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To our
Shareholders

A stylized, light-colored map of a region, possibly in Germany, serves as the background for the page. The map features a network of roads, including a prominent highway with multiple lanes and overpasses, and various smaller roads and paths. The map is rendered in a minimalist style with thin lines and no labels or text.

TO OUR SHAREHOLDERS

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Letter to our Shareholders



There are many reasons to invest in a company. Some look for returns – for companies built on solid foundations and with healthy prospects. Others look for companies that embrace responsibility for people and the environment. But they all look for companies that are valuable, that create value and stand for values. This is the type of company Volkswagen strives to be. We therefore align our business to the following three pillars: digitalization, electrification and an increase in shareholder value.

The 2018 fiscal year has shown that we have added value in spite of the difficult environment. This value is reflected in 10.8 million vehicles delivered – more than ever before. It is reflected in more than 70 new models launched by our brands. For example SUVs such as the Volkswagen Touareg and T-Roc, the ŠKODA Kodiaq and Karoq, the SEAT Arona and the Audi Q8. And it is reflected not least in our financial figures: sales revenue rose to €235.8 billion. Operating profit climbed to €17.1 billion (before special items of €–3.2 billion). And at 7.3 percent, the operating return on sales before special items was at the upper end of the target range.

The Group is in a solid financial position. Our operating business has proven resilient, despite the headwinds we had to face. In Europe the new WLTP test procedure caused delays in production. There were shifts in distribution, above all in the second half of the year. Volkswagen Passenger Cars and Audi were particularly negatively affected by the introduction of the WLTP. By increasing test capacities and reducing the

range of variants, we intend to pass through the next level of the WLTP more smoothly.

We have also defined extensive countermeasures to improve the earnings situation. Appropriate programs are under way in all the brands. Bentley, Audi and also the core Volkswagen brand in particular will have to work more efficiently. At the Volkswagen brand, above all the objective is to shape the future from its own resources. At the main plant in Wolfsburg alone, we therefore want to increase productivity by 25 percent by 2020.

These efforts are also necessary as political uncertainty and an ailing economy are affecting our business in many regions of the world. This also includes China, where the economy dimmed considerably in the second half of the year because of the trade dispute with the USA. Nevertheless, our share of this core market grew further, and deliveries increased slightly to 4.2 million.

In short, the 2018 result was quite a feat. I offer my sincerest thanks to our more than 660,000 employees for their commitment!

And you, our shareholders, will of course also benefit from our success. The Board of Management and Supervisory Board are therefore proposing a significant increase of €0.90 in the dividend to €4.80 per ordinary share and €4.86 per preferred share.



Our emphasis is on the electric car,
because from today's perspective
it is the best and most efficient choice
for reducing CO₂ in transport.

– Herbert Diess –

Looking ahead, the situation remains challenging. The technological change in our industry – from e-mobility through to digitalization, connectivity, new mobility solutions, and on to automated driving – is going to take a lot of energy and financial resources. We want to shape this development from the top. Therefore, we are realigning our activities. We will increase our efficiency and competitiveness, pick up speed and revise our cost structures.

The coming years will be guided by our electric campaign. We are committed to the Paris Agreement and to making our contribution to protecting people and the environment. We're planning investments of around €30 billion in electric mobility in the next five years. Our emphasis is on the electric car, because from today's perspective it is the best and most efficient choice for reducing CO₂ in transport. By 2025, we will put 50 new electric models on the road. By then, every fourth car in our range will be an electric model. With the Volkswagen ID., we will soon offer the first vehicle with a CO₂-neutral supply chain and production. This will also change the face of our plants: Zwickau, Emden and Hanover will be transformed into pure-play electric car plants, forming Europe's largest electric production network. In China, too, the conversion of the Anting and Foshan plants is in full swing. The production launch of electric cars in North America is planned for 2022.

But the transformation of the car will go far beyond drives. It is becoming a highly complex, connected device, like a "tablet on wheels", if you like. From assistance systems through

infotainment to fully autonomous driving: software will shape the car of tomorrow. To be globally successful, companies need economies of scale, and as a leading company in the sector, Volkswagen has the necessary size. What we are lacking in many areas is software expertise. We are taking steps to acquire these skills by forging alliances with partners, increasing resources at full speed, revising our structures and changing our workflows. We are the first established automaker to separate hardware from software development. At the Volkswagen brand, we have therefore established a separate Board of Management position for software, which will additionally be responsible for the Digital & Software-Services Group division.

We are keeping a close eye on our goal to become the global leading provider of sustainable mobility. This will be possible if we continue to improve. We want to achieve sustainable growth and create value. For our customers. For our workforce. For our shareholders.

I thank you for your trust and invite you to stay with us as we move forward on this journey.

Sincerely,

A handwritten signature in black ink, appearing to read 'H. Diess', written in a cursive style.

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 and 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



Dr.-Ing. Stefan Sommer
Components & Procurement



Frank Witter
Finance & IT



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

Report of the Supervisory Board

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

Ladies and gentlemen,

In fiscal year 2018, the work of the Supervisory Board of Volkswagen AG and its committees focused on the enhancement of the Volkswagen Group management structure. The efforts to address the diesel issue remained another area of emphasis. 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 regularly, promptly and comprehensively informed us 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 the Supervisory Board of further improvements to the risk and compliance management system. In addition, the Supervisory Board received information about compliance-related topics and other topical issues by the Board of Management on an ongoing basis. 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 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 diesel issue, they 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 14 meetings in fiscal year 2018. The average attendance rate was 90.0%. In addition, resolutions on 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, 2018 are given on page 89 of this annual report.

The Executive Committee met 13 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 2018.

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

The Audit Committee held five 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. Moreover, the Audit Committee completed 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. 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 2018, the Special Committee on Diesel Engines met on four occasions to discuss, among other topics, the regulatory offense proceedings terminated by administrative fine orders issued by the public prosecutor's offices in Braunschweig and Munich II and the Supervisory Board's proposed resolutions regarding formal approval of the actions of the members of the Board of Management and Supervisory Board incumbent in fiscal year 2017.

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 February 23, 2018. Following a detailed examination, we approved the consolidated financial statements and the annual financial statements of Volkswagen AG for 2017 prepared by the Board of Management. We examined the combined management report, the combined separate nonfinancial report for 2017 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 and the agenda for the 58th Annual General Meeting of Volkswagen AG, particularly the Supervisory Board's proposed resolutions.



Hans Dieter Pötsch

The Supervisory Board meeting on April 12, 2018 focused on the enhancement of the Volkswagen Group management structure. In this context, we also resolved on changes in the composition of the Board of Management of Volkswagen AG. Furthermore, we concerned ourselves with the strategic focus of Volkswagen Truck & Bus GmbH (now TRATON SE) and discussed the current state of affairs with respect to the diesel issue.

The Supervisory Board held another meeting on May 2, 2018. The main items on the agenda were the preparation of the 58th Annual General Meeting of Volkswagen AG held on May 3, 2018 and the current state of affairs with respect to the diesel issue.

The principal topic of discussion at the Supervisory Board meeting on June 13, 2018 was the administrative fine order issued by the public prosecutor's office in Braunschweig against Volkswagen AG in connection with the diesel issue.

The next Supervisory Board meetings were held on June 18 and 19, 2018. The main points of discussion at both meetings were issues relating to the composition of the Board of Management of Volkswagen AG; at the meeting held on June 18, 2018, we also dealt with the current state of affairs with respect to the diesel issue.

The Supervisory Board held two further meetings on July 9 and 23, 2018, which likewise addressed the composition of

the Board of Management of Volkswagen AG; the issues discussed at the meeting on July 9, 2018 also included the current state of affairs with respect to the diesel issue.

The agendas of the Supervisory Board meetings on September 17 and 28, 2018 included the current state of affairs with respect to the diesel issue and other steps relating to the corporate structure and capital market readiness of TRATON AG (formerly Volkswagen Truck & Bus GmbH, now TRATON SE) as well as information on management remuneration and matters relating to the Board of Management.

At our meeting on October 2, 2018, we again addressed issues relating to the composition of the Board of Management of Volkswagen AG.

The main topic of discussion at the Supervisory Board meeting on October 16, 2018 was the administrative fine order issued by the public prosecutor's office in Munich II against AUDI AG in connection with the diesel issue.

On October 25, 2018, the Supervisory Board met again to discuss strategic issues in connection with TRATON AG (now TRATON SE).

At the Supervisory Board meeting on November 16, 2018, we discussed in detail the Volkswagen Group's investment and financial planning for the period from 2019 to 2023. The meeting also focused on strategic issues, including the utilization of production sites and the current state of affairs with respect to the diesel issue. We also submitted the annual declaration of conformity with the Code together with the Board of Management. Moreover, we adopted an information policy to provide the Board of Management with detailed guidance on reporting requirements to the Supervisory Board.

In the reporting period, we voted in writing on matters such as the establishment of a branch of Volkswagen AG in Malaysia and on issues relating to the composition and remuneration of the Board of Management of Volkswagen AG.

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.

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.

CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

The Supervisory Board meeting on November 16, 2018 focused on the implementation of the recommendations and suggestions of the Code in the Volkswagen Group. We discussed in detail the version of the Code dated February 7, 2017, as published by the 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/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 59 and in the notes to the consolidated financial statements on page 327 of this annual report.

MEMBERS OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Ms. Annika Falkengren stepped down as a member of the Supervisory Board of Volkswagen AG 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. On May 3, 2018, the Annual General Meeting elected Ms. Heiß as a member of the Supervisory Board of Volkswagen AG for a full term of office.

The term of office of Dr. Wolfgang Porsche on the Supervisory Board of Volkswagen AG duly ended at the close of the 58th Annual General Meeting. The Annual General Meeting reelected Dr. Porsche on May 3, 2018 for a further full term of office on the Supervisory Board.

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

The enhancement of the Volkswagen Group management structure also gave rise to changes in the composition of the Board of Management of Volkswagen AG. Mr. Matthias Müller resigned from his position as Chairman of the Board of Management of Volkswagen AG by mutual agreement with effect from April 12, 2018. Dr. Herbert Diess was appointed to succeed him, effective April 13, 2018. Dr. Diess also heads the Volume brand group, which includes the Volkswagen Passenger Cars brand. Dr. Karlheinz Blessing and Dr. Francisco Javier Garcia also left their positions as members of the Board of Management on April 12, 2018, Dr. Blessing by mutual agreement and Dr. Garcia of his own volition. Mr. Gunnar Kilian was appointed to succeed Dr. Blessing as member of the Board of Management of Volkswagen AG with responsibility for Human Resources effective April 13, 2018. Dr. Stefan Sommer took over from Dr. Garcia Sanz as member of the Board of Management with responsibility for Components and Procurement effective September 1, 2018. Mr. Oliver Blume, Chairman of the Board of Management of Dr. Ing. h.c. F. Porsche AG, was newly appointed to the Group Board of Management with effect from April 13, 2018. Mr. Blume is the member of the Group Board of Management responsible for the Sport & Luxury brand group.

With effect from October 2, 2018, Mr. Rupert Stadler left the Board of Management of Volkswagen AG and the Board of Management of AUDI AG. Mr. Abraham Schot was appointed to succeed him as member of the Board of Management of Volkswagen AG and Chairman of the Board of Management of AUDI AG, effective January 1, 2019. Mr. Schot is the member of the Group Board of Management responsible for the Premium brand group. He became interim Chairman of the Board of Management at AUDI AG on June 19, 2018 and first attended the meetings of the Volkswagen AG Board of Management as a guest.

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. Diess with effect from January 11, 2019.

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

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

In line with our proposal, the Annual General Meeting of Volkswagen AG on May 3, 2018 elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) as auditors for fiscal year 2018. 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 2018.

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, 2018 (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 in each case 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 2018 in good time for their meetings on February 21, 2019 and February 22, 2019 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

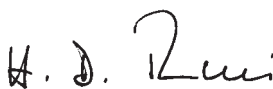
dependent company report as well as the combined separate nonfinancial report, and reported on these at the Supervisory Board meeting on February 22, 2019. Following this, the Audit Committee recommended that the Supervisory Board approve the annual and consolidated financial statements. We examined 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 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 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 22, 2019, at which the auditors also took part in discussions on 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 2018 to attain limited assurance and issued an unqualified report. At our meeting on February 22, 2019, PwC took part in the discussions on the agenda items relating to the combined separate nonfinancial report for 2018. Upon completion of its own independent examination of the combined separate nonfinancial report for 2018, 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 2018. With your immense personal commitment, great loyalty and unwavering readiness to support the changes implemented, you made a decisive contribution in helping the Volkswagen Group to conclude fiscal year 2018 successfully in spite of the many challenges presented.

Wolfsburg, February 22, 2019



Hans Dieter Pötsch
Chairman of the Supervisory Board

