "A contract may stipulate performance for the benefit of a third party, to the effect that the third party acquires the right directly to demand performance."

§ 3 INTEREST

(1) *Interest Payment Dates.* (a) The Notes bear interest on their principal amount from (and including) 30 March 2017 (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. Interest on the Notes shall be payable on each Interest Payment Date.

- (a) "**Interest Payment Date**" means each 30 March, 30 June, 30 September and 30 December.
- (b) If any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined below), it shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event the Interest Payment Date shall be the immediately preceding Business Day.
- (c) In this § 3 "**Business Day**" means a day on which the Clearing System as well as all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET2) ("**TARGET**") are operational to effect the relevant payment.

(2) *Rate of Interest.* The rate of interest (the "**Rate of Interest**") for each Interest Period (as defined below) will, except as provided below, be the offered quotation (expressed as a percentage rate per annum) for deposits in the Specified Currency for that Interest Period which appears on the Screen Page as of 11:00 a.m. (Brussels time) on the Interest Determination Date (as defined below) plus the Margin (as defined below), all as determined by the Calculation Agent.

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

"**Interest Determination Date**" means the second TARGET Business Day prior to the commencement of the relevant Interest Period.

"**TARGET Business Day**" means a day on which TARGET is open to effect payments.

"**Margin**" means • per cent. per annum.

"**Screen Page**" means Reuters Page EURIBOR01 or the relevant successor page on that service or on any other service as may be nominated as the information vendor for the purpose of displaying rates or prices comparable to the relevant offered quotation.

If the Screen Page is not available or if no such quotation appears, in each case as at such time, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for deposits in the Specified Currency for the relevant Interest Period to leading banks in the interbank market in the Euro-Zone at approximately 11.00 a. m. Brussels time) on the Interest Determination Date. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards) of such offered quotations plus the Margin, all as determined by the Calculation Agent.

If on any Interest Determination Date only one or none of the Reference Banks provides the Calculation Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, as at 11.00 a. m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for the relevant Interest Period by leading banks in the interbank market in the Euro-Zone plus the Margin or, if fewer than two of the Reference Banks provide the

Calculation Agent with such offered rates, the Rate of Interest for such Interest Period shall be the offered rate for deposits in the Specified Currency for the relevant Interest Period, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for the relevant Interest Period, at which, on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Calculation Agent and the Issuer suitable for such purpose) inform(s) the Calculation Agent it is or they are quoting to leading banks in the interbank market in the Euro-Zone (or, as the case may be, the quotations of such bank or banks to the Calculation Agent) plus the Margin.

If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be the offered quotation or the arithmetic mean of the offered quotations on the Screen Page, as described above, on the last day preceding the Interest Determination Date on which such quotations were offered plus the Margin.

If the Rate of Interest in respect of any Interest Period determined in accordance with the above provisions is less than 0 per cent., the Rate of Interest for such Interest Period shall be 0 per cent.

As used herein, "**Reference Banks**" means those offices of four of such banks whose offered rates were used to determine such quotation when such quotation last appeared on the Screen Page.

"**Euro-Zone**" means the region comprised of those member states of the European Union that have adopted, or will have adopted from time to time, the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended.

As used herein, "**Reference Banks**" means, those offices of four of such banks whose offered rates were used to determine such quotation when such quotation last appeared on the Screen Page.

(3) *Interest Amount.* The Calculation Agent will, on or as soon as practicable after each time at which the Rate of Interest is to be determined, calculate the amount of interest (the "**Interest Amount**") payable on the Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest and the Day Count Fraction (as defined below) to each Specified Denomination and rounding the resultant figure to the nearest unit of the Specified Currency, with 0.5 of such unit being rounded upwards.

(4) *Notification of Rate of Interest and Interest Amount.* The Calculation Agent will cause the Rate of Interest, each Interest Amount for each Interest Period, each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and the Guarantor and to the Holders in accordance with § 13 as soon as possible after their determination, but in no event later than the fourth Business Day (as defined in § 3(1)(d)) thereafter and if required by the rules of any stock exchange on which the Notes are from time to time listed, to such stock exchange as soon as possible after their determination, but in no event later than the first day of the relevant Interest Period. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to any stock exchange on which the Notes are then listed and to the Holders in accordance with § 13.

(5) *Determinations Binding.* All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this § 3 by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent, the Paying Agents and the Holders.

(6) *Accrual of Interest.* If the Issuer shall fail to redeem the Notes when due, interest shall continue to accrue beyond the day preceding the due date until the day preceding the actual redemption of the Notes. Interest shall continue to accrue on the outstanding principal amount of the Notes from the due date (inclusive) until the date of redemption of the Notes (exclusive) at the default rate of interest established by law.⁽¹⁾

⁽¹⁾ The default rate of interest established by law is five percentage points above the basic rate of interest published by Deutsche Bundesbank from time to time, §§ 288(1), 247 German Civil Code.

(7) *Day Count Fraction*. "**Day Count Fraction**" means with regard to the calculation of the amount of interest for any period of time (the "**Calculation Period**") the actual number of days in the Calculation Period divided by 360.

§ 4 PAYMENTS

(1) (a) *Payment of Principal*. Payment of principal in respect of Notes shall be made, subject to § 4(2), to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System upon presentation and surrender of the Global Note at the specified office of any Paying Agent outside the United States.

(b) *Payment of Interest*. Payment of interest on Notes shall be made, subject to § 4(2), to the Clearing System or to its order for credit to the relevant account holders of the Clearing System upon presentation of the Global Note at the specified office of any Paying Agent outside the United States.

Payment of interest on Notes represented by the Temporary Global Note shall be made, subject to § 4(2) below, to the Clearing System or to its order for credit to the relevant account holders of the Clearing System, upon due certification as provided in § 1(3)(b).

(2) *Manner of Payment*. Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in Euro.

(3) *Discharge*. The Issuer shall be discharged by payment to, or to the order of, the Clearing System.

(4) *Payment Business Day*. If the date for payment of any amount in respect of any Note is not a Payment Business Day then the Holder shall not be entitled to payment until the next such day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, "**Payment Business Day**" means any day which is a day (other than a Saturday or a Sunday) on which the Clearing System as well as all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET2) ("**TARGET**") are operational to forward the relevant payment.

(5) *References to Principal and Interest*. References in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable: the Final Redemption Amount of the Notes; the Early Redemption Amount of the Notes; and any premium and any other amounts which may be payable under or in respect of the Notes. References in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts which may be payable under § 7.

(6) *Deposit of Principal and Interest*. The Issuer may deposit with the *Amtsgericht* in Frankfurt am Main principal or interest not claimed by Holders within twelve months after the Maturity Date, even though such Holders may not be in default of acceptance of payment. If and to the extent that the deposit is effected and the right of withdrawal is waived, the respective claims of such Holders against the Issuer shall cease.

§ 5 REDEMPTION

(1) *Final Redemption.* Unless previously redeemed in whole or in part or purchased and cancelled, the Notes shall be redeemed at their Final Redemption Amount on the Interest Payment Date falling in March 2019 (the "**Maturity Date**"). The Final Redemption Amount in respect of each Note shall be its principal amount.

(2) *Early Redemption for Reasons of Taxation.* If as a result of any change in, or amendment to, the laws or regulations of Germany or The Netherlands or any political subdivision or taxing authority thereto or therein affecting taxation or the obligation to pay duties of any kind, or any change in, or amendment to, an official interpretation or application of such laws or regulations, which amendment or change is effective on or after the date on which the last tranche of this series of Notes was issued, the Issuer or the Guarantor is required to pay Additional Amounts (as defined in § 7) on the next succeeding Interest Payment Date (as defined in § 3(1)), and this obligation cannot be avoided by the use of reasonable measures available to the Issuer or the Guarantor, as the case may be, the Notes may be redeemed, in whole but not in part, at the option of the Issuer, upon not more than 60 days' nor less than 30 days' prior notice of redemption given to the Fiscal Agent and, in accordance with § 13 to the Holders, at their Early Redemption Amount (as defined below), together with interest accrued to the date fixed for redemption.

However, no such notice of redemption may be given (i) earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obligated to pay such Additional Amounts were a payment in respect of the Notes then due, or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect. The date fixed for redemption must be an Interest Payment Date.

Any such notice shall be given in accordance with § 13. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

(3) *Early Redemption Amount.*

For purposes of § 9 and § 5(2), the Early Redemption Amount of a Note shall be its Final Redemption Amount.

§ 6 THE FISCAL AGENT, THE PAYING AGENTS AND THE CALCULATION AGENT

(1) *Appointment; Specified Office.* The initial Fiscal Agent, the initial Paying Agent and the initial Calculation Agent and their initial specified offices shall be:

Fiscal Agent,	Citibank, N.A.
Paying Agent and	Citigroup Centre
Calculation Agent:	

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

The Fiscal Agent, the Paying Agent and the Calculation Agent reserve the right at any time to change their specified offices to some other specified office in the same city.

(2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent or Paying Agent or the Calculation Agent and to appoint another Fiscal Agent or additional or other Paying Agents or another Calculation Agent. The Issuer shall at all times maintain (i) a Fiscal Agent, (ii) so long as the Notes are listed on the Luxembourg Stock Exchange, a Paying Agent (which may be the Fiscal Agent) with a specified office in Luxembourg and/or in such other place as may be required by the rules of such stock exchange and (iii) a Calculation Agent. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with § 13.

For purposes of these Conditions, "**United States**" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

(3) *Agent of the Issuer.* The Fiscal Agent, the Paying Agent and the Calculation Agent act solely as the agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for any Holder.

§ 7 TAXATION

All amounts payable in respect of the Notes shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction by or on behalf of The Netherlands or Germany or any political subdivision or any authority thereof or therein having power to tax unless the Issuer is required by law to pay such withholding or deduction. In such event, the Issuer will pay such additional amounts (the "**Additional Amounts**") as shall be necessary in order that the net amounts received by the Holders, after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable 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 by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Issuer from payments of principal or interest made by it; or
- (b) are payable by reason of the Holder having, or having had, some personal or business connection with The Netherlands or 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 Germany; or
- (c) are deducted or withheld pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest income paid to an individual and certain types of entities called "residual entities", or (ii) any international treaty or understanding relating to such taxation and to which The Netherlands or Germany 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 or understanding, or (iv) the Luxembourg law of 23 December 2005, as amended by the law of 17 July 2008, with respect to Luxembourg resident individuals; 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 is duly provided for and notice thereof is published in accordance with § 13, whichever occurs later; or
- (e) are withheld or deducted by a Paying Agent from a payment if the payment could have been made by another Paying Agent without such withholding or deduction.

Notwithstanding anything in these Conditions to the contrary, the Issuer, the Guarantor and any Paying Agent shall be permitted to withhold and deduct for or on account of any taxes imposed pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, pursuant to any inter-governmental agreement, or implementing legislation or regulations adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service, on any amount payable in respect of the Notes and shall not be required to pay any additional amounts in respect of any such taxes.

§ 8 PRESENTATION PERIOD

The presentation period provided in § 801 paragraph 1, sentence 1 *BGB* (German Civil Code) is reduced to ten years for the Notes.

§ 9 EVENTS OF DEFAULT

(1) *Events of default.* Each Holder shall be entitled to declare due and payable by notice to the Fiscal Agent its entire claims arising from the Notes and demand immediate redemption thereof at the Early Redemption Amount (as described in § 5) together with accrued interest (if any) to the date of repayment, in the event that:

- (a) the Issuer fails to pay principal or interest within 30 days from the relevant due date, or
- (b) the Issuer fails duly to perform any other obligation arising from the Notes or the Guarantor fails to perform any obligation arising from the Guarantee referred to in § 2 which failure is not capable of remedy or, if such failure is capable of remedy, such failure continues for more than 90 days after the Fiscal Agent has received notice thereof from a Holder, or
- (c) the Issuer or the Guarantor announces its inability to meet its financial obligations or ceases its payments, or
- (d) a court opens bankruptcy or other insolvency proceedings against the Issuer or the Guarantor or such proceedings are instituted and have not been discharged or stayed within 60 days, or the Issuer or the Guarantor applies for or institutes such proceedings or offers, or the Issuer applies for a "*surseance van betaling*" (within the meaning of Statute of Bankruptcy of The Netherlands), or
- (e) the Issuer or the Guarantor goes into liquidation unless this is done in connection with a merger, or other form of combination with another company and such company assumes all obligations contracted by the Issuer or the Guarantor, as the case may be, in connection with this issue, or
- (f) the Guarantee ceases, for whatever reason, to be in full force and effect.

The right to declare Notes due shall terminate if the situation giving rise to it has been cured before the right is exercised.

(2) *Quorum.* In the events specified in subparagraph (1)(b) above, any notice declaring Notes due shall, unless at the time such notice is received any of the events specified in subparagraph (1)(a) and (1)(c) through (1)(e) entitling Holders to declare their Notes due has occurred, become effective only when the Fiscal Agent has received such notices from the Holders of at least one-tenth in principal amount of Notes then outstanding.

(3) *Notice.* Any notice, including any notice declaring Notes due, in accordance with subparagraph (1) above shall be made by means of a written declaration in the German or English language delivered by hand or registered mail to the specified office of the Fiscal Agent together with proof that such Holder at the time of such notice is a holder of the relevant Notes by means of a certificate of his Custodian (as defined in § 14(3)) or in other appropriate manner.

§ 10 SUBSTITUTION

(1) *Substitution.* The Issuer shall be entitled at any time, without the consent of the Holders, if no payment of principal of or interest on any of the Notes is in default, to substitute for the Issuer either the Guarantor or any Subsidiary (as defined below) of the Guarantor as principal debtor in respect to all obligations arising from or in connection with the Notes (the "**Substitute Debtor**"), provided that:

- (a) the Substitute Debtor is in a position to fulfil all payment obligations arising from or in connection with the Notes without the necessity of any taxes or duties being withheld at source and to transfer all amounts which are required therefor to the Fiscal Agent without any restrictions;
- (b) the Substitute Debtor assumes all obligations of the Issuer arising from or in connection with the Notes;
- (c) the Substitute Debtor undertakes to reimburse any Holder for such taxes, fees or duties which may be imposed upon it as a consequence of assumption of the obligations of the Issuer by the Substitute Debtor;
- (d) it is guaranteed that the obligations of the Guarantor from the Guarantee apply also to the Notes of the Substitute Debtor;
- (e) there shall have been delivered to the Fiscal Agent one opinion for each jurisdiction affected of lawyers of recognised standing to the effect that subparagraphs (a), (b), (c) and (d) above have been satisfied; and
- (f) VW Credit, Inc. or Volkswagen Group of America Finance, LLC are not the Substitute Debtor.

For purposes of these Conditions "**Subsidiary**" shall mean any corporation or partnership in which Volkswagen Aktiengesellschaft directly or indirectly in the aggregate holds more than 90% of the capital of any class or of the voting rights.

(2) *Notice.* Notice of any such substitution shall be published in accordance with § 13.

(3) *Change of References.* In the event of any such substitution, any reference in these Conditions to the Issuer shall from then on be deemed to refer to the Substitute Debtor and any reference to the country in which the Issuer is domiciled or resident for taxation purposes shall from then on be deemed to refer to the country of domicile or residence for taxation purposes of the Substitute Debtor. Furthermore, in the event of such substitution the following shall apply:

In § 7 and § 5(2) an alternative reference to The Netherlands shall be deemed to have been included in addition to the reference according to the preceding sentence to the country of domicile or residence for taxation purposes of the Substitute Debtor.

§ 11 FURTHER ISSUES, PURCHASES AND CANCELLATION

(1) *Further Issues.* The Issuer may from time to time, without the consent of the Holders, issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the settlement date, interest commencement date and/or issue price) so as to form a single Series with the Notes.

(2) *Purchases.* The Issuer may at any time purchase Notes in the open market or otherwise and at any price. Notes purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Fiscal Agent for cancellation. If purchases are made by tender, tenders for such Notes must be made available to all Holders of such Notes alike.

(3) *Cancellation.* All Notes redeemed in full shall be cancelled forthwith and may not be reissued or resold.

§ 12

AMENDMENT OF THE TERMS AND CONDITIONS, HOLDERS' REPRESENTATIVE, AMENDMENT OF THE GUARANTEE

(1) *Amendment of the Terms and Conditions.* In accordance with the German Act on Issues of Debt Securities of 2009 (*Gesetz über Schuldverschreibungen aus Gesamtemissionen* – "**SchVG**") the Holders may agree with the Issuer on amendments of the Terms and Conditions with regard to matters permitted by the SchVG by resolution with the majority specified in subparagraph (2). Majority resolutions shall be binding on all Holders. Holders' Resolutions which do not provide for identical conditions for all Holders are void, unless Holders who are disadvantaged have expressly consented to their being treated disadvantageously.

(2) *Majority Resolutions.* Majority resolutions shall be passed by a majority of not less than 75% of the votes cast. Resolutions relating to amendments of the Terms and Conditions which are not material and which do not relate to the matters listed in section 5(3), nos. 1 to 8 of the SchVG require a simple majority of the votes cast.

(3) *Vote without a meeting.* All votes will be taken exclusively by vote taken without a meeting. A meeting of Holders and the assumption of the fees by the Issuer for such a meeting will only take place in the circumstances of section 18 paragraph 4, sentence 2 of the SchVG.

(4) *Chair of the vote.* The vote will be chaired by a notary appointed by the Issuer or, if the Holders' Representative (as defined below) has convened the vote, by the Holders' Representative.

(5) *Voting rights.* Each Holder participating in any vote shall cast votes in accordance with the nominal amount or the notional share of its entitlement to the outstanding Notes.

(6) *Holders' Representative.* The Holders may by majority resolution appoint a common representative (the "**Holders' Representative**") to exercise the Holders' rights on behalf of each Holder.

(7) *Amendment of the Guarantee.* The provisions set out above applicable to the Notes shall apply *mutatis mutandis* to the Guarantee of Volkswagen Aktiengesellschaft.

§ 13

NOTICES

(1) *Publication.* All notices concerning the Notes shall be made via electronic publication on the website of the Luxembourg Stock Exchange (www.bourse.lu). Any notice so given will be deemed to have been validly given on the third calendar day following the date of such publication (or, if published more than once, on the third day following the date of the first such publication).

(2) *Notification to Clearing System.*

So long as any Notes are listed on the official list of the Luxembourg Stock Exchange, subparagraph (1) above shall apply. In the case of notices regarding the Rate of Interest or, if the Rules of the Luxembourg Stock Exchange so permit, the Issuer may deliver the relevant notice to the Clearing System for communication by the Clearing System to the Holders, in lieu of publication in the newspapers set forth in subparagraph (1) above; any such notice shall be deemed to have been given to the Holders on the seventh day after the day on which the said notice was given to the Clearing System.

§ 14

APPLICABLE LAW, PLACE OF JURISDICTION AND ENFORCEMENT

(1) *Applicable Law.* The Notes, including all rights and obligations of the Holders and the Issuer, shall be governed by German law.

(2) *Submission to Jurisdiction.* The non-exclusive place of jurisdiction for all proceedings arising out of or in connection with the Notes ("**Proceedings**") shall be Frankfurt am Main. The Holders, however, may also pursue their claims before any other court of competent jurisdiction. The German courts shall have exclusive jurisdiction over the annulment of lost or destroyed Notes. The Issuer hereby submits to the jurisdiction of the courts referred to in this subparagraph.

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

(3) *Appointment of Authorised Agent.* For any Proceedings before German courts, the Issuer appoints Volkswagen Aktiengesellschaft, Berliner Ring 2, 38440 Wolfsburg, Germany as its authorised agent for service of process in Germany.

(4) *Enforcement.* Any Holder of Notes may in any proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes on the basis of (i) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Notes (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b) and (ii) a copy of the Note in global form certified as being a true copy by a duly authorised officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the global note representing the Notes. For purposes of the foregoing, "**Custodian**" means any bank or other financial institution of recognised standing authorised to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes the Clearing System. Each Holder may, without prejudice to the foregoing, protect and enforce his rights under these Notes also in any other way which is admitted in the country of the Proceedings.

§ 15

LANGUAGE

These Conditions are written in the German language and provided with an English language translation. The German text shall be controlling and binding. The English language translation is provided for convenience only.

5. **CONDITIONS OF ISSUE FOR FIXED RATE NOTES**
(ENGLISH LANGUAGE VERSION)

§1
CURRENCY, DENOMINATION, FORM, CERTAIN DEFINITIONS

(1) *Currency; Denomination.* This Series of Notes (the "**Notes**") of Volkswagen International Finance N.V. (the "**Issuer**") is being issued in Euro (the "**Specified Currency**") in the aggregate principal amount (subject to § 1(6)) of • (in words: •) in the denomination of EUR 100,000 (the "**Specified Denomination**").

(2) *Form.* The Notes are in bearer form and represented by one or more global notes (each a "**Global Note**").

(3) *Temporary Global Note – Exchange.*

- (a) The Notes are initially represented by a temporary global note (the "**Temporary Global Note**") without coupons. The Temporary Global Note will be exchangeable for Notes in Specified Denominations represented by a permanent global note (the "**Permanent Global Note**") without coupons. The Temporary Global Note and the Permanent Global Note shall each be signed manually by two authorised signatories of the Issuer and shall each be authenticated by or on behalf of the Fiscal Agent. Definitive Notes and interest coupons will not be issued.
- (b) The Temporary Global Note shall be exchanged for the Permanent Global Note on a date (the "**Exchange Date**") not later than 180 days after the date of issue of the Notes represented by the Temporary Global Note. The Exchange Date will not be earlier than 40 days after the date of issue. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note is not a U.S. person (other than certain financial institutions or certain persons holding Notes through such financial institutions). Payment of interest on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. A separate certification shall be required in respect of each such payment of interest. Any such certification received on or after the 40th day after the date of issue of the Notes represented by the Temporary Global Note will be treated as a request to exchange such Temporary Global Note pursuant to this § 1(3)(b). Any securities delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States (as defined in § 6(2)).

(4) *Clearing System.* The Global Note representing the Notes will be kept in custody by or on behalf of the Clearing System. "**Clearing System**" means each of the following: Clearstream Banking, société anonyme, 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg ("**CBL**") and Euroclear Bank SA/NV, Boulevard du Roi Albert II, 1210 Brussels, Belgium ("**Euroclear**") (CBL and Euroclear each an "**ICSD**" and together the "**ICSDs**") and any successor in such capacity.

The Notes are issued in new global note ("**NGN**") form and are kept in custody by a common safekeeper on behalf of both ICSDs.

(5) *Holder of Notes.* "**Holder**" means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.

(6) *Records of the ICSDs.* The principal amount of Notes represented by the Global Note shall be the aggregate amount from time to time entered in the records of both ICSDs. The records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflect the amount of such customer's interest in the Notes) shall be conclusive evidence of the principal amount of Notes represented by the Global Note and, for these purposes, a statement issued by a ICSD stating the principal amount of Notes so represented at any time shall be conclusive evidence of the records of the relevant ICSD at that time.

On any redemption or payment of an instalment or interest being made in respect of, or purchase and cancellation of, any of the Notes represented by the Global Note the Issuer shall procure that details of any redemption, payment or purchase and cancellation (as the case may be) in respect of the Global Note shall be entered pro rata in the records of the ICSDs and, upon any such entry being made, the principal amount of the Notes recorded in the records of the ICSDs and represented by the Global Note shall be reduced by the aggregate principal amount of the Notes so redeemed or purchased and cancelled or by the aggregate amount of such instalment so paid.

On an exchange of a portion only of the Notes represented by a Temporary Global Note, the Issuer shall procure that details of such exchange shall be entered pro rata in the records of the ICSDs.

§ 2 STATUS, NEGATIVE PLEDGE AND GUARANTEE

(1) *Status*. The obligations under the Notes constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer ranking *pari passu* among themselves and *pari passu* with all other unsecured obligations of the Issuer, unless such obligations are accorded priority under mandatory provisions of statutory law.

(2) *Negative Pledge*. So long as any Note remains outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Fiscal Agent, the Issuer undertakes not to provide for other notes or bonds, including any guarantee or indemnity in respect thereof, any security upon its assets without at the same time having the Holders share equally and rateably in such security. For the avoidance of doubt, this undertaking shall not apply to security provided in connection with asset backed securities issued by the Issuer, or a special purpose vehicle where the Issuer is the originator of the underlying assets.

(3) *Guarantee*. Volkswagen Aktiengesellschaft (the "**Guarantor**") has given its unconditional and irrevocable guarantee (the "**Guarantee**") for the due payment of principal of, and interest on, the Notes. In this Guarantee, the Guarantor has further undertaken (the "**Undertaking**"), so long as any of the Notes remains outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Fiscal Agent, not to provide for any Bond Issue, including any guarantee or indemnity in respect thereof, any security upon its assets without at the same time having the Holders share equally and rateably in such security. For the avoidance of doubt, this undertaking shall not apply to security provided in connection with asset backed securities issued by the Guarantor or a special purpose vehicle where the Guarantor is the originator of the underlying assets.

For the purpose of these Conditions "**Bond Issue**" means an issue of debt securities which is, or is intended to be, or is being capable of being, quoted, listed or dealt in on any stock exchange, over-the-counter or other securities market.

The Guarantee constitutes a contract for the benefit of the Holders from time to time as third party beneficiaries in accordance with § 328(1) of the German Civil Code⁽¹⁾, giving rise to the right of each Holder to require performance of the Guarantee and the Negative Pledge directly from the Guarantor and to enforce the Guarantee and the Negative Pledge directly against the Guarantor. Copies of the Guarantee and the Negative Pledge may be obtained free of charge at the principal office of the Guarantor and at the specified office of the Fiscal Agent set forth in § 6.

⁽¹⁾ An English language translation of § 328(1) German Civil Code would read as follows: "A contract may stipulate performance for the benefit of a third party, to the effect that the third party acquires the right directly to demand performance."

§ 3 INTEREST

(1) *Rate of Interest and Interest Payment Dates.* The Notes shall bear interest on their principal amount at the rate of • per cent. per annum from (and including) 30 March 2017 to (but excluding) the Maturity Date (as defined in § 5(1)). Interest shall be payable in arrears in case of the 2021 Notes and the 2027 Notes on 30 March and in case of the 2023 Notes on 2 October in each year (each such date, an "**Interest Payment Date**"). The first payment of interest shall be made in case of the 2021 Notes and the 2027 Notes on 30 March 2018. In case of the 2023 Notes, the first payment of interest shall be made on 2 October 2017 (short first coupon) and will amount to EUR • per Specified Denomination .

(2) *Accrual of Interest.* If the Issuer shall fail to redeem the Notes when due, interest shall continue to accrue beyond the day preceding the due date until the day preceding the actual redemption of the Notes. Interest shall continue to accrue on the outstanding principal amount of the Notes from the due date (inclusive) until the date of redemption of the Notes (exclusive) at the default rate of interest established by law.⁽¹⁾

(3) *Calculation of Interest for Partial Periods.* If interest is required to be calculated for a period of less than a full year, such interest shall be calculated on the basis of the Day Count Fraction (as defined below).

(4) *Day Count Fraction.* "**Day Count Fraction**" means with regard to the calculation of interest on any Note for any period of time (the "**Calculation Period**") the actual number of days in the Calculation Period divided by the actual number of days in the respective interest year.

§ 4 PAYMENTS

(1) (a) *Payment of Principal.* Payment of principal in respect of Notes shall be made, subject to § 4(2), to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System upon presentation and surrender of the Global Note at the specified office of any Paying Agent outside the United States.

(b) *Payment of Interest.* Payment of interest on Notes shall be made, subject to § 4(2), to the Clearing System or to its order for credit to the relevant account holders of the Clearing System upon presentation of the Global Note at the specified office of any Paying Agent outside the United States.

Payment of interest on Notes represented by the Temporary Global Note shall be made, subject to § 4(2), to the Clearing System or to its order for credit to the relevant account holders of the Clearing System, upon due certification as provided in § 1(3)(b).

(2) *Manner of Payment.* Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in Euro.

(3) *Discharge.* The Issuer shall be discharged by payment to, or to the order of, the Clearing System.

(4) *Payment Business Day.* If the date for payment of any amount in respect of any Note is not a Payment Business Day then the Holder shall not be entitled to payment until the next such day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, "**Payment Business Day**" means any day which is a day (other than a Saturday or a Sunday) on which the Clearing System as well as all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET2) ("**TARGET**") are operational to forward the relevant payment.

⁽¹⁾ The default rate of interest established by law is five percentage points above the basic rate of interest published by Deutsche Bundesbank from time to time, sections 288(1), 247 German Civil Code.

(5) *References to Principal and Interest.* References in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable: the Final Redemption Amount of the Notes; the Early Redemption Amount of the Notes; and any premium and any other amounts which may be payable under or in respect of the Notes. References in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts which may be payable under § 7.

(6) *Deposit of Principal and Interest.* The Issuer may deposit with the local court (*Amtsgericht*) in Frankfurt am Main principal or interest not claimed by Holders within twelve months after the Maturity Date, even though such Holders may not be in default of acceptance of payment. If and to the extent that the deposit is effected and the right of withdrawal is waived, the respective claims of such Holders against the Issuer shall cease.

§ 5 REDEMPTION

(1) *Final Redemption.* Unless previously redeemed in whole or in part or purchased and cancelled, the Notes shall be redeemed at their Final Redemption Amount in case of the 2021 Notes on 30 March 2021, in case of the 2023 Notes on 2 October 2023 and in case of the 2027 Notes on 30 March 2027 (the "**Maturity Date**"). The Final Redemption Amount in respect of each Note shall be its principal amount.

(2) *Early Redemption for Reasons of Taxation.* If as a result of any change in, or amendment to, the laws or regulations of Germany or The Netherlands or any political subdivision or taxing authority thereto or therein affecting taxation or the obligation to pay duties of any kind, or any change in, or amendment to, an official interpretation or application of such laws or regulations, which amendment or change is effective on or after the date on which the last tranche of this series of Notes was issued, the Issuer or the Guarantor is required to pay Additional Amounts (as defined in § 7 herein) on the next succeeding Interest Payment Date (as defined in § 3(1)), and this obligation cannot be avoided by the use of reasonable measures available to the Issuer or the Guarantor, as the case may be, the Notes may be redeemed, in whole but not in part, at the option of the Issuer, upon not more than 60 days' nor less than 30 days' prior notice of redemption given to the Fiscal Agent and, in accordance with § 13 to the Holders, at their Early Redemption Amount (as defined below), together with interest accrued to the date fixed for redemption.

However, no such notice of redemption may be given (i) earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obligated to pay such Additional Amounts were a payment in respect of the Notes then due, or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect.

Any such notice shall be given in accordance with § 13. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

(3) *Early Redemption Amount.*

For purposes of § 9 and § 5(2), the Early Redemption Amount of a Note shall be its Final Redemption Amount.

§ 6
THE FISCAL AGENT AND THE PAYING AGENTS

(1) *Appointment; Specified Office.* The initial Fiscal Agent and the initial Paying Agent and their initial specified offices shall be:

Fiscal Agent and Paying Agent: Citibank, N.A.
Citigroup Centre
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

The Fiscal Agent reserves the right at any time to change its specified office to some other specified office in the same city.

(2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent or Paying Agent and to appoint another Fiscal Agent or additional Paying Agents. The Issuer shall at all times maintain (i) a Fiscal Agent and (ii) so long as the Notes are listed on the Luxembourg Stock Exchange, a Paying Agent (which may be the Fiscal Agent) with a specified office in Luxembourg and/or in such other place as may be required by the rules of such stock exchange. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with § 12.

For purposes of these Conditions, "**United States**" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

(3) *Agent of the Issuer.* The Fiscal Agent acts solely as the agent of the Issuer and does not assume any obligations towards or relationship of agency or trust for any Holder.

§ 7
TAXATION

All amounts payable in respect of the Notes shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction by or on behalf of The Netherlands or Germany or any political subdivision or any authority thereof or therein having power to tax unless the Issuer is required by law to pay such withholding or deduction. In such event, the Issuer will pay such additional amounts (the "**Additional Amounts**") as shall be necessary in order that the net amounts received by the Holders, after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable 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 by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Issuer from payments of principal or interest made by it; or
- (b) are payable by reason of the Holder having, or having had, some personal or business connection with The Netherlands or 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 Germany; or

- (c) are deducted or withheld pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest income paid to an individual and certain types of entities called "residual entities", or (ii) any international treaty or understanding relating to such taxation and to which The Netherlands or Germany 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 or understanding, or (iv) the Luxembourg law of 23 December 2005, as amended by the law of 17 July 2008, with respect to Luxembourg resident individuals; 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 is duly provided for and notice thereof is published in accordance with § 12, whichever occurs later; or
- (e) are withheld or deducted by a Paying Agent from a payment if the payment could have been made by another Paying Agent without such withholding or deduction.

Notwithstanding anything in these Conditions to the contrary, the Issuer, the Guarantor and any Paying Agent shall be permitted to withhold and deduct for or on account of any taxes imposed pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, pursuant to any inter-governmental agreement, or implementing legislation or regulations adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service, on any amount payable in respect of the Notes and shall not be required to pay any additional amounts in respect of any such taxes.

§ 8 PRESENTATION PERIOD

The presentation period provided in § 801 paragraph 1, sentence 1 *BGB* (German Civil Code) is reduced to ten years for the Notes.

§ 9 EVENTS OF DEFAULT

(1) *Events of default.* Each Holder shall be entitled to declare due and payable by notice to the Fiscal Agent its entire claims arising from the Notes and demand immediate redemption thereof at the Early Redemption Amount (as described in § 5) together with accrued interest (if any) to the date of repayment, in the event that:

- (a) the Issuer fails to pay principal or interest within 30 days from the relevant due date, or
- (b) the Issuer fails duly to perform any other obligation arising from the Notes or the Guarantor fails to perform any obligation arising from the Guarantee referred to in § 2 which failure is not capable of remedy or, if such failure is capable of remedy, such failure continues for more than 90 days after the Fiscal Agent has received notice thereof from a Holder, or
- (c) the Issuer or the Guarantor announces its inability to meet its financial obligations or ceases its payments, or
- (d) a court opens bankruptcy or other insolvency proceedings against the Issuer or the Guarantor or such proceedings are instituted and have not been discharged or stayed within 60 days, or the Issuer or the Guarantor applies for or institutes such proceedings, or the Issuer applies for a "*surseance van betaling*" (within the meaning of Statute of Bankruptcy of The Netherlands), or

- (e) the Issuer or the Guarantor goes into liquidation unless this is done in connection with a merger, or other form of combination with another company and such company assumes all obligations contracted by the Issuer or the Guarantor, as the case may be, in connection with this issue, or
- (f) the Guarantee ceases, for whatever reason, to be in full force and effect.

The right to declare Notes due shall terminate if the situation giving rise to it has been cured before the right is exercised.

(2) *Quorum.* In the events specified in subparagraph (1)(b) above, any notice declaring Notes due shall, unless at the time such notice is received any of the events specified in subparagraph (1)(a) and (1)(c) through (1)(e) entitling Holders to declare their Notes due has occurred, become effective only when the Fiscal Agent has received such notices from the Holders of at least one-tenth in principal amount of Notes then outstanding.

(3) *Notice.* Any notice, including any notice declaring Notes due, in accordance with subparagraph (1) above shall be made by means of a written declaration in the German or English language delivered by hand or registered mail to the specified office of the Fiscal Agent together with proof that such Holder at the time of such notice is a holder of the relevant Notes by means of a certificate of his Custodian (as defined in § 14(3)) or in other appropriate manner.

§ 10 SUBSTITUTION

(1) *Substitution.* The Issuer shall be entitled at any time, without the consent of the Holders, if no payment of principal or interest on any of the Notes is in default, to substitute for either the Guarantor or any Subsidiary (as defined below) of the Guarantor as principal debtor in respect to all obligations arising from or in connection with the Notes (the "**Substitute Debtor**"), provided that:

- (a) the Substitute Debtor is in a position to fulfil all payment obligations arising from or in connection with the Notes without the necessity of any taxes or duties being withheld at source and to transfer all amounts which are required therefor to the Fiscal Agent without any restrictions;
- (b) the Substitute Debtor assumes all obligations of the Issuer arising from or in connection with the Notes;
- (c) the Substitute Debtor undertakes to reimburse any Holder for such taxes, fees or duties which may be imposed upon it as a consequence of assumption of the obligations of the Issuer by the Substitute Debtor;
- (d) it is guaranteed that the obligations of the Guarantor from the Guarantee apply also to the Notes of the Substitute Debtor;
- (e) there shall have been delivered to the Fiscal Agent one opinion for each jurisdiction affected of lawyers of recognised standing to the effect that subparagraphs (a), (b), (c) and (d) above have been satisfied; and
- (f) VW Credit, Inc. or Volkswagen Group of America Finance, LLC are not the Substitute Debtor.

For purposes of these Conditions "**Subsidiary**" shall mean any corporation or partnership in which Volkswagen Aktiengesellschaft directly or indirectly in the aggregate holds more than 90% of the capital of any class or of the voting rights.

(2) *Notice.* Notice of any such substitution shall be published in accordance with § 13.

(3) *Change of References.* In the event of any such substitution, any reference in these Conditions to the Issuer shall from then on be deemed to refer to the Substitute Debtor and any reference to the country in which the Issuer is domiciled or resident for taxation purposes shall from then on be deemed to refer to the country of domicile or residence for taxation purposes of the Substitute Debtor. Furthermore, in the event of such substitution the following shall apply:

In § 7 and § 5(2) an alternative reference to The Netherlands shall be deemed to have been included in addition to the reference according to the preceding sentence to the country of domicile or residence for taxation purposes of the Substitute Debtor.

§ 11

FURTHER ISSUES, PURCHASES AND CANCELLATION

(1) *Further Issues.* The Issuer may from time to time, without the consent of the Holders, issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the settlement date, interest commencement date and/or issue price) so as to form a single Series with the Notes.

(2) *Purchases.* The Issuer may at any time purchase Notes in the open market or otherwise and at any price. Notes purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Fiscal Agent for cancellation. If purchases are made by tender, tenders for such Notes must be made available to all Holders of such Notes alike.

(3) *Cancellation.* All Notes redeemed in full shall be cancelled forthwith and may not be reissued or resold.

§ 12

AMENDMENT OF THE TERMS AND CONDITIONS, HOLDERS' REPRESENTATIVE, AMENDMENT OF THE GUARANTEE

(1) *Amendment of the Terms and Conditions.* In accordance with the German Act on Issues of Debt Securities of 2009 (*Gesetz über Schuldverschreibungen aus Gesamtemissionen* – "**SchVG**") the Holders may agree with the Issuer on amendments of the Terms and Conditions with regard to matters permitted by the SchVG by resolution with the majority specified in subparagraph (2). Majority resolutions shall be binding on all Holders. Holders' Resolutions which do not provide for identical conditions for all Holders are void, unless Holders who are disadvantaged have expressly consented to their being treated disadvantageously.

(2) *Majority Resolutions.* Majority resolutions shall be passed by a majority of not less than 75% of the votes cast. Resolutions relating to amendments of the Terms and Conditions which are not material and which do not relate to the matters listed in section 5(3), Nos. 1 to 8 of the SchVG require a simple majority of the votes cast.

(3) *Vote without a meeting.* All votes will be taken exclusively by vote taken without a meeting. A meeting of Holders and the assumption of the fees by the Issuer for such a meeting will only take place in the circumstances of section 18 paragraph 4, sentence 2 of the SchVG.

(4) *Chair of the vote.* The vote will be chaired by a notary appointed by the Issuer or, if the Holders' Representative (as defined below) has convened the vote, by the Holders' Representative.

(5) *Voting rights.* Each Holder participating in any vote shall cast votes in accordance with the nominal amount or the notional share of its entitlement to the outstanding Notes.

(6) *Holders' Representative.* The Holders may by majority resolution appoint a common representative (the "**Holders' Representative**") to exercise the Holders' rights on behalf of each Holder.

(7) *Amendment of the Guarantee.* The provisions set out above applicable to the Notes shall apply *mutatis mutandis* to the Guarantee of Volkswagen Aktiengesellschaft.

§ 13 NOTICES

(1) *Publication.* All notices concerning the Notes shall be made via electronic publication on the website of the Luxembourg Stock Exchange (www.bourse.lu). Any notice so given will be deemed to have been validly given on the third calendar day following the date of such publication (or, if published more than once, on the third day following the date of the first such publication).

(2) *Notification to Clearing System.*

So long as any Notes are listed on the official list of the Luxembourg Stock Exchange, subparagraph (1) above shall apply. In the case of notices regarding the Rate of Interest or, if the Rules of the Luxembourg Stock Exchange so permit, the Issuer may deliver the relevant notice to the Clearing System for communication by the Clearing System to the Holders, in lieu of publication in the newspapers set forth in subparagraph (1) above; any such notice shall be deemed to have been given to the Holders on the seventh day after the day on which the said notice was given to the Clearing System.

§ 14 APPLICABLE LAW, PLACE OF JURISDICTION AND ENFORCEMENT

(1) *Applicable Law.* The Notes, including all rights and obligations of the Holders and the Issuer, shall be governed by German law.

(2) *Submission to Jurisdiction.* The non-exclusive place of jurisdiction for all proceedings arising out of or in connection with the Notes ("**Proceedings**") shall be Frankfurt am Main. The Holders, however, may also pursue their claims before any other court of competent jurisdiction. The German courts shall have exclusive jurisdiction over the annulment of lost or destroyed Notes. The Issuer hereby submits to the jurisdiction of the courts referred to in this subparagraph.

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

(3) *Appointment of Authorised Agent.* For any Proceedings before German courts, the Issuer appoints Volkswagen Aktiengesellschaft, Berliner Ring 2, 38440 Wolfsburg, Germany as its authorised agent for service of process in Germany.

(4) *Enforcement.* Any Holder of Notes may in any proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes on the basis of (i) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Notes (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b) and (ii) a copy of the Note in global form certified as being a true copy by a duly authorised officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the global note representing the Notes. For purposes of the foregoing, "**Custodian**" means any bank or other financial institution of recognised standing authorised to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes the Clearing System. Each Holder may, without prejudice to the foregoing, protect and enforce his rights under these Notes also in any other way which is admitted in the country of the Proceedings.

§ 15
LANGUAGE

These Conditions are written in the German language and provided with an English language translation. The German text shall be controlling and binding. The English language translation is provided for convenience only.

6. EMISSIONSBEDINGUNGEN DER INHABERSCHULDVERSCHREIBUNGEN BEI
VARIABLER VERZINSUNG
(DEUTSCHE FASSUNG)

§ 1

WÄHRUNG, STÜCKELUNG, FORM, DEFINITIONEN

(1) *Währung; Stückelung.* Diese Serie der Schuldverschreibungen (die "**Schuldverschreibungen**") der Volkswagen International Finance N.V. (die "**Emittentin**") wird in Euro (die "**festgelegte Währung**") im Gesamtnennbetrag (vorbehaltlich § 1 Absatz (6)) von • (in Worten: •) in einer Stückelung von EUR 100.000 (die "**festgelegte Stückelung**") begeben.

(2) *Form.* Die Schuldverschreibungen lauten auf den Inhaber und sind durch eine oder mehrere Globalurkunden verbrieft (jeweils eine "**Globalurkunde**").

(3) *Vorläufige Globalurkunde – Austausch.*

(a) Die Schuldverschreibungen sind anfänglich durch eine vorläufige Globalurkunde (die "**vorläufige Globalurkunde**") ohne Zinsscheine verbrieft. Die vorläufige Globalurkunde wird gegen Schuldverschreibungen in den festgelegten Stückelungen, die durch eine Dauerglobalurkunde (die "**Dauerglobalurkunde**") ohne Zinsscheine verbrieft sind, ausgetauscht. Die vorläufige Globalurkunde und die Dauerglobalurkunde tragen jeweils die eigenhändigen Unterschriften zweier ordnungsgemäß bevollmächtigter Vertreter der Emittentin und sind jeweils von dem Fiscal Agent oder in dessen Namen mit einer Kontrollunterschrift versehen. Einzelurkunden und Zinsscheine werden nicht ausgegeben.

(b) Die vorläufige Globalurkunde wird an einem Tag (der "**Austauschtag**") gegen die Dauerglobalurkunde ausgetauscht, der nicht mehr als 180 Tage nach dem Tag der Begebung der durch die vorläufige Globalurkunde verbrieften Schuldverschreibungen liegt. Der Austausch tag darf nicht weniger als 40 Tage nach dem Tag der Begebung liegen. Ein solcher Austausch darf nur nach Vorlage von Bescheinigungen erfolgen, wonach der oder die wirtschaftlichen Eigentümer der durch die vorläufige Globalurkunde verbrieften Schuldverschreibungen keine U. S.-Personen (ausgenommen bestimmte Finanzinstitute oder bestimmte Personen, die Schuldverschreibungen über solche Finanzinstitute halten) sind. Zinszahlungen auf durch eine vorläufige Globalurkunde verbrieft Schuldverschreibungen erfolgen erst nach Vorlage solcher Bescheinigungen. Eine gesonderte Bescheinigung ist für jede solche Zinszahlung erforderlich. Jede Bescheinigung, die am oder nach dem 40. Tag nach dem Tag der Ausgabe der durch die vorläufige Globalurkunde verbrieften Schuldverschreibungen eingeht, wird als ein Ersuchen behandelt werden, diese vorläufige Globalurkunde gemäß Absatz (b) dieses § 1 Absatz (3) auszutauschen. Wertpapiere, die im Austausch für die vorläufige Globalurkunde geliefert werden, dürfen nur außerhalb der Vereinigten Staaten (wie in § 6 Absatz (2) definiert) geliefert werden.

(4) *Clearing System.* Die Globalurkunde, die die Schuldverschreibungen verbrieft, wird von einem oder für ein Clearing System verwahrt. "**Clearing System**" bedeutet jeweils folgendes: Clearstream Banking, société anonyme, 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg ("**CBL**") und Euroclear Bank SA/NV, Boulevard du Roi Albert II, 1210 Brussels, Belgium ("**Euroclear**") (CBL und Euroclear jeweils ein "**ICSD**" und zusammen die "**ICSDs**") sowie jeder Funktionsnachfolger.

Die Schuldverschreibungen werden in Form einer New Global Note ("**NGN**") ausgegeben und von einem common safekeeper im Namen beider ICSDs verwahrt.

(5) *Gläubiger von Schuldverschreibungen.* "**Gläubiger**" bedeutet jeder Inhaber eines Miteigentumsanteils oder anderen vergleichbaren Rechts an den Schuldverschreibungen.

(6) *Register der ICSDs.* Der Nennbetrag der durch die Globalurkunde verbrieften Schuldverschreibungen entspricht dem jeweils in den Registern beider ICSDs eingetragenen Gesamtbetrag. Die Register der ICSDs (unter denen die Register zu verstehen sind, die jeder ICSD für seine Kunden über den Betrag ihres Anteils an den Schuldverschreibungen führt) sind maßgeblicher Nachweis des Nennbetrages der durch die Globalurkunde verbrieften

Schuldverschreibungen, und ein zu diesen Zwecken von einem ICSD jeweils ausgestellte Bescheinigung mit dem Nennbetrag der so verbrieften Schuldverschreibungen ist maßgebliche Bestätigung des Inhalts des Registers des betreffenden ICSD zu dem fraglichen Zeitpunkt.

Bei jeder Tilgung oder Zahlung einer Rückzahlungsrate oder einer Zinszahlung auf die durch die Globalurkunde verbrieften Schuldverschreibungen bzw. beim Kauf und der Entwertung der durch die Globalurkunde verbrieften Schuldverschreibungen stellt die Emittentin sicher, dass die Einzelheiten der Rückzahlung, Zahlung oder des Kaufs und der Entwertung bezüglich der Globalurkunde *pro rata* in die Unterlagen der ICSDs eingetragen werden, und dass, nach dieser Eintragung, vom Nennbetrag der in die Register der ICSDs aufgenommenen und durch die Globalurkunde verbrieften Schuldverschreibungen der Gesamtnennbetrag der zurückgekauften bzw. gekauften und entwerteten Schuldverschreibungen bzw. der Gesamtbetrag der so gezahlten Raten abgezogen wird.

Bei Austausch nur eines Teils von Schuldverschreibungen, die durch eine vorläufige Globalurkunde verbrieft sind, wird die Emittentin sicherstellen, dass die Einzelheiten dieses Austauschs *pro rata* in die Register der ICSDs aufgenommen werden.

§ 2 STATUS, NEGATIVVERPFLICHTUNG UND GARANTIE

(1) *Status*. Die Schuldverschreibungen begründen direkte, unbedingte, nicht besicherte und nicht nachrangige Verbindlichkeiten der Emittentin, die untereinander und mit allen anderen nicht besicherten Verbindlichkeiten der Emittentin gleichrangig sind, soweit diesen Verbindlichkeiten nicht durch zwingende gesetzliche Bestimmungen ein Vorrang eingeräumt wird.

(2) *Negativverpflichtung*. Die Emittentin verpflichtet sich solange eine Schuldverschreibung noch aussteht (aber nur bis zu dem Zeitpunkt, in dem alle Beträge von Kapital und Zinsen dem Fiscal Agent zur Verfügung gestellt worden sind), ihr Vermögen nicht mit Sicherungsrechten zur Besicherung von anderen Schuldverschreibungen, einschließlich von Garantien und Bürgschaften, zu belasten oder solche Rechte zu diesem Zweck bestehen zu lassen, ohne gleichzeitig die Gläubiger an derselben Sicherheit in gleicher Weise und anteilmäßig teilnehmen zu lassen. Um etwaige Zweifel zu vermeiden, diese Verpflichtung gilt nicht in Bezug auf Sicherheiten, die in Zusammenhang mit von der Emittentin begebenen *asset-backed-securities* (strukturierte Wertpapiere, die mit Vermögenswerten besichert sind) gestellt werden oder für *asset-backed securities*, die von einer Zweckgesellschaft begeben werden, und bei denen die Emittentin die ursprüngliche Inhaberin der zugrunde liegenden Vermögenswerte ist.

(3) *Garantie*. Volkswagen Aktiengesellschaft (die "**Garantin**") hat eine unbedingte und unwiderrufliche Garantie (die "**Garantie**") für die pünktliche Zahlung von Kapital und Zinsen übernommen. Darüber hinaus hat sich die Garantin in dieser Garantie verpflichtet (die "**Verpflichtungserklärung**") solange eine Schuldverschreibung noch aussteht (aber nur bis zu dem Zeitpunkt, in dem alle Beträge von Kapital und Zinsen dem Fiscal Agent zur Verfügung gestellt worden sind), für andere Anleihen, einschließlich dafür übernommener Garantien und Gewährleistungen, keine Sicherheiten an ihrem Vermögen zu bestellen, ohne gleichzeitig und im gleichen Rang die Gläubiger der Schuldverschreibungen an solchen Sicherheiten teilnehmen zu lassen. Um etwaige Zweifel zu vermeiden, diese Verpflichtung gilt nicht in Bezug auf Sicherheiten, die in Zusammenhang mit von der Garantin begebenen *asset-backed-securities* (strukturierte Wertpapiere, die mit Vermögenswerten besichert sind) gestellt werden oder für *asset-backed securities*, die von einer Zweckgesellschaft begeben werden, und bei denen die Garantin die ursprüngliche Inhaberin der zugrunde liegenden Vermögenswerte ist.

Für die Zwecke dieser Bedingungen bezeichnet "**Anleihe**" eine Emission von Schuldverschreibungen, die an einer Wertpapierbörse, im Freiverkehr oder einem anderen Wertpapiermarkt notiert, eingeführt oder gehandelt werden oder notiert, eingeführt oder gehandelt werden sollen oder können.

Die Garantie und Negativverpflichtung stellt einen Vertrag zu Gunsten eines jeden Gläubigers als begünstigtem Dritten gemäß § 328 Absatz (1) BGB dar, welcher das Recht eines jeden Gläubigers begründet, Erfüllung aus der Garantie und der Negativverpflichtung unmittelbar von der Garantin zu verlangen und die Garantie und die Negativverpflichtung unmittelbar gegenüber der Garantin

durchzusetzen. Kopien der Garantie und der Negativverpflichtung können kostenlos am Sitz der Garantin und bei der bezeichneten Geschäftsstelle des Fiscal Agent gemäß § 6 bezogen werden.

§ 3 ZINSEN

(1) *Zinszahlungstage*. (a) Die Schuldverschreibungen werden bezogen auf ihren Nennbetrag ab dem 30. März 2017 (der "**Verzinsungsbeginn**") (einschließlich) bis zum ersten Zinszahlungstag (ausschließlich) und danach von jedem Zinszahlungstag (einschließlich) bis zum nächstfolgenden Zinszahlungstag (ausschließlich) verzinst. Zinsen auf die Schuldverschreibungen sind an jedem Zinszahlungstag zahlbar.

(b) "**Zinszahlungstag**" bedeutet jeder 30. März, 30. Juni, 30. September und 30. Dezember.

(c) Fällt ein Zinszahlungstag auf einen Tag, der kein Geschäftstag (wie nachstehend definiert) ist, so wird der Zinszahlungstag auf den nächstfolgenden Geschäftstag verschoben, es sei denn, jener würde dadurch in den nächsten Kalendermonat fallen; in diesem Fall wird der Zinszahlungstag auf den unmittelbar vorhergehenden Geschäftstag vorgezogen.

(d) In diesem § 3 bezeichnet "**Geschäftstag**" einen Tag, an dem das Clearing System sowie alle betroffenen Bereiche des Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET2) ("**TARGET**") betriebsbereit sind, um die betreffende Zahlung abzuwickeln.

(2) *Zinssatz*. Der Zinssatz (der "**Zinssatz**") für jede Zinsperiode (wie nachstehend definiert) ist, sofern nachfolgend nichts Abweichendes bestimmt wird, der Angebotssatz (ausgedrückt als Prozentsatz per annum) für Einlagen in der festgelegten Währung für die jeweilige Zinsperiode, der auf der Bildschirmseite am Zinsfestlegungstag (wie nachfolgend definiert) gegen 11.00 Uhr (Brüsseler Ortszeit) angezeigt wird zuzüglich der Marge (wie nachfolgend definiert), wobei alle Festlegungen durch die Berechnungsstelle erfolgen.

"**Zinsperiode**" bezeichnet jeweils den Zeitraum vom Verzinsungsbeginn (einschließlich) bis zum ersten Zinszahlungstag (ausschließlich) bzw. von jedem Zinszahlungstag (einschließlich) bis zum jeweils darauffolgenden Zinszahlungstag (ausschließlich).

"**Zinsfestlegungstag**" bezeichnet den zweiten TARGET Geschäftstag vor Beginn der jeweiligen Zinsperiode. "**TARGET-Geschäftstag**" bezeichnet einen Tag, an dem TARGET geöffnet ist, um Zahlungen abzuwickeln.

Die "**Marge**" beträgt • % *per annum*.

"**Bildschirmseite**" bedeutet Reuters Seite EURIBOR01 oder die jeweilige Nachfolgeseite, die vom selben System angezeigt wird oder aber von einem anderen System, das zum Vertreiben von Informationen zum Zwecke der Anzeige von Sätzen oder Preisen ernannt wurde, die mit dem betreffenden Angebotszinssatz vergleichbar sind.

Sollte zu der genannten Zeit die maßgebliche Bildschirmseite nicht zur Verfügung stehen oder wird kein Angebotssatz angezeigt, wird die Berechnungsstelle von den Referenzbanken (wie nachfolgend definiert) deren jeweilige Angebotssätze (jeweils als Prozentsatz *per annum* ausgedrückt) für Einlagen in der festgelegten Währung für die betreffende Zinsperiode gegenüber führenden Banken im Interbanken-Markt in der Euro-Zone um ca. 11.00 Uhr (Brüsseler Ortszeit) am Zinsfestlegungstag anfordern. Falls zwei oder mehr Referenzbanken der Berechnungsstelle solche Angebotssätze nennen, ist der Zinssatz für die betreffende Zinsperiode das arithmetische Mittel (falls erforderlich, auf- oder abgerundet auf das nächste ein Tausendstel Prozent, wobei 0,0005 aufgerundet wird) dieser Angebotssätze zuzüglich der Marge, wobei alle Festlegungen durch die Berechnungsstelle erfolgen.

Falls an einem Zinsfestlegungstag nur eine oder keine der Referenzbanken der Berechnungsstelle solche im vorstehenden Absatz beschriebenen Angebotssätze nennt, ist der Zinssatz für die betreffende Zinsperiode der Satz *per annum*, den die Berechnungsstelle als das arithmetische Mittel

(falls erforderlich, auf- oder abgerundet auf das nächste ein Tausendstel Prozent, wobei 0,0005 aufgerundet wird) der Angebotssätze ermittelt, die die Referenzbanken bzw. zwei oder mehrere von ihnen der Berechnungsstelle auf deren Anfrage als den jeweiligen Satz nennen, zu dem ihnen um ca. 11.00 Uhr (Brüsseler Ortszeit) an dem betreffenden Zinsfestlegungstag Einlagen in der festgelegten Währung für die betreffende Zinsperiode von führenden Banken im Interbanken-Markt in der Euro-Zone angeboten werden zuzüglich der Marge; falls weniger als zwei der Referenzbanken der Berechnungsstelle solche Angebotssätze nennen, soll der Zinssatz für die betreffende Zinsperiode der Angebotssatz für Einlagen in der festgelegten Währung für die betreffende Zinsperiode oder das arithmetische Mittel (gerundet wie oben beschrieben) der Angebotssätze für Einlagen in der festgelegten Währung für die betreffende Zinsperiode sein, den bzw. die eine oder mehrere Banken (die nach Ansicht der Berechnungsstelle und der Emittentin für diesen Zweck geeignet sind) der Berechnungsstelle als Sätze bekanntgeben, die sie an dem betreffenden Zinsfestlegungstag gegenüber führenden Banken im Interbanken-Markt in der Euro-Zone nennen (bzw. den diese Banken gegenüber der Berechnungsstelle nennen) zuzüglich der Marge.

Für den Fall, dass der Zinssatz nicht gemäß den vorstehenden Bestimmungen dieses Absatzes ermittelt werden kann, ist der Zinssatz der Angebotssatz oder das arithmetische Mittel der Angebotssätze auf der Bildschirmseite, wie vorstehend beschrieben, an dem letzten Tag vor dem Zinsfestlegungstag, an dem diese Angebotssätze angezeigt wurden zuzüglich der Marge.

Wenn der gemäß den obigen Bestimmungen für eine Zinsperiode ermittelte Zinssatz niedriger ist als 0 %, so ist der Zinssatz für diese Zinsperiode 0 %.

"Referenzbanken" bezeichnet diejenigen Niederlassungen von vier derjenigen Banken, deren Angebotssätze zur Ermittlung des maßgeblichen Angebotssatzes zu dem Zeitpunkt benutzt wurden, als solch ein Angebot letztmals auf der maßgeblichen Bildschirmseite angezeigt wurde.

"Euro-Zone" bezeichnet das Gebiet derjenigen Mitgliedstaaten der Europäischen Union, die gemäß dem Vertrag über die Gründung der Europäischen Gemeinschaft (unterzeichnet in Rom am 25. März 1957), in seiner jeweiligen Fassung, eine einheitliche Währung eingeführt haben oder jeweils eingeführt haben werden.

(3) *Zinsbetrag.* Die Berechnungsstelle wird zu oder baldmöglichst nach jedem Zeitpunkt, an dem der Zinssatz zu bestimmen ist, den auf die Schuldverschreibungen zahlbaren Zinsbetrag in Bezug auf jede festgelegte Stückelung (der **"Zinsbetrag"**) für die entsprechende Zinsperiode berechnen. Der Zinsbetrag wird ermittelt, indem der Zinssatz und der Zinstagequotient (wie nachstehend definiert) auf jede festgelegte Stückelung angewendet werden, wobei der resultierende Betrag auf die kleinste Einheit der festgelegten Währung auf- oder abgerundet wird, wobei 0,5 solcher Einheiten aufgerundet werden.

(4) *Mitteilung von Zinssatz und Zinsbetrag.* Die Berechnungsstelle wird veranlassen, dass der Zinssatz, der Zinsbetrag für die jeweilige Zinsperiode, die jeweilige Zinsperiode und der betreffende Zinszahlungstag der Emittentin und der Garantin sowie den Gläubigern gemäß § 13 baldmöglichst, aber keinesfalls später als am vierten auf die Berechnung jeweils folgenden Geschäftstag (wie in § 3 Absatz 1(d) definiert) sowie jeder Börse, an der die betreffenden Schuldverschreibungen zu diesem Zeitpunkt notiert sind und deren Regeln eine Mitteilung an die Börse verlangen, baldmöglichst nach der Bestimmung, aber keinesfalls später als am ersten Tag der jeweiligen Zinsperiode mitgeteilt werden. Im Fall einer Verlängerung oder Verkürzung der Zinsperiode können der mitgeteilte Zinsbetrag und Zinszahlungstag ohne Vorankündigung nachträglich geändert (oder andere geeignete Anpassungsregelungen getroffen) werden. Jede solche Änderung wird umgehend allen Börsen, an denen die Schuldverschreibungen zu diesem Zeitpunkt notiert sind, sowie den Gläubigern gemäß § 13 mitgeteilt.

(5) *Verbindlichkeit der Festsetzungen.* Alle Bescheinigungen, Mitteilungen, Gutachten, Festsetzungen, Berechnungen, Quotierungen und Entscheidungen, die von der Berechnungsstelle für die Zwecke dieses § 3 gemacht, abgegeben, getroffen oder eingeholt werden, sind (sofern nicht ein offensichtlicher Irrtum vorliegt) für die Emittentin, den Fiscal Agent, die Zahlstellen und die Gläubiger bindend.

(6) *Auflaufende Zinsen.* Sollte die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlösen, endet die Verzinsung der Schuldverschreibungen nicht mit Ablauf des Tages der dem Fälligkeitstag vorangeht, sondern erst mit Ablauf des Tages, der dem Tag der tatsächlichen Rückzahlung der Schuldverschreibungen vorangeht. Die Verzinsung des ausstehenden Nennbetrages vom Tag der Fälligkeit an (einschließlich) bis zum Tag der Rückzahlung der Schuldverschreibungen (ausschließlich) erfolgt in Höhe des gesetzlich festgelegten Satzes für Verzugszinsen.⁽¹⁾

(7) *Zinstagequotient.* "Zinstagequotient" bezeichnet im Hinblick auf die Berechnung von Zinsbeträgen für einen beliebigen Zeitraum (der "**Zinsberechnungszeitraum**") die tatsächliche Anzahl von Tagen im Zinsberechnungszeitraum, dividiert durch 360.

§ 4 ZAHLUNGEN

(1) (a) *Zahlungen auf Kapital.* Zahlungen auf Kapital in Bezug auf die Schuldverschreibungen erfolgen nach Maßgabe des nachstehenden Absatzes (2) an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems gegen Vorlage und Einreichung der Globalurkunde bei der bezeichneten Geschäftsstelle einer der Zahlstellen außerhalb der Vereinigten Staaten.

(b) *Zahlung von Zinsen.* Die Zahlung von Zinsen auf Schuldverschreibungen erfolgt nach Maßgabe von Absatz (2) an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems gegen Vorlage der Globalurkunde bei der bezeichneten Geschäftsstelle einer der Zahlstellen außerhalb der Vereinigten Staaten.

Die Zahlung von Zinsen auf Schuldverschreibungen, die durch die vorläufige Globalurkunde verbrieft sind, erfolgt nach Maßgabe von Absatz (2) an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems, und zwar nach ordnungsgemäßer Bescheinigung gemäß § 1 Absatz (3)(b).

(2) *Zahlungsweise.* Vorbehaltlich geltender steuerlicher und sonstiger gesetzlicher Regelungen und Vorschriften erfolgen zu leistende Zahlungen auf die Schuldverschreibungen in Euro.

(3) *Erfüllung.* Die Emittentin wird durch Leistung der Zahlung an das Clearing System oder dessen Order von ihrer Zahlungspflicht befreit.

(4) *Zahltag.* Fällt der Fälligkeitstag einer Zahlung in Bezug auf eine Schuldverschreibung auf einen Tag, der kein Zahltag ist, dann hat der Gläubiger keinen Anspruch auf Zahlung vor dem nächsten Zahltag am jeweiligen Geschäftsort. Der Gläubiger ist nicht berechtigt, weitere Zinsen oder sonstige Zahlungen aufgrund dieser Verspätung zu verlangen.

Für diese Zwecke bezeichnet "**Zahltag**" einen Tag, der ein Tag ist, an dem das Clearing System sowie alle betroffenen Bereiche des Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET2) ("**TARGET**") betriebsbereit sind, um die betreffenden Zahlungen weiterzuleiten.

(5) *Bezugnahmen auf Kapital und Zinsen.* Bezugnahmen in diesen Emissionsbedingungen auf Kapital der Schuldverschreibungen schließen, soweit anwendbar, die folgenden Beträge ein: den Rückzahlungsbetrag der Schuldverschreibungen; den vorzeitigen Rückzahlungsbetrag der Schuldverschreibungen; sowie jeden Aufschlag sowie sonstige auf oder in Bezug auf die Schuldverschreibungen zahlbaren Beträge. Bezugnahmen in diesen Emissionsbedingungen auf Zinsen auf die Schuldverschreibungen sollen, soweit anwendbar, sämtliche gemäß § 7 zahlbaren zusätzlichen Beträge einschließen.

⁽¹⁾ Der gesetzliche Verzugszinssatz beträgt für das Jahr fünf Prozentpunkte über dem von der Deutschen Bundesbank von Zeit zu Zeit veröffentlichten Basiszinssatz, §§ 288 Absatz 1, 247 BGB.

(6) *Hinterlegung von Kapital und Zinsen.* Die Emittentin ist berechtigt, beim Amtsgericht Frankfurt am Main Zins- oder Kapitalbeträge zu hinterlegen, die von den Gläubigern nicht innerhalb von zwölf Monaten nach dem Fälligkeitstag beansprucht worden sind, auch wenn die Gläubiger sich nicht in Annahmeverzug befinden. Soweit eine solche Hinterlegung erfolgt, und auf das Recht der Rücknahme verzichtet wird, erlöschen die diesbezüglichen Ansprüche der Gläubiger gegen die Emittentin.

§ 5 RÜCKZAHLUNG

(1) *Rückzahlung bei Endfälligkeit.* Soweit nicht zuvor bereits ganz oder teilweise zurückgezahlt oder angekauft und entwertet, werden die Schuldverschreibungen zu ihrem Rückzahlungsbetrag am in den März 2019 fallenden Zinszahlungstag (der "**Fälligkeitstag**") zurückgezahlt. Der Rückzahlungsbetrag in Bezug auf jede Schuldverschreibung entspricht dem Nennbetrag der Schuldverschreibungen.

(2) *Vorzeitige Rückzahlung aus steuerlichen Gründen.* Die Schuldverschreibungen können insgesamt, jedoch nicht teilweise, nach Wahl der Emittentin mit einer Kündigungsfrist von nicht weniger als 30 und nicht mehr als 60 Tagen gegenüber dem Fiscal Agent und gemäß § 13 gegenüber den Gläubigern vorzeitig gekündigt und zu ihrem vorzeitigen Rückzahlungsbetrag (wie nachstehend definiert) zuzüglich bis zum für die Rückzahlung festgesetzten Tag aufgelaufener Zinsen zurückgezahlt werden, falls die Emittentin oder die Garantin als Folge einer Änderung oder Ergänzung der Steuer- oder Abgabengesetze und -vorschriften in Deutschland oder der Niederlande oder deren politischen Untergliederungen oder Steuerbehörden oder als Folge einer Änderung oder Ergänzung der Anwendung oder der offiziellen Auslegung dieser Gesetze und Vorschriften (vorausgesetzt, diese Änderung oder Ergänzung wird am oder nach dem Tag, an dem die letzte Tranche dieser Serie von Schuldverschreibungen begeben wird, wirksam) am nächstfolgenden Zinszahlungstag (wie in § 3 Absatz (1) definiert) zur Zahlung von zusätzlichen Beträgen (wie in § 7 dieser Bedingungen definiert) verpflichtet sein wird und diese Verpflichtung nicht durch das Ergreifen vernünftiger, der Emittentin oder der Garantin zur Verfügung stehender Maßnahmen vermieden werden kann.

Eine solche Kündigung darf allerdings nicht (i) früher als 90 Tage vor dem frühestmöglichen Termin erfolgen, an dem die Emittentin oder die Garantin verpflichtet wäre, solche zusätzlichen Beträge zu zahlen, falls eine Zahlung auf die Schuldverschreibungen dann fällig sein würde, oder (ii) erfolgen, wenn zu dem Zeitpunkt, zu dem die Kündigung erfolgt, die Verpflichtung zur Zahlung von zusätzlichen Beträgen nicht mehr wirksam ist. Der für die Rückzahlung festgelegte Termin muss ein Zinszahlungstag sein.

Eine solche Kündigung hat gemäß § 13 zu erfolgen. Sie ist unwiderruflich, muss den für die Rückzahlung festgelegten Termin nennen und eine zusammenfassende Erklärung enthalten, welche die das Rückzahlungsrecht der Emittentin begründenden Umständen darlegt.

(3) *Vorzeitiger Rückzahlungsbetrag.*

Für die Zwecke des § 9 und des Absatzes (2) dieses § 5, entspricht der vorzeitige Rückzahlungsbetrag einer Schuldverschreibung dem Rückzahlungsbetrag.

§ 6
DER FISCAL AGENT, DIE ZAHLSTELLEN
UND DIE BERECHNUNGSSTELLE

(1) *Bestellung; bezeichnete Geschäftsstelle.* Der anfänglich bestellte Fiscal Agent, die anfänglich bestellte Zahlstelle und die anfänglich bestellte Berechnungsstelle und deren bezeichnete Geschäftsstellen lauten wie folgt:

Fiscal Agent, Zahlstelle und Berechnungsstelle:	Citibank, N.A. Citigroup Centre Canary Wharf London E14 5LB Vereinigtes Königreich
Luxembourg Listing Agent:	BNP Paribas Securities Services, Luxembourg Branch 60 avenue J.F. Kennedy L-2085 Luxembourg Grand Duchy of Luxembourg

Der Fiscal Agent, die Zahlstelle und die Berechnungsstelle behalten sich das Recht vor, jederzeit ihre bezeichneten Geschäftsstellen durch eine andere bezeichnete Geschäftsstelle in derselben Stadt zu ersetzen.

(2) *Änderung der Bestellung oder Abberufung.* Die Emittentin behält sich das Recht vor, jederzeit die Bestellung des Fiscal Agent oder der Zahlstelle oder der Berechnungsstelle zu ändern oder zu beenden und einen anderen Fiscal Agent oder zusätzliche oder andere Zahlstellen oder eine andere Berechnungsstelle zu bestellen. Die Emittentin wird zu jedem Zeitpunkt (i) einen Fiscal Agent unterhalten, (ii) solange die Schuldverschreibungen an der Luxemburger Börse notiert sind, eine Zahlstelle (die der Fiscal Agent sein kann) mit bezeichneter Geschäftsstelle in Luxemburg und/oder an solchen anderen Orten unterhalten, die die Regeln dieser Börse verlangen und (iii) eine Berechnungsstelle unterhalten. Eine Änderung, Abberufung, Bestellung oder ein sonstiger Wechsel wird nur wirksam (außer im Insolvenzfall, in dem eine solche Änderung sofort wirksam wird), sofern die Gläubiger hierüber gemäß § 13 vorab unter Einhaltung einer Frist von mindestens 30 und nicht mehr als 45 Tagen informiert wurden.

Für die Zwecke dieser Emissionsbedingungen bezeichnet "**Vereinigte Staaten**" die Vereinigten Staaten von Amerika (einschließlich deren Bundesstaaten und des District of Columbia) sowie deren Territorien (einschließlich Puerto Ricos, der U. S. Virgin Islands, Guam, American Samoa, Wake Island und Northern Mariana Islands).

(3) *Erfüllungsgehilfe(n) der Emittentin.* Der Fiscal Agent, die Zahlstelle und die Berechnungsstelle handeln ausschließlich als Erfüllungsgehilfen der Emittentin und übernehmen keinerlei Verpflichtungen gegenüber den Gläubigern und es wird kein Auftrags- oder Treuhandverhältnis zwischen ihnen und den Gläubigern begründet.

§ 7
STEUERN

Sämtliche auf die Schuldverschreibungen zu zahlenden Beträge sind ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftigen Steuern oder sonstigen Abgaben gleich welcher Art zu leisten, die von oder in den Niederlanden oder Deutschland oder für deren Rechnung oder von oder für Rechnung einer politischen Untergliederung oder Steuerbehörde von oder in den Niederlanden oder Deutschland auferlegt oder erhoben werden, es sei denn, ein solcher Einbehalt oder Abzug ist gesetzlich vorgeschrieben. In diesem Fall wird die Emittentin diejenigen zusätzlichen Beträge (die "**zusätzlichen Beträge**") zahlen, die erforderlich sind, damit die den Gläubigern zufließenden Nettobeträge nach diesem Einbehalt oder Abzug jeweils den Beträgen entsprechen, die ohne einen solchen Einbehalt oder Abzug von den Gläubigern empfangen worden wären; die Verpflichtung zur Zahlung solcher zusätzlicher Beträge besteht jedoch nicht im Hinblick auf Steuern und Abgaben, die:

- (a) von einer als Depotbank oder Inkassobeauftragter des Gläubigers handelnden Person oder sonst auf andere Weise zu entrichten sind als dadurch, dass die Emittentin aus den von ihr zu leistenden Zahlungen von Kapital oder Zinsen einen Abzug oder Einbehalt vornimmt; oder
- (b) wegen einer gegenwärtigen oder früheren persönlichen oder geschäftlichen Beziehung des Gläubigers zu den Niederlanden oder Deutschland zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen aus Quellen in den Niederlanden oder 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, welche an eine natürliche Person oder an bestimmte juristische Personen, die als sonstige Einrichtungen (residual entities) bezeichnet werden ausgeschüttet werden oder (ii) einer zwischenstaatlichen Vereinbarung über deren Besteuerung, an der die Niederlande oder Deutschland oder die Europäische Union beteiligt ist, oder (iii) einer gesetzlichen Vorschrift, die diese Richtlinie, Verordnung oder Vereinbarung umsetzt oder befolgt, oder (iv) des Gesetzes vom 23. Dezember 2005, geändert durch das Gesetz vom 17. Juli 2008 bezüglich natürlicher Personen, die in Luxemburg ansässig sind, abzuziehen oder einzubehalten sind; oder
- (d) aufgrund einer Rechtsänderung zahlbar sind, die 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 einbehalten oder abgezogen werden, wenn die Zahlung von einer anderen Zahlstelle ohne den Einbehalt oder Abzug hätte vorgenommen werden können.

Unbeschadet gegenteiliger Bestimmungen in diesen Anleihebedingungen ist es der Emittentin, der Garantin und jeder Zahlstelle gestattet, Beträge einzubehalten oder abzuziehen, die aufgrund jedweder Steuer, die gemäß der Abschnitte 1471 bis 1474 des U.S. Internal Revenue Codes von 1986 in ihrer jeweils geltenden Fassung und den hierunter verkündeten Verordnungen, gemäß einem zwischenstaatlichen Vertrag oder Gesetzen oder Verordnungen anderer Staaten, die im Hinblick hierauf erlassen wurden oder nach jeder Vereinbarung mit dem U.S. Internal Revenue Service erhoben werden und auf die Schuldverschreibungen zahlbar sind. Weiterhin sind sie nicht verpflichtet, zusätzliche Beträge im Hinblick auf solche Steuern zu zahlen.

§ 8 VORLEGUNGSFRIST

Die in § 801 Absatz 1 Satz 1 BGB bestimmte Vorlegungsfrist wird für die Schuldverschreibungen auf zehn Jahre verkürzt.

§ 9 KÜNDIGUNG

(1) *Kündigungsgründe.* Jeder Gläubiger ist berechtigt, seine sämtlichen Forderungen aus den Schuldverschreibungen ganz oder teilweise durch Kündigung gegenüber dem Fiscal Agent fällig zu stellen und Rückzahlung zu ihrem vorzeitigen Rückzahlungsbetrag (wie in § 5 beschrieben), zuzüglich etwaiger bis zum Tage der Rückzahlung aufgelaufener Zinsen zu verlangen, falls:

- (a) die Emittentin Kapital oder Zinsen nicht innerhalb von 30 Tagen nach dem betreffenden Fälligkeitstag zahlt; oder
- (b) die Emittentin die ordnungsgemäße Erfüllung irgendeiner anderen Verpflichtung aus den Schuldverschreibungen oder die Garantin die Erfüllung einer Verpflichtung aus der Garantie, auf die in § 2 Bezug genommen wird, unterlässt und diese Unterlassung nicht geheilt werden kann oder, falls sie geheilt werden kann, länger als 90 Tage fort dauert, nachdem der Fiscal Agent hierüber eine Benachrichtigung von einem Gläubiger erhalten hat; oder

- (c) die Emittentin oder die Garantin ihre Zahlungsunfähigkeit bekanntgibt; oder
- (d) ein Gericht ein Konkurs- oder anderes Insolvenzverfahren gegen die Emittentin oder die Garantin eröffnet, oder ein Verfahren eröffnet wird, welches nicht innerhalb von 60 Tagen beendet oder eingestellt wird oder die Emittentin oder die Garantin ein solches Verfahren einleitet oder beantragt oder die Emittentin ein "*surseance van betaling*" (im Sinne des niederländischen Insolvenzrechts) beantragt; oder
- (e) die Emittentin oder die Garantin in Liquidation tritt, es sei denn, dies geschieht im Zusammenhang mit einer Verschmelzung oder einer anderen Form des Zusammenschlusses mit einer anderen Gesellschaft und diese Gesellschaft übernimmt alle Verpflichtungen, die die Emittentin oder die Garantin im Zusammenhang mit diesen Schuldverschreibungen eingegangen ist; oder
- (f) die Garantie, gleich aus welchem Grund, nicht mehr in vollem Umfang rechtswirksam ist.

Das Kündigungsrecht erlischt, falls der Kündigungsgrund vor Ausübung des Rechts geheilt wurde.

(2) *Quorum*. Im Falle von Absatz (1)(b) wird eine Kündigung, sofern nicht bei deren Eingang zugleich einer der in Absatz (1)(a) und (1)(c) bis (1)(e) bezeichneten Kündigungsgründe vorliegt, erst wirksam, wenn bei dem Fiscal Agent Kündigungserklärungen von Gläubigern von Schuldverschreibungen im Nennbetrag von mindestens $\frac{1}{10}$ der dann ausstehenden Schuldverschreibungen eingegangen sind.

(3) *Benachrichtigung*. Eine Benachrichtigung, einschließlich einer Kündigung der Schuldverschreibungen gemäß vorstehendem Absatz (1) ist schriftlich in deutscher oder englischer Sprache gegenüber dem Fiscal Agent zu erklären und persönlich oder per Einschreiben an dessen bezeichnete Geschäftsstelle zu übermitteln. Der Benachrichtigung ist ein Nachweis beizufügen, aus dem sich ergibt, dass der betreffende Gläubiger zum Zeitpunkt der Abgabe der Benachrichtigung Inhaber der betreffenden Schuldverschreibung ist. Der Nachweis kann durch eine Bescheinigung der Depotbank (wie in § 14 Absatz (3) definiert) oder auf andere geeignete Weise erbracht werden.

§ 10 ERSETZUNG

(1) *Ersetzung*. Die Emittentin ist jederzeit berechtigt, sofern sie sich nicht mit einer Zahlung von Kapital oder Zinsen auf die Schuldverschreibungen in Verzug befindet, ohne Zustimmung der Gläubiger entweder die Garantin oder eine Tochtergesellschaft (wie nachstehend definiert) der Garantin an ihrer Stelle als Hauptschuldnerin (die "**Nachfolgeschuldnerin**") für alle Verpflichtungen aus und im Zusammenhang mit diesen Schuldverschreibungen einzusetzen, sofern:

- (a) die Nachfolgeschuldnerin in der Lage ist, sämtliche sich aus oder im Zusammenhang mit diesen Schuldverschreibungen ergebenden Zahlungsverpflichtungen ohne die Notwendigkeit eines Einbehalts von irgendwelchen Steuern oder Abgaben an der Quelle zu erfüllen sowie die hierzu erforderlichen Beträge ohne Beschränkungen an den Fiscal Agent übertragen können;
- (b) die Nachfolgeschuldnerin alle Verpflichtungen der Emittentin aus oder im Zusammenhang mit diesen Schuldverschreibungen übernimmt;
- (c) die Nachfolgeschuldnerin sich verpflichtet, jedem Gläubiger alle Steuern, Gebühren oder Abgaben zu erstatten, die ihm in Folge der Ersetzung durch die Nachfolgeschuldnerin auferlegt werden;
- (d) sichergestellt ist, dass sich die Verpflichtungen der Garantin aus der Garantie auch auf die Schuldverschreibungen der Nachfolgeschuldnerin erstrecken;

- (e) dem Fiscal Agent jeweils eine Bestätigung bezüglich der betroffenen Rechtsordnungen von anerkannten Rechtsanwälten vorgelegt wird, dass die Bestimmungen in den vorstehenden Unterabsätzen (a), (b), (c) und (d) erfüllt wurden; und
- (f) es sich bei der Nachfolgeschuldnerin nicht um die VW Credit, Inc. oder Volkswagen Group of America Finance, LLC handelt.

Im Sinne dieser Bedingungen bedeutet "**Tochtergesellschaft**" eine Kapital- oder Personengesellschaft, an der die Volkswagen Aktiengesellschaft direkt oder indirekt insgesamt mehr als 90% des Kapitals jeder Klasse oder der Stimmrechte hält.

(2) *Bekanntmachung.* Jede Ersetzung ist gemäß § 13 bekannt zu machen.

(3) *Änderung von Bezugnahmen.* Im Fall einer Ersetzung gilt jede Bezugnahme in diesen Emissionsbedingungen auf die Emittentin ab dem Zeitpunkt der Ersetzung als Bezugnahme auf die Nachfolgeschuldnerin und jede Bezugnahme auf das Land, in dem die Emittentin ihren Sitz oder Steuersitz hat, gilt ab diesem Zeitpunkt als Bezugnahme auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat. Des Weiteren gilt im Fall einer Ersetzung folgendes:

In § 7 und § 5 Absatz (2) gilt eine alternative Bezugnahme auf die Niederlande als aufgenommen (zusätzlich zu der Bezugnahme nach Maßgabe des vorstehenden Satzes auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat).

§ 11

BEGEBUNG WEITERER SCHULDVERSCHREIBUNGEN, ANKAUF UND ENTWERTUNG

(1) *Begebung weiterer Schuldverschreibungen.* Die Emittentin ist berechtigt, jederzeit ohne Zustimmung der Gläubiger weitere Schuldverschreibungen mit gleicher Ausstattung (gegebenenfalls mit Ausnahme des Tags der Begebung, des Verzinsungsbeginns und/oder des Ausgabepreises) in der Weise zu begeben, dass sie mit diesen Schuldverschreibungen eine einheitliche Serie bilden.

(2) *Ankauf.* Die Emittentin ist berechtigt, jederzeit Schuldverschreibungen im Markt oder anderweitig zu jedem beliebigen Preis zu kaufen. Die von der Emittentin erworbenen Schuldverschreibungen können nach Wahl der Emittentin von ihr gehalten, weiterverkauft oder bei dem Fiscal Agent zwecks Entwertung eingereicht werden. Sofern diese Käufe durch ein öffentliches Angebot erfolgen, muss dieses Angebot allen Gläubigern gemacht werden.

(3) *Entwertung.* Sämtliche vollständig zurückgezahlten Schuldverschreibungen sind unverzüglich zu entwerten und können nicht wiederbegeben oder wiederverkauft werden.

§ 12

ÄNDERUNG DER ANLEIHEBEDINGUNGEN, GEMEINSAMER VERTRETER, ÄNDERUNG DER GARANTIE

(1) *Änderung der Anleihebedingungen.* Die Gläubiger können entsprechend den Bestimmungen des Gesetzes über Schuldverschreibungen aus Gesamtemissionen (Gesetz über Schuldverschreibungen aus Gesamtemissionen – "**SchVG**") durch einen Beschluss mit der in Absatz 2 bestimmten Mehrheit über einen im SchVG zugelassenen Gegenstand eine Änderung der Anleihebedingungen mit der Emittentin vereinbaren. Die Mehrheitsbeschlüsse der Gläubiger sind für alle Gläubiger gleichermaßen verbindlich. Ein Mehrheitsbeschluss der Gläubiger, der nicht gleiche Bedingungen für alle Gläubiger vorsieht, ist unwirksam, es sei denn die benachteiligten Gläubiger stimmen ihrer Benachteiligung ausdrücklich zu.

(2) *Mehrheitserfordernisse.* Die Gläubiger entscheiden mit einer Mehrheit von 75 % der an der Abstimmung teilnehmenden Stimmrechte. Beschlüsse, durch welche der wesentliche Inhalt der Anleihebedingungen nicht geändert wird und die keinen Gegenstand der § 5 Absatz 3, Nr. 1 bis Nr. 8 des SchVG betreffen, bedürfen zu ihrer Wirksamkeit einer einfachen Mehrheit der an der Abstimmung teilnehmenden Stimmrechte.

(3) *Abstimmung ohne Versammlung.* Alle Abstimmungen werden ausschließlich im Wege der Abstimmung ohne Versammlung durchgeführt. Eine Gläubigerversammlung und eine Übernahme der Kosten für eine solche Versammlung durch die Emittentin findet ausschließlich im Fall des § 18 Absatz 4, Satz 2 SchVG statt.

(4) *Leitung der Abstimmung.* Die Abstimmung wird von einem von der Emittentin beauftragten Notar oder, falls der gemeinsame Vertreter zur Abstimmung aufgefordert hat, vom gemeinsamen Vertreter geleitet.

(5) *Stimmrecht.* An Abstimmungen der Gläubiger nimmt jeder Gläubiger nach Maßgabe des Nennwerts oder des rechnerischen Anteils seiner Berechtigung an den ausstehenden Schuldverschreibungen teil.

(6) *Gemeinsamer Vertreter.* Die Gläubiger können durch Mehrheitsbeschluss zur Wahrnehmung ihrer Rechte einen gemeinsamen Vertreter (der "**gemeinsame Vertreter**") für alle Gläubiger bestellen.

(7) *Änderung der Garantie.* Die oben aufgeführten auf die Schuldverschreibungen anwendbaren Bestimmungen finden sinngemäß auf die Bestimmungen der Garantie der Volkswagen Aktiengesellschaft Anwendung.

§ 13 MITTEILUNGEN

(1) *Bekanntmachung.* Alle die Schuldverschreibungen betreffenden Mitteilungen sind durch elektronische Publikation auf der Website der Luxemburger Börse (www.bourse.lu) zu veröffentlichen. Jede derartige Mitteilung gilt am dritten Tag nach dem Tag der Veröffentlichung (oder bei mehreren Veröffentlichungen am dritten Tag nach dem Tag der ersten solchen Veröffentlichung) als wirksam erfolgt.

(2) *Mitteilungen an das Clearing System.*

Solange Schuldverschreibungen an der Luxemburger Börse notiert sind, findet Absatz (1) Anwendung. Soweit dies Mitteilungen über den Zinssatz betrifft oder die Regeln der Luxemburger Börse es zulassen, kann die Emittentin eine Veröffentlichung nach Absatz (1) durch eine Mitteilung an das Clearing System zur Weiterleitung an die Gläubiger ersetzen; jede derartige Mitteilung gilt am siebten Tag nach dem Tag der Mitteilung an das Clearing System als den Gläubigern mitgeteilt.

§ 14 ANWENDBARES RECHT, GERICHTSSTAND UND RICHTLICHE GELTENDMACHUNG

(1) *Anwendbares Recht.* Die Schuldverschreibungen, einschließlich die Rechte und Pflichten der Gläubiger und der Emittentin unterliegen in jeder Hinsicht deutschem Recht.

(2) *Gerichtsstand.* Nicht ausschließlich zuständig für sämtliche im Zusammenhang mit den Schuldverschreibungen entstehenden Klagen oder sonstige Verfahren ("**Rechtsstreitigkeiten**") ist das Landgericht Frankfurt am Main. Die Gläubiger können ihre Ansprüche jedoch auch vor anderen zuständigen Gerichten geltend machen. Die deutschen Gerichte sind ausschließlich zuständig für die Kraftloserklärung abhanden gekommener oder vernichteter Schuldverschreibungen. Die Emittentin unterwirft sich hiermit der Gerichtsbarkeit der nach diesem Absatz zuständigen Gerichte.

Das Amtsgericht Frankfurt am Main ist gemäß § 9 Abs. 3 SchVG zuständig für alle Verfahren nach §§ 9 Abs. 2, 13 Abs. 3 und 18 Abs. 2 SchVG und das Landgericht Frankfurt am Main ist gemäß § 20 Abs. 3 SchVG ausschließlich zuständig für Klagen im Zusammenhang mit der Anfechtung von Beschlüssen der Anleihegläubiger.

(3) *Bestellung von Zustellungsbevollmächtigten.* Für etwaige Rechtsstreitigkeiten vor deutschen Gerichten bestellt die Emittentin die Volkswagen Aktiengesellschaft, Berliner Ring 2, 38440 Wolfsburg, Deutschland, zu ihrer Zustellungsbevollmächtigten in Deutschland.

(4) *Gerichtliche Geltendmachung.* Jeder Gläubiger von Schuldverschreibungen ist berechtigt, in jedem Rechtsstreit gegen die Emittentin oder in jedem Rechtsstreit, in dem der Gläubiger und die Emittentin Partei sind, seine Rechte aus diesen Schuldverschreibungen im eigenen Namen auf der folgenden Grundlage zu schützen oder geltend zu machen: (i) er bringt eine Bescheinigung der Depotbank bei, bei der er für die Schuldverschreibungen ein Wertpapierdepot unterhält, welche (a) den vollständigen Namen und die vollständige Adresse des Gläubigers enthält, (b) den Gesamtnennbetrag der Schuldverschreibungen bezeichnet, die unter dem Datum der Bestätigung auf dem Wertpapierdepot verbucht sind und (c) bestätigt, dass die Depotbank gegenüber dem Clearing System eine schriftliche Erklärung abgegeben hat, die die vorstehend unter (a) und (b) bezeichneten Informationen enthält; und (ii) er legt eine Kopie der die betreffenden Schuldverschreibungen verbriefenden Globalurkunde vor, deren Übereinstimmung mit dem Original eine vertretungsberechtigte Person des Clearing Systems oder des Verwahrers des Clearing Systems bestätigt hat, ohne dass eine Vorlage der Originalbelege oder der die Schuldverschreibungen verbriefenden Globalurkunde in einem solchen Verfahren erforderlich wäre. Für die Zwecke des Vorstehenden bezeichnet "**Depotbank**" jede Bank oder ein sonstiges anerkanntes Finanzinstitut, das berechtigt ist, das Wertpapierverwahrungsgeschäft zu betreiben und bei der/dem der Gläubiger ein Wertpapierdepot für die Schuldverschreibungen unterhält, einschließlich des Clearing Systems. Unbeschadet des Vorstehenden kann jeder Gläubiger seine Rechte aus den Schuldverschreibungen auch auf jede andere Weise schützen oder geltend machen, die im Land des Rechtsstreits prozessual zulässig ist.

§ 15 SPRACHE

Diese Emissionsbedingungen sind in deutscher Sprache abgefasst. Eine Übersetzung in die englische Sprache ist beigelegt. Der deutsche Text ist bindend und maßgeblich. Die Übersetzung in die englische Sprache ist unverbindlich.

7. **EMISSIONSBEDINGUNGEN DER INHABERSCHULDVERSCHREIBUNGEN BEI FESTER VERZINSUNG
(DEUTSCHE FASSUNG)**

**§ 1
WÄHRUNG, STÜCKELUNG, FORM, DEFINITIONEN**

(1) Währung; Stückelung. Diese Serie der Schuldverschreibungen (die "Schuldverschreibungen") der Volkswagen International Finance N.V. (die "**Emittentin**") wird in Euro (die "**festgelegte Währung**") im Gesamtnennbetrag (vorbehaltlich § 1 Absatz (6)) von • (in Worten: •) in einer Stückelung von EUR 100.000 (die "**festgelegte Stückelung**") begeben.

(2) Form. Die Schuldverschreibungen lauten auf den Inhaber und sind durch eine oder mehrere Globalurkunden verbrieft (jeweils eine "Globalurkunde").

(3) *Vorläufige Globalurkunde – Austausch.*

(a) Die Schuldverschreibungen sind anfänglich durch eine vorläufige Globalurkunde (die "**vorläufige Globalurkunde**") ohne Zinsscheine verbrieft. Die vorläufige Globalurkunde wird gegen Schuldverschreibungen in den festgelegten Stückelungen, die durch eine Dauerglobalurkunde (die "**Dauerglobalurkunde**") ohne Zinsscheine verbrieft sind, ausgetauscht. Die vorläufige Globalurkunde und die Dauerglobalurkunde tragen jeweils die eigenhändigen Unterschriften zweier ordnungsgemäß bevollmächtigter Vertreter der Emittentin und sind jeweils von dem Fiscal Agent oder in dessen Namen mit einer Kontrollunterschrift versehen. Einzelurkunden und Zinsscheine werden nicht ausgegeben.

(b) Die vorläufige Globalurkunde wird an einem Tag (der "**Austauschtag**") gegen die Dauerglobalurkunde ausgetauscht, der nicht mehr als 180 Tage nach dem Tag der Begebung der durch die vorläufige Globalurkunde verbrieften Schuldverschreibungen liegt. Der Austausch tag darf nicht weniger als 40 Tage nach dem Tag der Begebung liegen. Ein solcher Austausch darf nur nach Vorlage von Bescheinigungen erfolgen, wonach der oder die wirtschaftlichen Eigentümer der durch die vorläufige Globalurkunde verbrieften Schuldverschreibungen keine U. S.-Personen (ausgenommen bestimmte Finanzinstitute oder bestimmte Personen, die Schuldverschreibungen über solche Finanzinstitute halten) sind. Zinszahlungen auf durch eine vorläufige Globalurkunde verbrieft Schuldverschreibungen erfolgen erst nach Vorlage solcher Bescheinigungen. Eine gesonderte Bescheinigung ist für jede solche Zinszahlung erforderlich. Jede Bescheinigung, die am oder nach dem 40. Tag nach dem Tag der Ausgabe der durch die vorläufige Globalurkunde verbrieften Schuldverschreibungen eingeht, wird als ein Ersuchen behandelt werden, diese vorläufige Globalurkunde gemäß Absatz (b) dieses § 1 Absatz (3) auszutauschen. Wertpapiere, die im Austausch für die vorläufige Globalurkunde geliefert werden, dürfen nur außerhalb der Vereinigten Staaten (wie in § 6 Absatz (2) definiert) geliefert werden.

(4) Clearing System. Die Globalurkunde, die die Schuldverschreibungen verbrieft, wird von einem oder für ein Clearing System verwahrt. "Clearing System" bedeutet jeweils folgendes: Clearstream Banking, société anonyme, 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg ("**CBL**") und Euroclear Bank SA/NV, Boulevard du Roi Albert II, 1210 Brussels, Belgium ("**Euroclear**") (CBL und Euroclear jeweils ein "**ICSD**" und zusammen die "**ICSDs**") sowie jeder Funktionsnachfolger.

Die Schuldverschreibungen werden in Form einer New Global Note ("**NGN**") ausgegeben und von einem common safekeeper im Namen beider ICSDs verwahrt.

(5) *Gläubiger von Schuldverschreibungen.* "**Gläubiger**" bedeutet jeder Inhaber eines Miteigentumsanteils oder anderen vergleichbaren Rechts an den Schuldverschreibungen.

(6) *Register der ICSDs.* Der Nennbetrag der durch die Globalurkunde verbrieften Schuldverschreibungen entspricht dem jeweils in den Registern beider ICSDs eingetragenen Gesamtbetrag. Die Register der ICSDs (unter denen die Register zu verstehen sind, die jeder ICSD für seine Kunden über den Betrag ihres Anteils an den Schuldverschreibungen führt) sind maßgeblicher Nachweis des Nennbetrages der durch die Globalurkunde verbrieften Schuldverschreibungen, und ein zu diesen Zwecken von einem ICSD jeweils ausgestellte Bescheinigung mit dem Nennbetrag der so verbrieften Schuldverschreibungen ist maßgebliche Bestätigung des Inhalts des Registers des betreffenden ICSD zu dem fraglichen Zeitpunkt.

Bei jeder Tilgung oder Zahlung einer Rückzahlungsrate oder einer Zinszahlung auf die durch die Globalurkunde verbrieften Schuldverschreibungen bzw. beim Kauf und der Entwertung der durch die Globalurkunde verbrieften Schuldverschreibungen stellt die Emittentin sicher, dass die Einzelheiten der Rückzahlung, Zahlung oder des Kaufs und der Entwertung bezüglich der Globalurkunde *pro rata* in die Unterlagen der ICSDs eingetragen werden, und dass, nach dieser Eintragung, vom Nennbetrag der in die Register der ICSDs aufgenommenen und durch die Globalurkunde verbrieften Schuldverschreibungen der Gesamtnennbetrag der zurückgekauften bzw. gekauften und entwerteten Schuldverschreibungen bzw. der Gesamtbetrag der so gezahlten Raten abgezogen wird.

Bei Austausch nur eines Teils von Schuldverschreibungen, die durch eine vorläufige Globalurkunde verbrieft sind, wird die Emittentin sicherstellen, dass die Einzelheiten dieses Austauschs *pro rata* in die Register der ICSDs aufgenommen werden.

§ 2 STATUS, NEGATIVVERPFLICHTUNG UND GARANTIE

(1) *Status.* Die Schuldverschreibungen begründen direkte, unbedingte, nicht besicherte und nicht nachrangige Verbindlichkeiten der Emittentin, die untereinander und mit allen anderen nicht besicherten Verbindlichkeiten der Emittentin gleichrangig sind, soweit diesen Verbindlichkeiten nicht durch zwingende gesetzliche Bestimmungen ein Vorrang eingeräumt wird.

(2) *Negativverpflichtung.* Die Emittentin verpflichtet sich solange eine Schuldverschreibung noch aussteht (aber nur bis zu dem Zeitpunkt, in dem alle Beträge von Kapital und Zinsen dem Fiscal Agent zur Verfügung gestellt worden sind), ihr Vermögen nicht mit Sicherungsrechten zur Besicherung von anderen Schuldverschreibungen, einschließlich von Garantien und Bürgschaften, zu belasten oder solche Rechte zu diesem Zweck bestehen zu lassen, ohne gleichzeitig die Gläubiger an derselben Sicherheit in gleicher Weise und anteilmäßig teilnehmen zu lassen. Um etwaige Zweifel zu vermeiden, diese Verpflichtung gilt nicht in Bezug auf Sicherheiten, die in Zusammenhang mit von der Emittentin begebenen *asset-backed-securities* (strukturierte Wertpapiere, die mit Vermögenswerten besichert sind) gestellt werden oder für *asset-backed securities*, die von einer Zweckgesellschaft begeben werden, und bei denen die Emittentin die ursprüngliche Inhaberin der zugrunde liegenden Vermögenswerte ist.

(3) *Garantie.* Volkswagen Aktiengesellschaft (die "**Garantin**") hat eine unbedingte und unwiderrufliche Garantie (die "**Garantie**") für die pünktliche Zahlung von Kapital und Zinsen übernommen. Darüber hinaus hat sich die Garantin in dieser Garantie verpflichtet (die "**Verpflichtungserklärung**") solange eine Schuldverschreibung noch aussteht (aber nur bis zu dem Zeitpunkt, in dem alle Beträge von Kapital und Zinsen dem Fiscal Agent zur Verfügung gestellt worden sind), für andere Anleihen, einschließlich dafür übernommener Garantien und Gewährleistungen, keine Sicherheiten an ihrem Vermögen zu bestellen, ohne gleichzeitig und im gleichen Rang die Gläubiger der Schuldverschreibungen an solchen Sicherheiten teilnehmen zu lassen. Um etwaige Zweifel zu vermeiden, diese Verpflichtung gilt nicht in Bezug auf Sicherheiten, die in Zusammenhang mit von der Garantin begebenen *asset-backed-securities* (strukturierte Wertpapiere, die mit Vermögenswerten besichert sind) gestellt werden oder für *asset-backed securities*, die von einer Zweckgesellschaft begeben werden, und bei denen die Garantin die ursprüngliche Inhaberin der zugrunde liegenden Vermögenswerte ist.

Für die Zwecke dieser Bedingungen bezeichnet "**Anleihe**" eine Emission von Schuldverschreibungen, die an einer Wertpapierbörse, im Freiverkehr oder einem anderen Wertpapiermarkt notiert, eingeführt oder gehandelt werden oder notiert, eingeführt oder gehandelt werden sollen oder können.

Die Garantie und Negativverpflichtung stellt einen Vertrag zu Gunsten eines jeden Gläubigers als begünstigtem Dritten gemäß § 328 Absatz (1) BGB dar, welcher das Recht eines jeden Gläubigers begründet, Erfüllung aus der Garantie und der Negativverpflichtung unmittelbar von der Garantin zu verlangen und die Garantie und die Negativverpflichtung unmittelbar gegenüber der Garantin durchzusetzen. Kopien der Garantie und der Negativverpflichtung können kostenlos am Sitz der Garantin und bei der bezeichneten Geschäftsstelle des Fiscal Agent gemäß § 6 bezogen werden.

§ 3 ZINSEN

(1) *Zinssatz und Zinszahlungstage.* Die Schuldverschreibungen werden bezogen auf ihren Nennbetrag verzinst, und zwar vom 30. März 2017 (der "**Verzinsungsbeginn**") (einschließlich) bis zum Fälligkeitstag (wie in § 5 Absatz (1) definiert) (ausschließlich) mit jährlich • %. Die Zinsen sind im Falle der 2021 Schuldverschreibungen und der 2027 Schuldverschreibungen nachträglich am 30. März und im Falle der 2023 Schuldverschreibungen nachträglich am 2. Oktober eines jeden Jahres zahlbar (jeweils ein "**Zinszahlungstag**"). Die erste Zinszahlung erfolgt im Falle der 2021 Schuldverschreibungen und der 2027 Schuldverschreibungen am 30. März 2018. Im Falle der 2023 Schuldverschreibungen erfolgt die erste Zinszahlung am 2. Oktober 2017 (kurzer erster Kupon) und beläuft sich auf EUR • je festgelegte Stückelung.

(2) *Auflaufende Zinsen.* Falls die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlöst, endet die Verzinsung der Schuldverschreibungen nicht mit Ablauf des Tages, der dem Tag der Fälligkeit vorangeht, sondern erst mit Ablauf des Tages, der dem Tag der tatsächlichen Rückzahlung der Schuldverschreibungen vorangeht. Die Verzinsung des ausstehenden Nennbetrages vom Tag der Fälligkeit an (einschließlich) bis zum Tag der Rückzahlung der Schuldverschreibungen (ausschließlich) erfolgt in Höhe des gesetzlich festgelegten Satzes für Verzugszinsen.⁽¹⁾

(3) *Berechnung der Zinsen für Teile von Zeiträumen.* Sofern Zinsen für einen Zeitraum von weniger als einem Jahr zu berechnen sind, erfolgt die Berechnung auf der Grundlage des Zinstagequotienten (wie nachstehend definiert).

(4) *Zinstagequotient.* "**Zinstagequotient**" bezeichnet im Hinblick auf die Berechnung von Zinsbeträgen für einen beliebigen Zeitraum (der "**Zinsberechnungszeitraum**") die tatsächliche Anzahl von Tagen im Zinsberechnungszeitraum, dividiert durch die tatsächliche Anzahl von Tagen im jeweiligen Zinsjahr.

§ 4 ZAHLUNGEN

(1) (a) *Zahlungen auf Kapital.* Zahlungen auf Kapital in Bezug auf die Schuldverschreibungen erfolgen nach Maßgabe des nachstehenden Absatzes (2) an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems gegen Vorlage und Einreichung der Globalurkunde bei der bezeichneten Geschäftsstelle einer der Zahlstellen außerhalb der Vereinigten Staaten.

(b) *Zahlung von Zinsen.* Die Zahlung von Zinsen auf Schuldverschreibungen erfolgt nach Maßgabe von Absatz (2) an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems gegen Vorlage der Globalurkunde bei der bezeichneten Geschäftsstelle einer der Zahlstellen außerhalb der Vereinigten Staaten.

Die Zahlung von Zinsen auf Schuldverschreibungen, die durch die vorläufige Globalurkunde verbrieft sind, erfolgt nach Maßgabe von Absatz (2) an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems, und zwar nach ordnungsgemäßer Bescheinigung gemäß § 1 Absatz (3)(b).

⁽¹⁾ Der gesetzliche Verzugszinssatz beträgt für das Jahr fünf Prozentpunkte über dem von der Deutschen Bundesbank von Zeit zu Zeit veröffentlichten Basiszinssatz, §§ 288 Absatz 1, 247 BGB.

(2) *Zahlungsweise.* Vorbehaltlich geltender steuerlicher und sonstiger gesetzlicher Regelungen und Vorschriften erfolgen zu leistende Zahlungen auf die Schuldverschreibungen in Euro.

(3) *Erfüllung.* Die Emittentin wird durch Leistung der Zahlung an das Clearing System oder dessen Order von ihrer Zahlungspflicht befreit.

(4) *Zahltag.* Fällt der Fälligkeitstag einer Zahlung in Bezug auf eine Schuldverschreibung auf einen Tag, der kein Zahltag ist, dann hat der Gläubiger keinen Anspruch auf Zahlung vor dem nächsten Zahltag am jeweiligen Geschäftsort. Der Gläubiger ist nicht berechtigt, weitere Zinsen oder sonstige Zahlungen aufgrund dieser Verspätung zu verlangen.

Für diese Zwecke bezeichnet "**Zahltag**" einen Tag, der ein Tag (außer einem Samstag oder Sonntag) ist, an dem das Clearing System sowie alle betroffenen Bereiche des Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET2) ("**TARGET**") betriebsbereit sind, um die betreffenden Zahlungen weiterzuleiten.

(5) *Bezugnahmen auf Kapital und Zinsen.* Bezugnahmen in diesen Emissionsbedingungen auf Kapital der Schuldverschreibungen schließen, soweit anwendbar, die folgenden Beträge ein: den Rückzahlungsbetrag der Schuldverschreibungen; den vorzeitigen Rückzahlungsbetrag der Schuldverschreibungen; sowie jeden Aufschlag sowie sonstige auf oder in Bezug auf die Schuldverschreibungen zahlbaren Beträge. Bezugnahmen in diesen Emissionsbedingungen auf Zinsen auf die Schuldverschreibungen sollen, soweit anwendbar, sämtliche gemäß § 7 zahlbaren zusätzlichen Beträge einschließen.

(6) *Hinterlegung von Kapital und Zinsen.* Die Emittentin ist berechtigt, beim Amtsgericht Frankfurt am Main Zins- oder Kapitalbeträge zu hinterlegen, die von den Gläubigern nicht innerhalb von zwölf Monaten nach dem Fälligkeitstag beansprucht worden sind, auch wenn die Gläubiger sich nicht in Annahmeverzug befinden. Soweit eine solche Hinterlegung erfolgt, und auf das Recht der Rücknahme verzichtet wird, erlöschen die diesbezüglichen Ansprüche der Gläubiger gegen die Emittentin.

§ 5 RÜCKZAHLUNG

(1) *Rückzahlung bei Endfälligkeit.* Soweit nicht zuvor bereits ganz oder teilweise zurückgezahlt oder angekauft und entwertet, werden die Schuldverschreibungen zu ihrem Rückzahlungsbetrag im Falle der 2021 Schuldverschreibungen am 30. März 2021, im Falle der 2023 Schuldverschreibungen am 2. Oktober 2023 und im Falle der 2027 Schuldverschreibungen am 30. März 2027 (der "**Fälligkeitstag**") zurückgezahlt. Der Rückzahlungsbetrag in Bezug auf jede Schuldverschreibung entspricht dem Nennbetrag der Schuldverschreibungen.

(2) *Vorzeitige Rückzahlung aus steuerlichen Gründen.* Die Schuldverschreibungen können insgesamt, jedoch nicht teilweise, nach Wahl der Emittentin mit einer Kündigungsfrist von nicht weniger als 30 und nicht mehr als 60 Tagen gegenüber dem Fiscal Agent und gemäß § 13 gegenüber den Gläubigern vorzeitig gekündigt und zu ihrem vorzeitigen Rückzahlungsbetrag (wie nachstehend definiert) zuzüglich bis zum für die Rückzahlung festgesetzten Tag aufgelaufener Zinsen zurückgezahlt werden, falls die Emittentin oder die Garantin als Folge einer Änderung oder Ergänzung der Steuer- oder Abgabengesetze und -vorschriften in Deutschland oder der Niederlande oder deren politischen Untergliederungen oder Steuerbehörden oder als Folge einer Änderung oder Ergänzung der Anwendung oder der offiziellen Auslegung dieser Gesetze und Vorschriften (vorausgesetzt, diese Änderung oder Ergänzung wird am oder nach dem Tag, an dem die letzte Tranche dieser Serie von Schuldverschreibungen begeben wird, wirksam) am nächstfolgenden Zinszahlungstag (wie in § 3 Absatz (1) definiert) zur Zahlung von zusätzlichen Beträgen (wie in § 7 dieser Bedingungen definiert) verpflichtet sein wird und diese Verpflichtung nicht durch das Ergreifen vernünftiger, der Emittentin oder der Garantin zur Verfügung stehender Maßnahmen vermieden werden kann.

Eine solche Kündigung darf allerdings nicht (i) früher als 90 Tage vor dem frühestmöglichen Termin erfolgen, an dem die Emittentin oder die Garantin verpflichtet wäre, solche zusätzlichen Beträge zu zahlen, falls eine Zahlung auf die Schuldverschreibungen dann fällig sein würde, oder (ii) erfolgen, wenn zu dem Zeitpunkt, zu dem die Kündigung erfolgt, die Verpflichtung zur Zahlung von zusätzlichen Beträgen nicht mehr wirksam ist.

Eine solche Kündigung hat gemäß § 13 zu erfolgen. Sie ist unwiderruflich, muss den für die Rückzahlung festgelegten Termin nennen und eine zusammenfassende Erklärung enthalten, welche die das Rückzahlungsrecht der Emittentin begründenden Umstände darlegt.

(3) Vorzeitiger Rückzahlungsbetrag.

Für die Zwecke des § 9 und des Absatzes (2) dieses § 5, entspricht der vorzeitige Rückzahlungsbetrag einer Schuldverschreibung dem Rückzahlungsbetrag.

§ 6 DER FISCAL AGENT UND DIE ZAHLSTELLEN

(1) Bestellung; bezeichnete Geschäftsstelle. Der anfänglich bestellte Fiscal Agent und die anfänglich bestellte Zahlstelle und deren bezeichnete Geschäftsstellen lauten wie folgt:

Fiscal Agent und Zahlstelle:	Citibank, N.A. Citigroup Centre Canary Wharf London E14 5LB Vereinigtes Königreich
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Luxembourg Listing Agent:	BNP Paribas Securities Services, Luxembourg Branch 60 avenue J.F. Kennedy L-2085 Luxembourg Grand Duchy of Luxembourg
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Der Fiscal Agent behält sich das Recht vor, jederzeit seine bezeichneten Geschäftsstelle durch eine andere bezeichnete Geschäftsstelle in derselben Stadt zu ersetzen.

(2) Änderung der Bestellung oder Abberufung. Die Emittentin behält sich das Recht vor, jederzeit die Bestellung des Fiscal Agent oder der Zahlstelle zu ändern oder zu beenden und einen anderen Fiscal Agent oder zusätzliche Zahlstellen zu bestellen. Die Emittentin wird zu jedem Zeitpunkt (i) einen Fiscal Agent unterhalten und (ii) solange die Schuldverschreibungen an der Luxemburger Börse notiert sind, eine Zahlstelle (die der Fiscal Agent sein kann) mit bezeichneter Geschäftsstelle in Luxemburg und/oder an solchen anderen Orten unterhalten, die die Regeln dieser Börse verlangen. Eine Änderung, Abberufung, Bestellung oder ein sonstiger Wechsel wird nur wirksam (außer im Insolvenzfall, in dem eine solche Änderung sofort wirksam wird), sofern die Gläubiger hierüber gemäß § 13 vorab unter Einhaltung einer Frist von mindestens 30 und nicht mehr als 45 Tagen informiert wurden.

Für die Zwecke dieser Emissionsbedingungen bezeichnet "**Vereinigte Staaten**" die Vereinigten Staaten von Amerika (einschließlich deren Bundesstaaten und des District of Columbia) sowie deren Territorien (einschließlich Puerto Ricos, der U. S. Virgin Islands, Guam, American Samoa, Wake Island und Northern Mariana Islands).

(3) Erfüllungsgehilfe(n) der Emittentin. Der Fiscal Agent handelt ausschließlich als Erfüllungsgehilfe der Emittentin und übernimmt keinerlei Verpflichtungen gegenüber den Gläubigern und es wird kein Auftrags- oder Treuhandverhältnis zwischen ihm und den Gläubigern begründet.

§ 7 STEUERN

Sämtliche auf die Schuldverschreibungen zu zahlenden Beträge sind ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftigen Steuern oder sonstigen Abgaben gleich welcher Art zu leisten, die von oder in den Niederlanden oder Deutschland oder für deren Rechnung oder von oder für Rechnung einer politischen Untergliederung oder Steuerbehörde von oder in den Niederlanden oder Deutschland auferlegt oder erhoben werden, es sei denn, ein solcher Einbehalt oder Abzug ist gesetzlich vorgeschrieben. In diesem Fall wird die Emittentin diejenigen zusätzlichen Beträge (die "**zusätzlichen Beträge**") zahlen, die erforderlich sind, damit die den Gläubigern zufließenden Nettobeträge nach diesem Einbehalt oder Abzug jeweils den Beträgen entsprechen, die ohne einen solchen Einbehalt oder Abzug von den Gläubigern empfangen worden wären; die Verpflichtung zur Zahlung solcher zusätzlicher Beträge besteht jedoch nicht im Hinblick auf Steuern und Abgaben, die:

- (a) von einer als Depotbank oder Inkassobeauftragter des Gläubigers handelnden Person oder sonst auf andere Weise zu entrichten sind als dadurch, dass die Emittentin aus den von ihr zu leistenden Zahlungen von Kapital oder Zinsen einen Abzug oder Einbehalt vornimmt; oder
- (b) wegen einer gegenwärtigen oder früheren persönlichen oder geschäftlichen Beziehung des Gläubigers zu den Niederlanden oder Deutschland zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen aus Quellen in den Niederlanden oder 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, welche an eine natürliche Person oder an bestimmte juristische Personen, die als sonstige Einrichtungen (residual entities) bezeichnet werden ausgeschüttet werden oder (ii) einer zwischenstaatlichen Vereinbarung über deren Besteuerung, an der die Niederlande oder Deutschland oder die Europäische Union beteiligt ist, oder (iii) einer gesetzlichen Vorschrift, die diese Richtlinie, Verordnung oder Vereinbarung umsetzt oder befolgt, oder (iv) des Gesetzes vom 23. Dezember 2005, geändert durch das Gesetz vom 17. Juli 2008 bezüglich natürlicher Personen, die in Luxemburg ansässig sind, abzuziehen oder einzubehalten sind oder
- (d) aufgrund einer Rechtsänderung zahlbar sind, die 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 einbehalten oder abgezogen werden, wenn die Zahlung von einer anderen Zahlstelle ohne den Einbehalt oder Abzug hätte vorgenommen werden können.

Unbeschadet gegenteiliger Bestimmungen in diesen Anleihebedingungen ist es der Emittentin, der Garantin und jeder Zahlstelle gestattet, Beträge einzubehalten oder abzuziehen, die aufgrund jedweder Steuer, die gemäß der Abschnitte 1471 bis 1474 des U.S. Internal Revenue Codes von 1986 in ihrer jeweils geltenden Fassung und den hierunter verkündeten Verordnungen, gemäß einem zwischenstaatlichen Vertrag oder Gesetzen oder Verordnungen anderer Staaten, die im Hinblick hierauf erlassen wurden oder nach jeder Vereinbarung mit dem U.S. Internal Revenue Service erhoben werden und auf die Schuldverschreibungen zahlbar sind. Weiterhin sind sie nicht verpflichtet, zusätzliche Beträge im Hinblick auf solche Steuern zu zahlen.

§ 8 VORLEGUNGSFRIST

Die in § 801 Absatz 1 Satz 1 BGB bestimmte Vorlegungsfrist wird für die Schuldverschreibungen auf zehn Jahre verkürzt.

§ 9 KÜNDIGUNG

(1) *Kündigungsgründe.* Jeder Gläubiger ist berechtigt, seine sämtlichen Forderungen aus den Schuldverschreibungen ganz oder teilweise durch Kündigung gegenüber dem Fiscal Agent fällig zu stellen und Rückzahlung zu ihrem vorzeitigen Rückzahlungsbetrag (wie in § 5 beschrieben), zuzüglich etwaiger bis zum Tage der Rückzahlung aufgelaufener Zinsen zu verlangen, falls:

- (a) die Emittentin Kapital oder Zinsen nicht innerhalb von 30 Tagen nach dem betreffenden Fälligkeitstag zahlt; oder
- (b) die Emittentin die ordnungsgemäße Erfüllung irgendeiner anderen Verpflichtung aus den Schuldverschreibungen oder die Garantin die Erfüllung einer Verpflichtung aus der Garantie, auf die in § 2 Bezug genommen wird, unterlässt und diese Unterlassung nicht geheilt werden kann oder, falls sie geheilt werden kann, länger als 90 Tage fort dauert, nachdem der Fiscal Agent hierüber eine Benachrichtigung von einem Gläubiger erhalten hat; oder
- (c) die Emittentin oder die Garantin ihre Zahlungsunfähigkeit bekanntgibt; oder
- (d) ein Gericht ein Konkurs- oder anderes Insolvenzverfahren gegen die Emittentin oder die Garantin eröffnet, oder ein Verfahren eröffnet wird, welches nicht innerhalb von 60 Tagen beendet oder eingestellt wird oder die Emittentin oder die Garantin ein solches Verfahren einleitet oder beantragt oder die Emittentin ein "*surseance van betaling*" (im Sinne des niederländischen Insolvenzrechts) beantragt; oder
- (e) die Emittentin oder die Garantin in Liquidation tritt, es sei denn, dies geschieht im Zusammenhang mit einer Verschmelzung oder einer anderen Form des Zusammenschlusses mit einer anderen Gesellschaft und diese Gesellschaft übernimmt alle Verpflichtungen, die die Emittentin oder die Garantin im Zusammenhang mit diesen Schuldverschreibungen eingegangen ist; oder
- (f) die Garantie, gleich aus welchem Grund, nicht mehr in vollem Umfang rechtswirksam ist.

Das Kündigungsrecht erlischt, falls der Kündigungsgrund vor Ausübung des Rechts geheilt wurde.

(2) *Quorum.* Im Falle von Absatz (1) (b) wird eine Kündigung, sofern nicht bei deren Eingang zugleich einer der in Absatz (1)(a) und (1)(c) bis (1)(e) bezeichneten Kündigungsgründe vorliegt, erst wirksam, wenn bei dem Fiscal Agent Kündigungserklärungen von Gläubigern von Schuldverschreibungen im Nennbetrag von mindestens $\frac{1}{10}$ der dann ausstehenden Schuldverschreibungen eingegangen sind.

(3) *Benachrichtigung.* Eine Benachrichtigung, einschließlich einer Kündigung der Schuldverschreibungen gemäß vorstehendem Absatz (1) ist schriftlich in deutscher oder englischer Sprache gegenüber dem Fiscal Agent zu erklären und persönlich oder per Einschreiben an dessen bezeichnete Geschäftsstelle zu übermitteln. Der Benachrichtigung ist ein Nachweis beizufügen, aus dem sich ergibt, dass der betreffende Gläubiger zum Zeitpunkt der Abgabe der Benachrichtigung Inhaber der betreffenden Schuldverschreibung ist. Der Nachweis kann durch eine Bescheinigung der Depotbank (wie in § 14 Absatz (3) definiert) oder auf andere geeignete Weise erbracht werden.

§ 10 ERSETZUNG

(1) *Ersetzung.* Die Emittentin ist jederzeit berechtigt, sofern sie sich nicht mit einer Zahlung von Kapital oder Zinsen auf die Schuldverschreibungen in Verzug befindet, ohne Zustimmung der Gläubiger entweder die Garantin oder eine Tochtergesellschaft (wie nachstehend definiert) der Garantin an ihrer Stelle als Hauptschuldnerin (die "**Nachfolgeschuldnerin**") für alle Verpflichtungen aus und im Zusammenhang mit diesen Schuldverschreibungen einzusetzen, sofern:

- (a) die Nachfolgeschuldnerin in der Lage ist, sämtliche sich aus oder im Zusammenhang mit diesen Schuldverschreibungen ergebenden Zahlungsverpflichtungen ohne die Notwendigkeit eines Einbehalts von irgendwelchen Steuern oder Abgaben an der Quelle zu erfüllen sowie die hierzu erforderlichen Beträge ohne Beschränkungen an den Fiscal Agent übertragen können;
- (b) die Nachfolgeschuldnerin alle Verpflichtungen der Emittentin aus oder im Zusammenhang mit diesen Schuldverschreibungen übernimmt;
- (c) die Nachfolgeschuldnerin sich verpflichtet, jedem Gläubiger alle Steuern, Gebühren oder Abgaben zu erstatten, die ihm in Folge der Ersetzung durch die Nachfolgeschuldnerin auferlegt werden;
- (d) sichergestellt ist, dass sich die Verpflichtungen der Garantin aus der Garantie auch auf die Schuldverschreibungen der Nachfolgeschuldnerin erstrecken;
- (e) dem Fiscal Agent jeweils eine Bestätigung bezüglich der betroffenen Rechtsordnungen von anerkannten Rechtsanwälten vorgelegt wird, dass die Bestimmungen in den vorstehenden Unterabsätzen (a), (b), (c) und (d) erfüllt wurden; und
- (f) es sich bei der Nachfolgeschuldnerin nicht um die VW Credit, Inc. oder Volkswagen Group of America Finance, LLC handelt.

Im Sinne dieser Bedingungen bedeutet "**Tochtergesellschaft**" eine Kapital- oder Personengesellschaft, an der die Volkswagen Aktiengesellschaft direkt oder indirekt insgesamt mehr als 90% des Kapitals jeder Klasse oder der Stimmrechte hält.

(2) *Bekanntmachung.* Jede Ersetzung ist gemäß § 13 bekannt zu machen.

(3) *Änderung von Bezugnahmen.* Im Fall einer Ersetzung gilt jede Bezugnahme in diesen Emissionsbedingungen auf die Emittentin ab dem Zeitpunkt der Ersetzung als Bezugnahme auf die Nachfolgeschuldnerin und jede Bezugnahme auf das Land, in dem die Emittentin ihren Sitz oder Steuersitz hat, gilt ab diesem Zeitpunkt als Bezugnahme auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat. Des Weiteren gilt im Fall einer Ersetzung folgendes:

In § 7 und § 5 Absatz (2) gilt eine alternative Bezugnahme auf die Niederlande als aufgenommen (zusätzlich zu der Bezugnahme nach Maßgabe des vorstehenden Satzes auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat).

§ 11

BEGEBUNG WEITERER SCHULDVERSCHREIBUNGEN, ANKAUF UND ENTWERTUNG

(1) *Begebung weiterer Schuldverschreibungen.* Die Emittentin ist berechtigt, jederzeit ohne Zustimmung der Gläubiger weitere Schuldverschreibungen mit gleicher Ausstattung (gegebenenfalls mit Ausnahme des Tags der Begebung, des Verzinsungsbeginns und/oder des Ausgabepreises) in der Weise zu begeben, dass sie mit diesen Schuldverschreibungen eine einheitliche Serie bilden.

(2) *Ankauf.* Die Emittentin ist berechtigt, jederzeit Schuldverschreibungen im Markt oder anderweitig zu jedem beliebigen Preis zu kaufen. Die von der Emittentin erworbenen Schuldverschreibungen können nach Wahl der Emittentin von ihr gehalten, weiterverkauft oder bei dem Fiscal Agent zwecks Entwertung eingereicht werden. Sofern diese Käufe durch ein öffentliches Angebot erfolgen, muss dieses Angebot allen Gläubigern gemacht werden.

(3) *Entwertung.* Sämtliche vollständig zurückgezahlten Schuldverschreibungen sind unverzüglich zu entwerten und können nicht wiederbegeben oder wiederverkauft werden.

§ 12

ÄNDERUNG DER ANLEIHEBEDINGUNGEN, GEMEINSAMER VERTRETER, ÄNDERUNG DER GARANTIE

(1) *Änderung der Anleihebedingungen.* Die Gläubiger können entsprechend den Bestimmungen des Gesetzes über Schuldverschreibungen aus Gesamtemissionen (Gesetz über Schuldverschreibungen aus Gesamtemissionen – "**SchVG**") durch einen Beschluss mit der in Absatz 2 bestimmten Mehrheit über einen im SchVG zugelassenen Gegenstand eine Änderung der Anleihebedingungen mit der Emittentin vereinbaren. Die Mehrheitsbeschlüsse der Gläubiger sind für alle Gläubiger gleichermaßen verbindlich. Ein Mehrheitsbeschluss der Gläubiger, der nicht gleiche Bedingungen für alle Gläubiger vorsieht, ist unwirksam, es sei denn die benachteiligten Gläubiger stimmen ihrer Benachteiligung ausdrücklich zu.

(2) *Mehrheitserfordernisse.* Die Gläubiger entscheiden mit einer Mehrheit von 75 % der an der Abstimmung teilnehmenden Stimmrechte. Beschlüsse, durch welche der wesentliche Inhalt der Anleihebedingungen nicht geändert wird und die keinen Gegenstand der § 5 Absatz 3, Nr. 1 bis Nr. 8 des SchVG betreffen, bedürfen zu ihrer Wirksamkeit einer einfachen Mehrheit der an der Abstimmung teilnehmenden Stimmrechte.

(3) *Abstimmung ohne Versammlung.* Alle Abstimmungen werden ausschließlich im Wege der Abstimmung ohne Versammlung durchgeführt. Eine Gläubigerversammlung und eine Übernahme der Kosten für eine solche Versammlung durch die Emittentin findet ausschließlich im Fall des § 18 Absatz 4, Satz 2 SchVG statt.

(4) *Leitung der Abstimmung.* Die Abstimmung wird von einem von der Emittentin beauftragten Notar oder, falls der gemeinsame Vertreter zur Abstimmung aufgefordert hat, vom gemeinsamen Vertreter geleitet.

(5) *Stimmrecht.* An Abstimmungen der Gläubiger nimmt jeder Gläubiger nach Maßgabe des Nennwerts oder des rechnerischen Anteils seiner Berechtigung an den ausstehenden Schuldverschreibungen teil.

(6) *Gemeinsamer Vertreter.* Die Gläubiger können durch Mehrheitsbeschluss zur Wahrnehmung ihrer Rechte einen gemeinsamen Vertreter (der "**gemeinsame Vertreter**") für alle Gläubiger bestellen.

(7) *Änderung der Garantie.* Die oben aufgeführten auf die Schuldverschreibungen anwendbaren Bestimmungen finden sinngemäß auf die Bestimmungen der Garantie der Volkswagen Aktiengesellschaft Anwendung.

§ 13 MITTEILUNGEN

(1) *Bekanntmachung.* Alle die Schuldverschreibungen betreffenden Mitteilungen sind durch elektronische Publikation auf der Website der Luxemburger Börse (www.bourse.lu) zu veröffentlichen. Jede derartige Mitteilung gilt am dritten Tag nach dem Tag der Veröffentlichung (oder bei mehreren Veröffentlichungen am dritten Tag nach dem Tag der ersten solchen Veröffentlichung) als wirksam erfolgt.

(2) *Mitteilungen an das Clearing System.*

Solange die Schuldverschreibungen an der Luxemburger Börse notiert sind, findet Absatz (1) Anwendung. Soweit dies Mitteilungen über den Zinssatz betrifft oder die Regeln der Luxemburger Börse es zulassen, kann die Emittentin eine Veröffentlichung nach Absatz (1) durch eine Mitteilung an das Clearing System zur Weiterleitung an die Gläubiger ersetzen; jede derartige Mitteilung gilt am siebten Tag nach dem Tag der Mitteilung an das Clearing System als den Gläubigern mitgeteilt.

§ 14 ANWENDBARES RECHT, GERICHTSSTAND UND GERICHTLICHE GELTENDMACHUNG

(1) *Anwendbares Recht.* Die Schuldverschreibungen einschließlich die Rechte und Pflichten der Gläubiger und der Emittentin unterliegen in jeder Hinsicht deutschem Recht.

(2) *Gerichtsstand.* Nicht ausschließlich zuständig für sämtliche im Zusammenhang mit den Schuldverschreibungen entstehenden Klagen oder sonstige Verfahren ("**Rechtsstreitigkeiten**") ist das Landgericht Frankfurt am Main. Die Gläubiger können ihre Ansprüche jedoch auch vor anderen zuständigen Gerichten geltend machen. Die deutschen Gerichte sind ausschließlich zuständig für die Kraftloserklärung abhanden gekommener oder vernichteter Schuldverschreibungen. Die Emittentin unterwirft sich hiermit der Gerichtsbarkeit der nach diesem Absatz zuständigen Gerichte.

Das Amtsgericht Frankfurt am Main ist gemäß § 9 Abs. 3 SchVG zuständig für alle Verfahren nach §§ 9 Abs. 2, 13 Abs. 3 und 18 Abs. 2 SchVG und das Landgericht Frankfurt am Main ist gemäß § 20 Abs. 3 SchVG ausschließlich zuständig für Klagen im Zusammenhang mit der Anfechtung von Beschlüssen der Anleihegläubiger.

(3) *Bestellung von Zustellungsbevollmächtigten.* Für etwaige Rechtsstreitigkeiten vor deutschen Gerichten bestellt die Emittentin die Volkswagen Aktiengesellschaft, Berliner Ring 2, 38440 Wolfsburg, Deutschland, zu ihrer Zustellungsbevollmächtigten in Deutschland.

(4) *Gerichtliche Geltendmachung.* Jeder Gläubiger von Schuldverschreibungen ist berechtigt, in jedem Rechtsstreit gegen die Emittentin oder in jedem Rechtsstreit, in dem der Gläubiger und die Emittentin Partei sind, seine Rechte aus diesen Schuldverschreibungen im eigenen Namen auf der folgenden Grundlage zu schützen oder geltend zu machen: (i) er bringt eine Bescheinigung der Depotbank bei, bei der er für die Schuldverschreibungen ein Wertpapierdepot unterhält, welche (a) den vollständigen Namen und die vollständige Adresse des Gläubigers enthält, (b) den Gesamtnennbetrag der Schuldverschreibungen bezeichnet, die unter dem Datum der Bestätigung auf dem Wertpapierdepot verbucht sind und (c) bestätigt, dass die Depotbank gegenüber dem Clearing System eine schriftliche Erklärung abgegeben hat, die die vorstehend unter (a) und (b) bezeichneten Informationen enthält; und (ii) er legt eine Kopie der die betreffenden Schuldverschreibungen verbriefenden Globalurkunde vor, deren Übereinstimmung mit dem Original eine vertretungsberechtigte Person des Clearing Systems oder des Verwahrers des Clearing Systems bestätigt hat, ohne dass eine Vorlage der Originalbelege oder der die Schuldverschreibungen verbriefenden Globalurkunde in einem solchen Verfahren erforderlich wäre. Für die Zwecke des Vorstehenden bezeichnet "**Depotbank**" jede Bank oder ein sonstiges anerkanntes Finanzinstitut, das berechtigt ist, das Wertpapierverwahrungsgeschäft zu betreiben und bei der/dem der Gläubiger ein Wertpapierdepot für die Schuldverschreibungen unterhält, einschließlich des Clearing Systems. Unbeschadet des Vorstehenden kann jeder Gläubiger seine Rechte aus den Schuldverschreibungen auch auf jede andere Weise schützen oder geltend machen, die im Land des Rechtsstreits prozessual zulässig ist.

§ 15
SPRACHE

Diese Emissionsbedingungen sind in deutscher Sprache abgefasst. Eine Übersetzung in die englische Sprache ist beigelegt. Der deutsche Text ist bindend und maßgeblich. Die Übersetzung in die englische Sprache ist unverbindlich.

8. GUARANTEE AND NEGATIVE PLEDGE

Guarantee and Negative Pledge
by
VOLKSWAGEN AKTIENGESELLSCHAFT,
Wolfsburg, Germany,
(the "**Guarantor**")
in favour of the holders of the
EUR • floating rate notes due 2019 (the "**2019 Notes**")
EUR • • per cent. notes due 2021 (the "**2021 Notes**"), the
EUR • • per cent. notes due 2023 (the "**2023 Notes**"),
and the
EUR • • per cent. notes due 2027 (the "**2027 Notes**" and,
together with the 2019 Notes, the 2021 Notes and the 2023 Notes, the "**Notes**")
issued by
Volkswagen International Finance N.V.,
Amsterdam, The Netherlands (the "**Issuer**")

The Guarantor hereby unconditionally and irrevocably guarantees to the holder of each Note (each, a "**Holder**") the due payment of the amounts corresponding to the principal of and interest, if any, on the respective Notes in accordance with the respective terms applicable to such Notes.

The intent and purpose of this Guarantee is to ensure that the Holders under all circumstances, whether factual or legal, and regardless of the validity and enforceability of the obligations of the Issuer or any company that may have been substituted for the same, pursuant to Condition 10 of the Terms and Conditions of the Notes may fail to effect payment, shall receive the amounts payable as principal and interest on the dates provided for in the Terms and Conditions of the Notes.

The Guarantor expressly guarantees the payment of principal of, and interest on, the Notes.

The Guarantor further undertakes, as long as Notes are outstanding, but only up to the time all amounts of principal and interest, if any, have been placed at the disposal of the Fiscal Agent, not to provide for any other Bond Issue, including any guarantee or indemnity in respect thereof, any security upon its assets without at the same time having the Holders share equally and rateably in such security. For the avoidance of doubt, this undertaking shall not apply to security provided in connection with asset backed securities issued by the Guarantor, or by a special purpose vehicle where the Guarantor is the originator of the underlying assets. For the purposes of this Guarantee and Negative Pledge, "**Bond Issue**" shall mean an issue of debt securities which is, or is intended to be, or is capable of being, quoted, listed or dealt in on any stock exchange, over-the counter or other securities market.

The obligations of the Guarantor under this Guarantee and Negative Pledge shall, without any further act or thing being required to be done or to occur, extend to the obligations of any Substitute Debtor which is not the Guarantor arising in respect of any Note by virtue of a substitution pursuant to the Terms and Conditions.

This Agreement and all undertakings contained herein constitute a contract for the benefit of the Holders from time to time as third party beneficiaries pursuant to § 328 (1) of the German Civil Code (*Bürgerliches Gesetzbuch*)¹. They give rise to the right of each such Holder to require performance of the obligations undertaken herein directly from the Guarantor, and to enforce such obligations directly against the Guarantor.

Any Holder has the right in case of non-performance of any payments on the Notes to enforce the Guarantee by filing a suit directly against the Guarantor without the need to take prior proceedings against the relevant Issuer.

¹ An English language translation of § 328 (1) German Civil Code would read as follows: "A contract may stipulate performance for the benefit of a third party, to the effect that the third party acquires the right directly to demand performance."

Citibank, N.A., which accepted this Guarantee in its capacity as Fiscal Agent does not act in a relationship of agency or trust, a fiduciary or in any other similar capacity for the Holders.

Terms used in this Agreement and not otherwise defined herein shall have the meaning attributed to them in the Conditions.

The provisions regarding the Amendment of the Terms and Conditions and the Holder's Representative as set forth in § 12 of the Conditions shall be applicable *mutatis mutandis* also to this Guarantee. Should the Conditions of the Notes be amended by an agreement based on § 12 of the Conditions between the Holders and the Issuer this Guarantee shall also apply to payments due under the amended Terms and Conditions.

The rights and obligations arising from this Guarantee and Negative Pledge shall in all respects be determined in accordance with German law. Place of performance shall be Frankfurt am Main.

This Agreement is written in the German language and attached hereto is a non-binding English translation.

The original version of this Agreement shall be delivered to, and kept by, Citibank, N.A.

Exclusive place of jurisdiction for all legal proceedings arising out of or in connection with this Agreement against the Guarantor shall be Frankfurt am Main.

On the basis of a copy of this Agreement certified as being a true copy by a duly authorised officer of Citibank, N.A., each Holder may protect and enforce in his own name his rights arising under this Agreement in any legal proceedings against the Guarantor or to which such Holder and the Guarantor are parties, without the need for production of this Agreement in such proceedings.

Wolfsburg, 28 March 2017

VOLKSWAGEN AKTIENGESELLSCHAFT

Dr. Jörg Boche

Dr. Jesko Rosenmüller

We accept the terms of the above Guarantee and Negative Pledge without recourse, warranty or liability.

London, 28 March 2017

CITIBANK, N.A.

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9. GARANTIE UND NEGATIVVERPFLICHTUNG

Garantie und Negativverpflichtung
der
VOLKSWAGEN AKTIENGESELLSCHAFT,
Wolfsburg, Deutschland,
(die "**Garantin**")
zugunsten der Anleihegläubiger der
EUR • variabel verzinslichen Schuldverschreibungen fällig 2019
(die "**2019 Schuldverschreibungen**"), der
EUR • • % Schuldverschreibungen fällig 2021
(die "**2021 Schuldverschreibungen**"), der
EUR • • % Schuldverschreibungen fällig 2023
(die "**2023 Schuldverschreibungen**") und der
EUR • • % Schuldverschreibungen fällig 2027
(die "**2027 Schuldverschreibungen**")
und zusammen mit den 2019 Schuldverschreibungen,
den 2021 Schuldverschreibungen und den 2023 Schuldverschreibungen,
die "**Schuldverschreibungen**")
begeben von
Volkswagen International Finance N.V.,
Amsterdam, Niederlande (die "**Emittentin**")

Die Garantin gewährleistet hiermit den Gläubigern der Schuldverschreibungen (die "**Gläubiger**") unwiderruflich und unbedingte ordnungsgemäße Zahlung der Beträge, die Kapital und etwaigen Zinsen der Schuldverschreibungen entsprechen, nach Maßgabe der für die Schuldverschreibungen jeweils geltenden Bedingungen.

Sinn und Zweck dieser Garantie ist es sicherzustellen, dass die Gläubiger unter allen tatsächlichen oder rechtlichen Umständen und ungeachtet der Wirksamkeit und Durchsetzbarkeit der Verpflichtungen der Emittentin oder der gemäß § 10 der für die Schuldverschreibungen geltenden Bedingungen an ihre Stelle getretenen Gesellschaft unterbleiben mag, die als Kapital und etwaige Zinsen zahlbaren Beträge zu den in den für die Schuldverschreibungen geltenden Bedingungen vorgesehenen Terminen erhalten.

Die Garantin gewährleistet ausdrücklich die Zahlung von Kapital und etwaigen Zinsen der Schuldverschreibungen.

Die Garantin verpflichtet sich ferner, solange Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, an dem alle Beträge an Kapital und etwaigen Zinsen dem Fiscal Agent zur Verfügung gestellt worden sind, für andere Anleihen, einschließlich dafür übernommener Garantien und Gewährleistungen, keine Sicherheiten an ihrem Vermögen zu bestellen, ohne gleichzeitig und im gleichen Rang die Gläubiger an solchen Sicherheiten teilnehmen zu lassen. Um etwaige Zweifel zu vermeiden, diese Verpflichtung gilt nicht in Bezug auf Sicherheiten, die in Zusammenhang mit von der Garantin begebenen *asset-backed-securities* (strukturierte Wertpapiere, die mit Vermögenswerten besichert sind) gestellt werden oder für *asset-backed-securities*, die von einer Zweckgesellschaft begeben werden, und bei denen die Garantin die ursprüngliche Inhaberin der zugrunde liegenden Vermögenswerte ist. Im Sinne dieser Garantie und Negativverpflichtung bedeutet "**Anleihe**" eine Emission von Schuldverschreibungen, die an einer Wertpapierbörse, im Freiverkehr oder einem anderen Wertpapiermarkt notiert, eingeführt oder gehandelt werden oder notiert, eingeführt oder gehandelt werden sollen oder können.

Die Verpflichtungen der Garantin aus dieser Garantie und Negativverpflichtung erstrecken sich, ohne dass eine weitere Handlung durchgeführt werden oder ein weiterer Umstand entstehen muss, auf solche Verpflichtungen jeglicher nicht mit der Garantin identischen neuen Emittentin, die infolge einer Schuldnerersetzung gemäß den anwendbaren Bestimmungen der Bedingungen in Bezug auf jedwede Schuldverschreibung entstehen.

Diese Garantie und alle hierin enthaltenen Vereinbarungen sind ein Vertrag zu Gunsten der Gläubiger der Schuldverschreibungen als begünstigte Dritte gemäß § 328 Abs. 1 BGB und begründen das

Recht eines jeden Gläubigers, die Erfüllung der hierin eingegangenen Verpflichtungen unmittelbar von der Garantin zu fordern und diese Verpflichtungen unmittelbar gegenüber der Garantin durchzusetzen.

Ein Gläubiger einer Schuldverschreibung kann im Falle der Nichterfüllung von Zahlungen auf die Schuldverschreibungen zur Durchsetzung dieser Garantie unmittelbar gegen die Garantin Klage erheben, ohne dass zunächst ein Verfahren gegen die Emittentin eingeleitet werden müsste.

Die Citibank, N.A., mit der die hierin enthaltenen Vereinbarungen getroffen werden, handelt als Fiscal Agent nicht als Beauftragte, Treuhänderin oder in einer ähnlichen Eigenschaft für die Gläubiger von Schuldverschreibungen.

Die hierin verwendeten und nicht anders definierten Begriffe haben die ihnen in den Bedingungen zugewiesene Bedeutung.

Die Bestimmungen über die Änderung der Anleihebedingungen und den Gemeinsamen Vertreter gemäß § 12 der Bedingungen gelten sinngemäß auch für diese Garantie. Sollten die Bedingungen der Schuldverschreibungen durch Vereinbarung zwischen den Gläubigern und der Emittentin gemäß § 12 der Bedingungen geändert werden, gilt diese Garantie auch für die Zahlung aller gemäß der geänderten Bedingungen zahlbaren Beträge.

Die Rechte und Pflichten aus dieser Garantie und Negativverpflichtung bestimmen sich in jeder Hinsicht nach deutschem Recht. Erfüllungsort ist Frankfurt am Main.

Diese Garantie und Negativverpflichtung ist in deutscher Sprache abgefasst und in die englische Sprache übersetzt. Die deutschsprachige Fassung ist verbindlich und allein maßgeblich.

Das Original dieser Garantie und Negativverpflichtung wird der Citibank, N.A., ausgehändigt und von dieser verwahrt.

Ausschließlicher Gerichtsstand für alle Rechtsstreitigkeiten gegen die Garantin aus oder im Zusammenhang mit dieser Garantie und Negativverpflichtung ist Frankfurt am Main.

Jeder Gläubiger der Schuldverschreibungen kann in jedem Rechtsstreit gegen die Garantin und in jedem Rechtsstreit, in dem er und die Garantin Partei sind, seine aus dieser Garantie und Negativverpflichtung hervorgehenden Rechte auf der Grundlage einer von einer vertretungsberechtigten Person der Citibank, N.A., beglaubigten Kopie dieser Garantie ohne Vorlage des Originals im eigenen Namen wahrnehmen und durchsetzen.

Wolfsburg, 28. März 2017

VOLKSWAGEN AKTIENGESELLSCHAFT

Dr. Jörg Boche

Dr. Jesko Rosenmüller

Wir akzeptieren die Bestimmungen der vorstehenden Garantie ohne Obligo, Gewährleistung oder Rückgriff auf uns.

London, 28. März 2017

CITIBANK, N.A.

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10. DESCRIPTION OF RULES REGARDING RESOLUTIONS OF HOLDERS

The Terms and Conditions pertaining to the Notes provide that the Holders 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 Holders shall be binding on each Holder of the Notes, irrespective of whether such Holder took part in the vote and whether such Holder voted in favour 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 and the convening and conduct of meetings of Holders, the passing and publication of resolutions as well as their implementation and challenge before German courts.

10.1 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) where a common representative of the Holders (the "**Holders' Representative**") has been appointed, the Holders' Representative if the vote was solicited by the Holders' Representative, or (iii) a person appointed by the competent court.

The notice soliciting the Holders' votes shall set out the period within which votes may be cast. During such voting period, the Holders 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 Holder's entitlement to cast a vote based on evidence provided by such Holder and shall prepare a list of the Holders 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 Holders. Within one year following the end of the voting period, each Holder participating in the vote may request a copy of the minutes of such vote and any annexes thereto from the Issuer.

Each Holder 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 Holder 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.

10.2 Rules regarding Holders' Meetings applicable to Votes without Meeting

In addition, the statutory rules applicable to the convening and conduct of Holders' meetings will apply mutatis mutandis to any vote without a meeting. The following summarises some of such rules.

Meetings of Holders may be convened by the Issuer or the Holders' Representative, if any. Meetings of Holders must be convened if one or more Holders 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 Holders. The convening notice will provide what proof will be required for attendance and voting at the meeting.

The place of the meeting in respect of a German issuer is the place of the issuer's registered office, provided, however, that where the relevant 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 Holder may be represented by proxy. A quorum exists if Holders' representing by value not less than 50 per cent. of the outstanding Notes. If the quorum is not reached, a second meeting may be called 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. In the case of Notes represented by one or more Global Notes, resolutions which amend or supplement the Terms and Conditions have to be implemented by supplementing or amending the relevant Global Note(s).

In insolvency proceedings instituted in Germany against an Issuer, a Holders' Representative, if appointed, is obliged and exclusively entitled to assert the Holders' rights under the Notes. Any resolutions passed by the Holders are subject to the provisions of the Insolvency Code (*Insolvenzordnung*).

If a resolution constitutes a breach of the statute or the Terms and Conditions, Holders 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.

11. USE OF PROCEEDS

The net proceeds from the issue of the Notes will be used for general corporate purposes of the Volkswagen Group.

12. TAXATION

The following is a general discussion of certain German, Dutch and Luxembourg tax consequences of the acquisition and ownership of the Notes. This discussion does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes. The following section only provides some very general information on the possible tax treatment of the Notes. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the laws of Germany, The Netherlands and the Grand Duchy of Luxembourg currently in force and as applied on the date of this Prospectus. These laws are subject to change, possibly with retroactive or retrospective effect.

PROSPECTIVE PURCHASERS OF THE NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF NOTES, including the effect of any state or local taxes, under the tax laws of Germany, THE NETHERLANDS AND THE GRAND DUCHY OF LUXEMBOURG and each country of which they are residents.

12.1 Taxation in Germany

12.1.1 *Income Taxation – Tax Residents*

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.

12.1.1.1 *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:

The Notes 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 qualify as taxable savings income (*Einkünfte aus Kapitalvermögen*) pursuant to section 20 para 1 no 7 ITA.

Capital gains / capital losses realized 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, 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 a tax decree issued by the Federal Ministry of Finance dated 18 January 2016, a sale shall be disregarded where the transaction costs exceed the sales proceeds, which means that losses suffered from such "sale" shall not be tax-deductible. Similarly, a bad debt loss (*Forderungsausfall*), i.e. should the Issuer become insolvent, and a waiver of a receivable (*Forderungsverzicht*), to the extent the waiver does not qualify as a hidden contribution, shall not be treated like a sale. Accordingly, losses suffered upon such bad debt loss or waiver shall not be tax-deductible. The same shall apply where, based on an agreement with the depositary institution, the transaction costs are calculated on the basis of the sale proceeds taking into account a deductible amount.

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.

With regard to savings earnings (*Kapitalerträge*), for example, 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 (for example, if the Notes had been transferred from a non-EU custodial account prior to the sale) and the acquisition costs of the Notes are not proven to the German Disbursing Agent in the form required by law, 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 to deduct any negative savings income (*negative Kapitalerträge*) or paid accrued interest (*Stückzinsen*) in the same calendar year or unused negative savings income of previous calendar years.

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, if applicable, 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 tax return and will then be assessed to church tax.

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 € 801 (€ 1,602 in the case of jointly assessed husband and wife or registered life partners). Similarly, no withholding tax will be levied if the 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 not obliged to levy German withholding tax in respect of payments on the Notes.

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 replace the investor's income taxation. If no 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 a 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 tax return for church tax purposes.

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 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 husband and wife or registered life partners the application can only be filed for savings income of both spouses / life partners.

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 husband and wife or registered life partners) 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 tax rate.

12.1.1.2 **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.

The provisions regarding German withholding tax (*Kapitalertragsteuer*) apply, in principle, as set out above for Notes held as private assets. 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.

12.1.2 **Income Taxation – Non-residents**

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 Tax Residents above).

If the income is subject to German tax as set out in the preceding paragraph, German withholding tax will be applied like in the case of a German tax resident person.

12.1.3 **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.

12.1.4 **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.

12.2 **The Netherlands**

The following only gives a general overview of the principal Dutch tax consequences of ownership and disposition of the Notes issued by VIF. This summary does not purport to be a comprehensive description of all Dutch tax considerations that may be relevant to a decision to acquire, to hold, and to dispose of Notes. Each Noteholder should consult his or her own advisors with respect to the tax consequences of an investment in the Notes. This discussion of certain Dutch taxes set forth below is included for general information only. Where in this summary the terms "The Netherlands" and

"Dutch" are used, these references are restricted to the part of the Kingdom of The Netherlands that is situated in Europe. No conclusions may be drawn from the summary with regard to aspects, which it does not discuss.

12.2.1 ***Withholding Tax***

All payments under the Notes can be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

12.2.2 ***Taxes on Income and Capital Gains***

A company being holder of Notes ("**Noteholder**") will not be subject to any Dutch taxes on income or capital gains in respect of any payment under the Notes or in respect of any gain realised on the disposition or the redemption of the Notes provided that:

- (a) such Noteholder is not a resident nor deemed to be a resident of The Netherlands; and
- (b) such Noteholder does not have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative taxable in The Netherlands to which enterprise or part of an enterprise the Notes are attributable; and
- (c) such Noteholder is neither entitled to a share in the profit nor is jointly entitled to the equity of an enterprise that has its place of management in The Netherlands and to which enterprise the Notes are attributable, unless such profit share or joint entitlement arises out of the holding of securities; and
- (d) such Noteholder does not have a substantial interest, as defined in Dutch tax law, in the share capital of VIF.

An individual being a Noteholder, will not be subject to any Dutch taxes on income or capital gains in respect of any payment under the Notes or in respect of any gain realised on the disposition or the redemption of the Notes provided that the conditions as mentioned under (a), (b) and (d) above are met and also provided that:

- (a) such individual Noteholder is not entitled to a share in the profit of an enterprise that has its place of management in The Netherlands and to which enterprise the Notes are attributable, unless such profit share arises out of employment or the holding of securities; and
- (b) such income or gain does not form income derived from employment or deemed employment and does not form "results from other activities performed in The Netherlands" ("resultaat uit overige werkzaamheden") as defined in the Personal Income Tax Act 2001, which include, without limitation, activities with respect to the Notes that exceed normal active asset management ("*normaal, actief vermogensbeheer*").

A Noteholder will not be subject to Dutch taxation on income and capital gains merely by reason of the execution, delivery and/or enforcement of the documents relating to the Notes or the performance by VIF of its obligations under the Notes.

12.2.3 ***Gift and Inheritance Taxes***

No gift, estate or inheritance taxes will arise in The Netherlands in respect of the transfer or deemed transfer of a Note by way of a gift by, or on the death of, a Noteholder who is not a resident or deemed resident of The Netherlands, provided that:

- (i) the transfer is not construed as an inheritance or bequest or as a gift made by or on behalf of a person who, at the time of the gift or death, is or is deemed to be a resident of The Netherlands for the purpose of the relevant provisions, and

- (ii) in the case of a gift of Notes by an individual holder who at the date of the gift was neither resident nor deemed to be resident in The Netherlands, such individual holder does not die within 180 days after the date of the gift, while being resident or deemed to be resident of The Netherlands

In case a gift of Notes only takes place if certain conditions are met, no gift tax will arise if the Noteholder is neither (i) a resident or deemed resident of The Netherlands nor (ii) a resident or deemed resident within 180 days after the date on which the conditions are fulfilled.

For purposes of Dutch gift and inheritance tax, an individual who is of Dutch nationality will be deemed to be a resident of The Netherlands if he has been a resident in The Netherlands at any time during the 10 years preceding the date of the gift or his death. For purposes of Dutch gift tax, an individual will, irrespective of his nationality, be deemed to be resident of The Netherlands if he has been a resident in The Netherlands at any time during the 12 months preceding the date of the gift.

For gift and inheritance tax purposes, a gift by a third party such as a trustee, foundation or similar entity or arrangement, will be construed as a gift by the settlor, and upon the death of the settlor, as a rule, his/her beneficiaries, will be deemed to have inherited directly from the settlor. Subsequently, the beneficiaries will be deemed the settlor, grantor or similar originator of the separated private assets ("*afgezonderd particulier vermogen*") for purposes of the Dutch gift and inheritance tax in case of subsequent gifts or inheritances.

12.2.4 Other Taxes and Duties

There are no registration taxes, stamp duties, capital taxes, transfer taxes, sales taxes, value added taxes or other taxes, levies, imposts or charges of a similar nature of The Netherlands or any political subdivision or taxing authority thereof or therein, payable on or in connection with the issue, subscription, initial distribution, or the disposition and transfer of the Notes, other than value added tax on the fees payable for services which are not expressly exempt from Dutch value added tax, such as management, administrative and similar activities, safekeeping of the Notes and the handling and verifying of documents.

12.3 Grand Duchy of Luxembourg ("Luxembourg")

This summary is limited to the description of the potential application of the Luxembourg withholding tax to payments under the Notes. This discussion is for general information purposes only and does not purport to be a comprehensive description of all possible tax consequences that may be relevant to an investment decision. This summary is based upon Luxembourg law and regulations as in effect and as interpreted by the Luxembourg tax authorities on the date of this Prospectus and is subject to any amendments in law (or interpretation) later introduced, whether or not on a retroactive basis. Potential purchasers of Notes should consult their own professional advisers as to the consequences of making an investment in, holding or disposing of the Notes and the receipt of any amount in connection with the Notes.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*) as well as personal income tax (*impôt sur le revenu*) generally. Corporate taxpayers may further be subject to net wealth tax (*impôt sur la fortune*), as well as other duties, levies or taxes. Corporate income tax, municipal business tax, as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and to a solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

12.3.1 ***Withholding Tax***

12.3.1.1 ***Non-Residents***

There is no withholding tax on payments of interest (including accrued but unpaid interest) made to a Luxembourg non-resident noteholder. There is also no Luxembourg withholding tax, upon repayment of the principal or upon redemption or exchange of the Notes.

12.3.1.2 ***Residents***

Under the Luxembourg law dated 23 December 2005 as amended (the "**Law**"), a 20% Luxembourg withholding tax is levied on interest payments or similar income made by Luxembourg paying agents to Luxembourg individual residents. This withholding tax also applies on accrued interest received upon disposal, redemption or repurchase of the Notes. 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 private wealth.

Further, pursuant to the Law, Luxembourg resident individuals who are the beneficial owners of interest payments and other similar income made by a paying agent established outside Luxembourg in a Member State of the European Union or of the European Economic Area may also opt for a final 20% levy. In such case, the 20% levy is calculated on the same amounts as for the payments made by Luxembourg resident paying agents. The option for the 20% levy must cover all interest payments made by the paying agent to the Luxembourg resident beneficial owner during the entire civil year.

12.3.2 ***Taxation of the holders of Notes***

12.3.2.1 ***Residence of the holders of Notes***

A holder of the Notes will not become resident, or be deemed to be resident, in Luxembourg by reason only of the holding of such Notes or the execution, performance, delivery and/or enforcement of the Notes.

12.3.2.2 ***Income Tax***

For the purposes of this paragraph, a disposal may include a sale, an exchange, a contribution, a redemption and any other kind of transfer of the Notes.

a) Non-Resident noteholder

A non-resident noteholder who has neither a permanent establishment nor a permanent representative in Luxembourg to which or to whom the Notes are attributable is not liable to any Luxembourg income tax, whether he receives payments of principal, payments of interest (including accrued but unpaid interest), payments received upon the redemption of the Notes, or realises capital gains on the disposal in any form whatsoever, of any Notes.

A non-resident noteholder who has a permanent establishment or a permanent representative in Luxembourg to which or whom the Notes are attributable must include any interest accrued or received, as well as any gain realised on the disposal of the Notes in his taxable income for Luxembourg tax assessment purposes.

b) Resident noteholder

i. Resident individual noteholder

An individual holder of the Notes acting in the course of the management of his private wealth, is subject to Luxembourg income tax in respect of interest received, accrued but unpaid interest in case of disposal of the Notes, redemption premiums or issue discounts under the Notes except if a withholding tax has been levied on such payments in accordance with the Law.

Under Luxembourg domestic tax law, gains realised upon the disposal of the Notes by an individual holder of the Notes, who is a resident of Luxembourg for tax purposes and who acts in the course of the management of his private wealth, are not subject to Luxembourg income tax, provided the disposal takes place more than six months after the acquisition of the Notes and the Notes do not constitute zero coupon Notes. Gain realised by an individual holder of zero coupon notes who acts in the course of the management of his private wealth and who is a resident of Luxembourg for tax purposes must include the difference between the disposal price and the issue price of a zero coupon Note in his taxable income.

Luxembourg resident individual noteholders acting in the course of the management of a professional or business undertaking to which the Notes are attributable, have to include any interest received or accrued, as well as any gains realised on the disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the disposal price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes disposed of.

ii. Resident Corporate noteholder

Luxembourg corporate noteholders who are resident of Luxembourg for tax purposes, must include any interest received or accrued, as well as any gains realised on the disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the disposal price (including but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

iii. Resident noteholder benefiting from a special tax regime

Luxembourg resident noteholders benefiting from a special tax regime, such as (i) undertakings for collective investment governed by the amended law of 17 December 2010, (ii) specialised investment funds governed by the amended law of 13 February 2007, (iii) family wealth management companies governed by the amended law of 11 May 2007 or (iv) reserved alternative investment funds governed by the law of 23 July 2016, are tax exempt entities in the Grand-Duchy of Luxembourg and thus income derived from the Notes, as well as gains realised thereon, are not subject to income taxes in their hands.

12.3.2.3 Net Wealth Tax

Luxembourg resident noteholders, as well as non-resident noteholders who have a permanent establishment or a permanent representative in Luxembourg to which or to whom the Notes are attributable, are subject to Luxembourg net wealth tax on such Notes, except if the noteholder is (i) a resident or a non-resident individual taxpayer, (ii) an undertaking for collective investment subject to the amended law of 17 December 2010, (iii) a securitization company governed by the amended law of 22 March 2004 on securitization, (iv) a company governed by the amended law of 15 June 2004 on venture capital vehicles, (v) a specialized investment fund governed by the amended law of 13 February 2007, (vi) a family wealth management company governed by the amended law of 11 May 2007 or (vii) a reserved alternative investment fund governed by the law of 23 July 2016.

The Luxembourg Law of 18 December 2015 has introduced a minimum annual net wealth tax as from 1 January 2016. In this respect, as from the 1 January 2016, a minimum net wealth tax of EUR 3.210 will be levied on any company on whose financial assets, amounts owed by affiliated undertakings, transferable securities and cash at bank (i.e. assets to be accounted for in accounts 23, 41, 50 and 51 of the "Plan Comptable Normalisé") represent more than 90% of its balance sheet and a minimum amount of EUR 350.000. If the company holds 90% or less of financial assets or if those financial assets do not exceed EUR 350.000, a minimum net wealth tax varying between EUR 535 and EUR 32.100 would apply depending on the size of its balance sheet. The minimum annual net wealth tax is applicable to any company (included securitisation entity under the law of 22 March 2004, as amended, and venture capital vehicles under the law of 15 June 2004) except to family estate management companies (Law of 11 May 2007), undertakings for collective investment (Law of 17 December 2010), specialised investment funds (Law of 13 February 2007) and reserved alternative investment funds (Law of 23 July 2016).

12.3.2.4 **Other Taxes**

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by noteholders as a consequence of the issue of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or exchange of the Notes, unless the documents relating to the Notes are registered in Luxembourg.

No Luxembourg estate or inheritance tax is 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 at the time of his death. Where an individual noteholder is a resident for inheritance tax purposes of Luxembourg at the time of his death, the Notes are included in his taxable estate for inheritance tax purposes. No Luxembourg gift tax is levied on the transfer of the Notes by gift, unless the gift is registered in Luxembourg.

12.4 **The proposed financial transactions tax ("FTT")**

On 14 February 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.

13. GENERAL INFORMATION

13.1 Clearing Systems

The Notes have been accepted for clearance by Clearstream Banking, société anonyme, 42 Avenue JF Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg and Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium.

The 2019 Notes have been assigned the following securities codes: ISIN XS1586555515, Common Code 158655551, WKN A19E9R.

The 2021 Notes have been assigned the following securities codes: ISIN XS1586555606, Common Code 158655560, WKN A19E9S.

The 2023 Notes have been assigned the following securities codes: ISIN XS1586555861, Common Code 158655586, WKN A19E9T.

The 2027 Notes have been assigned the following securities codes: ISIN XS1586555945, Common Code 158655594, WKN A19E9U.

The Notes are intended to be held in a manner which will allow Eurosystem eligibility. This simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

13.2 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 4 December 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.

13.3 Listing of Notes and Admission to Trading

Application has been made to list the Notes on the official list of the Luxembourg Stock Exchange and for admission to trading of the Notes on the regulated market of the Luxembourg Stock Exchange.

The Paying Agent shall have available at its specified office a copy of the Agency Agreement dated 28 March 2017 (the "**Agency Agreement**") and the Guarantee, and shall make available the inspection of these documents free of charge during normal business hours.

13.4 Expenses of the Issue

The total expenses related to the issue of the Notes are expected to amount to approximately EUR 26 million.

13.5 Yield

The yield of the 2021 Notes is • per cent. *per annum*. The yield of the 2023 Notes is • per cent. *per annum*. The yield of the 2027 Notes is • per cent. *per annum*. Such yields are calculated in accordance with the ICMA (International Capital Market Association) method.

13.6 Authorisation

The granting of the Guarantee was duly authorised by resolutions of (a) the Board of Management of Volkswagen AG dated 9 February 2016 and (b) the Supervisory Board of Volkswagen AG of 14 March 2016.

The issue of the Notes was duly authorised by resolutions of the Management Board and the Supervisory Board of the Issuer of 26 January 2017.

13.7 Ratings

The following ratings have been assigned to the Guarantor at the date of this Prospectus:

Standard & Poor's Ratings Services

Rating	Short term	Long term	Outlook
Volkswagen AG	A-2	BBB +	Negative

Moody's Investors Service Ltd.

Rating	Short term	Long term	Outlook
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 16 September 2009 on credit rating agencies, amended by Regulation (EU) No. 513/2011 of the European Parliament and of the Council of 11 March 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.

14. SUBSCRIPTION, SALE AND OFFER OF THE NOTES

14.1 General

Pursuant to a subscription agreement dated 28 March 2017 (the "**Subscription Agreement**") among the Issuer, the Guarantor and the Joint Lead Managers, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead 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 Joint Lead Managers and to reimburse the Joint Lead Managers for certain expenses incurred in connection with the issue of the Notes. Commissions may also be payable by the Joint Lead Managers to certain third-party intermediaries in connection with the initial sale and distribution of the Notes.

The Subscription Agreement provides that the Joint Lead 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 has agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Notes.

14.2 Offer Period and determination of Pricing Details

The Notes will be offered to investors by the Joint Lead Managers during an offer period which is expected to commence on or about 23 March 2017 and will be open until 27 March 2017 subject to any shortening or extension of the offer period as published in the Pricing Notice (as defined below). Prospective investors will be informed of such postponement by publication in the Pricing Notice. During the offer period, investors may submit orders to the Joint Lead Managers. On the basis of the orders received by the Joint Lead Managers the issue price of the Notes, the aggregate principal amount of the Notes, the interest rate of the Notes, the issue proceeds, and the yield of the Notes will be determined in each case on the pricing date and will be communicated to investors. These pricing details will be included in a notification which will be dated on or about 28 March 2017 and which will be filed with the CSSF and published on the website of the Luxembourg Stock Exchange (www.bourse.lu) after the date of pricing and prior to the Issue Date (the "**Pricing Notice**"). Should the Issuer and the Joint Lead Managers determine any shortening or extension of the offer period, which could be the result of changing market conditions, such changes will be published in the same manner as the pricing details. The Pricing Notice and any other notice (if any) will be published for purposes of all jurisdictions in which an offer to the public is made in the same manner.

15. SELLING RESTRICTIONS

15.1 United States of America

The Notes and the Guarantee have not been and will not be registered under the U.S. 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 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 purchaser of the Notes and 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 therefor, 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.

15.2 Selling Restrictions Addressing Additional United Kingdom Securities Laws

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.

15.3 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 authorized 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.

15.4 General

In addition to the specific restrictions set out above, each Manager has represented and agreed that it will observe all applicable provisions of securities law in each jurisdiction in or from which it may offer or sell the Notes and the Guarantee or distribute any offering material.

16. DOCUMENTS INCORPORATED BY REFERENCE

16.1 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. Annual Report 2016 of Volkswagen AG
2. Annual Report 2015 of Volkswagen AG
3. Financial Statements 2016 of VIF
4. Financial Statements 2015 of VIF

16.2 Cross Reference List of Information Incorporated by Reference

Page of Prospectus	Section	Pages of document incorporated by reference
Pages 54-55	Volkswagen AG – Historical Financial Statements	- The Guarantor's consolidated financial statements as of and for the year ended 31 December 2016, prepared in accordance with IFRS, and contained in the Guarantor's annual report pages 205-318: • Income Statement of the Volkswagen Group for the period 1 January to 31 December 2016 (p. 205) • Statement of Comprehensive Income of the Volkswagen Group for the Period 1 January to 31 December 2016 (p. 206-207) • Balance Sheet of the Volkswagen Group as of 31 December 2016 (p. 208-209) • Statement of Changes in Equity of Volkswagen Group for the period 1 January to 31 December 2016 (p. 210-211) • Cash Flow Statement of the Volkswagen Group for the period 1 January to 31 December 2016 (p. 212) • Notes to the Consolidated Financial Statements of the Volkswagen Group as of 31 December 2016 (p. 213-318)
		- Auditors' Report in respect of the consolidated financial statements 2016 of

Page Prospectus	of	Section	Pages of document incorporated by reference
			Volkswagen AG (p. 320-321)
			- The Guarantor's 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: • Income Statement of the Volkswagen Group for the period 1 January to 31 December 2015 (p. 193) • Statement of Comprehensive Income of the Volkswagen Group for the Period 1 January to 31 December 2015 (p. 194-195) • Balance Sheet of the Volkswagen Group as of 31 December 2015 (p. 196-197) • Statement of Changes in Equity of Volkswagen Group for the period 1 January to 31 December 2015 (p. 198-199) • Cash Flow Statement of the Volkswagen Group for the period 1 January to 31 December 2015 (p. 200) • Notes to the Consolidated Financial Statements of the Volkswagen Group as of 31 December 2015 (p. 201-300) - Auditors' Report in respect of the consolidated financial statements 2015 of Volkswagen AG (p. 302-303)
Page 69		VIF - Historical Financial Information	- Financial Statements 2016 of VIF: • Balance Sheet as of 31 December 2016 (p. 7-8) • Income Statement 2016 (p. 9) • Cash Flow Statement 2016 (p. 10) • Notes to the financial statements (p. 11-36)

Page Prospectus	of	Section	Pages of document incorporated by reference
			- Auditor's Report 2016 (p. 37-42)
			- Financial Statements 2015 of VIF: • Balance Sheet as of 31 December 2015 (p. 6-7) • Income Statement 2015 (p. 8) • Cash Flow Statement 2015 (p. 9) • Notes to the financial statements (p. 10-33)
			- Auditor's Report 2015 (p. 37-44)

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.

The source documents from which the information mentioned above has been incorporated by reference into this Prospectus will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) and may be inspected and are available free of charge at the specified office of the Paying Agent(s) as long as any Notes are listed on the regulated market of the Luxembourg Stock Exchange and the rules of such stock exchange so require.

16.3 Availability of Documents

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" 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; and
- the annual financial statements of the Issuer and the Guarantor as of and for the years ended 31 December 2016 and 31 December 2015.

NAMES AND ADDRESSES

Issuer

Volkswagen International Finance N.V.

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Guarantor

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Joint Lead Managers

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