Shares and Bonds

Volkswagen AG's ordinary and preferred shares outperformed the market as a whole in 2017 in a volatile environment. The Volkswagen Group successfully returned to the European bond market.

EQUITY MARKETS AND PERFORMANCE OF THE PRICE OF VOLKSWAGEN'S SHARES

In the period from January to December 2017, prices on the international equity markets rose amid volatile trading.

The DAX also recorded an increase compared with the end of 2016. The promising economic performance of important industrialized nations, the improved situation in the US labor market, and the outcome of the elections in some EU member states had a positive impact, as did the adopted US tax reform, which among other factors contributed to financial relief for companies. Uncertainty as regards to the economic policy of the new US government, the election results in Europe, the monetary policy of the US Federal Reserve as well as the European Central Bank, the strong euro and international crises also had a negative impact on share listings at times.

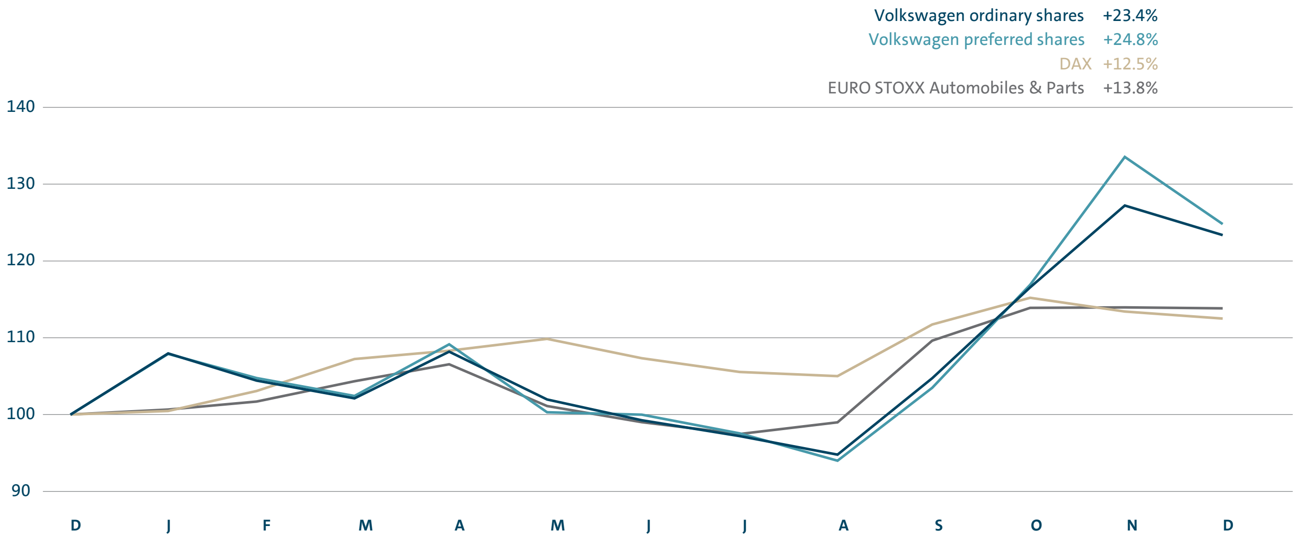
In 2017, Volkswagen AG's preferred and ordinary shares surpassed the rising market trend amid high volatility. Positive stimulus was generated by settlement agreements in the USA in connection with the diesel issue, strong corporate earnings, sizeable cash flow and the successful performance of the Volkswagen Passenger Cars brand. Share prices were negatively impacted by the provisions required in connection with the diesel issue as well as uncertainty about further legal risks arising from the diesel issue, suspected antitrust behavior by German automotive companies and the future regulatory framework for diesel and electric vehicles.

VOLKSWAGEN KEY SHARE FIGURES AND MARKET INDICES FROM JANUARY 1 TO DECEMBER 31, 2017

		High	Low	Closing
Ordinary share	Price (€)	173.95	128.70	168.70
	Date	Nov. 30	Aug. 10	Dec. 29
Preferred share	Price (€)	178.10	125.35	166.45
	Date	Nov. 30	Aug. 31	Dec. 29
DAX	Price	13,479	11,510	12,918
	Date	Nov. 3	Feb. 6	Dec. 29
ESTX Auto & Parts	Price	610	508	593
	Date	Nov. 3	July 31	Dec. 29

PRICE DEVELOPMENT FROM DECEMBER 2016 TO DECEMBER 2017

Index based on month-end prices: December 31, 2016 = 100



DIVIDEND POLICY

Our dividend policy matches our financial strategy. In the interests of all stakeholders, we aim for continuous dividend growth so that our shareholders can participate appropriately in our business success. The proposed dividend amount therefore reflects our financial management objectives – in particular, ensuring a solid financial foundation as part of the implementation of our strategy.

The Board of Management and Supervisory Board of Volkswagen AG are proposing a dividend of €3.90 per ordinary share and €3.96 per preferred share. On this basis, the total dividend for fiscal year 2017 amounts to €2.0 (1.0) billion. The payout ratio is based on the Group's earnings after tax attributable to Volkswagen AG shareholders. This amounts to 17.3% for the reporting period and stood at 19.7% in the previous year. In our new Group strategy, we aim to achieve a payout ratio of 30%.

FURTHER INFORMATION ON VOLKSWAGEN SHARES
www.volkswagenag.com/ir

DIVIDEND YIELD

Based on the dividend proposal for the reporting period, the dividend yield on Volkswagen ordinary shares is 2.3 (1.5)%, measured by the closing price on the last trading day in 2017. The dividend yield on preferred shares is 2.4 (1.5)%.

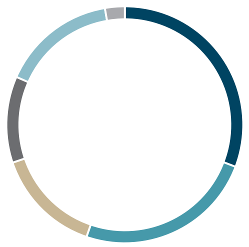
The current dividend proposal can be found in the chapter entitled "Volkswagen AG (condensed, according to the German Commercial Code)", on page 131 of this annual report.

EARNINGS PER SHARE

Basic earnings per ordinary share were €22.63 (10.24) in fiscal year 2017. Basic earnings per preferred share were €22.69 (10.30). In accordance with IAS 33, the calculation is based on the weighted average number of ordinary and preferred shares outstanding in the reporting period. Since the number of basic and diluted shares is identical, basic earnings per share correspond to diluted earnings per share.

See also note 11 to the Volkswagen consolidated financial statements for the calculation of earnings per share.

SHAREHOLDER STRUCTURE AT DECEMBER 31, 2017
as a percentage of subscribed capital



Porsche Automobil Holding SE	30.8
Foreign institutional investors	24.5
Qatar Holding LLC	14.6
State of Lower Saxony	11.8
Private shareholders/Others	15.7
German institutional investors	2.7

VOLKSWAGEN SHARE DATA

	Ordinary shares	Preferred shares
ISIN	DE0007664005	DE0007664039
WKN	766400	766403
Deutsche Börse/Bloomberg	VOW	VOW3
Reuters	VOWG.DE	VOWG_p.DE
Primary market indices	CDAX, Prime All Share, MSCI Euro, S&P Global 100 Index	DAX, CDAX, EURO STOXX, EURO STOXX 50, EURO STOXX Automobiles & Parts, Prime All Share, MSCI Euro
Exchanges	Berlin, Düsseldorf, Frankfurt, Hamburg, Hanover, Munich, Stuttgart, Xetra, Luxembourg, New York[1], SIX Swiss Exchange	

1 Traded in the form of "sponsored unlisted American Depositary Receipts" (ADRs). Five ADRs correspond to one underlying Volkswagen ordinary or preferred share.

SHAREHOLDER STRUCTURE AT DECEMBER 31, 2017

Volkswagen AG's subscribed capital amounted to €1,283,315,873.28 at the end of the reporting period. The shareholder structure of Volkswagen AG as of December 31, 2017 is shown in the chart on this page.

The distribution of voting rights for the 295,089,818 ordinary shares was as follows at the reporting date: Porsche Automobil Holding SE, Stuttgart, held 52.2% of the voting rights. The second-largest shareholder was the State of Lower Saxony, which held 20.0% of the voting rights. Qatar Holding LLC was the third-largest shareholder, with 17.0%. The remaining 10.8% of ordinary shares were attributable to other shareholders.

Notifications of changes in voting rights in accordance with the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) are published on our website at www.volkswagenag.com/ir.

OUR INVESTOR RELATIONS TEAM IS AVAILABLE FOR QUERIES AND COMMENTS AT ALL TIMES:

WOLFSBURG OFFICE (VOLKSWAGEN AG)

Phone	+49 (0) 5361 9-00
Fax	+49 (0) 5361 9-30411
E-mail	investor.relations@volkswagen.de
Internet	www.volkswagenag.com/ir

LONDON OFFICE

Phone	+44 20 3705 2045

BEIJING OFFICE

Phone	+86 106 531 4132

INVESTOR RELATIONS ACTIVITIES

Investor relations activities in fiscal year 2017 were dominated mainly by communications related to the Volkswagen Group's future program TOGETHER – Strategy 2025 as well as the relevant initiatives and programs launched by the Group brands and regions. One of the central activities was a Capital Markets Day held as part of the annual press and investor conference on March 14, 2017 at which detailed information on Volkswagen's strategy and financial targets was provided. The targets were firmed up at the annual planning session and communicated in November at a conference call.

In fiscal year 2017, the Investor Relations team once again provided extensive information to investors and analysts in all key financial markets worldwide about the strategic focus, current business performance and future prospects of the Volkswagen Group. At roughly 700 one-on-one discussions, road shows and conferences, we maintained close contact with capital market participants. Many of these discussions involved an exchange of ideas between investors and analysts and members of the Board of Management and Group senior executives, in addition to some discussions with the Chairman of the Supervisory Board.

Additional Volkswagen share data, as well as corporate news, reports and presentations can be downloaded from our website at www.volkswagenag.com/ir.

VOLKSWAGEN SHARE KEY FIGURES

DIVIDEND DEVELOPMENT		2017	2016	2015	2014	2013
Number of no-par value shares at Dec. 31						
Ordinary shares	thousands	295,090	295,090	295,090	295,090	295,090
Preferred shares	thousands	206,205	206,205	206,205	180,641	170,148
Dividend[1]						
per ordinary share	€	3.90	2.00	0.11	4.80	4.00
per preferred share	€	3.96	2.06	0.17	4.86	4.06
Dividend paid[1]	€ million	1,967	1,015	68	2,294	1,871
on ordinary shares	€ million	1,151	590	32	1,416	1,180
on preferred shares	€ million	817	425	35	878	691

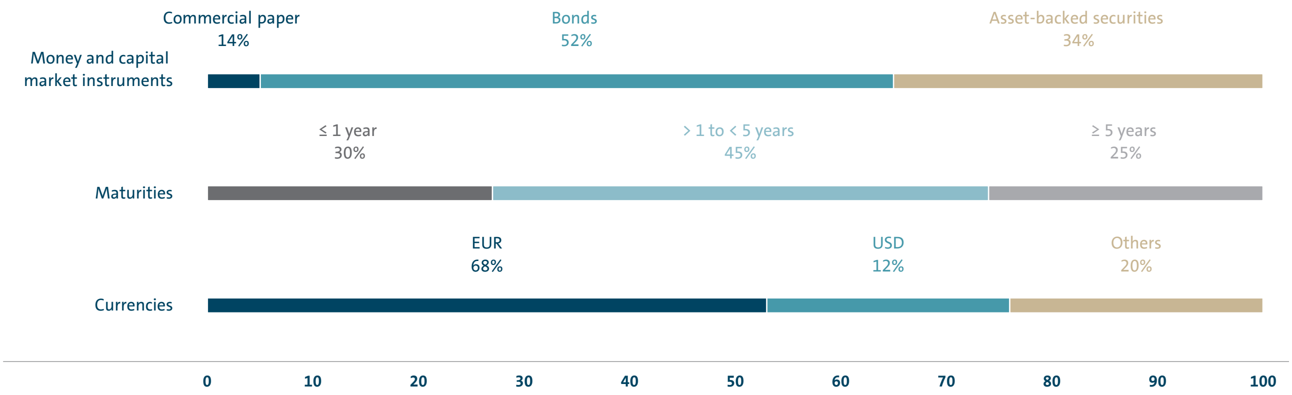
SHARE PRICE DEVELOPMENT[2]		2017	2016	2015	2014	2013
Ordinary share						
Closing	€	168.70	136.75	142.30	180.10	196.90
Price performance	%	+23.4	−3.9	−21.0	−8.5	+21.0
Annual high	€	173.95	144.20	247.55	197.35	196.90
Annual low	€	128.70	108.95	101.15	150.70	132.60
Preferred share						
Closing	€	166.45	133.35	133.75	184.65	204.15
Price performance	%	+24.8	−0.3	−27.6	−9.6	+18.6
Annual high	€	178.10	138.80	255.20	203.35	204.15
Annual low	€	125.35	94.00	92.36	150.25	138.50
Beta factor[3]	factor	1.12	1.22	1.28	1.38	1.32
Market capitalization at Dec. 31	€ billion	84.1	67.9	69.6	86.5	92.8
Equity attributable to Volkswagen AG shareholders and hybrid capital investors at Dec. 31	€ billion	108.8	92.7	88.1	90.0	87.7
Ratio of market capitalization to equity	factor	0.77	0.73	0.79	0.96	1.06

KEY FIGURES PER SHARE		2017	2016	2015	2014	2013
Earnings per ordinary share[4]						
basic	€	22.63	10.24	−3.20	21.82	18.61
diluted	€	22.63	10.24	−3.20	21.82	18.61
Equity[5]	€	217.13	184.90	175.67	189.16	188.58
Price/earnings ratio[6]						
Ordinary share	factor	7.5	13.4	x	8.2	10.6
Preferred share	factor	7.3	13.0	x	8.4	10.9
Dividend yield[7]						
Ordinary share	%	2.3	1.5	0.1	2.7	2.0
Preferred share	%	2.4	1.5	0.1	2.6	2.0

STOCK EXCHANGE TURNOVER[8]		2017	2016	2015	2014	2013
Turnover of Volkswagen ordinary shares	€ billion	3.5	3.3	6.9	3.2	3.5
	million shares	23.6	25.4	45.4	17.8	21.4
Turnover of Volkswagen preferred shares	€ billion	45.1	41.1	72.4	45.1	43.0
	million shares	312.3	347.0	444.4	248.3	252.8
Volkswagen share of total DAX turnover	%	5.4	5.0	7.1	5.4	5.7

1 Figures for the years 2013 to 2016 relate to dividends paid in the following year. For 2017, the figures relate to the proposed dividend.
2 Xetra prices.
3 See page 127 for the calculation.
4 See note 11 to the consolidated financial statements (Earnings per share) for the calculation.
5 Based on the total number of ordinary and preferred shares on December 31 (excluding potential shares from the mandatory convertible note).
6 Ratio of year-end-closing price to earnings per share.
7 Dividend per share based on the year-end-closing price.
8 Order book turnover on the Xetra electronic trading platform (Deutsche Börse).

REFINANCING STRUCTURE OF THE VOLKSWAGEN GROUP
as of December 31, 2017



REFINANCING

In the course of 2017, the Volkswagen Group was able to increase the number of bonds issued on various money and capital markets compared with the prior year. In particular, senior and unsecured bonds were issued again in Europe, where we successfully placed a benchmark bond for the Automotive Division for the first time since 2015. This had a volume of €8.0 billion. We were also active for the Financial Services Division in this market, issuing three benchmark bonds totaling €7.75 billion. In addition to this, we issued private placements.

In June 2017, we boosted net liquidity by placing unsecured, subordinated hybrid notes with an aggregate principal amount of €3.5 billion. The perpetual notes were issued in two tranches and can only be called by the issuer. One tranche with a volume of €1.5 billion can only be called after five and a half years, while the other tranche of €2.0 billion can only be called after ten years.

A further focus of refinancing was the issue of commercial paper, especially in Europe and in euros.

Asset-backed security (ABS) transactions were another important element of our refinancing activities, amounting to over €4.1 billion in Europe.

Bonds and ABS transactions were also issued in local capital markets, including Australia, Brazil, China, India and Mexico.

In addition, the Financial Services Division issued a public promissory note with a value of €0.9 billion.

The proportion of fixed-rate instruments in the past year was roughly twice as high as the proportion of variable-rate instruments.

In all refinancing arrangements, we pursue the goal of excluding risks related to interest rates and currency by entering into derivatives contracts at the same time.

The table below shows how our money and capital market programs were utilized as of December 31, 2017, and illustrates the financial flexibility of the Volkswagen Group:

PROGRAMS	Authorized volume € billion	Amount utilized on Dec. 31, 2017 € billion
Commercial Paper	36.3	15.0
Bonds	127.6	58.1
of which hybrid issues	–	11.0
Asset-backed securities	71.2	34.9

RATINGS

	VOLKSWAGEN AG			VOLKSWAGEN FINANCIAL SERVICES AG			VOLKSWAGEN BANK GMBH		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Standard & Poor's									
short-term	A–2	A–2	A–2	A–2	A–2	A–2	A–2	A–2	A–2
long-term	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	A–	A–	A–
outlook	stable	negative	negative	stable	negative	negative	negative	negative	negative
Moody's Investors Service									
short-term	P–2	P–2	P–2	P–2	P–1	P–1	P–1	P–1	P–1
long-term	A3	A3	A3	A3	A2	A1	A3	Aa3	A1
outlook	negative	negative	negative	negative	negative	negative	negative	negative	negative

The €20.0 billion syndicated credit line for Volkswagen AG that was agreed with a banking syndicate in December 2015 was terminated in June 2017 as contractually agreed. After exercising an extension option in 2015, the syndicated credit line of €5.0 billion agreed in July 2011 was extended to April 2020. This credit facility remained unused as of the end of 2017.

Syndicated credit lines worth a total of €6.4 billion at other Group companies have also not been drawn down. In addition, Group companies had arranged bilateral, confirmed credit lines with national and international banks in various other countries for a total of €8.5 billion, of which €3.4 billion was drawn down.

RATINGS

In 2017, the rating agencies Standard & Poor's and Moody's Investors Service conducted the regular update of their credit ratings for Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH.

In November 2017, Standard & Poor's confirmed its short-term and long-term ratings of A–2 and BBB+ for Volkswagen AG and Volkswagen Financial Services AG, and of A–2 and A– for Volkswagen Bank GmbH. The outlook for Volkswagen AG and Volkswagen Financial Services AG improved from "negative" to "stable" due to the better than expected operating performance. The outlook for Volkswagen Bank GmbH was left unchanged at "negative".

Moody's Investors Service left the short-term and long-term ratings of Volkswagen AG unchanged at P–2 and A3 respectively. In September 2017, the long-term rating for Volkswagen Financial Services AG was lowered by one notch from A2 to A3. The rating for Volkswagen Bank GmbH was downgraded by three notches from Aa3 to A3. The short-term rating of Volkswagen Financial Services AG was lowered by one notch from P–1 to P–2, while that of Volkswagen Bank GmbH remained unchanged at P–1. These changes were due to the completion of the reorganization at Financial Services AG: Volkswagen Bank GmbH is now a subsidiary of Volkswagen AG. This means that the financing structures of Volkswagen Bank GmbH and Volkswagen Financial Services AG are examined separately. The outlook for all three companies is still classed as negative.

VOLKSWAGEN IN SUSTAINABILITY RANKINGS AND INDICES

Analysts and investors are basing their recommendations and decisions increasingly on companies' sustainability profiles. They draw primarily on sustainability ratings to evaluate a company's environmental, social and governance performance.

In sustainability rankings and indices such as the Dow Jones Sustainability Indices, FTSE4 Good Indices, Sustainalytics and oekom research, where we held top positions before the emissions issue, Volkswagen's ratings have been downgraded or removed. Volkswagen had a score of A– in the CDP (formerly Carbon Disclosure Project) and an A rating in the Water Disclosure Project (WDP).