

# Letter to our Shareholders

*Dear Shareholders,*

Life sometimes has its ironic side. For years, Volkswagen seemed to be pursuing one overriding goal: to become the world's biggest carmaker. Then the diesel scandal broke in September 2015, marking a profound turning point. And now – in spring 2017, when we are still coping with the consequences of the crisis and have long since defined new priorities for the future – the headlines read: “Volkswagen becomes the world's best-selling automaker.”

Naturally, we are pleased with this success. But much more important than the fact that we delivered a record-breaking 10.3 million vehicles last year is that this achievement testifies to the trust our customers place in us. We are thankful for that. We will continue to do everything in our power to honor this confidence – and to win back the trust of those we have let down.

Our financial key performance indicators also confirm that 2016 was a very successful year for Volkswagen in spite of all the strains: sales revenue rose further to €217.3 billion. At €7.1 billion, the operating profit, which had slipped into the red in the previous year due to the diesel crisis, was back in strongly positive territory – even though it was once again impacted significantly by negative special items amounting to €7.5 billion. Before special items, the Group's operating profit was €14.6 billion – the highest ever in the history of our company. At 6.7 percent, the operating return on sales before special items also exceeded the target we had set ourselves.

Much as it gives me pleasure to report these figures, chasing records is not what drives us. Our real mission is to make Volkswagen and its products better and better. We progressed with that in the last fiscal year. And there is another message in these figures, as well: the Volkswagen Group and its 12 brands are very solidly positioned in both operational and financial terms. All this is no coincidence, it is the result of a strong team performance: I would like to thank all colleagues in the Group for their personal commitment and hard work during last year.

We also know we asked a lot of you, our shareholders, recently. On behalf of our employees and in my own name I would like to thank you for your loyalty and support during a difficult time for your company. With this in mind and given the good development of the operating business, the Board of Management and the Supervisory Board will propose a dividend for the fiscal year 2016 of €2.00 per ordinary share and €2.06 per preferred share.

We are all aware that the Volkswagen Group still has a long way to go. Size is certainly not the only thing that counts in tomorrow's world of mobility: a world shaped by new technologies, competitors and business models. What also matters is a new, holistic approach to mobility. This is about the capability and the courage to change. A company that “only” builds fascinating cars will not be able to compete for long.

**“CHASING RECORDS IS NOT WHAT DRIVES US. OUR REAL MISSION IS TO MAKE VOLKSWAGEN AND ITS PRODUCTS BETTER AND BETTER.”**

——— Matthias Müller



Our future program TOGETHER – Strategy 2025 maps out this change and underpins it with a convincing plan. We are working to transform Volkswagen into a globally leading provider of sustainable mobility. To that end, we have forged new partnerships and entered into new participations in recent months. With MOIA, we have established our own company for new mobility solutions. We have set clear signs regarding our ambitious plans for e-mobility. By decentralizing responsibility within the Group we are making Volkswagen faster, more focused and efficient. We are doing more in terms of integrity and sustainability, too, because a company's long-term success depends on its authenticity in assuming responsibility for the environment and society. And only a company with a solid system of values and a vibrant, open culture can lay claim to a firm place at the center of society.

Notwithstanding all reforms and changes, there is one thing we will never do, and that is to abandon our definitive strengths, the essence of our company. We will continue to work with passion on the best technologies, vehicles and business models for our customers. This year, our brands will be launching around 60 new vehicles; that underscores our determination and makes us optimistic for the coming months.

The Volkswagen Group is on the move. We are leading this great company whose brands and products have always stood for innovative strength, security, enduring value and emotional design into tomorrow's world. There is no question that we have set ourselves a challenging goal. But it is most definitely worth it. And we very much hope you will remain at our side on this journey.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthias Müller". The signature is written in a cursive, flowing style.

Matthias Müller