# Shares and Bonds

Volkswagen AG’s ordinary and preferred shares underperformed the market as a whole amid volatility in 2018. The Company successfully reentered the US capital market for the first time since the emergence of the diesel issue.

## EQUITY MARKETS AND PERFORMANCE OF THE PRICE OF VOLKSWAGEN’S SHARES

In the period from January to December 2018, declining prices overall were seen on the international equity markets amid volatile trading.

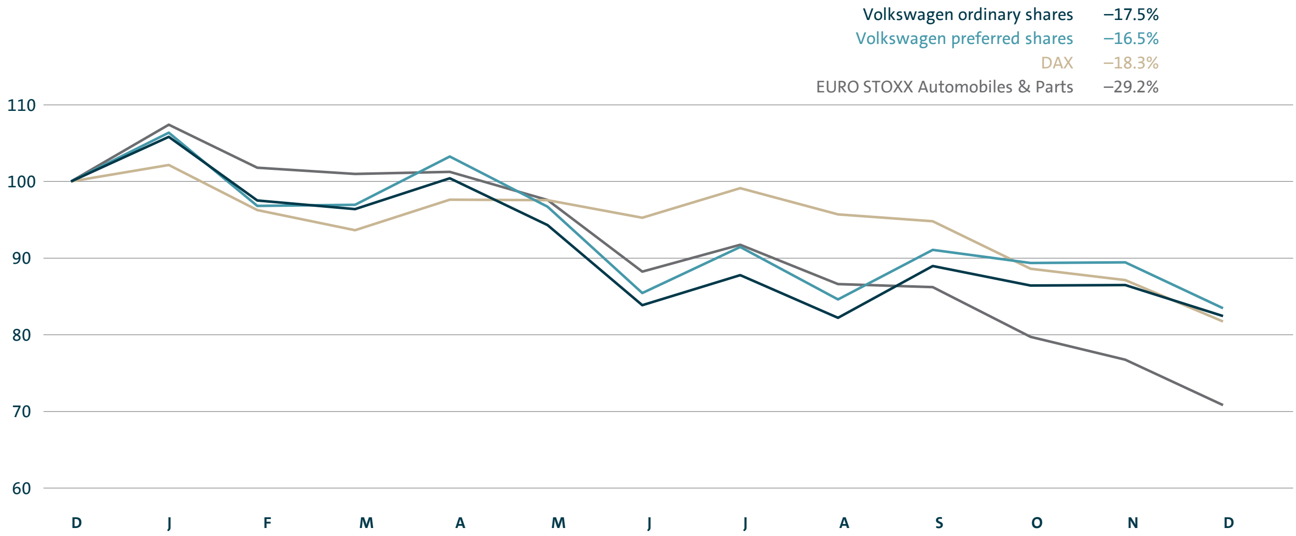
The DAX recorded a drop compared with the end of 2017. Uncertainty regarding the economic policy of the US government, the monetary policy of the US Federal Reserve as well as the European Central Bank and the economic risks of some countries had a lasting negative impact on share prices. The promising economic performance of important industrialized nations and the formation of governments in the individual EU countries had a positive effect.

Throughout 2018, Volkswagen AG’s preferred and ordinary share prices followed the decreasing market trend amid high volatility. Strong liquidity and the enhancement of the management structure at the Volkswagen Group provided a positive impetus. Share prices were negatively impacted, in particular by uncertainty about the future regulatory framework for diesel and electric vehicles, the diesel issue, the US tariff policy and the WLTP test procedure for determining pollutant and $CO_2$ emissions and fuel consumption for passenger cars and light commercial vehicles.

### VOLKSWAGEN KEY SHARE FIGURES AND MARKET INDICES FROM JANUARY 1 TO DECEMBER 31, 2018

| | | High | Low | Closing |
|---|---|---|---|---|
| Ordinary share | Price (€) | 188.00 | 131.10 | 139.10 |
| | Date | Jan. 22 | Oct. 24 | Dec. 28 |
| Preferred share | Price (€) | 188.50 | 133.70 | 138.92 |
| | Date | Jan. 22 | Oct. 24 | Dec. 28 |
| DAX | Points | 13,560 | 10,382 | 10,559 |
| | Date | Jan. 23 | Dec. 27 | Dec. 28 |
| ESTX Auto & Parts | Points | 656 | 415 | 420 |
| | Date | Jan. 22 | Dec. 27 | Dec. 28 |

**PRICE AND INDEX DEVELOPMENT FROM DECEMBER 2017 TO DECEMBER 2018**
*Index based on month-end prices: December 31, 2017 = 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 €4.80 per ordinary share and €4.86 per preferred share for fiscal year 2018. On this basis, the total dividend amounts to €2.4 (2.0) billion. The distribution ratio is based on the Group's earnings after tax attributable to Volkswagen AG shareholders. This amounts to 20.4% for the reporting period and stood at 17.6% in the previous year. In our Group strategy, we aim to achieve a distribution ratio of 30%.

**FURTHER INFORMATION ON VOLKSWAGEN SHARES**
www.volkswagenag.com/en/InvestorRelations.html

### DIVIDEND YIELD

Based on the dividend proposal for the reporting period, the dividend yield on Volkswagen ordinary shares is 3.5 (2.3)%, measured by the closing price on the last trading day in 2018. The dividend yield on preferred shares is 3.5 (2.4)%.

The current dividend proposal can be found in the chapter entitled "Volkswagen AG (condensed in accordance with the German Commercial Code)", on page 130 of this annual report.

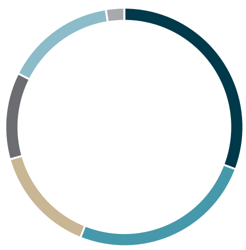
### EARNINGS PER SHARE

Basic earnings per ordinary share were €23.57 (22.28) in fiscal year 2018. Basic earnings per preferred share were €23.63 (22.34). 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 AS OF DECEMBER 31, 2018

*as a percentage of subscribed capital*



| | |
|---|---|
| Porsche Automobil Holding SE | 30.8 |
| Foreign institutional investors | 25.3 |
| Qatar Holding LLC | 14.6 |
| State of Lower Saxony | 11.8 |
| Private shareholders/Others | 15.1 |
| German institutional investors | 2.5 |

## SHAREHOLDER STRUCTURE AS OF DECEMBER 31, 2018

At the end of the reporting period, Volkswagen AG's subscribed capital amounted to €1,283,315,873.28. The shareholder structure of Volkswagen AG as of December 31, 2018 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/en/InvestorRelations/news-and-publications.html.

### OUR INVESTOR RELATIONS TEAM IS AVAILABLE FOR QUERIES AND COMMENTS:

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## 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, Dusseldorf, Frankfurt, Hamburg, Hanover, Munich, Stuttgart, Xetra, Luxembourg, SIX Swiss Exchange | |

Once the approved issue volume of the American Depositary Receipt (ADR) programs had been reached, Volkswagen AG decided not to renew its "level 1 sponsored ADR" programs and notified the custodian bank, JPMorgan Chase Bank, that the programs were being terminated effective August 13, 2018.

## VOLKSWAGEN SHARE KEY FIGURES

| Dividend development | | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| 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 | 206,205 | 180,641 |
| Dividend[1] | | | | | | |
| per ordinary share | € | 4.80 | 3.90 | 2.00 | 0.11 | 4.80 |
| per preferred share | € | 4.86 | 3.96 | 2.06 | 0.17 | 4.86 |
| Dividend paid[1] | € million | 2,419 | 1,967 | 1,015 | 68 | 2,294 |
| on ordinary shares | € million | 1,416 | 1,151 | 590 | 32 | 1,416 |
| on preferred shares | € million | 1,002 | 817 | 425 | 35 | 878 |

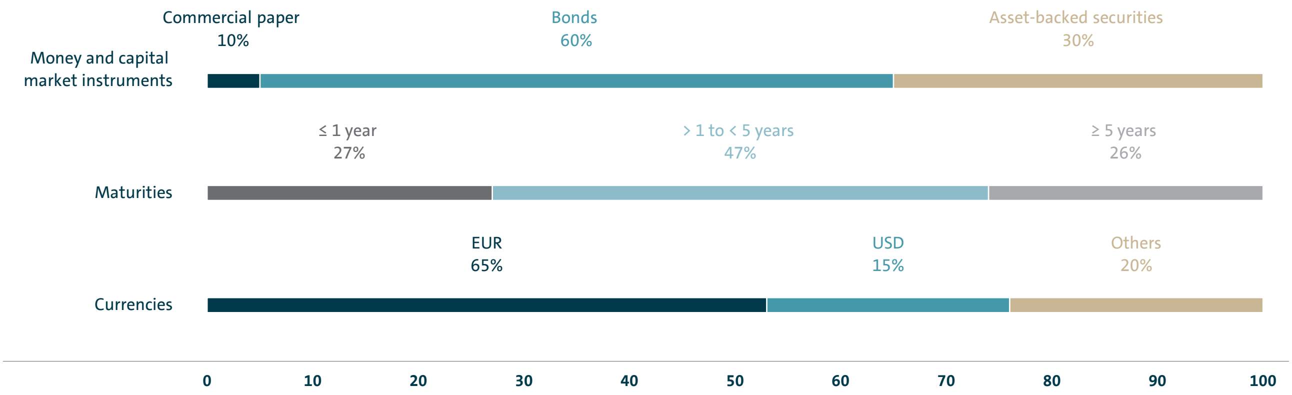
| Share price development[2] | | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| Ordinary share | | | | | | |
| Closing | € | 139.10 | 168.70 | 136.75 | 142.30 | 180.10 |
| Price performance | % | –17.5 | +23.4 | –3.9 | –21.0 | –8.5 |
| Annual high | € | 188.00 | 173.95 | 144.20 | 247.55 | 197.35 |
| Annual low | € | 131.10 | 128.70 | 108.95 | 101.15 | 150.70 |
| Preferred share | | | | | | |
| Closing | € | 138.92 | 166.45 | 133.35 | 133.75 | 184.65 |
| Price performance | % | –16.5 | +24.8 | –0.3 | –27.6 | –9.6 |
| Annual high | € | 188.50 | 178.10 | 138.80 | 255.20 | 203.35 |
| Annual low | € | 133.70 | 125.35 | 94.00 | 92.36 | 150.25 |
| Beta factor[3] | factor | 1.17 | 1.12 | 1.22 | 1.28 | 1.38 |
| Market capitalization at Dec. 31 | € billion | 69.7 | 84.1 | 67.9 | 69.6 | 86.5 |
| Equity attributable to Volkswagen AG shareholders and hybrid capital investors at Dec. 31 | € billion | 117.1 | 108.8 | 92.7 | 88.1 | 90.0 |
| Ratio of market capitalization to equity | factor | 0.60 | 0.77 | 0.73 | 0.79 | 0.96 |

| Key figures per share | | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| Earnings per ordinary share[4] | | | | | | |
| basic | € | 23.57 | 22.28 | 10.24 | –3.20 | 21.82 |
| diluted | € | 23.57 | 22.28 | 10.24 | –3.20 | 21.82 |
| Equity attributable to Volkswagen AG shareholders and hybrid capital investors at Dec. 31[5] | € | 233.63 | 217.13 | 184.90 | 175.67 | 189.16 |
| Price/earnings ratio[6] | | | | | | |
| Ordinary share | factor | 5.9 | 7.5 | 13.4 | x | 8.2 |
| Preferred share | factor | 5.9 | 7.3 | 13.0 | x | 8.4 |
| Dividend yield[7] | | | | | | |
| Ordinary share | % | 3.5 | 2.3 | 1.5 | 0.1 | 2.7 |
| Preferred share | % | 3.5 | 2.4 | 1.5 | 0.1 | 2.6 |

| Stock exchange turnover[8] | | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| Turnover of Volkswagen ordinary shares | € billion | 4.3 | 3.5 | 3.3 | 6.9 | 3.2 |
| | million shares | 28.0 | 23.6 | 25.4 | 45.4 | 17.8 |
| Turnover of Volkswagen preferred shares | € billion | 54.1 | 45.1 | 41.1 | 72.4 | 45.1 |
| | million shares | 346.6 | 312.3 | 347.0 | 444.4 | 248.3 |
| Volkswagen share of total DAX turnover | % | 5.4 | 5.4 | 5.0 | 7.1 | 5.4 |

1 Figures for the years 2014 to 2017 relate to dividends paid in the following year. For 2018, the figures relate to the proposed dividend.
2 Xetra prices.
3 See page 126 for the calculation.
4 See note 11 to the consolidated financial statements (Earnings per share) for the calculation. 2017 figure adjusted (IFRS 9).
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, 2018*




**REFINANCING**

In 2018, the Volkswagen Group focused its refinancing activities on diversifying instruments and markets.

In June 2018, we boosted net liquidity by placing unsecured, subordinated hybrid notes with an aggregate principal amount of €2.75 billion. The perpetual notes were issued in two tranches and can only be called by the issuer. One tranche with a volume of €1.25 billion has a first call date after six years, while the other tranche of €1.5 billion has a first call date after ten years. The transaction also served to refinance a tranche with a principal amount of €1.25 billion from the hybrid notes issued in 2013; the tranche was terminated in September 2018.

Furthermore, a senior, unsecured benchmark bond for the Automotive Division was issued in Europe in four tranches with a volume of €4.25 billion and in two GBP 800 million tranches. Four benchmark bonds with an aggregate volume of €9.35 billion were issued for the Financial Services Division. In addition to this, private placements were issued in various currencies.

Outside the European refinancing market, the Volkswagen Group was active in the North American capital market. With an aggregate issue volume of USD 8.0 billion, we succesfully reentered the US capital market for the first time since the emergence of the diesel issue.

Notes with a volume of around CAD 2.25 billion were issued in the Canadian refinancing market.

A further focus of refinancing was the continued issue of commercial paper, especially in the European region and in euros, as well as in the United States.

Asset-backed securities (ABS) transactions were another important element of our refinancing activities. ABS transactions in excess of €7.1 billion were placed in Europe. In addition, ABS transactions were issued in Australia, Japan, Turkey and the USA among other countries.

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

In all refinancing arrangements, we aim to exclude interest rate and currency risk with the simultaneous use of derivatives.

The table below shows how our money and capital market programs were utilized as of December 31, 2018 and illustrates the financial flexibility of the Volkswagen Group:

| PROGRAMS | Authorized volume € billion | Amount utilized on Dec. 31, 2018 € billion |
|---|---|---|
| Commercial paper | 35.4 | 13.5 |
| Bonds | 139.6 | 80.1 |
| of which hybrid issues | | 12.5 |
| Asset-backed securities | 69.8 | 40.4 |

## RATINGS

| | VOLKSWAGEN AG | | | VOLKSWAGEN FINANCIAL SERVICES AG | | | VOLKSWAGEN BANK GMBH | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2018** | 2017 | 2016 | **2018** | 2017 | 2016 | **2018** | 2017 | 2016 |
| **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 | stable | negative | stable | stable | negative | negative | negative | negative |
| **Moody's Investors Service** | | | | | | | | | |
| short-term | P–2 | P–2 | P–2 | P–2 | P–2 | P–1 | P–1 | P–1 | P–1 |
| long-term | A3 | A3 | A3 | A3 | A3 | A2 | A1 | A3 | Aa3 |
| outlook | stable | negative | negative | stable | negative | negative | stable | negative | negative |

Volkswagen AG's syndicated credit line of €5.0 billion agreed in July 2011 was extended in 2015 to April 2020 by exercising an extension option. This credit facility remained unused as of the end of 2018.

Of the syndicated credit lines worth a total of €7.6 billion at other Group companies, €1.8 billion has 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 €4.2 billion, of which €1.8 billion was drawn down.

### RATINGS

In 2018, 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 and December 2018, 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 was left at "stable" and that for Volkswagen Bank GmbH at "negative".

Moody's Investors Service left its short-term and long-term ratings for Volkswagen AG and Volkswagen Financial Services AG unchanged at P–2 and A3. In April 2018, the outlook was raised in each case from "negative" to "stable" based on better-than-expected operating performance. In August 2018, the long-term rating for Volkswagen Bank GmbH was raised by two notches from A3 to A1 on the back of changes to German banking law. The short-term rating was left at P–1. The outlook was also raised to "stable".

### SUSTAINABILITY RATINGS

Analysts and investors are referring increasingly to company sustainability profiles when making their recommendations and decisions. They draw primarily on sustainability ratings to evaluate a company's environmental, social and governance performance. At the same time, sustainability ratings are instrumental in determining whether we are meeting our goal of being one of the world's leading providers of sustainable mobility. Furthermore, they provide the basis for implementing internal measures.

After the diesel issue became public knowledge, the Volkswagen Group was downgraded significantly in the MSCI, RobecoSAM, Sustainalytics, oekomISS, VigeoEiris, EcoVadis and RepRisk sustainability indices and consequently removed from sustainability indices such as the Dow Jones Sustainability Index and the FTSE4Good Index. In fiscal year 2018, Volkswagen continued to have a score of A– in the CDP and also an A– rating in the Water Disclosure Project (WDP).