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To our
Shareholders



TO OUR SHAREHOLDERS

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Letter to our Shareholders

Dear Shareholders,

The financial markets are a leading indicator of the far-reaching social and technological upheaval of our times. Sustainability and climate protection are rapidly gaining significance for investors around the world. At the same time, large technology companies are outstripping traditional industrial groups in terms of market capitalization, with valuations focusing on a company's potential rather than its asset base.

Volkswagen is the wisest choice for all those investors who consciously embrace a combination of the two: potential and assets. We have the resources of a strong industrial group and are making good use of these in our efforts to become a technology leader.

Making our core product – the car – the most important internet device of the future is our big opportunity. In a data-based economy, the car has considerable potential to create value. A modern Volkswagen model already boasts ten times more software than a smartphone. In just a few years, this will increase to a factor of 20 to 30. The fully connected car of the future will receive data for a growing number of new digital user applications. At the same time, it will transmit very valuable data about traffic density, air quality, hazardous situations and much more. This will open up new lines of business, which we intend to develop for ourselves.

We are the first automaker to establish a separate Board of Management position for software and to combine all of the Group's digital expertise in a single unit, the Car.Software

organization, which started operating in 2019. The new organization brings together some 3,000 IT experts from the Group's interests and subsidiaries, and this number is expected to rise to more than 10,000 digital experts by 2025. They are developing "vw.os", a uniform proprietary operating system that will be installed in all Group vehicles in the future.

Volkswagen is also the first car manufacturer to commit to the targets of the Paris Agreement on climate change. By 2025 we aim to reduce CO₂ emissions in our fleet by 30 percent. We intend to become climate neutral by 2050, which is why we are working flat out to drive the evolution of the automobile toward electric mobility. Electric driving is the only viable alternative to combustion engines, large numbers of which can be produced at reasonable cost. Electric cars offer more utility for customers along with lower running costs and greater driving pleasure. Volkswagen has developed a proprietary platform exclusively for electric driving – the Modular Electric Drive Toolkit (MEB). The Volkswagen brand will bring out its first MEB models (the ID.3 and ID.4) in 2020 as part of its electric campaign. Last year, the Group brands Porsche and Audi successfully demonstrated with the Taycan and the e-tron that electric mobility is able to excite customers in the premium segment too. Experience gained in markets such as the Netherlands and Norway shows that when the infrastructure and the control system are right, customers will switch to electric cars. There can be no doubt that e-mobility will catch on. The question is when and where it will take off first.



Making our core product
– the car – the most important
internet device of the future
is our big opportunity.

– Herbert Diess –

That the car has a bright future ahead of it is just as certain. Cars still fulfill the desire for individual mobility better than any other means of transport. For millions of people, especially in emerging societies, their first car represents a longed for promise of freedom and a symbol of prosperity. Last but not least, cars are losing their negative qualities: they are becoming cleaner, safer, quieter and fully connected.

This is precisely what the Volkswagen Group and its brands work on every day. For this we are mobilizing massive financial resources. In the next five years alone, €60 billion will be invested in topics of future relevance, €33 billion of which has been earmarked for e-mobility and over €14 billion for digitalization.

What is special about Volkswagen is that we have the strength to finance the green and digital transformation from our own resources. We will safeguard the investments in our new technologies through our successful business with our existing technologies. We will maintain this high level especially in the transformation phase. Customers can choose from highly efficient combustion engines, hybrids and completely battery-electric drives. From the ŠKODA Kamiq to the Bentley Bentayga Hybrid, we have attractive and fascinating new models across all segments that impress customers worldwide. Another special highlight for us last year was the launch of the eighth generation of the Volkswagen Golf.

2019 was an extremely successful year for our Group. Despite considerable economic uncertainty, our brands performed exceedingly well around the world. In China, we lifted our market share in a declining market. In South America, we returned to profitability for the first time in many years. Business in Russia is also profitable and continues to pick up speed. And in North America we significantly improved our earnings.

A strategic milestone in 2019 was the IPO of TRATON. With this move, Volkswagen demonstrated that we are in a position to systematically review our portfolio and take decisive action. This includes divesting ourselves of sections of our company to focus more squarely on our core automotive business.

We are also improving the quality of our business. Sales Revenue and profit grew faster than unit sales. Sales Revenue

rose to €252.6 billion. Operating profit climbed to €17.0 billion, and before special items to €19.3 billion. At 7.6%, the operating return on sales before special items was slightly above the forecast range. Net cash flow was significantly higher than in 2018 at €10.8 billion. We intend to maintain this course of qualitative growth, which is why we are aligning our business even more closely with our financial core performance indicators.

2019 would not have been so successful without the huge commitment of our 670,000 employees, whom I would like to thank very warmly. This success would also not have been possible without you, our shareholders. Of course you will also benefit from this success. The Board of Management and Supervisory Board are therefore proposing a significant increase in the dividend to €6.50 per ordinary share and €6.56 per preferred share.

In 2020, the main priority will be complying with the new CO₂ fleet limits in the European Union while maintaining the same level of profitability. We will leverage the synergies within the Group much more consistently. By further optimizing our overall brand strategy, we will ensure that the Group as a whole can exploit the profit potential of the market even more efficiently. Further productivity gains are also needed. Cost-cutting programs are underway in all brands. There is considerable potential at the German sites in particular.

There is much to be done. Our industry is changing radically, with us in the driving seat. Volkswagen is on course to become a climate-neutral technology group. I look forward to your continued support on this journey.

Sincerely,



Herbert Diess

The Board of Management

of Volkswagen Aktiengesellschaft



Dr.-Ing. Herbert Diess

Chairman of the Board of Management of Volkswagen Aktiengesellschaft and Chairman of the Brand Board of Management of Volkswagen Passenger Cars, Volume brand group, China

Hiltrud Dorothea Werner
Integrity & Legal Affairs



Andreas Renschler

Chairman of the Board of Management of TRATON SE,
Truck & Bus brand group



Gunnar Kilian
Human Resources



Oliver Blume
Chairman of the Board of Management
of Dr. Ing. h.c. F. Porsche AG,
Sport & Luxury brand group



Frank Witter
Finance & IT



Bram Schot
Chairman of the Board of Management
of AUDI AG, Premium brand group



Dr.-Ing. Stefan Sommer
Components & Procurement

Report of the Supervisory Board

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

Ladies and gentlemen,

In fiscal year 2019, the work of the Supervisory Board of Volkswagen AG and its committees focused on the Volkswagen Group's strategic direction. The Supervisory Board regularly deliberated on the Company's position and development 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. Additionally, we discussed strategic considerations with the Board of Management at regular intervals.

The Board of Management complied with its disclosure obligations and provided us with information as promptly and comprehensively as possible both in writing and in person, particularly on all matters of relevance to the Company relating to its strategy, 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 the Supervisory Board of further improvements to the risk and compliance management system. In addition, the Supervisory Board received information about compliance and other topical issues by the Board of Management on an ongoing basis. 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 deviations in performance from the plans and targets previously drawn up were explained in detail by the Board of Management, either in person or in writing. Together with the Board of Management we analyzed the reasons for the deviations so as to enable countermeasures to be derived. At the meetings of the Special Committee on Diesel Engines, the Board of Management presented regular reports on current developments in connection with the diesel issue.

In addition, 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 efforts to address the diesel issue, these included the Volkswagen Group's strategy and planning, its business development, and the risk situation and risk management, including integrity and compliance issues in the Volkswagen Group.

The Supervisory Board held a total of 8 meetings in fiscal year 2019. The average attendance rate was 94.3%. In addition, resolutions on particularly urgent matters were adopted in writing or using electronic communications media. 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.

COMMITTEE ACTIVITIES

In order to discharge the duties entrusted to it, the Supervisory Board has established five committees: the Executive Committee, the Nomination Committee, the Mediation Committee established 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 shareholder representatives on the Executive Committee make up the Nomination 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, 2019 are given on page 91 of this annual report.

The Executive Committee met 14 times in the reporting period. At its meetings, the Executive Committee prepared the resolutions of the Supervisory Board in detail, dealt with the composition of the Board of Management and took decisions on, among other things, contractual issues concerning the Board of Management other than remuneration and on consenting to ancillary activities by members of the Board of Management.

The Nomination Committee is responsible for proposing suitable candidates for the Supervisory Board to recommend for election to the Annual General Meeting. This committee met on one occasion in 2019.

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

The Audit Committee held six meetings in the past fiscal year. It focused on the annual and consolidated financial statements, the risk management system including the effectiveness of the internal control system and the internal audit system, and the work performed by the Company's Compliance organization. In addition, the Audit Committee concerned itself with the Volkswagen 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.

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. This

Special Committee 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 2019, the Special Committee on Diesel Engines met on two occasions to discuss, among other things, reports from the Board of Management on the state of affairs with respect to the diesel issue and the administrative fine proceedings conducted against Dr. Ing. h.c. F. Porsche AG that was ended by the administrative fine imposed by the Stuttgart Public Prosecutor.

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

In connection with their seat on the Supervisory Board, members of the Supervisory Board receive support from the Company upon induction as well as with respect to education and training; the Company particularly supports the organization of seminars and bears the costs thereof. Supervisory Board members appointed for the first time are also provided with a detailed introduction to topics that apply specifically to the Supervisory Board of Volkswagen AG.

TOPICS DISCUSSED BY THE SUPERVISORY BOARD

The first Supervisory Board meeting of the reporting year took place on January 11, 2019. At this meeting, we focused on the IPO of TRATON SE (then TRATON AG).

The Supervisory Board next met on February 22, 2019. Following a detailed examination, we approved the consolidated financial statements and the annual financial statements of Volkswagen AG for 2018 prepared by the Board of Management. We examined the combined management report, the combined separate nonfinancial report for 2018 and the Report by the Board of Management on Relationships of Volkswagen AG with Affiliated Companies in accordance with section 312 of the AktG (dependent company report). Upon completion of our examination of the dependent company report, we came to the conclusion that there were no objections to be raised to the concluding declaration by the Board of Management in the dependent company report. Other agenda items included the current state of affairs with respect to the diesel issue, financing measures at the Volkswagen Group and the agenda for the 59th Annual General Meeting of Volkswagen AG, particularly the Supervisory Board's proposed resolutions.

At the Supervisory Board meeting on April 23, 2019, we largely discussed strategic issues relating to the Group.



Hans Dieter Pötsch

The Supervisory Board held another meeting on May 13, 2019. Alongside preparations for the 59th Annual General Meeting of Volkswagen AG on May 14, 2019, the agenda included, among others, the IPO of TRATON SE, the current state of affairs with respect to the diesel issue and monitor's report. We also discussed with the Board of Management factors affecting the decision to build a new production site.

The Supervisory Board meeting on July 11, 2019 centered on fundamental decisions concerning the construction of a new production site and the planned cooperation with Ford.

On September 25, 2019, two meetings took place: In the first meeting, the Supervisory Board discussed the indictments by the public prosecutor's office in Braunschweig against the former chairman of the Volkswagen AG Board of Management Prof. Dr. Martin Winterkorn, the Chairman of the Super-

visory Board Mr. Hans Dieter Pötsch and the Chairman of the Board of Management Dr. Herbert Diess, which concerned alleged market manipulation. It was decided unanimously that Dr. Diess and Mr. Pötsch should continue in post. The main topics of the day's second meeting were the creation of a software organization, the agreement of a syndicated line of credit and the current state of affairs with respect to the diesel issue.

At the Supervisory Board meeting on November 15, 2019, we discussed in detail the Volkswagen Group's investment and financial planning for the period from 2020 to 2024. The meeting also focused on changes in the composition of the Board of Management and the creation of a software organization. We also submitted the annual declaration of conformity with the Code together with the Board of Management.

In the reporting period, we voted in writing on matters such as a cooperation with Northvolt AB concerning the building of a battery cell factory.

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. In particular, Mr. Pötsch did not attend the meeting of the Executive Committee on September 24, 2019, and the meeting of the Supervisory Board on September 25, 2019, in which the Executive Committee and the Supervisory Board addressed the indictments by the public prosecutor's office in Braunschweig against the former chairman of the Volkswagen AG Board of Management Prof. Dr. Martin Winterkorn, the Chairman of the Supervisory Board Mr. Pötsch and the Chairman of the Board of Management Dr. Herbert Diess, which concerned alleged market manipu-

lation. Moreover, Mr. Pötsch did not participate in the Supervisory Board's deliberations and decisions insofar as his personal interests were concerned, for example in connection with the reimbursement of his expenses as Chairman of the Supervisory Board.

Starting in autumn 2016, the public prosecutor's office in Braunschweig launched criminal investigations against a number of individuals based on the provisions of the Betriebsverfassungsgesetz (BetrVG – German Works Constitution Act) relating to possibly excessive remuneration granted to the Chairman of the General and Group Works Councils of Volkswagen AG, Mr. Bernd Osterloh, and other works council members. In order to avoid conceivable conflicts of interest, Mr. Osterloh always left the meeting room prior to discussions and resolutions adopted by the Supervisory Board that relate to possibly excessive remuneration granted to him, based on the provisions of the German Works Constitution Act.

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

The following table shows the number of meetings of the Board and the committees as well as the individual participation of the members of the Supervisory Board in 2019:

	Meetings of the full Supervisory Board	Meetings of the Committees
Hans Dieter Pötsch	7 out of 8	13 out of 15
Jörg Hofmann	6 out of 8	12 out of 14
Dr. Hussain Ali Al Abdulla	5 out of 8	–
Dr. Hessa Sultan Al Jaber	8 out of 8	–
Dr. Bernd Althusmann	8 out of 8	2 out of 2
Birgit Dietze (until May 31, 2019)	3 out of 4	2 out of 2
Dr. Hans-Peter Fischer	8 out of 8	–
Marianne Heiß	8 out of 8	5 out of 6
Uwe Hück (until February 8, 2019)	1 out of 1	–
Johan Järvklo	8 out of 8	–
Ulrike Jakob	7 out of 8	–
Dr. Louise Kiesling	8 out of 8	–
Peter Mosch	8 out of 8	15 out of 16
Bertina Murkovic	8 out of 8	2 out of 2
Bernd Osterloh	8 out of 8	22 out of 22
Dr. Hans Michel Piëch	8 out of 8	–
Dr. Ferdinand Oliver Porsche	8 out of 8	8 out of 8
Dr. Wolfgang Porsche	8 out of 8	15 out of 17
Conny Schönhardt (since June 21, 2019)	4 out of 4	3 out of 4
Athanasios Stimoniaris	8 out of 8	–
Stephan Weil	7 out of 8	13 out of 15
Werner Weresch (since February 21, 2019)	7 out of 7	–

CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

The Supervisory Board meeting on Friday, November 15, 2019 focused on the implementation of the recommendations and suggestions of the Code in the Volkswagen Group. We discussed in detail the currently applicable version of the Code dated February 7, 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. In addition, we addressed the recommendations in the draft amendment of the Code, which was published by the government commission on May 9, 2019, as well as measures pertaining to the implementation thereof.

The joint declarations of conformity by the Board of Management and the Supervisory Board are permanently available at www.volkswagenag.com/en/InvestorRelations/corporate-governance/declaration-of-conformity.html. Additional information on the implementation of the recommendations and suggestions of the Code can be found in the corporate governance report starting on page 60 and in the notes to the consolidated financial statements on page 334 of this annual report.

MEMBERS OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Effective February 8, 2019, Mr. Uwe Hück stepped down as a member of the Volkswagen AG Supervisory Board. At the request of the Chairman of the Supervisory Board and in accordance with section 104 of the AktG, the Braunschweig Registry Court appointed Mr. Werner Weresch to succeed him as a member of the Volkswagen AG Supervisory Board with effect from February 21, 2019.

The terms of office of Dr. Hessa Sultan Al Jaber, Dr. Hans Michel Piëch and Dr. Ferdinand Oliver Porsche on the Supervisory Board of Volkswagen AG duly ended at the close of the 59th Annual General Meeting. On May 14, 2019, the Annual General Meeting re-elected all three for a further full term of office on the Supervisory Board.

Effective May 31, 2019, Ms. Birgit Dietze stepped down as a member of the Supervisory Board of Volkswagen AG. At the request of the Chairman of the Supervisory Board and in accordance with section 104 of the AktG, the Braunschweig Registry Court appointed Ms. Conny Schönhardt, Union Secretary to the board of IG Metall, to succeed her as a member of the Volkswagen AG Supervisory Board with effect from June 21, 2019. On July 11, 2019, the Supervisory Board elected Ms. Schönhardt as a member of the Audit Committee.

Prof. Jochem Heizmann retired from the Board of Management of Volkswagen AG with effect from January 10, 2019 under a retirement program. His Board responsibility for the

China division was transferred to Dr. Herbert Diess with effect from January 11, 2019.

Mr. Abraham Schot will step down from the Board of Management of Volkswagen AG by mutual agreement with effect from March 31, 2020. On November 15, 2019, the Supervisory Board appointed Mr. Markus Duesmann to succeed Mr. Schot as a member of the Board of Management with effect from April 1, 2020. Mr. Duesmann will especially be responsible for the Premium brand group and for the Group Research and Development division on the Board of Management of Volkswagen AG. Dr. Herbert Diess will take over the Group Sales division with effect from April 1, 2020.

Our sincere thanks go to all of the departing members of the Supervisory Board and the Board of Management for their work.

On August 25, 2019, the long-time Chairman of the Board of Management and Supervisory Board of Volkswagen AG, Prof. Dr. Ferdinand K. Piëch, died at the age of 82. During his career, Prof. Dr. Piëch was instrumental in the development of the automobile and of the automotive industry, and especially in the growth of Volkswagen to become a global mobility group. The Company and everyone who works for it have enormous gratitude and respect for his services. We will always remember him and his life's work.

On January 3, 2020, Dr. Werner P. Schmidt, former member of the Volkswagen AG Board of Management, died at the age of 87. Dr. Schmidt belonged to the Board of Management from 1975 to 1994 and demonstrated tireless commitment throughout this period, during which he made an important contribution to shaping our company. We will fondly remember his accomplishments.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

In line with our proposal, the Annual General Meeting of Volkswagen AG on May 14, 2019 elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) as auditors for fiscal year 2019. 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 to conduct an external content-related audit of the combined separate non-financial report for 2019.

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 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, 2019 (dependent company report) submitted by the Board of Management was also audited 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."

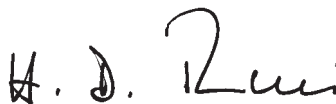
The members of the Audit Committee and the members of the Supervisory Board were provided with the documentation relating to the annual and consolidated financial statements, including the dependent company report, the documentation relating to the combined management report, and also the audit reports prepared by the auditors and the report from PwC on the external content-related audit of the combined separate nonfinancial report for 2019 in good time for their meetings on February 27 and February 28, 2020 respectively. 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 and the combined separate nonfinancial report for 2019, and reported on these at the Supervisory Board meeting on February 28, 2020. Following this, the Audit Committee recommended that the Supervisory Board approve the annual and consolidated 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 the documents 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 combined management report corresponds to the assessment by the Supervisory Board.

We therefore concurred with the auditors' findings and approved the annual financial statements and the consolidated financial statements prepared by the Board of Management at our meeting on February 28, 2020, which the auditors also attended for the agenda items relating to the annual and consolidated financial statements, the dependent company report and the combined management report. The annual financial statements are thus adopted. Upon completion of our examination of the dependent company report, there are no objections to be raised to the concluding declaration by the Board of Management in the dependent company report. 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 2019 to attain limited assurance and issued an unqualified report. At our meeting on February 28, 2020, PwC also took part in the discussions on the agenda items relating to the combined separate nonfinancial report for 2019. Upon completion of its own independent examination of the combined separate nonfinancial report for 2019, the Supervisory Board did not have any objections.

We would like to express our thanks and particular appreciation to the Board of Management, the Works Council, the management teams and all the employees of Volkswagen AG and its affiliated companies for their work in 2019. With their immense personal commitment, great loyalty and readiness to support the changes that have been introduced, they have all made a decisive contribution in helping to make 2019 a successful year for the Volkswagen Group in spite of the many challenges presented.

Wolfsburg, February 28, 2020



Hans Dieter Pötsch
Chairman of the Supervisory Board