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VOLKSWAGEN

VOLKSWAGEN INTERNATIONAL FINANCE N.V.

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

EUR 1,250,000,000 Undated Subordinated Notes subject to Interest Rate Reset with a First Call Date in 2024

Issue Price: 100%

EUR 1,500,000,000 Undated Subordinated Notes subject to Interest Rate Reset with a First Call Date in 2028

Issue Price: 100%

guaranteed on a subordinated basis by

VOLKSWAGEN AKTIENGESELLSCHAFT

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

Volkswagen International Finance N.V. (the "**Issuer**" or "**VIF**") will issue EUR 1,250,000,000 in aggregate principal amount of undated subordinated notes subject to interest rate reset with a first call date on June 27, 2024 (the "**NC6 Notes**") and EUR 1,500,000,000 in aggregate principal amount of undated subordinated notes subject to interest rate reset with a first call date on June 27, 2028 (the "**NC10 Notes**" and, together with the NC6 Notes, the "**Notes**") in a denomination of EUR 100,000 each on June 27, 2018 (the "**Issue Date**") at an issue price of 100% of their principal amount in respect of the NC6 Notes and 100% of their principal amount in respect of the NC10 Notes (the "**Offering**"). The Notes are unconditionally and irrevocably guaranteed, on a subordinated basis, by Volkswagen Aktiengesellschaft (the "**Guarantor**" or "**Volkswagen AG**" and together with its consolidated subsidiaries, the "**Volkswagen Group**" or "**Volkswagen**").

The NC6 Notes shall bear interest on their principal amount (i) from and including June 27, 2018 (the "**NC6 Interest Commencement Date**") to but excluding June 27, 2024 (the "**NC6 First Call Date**") at a rate of 3.375% per annum; (ii) from and including the NC6 First Call Date to but excluding June 27, 2028 (the "**First NC6 Step-up Date**") at the relevant 6-year swap rate for the relevant Reset Period (as defined herein) plus a margin of 297 basis points per annum (no step-up); (iii) from and including the First NC6 Step-up Date to but excluding June 27, 2044 (the "**Second NC6 Step-up Date**") at the relevant 6-year swap rate for the relevant Reset Period plus a margin of 322 basis points per annum (including a 25 basis points step-up); and (iv) from and including the Second NC6 Step-up Date to but excluding the date on which the Issuer redeems the Notes in whole at the relevant 6-year swap rate for the relevant Reset Period plus a margin of 397 basis points per annum (including a further 75 basis points step-up). During each such period interest is scheduled to be paid annually in arrear on June 27 of each year (each an "**Interest Payment Date**"), commencing on June 27, 2019.

The NC10 Notes shall bear interest on their principal amount (i) from and including June 27, 2018 (the "**NC10 Interest Commencement Date**") to but excluding June 27, 2028 (the "**NC10 First Call Date**") at a rate of 4.625% per annum; (ii) from and including the NC10 First Call Date to but excluding June 27, 2048 (the "**Second NC10 Step-up Date**") at the relevant 10-year swap rate for the relevant Reset Period plus a margin of 398.2 basis points per annum (including a 25 basis points step-up); and (iii) from and including the Second NC10 Step-up Date to but excluding the date on which the Issuer redeems the Notes in whole at the relevant 10-year swap rate for the relevant Reset Period plus a margin of 473.2 basis points per annum (including a further 75 basis points step-up). During each such period interest is scheduled to be paid annually in arrear on June 27 of each year (each an "**Interest Payment Date**"), commencing on June 27, 2019.

The Issuer is entitled to defer payments of interest on any Interest Payment Date (as defined in the Terms and Conditions) ("**Arrears of Interest**") and may pay such Arrears of Interest voluntarily at any time, but only has to pay such Arrears of Interest under certain circumstances as laid out in the terms and conditions of the NC6 Notes (the "**NC6 Note Terms and Conditions**") or the terms and conditions of the NC10 Notes (the "**NC10 Note Terms and Conditions**" and, together with the NC6 Note Terms and Conditions, the "**Terms and Conditions**"), as applicable.

Each issue of the Notes is redeemable in whole but not in part at the option of the Issuer at their principal amount plus accrued and unpaid interest and upon payment of any outstanding Arrears of Interest on the NC6 First Call Date for the NC6 Notes and on the NC10 First Call Date for the NC10 Notes and on any respective Interest Payment Date thereafter. The Issuer may also redeem each issue separately in whole but not in part at any time before the respective first call dates following a Rating Event, an Accounting Event, a Tax Deductibility Event or a Gross-up Event at the Early Redemption Amount (each as defined in the applicable Terms and Conditions). Additionally the Issuer may redeem each issue separately, in whole but not in part, if any of the Issuer, the Guarantor or any of the Guarantor's subsidiaries has, severally or jointly, purchased or redeemed at least 80% of the originally issued aggregate principal amount of the Notes of such issue.

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

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

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

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

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

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

Application has been made to the Luxembourg Stock Exchange for the Notes amounting to EUR 2,750,000,000 to be listed on the Official List of the Luxembourg Stock Exchange (the "**Official List**") and to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market. The Luxembourg Stock Exchange's Regulated Market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on Markets in Financial Instruments, as amended.

Joint Bookrunners

Barclays **BNP Paribas** **BofA Merrill Lynch** **UniCredit Bank**

The date of this Prospectus is June 21, 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MiFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PRIIPs REGULATION / PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

From the First Call Date, interest amounts payable under the Notes will be calculated by reference to the applicable swap rate, which is currently provided by ICE Benchmark Administration ("**IBA**"). As at the date of this Prospectus, IBA appears on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "**Benchmark Regulation**").

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

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

Numerous court and governmental proceedings were subsequently initiated in the United States and the rest of the world. Volkswagen was able to end most significant court and governmental proceedings in the United States by concluding settlement agreements. Outside the United States, Volkswagen also reached agreements with regard to the implementation of technical measures with numerous authorities.

In the United States, Volkswagen AG, AUDI AG, Volkswagen Group of America, Inc. and certain affiliates reached settlement agreements with (i) the U.S. Department of Justice ("**DoJ**") on behalf of the EPA and the State of California on behalf of the California Air Resources Board ("**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 resolved 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.

The settlement agreements with respect to the four-cylinder 2.0 liter TDI diesel engine vehicles and the Generation 1 six-cylinder 3.0 liter TDI diesel engine vehicles provide affected customers with, *inter alia*, the option of a buyback, a trade-in (for 3.0 liter vehicles only), a free emissions modification of the vehicles (if the modification is approved by the EPA and CARB) or – for leased vehicles – early lease termination. Pursuant to the settlement agreements, Volkswagen will also make additional cash payments to affected current owners or lessees as well as certain former owners or lessees. For Generation 2 3.0 liter TDI vehicles, Volkswagen will provide affected consumers with a free emissions compliant repair of the vehicles plus a cash payment. In addition, Volkswagen will pay U.S.$2.925 billion over three years to support environmental programs and offset excess NOx emissions and will also invest in total U.S.$2.0 billion over ten years in zero emissions vehicle infrastructure in the United States. Volkswagen will make additional payments to support the availability of zero emissions vehicles in California. Several thousand consumers have opted out of the settlement agreements, and many of these consumers have filed civil lawsuits seeking monetary damages for fraud and violations of state consumer protection acts. A large number of those lawsuits have been filed in Virginia. The Virginia state court has set trial dates for five trials involving four cylinder vehicles with the first trial scheduled to begin in October 2018.

Volkswagen AG has also entered into agreements to resolve U.S. federal criminal liability relating to the diesel issue and 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 that is accompanied by a published Statement of Facts, acknowledged by Volkswagen AG, which lays out relevant facts. As part of its plea agreement, Volkswagen AG has pleaded guilty to three felony counts under United States law – including conspiracy to commit fraud, obstruction of justice and using false statements to import cars into the United States – and has been sentenced to three years' probation. The plea agreement provides, *inter alia*, for payment of a criminal fine of U.S.$2.8 billion and the appointment of an independent monitor for a period of three years who will assess and oversee the compliance with the terms of the resolutions. Larry D. Thompson was appointed as the independent monitor in April 2017. Mr. Thompson submitted his initial review report under the plea agreement in March 2018. Volkswagen AG, AUDI AG and other Volkswagen Group companies have further agreed to pay a combined civil penalty of U.S.$1.45 billion to resolve U.S. federal environmental and customs-related claims in the United States. Furthermore, Volkswagen AG and Volkswagen Group of America, Inc. have agreed to pay a smaller civil penalty to the DoJ to settle other potential claims arising under Federal statute. DoJ investigations into the conduct of various individuals who may be responsible for criminal violations relating to the diesel issue remain ongoing. Volkswagen is required to cooperate with these investigations. In the event of non-compliance with the terms of the plea agreement, Volkswagen could face further penalties and prosecution.

Volkswagen has also reached separate settlement agreements with the attorneys general of most U.S. states to resolve existing or potential consumer protection, unfair trade practices claims, and/or state environmental law claims. Certain states still have pending consumer protection, unfair trade practices and state environmental law claims against Volkswagen. Investigations by various U.S. regulatory and other government authorities, including in areas relating to securities, tax and financing, are ongoing. For example, the U.S. Securities and Exchange Commission (the "**Commission**") has requested information regarding potential violations of securities laws in connection with issuances of bonds and asset-backed securities sponsored by Volkswagen entities, as a result of nondisclosure of certain Volkswagen diesel vehicles' noncompliance with emission standards. In January 2017, the Commission informed Volkswagen that it had issued a formal order of investigation; the investigation is ongoing. Volkswagen is cooperating with the Commission.

Volkswagen has also resolved the claims of most 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 million and additional benefits. Certain individual Volkswagen branded franchise dealers have either opted out of the settlement agreement or were not included in the settlement class definition and are pursuing individual claims in individual actions currently pending in the federal multidistrict litigation in California. Similarly, a putative class action of Volkswagen salespersons who work at franchise dealerships filed suit alleging claims for lost income, which is currently pending in the federal multidistrict litigation in California.

In Canada, which has the same NOx emissions limits as 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, and subject to court approval that was granted in April 2017, Volkswagen AG and other

Volkswagen Group companies reached a class action settlement in Canada with consumers relating to 2.0 liter diesel vehicles which, *inter alia*, provides eligible owners and lessees with cash payments and, if applicable, the option of: a free emissions modification of their vehicle if approved by U.S. regulators – as Canada has the same NOx limits as the United States, a buyback, a trade-in or – for leased vehicles – early lease termination. Concurrently with the announcement of the class settlement in December 2016, Volkswagen Group Canada also 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. In June 2017, Volkswagen Group Canada reached an agreement, without court process and on confidential terms, with its Volkswagen-branded franchise dealers to resolve issues related to the diesel emissions matter. In January 2018, and subject to court approval that was granted in April 2018, Volkswagen AG and other Volkswagen Group companies reached a consumer settlement in Canada involving 3.0 liter diesel vehicles. For Generation 1 3.0 liter diesel vehicles, the settlement provides affected consumers with, inter alia, the option of a buyback, a trade-in, a free emissions modification of their vehicle as approved by U.S. regulators – as Canada has the same NOx limits as the U.S. – or, in the case of leased vehicles, an early lease termination. For Generation 2 3.0 liter diesel vehicles, consumers who complete a free emissions compliant repair as approved by U.S. regulators for their vehicles, are entitled to also receive a cash payment under the terms of the settlement. Concurrently with the announcement of the 3.0 liter class settlement in January 2018, Volkswagen Group Canada and the Canadian Commissioner of Competition reached a civil resolution related to consumer protection issues relating to 3.0 liter diesel vehicles. As to pending matters in Canada, a criminal enforcement related investigation by the federal environmental regulator is ongoing as to Volkswagen AG and Volkswagen Group Canada. Additionally, in the case of one provincial environmental regulator in Canada, Volkswagen AG was charged in September 2017 with a quasi-criminal offense alleging that the company caused or permitted the operation of model year 2010-2014 Volkswagen and Audi 2.0 liter diesel vehicles that did not comply with prescribed emission standards. This matter has been put over to September 27, 2018 pending ongoing evidence disclosure and, at which time, a continuing pretrial court conference is scheduled. No trial date has been set in the matter. Moreover, putative class action and joinder lawsuits by consumers, and a certified environmental class action on behalf of residents, remain pending in certain provincial courts in Canada.

Since November 2016, Volkswagen has been responding to information requests from the EPA and CARB related to automatic transmissions in certain vehicles. In addition, approximately fourteen putative class actions have been filed against AUDI and certain affiliates alleging that defendants concealed the existence of these "defeat devices" in Audi brand vehicles with automatic transmissions. These putative class actions have been transferred to the federal multidistrict litigation proceeding in the State of California. On October 12, 2017, plaintiffs filed a consolidated class action complaint, and defendants filed a motion to dismiss on December 11, 2017, which has been fully briefed. On April 19, 2018, the court approved the stipulation of the parties to postpone a hearing previously scheduled for May 11, 2018. On December 22, 2017, a mass action on behalf of approximately 75 individual plaintiffs was filed in a California state court alleging similar claims with respect to the existence of "defeat devices" in Audi brand vehicles with automatic transmissions. This case was removed to the Northern District of California on January 25, 2018. Plaintiffs have filed a motion to remand the matter back to state court and all briefing has been completed. A hearing date has not been scheduled and the matter has been stayed. In Canada, two similar putative class actions have been filed in Ontario and Quebec provincial courts against Audi AG, Volkswagen AG and U.S. and Canadian affiliates. Both the Canadian actions are in the pre-certification stage. In the Ontario matter, the hearing on the class certification motion is scheduled for March 29, 2019.

In addition to the above-described procedures with the responsible authorities, in some countries criminal investigations/misdemeanor proceedings (for example, by the public prosecutor's offices in Braunschweig and Munich, Germany) have been opened. On June 13, 2018, the Braunschweig public prosecutor issued an administrative order against Volkswagen AG in the context of the diesel issue. According to the findings of the investigation, monitoring duties had been breached in the Powertrain Development department in the context of vehicle tests and these breaches were concurrent causes of 10.7 million vehicles with the diesel engines of the types EA 288 (Gen3), in the United States and in Canada, and EA 189, world-wide, being advertised, sold to customers, and placed on the market with an alleged impermissible software function in the period between mid-2007 and 2015. The administrative order provides for a fine of €1 billion in total, consisting of the maximum penalty as legally provided for of €5 million and the disgorgement of economic benefits in the amount of €995 million. Volkswagen AG has accepted the fine and it will not lodge an appeal against it.

In November 2015, Volkswagen also reported that internal indicators had caused concerns that there might have been irregularities in determining carbon dioxide ("**CO2**") figures for type approval of around 800,000 vehicles and, as a result, the CO2 values and therefore the fuel consumption data published for some vehicle models might have been stated incorrectly. Subsequent measurements performed in coordination with the relevant authorities showed that those concerns of possible irregularities in the CO2 figures for type approval proved to be not correct. Hence, the negative impact on Volkswagen's earnings of EUR 2 billion that had originally been expected in relation to this aspect of the CO2 issue was not confirmed. However the public prosecutor's office in Braunschweig is investigation into these circumstances.

In connection with the diesel issue, in September 2015, Volkswagen AG filed a criminal complaint in Germany against unknown individuals as did AUDI AG. Volkswagen AG and AUDI AG are cooperating with all responsible authorities in the scope of reviewing the incidents. The public prosecutor's office in Braunschweig has also initiated investigations against one current and two former Volkswagen AG Management Board members regarding their possible involvement in potential market manipulation in connection with the diesel issue. The Stuttgart public prosecutor's office also confirmed that it is investigating, among others, the former CEO of Volkswagen AG in his capacity as member of the management board of Porsche SE, regarding his possible involvement in potential market manipulation in connection with this same issue. Moreover, the Stuttgart public prosecutor's office has commenced a criminal investigation into the diesel issue against one board member and two employees of Porsche AG on suspicion of fraud and illegal advertising. Furthermore, the public prosecutor's office in Munich II opened a criminal investigation in connection with the alleged anomalies in the NOx emissions of certain Audi vehicles with diesel engines in the United States and Europe.

On June 11, 2018, Rupert Stadler, the head of Volkswagen AG’s Audi brand was named as a suspect in the Munich II public prosecutor's investigation together with Bernd Martens, Audi's head of purchasing. Both are being investigated for, *inter alia,* fraud relating to sales of diesel cars. Rupert Stadler was arrested on June 18, 2018, and is being held in custody. In addition, in May 2018, federal prosecutors unsealed charges in Detroit against, among others, former Volkswagen CEO Martin Winterkorn, which had been filed under seal in March 2018. Mr. Winterkorn is charged with a conspiracy to defraud the United States, to commit wire fraud, and to violate the Clean Air Act from at least May 2006 through at least November 2015, as well as three counts of wire fraud. Should these investigations result in adverse findings against the individuals involved, this could have a negative impact on the outcome of other proceedings against Volkswagen and/or could have other material adverse financial consequences.

There are additional regulatory, criminal and civil proceedings in several jurisdictions worldwide, particularly in South Korea, but also including Andorra, Argentina, Austria, Australia, Belgium, Brazil, China, Czech Republic, France, Germany, India, Ireland, Israel, Italy, Mexico, the Netherlands, Norway, Poland, Portugal, Singapore, Spain, Sweden, Switzerland, Taiwan and the United Kingdom. These proceedings are primarily product and investor-related and include individual and collective actions. Further claims can be expected.

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

Product related class action proceedings against Volkswagen AG and other Volkswagen Group companies are pending in various countries such as Argentina, Australia, Belgium, Brazil, the Czech Republic, Israel, Italy, Mexico, the Netherlands, Poland, Portugal, Spain, Switzerland, Taiwan and the United Kingdom. The class action proceedings are lawsuits aimed among other things at asserting damages or, as is the case in the Netherlands, at a declaratory judgment that customers are entitled to damages. With the exception of Brazil, where there has already been a non-binding judgment in the first instance, the amount of these damages cannot yet be quantified more precisely 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 have been filed to assert damages and to rescind the purchase contract including repayment of the purchase price. Furthermore, individual lawsuits and similar proceedings are pending against Volkswagen AG and other Volkswagen Group companies in numerous countries, particularly in Germany and the United States, but also including Italy, Spain, France, Ireland and Austria.

Most of these proceedings – with the exception of the class action in Brazil – are in the early stages and it is difficult to assess their prospects of success, the allegations and the claimants' precise causes of action. However, should these actions be resolved in favor of the claimants, they could result in significant civil damages, fines, the imposition of penalties, sanctions, injunctions and other consequences.

On November 29, 2017, Volkswagen AG was served with an action brought by the U.S. law firm Hausfeld on behalf of Financialright GmbH, asserting allegedly assigned claims by German customers regarding 15,374 affected vehicles. This action seeks payment of around €358 million in damages, while offering the return of the purchased vehicles. In addition, on January 31, 2018, Volkswagen AG was served with a further action filed by the Hausfeld law firm (dated December 29, 2017) on behalf of Financialright GmbH asserting allegedly assigned claims by an additional 2,004 customers. The 2,004 customers are exclusively customers who have concluded their sales or leasing contracts in Switzerland. Financialright GmbH requests a declaratory judgment that Volkswagen AG is obligated to compensate the respective customers for damages resulting from the use of the switching logic and − if applicable − for the damages resulting from "the software update". The plaintiff quantifies the amount in dispute of the claim (calculated from an alleged average "reduction in value" of the vehicles) at approximately €800,000. On April 25, 2018, Volkswagen AG was served with Hausfeld's latest action on behalf of Financialright GmbH. This latest action seeks damages based on purportedly assigned claims of approximately 6,000 customers from Slovenia, with a total amount of approximately EUR 48 million. In addition, the Swiss Foundation for Consumer Protection (*Stiftung für Konsumentenschutz*) filed a claim for damages against Volkswagen AG in December 2017 based on allegedly assigned claims of some 6,000 customers, indicating the amount in dispute at approximately CHF 30 million.

The Volkswagen Group recognized expenses directly related to the diesel issue in the total amount of €16.2 billion in operating result in 2015. Additional expenses of €6.4 billion were recognized in 2016 in connection with the diesel issue. In 2017, additional expenses amounted to €3.2 billion, driven primarily by higher expenses for buy-back/retrofit programs for 2.0 and 3.0 l TDI vehicles in North America as well as higher legal risks. An additional €1 billion in expenses directly related to the diesel issue will have to be recognized by Volkswagen Group in its half-year 2018 consolidated interim financial statements, as a result of the Braunschweig administrative court order fine against Volkswagen AG announced on June 13, 2018. Contingent liabilities were disclosed in relation to the diesel issue in 2017 in the aggregate amount of €4.3 billion (2016: €3.2 billion), of which lawsuits filed by investors account for €3.4 billion (2016: €3.1 billion). Also included are certain elements of the class action lawsuits relating to the diesel issue as well as criminal proceedings/misdemeanor proceedings as far as these can be quantified. As some of these proceedings are still at a very early stage, the plaintiffs have in a number of cases so far not specified the basis of their claims and/or there is insufficient certainty about the number of plaintiffs or the amounts being claimed.

Evaluating known information and making reliable estimates for provisions is a continuous process. Estimating provisions and contingent liabilities and assessing additional legal risks is subject to great uncertainty due to the ongoing nature of the extensive investigations and proceedings, the risk of new or expanded proceedings, and the complexities of the various negotiations and continuing regulatory approval processes with the relevant authorities. Furthermore, new information not known to Volkswagen's Management Board at present may surface, requiring further revaluation of the amounts estimated. Considerable further financial charges may be incurred and further substantial provisions may be necessary as the issues and legal risks, fines and penalties crystallize.

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 is continuing discussions with the EPA and the CARB concerning technical solutions for the U.S. (and, by extension, Canadian) market. The buyback/retrofit program for vehicles in the United States, which is part of the settlements in North America, is proving to be more technically complex and time consuming than anticipated. For example, on September 7, 2017, the EPA and CARB rejected the proposed emissions modifications for 2.0 liter Generation 2 diesel vehicles with manual transmissions. Similarly, on November 9, 2017, the EPA and CARB withdrew their previous approval of the proposed emissions modification for approximately 2,800 2.0 liter model year 2009 Generation 1 vehicles in the U.S. on the grounds that these vehicles require a mechatronic hardware change before the previously approved emissions modification can be installed. A revised emissions modification for these Generation 1 diesel vehicles was subsequently approved on December 28, 2017. Where emissions modifications have been approved by U.S. regulators, similar emissions recall programs to those in

the U.S. have been developed for Canada. On May 18, 2018, the EPA and CARB approved an emissions modification for 3.0 liter Generation 1.1 diesel vehicles. An emissions modification has not yet been approved for 3.0 liter Generation 1.2 diesel vehicles. Volkswagen continues to work with the U.S. regulators on obtaining approval for technical solutions for these diesel vehicles in the United States and Canada. In the case of 2.0 liter Generation 2 diesel vehicles with manual transmissions, Volkswagen Group of America, Inc. has withdrawn its intent to seek approval of an emissions modification. Because no repair is available for these 2.0 liter Generation 2 manual transmission vehicles, consumers in the U.S. who owned or leased these vehicles as of June 28, 2016 have the option to participate in the settlement and receive a buyback or early lease termination or opt out of the settlement between May 1, 2018 and June 1, 2018. Because no repair will likewise be available in Canada, consumers in possession of these vehicles have the option to participate in the Canadian settlement and receive a buyback, trade-in or early lease termination or, if they have not already made a claim or received benefits, opt out of the settlement between June 15, 2018 and August 15, 2018. Even if not covered under a settlement, Volkswagen may be required to repurchase any other 2.0 liter Generation 2 diesel vehicles with manual transmissions and any other vehicles sold in the United States, Canada and elsewhere. This could lead to further significant costs. For example, in Canada, as agreed with the federal environmental regulator, in the event that owners or lessees are not eligible to surrender their manual transmission 2.0 liter Generation 2 diesel vehicles under the Canadian settlement, Volkswagen Group Canada will be reaching out to them to discuss next steps. Furthermore, if the technical solutions implemented by Volkswagen in order to rectify the diesel issue are not implemented in a timely or effective manner or have an undisclosed negative effect on the performance, fuel consumption or resale value of the affected vehicles, regulatory proceedings and/or customer claims for damages could be brought in the future.

For many months, AUDI AG has been checking all diesel concepts for possible discrepancies and retrofit potentials. A systematic review process for all engine and gear variants has been underway since 2016. On July 21, 2017, AUDI AG offered a software-based retrofit program for up to 850,000 vehicles with V6 and V8 TDI engines meeting the Euro 5 and Euro 6 emission standards in Europe and other markets except the United States and Canada. This will be done in close cooperation with the authorities, especially the German Federal Ministry of Transport and the German Federal Motor Transport Authority (*Kraftfahrt-Bundesamt*, the "**KBA**"). The retrofit package comprises voluntary measures and, to a small extent, measures directed by the authorities; these are measures which were proposed by AUDI AG itself, reported to and taken up by the KBA and formally ordered by the latter. The tests for the voluntary measures and those which have been formally ordered have already reached an advanced stage, but have not yet been completed. Therefore, additional measures cannot be excluded. The measures formally ordered by the KBA so far involved different models of the AUDI, Volkswagen and Porsche brand with a V6 or V8 TDI engine meeting the Euro 6 emission standard, for which the KBA categorized certain emission strategies as an unlawful defeat device. Should additional measures become necessary as a result of the investigations by AUDI AG and the consultations with the KBA, AUDI AG will implement these as part of or in addition to the retrofit program. This is the case for a software update for 83,000 Audi A6 and A7 models worldwide with 3.0 liter TDI Generation 2evo engines for which measures have been formally ordered by the KBA. Furthermore on April 4, 2018, the Korean Ministry of Environment has ordered a recall after it has categorized (i) certain emissions strategies in the engine control software of various AUDI, Volkswagen and Porsche brand diesel vehicles with a V6 or V8 engine and the Euro 6 emissions classification, and (ii) the Dynamic Shift Program (DSP) in the gearbox control in some AUDI vehicle models, as prohibited defeat devices. In addition, AUDI is responding to requests from the U.S. authorities for information regarding automatic gearboxes in certain vehicles. Further field measures with financial consequences can therefore not be ruled out completely at this time.

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

Moreover, private and institutional investors from Germany and other jurisdictions (including the U.S. and Canada) are pursuing claims seeking significant damages against Volkswagen AG for allegedly omitting or delaying the immediate publication of price sensitive insider information relating to the diesel issue, and making wrongful financial reporting or false or misleading statements, as well as, in some cases, alleging 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. In Canada, a class action filed in Quebec provincial court has been authorized as to claims relating to Volkswagen AG's shares and American Depositary Receipts, and, in a similar class action in the Province of Ontario, a class certification hearing is scheduled in July 2018. Further investor claims could be brought.

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

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

- damage to Volkswagen's reputation or brand image and impairment of Volkswagen's relationship with customers, dealers, suppliers, other important business partners, employees and investors, which could be exacerbated by negative publicity and perception that Volkswagen is insufficiently communicating these developments;
- lower sales, sales prices and margins and higher marketing and sales expenses for new and used Volkswagen Group vehicles, including the cost of Volkswagen having to perform inspections of vehicles free of charge which could have an adverse impact on Volkswagen's ability to compete, as a result of which Volkswagen could lose significant sales revenue;
- higher product inventories, which could increase working capital requirements;
- an adverse impact on Volkswagen's ability to pursue its strategic goals;
- an impairment of Volkswagen's ability to obtain financing required to maintain its operations, rendering Volkswagen's funding sources less efficient and more costly. Volkswagen's credit ratings have been downgraded in the wake of these findings and could be subject to further downgrades, see "*Financial Risks—Volkswagen may not succeed in refinancing its capital requirements in due time and to the extent necessary, or at all. There is also a risk that Volkswagen may refinance on unfavorable terms and conditions*";
- an early redemption of asset-backed securities with respect to which Volkswagen Group vehicles with diesel engines serve as collateral;
- Volkswagen's having to dispose of certain assets, brands, subsidiaries or investments at prices below their fair market value in order to cover emissions-related financial liabilities, especially if the timing of any emissions-related payments leads to constraints on Volkswagen's cash flows; and
- an erosion of Volkswagen's competitive position due to reduced investments.

The majority of the governmental investigations and proceedings as well as the third-party litigation are incomplete at this time. These proceedings could take an extended period of time to resolve, and Volkswagen cannot predict when they will be completed or what their outcomes will be, including the potential effect that their results or the reactions of third parties thereto may have on Volkswagen's business. Future developments in these investigations and proceedings, the need to respond to the requests of governmental authorities and private plaintiffs, and the need to cooperate in these proceedings, especially if Volkswagen is not able to resolve these matters in a timely manner, could divert management's attention and resources from other issues facing Volkswagen's business.

The results of these and any future investigations and claims may have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as on the prices of its securities and its ability to make payments under its securities and may result in a negative net cash flow. If Volkswagen's efforts to address, manage and remediate the issues described above are not successful,

Volkswagen's business, reputation and competitive position could suffer substantial and irreparable harm. Additionally, the emissions issue could affect or exacerbate the impact of the other risks Volkswagen faces as described in this Prospectus.

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

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

Among other things, Volkswagen's efforts include improvements of internal controls for its product development process and the testing of vehicles, reforms of its whistleblower system, revisions to its code of conduct, increased employee training, improvements to its risk assessment systems, and creation of a centralized integrity management function by setting up a new Board of Management position for Integrity and Legal Affairs. The so-called Golden Rules (internal procedures developed to optimize Volkswagen's operational internal control system) set forth certain minimum requirements for engine control unit software development, emission certification and escalation management. In addition, pursuant to the settlement agreements with the U.S. authorities, Volkswagen is required to retain for a three-year period an external independent compliance monitor/auditor to review and audit Volkswagen's compliance with its obligations under the settlement agreements.

The goal of these measures is to reinforce Volkswagen's governance and compliance to help deter and prevent future misconduct. Nevertheless, there remains a risk that Volkswagen fails to effectively implement the revised rules and procedures and that employees do not comply with them or otherwise fail to act in a lawful manner at all times. This could lead to penalties, liabilities, reputational damage and materially adverse business consequences. In addition, violations of Volkswagen's obligations under the settlement agreements cannot be ruled out. In this case, significant penalties could be imposed as stipulated in the agreements, in addition to the possibility of further monetary fines, criminal sanctions and injunctive relief.

1.1.3 ***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 recent years. In particular, high levels of public and private debt, movements in major currencies, volatile commodity prices as well as political and economic uncertainty negatively impacted consumption, damaging the macroeconomic environment. Despite recent improvement in global economic conditions, there is no assurance that conditions will not deteriorate.

Additional risks to the economic environment, international trade and demand for Volkswagen's products could arise from rising protectionist tendencies, including, for example, if the United States withdraws from the North American Free Trade Agreement or raises tariffs on import of certain raw materials or products, including foreign vehicles. For example, in May 2018, the U.S. Commerce Department has announced a national security investigation into automotive imports, which could lead to the introduction of tariffs on foreign cars, trucks and automotive parts. Furthermore, escalation of conflicts, armed conflicts, terrorist activities, natural catastrophes or the spread of infectious diseases may lead to prompt unexpected, short-term responses from the markets and declines in demand for Volkswagen's products and services. Stagnating economic growth 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 businesses.

Automobile manufacturers generally have the ability to respond to 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 for Volkswagen and its competitors.

However, if demand for vehicles and optional equipment recovers quickly, cut backs in 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 adjust 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.

1.1.4 ***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 (which is affected by expected future business prospects), available financing, satisfaction with current products, and changes in mobility demand. A decrease in potential customers' disposable income or their financial condition will generally have a negative impact on vehicle sales.

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

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

Many consumers today are more focused on acquiring smaller, more fuel efficient and environmentally friendly vehicles, including hybrid and electric models. The size, performance and accessories features of the passenger cars and light commercial vehicles that Volkswagen sells have an impact on Volkswagen's profitability. 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. On the other hand, growing customer interest in sports utility vehicles could impact the CO2 balance of Volkswagen's fleet and Volkswagen could incur higher costs in meeting the applicable CO2 targets. 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. Environmental concerns in particular are prompting calls for increasing traffic or vehicle restrictions, such as the diesel vehicle bans being contemplated or gradually implemented across various cities or regions, or quotas being set for electric vehicles. There is particular momentum in the debate on the introduction of driving bans for diesel vehicles in Germany. In many places, lawsuits have been filed arguing that only driving bans for diesel vehicles will bring about the necessary short-term reduction in nitrogen dioxide emissions and, in February 2018, a federal court in Germany issued a decision allowing municipalities to enact diesel bans. These debates have already caused sales of diesel vehicles to decline. Local driving bans are already in place in a number of countries, though these mainly affect older vehicles. With a view to the future, large urban areas such as Paris and London are discussing banning vehicles with combustion engines. The move towards more stringent regulations, particularly for conventional drive systems, is accelerating not only in the developed markets of Europe and North America, but also in emerging markets such as China, and shapes consumer preferences. Furthermore, the increased openness to use ride and car sharing concepts and new city-based car rental schemes may reduce dependency on privately owned 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 or governmental regulations away from transport by automobile, as well as a trend towards smaller vehicles or vehicles equipped with smaller engines, alternative drivetrains or other technical enhancements could have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

1.1.6 ***The larger share of Western Europe, particularly Germany, in Volkswagen's sales 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 2017, Volkswagen delivered 31.4% of its passenger cars to customers in Western Europe, 11.3% 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.

Any signs of economic uncertainty in Europe, including a slowdown in economic growth, large-scale government austerity measures or tax increases, could lead to significant long-term economic weakness. In addition, the decision by the United Kingdom in June 2016 to leave the European Union has had consequences for macroeconomic growth and outlook in the United Kingdom and Europe, affected exchange rates and could negatively impact demand for Volkswagen's products. A decline in consumer demand or in product prices 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 4,671 million and the brand Porsche (pre-consolidated sub group) contributed EUR 4,003 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 13,818 million in 2017. 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.

1.1.7 ***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.

Volkswagen expects that the automotive industry will experience significant and continued transformation over the coming years. This will require Volkswagen to be responsive not only to its traditional competitors but also to new industry entrants and evolving trends in mobility. New participants are seeking to disrupt the industry's historic business model through the introduction of new technologies, products or services, new business models or new modes of transportation and car ownership. Competitive pressure will therefore encompass a wider range of competitors, products and services, including those that may be outside Volkswagen's current core business, such as autonomous vehicles, electric vehicles, car sharing concepts and transportation as a service. If Volkswagen does not accurately assess, prepare for and respond to these challenges, its competitive position could erode and harm its business.

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 manufacturers or the market entry of new manufacturers, particularly from China, India or Russia, or an expansion of production by existing manufacturers 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.

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

Volkswagen believes that its future growth will, to a considerable extent, depend on demand for products 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 and demand for Volkswagen's products do not increase as Volkswagen expects or if they weaken, Volkswagen may sell fewer products in these markets or obtain lower prices than expected. A decline in, or lack of, economic growth in local markets could also lead to significantly intensified price competition, rising inventories and excess production capacity. This could significantly decrease Volkswagen's revenue and income.

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 continued 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, as well as other countries. 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 (including ceasing subsidies) — such as regulations setting quotas for new energy vehicles (e.g., battery electric vehicles and plug-in hybrid electric vehicles) —

may affect the demand for automobiles. In addition, restrictions on vehicle registrations in metropolitan areas — such as those in effect, for example, in Beijing, Shanghai, 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.

1.1.9 ***Strategic risks***

1.1.9.1 *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 in additional technologies such as battery technology, digital and autonomous driving, mobility services as well as intensifying the focus on profitable growth. Further, as part of its strategic development, Volkswagen anticipates relying to a greater extent on partnerships and venture capital investments.

Numerous factors, some of which are beyond Volkswagen's control, such as a slowdown in economic growth 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 Volkswagen's strategic goals may be frustrated by the diesel issue, as discussed under "*Government authorities in a number of jurisdictions worldwide have conducted and are continuing to conduct investigations of Volkswagen regarding findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The results of these and any further investigations, and related civil and criminal litigation, may have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as the prices of its securities, including the Notes, and its ability to make payments under its securities*."

1.1.10 ***Research and development risks***

1.1.10.1 *Volkswagen's future business success depends on its ability to develop new, attractive and energy-efficient products and services and to offer these 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 or hybrid powertrains) are becoming more important both due to growing customer demand for local zero emissions mobility and for compliance with legal requirements. Recently, many car companies are also seeking to develop autonomous driving technology. A significant factor for Volkswagen's future success is its ability to recognize such trends early enough to react accordingly and thus strengthen Volkswagen's position in the existing product and service range and the market segments it already serves, as well as enabling it to expand into new market segments. Volkswagen encounters research and development challenges as its products become more complex and as it introduces new, more environmentally friendly technologies. Primarily due to increasingly stringent emission and consumption regulations, it may have difficulties in achieving stated efficiency targets and fulfilling fleet average targets without loss of quality or decline in profitability.

Volkswagen is accelerating its effort in electric mobility, planning extensive investments – including in battery technology – to expand its electric car model range. This plan entails considerable risk, including uncertainties regarding the widespread adoption of electric vehicles and availability of the necessary charging infrastructure, Volkswagen's technological and organizational capabilities to shift from a traditional car manufacturer into a provider of sustainable mobility, availability of supply of required materials (such as lithium or cobalt) and components (in particular safe and reliable batteries), and ability to build out sufficient capacity to serve the new market with comprehensive products and mobility services. Volkswagen has entered into a variety of cooperative arrangements to research and develop new technologies, particularly for alternative drive and energy source technologies, such as high-performance lithium ion batteries for electric

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

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

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

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

1.1.10.2 *Security breaches and other disruptions of Volkswagen's in-vehicle systems could impact the safety of its customers and reduce confidence in Volkswagen's products.*

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

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

1.1.11 ***Procurement risks***

1.1.11.1 *If Volkswagen encounters a shortage of raw materials, or is unable to obtain automotive parts and components from suppliers at a reasonable price or at all, for example, due to a supply bottleneck, particularly within a limited supplier environment, 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. This risk could have a material financial impact on the Volkswagen Group. In addition, quality problems may necessitate technical measures involving a considerable financial outlay where costs cannot be passed on to the supplier or can only be passed on to a

limited extent. Although Volkswagen has implemented a thorough evaluation process for suppliers of critical parts (i.e. parts required at high volumes across different brands), risks that suppliers may be unable or unwilling to fulfil delivery obligations persist. This effect may be exacerbated by Volkswagen's increasingly local production, in particular in countries such as Brazil, Russia, India and China, where Volkswagen uses regionally-based suppliers whose ability to deliver may be adversely affected by regional conditions and events. Examples include consolidation of the local supply base in different regions as well as exchange rate fluctuations. The availability of parts from local suppliers in these markets may be at risk and resorting to sources outside these regions could have an adverse impact on production cost due to unfavorable exchange rates 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, aluminum, copper, lead, coking coal, crude oil, precious metals and rare earth elements have remained highly volatile. Rises in demand for raw materials, including due to further economic recovery in key markets could create a shortage of the raw materials that are important for Volkswagen's production and further price increases. In addition, the accelerated use of new technologies, such as electrified powertrains, could increase Volkswagen's procurement risks. An industry-wide shift to electro mobility could lead to bottlenecks in supplies and price increases of certain critical materials, such as lithium or cobalt, which could limit Volkswagen's ability to scale the new technologies profitably. Furthermore, the technological transformation will require changes in Volkswagen's supply chain concepts, which may partially not be successful. These risks could lead to higher manufacturing costs for end products, parts and components.

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

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

Furthermore, Volkswagen is also facing different environmental and social risks in its complex globally fragmented supply chains. Stakeholders such as fleet customers, investors or non-governmental organizations are calling for a contribution from Volkswagen to address sustainability issues upstream in its supply chains. New technologies such as electro mobility will change the share of materials in the vehicle fleet. Metals used for high voltage batteries are partly produced in countries with low sustainability performance and weak enforcement of national labor and environmental laws, which increases the risk of violations of Volkswagen's sustainability requirements. Social or environmental problems could result in reputational loss or instability of material supply.

1.1.12 ***Production risks***

1.1.12.1 *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 a wide range of factors, including market dynamics and cannot be estimated with certainty. In particular, the ongoing transformation in the automotive industry makes it more difficult to forecast future sales of electric, hybrid and traditional vehicles, which increases the risk of Volkswagen's production planning. If Volkswagen's sales forecasts prove to be too optimistic, there is a risk that available capacity is underutilized, while pessimistic forecasts could lead to capacity being insufficient to meet demand.

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

Volkswagen utilizes certain measures such as flexible work hours and production network configuration to calibrate production capacity. However, Volkswagen or its 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.

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

In order to maintain high quality standards for its products and to comply with government-prescribed standards, such as safety or emissions standards, Volkswagen incurs substantial costs for monitoring and quality assurance.

In the past, Volkswagen was required and may in the future be required to implement service measures or recall vehicles if there are defects or irregularities in parts or components that Volkswagen sources externally or manufactures in-house. Volkswagen may need to develop new technical solutions that require governmental authorization. These measures could be costly and time-consuming, which may lead to warranty-related provisions and expenses that exceed existing provisions. In addition, product recalls can harm Volkswagen's reputation and cause it to lose customers, particularly if the recalls cause consumers to question the quality, safety or reliability of Volkswagen's products. 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.

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

1.1.12.3 *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, mistakes in costing, post-contracting changes in economic and technical conditions, deviations in product launches (e.g., launch costs, start of production date), weaknesses in project management 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.

1.1.13 ***Sales and distribution risks***

1.1.13.1 *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 28.7% in 2017 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 cyclicality. 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 so far 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 sufficiently low exhaust emissions values.

Additionally, corporate customers are increasingly interested in new forms of mobility as well as mobile online services. There is a risk that Volkswagen could lose sales if the Volkswagen Group's shift to new mobility concepts does not proceed in a timely manner.

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

1.1.13.2 *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.

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

The reputation of the Volkswagen Group and its brands is one of the most important assets and forms the basis for long-term business success. The recent issues faced by Volkswagen in relation to exhaust emissions have negatively influenced customers' brand perception (for example, brand image or brand confidence), which may have a negative impact on customers' purchase decisions and may impair Volkswagen's profitability and market share. See also "*Government authorities in a number of jurisdictions worldwide have conducted and are continuing to conduct investigations of Volkswagen regarding findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The results of these and any further investigations, and related civil and criminal litigation, may have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as the prices of its securities, including the Notes, and its ability to make payments under its securities*."

1.1.14 ***Financial risks***

1.1.14.1 *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 its financing requirements adequately. As of December 31, 2017, Volkswagen's noncurrent and current financial liabilities amounted to EUR 163,472 million.

Volkswagen may not be able to obtain sufficient financing to meet its 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 financial 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. The Financial Services Division regularly funds itself via the Automotive Division.

Volkswagen's financing opportunities may be adversely affected by a deterioration in financial and general market conditions, a weakening of its credit profile and outlook as well as by a rating downgrade or withdrawal. In these cases the demand from capital market participants for securities issued by Volkswagen may decrease, which could adversely impact the rates of interest Volkswagen has to pay and may result in lower capacity to access the capital markets. In the wake of the diesel issue, Volkswagen AG's credit ratings have been downgraded and Volkswagen has experienced limited access to refinancing opportunities. See also "*Government authorities in a number of jurisdictions worldwide have conducted and are continuing to conduct investigations of Volkswagen regarding findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The results of these and any further investigations, and related civil and criminal litigation, may have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as the prices of its securities, including the Notes, and its ability to make payments under its securities.*"

If financial and general market conditions deteriorate or credit spreads and/or the general level of interest rates increase, this would result in higher interest expenses for Volkswagen. If Volkswagen does not limit its

exposure to changes in interest rates accordingly, it could incur materially higher financing costs which in turn would lower profitability.

1.1.14.2 *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. In the course of the diesel discussions, especially regarding potential driving bans in cities for older diesel vehicles, market prices and in turn collateral values of vehicles could decrease. Lower collateral values could negatively impact the asset situation of Volkswagen Group. Risks arising from trade receivables could have an impact on Volkswagen's liquidity position.

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 or other factors, 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, interest rate and commodity price risks using derivatives. Volkswagen incurs default risks with respect to the repayment of and interest on the deposits and the fulfillment of obligations under such derivatives. Volkswagen invests surplus liquidity in bonds and similar financial instruments, among others. If the credit quality of an issuer of these financial instruments deteriorates, or if such an issuer becomes insolvent, this may result in losses if Volkswagen sells the financial instrument before or at its maturity. This can even result in the issuer's default on the receivable.

If the macroeconomic environment were to deteriorate in the future, the risks described above could rise and Volkswagen may have to increase its risk provisioning.

1.1.14.3 *Changes in exchange rates, interest rates and commodity prices as well as respective 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, Hong Kong dollar, Hungarian forint, Indian rupee, Japanese yen, Mexican peso, Norwegian krone, Polish zloty, Russian ruble, Singapore dollar, South African rand, South Korean won, Swedish krona, Swiss franc, Taiwan dollar and U.S. dollar, 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, interest rate and commodity price risks. However, these risks are not fully hedged. Furthermore, losses arising from hedging activities, 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, and environmental protection regulations (e.g. the Worldwide Harmonized Light Vehicle Test Procedure ("**WLTP**")), 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 exchange rates, interest rates and commodity prices may have substantial adverse effects on Volkswagen's operating results and cash flows.

1.1.14.4 *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 Automotive Division. Thus, the financial success of the Financial Services Division depends largely on the success of the Automotive Division. The development of vehicle deliveries to customers of the Volkswagen Group is crucial and material to the generation of new contracts for the Financial Services Division. As a result, fewer vehicle deliveries would also result in reduced business for the Financial Services Division.

The reason for fewer vehicle sales can be diverse, including but not limited to the following: If economic growth does not materialize to the extent expected or if economic conditions weaken in a particular market, the Volkswagen Group may sell fewer products in these markets or obtain lower-than-expected prices. Additionally, a lack of economic growth could lead to a decrease of deliveries to customers caused by intensified price competition among automotive manufacturers. Moreover, further legal investigations might be launched in the future and existing investigations could be expanded. This may result in further legal actions being taken against the Volkswagen Group and could have a negative influence on customer behavior and the business of Financial Services Division. Finally, if regulatory/political decisions (e.g., sales stops) influence customer demand, the sales of Volkswagen Group could be negatively affected, resulting in less business opportunities for the Financial Services Division.

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

1.1.14.5 *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. 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 economic conditions, government policies, exchange rates, marketing programs, the actual or perceived quality, safety or reliability of vehicles or fuel prices could also influence the residual value risk. For instance, current public discussions on potential political activities in relation to driving bans for diesel vehicles might influence the residual value risk of the relevant Financial Services Division portfolio. Due to the fact that customers might change their consumption behavior and refrain from buying diesel vehicles, these bans could have a negative impact on the corresponding market prices of these vehicles. For this reason, the residual value risk might increase and 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 due to assumptions that later prove to be incorrect. Although Volkswagen continuously monitors used car price trends and makes adjustments to its risk valuation, assessing residual value risk in advance of actual market indicators remains subject to the risk of assumptions that may prove to be incorrect.

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

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

1.1.15 ***Other Risks***

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

As of December 31, 2017, goodwill reported in Volkswagen's balance sheet amounted to EUR 23,442 million and the reported value of brand names amounted to EUR 16,911 million.

At least once a year, Volkswagen reviews whether the value of goodwill or brand names 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.

1.1.15.2 *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 by competitors or others, or age-related departures, this may lead to a significant drain on Volkswagen's know-how. Competition for qualified personnel is increasing, particularly in the area of automotive engineering, research and development, and is especially intense in areas requiring advanced technological skills. In addition, if Volkswagen's employees do not possess the skills and qualifications necessary to advance Volkswagen's strategic goals, there is a risk that these objectives (e.g., technological change) will not be met. If Volkswagen fails to retain qualified personnel to the necessary extent, or if it fails to recruit qualified personnel or to continue to train existing personnel, Volkswagen may not reach its strategic and economic objectives.

1.1.15.3 *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 (*Zukunftstarifvertrag*) entered into with the German Metalworkers Union (*Industriegewerkschaft Metall*) and the German Christian Metalworkers Union (*Christliche Gewerkschaft Metall*). This agreement became effective on January 1, 2009 and may be terminated at the end of a calendar quarter with a three-month notice period, at the earliest on December 31, 2025. The agreement, which is generally applicable to all employees of Volkswagen AG, rules out compulsory redundancies during its term. In addition, Volkswagen agreed to the target to keep the number of employees at its six West German locations stable, subject to additional structural measures agreed among management and the employees and their representatives. The agreement may limit Volkswagen's ability to react in a timely manner to a change in economic conditions.

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

1.1.15.4 *Volkswagen faces risks arising from pension obligations.*

Volkswagen provides retirement benefits to its employees. To determine its pension obligations, Volkswagen makes certain assumptions. If these assumptions prove to be inaccurate, Volkswagen's balance sheet or actual pension obligations could increase substantially and Volkswagen would have to raise its pension provisions.

Since January 1, 2001, Volkswagen has invested part of Volkswagen AG's and other German subsidiaries' 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 fluctuations in securities prices 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. In such event, the value of the plan assets would fall short of the aggregate pension claims and Volkswagen would have to cover the short-fall, which could materially adversely affect Volkswagen's net assets, financial position and results of operations.

1.1.15.5 *Volkswagen operates complex IT systems. IT system malfunctions or errors could harm Volkswagen's business.*

Volkswagen operates comprehensive and complex IT systems. Where economically reasonable, Volkswagen intends to harmonize various IT systems. There are risks inherent in non-uniform IT systems, such as compatibility issues for both hardware and software or the necessity to train personnel for different systems. Additionally, numerous essential functional processes in the development, production and sales of vehicles and components depend on computer-controlled applications and cannot be carried out without properly functioning IT systems and IT infrastructure. Malfunctions or errors in internal or external IT systems and networks could have adverse effects on Volkswagen's operations, harm Volkswagen's reputation and expose it to regulatory actions or litigation.

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.

1.1.15.6 *Security breaches and other disruptions to IT systems and networked products owned or maintained by Volkswagen or third-party vendors or suppliers, could interfere with Volkswagen's operations and could compromise the confidentiality of private customer data or proprietary information.*

Volkswagen collects and stores sensitive data, including intellectual property, proprietary business information, proprietary business information of Volkswagen's dealers and suppliers, as well as personally identifiable information of customers and employees, in data centers and on IT networks. The secure operation of these systems and products, and the processing and maintenance of the information processed by these systems and products, is critical to Volkswagen's business operations and strategy. The importance and complexity of electronically processed data continues to increase and applicable data protection laws place onerous obligations on Volkswagen's IT systems. For example, Volkswagen is subject to the stringent requirements of the EU General Data Protection Regulation which enters into force in May 2018.

These systems and products may be vulnerable to damage, disruptions or shutdowns caused by attacks by hackers, computer viruses, or breaches due to errors or malfeasance by employees, contractors and others who have access to these systems and products. The occurrence of any of these events could compromise the operational integrity of these systems and products. Similarly, such an occurrence could result in the compromise or loss of the information processed by these systems and products. Such events could result in, among other things, the loss of proprietary data, interruptions or delays in Volkswagen's business operations, reputational damage or damage to Volkswagen's financial performance and to its relationships with customers and suppliers.

In addition, such events could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information; disrupt operations; or reduce the competitive advantage Volkswagen seeks to derive from its investment in advanced technologies. Volkswagen has experienced such events in the past and, although past events were immaterial, future events may occur and may be material.

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

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

1.1.16.1 *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 addition to Volkswagen's joint ventures in China, important relationships relate to strategic areas, such as battery development, digitalization, mobility concepts and infrastructure. With

respect to its strategic development, Volkswagen expects to rely to a greater extent on partnerships and cooperations in the future.

If Volkswagen fails to fulfill its obligations stipulated in the related agreements, it may be subject to claims for damages and contractual penalties or the joint venture agreement may be terminated. In addition, a breach of contract by Volkswagen's partners or unforeseen events may impair the successful implementation of a project. Moreover, the success of Volkswagen's joint ventures requires that the partners constructively pursue the same goals. 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 or intellectual property acquired in the course of the joint venture. The diesel issue could affect Volkswagen's ability to attract future potential cooperation partners, for example, in the area of research and development.

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

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

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

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

Volkswagen may not realize the targets for growth, economies of scale, cost savings, development, production and distribution targets, or other strategic goals that Volkswagen seeks from the acquisition. Moreover, anticipated synergies may not materialize, the purchase price may prove to have been too high or unforeseen restructuring expenses may become necessary. Thus, Volkswagen's corporate acquisitions or purchases of equity interests in companies may not be successful. Moreover, in many countries and regions, planned acquisitions are subject to a review by the competition and other regulatory authorities, which may impede a planned transaction. It is also possible that the flow of information to Volkswagen may be restricted for legal reasons in the case of equity interests in companies with minority shareholders.

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

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

If any of these risks occurs, or if Volkswagen incorrectly assesses the risks or if there are other failures in relation to Volkswagen's acquisitions, investments or disposals, this may have a material adverse effect on Volkswagen's business activities, net assets, financial position and results of operations.

1.1.17 *Regulatory, Legal and Tax-Related Risks*

1.1.17.1 *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, vehicle registration and operation regulations, and activities in the financial services sector. Further, Volkswagen is subject to numerous regulatory requirements on the national and international level regarding the use, handling and storage of various substances (including restrictions or prohibitions on the use of chemicals, heavy metals, biocidal products and persistent organic pollutants) in the manufacturing process and their use in Volkswagen's products.

Volkswagen must comply with various regulatory requirements that are not always homogeneous and which are subject to increasing governmental scrutiny and enforcement. This applies in particular to regulatory requirements for the protection of the environment, health and safety. Vehicles are particularly affected by regulatory requirements concerning fuel economy, harmful emissions and CO2 and NOx 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 is often unable 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 regulatory 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. By 2020, all new cars in Europe will have to meet a fleet CO2 average of 95g CO2/km, subject to certain automotive portfolio considerations and transition periods. Future legislative measures at the level of the European Union, its Member States or other countries (including their political subdivisions such as individual States in the United States) 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 that could require alterations in permitted or favored fuel sources to be used in vehicles or could result in significant changes to requirements governing permissible air emissions from vehicles. Volkswagen expects that in order to comply with fuel economy and emission control requirements, it will be required to offer a significant volume of hybrid or electric vehicles, as well as implement new technologies for conventional internal combustion engines, all at increased cost levels. There is no assurance that Volkswagen will be able to produce and sell vehicles that use such technologies profitably or that customers will purchase such vehicles in the quantities sufficient for Volkswagen to comply with applicable regulations.

Furthermore, the transition from the "New European Driving Cycle" (i.e. test procedures currently used in the EU to assess the emission levels of car engines and fuel economy) to the new Worldwide Harmonized Light Vehicle Test Procedure ("**WLTP**") causes risks due to unregulated questions and frictions in the existing national laws, e.g., labelling or taxation. Additionally, the transition to the new, more time-consuming WLTP is expected to temporarily cause production stoppages at some of Volkswagen's plants, is expected to cause certain Volkswagen Group brands to temporarily limit the number of models that are offered for sale in the European Union or any other jurisdictions that have implemented WLTP standards, or may cause a temporary build-up in inventory.

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

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

1.1.17.2 *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.

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

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

Members of Volkswagen's governing bodies, employees, authorized representatives or agents may violate applicable laws, and internal standards and procedures. Volkswagen may not be able to identify such violations, evaluate them correctly or take appropriate countermeasures. Furthermore, Volkswagen's compliance and risk management systems may not be appropriate to the company's size, complexity and geographical diversification and may fail for various reasons. In addition, on the basis of experience, Volkswagen cannot rule out that, for example in contract negotiations connected with business initiation, members of Volkswagen's governing bodies, employees, authorized representatives or agents have accepted, granted or promised advantages for themselves, Volkswagen or third parties, have applied comparable unfair business practices, or continue to do so. Volkswagen's compliance system may not be sufficient to prevent such actions. See also "*Government authorities in a number of jurisdictions worldwide have conducted and are continuing to conduct investigations of Volkswagen regarding findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The results of these and any further investigations, and related civil and criminal litigation, may have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as the prices of its securities, including the Notes, and its ability to make payments under its securities*." and "*The diesel issue led to a*

review and ongoing reforms of Volkswagen's internal controls, compliance function and company culture. If these reforms are not completed and future material compliance failures occur, Volkswagen could be exposed to significant adverse consequences."

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

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

Volkswagen operates complex industrial plants that manufacture, use, store, manage, generate, emit and dispose of various substances that may constitute a hazard to human life and health as well as to the environment and natural resources. In the past, environmentally hazardous substances from those operations may have entered and in the future may enter the air, watercourses, especially groundwater, or surface or subsurface soils at Volkswagen facilities or third-party locations, and the environment, natural resources, human health, life and safety of persons and property may have been or may be affected or endangered otherwise because of those environmentally hazardous substances. Volkswagen may be jointly or severally liable, possibly regardless of fault and without any caps on liability, to remove or clean up such harm and to pay damages, including any resulting natural resource damages, arising from those environmentally hazardous substances. These risks could have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

1.1.17.5 *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 fail to enforce claims against third parties to the extent required or desired. Volkswagen's intellectual property rights may be challenged and Volkswagen may not be able to secure such rights in the future. In particular, there is a heightened risk that Volkswagen may not be in a position to secure all necessary intellectual property rights with respect to the development of new technologies, as part of Volkswagen's collaborative partnerships or otherwise.

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

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

1.1.17.6 *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 extensive warranties to its dealers, importers and national distributors (quality defect liability) as well as, in certain countries, to customers. Volkswagen may face additional liability depending on the applicable laws and contractual obligations.

As a rule, Volkswagen forms provisions for these obligations on an ongoing basis. Nevertheless, relative to the guarantees and warranties that it grants, Volkswagen may have set the calculated product prices and the provisions for guarantee and warranty risks too low or may do so in the future. Volkswagen's suppliers have also provided guarantees and warranties, however, when claims are made against them, these suppliers may not be able to fulfill their obligations.

Supervisory authorities may request that Volkswagen performs recall campaigns and could compel a recall and modification of Volkswagen's products or components included in Volkswagen's products. Frequently, such recalls concern a 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 various jurisdictions 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 have conducted and are continuing to conduct investigations of Volkswagen regarding findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The results of these and any further investigations, and related civil and criminal litigation, may have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as the prices of its securities, including the Notes, and its ability to make payments under its securities*." The related costs incurred to date are considerable and there could be additional substantial costs. There could be future recalls affecting additional jurisdictions and vehicles. The recalls could pose significant challenges to Volkswagen's dealers. Depending on the required repairs, in particular in the United States and Canada, dealers may lack sufficient technical capacities to implement the works on time. In addition, dealers may experience liquidity issues. To the extent Volkswagen is required to provide support to its dealer network in connection with any recalls, in particular in the United States, it may incur significant costs. Moreover, Volkswagen could be required to compensate dealers for any litigation claims they might face *vis-a-vis* their customers.

On May 5, 2016, the U.S. National Highway Traffic Safety Administration (NHTSA) announced, jointly with the Takata company, a further extension of the recall for various models from different manufacturers containing certain airbags produced by the Takata company. Recalls were also ordered by the local authorities in individual countries. The recalls also included models manufactured by the Volkswagen Group. Appropriate provisions have been recognized. Currently, the possibility of further extensions to the recalls that could also affect Volkswagen Group models cannot be ruled out 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.

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

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

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.

1.1.17.8 *Volkswagen faces regulatory risks in the aftermarkets and with respect to its genuine parts business. There are risks associated with Volkswagen's renegotiation of dealer agreements.*

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 fulfil 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%. Furthermore, as part of a new sales strategy, among other things, the renegotiation of agreements with dealers and importers could lead to disputes and expose Volkswagen to claims for damages.

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 regulations described above 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.

1.1.17.9 *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 2001 up to and including 2005. 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.

1.1.17.10 *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. The Deposit Protection Fund in principle protects all non-bank deposits, that is, deposits of private individuals, commercial enterprises and public-sector entities. 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. 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.

1.1.17.11 *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.*

In 2011, ARFB Anlegerschutz UG (haftungsbeschränkt) brought an action against Volkswagen AG and Porsche Automobil Holding SE for claims for damages for allegedly violating disclosure requirements under capital market law in connection with the acquisition of ordinary shares in Volkswagen AG by Porsche in 2008. The damages currently being sought are based on allegedly assigned rights and amount to approximately €2.26 billion plus interest. In April 2016, the District Court in Hanover had formulated numerous objects of declaratory judgement that the Cartel Senate of the Higher Regional Court in Celle will decide on in model case proceedings under the German Capital Markets Model Case Act (*Kapitalanleger-Musterverfahrensgesetz* — "**KapMuG**"). In the first hearing on October 12, 2017, the Senate indicated that it currently does not see claims against Volkswagen AG as justified, both in view of a lack of substantiated submissions and for legal reasons. Some of the desired objects of declaratory judgment on the litigants' side may also be inadmissible, the Senate said.

At the time (2010/2011), other investors had also asserted claims arising out of the same circumstances – including claims against Volkswagen AG – in an approximate total amount of €4.6 billion and initiated conciliation proceedings. Volkswagen AG always refused to participate in these conciliation proceedings; since then, these claims have not been pursued further. 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.

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

In 2011, the European Commission opened antitrust proceedings against European truck manufacturers including MAN and Scania. With its first decision following individual settlements in July 2016 the European Commission fined five European truck manufacturers excluding MAN and Scania. MAN was not fined as the company had informed the Commission about the cartel as a key witness. With regard to Scania, the Commission issued a contentious fine decision in September 2017 by which a fine of EUR 0.88 billion was imposed. Scania has appealed to the European Court in Luxembourg. Depending on how the legal proceedings develop, actual fines may differ. In 2016, Volkswagen set aside a EUR 0.4 billion provision in connection with the proceedings. As is the case in any antitrust proceedings, further lawsuits from customers against MAN and Scania have been filed and will continue to be filed, which could result in substantial liabilities.

Volkswagen is also subject to an ongoing antitrust investigation by the European Commission in relation to potential collusion in the field of technical developments among certain European auto manufacturers. As part of an announced review, in November 2017, the European Commission examined documents in the offices of Volkswagen AG and AUDI AG. Prior to and following the examination, Volkswagen Group companies

concerned have been cooperating fully and for a long time with the European Commission and have submitted a corresponding application. The European Commission has not yet opened formal proceedings.

Furthermore, Volkswagen is subject to an ongoing antitrust investigation by the German Federal Cartel Office in relation to potential anti-competitive behaviour with regard to steel purchasing. Following proceedings against steel manufacturers on alleged price fixing, the Federal Cartel Office in June 2016 extended the scope of its investigation to certain steel processing companies as well as other steel customers including Volkswagen and in this context carried out an on-site inspection in the offices of Volkswagen AG in June 2016. The Volkswagen Group companies concerned are cooperating fully with the Federal Cartel Office. The proceedings are currently pending, and it is too early to assess the potential consequences of the investigation on Volkswagen.

1.1.17.13 *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. On May 9, 2018, the German government approved a draft law, allowing established consumer protection groups representing a minimum of 50 plaintiffs to file U.S.-style class action lawsuits. If this law is approved by the German Parliament, it may lead to an increase in consumer litigation in Germany, including with respect to diesel-related litigation against Volkswagen.

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

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

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

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 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.

1.2.16 *Dutch tax risks related to the new government's coalition agreement*

On 10 October 2017, the new Dutch government released its coalition agreement (*Regeerakkoord*) 2017-2021, which includes certain policy intentions for tax reform. Two policy intentions in particular may become relevant in the context of the Dutch tax treatment of the Issuer and/or (payments under) the Notes.

The first policy intention relates to the introduction of a "thin capitalization rule" that would limit the deduction of interest on debt exceeding 92% of the commercial balance sheet total. Although the heading in the coalition agreement suggests that this thin capitalization rule will apply solely to banks and insurers, it

cannot be ruled out that it will have a generic application and, as such, it could potentially be applicable to other taxpayers (including the Issuer).

The second policy intention relates to the introduction of an "interest withholding tax" on interest paid to creditors in countries with very low taxes (low tax jurisdictions). Although the coalition agreement suggests that this interest withholding tax is intended to combat "letterbox" structures in the Netherlands, it cannot be ruled out that it will have a wider application and, as such, it could potentially be applicable to payments under the Notes.

Many aspects of these policy intentions remain unclear. However, if the policy intentions are implemented they may have an adverse effect on the Issuer and its financial position and may give rise to a Tax Deductibility Event or a Gross-up Event (in each case as defined in Condition 7, paragraph 4 (*Other Special Redemption Events*)), in which case the Issuer may redeem the Notes pursuant to its option under Condition 7, paragraph 4 (*Other Special Redemption Events*).

1.3 Risks relating to the Notes

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

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

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

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

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

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

At the Issuer's option each type of the Notes may be redeemed at 100% of the principal amount plus accrued and unpaid interest and any Arrears of Interest pursuant to the Terms and Conditions (i) on the respective First Call Date of an issue or any Interest Payment Date thereafter, (ii) if as a consequence of a change in law it has to pay any additional amounts with respect to taxation or (iii) if 80% or more in principal amount of such issue of Notes initially issued has been redeemed or repurchased.

In addition, the Issuer may at its option redeem each issue of the Notes at 101% of the principal amount plus accrued and unpaid interest and any Arrears of Interest pursuant to the Terms and Conditions, if (i) interest payable in respect of such issue of the Notes is no longer fully income tax deductible, (ii) the funds raised

through the issuance of such issue of Notes must not or must no longer be recorded as "equity capital" of the Issuer, (iii) Moody's and / or S&P determine to no longer grant the same or higher category of "equity credit" to such issue of Notes as a result of an amendment, clarification or change to the equity credit criteria of such rating agency.

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

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

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

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

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

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

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

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

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

1.3.8 *The Noteholders have no voting rights.*

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

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

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

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

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

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

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

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

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

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

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

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

Application has been made for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange. There can, however,

be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue. In an illiquid market, an investor may not be able to sell his Notes at any time at fair market prices. The ability of Noteholders to sell the Notes might also be restricted for country-specific reasons.

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

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

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

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

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

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

1.3.16 *The Noteholders are exposed to risks relating to the reset of interest rates linked to the 6-year swap rate or 10-year swap rate.*

From and including the First Call Date to but excluding the date on which the Issuer redeems the Notes in whole, the Notes bear interest at a rate which will be determined on each reset date at the 6-year swap rate or the 10-year swap rate, as applicable, for the relevant reset period plus a margin.

Investors should be aware that the performance of the 6-year swap rate or the 10-year swap rate, as applicable, and the interest income on the Notes cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of the Notes at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. In addition, after interest payment dates, investors are exposed to the reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing.

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

1.3.17 *The Notes are exposed to risk of financial benchmark and reference interest rate continuity.*

Specific risks arise in connection with the 6-year swap rate or the 10-year swap rate, as applicable, to which interest payments under the Notes are linked following the relevant Reset Period. Certain indices, which are deemed "benchmarks", such as the applicable swap rate for the Notes (the "**Benchmark**"), are subject to recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective (as for example the Benchmark Regulation) while others are still in the process of implementation. These reforms may cause the Benchmark to perform differently than in the past, or have other consequences, which cannot be predicted.

Although it is uncertain whether or to what extent any change in the administration or method of determining the Benchmark could affect the level of the published rate, including to cause it to be lower and/or more volatile than it would otherwise be, and/or could have an effect on the value of the Notes, investors should be aware that they face the risk that any changes to the Benchmark may have a material adverse effect on the value of and the amount payable under the Notes.

Benchmarks could also be discontinued entirely. For example, on July 27, 2017, the United Kingdom Financial Conduct Authority (FCA) announced that it will no longer persuade or compel banks to submit rates for the calculation of the London Interbank Offered Rate (LIBOR) benchmark after 2021. If the Benchmark was discontinued or otherwise unavailable, the rate of interest for the Notes will be determined for the relevant period by the fall-back provisions applicable to the Notes. Any of the foregoing could have a material adverse effect on the value or liquidity of, and the amounts payable on the Notes due to a discontinued Benchmark.

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

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

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

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

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

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

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

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

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

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

The Notes will be represented by one or more global notes. Such global notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Investors will not be entitled to receive definitive notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the global notes. While the Notes are represented by one or more global notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in global notes must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of beneficial interests in, the global notes.

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

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

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

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

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

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

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

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

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

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

specific situation of the potential investor. This investment consideration has to be read in connection with the section "*Taxation*" of this Prospectus.

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

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

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

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

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

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

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

2. TERMS AND CONDITIONS OF THE NC6 NOTES

Terms and Conditions

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

Anleihebedingungen

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

§1 (Form and Denomination)

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

Volkswagen International Finance N.V. (the "**Issuer**") issues undated unsecured subordinated notes with a first call date in 2024 in an aggregate principal amount of EUR 1,250,000,000 (the "**Notes**"). The Notes are issued in bearer form. The Notes are guaranteed on a subordinated basis by Volkswagen Aktiengesellschaft (the "**Guarantor**") and have a denomination of EUR 100,000 each (the "**Principal Amount**").

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

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

§1 (Verbriefung und Nennbetrag)

(1) **Währung, Nennbetrag und Form**.

Volkswagen International Finance N.V. (die "**Emittentin**") begibt unbesicherte nachrangige Schuldverschreibungen ohne feste Laufzeit erstmals kündbar in 2024 im Gesamtnennbetrag von EUR 1.250.000.000 (die "**Schuldverschreibungen**"). Die Schuldverschreibungen lauten auf den Inhaber. Die Schuldverschreibungen werden von der Volkswagen Aktiengesellschaft auf nachrangiger Basis garantiert (die "**Garantin**") und haben einen Nennbetrag von je EUR 100.000 (der "**Nennbetrag**").

(2) **Globalurkunden und Austausch**.

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

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

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

(3) **Miteigentumsanteile**.

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

§2
(Status)

(1) **Status of the Notes**.

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

(a) senior only to the Junior Obligations of the Issuer,

(b) *pari passu* among themselves and with any Parity Obligations of the Issuer, and

(c) junior to all other present and future obligations of the Issuer, whether subordinated or unsubordinated, except as otherwise provided by mandatory provisions of law or as expressly provided for by the terms of the relevant instrument.

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

"**Parity Obligations of the Issuer**" means any present or future obligation which (i) is issued by

§2
(Status)

(1) **Status der Schuldverschreibungen**.

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

(a) nur Nachrangigen Verbindlichkeiten der Emittentin im Rang vorgehen,

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

(c) allen anderen bestehenden und zukünftigen Verbindlichkeiten der Emittentin, ob nachrangig oder nicht nachrangig, im Rang nachgehen, soweit zwingende gesetzliche Vorschriften nichts anderes vorschreiben bzw. die Bedingungen des betreffenden Instruments ausdrücklich etwas anderes vorsehen.

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

"**Gleichrangige Verbindlichkeiten der Emittentin**" bezeichnet jede bestehende und

the Issuer and the obligations under which rank or are expressed to rank *pari passu* with the Issuer's obligations under the Notes, or (ii) benefits from a guarantee or support agreement expressed to rank *pari passu* with its obligations under the Notes. For the avoidance of doubt, Parity Obligations of the Issuer include its undated unsecured subordinated notes with a first call date in 2028, ISIN XS1799939027; its undated unsecured subordinated notes with a first call date in 2022, ISIN XS1629658755; its undated unsecured subordinated notes with a first call date in 2027, ISIN XS1629774230; its undated unsecured subordinated notes with a first call date in 2022, ISIN XS1206540806, its undated unsecured subordinated notes with a first call date in 2030, ISIN XS1206541366, its undated unsecured subordinated notes with a first call date in 2021, ISIN XS1048428012, its undated unsecured subordinated notes with a first call date in 2026, ISIN XS1048428442, its undated unsecured subordinated notes with a first call date in 2018, ISIN XS0968913268, and its undated unsecured subordinated notes with a first call date in 2023, ISIN XS0968913342 (together the "**Hybrid Securities**").

zukünftige Verbindlichkeit, die (i) von der Emittentin begeben wurde und die gleichrangig im Verhältnis zu den Verbindlichkeiten der Emittentin unter den Schuldverschreibungen ist oder ausdrücklich als gleichrangig vereinbart ist oder die (ii) von einer Garantie oder Haftungsübernahme profitiert, bei der die Verbindlichkeiten der Emittentin aus der betreffenden Garantie oder Haftungsübernahme mit den Verbindlichkeiten der Emittentin aus den Schuldverschreibungen als gleichrangig vereinbart sind. Gleichrangige Verbindlichkeiten der Emittentin sind, unter anderem, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2028, ISIN XS1799939027, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2022, ISIN XS1629658755, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2027, ISIN XS1629774230, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2022, ISIN XS1206540806, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2030, ISIN XS1206541366, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2021, ISIN XS1048428012, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2026, ISIN XS1048428442, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2018, ISIN XS0968913268, und die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2023, ISIN XS0968913342 (zusammen die "**Hybridanleihen**").

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

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

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

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

In an insolvency or liquidation of the Issuer, no payments under the Notes shall be made to the Noteholders unless all claims that, pursuant to § 2(1), rank senior to the Notes (condition precedent) have been discharged or secured in

Im Falle einer Insolvenz oder Liquidation der Emittentin steht jedwede Zahlung unter den Schuldverschreibungen an die Anleihegläubiger unter dem Vorbehalt, dass zuvor sämtliche Verpflichtungen auf gegenüber den

full (i.e. not only with a quota).

Schuldverschreibungen gemäß § 2(1) vorrangige Verbindlichkeiten zur Gänze (d.h. nicht nur quotenmäßig) bezahlt oder sichergestellt wurden.

§3 (Guarantee)

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

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

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

The obligations of the Guarantor under the Guarantee rank:

(a) senior only to the Junior Obligations of the Guarantor,

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

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

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

§3 (Garantie)

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

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

(2) **Status der Garantie**.

Die Verbindlichkeiten der Garantin unter der Garantie:

(b) gehen nur Nachrangigen Verbindlichkeiten der Garantin im Rang vor,

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

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

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

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

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

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

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

§4
(Prohibition of Set-off)

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

§4
(Aufrechnungsverbot)

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

§5
(Interest)

(1) **Interest accrual**.

From and including June 27, 2018 (the "**Interest Commencement Date**") to but excluding June 27, 2024 (the "**First Call Date**") the Notes bear interest on their principal amount at a rate of 3.375 per cent. per annum.

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

"**Reset Rate of Interest**" means the Reset

§5
(Zinsen)

(1) **Zinslauf**.

In dem Zeitraum ab dem 27. Juni 2018 (der "**Zinslaufbeginn**") (einschließlich) bis zum 27. Juni 2024 (der "**Erste Rückzahlungstermin**") (ausschließlich) belaufen sich die Zinsen auf den Nennbetrag der Schuldverschreibungen auf 3,375 % per annum.

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

"**Reset-Zinssatz**" bezeichnet den jeweiligen

Reference Rate for the relevant Reset Period in which the relevant Interest Period falls plus the relevant Margin for the relevant Interest Period.

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

Interest is scheduled to be paid annually in arrears on June 27 of each year (each an "**Interest Payment Date**"), commencing on June 27, 2019, and will be due and payable (*fällig*) in accordance with the conditions set out in § 6.

Zinsen sind nachträglich am 27. Juni eines jeden Jahres (jeweils ein "**Zinszahlungstag**") zur Zahlung vorgesehen, erstmals am 27. Juni 2019, und werden nach Maßgabe der in § 6 dargelegten Bedingungen fällig.

(2) **Definitions**.

(2) **Definitionen**.

The "**6-year Swap Rate**" for the relevant Reset Period will be determined by the Calculation Agent on the Reset Rate Determination Date prior to the relevant Reset Date on which the relevant Reset Period commences (the "**Reference Reset Date**") and will be the annual mid swap rate for euro swap transactions with a term of 6 years commencing on the Reference Reset Date, expressed as a percentage, which appears on the Reuters screen ICESWAP2 Page under the heading "EURIBOR BASIS-EUR" and above the caption "11:00AM FRANKFURT" as of 11:00 a.m., Frankfurt time, on the Reset Rate Determination Date. If such rate does not appear on the Reuters screen ICESWAP2 Page, the Reset Reference Rate for that Reset Date will be the Reset Reference Bank Rate.

Der "**6-Jahres Swapsatz**" für den jeweiligen Reset-Zeitraum wird von der Berechnungsstelle am Reset-Referenzsatz-Bestimmungstag vor dem jeweiligen Reset-Termin zu dem der jeweilige Reset-Zeitraum beginnt (der "**Referenz-Reset-Termin**") bestimmt und ist der jährliche Mid-Swapsatz für Euro-Swap-Transaktionen mit einer Laufzeit von 6 Jahren beginnend mit dem Referenz-Reset-Termin, ausgedrückt als Prozentsatz, der am Reset-Referenzsatz-Bestimmungstag um 11:00 Uhr, Frankfurter Zeit auf der Reuters-Bildschirmseite ICESWAP2 unter der Überschrift "EURIBOR BASIS-EUR" und über der Angabe "11:00AM FRANKFURT" angezeigt wird. Falls ein solcher Zinssatz nicht auf der Reuters-Bildschirmseite ICESWAP2 angezeigt wird, ist der Reset-Referenzsatz für den Reset-Termin der Reset-Referenzbankenzinssatz.

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

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

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

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

"**Margin**" means:

"**Marge**" bedeutet:

(i) in respect of each Interest Period from and including the First Call Date to but excluding June 27, 2028 (the "**First Step-up Date**"): 297 basis points per annum (no step-up);

(i) für jede Zinsperiode ab dem Ersten Rückzahlungstermin (einschließlich) bis zum 27. Juni 2028 (der "**Erste Step-up Termin**"): 297 Basispunkte per annum (kein Step-Up);

(ii) in respect of each Interest Period from and including the First Step-up Date to but excluding June 27, 2044 (the "**Second Step-up Date**"): 322 basis points per annum (including a 25 basis points step-up); and

(ii) für jede Zinsperiode ab dem Ersten Step-up Termin (einschließlich) bis zum 27. Juni 2044 (der "**Zweite Step-up Termin**"): 322 Basispunkte per annum (einschließlich eines 25 Basispunkte Step-up); und

(iii) in respect of each Interest Period from and including the Second Step-up Date to but

(iii) für jede Zinsperiode ab dem Zweiten Step-up Termin (einschließlich) bis zum Tag an

excluding the date on which the Issuer redeems the Notes in whole pursuant to § 7(3) or § 7(4): 397 basis points per annum (including a further 75 basis points step-up).

dem die Emittentin die Schuldverschreibungen vollständig gemäß § 7(3) oder § 7(4) zurückzahlt: 397 Basispunkte per annum (einschließlich eines weiteren 75 Basispunkte Step-up).

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

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

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

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

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

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

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

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

"**Reset Reference Rate**" means the relevant 6-year Swap Rate for the relevant Reset Period, as determined by the Calculation Agent.

"**Reset-Referenzsatz**" ist der jeweilige 6-Jahres Swap Zinssatz für den jeweiligen Reset-Zeitraum, wie er von der Berechnungsstelle festgestellt wird.

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

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

"**Reset Reference Bank Rate**" means a percentage determined on the basis of the mid-market annual swap rate quotations provided by the Reference Banks at approximately 11:00 a.m., Frankfurt time on the Reset Rate Determination Date. For this purpose, the mid-market annual swap rate means the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term of 6 years commencing on that Reference Reset Date and in a Representative Amount with an acknowledged dealer of good credit in the swap market (as determined in accordance with the customary market practice at such time, whether or not the floating leg of such swap is determined by reference to EURIBOR), where the floating leg, calculated on an Actual/360 day count basis, is equivalent to a designated maturity of six months. The Calculation Agent will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate for that Reset Date will be the arithmetic mean (rounded if necessary to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards) of the

Der "**Reset-Referenzbankenzinssatz**" bezeichnet den Prozentsatz, der auf Basis der Mid-market Jahres-Swapsatz-Angebotssätze von den Refenzbanken um ungefähr 11:00 Uhr, Frankfurter Zeit, am Reset-Referenzsatz-Bestimmungstag festgestellt wird. Der Mid-market Jahres-Swapsatz ist das aritmethische Mittel des Geld- und Briefkurses für den Jahres-Festzinszahlungsstrom, berechnet auf Basis eines 30/360 Zinstagequotienten, einer Fest-zu-variabel Euro-Zinsswaptransaktion mit einer Laufzeit von 6 Jahren beginnend mit dem Referenz-Reset-Termin, die in einer Repräsentativen Höhe mit einem anerkannten Händler von guter Bonität im Swap-markt abgeschlossen wurde (wie in Übereinstimmung mit der zu diesem Zeitpunkt üblichen Marktpraxis bestimmt und unabhängig davon, ob die variable Komponente eines solchen Swaps unter Bezugnahme auf den EURIBOR bestimmt wird), wobei der variable Teil, berechnet basierend auf einem Actual/360 Zinstagequotienten, eine Endfälligkeit von sechs Monaten hat. Die Berechnungsstelle wird bei der Hauptniederlassung der Referenzbanken jeweils um einen Angebotssatz bitten. Falls zumindest drei Angebotssätze zur Verfügung gestellt werden, ist der Zinssatz für den Reset-Termin das

quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, and if the International Swaps and Derivatives Association, Inc. ("**ISDA**") has published a fallback provision for the determination of the Reset Reference Bank Rate at the relevant time, the Calculation Agent will determine the Reset Reference Bank Rate on the basis of such fallback provision. If the ISDA has not published such a fallback provision at the relevant time, the following shall apply: If only two quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided. If no quotations are provided, the Reset Reference Bank Rate will be equal to the last available 6 year mid swap rate for euro swap transactions, expressed as an annual rate, on the Reuters screen ICESWAP2 page.

arithmetische Mittel (falls erforderlich, auf- oder abgerundet auf das nächste Tausendstel Prozent, wobei 0,0005 aufgerundet wird) der Angebotssätze, bereinigt um den höchsten Angebotssatz (oder, falls mehrere Angebotssätze gleich hoch sind, einer der höchsten) und den niedrigsten Angebotssatz (oder, falls mehrere Angebotssätze gleich niedrig sind, einen der niedrigsten). Falls nur zwei oder weniger Quotierungen zur Verfügung gestellt werden, und falls zum betreffenden Zeitpunkt die International Swaps and Derivatives Association, Inc. ("**ISDA**") eine Auffangregelung zur Bestimmung des Reset-Referenzbankenzinssatzes veröffentlicht hat, wird die Berechnungsstelle den Reset-Referenzbankenzinssatz auf Basis dieser Auffangregelung berechnen. Falls die ISDA zum betreffenden Zeitpunkt keine solche Auffangregelung veröffentlicht hat, gilt folgendes: Falls nur zwei Quotierungen zur Verfügung gestellt werden, ist der Reset-Referenzbankenzinssatz das rechnerische Mittel der zur Verfügung gestellten Quotierungen. Falls nur eine Quotierung zur Verfügung gestellt wird, ist der Reset-Referenzbankenzinssatz die zur Verfügung gestellte Quotierung. Falls keine Quotierungen zur Verfügung gestellt werden, ist der Reset-Referenzbankenzinssatz der letzte Mid-Swapsatz für Euro-Swap-Transaktionen mit einer Laufzeit von 6 Jahren, ausgedrückt auf jährlicher Basis, der auf der Reuters-Bildschirmseite ICESWAP2 verfügbar ist.

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

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

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

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

(4) **Day Count Fraction**.

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

(4) **Zinstagekoeffizient**.

Sind Zinsen für einen Zeitraum zu berechnen (der "**Zinsberechnungszeitraum**"), der kürzer als eine Zinsperiode ist oder einer Zinsperiode entspricht, so werden sie auf der Grundlage der tatsächlichen Anzahl der Tage in dem betreffenden Zinsberechnungszeitraum (ab dem ersten Tag, an dem Zinsen auflaufen (einschließlich) bis zu dem Tag, an dem die Zinsen fällig werden

by the number of days in the Interest Period in which the Calculation Period falls (Act/Act (ICMA)) (including the first such day of the relevant Interest Period but excluding the last day of the relevant Interest Period).

(ausschließlich)) berechnet, dividiert durch die Anzahl der Tage in der Zinsperiode, in die der betreffende Zinsberechnungszeitraum fällt (Act/Act (ICMA)) (einschließlich des ersten Tages der betreffenden Zinsperiode, aber ausschließlich des letzten Tages der betreffenden Zinsperiode).

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

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

(5) **Zinslaufende**.

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

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

§6 (Fälligkeit von Zinszahlungen; Aufschub von Zinszahlungen; Zahlung Aufgeschobener Zinszahlungen)

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

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

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

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

(b) Arrears of Interest will not bear interest.

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

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

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

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

(b) Aufgeschobene Zinszahlungen werden nicht verzinst.

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

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

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

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

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

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

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

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

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

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

(e) the calendar day after an order is made for the winding-up, dissolution or liquidation of the Issuer or the Guarantor (other than for the

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

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

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

(b) am Kalendertag, an dem die Emittentin, die Garantin, eine Tochtergesellschaft der Emittentin oder eine Tochtergesellschaft der Garantin Nachrangige Verbindlichkeiten der Emittentin, Nachrangige Verbindlichkeiten der Garantin, Gleichrangige Verbindlichkeiten der Emittentin oder Gleichrangige Verbindlichkeiten der Garantin zurückgekauft, zurückgezahlt oder anderweitig erworben hat (außer in dem Fall, dass die Rückzahlung oder der Rückkauf nach den Bedingungen des Instruments verpflichtend war oder unter einem Mitarbeiterbeteiligungsprogramm erforderlich war);

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

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

(e) am Kalendertag, nach dem ein Beschluss zur Auflösung, Abwicklung oder Liquidation der Emittentin oder der Garantin ergangen ist (aber

purposes of or pursuant to an amalgamation, reorganization or restructuring while solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer or Guarantor, as the case may be);

nur, wenn dies nicht für die Zwecke oder als Folge eines Zusammenschlusses, einer Umstrukturierung oder Sanierung geschieht und die Emittentin bzw. die Garantin noch zahlungsfähig sind und die übernehmende Gesellschaft im Wesentlichen alle Vermögenswerte und Verpflichtungen der Emittentin bzw. der Garantin übernimmt);

provided that

mit der Maßgabe, dass

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

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

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

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

§7
(Redemption and Repurchase)

§7
(Rückzahlung und Rückkauf)

(1) **No Scheduled Redemption**.

(1) **Keine Endfälligkeit**.

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

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

(2) **Repurchase**.

(2) **Rückkauf**.

Subject to applicable laws, the Issuer, the Guarantor or any Subsidiary of the Guarantor may at any time purchase Notes in the open market or otherwise and at any price. Such acquired Notes may be cancelled, held or resold.

Die Emittentin, die Garantin oder eine Tochtergesellschaft der Garantin kann, soweit gesetzlich zulässig, jederzeit Schuldverschreibungen auf dem freien Markt oder anderweitig sowie zu jedem beliebigen Preis kaufen. Derartig erworbene Schuldverschreibungen können entwertet, gehalten oder wieder veräußert werden.

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

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

(a) The Issuer may, upon giving not less than

(a) Die Emittentin ist berechtigt, durch

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

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

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

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

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

(4) **Besondere Rückzahlungsereignisse**.

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

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

(a) If (i)(A) any Rating Agency publishes a change in hybrid capital methodology or the interpretation thereof, as a result of which change the Notes would no longer be eligible for the same or a higher category of "equity credit" or such similar nomenclature as may be used by that Rating Agency from time to time to describe the degree to which the terms of an instrument are

(a) Falls (i)(A) eine Ratingagentur eine Veränderung in der Methodologie für Hybridkapital oder der Interpretation dieser Methodologie veröffentlicht, wodurch die Schuldverschreibungen nicht mehr länger in derselben oder einer höheren Kategorie von Eigenkapital (oder eine vergleichbare Beschreibung, die von der Ratingagentur in

supportive of the Guarantor's senior obligations, attributed to the Notes at the Issue Date (a "**Loss in Equity Credit**"), or (B) the Issuer has received, and has provided the Principal Paying Agent with a copy of, a written confirmation from any Rating Agency that due to a change in hybrid capital methodology or the interpretation thereof, a Loss in Equity Credit occurred (the events described in (A) and (B) each a "**Rating Event**") and (ii) the Issuer has given notice to the Noteholders in accordance with § 13 of such Rating Event prior to giving the notice of redemption referred to above.

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

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

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

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

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

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

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

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

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

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

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

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

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

§8
(Payments)

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

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

§8
(Zahlungen)

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

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

Zahlungsaufschubs zu verlangen.

§9
(Taxation)

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

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

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

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

§9
(Besteuerung)

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

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

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

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

such Directive, Regulation, treaty, agreement or understanding; or

gesetzlichen Vorschrift, die diese Richtlinie, Verordnung, Vereinbarung, Verständigung oder dieses Abkommen umsetzt oder befolgt, abzuziehen oder einzubehalten sind; oder

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

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

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

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

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

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

§10
(Presentation Period, Prescription)

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

§10
(Vorlegungsfrist, Verjährung)

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

§11
(Paying and Calculation Agent)

(1) **Appointment**.

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

§11
(Zahlstellen und Berechnungsstelle)

(1) **Bestellung**.

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

together with any additional paying agent appointed by the Issuer in accordance with § 11(2), the "**Paying Agents**").

und gemeinsam mit jeder etwaigen von der Emittentin nach § 11(2) bestellten zusätzlichen Zahlstelle, die "**Zahlstellen**") bestellt.

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

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

The addresses of the specified offices of the Agents are:

Die Geschäftsräume der Verwaltungsstellen befinden sich unter den folgenden Adressen:

Principal Paying Agent:

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

Hauptzahlstelle:

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

Calculation Agent:

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

Berechnungsstelle:

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

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

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

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

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

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

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

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

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

§12
(Further Issues)

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

§12
(Weitere Emissionen)

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

einzige Anleihe bilden.

§13
(Notices)

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

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

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

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

§13
(Bekanntmachungen)

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

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

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

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

§14
(Substitution)

(1) **Substitution.**

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

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

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

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

§14
(Ersetzung)

(1) **Ersetzung.**

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

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

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

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

Genehmigungen und Zustimmungen erhalten hat;

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

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

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

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

(2) **References**.

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

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

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

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

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

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

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

(2) **Bezugnahmen**.

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

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

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

§15
(Enforcement)

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

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

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

§15
(Durchsetzung)

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

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

(3) Die Schuldverschreibungen sehen keinen Drittverzug vor.

§16
(Amendments to the Terms and Conditions by resolution of the Noteholders; Joint Representative)

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

§16
(Änderung der Anleihebedingungen durch Beschluss der Anleihegläubiger; Gemeinsamer Vertreter)

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

§ 16(2) below. A duly passed majority resolution will be binding upon all Noteholders.

verbindlich.

(2) Except as provided by the following sentence and provided that the quorum requirements are being met, the Noteholders may pass resolutions by simple majority of the voting rights participating in the vote. Resolutions which materially change the substance of the Terms and Conditions, in particular in the cases of § 5(3) numbers 1 through 9 of the SchVG, may only be passed by a majority of at least 75 per cent. of the voting rights participating in the vote (a "**Qualified Majority**"). The voting right is suspended as long as any Notes are attributable to the Issuer or any of its affiliates (within the meaning of § 271(2) of the German Commercial Code (*Handelsgesetzbuch*)) or are being held for the account of the Issuer or any of its affiliates.

(2) Vorbehaltlich des nachstehenden Satzes und der Erreichung der erforderlichen Beschlussfähigkeit, beschließen die Anleihegläubiger mit der einfachen Mehrheit der an der Abstimmung teilnehmenden Stimmrechte. Beschlüsse, durch welche der wesentliche Inhalt der Anleihebedingungen, insbesondere in den Fällen des § 5 Absatz 3 Nummer 1 bis 9 SchVG, geändert wird, bedürfen zu ihrer Wirksamkeit einer Mehrheit von mindestens 75 % der an der Abstimmung teilnehmenden Stimmrechte (eine "**Qualifizierte Mehrheit**"). Das Stimmrecht ruht, solange die Schuldverschreibungen der Emittentin oder einem mit ihr verbundenen Unternehmen (§ 271 Absatz 2 HGB) zustehen oder für Rechnung der Emittentin oder eines mit ihr verbundenen Unternehmens gehalten werden.

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

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

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

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

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

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

procedure. The subject matter of the vote as well as the proposed resolutions will be notified to Noteholders together with the request for voting.

sowie die Vorschläge zur Beschlussfassung den Anleihegläubigern bekannt gegeben.

(4) The exercise of voting rights is subject to the registration of the Noteholders. The registration must be received at the address stated in the request for voting no later than the third day preceding the beginning of the voting period. As part of the registration, Noteholders must demonstrate their eligibility to participate in the vote by means of a special confirmation of its custodian bank hereof in text form and by submission of a blocking instruction by the custodian bank stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the day the voting period ends.

(4) Die Stimmrechtsausübung ist von einer vorherigen Anmeldung der Anleihegläubiger abhängig. Die Anmeldung muss bis zum dritten Tag vor dem Beginn des Abstimmungszeitraums unter der in der Aufforderung zur Stimmabgabe angegebenen Anschrift zugehen. Zusammen mit der Anmeldung müssen Anleihegläubiger den Nachweis ihrer Berechtigung zur Teilnahme an der Abstimmung durch eine besondere Bescheinigung seiner Depotbank in Textform und die Vorlage eines Sperrvermerks der Depotbank erbringen, aus dem hervorgeht, dass die relevanten Schuldverschreibungen für den Zeitraum vom Tag der Absendung der Anmeldung (einschließlich) bis dem Ende des Abstimmungszeitraums (einschließlich) nicht übertragen werden können.

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

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

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

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

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

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

§17
(Final Provisions)

§17
(Schlussbestimmungen)

(1) **Applicable Law**.

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

(1) **Anzuwendendes Recht**.

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

(2) **Place of Jurisdiction**.

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

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

(2) **Gerichtsstand**.

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

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

(3) **Place of Performance**.

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

(3) **Erfüllungsort**.

Erfüllungsort ist Frankfurt am Main, Bundesrepublik Deutschland.

(4) **Enforcement of Rights**.

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

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

(4) **Geltendmachung von Rechten**.

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

(a) einer Bescheinigung der Depotbank, die (A) den vollen Namen und die volle Anschrift des Anleihegläubigers bezeichnet, (B) den gesamten Nennbetrag von Schuldverschreibungen angibt, die am Ausstellungstag dieser Bescheinigung den bei dieser Depotbank bestehenden Depots dieses Anleihegläubigers gutgeschrieben sind und (C) bestätigt, dass die Depotbank dem Clearingsystem und der Hauptzahlstelle eine schriftliche

specified in (A) and (B) and bearing acknowledgements of the Clearing System and the relevant account holder in the Clearing System and

Mitteilung gemacht hat, die die Angaben gemäß (A) und (B) enthält und Bestätigungsvermerke des Clearingsystems sowie des betroffenen Kontoinhabers bei dem Clearingsystem trägt sowie

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

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

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

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

"**Custodian**" means any bank or other financial institution with which the Noteholder maintains a securities account in respect of any Notes and having an account maintained with the Clearing System, including the Clearing System.

"**Depotbank**" bezeichnet ein Bank- oder sonstiges Finanzinstitut, bei dem der Anleihegläubiger Schuldverschreibungen im Depot verwahren lässt und das ein Konto bei dem Clearingsystem hat, einschließlich des Clearingsystems.

§18
(Language)

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

§18
(Sprache)

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

Restrictions regarding the Redemption and Repurchase of the Notes

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

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

Beschränkungen bezüglich der Rückzahlung und des Rückkaufs der Schuldverschreibungen.

Der folgende Absatz in Kursivschrift ist nicht Bestandteil der Anleihebedingungen.

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

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

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

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

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

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

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

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

(iii) im Fall der Rückzahlung der Schuldverschreibungen gemäß einem Ratingereignis (sofern es durch eine Änderung von S&P Methodologie verursacht wurde), einem Rechnungslegungsereignis, einem Steuerereignis oder einem Gross-Up Ereignis erfolgt oder

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

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

(v) if such redemption or repurchase occurs on or after June 27, 2024.

(v) wenn die Rückzahlung oder der Rückkauf am oder nach dem 27. Juni 2024 erfolgt.

3. TERMS AND CONDITIONS OF THE NC10 NOTES

Terms and Conditions

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

§1
(Form and Denomination)

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

Volkswagen International Finance N.V. (the "**Issuer**") issues undated unsecured subordinated notes with a first call date in 2028 in an aggregate principal amount of EUR 1,500,000,000 (the "**Notes**"). The Notes are issued in bearer form. The Notes are guaranteed on a subordinated basis by Volkswagen Aktiengesellschaft (the "**Guarantor**") and have a denomination of EUR 100,000 each (the "**Principal Amount**").

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

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

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

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

Anleihebedingungen

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

§1
(Verbriefung und Nennbetrag)

(1) **Währung, Nennbetrag und Form**.

Volkswagen International Finance N.V. (die "**Emittentin**") begibt unbesicherte nachrangige Schuldverschreibungen ohne feste Laufzeit erstmals kündbar in 2028 im Gesamtnennbetrag von EUR 1.500.000.000 (die "**Schuldverschreibungen**"). Die Schuldverschreibungen lauten auf den Inhaber. Die Schuldverschreibungen werden von der Volkswagen Aktiengesellschaft auf nachrangiger Basis garantiert (die "**Garantin**") und haben einen Nennbetrag von je EUR 100.000 (der "**Nennbetrag**").

(2) **Globalurkunden und Austausch**.

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

(3) **Miteigentumsanteile**.

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

accordance with applicable law and the rules and regulations of the Clearing System.

anwendbaren Rechts und der Regeln und Bestimmungen des Clearingsystems übertragen werden können.

§2
(Status)

§2
(Status)

(1) **Status of the Notes**.

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

(a) senior only to the Junior Obligations of the Issuer,

(b) *pari passu* among themselves and with any Parity Obligations of the Issuer, and

(c) junior to all other present and future obligations of the Issuer, whether subordinated or unsubordinated, except as otherwise provided by mandatory provisions of law or as expressly provided for by the terms of the relevant instrument.

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

"**Parity Obligations of the Issuer**" means any present or future obligation which (i) is issued by the Issuer and the obligations under which rank or are expressed to rank *pari passu* with the Issuer's obligations under the Notes, or (ii) benefits from a guarantee or support agreement expressed to rank *pari passu* with its obligations under the Notes. For the avoidance of doubt, Parity Obligations of the Issuer include its undated unsecured subordinated notes with a first call date in 2024, ISIN XS1799938995; its undated unsecured subordinated notes with a first call date in 2027,

(1) **Status der Schuldverschreibungen**.

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

(a) nur Nachrangigen Verbindlichkeiten der Emittentin im Rang vorgehen,

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

(c) allen anderen bestehenden und zukünftigen Verbindlichkeiten der Emittentin, ob nachrangig oder nicht nachrangig, im Rang nachgehen, soweit zwingende gesetzliche Vorschriften nichts anderes vorschreiben bzw. die Bedingungen des betreffenden Instruments ausdrücklich etwas anderes vorsehen.

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

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

ISIN XS1629774230; its undated unsecured subordinated notes with a first call date in 2022, ISIN XS1629658755, its undated unsecured subordinated notes with a first call date in 2022, ISIN XS1206540806, its undated unsecured subordinated notes with a first call date in 2030, ISIN XS1206541366, its undated unsecured subordinated notes with a first call date in 2021, ISIN XS1048428012, its undated unsecured subordinated notes with a first call date in 2026, ISIN XS1048428442, its undated unsecured subordinated notes with a first call date in 2018, ISIN XS0968913268, and its undated unsecured subordinated notes with a first call date in 2023, ISIN XS0968913342 (together the "**Hybrid Securities**").

sind. Gleichrangige Verbindlichkeiten der Emittentin sind, unter anderem, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2024, ISIN XS1799938995, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2027, ISIN ISIN XS1629774230, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2022, ISIN XS1629658755, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2022, ISIN XS1206540806, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2030, ISIN XS1206541366, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2021, ISIN XS1048428012, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2026, ISIN XS1048428442, die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2018, ISIN XS0968913268, und die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2023, ISIN XS0968913342 (zusammen die "**Hybridanleihen**").

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

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

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

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

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

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

§3
(Guarantee)

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

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

§3
(Garantie)

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

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

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

The obligations of the Guarantor under the Guarantee rank:

(a) senior only to the Junior Obligations of the Guarantor,

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

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

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

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

"**Subsidiary of the Guarantor**" means any

(2) **Status der Garantie**.

Die Verbindlichkeiten der Garantin unter der Garantie:

(a) gehen nur Nachrangigen Verbindlichkeiten der Garantin im Rang vor,

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

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

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

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

"**Tochtergesellschaft der Garantin**" bezeichnet jede

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

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

§4 (Prohibition of Set-off)

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

§4 (Aufrechnungsverbot)

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

§5 (Interest)

(1) **Interest accrual**.

From and including June 27, 2018 (the "**Interest Commencement Date**") to but excluding June 27, 2028 (the "**First Call Date**") the Notes bear interest on their principal amount at a rate of 4.625 per cent. per annum.

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

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

Interest is scheduled to be paid annually in arrears on June 27 of each year (each an "**Interest Payment Date**"), commencing on June 27, 2019 and will be due and payable (*fällig*) in accordance with the conditions set out in § 6.

(2) **Definitions**.

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

§5 (Zinsen)

(1) **Zinslauf**.

In dem Zeitraum ab dem 27. Juni 2018 (der "**Zinslaufbeginn**") (einschließlich) bis zum 27. Juni 2028 (der "**Erste Rückzahlungstermin**") (ausschließlich) belaufen sich die Zinsen auf den Nennbetrag der Schuldverschreibungen auf 4,625 % per annum.

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

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

Zinsen sind nachträglich am 27. Juni eines jeden Jahres (jeweils ein "**Zinszahlungstag**") zur Zahlung vorgesehen, erstmals am 27. Juni 2019, und werden nach Maßgabe der in § 6 dargelegten Bedingungen fällig.

(2) **Definitionen**.

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

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

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

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

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

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

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

"**Margin**" means:

(i) in respect of each Interest Period from and including the First Call Date (which equals the first step-up date) to but excluding June 27, 2048 (the "**Second Step-up Date**"): 398.2 basis points per annum (including a 25 basis points step-up); and

(ii) in respect of each Interest Period from and including the Second Step-up Date to but excluding the date on which the Issuer redeems the Notes in whole pursuant to § 7(3) or § 7(4): 473.2 basis points per annum (including a further 75 basis points step-up).

"**Marge**" bedeutet:

(i) für jede Zinsperiode ab dem Ersten Rückzahlungstermin (einschließlich) (welcher auch der erste Step-up Termin ist) bis zum 27. Juni 2048 (der "**Zweite Step-up Termin**"): 398.2 Basispunkte per annum (einschließlich eines 25 Basispunkte Step-up); und

(ii) für jede Zinsperiode ab dem Zweiten Step-up Termin (einschließlich) bis zum Tag an dem die Emittentin die Schuldverschreibungen vollständig gemäß § 7(3) oder § 7(4) zurückzahlt: 473.2 Basispunkte per annum (einschließlich eines weiteren 75 Basispunkte Step-up).

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

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

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

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

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

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

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

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

"**Reset Reference Rate**" means the relevant 10-year Swap Rate for the relevant Reset Period, as

"**Reset-Referenzsatz**" ist der jeweilige 10-Jahres Swap Zinssatz für den jeweiligen Reset-Zeitraum,

determined by the Calculation Agent.

wie er von der Berechnungsstelle festgestellt wird.

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

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

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

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

ausgedrückt auf jährlicher Basis, der auf der Reuters-Bildschirmseite ICESWAP2 verfügbar ist.

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

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

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

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

(4) **Day Count Fraction**.

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

(4) **Zinstagekoeffizient**.

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

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

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

(5) **Zinslaufende**.

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

§6
(Due date for interest payments; Deferral of interest payments; Payment of Arrears of Interest)

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

(a) Interest which accrues during an Interest Period will be due and payable (*fällig*) on the relevant Interest Payment Date, unless the Issuer elects, by giving notice to the Noteholders not less than 10 Business Days prior the relevant Interest

§6
(Fälligkeit von Zinszahlungen; Aufschub von Zinszahlungen; Zahlung Aufgeschobener Zinszahlungen)

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

(a) Zinsen, die während einer Zinsperiode auflaufen, werden an dem betreffenden Zinszahlungstag fällig, sofern sich die Emittentin nicht durch eine Bekanntmachung an die Anleihegläubiger gemäß § 13 innerhalb einer Frist

Payment Date in accordance with § 13, to defer the relevant payment of interest (in whole but not in part).

von nicht weniger als 10 Geschäftstagen vor dem betreffenden Zinszahlungstag dazu entscheidet, die betreffende Zinszahlung (insgesamt, jedoch nicht teilweise) auszusetzen.

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

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

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

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

(b) Arrears of Interest will not bear interest.

(b) Aufgeschobene Zinszahlungen werden nicht verzinst.

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

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

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

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

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

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

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

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

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

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

(b) the calendar day on which the Issuer, the Guarantor, a Subsidiary of the Issuer or a Subsidiary of the Guarantor has redeemed, repurchased or otherwise acquired Junior Obligations of the Issuer, Junior Obligations of the Guarantor, Parity Obligations of the Issuer or Parity Obligations of the

(b) am Kalendertag, an dem die Emittentin, die Garantin, eine Tochtergesellschaft der Emittentin oder eine Tochtergesellschaft der Garantin Nachrangige Verbindlichkeiten der Emittentin, Nachrangige Verbindlichkeiten der Garantin, Gleichrangige Verbindlichkeiten der Emittentin oder

Guarantor (except where such redemption or repurchase was mandatory under the terms of the instrument or required in respect of employee share schemes);

Gleichrangige Verbindlichkeiten der Garantin zurückgekauft, zurückgezahlt oder anderweitig erworben hat (außer in dem Fall, dass die Rückzahlung oder der Rückkauf nach den Bedingungen des Instruments verpflichtend war oder unter einem Mitarbeiterbeteiligungsprogramm erforderlich war);

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

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

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

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

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

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

provided that

mit der Maßgabe, dass

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

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

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

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

§7 (Redemption and Repurchase)

§7 (Rückzahlung und Rückkauf)

(1) **No Scheduled Redemption**.

(1) **Keine Endfälligkeit**.

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

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

(2) **Repurchase**.

Subject to applicable laws, the Issuer, the Guarantor or any Subsidiary of the Guarantor may at any time purchase Notes in the open market or otherwise and at any price. Such acquired Notes may be cancelled, held or resold.

(2) **Rückkauf**.

Die Emittentin, die Garantin oder eine Tochtergesellschaft der Garantin kann, soweit gesetzlich zulässig, jederzeit Schuldverschreibungen auf dem freien Markt oder anderweitig sowie zu jedem beliebigen Preis kaufen. Derartig erworbene Schuldverschreibungen können entwertet, gehalten oder wieder veräußert werden.

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

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

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

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

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

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

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

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

(4) **Besondere Rückzahlungsereignisse**.

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

der vorzeitigen Rückzahlung und den Rückzahlungstag anzugeben:

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

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

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

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

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

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

(c) An opinion of a recognized law firm of international standing has been delivered to the Issuer or Guarantor, stating that by reason of a change in German or Dutch law or regulation, or any change in the official application or interpretation of such law,

(c) Erhalt durch die Emittentin oder die Garantin eines Gutachtens einer international anerkannten Rechtsanwaltskanzlei, aus dem hervorgeht, dass nach dem Ausgabetag als Folge einer Änderung von deutschem oder niederländischen Recht oder dessen

after the Issue Date, the tax regime of any payments under the Notes is modified and such modification results in payments of interest payable by the Issuer or the Guarantor in respect of the Notes being no longer deductible for corporate income tax purposes in whole or in part; and such risk cannot be avoided by the Issuer taking reasonable measures available to it (a "**Tax Deductibility Event**").

offizieller Auslegung oder Anwendung die steuerliche Behandlung von Zinszahlungen, die von der Emittentin oder der Garantin in Bezug auf die Schuldverschreibungen zahlbar sind, dergestalt geändert wurde, dass sie nicht mehr für die Zwecke der Körperschaftssteuer ganz oder teilweise abzugsfähig sind; und die Emittentin dieses Risiko nicht durch das Ergreifen zumutbarer Maßnahmen vermeiden kann (ein "**Steuerereignis**").

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

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

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

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

§8 (Payments)

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

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

§8 (Zahlungen)

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

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

delay in payment.

Zahlungsaufschubs zu verlangen.

§9 (Taxation)

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

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

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

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

§9 (Besteuerung)

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

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

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

(c) aufgrund (i) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder (ii) einer zwischenstaatlichen Vereinbarung, eines zwischenstaatlichen Abkommens oder einer zwischenstaatlichen Verständigung über deren Besteuerung, an der der Staat, in dem die Emittentin steuerlich ansässig ist bzw. der Staat, in dem die Garantin steuerlich ansässig ist oder die Europäische Union beteiligt ist, oder (iii) einer gesetzlichen Vorschrift, die diese Richtlinie, Verordnung, Vereinbarung, Verständigung oder dieses Abkommen umsetzt oder befolgt, abzuziehen

oder einzubehalten sind; oder

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

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

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

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

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

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

§10
(Presentation Period, Prescription)

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

§10
(Vorlegungsfrist, Verjährung)

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

§11
(Paying and Calculation Agent)

(1) **Appointment**.

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

The Issuer has appointed Citibank, N.A., London

§11
(Zahlstellen und Berechnungsstelle)

(1) **Bestellung**.

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

Die Emittentin hat Citibank, N.A., London Branch als

Branch as calculation agent with respect to the Notes (the "**Calculation Agent**" and, together with the Paying Agents, the "**Agents**").

Berechnungsstelle in Bezug auf die Schuldverschreibungen (die "**Berechnungsstelle**" und, gemeinsam mit den Zahlstellen, die "**Verwaltungsstellen**") bestellt.

The addresses of the specified offices of the Agents are:

Die Geschäftsräume der Verwaltungsstellen befinden sich unter den folgenden Adressen:

Principal Paying Agent:

Hauptzahlstelle:

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

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

Calculation Agent:

Berechnungsstelle:

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

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

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

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

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

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

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

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

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

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

§12
(Further Issues)

§12
(Weitere Emissionen)

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

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

§13
(Notices)

§13
(Bekanntmachungen)

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

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

All notices regarding the Notes will be published (so

Alle Bekanntmachungen, die die

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

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

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

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

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

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

§14 (Substitution)

§14 (Ersetzung)

(1) **Substitution**.

(1) **Ersetzung**.

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

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

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

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

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

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

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

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

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

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

residence all amounts required for the performance of the payment obligations arising from or in connection with the Notes;

sonstigen Abgaben jedweder Art, die von dem Land (oder den Ländern), in dem (in denen) die Neue Anleiheschuldnerin ihren Sitz oder Steuersitz hat, auferlegt, erhoben oder eingezogen werden;

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

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

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

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

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

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

(2) **References**.

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

(2) **Bezugnahmen**.

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

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

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

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

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

§15
(Enforcement)

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

(2) Any Noteholder may, by notice in text form addressed to the Issuer and the Principal Paying Agent, declare its Notes due and payable, whereupon

§15
(Durchsetzung)

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

(2) Jeder Anleihegläubiger ist berechtigt, seine Schuldverschreibungen durch Mitteilung in Textform gegenüber der Emittentin und der Hauptzahlstelle zur

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

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

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

(3) Die Schuldverschreibungen sehen keinen Drittverzug vor.

§16
(Amendments to the Terms and Conditions by resolution of the Noteholders; Joint Representative)

§16
(Änderung der Anleihebedingungen durch Beschluss der Anleihegläubiger; Gemeinsamer Vertreter)

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

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

(2) Except as provided by the following sentence and provided that the quorum requirements are being met, the Noteholders may pass resolutions by simple majority of the voting rights participating in the vote. Resolutions which materially change the substance of the Terms and Conditions, in particular in the cases of § 5(3) numbers 1 through 9 of the SchVG, may only be passed by a majority of at least 75 per cent. of the voting rights participating in the vote (a "**Qualified Majority**"). The voting right is suspended as long as any Notes are attributable to the Issuer or any of its affiliates (within the meaning of § 271(2) of the German Commercial Code (*Handelsgesetzbuch*)) or are being held for the

(2) Vorbehaltlich des nachstehenden Satzes und der Erreichung der erforderlichen Beschlussfähigkeit, beschließen die Anleihegläubiger mit der einfachen Mehrheit der an der Abstimmung teilnehmenden Stimmrechte. Beschlüsse, durch welche der wesentliche Inhalt der Anleihebedingungen, insbesondere in den Fällen des § 5 Absatz 3 Nummer 1 bis 9 SchVG, geändert wird, bedürfen zu ihrer Wirksamkeit einer Mehrheit von mindestens 75 % der an der Abstimmung teilnehmenden Stimmrechte (eine "**Qualifizierte Mehrheit**"). Das Stimmrecht ruht, solange die Schuldverschreibungen der Emittentin oder einem mit ihr verbundenen Unternehmen (§ 271 Absatz 2 HGB) zustehen oder für Rechnung der

account of the Issuer or any of its affiliates.

Emittentin oder eines mit ihr verbundenen Unternehmens gehalten werden.

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

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

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

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

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

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

(4) The exercise of voting rights is subject to the registration of the Noteholders. The registration must be received at the address stated in the request for voting no later than the third day preceding the beginning of the voting period. As part of the registration, Noteholders must demonstrate their eligibility to participate in the vote by means of a special confirmation of its custodian bank hereof in text form and by submission of a blocking instruction by the custodian bank stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the day the voting period ends.

(4) Die Stimmrechtsausübung ist von einer vorherigen Anmeldung der Anleihegläubiger abhängig. Die Anmeldung muss bis zum dritten Tag vor dem Beginn des Abstimmungszeitraums unter der in der Aufforderung zur Stimmabgabe angegebenen Anschrift zugehen. Zusammen mit der Anmeldung müssen Anleihegläubiger den Nachweis ihrer Berechtigung zur Teilnahme an der Abstimmung durch eine besondere Bescheinigung seiner Depotbank in Textform und die Vorlage eines Sperrvermerks der Depotbank erbringen, aus dem hervorgeht, dass die relevanten Schuldverschreibungen für den Zeitraum vom Tag der Absendung der Anmeldung (einschließlich) bis dem Ende des Abstimmungszeitraums

(einschließlich) nicht übertragen werden können.

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

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

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

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

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

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

§17
(Final Provisions)

§17
(Schlussbestimmungen)

(1) **Applicable Law**.

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

(1) **Anzuwendendes Recht**.

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

(2) **Place of Jurisdiction**.

To the extent legally permissible, exclusive place of jurisdiction for all proceedings arising from matters provided for in these Terms and Conditions will be Frankfurt am Main, Federal Republic of Germany. The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of Frankfurt am Main being nominated as the forum to

(2) **Gerichtsstand**.

Ausschließlicher Gerichtsstand für alle Rechtsstreitigkeiten aus den in diesen Anleihebedingungen geregelten Angelegenheiten ist, soweit gesetzlich zulässig, Frankfurt am Main, Bundesrepublik Deutschland. Die Emittentin verzichtet unwiderruflich darauf, gegenwärtig oder zukünftig gegen die Gerichte in Frankfurt am Main

hear and determine any proceedings and to settle any disputes, and agrees not to claim that any of those courts is not a convenient or appropriate forum.

als Forum für Rechtsstreitigkeiten Einwände zu erheben, und versichert, keines der Gerichte in Frankfurt am Main als ungelegenes oder unangemessenes Forum zu bezeichnen.

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

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

(3) **Place of Performance**.

(3) **Erfüllungsort**.

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

Erfüllungsort ist Frankfurt am Main, Bundesrepublik Deutschland.

(4) **Enforcement of Rights**.

(4) **Geltendmachung von Rechten**.

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

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

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

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

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

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

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

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

"**Custodian**" means any bank or other financial institution with which the Noteholder maintains a securities account in respect of any Notes and having an account maintained with the Clearing System, including the Clearing System.

"**Depotbank**" bezeichnet ein Bank- oder sonstiges Finanzinstitut, bei dem der Anleihegläubiger Schuldverschreibungen im Depot verwahren lässt und das ein Konto bei dem Clearingsystem hat, einschließlich des Clearingsystems.

§18
(Language)

§18
(Sprache)

These Terms and Conditions are written in the

Diese Anleihebedingungen sind in deutscher Sprache

German language and provided with an English language translation. The German text will be the only legally binding version. The English language translation is provided for convenience only.

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

Restrictions regarding the Redemption and Repurchase of the Notes

Beschränkungen bezüglich der Rückzahlung und des Rückkaufs der Schuldverschreibungen.

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

Der folgende Absatz in Kursivschrift ist nicht Bestandteil der Anleihebedingungen.

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

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

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

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

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

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

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

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

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

(iii) im Fall der Rückzahlung der Schuldverschreibungen gemäß einem Ratingereignis (sofern es durch eine Änderung von S&P Methodologie verursacht wurde), einem Rechnungslegungsereignis, einem Steuerereignis oder einem Gross-Up Ereignis erfolgt oder

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

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

aufweisen oder

(v) if such redemption or repurchase occurs on or after June 27, 2028.

(v) wenn die Rückzahlung oder der Rückkauf am oder nach dem 27. Juni 2028 erfolgt.

4. GUARANTEE OF THE NC6 NOTES

GUARANTEE

of

Volkswagen AG
(Wolfsburg, *Germany*)
(the "**Guarantor**")

for the benefit of the Noteholders of the EUR 1,250,000,000 guaranteed undated unsecured subordinated Notes with a first call date in 2024 (the "**Notes**"), divided into notes in bearer form with a principal amount of EUR 100,000 each, which rank *pari passu* among themselves, issued by

Volkswagen International Finance N.V.
(incorporated as a limited liability company under the laws of The Netherlands)
(the "**Issuer**")

ISIN XS1799938995.

GARANTIE

der

Volkswagen AG
(Wolfsburg, *Deutschland*)
(die "**Garantin**")

zugunsten der Anleihegläubiger der EUR 1.250.000.000 garantierten, unbefristeten, nicht besicherten nachrangigen Schuldverschreibungen, erstmals kündbar in 2024 (die "**Schuldverschreibungen**"), eingeteilt in untereinander gleichberechtigte, auf den Inhaber lautende Schuldverschreibungen im Nennbetrag von je EUR 100.000, die von der

Volkswagen International Finance N.V.
(einer mit beschränkter Haftung nach dem Recht der Niederlande errichteten Gesellschaft)
(die "**Emittentin**")

begeben worden sind, ISIN XS1799938995.

WHEREAS:

(A) The Guarantor intends to guarantee on a subordinated basis the due and punctual payment of any amounts payable by the Issuer in accordance with the terms and conditions of the Notes (the "**Terms and Conditions**").

(B) The intent and purpose of this Guarantee is to ensure that the Noteholders under any and all circumstances, whether factual or legal, and irrespective of validity or enforceability of the obligations of the Issuer under the Notes, or any other reasons on the basis of which the Issuer may fail to fulfil its obligations, receive on the respective due date any and all sums payable in accordance with the Terms and Conditions.

VORBEMERKUNG:

(A) Die Garantin beabsichtigt die ordnungsgemäße Zahlung von allen Beträgen, die nach Maßgabe der Emissionsbedingungen (die "**Emissionsbedingungen**") der von der Emittentin begebenen Schuldverschreibungen zu zahlen sind, auf nachrangiger Basis zu garantieren.

(B) Es ist Sinn und Zweck dieser Garantie, sicherzustellen, dass die Anleihegläubiger unter allen tatsächlichen und rechtlichen Umständen und unabhängig von Wirksamkeit und Durchsetzbarkeit der Verpflichtungen der Emittentin aus den Schuldverschreibungen und unabhängig von sonstigen Gründen, aufgrund derer die Emittentin ihre Verpflichtungen nicht erfüllt, bei Fälligkeit alle nach Maßgabe der Emissionsbedingungen zu zahlenden Beträge erhalten.

IT IS AGREED AS FOLLOWS:

1. Definitions

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

2. Guarantee

(a) The Guarantor unconditionally and irrevocably guarantees towards Citibank N.A. (the "**Principal Paying Agent**") for the benefit of each holder (each a "**Noteholder**") of each Note (which

ES WIRD FOLGENDES VEREINBART:

1. Definitionen

Die in dieser Garantie verwendeten und nicht anders definierten Begriffe haben die ihnen in den Emissionsbedingungen zugewiesene Bedeutung.

2. Garantie

(a) Die Garantin übernimmt gegenüber Citibank N.A. (die "**Hauptzahlstelle**") zugunsten jedes Anleihegläubigers (jeweils ein "**Anleihegläubiger**") der Schuldverschreibungen (wobei dieser Begriff jede

expression will include any Global Note representing the Notes), the due payment of all amounts which are payable by the Issuer in accordance with the Terms and Conditions, as and when the same will become due.

Globalurkunde, welche die Schuldverschreibungen verbrieft, einschließt), die unbedingte und unwiderrufliche Garantie für die ordnungsgemäße Zahlung aller gemäß den Emissionsbedingungen von der Emittentin zu zahlenden Beträge bei Fälligkeit.

(b) The obligations of the Guarantor under the Guarantee rank:

(i) senior only to the Junior Obligations of the Guarantor,

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

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

(b) Die Verbindlichkeiten der Garantin unter der Garantie:

(i) gehen nur Nachrangigen Verbindlichkeiten der Garantin im Rang vor,

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

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

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

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

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

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

date in 2028, ISIN XS1799939027; its obligations under the guarantees for the Issuer's undated unsecured subordinated notes with a first call date in 2022, ISIN XS1629658755; its obligations under the guarantees for the Issuer's undated unsecured subordinated notes with a first call date in 2027, ISIN XS1629774230, its obligations under the guarantees for the Issuer's undated unsecured subordinated notes with a first call date in 2022, ISIN XS1206540806, its obligations under the guarantees for the Issuer's undated unsecured subordinated notes with a first call date in 2030, ISIN XS1206541366, its obligations under the guarantee for the Issuer's undated unsecured subordinated notes with a first call date in 2021, ISIN XS1048428012, its obligations under the guarantee for the Issuer's undated unsecured subordinated notes with a first call date in 2026, ISIN XS1048428442, its obligations under the guarantee for the Issuer's undated unsecured subordinated notes with a first call date in 2018, ISIN XS0968913268, and its obligations under the guarantee for the Issuer's undated unsecured subordinated notes with a first call date in 2023, ISIN XS0968913342.

gleichrangig vereinbart sind. Gleichrangige Verbindlichkeiten der Garantin sind, unter anderem, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2028, ISIN XS1799939027, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2022, ISIN XS1629658755, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2027, ISIN XS1629774230, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2022, ISIN XS1206540806, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2030, ISIN XS1206541366, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2021, ISIN XS1048428012, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2026, ISIN XS1048428442, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2018, ISIN XS0968913268, und ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2023, ISIN XS0968913342.

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

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

(c) In the event of liquidation, dissolution, insolvency, composition or other proceedings for the avoidance of insolvency of, or against the Guarantor, the claims of the Noteholders under the Guarantee will be satisfied after (but only after) the obligations of the Guarantor that rank senior to the Notes. In any such event, Noteholders will not receive any amounts payable in respect of the Guarantee until the claims of all obligations of the Guarantor that rank senior to the Notes have first been satisfied in full.

(c) Im Fall der Liquidation, der Auflösung oder der Insolvenz der Garantin oder eines Vergleichs oder eines anderen der Abwendung der Insolvenz dienenden Verfahrens gegen die Garantin werden die Ansprüche der Anleihegläubiger aus der Garantie erst nach den Ansprüchen der Inhaber aller anderen gegenüber den Schuldverschreibungen vorrangigen Verbindlichkeiten der Garantin bedient. In einem solchen Fall werden die Anleihegläubiger keine Zahlungen auf die Garantie erhalten, bis alle Ansprüche aus den gegenüber den Schuldverschreibungen vorrangigen Verbindlichkeiten der Garantin vollständig bedient

sind.

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

Die Anleihegläubiger sind nicht berechtigt, Forderungen aus der Garantie mit etwaigen gegen sie gerichteten Forderungen der Garantin aufzurechnen. Die Garantin ist nicht berechtigt, Forderungen gegenüber Anleihegläubigern mit den Verpflichtungen aus der Garantie aufzurechnen.

(d) The obligations of the Guarantor under this guarantee (i) will be separate and independent from the obligations of the Issuer under the Notes, (ii) will exist irrespective of the legality, validity and binding effect or enforceability of the Notes, and (iii) will not be affected by any event, condition or circumstance of whatever nature, whether factual or legal, save the full, definitive and irrevocable satisfaction of any and all payment obligations expressed to be assumed under the Notes.

(d) Die Verpflichtungen der Garantin aus dieser Garantie (i) sind selbständig und unabhängig von den Verpflichtungen der Emittentin aus den Schuldverschreibungen, (ii) bestehen unabhängig von der Rechtmäßigkeit, Gültigkeit, Verbindlichkeit oder Durchsetzbarkeit der Schuldverschreibungen und (iii) werden nicht durch Ereignisse, Bedingungen oder Umstände tatsächlicher oder rechtlicher Art berührt, außer durch die vollständige, endgültige und unwiderrufliche Erfüllung sämtlicher in den Schuldverschreibungen eingegangenen Zahlungsverpflichtungen.

(e) In the event of a substitution of the Issuer by a New Debtor pursuant to § 14 of the Terms and Conditions, this Guarantee will extend to any and all amounts payable by the New Debtor pursuant to the Terms and Conditions. The foregoing will also apply if the New Debtor will have assumed the obligations arising under the Notes directly from the Guarantor.

(e) Im Falle einer Ersetzung der Emittentin durch eine Neue Anleiheschuldnerin gemäß § 14 der Emissionsbedingungen erstreckt sich diese Garantie auf sämtliche von der Neuen Anleiheschuldnerin gemäß den Emissionsbedingungen zu zahlenden Beträge. Dies gilt auch dann, wenn die Neue Anleiheschuldnerin die Verpflichtungen aus den Schuldverschreibungen unmittelbar von der Garantin übernommen hat.

(f) The Guarantor will make all payments in respect of the Notes and the Guarantee without deduction of taxes or other duties which the Guarantor would be required by law to deduct under the law applicable on June 27, 2018.

(f) Die Garantin wird sämtliche auf die Garantie zu zahlenden Beträge ohne Abzug von Steuern oder sonstigen Abgaben leisten, zu deren Abzug die Garantin nach dem am 27. Juni 2018 geltenden Recht gesetzlich verpflichtet wäre.

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

Sämtliche auf die Schuldverschreibungen zu zahlenden Beträge von Kapital oder Zinsen sind ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftiger Steuern, sonstigen Abgaben oder behördlicher Gebühren gleich welcher Art durch die Garantin unter der Garantie zu leisten, die von oder in den Niederlanden oder der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer Gebietskörperschaft oder Steuerbehörde der oder in den Niederlanden oder der Bundesrepublik Deutschland auferlegt oder erhoben werden, es sei denn, die Garantin ist gesetzlich verpflichtet, einen solchen Einbehalt oder Abzug vorzunehmen. In diesem Fall wird die Garantin diejenigen Zusätzlichen Beträge zahlen, die erforderlich sind, damit die den Anleihegläubigern zufließenden Nettobeträge nach diesem Einbehalt oder Abzug jeweils den Beträgen entsprechen, die ohne einen solchen Einbehalt oder Abzug von den Inhabern der

any taxes or duties which:

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

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

(iii) are withheld or deducted from amounts payable and are required to be made pursuant to a European Council Directive on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

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

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

3. This Guarantee and all undertakings contained herein constitute a contract for the benefit of the Noteholders from time to time as third party beneficiaries pursuant to § 328 (1) of the BGB. They give rise to the right of each such Noteholder to require performance of the obligations undertaken herein directly from the Guarantor, and to enforce such obligations directly against the Guarantor.

4. The Principal Paying Agent does not act in a fiduciary or in any other similar capacity for the Noteholders.

Schuldverschreibungen empfangen worden wären; die Verpflichtung zur Zahlung solcher zusätzlicher Beträge besteht jedoch nicht im Hinblick auf Steuern und Abgaben, die:

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

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

(iii) aufgrund einer Richtlinie des Europäischen Rats betreffend die Besteuerung von Zinserträgen oder aufgrund einer gesetzlichen Vorschrift, die eine solche Richtlinie umsetzt oder befolgt oder erlassen wurde, um einer solchen Richtlinie zu entsprechen, von zahlbaren Beträgen einzubehalten oder abzuziehen sind; oder

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

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

3. Diese Garantie und alle darin enthaltenen Vereinbarungen stellen einen Vertrag zugunsten der jeweiligen Anleihegläubiger als begünstigte Dritte gemäß § 328 Absatz 1 BGB dar. Sie begründen das Recht eines jeden Anleihegläubigers, die Erfüllung der hierin eingegangenen Verpflichtungen unmittelbar von der Garantin zu fordern und diese Verpflichtungen unmittelbar gegenüber der Garantin durchzusetzen.

4. Die Hauptzahlstelle handelt nicht als Treuhänder oder in einer ähnlichen Eigenschaft für die Anleihegläubiger.

5. Miscellaneous Provisions	5. Verschiedene Bestimmungen
(a) This Guarantee will be governed by, and construed in accordance with, German law.	(a) Diese Garantie unterliegt deutschem Recht.
(b) Place of performance will be Frankfurt am Main.	(b) Erfüllungsort ist Frankfurt am Main.
(c) The District Court (*Landgericht*) in Frankfurt am Main will have non-exclusive jurisdiction for any action or other legal proceedings arising out of or in connection with the Guarantee.	(c) Nicht ausschließlich zuständig für sämtliche im Zusammenhang mit der Garantie entstehenden Klagen oder sonstige Verfahren ist das Landgericht Frankfurt am Main.
(d) On the basis of a copy of this Guarantee certified as being a true copy by a duly authorised officer of the Principal Paying Agent, each Noteholder may protect and enforce in its own name its rights arising under this Guarantee in any legal proceedings against the Guarantor or to which such Noteholder and the Guarantor are parties, without the need for presentation of this Guarantee in such proceedings.	(d) Jeder Anleihegläubiger kann in jedem Rechtsstreit gegen die Garantin und in jedem Rechtsstreit, in dem er und die Garantin Partei sind, seine Rechte aus dieser Garantie auf der Grundlage einer von einer vertretungsberechtigten Person der Hauptzahlstelle beglaubigten Kopie dieser Garantie ohne Vorlage des Originals im eigenen Namen wahrnehmen und durchsetzen.
(e) The Principal Paying Agent agrees to hold the original copy of this Guarantee in custody until all obligations under the Notes and this Guarantee have been fulfilled.	(e) Die Hauptzahlstelle verpflichtet sich, das Original dieser Garantie bis zur Erfüllung sämtlicher Verpflichtungen aus den Schuldverschreibungen und dieser Garantie zu verwahren.
6. In relation to amendments of the terms of the Guarantee by resolution of the Noteholders with the consent of the Guarantor, § 16 of the Terms and Conditions applies *mutatis mutandis*.	6. Für Änderungen der Bedingungen der Garantie durch Beschluss der Anleihegläubiger mit Zustimmung der Garantin gilt § 16 der Emissionsbedingungen entsprechend.

5. GUARANTEE OF THE NC10 NOTES

GUARANTEE

of

Volkswagen AG
(Wolfsburg, *Germany*)
(the "**Guarantor**")

for the benefit of the Noteholders of the EUR 1,500,000,000 guaranteed undated unsecured subordinated Notes with a first call date in 2028 (the "**Notes**"), divided into notes in bearer form with a principal amount of EUR 100,000 each, which rank *pari passu* among themselves, issued by

Volkswagen International Finance N.V.
(incorporated as a limited liability company under the laws of The Netherlands)
(the "**Issuer**")

ISIN XS1799939027.

WHEREAS:

(A) The Guarantor intends to guarantee on a subordinated basis the due and punctual payment of any amounts payable by the Issuer in accordance with the terms and conditions of the Notes (the "**Terms and Conditions**").

(B) The intent and purpose of this Guarantee is to ensure that the Noteholders under any and all circumstances, whether factual or legal, and irrespective of validity or enforceability of the obligations of the Issuer under the Notes, or any other reasons on the basis of which the Issuer may fail to fulfil its obligations, receive on the respective due date any and all sums payable in accordance with the Terms and Conditions.

IT IS AGREED AS FOLLOWS:

1. Definitions

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

2. Guarantee

(a) The Guarantor unconditionally and irrevocably guarantees towards Citibank N.A. (the "**Principal Paying Agent**") for the benefit of each holder (each a "**Noteholder**") of each Note (which

GARANTIE

der

Volkswagen AG
(Wolfsburg, *Deutschland*)
(die "**Garantin**")

zugunsten der Anleihegläubiger der EUR 1.500.000.000 garantierten, unbefristeten, nicht besicherten nachrangigen Schuldverschreibungen, erstmals kündbar in 2028 (die "**Schuldverschreibungen**"), eingeteilt in untereinander gleichberechtigte, auf den Inhaber lautende Schuldverschreibungen im Nennbetrag von je EUR 100.000, die von der

Volkswagen International Finance N.V.
(einer mit beschränkter Haftung nach dem Recht der Niederlande errichteten Gesellschaft)
(die "**Emittentin**")

begeben worden sind, ISIN XS1799939027.

VORBEMERKUNG:

(A) Die Garantin beabsichtigt die ordnungsgemäße Zahlung von allen Beträgen, die nach Maßgabe der Emissionsbedingungen (die "**Emissionsbedingungen**") der von der Emittentin begebenen Schuldverschreibungen zu zahlen sind, auf nachrangiger Basis zu garantieren.

(B) Es ist Sinn und Zweck dieser Garantie, sicherzustellen, dass die Anleihegläubiger unter allen tatsächlichen und rechtlichen Umständen und unabhängig von Wirksamkeit und Durchsetzbarkeit der Verpflichtungen der Emittentin aus den Schuldverschreibungen und unabhängig von sonstigen Gründen, aufgrund derer die Emittentin ihre Verpflichtungen nicht erfüllt, bei Fälligkeit alle nach Maßgabe der Emissionsbedingungen zu zahlenden Beträge erhalten.

ES WIRD FOLGENDES VEREINBART:

1. Definitionen

Die in dieser Garantie verwendeten und nicht anders definierten Begriffe haben die ihnen in den Emissionsbedingungen zugewiesene Bedeutung.

2. Garantie

(a) Die Garantin übernimmt gegenüber Citibank N.A. (die "**Hauptzahlstelle**") zugunsten jedes Anleihegläubigers (jeweils ein "**Anleihegläubiger**") der Schuldverschreibungen (wobei dieser Begriff jede

expression will include any Global Note representing the Notes), the due payment of all amounts which are payable by the Issuer in accordance with the Terms and Conditions, as and when the same will become due.

Globalurkunde, welche die Schuldverschreibungen verbrieft, einschließt), die unbedingte und unwiderrufliche Garantie für die ordnungsgemäße Zahlung aller gemäß den Emissionsbedingungen von der Emittentin zu zahlenden Beträge bei Fälligkeit.

(b) The obligations of the Guarantor under the Guarantee rank:

(i) senior only to the Junior Obligations of the Guarantor,

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

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

(b) Die Verbindlichkeiten der Garantin unter der Garantie:

(i) gehen nur Nachrangigen Verbindlichkeiten der Garantin im Rang vor,

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

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

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

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

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

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

date in 2024, ISIN XS1799938995, its undated unsecured subordinated notes with a first call date in 2027, ISIN XS1629774230, its obligations under the guarantees for the Issuer's undated unsecured subordinated notes with a first call date in 2022, ISIN XS1629658755, its obligations under the guarantees for the Issuer's undated unsecured subordinated notes with a first call date in 2022, ISIN XS1206540806, its obligations under the guarantees for the Issuer's undated unsecured subordinated notes with a first call date in 2030, ISIN XS1206541366, its obligations under the guarantee for the Issuer's undated unsecured subordinated notes with a first call date in 2021, ISIN XS1048428012, its obligations under the guarantee for the Issuer's undated unsecured subordinated notes with a first call date in 2026, ISIN XS1048428442, its obligations under the guarantee for the Issuer's undated unsecured subordinated notes with a first call date in 2018, ISIN XS0968913268, and its obligations under the guarantee for the Issuer's undated unsecured subordinated notes with a first call date in 2023, ISIN XS0968913342.

gleichrangig vereinbart sind. Gleichrangige Verbindlichkeiten der Garantin sind, unter anderem, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2024, ISIN XS1799938995,ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2027, ISIN XS1629774230, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2022, ISIN XS1629658755, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2022, ISIN XS1206540806, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2030, ISIN XS1206541366, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2021, ISIN XS1048428012, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2026, ISIN XS1048428442, ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2018, ISIN XS0968913268, und ihre Verbindlichkeiten aus der Garantie für die nicht besicherten nachrangigen Schuldverschreibungen der Emittentin ohne feste Laufzeit erstmals kündbar in 2023, ISIN XS0968913342.

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

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

(c) In the event of liquidation, dissolution, insolvency, composition or other proceedings for the avoidance of insolvency of, or against the Guarantor, the claims of the Noteholders under the Guarantee will be satisfied after (but only after) the obligations of the Guarantor that rank senior to the Notes. In any such event, Noteholders will not receive any amounts payable in respect of the Guarantee until the claims of all obligations of the Guarantor that rank senior to the Notes have first been satisfied in full.

(c) Im Fall der Liquidation, der Auflösung oder der Insolvenz der Garantin oder eines Vergleichs oder eines anderen der Abwendung der Insolvenz dienenden Verfahrens gegen die Garantin werden die Ansprüche der Anleihegläubiger aus der Garantie erst nach den Ansprüchen der Inhaber aller anderen gegenüber den Schuldverschreibungen vorrangigen Verbindlichkeiten der Garantin bedient. In einem solchen Fall werden die Anleihegläubiger keine Zahlungen auf die Garantie erhalten, bis alle Ansprüche aus den gegenüber den Schuldverschreibungen vorrangigen Verbindlichkeiten der Garantin vollständig bedient

sind.

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

Die Anleihegläubiger sind nicht berechtigt, Forderungen aus der Garantie mit etwaigen gegen sie gerichteten Forderungen der Garantin aufzurechnen. Die Garantin ist nicht berechtigt, Forderungen gegenüber Anleihegläubigern mit den Verpflichtungen aus der Garantie aufzurechnen.

(d) The obligations of the Guarantor under this guarantee (i) will be separate and independent from the obligations of the Issuer under the Notes, (ii) will exist irrespective of the legality, validity and binding effect or enforceability of the Notes, and (iii) will not be affected by any event, condition or circumstance of whatever nature, whether factual or legal, save the full, definitive and irrevocable satisfaction of any and all payment obligations expressed to be assumed under the Notes.

(d) Die Verpflichtungen der Garantin aus dieser Garantie (i) sind selbständig und unabhängig von den Verpflichtungen der Emittentin aus den Schuldverschreibungen, (ii) bestehen unabhängig von der Rechtmäßigkeit, Gültigkeit, Verbindlichkeit oder Durchsetzbarkeit der Schuldverschreibungen und (iii) werden nicht durch Ereignisse, Bedingungen oder Umstände tatsächlicher oder rechtlicher Art berührt, außer durch die vollständige, endgültige und unwiderrufliche Erfüllung sämtlicher in den Schuldverschreibungen eingegangenen Zahlungsverpflichtungen.

(e) In the event of a substitution of the Issuer by a New Debtor pursuant to § 14 of the Terms and Conditions, this Guarantee will extend to any and all amounts payable by the New Debtor pursuant to the Terms and Conditions. The foregoing will also apply if the New Debtor will have assumed the obligations arising under the Notes directly from the Guarantor.

(e) Im Falle einer Ersetzung der Emittentin durch eine Neue Anleiheschuldnerin gemäß § 14 der Emissionsbedingungen erstreckt sich diese Garantie auf sämtliche von der Neuen Anleiheschuldnerin gemäß den Emissionsbedingungen zu zahlenden Beträge. Dies gilt auch dann, wenn die Neue Anleiheschuldnerin die Verpflichtungen aus den Schuldverschreibungen unmittelbar von der Garantin übernommen hat.

(f) The Guarantor will make all payments in respect of the Notes and the Guarantee without deduction of taxes or other duties which the Guarantor would be required by law to deduct under the law applicable on June 27, 2018.

(f) Die Garantin wird sämtliche auf die Garantie zu zahlenden Beträge ohne Abzug von Steuern oder sonstigen Abgaben leisten, zu deren Abzug die Garantin nach dem am 27. Juni 2018 geltenden Recht gesetzlich verpflichtet wäre.

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

Sämtliche auf die Schuldverschreibungen zu zahlenden Beträge von Kapital oder Zinsen sind ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftiger Steuern, sonstigen Abgaben oder behördlicher Gebühren gleich welcher Art durch die Garantin unter der Garantie zu leisten, die von oder in den Niederlanden oder der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer Gebietskörperschaft oder Steuerbehörde der oder in den Niederlanden oder der Bundesrepublik Deutschland auferlegt oder erhoben werden, es sei denn, die Garantin ist gesetzlich verpflichtet, einen solchen Einbehalt oder Abzug vorzunehmen. In diesem Fall wird die Garantin diejenigen Zusätzlichen Beträge zahlen, die erforderlich sind, damit die den Anleihegläubigern zufließenden Nettobeträge nach diesem Einbehalt oder Abzug jeweils den Beträgen entsprechen, die ohne einen solchen Einbehalt oder Abzug von den Inhabern der

any taxes or duties which:

Schuldverschreibungen empfangen worden wären; die Verpflichtung zur Zahlung solcher zusätzlicher Beträge besteht jedoch nicht im Hinblick auf Steuern und Abgaben, die:

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

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

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

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

(iii) are withheld or deducted from amounts payable and are required to be made pursuant to the European Council Directive on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iii) aufgrund einer Richtlinie des Europäischen Rats betreffend die Besteuerung von Zinserträgen oder aufgrund einer gesetzlichen Vorschrift, die eine solche Richtlinie umsetzt oder befolgt oder erlassen wurde, um einer solchen Richtlinie zu entsprechen, von zahlbaren Erträgen einzubehalten oder abzuziehen sind; oder

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

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

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

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

3. This Guarantee and all undertakings contained herein constitute a contract for the benefit of the Noteholders from time to time as third party beneficiaries pursuant to § 328 (1) of the BGB. They give rise to the right of each such Noteholder to require performance of the obligations undertaken herein directly from the Guarantor, and to enforce such obligations directly against the Guarantor.

3. Diese Garantie und alle darin enthaltenen Vereinbarungen stellen einen Vertrag zugunsten der jeweiligen Anleihegläubiger als begünstigte Dritte gemäß § 328 Absatz 1 BGB dar. Sie begründen das Recht eines jeden Anleihegläubigers, die Erfüllung der hierin eingegangenen Verpflichtungen unmittelbar von der Garantin zu fordern und diese Verpflichtungen unmittelbar gegenüber der Garantin durchzusetzen.

4. The Principal Paying Agent does not act in a fiduciary or in any other similar capacity for the Noteholders.

4. Die Hauptzahlstelle handelt nicht als Treuhänder oder in einer ähnlichen Eigenschaft für die Anleihegläubiger.

5. Miscellaneous Provisions

5. Verschiedene Bestimmungen

(a) This Guarantee will be governed by, and construed in accordance with, German law.

(a) Diese Garantie unterliegt deutschem Recht.

(b) Place of performance will be Frankfurt am Main.

(b) Erfüllungsort ist Frankfurt am Main.

(c) The District Court (*Landgericht*) in Frankfurt am Main will have non-exclusive jurisdiction for any action or other legal proceedings arising out of or in connection with the Guarantee.

(c) Nicht ausschließlich zuständig für sämtliche im Zusammenhang mit der Garantie entstehenden Klagen oder sonstige Verfahren ist das Landgericht Frankfurt am Main.

(d) On the basis of a copy of this Guarantee certified as being a true copy by a duly authorised officer of the Principal Paying Agent, each Noteholder may protect and enforce in its own name its rights arising under this Guarantee in any legal proceedings against the Guarantor or to which such Noteholder and the Guarantor are parties, without the need for presentation of this Guarantee in such proceedings.

(d) Jeder Anleihegläubiger kann in jedem Rechtsstreit gegen die Garantin und in jedem Rechtsstreit, in dem er und die Garantin Partei sind, seine Rechte aus dieser Garantie auf der Grundlage einer von einer vertretungsberechtigten Person der Hauptzahlstelle beglaubigten Kopie dieser Garantie ohne Vorlage des Originals im eigenen Namen wahrnehmen und durchsetzen.

(e) The Principal Paying Agent agrees to hold the original copy of this Guarantee in custody until all obligations under the Notes and this Guarantee have been fulfilled.

(e) Die Hauptzahlstelle verpflichtet sich, das Original dieser Garantie bis zur Erfüllung sämtlicher Verpflichtungen aus den Schuldverschreibungen und dieser Garantie zu verwahren.

6. In relation to amendments of the terms of the Guarantee by resolution of the Noteholders with the consent of the Guarantor, § 16 of the Terms and Conditions applies *mutatis mutandis*.

6. Für Änderungen der Bedingungen der Garantie durch Beschluss der Anleihegläubiger mit Zustimmung der Garantin gilt § 16 der Emissionsbedingungen entsprechend.

6. DESCRIPTION OF THE ISSUER

6.1 History and Development

Volkswagen International Finance N.V. (the "**Issuer**" or "**VIF**"), which is both the legal and the commercial name, was incorporated as a stock corporation (*naamloze vennootschap*) under the laws of The Netherlands for an indefinite period of time on April 15, 1977. It is registered with the Register of Commerce under No. 33148825. VIF is subject to the provisions of the *Boek 2 Burgerlijk Wetboek* (Book 2 of the Dutch Civil Code). VIF's registered office is in Amsterdam, The Netherlands; its head office is at Paleisstraat 1, 1012 RB Amsterdam, The Netherlands (telephone number +31 20 624 5971).

6.2 Articles of Association

The purposes of VIF according to Article 2 of its Articles of Association are to finance and to participate in companies and enterprises. VIF may borrow, raise and secure money in all manners expedient to it, especially by means of issuance of bonds, convertible bonds, stock and securities of indefinite currency term or otherwise, be it or be it not by binding some or all of its assets, present or future assets, including the capital not paid in, as well as to redeem or repay such securities.

6.3 Investments

There were no principal investments made since the date of the last published financial statements.

The management bodies of VIF have not formed firm decisions on principal future investments.

6.4 Organizational Structure / Shareholder Structure

Volkswagen AG is the ultimate parent company of the Volkswagen Group, which consists of numerous subsidiaries and affiliates in Germany and overseas. The Volkswagen Group's activities span two principal areas: the production and sale of passenger cars, commercial vehicles and spare parts (automotive) and the leasing and rental of cars as well as financing and other activities (financial services).

Legal shareholder of VIF is Volkswagen Finance Luxemburg S.A. ("**VFL**"), which is a wholly-owned direct subsidiary of Volkswagen AG.

6.5 Share Capital

As of 31 December 2017, the authorized capital of VIF amounted to EUR 104,370,000 divided into 104,370 registered shares with a par nominal value of EUR 1,000 each, 103,035 of which were issued and fully paid-up.

6.6 Employees

During the year 2017, the average number of employees calculated on a full-time-equivalent basis was 14.

6.7 Business Overview

6.7.1 *Principal activities*

The main activity of VIF consists in financing the Volkswagen Group companies.

Within the financing business VIF issues notes under the EUR 30 billion debt issuance programme and commercial papers under a EUR 15 billion commercial paper programme. Furthermore, VIF occasionally issues bonds on a standalone basis to accommodate particular financing needs of the VW Group. Such issues include hybrid and convertible instruments as well as instruments targeted at special markets such as, *inter alia*, the Asian market. Both programmes, and the standalone bonds issued by VIF, are guaranteed by VIF's ultimate parent company Volkswagen AG. The funds raised are granted to Volkswagen Group companies.

As a holding company VIF owned the following subsidiaries on December 31, 2017:

Company name	Main activity	Country of Registration	Participation (%)	Equity (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	4.8	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 International Belgium S.A. For VW Group Saudi Arabia LLC and Volkswagen India Private Limited VIF has concluded de-domination agreements (*Stimmbindungs-vereinbarungen*) with its parent company VFL regarding the execution of the voting rights in these companies. As of May 2017, VIF also holds 1 share in the capital of Volkswagen do Brasil.

6.7.2 *Principal markets*

VIF finances Volkswagen Group companies primarily situated on the European, American and Asian market. Participations are held in Europe, Asia and in the Middle East.

6.8 Administrative, Management and Supervisory Bodies

6.8.1 *Management Board*

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

Name	Additional Activities
Thomas Fries, Managing Director	Managing Director of Volkswagen Financial Services N.V., Amsterdam
	Managing Director of VW Finance Overseas B.V., Amsterdam
Vincent Delva, Managing Director	Secretary General of Volkswagen International Belgium S.A., Brussels
	Managing Director of Volkswagen Finance 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 Luxemburg S.A., Luxembourg

6.8.2 *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 Luxemburg S.A., Luxembourg
	Chairman of the Supervisory Board of Volkswagen International Luxemburg S.A., Luxembourg

Name	Additional Activities
	Chairman of the Supervisory Board of Volkswagen International Belgium 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 Luxemburg S.A., Luxembourg
	Member of the Supervisory Board of Volkswagen International Luxemburg S.A., Luxembourg
Stefan Rasche	Chairman of the Management Board and Member of the Supervisory Board of Volkswagen International Belgium S.A., Brussels
	Chairman of the Management Board Member of the Supervisory Board of Volkswagen Finance Belgium S.A., Brussels
	Member of the Supervisory Board of Volkswagen Finance Luxemburg S.A., Luxembourg
	Member of the Supervisory Board of Volkswagen International Luxemburg S.A., Luxembourg

The members of the Management Board and of the Supervisory Board can be contacted at the address of the head office of the Issuer at Paleisstraat 1, 1012 RB Amsterdam, The Netherlands

There are no potential conflicts of interests between any duties of the members of the Management Board and the Supervisory Board owed to the Issuer and their private interests and/or other duties.

6.9 Board Practices

Pursuant to the Dutch Corporate Governance Decree of December 23, 2004 (as amended most recently amended on 29 August 2017, which amendment has taken effect on 1 January 2018) implementing further accounting standards for annual reports (*Besluit inhoud bestuursverslag*) 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 2017 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.

The Management Board has drawn up a code of conduct and monitors its effectiveness and compliance with this code, both the part of itself and of the employees of the company. The management board has informed the Supervisory Board of its findings and observations relating to the effectiveness of, and compliance with, the code. The code of conduct has been published on VIF's website.

6.10 **Selected Financial Information**

The following table shows selected financial information of VIF extracted without material adjustment from the audited financial statements as of and for the years ended December 31, 2017 and December 31, 2016 and prepared in accordance with accounting standards generally accepted in The Netherlands (*Dutch GAAP*):

	Year ended December 31	
	2017	**2016**
	(audited)	
	in EUR thousands	
Key Financial Information (Dutch GAAP)		
Total assets	35,563,470	27,406,756
Shares in participations	137,799	142,610
Loans to and receivables due from Volkswagen Group companies	35,346,785	27,123,167
Receivables due from joint ventures of Volkswagen Group	3,519	10,362
Total receivables from loans	35,350,304	27,133,529
Total shareholder's equity	268,558	203,805
Liabilities from external funding activities (bonds and commercial papers)	34,414,701	26,426,493
Liabilities to Volkswagen Group companies	398,655	367,501
Total liabilities from funding activities	34,813,356	26,793,994
Interest and similar income	781,825	695,901
Interest and similar expenses	−746,435	−673,029
Result from shares in participations	6,734	5,902
Fees received and other operating income	42,436	2,129
Impairment of shares in participations	−4,812	−21,986
Other expenses	−6,586	−4,498
Result before taxation	73,162	4,419
Taxation	−12,409	−5,100
Result after taxation	60,753	−681
Net cash flow current year	−65,670	−369,289

6.11 **Interim Financial Information**

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

6.12 **Third Party Information and Statement by Expert and Declarations of any Interest**

There are no third party information and statements by experts and declarations of any interest regarding VIF.

6.13 **Legal and Arbitration Proceedings**

As of the date of this Prospectus, the Issuer is not involved in any governmental, legal or arbitration proceedings nor is the Issuer aware of any such proceedings pending or being threatened, the results of which have had during the previous 12 months, or which could, at present, have a significant effect on its financial position or profitability. However, as a result of the recent investigations in relation to the diesel issue, VIF as an issuer may in future face legal disputes from investors claiming damages for alleged breaches of applicable laws.

7. DESCRIPTION OF THE GUARANTOR

7.1 History and Development

Volkswagen Aktiengesellschaft was incorporated under German law as "*Gesellschaft zur Vorbereitung des deutschen Volkswagens mbH*" (Limited Liability Company for the Development of the German Volkswagen) which was founded in Berlin on May 28, 1937. The company was renamed "*Volkswagenwerk Gesellschaft mit beschränkter Haftung*" (Volkswagenwerk limited liability company) in 1938. The company was later converted into a joint stock corporation under German law which was entered into the commercial register (Handelsregister) at Wolfsburg local court (Amtsgericht) on August 22, 1960. The name was changed to "VOLKSWAGEN AKTIENGESELLSCHAFT" by resolution of the Annual Meeting on July 4, 1985 which is the legal and commercial name of Volkswagen AG.

Volkswagen AG is located in Wolfsburg. Since August 1, 2005 it has been listed in the commercial register (*Handelsregister*) at the Braunschweig local court (*Amtsgericht*) under the number HRB 100484. Volkswagen AG is subject to the provisions of the German Stock Corporation Act (*Aktiengesetz*). Its head office and registered office are located at Berliner Ring 2, 38440 Wolfsburg, Germany (telephone number + 49 (0) 5361 9-0).

7.2 Articles of Association

The objects of Volkswagen AG, according to § 2 of its Articles of Association, are the manufacture and sale of vehicles and engines of all kinds, their accessories, and all other equipment, machinery, tools and other technical products.

Volkswagen AG is entitled to conduct all business and take all measures connected with these objects or as appear capable of furthering such objects directly or indirectly. For this purpose, Volkswagen AG may establish branch offices within Germany and abroad or can found, acquire or participate in other enterprises.

7.3 Investments

According to the planning round for the years 2018 to 2022, the Volkswagen Group plans to make investments of a total of €34 billion in the Automotive Division by the end of 2022 in future technologies such as electric mobility, autonomous driving, new mobility services and digitalization. The majority of capex (investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs) is expected to be spent on new products and the continued rollout and further development of the modular toolkit. The focus will be on the electrification and digitalization of Volkswagen's vehicles, in particular through the development of the Modular Electric Toolkit (MEB). At the same time, primarily the SUV range shall be further expanded. The Automotive Division's ratio of capex to sales revenue is expected to be in the range of 6.5-7.0% in 2018.

In addition to capex, investing activities are expected to include additions to capitalized development costs. Among other things, these reflect upfront expenditures in connection with the fulfilment of environmental standards and the electrification and updating of Volkswagen Group's model range.

As part of its annual planning round, the Volkswagen Group has also optimized its plant and workforce assignment for the challenges to come. In this process, the production network linking the brands will be made more efficient.

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 fully consolidated and are therefore also not included in the above figures. These companies are expected to finance their investments from their own funds.

7.4 Organizational Structure

The Volkswagen Group consists of two divisions: the Automotive Division and the Financial Services Division. The Automotive Division comprises the Passenger Cars, Commercial Vehicles and Power Engineering Business Areas. The activities of the Automotive Division comprise the development of vehicles

and engines, the production and sale of passenger cars, light commercial vehicles, trucks, buses and motorcycles, as well as the genuine parts, large-bore diesel engines, turbomachinery, special gear units, propulsion components and testing systems businesses. The Ducati brand is allocated to the Audi brand and is thus presented in the Passenger Cars Business Area. 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 Bank GmbH, Volkswagen Financial Services AG and numerous other companies in Germany and abroad.

7.5 Volkswagen Group

Automotive Division			**Financial Services Division**
Passenger Cars Business Area	**Commercial Vehicles Business Area**	**Power Engineering Business Area**	
Volkswagen Passenger Cars Audi ŠKODA SEAT Bentley Porsche Automotive Others	Volkswagen Commercial Vehicles Scania Vehicles and Services MAN Commercial Vehicles	MAN Power Engineering	Dealer and customer financing Leasing Direct bank Insurance Fleet management Mobility offerings

7.6 Shareholder Structure

Volkswagen AG's subscribed capital amounted to EUR 1,283,315,873.28 as of December 31, 2017.

The distribution of voting rights for the 295,089,818 ordinary shares at December 31, 2017 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	24.5%
Qatar Holding LLC	14.6%
State of Lower Saxony	11.8%
Private shareholders / Others	15.7%
German institutional investors	2.7%

7.7 General Meeting of Shareholders

The annual General Meeting of Shareholders is to be held in Wolfsburg or in a German city where a stock exchange is located or at another appropriate place in Germany within the first eight months of each financial year.

7.8 **Share Capital**

On December 31, 2017, the share capital of Volkswagen AG amounted to EUR 1,283,315,873.28. It was composed of 295,089,818 ordinary shares and 206,205,445 non-voting preferred shares. Each share conveys a notional interest of EUR 2.56 in the share capital. All shares have been issued and are fully paid.

7.9 **Diesel Issue**

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

Numerous court and governmental proceedings were subsequently initiated in the United States and the rest of the world. Volkswagen was able to end many significant court and governmental proceedings in the United States by concluding settlement agreements. Outside the United States, Volkswagen also reached agreements with regard to the implementation of technical measures with numerous authorities.

In the United States, Volkswagen AG, AUDI AG, Volkswagen Group of America, Inc. and certain affiliates reached settlement agreements with (i) the U.S. Department of Justice ("**DoJ**") on behalf of the EPA and the State of California on behalf of the California Air Resources Board ("**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 resolved 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.

The settlement agreements with respect to the four-cylinder 2.0 liter TDI diesel engine vehicles and the Generation 1 six-cylinder 3.0 liter TDI diesel engine vehicles provide affected customers with, inter alia, the option of a buyback, a trade-in (for a 3.0 liter vehicles only), a free emissions modification of the vehicles (if the modification is approved by the EPA and CARB) or – for leased vehicles – early lease termination. Pursuant to the settlement agreements, Volkswagen will also make additional cash payments to affected current owners or lessees as well as certain former owners or lessees. For Generation 2 3.0 liter vehicles, Volkswagen will provide affected consumers with a free emissions compliant repair of the vehicles plus a cash payment. In addition, Volkswagen will pay U.S.$2.925 billion over three years to support environmental programs and offset excess NOx emissions and will also invest in total U.S.$2.0 billion over ten years in zero emissions vehicle infrastructure in the United States. Volkswagen will make additional payments to support the availability of zero emissions vehicles in California. Several thousand consumers have opted out of the settlement agreements, and many of these consumers have filed civil lawsuits seeking monetary damages for fraud and violations of state consumer protection acts. A large number of those lawsuits have been filed in Virginia. The Virginia state court has set trial dates for five trials involving four-cylinder vehicles, with the first trial scheduled to begin in October 2018.

Volkswagen AG has also entered into agreements to resolve U.S. federal criminal liability relating to the diesel issue and 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 that is accompanied by a published Statement of Facts, acknowledged by Volkswagen AG, which lays out relevant facts. As part of its plea agreement, Volkswagen AG has pleaded guilty to three felony counts under United States law – including conspiracy to commit fraud, obstruction of justice and using false statements to import cars into the United States – and has been sentenced to three years' probation. The plea agreement provides, *inter alia*, for payment of a criminal fine of U.S.$2.8 billion and the appointment of an independent monitor for a period of three years who will assess and oversee the compliance with the terms of the resolutions. Larry D. Thompson was appointed as the independent monitor in April 2017. Mr. Thompson submitted his initial review report under the plea agreement in March 2018. Volkswagen AG, AUDI AG and other Volkswagen Group companies have further agreed to pay a combined civil penalty

of U.S.$1.45 billion to resolve U.S. federal environmental and customs-related claims in the United States. Furthermore, Volkswagen AG and Volkswagen Group of America, Inc. have agreed to pay a smaller civil penalty to the DoJ to settle other potential claims arising under Federal statute. DoJ investigations into the conduct of various individuals relating to the diesel issue remain ongoing. Volkswagen is required to cooperate with these investigations. In the event of non-compliance with the terms of the plea agreement, Volkswagen could face further penalties and prosecution.

Volkswagen has also reached separate settlement agreements with the attorneys general of most U.S. states to resolve existing or potential consumer protection, unfair trade practices claims, and/or state environmental law claims. Certain states still have pending consumer protection, unfair trade practices and state environmental law claims against Volkswagen. Investigations by various U.S. regulatory and other government authorities, including in areas relating to securities, tax and financing, are ongoing. For example, the U.S. Securities and Exchange Commission (the "**Commission**") has requested information regarding potential violations of securities laws, in connection with issuances of bonds, and asset-backed securities sponsored, by Volkswagen entities, as a result of nondisclosure of certain Volkswagen diesel vehicles' noncompliance with emission standards. In January 2017, the Commission informed Volkswagen that it had issued a formal order of investigation; the investigation is ongoing. Volkswagen is cooperating with the Commission.

Volkswagen has also resolved the claims of most 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 million and additional benefits.

In Canada, which has the same NOx emissions limits as 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, and subject to court approval that was granted in April 2017, Volkswagen AG and other Volkswagen Group companies reached a class action settlement in Canada with consumers relating to 2.0 liter diesel vehicles which, *inter alia*, provides eligible owners and lessees with cash payments and, if applicable, the option of a free emissions modification of their vehicle if approved by U.S. regulators, a buyback, a trade-in or – for leased vehicles – early lease termination. Concurrently with the announcement of the class settlement in December 2016, Volkswagen Group Canada also 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. In June 2017, Volkswagen Group Canada reached an agreement, without court process and on confidential terms, with its Volkswagen-branded franchise dealers to resolve issues related to the diesel emissions matter. In January 2018, and subject to court approval that was granted in April 2018, Volkswagen AG and other Volkswagen Group companies reached a consumer settlement in Canada involving 3.0 liter diesel vehicles. For Generation 1 3.0 liter diesel vehicles, the settlement provides affected consumers with, inter alia, the option of a buyback, a trade-in, a free emissions modification of their vehicle if approved by U.S. regulators or – for leased vehicles – early lease termination. For Generation 2 3.0 liter diesel vehicles, consumers who complete a free emissions compliant repair for their vehicles, as approved by U.S. regulators, are entitled to also receive a cash payment under the terms of the settlement. Concurrently with the announcement of the 3.0 liter class settlement in January 2018, Volkswagen Group Canada and the Canadian Commissioner of Competition reached a civil resolution related to consumer protection issues relating to 3.0 liter diesel vehicles. As to pending matters in Canada, a criminal enforcement related investigation by the federal environmental regulator is ongoing as to Volkswagen AG and Volkswagen Group Canada. Additionally, in the case of one provincial environmental regulator in Canada, Volkswagen AG was charged on September 15, 2017 with a quasi-criminal offense alleging that the company caused or permitted the operation of model year 2010-2014 Volkswagen and Audi 2.0 liter diesel vehicles that did not comply with prescribed emission standards. This matter has been put over to September 27, 2018 pending ongoing evidence disclosure and, at which time, a continuing pretrial conference is scheduled. No trial date has been set in the matter. Moreover, putative class action and joinder lawsuits by consumers, and a certified environmental class action on behalf of residents, remain pending in certain provincial courts in Canada.

In November 2015, Volkswagen also reported that internal indicators had caused concerns that there might have been irregularities in determining carbon dioxide ("**CO2**") figures for type approval of around 800,000 vehicles and, as a result, the CO2 values and therefore the fuel consumption data published for some vehicle models might have been stated incorrectly. Subsequent measurements performed in coordination with the relevant authorities showed that those concerns of possible irregularities in the CO2 figures for type approval proved to be not correct. Hence, the negative impact on Volkswagen's earnings of EUR 2 billion that had

originally been expected in relation to this aspect of the CO2 issue was not confirmed. However, the public prosecutor's office in Braunschweig is investigating into these circumstances.

In Germany, Volkswagen AG filed a criminal complaint against unknown individuals as did AUDI AG. Volkswagen AG and AUDI AG are cooperating with all responsible authorities in the scope of reviewing the incidents. The public prosecutor's office in Braunschweig has also initiated investigations against one current and two former Volkswagen AG Management Board members regarding their possible involvement in potential market manipulation in connection with the diesel issue. The Stuttgart public prosecutor's office also confirmed that it is investigating, among others, the former CEO of Volkswagen AG in his capacity as member of the management board of Porsche SE, regarding his possible involvement in potential market manipulation in connection with this same issue. Moreover, the Stuttgart public prosecutor's office has commenced a criminal investigation into the diesel issue against one board member and two employees of Porsche AG on suspicion of fraud and illegal advertising. Furthermore, the public prosecutor's office in Munich II opened a criminal investigation in connection with the alleged anomalies in the NOx emissions of certain Audi vehicles with diesel engines in the United States and Europe.

On June 11, 2018, Rupert Stadler, the head of Volkswagen AG's Audi brand was named as a suspect in the Munich II public prosecutor's investigation together with Bernd Martens, Audi's head of purchasing. Both are being investigated for, *inter alia,* fraud relating to sales of diesel cars. Rupert Stadler was arrested on June 18, 2018, and is being held in custody. In addition, in May 2018, federal prosecutors unsealed charges in Detroit against, among others, former Volkswagen CEO Martin Winterkorn, which had been filed under seal in March 2018. Mr. Winterkorn is charged with a conspiracy to defraud the United States, to commit wire fraud, and to violate the Clean Air Act from at least May 2006 through at least November 2015, as well as three counts of wire fraud. Should these investigations result in adverse findings against the individuals involved, this could have a negative impact on the outcome of other proceedings against Volkswagen and/or could have other material adverse financial consequences.

There are additional regulatory, criminal and civil proceedings in several jurisdictions worldwide, particularly in South Korea, but also including Andorra, Argentina, Austria, Australia, Belgium, Brazil, China, Czech Republic, France, Germany, India, Ireland, Israel, Italy, Mexico, the Netherlands, Norway, Poland, Portugal, Singapore, Spain, Sweden, Switzerland, Taiwan and the United Kingdom. These proceedings are primarily product and investor-related and include individual and collective actions. Further claims can be expected.

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

Product related class action proceedings against Volkswagen AG and other Volkswagen Group companies are pending in various countries such as Argentina, Australia, Belgium, Brazil, the Czech Republic, Israel, Italy, Mexico, the Netherlands, Poland, Portugal, Spain, Switzerland, Taiwan and the United Kingdom. The class action proceedings are lawsuits aimed among other things at asserting damages or, as is the case in the Netherlands, at a declaratory judgment that customers are entitled to damages. With the exception of Brazil, where there has already been a non-binding judgment in the first instance, the amount of these damages cannot yet be quantified more precisely 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 have been filed to assert damages and to rescind the purchase contract including repayment of the purchase price. Furthermore, individual lawsuits and similar proceedings are pending against Volkswagen AG and other Volkswagen Group companies in numerous countries, particularly in Germany and the United States, but also including Italy, Spain, France, Ireland and Austria.

Most of these proceedings – with the exception of the class action in Brazil – are in the early stages and it is difficult to assess their prospects of success, the allegations and the claimants' precise causes of action. However, should these actions be resolved in favor of the claimants, they could result in significant civil damages, fines, the imposition of penalties, sanctions, injunctions and other consequences.

Moreover, private and institutional investors from Germany and other jurisdictions (including the U.S. and Canada) are pursuing claims seeking significant damages against Volkswagen AG for allegedly omitting or

delaying the immediate publication of price sensitive insider information relating to the diesel issue, and making wrongful financial reporting or false or misleading statements, as well as, in some cases, alleging 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. In Canada, a class action filed in Quebec provincial court has been authorized as to claims relating to Volkswagen AG’s shares and American Depositary Receipts, and, in a similar class action in the Province of Ontario, a class certification hearing is scheduled in July 2018. Further investor claims could be brought.

7.9.1 *Investigation Initiated by Volkswagen*

After the first Notice of Violation was issued, Volkswagen AG immediately initiated its own internal inquiries and an external investigation. The Supervisory Board of Volkswagen AG formed a special committee that coordinates the activities relating to the diesel issue for the Supervisory Board.

The global law firm Jones Day was instructed by Volkswagen AG to carry out an extensive investigation of the diesel issue in light of the DoJ's and the Braunschweig public prosecutor's criminal investigation as well as other investigations and proceedings which were expected at that time. Jones Day was instructed by Volkswagen AG to present factual evidence to the DoJ. To resolve U.S. criminal law charges, Volkswagen AG and the DoJ entered into a Plea Agreement, which includes a Statement of Facts. The Statement of Facts is based in part on Jones Day's factual findings as well as the evidence identified by the DoJ itself.

Jones Day has completed the work required to assist Volkswagen AG in assessing the criminal charges against the company in the United States with respect to the diesel issue. However, work in respect of the legal proceedings that are still pending in the United States and the rest of the world is ongoing and will require considerable efforts and a considerable period of time. In connection with this further work, Volkswagen AG is being advised by a number of external law firms.

7.9.2 *Technical Measures*

Volkswagen is in contact with the KBA and further responsible authorities in multiple jurisdictions in order to provide technical measures suitable for each market. For further information, see "*Legal and Arbitration Proceedings — Proceedings related to Diesel Issue — Coordination with the authorities on technical measures*".

7.9.3 *Tax Issues*

Tax legislation varies from country to country and taxes related to vehicle registration or vehicle ownership are based on a variety of parameters. Investigations by various regulatory and government authorities, including in areas relating to tax, are ongoing. However, should any tax demands be made, Volkswagen may be required to make additional payments, which would thus increase costs.

7.9.4 *Risks*

In 2015, Volkswagen recognized expenses directly related to the diesel issue of €16.2 billion in operating result. This primarily entailed recognizing provisions for field activities (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. 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 were in part offset by impairment reversals of non-current and current lease assets in the amount of €0.1 billion. The impairment losses recognized on non-current 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 Volkswagen had committed itself in the settlement agreements with the U.S. government. Unutilized provisions for legal risks and sales-related measures amounting to a total of €0.5 billion had an offsetting effect. The translation at December 31, 2016 of provisions denominated in foreign currencies resulted in expenses of €0.2 billion after hedging. In 2017, additional expenses amounted to €3.2 billion, driven primarily

by higher expenses for buy-back/retrofit programs for 2.0 and 3.0 l TDI vehicles in North America as well as higher legal risks. An additional €1 billion in expenses directly related to the diesel issue will have to be recognized by Volkswagen Group in its half-year 2018 consolidated interim financial statements, as a result of the Braunschweig administrative court order fine against Volkswagen AG announced on June 13, 2018.

Contingent liabilities were disclosed in relation to the diesel issue in 2017 in the aggregate amount of €4.3 billion (2016: €3.2 billion), of which lawsuits filed by investors account for €3.4 billion (2016: €3.1 billion). Also included are certain elements of the class action lawsuits relating to the diesel issue as well as criminal proceedings/misdemeanor proceedings as far as these can be quantified. As some of these proceedings are still at a very early stage, the plaintiffs have in a number of cases so far not specified the basis of their claims and/or there is insufficient certainty about the number of plaintiffs or the amounts being claimed. These lawsuits meet the definition of a contingent liability but cannot, as a rule, be disclosed because it is impossible to measure the amount involved.

Evaluating known information and making reliable estimates for provisions is a continuous process. The provisions recognized and the contingent liabilities disclosed in relation to the diesel issue, and other latent legal risks are subject to substantial estimation risks given the complexity of the individual factors and the ongoing approval process with the authorities and the fact that the independent and comprehensive investigations have not yet been completed. 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 have conducted and are continuing to conduct investigations of Volkswagen regarding findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The results of these and any further investigations, and related civil and criminal litigation, may have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as the prices of its securities, including the Notes, and its ability to make payments under its securities."* and *"Risk Factors — Risk Factors regarding Volkswagen Aktiengesellschaft and Volkswagen Group — The diesel issue led to a review and ongoing reforms of Volkswagen's internal controls, compliance function and company culture. If these reforms are not completed and future material compliance failures occur, Volkswagen could be exposed to significant adverse consequences."* See also *"Legal and Arbitration Proceedings — Proceedings related to Diesel Issue*".

7.10 **Business Overview**

In terms of sales volume (i.e. the number of vehicles delivered to dealers), the Volkswagen Group is one of the leading multi-brand groups in the automotive industry. In 2017, the Volkswagen Group delivered a total of 10.7 million vehicles (passenger cars, light commercial vehicles, trucks and buses) to its customers worldwide. 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 independently in the market. The product portfolio ranges from fuel-efficient compact cars to luxury vehicles and also includes motorcycles, and will gradually be supplemented by mobility solutions. In the commercial vehicle sector, the products include pick-ups, buses and heavy trucks. As of December 31, 2017, Volkswagen Group's product range comprised around 355 models.

Effective as of January 14, 2015, Volkswagen AG controls 100% of the shares in Scania. As of December 31, 2017, Volkswagen AG indirectly held 75.73% of the ordinary shares and 46.95% of the preferred shares of MAN SE. Since August 1, 2012, Volkswagen AG indirectly holds 100% of the share capital of Dr. Ing. h.c. F. Porsche AG. Effective as of July 19, 2012, the Volkswagen Group acquired 100% of the voting rights of Ducati Motor Holding S.p.A., Bologna.

The Volkswagen Group's business operations encompass the Automotive and Financial Services Divisions, as described under "*—Organizational Structure*". In 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 2017. 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 634,396 personnel in 2017.

In June 2016, Volkswagen announced its new long-term, future-oriented strategy "TOGETHER − Strategy 2025". The 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. It is composed of four building blocks which cover a total of 16 strategic Group initiatives. The first of these building blocks is the transformation of the core automotive business. Developing, building and selling vehicles will remain essential for the Volkswagen Group going forward. However, there will be far-reaching and lasting changes to this business in the future. That is the reason why Volkswagen Group is comprehensively restructuring its core business to face this new era of mobility. The second key building block in the Group strategy is establishing a new mobility solutions business. In this business, Volkswagen Group is developing innovative and efficient, attractive yet profitable mobility services that are tailored to customer requirements with the goal of being one of the leading providers in this growth market in the future. With the third key building block, Volkswagen Group is intensifying its traditionally excellent innovative strength and placing it on an even broader footing. This is necessary both for the transformation of the core business and for the establishment of the new mobility solutions business. To this end, Volkswagen Group is pushing ahead with the digital transformation in all parts of the company. Becoming one of the world's leading providers of sustainable mobility calls for substantial capital expenditure. This will be financed in particular through efficiency gains along the entire value chain – from product development and procurement through to production and distribution as well as in the central supporting areas. Additional funds for future investments can also be generated by optimizing the existing portfolio of brands and equity investments. Through the fourth key building block of the Group strategy, Volkswagen seeks to safeguard the financing of the Volkswagen Group and place it on a solid basis.

In May 2018, Volkswagen announced to implement the following changes to its internal operations. The Volkswagen Group will be divided into six operating units and the China region. These operating units will include the "Volume", "Premium" and "Super Premium" brand groups, the "Truck & Bus" brand group and the Procurement/Components and Financial Services business fields. The "Volume" brand group will comprise the Volkswagen Passenger Cars, SEAT, ŠKODA, Volkswagen Commercial Vehicles and MOIA brands. Audi will be in the "Premium" brand group. The "Super Premium" brand group will comprise the Porsche, Bentley and Bugatti brands. Volkswagen Truck & Bus will remain the umbrella company for Scania, MAN and RIO. The assignment of Lamborghini, Ducati and Power Engineering is currently being reviewed. These changes will lay the foundations for streamlining the Volkswagen Group management decision making, strengthening the brands and giving them greater responsibility. Volkswagen expects this to enable synergies to be leveraged more systematically and speed up decision-making and implementation. For 2018, no material modifications or changes of Volkswagen Group's organizational or financial reporting structure will be implemented. Effective from January 1, 2019, segment reporting of passenger cars and commercial vehicles will be adapted due to the reallocation of the Volkswagen Commercial Vehicle business to the “Volume” brand group.

7.11 **Automotive**

7.11.1 *Figures of 2017*

Sales to the Dealer Organization

In 2017, the Volkswagen Group's worldwide unit sales to the dealer organization – including the Chinese joint ventures – amounted to 10.8 million vehicles (2016: 10.4 million vehicles).

Volkswagen Group Deliveries Worldwide

In 2017, the Volkswagen Group increased its deliveries to customers worldwide by 4.3% to 10,741,455 vehicles (2016: 10,297,041).

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)[(1)]	**Year Ended December 31, 2017**	**Year Ended December 31, 2016**	**Change (%)**
Europe/Other markets	**4,167,647**	**4,062,454**	**+2.6**
Western Europe	**3,157,107**	**3,114,032**	**+1.4**
Germany	1,131,414	1,136,971	– 0.5
United Kingdom	531,592	523,111	+1.6
Spain	270,645	244,990	+10.5
Italy	259,920	238,537	+9.0
France	256,712	249,146	+3.0
Central and Eastern Europe	**668,522**	**592,275**	**+12.9**
Russia	173,384	155,672	+11.4
Poland	145,024	122,622	+18.3
Czech Republic	142,842	134,926	+5.9
Other markets	**342,018**	**356,147**	**– 4.0**
Turkey	158,523	173,965	– 8.9
South Africa	79,968	78,897	+1.4
North America	**962,980**	**928,033**	**+3.8**
USA	625,128	591,063	+5.8
Mexico	223,548	238,946	– 6.4
Canada	114,304	98,024	+16.6
South America	**445,636**	**362,343**	**+23.0**
Brazil	272,231	231,196	+17.7
Argentina	125,153	92,257	+35.7
Asia-Pacific	**4,462,387**	**4,282,656**	**+4.2**
China	4,173,834	3,975,071	+5.0
Japan	84,827	83,109	+2.1
India	72,467	66,046	+9.7
Worldwide	**10,038,650**	**9,635,486**	**+4.2**

1 Deliveries for 2016 have been updated to reflect subsequent statistical trends. The figures include the Chinese joint ventures.

Deliveries to customers by brands (units)[(1)]	**Year Ended December 31, 2017**	**Year Ended December 31, 2016**	**Change (%)**
Volkswagen Passenger Cars	6,230,229	5,980,309	+4.2
Audi	1,878,105	1,867,738	+0.6
ŠKODA	1,200,535	1,126,477	+6.6
SEAT	468,431	408,703	+14.6
Bentley	11,089	11,023	+0.6
Lamborghini	3,815	3,457	+10.4
Porsche	246,375	237,778	+3.6
Bugatti	71	1	(n.a.)
Volkswagen Group (total)	**10,038,650**	**9,635,486**	**+4.2**

1 Deliveries for 2016 have been updated to reflect subsequent statistical trends. The figures include the Chinese joint ventures.

The following table shows the Volkswagen Group's commercial vehicle deliveries to customers, broken down by markets and brands, for the periods indicated:

Deliveries to customers by markets (units) [(1)]	**Year Ended December 31, 2017**	**Year Ended December 31, 2016**	**Change (%)**
Europe/Other markets	**569,983**	**555,255**	**+2.7**
Western Europe	426,774	418,931	+1.9
Central and Eastern Europe	76,054	65,396	+16.3
Other markets	67,155	70,928	– 5.3
North America	**13,416**	**11,140**	**+20.4**
South America	**75,949**	**59,196**	**+28.3**
Brazil	35,781	26,532	+34.9
Asia-Pacific	**43,457**	**35,964**	**+20.8**
China	10,408	7,071	+47.2
Worldwide	**702,805**	**661,555**	**+6.2**

1 Deliveries for 2016 have been updated to reflect subsequent statistical trends.

Deliveries to customers by brands (units) [1]	Year Ended December 31, 2017	Year Ended December 31, 2016	Change (%)
Volkswagen Commercial Vehicles	497,894	477,974	+4.2
Scania	90,777	81,346	+11.6
MAN	114,134	102,235	+11.6
Volkswagen Group (total)	**702,805**	**661,555**	**+6.2**

1 Deliveries for 2016 have been updated to reflect subsequent statistical trends.

Passenger Car Deliveries

With its passenger car brands, the Volkswagen Group is present in all relevant automotive markets around the world. The Volkswagen Group's key sales markets currently include Western Europe, China, the United States, Brazil and Mexico. In 2017, the Volkswagen Group recorded encouraging growth in many key markets.

In 2017, deliveries of passenger cars to Volkswagen Group customers worldwide rose to 10,038,650 units amid partly difficult conditions in some relevant markets such as the United Kingdom and the United States. This was an increase of 403,164 vehicles or 4.2% on the previous year. Since the passenger car market as a whole expanded by 2.9% in the same period, the Volkswagen Group's share of the global market rose slightly to 12.1% (2016: 11.9%). Volkswagen recorded the highest absolute growth in China. Sales figures in Germany and Mexico, among others, were down on the previous year. All Volkswagen Group brands lifted delivery volumes year-on-year. The Volkswagen Passenger Cars brand recorded the strongest growth in absolute terms, setting new records, as did Audi, ŠKODA, Porsche, Bentley and Lamborghini.

In 2017, the passenger car market as a whole expanded by 2.5% in Western Europe. Deliveries to customers of the Volkswagen Group there rose less pronouncedly, by 1.4% to 3,157,107 vehicles. Volkswagen's share of the passenger car market in Western Europe was 22.0% in 2017 (2016: 22.3%). In the Central and Eastern Europe regions, where passenger car markets have grown considerably, the Volkswagen Group delivered 12.9% more vehicles to customers in 2017 than in the previous year. The Czech Republic and Poland continued to see strong growth in demand, and in Russia the Volkswagen Group also registered a marked upsurge in unit sales. In South Africa, demand for Volkswagen Group vehicles in 2017 increased by 1.4% compared with the previous year. In 2017, the passenger car market as a whole grew by 2.4% in South Africa. In the markets of the Middle East region, which are seeing a modest decline, Volkswagen sold 6.6% fewer vehicles in 2017 than in the year before.

The German passenger car market continued its growth in 2017, expanding by 2.7%. The Volkswagen Group delivered 1,131,414 passenger cars to customers in its home market, a slight decrease (–0.5%) compared to 2016. This was due in particular to the fact that customer confidence has not yet been fully restored following the diesel issue as well as to customer uncertainty generated by the public discussion on driving bans for diesel vehicles.

In the U.S. market, demand for Volkswagen Group models rose by 5.8% in 2017 compared with the previous year. The market as a whole declined by 1.8% in this period. Vehicle deliveries to customers in North America were 3.8% higher in 2017 than in the previous year in the context of a slightly declining overall market for passenger cars and light commercial vehicles. Volkswagen's market share was 4.7% in 2017 (2016: 4.4%).

In Canada, Volkswagen delivered 16.6% more vehicles to customers in 2017 than in the previous year in a growing overall market. In the Mexican market, which is declining on the whole, Volkswagen's sales fell by 6.4% in 2017 compared with the previous year.

The markets for passenger cars and light commercial vehicles in South America grew by 12.6% in 2017. The Volkswagen Group's share of the passenger car market in this region increased to 11.5% in 2017 (2016: 10.5%). Volkswagen Group's deliveries to customers increased by 23% in 2017 compared to 2016. The Brazilian market also recovered. Volkswagen delivered 17.7% more vehicles to customers there than in the previous year. Volkswagen Group sales were up 35.7% year-on-year in Argentina. The market as a whole grew 26.2% in 2017.

The passenger car markets in the Asia-Pacific region experienced the largest growth in absolute terms of any world region in 2017. Demand for Volkswagen Group models rose in this region by 4.2% year-on-year. The market share in this region was unchanged in 2017 compared to 2016, at 12.1%. China was the main growth driver of the Asia-Pacific region in 2017, deliveries to customers by the Volkswagen Group increasing by 5.0% compared to 2016. The Indian passenger car market grew further during 2017. The Volkswagen Group delivered 9.7% more vehicles to customers there in this period than in the previous year. Passenger car deliveries to the Group's customers in Japan in 2017 exceeded the prior-year figure by 2.1%.

Commercial Vehicle Deliveries

The Volkswagen Group delivered a total of 702,805 commercial vehicles to customers worldwide in 2017, 6.2% more than in the previous year. Trucks accounted for 183,481 units (a 10.7% year-on-year increase) and buses for 19,218 units (an 8.1% year-on-year increase). Sales of light commercial vehicles increased by 4.6% in 2017 to 500,106 units. In Western Europe, deliveries were up by 1.9% on the previous year at 426,774 vehicles as a result of the sustained economic recovery; of this total, 334,087 were light commercial vehicles, 87,258 were trucks and 5,429 were buses. Deliveries in Central and Eastern Europe increased by 16.3% in 2017. Out of the 76,054 vehicles delivered to customers in 2017, 41,291 were light commercial vehicles, 33,613 were trucks and 1,150 were buses. In Russia, the region's largest market, sales climbed 61.9% year-on-year to 18,291 units on the back of the incipient economic recovery, demand for replacement vehicles and falling inflation rates.

In the Other markets, deliveries of Volkswagen Group commercial vehicles fell by 5.3% in 2017 to a total of 67,155 units: 46,678 light commercial vehicles, 17,050 trucks and 3,427 buses.

Deliveries in North America amounted to 13,416 vehicles in 2017 (a 20.4% year-on-year increase), which were handed over almost exclusively to customers in Mexico. In this region, Volkswagen handed over 10,432 light commercial vehicles, 1,042 trucks and 1,942 buses to customers.

In South America, the Volkswagen Group sold a total of 75,949 units in 2017 (a 28.3% year-on-year increase). Of the units delivered, 41,331 were light commercial vehicles, 29,589 were trucks and 5,029 were buses. In Brazil, deliveries rose by 34.9% compared to 2016 primarily as a result of the improved economic climate. Here, deliveries consisted of 12,633 light commercial vehicles, 20,363 trucks and 2,785 buses.

In the Asia-Pacific region, the Volkswagen Group delivered 43,457 vehicles to customers in 2017; 26,287 light commercial vehicles, 14,929 trucks and 2,241 buses, a 20.8% increase compared to the previous year. In China, sales were up 47.2% on the previous year at 10,408 vehicles. Of this total, 5,566 were light commercial vehicles, 4,532 were trucks and 310 were buses.

Worldwide Development of Inventories

Global inventories at Volkswagen Group companies and in the dealer organization were higher at the end of 2017 than at year-end 2016, mainly due to demand-induced stock building.

Production

The Volkswagen Group produced 10,875,000 vehicles worldwide in 2017, 4.5% more than in the previous year. In total, the Chinese joint ventures manufactured 3.7% more units than in 2016. The percentage of the Volkswagen Group's total production in 2017 accounted for by Germany was lower than in 2016, at 23.7% (2016: 25.8%). In 2017, Volkswagen plants worldwide produced an average of 44,170 vehicles per working day, an increase of 2.3% on the prior-year level.

7.11.2 *Figures of First Quarter 2018*

Volkswagen Group Deliveries Worldwide

In the first quarter of 2018, the Volkswagen Group delivered 2,679,775 vehicles to customers worldwide, an increase of 184,823 units or 7.4% on the prior-year period.

The following table shows the Volkswagen Group's passenger car deliveries to customers, broken down by markets and brands, for the periods indicated (figures include the Chinese joint ventures):

Deliveries to customers by markets (units)[1]	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Change (%)
Europe/Other markets	**1,106,173**	**1,047,486**	**+5.6**
Western Europe	852,530	818,447	+4.2
Germany	293,788	281,075	+4.5
United Kingdom	148,354	147,762	+0.4
Italy	78,415	73,248	+7.1
Spain	75,828	71,645	+5.8
France	62,261	62,783	–0.8
Central and Eastern Europe	**171,473**	**153,718**	**+11.6**
Russia	42,263	35,023	+20.7
Poland	39,160	37,822	+3.5
Czech Republic	36,061	36,863	–2.2
Other markets	**82,170**	**75,321**	**+9.1**
Turkey	25,039	25,745	–2.7
South Africa	20,712	22,528	–8.1
North America	**218,436**	**210,269**	**+3.9**
USA	148,857	135,436	+9.9
Mexico	46,108	56,140	–17.9
Canada	23,471	18,693	+25.6
South America	**106,604**	**105,694**	**+0.9**
Brazil	63,913	61,651	+3.7
Argentina	30,678	32,718	–6.2
Asia-Pacific	**1,080,635**	**963,761**	**+12.1**
China	1,008,247	889,608	+13.3
Japan	22,534	23,163	–2.7
India	15,646	19,369	–19.2
Worldwide	**2,511,848**	**2,327,210**	**+7.9**

Deliveries to customers by brands (units)[1]	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Change (%)
Volkswagen Passenger Cars	1,525,293	1,440,922	+5.9
Audi	463,788	422,481	+9.8
ŠKODA	316,716	283,482	+11.7
SEAT	139,234	117,270	+18.7
Bentley	2,198	2,377	–7.5
Lamborghini	1,124	987	+13.9
Porsche	63,478	59,689	+6.3
Bugatti	17	2	n.m.
Volkswagen Group (total)	**2,511,848**	**2,327,210**	**+7.9**

1 Deliveries for 2017 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)[1]	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Change (%)
Europe/Other markets	**133,664**	**138,302**	**–3.4**
Western Europe	101,883	109,766	–7.2
Central and Eastern Europe	17,458	15,881	+9.9
Other markets	14,323	12,655	+13.2
North America	**2,612**	**3,426**	**–23.8**
South America	**22,060**	**16,113**	**+36.9**
Brazil	10,236	6,613	+54.8
Asia-Pacific	**9,591**	**9,901**	**—3.1**
China	2,354	1,941	+21.3
Worldwide	**167,927**	**167,742**	**+0.1**

Deliveries to customers by brands (units)[1]	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Change (%)
Volkswagen Commercial Vehicles	114,706	121,871	–5.9
Scania	22,640	20,656	+9.6
MAN	30,581	25,215	+21.3
Volkswagen Group (total)	**167,927**	**167,742**	**+0.1**

1 Deliveries for 2017 have been updated to reflect subsequent statistical trends.

Passenger Car Deliveries

From January to March 2018, global demand for passenger cars from the Volkswagen Group rose to 2,511,848 vehicles, an increase of 7.9% year-on-year. The passenger car market as a whole grew somewhat slower in the same period, at 2.4%. The Volkswagen Passenger Cars (+5.9%) and Audi (+9.8%) brands both recorded the best first quarter in their company's history. Furthermore, the ŠKODA (+11.7%) and SEAT (+18.7%) brands in particular developed encouragingly. Porsche (+6.3%), Lamborghini (+13.9%) and Bugatti also increased their delivery volumes. In the regions of Western Europe, Central and Eastern Europe, North America, South America and Asia-Pacific, demand for passenger cars from the Volkswagen Group was significantly higher than the corresponding prior-year figure in some cases. Volkswagen Group recorded the highest absolute increase in the Asia-Pacific region.

In Western Europe, the Volkswagen Group delivered 852,530 cars to customers in the first three months of 2018 (an increase of 4.2% compared to the prior-year period) in the context of a slightly shrinking overall market – this in spite of the fact that customer confidence has not been fully restored following the diesel issue and the public discussion on driving bans for diesel vehicles has generated uncertainty among customers. In Western Europe, the Volkswagen Group's share of the passenger car market increased to 21.7% in the first quarter of 2018 (20.7% in the prior-year period).

In the German market, demand for passenger cars from the Volkswagen Group recovered in the first three months of 2018, rising by 4.5% year-on-year. The market as a whole grew by 4.0% in the same period. Between January and March 2018, the Volkswagen Group handed over 11.6% more vehicles to customers in the still-expanding passenger car markets in the Central and Eastern Europe region compared to the prior-year period. While Russia and Poland continued to see strong growth in demand for Group models in some cases, sales figures in the Czech Republic tapered off slightly. The Volkswagen Group's share of the market in this region decreased to 21.8% (23.0% in the prior-year period). In the declining passenger car market in South Africa, the number of Volkswagen Group vehicles sold in the first three months of 2018 was 8.1% lower than in the same period of the previous year.

From January to March 2018, deliveries to customers of the Volkswagen Group in North America rose 3.9% compared with the previous year, with the overall passenger car and light commercial vehicle market experiencing a slight growth. The Volkswagen Group's share of the market amounted to 4.5% (4.4% in the prior-year period). Between January and March 2018, the Volkswagen Group delivered 9.9% more vehicles to customers in the United States than in the prior-year period. The market as a whole grew less strongly in this period. In Canada, where the overall market is still growing, the number of deliveries to Volkswagen Group customers in the first three months of 2018 increased by 25.6% compared with the prior-year period. In Mexico, demand for Volkswagen Group vehicles in the first three months of 2018 was down 17.9% on the prior-year figure. The Mexico market as a whole was also weaker.

The South American markets for passenger cars and light commercial vehicles also continued their upward trend at the beginning of 2018. From January to March 2018, the Volkswagen Group delivered 0.9% more vehicles to customers there than in the prior-year period. Volkswagen Group's share of the market in South America was 10.8% (11.9% in the prior-year period). The Brazilian market also continued its recovery. The Volkswagen Group delivered 3.7% more vehicles to customers there in the first quarter of 2018 than in the first quarter of 2017. In Argentina, Volkswagen Group sales in the first three months of 2018 fell 6.2% short of the prior-year figure in an overall market showing marked growth.

In the Asia-Pacific region, the market as a whole continued to grow at a slightly weaker pace in the first quarter of 2018. Here, the Volkswagen Group delivered considerably more vehicles to customers than in the prior-year period with an increase of 12.1%. The Volkswagen Group's share of the market in this region increased to 11.7% (10.9% in the prior-year period). In China, the passenger car market experienced above-average growth. Demand for Volkswagen Group models in China increased by 13.3% in the first quarter of 2018 compared with the prior-year period. The Indian passenger car market recorded a noticeable rise in demand in the first three months of 2018. However, sales of Volkswagen Group models decreased by 19.2% compared to the prior-year figures. In Japan, the number of passenger cars delivered to Volkswagen Group

customers between January and March 2018 decreased (–2.7%) less sharply year-on-year than overall market demand.

Commercial Vehicle Deliveries

The Volkswagen Group handed over a total of 167,927 commercial vehicles to customers worldwide in the first quarter of 2018 (+0.1%). Trucks accounted for 46,774 (+11.1%) units and buses for 5,112 (+35.6%) units. Deliveries of light commercial vehicles decreased by 4.8% year-on-year to 116,041 units. In Western Europe, sales declined in the first quarter of 2018 by 7.2% to a total of 101,883 units. Of this figure, 78,486 were light commercial vehicles, 22,178 were trucks and 1,219 were buses. The Volkswagen Group delivered 17,458 vehicles to customers in the markets in Central and Eastern Europe in the period from January to March 2018 (+9.9%); of this figure, 9,064 were light commercial vehicles, 7,923 were trucks and 471 buses. In Other markets, deliveries of Volkswagen Group commercial vehicles rose by 13.2% to a total of 14,323 units: 9,774 light commercial vehicles, 3,615 trucks and 934 buses. Sales in North America fell to 2,612 units (–23.8%) and were handed over exclusively to customers in Mexico; of this figure, 1,819 were light commercial vehicles, 247 were trucks and 546 buses. Deliveries in South America grew to a total of 22,060 units (+36.9%); this included 11,092 light commercial vehicles, 9,487 trucks and 1,481 buses. Following continued improvement in Brazil's economic climate, the Volkswagen Group increased sales by 54.8%, delivering 2,415 light commercial vehicles, 7,034 trucks and 787 buses in the first three months of 2018. In the Asia-Pacific region, the Volkswagen Group sold 9,591 vehicles in the first quarter of 2018; 5,806 light commercial vehicles, 3,324 trucks and 461 buses. This was 3.1% less than in the previous year period. In China, sales were up 21.3% on the prior-year period at 2,354 vehicles. Of this total, 1,502 were light commercial vehicles, 744 were trucks and 108 were buses.

Worldwide Development of Inventories

Global inventories at Volkswagen Group companies and in the dealer organization were higher on March 31, 2018 than at year-end 2017, but lower than the corresponding prior-year figure.

Production

The Volkswagen Group produced a total of 2,726,609 vehicles in the period from January to March 2018, a decrease of 0.4% year-on-year. Production in Germany declined by 2.9% to 646,198 units. The proportion of vehicles produced in Germany decreased to 23.7% (24.3% in the prior-year period).

7.12 Volkswagen Group Financial Services

The Financial Services Division combines the Volkswagen Group's dealer and customer financing, leasing, banking and insurance activities, fleet management and mobility offerings. The division comprises Volkswagen Financial Services and the financial services activities of Scania, Porsche and Porsche Holding Salzburg.

At 7.3 million contracts, the number of new financing, leasing, service and insurance contracts signed worldwide in 2017 was above the 2016 figure (7.1 million). The total number of contracts as of December 31, 2017 was 18.4 million, up 5.7% as against the end of 2016. The number of contracts in the Customer financing/Leasing area rose by 6.3% to 10.1 million and, in the Service/Insurance area, the number of contracts increased by 5.0% to 8.4 million. The ratio of leased or financed vehicles to the Volkswagen's Group's deliveries (penetration rate) rose to 33.4% (2016: 33.3%) in the Financial Services Division's markets.

In the first quarter of 2018, the number of new financing, leasing, service and insurance contracts totalled 1.8 million (1.7 million in the prior-year period). The ratio of leased or financed vehicles to Volkswagen Group deliveries (penetration rate) in the Financial Services Division’s markets amounted to 32.6% (32.7%) for the first quarter of 2018. On March 31, 2018, the total number of contracts was 19.1 million, up 3.7% compared with the end of 2017.

7.13 Volkswagen Group Sales Revenue and Profit

7.13.1 *Figures of 2017*

In 2017, the Volkswagen Group's sales revenue increased by 6.2% compared to €230.7 billion in 2016. In particular, higher volumes and the healthy business performance in the Financial Services Division had a positive effect, while exchange rates had a negative impact. At 80.8% (2016: 79.9%) the major share of sales revenue in 2017 was recorded outside Germany.

At €13.8 billion, the Volkswagen Group's operating result was €6.7 billion higher as compared to 2016. Negative effects weighed on operating result, reducing operating result by a total of €–3.2 billion in 2017. These related to charges in connection with the diesel issue, primarily due to higher expenses attributable to the buyback/retrofit programs for 2.0 l and 3.0 l TDI vehicles in North America and to higher legal risks. In 2016, expenses in connection with the diesel issue amounted to €–6.4 billion. In 2017, the operating return on sales rose to 6.0% (2016: 3.3%).

The financial result declined to €0.1 billion in 2017 (2016: €0.2 billion). Lower interest expenses and lower expenses from the measurement of derivative financial instruments at the reporting date had a positive effect, while foreign currency measurement had a negative impact. The share of the result of equity-accounted investments in 2017 was at the prior-year level. This includes the gain on the remeasurement of the investment in HERE following the acquisition of shares by additional investors. In the prior year period, the income from the sale of the LeasePlan shares had a positive effect.

The Volkswagen Group's earnings before tax rose to €13.9 billion in 2017, up €6.6 billion on the 2016 figure. The return on sales before tax improved from 3.4% in 2016 to 6.0% in 2017. Earnings after tax in 2017 amounted to €11.6 billion (2016: €5.4 billion). Although income taxes increased, the tax rate of 16.3% (2016: 26.2%) was considerably lower in 2017. Deferred tax income resulting from changes in tax rates amounted to €1,044 million at Group level in 2017 (2016: expense of €120 million). This was primarily attributable to the effects of the tax reform in the United States.

7.13.2 *Figures of First Quarter 2018*

The application of new IFRS standards (IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers") has led to, among other things, adjustments to first quarter 2017 figures in the income statement. For further information please refer to the Notes of the Interim Consolidated Financial Statements (condensed) of first quarter 2018. In the following discussion, the first-quarter 2017 figures are presented on such adjusted basis.

In the first three months of 2018, the Volkswagen Group generated sales revenue of €58.2 billion, up 3.6% on the prior-year period. Volume improvements were offset by negative exchange rate effects. The effects of applying the new International Financial Reporting Standards (application of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers", which became mandatory as of January 1, 2018) largely offset each other. Sales revenue generated abroad accounted for a share of 80.1% in the first three months of 2018 (80.0% in the prior-year period).

Gross result was €11.6 billion, slightly up on the prior-year period (€11.4 billion). The gross margin amounted to 19.9% (compared to 20.3% in the same period in 2017).

In the first quarter of 2018, the Volkswagen Group's operating result was €4.2 billion, down €0.2 billion on the prior-year period level. The operating return on sales declined to 7.2% (first quarter of 2017: 7.8%). The fair value measurement gains and losses on certain derivatives, which have to be reported within operating profit since the beginning of 2018, reduced operating result by €0.3 billion. In addition a lower capitalization ratio for development costs had a negative impact. The main positive effect resulted from the increase in volumes. At €0.3 billion, the financial result was on a level with the prior-year period (€0.2 billion). Lower interest expenses and the positive effects from the measurement of derivative financial instruments which are used to hedge financing transactions were largely offset by the negative effect of foreign currency measurement. The share of the result of equity-accounted investments was lower in the first quarter of 2018 than in the previous year, when the remeasurement of the interest in HERE following the acquisition of shares by additional investors had a positive impact. The share of the result of equity-accounted investments in the Chinese joint ventures was slightly up on the prior-year period.

The Volkswagen Group's earnings before tax decreased by €0.1 billion year-on-year, to €4.5 billion in the first three months of 2018. Earnings after tax were down by €0.1 billion to €3.3 billion.

7.14 Recent Events

There have been no recent events.

7.15 Administration, Management and Supervisory Bodies

7.15.1 *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
Dr. Ing. Herbert Diess[1]	Chairman; Chairman of the Brand Board of Management of Volkswagen Passenger Cars
Oliver Blume[2]	Chairman of the Executive Board of Porsche AG
Prof. Dr. rer. pol. Dr.-Ing. E. h. Jochem Heizmann	China
Gunnar Kilian[3]	Human Resources and Organization
Andreas Renschler	Commercial Vehicles
Prof. Rupert Stadler	Chairman of the Board of Management of AUDI AG
Hiltrud Dorothea Werner	Integrity and Legal Affairs
Frank Witter	Finance and Controlling

1 Mr. Herbert Diess has been appointed as chairman of the Board of Management effective April 12, 2018, replacing Mr. Matthias Müller who stepped down from the Board of Management by mutual agreement. Mr. Diess will continue to manage the Volkswagen Passenger Cars brand with the assistance of a chief operating officer, who is responsible for daily operations.

2 Mr. Oliver Blume, Chairman of the Board of Management of Dr. Ing. h.c. F. Porsche AG, has been appointed as a new member of the Board of Management in April 2018 following the departure of Mr. Francisco Javier Garcia Sanz, head of Procurement, who left the Company at his own request.

3 Mr. Gunnar Kilian has taken over the responsibility for Human Resources and Organization from Mr. Karlheinz Blessing in April 2018. Mr. Blessing has left the Board of Management by mutual agreement.

The members of the Board of Management hold the following additional mandates in supervisory bodies[1]:

Name	Additional activities (as of December 31, 2017)
Dr. Ing. Herbert Diess	Infineon Technologies AG, Neubiberg[2]
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.

7.15.2 ***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 December 31, 2017)
Hans Dieter Pötsch	AUDI AG, Ingolstadt[1]
Chairman	Autostadt GmbH, Wolfsburg (Chairman)[1]

Name	Additional Activities (as of December 31, 2017)
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]
	Wolfsburg AG, Wolfsburg[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-Fuβball 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, Riyadh (Chairman)[2]
	Masraf Al Rayan, Doha (Chairman)[2]
	Qatar Holding, Doha[2]
	Qatar Investment Authority, Doha[2]
Dr. Hessa Sultan Al-Jaber	Droobi Health Technology, Doha[2]
Minister of State	Malomatia, Doha[2]
	Qatar Satellite Company, Doha[2]
	Trio Investment, Doha[2]
Marianne Heiss[3]	n.a.
Chief Financial Officer of BBDO Group Germany GmbH, Düsseldorf	
Dr. jur. Hans-Peter Fischer*	Volkswagen Pension Trust e.V., Wolfsburg[2]
Chairman of the Board of Management of Volkswagen Management Association	
Birgit Dietze*	n.a.
Secretary to the Board of IG Metall	
Uwe Hück*	Dr. Ing. h.c. F. Porsche AG, Stuttgart (Deputy Chairman)[1]
Chairman of the General and Group Works Councils of Dr. Ing. h.c. F. Porsche AG	
Ulrike Jakob*	n.a.

Name	Additional Activities (as of December 31, 2017)
Deputy Chairwoman of the Works Council of Volkswagen AG, Kassel plant	
Johan Järvklo*	Scania CV AB, Södertälje[2]
Chairman of IF Metall at Scania AB	Volkswagen Truck & Bus GmbH, Braunschweig[2]
Dr. Louise Kiesling	n.a.
Designer and entrepreneur	
Dr. Bernd Althusmann	Deutsche Messe AG, Hanover[1]
Minister of Economic Affairs, Labor, Transport and Digitalization for the Federal State of Lower Saxony	Container Terminal Wilhelmshaven JadeWeserPort-Marketing GmbH & Co. KG, Wilhelmshaven[2]
	JadeWeserPort Realisierungs GmbH & Co. KG, Wilhelmshaven[2]
	JadeWeserPort Realisierungs-Beteiligungs GmbH, Wilhelmshaven[2]
	Niedersachsen Ports GmbH & Co. KG, Oldenburg (Chairman)[2]
Peter Mosch*	AUDI AG, Ingolstadt[1]
Chairman of the General Works Council of AUDI AG	Audi Pensionskasse – Altersversorgung der AUTO UNION GmbH, VVaG, Ingolstadt[1]
Bertina Murkovic*	n.a.
Chairwoman of the Works Council of Volkswagen Commercial Vehicles	
Bernd Osterloh*	Autostadt GmbH, Wolfsburg[1]
Chairman of the General and Group Works Councils of Volkswagen AG	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 (Deputy Chairman)[1]
	Porsche Cars Great Britain Ltd., Reading[2]

Name	Additional Activities (as of December 31, 2017)
	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]
	Volksoper 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]
	Porsche Holding Gesellschaft m.b.H., Salzburg[2]
	Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Ludwigsburg[2]
	Volkswagen Truck & Bus GmbH, Braunschweig[2]
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]
Athanasios Stimoniaris*	MAN SE, Munich[1]
Chairman of the Works Council and of the General Works Council of MAN Truck & Bus AG and Chairman of the Group Works Council of MAN SE and of the SE Works Council	MAN Truck & Bus AG, Munich (Deputy Chairman)[1]
	Rheinmetall MAN Military Vehicles GmbH, Munich[1]
	Volkswagen Truck & Bus GmbH, Braunschweig[2]
Stephan Weil	n.a.
Minister-President of the Federal State of Lower Saxony	

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* Employee representative.

[1] Membership of statutory supervisory boards in Germany.

[2] Comparable appointments in Germany and abroad.

[3] Replaced Annika Falkengren as member of the Supervisory Board as of February 14, 2018. Ms. Heiss was confirmed as a new member of the Supervisory Board at the Annual General Meeting held on May 3, 2018.

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 the aforementioned members of the Supervisory Board. 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 Ms. Hiltrud Dorothea Werner, 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. The member of the Board of Management, Oliver Blume, is simultaneously the Chairman of the Board of Management of Dr. Ing. h.c. F. Porsche AG.

Dual mandates also exist in relation to key shareholders of Volkswagen AG and the members of its governing bodies.

Dr. jur. Hans Michel Piëch and Dr. jur. Ferdinand Oliver Porsche are simultaneously members of the Supervisory Board of Volkswagen AG and members of the Supervisory Board of Porsche Automobil Holding SE. Dr. rer. comm. Wolfgang Porsche, Chairman of the Supervisory Board of Porsche Automobil Holding SE, is simultaneously a member of the Supervisory Board of Volkswagen AG.

Dr. jur. Hans Michel Piëch and Dr. jur. Ferdinand Oliver Porsche are simultaneously members of the Supervisory Board of Volkswagen AG and members of the Supervisory Board of Dr. Ing. h.c. F. Porsche AG. Dr. rer. comm. Wolfgang Porsche, Chairman of the Supervisory Board of Dr. Ing. h.c. F. Porsche AG, is simultaneously a member of the Supervisory Board of Volkswagen AG.

Dr. jur. Hans Michel Piëch, Dr. jur. Ferdinand Oliver Porsche, Dr. rer. comm. Wolfgang Porsche and Peter Mosch are members of the Supervisory Board of Volkswagen AG and members of the Supervisory Board of AUDI AG.

Due to the dual mandates, there could be instances in which there arises a conflict of interest in the structuring of business relationships between Volkswagen companies, as well as with other companies outside the Volkswagen Group, or a disadvantageous exercise of influence over the Volkswagen Group's business. This is particularly the case given the background that, due to the overlap of personnel and the Volkswagen Group's structure, decision-making within the Board of Management and the Supervisory Board cannot take place as independently as would be the case for subsidiaries which are not as connected with their parent company in the same manner. To the extent that conflicts of interest occur, the relevant members deal with them in a responsible manner and in accordance with legal requirements.

In the event of regular termination of their service on the Board of Management, the members of the Board of Management are entitled to a pension, including a surviving dependents' pension as well as the use of company cars for the period in which they receive their pension.

Dr. Louise Kiesling, Dr. jur. Hans Michel Piëch, Dr. jur. Ferdinand Oliver Porsche and Dr. rer. comm. Wolfgang Porsche are members of the Supervisory Board and are indirect owners of voting rights in Volkswagen AG.

Apart from the facts indicated above, there are no potential conflicts of interests between any duties to the Guarantor of the members of the Board of Management and the Supervisory Board and their private interests and or other duties.

7.16 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 17 times during 2017, mainly discussing current matters related to the diesel issue. The committee also prepared the resolutions by the Supervisory Board in detail and dealt with the composition of and contractual issues concerning the Board of Management other than remuneration. The following persons are members of the Executive Committee: Hans Dieter Pötsch (Chairman), Jörg Hofmann (Deputy Chairman), Peter Mosch, Bernd Osterloh, Dr. Wolfgang Porsche and Stephan Weil.

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 did not hold any meetings in 2017. 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 2017.

The Audit Committee met 5 times during 2017. 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. Moreover, the Audit Committee initiated the call for bids for audits and other audit-related services in the Volkswagen Group from 2020. The following persons are members of the Audit Committee: Dr. Ferdinand Oliver Porsche (Chairman), Bernd Osterloh (Deputy Chairman), Birgit Dietze and Marianne Heiß.

The Special Committee on Diesel Engines is responsible for coordinating all activities relating to the diesel issue and preparing resolutions by the Supervisory Board. To this end, the Special Committee on Diesel Engines is also provided with regular information by the Board of Management. It is also entrusted with examining any consequences of the findings. The Chairman of the Special Committee on Diesel Engines reports regularly on its work to the Supervisory Board. In 2017, the Special Committee on Diesel Engines met on 11 occasions, in which, among other topics, details pertaining to the settlements with the U.S. authorities as well as the Supervisory Board's proposed resolutions regarding formal approval of actions of incumbent members in 2016 were discussed. The following persons are members of the Special Committee on Diesel

Engines: Dr. Wolfgang Porsche (Chairman), Dr. Bernd Althusmann, Peter Mosch, Bertina Murkovic, Bernd Osterloh and Dr. Ferdinand Oliver Porsche.

7.17 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 February 26, 2002 and, most recently, adopted various amendments to the Code on February 7, 2017 (published by the Federal Ministry of Justice in the official section of the Federal Gazette on April 24, 2017). The Code provides recommendations and suggestions on managing and supervising listed German companies. In doing so, it is based on recognized international and national standards for good and responsible corporate governance. The purpose of the Code is to make the German corporate governance system transparent and comprehensible. The Code contains recommendations and suggestions on corporate governance with respect to shareholders and the general meeting, the board of management, the supervisory board, transparency, accounting and auditing.

There is no obligation to comply with the recommendations and suggestions of the Code. German stock corporation law merely requires the board of management and supervisory board of a listed company to either make an annual declaration that the company has been and will be in compliance with the recommendations of the Code, or state which recommendations have not or will not be applied and why. The statement is to be made permanently available on the website of Volkswagen AG. A company may deviate from the suggestions made in the Code without disclosing this.

On November 17, 2017, 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:

1. The recommendations of the Government Commission of the German Corporate Governance Code in the version dated 5 May 2015 (the Code) that were published by the German Ministry of Justice in the official section of the Federal Gazette (*Bundesanzeiger*) on 12 June 2015 were complied with in the period from the last Declaration of Conformity dated 18 November 2016 until the amended version of the Code dated 7 February 2017 came into effect on 24 April 2017, with the exception of the following numbers listed below with their stated reasons.

a) 4.2.3(4) (severance cap)

A severance 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.

b) 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 Code. Such independence could be considered lacking in view of his seat on 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.

c) 5.4.1(5) to (7) (disclosure regarding election recommendations)

With regard to recommendation number 5.4.1(5) to (7) of the Code stating that certain circumstances must be disclosed by the Supervisory Board when making election recommendations to the Annual General Meeting, the stipulations of the Code 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 Code in this respect.

Notwithstanding this, the Supervisory Board will make every effort to satisfy the requirements of the recommendation.

d) 5.4.6(2) sentence 2 (performance-related remuneration of members of the Supervisory Board)

Until the amendment to article 17(1) of the Articles of Association adopted by the Annual General Meeting on 10 May 2017 that came into effect on 1 June 2017, Supervisory Board remuneration was linked in part to the dividends. We therefore assumed that we had complied with the Code and that the variable compensation component was oriented toward the sustainable growth of the company as defined in number 5.4.6(2) sentence 2 of the Code. However, as it could not be ruled out that other views would be taken in this respect, a deviation from this recommendation in the Code is being declared as a precautionary measure.

2. The recommendations of the Government Commission of the German Corporate Governance Code in the version dated 7 February 2017 (the 2017 Code) that were published by the German Ministry of Justice on 24 April 2017 in the official section of the Federal Gazette (*Bundesanzeiger*) were complied with in the period from when this version came into effect on 24 April 2017 and will continue to be complied with, with the exception of the numbers listed below and their stated reasons

a) 4.2.3(4) (severance cap)

b) 5.3.2(3) sentence 2 (independence of the chair of the Audit Committee)

c) 5.4.1(6) to (8) (disclosure regarding election recommendations)

The reasons for exceptions a) to c) are listed above in the details under point 1.

d) 5.4.6(2) sentence 2 (performance-related remuneration of members of the Supervisory Board)

Until the amendment to article 17(1) of the Articles of Association adopted by the Annual General Meeting on 10 May 2017 that came into effect on 1 June 2017, Supervisory Board remuneration was linked in part to the dividends. We therefore assumed that we had indeed complied with the Code and that the variable compensation component was oriented toward the sustainable growth of the company as defined in number 5.4.6(2) sentence 2 of the 2017 Code. However, as it could not be ruled out that other views would be taken in this respect, a deviation from this recommendation in the Code was declared as a precautionary measure. The amendment to the Articles of Association that came into effect on 1 June 2017 introduced fixed remuneration retroactively as of 1 January 2017, so that the recommendation has definitely been complied with since 1 June 2017.

e) 4.2.3(2) sentence 3 (variable remuneration package in principle future-oriented)

The recommendation that the variable remuneration components based on a multi-year assessment should essentially be forward-looking has been recently added to the Code. The corresponding remuneration components for the members of the Board of Management were in the former system essentially based on the results of the past fiscal year and would therefore not be suitable for this recommendation. In February 2017, the Supervisory Board adopted a new system for the Board of Management remuneration in which the multi-year variable remuneration components were essentially future-oriented. The new remuneration system was fully implemented with retroactive effect to January 1st 2017.

f) 5.4.1 (2) sentence 1 (objectives regarding the composition of the Supervisory Board; profile of skills and expertise)

This recommendation concerning the specification of concrete objectives for the composition of the Supervisory Board was supplemented when the 2017 Code came into force to the effect that the Supervisory Board should also prepare a profile of skills and expertise for the entire committee in addition to specifying objectives for its composition. This recommendation, more specifically the supplement, has not been complied with from when the amended version of the recommendation took effect until today due to the new addition. Following consultations and specifications on the part of the Supervisory Board, this recommendation will be complied with in full as of today.

g) 5.4.1(5) sentence 2 (curriculum vitae of the members of the Supervisory Board)

The recommendation to publish updated curriculum vitae of all members of the Supervisory Board on the company website every year, including an overview of the main ancillary activities has been newly added to the 2017 Code. The curriculum vitae of members of the Supervisory Board were published on 1 August 2017; this included an overview of their main ancillary activities beyond their Supervisory Board mandates. The recommendation has been complied with since that time."

7.18 Selected Historical Financial Information

7.18.1 *Figures of First Quarter 2018*

The following consolidated operating and financial data were extracted from the Volkswagen Group's interim report for the period January 1, 2018 to March 31, 2018:

Volume Data[1] (unaudited)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	%
Vehicle sales (units)	2,768,945	2,610,425	+6.1
Production (units)	2,726,609	2,737,577	–0.4
Employees at 31 March 2018/31 December 2017	648,104	642,292	+0.9

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

Financial Data (IFRS), € million (unaudited)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017[1]	%
Sales revenue	58,228	56,197	+3.6
Operating result[2]	4,211	4,367	–3.6
Earnings before tax	4,477	4,592	–2.5
Earnings after tax	3,300	3,373	–2.2
Earnings attributable to Volkswagen AG shareholders	3,221	3,316	–2.9
Cash flows from operating activities	3,999	299	n.m.
Cash flows from investing activities attributable to operating activities	–3,157	–3,512	–10.1
Automotive Division[3]			
Total research and development costs	3,356	3,370	–0.4
R&D ratio (%)[4]	6.7	7.0	
Cash flows from operating activities	5,455	835	n.m.
Capex[5]	1,918	1,840	+4.2
as a percentage of sales revenue[5]	3.9	3.8	
Net cash flow[6]	2,437	–2,583	n.m.
Net liquidity[7] at 31 March	24,294	23,645	+2.7

Sales revenue and operating result on the Volkswagen Group level as well as R&D ratio, capex as a percentage of sales revenue, net cash flow and net liquidity in the Automotive Division are − amongst others − core performance indicators, which are derived from the current strategic goals and therefore are the basis of the internal management system. All figures are disclosed in the annual reports of Volkswagen AG for the respective periods.

1 Prior-year figures were adjusted due to IFRS changes. See disclosures on IFRS 9 and IFRS 15 in the notes to the Interim Consolidated Financial Statements of the Volkswagen Group as of 31 March 2018.

2 Operating result is defined as sales revenue net of cost of sales, distribution expenses, administrative expenses and other operating income/expenses in the income statement.

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

4 Research and development ratio ("**R&D ratio**") in the Automotive Division is defined as total research and development costs in relation to sales revenue.

5 Capex is defined as investments in intangible assets (excluding capitalized development costs), property, plant and equipment, and investment property (three months ended March 31, 2018: €1,918 million, March 31, 2017: €1,840 million), and as percentage of sales revenue divided by sales revenue (three months ended March 31, 2018: €49,743 million, March 31, 2017: €47,825 million).

6 Net cash flow is defined as cash flows from operating activities (three months ended March 31, 2018: €5,455 million, March 31, 2017: €835 million), net of investing activities attributable to operating activities (investing activities excluding change in investments in securities, loans and time deposits) (three months ended March 31, 2018: €3,018 million, March 31, 2017: €3,418 million).

7 Net liquidity is defined as the total of cash and cash equivalents (three months ended March 31, 2018: €14,666 million, March 31, 2017: €21,128 million), securities, loans from related parties and time deposits (three months ended March 31, 2018: €13,146 million, March 31, 2017: €16,271 million) net of third-party borrowings (noncurrent and current financial liabilities) (three months ended March 31, 2018: €3,518 million, March 31, 2017: €13,755 million).

7.18.2 *Figures of 2017*

The following consolidated operating and financial data were extracted from the Volkswagen Group's 2017 annual report:

Volume Data[1] (unaudited)	2017	2016	%
Vehicle sales (units)	10,777,048	10,391,113	+3.7
Production (units)	10,875,000	10,405,092	+4.5

Volume Data[1] (unaudited)	2017	2016	%
Employees at 31 December	642,292	626,715	+2.5

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

Financial Data (IFRS), € million (audited)	2017	2016	% (unaudited)
Sales revenue	230,682	217,267	+6.2
Operating result[1]	13,818	7,103	+94.5
Earnings before tax	13,913	7,292	+90.8
Earnings after tax	11,638	5,379	n.m.
Earnings attributable to Volkswagen AG shareholders	11,354	5,144	n.m.
Cash flows from operating activities	–1,185	9,430	n.m.
Automotive Division[2]			
Total research and development costs	13,135	13,672	−3.9
R&D ratio (as a percentage)[3]	6.7	7.3	
Cash flows from operating activities	11,686	20,271	−42.4
Capex[4]	12,631	12,795	−1.3
as a percentage of sales revenue (unaudited)[4]	6.4	6.9	
Net cash flow[5]	–5,950	4,330	n.m.
Net liquidity[6] at 31 December	22,378	27,180	−17.7

Sales revenue and operating result on the Volkswagen Group level as well as R&D ratio, capex as a percentage of sales revenue, net cash flow and net liquidity in the Automotive Division are − amongst others − core performance indicators, which are derived from the current strategic goals and therefore are the basis of the internal management system. All figures are disclosed in the annual reports of Volkswagen AG for the respective periods.

[1] Operating result is defined as sales revenue net of cost of sales, distribution expenses, administrative expenses and other operating income/expenses in the income statement.

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

[3] Research and development ratio ("**R&D ratio**") in the Automotive Division is defined as total research and development costs in relation to sales revenue.

[4] Capex is defined as investments in intangible assets (excluding capitalized development costs), property, plant and equipment, and investment property (2017: €12,631 million, 2016: €12,795 million) and as percentage of sales revenue divided by sales revenue (2017: €196,949 million, 2016: €186,016 million).

[5] Net cash flow is defined as cash flows from operating activities (2017: €11,686 million, 2016: €20,271 million), net of investing activities attributable to operating activities (investing activities excluding change in investments in securities, loans and time deposits) (2017: €17,636 million, 2016: €15,941 million).

[6] Net liquidity is defined as the total of cash and cash equivalents (2017: €13,428 million, 2016: €14,125 million), securities, loans from related parties and time deposits (2017: €15,201 million, 2016: €17,911 million) net of third-party borrowings (noncurrent and current financial liabilities) (2017: €6,251 million, 2016: €4,856 million).

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[1]	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	−31.1
Automotive Division[2]			
Total research and development costs	13,672	13,612	+0.4
R&D ratio (as a percentage)[3]	7.3	7.4	
Cash flows from operating activities	20,271	23,796	−14.8
Capex[4]	12,795	12,738	+0.4
as a percentage of sales revenue (unaudited)[4]	6.9	6.9	
Net cash flow[5]	4,330	8,887	−51.3
Net liquidity[6] at 31 December	27,180	24,522	+10.8

Sales revenue and operating result on the Volkswagen Group level as well as R&D ratio, capex as a percentage of sales revenue, net cash flow and net liquidity in the Automotive Division are - amongst others - core performance indicators, which are derived from the current strategic goals and therefore are the basis of the internal management system. All figures are disclosed in the annual reports of Volkswagen AG for the respective periods.

1 Operating result is defined as sales revenue net of cost of sales, distribution expenses, administrative expenses and other operating income/expenses in the income statement.
2 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
3 Research and development ratio ("**R&D ratio**") in the Automotive Division is defined as total research and development costs in relation to sales revenue.
4 Capex is defined as investments in intangible assets (excluding capitalized development costs), property, plant and equipment, and investment property (2016: €12,795 million, 2015: €12,738 million) and as percentage of sales revenue divided by sales revenue (2016: €186,016 million, 2015: €183,936 million).
5 Net cash flow is defined as cash flows from operating activities (2016: €20,271 million, 2015: €23,796 million), net of investing activities attributable to operating activities (investing activities excluding change in investments in securities, loans and time deposits) (2016: €15,941 million, 2015: €14,909 million).
6 Net liquidity is defined as the total of cash and cash equivalents (2016: €14,125 million, 2015: €15,294 million), securities, loans from related parties and time deposits (2016: €17,911 million, 2015: €14,812 million) net of third-party borrowings (noncurrent and current financial liabilities) (2016: €4,856 million, 2015: €5,583 million).

7.19 Legal and Arbitration Proceedings

Various legal risks could potentially have materially adverse consequences for Volkswagen's business, results of operations, financial position and net assets.

7.19.1 *Proceedings related to Diesel Issue*

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

7.19.1.1 *Coordination with the authorities on technical measures*

Based on decisions dated October 15, 2015, the KBA ordered the Volkswagen Passenger Cars, Volkswagen Commercial Vehicles and SEAT brands to recall all diesel vehicles that had been issued with vehicle type approval by the KBA from among the eleven million vehicles affected with type EA 189 engines. The recall concerns the member states of the European Union (EU 28). On December 10, 2015, a similar decision was issued regarding Audi vehicles with type EA 189 engines. The timetable and action plan forming the basis for the recall order correspond to the proposals presented in advance by Volkswagen. Depending on the technical complexity of the concerned remedial actions, this means that the Volkswagen Group has been recalling the affected vehicles, of which there are around 8.5 million in total in the EU 28, to the service workshops since January 2016. The remedial actions differ in scope depending on the engine variant. The technical measures cover software and in some cases hardware modifications, depending on the series and model year.

The technical measures for all vehicles in the European Union have since been approved without exception. The KBA ascertained for all clusters (groups of vehicles) that implementation of the technical measures would not bring about any adverse changes in fuel consumption figures, CO2 emissions figures, engine power, maximum torque and noise emissions. Once the modifications have been made, the vehicles will thus also continue to comply with the legal requirements and the emission standards applicable in each case. The technical measures for all affected vehicles with type EA 189 engines in the European Union were approved without exception, and implemented in most cases.

In some countries outside the EU – among others South Korea, Taiwan and Turkey – vehicles are homologated by national type approval authorities; the technical measure must therefore be approved by the national authorities. With the exception of Chile, this approval process has been concluded in all countries.

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 have to be approved by U.S. regulators. Due to NOx limits in the United States and Canada that are considerably stricter than in the EU and the rest of the world, it is a greater technical challenge to refit the vehicles so that the emission standards defined in the settlement agreements for these vehicles can be achieved. A final decision has not been made regarding all necessary technical remedies for the affected vehicles. To date, the EPA/CARB have

approved emissions modifications for the following 2.0 liter, four-cylinder diesel vehicles: Generation 1 vehicles (model year 2009-2014 Jetta and Jetta Sportwagen, model year 2010-2013 Golf 2-door, model year 2010-2014 Golf 4-door, model year 2013-2014 Beetle and Beetle Convertible, and model year 2010-2013 Audi A3), Generation 2 automatic transmission vehicles (model year 2012-2014 Passat), and both phases of a two part emissions modification for Generation 3 vehicles (model year 2015). To date, the EPA/CARB have approved emissions modifications for the following 3.0 liter, six-cylinder diesel vehicles: (i) Generation 2.1 vehicles (model year 2013-2015 Audi Q7, model year 2013-2014 VW Touareg, and model year 2013-2014 Porsche Cayenne); (ii) Generation 2.2 SUVs (model year 2015-2016 VW Touareg, and model year 2015-2016 Porsche Cayenne); (iii) Generation 2 passenger cars (model year 2014-2016 Audi A6, model year 2014-2016 A7, model year 2014-2016 A8, model year 2014-2016 A8L, and model year 2014-2016 Q5); and (iv) Generation 1.1. vehicles (model year 2009-2010 Audi Q7 and model year 2009-2010 VW Touareg). The buyback/retrofit program for vehicles in the United States, which is part of the settlements in North America, is proving to be more technically complex and time consuming than anticipated. For example, on September 7, 2017, the EPA and CARB rejected the proposed emissions modification for 2.0 liter Generation 2 diesel vehicles with manual transmissions (model-year 2012-2014 Passat vehicles with manual transmissions). Similarly, on November 9, 2017, the EPA and CARB withdrew their previous approval of the proposed emissions modification for approximately 2,800 2.0 liter, four-cylinder model year 2009 Generation 1 diesel vehicles in the U.S. on the grounds that these vehicles require a mechatronic hardware change before the previously approved emissions modification can be installed. A revised emissions modification for these Generation 1 diesel vehicles was subsequently approved on December 28, 2017. Where emissions modifications have been approved by U.S. regulators, similar emissions recall programs to those in the U.S. have been developed for Canada. An emissions modification has not yet been approved for 3.0 liter Generation 1.2 diesel vehicles. Volkswagen continues to work with the U.S. regulators on obtaining approval for technical solutions for these diesel vehicles in the United States and Canada. In the case of 2.0 liter Generation 2 diesel vehicles with manual transmissions, Volkswagen Group of America, Inc. has withdrawn its intent to seek approval of an emissions modification. Because no repair is available for these 2.0 liter Generation 2 manual transmission vehicles, consumers in the U.S. who owned or leased these vehicles as of June 28, 2016 have the option to participate in the settlement and receive a buyback or early lease termination or opt out of the settlement between May 1, 2018 and June 1, 2018. Because no repair will likewise be available in Canada, consumers in possession of these vehicles have the option to participate in the Canadian settlement and receive a buyback, trade-in or early lease termination or, if they have not already made a claim or received benefits, opt out of the settlement between June 15, 2018 and August 15, 2018. Even if not covered under a settlement, Volkswagen may be required to repurchase any other 2.0 liter Generation 2 diesel vehicles with manual transmissions and any other vehicles sold in the United States, Canada and elsewhere. This could lead to further significant costs. For example, in Canada, as agreed with the federal environmental regulator, in the event that owners or lessees are not eligible to surrender their manual transmission 2.0 liter Generation 2 diesel vehicles under the Canadian settlement, Volkswagen Group Canada will be reaching out to them to discuss next steps. Furthermore, if the technical solutions implemented by Volkswagen in order to rectify the diesel issue are not implemented in a timely or effective manner or have an undisclosed negative effect on the performance, fuel consumption or resale value of the affected vehicles, regulatory proceedings and/or customer claims for damages could be brought in the future.

For many months, AUDI AG has been intensively checking all diesel concepts for possible discrepancies and retrofit potentials. A systematic review process for all engine and gear variants has been underway since 2016. On June 14, 2017, based on a technical error in the parametrization of the transmission software for a limited number of specific Audi A7/A8 models that AUDI AG itself discovered and reported to the KBA, the KBA issued an order with which a correction proposed by AUDI AG will be submitted. The technical error lies in the fact that, in the cases concerned, by way of exception a specific function that is standard in all other vehicle concepts is not implemented in actual road use. In Europe, this affects around 24,800 units of certain Audi A7/A8 models. In a preliminary, non-binding assessment, the KBA has not categorized this error as an unlawful defeat device.

On July 21, 2017, AUDI AG offered a software-based retrofit program for up to 850,000 vehicles with V6 and V8 TDI engines meeting the Euro 5 and Euro 6 emission standards in Europe and other markets except the United States and Canada. The measure will mainly serve to further improve the vehicles' emissions in real driving conditions in inner city areas beyond the legal requirements. This will be done in close cooperation with the authorities, which have been provided with detailed reports, especially the German Federal Ministry of Transport and the KBA. The retrofit package comprises voluntary measures and, to a small extent,

measures directed by the authorities; these are measures which were proposed by AUDI AG itself, reported to and taken up by the KBA and formally ordered by the latter. The tests for the voluntary measures and those which have been formally ordered have already reached an advanced stage, but have not yet been completed. The measures formally ordered by the KBA so far involved different models of the AUDI, Volkswagen and Porsche brand with a V6 or V8 TDI engine meeting the Euro 6 emission standard, for which the KBA categorized certain emission strategies as an unlawful defeat device.

AUDI currently assumes that the overall cost of the software-based retrofit program or additional software updates including the scope related to measures which already have been formally ordered by the KBA will be manageable and has recognized provisions in this respect. Should additional measures become necessary as a result of the investigations by AUDI AG and the consultations with the KBA, AUDI AG will implement these as part of or in addition to the retrofit program. This is the case for a software update for 83,000 Audi A6 and A7 models worldwide with 3.0 liter TDI Generation 2evo engines for which measures have been formally ordered by the KBA. The tests for the voluntary measures and those which have been formally ordered have already reached an advanced stage, but have not yet been finally completed. Therefore, additional measures cannot be excluded. Furthermore on April 4, 2018, the Korean Ministry of Environment ordered a recall after it has categorized (i) certain emissions strategies in the engine control software of various AUDI, Volkswagen and Porsche brand diesel vehicles with a V6 or V8 engine and the Euro 6 emissions classification, and (ii) the Dynamic Shift Program (DSP) in the gearbox control in some AUDI vehicle models, as prohibited defeat devices. In addition, AUDI is responding to requests from the U.S. authorities for information regarding automatic gearboxes in certain vehicles. Further field measures with financial consequences can therefore not be ruled out completely at this time.

7.19.1.2 *Criminal and administrative proceedings worldwide (excluding the United States/Canada)*

In addition to the above-described approval processes with the responsible approval authorities, in some countries criminal investigations/misdemeanor proceedings (for example, by the public prosecutor's offices in Braunschweig and Munich, Germany) and/or administrative proceedings (for example, by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – "**BaFin**")) have been opened. On June 13, 2018, the Braunschweig public prosecutor issued an administrative order against Volkswagen AG in the context of the diesel issue. According to the findings of the investigation, monitoring duties had been breached in the Powertrain Development department in the context of vehicle tests and these breaches were concurrent causes of 10.7 million vehicles with the diesel engines of the types EA 288 (Gen3), in the United States and in Canada, and EA 189, world-wide, being advertised, sold to customers, and placed on the market with an alleged impermissible software function in the period between mid-2007 and 2015. The administrative order provides for a fine of €1 billion in total, consisting of the maximum penalty as legally provided for of €5 million and the disgorgement of economic benefits in the amount of €995 million. Volkswagen AG has accepted the fine and it will not lodge an appeal against it. The public prosecutor's offices in Munich are still investigating the core issue of the criminal investigations. Whether this 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 of a sanction 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 two former Volkswagen AG Management Board members regarding their possible involvement in potential market manipulation in connection with the release of information concerning the diesel issue. The Stuttgart public prosecutor's office also confirmed that it is investigating, among others, the CEO of Volkswagen AG in his capacity as member of the management board of Porsche SE, regarding his possible involvement in potential market manipulation in connection with this same issue. Moreover, the Stuttgart public prosecutor's office has commenced a criminal investigation into the diesel issue against one board member and two employees of Porsche AG on suspicion of fraud and illegal advertising. Furthermore, the public prosecutor's office in Munich II opened a criminal investigation in connection with the alleged anomalies in the NOx emissions of certain Audi vehicles with diesel engines in the United States and Europe. Should these investigations result in adverse findings against the individuals involved, this could have a negative impact on the outcome of other proceedings against Volkswagen and/or could have other material adverse financial consequences.

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

7.19.1.3 *Product-related lawsuits worldwide (excluding the United States/Canada)*

In principle, it is possible that customers in the affected markets will file civil lawsuits against Volkswagen AG and other Volkswagen Group companies. In addition, it is possible that importers and dealers could assert claims against Volkswagen, for example through recourse claims. As well as individual lawsuits, class action lawsuits are possible in various jurisdictions (albeit not in Germany). Furthermore, in a number of markets it is possible that consumer and/or environmental organizations will apply for an injunction or assert claims for a declaratory judgment or for damages. In the context of the diesel issue, various lawsuits are currently pending against Volkswagen AG and other Volkswagen Group companies at present.

There are pending class action proceedings and lawsuits brought by consumer and/or environmental associations against Volkswagen AG and other Volkswagen Group companies in various countries such as Argentina, Australia, Belgium, Brazil, China, the Czech Republic, India, Israel, Italy, Mexico, the Netherlands, Poland, Portugal, Spain, Switzerland, Taiwan and the United Kingdom. The class action proceedings are lawsuits aimed among other things at asserting damages or, as is the case in the Netherlands, at a declaratory judgment that customers are entitled to damages. With the exception of Brazil, where there has already been a non-binding judgment in the first instance, the amount of these damages cannot yet be quantified more precisely 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 have been filed to assert damages and to rescind the purchase contract including repayment of the purchase price. Due to special circumstances in the market and specific characteristics of the South Korean legal system, Volkswagen estimates the litigants' prospects of success in the South Korean mass proceedings mentioned above to be inherently higher than in proceedings in other jurisdictions outside the United States and Canada. On May 12, 2017, one first-instance judgment was delivered in these proceedings in South Korea, in which the court completely dismissed an action filed to assert criminal damages over pollution. The judgment has since become binding.

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, other Volkswagen Group companies and non-Volkswagen Group importers and dealers in numerous countries. In Germany, around 14,800 individual law suits are pending against Volkswagen AG and/or affiliated companies. In Austria, Italy and Spain law suits in the low three-digit range and in France and Ireland individual lawsuits in the two-digit range are pending, most of which are aimed at asserting damages or rescinding the purchase contract. Additional claims can be expected. Contingent liabilities have been disclosed for those lawsuits that can be assessed and for which the chance of success was deemed not implausible.

On November 29, 2017, Volkswagen AG was served with an action brought by the U.S. law firm Hausfeld on behalf of Financialright GmbH, asserting allegedly assigned claims by German customers regarding 15,374 affected vehicles. This action seeks payment of around €358 million in damages, while offering the return of the purchased vehicles. In addition, on January 31, 2018, Volkswagen AG was served with a further action filed by the Hausfeld law firm (dated December 29, 2017) on behalf of Financialright GmbH asserting allegedly assigned claims by an additional 2,004 customers. The 2,004 customers are exclusively customers who have concluded their sales or leasing contracts in Switzerland. Financialright GmbH requests a declaratory judgment that Volkswagen AG is obligated to compensate the respective customers for damages resulting from the use of the switching logic and − if applicable − for the damages resulting from "the software update". The plaintiff quantifies the amount in dispute of the claim (calculated from an alleged average "reduction in value" of the vehicles) at approximately €800,000. On April 25, 2018, Volkswagen AG was served with Hausfeld’s latest action on behalf of Financialright GmbH. This latest action seeks damages based on purportedly assigned claims of approximately 6,000 customers from Slovenia, with a total amount of approximately EUR 48 million. In addition, the Swiss Foundation for Consumer Protection (*Stiftung für Konsumentenschutz)* filed a claim for damages against Volkswagen AG in December 2017 based on allegedly assigned claims of some 6,000 customers, indicating the amount in dispute at approximately CHF 30 million.

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.

7.19.1.4 *Investor proceedings (excluding the United States/Canada)*

Investors from Germany and abroad have filed claims for damages against Volkswagen AG − in some cases along with Porsche Automobil Holding SE as joint and several debtors − based on purported losses due to alleged misconduct in capital market communications in connection with the diesel issue. The claims relate to Volkswagen AG's shares and other securities, including bonds, issued by Volkswagen Group companies, as well as third-party securities.

As of the date of this Prospectus, approximately 3,800 actions (including conciliatory proceedings, legal default actions and registrations of claims pursuant to Section 10 para 2 of the KapMuG have been served on Volkswagen AG. Currently, the actions still pending have an overall dispute value totalling around EUR 9 billion. Almost the entire volume is currently pending in approximately 1,600 lawsuits at the District Court (*Landgericht*) in Braunschweig.

On August 5, 2016, the Braunschweig District Court ordered that common questions of law and fact relevant to the lawsuits pending at the Braunschweig District Court be referred to the Higher Regional Court (*Oberlandesgericht*) in Braunschweig for a binding declaratory decision pursuant to the KapMuG, 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. 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 investor lawsuits have been filed. On December 6, 2017, the District Court in Stuttgart issued an order for reference to the Higher Regional Court in Stuttgart in relation to procedural issues, particularly for clarification of jurisdiction. On account of the diesel issue, further independent model case proceedings against Porsche SE are also pending before the Higher Regional Court in Stuttgart.

Outside Germany (excluding the United States and Canada) only a small number of investors has sued Volkswagen. In Austria, the Austrian Supreme Court of Justice (*Oberster Gerichtshof*) ruled on July 7, 2017 that the investor lawsuits against Volkswagen AG do not fall within the jurisdiction of the Austrian courts. Consequently, all but one of the investor lawsuits that were formerly pending in Austria have been dismissed or withdrawn. The last pending lawsuit has been dismissed at first instance.

A shareholder association in the Netherlands has filed a lawsuit without specifying any amount claimed, alleging that Volkswagen deceived the capital markets. A decision on the question of jurisdiction of the Dutch courts is currently stayed until final ruling has been made in a similar preceding lawsuit.

Except for legal costs, no provisions have been recognized for these investor lawsuits currently amounting to a total of approximately EUR 9 billion.

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, who in July 2015 was appointed as Volkswagen AG's Management Board member responsible for the Volkswagen Passenger Cars brand. In April 2018, Herbert Diess was appointed CEO of Volkswagen AG. These investigations were later extended to Hans Dieter Pötsch, former CFO and current Chairman of the Supervisory Board of Volkswagen AG.

In August 2016, Deutsche Schutzvereinigung für Wertpapierbesitz e.V. ("**DSW**"), a German association for private investors, initiated court proceedings on behalf of certain large U.S. institutional investors, to enforce

by a court decision a special independent audit of the diesel issue, including the question whether in the context of the diesel issue the Management Board and the Supervisory Board of Volkswagen AG violated their legal duties, and a review of Volkswagen's risk management and compliance systems. In December 2016, Deminor Recovery Services, an association located in Brussels, Belgium, initiated comparable court proceedings on behalf of certain large U.S., British and Swedish institutional investors. Both proceedings were instituted after Volkswagen AG's general shareholders' meeting in June 2016 voted down resolutions proposed by DSW and Deminor Recovery Services, respectively, to appoint a special auditor. In November 2017, the higher regional court in Celle ordered the appointment of a special auditor for Volkswagen AG in the DSW case. However, the higher regional court of Celle was informed subsequently that the court-appointed special auditor is no longer available due to reaching the retirement age. The ruling from the higher regional court of Celle is formally legally binding. However, Volkswagen AG lodged a constitutional complaint with the German Federal Constitutional Court regarding the infringement of its constitutionally guaranteed rights. It is currently unclear when the Federal Constitutional Court will reach a decision on this matter. In addition, a second motion was filed by Deminor Recovery Services with the district court of Hanover for the appointment of a special auditor for Volkswagen AG, which is also aimed at the examination of transactions in connection with the diesel issue. This proceeding will be suspended until the ruling has been announced by the Federal Constitutional Court.

7.19.1.5 *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 customers and dealers have been filed in U.S. federal courts and consolidated for pretrial coordination purposes in the federal multidistrict litigation proceeding in the State of California.

On January 4, 2016, the DoJ, Civil Division, on behalf of the EPA, initiated a civil complaint against Volkswagen AG, AUDI AG and certain other Volkswagen Group companies. The action seeks statutory penalties under the U.S. Clean Air Act, as well as certain injunctive relief, and has been consolidated for pretrial coordination purposes in the California multidistrict litigation.

On January 12, 2016, CARB announced that it intended to seek civil fines for alleged violations of the California Health & Safety Code and various CARB regulations. On June 28, 2016, Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates lodged with the Court a first partial consent decree with the DoJ on behalf of the EPA, CARB and the California Attorney General; and also filed a settlement agreement with private plaintiffs represented by a PSC in the Multi-District Litigation pending in California and a partial consent order with the FTC. Collectively, these agreements resolved 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. On October 18, 2016, a fairness hearing on whether final approval should be granted was held, and on October 25, 2016, the court granted final approval of the agreements. A number of class members have filed appeals to a U.S. appellate court from the order approving the settlements.

The settlements provide affected customers with the option of a buyback or, for leased vehicles, early lease termination, or a free emissions modification of the vehicles, which is currently only available for Generation 3 2.0 liter vehicles, Generation 2 automatic transmission diesel Passat vehicles and Generation 1 2.0 liter vehicles. Volkswagen will also make additional cash payments to affected current owners or lessees as well as certain former owners or lessees. Volkswagen also agreed to support environmental programs. The company will pay USD 2.7 billion over three years into an environmental trust, managed by a trustee appointed by the court, to offset excess NOx emissions; Volkswagen made the first and second payments of USD 900 million in November 2016 and November 2017, respectively. Volkswagen will also invest in total USD 2.0 billion over ten years in zero emissions vehicle infrastructure as well as corresponding access and awareness initiatives.

Volkswagen AG and certain affiliates also entered into a separate partial consent decree with CARB and the California Attorney General resolving certain claims under California unfair competition, false advertising, and consumer protection laws related to both the 2.0 liter and 3.0 liter TDI diesel engine vehicles, which was lodged with the court on July 7, 2016.

Under the terms of the agreement, Volkswagen agreed to pay California USD 86 million. The court entered judgment on the partial consent decree on September 1, 2016 and the USD 86 million payment was made on September 28, 2016. The partial consent decree includes injunctive and periodic reporting obligations aimed at improving Volkswagen's compliance system.

On December 20, 2016, Volkswagen entered into a second partial consent decree with the DoJ, EPA, CARB and the California Attorney General that resolved claims for injunctive relief under the Clean Air Act and California environmental, consumer protection and false advertising laws related to the 3.0 liter TDI diesel engine vehicles. Under the terms of this consent decree, Volkswagen agreed to implement a buyback and lease termination program for Generation 1 (model years 2009-2012) 3.0 liter TDI diesel engine vehicles and a free emissions recall and modification program for Generation 2 (model years 2013-2016) 3.0 liter TDI diesel engine vehicles; and pay USD 225 million into the environmental mitigation trust that will be established pursuant to the first partial consent decree. The second partial consent decree was lodged with the court on December 20, 2016 and approved on May 17, 2017.

In addition, on December 20, 2016, Volkswagen entered into an additional, concurrent second partial consent decree, subject to court approval, with CARB and the California Attorney General that resolved claims for injunctive relief under California environmental, consumer protection and false advertising laws related to the 3.0 liter TDI diesel engine vehicles. Under the terms of this consent decree, Volkswagen agreed to provide additional injunctive relief to California, including the implementation of a second "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 zero emission vehicles in California.

On January 11, 2017, Volkswagen entered into a third partial consent decree with the DoJ and EPA that resolved claims for civil penalties and injunctive relief under the Clean Air Act related to the 2.0 liter and 3.0 liter TDI diesel engine vehicles. Volkswagen agreed to pay USD 1.45 billion (plus any accrued interest) to resolve the civil penalty and injunctive relief claims under the Clean Air Act, as well as the customs claims of the U.S. Customs and Border Protection.

Under the third partial consent decree, the injunctive relief includes monitoring, auditing and compliance obligations. This consent decree, which was subject to public comment, was lodged with the court on January 11, 2017. Also on January 11, 2017, Volkswagen entered into a settlement agreement with the DoJ to resolve any claims under FIRREA and agreed to pay USD 50 million (plus any accrued interest), specifically denying any liability and expressly disputing any claims. The court entered judgment on the third partial consent decree on April 13, 2017.

On January 11, Volkswagen reached an agreement in principle with the State of California and CARB to pay USD 153.8 million in civil penalties and cost reimbursements. These penalties covered California air quality rule violations for both the 2.0 liter and 3.0 liter TDI diesel engine vehicles. This third partial consent decree with California requires injunctive relief generally mirroring the relief included in the DOJ third partial consent decree. It was lodged with the court on July 20, 2017 and received final approval on July 21, 2017.

The DoJ also opened a criminal investigation focusing on allegations that various federal law criminal offenses were committed. As part of its plea agreement, Volkswagen AG pleaded guilty on March 10, 2017 to three felony counts under United States law: (i) conspiracy to defraud the United States, to commit wire fraud and to violate the Clean Air Act, (ii) obstruction of justice, and (iii) using false statements to import cars into the United States. The court accepted Volkswagen AG's guilty plea to all three charges and sentenced the company to three years' probation on April 21, 2017. The plea agreement provides for payment of a criminal fine of U.S.$2.8 billion. Pursuant to the terms of this agreement, Volkswagen will be on probation for three years and will work with an independent monitor for three years. The independent monitor, Larry D. Thompson, who was appointed in April 2017, will assess and oversee the company's compliance with the terms of the resolution. This includes overseeing the implementation of measures to further strengthen compliance, reporting and monitoring systems, including an enhanced ethics program. Volkswagen will also continue to cooperate with the DoJ's ongoing investigation of individual employees or former employees who

may be responsible for criminal violations. Moreover, investigations by various U.S. regulatory and government authorities, including in areas relating to securities, tax and financing, are ongoing.

On January 31, 2017, Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates entered into a settlement agreement with private plaintiffs represented by the PSC in the multidistrict litigation pending in California and a consent order with the FTC. These agreements resolved certain civil claims made in relation to affected diesel vehicles with 3.0 liter TDI diesel engines from the Volkswagen, Audi and Porsche brands in the United States. On February 14, 2017, the court granted preliminary approval of the settlement agreements in relation to the six-cylinder 3.0 liter TDI diesel engines, which were lodged with the court on January 31, 2017. On May 17, 2017, the court finally approved the settlement agreements in connection with the six-cylinder 3.0 liter TDI diesel engines.

Under the settlements, consumers' options and compensation will depend on whether their vehicles are classified as Generation 1 or Generation 2. Generation 1 (model years 2009-2012) consumers will have the option of a buyback, early lease termination, trade-in, or a free emissions modification, provided that EPA and CARB approve the modification. Additionally, Generation 1 owners and lessees, as well as certain former owners and lessees, will be eligible to receive cash payments.

Generation 2 (model years 2013-2016) consumers will receive a free emissions compliant repair to bring the vehicles into compliance with the emissions standards to which they were originally certified as well as 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 most Volkswagen branded franchise dealers in the United States relating to TDI vehicles and other matters asserted concerning the value of the franchise. The settlement agreement includes a cash payment of up to USD 1.208 billion, and additional benefits to resolve alleged past, current, and future claims of losses in franchise value. On January 18, 2017, a fairness hearing on whether final approval should be granted was held, and on January 23, 2017, the court granted final approval of the settlement agreement. On April 12, 2017, the court granted the dealer class counsel $3.1 million in attorneys' fees and costs. Certain individual Volkswagen branded franchise dealers have either opted out of the settlement agreement or were not included in the settlement class definition and are pursuing individual claims.

Additionally, in the United States, some putative class actions, some individual customers' lawsuits and some state or municipal claims have been filed in the federal multidistrict litigation and in state courts. These actions include suits on behalf of consumers and franchise dealers who have opted out of the class action settlements. On September 21, 2017, October 25, 2017 and January 9, 2018 the court in the federal multidistrict litigation allowed more than 1,500 consumers who had initially opted out of the class action settlements to revoke their opt outs and participate in the class action settlements, eliminating a number of pending consumer claims. Nearly 2,550 other opt-outs remain pending. Additionally, a putative class action by certain non-Volkswagen car dealerships is currently pending in the federal multidistrict litigation, asserting that Volkswagen engaged in unfair competition by diverting sales from competitors through false advertising. Similarly, a putative class action of Volkswagen salespersons who work at franchise dealerships filed suit, which is currently pending in the multidistrict litigation in California.

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 liter TDI and 3.0 liter TDI vehicles in the United States – for a settlement amount of USD 603 million. Six states — Arizona, New Jersey, New Mexico, Oklahoma, Vermont, and West Virginia — did not join these settlements. Volkswagen reached a separate agreement with New Jersey to resolve its consumer protection and environmental claims for USD 69 million. Volkswagen also reached separate agreements with Arizona (USD 40 million), West Virginia (USD 2.7 million), Oklahoma (USD 8.5 million) and Vermont (USD 6.5 million) to resolve their consumer protection claims.

Volkswagen also reached an agreement with the attorneys general of ten U.S. states (Connecticut, Delaware, Maine, Massachusetts, New York, Oregon, Pennsylvania, Rhode Island, Vermont and Washington) to resolve their existing or potential state environmental law claims – in connection with both 2.0 liter and 3.0 liter TDI vehicles – for a settlement amount of approximately USD 157 million. Separately, in April 2018, Volkswagen reached agreement to resolve Maryland's environmental and remaining consumer claims for restitution or injunctive relief, for USD 29.5 million (rising to USD 33.5 million if Volkswagen does not select a Maryland

port for future operations). Ten U.S. states (Alabama, Illinois, Minnesota, Missouri, Montana, New Hampshire, New Mexico, Ohio, Tennessee, and Texas) and some municipalities have suits proceeding in state courts against Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates seeking civil penalties and injunctive relief for alleged violations of environmental laws. Another state, Wyoming, had filed an environmental action against Volkswagen and its affiliates, which the court in the federal multidistrict litigation in California dismissed as pre-empted by the federal Clean Air Act. Alabama, Illinois, Minnesota, Missouri, Montana, New Hampshire, Ohio, Tennessee, and Texas 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. Volkswagen has moved to dismiss (or moved for summary judgment on) several of the state environmental lawsuits on pre-emption grounds.

On December 18, 2017, an Alabama state court dismissed Alabama's environmental action as pre-empted by the federal Clean Air Act, though Alabama has appealed that decision. On March 9, 2018, and March 20, 2018, state courts in Minnesota and Tennessee respectively granted in part and denied in part Volkswagen’s motions to dismiss. Volkswagen is appealing both decisions and Tennessee is also appealing. On April 11, 2018, a Texas state court similarly granted in part and denied in part Volkswagen’s motion for summary judgment and subsequently denied Volkswagen’s motion for reconsideration or interlocutory appeal. On April 16, 2018, the court in the federal multidistrict litigation in California dismissed as pre-empted by the federal Clean Air Act state and local environmental claims brought by the Environmental Protection Commission of Hillsborough County, Florida, and Salt Lake County, Utah, rejecting the grounds on which the Tennessee, Minnesota, and Texas courts had declined to dismiss similar claims. The counties have appealed that decision. On June 5, 2018, following the decision of the court in the federal multidistrict litigation, an Illinois state court dismissed Illinois’s environmental action.

Settlement negotiations to resolve consumer and/or environmental claims of the remaining states are ongoing, but it is difficult to predict the outcome of those discussions.

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 at artificially inflated prices due to Volkswagen's alleged misstatements and omissions to disclose material facts, and that the value of these bonds declined after the EPA issued its "Notices of Violation."

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 diesel engines. On December 19, 2016, Volkswagen AG and other Canadian and U.S. Volkswagen Group companies reached a class action settlement in Canada with consumers relating to 2.0 liter diesel engine vehicles, which the courts approved on April 21, 2017. Also on December 19, 2016, Volkswagen Group Canada agreed with the Commissioner of Competition in Canada to a civil resolution of its regulatory inquiry into consumer protection issues as to those vehicles. Attorneys' fees and costs in connection with the 2.0 liter consumer settlement have to date been resolved through negotiation as to the portion for class counsel representing consumers outside of the Province of Quebec. In June 2017, Volkswagen Group Canada reached an agreement, without court process and on confidential terms, with its Volkswagen-branded franchise dealers to resolve issues related to the diesel emissions matter. On January 12, 2018, and subject to court approval that was granted by April 25, 2018, Volkswagen reached a consumer settlement in Canada involving 3.0 liter diesel vehicles. Also on January 12, 2018, Volkswagen Group Canada and the Canadian Commissioner of Competition reached a civil resolution related to consumer protection issues relating to 3.0 liter diesel vehicles. As to pending matters in Canada, a criminal enforcement related investigation by the federal environmental regulator is ongoing as to Volkswagen AG and Volkswagen Group Canada in relation to 2.0 liter and 3.0 liter diesel engine vehicles. Provisions have been recognized for possible obligations stemming from pending lawsuits in Canada. In addition, on September 15, 2017, the environmental regulator for the Province of Ontario charged Volkswagen AG with a quasi-criminal offense alleging that the company caused or permitted the operation of model year 2010-2014 Volkswagen and Audi

2.0 liter diesel vehicles in Ontario that did not comply with prescribed emission standards. Initial court appearances for the charge took place on November 15, 2017, February 7, 2018, April 4, 2018 and June 7 2018. No trial date has been set, and the matter has been deferred to September 27, 2018 while Volkswagen AG awaits further evidence disclosure from the province and, at which time, a continuing pretrial court conference is scheduled. Provisions have been recognized for possible obligations stemming from pending lawsuits and regulatory investigations in Canada, which are being updated if estimates are revised. Moreover, putative class action and joinder lawsuits by consumers, and a certified environmental class action on behalf of residents, remain pending in certain provincial courts in Canada. An assessment of the underlying situation is not possible at this early stage of those proceedings.

7.19.1.6 *Proceedings in relation to automatic transmissions*

Since November 2016, Volkswagen has been responding to information requests from the EPA and CARB related to automatic transmissions in certain vehicles. Additionally, fourteen putative class actions have been filed against Audi and certain affiliates alleging that defendants concealed the existence of "defeat devices" in Audi brand vehicles with automatic transmissions. These putative class actions have been transferred to the federal multidistrict litigation proceeding in the State of California. On October 12, 2017, plaintiffs filed a consolidated class action complaint, and defendants filed a motion to dismiss on December 11, 2017, which has been fully briefed. On April 19, 2018, the court approved the stipulation of the parties postponing the hearing previously scheduled for May 11, 2018. On December 22, 2017, a mass action on behalf of approximately 75 individual plaintiffs was filed in a California state court alleging similar claims with respect to the existence of "defeat devices" in Audi brand vehicles with automatic transmissions. This case was removed to the Northern District of California on January 25, 2018. Plaintiffs have filed a motion to remand the matter back to state court and all briefing has been completed. A hearing date has not been scheduled and the matter has been stayed pending conclusion of the settlement process. In Canada, two similar putative class actions, including for a national class, have been filed in Ontario and Quebec provincial courts against Audi AG, Volkswagen AG and U.S. and Canadian affiliates. Both of the Canadian actions are in the pre-certification stage. In the Ontario matter, the hearing on the class certification motion is scheduled for March 29, 2019.

7.19.1.7 *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 emissions conditions necessary to qualify for the grant. This includes vehicles with various types of gasoline and diesel engines. The authority has not yet requested Volkswagen to reimburse any subsidies granted to Volkswagen Group customers for vehicles affected by the diesel issue. Based on Volkswagen's current assessment, the reimbursement has no legal basis. However, as of the date of this Prospectus, it cannot be finally excluded that Volkswagen could be required to reimburse any amounts.

7.19.1.8 *Investigations in relation to European Investment Bank loans*

The European Anti-Fraud Office ("**OLAF**") conducted an investigation against Volkswagen AG seeking to determine whether Volkswagen used loans from the European Investment Bank ("**EIB**") 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. On July 25, 2017, Volkswagen AG was notified that OLAF has closed its investigation and submitted its final report dated July 19, 2017 to the public prosecutor's office in Braunschweig and to the EIB who are in the process of reviewing the issue. As of the date of this Prospectus, Volkswagen cannot assess if and to what extent risks may arise from any measure the public prosecutor in Braunschweig and/or the EIB may take following the analysis of the final report.

7.19.2 ***Investor Claims in connection with Porsche***

In 2011, ARFB Anlegerschutz UG (*haftungsbeschränkt*) brought an action against Volkswagen AG and Porsche Automobil Holding SE for claims for damages for allegedly violating disclosure requirements under capital market law in connection with the acquisition of ordinary shares in Volkswagen AG by Porsche in

2008. The damages currently being sought are based on allegedly assigned rights and amount to approximately €2.26 billion plus interest. In April 2016, the District Court in Hanover had formulated numerous objects of declaratory judgment that the Cartel Senate of the Higher Regional Court in Celle will decide on in model case proceedings under the KapMuG. In the first hearing on October 12, 2017, the Senate indicated that it currently does not see claims against Volkswagen AG as justified, both in view of a lack of substantiated submissions and for legal reasons. Some of the desired objects of declaratory judgment on the litigants' side may also be inadmissible, the Senate said.

At the time (2010/2011), other investors had also asserted claims arising out of the same circumstances – including claims against Volkswagen AG – in an approximate total amount of €4.6 billion and initiated conciliation proceedings. Volkswagen AG always refused to participate in these conciliation proceedings; since then, these claims have not been pursued further. Volkswagen AG continues to consider the alleged claims to be without merit.

7.19.3 *Antitrust Proceedings*

7.19.3.1 *Europe*

In 2011, the European Commission opened antitrust proceedings against European truck manufacturers including MAN and Scania. With its first decision following individual settlements in July 2016 the European Commission fined five European truck manufacturers excluding MAN and Scania. MAN was not fined as the company had informed the Commission about the cartel as a key witness. With regard to Scania, the Commission issued a contentious fine decision in September 2017 by which a fine of EUR 0.88 billion was imposed. Scania has appealed to the European Court in Luxembourg and will use all means at its disposal to defend itself. Depending on how the legal proceedings develop, actual fines may differ. In 2016, Volkswagen set aside a EUR 0.4 billion provision in connection with the proceedings. As is the case in any antitrust proceedings, further lawsuits from customers against MAN and Scania have been filed and will continue to be filed, which could result in substantial liabilities.

Volkswagen is also subject to an ongoing antitrust investigation by the European Commission in relation to potential collusion in the field of technical developments among certain European auto manufacturers. As part of an announced review, in November 2017, the European Commission examined documents in the offices of Volkswagen AG and AUDI AG. Prior to and following the examination, Volkswagen Group companies concerned have been cooperating fully and for a long time with the European Commission and have submitted a corresponding application. The European Commission has not yet opened formal proceedings.

Furthermore, Volkswagen is subject to an ongoing antitrust investigation by the German Federal Cartel Office in relation to potential anti-competitive behaviour with regard to steel purchasing. Following proceedings against steel manufacturers on alleged price fixing, the Federal Cartel Office in June 2016 extended the scope of its investigation to certain steel processing companies as well as other steel customers including Volkswagen and in this context carried out an on-site inspection in the offices of Volkswagen AG in June 2016. The Volkswagen Group companies concerned are cooperating fully with the Federal Cartel Office. The proceedings are currently pending, and it is too early to assess the potential consequences of the investigation on Volkswagen.

In 2017, the Italian Competition Authority initiated proceedings to investigate potential competition law infringements (alleged exchange of competitively sensitive information) by a number of captive automotive finance companies, including Volkswagen Bank GmbH. The proceedings were later extended to the relevant parent companies, including Volkswagen AG. At this stage, the authority is still investigating the facts of the case, and it therefore is too early to determine the risk exposure for Volkswagen Group.

7.19.3.2 *United States and Canada*

From July through November 2017, plaintiffs filed numerous complaints in various jurisdictions on behalf of putative classes of purchasers of German luxury vehicles against several automobile manufacturers, including Volkswagen AG, Volkswagen Group of America, Inc. and Audi AG. The complaints allege that since the 1990s, defendants engaged in a conspiracy to unlawfully increase the prices of German luxury vehicles by agreeing to share commercially sensitive information and to reach unlawful agreements regarding technology, costs, and suppliers. Moreover, plaintiffs allege that the defendants agreed to limit the size of AdBlue tanks to

ensure that U.S. emissions regulators did not scrutinize the emissions control systems in defendants' vehicles, and that such agreement for Volkswagen and Audi was the impetus for the creation of the defeat device. The complaints further allege that defendants coordinated to fix the price of steel used in their automobiles by agreeing with German steel manufacturers to apply a two component pricing formula to steel purchases and worked closely together to generate scientific studies aimed at promoting diesel vehicles.

On December 14, 2017, after these cases were consolidated and transferred to the federal multi-district litigation, captioned *In re: German Automotive Manufacturers Antitrust Litigation*, No. 3:17-md-02796, Judge Breyer appointed co-lead counsel representing the interests of a putative class of indirect purchasers and a putative class of direct purchasers, as well as a PSC. On May 17, 2018, all defendants filed a joint motion to dismiss the two consolidated class action complaints. Plaintiffs' opposition to defendants' joint motion is due July 16, 2018, and defendant's reply is due August 15, 2018. In addition to the joint motion to dismiss, on May 24, 2018, Volkswagen defendants filed an individual motion to dismiss on grounds specific to them. Plaintiffs' opposition to Volkswagen's individual motion is due July 23, 2018, and Volkswagen's reply is due August 22, 2018. A hearing on all motions to dismiss is scheduled for September 17, 2018.

Similar claims have been filed in various Canadian jurisdictions. These claims are at an early stage. Service on Volkswagen AG is still pending in some. It is anticipated that claims will ultimately proceed in Ontario and Quebec. A carriage motion to determine which of the competing claims in Ontario will move forward was decided on March 7, 2018 with the court selecting one of the competing claims. No further steps have been scheduled in any of the Canadian actions at this time.

Additionally, Volkswagen AG and certain of its current and former executives and directors have been named as defendants in a putative class action filed in the United States District Court for the Eastern District of New York. The complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, based on allegations relating to statements in Volkswagen AG's Annual Reports for the years 2012 through 2016 regarding Volkswagen AG's compliance measures and July 2017 press reports, as well as allegations in an antitrust litigation against Volkswagen AG in the Northern District of California.

7.19.4 *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 (*AktG — Aktiengesetz*) 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 should be increased from €80.89 to €90.29 per share; at the same time, the amount of the cash compensation was confirmed. The assessment of liability for put options and compensation rights granted to noncontrolling interest shareholders was adjusted in 2015. Both applicants and Volkswagen Truck & Bus GmbH have appealed to the Higher Regional Court in Munich. Volkswagen continues to maintain that the results of the valuation are correct. The appropriateness of the valuation was confirmed by the audit firms engaged by the parties and by the court-appointed auditor of the agreement.

7.19.5 *Nullification Lawsuits*

Two separate claims were initiated against Volkswagen in the District Court (*Landgericht*) of Hannover seeking nullification of certain resolutions passed at the annual General Meeting of Shareholders on June 22, 2016. Specifically, the first claim sought 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 addressed some of these same issues and specifically sought the nullification of the resolutions on: (i) the allocation of profits, (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. In September 2017, the District Court rejected all claims. An appeal has been filed by the first claimant.

On June 22, 2017, an additional claim was initiated against Volkswagen in the District Court (*Landgericht*) of Hannover seeking nullification of certain resolutions passed at the annual General Meeting of Shareholders on May 10, 2017. Specifically, the claim seeks nullification of: (i) the discharge of Mr. Matthias Müller from the Management Board for the financial year 2016, (ii) the discharge of Mr. Hans Dieter Pötsch from the Supervisory Board for the financial year 2016, and (iii) the discharge of Mr. Stephan Weil from the Supervisory Board for the financial year 2016.

7.19.6 *MAN Latin America Tax Proceedings*

In the tax proceedings between MAN Latin America Indústria e Comércio de Veículos Ltda. ("**MAN Latin America**") and the Brazilian tax authorities, the Brazilian tax authorities took a different view of the tax implications of the acquisition structure chosen for MAN Latin America in 2009. In December 2017, a second instance judgment was rendered in administrative court proceedings, which was negative for MAN Latin America. MAN Latin America will initiate proceedings against this judgment before the regular court in 2018. Because of the potential range of penalties plus interest which could potentially apply under Brazilian law, the estimated size of the risk in the event that the tax authorities are able to prevail overall with their view is laden with uncertainty. However, a positive outcome continues to be expected for MAN Latin America. Should the opposite occur, this could result in a risk of about €0.7 billion for the contested period from 2009 onwards, which has been reported within the contingent liabilities in 2017. This assessment is based on the accumulated accounts at the reporting date for the claimed tax liability including the potential expected penalty surcharges, as well as accumulated interest, but excluding any future interest and without discounting any cash flows.

7.20 *Legal Factors Influencing Business*

As with other international companies, Volkswagen's business is affected by numerous laws in Germany and abroad. In particular, these are legal requirements relating to development, production and distribution, and also include tax, capital market, commercial and company law, as well as antitrust, environmental, labor, banking, state aid, energy and insurance regulations.

Risks from the legal and political framework have a considerable impact on Volkswagen's future business success and have tended to become greater during the recent period. Regulations concerning vehicles' emissions, fuel consumption and safety play a particularly important role. Complying with these varied and often diverging regulations across the world requires strenuous efforts on the part of the automotive industry. In addition to emissions, consumption and safety regulations, traffic-policy restrictions for the reduction of traffic congestion, noise and pollution are becoming increasingly important in cities and urban areas in the European Union and other regions. For example, bans on diesel vehicles are being gradually implemented in several jurisdictions.

When transparent and economically viable, insurance cover is taken out for these risks. For the identifiable and measurable risks, corresponding provisions are recognized and information about contingent liabilities is disclosed. As some risks cannot be assessed or can only be assessed to a limited extent, the possibility of loss or damage not being covered by the insured amounts and provisions cannot be ruled out. This particularly applies to legal risk assessment regarding the diesel issue.

8. TAXATION

The following is a general overview of certain tax consequences under the tax laws of Luxembourg, the Federal Republic of Germany and The Netherlands of the acquisition, ownership and disposal of the Notes. It contains the information required on taxation by the Commission Regulation (EC) No 809/2004 of April 29, 2004. Information exceeding this information requirement is included herein solely for information purposes. This overview does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase the Notes. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser, relates only to the position of persons who are absolute beneficial owners of the Notes and may not apply to certain classes of persons such as dealers, certain professional investors or persons connected with the Issuer. This overview is based on the laws of Luxembourg, the Federal Republic of Germany and The Netherlands currently in force and as applied on the date of this Prospectus, which are subject to change, possibly with retroactive or retrospective effect. It is not intended to be, nor should it be construed to be, legal or tax advice.

PROSPECTIVE PURCHASERS OF NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSAL OF THE NOTES, INCLUDING THE EFFECT OF ANY STATE OR LOCAL TAXES UNDER THE TAX LAWS APPLICABLE IN LUXEMBOURG, THE FEDERAL REPUBLIC OF GERMANY AND THE NETHERLANDS AND EACH COUNTRY OF WHICH THEY ARE RESIDENTS.

8.1 Taxation in Luxembourg

The following overview is of a general nature. It contains the information required on taxation by the Commission Regulation (EC) No 809/2004 of April 29, 2004. Information exceeding this information requirement is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice.

Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

8.1.1 *Luxembourg tax residency of the Noteholders*

A Noteholder will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of the Notes.

8.1.2 *Withholding tax and self-applied tax*

Non-resident Noteholders

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident Noteholders, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident Noteholders.

Resident Noteholders

Under Luxembourg general tax laws currently in force and subject to the law of December 23, 2005 as amended (the "**Law**") mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident Noteholders, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident Noteholders.

Under the Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her/its private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent.

Pursuant to the Law as amended, Luxembourg resident individuals, acting in the course of their private wealth, can opt to self-declare and pay a 20% tax (the "**Levy**") on interest payments made after December 31, 2007 by paying agents located in a Member State of the European Union other than Luxembourg or a Member State of the European Economic Area.

8.1.3 *Taxation of the Noteholders*

Taxation of Luxembourg non-residents

Noteholders who are non-residents of Luxembourg and who have neither a permanent establishment nor a fixed place of business or a permanent representative in Luxembourg to which the Notes are attributable are not liable to any Luxembourg income tax, whether they receive payments of principal or interest (including accrued but unpaid interest) or realize capital gains upon redemption, repurchase, sale or exchange of any Notes.

Noteholders who are non-residents of Luxembourg and who have a permanent establishment, a fixed place of business or a permanent representative in Luxembourg to which the Notes are attributable may have to include any interest received or accrued, as well as any capital gain realized on the sale or disposal of the Notes in their taxable income for Luxembourg income tax assessment purposes.

Taxation of Luxembourg residents

- *General*

Noteholders who are resident of Luxembourg must, for income tax purposes, include any interest paid or accrued in their taxable income. Specific exemptions may be available for certain tax payers benefiting from a particular status.

- *Luxembourg resident individuals*

A Luxembourg resident individual Noteholder, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts under the Notes, except if a withholding tax has been levied by the Luxembourg paying agent on such payments or, in case of a non-resident paying agent, if such individual Noteholder has opted for the Levy.

Under Luxembourg domestic tax law, gains realized upon the sale, disposal or redemption of the Notes, which do not constitute Zero Coupon Notes, by a Luxembourg resident individual Noteholder, who acts in the course of the management of his/her private wealth, on the sale or disposal, in any form whatsoever, of Notes are not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the acquisition of the Notes. A Luxembourg resident individual Noteholder, who acts in the course of the management of his/her private wealth, has further to include the portion of the gain corresponding to accrued but unpaid income in respect of the Notes in his/her taxable income, insofar as the accrued but unpaid interest is indicated separately in the agreement.

A gain realized upon a sale of Zero Coupon Notes before their maturity by Luxembourg resident individual Noteholders, in the course of the management of their private wealth must be included in their taxable income for Luxembourg income tax assessment purposes.

Luxembourg resident individual Noteholders acting in the course of the management of a professional or business undertaking to which the Notes are attributable, may have to include any interest received or accrued, as well as any gain realized on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed. The same tax treatment applies to non-resident Noteholders who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable.

- *Luxembourg corporate residents*

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

- *Luxembourg corporate residents benefiting from a special tax regime*

Luxembourg corporate resident Noteholders who benefit from a special tax regime, such as, for example, (i) undertakings for collective investment subject to the law of 17 December 2010 (amending the laws of 20 December 2002, (ii) specialized investment funds subject to the law dated 13 February 2007 (as amended), (iii) family wealth management companies subject to the law dated 11 May 2007 (as amended) or (iv) reserved alternative investment funds within the meaning of the law of 23 July 2016, provided it is not foreseen in the incorporation documents that (i) the exclusive object is the investment in risk capital and that (ii) article 48 of the aforementioned law of 23 July 2016 applies, are exempt from income tax in Luxembourg and thus income derived from the Notes, as well as gains realized thereon, are not subject to Luxembourg income taxes.

8.1.4 ***Net Wealth Tax***

Luxembourg resident Noteholders or non-resident Noteholders who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable, are subject to Luxembourg wealth tax on such Notes, except if the Noteholder is (i) a resident or non-resident individual taxpayer, or (ii) an undertaking for collective investment subject to the law of 17 December 2010 (amending the law of 20 December 2002), or (iii) a securitization vehicle governed by the law of 22 March 2004 (as amended) on securitization, or (iv) a company governed by the law of 15 June 2004 (as amended) on venture capital vehicles, or (v) a specialized investment fund subject to the law of 13 February 2007 (as amended) or (vi) a family wealth management company subject to the law of 11 May 2007 (as amended), or (vii) a company governed by the law of July 13, 2005 (as amended) on professional pension institutions, or (viii) a reserved alternative investment fund within the meaning of the law of 14 July 2016.

However, please note that (i) securitization companies governed by the law of 22 March 2004 on securitization, as amended, or (ii) capital companies governed by the law of 15 June 2004 on venture capital vehicles, as amended, or (iii) capital companies governed by the law of July 13, 2005 (as amended) on professional pension institutions, or (iv) reserved alternative investment funds governed by the law of 23 July 2016 and which fall under the special tax regime set out under article 48 thereof remain subject to minimum net wealth tax.

This minimum net wealth tax amounts to EUR 4,815, if the relevant Noteholder holds assets such as fixed financial assets, receivables owed to affiliated companies, transferable securities, postal checking accounts, checks and cash, in a proportion that exceeds 90% of its total balance sheet value and if the total balance sheet value of these very assets exceeds EUR 350,000 or (b) to a minimum net wealth tax between EUR 535 and EUR 32,100 based on the total amount of its assets.

8.1.5 ***Other Taxes***

Registration taxes and stamp duties

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the Noteholders as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or repurchase of the Notes. However, registration of the Notes may be required if the Notes are either (i) attached as an annex to an act (*annexés à un acte*) that itself is subject to mandatory registration or (ii) deposited in the minutes of a notary (*déposés au rang des minutes d'un notaire*). In such cases, the Notes will be subject to a fixed EUR 12 duty payable by the party registering, or being ordered to register, the Notes. The same registration duty may also apply upon voluntary registration of the Notes in Luxembourg (although there is no obligation to do so).

Value added tax

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

Inheritance tax and gift tax

No estate or inheritance taxes are levied on the transfer of the Notes upon death of a Noteholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes.

Gift tax may be due on a gift or donation of Notes if the gift is recorded in a deed passed in front of a Luxembourg notary or otherwise registered in Luxembourg

8.2 **Taxation in Germany**

8.2.1 ***Investors resident in Germany***

Persons (individuals and corporate entities) who are tax resident in Germany (in particular, persons having a residence, habitual abode, seat or place of management in Germany) are subject to income taxation (income tax or corporate income tax, as the case may be, plus solidarity surcharge thereon plus church tax and/or trade tax, if applicable) on their worldwide income, regardless of its source, including interest from debt of any kind (such as the Notes) and, in general, capital gains.

Taxation if the Notes are held as private assets (Privatvermögen)

In the case of German tax-resident individual investors (*unbeschränkt Steuerpflichtige*) holding the Notes as private assets (*Privatvermögen*), the following applies:

8.2.1.1 *Income*

The Notes should qualify as other capital receivables (*sonstige Kapitalforderungen*) in terms of section 20 para 1 no 7 German Income Tax Act ("**ITA**" — *Einkommensteuergesetz*).

Accordingly, payments of interest on the Notes should qualify as taxable savings income (*Einkünfte aus Kapitalvermögen*) pursuant to section 20 para 1 no 7 ITA.

Capital gains / capital losses realised upon sale of the Notes, computed as the difference between the acquisition costs and the sales proceeds reduced by expenses directly and factually related to the sale, should qualify as positive or negative savings income in terms of section 20 para 2 sentence 1 no 7 ITA. If similar Notes kept or administered in the same custodial account have been acquired at different points in time, the Notes first acquired will be deemed to have been sold first for the purposes of determining the capital gains. 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 interest claims are disposed of separately (i.e. without the Notes), the proceeds from the sale are subject to taxation. The same applies to proceeds from the payment of interest claims if the Notes have been disposed of separately. If the Notes are assigned, redeemed, repaid or contributed into a corporation by way of a hidden contribution (*verdeckte Einlage in eine Kapitalgesellschaft*) rather than sold, as a rule, such transaction is treated like a sale. Losses from the sale of Notes can only be offset against other savings income and, if there is not sufficient other positive savings income, carried forward in subsequent assessment periods.

Pursuant to the view of German tax authorities, capital losses suffered upon a bad debt loss (*Forderungsausfall*) and a waiver of a receivable (*Forderungsverzicht*) shall, in general, not be deductible for tax purposes. With respect to a bad debt loss the German Federal Fiscal Court (*Bundesfinanzhof*) has recently objected to the view of the German tax authorities. However, the German tax authorities have not yet published a different view in this respect. With respect to a (voluntary) waiver of receivable a German lower fiscal court has recently confirmed the view of the German tax authorities in a final decision. Furthermore, capital losses might not be recognised by the German tax authorities if the Notes are sold at a market price,

which is lower than the transaction costs or if the level of transaction costs is restricted because of a mutual agreement that the transaction costs are calculated by subtracting a certain amount from the sales price. This view has however been challenged in 2014 by a final judgement of a German lower fiscal court.

If the Issuer exercises the right to substitute the debtor of the Notes, the substitution might, for German tax purposes, be treated as an exchange of the Notes for new notes issued by the new debtor. Such a substitution could result in the recognition of a taxable gain or loss for the respective investors.

8.2.1.2 *German withholding tax (Kapitalertragsteuer)*

With regard to savings earnings (*Kapitalerträge*), e.g. interest or capital gains, German withholding tax (*Kapitalertragsteuer*) will be levied if the Notes are kept or administered in a custodial account which the investor maintains with a German branch of a German or non-German credit or financial services institution or with a German securities trading business or a German securities trading bank (a "**German Disbursing Agent**") and such German Disbursing Agent credits or pays out the earnings.

The tax base is, in principle, equal to the taxable gross income as set out above (i.e. prior to withholding). However, in the case of capital gains, if the custodial account has changed since the time of acquisition of the Notes (e.g. if the Notes 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 earnings 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 income tax return and will then be assessed to church tax, if applicable.

No German withholding tax will be levied if the investor has filed a withholding tax exemption certificate (*Freistellungsauftrag*) with the German Disbursing Agent, but only to the extent the savings income does not exceed the exemption amount shown on the withholding tax exemption certificate. Currently, the maximum exemption amount is EUR 801 (EUR 1,602 in the case of jointly assessed spouses or registered life partners). Similarly, no withholding tax will be levied if the relevant investor has submitted a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the relevant local tax office to the German Disbursing Agent.

The Issuer is, as a rule, not obliged to levy German withholding tax in respect of payments on the Notes. If, however, the Issuer is deemed to be resident in Germany for tax purposes and if, further, the Notes qualify as hybrid instruments (e.g., silent partnership, profit participating notes, jouissance rights (*Genussrechte*)), German withholding tax has to be imposed by the Issuer irrespective of whether or not the Notes are kept or administered in a custodial account maintained with a German Disbursing Agent.

8.2.1.3 *Tax assessment*

The taxation of savings income shall take place mainly by way of levying withholding tax (please see above). If and to the extent German withholding tax has been levied, such withholding tax shall, in principle, become definitive and satisfy the investor's income tax obligation with regard to the underlying savings income. If no or no sufficient withholding tax has been levied other than by virtue of a withholding tax exemption certificate (*Freistellungsauftrag*) and in certain other cases, the investor is nevertheless obliged to file an income tax return, and the savings income will then be taxed within the assessment procedure. If the investor is subject to church tax and has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*), the investor is also obliged to include the savings income in the income tax return for church tax purposes, if applicable.

However, also in the assessment procedure, savings income is principally taxed at a separate tax rate for savings income (*gesonderter Steuertarif für Einkünfte aus Kapitalvermögen*) being identical to the withholding tax rate (26.375% — including solidarity surcharge (*Solidaritätszuschlag*) plus, if applicable, church tax). In certain cases, the investor may apply to be assessed on the basis of its personal income tax rate if such rate is lower than the above tax rate. Such application can only be filed consistently for all savings income within the assessment period. In case of jointly assessed spouses 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 spouses 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 income tax rate.

8.2.1.4 *Taxation if the Notes are held as business assets (Betriebsvermögen)*

In the case of German tax-resident corporations or individual investors (*unbeschränkt Steuerpflichtige*) holding the Notes as business assets (*Betriebsvermögen*), interest payments and capital gains will be subject to corporate income tax at a rate of 15% or income tax at a rate of up to 45%, as the case may be, (in each case plus 5.5% solidarity surcharge thereon). In addition, trade tax may be levied, the rate of which depends on the municipality where the business is located. Further, in the case of individuals, church tax may be levied. Business expenses that are connected with the Notes are deductable.

The provisions regarding German withholding tax (*Kapitalertragsteuer*) apply, in principle, as set out above for private investors. However, investors holding the Notes as business assets cannot file a withholding tax exemption certificate with the German Disbursing Agent. Instead, no withholding tax will be levied on capital gains from the redemption, sale or assignment of the Notes if, for example, (a) the Notes are held by a corporation or (b) the proceeds from the Notes qualify as income of a domestic business and the investor notifies this to the German Disbursing Agent by use of the officially required form.

Any withholding tax levied is credited as prepayment against the German (corporate) income tax amount. If the tax withheld exceeds the respective (corporate) income tax amount, the difference will be refunded within the tax assessment procedure.

8.2.2 ***Investors not resident in Germany***

Persons who are not tax resident in Germany are not subject to tax with regard to income from the Notes unless (i) the Notes are held as business assets (*Betriebsvermögen*) of a German permanent establishment (including a permanent representative) which is maintained by the investor or (ii) the income from the Notes qualifies for other reasons as taxable German source income. If a non-resident person is subject to tax with its income from the Notes, in principle, similar rules apply as set out above with regard to German tax resident persons (please see above).

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.

8.2.3 ***Inheritance and Gift Tax***

Inheritance or gift taxes with respect to any Note will, in principle, arise under German law if, in the case of inheritance tax, either the decedent or the beneficiary or, in the case of gift tax, either the donor or the donee is a resident of Germany or if such Note is attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed.

The few existing double taxation treaties regarding inheritance and gift tax may lead to different results. Special rules apply to certain German citizens that are living in a foreign country and German expatriates.

8.2.4 ***Other Taxes***

No stamp, issue, registration or similar taxes or duties are payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax (*Vermögensteuer*) is not levied in

Germany. It is intended to introduce a financial transaction tax. However, it is unclear if and in what form such tax will be actually introduced as described in "*Proposed Financial Transactions Tax*" below.

8.3 Taxation in The Netherlands

The following overview of certain Dutch taxation matters is based on the laws and practice in force as of the date of this Prospectus and is subject to any changes in law and the interpretation and application thereof, which changes could have retroactive effect. The following overview does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of Notes, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

For the purpose of the paragraph "Taxes on Income and Capital Gains" below it is assumed that a holder of Notes, being an individual or a non-resident entity, does not have nor will have a substantial interest (*aanmerkelijk belang*), or — in the case of such holder being an entity — a deemed substantial interest, in the Issuer and that no connected person (*verbonden persoon*) to the holder has or will have a substantial interest in the Issuer.

Generally speaking, an individual has a substantial interest in a company if (a) such individual, either alone or together with his partner, directly or indirectly has, or is deemed to have or (b) certain relatives of such individual or his partner directly or indirectly have or are deemed to have (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5% or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (*winstbewijzen*) that relate to 5% or more of either the annual profit or the liquidation proceeds of such company.

Generally speaking, a non-resident entity has a substantial interest in a company if such entity, directly or indirectly has (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5% or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (*winstbewijzen*) that relate to 5% or more of either the annual profit or the liquidation proceeds of such company. Generally, an entity has a deemed substantial interest in a company if such entity has disposed of or is deemed to have disposed of all or part of a substantial interest on a non-recognition basis.

For the purpose of this overview, the term "entity" means a corporation as well as any other person that is taxable as a corporation for Dutch corporate tax purposes.

Where this overview refers to a holder of Notes, an individual holding Notes or an entity holding Notes, such reference is restricted to an individual or entity holding legal title to as well as an economic interest in such Notes or otherwise being regarded as owning Notes for Dutch tax purposes. It is noted that for purposes of Dutch income, corporate, gift and inheritance tax, assets legally owned by a third party such as a trustee, foundation or similar entity, may be treated as assets owned by the (deemed) settlor, grantor or similar originator or the beneficiaries in proportion to their interest in such arrangement.

Where the overview refers to "the Netherlands" or "Dutch" it refers only to the European part of the Kingdom of the Netherlands.

Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of Notes.

8.3.1 *Withholding Tax*

All payments of principal and interest by the Issuer under the Notes can be made without withholding or deduction of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

8.3.2 *Taxes on Income and Capital Gains*

Residents

Resident entities

An entity holding Notes which is, or is deemed to be, resident in the Netherlands for Dutch corporate tax purposes and which is not tax exempt, will generally be subject to Dutch corporate tax in respect of income or a capital gain derived from the Notes at the prevailing statutory rates (up to 25% in 2018).

Resident individuals

An individual holding Notes who is or is deemed to be resident in the Netherlands for Dutch income tax purposes will be subject to Dutch income tax in respect of income or a capital gain derived from the Notes at the prevailing statutory rates (up to 51.95%% in 2018) if:

(i) the income or capital gain is attributable to an enterprise from which the holder derives profits (other than as a shareholder); or

(ii) the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor (ii) applies, such individual will be subject to Dutch income tax on the basis of a deemed return, regardless of any actual income or capital gain derived from the Notes. For 2018, the deemed return ranges from 2.02% to 5.38% of the fair market value of the individual's net assets exceeding a certain threshold as at the beginning of the relevant fiscal year (including the Notes). Subject to application of certain allowances, the deemed return will be taxed at a rate of 30%.

Non-residents

A holder of Notes which is not and is not deemed to be resident in the Netherlands for the relevant tax purposes will not be subject to Dutch taxation on income or a capital gain derived from the Notes unless:

(i) the income or capital gain is attributable to an enterprise or part thereof which is either effectively managed in the Netherlands or carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) taxable in the Netherlands and the holder derives profits from such enterprise (other than by way of the holding of securities); or

(ii) the holder is an individual and the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in the Netherlands as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

8.3.3 ***Gift and Inheritance Taxes***

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of Notes by way of gift by, or on the death of, a holder of Notes, unless:

(i) the holder is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions; or

(ii) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions.

8.3.4 ***Value Added Tax***

There is no Dutch value added tax payable by a holder of Notes in respect of payments in consideration for the issue or acquisition of Notes, payments of principal or interest under the Notes, or payments in consideration for a disposal of Notes.

8.3.5 *Other Taxes and Duties*

There is no Dutch registration tax, stamp duty or any other similar tax or duty payable in the Netherlands by a holder of Notes in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgement in the courts of the Netherlands) of the Notes or the performance of the Issuer's obligations under the Notes.

8.3.6 *Residence*

A holder of Notes will not be and will not be deemed to be resident in the Netherlands for Dutch tax purposes and, subject to the exceptions set out above, will not otherwise become subject to Dutch taxation, by reason only of acquiring, holding or disposing of Notes or the execution, performance, delivery and/or enforcement of Notes.

8.4 *Proposed Financial Transactions Tax*

On February 14, 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a directive for a common FTT in Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia, Slovakia (the "**Participating Member States**") and Estonia. However, Estonia has since stated that it will not participate.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

However, the FTT proposal remains subject to negotiation between Participating Member States. It may, therefore, be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

9. DESCRIPTION OF RULES REGARDING RESOLUTIONS OF NOTEHOLDERS

The Terms and Conditions provide that the Noteholders may agree to amendments or decide on other matters relating to the Notes by way of resolution to be passed by taking votes without a meeting. Any such resolution duly adopted by resolution of the Noteholders shall be binding on each Noteholder, irrespective of whether such Noteholder took part in the vote and whether such Noteholder voted in favor or against such resolution.

In addition to the provisions included in the Terms and Conditions of the Notes, the rules regarding resolutions of Holders are substantially set out in a Schedule to the Fiscal Agency Agreement in the German language together with an English translation. If the Notes are for their life represented by Global Notes, the rules pertaining to resolutions of Holders are incorporated by reference into the Terms and Conditions of the Notes in the form of such Schedule to the Fiscal Agency Agreement. Under the German Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen* – "**SchVG**"), these rules are largely mandatory, although they permit in limited circumstances supplementary provisions set out in or incorporated by reference into the Terms and Conditions.

The following is a brief overview of some of the statutory rules regarding the taking of votes without meetings, the passing and publication of resolutions as well as their implementation and challenge before German courts.

9.1 Specific Rules regarding Votes without Meeting

The voting shall be conducted by the person presiding over the taking of votes. Such person shall be (i) a notary public appointed by the Issuer, (ii) if the vote was solicited by the joint representative (*gemeinsamer Vertreter*) of the Noteholders (the "**Noteholders**' **Representative**"), the Noteholders' Representative, or (iii) a person appointed by the competent court.

The notice soliciting the Noteholders' votes shall set out the period within which votes may be cast. During such voting period, the Noteholders may cast their votes to the person presiding over the taking of votes. Such notice shall also set out in detail the conditions to be met for the votes to be valid.

The person presiding over the taking of votes shall ascertain each Noteholder's entitlement to cast a vote based on evidence provided by such Noteholder and shall prepare a list of the Noteholders entitled to vote. If it is established that no quorum exists, the person presiding over the taking of votes may convene a meeting of the Noteholders. Within one year following the end of the voting period, each Noteholder participating in the vote may request a copy of the minutes of such vote and any annexes thereto from the Issuer.

Each Noteholder participating in the vote may object in writing to the result of the vote within two weeks following the publication of the resolutions passed. The objection shall be decided upon by the person presiding over the taking of votes. If he remedies the objection, the person presiding over the taking of votes shall promptly publish the result. If the person presiding over the taking of votes does not remedy the objection, he shall promptly inform the objecting Noteholder in writing.

The Issuer shall bear the costs of the vote and, if the court has convened a meeting, also the costs of such proceedings.

9.2 Rules regarding Noteholders' Meetings applicable to Votes without Meeting

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

Meetings of Noteholders may be convened by the Issuer or the Noteholders' Representative. Meetings of Noteholders must be convened if one or more Noteholders holding five per cent or more of the outstanding Notes so require for specified reasons permitted by statute.

Meetings may be convened not less than 14 days prior to the date of the meeting. Attendance and exercise of voting rights at the meeting may be made subject to prior registration of Noteholders. The convening notice will provide what proof will be required for attendance and voting at the meeting. The place of the meeting is the place of the Issuer's registered offices, provided, however, that where the Notes are listed on a stock

exchange within the European Union or the European Economic Area, the meeting may be held at the place of such stock exchange.

The convening notice shall be made publicly available together with the agenda of the meeting setting out the proposals for resolution.

Each Noteholder may be represented by proxy. The Noteholders' meeting will have a quorum if the persons attending represent at least 50 per cent of the outstanding Notes by value. If the quorum is not reached, a second meeting may be convened at which no quorum will be required, provided that where a resolution may only be adopted by a qualified majority, a quorum requires the presence of at least 25 per cent of the aggregate principal amount of outstanding Notes.

All resolutions adopted must be properly published. Resolutions which amend or supplement the Terms and Conditions have to be implemented by supplementing or amending the Global Note.

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

If a resolution constitutes a breach of the statute or the Terms and Conditions, Noteholders may bring an action to set aside such resolution. Such action must be filed with the competent court within one month following the publication of the resolution.

10. OFFER, SALE AND SUBSCRIPTION OF THE NOTES

10.1 Subscription of the Notes

Pursuant to a subscription agreement dated June 20, 2018 (the "**Subscription Agreement**") among the Issuer, the Guarantor and the Managers, the Issuer has agreed to sell to the Managers, and the Managers have agreed, subject to certain customary closing conditions, to purchase the Notes on the Issue Date. The Issuer has furthermore agreed to pay certain commissions to the Managers and to reimburse the Managers for certain expenses incurred in connection with the issue of the Notes. Commissions may also be payable by the Managers to certain third-party intermediaries in connection with the initial sale and distribution of the Notes.

The Subscription Agreement provides that the Managers under certain circumstances will be entitled to terminate the Subscription Agreement. In such event, Notes will not be delivered to investors. Furthermore, the Issuer and the Guarantor agree in the Subscription Agreement to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes.

10.2 Pricing of the Notes and Yield

The pricing details have been set in the pricing term sheet dated June 20, 2018. The yield in respect of (i) the NC6 Notes from the Issue Date to the NC6 First Call Date is 3.375 per cent. per annum and (ii) the NC10 Notes from the Issue Date to the NC10 First Call Date is 4.625 per cent. per annum and is calculated on the basis of the issue price of the Notes.

10.3 Delivery of the Notes to Investors

Delivery and payment of the Notes will be made on the Issue Date, i.e. June 27, 2018. The Notes so purchased will be delivered via book-entry through the Clearing Systems and their depository banks against payment of the Issue Price therefor.

11. USE OF PROCEEDS

The Issuer intends to use the net proceeds to refinance its outstanding 3.875% Non-Call 2018 notes in an aggregate principal amount of EUR 1.25 billion and for general corporate purposes, which will include lending the net proceeds to the Guarantor for the Guarantor's general corporate purposes.

12. SELLING RESTRICTIONS

12.1 General

Each Manager has acknowledged that other than explicitly mentioned in this Prospectus, no action is taken or will be taken by the Issuer in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of any offering material relating to them, in any jurisdiction where action for that purpose is required.

Each Manager has represented and agreed that it will comply with all applicable laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes any offering material relating to them.

12.2 United States of America

The Notes and the Guarantee have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act ("**Regulation S**") or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in these paragraphs have the meanings given to them by Regulation S.

Each Manager has represented and agreed that it has offered and sold the Notes and the Guarantee, and it will offer and sell the Notes and the Guarantee (a) as part of their distribution at any time and (b) otherwise until 40 days after the completion of the distribution of all the Notes and the Guarantee only in accordance with Rule 903 of Regulation S. Neither any Manager, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes and the Guarantee in the United States, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Manager has also agreed that at or prior to confirmation of sale of the Notes and the Guarantee, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes and the Guarantee from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Notes and the Guarantee covered hereby have not been registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes and the Guarantee as determined and certified by each Manager, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S."

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

The Notes will be issued in accordance with the provisions of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D), or substantially identical successor provisions (the "**TEFRA D Rules**").

Each Manager has represented, warranted and undertaken that:

(i) except to the extent permitted under the TEFRA D Rules, (x) it has not offered or sold, and during the restricted period will not offer or sell, Notes to a person who is within the United States or its possessions or to a United States person, and (y) such Manager has not delivered and will not deliver within the United States or its possessions definitive Notes that are sold during the restricted period;

(ii) it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;

(iii) if such Manager is a United States person, it represents that it is acquiring the Notes for purposes of resale, in connection with their original issuance and if such Manager retains Notes for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6) or substantially identical successor provision;

(iv) with respect to each affiliate that acquires from such Manager Notes for the purposes of offering or selling such Notes during the restricted period, such Manager either (x) repeats and confirms the representations and agreements contained in sub-clauses (i), (ii) and (iii) above on such affiliate's behalf or (y) agrees that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in sub-clauses (i), (ii) and (iii) above; and

(v) if such Manager enters into a written contract with a distributor within the meaning of the TEFRA D Rules that is not an affiliate of such Manager and that acquires Notes from such Manager for the purposes of offering or selling such Notes during the restricted period pursuant to such contract, it will obtain from such distributor, for the benefit of the Issuer, the representations and agreements contained in sub-clauses (i), (ii), (iii) and (iv) above and this sub-clause (v).

Terms used in sub-clauses (i), (ii), (iii), (iv) and (v) above have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the TEFRA D Rules.

In addition, until 40 days after the commencement of the offering of the Notes and the Guarantee and the Issue Date, an offer or sale of the Notes and the Guarantee within the United States by any Manager may violate the registration requirements of the Securities Act.

12.3 United Kingdom of Great Britain and Northern Ireland

Each Manager has further represented, warranted and undertaken that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 as amended (the "**FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

12.4 The Netherlands

No offer of the Notes which are the subject of the offering contemplated by this Prospectus will be made to the public in The Netherlands in reliance on Article 3(2) of the Prospectus Directive, unless such offer is made exclusively to legal entities which are qualified investors (as defined in the Financial Markets Supervisions Act (*Wet op het financieel toezicht*) and which includes authorised discretionary asset managers acting for the account of retail investors under a discretionary investment management contract) in The Netherlands, provided that no such offer of Notes shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

12.5 Prohibition of Sales to European Economic Area Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

13. GENERAL INFORMATION

13.1 Listing and Admission to Trading

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Regulated Market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*). The Regulated Market of the Luxembourg Stock Exchange is a regulated market for the purposes of the Market and Financial Instruments Directive 2014/65/EU.

13.2 Authorizations

The Notes will be issued by virtue of resolutions by the Guarantor's Board of Management dated February 6, 2018, the Guarantor's Supervisory Board dated February 23, 2018, the Issuer's Board of Managing Directors dated February 12, 2018 and the Issuer's Supervisory Board dated February 19, 2018.

13.3 Statutory Auditors

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (formerly PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft) ("**PwC**"), Fuhrberger Str. 5, 30625 Hannover, Germany, audited the consolidated financial statements of the Guarantor as of and for the fiscal years ended December 31, 2017 and December 31, 2016, 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 Section 315e (1) HGB (formerly 315a (1) HGB), and issued in each case an unqualified auditor's report (*Bestätigungsvermerk*).

The auditor's reports (*Bestätigungsvermerke*) issued on the consolidated financial statements of the Guarantor as of and for the fiscal year ended December 31, 2017 as well as December 31, 2016 each contain an emphasis of matter paragraph concerning "The Diesel Issue" and the related awareness of management and provisions for warranties and legal risks.

PwC issued a review report (*Bescheinigung nach prüferischer Durchsicht*) on the unaudited IFRS consolidated interim financial statements of the Guarantor as of and for the three-month period ended March 31, 2018. The review report (*Bescheinigung nach prüferischer Durchsicht*) contains an emphasis of matter paragraph concerning "The Diesel Issue" and the related awareness of management and provisions for warranties and legal risks.

PwC is member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer, Körperschaft des öffentlichen Rechts*), Berlin, Germany.

BDO Audit & Assurance B.V., Krijgsman 9, 1186 DM Amstelveen, P.O. Box 71730, 1008 DE Amsterdam, The Netherlands, have audited and issued an unqualified auditor's report on the financial statements of the Issuer as of and for the years ended December 31, 2016 and December 31, 2017. The financial statements as of and for the years ended December 31, 2016 and December 31, 2017 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**"). BDO Audit & Assurance B.V. is member of the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*), the Dutch Accountants board, is registered at and acts under the supervision of the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*, AFM) in compliance with the Act on the Supervision of Auditors' Organizations (*Wet toezicht accountantsorganisaties*, Wta).

13.4 Interests of Natural and Legal Persons involved in the Issue/Offer

The Managers and their affiliates may be customers of, borrowers from and creditors of the Issuer or the Volkswagen Group and their affiliates. In addition, certain Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer, the Volkswagen Group and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities)

and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their affiliates. Certain of the Managers or their affiliates that have a lending relationship with the Issuer, the Volkswagen Group or their affiliates routinely hedge their credit exposure consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. There are no interests of natural and legal persons other than the Issuer involved in the issue, including conflicting ones that are material to the issue.

13.5 Expenses of the Issue

The total expenses related to the admission to trading of the Notes are estimated to amount to approximately EUR 18 million.

13.6 Ratings

13.6.1 *Credit Ratings of the Issuer*

As of the publication date of the Prospectus, no ratings had been assigned to the Issuer.

13.6.2 *Credit Ratings of the Guarantor*

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

Standard & Poor's Ratings Services

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

Moody's Investors Service Ltd.

Rating	Short term	Long term	Outlook
Volkswagen AG	Prime-2	A3	Stable

Standard & Poor's Ratings Services ("**S&P**") and Moody's Investors Service Ltd. ("**Moody's**") are established in the European Community and are registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of September 16, 2009 on credit rating agencies, amended by Regulation (EU) No. 513/2011 of the European Parliament and of the Council of March 11, 2011. The European Securities and Markets Authority publishes on its website a list of credit rating agencies registered in accordance with the CRA Regulation. That list is updated within five working days following the adoption of a decision under Article 16, 17 or 20 CRA Regulation. The European Commission shall publish that updated list in the Official Journal of the European Union within 30 days following such update.

Moody's has its registered office at One Canada Square, Canary Wharf, London E14 5FA, United Kingdom and is registered at Companies House in England.

S&P has its registered office at 20 Canada Square, Canary Wharf, London E14 5LH, United Kingdom and is registered at Companies House in England.

13.6.3 *Ratings assigned to the Notes*

The Issuer has applied for ratings to be assigned to the Notes by Moody's and S&P. As of the publication date of the Prospectus, the Notes are rated Baa2 by Moody's and BBB– by S&P.

Obligations of companies rated BBB– by S&P include an adequate capacity to meet financial commitments, but are subject to adverse economic conditions. Obligations rated Baa2 by Moody's are subject to moderate credit risk and are considered medium grade and as such may possess certain speculative characteristics.

More information regarding the meaning of the rating and the qualifications which have to be observed in connection therewith can be found on Moody's and S&P's websites.

A rating is not a recommendation to buy, sell or hold securities and may be suspended, changed or withdrawn at any time by the assigning rating agency.

13.7 *Significant Changes and Material Adverse Changes*

There has been no significant change in the financial or trading position of the Issuer since the date of its last published audited consolidated financial statements as of and for the year ended December 31, 2017.

There has been no significant change in the financial or trading position of the Guarantor since the date of its last published unaudited consolidated interim financial statements as of and for the three months ended March 31, 2018 other than an additional €1 billion in expenses directly related to the diesel issue which will be recognized by Volkswagen Group in its consolidated interim financial statements as of and for the six months ended June 30, 2018, as a result of the Braunschweig administrative court order fine against Volkswagen AG announced on June 13, 2018. Beyond the effect described above, there has been no material adverse change in the prospects of the Guarantor since the date of its last published audited consolidated financial statements as of and for the year ended December 31, 2017.

A material adverse change in the prospects of the Issuer may occur after the date of its last published audited financial statements as of and for the year ended December 31, 2017. Such material adverse change would – should it occur – relate mainly to the diesel issue of Volkswagen AG, as discussed in detail under "*Risk Factors—Risk Factors regarding Volkswagen Aktiengesellschaft and Volkswagen Group—Government authorities in a number of jurisdictions worldwide are conducting investigations of Volkswagen regarding findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The results of these and any further investigations may have a material adverse effect on Volkswagen's business, financial position, results of operations, reputation, the price of its securities, including the Notes, and its ability to make payments under its securities*" and "*—Volkswagen is exposed to risks in connection with product-related guarantees and warranties as well as the provision of voluntary services, in particular in relation to recall campaigns*." and "*Description of the Guarantor—Diesel Issue*" and "*—Legal and Arbitration Proceedings—Proceedings related to Diesel Issue*". The outcome of the diesel issue may have a material adverse effect on Volkswagen's business, and may, as a consequence, influence VIF's prospects in an unfavorable manner.

13.8 *U.S. Legend*

Each Note will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sec. 165(j) and 1287(a) of the Internal Revenue Code".

13.9 *Clearance*

The Notes have been accepted for clearance through Euroclear Bank S.A./N.V., Koning Albert II laan 1 1210 Saint-Josse-ten-Noode, Belgium and Clearstream Banking S.A., 42 Avenue JF Kennedy, 1855 Luxembourg. The following table sets forth the securities identifying data for the Notes.

	Common Code	**International Securities Identification Number (ISIN)**	**German Securities Identification Number (WKN)**
NC6 Notes..	179993899	XS1799938995	A192QE
NC10 Notes..	179993902	XS1799939027	A192QF

13.10 *Documents Incorporated by Reference*

Excerpts from the following documents which have been published or which are published simultaneously with this Prospectus and filed with the CSSF shall be incorporated by reference in, and form part of, this Prospectus, to the extent set out under "*Cross Reference List of Information Incorporated by Reference*" below:

1. Interim Report of Volkswagen AG for the three months ended March 31, 2018
2. Annual Report 2017 of Volkswagen AG
3. Annual Report 2016 of Volkswagen AG
4. Financial Statements 2017 of VIF
5. Financial Statements 2016 of VIF

Cross Reference List of Information Incorporated by Reference

Page of Prospectus	Section	Pages of document incorporated by reference
Pages 129	Volkswagen AG – Historical Financial Statements	- **The Guarantor's unaudited interim consolidated financial statements as of and for the three months ended March 31, 2018, prepared in accordance with IFRS applicable to interim financial reporting, and contained in the Guarantor's interim report pages 27-59:**
		• Income Statement of the Volkswagen Group for the period 1 January to 31 March 2018 (p. 27)
		• Statement of Comprehensive Income of the Volkswagen Group for the Period 1 January to 31 March 2018 (p. 28)
		• Balance Sheet of the Volkswagen Group as of 31 March 2018 (p. 29)
		• Statement of Changes in Equity of Volkswagen Group for the period 1 January to 31 March 2018 (p. 30-31)
		• Cash Flow Statement of the Volkswagen Group for the period 1 January to 31 March 2018 (p. 32)
		• Notes to the Interim Consolidated Financial Statements of the Volkswagen Group as of 31 March 2018 (p. 33-59)
		- Review Report (p. 60-61)

Page of Prospectus	Section	Pages of document incorporated by reference
		- **The Guarantor's audited consolidated financial statements as of and for the year ended December 31, 2017, prepared in accordance with IFRS, and contained in the Guarantor's annual report pages 195-314:** • Income Statement of the Volkswagen Group for the period 1 January to 31 December 2017 (p. 195) • Statement of Comprehensive Income of the Volkswagen Group for the Period 1 January to 31 December 2017 (p. 196-197) • Balance Sheet of the Volkswagen Group as of 31 December 2017 (p. 198-199) • Statement of Changes in Equity of Volkswagen Group for the period 1 January to 31 December 2017 (p. 200-201) • Cash Flow Statement of the Volkswagen Group for the period 1 January to 31 December 2017 (p. 202) • Notes to the Consolidated Financial Statements of the Volkswagen Group as of 31 December 2017 (p. 203-314) - Independent Auditor's Report in respect of the consolidated financial statements 2017 of Volkswagen AG (p. 316-325)
		- **The Guarantor's audited consolidated financial statements as of and for the year ended December 31, 2016, prepared in accordance with IFRS, and contained in the Guarantor's annual report pages 205-318:** • 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)

Page of Prospectus	Section	Pages of document incorporated by reference
		• 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 Volkswagen AG (p. 320-321)
Page 104	VIF - Historical Financial Information	**- Audited Financial Statements 2017 of VIF:** • Balance Sheet as of 31 December 2017 (p. 8-9) • Income Statement 2017 (p. 10) • Cash Flow Statement 2017 (p. 11) • Notes to the financial statements (p. 12-39) - Auditor's Report 2017 (p. 41-47)
		- Audited 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. 11-35) - Auditor's Report 2016 (p. 37-42)

Any information not incorporated by reference into this Prospectus but contained in one of the documents mentioned as source documents in the cross reference list above is either not relevant for the investor or covered in another part of this Prospectus.

13.11 *Documents on Display*

This Prospectus, any supplement thereto, if any, and any documents incorporated by reference into this Prospectus will be published in electronic form on the website of the Luxembourg Stock Exchange under (www.bourse.lu) 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 audited financial statements of the Issuer and the Guarantor as of and for the years ended December 31, 2017 and December 31, 2016.
- the unaudited interim financial statements of the Guarantor as of and for the three months ended March 31, 2018.

14. STATEMENTS PURSUANT TO COMMISSION REGULATION (EC) NO 809/2004 OF 29 APRIL 2004

Volkswagen International Finance N.V. as Issuer under this Prospectus is responsible for the correctness of the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

Volkswagen International Finance N.V. (as Issuer)

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