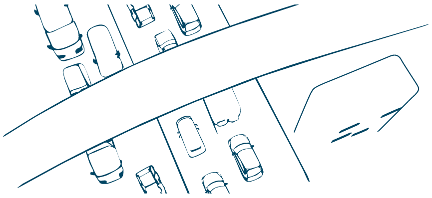
VOLKSWAGEN LEASING

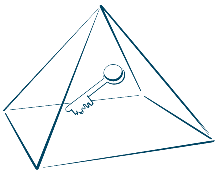
GMBH



A chave da mobilidade.

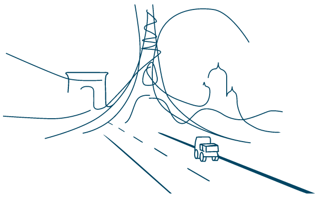
The key to mobility.

Ключ



Der Schlüssel zur Mobilität.

गतिशीलता की कुंजी.



La chiave per la mobilità.

ANNUAL REPORT 2011

Volkswagen Leasing GmbH
at a glance

€ million	2011	2010	2009	2008	2007
Investments in leased assets	9.581	7.590	6.290	7.059	6.386
Leased assets	15.179	13.279	11.949	11.627	10.930
Total assets	17.043	13.965	12.490	12.674	12.712
Income from leasing business	10.010	8.756	8.152	7.286	6.742
In thousands of vehicles	2011	2010	2009	2008	2007
New contracts	415	338	286	326	280
Current contracts	876	802	764	762	703

The leasing business as a financial service requiring prior approval was included in § 1 Para. 1a German Banking Act (Kreditwesengesetz) by means of the 2009 Annual Tax Act). Given its activities, Volkswagen Leasing GmbH is thus subject to both the German Banking Act and the Federal Financial Supervisory Authority (BaFin). The balance sheet and the profit and loss account have been prepared in accordance with the stipulations of the Ordinance on Accounting for Banks (RechKredV). Some of the previous year's figures have been adjusted to reflect the reclassifications that became necessary.

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Management Report

Development of business

Leasing contract portfolio rises to record levels

Both the global economy and worldwide automobile sales have developed positively despite some turbulence. Whilst the leasing contract portfolio increased, earnings in 2011 decreased year on year.

ECONOMIC DEVELOPMENT

Whilst the global economy continued to grow in the 2011 financial year, the recovery lost steam considerably in the year's second half, especially in Western Europe. Growth in most emerging countries remained strong but also lost some of its momentum. Continued expansionary monetary policies in many countries and high prices for commodities and energy have intensified inflationary trends. The global economy expanded by 3.0 % overall in the reporting year compared to 4.3 % the previous year.

Thanks to the strength of its export sector, at 3.0 % (previous year: 3.7 %) Germany's expansion surpassed that of all major industrialised countries. But the strong growth momentum at the start of the year weakened substantially as the year wore on. The impetus for growth shifted from foreign demand to domestic demand owing to the positive development of the labour market and the related income growth.

FINANCIAL MARKETS

In the 2011 financial year just ended, the financial markets moved in the shadows of a particularly uncertain phase in the development of the global economy. In the year's first half, the markets largely managed to avoid various disruptive factors, some of which were intense. At first, the political developments in the Middle East, the dramatic fallout from the natural disasters in Japan as well as the smouldering crisis in the euro zone initially did not have much of an impact. In the year's second half however, the unresolved sovereign debt problems of both Greece and Italy drove the European Union into a critical situation. The global financial markets reacted with unusually strong fluctuations and retreated from both risky investments and the government bonds of some euro zone countries. These countries' sovereign debt crisis, which also led to the downgrading of the country ratings by the international rating firms, in turn fuelled doubts about the solidity of individual creditor banks that could only be kept afloat through government aid. The general mood in the financial markets remained nervous, given the potential ramifications of this negative development on the real economy.

AUTOMOBILE MARKET

Demand for passenger cars in Germany rose by 8.8 % in the 2011 financial year to 3.2 million vehicles. The previous year's very low level and the upturn in 2011 both contributed to this large increase. Just as in the previous year, the market for light commercial vehicles grew in the double digits especially due to rising transportation needs: It increased by 18.3 % to 241,000 vehicles. In the 2011 reporting year, the German manufacturers posted new records in both production and exports, thus substantially surpassing the records set in 2007, the year before the crisis. Compared with 2010, domestic passenger car production rose by 5.6 % to 5.9 million vehicles and passenger car exports rose by 6.6 % to 4.5 million units.

The Volkswagen Group managed to further expand its market leadership in Germany by increasing its market share to 35.9 % (previous year: 35.1 %).

OVERALL APPRAISAL OF THE DEVELOPMENT OF BUSINESS

In the view of the Board of Management of Volkswagen Leasing GmbH, business developed positively in 2011.

In the 45th year of its existence, Volkswagen Leasing GmbH continued to expand its position as a mobility provider offering comprehensive fleet management concepts. The long-term rental product, the Quicar car sharing pilot project and the acquisition of Euromobil Autovermietung GmbH are steps in the strategic leasing business under the umbrella of New Mobility that will be instrumental to the company's future role as a mobility services provider. The acquisition of Euromobil Autovermietung GmbH was completed in early 2012. Joint forward-looking projects with Volkswagen such as e-mobility or mobile online services were launched successfully. Volkswagen Leasing GmbH plays an important role in both of these areas given its business models.

The positive development in terms of new leasing contracts continued in the 2011 financial year. The leasing contract portfolio rose by 74,000 contracts year on year to a record level of 876,000 units.

Whilst the overall fleet customer market rose by 17.5 %, Volkswagen Leasing GmbH's new contract portfolio for this segment climbed by 20.3 %. At a penetration rate of

54.6 %, in Germany the company is the market leader in the fleet customer business with Group vehicles. The systematic expansion of the fleet business continued in 2011. Today Volkswagen Leasing GmbH is the Group brands' number one partner in the German fleet business, underscoring the company's significance to the automotive value chain of the Volkswagen Group.

Registrations in the private customer segment rose by 2.3 % in the German market. The leasing contract business with private customers derived the greatest benefit from this positive development in terms of growth (+ 17.8 %).

At about 31 %, the year-on-year increase in full-service leasing contracts also was positive. As a pure leasing company offering automobile-related financial services, Volkswagen Leasing GmbH now ranks first in Europe.
The consistent implementation of the WIR2018 strategy continued in the reporting year.

Against a backdrop of the improved risk exposure overall, the slight increase in interest rates reduced margins in the new business compared with 2010 even though they are still at a very high level.

Professional residual value management is highly significant to the business policies of Volkswagen Leasing GmbH in terms of forecasting and hedging the fluctuations in the used vehicle market. Volkswagen Leasing GmbH is responding to changed market conditions by offering both residual value insurance and own marketing models for dealers in cooperation with the brands of the Volkswagen Group. By now these models have been established for several years and enable joint management of opportunities and risks in a spirit of partnership. The ability in particular to individually adjust these models to dealers' given risk exposure is unique.

Volkswagen Leasing GmbH increased its total assets year on year.

At € 529 million, the result from ordinary business activities fell short of the excellent level of € 975 million the previous year.

Management and organisation
Focus on fleet and operating leasing business

Volkswagen Leasing GmbH invests in products and services that are focused on the needs of leasing customers.

KEY OBJECTIVES
The establishment of Volkswagen Leasing GmbH in 1966 laid the foundation for automobile leasing in Germany. As part of the Group's Financial Services division, today the company performs all operational tasks required for the leasing transactions of private and business customers as well as fleet management in Germany and Italy within the Volkswagen Group.

The company's primary business focus is on commercial customers, which are divided into individual commercial buyers and fleet customers.

Within the fleet business, Volkswagen Leasing GmbH offers its customers a comprehensive range of services of complete fleet management solutions in addition to pure finance leasing.

The company's key indicators are calculated based on IFRS and presented in the "Financial Analysis" report. In addition to return on equity, cost/income ratio, penetration and margins, the key financial indicators also include the operating result and earnings before taxes.

BRANCHES
- Audi Leasing, Braunschweig
- SEAT Leasing, Braunschweig
- ŠKODA Leasing, Braunschweig
- AutoEuropa Leasing, Braunschweig

BRANCHES OUTSIDE GERMANY
- Volkswagen Leasing GmbH, Milan, Italy
- Volkswagen Leasing GmbH, Verona, Italy

ORGANISATION OF VOLKSWAGEN LEASING GMBH
Volkswagen Leasing GmbH engages in the operating leasing business with private and business customers as well as in the fleet management and services business. In keeping with the WIR2018 strategy, Volkswagen Leasing GmbH's organisation is focused squarely on the needs of the private customer, corporate customer and fleet customer groups. Besides launching innovative rental models such as long-term or micro rentals, the company also put in place the organisational requirements for continuing to expand after sales services in the automotive context. The company's sales and customer service areas are closely integrated with the product development and marketing areas. Cross-divisional functions such as the used vehicle centre, service processing, risk management and process management are grouped in back-office operations.

CHANGES IN EQUITY INVESTMENTS
Volkswagen Leasing GmbH acquired carmobility GmbH, Munich, effective 1 January 2011 and Euromobil Autovermietung GmbH, Isernhagen effective 1 January 2012. These companies are of secondary significance to the assets and financial position of Volkswagen Leasing GmbH.

Analysis of the business development and position of Volkswagen Leasing GmbH
Growth resulting in positive earnings

Volkswagen Leasing GmbH continued its course of growth in a difficult macroeconomic environment.

RESULTS OF OPERATIONS

The income from leasing business in the financial year ended rose by € 1.2 billion to € 10.0 billion. This growth is accounted for in particular by € 0.8 billion of increased proceeds from the sale of previously leased vehicles (€ 4.9 billion), as well as a € 0.3 billion increase in revenues from current leasing contracts. The additional increase in revenue also stems from service contracts, among others. The larger portfolio of contracts will cause sales to rise in the next years.

The expenses from leasing business climbed by € 1.1 billion to € 4.8 billion, essentially as a result of the year-on-year increase in the residual book values of vehicle disposals. This figure essentially includes the residual book values of vehicles removed from stock and the expenses from service leasing.

Depreciation on leased assets amounted to € 3.4 billion (previous year: € 3.1 billion). This contains write-downs of € 0.2 billion (previous year: € 0.2 billion).

After a noticeable recovery of the financial markets, the refinancing costs of Volkswagen Leasing GmbH decreased despite the larger contract portfolio. The financing of the leasing business gave rise to interest expense of € 358 million (previous year: € 368 million).

Depreciation, amortisation and allowances on receivables and additions to provisions in the leasing business amounted to € 396 million (previous year: € 239 million). This includes € 123.9 million from provisions for outstanding repair costs that we set up for the first time.

Income from the reversal of allowances on receivables and reversals of provisions in the leasing business amounted to € 106 million (previous year: € 88 million).
In 2010, the strong result was due to the expiry of the leasing contracts closed in 2006 and 2007 to which the accelerated amortisation option had been applied under German tax law. In 2011 Volkswagen Leasing GmbH benefited from the aforementioned effect only to a limited degree. The fact that earnings remain good is reflected in the result from ordinary business activities of € 529 million even though it is substantially lower than the previous year (€ 975 million).

ASSETS AND FINANCIAL POSITION

Lending business

Total assets increased by € 3.0 billion to € 17.0 billion.

The investments of Volkswagen Leasing GmbH rose by € 2 billion to € 9.6 billion (previous year: € 7.6 billion). The gross book value of the leased assets increased from € 19.4 billion to € 21 billion. The net book value was € 15.2 billion (previous year: € 13.3 billion). This corresponds to an increase of € 1.9 billion or 14.3 %.

In the financial year just ended, Volkswagen Leasing GmbH was able to expand its business activities due to the development of the German economy. As at the reporting date, its portfolio of leased vehicles had climbed from 802,000 to 876,000 units. The company's Italian branch in Milan, Italy, accounts for approximately 21,000 vehicles of this total (previous year: approximately 18,000 vehicles). This inventory increase results from the addition of 415,000 vehicles, compared to disposal of 341,000 vehicles.

The company's business trends become clear when viewed over several years, using the development of current contracts as a benchmark – a standard applied in the leasing sector:

DEVELOPMENT OF VEHICLE CONTRACT VOLUME (IN THOUSANDS)

2011		2010		2009		2008		2007	
Zugang	Bestand	Zugang	Bestand	Zugang	Bestand	Zugang	Bestand	Zugang	Bestand
415	876	338	802	286	764	326	762	280	703

Deposit business and borrowings

The equity ratio is 1.3 % (previous year: 1.6 %). Provisions for residual value risks amounted to € 152,414,000 (previous year: € 144,000,000).

REFINANCING

Strategic principles

In terms of its refinancing activities, Volkswagen Leasing GmbH generally follows a strategy aimed at diversification, which is conceived as the best possible weighing of cost and risk factors. This entails developing a diverse range of refinancing sources in different regions and countries with the aim of ensuring the sustained availability of such resources at attractive terms.

Implementation

The successful diversification strategy in refinancing was continued.

In January 2011 Volkswagen Leasing GmbH opened the euro capital market with a € 1.25 billion benchmark debt issue. In June Volkswagen Leasing GmbH successfully placed two issues for a total of € 1.25 billion under the € 18 billion capital market programme of Volkswagen Financial Services AG. This transaction consisted of one bond with a variable interest rate and a second one with a fixed interest rate subject to maturities of two and five years, respectively, such that investors' divergent interests were taken into account as best as possible.

In November Volkswagen Leasing GmbH issued two tranches with maturities of three and six and a half years, respectively, and a total volume of € 1.5 billion under the € 18 billion capital market programme of Volkswagen Financial Services AG.

The year 2011 also turned out to be a good one for asset-backed security issues. Receivables of Volkswagen Leasing GmbH triggered strong market demand in connection with the "Volkswagen Car Lease 13" (VCL 13) issue in March and the "Volkswagen Car Lease 14" (VCL 14) issue in September – despite the tight market environment. All German transactions fulfil the requirements of the TSI quality label "Certified by TSI - Deutscher Verbriefungsstandard". This seal certifies that our securitisation transactions are deemed exceptional in the European securitisation market in terms of quality, security and transparency.

The company refinanced itself largely through loans and funds that Volkswagen Financial Services AG obtained and raised in the capital markets and subsequently passed on to Volkswagen Leasing GmbH. The resulting loan volume of Volkswagen Leasing GmbH as at the closing date was € 3.5 billion (previous year: € 4.9 billion).

To finance its leased assets, Volkswagen Leasing GmbH in 2011 and in previous years also issued its own debentures amounting to € 5.35 billion (previous year: € 2.27 billion).

This set of measures ensured the liquidity of Volkswagen Leasing GmbH at all times in the financial year just ended. Volkswagen Leasing GmbH has a stable liquidity base.

Risk and opportunity report
Managing risks responsibly

Volkswagen Leasing GmbH responsibly assumes a multitude of risks typical of the financial services business in order to take advantage of the resulting market opportunities in targeted ways.

MACROECONOMIC OPPORTUNITIES

The Board of Management of Volkswagen Leasing GmbH expects the number of vehicle deliveries to Volkswagen AG customers to continue growing and the world market share to continue expanding against the backdrop of moderate economic growth. Volkswagen Leasing GmbH supports this positive trend through financial services products designed to boost sales.

STRATEGIC OPPORTUNITIES

Volkswagen Leasing GmbH sees further opportunities in the development of innovative products that are aligned with customers' changed mobility requirements.
Marketing campaigns are being implemented and growth areas such as the New Mobility (long-term rental, car sharing) are being developed and expanded to boost the company's earnings.

MATERIAL COMPONENTS OF THE INTERNAL CONTROL SYSTEM AND THE INTERNAL RISK MANAGEMENT SYSTEM IN REGARDS TO THE ACCOUNTING PROCESS

The internal control system (ICS) of Volkswagen Leasing GmbH is defined as the sum of all principles, methods and actions aimed at ensuring the effectiveness, economy and propriety of the company's accounting as well as ensuring compliance with material legal requirements. In terms of the accounting system, the risk management system (IRMS) concerns the risk of misstatements in the bookkeeping as well as in the external reporting system. The material elements of the internal control system and the risk management system as they relate to the accounting process at Volkswagen Leasing GmbH are described below.

- Given its function as the corporate body tasked with managing the company's business and in view of ensuring proper accounting, the Board of Management of Volkswagen Leasing GmbH has established Accounting, Customer Service, Treasury, Risk Management and Controlling departments and has clearly delineated their respective spheres of responsibility and authority. Key cross-divisional functions are controlled by the Boards of Management of Volkswagen Financial Services AG, Volkswagen Bank GmbH and Volkswagen Leasing GmbH.
- Groupwide requirements and accounting rules serve as the basis for a uniform, proper and continuous accounting process.
- For instance, the accounting policies are governed by internal accounting standards, including the accounting regulations under the German Commercial Code (HGB) in conjunction with the Ordinance on Accounting for Banks (RechKredV).
- At the company level, specific elements of control designed to ensure the propriety and reliability of accounting principles comprise analyses and possibly revisions of the bookkeeping data presented by the individual units and in sub-ledgers.
- All of this is supplemented by the clear delineation of spheres of responsibility as well as a variety of controlling and monitoring mechanisms. The aim is to ensure that all transactions are accurately posted, processed, evaluated and included in the company's financial accounting.
- These controlling and monitoring mechanisms are designed to be process-integrated and independent of processes. Hence automated IT process controls besides manual process controls (such as the “four-eyes” principle) comprise material components of the process-integrated activities. These controls are supplemented by specific Group functions of the ultimate parent company, Volkswagen AG, for example Group Controlling.
- Risk management is fully integrated into the accounting process by virtue of continuous risk monitoring and the risk reporting system.
- Internal Audit is also a key corporate body that is integral to the controlling and monitoring system of Volkswagen Leasing GmbH. Internal Audit regularly performs audits, both in Germany and abroad, of processes relevant to accounting as part of its risk-based audit procedures and directly reports its findings to the Board of Management of Volkswagen Leasing GmbH.

In sum, the existing internal controlling and monitoring system of Volkswagen Leasing GmbH is designed to ensure that the information on the financial position of Volkswagen Leasing GmbH as at the 31 December 2011 reporting date is proper and reliable. No material changes were made to the internal controlling and monitoring system of Volkswagen Leasing GmbH after the reporting date.

ORGANISATIONAL STRUCTURE OF RISK MANAGEMENT

Volkswagen Leasing GmbH understands risk to entail a risk of loss or damage that arises when an anticipated future development takes a more negative course than planned.

Volkswagen Leasing GmbH has set up a system for identifying, measuring, monitoring and controlling risk positions, in accordance with the requirements of § 25a Para. 1 German Banking Act and by applying § 91 Para. 2 German Stock Corporation Act analogously.

This risk management system allows timely detection of developments that might jeopardise the company's activities.

The system encompasses both a framework of risk principles as well as organisational structures and processes for risk measurement and monitoring that are tightly integrated in the activities of the individual divisions.

The suitability of individual system elements is reviewed regularly in a risk-oriented manner by Internal Audit and by external auditors as part of the audit of the annual financial statements.

Staff and control functions for Volkswagen Leasing GmbH are outsourced to the following units of Volkswagen Bank GmbH: Controlling, Legal Services, Internal Audit, Accounting, Group Risk Management & Methods as well as Treasury.

Ongoing risk monitoring, transparent and direct communication with the Board of Management and integrating newly acquired findings into operational risk management form the foundation for the best possible utilisation of market potentials based on the deliberate and effective control of the total risk of Volkswagen Leasing GmbH.

RISK STRATEGY AND RISK MANAGEMENT

Together with the Board of Management of Volkswagen Bank GmbH, the Board of Management of Volkswagen Leasing GmbH, as part of its overall responsibility has established and documented a strategy process for business and risk strategy with the Board of Management of Volkswagen Financial Services AG that conforms to minimum risk management requirements.

The WIR2018 business strategy sets out the fundamental views of the Board of Management of Volkswagen Leasing GmbH on key matters of business policy.

It contains the goals for every key business activity and the steps required to achieve these goals.

The Board of Management of Volkswagen Leasing GmbH has been pursuing a risk strategy in connection with its mid-term planning that conforms to minimum risk management requirements and is consistent with the company's business strategy.

It is reviewed annually based on the risk inventory, the risk-bearing capacity and legal requirements, adjusted as necessary and discussed with the Supervisory Board.

The risk strategy sets out the key risk management objectives for each type of risk, taking into account the company's approach to business (business strategy), its current risk exposure, expected developments and the risk potential. Actions are taken to achieve these goals, and their effects are described.

The risk strategy covers all key quantifiable and unquantifiable risks. It is further detailed and specified by means of secondary risk strategies for the individual risk types and operationalised in the planning round process. Materiality is identified and determined in the risk inventory process, which must be carried out annually.

RISK-BEARING CAPACITY, RISK LIMITS AND STRESS TESTING

A system is in place at Volkswagen Leasing GmbH to determine the company's risk-bearing capacity by comparing its economic risk to its hedging potential.

A credit institution's risk-bearing capacity is given if, at a minimum, all of its material risks are continuously hedged through its risk hedging potential.

The material risks of Volkswagen Leasing GmbH are identified at least once a year in connection with a risk inventory; this provides a detailed basis for designing the risk management process and including it in the risk-bearing capacity.

Risk quantification is executed by means of different approaches pursuant to the methodological recommendations of the Basel Capital Accord based on statistical models and supported by expert estimates.

Volkswagen Leasing GmbH has selected a sufficiently conservative approach by assuming a 1:1 correlation between risk types in connection with the quantification of its economic risk.

Volkswagen Leasing GmbH's risk-bearing capacity was certain throughout 2011.

In addition, Volkswagen Leasing GmbH uses a limit system derived from its analysis of risk-bearing capacity in order to specifically limit the risk capital in accordance with the risk appetite of the Board of Management of Volkswagen Leasing GmbH.

Establishing the risk limit system as the core element in capital allocation limits risks at different levels, thus ensuring the Sub-group's economic risk-bearing capacity. The risk hedging potential is determined based on the available equity and income components, taking various deductible items into account. In keeping with the risk appetite of the Board of Management of Volkswagen Leasing GmbH, only a portion of this risk hedging potential is defined as the upper risk limit of an overall risk limit. In the next step, the overall risk limit is allocated to the risk types credit risk, residual value risk and market price risk for purposes of monitoring and steering at the operating level. Furthermore, a system of risk limits has been put in place for the most significant risks at the branch level. The limit system makes a management tool available to management such that it can fulfil its responsibility to manage the company's business strategically and operationally in accordance with statutory requirements.

Stress tests are conducted across all institutions at Volkswagen Leasing GmbH, taking historical and hypothetical scenarios into account. The Groupwide inverse stress test also includes examining for Volkswagen Leasing GmbH in particular which plausible events could expose it to a going-concern risk.

RISK REPORTING

The risk-bearing capacity is the starting point in the risk management report. After describing the Bank's overall risk, Group Risk Management & Methods addresses the counterparty default, market price, liquidity, operational and residual value risks in detail in its quarterly risk management report. This report is addressed directly to the Board of Management of Volkswagen Leasing GmbH as well as the Supervisory Board.

Regular reporting is supplemented by ad hoc reporting.

Continuous improvements of the risk management report have helped to further improve the data regarding structures and developments in the company's credit portfolios.

IMPLEMENTATION OF THE THIRD MA-RISK AMENDMENT

BaFin published an amendment of MaRisk on 15 December 2010. Volkswagen Leasing GmbH analysed the new requirements early on and implements them to lasting effect.

Volkswagen Leasing GmbH is further pursuing the development of both its system for measuring and monitoring risk positions and the relevant control systems on the basis of the legal requirements.

RISK TYPES

RISK OF COUNTERPARTY DEFAULT

The risk of counterparty default is defined as the potential negative deviation of the actual counterparty risk outcome from the planned one. The deviation in outcome occurs when the actual loss exceeds the expected loss due to changes in credit ratings or credit losses.

In this connection, an approach that addresses risk-bearing capacity typically considers the credit risk from customer transactions as well as counterparty, country, investment and issuer risks.

Credit risk

The credit risk concerns the risk of loss through defaults in customer business, specifically, non-payments by a lessee. The loss is contingent on the inability or unwillingness of the lessee to make payments. This includes scenarios where the contracting party makes lease payments late or not in full.

Credit risks, which also include risks of counterparty default relating to leasing contracts, represent by far the largest component of the risk positions among the risks of counterparty default.

Risk assessment

Volkswagen Leasing GmbH bases its lending decisions on credit assessments of the given lessees using rating and scoring methods, which provide an objective basis for the technical departments' decisions on granting leases.

The New Product/New Market Process of Volkswagen Leasing GmbH must be applied before new products are brought to market or activities are launched in new markets.

Timely identification of changes in risk is assured by means of regular portfolio analyses, planning rounds and business financial reviews.

Scoring procedures in the retail business

Analysing the creditworthiness of private customers involves scoring systems that are integrated in the purchasing and portfolio processes and provide an objective decision-making basis for granting loans.

Scoring procedures are applied to both the purchase and measurement of the significant portfolios. Default probabilities are allocated to these score classes in purchasing leasing contracts based on customers or contracts deemed to have defaulted within one year.

Procedures that also assign a probability of default (PD) to individual contracts once a month based on the relevant customer's payment history are in place for purposes of performing portfolio valuations.
The credit risks of these portfolios can be assessed in ways adequate to the risks concerned when determining loss given default (LGD), which, among others, is the basis for determining value adjustments.

Simplified procedures are also in place for smaller portfolios.

Rating procedures in the corporate business
Volkswagen Leasing GmbH uses credit rating procedures to rate its national and international corporate customers.

The assessment includes both the key performance indicators from annual financial statements as well as qualitative factors – such as the outlook for future business development, the climate in both the market and industry, as well as the customer's payment behaviour. To the extent possible, all these factors are taken into account statistically.

The credit rating procedure results in the assignment to a rating class which is connected to a probability of default.

The result of the rating provides a material basis for decisions on the approval and prolongation of credit commitments and value adjustments.

The definition of competencies and the monitoring of the corporate portfolio are also based on the results of ratings.

The rating models used are validated regularly and refined as necessary.

Validation refers in particular to checking whether the models are separable and calibrated in ways adequate to the risks. If it is determined that action is required, such action can include shortening the interval until the next validation, recalibrating the model or even developing a new model.

Collateral
Volkswagen Leasing GmbH always owns the leased goods in all leasing transactions. In certain cases, additional collateral besides the leased property is required for hedging our interest in ways adequate to the relevant risk. The measurement of the leased property/collateral is fixed in appropriate guidelines.

These valuations are based on both historical data and many years of expert knowledge.

Volkswagen Leasing GmbH therefore monitors the development of vehicles' market values.

Risk management and monitoring
Appropriate processes are used to monitor all leasing transactions in regards to the underlying economic conditions and collateral, compliance with limits, contractual obligations as well as both external and internal requirements.

Furthermore, credit risks are also managed by applying approval limits. These approval limits are fixed individually. The local decision makers can exercise discretion within these limits.

Analyses of the portfolios are performed at the portfolio level for risk monitoring purposes.

Stress tests for credit risks entail sensitivity and scenario analyses. Whilst sensitivity analyses are implemented based on models, scenario analyses are based on expert opinions subject to the participation of both centralised and decentralised risk specialists. This provides a comprehensive view of the risk sensitivity of the leasing business, particularly against the backdrop of a changing economic climate.

CONCENTRATIONS OF RISK

Concentrations of credit risk
Concentrations of credit risk arise if a major portion of the loans are extended to a just few lessees/contracts. Volkswagen Leasing GmbH is a company focused on specialised financial services (captive).

Concentrations of collateral
Concentrations of collateral arise when a substantial portion of receivables or leasing transactions are collateralised by a single type of security.

Vehicles are the dominant type of collateral for Volkswagen Leasing GmbH. Risks arising from such concentrations of collateral basically arise when negative price developments in the used vehicle markets reduce both the value of the collateral and the proceeds from the disposal of the collateral if borrowers and lessees default.

In terms of the vehicles that serve as collateral, Volkswagen Leasing GmbH is diversified across all automotive segments and geographically in Germany and Italy. The range of vehicles that are financed and leased is equally diversified.

Both of these effects reduce the risk of concentrations of collateral. In its capacity as an automotive financial services provider, Volkswagen Leasing GmbH possesses broad expertise and many years of experience in managing and controlling the resulting risk.

Developments/Outlook

The trend toward economic recovery continued in the first half of 2011. Whilst the development of the German market was positive, the prospects for the Italian market dimmed considerably owing to the sovereign debt crisis.

The retail portfolio in Germany has grown due to high demand from both private and commercial customers given the positive economic environment.

Defaults in the private customer segment have declined as a result of this growth.

Only in Italy did the rate of defaults increase on account of the crisis, especially among small and medium-sized commercial customers.

We believe that the economic environment will remain uncertain and volatile in 2012. The German market is expected to remain stable whilst the resolution of the sovereign debt crisis in Italy will be critical to the market in that country.

MARKET PRICE RISK

Market price risk refers to the potential loss resulting from disadvantageous changes in market prices or parameters that influence prices. At Volkswagen Leasing GmbH, this risk is limited to interest rate risk.

Interest rate risk

The interest rate risk includes potential losses from changes in market rates. It arises from non-matching fixed-interest periods in assets and liabilities.

Risk assessment

Interest rate risks are determined for Volkswagen Leasing GmbH as part of quarterly monitoring using the value-at-risk (VaR) method based on a 40-day holding period and a confidence level of 99 %.

This model is based on a historical simulation and calculates potential losses taking 1,000 historical market fluctuations (volatilities) into account.

Interest rate positions are subjected to stress tests comprising extraordinary changes in interest rates and worst case scenarios and are subsequently analysed in terms of the at-risk potentials using the simulated results.

In this connection, changes in the present value are also quantified and monitored monthly using the + 200 and – 200 basis points interest rate shock scenarios defined by the Federal Financial Supervisory Authority (BaFin).

The calculation of interest rate risks uses theoretical scenarios to account for early repayments under termination rights.

Risk management and monitoring

The Treasury unit of Volkswagen Bank GmbH is responsible for risk management based on the resolutions of the Asset Liability Committee (ALC).

Interest rate risks are managed by means of appropriate hedging transactions subject to customary rules and regulations.

The hedge accounting performed under IFRS is not taken over in the annual financial statements prepared in accordance with the German Commercial Code.

No changes in the parameters for controlling market price risks were made during the financial market crisis.

Risk Management is tasked with monitoring interest rate risks and reporting on them.

Risk communication

A separate report concerning Volkswagen Leasing GmbH's current exposure to interest rate risks is submitted to management on a monthly basis.

EARNINGS RISK (SPECIFIC PROFIT/LOSS RISK)

Earnings risks denote the danger of deviations from the targets for specific items in the income statement that cannot be measured by means of risk types described elsewhere.

This includes the risks of

- unexpectedly low commission (commission risk),
- unexpectedly high costs (cost risk),
- excessively large targets for earnings from (new) business volume (sales risk), and
- unexpectedly low income from equity investments.

Risk assessment

Since 2011, Volkswagen Leasing GmbH has been quantifying its earnings risks based on a parametric earnings-at-risk (EaR) model, taking into account the confidence level determined in connection with the calculation of its risk-bearing capacity as well as a one-year forecasting horizon.

The relevant income statement items provide the basis for these calculations. The earnings risks are then estimated based on the observed relative deviations from targets for one and by determining the volatilities and interdependency of the individual items for another. Both components are included in the EaR quantification. In addition stress tests specific to risk types are conducted quarterly using historical and hypothetical scenarios.

Risk management and monitoring

During the year, the actual values of the items subject to earnings risks are compared to the targeted values at the market level. This comparison takes place in connection with Controlling's regular reporting mechanism.

The results of the quarterly risk quantification of earnings risks are included in the determination of the risk hedging potential as a deductible item in connection with the analysis of the risk-bearing capacity. The results are monitored by Group Risk Management & Methods.

Concentrations of risk

Concentrations of income arise from an asymmetric distribution of a credit institution's sources of income.

The activities of Volkswagen Leasing GmbH focus on leasing vehicles, including the related financial services, and thus in the final analysis on promoting the sales of the Volkswagen Group's different brands. This particular constellation gives rise to substantial interdependences and concentrations, which have a direct impact on the development of income.

Volkswagen Leasing GmbH thus is exposed to concentrations of income from its business model by definition.

LIQUIDITY RISK

The liquidity risk entails the risk of a negative deviation between actual and expected cash inflows and outflows. Liquidity risk means the risk of not being able to fulfil payment obligations that are due in full or in timely fashion or – in the event of a liquidity crisis – of only being able to raise refinancing funds at higher market rates or only being able to sell assets at discounted market rates.

The liquidity risk thus concerns the risk of not being able to raise needed funds at all or only at a higher cost.

This leads to the distinction between insolvency risks (day-to-day operational liquidity risk including call and maturity risk), refinancing risks (structural liquidity risk) and market liquidity risks.

The cost of the instruments that Volkswagen Financial Services AG uses for refinancing purposes via the money and capital markets has risen in the wake of the euro zone sovereign debt crisis.

Parameters

The prime objective of liquidity management at Volkswagen Leasing GmbH is to ensure the ability to pay at all times.

The refinancing of Volkswagen Leasing GmbH is essentially executed by way of capital market and asset-backed securities programmes in accordance with the principles as well as loans granted by Volkswagen Financial Services AG.

Risk assessment

The Treasury of Volkswagen Bank GmbH and the Group companies are responsible for liquidity planning.

The expected cash flows of Volkswagen Leasing GmbH are evaluated by Treasury.

Liquidity risks are identified and recorded by Group Risk Management & Methods Based on cash flow development statements as defined in MaRisk. These cash flow development statements are subjected to scenario-based stress tests using triggers specific to the credit institution itself, market wide triggers as well as combinations of them. The given parameterisation of these stress scenarios is based on two methods. Historically analysed events are used, and the different degrees of hypothetically conceivable events are defined. To quantify the refinancing risk, this approach takes into account the material manifestations of the insolvency risk as well as changes in spreads that are driven by credit ratings or the market.

Treasury also prepares four different cash flow development statements to ensure adequate liquidity management, performs cash flow forecasts and determines the period for which cash will suffice.

Liquidity management and monitoring

The Operational Liquidity Committee (OLC) monitors both the current liquidity situation and the sufficiency of cash in bi-weekly meetings. It decides on refinancing measures or prepares the requisite decisions for the decision makers.

Group Risk Management & Methods communicates the material risk management data or relevant early warning indicators pertaining to the insolvency risk and the refinancing risk. In terms of the insolvency risk, this entails adequate limits for the utilisation rates – taking into account access to the relevant refinancing sources – across different time horizons. The potential refinancing costs are used to assess the refinancing risk.

The ability required under the regulatory regimen to bridge any liquidity needs over a time horizon of seven and 30 days with a highly liquid cushion and the corresponding liquidity reserve constitutes a strict constraint. Both an emergency plan for liquidity bottlenecks and a suitable action plan for obtaining liquidity are available in the event of an internal or external liquidity bottleneck.

An emergency can be triggered by both Liquidity Risk Management (Group Risk Management & Methods) and by Liquidity Management and Planning (OLC).

Risk communication

The Board of Management of Volkswagen Leasing GmbH is informed monthly of the current liquidity situation. Material information is also transmitted on short notice through ad hoc reports.

OPERATIONAL RISK

Operational risks (OpR) are defined as the risk of losses that arise from the inappropriateness or failure of internal processes (process risks), employees (personnel risks) and systems (infrastructure and IT risks). Risks that occur as a result of external events (external risks, e.g. terror attacks, catastrophes) are also taken into account.

Operational risk management aims to make operational risks transparent and initiate countermeasures as necessary with the aim of avoiding similar losses in future.

The OpR manual and the OpR strategy are two key pillars for managing operational risks.

Risk identification and assessment

Risk assessment is designed to arrive at a joint monetary estimate of the loss exposure based on the assessments derived from the different quantitative and qualitative identification methods.

Self-assessment and the loss database are further pillars for managing operational risks.

At least once a year, risk scenarios are recorded, assessed in quantitative terms and analysed centrally by local experts in a variety of risk categories according to estimates of loss amounts and frequencies using standardised and IT-based self assessments.

Risk management and monitoring

Operational risks are managed by the companies and divisions based on the guidelines that have been put in place as well as the requirements applicable to staff and controlling personnel responsible for each specific risk type.

Group Risk Management & Methods is tasked with reviewing the plausibility of local self assessments regarding the extent and frequency of losses. Ongoing internal recording of monetary operational losses and storing the relevant data in the loss database enables local experts to systematically analyse occurrences of loss and monitor the measures that were initiated.

Each individual OpR business unit must prepare independent risk control and management measures subject to cost/benefit aspects.

Business continuity management

The goal of the Corporate Security unit is to ensure security for individuals and property at Volkswagen Leasing GmbH and to avoid or reduce damage to its image and losses from operational disruptions. Reflecting the crash barrier role, all related tasks are carried out both nationally and internationally.

A business continuity management system, which is based on the British BS 25999 Standard, was introduced in order to ensure the company's ability to withstand crises.

In that connection, the Corporate Security unit establishes the appropriate crash barriers for managing external risks (catastrophes) capable of triggering the loss of infrastructure, buildings or personnel; the respective departments use these crash barriers to analyse their risks from time-sensitive activities and take precautions based on appropriate measures.

These emergency plans contain appropriate restart and business continuation plans.

Groupwide crisis management was also established.

RESIDUAL VALUE RISK

A residual value risk arises if the estimated market value of a leased asset at the time of disposal upon expiration of a contract is less than the residual value calculated at the time the contract was closed. However, it is also possible to realise more than the calculated residual value at the time the leased asset is disposed of.

Direct and indirect residual value risks are differentiated relative to the bearer of the residual value risks.

A direct residual value risk is present when the residual value risk is borne directly by Volkswagen Leasing GmbH or one of its branches (because of contractual provisions).

A residual value risk management circle has been implemented at Volkswagen Leasing GmbH and its branch. This circle requires regular residual value forecasts and continuous risk assessments, mainly in regards to direct residual value risks. Proactive marketing activities are derived from the measurement results in order to optimise earnings from the assumption of residual value risks. The marketing results so obtained are considered in the review of the residual value guidelines.

An indirect residual value risk is present if the residual value risk has been transferred to a third party based on the guaranteed residual value (e.g. dealerships).

The initial risk is that the counterparty guaranteeing the residual value might default.

If the guarantor of the residual value defaults, the leased asset and hence the residual value risk are transferred to Volkswagen Leasing GmbH.

Risk identification and assessment

The New Product Process is carried out before business activities in new markets or in connection with new products are launched. This process includes analysing potential direct residual value risks. In addition, local risk managers obtain data on the indirect residual value risks from market participants at regular intervals.

Direct residual value risks are regularly quantified throughout the year in respect of both the expected and the unexpected loss using measurement methods and systems based on individual contracts. The contractually stipulated residual values are compared to attainable market values or unexpectedly poor market values. The realisable residual values are determined by the local residual value committees and used in the measurement.

In contrast, unexpectedly negative market values are determined based on the market's historical changes over a period of one year.

The difference between the forecast value of the used car (both expected and unexpected) and the calculated residual value yields the residual value risk/opportunity.

The results of the quantification are used in the assessment of the exposure to risk, i.e. among other things assessments of the adequacy of the risk provisions as well as the risk-bearing capacity.

Indirect residual value risks are quantified for the purpose of determining the residual value risk analogous to the method used for the direct residual value risks; dealer defaults are also taken into account.

Above and beyond that, unexpected losses from residual value risks are not determined at this time because this risk type is currently deemed insignificant.

A method for determining and verifying materiality was developed during the reporting period based on the direct residual value risk model.

This method for analysing indirect residual value risks will be reviewed and refined as necessary in connection with the next risk inventory.

Risk management and monitoring

Group Risk Management & Methods monitors residual value risks within Volkswagen Leasing GmbH.

The adequacy of the risk provisions as well as the residual value risk potential are regularly monitored as part of risk management. Opportunities from residual values are not considered when recognising risk provisions.

Given risk distribution, as at the assessment date the risks incurred may not always be hedged in full at the level of the individual contract while it is in effect.

As far as previously identified risks are concerned, in future the amounts of risk allocated to the residual term must still be earned and recognised as impairment losses.

The resulting residual value risk potential is used to take a variety of measures as part of proactive risk management in order to limit the residual value risk. Residual value recommendations regarding new business must take both prevailing market conditions and future drivers into account.

In order to reduce the risks upon expiry of a contract, the sales channels must be reviewed continuously such that the best possible result may be achieved at the time the vehicles are sold.

The stress test for direct residual value risks entails scenario analyses that are performed by experts in collaboration with central and local risk specialists. This provides a comprehensive view of the risk sensitivity of the residual value business, particularly against the backdrop of a changing economic climate.

The indirect residual value risks of Volkswagen Leasing GmbH are monitored monthly in connection with portfolio assessment.

The indirect residual value risks of Volkswagen Leasing GmbH's branches are subject to plausibility checks and measured based on the amount of the risk and its significance.

As part of risk management, Group Risk Management & Methods regularly monitors the adequacy of the risk provisions for indirect residual value risks and the residual value risk potential.

The resulting residual value risk potential is used to take a variety of measures in close cooperation with the brands and dealerships in order to limit the indirect residual value risk.

Concentrations of risk

Concentrations of residual value risks arise if a major portion of the at-risk residual values are concentrated on a few automotive segments and models. Accordingly, such concentrations are considered in the risk measurement methodology applied, the risk reporting and the analysis at the level of both brands and models in connection with the residual value risk management circle.

In regards to residual automotive values, Volkswagen Leasing GmbH is also diversified across all segments given the Group's broad range of brands and models.

Outlook

The residual value portfolio has grown due to both the general economic recovery at the start of 2011 and additional sales promotion campaigns.

New contracts with low risks and expiring contracts with high risks have caused residual value risks to trend lower.

Large demand for used cars generated steady sales. This positive trend faded away toward year's end due to the sovereign debt crisis.

We expect residual value risks to remain largely stable in 2012 at the current level. A general economic environment that is stable to positive is necessary for stable development.

STRATEGIC RISK

The strategic risk means the risk of a direct or indirect loss through strategic decisions that are defective or based on false assumptions.

Likewise the strategic risk also encompasses all risks arising from the integration/reorganisation of technical systems, personnel and corporate culture. This is rooted in fundamental decisions on the company's structure, which management makes in respect of its positioning in the market.

REPUTATION RISK

The reputation risk denotes the danger that an event or several successive events might cause reputational damage (public opinion), which might limit the company's current and future business opportunities and activities (potential success) and thus lead to indirect financial losses (customer base, sales, equity, refinancing costs etc.) or direct financial losses (penalties, litigation costs etc.).

It is one of the responsibilities of the corporate communications department to avoid negative reports in the press or elsewhere that harm the company's reputation. Adequate communication strategies tailored to specific target groups are required if this does not succeed.

SUMMARY

Volkswagen Leasing GmbH has been classified as a financial services institution since 2009 pursuant to § 1 Para. 1a German Banking Act and thus must satisfy minimum risk management requirements. Its comprehensive system for identifying, measuring, analysing, monitoring and managing risk has been expanded for this purpose.

Volkswagen Leasing GmbH will continue to invest in the optimisation of the comprehensive control system and the risk management systems in order to fulfil the business and statutory requirements for risk management and control.

The trend toward economic recovery continued in the first half of 2011. In the second half of the year, the economic horizon darkened as a result of the sovereign debt crisis in Europe.

In 2011 Volkswagen Leasing GmbH successfully met its challenges despite the effects that the euro crisis has on the financial sector.

EVENTS AFTER THE BALANCE SHEET DATE

No important events beyond those described in this report (acquisition of Euromobil Autovermietung GmbH effective 1 January 2012) occurred after the close of the 2011 financial year.

Personnel report
Implementation of the personnel strategy

Volkswagen Financial Services AG was very successful in the employer competition.

Employees of Volkswagen Financial Services AG are responsible for running the operating business of Volkswagen Leasing GmbH in Germany. This staff is made available to Volkswagen Leasing GmbH under staff leasing agreements. As at 31 December 2011, 580 (previous year: 436) employees worked for Volkswagen Leasing GmbH in Germany.

A total of 67 members of staff employed in the branches in Milan and Verona (Italy) on 31 December 2011 (previous year: 58) had employment contracts with Volkswagen Leasing GmbH. Employee turnover in Italy was below 8 %.

At Volkswagen Financial Services AG, the Personnel department covers all domestic companies of the Volkswagen Financial Services Group. The "We Are a Top Team" employee strategy supports goal achievement in the four action areas, "customers", "profitability", "volume" and "employees". Targeted personnel development serves to foster and challenge employees.

Volkswagen Financial Services AG's aim, "We Are a Top Team", is reflected by the employer benchmark study ("Great Place to Work") as well as the "mood barometer", its internal staff survey.

In 2011 Volkswagen Financial Services AG participated for the fifth time in the employer competition. Successful placement as a TOP employer in Germany and Europe as well as the insights from the benchmark study are important strategic parameters and indicators. The ranking in the Top 100 lists in Germany will be determined in the spring of 2012. The already available results of the employee survey conducted as part of the benchmark study point to a truly substantial improvement over the assessments in 2010 and show that we are already on the right track in terms of shaping our corporate and leadership structure.

Each employee's need for qualifications is determined in the annual employee performance review, and suitable measures aimed at developing their competence are agreed upon with them. Many employees in Germany obtained their qualifications at the internal training centre, which offers a broad range of seminars and workshops. These training programmes are closely aligned with the company's products, processes and systems. In addition, the need for specialists is identified in coordination with the appropriate departments and suitable development concepts are drawn up. One example is the successful two-year leasing specialist training programme in collaboration with both WelfenAkademie and the Braunschweig Chamber of Commerce and Industry. Continued development of employees' competence also focuses on refining their marketing skills and their consciousness of the customer- and service-based nature of our business.

Anticipated developments
Growth driven by innovative mobility concepts

Volkswagen Leasing GmbH expects earnings in 2012 to be lower year on year against the backdrop of an uncertain macroeconomic environment.

After the material risks of the company's business have been set out in the risk and opportunity report, below we wish to sketch its likely future development. It gives rise to both opportunities and potentials that are integrated into our planning process on an ongoing basis such that we can tap into them in a timely manner.

We prepare our forecasts based on the current assessments of external institutions, among them economic research institutes, banks, multinational organisations and consulting firms.

ECONOMIC DEVELOPMENT

Our planning assumes continued global economic growth.

We only expect low growth in 2012 following the robust growth of the GDP in the past two years. But the development of the labour market will remain positive for the time being. A return to moderate growth can be expected from 2013 onwards.

FINANCIAL MARKETS

The financial markets are likely to remain greatly unsettled in the current financial year due to some countries' smouldering sovereign debt crisis. Substantial risks particularly for the European economy on the whole and the banking system arise from a possible increase in tensions on the government bond markets in the euro zone. The weaker global economic activity overall, the pessimistic view of the EU Commission of the EU's economic growth in 2012 and equally uncertain growth prospects in the United States are generating additional uncertainty. These uncertainties might continue into 2013. The imminent tighter regulation of the banking sector in Germany and the financial transaction tax that has been proposed to prevent speculative financial transactions further contribute to the uncertainty in the financial markets.

DEVELOPMENT OF THE AUTOMOBILE MARKETS

Demand for passenger cars in Germany rose substantially in 2011 due to the good economic climate but we expect this trend to be interrupted in 2012. The sovereign debt crisis in some European countries has unsettled consumers in Germany despite the country's largely stable economic environment. Whilst this will have a negative effect on automotive demand in Germany, it should begin to rise again in 2013 against the backdrop of the stabilising European economy.

MOBILITY PACKAGES

Social and political parameters increasingly impact many people's approach to mobility. Large metropolitan areas are giving rise to new challenges in connection with the design of an intelligent mobility mix comprising mainly public transportation, cars and bicycles. Mobility is being redefined in many respects.

The Volkswagen Group has already responded in comprehensive fashion to these challenges by developing fuel- and emission-optimised vehicles that can be operated in a sustainable manner. In collaboration with the automotive brands of the Volkswagen Group, Volkswagen Leasing GmbH is working intensely to be a pioneer in the development of innovative mobility packages just as it has been for a long time in the classical automotive business.

New mobility packages will supplement traditional car ownership. "Quicar – Share a Volkswagen", the car sharing package that Volkswagen Volkswagen Leasing GmbH has been operating jointly with the Volkswagen Passenger Cars brand in Hanover under a pilot project since the end of 2011 or the long-term rental product of Volkswagen Leasing GmbH that has already been brought to market are exemplary in this respect: simple, transparent, safe, reliable, affordable, flexible – those are the key requirements that our business must satisfy in future. Volkswagen Leasing GmbH is carefully tracking the development of the mobility market and is already developing new models for supporting alternative marketing approaches and establishing new mobility concepts with the aim of hedging and expanding its business model.

In doing so we will continue to realise the core of our brand promise and remain the key to mobility in the long term.

DEVELOPMENT OF VOLKSWAGEN LEASING GMBH

Volkswagen Leasing GmbH expects its growth in the next two financial years to follow that of the Volkswagen Group. Increasing the penetration rate and expanding the product range in existing markets as well as opening up new markets are aimed at boosting the company's business volume and intensifying its international alignment.

Sales activities related to the Volkswagen Group brands will be intensified.

In addition, Volkswagen Leasing GmbH intends to continue pursuing its activities designed to enhance its ability to leverage potentials along the automotive value chain.

Especially the significance of the service business to customer and brand loyalty is rising; hence both the service business and fleet management are to be further expanded structurally. Volkswagen Leasing GmbH's ongoing product innovations enable it to respond to the trend toward flexible car use as an alternative to buying.

Professional residual value management is of great importance despite positive trends in the used car market. Volkswagen Leasing GmbH continues to respond to changed market conditions by offering both residual value insurance and own marketing models for dealers in cooperation with the brands.

PROSPECTS FOR 2012 AND 2013

The Board of Management expects business growth in 2012 and 2013 to be lower than in 2011, given the declining economic growth in Germany and the resulting restraint in regards to investments, especially in the commercial segment.

In previous years, the strong result of Volkswagen Leasing GmbH was due to the expiry of the leasing contracts closed in 2006 and 2007 to which the accelerated amortisation option had been applied under German tax law. The negative effect in prior periods has been reversed as the given vehicles were disposed of, generating especially positive earnings in 2010 and 2011.

No appreciable effects are expected for 2012 in that connection. Assuming slightly increasing refinancing costs and a highly uncertain economic environment and their impact on risk costs, among others, and based on currently available information and analyses, earnings in 2012 are expected to be in the three-digit millions and below the level of 2011.

We believe that 2013 will offer an opportunity to stabilise the situation at the macroeconomic level, which might have a positive effect on the development of risk costs. But we also expect higher interest rate levels. Earnings for 2013 are therefore expected to be positive but lower than in 2012, with contract volumes declining slightly.

Annual Financial Statements

Balance sheet

of Volkswagen Leasing GmbH, Braunschweig, as at 31.12.2011

€ 000			31.12.2011	31.12.2010
Assets				
1.	Cash reserve			
	Cash in hand		0	1
2.	Receivables from financial institutions			
	Payable on demand		1,021,011	1,422
3.	Receivables from customers			
	Payable on demand		95,358	98,636
4.	Investments in affiliated companies		105	105
5.	Intangible assets		234	0
6.	Tangible fixed assets			
	a) Leased assets	15,179,158		13,278,793
	b) Land and buildings	10,354		10,084
			15,189,512	13,288,877
7.	Other assets		635,110	463,578
8.	Prepaid expenses		101,562	112,154
Total assets			**17,042,892**	**13,964,773**

€ 000			31.12.2011	31.12.2010
Equity and liabilities				
1.	Liabilities to financial institutions			
	a) Payable on demand	467		49,623
	b) With agreed repayment period or period of notice	288,402		251,930
			288,869	301,553
2.	Liabilities to customers			
	Other liabilities			
	a) Payable on demand	1,213,996		1,801,592
	b) With agreed repayment period or period of notice	5,164,789		5,990,754
			6,378,785	7,792,346
3.	Securitised liabilities			
	Debentures issued		5,395,260	2,311,930
	from commercial paper		543,196	0
4.	Other liabilities		57,851	58,125
5.	Deferred income		3,662,106	2,966,564
6.	Deferred tax liabilities		0	776
7.	Provisions			
	a) Tax provisions	7,193		7,800
	b) Other provisions	488,745		304,686
			495,938	312,486
8.	Special tax-allowable reserve		1,763	1,869
9.	Equity			
	a) Subscribed capital	76,004		76,004
	b) Capital reserves	142,471		142,471
	c) Net retained profits	649		649
			219,124	219,124
Total equity and liabilities			**17,042,892**	**13,964,773**
1.	Other obligations			
	Irrevocable credit commitments		1,561,085	1,267,444

Profit and loss account

of Volkswagen Leasing GmbH, Braunschweig, from 01.01. to 31.12.2011

€ 000				01.01. – 31.12.2011	01.01. – 31.12.2010
1.	Income from leasing transactions		10,010,366		8,755,894
2.	Expenses from leasing transactions		4,825,372		3,736,490
				5,184,994	5,019,404
3.	Interest income from lending and money market transactions		5,597		5,557
4.	Interest expense		357,888		367,865
	of which: Unwinding of discounts on provisions		4,254		0
				–352,291	–362,308
5.	Income from profit transfer agreements			252	0
6.	Commission income		444		479
7.	Commission expenses		406,292		308,367
				–405,848	–307,888
8.	Other operating income			71,241	58,892
9.	Income from the reversal of the special tax-allowable reserve			105	731
10.	General administration expenses				
	a) Personnel expenses				
	aa) Wages and salaries	2,860			2,506
	ab) Social security	1,345			1,440
			4,205		3,946
	b) Other administration expenses		202,807		161,182
				207,012	165,128
11.	Depreciation and write-downs				
	a) Depreciation on buildings		484		1,944
	b) Depreciation on and write-downs of leased assets		3,447,245		3,100,768
				3,447,729	3,102,712
12.	Other operating expenses			23,943	13,596
13.	Depreciation, amortisation and allowances on receivables and additions to provisions in the leasing business			396,250	239,342
14.	Income from the write-up of receivables and the reversal of provisions in the leasing business			106,415	88,429
15.	Expense from loss absorption			949	1,798
16.	**Result from ordinary business activities**			**528,985**	**974,684**
17.	Taxes on income and earnings			195,613	184,297
	of which: Income from change in deferred tax liabilities, Italy			775	0
18.	Profits transferred under a profit transfer agreement			–333,372	–790,387
19.	**Net income**			**0**	**0**
20.	Retained earnings brought forward from previous year			649	649
21.	**Net retained profits**			**649**	**649**

Cash flow statement

of Volkswagen Leasing GmbH, Braunschweig, from 01.01. to 31.12.2011

€ 000	2011	2010
Net income (before profit transfer)	333,372	790,387
Amortisation/depreciation of fixed assets	3,447,729	3,102,712
Change in provisions	183,452	10,133
Profit from the disposal of leased assets	−667,164	−960,989
Interest result	352,291	362,308
Other adjustments	133,072	178,287
Change in receivables from customers	3,278	21,331
Change in other assets from operating activities	−160,939	−167,588
Change in liabilities to financial institutions	−48,684	−136,215
Change in liabilities to customers	−128,004	733,341
Change in securitised liabilities	15,209	111
Change in other liabilities from operating activities	694,386	−435,443
Interest received	5,597	5,557
Interest paid	−357,888	−367,865
Income tax paid	−133,072	−178,286
I. Cash flow from operating activities	**3,672,635**	**2,957,781**
Cash inflows from the disposal of leased assets	4,900,548	4,120,889
Cash outflows for investments in leased assets	−9,580,994	−7,589,956
Cash outflows for investments in tangible and intangible fixed assets used by the company	−989	0
II. Cash flow from investment activities	**−4,681,435**	**−3,469,067**
Cash inflows from company owners / cash outflows to company owners	−790,387	−402,305
Cash inflows from issuing bonds and taking up loans	10,462,506	8,273,752
Cash outflows from the redemption of bonds and loans	−7,643,731	−7,359,229
III. Cash flow from financing activities	**2,028,388**	**512,218**
Net change in funds (I., II. and III.)	1,019,588	932
Funds available at the beginning of the period	1,423	491
Funds available at the end of the period	1,021,011	1,423

The balance sheet and the profit and loss account have been prepared in accordance with the stipulations of the Ordinance on Accounting for Banks (RechKredV). Funds corresponds to cash in hand plus receivables from financial institutions.

Statement of changes in equity

of Volkswagen Leasing GmbH, Braunschweig, as at 31.12.2011

	Subscribed capital	Capital reserves	Net retained profits	Equity
Balance as at 31 December 2010	76,003,950.00	142,470,800.00	648,680.82	219,123,430.82
Change	–	–	–	–
Balance as at 31 December 2011	76,003,950.00	142,470,800.00	648,680.82	219,123,430.82

Notes

to the financial statements of Volkswagen Leasing GmbH, Braunschweig, as at 31.12.2011

1 | General comments regarding the annual financial statements

The annual financial statements of Volkswagen Leasing GmbH have been prepared in accordance with the stipulations of the German Commercial Code (HGB) and the Ordinance on Accounting for Banks (RechKredV).

2 | Accounting policies

The accounting policies applied the previous year have been adopted unchanged, with the exception of changes in connection with the recognition of provisions for outstanding bills for maintenance and parts services.

The financial assets are recognised at cost.

The grandfathering and continuation option under § 67 Para. 4 Introductory Law to the German Commercial Code (EGHGB) was applied to the fixed assets existing on 31 December 2009.

Tangible fixed assets and leased assets are measured at cost less depreciation and, if they are expected to be impaired permanently, less write-downs.

Depreciation for the administrative building is recognised using the straight-line method (period of use: 50 years for old building and 25 years for new building).

As a rule, leased assets are depreciated using the straight-line method pro rata temporis. For assets added in 2006 and 2007, a depreciation rate of 30 % was applied, as permitted by tax law for using the declining-balance method. The useful life of passenger cars is six years, and that of heavy vehicles is nine years.

Using the grandfathering option available under § 67 Para. 3 sentence 1 EGHGB, differences between measurements required by commercial law and those permissible by tax law are shown in the special tax-allowable reserve.

Receivables and other assets are shown at nominal value. The non-payment risk has been taken into account by making reasonable value adjustments.

Discernible risks and undetermined liabilities are taken into account by creating adequate provisions corresponding to the settlement amount required to settle the respective obligation. Provisions with a maturity of more than one year are discounted at the average market interest rate for the past seven years that is published monthly by Deutsche Bundesbank. Liabilities are shown at the settlement amount.

Under a profit and loss transfer agreement, Volkswagen AG as the parent company generally accounts for deferred taxes. The deferred tax liabilities shown in the previous year solely concerned our Italian branch which is separately responsible for its taxes. Deferred taxes are recognised to account for all temporary differences from the divergent treatment of balance sheet items under commercial law and the respective taxable carrying amount, taking the rate of 32.15 % specific to the company into account. Deferred tax liabilities were not shown separately for the 2011 financial year because the company availed itself of the option to offset deferred tax assets and liabilities.

Deferred income covers income/other operating income from leasing business which is attributable to future accounting periods.

Derivative financial instruments are used solely for hedging purposes. Derivative financial instruments (interest rate swaps) are measured by applying the general measurement provisions customary in the industry. The market values are not shown in the balance sheet; interest is accrued according to maturity.

Volkswagen Leasing GmbH has been setting up provisions since 2011 for costs outstanding as at the reporting date in connection with the strong growth in its portfolio of customer contracts for maintenance and parts services. This provisioning serves to contrast the income received with the corresponding provision expense in the proper period. Incoming bills for maintenance and parts services deplete these provisions. In previous year, such bills were paid out of current expenses. The adjustment of current expenses to the proper accounting method triggered € 92.2 million in expenses unrelated to the accounting period.

3 | Notes to the balance sheet

The breakdown of the fixed assets combined on the balance sheet and their development during the period under review can be seen from the table of assets.

The receivables from financial institutions break down as follows:

€ 000	31.12.2011	31.12.2010
1. Receivables from financial institutions	1,021,011	1,422
(of which payable to affiliated companies € 450,759,000; previous year: € 978,000)		
Total	**1,021,011**	**1,422**

The receivables from customers break down as follows:

€ 000	31.12.2011	31.12.2010
1. Trade receivables	87,249	89,568
2. Receivables from affiliated companies	582	591
(of which from the shareholder € 0; previous year: € 0)		
(of which trade receivables € 582,000; previous year: € 591,000)		
3. Other receivables	7,527	8,477
Total	**95,358**	**98,636**

The residual terms of the receivables are made up as follows:

€ 000	31.12.2011	31.12.2010
1. Receivables from financial institutions	1,021,011	1,422
of which due 0–3 months	1,021,011	1,422
2. Trade receivables	87,249	89,568
of which due 0–3 months	87,249	89,568
3. Receivables from affiliated companies	582	591
of which due 0–3 months	582	591
4. Other receivables	7,527	8,477
of which due 0–3 months	7,527	8,477
Total	**1,116,369**	**100,058**

Other assets essentially comprise € 151,370,000 (previous year: € 145,173,000) in receivables from accrued interest rate swaps, € 261,955,000 (previous year: € 75,908,000) in lease returns held as available for sale, as well as € 111,465,000 (previous year: € 119,262,000) in receivables from the settlement of ABS transactions.

The prepaid expenses comprise discounts for loans taken up, debentures and ABS transactions amounting to € 73,674,000 (previous year: € 87,619,000), which are eliminated pro rata temporis. In addition, the prepaid vehicle taxes amounting to € 8,160,000 (previous year: € 9,697,000) and insurance policies from service leasing amounting to € 16,369,000 (previous year: € 11,735,000) as well as other prepaid items are recognised.

The liabilities are made up as follows:

€ 000	31.12.2011	31.12.2010
1. Liabilities to financial institutions	288,869	301,553
(of which to affiliated companies € 288,401,000; previous year: € 301,345,000)		
2. Liabilities to customers	6,378,785	7,792,346
(of which to affiliated companies € 5,691,751,000; previous year: € 7,118,325,000)		
(of which to the shareholder € 4,015,333,000; previous year: € 5,783,448,000)		
(of which trade receivables € 164,915,000; previous year: € 337,190,000)		
3. Securitised liabilities	5,938,456	2,311,930
4. Other liabilities	57,851	58,125
Total	**12,663,961**	**10,463,954**

The residual terms of the liabilities are made up as follows:

€ 000	31.12.2011	31.12.2010
1. Liabilities to financial institutions	288,869	301,553
of which due 0–3 months	288,869	301,553
of which due > 3–12 months	0	0
2. Liabilities to customers	6,378,785	7,792,346
of which due 0–3 months	2,320,807	2,398,836
of which due > 3–12 months	713,722	1,251,023
of which due > 12–60 months	3,344,256	4,142,487
3. Securitised liabilities	5,938,456	2,311,930
of which due 0–3 months	584,537	36,930
of which due > 3–12 months	1,283,919	1,000,000
of which due > 12–60 months	4,070,000	1,275,000
4. Other liabilities	57,851	58,125
of which due 0–3 months	50,109	50,027
of which due > 3–12 months	282	265
of which due > 12–60 months	2,243	2,112
of which due > 60 months	5,217	5,721
Total	**12,663,961**	**10,463,954**

Volkswagen Leasing GmbH did not provide any collateral for liabilities.

The provisions comprise tax provisions (€ 7,193,000, previous year: € 7,800,000) and other provisions (€ 488,745,000, previous year: € 304,686,000).

Other provisions serve to hedge risks resulting from existing leasing contracts. Provisions for residual value risks amounted to € 152,414,000 (previous year: € 144,000,000). Especially expenses under service leases amounting to € 18,598,000 were taken into account (previous year: € 43,509,000). And a total of € 91,167,000 (previous year: € 78,991,000) in provisions were recognised for outstanding invoices and dealer bonuses.

In 2011, the company recognised provisions of € 123.9 million for repair bills outstanding under maintenance and parts contracts for the first time.

The special tax-allowable reserve comprises the value adjustments resulting from fiscal depreciation in accordance with § 3 of the Law for the Promotion of the Economy of the Border Regions (ZonenRFG) for the administrative building. The reversal of the special tax-allowable reserve and the resulting change in tax expenditure do not significantly increase the annual result shown. Nor is the change in future annual results due to this fiscal valuation of any major significance.

Statement of changes in fixed assets:

€ 000	GROSS BOOK VALUES					VALUE ADJUSTMENTS				NET BOOK VALUES	
	Brought forward 01.01.2011	Additions	Disposals	Transfers	Balance 31.12.2011	Brought forward 01.01.2011	Additions	Disposals	Balance 31.12.2011	Balance 31.12.2011	Balance 31.12.2010
I. Intangible assets	**0**	**241**	**0**	**0**	**241**	**0**	**7**	**0**	**7**	**234**	**0**
II. Tangible fixed assets											
Land and buildings	21,459	748	0	0	22,207	11,375	478	0	11,853	10,354	10,084
III. Leased assets											
Vehicles, plant and equipment	19,362,412	9,564,047	8,000,282	27,566	20,953,743	6,112,737	3,447,245	3,768,449	5,791,533	15,162,210	13,249,675
Payments on account	29,118	16,948	1,552	−27,566	16,948	0	0	0	0	16,948	29,118
	19,391,530	**9,580,995**	**8,001,834**	**0**	**20,970,691**	**6,112,737**	**3,447,245**	**3,768,449**	**5,791,533**	**15,179,158**	**13,278,793**
IV. Financial assets											
Investments in affiliated companies	105	0	0	0	105	0	0	0	0	105	105
Total fixed assets	**19,413,094**	**9,581,984**	**8,001,834**	**0**	**20,993,244**	**6,124,112**	**3,447,730**	**3,768,449**	**5,803,393**	**15,189,851**	**13,288,982**

4 | Notes to the profit and loss account

Income from leasing business amounts to € 10,010,366,000. A total of € 4,825,372,000 in expenses were incurred in connection with the leasing business and contain the expenditures required for generating sales. These essentially concern the residual carrying amounts of leased assets withdrawn and expenses from service leasing. The net income from leasing is € 5,184,994,000.

The interest result is divided up as follows:

€ 000	01.01. – 31.12.2011	01.01. – 31.12.2010
1. Interest income from lending and money market transactions (of which payable to affiliated companies € 3,143,000; previous year: € 1,007,000)	5,597	5,557
2. Interest expense (of which payable to affiliated companies € 200,769,000; previous year: € 171,960,000)	357,888	367,865
Total	**−352,291**	**−362,308**

Total commission expenses were € 406,292,000 and other operating income was € 71,241,000, of which € 63,581,000 were related to the leasing business and € 7,660,000 to allocated overhead. The income from the reversal of the special tax-allowable reserve amounts to € 105,000.

Personnel expenses for our members of staff at the Milan and Verona branches amounted to € 4,205,000, of which € 2,860,000 is attributable to wages and salaries and € 1,345,000 to social security contributions.

Other administration expenses in the amount of € 202,807,000 were incurred especially for allocated workplace costs, personnel leases as well as IT costs.

The depreciation on and write-downs of leased assets in the amount of € 3,447,245,000 are presented separately. This contains write-downs of € 192,527,000 (previous year: € 161,510,000). The leased assets were written down by an additional € 37,300,000 (previous year: € 38,300,000) to account for risks from the early disposal of vehicles in connection with lessees' default (latent credit risks).

Other operating expenses in the reporting year were € 23,943,000. This contains € 10,236,000 in issuing and rating costs.

A total of € 396,250,000 in depreciation, amortisation and write-downs, allowances on receivables as well as transfers to provisions for the leasing business are in contrast to € 106,415,000 in income. The cost of setting up the provisions for repair bills outstanding under maintenance and parts contracts in the 2011 financial year was € 123.9 million. Of this amount, € 92.2 million concern previous years.

The company posted a pre-tax profit of € 529.0 million (previous year: € 974.7 million), in particular from the marketing of lease returns related to vehicles added in 2006 and 2007, for which it applied the tax option to use the reducing-balance method of depreciation.

Under the existing profit transfer agreement, the profit amounting to € 333.4 million is transferred to Volkswagen Financial Services AG.

Distribution of income by region:

€ 000		01.01. – 31.12.2011			01.01. – 31.12.2010
		Germany	Italy	Total	Total
1.	Income from leasing transactions				
	Leases	3,850,832	186,739	4,037,571	3,754,296
	Maintenance and service contracts	581,526	1,822	583,348	437,514
	Used vehicle sales	4,839,110	61,439	4,900,549	4,120,889
	Other	476,878	12,020	488,898	443,195
		9,748,346	262,020	10,010,366	8,755,894
3.	Interest income from lending and money market transactions	5,174	423	5,597	5,557
6.	Commission income	444	0	444	479
8.	Other operating income	66,166	5,075	71,241	58,892
9.	Income from the reversal of the special tax-allowable reserve	105	0	105	731
14.	Income from the write-up of receivables and the reversal of provisions in the leasing business	106,285	130	106,415	88,429
Total		**9,926,520**	**267,648**	**10,194,168**	**8,909,982**

5 | Other notes

The interest rate risk is hedged by interest rate swaps with a total nominal volume of € 18.0 billion. As at the balance sheet date, the positive market values amount to € 289.9 million while negative market values amount to € 70.3 million. Market values are determined on the basis of market information available at the balance sheet date and appropriate IT-based evaluation methods. Of these derivative financial instruments, accrued interest of € 151.4 million is shown under assets and accrued interest of € 46.1 million is shown under other liabilities.

Our company's annual financial statements are included in the consolidated financial statements of Volkswagen AG, Wolfsburg (largest basis of consolidation), which are drawn up according to the International Financial Reporting Standards and are submitted with the publisher of the Electronic Federal Gazette.

Furthermore, the financial statements of our company are included in the consolidated financial statements of Volkswagen Financial Services AG, Braunschweig, which are submitted with the publisher of the Electronic Federal Gazette.

Volkswagen Leasing GmbH placed asset-backed securities transactions (ABS transactions) on the market to refinance its lending business. Two transactions were carried out in the 2011 financial year. In 2011 Volkswagen Leasing GmbH received a total of € 2,486,147,000 in proceeds from the sale of future leasing receivables. An additional seven transaction from previous years are also in effect. Besides generating one-time inflows, these transactions do not have any additional material effects on the current and future liquidity and financial position of Volkswagen Leasing GmbH.

Volkswagen Leasing GmbH holds all shares in Vehicle Trading International (VTI) GmbH, Braunschweig. The company closed the 2011 financial year at a pre-tax loss of € 0.9 million, which is absorbed by Volkswagen Leasing GmbH under the control and profit transfer agreement. The equity of VTI as at the closing date is € 2.8 million.

Volkswagen Leasing GmbH acquired all shares in carmobility GmbH (Carmobility), Munich, effective 1 January 2011. The company closed the 2011 financial year at a pre-tax profit of € 0.3 million, which is transferred to Volkswagen Leasing GmbH under the control and profit transfer agreement. The equity of Carmobility as at the closing date is € 0.3 million.

Volkswagen Leasing GmbH acquired all shares in Euromobil Autovermietung GmbH (Euromobil), Isernhagen, effective 1 January 2012.

The land and buildings belonging to Volkswagen Leasing GmbH are essentially used by other companies belonging to the Volkswagen Financial Services AG Group that are domiciled in Braunschweig.

The irrevocable loan commitments concern confirmed leasing contracts where the vehicle had not yet been delivered at the balance sheet date and the promised credit limits had not yet been used as a result. Other financial obligations concern a purchase commitment in an amount that is insignificant to the assessment of the company's financial position.

Contingent liabilities and other financial obligations not shown in the balance sheet exist in connection with the ABS transactions as at the reporting date to the extent that the vehicles covered by the sold future leasing receivables have been assigned as collateral to the special purpose entities issuing the debentures.

Volkswagen Leasing GmbH does not engage in any transactions with affiliated companies that are not carried out at arm’s length.

The fees for the auditors of the annual financial statements are disclosed in the consolidated financial statements of Volkswagen AG, Wolfsburg.

To pursue its business activities in Germany, Volkswagen Leasing GmbH does not have any personnel of its own. The staff were made available by Volkswagen Financial Services AG in return for a fee. In addition, the Milan and Verona branches employed 67 members of staff on an annual average (previous year: 58).

The managing directors do not receive any emoluments from the company. No payments have been made to the members of the Supervisory Board by Volkswagen Leasing GmbH.

The Board of Management of Volkswagen Leasing GmbH proposes to carry the remaining net retained profits of € 648,680.82 forward to new account.

6 | Corporate bodies of Volkswagen Leasing GmbH

Board of Management as at 31.12.2011

LARS-HENNER SANTELMANN
Spokesman of the Board of Management
Marketing/Sales Individual Customers

GERHARD KÜNNE
Sales Fleet Customers

DR. HEIDRUN ZIRFAS
Back Office Leasing

Supervisory Board of Volkswagen Leasing GmbH

HANS DIETER PÖTSCH
Chairman
Member of the Board of Management of Volkswagen AG
Finance and Controlling

PROF. DR. HORST NEUMANN
Deputy Chairman
Member of the Board of Management of Volkswagen AG
Human Resources and Organisation

ALFRED RODEWALD (UNTIL 02.04.2011)
Deputy Chairman
Deputy Chairman of the Joint Works Council of Volkswagen Financial Services AG
and Volkswagen Bank GmbH

DR. ARNO ANTLITZ
Member of the Board of Management Volkswagen Division
Controlling and Accounting

DR. JÖRG BOCHE
Executive Vice President of Volkswagen AG
Group Treasurer

WALDEMAR DROSDZIOK
Chairman of the Joint Works Council of Volkswagen Financial Services AG
and Volkswagen Bank GmbH

CHRISTIAN KLINGLER
Member of the Board of Management of Volkswagen AG
Sales and Marketing

DETLEF KUNKEL
General Secretary/Principal Representative of IG Metall Braunschweig

SIMONE MAHLER
General Secretary of the Joint Works Council of Volkswagen Financial Services AG and Volkswagen Bank GmbH (until 02.04.2011)
Deputy Chairman of the Joint Works Council of Volkswagen Financial Services AG and Volkswagen Bank GmbH (from 06.04.2011)

GABOR POLONYI
Head of Sales Germany Private and Corporate Customers of Volkswagen Bank GmbH

PETRA REINHEIMER (FROM 01.06.2011)
General Secretary of the Joint Works Council of Volkswagen Financial Services AG and Volkswagen Bank GmbH (from 06.04.2011)

MICHAEL RIFFEL
General Secretary of the General Works Council and Group Works Council of Volkswagen AG (until 31.12.2011)
General Secretary of the General Works Council of Volkswagen AG (from 01.01.2012)

AXEL STROTBEK
Member of the Board of Management AUDI AG
Finance and Organisation

7 | Responsibility statement of the Board of Management

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Volkswagen Leasing GmbH, and the management report includes a fair review of the development and performance of the business and the position of Volkswagen Leasing GmbH, together with a description of the material opportunities and risks associated with the expected development of Volkswagen Leasing GmbH.

Braunschweig, 8 February 2012

The Board of Management

Lars-Henner Santelmann

Gerhard Künne

Dr. Heidrun Zirfas

Independent Auditors' Report

We have audited the annual financial statements - comprising the balance sheet, the profit and loss account, the cash flow statement, the statement of changes in equity and the notes - including the accounting, and the management report of Volkswagen Leasing GmbH, Braunschweig, for the financial year from 1 January to 31 December 2011. The accounting and preparation of the annual financial statements and management report according to German commercial regulations are the responsibility of the company's Managing Directors. Our responsibility is to express an opinion on the annual financial statements, including the accounting, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 of the German Commercial Code (HGB) and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the accounting, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Managing Directors, as well as evaluating the overall presentation of the annual financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, which is based on the findings of the audit, the annual financial statements are in compliance with legal provisions and give a true and fair view of the net assets, financial situation and results of the operations of the company in accordance with the principles of proper accounting. The management report is consistent with the annual financial statements, provides a suitable understanding of the company's situation and suitably presents the risks of future development.

Hanover, 8 February 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Harald Kayser	Burkhard Eckes
Auditor	Auditor

Report of the Supervisory Board

of Volkswagen Leasing GmbH

In the financial year just ended, the Supervisory Board regularly and exhaustively dealt with the company's position and development. The Board of Management submitted timely and comprehensive reports to the Supervisory Board during the reporting period, both in writing and orally, regarding material aspects of the company's planning and situation (including its exposure to risk and its risk management) as well as the development of its business and deviations from plans and targets. Based on these reports, the Supervisory Board continuously monitored the management of the company's business, thus fulfilling its responsibilities under the law and the company's statutes without limitation. All decisions material to the company, as well as all other transactions subject to the Supervisory Board's approval under its rules of procedure, were reviewed and discussed with the Board of Management before the relevant resolution was adopted.

The Supervisory Board is made up of twelve members. There were changes in personnel in comparison with the previous year, which are shown in the section on corporate bodies in the notes. The Supervisory Board convened for three regular meetings in the reporting year; there were no extraordinary meetings. The Supervisory Board members' average attendance rate was 83 %. With the exception of one member, who was absent at two meetings, all members attended more than half of the meetings.

COMMITTEE WORK

The Supervisory Board established two committees, a credit committee and a personnel committee, for the purpose of facilitating its work.

The personnel committee is responsible for decision making in regards to personnel and social issues subject to the Supervisory Board's authority under both the law and its rules of procedure. This committee comprises three members of the Supervisory Board. Its decisions are adopted by means of circular memorandum. Approvals of powers of representation (“Prokura”) constituted material aspects of its work.

The credit committee is responsible for approving issues the Supervisory Board must deal with under the law and under its rules of procedure such as for instance proposed credit commitments, company borrowings, factoring transactions and general agreements pertaining to the assumption of receivables as well as assuming guarantees, warranties and the like. The credit committee comprises three members of the Supervisory Board; it also makes its decisions by means of circular memorandum.

DELIBERATIONS OF THE SUPERVISORY BOARD

Following a detailed review at its meeting on 18 February 2011, the Supervisory Board approved the annual financial statements for 2010 that had been prepared by the Board of Management and accepted the annual report by Internal Audit regarding the results of its audits.

The Board of Management provided extensive reports on the company's economic and financial position, both at the aforesaid meeting and at the meetings on 1 July 2011 and 6 October 2011. At these meetings the Board of Management also reported to us on the legal requirements concerning the company's risk management and the steps that were taken to fulfil these requirements.

At our meeting on 1 July 2011, we also approved the company’s medium-term financial and investment planning after extensive deliberations. We also approved the purchase of government bonds for purposes of optimising our liquidity management.

We approved the acquisition of Euromobil Autovermietung GmbH on 6 October 2011.

AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, was commissioned to audit the annual financial statements of Volkswagen Leasing GmbH as at 31 December 2011 including the bookkeeping system and the related management report. The Supervisory Board had at its disposal the annual financial statements of Volkswagen Leasing GmbH as at 31 December 2011 and the related management report. The auditors, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, have audited these financial statements, including the bookkeeping system, and the management report and issued an unqualified Auditors' Report. The Supervisory Board approves the results of these audits. The Supervisory Board's review of the annual financial statements and the related Management Report did not give rise to any reservations. The auditors were present at the Supervisory Board meeting when this item of the agenda was dealt with and they reported on the main results of their audit. During its meeting on 22 February 2012, the Supervisory Board approved the annual financial statements of Volkswagen Leasing GmbH prepared by the Board of Management. The annual financial statements are thereby adopted.

In accordance with the existing profit transfer agreement, the profit made in 2011 will be transferred to Volkswagen Financial Services AG.

The Supervisory Board wishes to acknowledge and express its appreciation to the Board of Management, the members of the works council, the members of management and all members of staff for their work.

Braunschweig, 22 February 2012

Hans Dieter Pötsch
Chairman of the Supervisory Board

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains statements concerning the future business development of Volkswagen Leasing GmbH. These statements include, among others, assumptions about the development of the global economy, as well as the financial and automobile markets. Volkswagen Leasing GmbH has made these assumptions on the basis of available information and believes that they can be currently said to offer a realistic picture. These estimates necessarily include certain risks, and actual development may differ from these expectations.

Should actual development therefore deviate from these expectations and assumptions, or should unforeseen events occur that impact the business of Volkswagen Leasing GmbH, then the business development will be accordingly affected.

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The Annual Report is also published in German.

We apologise to our readers for using the masculine grammatical form solely for purposes of linguistic convenience.

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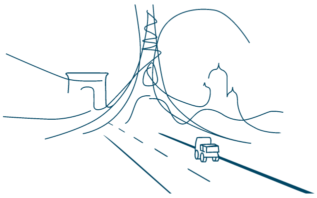

La clave para la movilidad.

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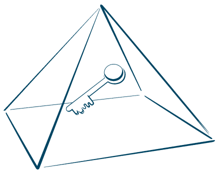
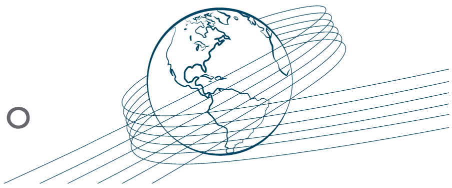
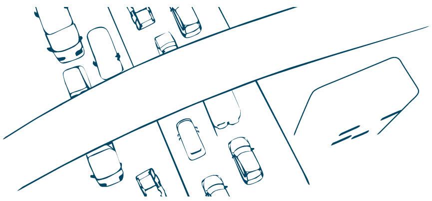


이동성을 향한 열쇠.

La clef de la mobilité.

钥匙在手，任君驰骋。





Kluczem do mobilności.