Volkswagen Reaches Settlement Agreements with U.S. Federal Regulators, Private Plaintiffs and 44 U.S. States on TDI Diesel Engine Vehicles

- **Proposed settlement program includes vehicle buybacks and lease terminations, emissions modifications (if approved) and cash payments to affected customers for approximately 475,000 eligible 2.0L TDI vehicles**
- **Volkswagen agrees to $2.7 billion environmental remediation fund and to invest $2.0 billion in initiatives to promote the use of zero emissions vehicles in the U.S.**
- **Separate resolution with U.S. states settles consumer protection claims**

Wolfsburg / Herndon VA, June 28, 2016. Volkswagen AG announced today that it has reached settlement agreements with the United States Department of Justice (DOJ) and the State of California; the U.S. Federal Trade Commission (FTC); and private plaintiffs represented by the Plaintiffs' Steering Committee (PSC) to resolve civil claims regarding eligible Volkswagen and Audi 2.0L TDI diesel engine vehicles in the United States. Of approximately 499,000 2.0L TDL vehicles that were produced for sale in the United States, approximately 460,000 Volkswagen and 15,000 Audi vehicles are currently in use and eligible for buybacks and lease terminations or emissions modifications, if approved by regulators. Volkswagen will establish a maximum funding pool for the 2.0L TDI settlement program of $10.033 billion. That amount assumes 100% participation and that 100% of eligible customers choose a buyback or lease termination.

The agreements covering the proposed 2.0L TDI settlement program are subject to the approval of Judge Charles R. Breyer of the United States District Court for the Northern District of California, who presides over the federal Multi-District Litigation (MDL) proceedings related to the diesel matter.

Volkswagen also announced that it has agreed with the attorneys general of 44 U.S. states, the District of Columbia and Puerto Rico to resolve existing and potential state consumer protection claims related to the diesel matter for a total settlement amount of approximately $603 million.

“We take our commitment to make things right very seriously and believe these agreements are a significant step forward,” said Matthias Müller, Chief Executive Officer of Volkswagen AG. “We appreciate the constructive engagement of all the parties, and are very grateful to our customers for their continued patience as the settlement approval process moves ahead. We know that we still have a great deal of work to do to earn back the trust of the American people. We are focused on resolving the outstanding issues and building a better company that can shape the future of integrated, sustainable mobility for our customers.”

Three agreements have been submitted to the Court for its approval with respect to the proposed 2.0L TDI settlement program: (1) a Consent Decree filed with the Court by the DOJ on behalf of the Environmental Protection Agency (EPA) and by the State of California by and through the California Air Resources Board (CARB) and the California Attorney General; (2) a Consent Order submitted by the FTC; and (3) a proposed class settlement agreement with the PSC on behalf of a nationwide settlement class of current and certain former owners and lessees of eligible 2.0L TDI Volkswagen and Audi vehicles. The parties believe that the class settlement as presented to the Court will provide a fair and reasonable resolution for affected Volkswagen and Audi customers. Volkswagen continues to work expeditiously to reach an agreed resolution for affected vehicles with 3.0L TDI V-6 diesel engines.

On April 22, 2016, Volkswagen recognized total exceptional charges of €16.2 billion in its financial statements for 2015 for worldwide provisions related to technical modifications and repurchases, legal risks and other items as a result of the diesel matter. As noted at that time, due to the complexities and legal uncertainties associated with resolving the diesel matter, a future assessment of the risks may be different.

"Today’s announcement is within the scope of our provisions and other financial liabilities that we have already disclosed, and we are in a position to manage the consequences. It provides further clarity for our U.S. customers and dealers as well as for our shareholders. Settlements of this magnitude are clearly a very significant burden for our business. We will now focus on implementing our TOGETHER-Strategy 2025 and improving operational excellence across the Volkswagen Group,” said Frank Witter, Chief Financial Officer of Volkswagen AG.

The agreements announced today are not an admission of liability by Volkswagen. By their terms, they are not intended to apply to or affect Volkswagen's obligations under the laws or regulations of any jurisdiction outside the United States. Regulations governing nitrogen oxide (NOx) emissions limits for vehicles in the United States are much stricter than those in other parts of the world and the engine variants also differ significantly. This makes the development of technical solutions in the United States more challenging than in Europe and other parts of the world, where implementation of an approved program to modify TDI vehicles to comply fully with UN/ECE and European emissions standards has already begun by agreement with the relevant authorities.

<u>Proposed 2.0L TDI Settlements</u>

Subject to Court approval of the proposed 2.0L TDI settlement program, Volkswagen has agreed, among other terms, to:

- Buy back or terminate the leases of eligible vehicles, or provide free emissions modifications (if approved by the EPA and CARB), and also make cash payments to affected current and certain former owners and lessees.
    - Volkswagen will establish a single funding pool to cover the 2.0L TDI settlement program. The maximum funding amount will not exceed $10.033 billion and is dependent on how many customers participate in the program and which option they choose if proposed modifications are approved.

    - Customers can choose to sell back their vehicle to Volkswagen or terminate their lease without penalty, or, if a modification is approved, choose to have their vehicle modified free of charge and keep it. Customers who select any of these options will also receive a cash payment from Volkswagen.
    - An eligible vehicle's value for a buyback will be determined based on the Clean Trade-In Value as published in the September 2015 edition of the NADA Used Car Guide, with adjustments for factory options and mileage.

- Support the following environmental programs in the United States by agreement with the EPA and CARB:
    - Pay \$2.7 billion over three years into an environmental trust, managed by a trustee appointed by the Court, to remediate excess nitrogen oxide (NOx) emissions from 2.0L TDI vehicles.
    - Invest \$2.0 billion over 10 years in zero emissions vehicle (ZEV) infrastructure, access and awareness initiatives.

Volkswagen will begin the settlement program as soon as the Court grants final approval to the settlement agreements. At the earliest, approval will occur in the fall of 2016.

Potential claimants under the class settlement do not need to contact Volkswagen or Audi, or their dealers, at this time. Individual class members will receive extensive notification of their rights and options (including the option to "opt out" of the settlement agreement) if the Court grants preliminary approval of the proposed class settlement at a hearing scheduled to take place on July 26, 2016.

More information about the proposed 2.0L TDI settlement program, including the settlement agreements in full, can be found at www.VWCourtSettlement.com or www.AudiCourtSettlement.com.

NOTES TO EDITORS

Volkswagen in the United States

Volkswagen Group of America (VWGoA), a wholly owned subsidiary of Volkswagen AG, employs more than 6,000 people in the United States and supports more than 1,000 dealer locations in all 50 states. Volkswagen has more than 60 years of history in the United States, where VWGoA maintains more than 30 U.S. locations including a LEED Platinum-certified manufacturing facility in Chattanooga, Tennessee.

The Chattanooga facility employs more than 2,500 people and supports suppliers who provide some 9,200 jobs. The facility produces the Volkswagen Passat and will launch production of a new, seven-passenger midsize SUV in late 2016. Volkswagen is investing \$900 million to expand its U.S. manufacturing footprint through production of the new SUV as part of Volkswagen AG's plan to invest more than \$7 billion in North America from 2015 through 2019.

The Multi-District Litigation (MDL)

The case is known as *In Re: Volkswagen "Clean Diesel" Marketing, Sales Practices and Products Liability Litigation,* MDL 15-2672*,* in United States District Court for the Northern District of California in San Francisco before Judge Charles R. Breyer.
The following 2.0-liter TDI engine vehicles are included in the proposed 2.0L TDI settlement program:

VW Beetle	VW Golf	VW Jetta	VW Passat	Audi A3
2013- 2015	2010-2015	2009-2015	2012-2015	2010-2013; 2015

The proposed 2.0L TDI class settlement was executed by Volkswagen AG, Volkswagen Group of America, Inc., Volkswagen Group of America Chattanooga Operations, LLC and Audi AG, which have agreed to cover claims administration costs as well as plaintiffs' reasonable attorneys' fees and expenses. Volkswagen has agreed to the appointment by the Court of a Claims Supervisor who will review customer claims to confirm that the claims administration process is conducted in accordance with the FTC Consent Order.

After final approval of the class settlement, claims of class members who have not opted out of the class settlement will be dismissed.

Resolution with U.S. States

The separate agreements with U.S. states, the District of Columbia and Puerto Rico resolve existing and potential consumer protection claims under state statutes governing unfair and deceptive acts and practices (UDAP) in relation to more than 534,000 2.0L and 3.0L TDI vehicles originally sold or leased in the participating states and districts before September 18, 2015. They were executed by Volkswagen AG, Volkswagen Group of America, Inc., Audi of America, LLC, Volkswagen Group of America Chattanooga Operations, LLC and Audi AG, as well as Dr. Ing. h.c. F. Porsche AG and Porsche Cars North America, Inc.

Volkswagen will pay approximately $583 million to the signatories and $20 million to the National Association of Attorneys General (NAAG) for use by state attorneys general for consumer protection oversight, training and enforcement, and for the reimbursement of costs and expenses related to this matter. Participating states include California, Florida, Illinois, New York, Pennsylvania and Texas. At this point, the signatories do not include Arizona, New Jersey, New Mexico, Oklahoma, Vermont and West Virginia, which have 30 days to join in the settlement.

Other Legal Matters

Volkswagen continues to work to resolve outstanding legal matters in the United States. These include civil claims by the DOJ, FTC and private plaintiffs represented by the PSC related to 3.0L TDI vehicles and various other putative class action claims, civil penalties sought by the EPA and potential state environmental claims, and any criminal investigations by the DOJ.

VOLKSWAGEN Group of America, Inc.
Chief Communications Officer North American Region
Pietro Zollino
Mobile: +1 (0) 571 / 471-1252
E-mail:: Pietro.Zollino@VW.com

Volkswagen Group Communications
Head of Group Communications
Company and Business
Eric Felber
Phone: +49 (0) 5361 / 9-87575
E-mail: eric.felber@volkswagen.de
www.volkswagenag.com