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Volkswagen reaches settlements with U.S. government

- **Volkswagen agrees to pay a combined total of \$4.3 billion in fines and penalties**
- **Agreement includes the appointment of an independent monitor for three years**
- **CEO Matthias Müller says: “Volkswagen deeply regrets the behavior that gave rise to the diesel crisis. We will continue to press forward with changes to our way of thinking and working.”**

Wolfsburg, Germany, 2017-01-11 – Volkswagen AG has agreed with the U.S. government to resolve criminal and federal environmental and other civil claims against the company relating to the diesel matter. As part of the resolution, Volkswagen has agreed to pay penalties and fines totaling \$4.3 billion and to a series of measures to further strengthen its compliance and control systems, including the appointment of an independent monitor for a period of three years.

Matthias Müller, Chief Executive of Volkswagen Group, said: “Volkswagen deeply regrets the behavior that gave rise to the diesel crisis. Since all of this came to light, we have worked tirelessly to make things right for our affected customers and have already achieved some progress on this path. The agreements that we have reached with the U.S. government reflect our determination to address misconduct that went against all of the values Volkswagen holds so dear. They are an important step forward for our company and all our employees.”

Hans Dieter Pötsch, Chairman of the Supervisory Board of Volkswagen Group, said: “When the diesel matter became public, we promised that we would get to the bottom of it and find out how it happened – comprehensively and objectively. In addition, a task force of our Group Audit function conducted an investigation into relevant processes, reporting and monitoring systems as soon as the issue came to light. We are no longer the same company we were 16 months ago. The Supervisory Board and the Management Board have faced up to past actions.”

The resolution comprises four settlements, including a plea agreement with the U.S. Department of Justice (DOJ). The plea agreement is accompanied by a published Statement of Facts that lays out the findings and facts established as to the origins and evolution of the misconduct in the diesel matter.

Volkswagen cooperated with the DOJ’s investigation. The Supervisory Board directed the law firm Jones Day to share all findings of its independent investigation of the diesel matter with

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the DOJ. The Statement of Facts draws upon Jones Day's extensive work, as well as on evidence developed by the DOJ.

Terms of the U.S. Resolution

As part of its plea agreement with the DOJ, Volkswagen AG has agreed to plead guilty to three felony counts under U.S. law. The plea agreement, which is subject to U.S. federal court approval, provides for payment of a criminal fine of \$2.8 billion and the appointment of an independent monitor for a period of three years. The monitor will assess, oversee and monitor the company's compliance with the terms of the resolution, including measures to further strengthen Volkswagen's compliance, reporting and monitoring mechanisms and implementation of an enhanced ethics program.

Volkswagen has further agreed to pay a combined penalty of \$1.45 billion to resolve U.S. federal environmental and customs-related civil claims. Separately, Volkswagen has agreed to pay a civil penalty of \$50 million to the Civil Division of the DOJ to settle potential claims asserted under the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA). Volkswagen specifically denies any liability and expressly disputes these claims, which it is settling to avoid the uncertainty and expense of protracted litigation.

By their terms, the agreements announced today resolve Volkswagen's liability under U.S. law and are not intended to address Volkswagen's liability, if any, under the laws or regulations of any jurisdiction outside the United States. Volkswagen continues to cooperate with investigations by the DOJ into the conduct of individuals and with inquiries by the Braunschweig and Munich public prosecutor's offices in Germany. In order not to prejudice or otherwise impede ongoing investigations, the company will not make any further comment on the Statement of Facts or findings of the work of Jones Day.

Significant Steps to Realign the Group for the Future

Since the end of September 2015, Volkswagen has taken significant steps to address the diesel matter and realign the Group for the future. The change process now under way is the biggest in Volkswagen's history and will transform its core business.

The initiatives Volkswagen has implemented in response to the diesel matter include enhanced operational processes and reporting and control systems to ensure responsibilities are clear, a more robust whistleblower system and new, stricter standards in its emissions testing practices. Independently of the events that led to the diesel matter, the Volkswagen Group will leave no stone unturned to prevent violations of any rules and identify such violations as early as possible.

Pötsch said: "The trust of our customers, our shareholders, partners, employees and the general public is our most important asset. The Supervisory Board will spare no effort to ensure

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that Volkswagen fully restores their confidence. We are determined to do so by building on the qualities and strengths of Volkswagen.”

Müller said: “We have taken significant steps to strengthen accountability, enhance transparency and prevent something like this from happening again. We will continue to press forward with changes to our way of thinking and working that Volkswagen needs. We are determined that Volkswagen will become an example of how a socially responsible company should act and lead in the years ahead – and we know that our success can never be divorced from the way we conduct ourselves.”

The Group has substantially elevated its commitment to working ethically and with integrity and is decentralizing how Volkswagen is managed by granting its brands and regions much more autonomy. These and other substantive actions across the Group are part of a broader transformation of Volkswagen’s corporate culture to create a more entrepreneurial and international organization.

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 has recently expanded to accommodate production of a new, seven-passenger midsize SUV, the Volkswagen Atlas. 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.

Other Agreements in the United States

On October 25, 2016, Volkswagen obtained final Court approval for a 2.0L TDI Settlement Program to resolve civil claims related to approximately 475,000 eligible Volkswagen and Audi 2.0L TDI vehicles in the United States. As part of that settlement program, Volkswagen will also pay \$2.7 billion over three years into an environmental trust to remediate the total, lifetime excess nitrogen oxide (NOx) emissions from 2.0L TDI vehicles in the United States and invest \$2.0 billion over 10 years in zero emissions vehicle (ZEV) infrastructure, access and awareness initiatives.

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On December 20, 2016, Volkswagen reached an agreement with environmental regulators to resolve civil claims related to approximately 83,000 3.0L TDI V6 vehicles in the United States. The agreement, in the form of a proposed Consent Decree, would allow Volkswagen to recall more than 75 percent of affected 3.0L TDI V6 vehicles to bring them into compliance with the emissions standards to which they were certified, if appropriate modifications are approved by regulators. On December 22, 2016, Volkswagen Group reached an agreement in principle with the Court-appointed Plaintiffs' Steering Committee (PSC) on the payments and benefits that eligible U.S. customers with affected 3.0L TDI V6 vehicles in the United States will receive under a proposed settlement. The Court has instructed the parties to file preliminary settlement approval documents by January 31, 2017.

Volkswagen has agreed separate settlements with 44 U.S. states, the District of Columbia and Puerto Rico to resolve state consumer protection claims related to the diesel matter.

On October 18, 2016, Volkswagen received preliminary approval for a settlement to resolve the claims of approximately 650 VW-branded franchise dealers in the United States relating to TDI vehicles affected by the diesel matter and other matters asserted concerning the value of the franchise. The Court has scheduled a hearing on January 18, 2017 to decide whether to grant the proposed agreement final approval.

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