Shares and Bonds

Following the sharp fall in share prices triggered by the Covid-19 pandemic, trading in Volkswagen AG's ordinary and preferred shares recovered as the year went on, but fell short of the year-end 2019 figure. To refinance projects connected with e-mobility, green bonds were successfully placed on the market for the first time.

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

Following the sharp fall in share prices in the first quarter of 2020, which was triggered by the Covid-19 pandemic and its severe negative economic implications, international stock markets started to recover during the second quarter, with some even reporting a strong upward trend. At the end of 2020, many equity markets even recorded closing levels above the prior-year levels.

The DAX recorded an increase of 3.5% compared with the end of 2019. After an initially good start to the new financial year with a record high in February, share prices collapsed with the increasing spread of the SARS-CoV-2 virus. Starting from the low reached in March, the leading German stock index then again gained in value and recouped its losses in the fourth quarter. This development was fueled considerably by economic stimulus measures from central banks and governments throughout the world and the resulting hopes of a more rapid global economic recovery. The upward trend lost momentum in the second half of the year, with the impact of the second wave of infections weighing on share price performance, although hopes of a vaccine had a positive effect.

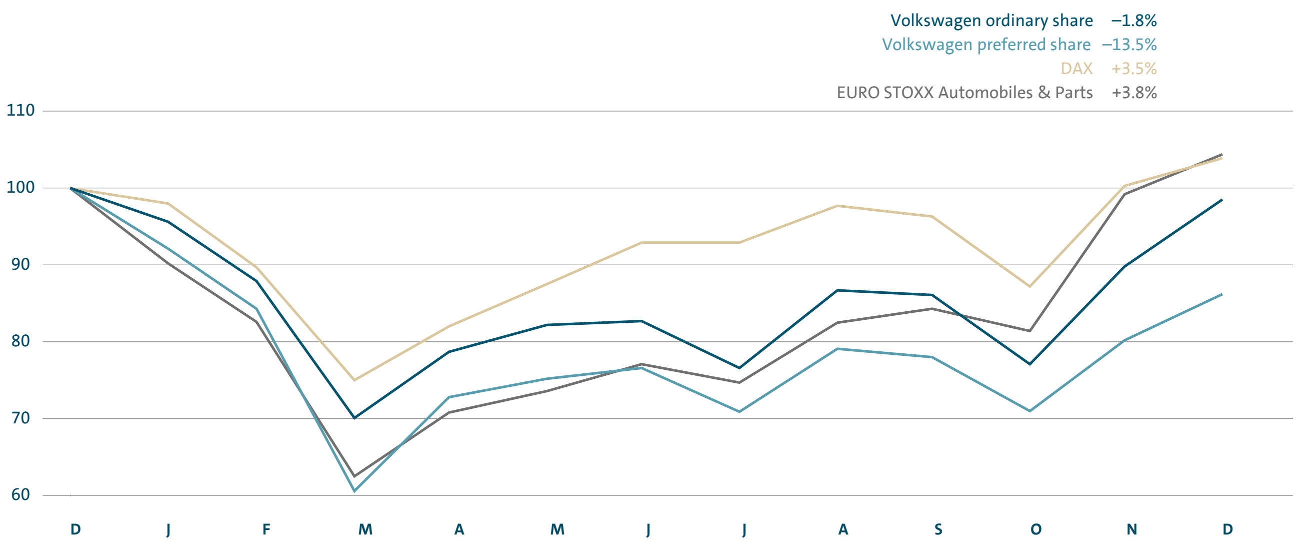
After the losses incurred in the first quarter of 2020, the prices of Volkswagen AG's preferred and ordinary shares also regained ground in the months that followed, but still fell short of the year-end 2019 figures by 14% and 2% respectively. Uncertainties surrounding the development of the global demand for automobiles caused by the Covid-19 pandemic placed shares under pressure. In addition, negative effects arose from the automotive industry's current period of transition that requires large-scale investment. Moreover, the impending US punitive tariffs on European vehicles, the uncertain outcome of the negotiations on the United Kingdom's exit from the EU Single Market including the form the future relationship takes, and the appreciation of the euro against the US dollar since May 2020 all had a negative impact. Positive momentum came from the incipient recovery of the Chinese automotive market and investors' hopes of improved economic activity in the wake of eased restrictions worldwide, government assistance measures, and hopes that the Covid-19 pandemic would subside.

VOLKSWAGEN SHARE KEY FIGURES AND MARKET INDICES FROM JANUARY 1 TO DECEMBER 31, 2020

		High	Low	Closing
Ordinary share	Price (€)	183.10	101.50	170.10
	Date	Jan. 10	Mar. 18	Dec. 30
Preferred share	Price (€)	185.52	87.20	152.42
	Date	Jan. 10	Mar. 18	Dec. 30
DAX	Price	13,790	8,442	13,719
	Date	Dec. 28	Mar. 18	Dec. 30
ESTX Auto & Parts	Price	509	255	505
	Date	Dec. 28	Mar. 18	Dec. 30

PRICE DEVELOPMENT FROM DECEMBER 2019 TO DECEMBER 2020

Index based on month-end prices: December 31, 2019 = 100



DIVIDEND POLICY

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

The current dividend proposal can be found in the chapter entitled “Volkswagen AG (condensed, in accordance with the German Commercial Code)” of this annual report. 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 2020. On this basis, the total dividend amounts to €2.4 (2.4) billion. The payout ratio is based on the Group’s earnings after tax attributable to Volkswagen AG shareholders. This amounts to 29.0% for the reporting period and stood at 18.1% in the previous year. In our Group strategy, we have set ourselves the goal of achieving a payout ratio of at least 30%.

DIVIDEND YIELD

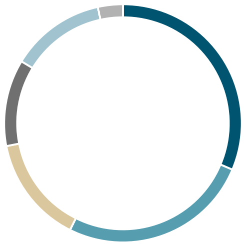
Based on the dividend proposal for the reporting period, the dividend yield on Volkswagen ordinary shares is 2.8 (2.8)%, measured by the closing price on the last trading day in 2020. The dividend yield on preferred shares is 3.2 (2.8)%.

EARNINGS PER SHARE

Basic earnings per ordinary share were €16.60 (26.60) in fiscal year 2020. Basic earnings per preferred share were €16.66 (26.66). 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 “Earnings per share” in the notes to the consolidated financial statements for the calculation of earnings per share.

SHAREHOLDER STRUCTURE AS OF DECEMBER 31, 2020
as a percentage of subscribed capital



Porsche Automobil Holding SE	31.4
Foreign institutional investors	26.0
Qatar Holding LLC	14.6
State of Lower Saxony	11.8
Private shareholders/Others	12.9
German institutional investors	3.4

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	

SHAREHOLDER STRUCTURE AS OF DECEMBER 31, 2020

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, 2020 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 53.3% 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 9.7% 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.

VOLKSWAGEN SHARE KEY FIGURES

Dividend development		2020	2019	2018	2017	2016
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	206,205
Dividend[1]						
per ordinary share	€	4.80	4.80	4.80	3.90	2.00
per preferred share	€	4.86	4.86	4.86	3.96	2.06
Dividend paid[1]	€ million	2,419	2,419	2,419	1,967	1,015
on ordinary shares	€ million	1,416	1,416	1,416	1,151	590
on preferred shares	€ million	1,002	1,002	1,002	817	425

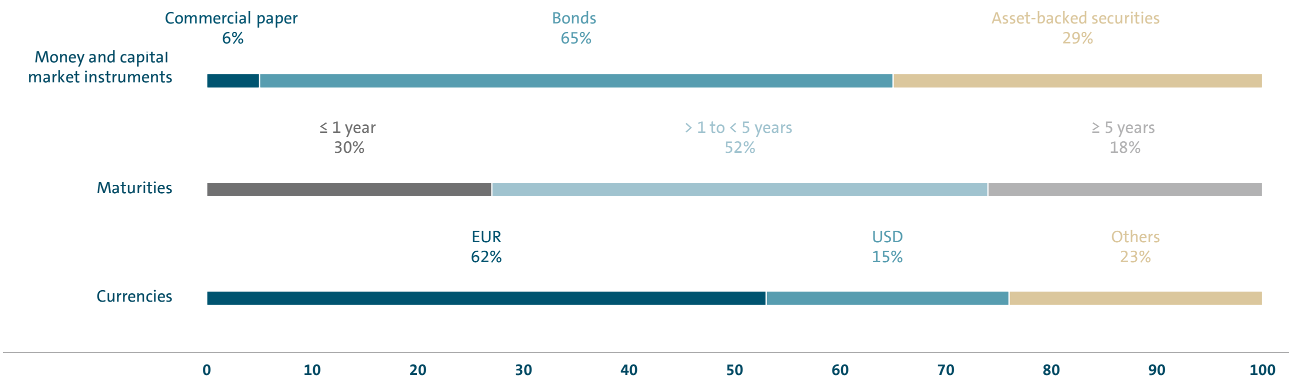
Share price development[2]		2020	2019	2018	2017	2016
Ordinary share						
Closing	€	170.10	173.25	139.10	168.70	136.75
Price performance	%	– 1.8	+ 24.6	– 17.5	+ 23.4	–3.9
Annual high	€	183.10	182.50	188.00	173.95	144.20
Annual low	€	101.50	135.60	131.10	128.70	108.95
Preferred share						
Closing	€	152.42	176.24	138.92	166.45	133.35
Price performance	%	– 13.5	+ 26.9	– 16.5	+ 24.8	–0.3
Annual high	€	185.52	184.24	188.50	178.10	138.80
Annual low	€	87.20	134.76	133.70	125.35	94.00
Beta factor[3]	factor	1.26	1.17	1.17	1.12	1.22
Market capitalization at Dec. 31	€ billion	81.6	87.5	69.7	84.1	67.9
Equity attributable to Volkswagen AG shareholders and hybrid capital investors at Dec. 31	€ billion	127.0	121.8	117.1	108.8	92.7
Ratio of market capitalization to equity	factor	0.64	0.72	0.60	0.77	0.73

Key figures per share		2020	2019	2018	2017	2016
Earnings per ordinary share[4]						
basic	€	16.60	26.60	23.57	22.28	10.24
diluted	€	16.60	26.60	23.57	22.28	10.24
Equity attributable to Volkswagen AG shareholders and hybrid capital investors at Dec. 31	€	253.44	242.93	233.63	217.13	184.90
Price/earnings ratio[5]						
Ordinary share	factor	10.2	6.5	5.9	7.5	13.4
Preferred share	factor	9.1	6.6	5.9	7.3	13.0
Dividend yield[6]						
Ordinary share	%	2.8	2.8	3.5	2.3	1.5
Preferred share	%	3.2	2.8	3.5	2.4	1.5

Stock exchange turnover[7]		2020	2019	2018	2017	2016
Turnover of Volkswagen ordinary shares	€ billion	3.1	3.3	4.3	3.5	3.3
	million shares	21.6	20.9	28.0	23.6	25.4
Turnover of Volkswagen preferred shares	€ billion	49.8	41.0	54.1	45.1	41.1
	million shares	361.2	266.0	346.6	312.3	347.0
Volkswagen share of total DAX turnover	%	4.7	4.6	5.4	5.4	5.0

1 Figures for the years 2016 to 2019 relate to dividends paid in the following year. For 2020, the figures relate to the proposed dividend.
2 Xetra prices.
3 For the calculation see chapter “Results of Operations, Financial Position and Net Assets” of this annual report.
4 For the calculation see “Earnings per share” in the notes to the consolidated financial statements. 2017 figure adjusted (IFRS 9).
5 Ratio of year-end-closing price to earnings per share.
6 Dividend per share based on the year-end-closing price.
7 Order book turnover on the Xetra electronic trading platform (Deutsche Börse).

REFINANCING STRUCTURE OF THE VOLKSWAGEN GROUP
as of December 31, 2020



REFINANCING

The Volkswagen Group used a variety of instruments and markets for its refinancing activities in 2020.

In September 2020, the Automotive Division of the Volkswagen Group successfully placed its first green bonds on the market, with a principal amount of €2.0 billion and terms of eight and twelve years. The green bonds are based on the Green Finance Framework presented in March 2020 for sustainability-oriented financial instruments. The resources will be allocated specifically to refinancing the Modular Electric Drive Toolkit (MEB) and the new completely battery-electric vehicles, the ID.3 and ID.4.

We strengthened net liquidity through the placement of unsecured subordinated hybrid notes with an aggregate principal amount of €3.0 billion. The notes are perpetual. One note with a principal amount of €1.5 billion can only be canceled by the issuer after five years, while the other with a principal amount of €1.5 billion cannot be canceled until nine years have elapsed. The transactions will be partly used to refinance the hybrid note with a principal amount of €1.25 billion that was issued in 2014 and canceled as of March 24, 2021.

In the US capital market, bonds with an aggregate principal amount of USD 4.0 billion each were placed with investors in May and November 2020. Notes with a volume of CAD 1.0 billion were issued in the Canadian refinancing market. In addition, private placements were placed under the automotive issuance program for the first time since 2015.

Official euro benchmark bonds with an aggregate volume of €2.15 billion were issued for the Financial Services Division. In addition to this, private placements were issued in various currencies and regions.

Alongside the placement of senior, unsecured bonds, asset-backed securities (ABS) transactions were another element of our refinancing activities. ABS transactions in the amount of approximately €3.2 billion were publicly placed in Europe. In addition, ABS transactions were issued in the USA, China and Japan.

The Volkswagen Group was also actively involved in the commercial paper market with several issuing companies.

The proportion of fixed-rate instruments in the past year was more than twice as high as the proportion of floating-rate instruments.

In our refinancing arrangements, we generally aim to exclude interest rate and currency risk as far as possible with the simultaneous use of derivatives.

The table below shows how our money and capital market programs were utilized as of December 31, 2020 and illustrates the financial flexibility of the Volkswagen Group:

Programs	Authorized volume € billion	Amount utilized on Dec. 31, 2020 € billion
Commercial paper	43.8	8.2
Bonds	164.3	94.7
of which hybrid issues		15.5
Asset-backed securities	92.0	41.1

RATINGS

	VOLKSWAGEN AG			VOLKSWAGEN FINANCIAL SERVICES AG			VOLKSWAGEN BANK GMBH		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
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	negative	stable	stable	negative	stable	stable	negative	negative	negative
Moody's Investors Service									
short-term	P–2	P–2	P–2	P–2	P–2	P–2	P–1	P–1	P–1
long-term	A3	A3	A3	A3	A3	A3	A1	A1	A1
outlook	negative	stable	stable	negative	stable	stable	negative	stable	stable

Volkswagen AG's syndicated credit line of €10.0 billion agreed in December 2019 was drawn down during 2020. Furthermore, the syndicated credit line was extended by one year by making use of the first extension option. There is an option to extend the term by a further year until 2026 at the latest, subject to the banks' approval. This credit facility was unused as of the end of 2020.

Of the syndicated credit lines with a total of €12.7 billion at other Group companies, €1.3 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 €4.8 billion, of which €0.6 billion was drawn down.

RATINGS

In March 2020, rating agency 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. Due to risks associated with the duration of the Covid-19 pandemic and their effects on the global automotive industry, the outlook for Volkswagen AG and Volkswagen Financial Services AG was downgraded from "stable" to "negative". The outlook for Volkswagen Bank GmbH was left at "negative".

In March, Moody's Investors Service had announced that the ratings would be reviewed due to possible effects of the Covid-19 pandemic, but in June subsequently left the short-term and long-term ratings for Volkswagen AG and Volkswagen Financial Services AG unchanged at P–2 and A3 and those for Volkswagen Bank GmbH at P–1 and A1. The outlook for each company was downgraded from "stable" to "negative".

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 in relation to the Group strategy TOGETHER 2025+, and 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 2020, Volkswagen continued to have a score of A– in the CDP and a rating of A in the Water Disclosure Project (WDP).