

CREDIT OPINION

19 May 2026

Update



RATINGS

Volkswagen Aktiengesellschaft

Domicile	Wolfsburg, Germany
Long Term Rating	Baa1
Type	LT Issuer Rating
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Volkswagen Aktiengesellschaft

Update to key credit considerations

Summary

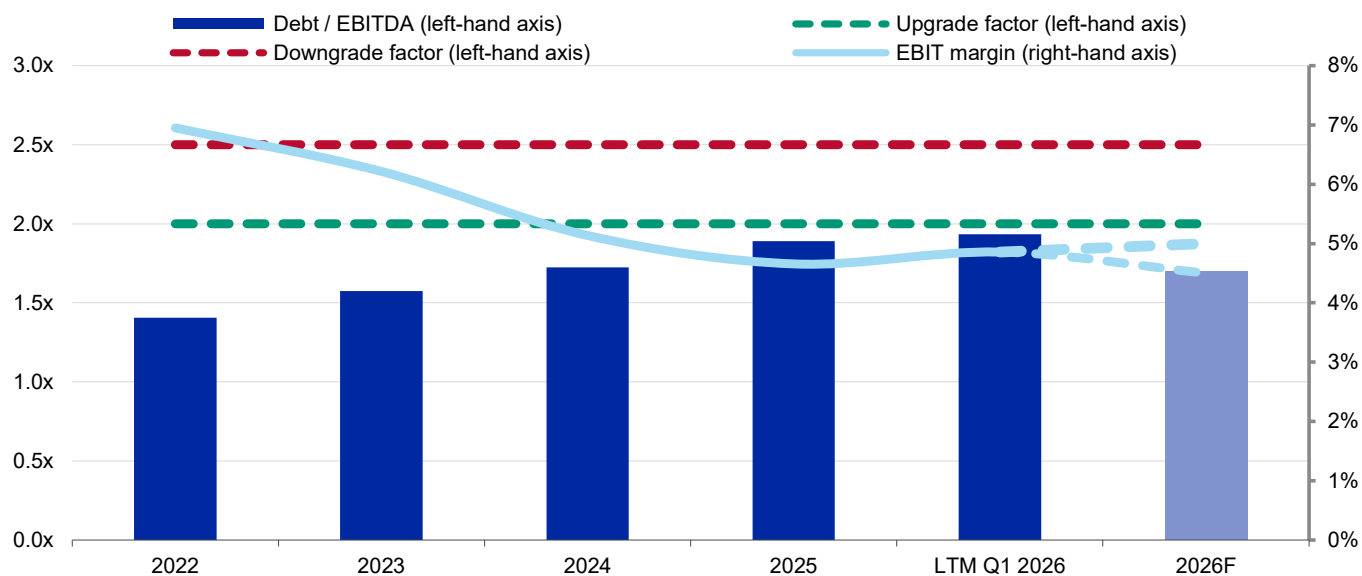
[Volkswagen Aktiengesellschaft's](#) (Volkswagen, VW or the company) Baa1 issuer rating with a stable outlook reflects the company's large scale and diversified global business profile. With close to 9 million vehicles shipped in 2025, Volkswagen is the second-largest global automotive manufacturer and benefits from a broad brand portfolio that includes globally established names such as Volkswagen, Porsche and Audi. The group also offers an extensive battery electric vehicle (BEV) portfolio and holds a leading position in the European BEV market. The rating further reflects Volkswagen's solid financial profile, supported by Moody's-adjusted gross leverage of 1.9x in 2025 and strong liquidity. Ample liquidity provides capacity to navigate the current period of weak profitability and underpins expectations for a return to sustainably positive Moody's-adjusted free cash flow over time.

At the same time, the rating is constrained by subdued profitability. Moody's-adjusted automotive EBIT margin declined to 4.7% in 2025, positioning Volkswagen at the lower end of the Baa1 rating category in terms of profitability and leaving limited margin for adverse operating developments or weaker credit metrics. We expect group profitability to remain under pressure and broadly contained within a 4.5%–5.0% EBIT margin corridor in the next 12–18 months. While Volkswagen has reinforced its strong market position in Europe, it continues to face market share pressure in China, its largest single market, amid intense competition and rapid electrification led by domestic manufacturers. We expect that the company will need to address these challenges to its profitability by further optimizing its cost structure in order to sustainably lift its profitability levels.

Profitability is further constrained by elevated capital spending linked to the transition toward BEVs and software-defined vehicles, as well as ongoing investments to sustain competitiveness in internal combustion engine (ICE) vehicles. In addition, tariffs on vehicle imports into the US reduced returns by close to 100 basis points in 2025 and will remain a structural margin headwind. Volkswagen has launched a range of measures to improve profitability, including new product launches—most notably under its “in China for China” strategy—and comprehensive fixed-cost reduction programs. We expect these initiatives to support some stabilization of profitability in 2026 but not a material margin recovery beyond the projected corridor. Over time, lower investments in R&D and capex and a disciplined approach to shareholder returns should support a gradual improvement in Moody's-adjusted free cash flow generation.

Exhibit 1

Although we expect margins to remain under pressure in 2026, leverage is expected to remain low at around 1.7x
 Moody's-adjusted debt / EBITDA and EBIT margin



All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.
 Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
 Source: Moody's Financial Metrics™ and Moody's Ratings forecasts

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Credit strengths

- » Strong business profile as the second-largest global auto manufacturer with strong market positioning
- » Robust portfolio of highly recognizable brands (including Volkswagen, Audi and Porsche) and good geographic diversification
- » Ability to offer attractive financing, which is a key component of VW's business model
- » Relative low leverage and sizeable automotive net liquidity position

Credit challenges

- » Difficult market environment for the automotive industry globally, including its high cyclicality and a highly competitive market environment, including China, where VW has lost market share
- » Strong divergence in profitability across passenger car brands with unclear trajectory with regards to Porsche's ambition to return to 10-15% margin.
- » Need for high investments to cope with stricter emission regulation, to develop and produce alternative fuel vehicles (including BEVs) and a group-wide vehicle software architecture that enables connectivity, driving assistance and autonomous driving features while at the same time maintaining a competitive ICE portfolio.
- » Corporate governance issues (according to Moody's ESG criteria), including highly complex group structure and history of high management turnover

Rating outlook

The stable outlook reflects our expectations that despite the challenging market environment, VW will be able to maintain its Industrial EBIT margin at around 4.5% in the next 12-18 months.

Factors that could lead to an upgrade

Upward rating pressure could develop in case (1) Moody's-adjusted EBIT margin (after restructuring) increases above 6.5% sustainably, (2) Moody's-adjusted debt/EBITDA stays below 2x sustainably, (3) Moody's-adjusted FCF/debt improves well above mid-single-digit percentages sustainably and (4) the company's global market share trend stabilizes supported by a successful execution of BEV transition.

Factors that could lead to a downgrade

Downward rating pressure could develop in case (1) Moody's-adjusted EBIT margin (after restructuring) decreases below 4.5% for a prolonged period of time, (2) Moody's-adjusted debt/EBITDA increases above 2.5x for a prolonged period of time, (3) Moody's-adjusted FCF remains negative and/or liquidity weakens. Loss of global market share could add to the downward rating pressure.

Key indicators

Exhibit 2

Volkswagen Aktiengesellschaft

(in € billions)	2022	2023	2024	2025	LTM Q1 2026	2026F
Revenue	232.4	268.2	265.9	259.8	256.8	261.0
EBIT Margin	7.0%	6.2%	5.1%	4.7%	4.9%	4.5% - 5%
Debt / EBITDA	1.4x	1.6x	1.7x	1.9x	1.9x	1.7x
EBIT / Interest Expense	5.6x	6.1x	4.7x	4.2x	4.5x	4.2x - 4.7x
RCF / Debt	14.7%	42.8%	34.7%	26.3%	30.6%	38.0% - 40.5%
FCF / Debt	-17.8%	13.4%	-2.8%	-0.4%	3.5%	-4.2% - -1.9%

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.

Moody's forecasts are Moody's opinion and do not represent the views of the issuer.

Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Profile

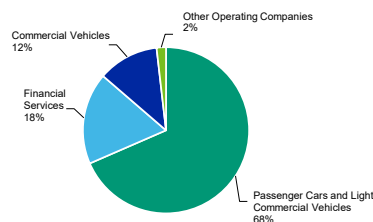
Volkswagen Aktiengesellschaft, headquartered in Wolfsburg, Germany, is Europe's largest automotive manufacturer by passenger car unit sales, with a market share of 27.6% in 2025 across the EU, EFTA and the UK, according to ACEA. Globally, Volkswagen is one of the two largest automotive groups, ranking marginally behind [Toyota Motor Corporation](#) (A1/P-1 stable). According to company disclosures, Volkswagen held a 27% share of the European battery electric vehicle (BEV) market in 2025, making it the market leader in BEVs in its core region.

Volkswagen manufactures mass-market and premium vehicles under a broad portfolio of brands, including Volkswagen Passenger Cars, Škoda, SEAT/Cupra, Audi, Bentley, Lamborghini and Porsche, of which it owns 75%. The group also produces light commercial vehicles under the Volkswagen Commercial Vehicles brand. In addition, Volkswagen operates in the heavy truck and bus segment through its publicly listed subsidiary [TRATON SE](#) (Baa2 stable), in which Volkswagen held an 87.5% stake at year-end 2025. TRATON produces vehicles under the Scania, MAN, International Motors (formerly Navistar) and Volkswagen Truck & Bus brands. Beyond automobiles, Volkswagen's subsidiary Audi holds a 100% interest in Ducati, a premium motorcycle manufacturer.

In 2025, Volkswagen delivered approximately 9.0 million vehicles to customers worldwide, unchanged from 2024. The group's sales are geographically diversified, with Europe accounting for 38% of unit deliveries in 2025, followed by China with 30%. North America represented 11% of deliveries, while South America contributed 7%.

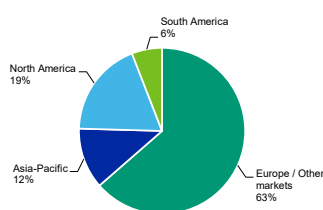
Volkswagen also provides a broad range of banking, leasing, insurance and mobility services, primarily through its subsidiaries [Volkswagen Financial Services Overseas AG](#) (Baa1 stable) and Volkswagen Bank GmbH. [Volkswagen Bank GmbH](#) holds a banking licence and offers both wholesale and retail banking services. Its ratings include long-term bank deposits rated A1 and a baseline credit assessment of baa3.

Exhibit 3
Revenue by segment (LTM Q1 2026)



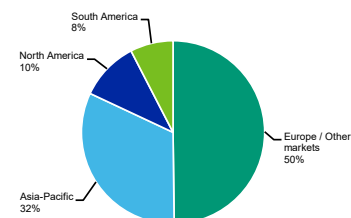
Excluding revenue from Chinese joint-ventures which are not fully consolidated.
Source: Company data

Exhibit 4
Revenue by region (2025)



Excluding revenue from Chinese joint-ventures which are not fully consolidated.
Source: Company data

Exhibit 5
Vehicles units sales by region (LTM Q1 2026)



Including unit sales from Chinese joint-ventures which are not fully consolidated.
Source: Company data

Detailed credit considerations

Robust and diversified business profile with strong positions in global automotive market, but weakening in China

VW has a strong business profile, with leading and established market positions in Europe (number one position with 27.6% market share in 2025, well before [Stellantis N.V.](#) (Baa3 stable), with a share of 15.3%, according to ACEA), China (number two position achieved through joint ventures (JVs) with local partners, behind BYD) and Brazil (second position, behind Stellantis and ahead of [General Motors Company](#) (Baa2 stable)). Given its broad and attractive product and service offering (including the ability to provide customer financing), as well as a strong product pipeline, we expect the company to maintain a market share in Europe at around the current level in the next 12-18 months.

VW's presence in both passenger cars and commercial vehicles brings a degree of diversification to its business risk profile. VW has bundled its commercial vehicle activities under its publicly listed subsidiary [TRATON SE](#) (Baa2 stable; VW share: 87.5%), comprising Scania, MAN, International Motors and VW Truck & Bus.

VW generates its profits in China from locally produced vehicles within the local joint-ventures (€1 billion proportionate operating profit accounted at equity in 2025, down from €2.6 billion in 2023 and €5.2 billion at peak in 2015) and imported cars mainly from Audi and Porsche. Volkswagen's market share in China has declined sharply, falling from about 17% in 2019 to around 11% in 2025, reflecting the rapid shift toward New Energy Vehicles (NEVs) and the growing competitiveness of domestic manufacturers. According to data from the China Association of Automobile Manufacturers (CAAM), NEVs now account for nearly half of total vehicle sales and roughly 54% of passenger car sales, compared with only about 5% in 2019. At the same time, local Chinese brands have expanded their share of the passenger vehicle market to around 65%–70% in 2025, materially eroding the position of foreign brands, including Volkswagen. Despite some volatility in adoption rate, we expect NEV adoption to continue rising, with local brands leading the market. Consequently, Volkswagen and other foreign automakers, which Chinese sales still rely on a larger degree in the declining ICE segment, face ongoing challenges.

To defend its position in China, VW unveiled a new strategy in 2024, which includes independent local development with more decision making power in the region and utilizes the capabilities of local joint venture partners and its partnership with Xpeng for electronic architecture. This approach has reduced time to market by 30% and improves the VW brands competitive position in terms of costs and technology compared to local players in both BEV and ICE segments. For example VW's new local Compact Main Platform (CMP) has reduced material cost by 40% compared to MEB architecture, with a further 10% of material cost reduction planned to be achieved during 2026. As a result of this strategy the company is expecting more than 30 product launches in China by 2027, which include the Audi E5, the ID.UNYX model family launched in Q1-2026 and the ID.Aura T6. However, we expect the Chinese BEV market to remain competitive in the near future, depressing the margin of local and international OEMs active in the market.

Challenging global automotive industry, which is highly cyclical and highly competitive

VW, like all major automakers, is exposed to the cyclicity of the global automotive industry. Global light vehicle (LV) sales peaked at around 95 million units in 2017–18 following several years of growth. Industry volumes contracted sharply in 2020 due to the COVID-19 pandemic and recovered unevenly in 2021–22 amid supply-chain constraints. Demand improved materially in 2023 as semiconductor availability normalised before moderating again in 2024 amid weaker consumer sentiment and affordability pressures. Based on realised market data from GlobalData, global LV sales in 2025 were stronger than previously anticipated and broadly in line with pre-pandemic levels. Looking ahead, we expect industry volumes to remain broadly around current levels rather than return to a sustained growth trajectory, reflecting mature demand in key regions and moderate macroeconomic growth.

In 2025, VW's global unit sales were broadly flat year on year based on realised volumes. Regional performance remained uneven, with solid growth in Europe and South America, while volumes declined in Asia Pacific and North America. At the brand level, the Core brand deliveries to customers increased by around 1%, supported by growth at Skoda and SEAT/CUPRA, while Volkswagen Passenger Cars volumes were broadly flat. Audi's deliveries declined by around 3%, with growth in its European and emerging market segments fully offset by volume declines in North America (around a 12% year-on-year decline) and China (around 5%). Porsche's unit sales declined materially, by around 10% globally, including a decline of approximately 25% in China. Reflecting the unfavourable regional and brand mix, as well as continued pricing pressure, revenues in VW's Automotive Division (excluding consolidation adjustments) declined by around 2.3% in 2025.

Competitive intensity across the global automotive industry remains high. Most major OEMs are planning multiple new model launches across ICE, hybrid and battery-electric segments over the next product cycles, while Chinese OEMs continue to expand their international presence, particularly in Europe, Southeast Asia and Latin America. This combination of an elevated model launch cadence and the expansion of lower-cost Chinese manufacturers is likely to sustain strong competitive pressure and cap the potential for further price increases, despite OEMs' efforts to prioritise mix and value over volume. Against this backdrop, we expect VW's automotive revenues to grow modestly in 2026, primarily supported by volume stability and mix effects, while pricing pressure is likely to persist.

Divergence in profitability across passenger car brands, management initiatives aim at sustainably improving profitability

VW's large scale should help the group efficiently deploy resources and boost profitability through operating leverage. The valuation of derivatives has historically impacted VW's margins, on a positive or negative way, increasing its volatility. In 2024, VW transferred these derivatives largely to hedge accounting. From 2025, fluctuations in commodity prices affected the income statement only when profits or losses are realized, with valuation effects recognized in other comprehensive income.

VW management's strategic plan is aiming to improve the group's operating margin before special items to 5%-7% by 2027 and to 8%-10% by 2030 (from 2.8% in 2025 (4.2% before the Porsche €4.7 billion product realignment and goodwill impairment) and 5.9% in 2024). The plan focuses on better product positioning, reducing fixed costs, and efficiency measures. VW's management intends to raise the margin of Brand Group Core to 7.5% by 2030, to 10% for Audi, and to 15% for Porsche (from 4.7%, 5.1%, and 0.3% in 2025 (15% before the €4.7 billion product realignment and goodwill impairment), respectively).

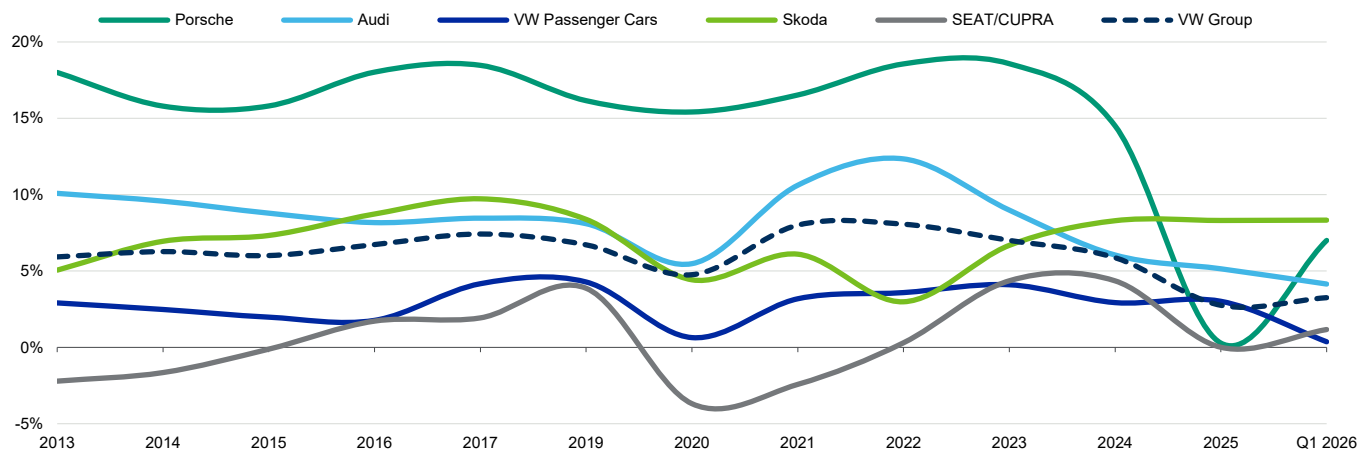
We note that VW has been attempting to improve the margins for the VW brand for a long time with a mixed track record so far. Execution risks are high due to the fierce competition in the automotive sector, organizational complexity of the VW group, and significant software architecture investments required. However, the group was able to reduce its 2025 overhead as a percentage of automotive sales to 15.7% from 18.5% in 2019. Furthermore, Volkswagen Group has also reduced its workforce in Germany to around 260 thousand employees as of December 2025, from more than 275 thousand in December 2023.

In 2025, while they accounted for 30% of group's unit sales, Audi and Porsche represented 39% of the group's operating profit (excluding the intercompany profit, special items and results from JVs). While VW's premium brands continue to drive earnings, higher profitability at the group's other brands is key to achieve the management goal of group's margin improvement. The group also aims to cut overhead cost, reduce its total number of model variants, further streamline its modular architectures and to reduce capacities in its German plants by 730,000 units.

Exhibit 6

VW management targets to improve group profitability to 8% - 10% by 2030 from 2.8% in 2025 and 3.3% in Q1 2026

Reported operating margin by segment



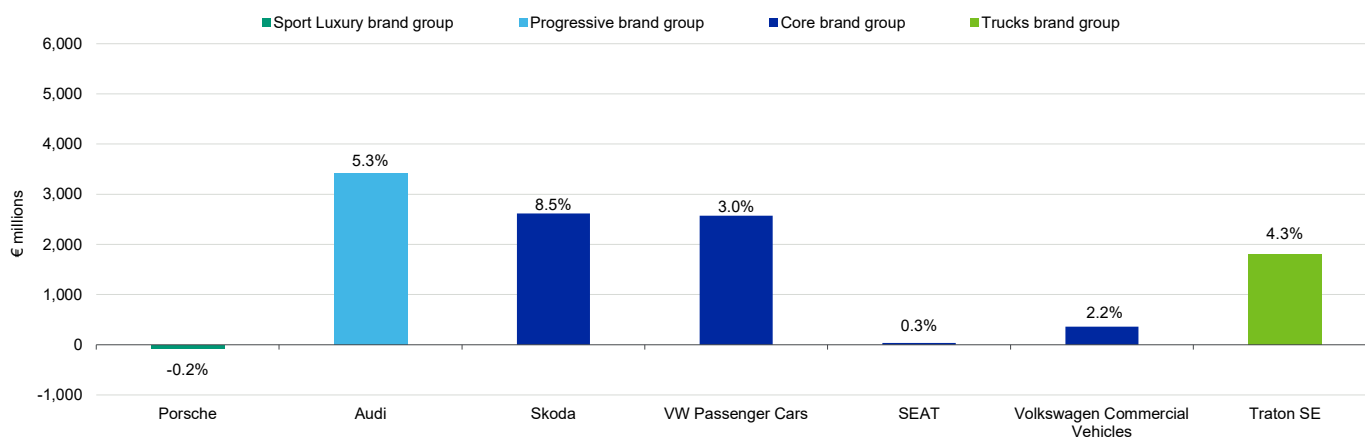
Excluding intercompany profit, special items and results from joint ventures.

The 2025 operating profit margin of Porsche and of the VW group before the €4.7 billion product realignment and goodwill impairment would be 15% and 4.2%, respectively.

Source: Company data

Exhibit 7

Sustainable improvement of the VW Passenger Cars brand profitability is key to achieving higher margins at the group level
Reported operating profit and margin by brand and business field (LTM Q1 2026)



Excluding intercompany profit, special items and results from joint ventures.

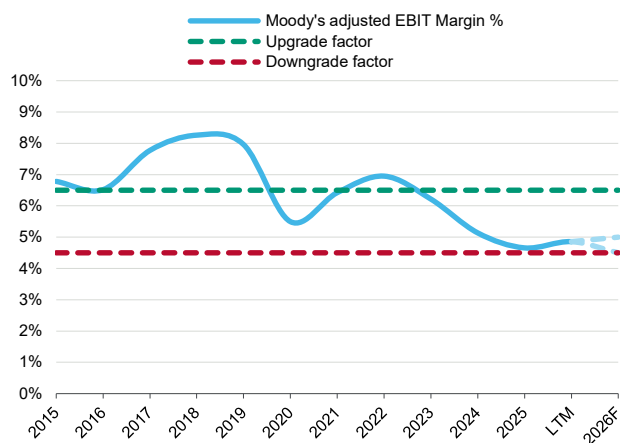
The 2025 operating profit margin of Porsche and of the VW group before the €4.7 billion product realignment and goodwill impairment would be 15% and 4.2%, respectively.

Source: Company data

Since 2024, VW has intensified its initiatives on fixed cost reduction. The agreement signed in December 2024 aims to reduce fixed costs in Germany, which have weighed on VW brand's profitability. We expect €2 billion in cost savings from this agreement by year-end, mainly from revised bonuses and planned wage increases and workforce reduction. Larger cost savings towards the midterm target of more than €6 billion per year are expected by 2030 through workforce and production capacity reductions. VW has closed down its Audi plant in Brussels, which resulted in €1.6 billion restructuring costs booked in 2024. Furthermore, we caution that further restructuring measures including a further reduction of capacity in Europe might be needed to achieve its long-term margin ambitions.

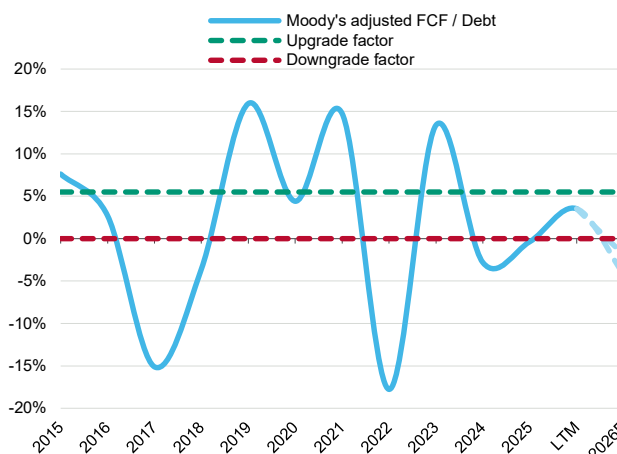
We anticipate that VW's operating performance will remain pressured over the next 12-18 months. We forecast Moody's adjusted EBIT margin in the range of 4.5%-5% for 2026 (4.7% in 2025). Flat volumes, continuous price pressure globally, tariff costs and margin dilution impact from expected BEV volume increase will weigh on margin, while costs savings will provide some relief. In 2025, Moody's adjusted FCF turned negative at -€167 million due to the weakening operating profit, although a more negative FCF result was mitigated by a significant working capital inflow (€3.2 billion, compared to €0.1 billion in 2024), as well as lower capex (€24.1 billion PPE + capitalized development costs in 2025, compared to €27.2 billion in 2024). We expect VW's FCF will remain negative in 2026, driven by our expectation that profitability will remain under pressure this year.

Exhibit 8
VW's margin to remain around the lower end of our 4.5% - 6.5% Baa1 rating requirements
 Moody's-adjusted EBIT margin



LTM = last 12 months as of 31 March 2026
 Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
 Sources: Moody's Ratings, Moody's Financial Metrics™ and Moody's Ratings forecasts

Exhibit 9
VW's free cash flow (FCF) is expected to remain negative this year
 Moody's-adjusted FCF



LTM = last 12 months as of 31 March 2026
 Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
 Sources: Moody's Ratings, Moody's Financial Metrics™ and Moody's Ratings forecasts

Electrification focus requires high investment but should protect market position

The transition to electric vehicles poses significant execution risks. The global automotive industry is in the early stages of a long-term shift to lower carbon emissions through improved fuel efficiency and shift to fully electric vehicles. Key risks for automakers like VW include potential market share loss, inability to earn adequate profits on electric vehicles, and manufacturing challenges due to possible constraints in the supply of critical materials.

VW has invested heavily in its transition to electric vehicles, including in-house battery production through its subsidiary PowerCo. The company has accelerated EV development and production, with its share of BEVs rising from less than 1% in 2019 to 10.9% in 2025. BEV volume growth significantly accelerated last year to 32%, mainly driven by new model launches and increased BEV adoption in Europe, while PHEV deliveries increased by 59% year-on-year to 427,980 units.

Battery sourcing is crucial to Volkswagen's strategy. The company currently sources from suppliers like [LG Chem, Ltd.](#) (Baa2 stable), Samsung SDI, [SKI](#) (Ba1 negative) and [CATL](#) (A3 stable). In 2022, VW founded PowerCo to manage its global battery business and reduce reliance on external suppliers. This involves significant R&D and capital spending, impacting profit margins and cash flow. PowerCo aims to meet around 50% of VW's EV battery demand by 2030. The first cell factory is based in Salzgitter (Germany), which delivered the first cells in the second half of 2025, and two further factories are being built in Valencia (Spain) and St. Thomas (Canada). The company also aims to develop a network of 18,000 fast-charging points in Europe with partners.

Volkswagen plans to invest €160 billion in R&D and capital spending from 2026 to 2030, averaging 11% of automotive sales revenues, above its 2030 target of 9%. This includes extra front-loaded investments in competitiveness, EV batteries, and other strategic areas. The investment ratio peaked in 2024 and is expected to gradually decline to 9% of automotive revenue by 2030.

Rivian transaction highlights strategic shift of software strategy

VW's high investment spending is partly due to the need to invest in software to stay competitive. VW's subsidiary CARIAD was founded to develop a standardized operating system for its vehicles and focuses on connectivity, infotainment, driver assistance, and autonomous driving systems. However, CARIAD faced ongoing losses and operational issues which caused delays in key model launches, particularly for Audi and Porsche.

VW's partnership with Rivian aims to enhance software development capabilities and increases the speed to launch a state of the art electrical/electronic architecture in its next generation vehicles. The JV will develop Electrical/Electronic architectures and software for both partners' electric vehicles, serving VW Group in Western regions, while the China Electrical Architecture was co-developed with

XPeng. VW plans to invest \$5.8 billion in Rivian and the JV by year-end 2027, with \$3.3 billion already invested in 2025. In 2026 and 2027, VW plans to invest up to \$2.5 billion in the form of debt and equity of which \$1 billion has been invested in April 2026, including up to \$1.5 billion in ordinary shares of Rivian. The first car on the Rivian platform, the ID. Every1, is expected in 2027. Despite significant execution risks, we view the Rivian partnership positively as it aims to reduce software development costs and accelerate the time to market for new models.

Strong balance sheet continues to support the rating

Since 2022, VW has maintained a Moody's adjusted gross debt/EBITDA ratio below 2.0x (1.9x in 2025), comfortably within the Baa1 rating category's upper limit of 2.5x. The pension deficit decreased from €40.1 billion in 2021 to around €22.3 billion in 2025. Pensions are the largest adjustment to VW's gross debt, which totaled €46.6 billion on a Moody's-adjusted basis in 2025. VW's Moody's adjusted debt/EBITDA is expected to remain below 2x over the next 12-18 months.

Ability to offer attractive financing is a key component of VW's business model

VW's issuer rating includes our assessment of the captive finance operations due to their key role in promoting sales and maintaining competitiveness. We calculate credit metrics excluding financial services. We analyze the finance business as a stand-alone entity, assessing potential capital or liquidity support needed in a stress scenario, and then incorporate this into VW's overall rating. In 2025, the Financial Services Division (including Volkswagen Financial Services as well as the financial services activities of Scania, International Motors and Porsche Holding Salzburg) had total assets of about €321 billion (50% of the broader group's assets), an equity ratio of 14.2%, and generated an operating profit of €3.7 billion, down from €3.1 billion a year earlier.

Volkswagen faces residual value risk in its leasing business and indirectly through the health of its dealerships. The continued solid operating performance of VW's Financial Services division, including asset-quality, reflects the fact that VW has so far maintained good level of demand and pricing for its automotive brands. So far, residual values have not suffered significantly from the diesel-related issues and the transition to electric vehicles.

Costs related to the diesel scandal consumed substantial capital, with most payments already made

At this stage, most of the payments related to the diesel issue, totaling around €33 billion, were made in 2016-20 (€28.8 billion). In 2021 and 2022, outflows amounted only to another €1 billion each. Lawsuits in many regions worldwide are still ongoing but given VW's sizeable liquidity position, we expect that remaining outflows for the diesel issue will remain manageable, assuming that the current level of provisions is sufficient. At December 2025, provisions for legal risks related to the diesel scandal amounted to €0.4 billion and contingent liabilities relating to the diesel issue amounted to €4.0 billion, the majority of which relate to lawsuits filed by investors in Germany.

ESG considerations

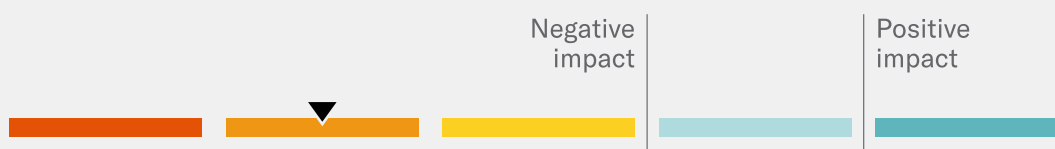
Volkswagen Aktiengesellschaft's ESG credit impact score is CIS-4

Exhibit 10

ESG credit impact score

CIS-4

Score



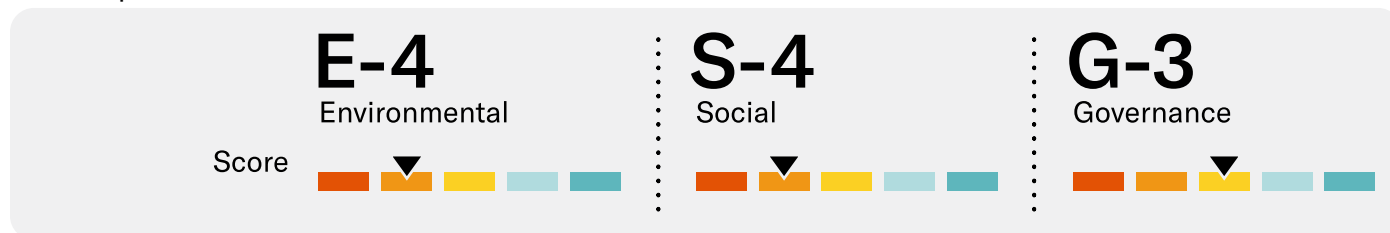
ESG considerations have a discernible impact on the current rating, which is lower than it would have been if ESG risks did not exist. The negative impact of ESG considerations on the rating is higher than for an issuer scored CIS-3.

Source: Moody's Ratings

VW's **CIS-4** indicates that the rating is lower than it would have been if ESG risk exposures did not exist. The main ESG risks relate to carbon transition and the high costs to manage it, and to company's relatively weak governance due to the organization complexity, which are both constraints to the rating.

Exhibit 11

ESG issuer profile scores



Source: Moody's Ratings

Environmental

VW's **E-4** is driven by carbon transition, which is a high risk for the global auto sector in terms of stricter environmental regulation and the trend towards low and zero emission vehicles. VW has, however, taken mitigating actions by developing and successfully launching electrified vehicles and investing sizeable amounts into future technologies, including its own battery production under its subsidiary PowerCo. VW's share of battery electric vehicles represented around 11% of total deliveries in 2025 while the share of plug-in hybrid vehicles reached 4.8%. Since 2021, Volkswagen Group fleet CO₂ emissions complied with EU targets but remained flat; further improvement needed to comply with 2025 EU CO₂ regulation.

Social

VW's **S-4** is driven by high risks in three categories: Human capital risks incorporate the strong reliance on a highly skilled workforce and high strike risks, given the high degree of unionization of production workforce. Responsible production risks are also high, given the complexity of the global supply chain and very high requirements for vehicle product quality. The high risks in terms of Demographic & Societal Trends include the heightened environmental awareness among consumers and the risk that brand loyalty among younger consumers might gradually fall.

Governance

VW's **G-3** is driven by the highly complex group structure, with multiple stakeholders, which include the family owners, the German State of Lower Saxony, and workers unions, as well as the existence of minority shareholders in key businesses, such as Porsche AG, TRATON SE and the JVs in China. The score also factors in the current management's track record, which has been in place since 2022 following a period of high executive turnover. We also consider the finalization of the dual role held by Volkswagen's CEO, who has terminated his role as Porsche's CEO in January 2026. The company also has further strengthened its governance structure by appointing Susanne Wiegand as the chair of the Audit Committee of the Supervisory Board. Volkswagen's conservative financial strategy and risk management further support our governance assessment.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Carbon transition is Volkswagen's key environmental risk

We assess Volkswagen's environmental risks as high, in line with sector-wide risks of the automotive industry (see our [environmental heat map](#)). Continued tightening of emissions standards and regulations across most major markets, because of environmental concerns, require investments into greater efficiency and electrification to maintain compliance and avoid fines or additional costs. Volkswagen, like its competitors, faces stricter CO₂ emission targets set by the EU. We expect automotive manufacturers to continue to invest substantial amounts in R&D and capital spending to meet increasingly stringent hurdles imposed by CO₂ emissions regulations worldwide, as well as electrification expectations set by governments in the major automotive markets globally.

Committed to the Paris Agreement, Volkswagen wants to become a net carbon-neutral company by 2050. By 2030, the company wants to reduce the carbon footprint of its passenger cars and light commercial vehicles by 30% per vehicle compared with 2018

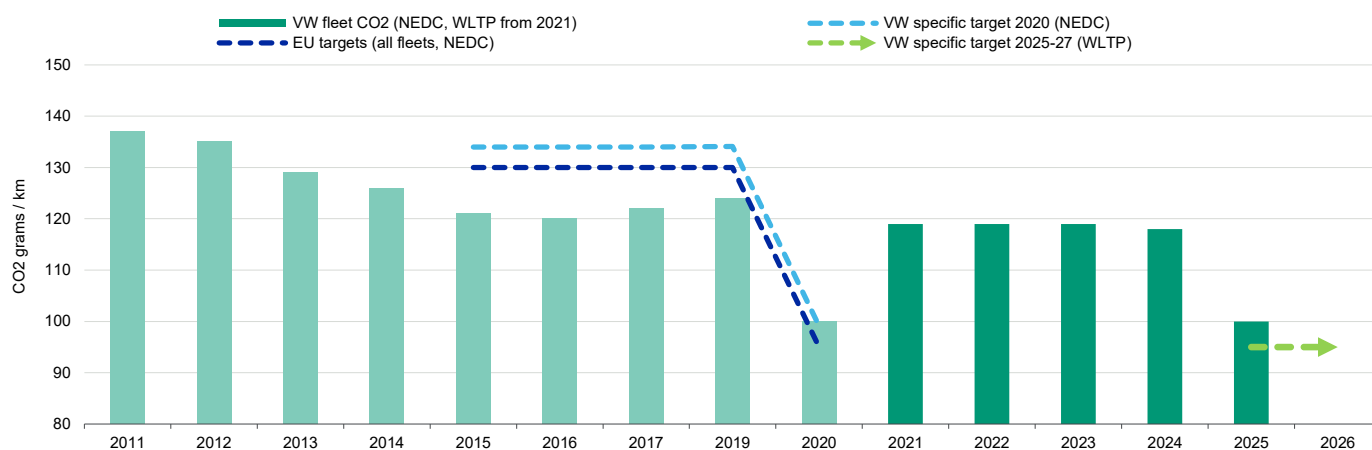
without any offset measures. Within its €160 billion multi-year investment plan for capital spending and R&D, Volkswagen has allocated a significant amount into the development of BEVs.

VW reported an EU CO₂ emission of 100g CO₂/km for 2025, versus a regulatory target of less than 95g, which the European Commission (EC) tightened last year (15% reduction versus 2021). For the period ranging from 2025 to 2027, the EC introduced a 3-year compensation mechanism for CO₂ emission limits, allowing automakers to meet their targets over the 3-year period instead of in 2025, which gives Volkswagen more time to achieve CO₂ emission targets in Europe. Nevertheless, we believe that it will be difficult for VW to comply with the regulatory targets without additional efforts to boost volume, for example in terms of discounts or the need to pay for CO₂ credits (pooling). Reducing CO₂ emissions can be achieved thanks to various measures, including the continued launch of new electrified models (both, battery electric and plug-in electric vehicles), the launch of more efficient conventional models with internal combustion engines and the termination of production of older, inefficient models.

Exhibit 12

Volkswagen Group fleet CO₂ emissions complied with targets since 2021 but remained flat; further improvement needed for this year

Company data and Moody's Ratings



Source: Company filings and Moody's Ratings

Liquidity analysis

In our theoretical scenario of no access to the capital markets for its manufacturing and financial services activities, Volkswagen had a coverage of more than 12 months of its corporate needs as of December 2025. The group's liquidity position is supported by cash on balance sheet and short-term marketable securities (after a 20% haircut) of around €61 billion as of December 2025. We apply a 25% haircut on Porsche AG's cash & cash equivalents. In addition, VW has access to a significant amount of long-term committed credit facilities, totaling around €30.6 billion, out of which only €0.1 billion were drawn (as of December 2025).

Rating methodology and scorecard factors

The principal methodology used for this rating is the Automobile Manufacturers Industry rating methodology. The current and forward-looking scorecard-indicated outcome of Baa2 is one notch below the assigned Baa1 rating, which reflects VW's strong business profile despite current weakness in credit metrics, particularly driven by the company's negative FCF.

Exhibit 13

Rating factors

Volkswagen Aktiengesellschaft

Auto Manufacturers Industry Scorecard	Current LTM March 31 2026		12-18 Month Forward View As of March 2026	
	Measure	Score	Measure	Score
Factor 1: Business Profile (40%)				
a) Trend in Global Market Share	Ba	Ba	Ba	Ba
b) Market Position and Product Portfolio	A	A	A	A
Factor 2: Profitability And Efficiency (20%)				
a) EBIT Margin	4.9%	Ba	4.5% - 5.0%	Ba
Factor 3: Leverage And Coverage (25%)				
a) Debt / EBITDA	1.9x	A	1.7x	A
b) EBIT / Interest Expense	4.5x	Ba	4.2x - 4.7x	Ba
c) RCF / Debt	30.6%	Baa	38.0% - 40.5%	Baa
d) FCF / Debt	3.5%	B	-4.2% - -1.9%	Caa
Factor 4: Financial Policy (15%)				
a) Financial Policy	A	A	A	A
Rating:				
a) Scorecard-Indicated Outcome		Baa2		Baa2
b) Actual Rating Assigned				Baa1

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.

Moody's forecasts are Moody's opinion and do not represent the views of the issuer.

Source: Moody's Financial Metrics™ and Moody's Ratings forecasts

Appendix

Exhibit 14

Peer comparison

Volkswagen Aktiengesellschaft

(in \$ millions)	Volkswagen Aktiengesellschaft			Toyota Motor Corporation			Bayerische Motoren Werke Aktiengesellschaft			Mercedes-Benz Group AG			Stellantis N.V.		
	Baa1 Stable			A1 Stable			P(A)2 Stable			A2 Stable			Baa3 Stable		
	FY Dec-24	FY Dec-25	LTM Mar-26	FY Mar-23	FY Mar-24	FY Mar-25	FY Dec-23	FY Dec-24	FY Dec-25	FY Dec-24	FY Dec-25	LTM Mar-26	FY Dec-23	FY Dec-24	FY Dec-25
Revenue	287,689	293,646	297,705	254,715	289,942	287,505	146,518	138,644	136,436	130,392	121,616	123,218	203,995	167,735	169,812
Total Debt	48,741	54,731	54,549	28,471	26,074	25,113	5,341	6,606	4,427	781	1,050	1,030	32,160	32,187	38,537
Cash + Marketable Securities	48,874	60,491	60,568	48,074	71,076	82,181	18,242	17,018	19,999	19,051	19,732	20,612	52,459	36,741	34,810
EBIT Margin	5.1%	4.7%	4.9%	9.6%	15.5%	13.3%	9.5%	5.1%	4.1%	9.2%	4.7%	4.2%	11.6%	3.6%	-4.6%
EBIT / Interest Expense	4.7x	4.2x	4.5x	33.0x	54.2x	43.1x	61.4x	26.2x	17.1x	137.6x	48.7x	43.5x	13.1x	2.9x	-3.9x
(Cash + Marketable Securities) / Debt	100.3%	110.5%	111.0%	168.9%	272.6%	327.2%	341.6%	257.6%	451.8%	2440.1%	1879.3%	2001.0%	163.1%	114.1%	90.3%
Debt / EBITDA	1.7x	1.9x	1.9x	0.8x	0.5x	0.5x	0.2x	0.5x	0.3x	0.0x	0.1x	0.1x	1.1x	2.8x	-38.5x
FCF / Debt	-2.8%	-0.4%	3.5%	29.1%	98.1%	33.6%	-30.5%	-27.1%	-47.0%	358.6%	62.3%	8.6%	36.8%	-29.5%	-24.3%
RCF / Debt	34.7%	26.3%	30.6%	63.1%	150.1%	103.0%	229.1%	107.6%	194.2%	973.1%	389.7%	316.7%	71.7%	2.3%	-35.4%

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.

Source: Moody's Financial Metrics™

Exhibit 15

Moody's-adjusted debt reconciliation

Volkswagen Aktiengesellschaft

(in € millions)	2022	2023	2024	2025	LTM Mar-26
As reported debt	10,918.0	9,409.0	13,209.0	17,178.0	18,794.0
Pensions	26,916.0	29,122.0	26,916.0	22,286.0	22,286.0
Hybrid Securities	7,060.5	7,577.5	6,945.0	7,137.5	6,263.5
Moody's-adjusted debt	44,894.5	46,108.5	47,070.0	46,601.5	47,343.5
Cash & Cash Equivalents	(55,901.0)	(50,909.0)	(47,199.0)	(51,506.0)	(52,567.0)
Moody's-adjusted net debt	(11,006.5)	(4,800.5)	(129.0)	(4,904.5)	(5,223.5)

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.

Source: Moody's Financial Metrics™

Exhibit 16

Moody's-adjusted EBITDA reconciliation

Volkswagen Aktiengesellschaft

(in € millions)	2022	2023	2024	2025	LTM Mar-26
As reported EBITDA	38,973	40,738	38,112	34,378	34,208
Pensions	22	(14)	46	(37)	(37)
Capital Development Costs	(9,723)	(11,142)	(10,244)	(9,343)	(9,332)
Interest Expense - Discounting	-	(304)	(613)	(359)	(359)
Unusual Items	2,676	-	-	-	-
Moody's-adjusted EBITDA	31,948	29,278	27,301	24,639	24,480

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.

Source: Moody's Financial Metrics™

Exhibit 17

Overview on selected historical and forecasted Moody's-adjusted financial data
Volkswagen Aktiengesellschaft

(in € millions)	2022	2023	2024	2025	LTM Mar-26	2026F
INCOME STATEMENT						
Revenue	232,392	268,156	265,887	259,778	256,792	261,020
EBIT	16,152	16,669	13,656	12,097	12,471	11,700 - 13,000
EBITA	17,412	18,109	15,198	13,755	14,130	13,000 - 14,500
EBITDA	31,948	29,278	27,301	24,639	24,480	25,000 - 26,400
Interest Expense	2,866	2,735	2,880	2,850	2,778	2,766
BALANCE SHEET						
Cash & Cash Equivalents	55,901	50,909	47,199	51,506	52,567	45,500 - 46,500
Total Debt	44,895	46,109	47,070	46,602	47,344	42,810
Net Debt	(11,007)	(4,801)	(129)	(4,904)	(5,224)	(2,691) - (3,691)
CASH FLOW						
Funds from Operations (FFO)	20,453	24,418	21,777	16,387	18,632	19,000 - 20,000
Cash Flow from Operations (CFO)	19,686	25,924	21,871	19,632	21,451	18,500 - 19,500
Capital Expenditures	(13,801)	(15,054)	(17,740)	(15,671)	(15,656)	(17,637)
Dividends	(13,863)	(4,706)	(5,454)	(4,128)	(4,123)	(2,664)
Retained Cash Flow (RCF)	6,590	19,712	16,323	12,259	14,509	16,400 - 17,400
RCF / Debt	14.7%	42.8%	34.7%	26.3%	30.6%	38.0% - 40.5%
Free Cash Flow (FCF)	(7,978)	6,164	(1,323)	(167)	1,672	(1,800) - (800)
FCF / Debt	-17.8%	13.4%	-2.8%	-0.4%	3.5%	-4.2% - -1.9%
PROFITABILITY						
EBIT Margin	7.0%	6.2%	5.1%	4.7%	4.9%	4.5% - 5.0%
EBITA Margin	7.5%	6.8%	5.7%	5.3%	5.5%	5.0% - 5.5%
EBITDA Margin	13.7%	10.9%	10.3%	9.5%	9.5%	9.6% - 10.1%
INTEREST COVERAGE						
EBIT / Interest Expense	5.6x	6.1x	4.7x	4.2x	4.5x	4.2x - 4.7x
EBITA / Interest Expense	6.1x	6.6x	5.3x	4.8x	5.1x	4.7x - 5.2x
EBITDA / Interest Expense	11.1x	10.7x	9.5x	8.6x	8.8x	9.0x - 9.5x
LEVERAGE						
Debt / EBITDA	1.4x	1.6x	1.7x	1.9x	1.9x	1.7x
Net Debt / EBITDA	-0.3x	-0.2x	0.0x	-0.2x	-0.2x	-0.1x

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.

Moody's forecasts are Moody's opinion and do not represent the views of the issuer.

Source: Moody's Financial Metrics™ and Moody's Ratings forecasts

Ratings

Exhibit 18

Category	Moody's Rating
VOLKSWAGEN AKTIENGESELLSCHAFT	
Outlook	Stable
Issuer Rating	Baa1
Sr Unsec Bank Credit Facility -Dom Curr	Baa1
Senior Unsecured MTN -Dom Curr	(P)Baa1
Commercial Paper -Dom Curr	P-2
VOLKSWAGEN FINANCIAL SERVICES N.V.	
Outlook	Stable
Bkd Senior Unsecured	Baa1
Bkd Commercial Paper	P-2
Bkd Other Short Term	(P)P-2
VOLKSWAGEN BANK GMBH	
Outlook	Stable(m)
Bank Deposits	A1/P-1
Issuer Rating	A1
Senior Unsecured -Dom Curr	A1
Subordinate MTN	(P)Baa2
Commercial Paper -Dom Curr	P-1
Other Short Term -Dom Curr	(P)P-1
VOLKSWAGEN GROUP OF AMERICA FINANCE, LLC	
Outlook	Stable
Bkd Senior Unsecured	Baa1
Bkd Commercial Paper	P-2
VOLKSWAGEN FINANCIAL SERVICES AG	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured -Dom Curr	Baa1
Commercial Paper	P-2
Other Short Term	(P)P-2
VOLKSWAGEN FINAN. SERVICES AUSTRALIA PTY LTD	
Outlook	Stable
Bkd Senior Unsecured -Dom Curr	Baa1
Bkd Other Short Term -Dom Curr	(P)P-2
VOLKSWAGEN FINANCIAL SERVICES JAPAN LTD.	
Outlook	Stable
Bkd Senior Unsecured -Dom Curr	Baa1
Bkd Commercial Paper -Dom Curr	P-2
Bkd Other Short Term	(P)P-2
VOLKSWAGEN INTERNATIONAL FINANCE N.V.	
Outlook	Stable
Bkd Senior Unsecured	Baa1
Bkd Jr Subordinate -Dom Curr	Baa3
Bkd Commercial Paper -Dom Curr	P-2
Bkd Other Short Term -Dom Curr	(P)P-2
VW CREDIT, INC.	
Outlook	Stable
Bkd Commercial Paper	P-2
Bkd Other Short Term	(P)P-2
VOLKSWAGEN FINANCIAL SERVICES OVERSEAS AG	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured MTN	(P)Baa1
Commercial Paper	P-2
Other Short Term	(P)P-2
VOLKSWAGEN LEASING GMBH	
Outlook	Negative

Bkd Senior Unsecured -Dom Curr	A1
VW CREDIT CANADA, INC.	
Outlook	Stable
Bkd Senior Unsecured -Dom Curr	Baa1
Bkd Commercial Paper -Dom Curr	P-2
Bkd Other Short Term	(P)P-2
TRATON SE	
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured MTN	(P)Baa2
ST Issuer Rating	P-2
TRATON FINANCE LUXEMBOURG S.A.	
Outlook	Stable
Bkd Senior Unsecured	Baa2
PORSCHE HOLDING GESELLSCHAFT M.B.H.	
Outlook	No Outlook
Bkd Commercial Paper -Dom Curr	P-2
SKOFIN S.R.O.	
Outlook	No Outlook
Bkd Commercial Paper	P-2
VOLKSWAGEN INTERNATIONAL LUXEMBURG S.A	
Outlook	No Outlook
Bkd Commercial Paper -Dom Curr	P-2
VOLKSWAGEN INTERNATIONAL BELGIUM S.A.	
Outlook	No Outlook
Commercial Paper -Dom Curr	P-2
VOLKSWAGEN FINANCE OVERSEAS B.V.	
Outlook	No Outlook
Bkd Commercial Paper	P-2
VOLKSWAGEN GROUP CANADA, INC.	
Outlook	No Outlook
Bkd Commercial Paper -Dom Curr	P-2
VOLKSWAGEN GROUP OF AMERICA, INC.	
Outlook	No Outlook
Bkd Commercial Paper	P-2

Source: Moody's Ratings

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