

Report of the Supervisory Board

(IN ACCORDANCE WITH SECTION 171(2) OF THE AKTG)

Ladies and Gentlemen,

2015 was a very eventful year for the Volkswagen Group. The events surrounding the emissions issue and changes in the composition of the Supervisory Board and the Board of Management meant that 2015 was also an unprecedented year in terms of the work of the Supervisory Board. The Supervisory Board of Volkswagen AG therefore addressed the Company's position and development regularly and in greater breadth and depth than ever before. We supported and supervised 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 at all times. The Supervisory Board was directly involved in all decisions of fundamental importance to the Group. We also 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 orally on the development of the business and the Company's planning and position, including the risk situation and risk management. In addition, the Board of Management reported to the Supervisory Board on an ongoing basis on compliance-related topics and other topical issues. In all cases we received the documents relevant to our decisions in good time for our meetings. We also received a detailed monthly 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 orally or in writing. We analyzed the reasons for the variances together with the Board of Management so as to enable countermeasures to be derived. In addition, the Board of Management presented regular reports on current developments in connection with the emissions issue at the meetings of the Special Committee on Diesel Engines.

The Chairman and the Deputy Chairman of the Supervisory Board consulted with the Chairman of the Board of Management at regular intervals between meetings to discuss important current issues such as the Volkswagen Group's strategy and planning, the development of the business, the Group's risk situation and risk management including compliance issues, as well as developments in the diesel and CO₂ issues from September 2015 onwards.

The Supervisory Board held a total of eight meetings in fiscal year 2015. The average attendance ratio was 95.0%; with the exception of Mr. Akbar Al Baker, 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 perform 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, 2015 are given on page 84 of this annual report.

The Executive Committee met twelve times during the past fiscal year. As well as discussing the composition of the Board of Management, these meetings primarily served to prepare in detail the resolutions by the Supervisory Board and to deal with contractual issues concerning the Board of Management other than remuneration. In addition, the Executive Committee addressed the events relating to the emissions issue in detail as from September 2015.

The Nomination Committee is responsible for proposing suitable candidates for the Supervisory Board to recommend for election to the Annual General Meeting. The Committee met three times in the reporting period.

The Mediation Committee did not have to be convened in 2015.

The Audit Committee held six meetings in fiscal year 2015. It focused primarily on the consolidated financial statements, risk management (including the internal control system), and the work performed by the Company's compliance organization. In addition, the Audit Committee addressed the Group's quarterly reports and the half-yearly financial report as well as current financial reporting issues and their examination by the auditors.

The Special Committee on Diesel Engines is responsible for coordinating all activities relating to the emissions issue. In particular, the Special Committee is tasked with reviewing the progress being made with the internal investigations. It also receives regular reports from the Board of Management about the latest developments. Finally, it is entrusted with examining any consequences of the findings. The Special Committee on Diesel Engines met on six occasions in fiscal year 2015 following its establishment October 7, 2015.

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

At the Supervisory Board meeting on February 27, 2015 following a detailed examination we approved the consolidated financial statements and the annual financial statements of Volkswagen AG for 2014 prepared by the Board of Management, as well as the combined management report. We also examined the dependent company report submitted by the Board of Management and came to the conclusion that there were no objections to be raised to the concluding declaration by the Board of Management in the report. Another agenda item was the remuneration system for the Board of Management. We also addressed the future structure and direction of the commercial vehicles business. In addition, we appointed Mr. Matthias Müller and Dr. Herbert Diess to the Group's Board of Management effective March 1, 2015 and July 1, 2015, respectively.

Two Supervisory Board meetings were held on May 4 and 5, 2015 in the context of Volkswagen AG's 2015 Annual General Meeting. These meetings focused on preparations for and the post-completion analysis of the 55th Annual General Meeting of Volkswagen AG on May 5, 2015. We also approved the creation of the integrated commercial vehicles group and the establishment of Truck & Bus GmbH as a new holding company for the MAN and Scania commercial vehicles brands.

At the Supervisory Board meeting on September 25, 2015, we addressed in detail the information available at the time on the irregularities discovered in relation to the nitrogen oxide emissions of certain diesel engines and discussed the establishment of the Special Committee on Diesel Engines. We also adopted resolutions to restructure the Company, including a new management structure in the Volkswagen Group and its brands, as well as in the North American region, which started being implemented in early 2016. We accepted Prof. Dr. Martin Winterkorn's offer to step down as Chairman of the Board of Management of Volkswagen AG. We appointed Mr. Matthias Müller as Chairman of the Board of Management of Volkswagen AG and resolved on other issues relating to the composition of the Board of Management. The Supervisory Board also defined a target quota for the Board of Management in accordance with the Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst (Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public



HANS DIETER PÖTSCH

Sectors): the Supervisory Board of Volkswagen AG set itself the long-term goal of increasing the proportion of female members on the Board of Management to 30%. Further information on this topic is contained in the Corporate Governance Report on page 63.

The Supervisory Board meeting on October 7, 2015 focused on the current state of affairs with respect to the diesel issue. We also resolved on the establishment of the Special Committee on Diesel Engines in this connection. In addition, we appointed Mr. Frank Witter to the Group Board of Management with responsibility for Finance and Controlling and elected Mr. Hans Dieter Pötsch as Chairman of the Supervisory Board. Mr. Pötsch was previously appointed by the court as a replacement member of the Supervisory Board, succeeding Ms. Julia Kuhn-Piëch.

Another Supervisory Board meeting on the emissions issue was held on November 9, 2015.

At the Supervisory Board meeting on November 20, 2015, we discussed in detail the Volkswagen Group's investment and financial planning for the period from 2016 to 2018. We also elected Mr. Jörg Hofmann as Deputy Chairman of the Supervisory Board. Mr. Hofmann was previously appointed by the court as a replacement member of the Supervisory Board, succeeding Mr. Berthold Huber. The meeting also focused on current information about the emissions issue and on issuing the annual declaration of conformity with the German Corporate Governance Code.

The Supervisory Board's last meeting in the reporting period was held on December 9, 2015. We addressed in detail the latest findings on the emissions issue. We also appointed Dr. Karlheinz Blessing as the member of the Board of Management with responsibility for Human Resources and Organization, effective January 1, 2016, as the successor to Dr. Horst Neumann.

Among other things, we decided to approve the sale of LeasePlan Corporation N.V. and to appoint Dr. Christine Hohmann-Dennhardt to the newly created Group Board of Management position for Integrity and Legal Affairs, effective January 1, 2016, in resolutions that were adopted by circulating written documents.

CONFLICTS OF INTEREST

At its meeting on November 19, 2015, the Executive Committee of the Supervisory Board addressed major shareholder business relationships. In this context, the Executive Committee granted approvals to transactions with the State of Lower Saxony. Executive Committee member Mr. Stephan Weil is Minister-President of the State of Lower Saxony and took part in the votes. The Executive Committee members were guided exclusively by the interests of the Company when voting. No material conflicts of interest were discernible in this respect. All approvals were granted unanimously.

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

CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

The Supervisory Board meeting on November 20, 2015 focused on the implementation of the recommendations and suggestions of the German Corporate Governance Code at the Volkswagen Group. We discussed in detail the version of the German Corporate Governance Code dated May 5, 2015, as published by the relevant government commission on June 12, 2015, and issued the annual declaration of conformity with the recommendations of the German Corporate Governance Code in accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) together with the Board of Management. On March 14, 2016, and April 22, 2016, the Board of Management and the Supervisory Board of Volkswagen AG each issued a supplement to the declaration of conformity.

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 German Corporate Governance Code can be found in the corporate governance report starting on page 60 and in the notes to the consolidated financial statements on page 299 of this annual report.

MEMBERS OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Prof. Dr. Ferdinand K. Piëch stepped down as Chairman and as a member of the Supervisory Board of Volkswagen AG and from all of his offices on the supervisory boards of Volkswagen Group companies on April 25, 2015. Ms. Ursula Piëch also stepped down from all of her supervisory board offices in the Volkswagen Group on the same day. Mr. Berthold Huber, the Deputy Chairman of the Supervisory Board, assumed the chairmanship of the Supervisory Board temporarily until the election of a new chairman.

On April 30, 2015, Dr. Louise Kiesling and Ms. Julia Kuhn-Piëch were appointed to the Supervisory Board of Volkswagen AG as shareholder representatives, effective the same day, by the court on the application of the Board of Management of Volkswagen AG in accordance with section 104 of the AktG.

Dr. Hussain Ali Al-Abdulla's scheduled term of office on the Supervisory Board of Volkswagen AG expired at the end of the 55th Annual General Meeting on May 5, 2015. The Annual General Meeting elected Dr. Al-Abdulla to the Supervisory Board for a further full term of office as a shareholder representative. Mr. Ahmad Al-Sayed stepped down as a shareholder representative on the Supervisory Board of Volkswagen AG as of the end of the Annual General Meeting. The Annual General Meeting elected Mr. Akbar Al Baker to replace him for the remainder of his term of office.

In accordance with section 104 of the AktG, the court appointed Mr. Uwe Hück, Chairman of the General and Group Works Councils of Dr. Ing. h.c. F. Porsche AG, to the Supervisory Board of Volkswagen AG as an employee representative effective July 1, 2015. He replaces Mr. Jürgen Dorn, who stepped down as of June 30, 2015.

On October 7, 2015, Mr. Hans Dieter Pötsch, who had previously resigned from his office as the member of the Board of Management with responsibility for Finance and Controlling, was appointed to the Supervisory Board of Volkswagen AG by the court as a replacement shareholder representative in accordance with section 104 of the AktG. Mr. Pötsch replaced Ms. Julia Kuhn-Piëch, who stepped down from the Supervisory Board with effect from October 1, 2015. At its meeting on October 7, 2015, the Supervisory Board elected Mr. Pötsch as its Chairman with immediate effect.

Mr. Berthold Huber and Mr. Hartmut Meine stepped down as employee representatives on the Supervisory Board of Volkswagen AG effective November 19, 2015 and November 21, 2015, respectively. The court appointed Mr. Jörg Hofmann, first chairman of IG Metall, and Mr. Johan Järvklo, chairman of IF Metall at Scania AB, as their replacements effective November 20, 2015 and November 22, 2015, respectively, in accordance with section 104 of the AktG.

Mr. Andreas Renschler has been the member of the Group Board of Management responsible for Commercial Vehicles since February 1, 2015 as the successor to Dr. Leif Östling. Dr. Östling stepped down from the Group Board of Management on February 28, 2015.

At its meeting on February 27, 2015, the Supervisory Board of Volkswagen AG appointed Mr. Matthias Müller as member of the Board of Management of Volkswagen AG with responsibility as “Chairman of the Board of Management of Dr. Ing. h.c. F. Porsche AG”, effective March 1, 2015.

At the same meeting, the Supervisory Board resolved to appoint Dr. Herbert Diess as a member of the Board of Management of Volkswagen AG in his role as chairman of the brand board of management of Volkswagen Passenger Cars, effective July 1, 2015.

The Chairman of the Board of Management of Volkswagen AG, Prof. Dr. Martin Winterkorn, stepped down on September 25, 2015. The Supervisory Board of Volkswagen AG appointed Mr. Matthias Müller as the new Chairman of the Board of Management of Volkswagen AG with effect from September 26, 2015.

Mr. Christian Klingler, member of the Board of Management of Volkswagen AG with responsibility for Sales and Marketing, stepped down with effect from September 25, 2015.

On October 7, 2015, the Supervisory Board appointed Mr. Frank Witter, previously Chairman of the Board of Management of Volkswagen Financial Services AG, as member of the Board of Management of Volkswagen AG with responsibility for Finance and Controlling, as the successor to Mr. Pötsch.

Dr. Horst Neumann, member of the Board of Management of Volkswagen AG with responsibility for Human Resources and Organization, retired on November 30, 2015. The Supervisory Board appointed Dr. Karlheinz Blessing as his successor, effective January 1, 2016.

With effect from January 1, 2016, Dr. Christine Hohmann-Dennhardt took up the newly created Integrity and Legal Affairs position on the Board of Management of Volkswagen AG.

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

Former Supervisory Board member Mr. Heinrich Söfjer died on June 30, 2015 aged 64. Mr. Söfjer’s tremendous initiative and outstanding dedication enabled him to play an active role in shaping the work of the Supervisory Board during his term of office from 2007 to 2010. We will honor his memory.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The Annual General Meeting of Volkswagen AG on May 5, 2015 elected PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as auditors for fiscal year 2015, in line with our proposal. 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.

In addition, they 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 Volkswagen AG on Relationships with Affiliated Companies in Accordance with Section 312 of the AktG for the period from January 1 to December 31, 2015 (dependent company

TO OUR SHAREHOLDERS
Report of the Supervisory Board

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.”

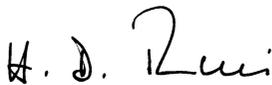
The members of the Audit Committee and the members of the Supervisory Board were provided in each case with the documentation relating to the annual financial statements, including the dependent company report, and the audit reports prepared by the auditors in good time for their meetings on April 21, 2016 and April 22, 2016 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 and the dependent company report and reported on these at the Supervisory Board meeting on April 22, 2016. 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 April 22, 2016, 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. Our examination of the dependent company report did not result in any objections 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.

The events surrounding the emissions issue have affected us all very deeply. Volkswagen does not tolerate any breaches of the law or other irregularities. The misconduct uncovered in fiscal year 2015 runs contrary to all of the values that Volkswagen stands for. The trust of our customers and the public is and will remain our most important asset. We are sincerely sorry for betraying this trust. We will spare no effort in restoring full confidence. The Supervisory Board has already initiated extensive measures in order to comprehensively address the issue.

We would like to thank the members of the Board of Management, the Works Council, the management and all the employees of Volkswagen AG and its affiliated companies, and express our particular appreciation for their work in 2015. Their great fortitude and loyalty have been a source of strength for Volkswagen in this difficult time.

Wolfsburg, April 22, 2016



Hans Dieter Pötsch
Chairman of the Supervisory Board