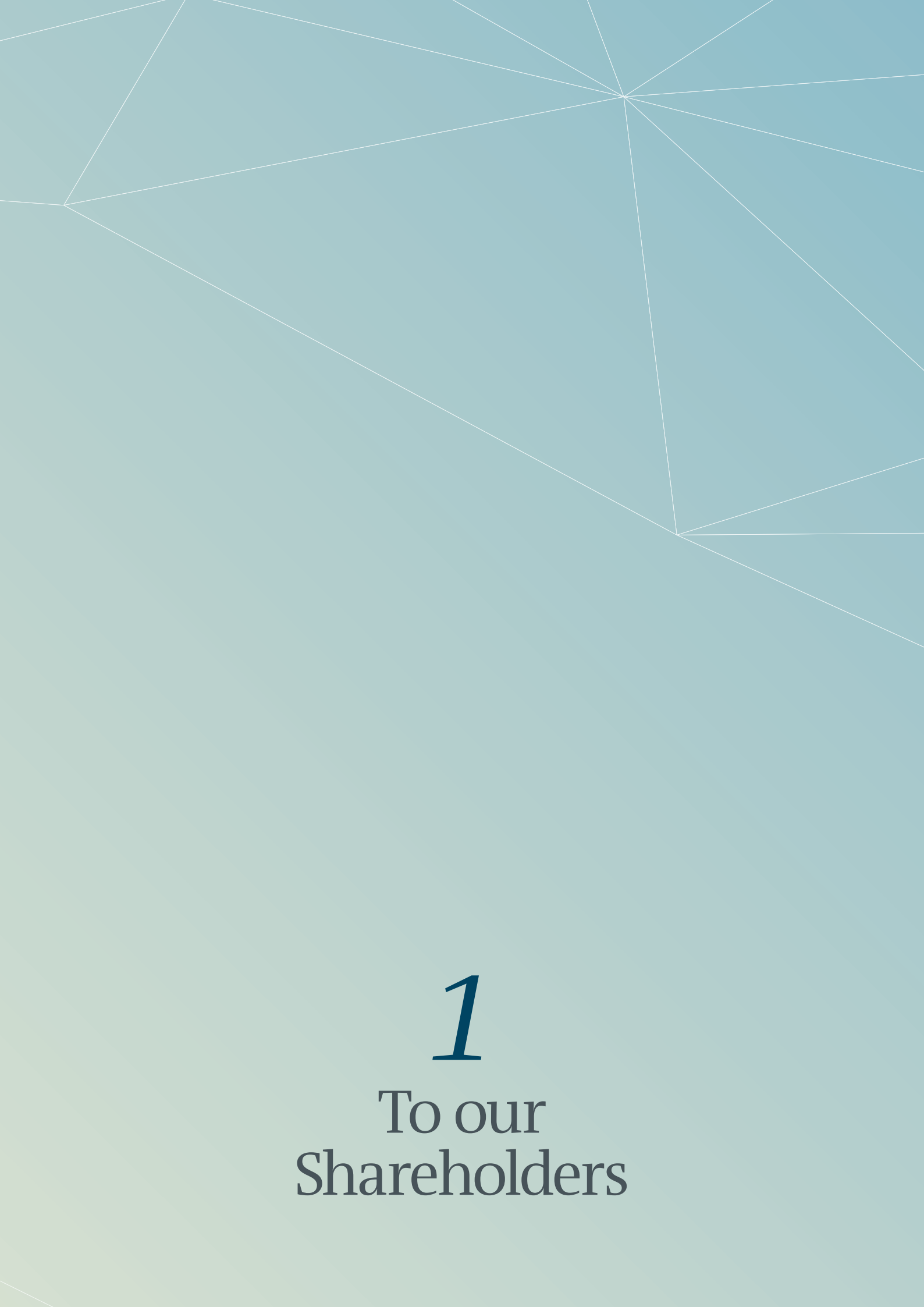




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To our
Shareholders



TO OUR SHAREHOLDERS

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Letter to our Shareholders

Dear Shareholders,

What do you think makes a good company?

First of all, a good company certainly delivers compelling business results. And definitely implements the necessary measures to remain successful tomorrow and far into the future. But I imagine that you, just like me, also believe there is more to a good company than this – namely the essence of the organization: what drives it and keeps it together. So ultimately it's about attitude and values.

Results, future, attitude: where does your Company stand, where does the Volkswagen Group stand now, in these three dimensions?

As far as business figures are concerned, the answer could hardly be clearer: 2017 was an exceedingly successful year for us. Around the world, 10.7 million customers – more than ever before – chose a vehicle from one of our brands. We are grateful for the trust that this embodies. Our financial figures were also very convincing: sales revenue rose to €230.7 billion. At €13.8 billion, our operating profit was better than ever – despite negative special items of €3.2 billion. And at 7.4 percent, the operating return on sales before special items also exceeded the original forecast. The key performance indicators show that our operating business is strong and the Group's financial situation is solid. The fact that we are in such a good position today after everything that has happened in recent years is the result of really great teamwork. And I would like to thank our employees all over the world for that.

It goes without saying that you as shareholders will participate in your Company's success. The Board of Management and Supervisory Board will therefore propose a dividend of €3.90 per ordinary share and €3.96 per preferred share for fiscal year 2017. This corresponds to a payout ratio of 17.3 percent.

Looking ahead, we – like the entire industry – are facing major challenges and radical change. But here, too, there is reason to be optimistic. This is also reflected in our share price, which returned to the pre-crisis level at the end of 2017. We believe this also expresses the confidence shown by financial markets in our realignment. And, indeed, TOGETHER – Strategy 2025, our plan for the future, is taking effect and becoming increasingly tangible.

With Roadmap E as a key element of this strategy, we are demonstrating how we intend to help e-mobility achieve its breakthrough – not just in our Company, but throughout the entire industry. At the same time, on the road to emission-free mobility, we are pressing ahead with the full range of drive-trains including efficient, ultra-modern combustion engines. Throughout the Group, we have begun working hard on the other major future trends as well. On artificial intelligence, new mobility services, digital connectivity and, last but not least, on fully automated vehicles like our Sedric: the first car from the Group to come without a steering wheel or pedals.

By the end of 2022, we plan to invest over €34 billion from our own resources in the key technologies of tomorrow.



Each setback should above all encourage us to devote all our energy to bringing about the transformation at Volkswagen.

– MATTHIAS MÜLLER –

This, too, shows that Volkswagen is changing course. We are steering towards the future. We are not stopping halfway, we are picking up the pace. With a clear goal in front of us: to transform the Volkswagen Group from an automaker into a company that brings sustainable mobility to people all over the world. I firmly believe that we can do this. Because we are following a clear plan for the future. Because we have very successful operations. And because within the Group we have the critical mass, innovative capacity and financial discipline to spearhead this change.

You might be asking yourself: “That’s all well and good, but what about the third criterion you mentioned at the beginning, the attitude in the company, our values?” I have to admit: it is here that we are still furthest from our goal.

Changing the culture of a large organization is hard. It requires time, endurance and determination. In spite of all the progress I see every day – and which I find heartening – we still repeatedly encounter setbacks. They hurt, but they are inevitable. What’s important is how we deal with them. What we learn from them. Each setback should above all encourage us to devote all our energy to bringing about the transformation at Volkswagen. It’s about more open cooperation between our brands. About more speed, pragmatism and decisiveness. A critical ability and the reduction of power distances. And last but not least, we need authentic, vibrant leadership based on values and integrity.

So if you were to ask me today: “Is Volkswagen a good company?”, then my answer would be: “Yes, Volkswagen is an exceedingly successful global company. Yes, we are working very hard on the future of mobility and therefore also on our own future. And yes, at Volkswagen we have recognized how essential a solid foundation of values and a healthy corporate culture is.”

But at the same time, it’s also true that our Group is not yet as good as it could be. We still have quite a way to go. For me, this means one thing in particular: we have many opportunities to turn Volkswagen into an even more successful – and an even better – company. For our customers, employees and business partners. For the environment and society. For our investors. And for you, our shareholders.

Our Group still has enormous potential. We want and we will exploit this. I am looking forward to counting on your continued support as we move forward together on this journey.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matthias Müller', with a stylized, cursive script.

Matthias Müller

The Board of Management

of Volkswagen Aktiengesellschaft

Matthias Müller

Chairman of the Board of Management
of Volkswagen Aktiengesellschaft



Prof. Rupert Stadler
Chairman of the Board of
Management of AUDI AG



Hiltrud Dorothea Werner
Integrity and Legal Affairs



Dr.-Ing. Herbert Diess
Chairman of the Brand Board of
Management of
Volkswagen Passenger Cars





Prof. Dr. rer. pol. Dr.-Ing. E.h. Jochem Heizmann
China



Frank Witter
Finance and Controlling



Dr. rer. pol. h.c. Francisco Javier Garcia Sanz
Procurement



Dr. rer. soc. Karlheinz Blessing
Human Resources and Organization

Andreas Renschler
Commercial Vehicles



Report of the Supervisory Board

(in accordance with section 171(2) of the AktG)

Ladies and gentlemen,

In fiscal year 2017, the work of the Supervisory Board of Volkswagen AG and its committees focused once again on realigning the Volkswagen Group as part of the Group's TOGETHER – Strategy 2025, and the investigation of the diesel issue. The Supervisory Board of Volkswagen AG addressed the Company's position and development regularly and with particular intensity in the reporting period. We supervised and supported the Board of Management in its running of the business and advised it on issues relating to the management of the Company in accordance with our duties under the law, the Articles of Association and the rules of procedure. We also observed the relevant recommendations and suggestions of the German Corporate Governance Code (the Code) at all times. The Supervisory Board was directly involved in all decisions of fundamental importance to the Group. We additionally discussed strategic considerations with the Board of Management at regular intervals.

The Board of Management regularly, promptly and comprehensively informed the Supervisory Board in writing or in person on all matters of relevance to the Company relating to its strategy, the business development and the Company's planning and position. This also included the risk situation and risk management. In this respect, the Board of Management also informed it in particular of improvements to the risk and compliance management system with regard to the diesel issue. In addition, the Board of Management informed the Supervisory Board on an ongoing basis about compliance-related topics and other topical issues.

In all cases, we received the documents relevant to our decisions in good time for our meetings. At regular intervals, we also received a detailed report from the Board of Management on the current business position and the forecast for the current year. Any variances in performance that occurred as against the plans and targets previously drawn up were explained by the Board of Management in detail, either in person or in writing. Together with the Board of Management we analyzed the reasons for the variances so as to enable countermeasures to be derived. In addition, the Board of Management presented regular reports on current developments in connection with the diesel issue at the meetings of the Special Committee on Diesel Engines.

The Chairman of the Supervisory Board consulted with the Chairman of the Board of Management at regular intervals between meetings to discuss important current issues. Apart from the diesel issue, they included the Volkswagen Group's strategy and planning, the business development, the Group's risk situation and risk management, including integrity and compliance issues.

The Supervisory Board held a total of twelve meetings in fiscal year 2017. The average attendance ratio was 84.6 %; all of the members of the Supervisory Board attended over half of the meetings of the Supervisory Board and the committees of which they are members. In addition, resolutions on urgent matters were adopted in writing or using electronic communications media.

COMMITTEE ACTIVITIES

The Supervisory Board has established five committees in order to discharge the duties entrusted to it: the Executive Committee, the Nomination Committee, the Mediation Committee in accordance with section 27(3) of the Mitbestimmungsgesetz (MitbestG – German Codetermination Act), the Audit Committee and, since October 2015, the Special Committee on Diesel Engines. The Executive Committee and the Special Committee on Diesel Engines each consist of three shareholder representatives and three employee representatives. The members of the Nomination Committee are the shareholder representatives on the Executive Committee. The remaining two committees are each composed of two shareholder representatives and two employee representatives. The members of these committees as of December 31, 2017 are given on page 87 of this annual report.

The Executive Committee met 17 times during the past fiscal year, 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 Nomination Committee is responsible for proposing suitable candidates for the Supervisory Board to recommend for election to the Annual General Meeting. This Committee did not hold any meetings in 2017.

The Mediation Committee did not have to be convened in the reporting period.

The Audit Committee held five meetings in fiscal year 2017. It focused primarily on the consolidated financial statements, the risk management system including the effectiveness of the internal control system, and the work performed by the Company's Compliance organization. In addition, the Audit Committee concerned itself with the Group's quarterly reports and the half-yearly financial report, as well as with current issues and the supervision of financial reporting and

the financial reporting process, and the examination thereof by the auditors. Moreover, the Audit Committee initiated the call for bids for audits and other audit-related services in the Volkswagen Group from fiscal year 2020. In this process, Volkswagen AG and other public-interest entities of the Volkswagen Group follow the selection procedure within the meaning of Article 16(3) of Regulation (EU) No 537/2014.

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 fiscal year 2017, the Special Committee on Diesel Engines met on eleven occasions, in which, among other topics, details pertaining to the settlements with the US authorities as well as the Supervisory Board's proposed resolutions regarding formal approval of actions of incumbent members in fiscal year 2016 were discussed.

Furthermore, as a rule, the shareholder and employee representatives met for separate preliminary discussions before each of the Supervisory Board meetings.

TOPICS DISCUSSED BY THE SUPERVISORY BOARD

The Supervisory Board's first meeting in the reporting period was held on January 11, 2017. A key topic at this meeting was the approval regarding the conclusion of settlements with US authorities.

On January 26, 2017, the Supervisory Board held a conference call to discuss changes in the composition to the Board of Management.

At the Supervisory Board meeting on February 24, 2017, we dealt in detail with the new remuneration systems for the Board of Management and Supervisory Board of Volks-



Hans Dieter Pötsch

wagen AG. Following a detailed examination, we also approved the consolidated financial statements and the annual financial statements of Volkswagen AG for 2016 prepared by the Board of Management, as well as the combined management report. We examined the dependent company report submitted by the Board of Management and, following completion of our examination, we came to the conclusion that there were no objections to be raised to the concluding declaration by the Board of Management in the report. In addition, we particularly discussed the current state of affairs with respect to the diesel issue.

Another meeting of the Supervisory Board was held on March 28, 2017 at which we mainly discussed the current state of affairs with respect to the diesel issue and the agenda for the 57th Annual General Meeting of Volkswagen AG, particularly the Supervisory Board's proposed resolutions.

The Supervisory Board meeting on April 26, 2017 concentrated on strategic topics such as e-mobility and the focus of the China business. Furthermore, the Board of Management reported, among other things, on the collaboration with the monitor.

Two more Supervisory Board meetings were held on May 9 and 10, 2017 within Volkswagen AG's 2017 Annual General Meeting. Their agenda included in particular preparations for and the post-completion analysis of the 57th Annual General Meeting of Volkswagen AG on May 10, 2017, the composition of the committees, and the current state of affairs with respect to the diesel issue.

A meeting of the Supervisory Board was held on July 26, 2017 at which we addressed the topic of the allegations of supposed cartel infringements that were discussed in the media.

In a conference call on August 1, 2017, the Supervisory Board received information on the measures taken as part of the "National Forum Diesel".

The agenda of the Supervisory Board meeting on September 29, 2017 included a status report on the Group strategy TOGETHER – Strategy 2025 and the current state of affairs with respect to the diesel issue.

The Supervisory Board held a meeting on November 2, 2017, in which we discussed not only the current state of affairs with respect to the diesel issue, but also the Volkswagen Group's investment and financial planning.

At the Supervisory Board meeting on November 17, 2017, we discussed in detail the Volkswagen Group's investment and financial planning for the period from 2018 to 2022. The current state of affairs with respect to the diesel issue was another focus of the meeting. When issuing our annual declaration of conformity with the Code, we also decided on the diversity concepts for the Board of Management and the Supervisory Board as well as the profile of skills and expertise for the Supervisory Board as a whole, and the targets for the composition of the Board. The profile of skills and expertise for the Supervisory Board as a whole, and the targets for the composition of the Board, are described on pages 61 to 62 of the Corporate Governance Report.

In addition to the above, we voted in writing on a variety of items in the reporting period, including an increase in the

equity of Volkswagen Bank GmbH by Volkswagen Financial Services AG, and an advisory mandate.

CONFLICTS OF INTEREST

Mr. Hans Dieter Pötsch was a member of the Board of Management of Volkswagen AG until October 2015. His move to the Supervisory Board had already been planned irrespective of the diesel issue. In order to avoid conceivable conflicts of interest, Mr. Pötsch always left the meeting room prior to discussions and resolutions adopted by the Supervisory Board that might relate to his conduct in connection with the diesel issue.

No other conflicts of interest were reported or were discernible in the reporting period.

CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

The Supervisory Board meeting on November 17, 2017 focused on the implementation of the recommendations and suggestions of the Code at the Volkswagen Group. We discussed in detail the version of the Code dated February 7, 2017, as published by the relevant government commission on April 24, 2017, and issued the annual declaration of conformity with the recommendations of the Code in accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) together with the Board of Management.

The joint declarations of conformity by the Board of Management and the Supervisory Board are permanently available at www.volkswagenag.com/ir. Additional information on the implementation of the recommendations and suggestions of the Code can be found in the corporate governance report starting on page 59 and in the notes to the consolidated financial statements on page 312 of this annual report.

MEMBERS OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

In the election of employee representatives to the Supervisory Board of Volkswagen AG on April 6, 2017, Ms. Ulrike Jakob, Deputy Chairwoman of the Works Council of Volkswagen AG, Kassel plant, Ms. Bertina Murkovic, Deputy Chairwoman of

the Works Council of Volkswagen Commercial Vehicles, and Mr. Athanasios Stimoniariis, Chairman of the Group Works Council of MAN SE and of the MAN SE Works Council, were elected as members of the Supervisory Board. They succeeded Mr. Uwe Fritsch, Mr. Stephan Wolf and Mr. Thomas Zwiebler. The term of office began at the end of the Annual General Meeting on May 10, 2017. The remaining employee representatives on the Supervisory Board were reappointed for a further term.

Effective December 14, 2017, the State of Lower Saxony delegated the new Deputy Minister-President and Minister of Economic Affairs, Labor, Transport and Digitalization, Dr. Bernd Althusmann, to the Supervisory Board of Volkswagen AG to succeed Olaf Lies for the latter's remaining term of office.

Ms. Annika Falkengren stepped down as a member of the Supervisory Board with effect from February 5, 2018. Effective February 14, 2018, the Braunschweig Registry Court temporarily appointed Ms. Marianne Heiß as a member of the Supervisory Board until the end of the Annual General Meeting on May 3, 2018. The Supervisory Board will propose electing Ms. Heiß as a member of the Supervisory Board at the Annual General Meeting on May 3, 2018.

Ms. Hiltrud Dorothea Werner has been the Group Board of Management member responsible for "Integrity and Legal Matters" since February 1, 2017. She succeeded Dr. Christine Hohmann-Dennhardt, who left the Board of Management of Volkswagen AG on January 31, 2017.

The Honorary Chairman of the Supervisory Board, Dr. Klaus Liesen, passed away on March 30, 2017 at the age of 85. Dr. Liesen served as a member of the Supervisory Board of Volkswagen AG between 1987 and 2006 and as its Chairman from 1987 to 2002. During this time, he made a considerable contribution to the expansion and internationalization of the Group. With his experience in business and his shrewd and

diplomatic manner, he earned great respect and recognition in the process.

Dr. Martin Posth, a former member of the Board of Management of Volkswagen AG, died on September 17, 2017 at the age of 73. Dr. Posth was Board member with responsibility for Human Resources from 1988 to 1993 and for the Asia-Pacific region from 1993 to 1997. During his tenure in the Volkswagen Group, he decisively shaped the development of the Company, demonstrating great commitment and expertise.

They will not be forgotten.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

In line with our proposal, the Annual General Meeting of Volkswagen AG on May 10, 2017 elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) as auditors for fiscal year 2017. The auditors audited the annual financial statements of Volkswagen AG, the consolidated financial statements of the Volkswagen Group and the combined management report, and issued unqualified audit reports in each case.

The Supervisory Board commissioned (PwC) on November 17, 2017 with an external content-related audit of the combined separate nonfinancial report for 2017.

In addition, the auditors analyzed the risk management and internal control systems, concluding that the Board of Management had taken the measures required by section 91(2) of the AktG to ensure early detection of any risks endangering the continued existence of the Company. The Report by the Board of Management on Relationships of Volkswagen AG with Affiliated Companies in Accordance with Section 312 of the AktG for the period from January 1 to December 31, 2017 (dependent company report) submitted by the Board of Management was also reviewed by the auditors, who issued the following opinion: "In our opinion and in accordance with

our statutory audit, we certify that the factual disclosures provided in the report are correct and that the Company's consideration concerning legal transactions referred to in the report was not unduly high."

The members of the Audit Committee and the members of the Supervisory Board were provided in each case with the documentation relating to the annual financial statements, including the dependent company report, and the audit reports prepared by the auditors in good time for their meetings on February 22, 2018 and February 23, 2018 respectively and the report from PwC on the external content-related audit of the combined separate nonfinancial report for 2017. The auditors reported extensively at both meetings on the material findings of their audit and were available to provide additional information.

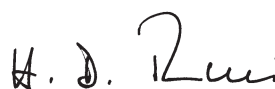
Taking into consideration the audit reports and the discussion with the auditors and based on its own conclusions, the Audit Committee prepared the documents for the Supervisory Board's examination of the consolidated financial statements, the annual financial statements of Volkswagen AG, the combined management report, the dependent company report as well as the combined separate nonfinancial report and reported on these at the Supervisory Board meeting on February 23, 2018. Following this, the Audit Committee recommended that the Supervisory Board approve the annual financial statements. We examined the documents in depth in the knowledge and on the basis of the report by the Audit Committee and the audit report as well as in talks and discussions with the auditors. We came to the conclusion that they are due and proper and that the assessment of the position of the Company and the Group presented by the Board of Management in the management report corresponds to the assessment by the Supervisory Board.

We therefore concurred with the auditors' findings and approved the annual financial statements prepared by

the Board of Management and the consolidated financial statements at our meeting on February 23, 2018, at which the auditors also took part in discussions on the agenda items relating to the financial statements. The annual financial statements are thus adopted. Upon completion of our examination of the dependent company report, there are not any objections to be raised to the concluding declaration by the Board of Management. We reviewed the proposal on the appropriation of net profit submitted by the Board of Management, taking into account in particular the interests of the Company and its shareholders, and endorsed the proposal. PwC conducted an external content-related audit of the combined separate nonfinancial report for 2017 to attain limited assurance and issued an unqualified report. Upon completion of its own independent examination of the combined separate nonfinancial report for 2017, the Supervisory Board did not have any objections.

We would like to express our thanks and particular appreciation to the members of the Board of Management, the Works Council, the management and all the employees of Volkswagen AG and its affiliated companies for their work in 2017. With your immense personal commitment, great loyalty and readiness to support the changes implemented, you all helped the Volkswagen Group to conclude fiscal year 2017 successfully and develop positively in many areas under the Group's TOGETHER – Strategy 2025.

Wolfsburg, February 23, 2018



Hans Dieter Pötsch
Chairman of the Supervisory Board