

Research Update:

Volkswagen Outlook Revised To Negative On Slower-Than-Anticipated Recovery In Credit Metrics; Affirmed At 'BBB+/A-2'

December 17, 2025

Rating Action Overview

- We expect continued tough market conditions in the premium car segment in China, limited short-term room to offset U.S. import tariffs, and subdued light vehicle and truck markets to weigh on global carmaker Volkswagen's (VW's) profitability and free operating cash flow (FOCF).
- The company is making good progress with implementing significant cost savings and rejuvenating its model portfolio, which we expect to translate into substantial margin and FOCF improvements in the next 12-24 months. At the same time, due to the currently very tough market conditions, we foresee a risk that VW's adjusted EBITDA margin and FOCF-to-sales ratio will continue to fall short of the requirements for the rating in 2026, after poor performance against these thresholds in 2025 and partly in 2024.
- We therefore revised our outlook on VW to negative from stable, and affirmed our 'BBB+/A-2' long- and short-term issuer credit ratings, our 'BBB+' issue rating on the group's senior unsecured debt, and our 'BBB-' issue ratings on its hybrid instruments. As a result of the outlook revision on the group, we also revised our outlook on TRATON SE, Volkswagen Financial Services AG, and Volkswagen Financial Services Overseas AG to negative from stable.
- We maintained the stable outlook on Volkswagen Bank GmbH.
- The negative outlook reflects the risk that market conditions will prevent VW from recovering adjusted EBITDA margin to 9%-10% and its FOCF-to-sales ratio to about 2%-3% by the end of 2027.

Rating Action Rationale

We think VW's credit metrics could also remain below the thresholds for the 'BBB+' rating in 2026, after falling short in 2025. We project our adjusted EBITDA margin at 8.5% in 2026, following an expected trough of 7.2% this year, and below our downside threshold of about 9%-10% for the current rating level. We project a modest recovery in 2026, mainly due to the one-off

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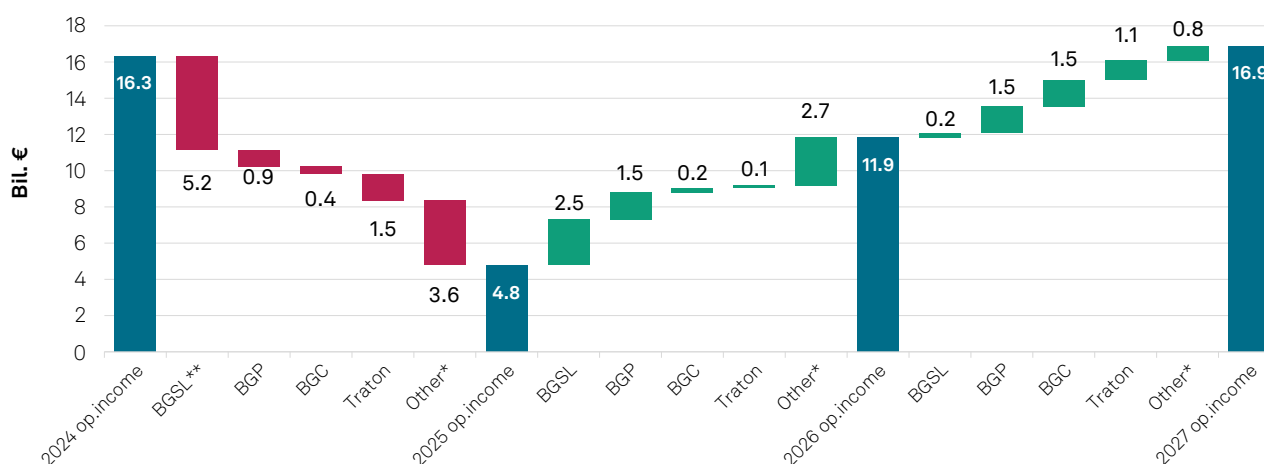
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nature of about €2 billion charges (excluding impairments) at Brand Group Sport & Luxury (BGS�) in connection with Porsche's realignment of its product strategy in 2025 (see chart), positive volume and mix effects at Audi, and cost savings across the brand groups and reduced losses at CARIAD, the VW group's internal software company. That said, a stronger recovery is held back by contraction in wholesale volume at BGS� and to a small extent at Brand Group Core (BGC), a margin dilutive increase in VW's battery electric vehicle (BEV) share to 16% from 12% expected for 2025, and the full-year effects of U.S. tariffs. This earnings trajectory will also cap improvements in our FOCF to sales ratio to just under 2% next year, compared with a downside threshold of 2%-3%, after 0.8% in 2025. Our 2026 FOCF projection includes about €1.5 billion lagged cash outflows for restructuring in the group and supplier compensations at Porsche related to the product strategy realignment. We foresee significant improvements in profitability and cash flow in 2027, aided by capacity reductions effective mainly in 2027, further reductions in the domestic workforce, continued product momentum at Audi, and a more pronounced volume recovery at Traton. However, we think this trajectory could be at risk in case of stronger competitive intensity in key markets, potential missteps with VW's new model launch cadence, insufficient cost efficiency measures, or a weaker-than-expected demand scenario for 2026 and 2027. Our view of likely stronger market volatility and meaningful volatility in VW's earnings and cash flow generation in 2023-2027 led us to reassess our financial risk profile downward.

VW's automotive operating income recovers in 2026 thanks to lower nonrecurring items

Changes in operating income in the automotive segment



*Other includes €2.5 billion goodwill impairment in 2025, CARIAD, and battery cell and other activities. **BGS�--Brand Group Sport & Luxury, includes €3.3 billion non-recurring items at Porsche. BGP--Brand Group Progressive. BGC--Brand Group Core. Source: S&P Global Ratings.

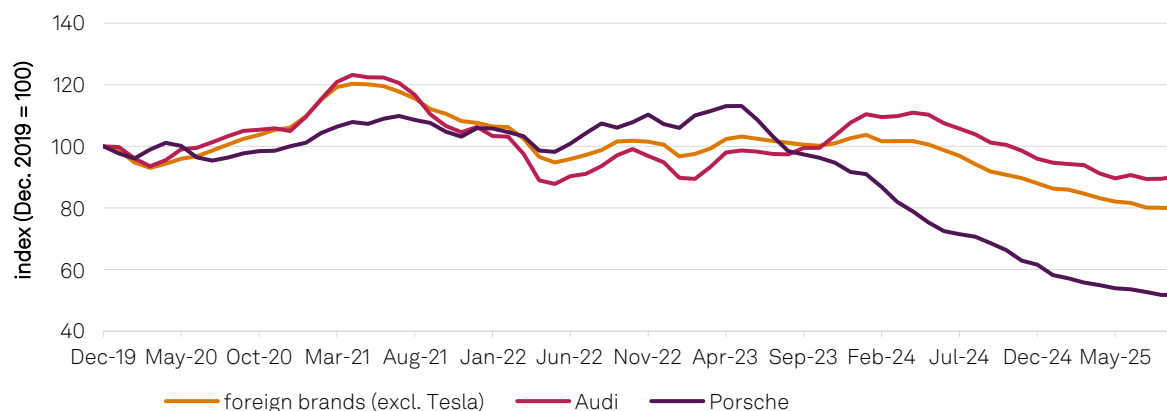
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Sluggish demand and greater competition have eroded Porsche's and Audi's profit pools in the Chinese premium market. Sales under the Porsche brand in China plummeted to about 46,000 units for the 12 months to third-quarter 2025, down from a peak of nearly 100,000 in early 2023 (see chart). Last-12-months sales of the Audi brand as of third-quarter 2025 are about 24% below their peak in mid-2021. We attribute these developments to weak customer demand for higher-end vehicles, but also, outside pure combustion engine cars, to competition from local players such as Xiaomi, Denza, LI, NIO, or Maextro with technology-rich products at lower price points.

We expect these conditions to persist in 2026. We think Audi will benefit from the localization of its new premium platform electric BEV platform with three new models and three new models (of which E5 Sportback launched already end 2025) on a co-developed platform with its joint venture (JV) partner SAIC in 2026. This should support a return to volume growth, but the launches will confront intense price competition.

Foreign brands are suffering in the Chinese premium market

LTM premium car sales for foreign brands (excl. Tesla), Audi, and Porsche, indexed to 2019 (=100)



LTM--last 12 months. Source: S&P Global Ratings. S&P Global Mobility.
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We have increased our assumptions for costs related to U.S. tariffs. This is primarily because current competitive dynamics are less conducive to recovering tariff costs through significant price adjustments. We now include more than €3.0 billion of direct tariff cost (excluding lost sales) in our forecast for 2025, and a slightly higher figure for 2026, as we believe small adjustments to pricing and incentives will be more than offset by the additional quarter of tariffs on light vehicle (LV) imports and the annualization of tariffs on heavy-duty trucks, which became effective on Nov. 1, 2025.

We expect substantial savings from comprehensive cost actions across the group. VW targets cost savings of more than €6 billion by 2030, equivalent to an operating margin improvement of more than 150 basis points for the group. The bulk of these savings is supposed to come from a reduction of the domestic workforce by close to 50,000 over this timeframe, suspension of wage increases, a cut of installed technical production capacity in Germany of more than 40% by 2027, and a variety of other measures. We consider these agreements, which required intense negotiations with VW's labor representatives, as a major step forward in addressing the group's domestic cost structure. We note positively that the implementation appears well on track so far, with about 7,000 employees having left the group companies in Germany in the first nine months of 2025, and VW reporting factory cost improvements, as per its own measurement, of more than 20% so far this year. As these measures were agreed prior to the advent of U.S. tariffs and the recent further decline in the Chinese premium market, we will monitor the extent to which VW is ready to scale up its cost actions in case of deviations from our expected profitability path.

The impact of governance considerations has reduced. Our governance assessment for VW captures the company's complex ownership and supervisory board structure, which we believe could reduce consideration for external stakeholders, including creditors (see "[Credit FAQ: Why Porsche's Potential IPO Has A Limited Impact On Credit Metrics But Highlights Volkswagen's Complex Governance](#)," April 28, 2022), as well as the residual litigation risk related to the 2015

diesel scandal. However, we acknowledge that, despite these structures and labor relations that are tense at times, VW has been able to implement a major cost reduction program for its German footprint as described above and has recently taken far-reaching decisions with respect to the shift from in-house development of vehicle architectures and software toward partnerships, such as with Rivian and XPeng. Moreover, in the wake of the diesel scandal and the ensuing U.S. compliance monitorship, as well as subsequent internal programs such as Together4Integrity, the company has worked on its risk culture. This has helped the company avoid larger legal charges for many years now, and cash outflows in connection with diesel remain low at about €300 million per year in our forecast. For these reasons, VW's governance plays a much lesser role for the rating at this point, and the rating trajectory is now more dependent on the market-related factors and the company's operational execution.

The outlook change impacts VW's truck arm Traton directly. We consider Traton a highly strategic subsidiary of VW reflecting its strong ties with the parent and our expectation that VW's stake in the company will not fall below 75% in the foreseeable future (currently VW owns 87.5% of its share capital). We think that VW regards Traton as a strategic asset and there are close operational links between Traton and its parent company. Traton cut its FOCF guidance to €1.0 billion-€1.5 billion for 2025, versus the previously estimated €2.2 billion-€2.7 billion, slowing the deleveraging path of the past two years (see "[Tear Sheet: TRATON SE](#)," Aug. 7, 2025).

The outlook change impacts VW's Financial Services AG (VWFS Europe) and Volkswagen Financial Services Overseas AG (VWFS Overseas). We expect VW, one of the world's largest auto manufacturers, would support its fully owned subsidiaries, VWFS Europe and VWFS Overseas, under any foreseeable circumstances, if needed, considering their core strategic importance to the group. Our outlooks on VWFS Europe and VWFS Overseas thus mirror the outlook on their parent VW. The outlook on VW Bank, a key subsidiary of VWFS Europe, is not affected, because we view the bank as sufficiently insulated from the group.

Outlook

The negative outlook reflects the risk that VW's cost reduction measures and the extensive overhaul of its model portfolio may not suffice to strengthen its profitability and FOCF to levels commensurate with the current rating in light of increasingly difficult market conditions.

Our outlooks on VWFS Europe and VWFS Overseas mirror the negative outlook on their parent VW. If we took a rating action on VW within the next 12-24 months, we would take a similar rating action on VWFS Europe and on VWFS Overseas.

The stable outlook on VW Bank reflects our view that it will maintain sound financial and funding profiles while further smoothly integrating its core subsidiary VW Leasing, over the next two years, and that its capitalization will remain strong. Because we classify VW Bank as an insulated entity, we would not downgrade it solely because we had taken a similar rating action on the parent.

The negative outlook on Traton mirrors that on VW, so long as VW owns more than 75% of Traton.

Downside scenario

We could lower the rating if VW does not succeed in restoring its adjusted EBITDA margin in the 9%-10% range and its FOCF-to-sales ratio in the 2%-3% range by the end of 2027, possibly combined with its market share in China falling toward 5%, or--although not expected--material market share losses in Europe. This could be due to a combination of difficult market conditions

in China, including in the premium/luxury segment, U.S. tariffs, insufficient cost savings or missteps in its product and platform strategy, or more intense competition in Europe.

We could lower our ratings on VWFS Europe and on VWFS Overseas if we took a similar rating action on VW AG. We could also lower our ratings on both entities if we considered that VW's commitment to supporting its subsidiaries had weakened. For example, we might take this view if VW materially reduced its ownership of either subsidiary, or if we no longer considered the captive finance operations crucial to the VW group's global strategy.

A downgrade of VW Bank is unlikely because it would require both that we lower our long-term rating on VW AG and that we revise downward our view of VW Bank's stand-alone credit profile. The latter could arise, if, for example, VW Bank's risk-adjusted capital ratio deteriorates below 15% due to unexpected material losses from asset quality problems, and at the same time VW Bank's and its owner's weaken their commitment to sustain high capital ratios in the regulated EU banking business.

We could lower our rating on Traton following a similar action on VW.

Upside scenario

We could revise the outlook to stable if VW strengthens the competitiveness of its cost structure and model portfolio, enabling the company to return to an adjusted EBITDA margin of 9%-10% sustainably and an FOCF-to-sales ratio of about 2%-3%, while stabilizing its LV market share in China well above 5% and defending its market position in Europe. We would also expect debt to EBITDA to remain well below 1.5x; and adjusted debt-to-capital (consolidated) well below 70%. Our FOCF to sales of about 3% corresponds to well above 1% of FOCF to sales after spending on strategic JVs and partnerships in battery cells, driver assistance, and software.

We could revise the outlook to stable on VWFS Europe and on VWFS Overseas if we took a similar rating action on VW AG. We would consider an upgrade to VW Bank if VW's credit profile stabilizes and we improve our assessment of the bank's stand-alone creditworthiness.

We could take a positive rating action on Traton following a positive rating action on VW.

Company Description

Headquartered in Germany, VW is one of the world's leading auto manufacturers. In 2024, it delivered 9.0 million passenger cars and commercial vehicles across the volume, premium, and luxury segments, including vehicles sold by unconsolidated JVs in China. Key brands include:

- LVs: VW, Audi, Porsche, Skoda, SEAT/CUPRA, Bentley, Lamborghini, and VW Commercial Vehicles.
- Trucks and buses: Scania, MAN, International, and VW Truck and Bus.

VW's key markets are Europe and Asia-Pacific, together accounting for about 77% of total deliveries in 2024. In 2024, the group reported revenue of €324.7 billion, of which €55.0 billion was from financial services. Key shareholders include Porsche Automobil Holding SE, the holding company of the Porsche/Piech family (about 32% of shares and 53.3% of voting rights), Qatar Holding LLC (10.4% and 17%, respectively), and the State of Lower Saxony (11.8% and 20%).

Our Base-Case Scenario

Assumptions

- Eurozone real GDP growth of 1.2% in 2026 and 1.4% in 2027, after our forecast of 1.3% in 2025 and 0.9% in 2024. In the U.S., we forecast real GDP growth of 2.0% in 2026 and 1.9% in 2027, compared with our forecast of 2.0% in 2025 and 2.8% in 2024. In China, we forecast real GDP growth of 4.4% in 2026 and 4.3% in 2027, after our forecast of 4.8% in 2025 and 5.0% in 2024.
- Decline in global LV sales of zero to 2% in 2026, followed by zero to 2% growth in 2027, after our forecast of zero to 2% growth in 2025 and 2.1% in 2024 (see "[Global Auto Outlook: China Powers Demand As The Industry Coasts](#)," Oct. 9, 2025).
- Our assumption of an increase of about 1% in VW's LV deliveries in 2025 reflecting growth in Europe that offsets continued market share loss in China, and a decline in North America given the tariffs. The modest decline in deliveries in 2026 results from a sales decline in China and North America, but modest volume growth mainly in Europe. We expect delivery growth to accelerate in 2027, fueled by a comprehensive model refresh in China, and a return to growth in North America.
- Flattish revenue in 2025 reflecting an 8%-10% decrease in wholesales at Porsche and Traton, offset by higher wholesales at BGC and Brand Group Progressive (BGP). In 2026, slight revenue growth benefits from positive volume, pricing, and mix effects at Audi and modest volume growth at Traton. In 2027, revenue growth accelerates thanks to stronger wholesale volume growth at Traton and BGC, in addition to continued positive volume and mix at Audi.
- Adjusted EBITDA margins in 2025 plummeting due to weaker profitability at BGSL and BGP, linked to weak sales in China, and U.S. tariffs, and the sharp decline in sales at Traton. In addition, we project about €2.0 billion one-time charges in connection with the strategic re-alignment of Porsche, and the brand's additional research and development (R&D) spending, and cost adjustment measures. In 2026, we forecast a partial recovery in profitability thanks to materially lower nonrecurring charges at BGSL, top-line related margin expansion at BGP, and cost savings at BGC. Further improvements in 2027 result from continued margin expansion at BGP, a more pronounced margin increase at BGC on account of a higher top line and cost savings, and a volume-driven margin recovery Traton. We also expect reduced losses at CARIAD and VW's battery cell manufacturing activities in 2027.
- About €1.0 billion in net restructuring costs across the Audi, Porsche, and VW brands, as well as CARIAD in 2025, decreasing in 2026.
- About €3.0 billion costs incurred in connection with U.S. tariffs, and a slightly higher amount in 2026. This takes into account mitigation measures related to pricing and steps to increase U.S. content in the four models made in Mexico.
- About €1.5 billion cash outflows in connection with restructuring measures in 2025, and about the same amount for restructuring measures and supplier compensation at BGSL in 2026.
- Neutral cash flow from working capital in 2025 and an inflow in 2026 mainly due to working capital optimization measures, followed by a volume-driven outflow in 2027.
- Modest capital expenditure (capex) decline in 2025 in absolute terms as VW manages its investment spending. However, capex remains high in 2026 due to the ramp-up of activities such as battery cell manufacturing and a high number of new models introduced.
- Falling dividend receipts from equity affiliates, reflecting our assumption of near-term earnings pressure on VW's JVs in China from competition and investment related to the refresh of the local model portfolio and local development activities.

- Dividends of €4.5 billion in 2025 and €2.9 billion in 2026, including regular dividend payments and obligations to minority shareholders (for example, dividend leakage at Porsche), in line with VW's dividend policy, and including hybrid coupons. No share buybacks.
- Investments in partnerships and JVs in key strategic areas of about €1.5 billion in 2025, €2.5 billion in 2026, and €2.0 billion in 2027, after about €1.7 billion net cash outflows for equity participations in 2024.

Key metrics

Period ending	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. EUR)	2022a	2023a	2024a	2025e	2026f	2027f
LV deliveries (mil. units)	8.0	8.9	8.7	8.8	8.7	8.9
Share of BEVs in LV deliveries (%)	7.3	8.5	8.6	12.0	16.0	19.9
Battery cell volume sourced (GWh)	About 47	About 61	About 62	About 90	About 120	About 153
Revenue*	255,275	298,386	294,459	296,587	299,307	310,340
EBITDA (reported)	50,639	50,149	50,413	45,149	51,698	57,880
Plus/(less): mainly (captive finance EBITDA), (capitalized development costs), dividends from equity investments	(25,107)	(19,971)	(21,832)	(23,662)	(26,221)	(27,327)
EBITDA*	26,032	30,978	28,981	21,487	25,477	30,553
Funds from operations (FFO)*	21,840	23,583	22,697	16,145	20,338	23,836
Dividends from equity investments	2,781	2,450	2,614	1,700	1,000	500
Cash flow from operations (CFO)§	19,686	25,924	21,871	18,220	21,303	24,321
Capital expenditure (capex)	12,553	13,864	16,406	15,776	15,729	15,334
Free operating cash flow (FOCF)§	7,133	12,060	5,465	2,444	5,575	8,986
Dividends	4,084	11,454	5,454	4,148	2,487	4,025
Debt (reported)	198,800	226,306	246,905	260,905	275,905	290,905
Plus: Lease liabilities debt	6,385	6,493	7,176	7,176	7,176	7,176
Plus: Pension and other postretirement debt	22,710	24,054	22,414	22,414	22,414	22,414
Less: Accessible cash and liquid investments	(51,903)	(46,809)	(44,465)	(41,707)	(41,385)	(45,588)
Plus/(less): hybrids, litigation, PSE debt, (captive finance debt)	(174,715)	(203,564)	(223,967)	(236,847)	(253,597)	(268,597)
Debt	1,278	6,481	8,063	11,941	10,513	6,310
Adjusted ratios						
Debt/EBITDA (x)	0.1	0.2	0.3	0.6	0.4	0.2
FOCF/Adj Revenues (%)§	3.0	4.4	2.0	0.8	1.9	2.9
Annual revenue growth (%)	12.5 **	16.9	(1.3)	0.7	0.9	3.7
EBITDA margin (%)	10.2	10.4	9.8	7.2	8.5	9.8
Captive debt/equity (x)	4.6	5.1	5.3	5.5	5.6	5.8

*Based on new segment reporting. §Based on new segment reporting for 2025 – 2027, and on previous segment reporting until 2024. **Based on previous reporting. All figures are adjusted by

S&P Global Ratings, unless stated as reported and except volume data. a--Actual. e--Estimate. f--Forecast. EUR--Euro.

Liquidity

Our short-term rating on VW is 'A-2'. As of Sept. 30, 2025, we assess the group's liquidity as strong because we expect liquidity sources to cover uses by slightly more than 2x in the next 24 months. We do not assess liquidity as exceptional because, in our view, the company might not be able to maintain its liquidity buffers such that its sources of liquidity exceed uses by more than 2x in weaker market conditions. We perform our liquidity analysis for VW on a joint basis, which looks at industrial and captive operations in combination.

As of Sept. 30, 2025, our estimated net outflow from VW's portfolio run-off, portfolio reinvestment, and debt maturities can be broken down as follows:

- Gross portfolio run-off: Inflows from contractual repayments of loans and finance principal, as well as expected proceeds from the remarketing of leased assets, totaling about €83 billion and €41 billion in the following 12 months and subsequent 12 months, respectively.
- Net portfolio runoff: We net these amounts with our assumption of €19 billion of portfolio investments in the first 12 months and €10 billion in the subsequent 12 months, which we assume VW would undertake from own funds during periods of constrained capital market access. We base these estimates on an imputed debt-to-equity ratio that we apply to the gross portfolio runoff.
- Group debt maturities of about €87 billion in the first 12 months and €44 billion in the subsequent 12, which we calculate by subtracting our estimate of stable retail deposits from total maturities of €124 billion and €47 billion, respectively.

Our strong liquidity assessment for VW is also supported by the following considerations:

- Our view that VW enjoys well-established and solid banking relationships, with diverse and sizable revolving credit facilities (RCFs) and other bank debt across the group divisions.
- Our liquidity coverage metric (LCM) for the group being about 1.0x for the 12 months from Sept. 30, 2025, well above the 0.5x threshold, under which we typically consider liquidity coverage to be weaker.
- The coverage ratio of scheduled asset maturities to contractual debt repayments being below 1x in the first 12 months, but balanced by the strong LCM.
- Good diversification of funding sources across markets and instruments, including bonds, bank debt, asset-backed securities, deposits, hybrid instruments, and commercial paper; and a track record of issuing these instruments in a variety of market conditions.

Principal liquidity sources	Principal liquidity uses
<ul style="list-style-type: none">• Cash and liquid investments of about €66 billion for the group (industrial and captive finance operations) as of Sept. 30, 2025.• Undrawn committed credit facilities with a residual maturity of more than one year of €27.6 billion in the first 12 months (including RCFs at VW AG and Traton of	<ul style="list-style-type: none">• Cash outflow of about €23 billion in the first 12 months and €13 billion in the following 12 months. This reflects the net amount of cash receipts from the maturities of the existing captive asset portfolio, reduced portfolio reinvestment from VW's own funds, and the group's debt maturities.

<p>€12.5 billion and €4.5 billion due March 2030 and December 2028, respectively, and a €6.0 billion line at VW Financial Services AG due March 2027), and €19.5 billion in the subsequent 12 months.</p> <ul style="list-style-type: none"> • Cash funds from operations from VW's auto business of about €28 billion in the first 12 months and €31 billion in the subsequent 12. • Up to €1.0 billion of cash inflow from working capital in the first 12 months. • Minimum net cash receipts from operating lease installments of the existing leasing portfolio (excluding investments in new leased assets) of €10 billion in the next 12 months and €7 billion in the following 12 months. 	<ul style="list-style-type: none"> • Capex (including capitalized R&D) of €24.5 billion-€26.5 billion in each period and €23.5 billion-€25.5 billion in the following 12 months. • Peak intra-year working capital swings of up to €5 billion and non-seasonal working capital requirements of up to €0.7 billion in the first 12 months and up to €1.2 billion in the subsequent 12 months. • Our assumption of up to €2 billion in each period for committed investments in partnerships and JVs. • Dividend payouts of about €2.9 billion in the first 12 months and about €4.5 billion in the subsequent 12 months, including hybrid coupons and dividends to minority owners of Porsche.
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Covenants

There are no financial maintenance covenants in the group's debt documentation, including for its unsecured bonds, RCFs, commercial paper, and bank debt.

Environmental, Social, And Governance

Environmental factors are a negative consideration in our credit rating analysis of VW. We expect VW's share of BEVs in global LV sales (8.6% in 2024) will gradually increase toward its target of 50% by 2030, and the lower profitability will initially dilute VW's profitability to the extent not mitigated by cost and revenue optimization measures. We also expect regulation; intense EV competition; the goal to become net carbon neutral in its LV division by 2050; and its ambitions with respect to battery cell production will require high investments in EV models and technology, plant upgrades, and the EV and battery supply chain. We estimate these at 11%-13% of adjusted sales (R&D plus capex in 2025-2027), complemented by substantial spending on partnerships in areas such as vehicle architectures with XPeng and Rivian. In our view, the shift toward EVs continues to provide opportunities for new players to gain market share, which intensifies competition in VW's key car markets, notably China and Europe.

Governance factors have improved in our view and are a less of a constraint for the rating now. VW's ownership structure and the composition of its supervisory board implies that important decisions often require a careful balancing act to reconcile the interests of key constituents, namely Porsche Automobil Holding SE, workers' representatives, the State of Lower Saxony, and Qatar Holding, whereas stakeholders not affiliated with these parties lack independent representation. We have observed, however, a material improvement in the group's capacity to take transformational decisions to align production capacity to demand, to reshape its business model toward higher vertical integration, and to lower breakeven costs, which we believe improves the group resilience to adverse market conditions. For this reason, we removed from the rating construct the previous one-notch downward adjustment for governance. We will closely monitor the progress of the group's capacity to lower the cost base, as well as VW's ability to step-up cost reduction efforts should the savings agreed so far not materialize or prove insufficient considering changing market conditions.

VW has progressed in overhauling its internal compliance and control structures and processes and has successfully emerged from the compliance monitorship mandated by the U.S. Department of Justice in 2020. It remains exposed to a certain level of litigation risk in connection with the diesel scandal as demonstrated by a contingent liability (€4.0 billion in 2024), which we include in our adjusted debt, but we deem the exposure manageable and less rating material.

Issue Ratings--Subordination Risk Analysis

Capital structure

VW AG had €257.3 billion of financial debt on Sept. 30, 2025, of which €18.0 billion relates to the auto business and the rest to VW's financial services business.

Analytical conclusions

Our issue ratings on the senior unsecured debt issued by Volkswagen International Finance N.V. and other issuing entities in the group are 'BBB+', the same as the issuer credit rating. In view of VW's modest financial risk profile, we believe that structural subordination does not pose a material risk.

The issue rating on VW's hybrid instruments is 'BBB-', two notches below the issuer credit rating because of contractual subordination and deferability of interests. We assign intermediate equity content to the hybrid instruments outstanding, which we see as a permanent layer in VW's capital structure representing less than 15% of the group's adjusted capital.

Rating Component Scores

Rating Component Scores

Component		
Foreign currency issuer credit rating		BBB+/Negative/A-2
Local currency issuer credit rating		BBB+/Negative/A-2
Business risk		Satisfactory
Country risk		Low risk
Industry risk		Moderately high risk
Competitive position		Strong
Financial risk		Modest
Cash flow/leverage		Modest
Anchor		bbb+
Modifiers		
Diversification/portfolio effect		Neutral/Undiversified
Capital structure		Neutral
Financial policy		Neutral
Liquidity		Strong
Management and governance		Moderately negative
Comparable rating analysis		Neutral
Stand-alone credit profile		bbb+

Related Criteria

- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Oct. 13, 2025
- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), July 7, 2025
- [General: Risk-Adjusted Capital Framework Methodology](#), April 30, 2024
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [Criteria | Corporates | General: Methodology: The Impact Of Captive Finance Operations On Nonfinancial Corporate Issuers](#), Oct. 23, 2023
- [National And Regional Scale Credit Ratings Methodology](#), June 8, 2023
- [Banks: Banking Industry Risk Assessment Methodology And Assumptions](#), Dec. 9, 2021
- [General: Financial Institutions Rating Methodology](#), Dec. 9, 2021
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
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- [Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings](#), March 28, 2018
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [Guarantee Criteria](#), Oct. 21, 2016

- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Global Auto Outlook: China Powers Demand As The Industry Coasts](#), Oct. 9, 2025,
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- [Global Carmaker Volkswagen AG 'BBB+' Rating Affirmed As Strategic Actions Offset Short-Term Financial Pressure](#), March 27, 2025

Ratings List

Ratings List

Ratings Affirmed; Outlook Action

	To	From
Scania AB (publ.)		
TRATON SE		
Issuer Credit Rating	BBB/Negative/A-2	BBB/Stable/A-2
Foreign Currency	BBB/Negative/A-2	BBB/Stable/A-2

[Volkswagen AG](#)

[Volkswagen Financial Services AG](#)

[Volkswagen Financial Services Overseas AG](#)

[Volkswagen International Belgium S.A.](#)

Issuer Credit Rating	BBB+/Negative/A-2	BBB+/Stable/A-2
Foreign Currency	BBB+/Negative/A-2	BBB+/Stable/A-2

Ratings Affirmed

[Scania AB \(publ.\)](#)

Issuer Credit Rating		
Nordic Regional Scale	--/--/K-2	

[Scania AB \(publ.\)](#)

[TRATON SE](#)

Issuer Credit Rating		
South Africa National Scale	zaAAA/--/zaA-1+	

[Volkswagen Bank GmbH](#)

Issuer Credit Rating	BBB+/Stable/A-2	
Foreign Currency	BBB+/Stable/A-2	

[Volkswagen Finans Sverige AB](#)

Issuer Credit Rating		
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Ratings List

Nordic Regional Scale	--/--/K-1
Scania CV AB	
TRATON Finance Luxembourg S.A.	
Senior Unsecured	BBB
Volkswagen AG	
Porsche Holding GmbH	
Skofin s.r.o.	
Volkswagen Bank GmbH	
Volkswagen Finance Overseas B.V.	
Volkswagen Financial Services AG	
Volkswagen Financial Services Japan Ltd.	
Volkswagen Financial Services N.V.	
Volkswagen Financial Services Overseas AG	
Volkswagen Finans Sverige AB	
Volkswagen Group of America Finance LLC	
Volkswagen International Finance N.V.	
Volkswagen International Luxembourg S.A.	
VW Credit Inc.	
Commercial Paper	A-2
Volkswagen AG	
Volkswagen Bank GmbH	
Volkswagen Financial Services AG	
Volkswagen Financial Services Australia Pty Ltd.	
Volkswagen Financial Services N.V.	
Volkswagen Financial Services Overseas AG	
Volkswagen Financial Services Polska SP. Z O.O.	
Volkswagen Group of America Finance LLC	
Volkswagen International Finance N.V.	
Volkswagen Leasing GmbH	
VW Credit Canada Inc.	
Senior Unsecured	BBB+
Volkswagen Bank GmbH	
Senior Subordinated	BBB
Volkswagen International Finance N.V.	
Junior Subordinated	BBB-

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