



# Volkswagen's Proposed Hybrid Securities Rated 'BBB' And Classified As Having Intermediate Equity Content

**Primary Credit Analyst:**

Eric Tanguy, Paris (33) 1-4420-6715; [eric.tanguy@standardandpoors.com](mailto:eric.tanguy@standardandpoors.com)

**Secondary Contact:**

Werner Staebelin, Frankfurt (49) 69-33-999-130; [werner.staebelin@standardandpoors.com](mailto:werner.staebelin@standardandpoors.com)

- Global car maker Volkswagen AG intends to issue subordinated hybrid securities.
- We assess the proposed securities as having "intermediate" equity content under our criteria.
- We are assigning our 'BBB' issue rating to the proposed securities to reflect their subordination and optional deferability.

PARIS (Standard & Poor's) Aug. 29, 2013--Standard & Poor's Ratings Services said today that it assigned its 'BBB' long-term issue rating to the proposed five-year non-call and ten-year non-call hybrid notes to be issued by Volkswagen International Finance N.V., the Dutch finance subsidiary of Germany-based automotive group Volkswagen AG (A-/Positive/A-2), also the guarantor of the notes.

The completion and size of the overall issuance will be subject to market conditions.

We classify the two hybrids as having "intermediate" equity content until their first-call dates, falling respectively in 2018 and 2023, because they meet our criteria in terms of their subordination, permanence, and optional deferability during this period (see "Hybrid Capital Handbook, September 2008 Edition," published on Sept. 15, 2008, on RatingsDirect). Consequently, in our calculation of Volkswagen's credit ratios, we will treat 50% of the principal outstanding and accrued interest under the hybrids as equity rather than as debt.

According to our criteria, the two-notch difference between our 'BBB' rating on the proposed hybrid notes and our 'A-' corporate credit rating on Volkswagen reflects:

- One notch for the proposed notes' subordination; and
- An additional notch for the optional deferability of interest.

RELATED CRITERIA AND RESEARCH

- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

**Additional Contact:**

Industrial Ratings Europe; Corporate\_Admin\_London@standardandpoors.com

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