

VOLKSWAGEN LEASING

G M B H

Half-year Financial Report

JANUARY – JUNE 2009

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PUBLISHING INFORMATION

Volkswagen Leasing GmbH at a glance

€ million	30.6.2009	31.12.2008	31.12.2007
Leased assets	11,889	11,627	10,930
Total assets	12,771	12,675	12,721
Thousands	30.6.2009	31.12.2008	31.12.2007
Current contracts	764	762	703
€ million	1st half-year 2009	1st half-year 2008	1st half-year 2007
Investments in leased assets	3,210	3,419	3,119
Sales	4,072	3,573	3,127
Thousands	1st half-year 2009	1st half-year 2008	1st half-year 2007
New contracts	146	151	134

Interim management report

ECONOMIC ENVIRONMENT

Global economy

The global economic recession continued in the first six months of 2009. Very few countries managed to grow, indeed, both the major industrialised countries and most emerging countries recorded substantial declines in their gross domestic product (GDP). Inflation rates in most countries continued to fall during the reporting period – despite the fact that monetary policies remained expansive and oil prices began to rise again.

The recessionary development continued in Western Europe in the first six months of 2009. In May, the unemployment rate in the euro zone reached its highest level for the past ten years. Conditions in both Central and Eastern Europe also deteriorated further.

In Germany, the downturn in overall economic output intensified during the reporting period. Current leading indicators point to a continued decline in production and an increase in unemployment figures.

Financial markets

The distortions in the international financial markets continued in the year's first six months. At the same time, the recessionary development of the global economy has deepened, especially in those industrialised countries that are dependent on exports.

The international money and capital markets have been driven by the attempts in the leading economies to prevent the banking system from collapsing. These efforts entail measures by individual governments to help the banks deal with toxic assets as well as by central banks to help ease the credit crunch in the banking system.

The massive state interventions have slightly eased conditions in the financing sector since mid-March 2009. In turn, this has relieved some of the downward pressure on bank securities on the global stock and bond markets. The mood in the international stock markets improved by the end of the second quarter against the backdrop that the economy is expected to bottom out.

The liquidity policies of the European Central Bank (ECB) in the first six months of 2009 also helped to improve matters for European financial services providers in regards to refinancing.

In Germany, the scrapping bonus that has been paid for old passenger cars since the German government enacted its second stimulus package has led to new contracts in the first six months of 2009, including leasing contracts for small- and medium-size vehicles. The current depth of the recession is not yet fully reflected in the leasing companies' economic development due to the extraordinary economic boost provided by this measure and given the attendant financing terms, which usually run for four years.

German leasing companies were faced with a special challenge arising from the implementation of requirements under the Annual Tax Act 2009. In particular, gearing the companies' business activities to the requirements of the German Banking Act and complying with the requirements of the Federal Financial Supervisory Authority (BaFin) required extensive preparations.

Automobile markets

Worldwide registrations of new cars were substantially lower year on year in the reporting period. With the exception of the Region Asia Pacific, all sales regions posted declines. Particularly North America and both Central and Eastern Europe have seen demand collapse. While sales of passenger cars were lower year on year in Western Europe too, the decline was not as extreme overall given the positive effects of governmental actions aimed at supporting the economy. The Region Asia Pacific recorded slight growth due to the substantial increase in the number of newly registered cars in China in the second quarter of 2009.

In Western Europe as a whole, the number of newly registered cars in the first six months of 2009 was substantially lower year on year. However, the downturn slowed noticeably in the second quarter. By now, Spain, the United Kingdom, the Netherlands, Austria and Greece have followed the example of Germany, France, Italy and Portugal in enacting stimulus packages aimed at spurring growth in the automobile markets through buyer incentives. Yet only the German and the French markets succeeded in surpassing the level of new registrations year on year during the reporting period.

Demand for passenger cars has plummeted in Central and Eastern Europe. Especially the Russian market is suffering from difficult macroeconomic conditions and high interest rates on new car loans.

In Germany, the positive demand levels that were triggered by the scrapping bonus sparked very strong growth in passenger car sales in the year's first six months.

ANALYSIS OF THE COMPANY'S BUSINESS PERFORMANCE AND POSITION

Business trends

Volkswagen Leasing GmbH continued to develop along a positive trajectory in the first six months of 2009 and succeeded in further expanding its strong position as the mobility services provider within the Volkswagen Group.

The company was able to increase the number of current contracts, its sales and its result from ordinary business activities compared to the previous year.

The current level of leased vehicles rose to 764,000 as at 30 June 2009 (31.12.2008: 762,000). The company's Italian branch in Milan, Italy, accounts for approximately 15,000 vehicles of this total. The increase in the number of leased vehicles resulted from the addition of 146,000 new contracts, compared to disposals of 144,000 vehicles. This growth is essentially due to the fleet customer business.

Sales rose by 14 % to € 4.1 billion year on year in the first half of 2009. The result from ordinary business activities improved to € 301 million (previous year: loss of € 12 million).

In 2009, Volkswagen Leasing GmbH won Autoflotte's coveted award as "Best Leasing and Fleet Management Company" for the fourth year in a row. This provides continued impetus to Volkswagen Leasing GmbH to set new benchmarks in fleet management and secure the company's successes in the long term.

Our new electronic driver's licence verification system, which helps fleet managers carry out their statutory verification duties in connection with their liability as owners, was well received by the market. More than 1,000 contracts have been signed since its introduction in the spring of 2009.

Volkswagen Leasing GmbH's FleetCompetence eCO₂ leasing product is as environmentally conscious as it is attractive and satisfies the expectations of its customers in terms of environmentally friendly and fuel-efficient vehicles in today's climate situation.

The company succeeded in further marketing its vision of worry-free mobility in 2009. The successful trend from 2008 was carried over into 2009 based on environmental campaigns and brand-specific mobility packages. In the first six months alone, this generated the sale of 7,000 mobility packages for leased private cars across all brands (+ 128 %). The maintenance and inspection service for the Volkswagen car brand again proved to be an attractive proposition, as is evidenced by the 26,194 contracts that were signed in the reporting period.

Results of operations

The notes on the results of operations concern changes relative to the same period the previous year.

Sales rose by € 0.5 billion to € 4.1 billion in the first half of 2009. This growth is accounted for by € 0.4 billion of increased proceeds from the sale of previously leased vehicles, as well as a € 0.1 billion increase in revenues from current leasing contracts.

The cost of sales climbed by € 0.1 billion to € 3.6 billion, essentially as a result of the year-on-year increase in the residual book values of vehicle disposals. This figure includes depreciation, commissions, residual book values and the expenses from service leasing.

Volkswagen Leasing GmbH recorded gross sales of € 449 million in the first six months of 2009. This corresponds to a year-on-year increase of € 348 million.

The company posted a profit of € 301 million (previous year: loss of € 12.0 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.

ASSETS AND FINANCIAL POSITION

The gross book value of Volkswagen Leasing GmbH's leased assets rose from € 17.7 billion to € 18.1 billion, due to a growing number of new contracts and a decrease in depreciation. The net book value was € 11.9 billion (31.12.2008: € 11.6 billion). This corresponds to an increase of € 0.3 billion or 3 %.

The company refinances itself largely through loans and funds that Volkswagen Financial Services AG obtains and raises in the capital markets and subsequently passes on to Volkswagen Leasing GmbH. The loan volume of Volkswagen Leasing GmbH is € 4.7 billion (31.12.2008 € 3.9 billion). To finance its leased assets, Volkswagen Leasing GmbH also issued its own debentures amounting to € 2.55 billion (31.12.2008: € 2.85 billion).

In recent years, Volkswagen Leasing GmbH also placed thirteen asset-backed securities transactions (ABS transactions) on the market to refinance its lending business. As at the balance sheet date, the volume of future leasing receivables financed through the ABS transactions was € 2.7 billion (31.12.2008: € 2.4 billion).

RISK REPORT

There have been no significant changes relative to the disclosures in the "Risk report" of the 2008 annual report, which described all potential risks as well as the risk management methods employed.

Risks at the refinancing level

The company's limited ability to refinance itself via the international money and capital markets in the wake of the financial market crisis has had an effect on refinancing costs, among others. There is the risk that refinancing costs might continue to rise should the financial market crisis endure, with a correspondingly negative impact on earnings.

OPPORTUNITIES

Relative to the chapter entitled "Opportunities for Volkswagen Leasing GmbH" in the 2008 annual report, no major changes are expected for the second half of 2009 in terms of opportunities.

PERSONNEL REPORT

Given the structure of the German legal entities of the Volkswagen Financial Services AG Group, the employees of Volkswagen Financial Services AG work in the respective subsidiaries, among others.

As a result of this structure, 372 employees of Volkswagen Financial Services AG were working in Volkswagen Leasing GmbH's business units at 30 June 2009.

Due to national regulations, the staff employed in the branches in Milan and Verona (Italy) continue to have employment contracts with Volkswagen Leasing GmbH. A total of 54 employees currently work at the two Italian branches.

EVENTS AFTER THE BALANCE SHEET DATE

Aside from the events described above, no events of substantial significance occurred after completion of the half-year financial report as at 30 June 2009.

ANTICIPATED DEVELOPMENTS

Global economy

The economic climate remains difficult worldwide, given the ongoing financial and economic crisis. Further deterioration of the situation still cannot be ruled out. Global economic growth in 2009 will be negative. China and India are likely to be the only major economies that will post positive growth in 2009. Although slight indications of recovery can be expected in many industrialised countries in the second half of the year, unemployment figures will continue to rise considerably. The ongoing uncertainty among market participants will have a negative impact, especially on consumer demand and capital spending.

Financial markets

The gradual easing of conditions in the international financial markets that began to make itself felt in the first six months of 2009 will likely continue in the year's second half provided that the intended state measures aimed at establishing "bad banks", which serve to settle the banks' toxic assets, will be implemented elsewhere as in Germany.

The establishment of a European banking regulatory authority is being discussed in this context because the national regulatory authorities do not possess an overview of banks' multinational ties, and this shortcoming is considered one of the factors that led to the crisis in the financial markets. In the final analysis, intense consolidation pressures in the financial services system will likely intensify competition.

Automobile markets

Since automobile markets worldwide are being impacted heavily by the ongoing financial and economic crisis, they will develop along a substantially negative trajectory compared to the previous year. We expect the markets in North America, South America and Europe to register strong declines, with demand in Central and Eastern European countries weakening to a much greater extent than in Western Europe.

Development of Volkswagen Leasing GmbH

The forecasts in the 2008 annual report regarding our expectations as to car sales, refinancing options as well as macro-economic conditions with the relevant effects on risk premiums have basically remained unchanged.

Higher depreciation on vehicles added in 2006 and 2007 had a negative impact on earnings in previous years. This effect is already being reversed in the reporting period and will continue both in the year's second half and in 2010.

Increases in risk premiums as a result of conditions in the real economy could have a negative impact. However, we do anticipate positive earnings overall.

BALANCE SHEET OF VOLKSWAGEN LEASING GMBH, BRUNSWICK

€ 000	30.6.2009	31.12.2008
Assets		
A. Fixed assets		
I. Tangible fixed assets	12,265	12,502
II. Leased assets	11,888,906	11,627,389
III. Financial assets	105	0
	11,901,276	11,639,891
B. Current assets		
I. Inventories	76,698	247,183
II. Receivables and other assets	747,487	752,471
III. Cash in hand and deposits with financial institutions	16,692	287
	840,877	999,941
C. Prepaid expenses	28,525	34,686
Total assets	12,770,678	12,674,518

€ 000	30.6.2009	31.12.2008
Equity and liabilities		
A. Equity		
I. Subscribed capital	76,004	76,004
II. Capital reserve	142,471	142,471
III. Net retained profits/accumulated deficit	198,098	649
	416,573	219,124
B. Special tax-allowable reserve	2,653	2,704
C. Provisions	207,782	186,695
D. Liabilities	8,764,694	9,293,234
E. Deferred income	3,378,976	2,972,760
Total equity and liabilities	12,770,678	12,674,518

PROFIT AND LOSS ACCOUNT OF VOLKSWAGEN LEASING GMBH, BRUNSWICK

€ 000	1.1. – 30.6.2009	1.1. – 30.6.2008
Sales	4,072,441	3,573,015
Cost of sales	3,623,828	3,472,374
Gross profit	448,613	100,641
Selling and distribution expenses	21,073	20,616
General administration expenses	13,372	13,512
Other operating income	116,084	87,118
Other operating expenses	31,744	10,206
Interest result	- 197,886	- 155,425
Result from ordinary business activities	300,622	- 12,000
Taxes on income and earnings	- 103,172	- 4,364
Net income/loss	197,450	- 16,364
Profit brought forward	649	649
Net retained profits/accumulated deficit	198,099	- 15,715

**NOTES TO THE INTERIM FINANCIAL STATEMENTS OF VOLKSWAGEN LEASING GMBH,
BRUNSWICK, AS AT 30.6.2009**

General comments

Volkswagen Leasing GmbH prepared its annual financial statements for the 2008 financial year in accordance with the regulations of German commercial law that are applicable for large stock companies. These interim financial statements were prepared accordingly.

They were not subjected to a review.

Accounting policies

The same accounting policies that were used in the annual financial statements for 2008 were applied to the preparation of the interim financial statements and the determination of the corresponding amounts for the previous year. A detailed description of these methods is contained in the notes to the annual financial statements of the 2008 annual report.

**Development of the fixed assets of Volkswagen Leasing GmbH, Brunswick,
for the period from 1 January to 30 June 2009**

€ 000	Net book value 1.1.2009	Additions	Disposals/ other changes	Depreciation	Net book value 30.6.2009
Tangible fixed assets	12,502	-	-	237	12,265
Leased assets	11,627,389	3,210,181	2,986,641	- 37,977	11,888,906
Financial assets	-	105	-	-	105
Total fixed assets	11,639,891	3,210,286	2,986,641	- 37,740	11,901,276

Inventories

€ 000	30.6.2009	31.12.2008
Finished goods and merchandise	76,698	247,183

Current receivables and other assets

€ 000	30.6.2009	31.12.2008
Trade receivables	142,964	121,921
Receivables from affiliated companies (of which from the shareholder € 245,153,000; 31.12.2008: € 98,207,000) (of which trade receivables € 16,122,000; 31.12.2008: € 2,399,000)	261,179	368,223
Other assets	343,344	262,327
Total	747,487	752,471

Liabilities

€ 000	30.6.2009	31.12.2008
Bonds (remaining maturity up to 1 year € 300,000,000; 31.12.2008: € 600,000,000)	2,550,000	2,850,000
Liabilities to financial institutions (remaining maturity up to 1 year)	968	745
Trade accounts payable (remaining maturity up to 1 year)	26,969	34,948
Liabilities to affiliated companies (of which to the shareholder € 4,849,545,000; 31.12.2008: € 4,006,746,000) (of which trade accounts payable € 62,149,000; 31.12.2008: € 168,555,000) (remaining maturity up to 1 year € 2,308,037,000; 31.12.2008: € 2,777,754,000)	5,808,037	5,977,754
Other liabilities (of which resulting from taxes € 69,000; 31.12.2008: € 76,000) (remaining maturity up to 1 year € 358,170,000; 31.12.2008: € 408,727,000)	378,720	429,787
Total	8,764,694	9,293,234

Sales

€ 000	1.1. - 30.6.2009	1.1. - 30.6.2008
Revenue from current leasing contracts	1,977,699	1,868,764
Proceeds from the sale of previously leased assets	2,094,742	1,704,251
Total	4,072,441	3,573,015

Cost of sales

The cost of sales comprise the expenses necessary to achieve sales.

Interest result

€ 000	1.1. - 30.6.2009	1.1. - 30.6.2008
Other interest and similar income	4,453	13,004
Interest and similar expenses	202,339	168,429
Total	- 197,886	- 155,425

The Board of Management of Volkswagen Leasing GmbH

Lars-Henner Santelmann

Spokesman of the Board of Management
Sales Fleet Customers 2
Marketing and Product Development, Residual Value Management
Credit Rating Management Lessee Units

Dirk H. Pinkvos

Managing Director
Sales Fleet Customers 1

Changes in the composition of the Supervisory Board of Volkswagen Leasing GmbH

Ms. Sabine Ferken resigned from the Supervisory Board effective 20 March 2009.

Ms. Simone Mahler was appointed to the Supervisory Board of Volkswagen Leasing GmbH effective 9 June 2009.

Responsibility statement of the Board of Management

To the best of our knowledge, the half-year financial statements of Volkswagen Leasing GmbH give a true and fair view of the assets, liabilities, financial position and profit or loss of Volkswagen Leasing GmbH, and the interim report includes a fair review of the development and performance of Volkswagen Leasing GmbH, together with a description of the principal opportunities and risks associated with the expected development of Volkswagen Leasing GmbH in the remaining months of the financial year.

Brunswick, 16 July 2009
The Board of Management



Lars-Henner Santelmann



Dirk H. Pinkvos

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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You will find the half-year financial report 2009 at www.vwfs.com/hy09

This half-year financial report is also available in German.