

Research Update:

Global Carmaker Volkswagen AG 'BBB+' Rating Affirmed As Strategic Actions Offset Short-Term Financial Pressure

March 27, 2025

Rating Action Overview

- We expect limited volume growth, tough market conditions in China, tariff risks, an increasing share of battery electric vehicles (BEVs), and cash outflows for restructuring, combined with still-high research and development (R&D) spending and capital expenditure (capex), will constrain global carmaker Volkswagen AG's (VW's) 2025 free operating cash flow (FOCF) below levels we view commensurate with the rating for a second year in a row.
- However, we think the company's cost reduction measures, in particular at the VW and Audi brands, a significantly rejuvenated model portfolio, and vehicles developed under recent partnership agreements should support improving cash flow and help gradually slow its market share decline in China from 2026.
- We therefore affirmed our 'BBB+/A-2' long- and short-term issuer credit ratings on VW, our 'BBB+' issue rating on the group's senior unsecured debt, and our 'BBB-' issue ratings on its hybrid instruments.
- The stable outlook reflects our expectation that VW's cost reduction measures, model portfolio refresh, and tech partnerships with XPeng and Rivian will help improve its competitiveness, profitability, and cash conversion, supporting FOCF to sales of more than 3% and an adjusted EBITDA margin above 10% from 2026.

Rating Action Rationale

VW's 2024 profitability was ahead of our expectations, but cash flow suffered. Our adjusted EBITDA margin came in at 10.6% in 2024, only moderately down from 11.1% in 2023, despite weaker profitability at luxury sports car brand Porsche, premium brand Audi, and the core VW brand; and about €2.1 billion of net restructuring expense. This has to do in particular with resilient performance by the group's mass-market light vehicle brands other than VW and its medium- and heavy-duty commercial vehicles business (TRATON), as well as better earnings

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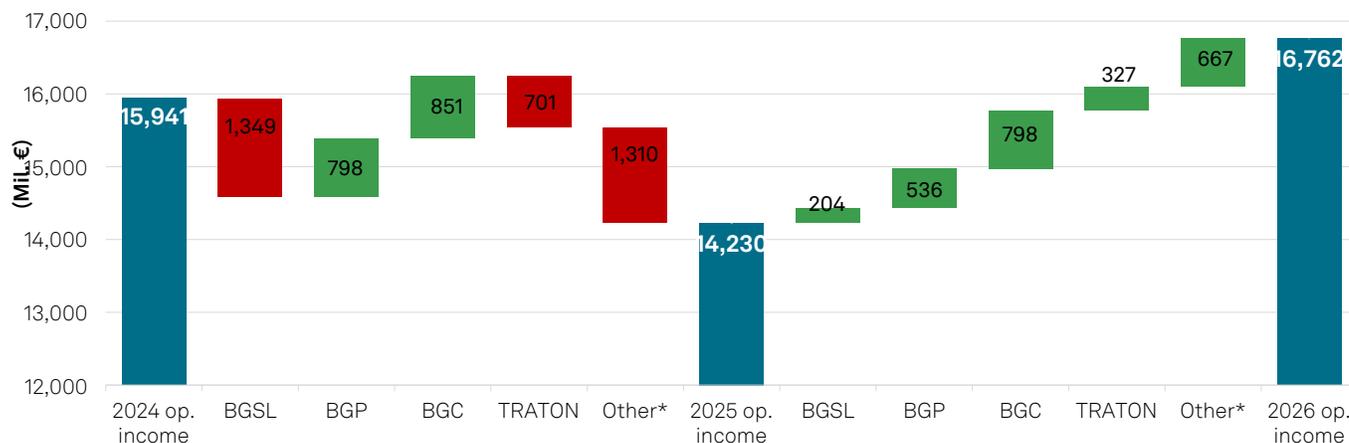
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quality. In terms of the latter, excluding unrealized fair value effects related to derivatives outside hedge accounting, VW's operating income in the auto segment fell about €5.6 billion, but about €3.9 billion of this related to depreciation and amortization, and lower capitalized development costs that do not affect our adjusted EBITDA. At the same time, adjusted FOCF more than halved to about €5.5 billion from €12.1 billion in 2023, reflecting lower EBITDA, a €4.1 billion cash outflow for working capital (compared with a €1.8 billion inflow in 2023), and a €2.5 billion further increase in capex. This resulted in adjusted FOCF to sales of 2%, falling short of the 3% requirement for the 'BBB+' rating.

VW will rely on its volume brands to limit margin downside with a challenging year ahead. We project profitability at Porsche to further decrease due to weak sales in the high-end premium and luxury market in China and additional investments in the model portfolio, and we foresee a slow comeback for operating margins at Brand Group Progressive (BGP, includes Audi, Bentley, and Lamborghini) in 2025, from a low point of 6.0% in 2024, due to a higher BEV share, our assumption of additional restructuring costs of €600 million-€800 million, and limited volume growth amid intense competition, and only partial availability of the brand's refreshed model line-up during this year. At the same time, we expect TRATON's operating margin to decline 100-150 basis points (bps) this year from its peak of 9.1% in 2024 as the top line contracts in line with lower unit sales, particularly in Europe. This means that Brand Group Core (BGC), comprising the brands of VW passenger cars, SKODA, SEAT/CUPRA, and VW light commercial vehicles, will be driving financial metrics in 2025. We deem margin expansion at BGC this year likely, thanks mainly to some volume growth, modest first effects from VW's agreement with the trade unions for cost savings in the domestic operations of the VW passenger car, the company's light commercial vehicle, and the VW components business, as well as earlier cost efficiency measures. This would limit adjusted EBITDA margin erosion this year to about 10%. At the same time, we expect only moderate cash flow improvements in 2025. Capex is to fall only marginally in absolute terms this year (VW is ramping up its battery cell production activities, and investments in model and platforms remain high) and restructuring measures will reduce cash flows about €2 billion. As a result, we expect FOCF to sales to remain at about 2% in 2025.

VW's auto operating income is set to decline in 2025

Changes in operating income by segment, 2024-2026*



*Other includes CARIAD, battery cell activities, Scout, and intersegment eliminations. BGSL--Brand Group Sport & Luxury. BGP--Brand Group Progressive. BGC--Brand Group Core. Source: S&P Global Ratings.

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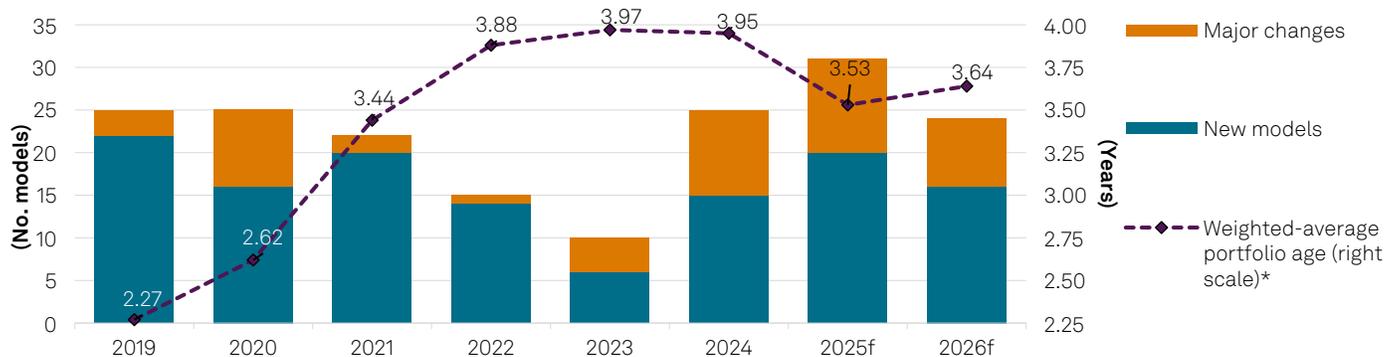
Cost savings should start supporting margins and cash flow from 2026. The agreement with the unions for the VW brand foresees the domestic workforce decreasing by more than 30,000 employees (from about 110,000), a suspension of salary increases until 2030, and the cutting of more than 40% of German production capacity. While the capacity reduction will have an effect mainly from 2027 onward, we expect the workforce reduction through natural turnover, early retirement, and voluntary severance schemes to start yielding meaningful savings from 2026. Similarly, in 2026 we expect to see the savings from the closure of the Audi plant in Brussels that ceased operations at the end of February 2025, as well as some initial contributions from the targeted workforce reductions of about 7,500 at Audi and 2,000 at Porsche. We also project further margin recovery from volume growth at Audi and BGC, as well as favorable mix effects at Audi. We think this will result in a sizable recovery of FOCF to above 3.0% next year, restoring cash conversion in line with the rating level.

If executed well, VW's partnerships with XPeng and Rivian can enhance the competitiveness of its model lineup. In its home market of Europe, VW's LV market share has held steady at just over 20% for many years, and the company also held about 20% of the European BEV market in 2024. Likewise, VW's market share of 11%-13% in South America, and about 5% in North America is relatively stable. The source of volume pressure for VW is China, where its market share has dropped to about 10% in fourth-quarter 2024 from a peak at about 18% in second-half 2019. We expect VW to cede 100-150 bps of market share in China this year, but think this has a chance to slow starting next year. We think the plan to launch two VW brand models using platforms of local BEV OEM XPeng in 2026, VW's cooperation with XPeng for the development of the electric/electronic (E/E) architecture of its own Compact Main Platform, as well as increased localization of development efforts in China is likely to help narrow the gap to local players in terms of product competitiveness. The VW brand is slated to launch up to four models on its Compact Main Platform from 2026. The group will also localize several Audi models on its new

PPE platform in its joint venture (JV) with FAW Group at the end of 2025 and introduce three models under a more tech-focused Audi subbrand with JV partner SAIC Motor in the next three years. We think VW's portfolio for other markets could also benefit from the cooperation with Rivian in the form of a redesigned E/E architecture that supports more advanced driver assistance, infotainment, and connectivity features. We also think the group's high launch activity over 2024-2025, with particularly extensive portfolio refresh at Audi and Porsche, should support model mix and market shares in the next two years.

VW is significantly overhauling its model portfolio

Number of new models added, major model changes, and average portfolio age*



*Sales-weighted-average years since model addition or last major change. Source: S&P Global Mobility, S&P Global Ratings.

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U.S. tariffs pose a risk to our forecast. According to forecasts from S&P Global Mobility, VW is to import into the U.S. about 295,000 vehicles from Mexico, and about 270,000 from the EU and the U.K. in 2025. EU imports concern particularly Audi and Porsche models not manufactured locally, whereas imports from Mexico consist of the VW Jetta, Taos, and Tiguan as well as the Audi Q5. We estimate the value of VW's vehicle imports from Europe and Mexico at €16 billion-€21 billion and €7 billion-10 billion, respectively, and we assume VW also imports some parts. Our latest economic scenario ("Economic Outlook U.S. Q2 2025: Losing Steam Amid Shifting Policies," published March 25, 2025, on RatingsDirect) points to a 10% tariff on imports of vehicles and parts from Mexico and Canada from April through the end of 2025, followed by a gradual reduction toward zero in 2026, and reciprocal tariffs on imports from other countries. Based on our assumption for mitigating actions available to VW, we incorporate an EBITDA headwind of slightly more than €1 billion into our projections for 2025, with the majority of the impact borne by Porsche and Audi. In this scenario we assume a 10% tariff on vehicle and parts imports from Europe. In case a 25% tariff were to be applied for the remainder of 2025, the headwind would increase to well above €2 billion, or about 50 bps of EBITDA margin. In our view, a permanent implementation of a 25% tariff beyond 2025 represents an additional downside risk to the extent not mitigated by pricing, selective localization, or additional cost actions. VW is not exposed to reciprocal tariffs by the EU against the U.S.

VW's forthcoming segment reporting will slightly dilute our adjusted EBITDA margin. Starting in first-quarter 2025, the group will separately report the eliminations between its auto and financial services divisions, whereas the current reporting for the auto segment includes all intersegment eliminations. We expect the new reporting to be more in line with our notion of

industrial and financial services activities because it reduces the problem of intragroup revenue and profit eliminations linked to the sale of vehicles from the auto to the financial services division, in particular those to be leased out to customers. We flagged the resulting distortions to our profitability metrics in Volkswagen 'BBB+/A-2' Ratings Off UCO; Affirmed Following Implementation Of New Captive Finance Criteria; Outlook Stable, published Nov. 1, 2023. We expect the change to increase our adjusted revenue by €25 billion-€27 billion per year over 2024-2026, and our adjusted EBITDA by €0.4 billion-€0.8 billion. This implies a 60-80 basis point dilution in our adjusted EBITDA margin from the existing reporting.

We consider VW's investments in strategic partnerships in setting our outlook thresholds. We think the company's partnerships in the area of battery cell manufacturing, E/E architectures and vehicle software, and raw materials are of high strategic importance for its powertrain and product strategy. We seek to improve comparability between companies that carry out these investments internally and therefore fully consolidate these operations, and companies that structure such activities as partnerships and do not fully consolidate them. We seek to include in our adjusted debt calculations the proportion of external debt at these partnerships and include in our FOCF figure the cash outflows for equity injections and intercompany loans, net of repayments, to the partnerships. VW so far fully consolidates its battery cell manufacturing activities but has unconsolidated joint ventures for Carizon and Rivian in E/E architectures and software, and with Umicore in raw materials, for example. VW does not disclose the cash flow effects and debt for these separately, but we estimate that the cash flow effects will amount to less than 1% of adjusted revenue in 2025-2027. Our threshold of FOCF to sales of 3% for the 'BBB+' rating reflects that, including these cash outflows, FOCF to sales would be lower. Also, FOCF after deducting outflows for these partnerships would be in line with rating thresholds in 2024-2025, when FOCF before these items is below the 3% mark. We estimate that the effect on adjusted debt is currently not material.

Outlook

The stable outlook reflects our expectation that VW's cost reduction measures, the extensive overhaul of its model portfolio, and its recent tech partnerships with Xpeng and Rivian will allow the company to maintain market leadership in Europe, and gradually slow--and eventually halt--the loss of market share in China, while moderately improving its profitability and cash conversion. This should enable VW to return to S&P Global Ratings-adjusted FOCF of more than 3% of adjusted revenue and more than 10% adjusted EBITDA margin from 2026 while maintaining leverage below 0.5x.

Downside scenario

We could consider a negative rating action if missteps in VW executing its cost saving initiatives and its product and platform strategy (in particular with respect to a competitive alternative powertrain, infotainment, driver assistance and software offering), as well as intense competition lead to continued pressure on profitability and market shares in its key markets of Europe and China. These issues could be exacerbated by significant and prolonged tariffs on vehicle and part imports into the U.S., or failure to strengthen profitability at Porsche and Audi. Specifically, a downgrade could occur if either:

- VW's LV market share in China falls toward 5% sustainably, or--although not expected--we observe material market share losses in Europe from about 20% currently;

- The group's S&P Global Ratings-adjusted EBITDA margin does not recover to close to 10% sustainably;
- FOCF to sales remains sustainably below 3%, which corresponds to well above 1% of FOCF to sales after spending on strategic JVs and partnerships in battery cells, driver assistance, and software; or
- The S&P Global Ratings-adjusted debt to EBITDA ratio is approaching 1.5x or adjusted debt-to-capital (consolidated) is exceeding 70%.

Upside scenario

We could upgrade VW if it strengthens competitiveness of its cost structure and model portfolio, enabling the company to hold a sustainable light vehicle market share of about 10% in China while defending its market position in Europe and achieve modest market share gains in other regions. We would expect VW to achieve this while maintaining FOCF to sales of well above 3% with spending on JVs, partnerships, and acquisitions in line with our base-case scenario, EBITDA margin of well above 10%, as well as debt to EBITDA well below 1.5x and adjusted debt-to-capital (consolidated) well below 70%.

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:

- Light vehicles: 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 1.1% in 2025 and in 2026 (including an adverse effect of U.S. tariffs of 0.1 and 0.2 percentage points, respectively), after 0.8% in 2024 and 0.5% in 2023. In the U.S., we expect real GDP growth of 1.7% in 2025 and 1.8% 2026 (after deducting an adverse effect of U.S. tariffs of 0.3 and 0.2 percentage points, respectively), compared with 2.7% in 2024 and 2.9% in 2023. In China, we expect real GDP growth of 4.1% in 2025 and 3.8% in 2026, after 4.8% in 2024 and 5.2% in 2023.
- Growth in global LV sales of 2%-3% in 2025 and 1%-2% in 2026, after 1.8% in 2024 and 9.8% in 2023 (see "Industry Credit Outlook 2025: Autos," published Jan. 14, 2025).
- Our decline in VW's deliveries in 2025 reflecting further loss of market share in the Chinese market, and subdued growth in North America given the tariffs. The return to modest delivery

growth from 2026 is due to a slowing sales decline in China on an improved and expanded model lineup at VW and Audi, and modest volume growth in other regions.

- Flat revenue in 2025 reflecting modest positive mix and pricing effects at Porsche and Audi, offset by volume decline at Porsche, about flat revenue at Brand Group Core, and a 3%-5% revenue decline at TRATON. Stronger growth from 2026 is supported by accelerating volume growth at AUDI and Brand Group Core, as well as a return to growth at TRATON.
- Adjusted EBITDA margins in 2025 following weaker profitability at Porsche, which is partly linked to additional investments and restructuring, a top-line-related margin contraction at TRATON, and costs for VW's own battery cell manufacturing activities and the preparation of the Scout brand's entry into the U.S. market. We foresee modest margin expansion at Audi and BGC thanks to cost savings, and in the case of AUDI model mix and lower restructuring costs, albeit held back by U.S. tariffs and the rising share of EVs. Our projected margin uplift in 2026 is supported by volume growth and cost savings at Audi and BGC, incremental positive price/mix effects at Porsche, and growth in unit sales at TRATON.
- Up to €0.8 billion of restructuring costs at AUDI in 2025 and €0.3 billion at Porsche.
- About €2 billion cash outflows in connection with restructuring measures at AUDI and VW provisioned in 2024. We expect this year's restructuring costs at AUDI and Porsche to be mostly, albeit not fully cash-effective in 2025.
- Cash outflows for working capital of up to €1.5 billion annually in 2025-2026, from higher inventory in connection with new model launches and, from 2026, growth in wholesale volume.
- Modest capex declines in 2025 and 2026 in absolute terms as VW manages its investment spending. However, capex remains high 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 €4.3 billion in 2025 and €4.1 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 hybrid coupons. No share buybacks.
- Investments in partnerships and JVs in key strategic areas of about €2 billion annually over 2025-2026, after about €1.7 billion net cash outflows for equity participations in 2024.

Key metrics

Volkswagen AG--Forecast summary

Period ending	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026
(Mil. EUR)	2020a	2021a	2022a	2023a	2024e	2025f	2026f
LV deliveries (mil. units)	9.1	8.6	8.0	8.9	8.7	8.6	8.6
Share of BEVs in LV deliveries (%)	2.5	5.3	7.3	8.5	8.6	12.1	16.0
Battery cell volume sourced (GWh)	About 16	About 36	About 47	About 61	About 62	About 89	About 119
Revenue*	182,106	209,194	235,375	272,286	269,659	269,960	275,648
Revenue§	N/A	N/A	255,275	298,386	294,459	295,210	302,148

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Volkswagen AG--Forecast summary

EBITDA (reported)*	36,291	46,611	50,639	50,149	50,413	51,842	56,465
Plus: Operating lease adjustment (OLA) rent	--	--	--	--	--	--	--
Plus/(less): Other	(16,892)	(23,659)	(25,107)	(19,971)	(21,832)	(24,746)	(26,395)
EBITDA*	19,399	22,952	25,532	30,178	28,581	27,097	30,070
Less: Cash interest paid	(3,032)	(534)	(631)	(1,068)	(1,325)	(1,336)	(1,344)
Less: Cash taxes paid	(2,009)	(3,329)	(3,561)	(6,327)	(4,959)	(3,470)	(3,112)
Plus/(less): Other	--	--	--	--	--	--	--
Funds from operations (FFO)*	14,358	19,089	21,340	22,783	22,297	22,291	25,614
EBITDA§	N/A	N/A	26,032	30,978	28,981	27,597	30,720
Dividends from equity affiliates	3,195	2,960	2,781	2,450	2,614	1,750	1,000
Cash flow from working capital	1,080	2,409	(365)	1,827	(4,140)	(708)	(1,176)
Cash flow from operations (CFO)*	17,893	24,194	19,686	25,924	21,870	21,805	26,116
Capital expenditure (capex)	11,000	10,419	12,553	13,864	16,406	15,950	15,754
Free operating cash flow (FOCF)*	6,893	13,775	7,133	12,060	5,464	5,855	10,362
Dividends	2,662	2,734	4,084	11,454	5,454	3,970	3,775
Debt (reported)	198,034	203,957	198,800	226,306	246,905	256,905	266,905
Plus: Lease liabilities debt	6,124	6,245	6,385	6,493	7,176	7,176	7,176
Plus: Pension and other postretirement debt	34,779	31,949	22,710	24,054	22,414	22,414	22,414
Less: Accessible cash and liquid investments	(38,388)	(39,565)	(51,903)	(46,809)	(44,465)	(44,300)	(48,976)
Plus/(less): hybrids, litigation, PSE debt, (captive finance debt)	(177,578)	(183,776)	(174,715)	(203,564)	(223,967)	(234,967)	(245,967)
Debt	22,971	18,811	1,278	6,481	8,063	7,228	1,552
Adjusted ratios							
Debt/EBITDA (x)	1.2	0.8	0.1	0.2	0.3	0.3	0.1
Annual revenue growth (%)*	(14.3)	14.9	12.5	15.7	(1.0)	0.1	2.1
EBITDA margin (%)*	10.7	11.0	10.8	11.1	10.6	10.0	10.9
EBITDA margin (%)§	N/A	N/A	10.2	10.4	9.8	9.3	10.2
FOCF/sales (%)*	3.8	6.6	3.0	4.4	2.0	2.2	3.8
Captive debt/equity (x)	5.8	5.2	4.6	5.1	5.3	5.4	5.4
Debt/debt and equity, consolidated (%)	64.0	60.7	53.3	55.9	57.4	55 - 60	55 - 60

*Existing reporting. §New 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 Dec. 31, 2024, 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 we think 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 Dec. 31, 2024, 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 €84 billion and €42 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 €85 billion in the first 12 months and €43 billion in the subsequent 12, which we calculate by subtracting our estimate of stable retail deposits from total maturities of €118 billion and €46 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 somewhat more than 1.0x for the 12 months from Dec. 31, 2024, well above the 0.5x threshold below 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

- Cash and liquid investments of about €66 billion for the group (industrial and captive finance operations) as of Dec. 31, 2024.
- Undrawn committed credit facilities with a residual maturity of more than one year of €25.3 billion in the first 12 months (including RCFs at VW AG and TRATON SE of €10 billion and €4.5 billion, respectively, and a €6.0 billion line at VW Financial Services AG due March 2027), and €15.3 billion in the subsequent 12 months.
- Cash FFO from VW's auto business of about €32 billion in both the first 12 months and €36 billion in the subsequent 12.
- 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.

Principal liquidity uses

- Cash outflow of about €20 billion in the first 12 months and €11 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.
- Capex (including capitalized R&D) of €25.5 billion-€27.5 billion in each period.
- Peak intra-year working capital swings of up to €5 billion and non-seasonal working capital requirements of up to €1.5 billion in each period.
- Our assumption of up to €2 billion in each period for committed investments in partnerships and JVs.

- Dividend payouts of about €4.3 billion in the first 12 months and about €4.1 billion in the subsequent 12 months, including hybrid coupons and dividends to minority owners of Porsche.

Covenants

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

Issue Ratings--Subordination Risk Analysis

Capital structure

VW AG had €254.1 billion of financial debt on Dec. 31, 2024, of which €13.2 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 level as the issuer credit rating. In view of VW's minimal 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+/Stable/A-2
Local currency issuer credit rating	BBB+/Stable/A-2
Business risk	Satisfactory
Country risk	Low
Industry risk	Moderately high
Competitive position	Strong
Financial risk	Minimal
Cash flow/leverage	Minimal
Anchor	a
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Strong
Management and governance	Moderately negative (-1 notch)
Comparable rating analysis	Negative (-1 notch)
Captive finance	Neutral
Stand-alone credit profile	bbb+

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, Feb. 10, 2025
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: The Impact Of Captive Finance Operations On Nonfinancial Corporate Issuers, Oct. 23, 2023
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- 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
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Volkswagen's Profit Warning Makes Progress On Cost Cuts More Urgent, Oct. 1, 2024
- Volkswagen's Restructuring Will Yield Long-Term Gains To Offset Short-Term Pain, Sept. 13, 2024
- Volkswagen's Costly Pact With Rivian Could Enhance Competitiveness, June 28, 2024
- Volkswagen AG, Feb. 20, 2024

Ratings List

Ratings list

Ratings Affirmed

Volkswagen AG

Volkswagen International Belgium S.A.

Issuer Credit Rating	BBB+/Stable/A-2
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Volkswagen AG

Porsche Holding GmbH

Volkswagen Canada Inc.

Volkswagen Group of America Finance LLC

Volkswagen International Finance N.V.

Volkswagen International Luxemburg S.A.

VW Credit Canada Inc.

VW Credit Inc.

Commercial Paper	A-2
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Volkswagen AG

Volkswagen Group of America Finance LLC

Volkswagen International Finance N.V.

VW Credit Canada Inc.

Senior Unsecured	BBB+
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Volkswagen Canada Inc.

VW Credit Canada Inc.

Commercial Paper	A-1(Low)
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Volkswagen International Finance N.V.

Junior Subordinated	BBB-
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