SETTLEMENT AGREEMENT

This Settlement Agreement is between U.S. Customs and Border Protection ("CBP"), a component of the United States Department of Homeland Security ("DHS"); Volkswagen AG, Audi AG, Volkswagen Group of America, Inc., and Volkswagen Group of America Chattanooga Operations, LLC (collectively, "the VW Entities"); and Dr. Ing. h.c. F. Porsche AG and Porsche Cars North America, Inc. (collectively, "the Porsche Entities"), all of which together constitute the "Parties" to this Agreement. This Settlement Agreement is part of the Coordinated Federal Settlements defined below.

The term "Coordinated Federal Settlements" constitutes the agreements executed on behalf of the United States and its agencies with the VW Entities and Porsche Entities, to resolve criminal and civil claims pertaining to 2.0 liter and 3.0 liter diesel vehicles comprising model years 2009 through 2016 that were imported into the United States, specifically the criminal plea agreement between Volkswagen AG and the United States Department of Justice ("DOJ") ("Criminal Plea"); the Third Partial Consent Decree between the VW Entities, the Porsche Entities, and DOJ on behalf of the Environmental Protection Agency ("EPA") under the Clean Air Act, 42 U.S.C. § 7522; a civil settlement under the Financial Institutions Reform, Recovery and Enforcement Act of 1989, 12 U.S.C. § 1833a,

between Volkswagen AG, Volkswagen Group of America, Inc., and DOJ; and this Settlement Agreement.

The Parties' agreement to this Settlement Agreement is conditioned upon the United States District Court, Eastern District of Michigan's acceptance of Volkswagen AG's Criminal Plea, and the United States District Court, Northern District of California's entry of the Third Partial Consent Decree. As a full and complete settlement of any and all claims, demands, and obligations by or to CBP, or DOJ on behalf of CBP, pursuant to 19 U.S.C. §§ 1592 and 1595a and any other provision of law under Title 19 of the United States Code or other customs laws arising from or relating to the Subject Matter described in Paragraph I below, and in full satisfaction of any and all claims, demands, and obligations with respect to alleged violations arising from or relating to the Subject Matter described in Paragraph I below, and without admission of liability by the VW Entities or the Porsche Entities, the Parties agree to the following terms and conditions:

Paragraph I: The Subject Matter of this Settlement Agreement (as set forth in this paragraph, and referenced in this Agreement as "Subject Matter") is alleged misrepresentations, omissions, or submissions of inaccurate information on importation and entry pertaining to compliance with environmental laws and emission requirements for approximately 574,000 VW Entities' model year

2009-2016 vehicles, equipped with 2.0 and 3.0 liter light-duty diesel engines, and approximately 14,000 Porsche Entities' model year 2013-2016 vehicles, equipped with 3.0 liter light-duty diesel engines, with a total domestic value of approximately $15 billion. CBP contends that the vehicles were entered and introduced by means of material false statements and omissions regarding compliance with applicable U.S. emissions requirements at the time of importation. CBP contends that the VW Entities filed the entries for approximately 574,000 vehicles and introduced these vehicles into the commerce of the United States by means of material false statements and omissions over multiple years. CBP contends that at the time the vehicles were entered and introduced, the VW Entities submitted material false information to CBP and omitted material information concerning the admissibility of the vehicles into the United States. Specifically, CBP contends that the VW Entities misrepresented to CBP at the time of entry and introduction into the commerce of the United States that the vehicles complied with all applicable laws and regulations pertaining to U.S. emissions requirements and had valid Certificates of Conformity as required, failed to disclose to CBP that the subject vehicles were equipped with a prohibited software application used to defeat U.S. emissions tests, and failed to otherwise conform in all material respects with their applications submitted to EPA in order to obtain Certificates of Conformity as required for the entry of the subject vehicles into the United States.

CBP further contends that, at the time of importation, the Porsche Entities submitted material, inaccurate information to CBP and did not disclose additional relevant information concerning the admissibility of the estimated 14,000 Gen 2 3.0 liter Porsche diesel vehicles into the United States in violation of 19 U.S.C. § 1592. Specifically, CBP contends that the Porsche Entities incorrectly stated to CBP at the time of entry and introduction into the commerce of the United States that the vehicles complied with all applicable laws and regulations pertaining to U.S. emissions requirements and had valid Certificates of Conformity as required, did not disclose to CBP that the subject vehicles were equipped with a prohibited software application used to defeat U.S. emissions tests, and did not otherwise conform in all material respects with their applications submitted to EPA in order to obtain Certificates of Conformity as required for the entry of the subject vehicles into the United States. CBP commenced an administrative investigation of the Subject Matter on September 18, 2015, pursuant to 19 U.S.C. § 1592(b), as amended by Pub. L. No. 103-182, and 19 C.F.R. Part 162, Subpart G. CBP notified the VW Entities of the investigation in writing by letter dated October 1, 2015. Pursuant to its administrative investigation, CBP also issued summonses under 19 U.S.C. § 1509 relating to the Subject Matter and requested "all records related to entry" of the approximately 574,000 subject vehicles. Two of the VW Entities – Volkswagen Group of America Chattanooga Operations, LLC and

Volkswagen Group of America, Inc. – requested prior disclosure treatment pursuant to 19 U.S.C. § 1592(c)(4) and 19 C.F.R. § 162.74, on October 2, 2015, and October 30, 2015, respectively. CBP denied the requests on March 22, 2016.

Paragraph II: This Settlement Agreement is a settlement of the Subject Matter as defined in Paragraph I without any adjudication of any of the underlying allegations or defenses. By entering into this Agreement, with the exception of admissions that are made by Volkswagen AG in connection the Criminal Plea, and admissions made in connection with the Third Partial Consent Decree, the VW Entities and Porsche Entities do not admit, but instead specifically deny, any facts, law, or liability to CBP. The Porsche Entities in particular contend that any submission of inaccurate information or failure to disclose relevant information made in connection with the entry of the approximately 14,000 Gen 2 3.0 liter Porsche diesel vehicles described in Paragraph I were made without knowledge of their falsity. Nor is this settlement agreement a concession by CBP that its claims are not well-founded.

Paragraph III: In addition to the payment of $2.8 billion by Volkswagen AG pursuant to the Criminal Plea, the VW Entities and Porsche Entities shall pay the United States a civil penalty in the amount of $1.45 billion ("the Settlement Amount"), within 30 days of the Effective Date (as defined in Paragraph XIII), and

pursuant to the payment procedures provided in the Third Partial Consent Decree, as a coordinated settlement of all claims by EPA and CBP concerning both the Subject Matter and other matters addressed in the Third Partial Consent Decree. The VW Entities, Porsche Entities, and CBP agree and acknowledge that the Settlement Amount of $1.45 billion is to be paid in satisfaction of both CBP's claims concerning the Subject Matter addressed herein and the claims by EPA addressed in the Third Partial Consent Decree. The VW Entities and Porsche Entities are jointly and severally liable for the Settlement Amount. The VW Entities, Porsche Entities, and CBP agree and acknowledge that the payment obligation in this paragraph is contingent upon entry of the Third Partial Consent Decree.

Paragraph IV: At the time of payment of the civil penalty pursuant to the Third Partial Consent Decree, the VW Entities and Porsche Entities shall notify CBP that payment has been made. The VW Entities and Porsche Entities shall make this notification to CBP via email to Deputy Chief Counsel AnnMarie R. Highsmith, Office of Chief Counsel, at: AnnMarie.Highsmith@cbp.dhs.gov, and via regular mail at: 1300 Pennsylvania Avenue, NW, Suite 4.4B, Washington, D.C., 20229.

Paragraph V: Within seven days of the VW Entities' and Porsche Entities' payment of the civil penalty required by the Third Partial Consent Decree and Volkswagen AG's payment of the $2.8 billion criminal penalty pursuant to the Criminal Plea, CBP will terminate any and all administrative proceedings against any of the VW Entities or Porsche Entities pursuant to 19 U.S.C. §§ 1592, 1595a, or any other provision of law under Title 19 of the United States Code or other customs laws arising from or relating to the Subject Matter described in Paragraph I, except as set forth in Paragraph X. Except as provided in Paragraphs VII and X of this Settlement Agreement, CBP shall waive, release, and promise to refrain from instituting or maintaining any proceeding for fines, penalties, or forfeiture for violations of any kind arising from or relating to the Subject Matter, in its name or in the name of any agency, entity, or person, whether civil, administrative, or otherwise, whether the basis is currently known or unknown, against any person or entity, including without limitation all parent companies, subsidiaries, affiliates, officers, directors, agents, and employees of the VW Entities or Porsche Entities. Upon the VW Entities' and the Porsche Entities' payment of the civil penalty required by this Settlement Agreement, the Third Partial Consent Decree, and Volkswagen AG's payment of the criminal penalty pursuant to the Criminal Plea, any statute of limitations waiver pertaining to the

Subject Matter executed by any of the VW Entities or Porsche Entities and submitted to CBP shall be deemed null and void.

Paragraph VI: Except as provided in Paragraphs VII and X of this Settlement Agreement, the VW Entities and Porsche Entities hereby waive, release, and promise to refrain from instituting or maintaining any claim, whether such a claim or cause of action is currently known or unknown, against the United States, its agents, officials, or employees, concerning or relating to the Subject Matter described in Paragraph I.

Paragraph VII: This Agreement is governed by the laws of the United States and is enforceable in any court of competent jurisdiction. Any material failure to comply with the payment terms of this Settlement Agreement may result in a judicial enforcement action or, alternatively, initiation of penalty proceedings under 19 U.S.C. § 1592.

Paragraph VIII: This Settlement Agreement comprises the entire agreement concerning any claims, demands, defenses, counterclaims, or obligations of the Parties with respect to the Subject Matter described in Paragraph I.

Paragraph IX: This Settlement Agreement may not be altered, amended, modified, or otherwise changed except by a writing duly executed by or on behalf of CBP, the VW Entities, and the Porsche Entities.

Paragraph X: Nothing in this Settlement Agreement shall preclude CBP or the United States from taking appropriate action against the VW Entities or the Porsche Entities with regard to any matter other than the Subject Matter described in Paragraph I. Nothing in this Settlement Agreement shall preclude CBP from enforcing the terms of the Notice to Redeliver and Request for Information dated November 18, 2015, and the related Notices to Redeliver (CBP Form 4647) issued by CBP, or from taking appropriate enforcement action with regard to any model year 2016 light-duty diesel vehicles that the VW Entities fail to export in accordance with the issued Notices to Redeliver. Nothing in this Settlement Agreement shall affect CBP's administration of the Customs-Trade Partnership Against Terrorism program ("C-TPAT") or the Importer Self-Assessment program ("ISA"), or create any right or entitlement to the VW Entities' or Porsche Entities' participation therein. Nothing in this Settlement Agreement shall affect the VW Entities' or the Porsche Entities' legal rights, to the extent any such legal rights exist, with respect to removal from, or reinstatement to, C-TPAT or ISA. Nothing in this Settlement Agreement shall preclude CBP from collecting lawful duties,

taxes, or fees of which the United States may be deprived. Nothing in this Settlement Agreement shall preclude the VW Entities or the Porsche Entities from contesting the collection of duties, taxes, or fees claimed by CBP (*i.e.*, through an administrative protest or judicial action contesting the assessment or collection by the United States of duties and fees on imported merchandise).

Paragraph XI: This Settlement Agreement is in no way related to or concerned with any Federal income taxes collectible by the United States for which the VW Entities or Porsche Entities may in the future be liable to the United States.

Paragraph XII: This Settlement Agreement shall bind the Parties hereto, their officers, directors, employees, predecessors, subsidiaries, heirs, executors, administrators, agents, and assigns.

Paragraph XIII: The Effective Date of this Settlement Agreement is the date of approval of the Third Partial Consent Decree or the Criminal Plea, whichever is later.

As evidence of their consent to this Settlement Agreement, the Parties, through their duly authorized representatives, sign below.

FOR U.S. CUSTOMS AND BORDER PROTECTION

1/11/17
Date

BRENDA B. SMITH
EXECUTIVE ASSISTANT COMMISSIONER
OFFICE OF TRADE

COUNSEL FOR VOLKSWAGEN AG, AUDI AG, VOLKSWAGEN GROUP OF AMERICA, INC., and VOLKSWAGEN GROUP OF AMERICA CHATTANOOGA OPERATIONS, LLC

January 11, 2017

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