

VOLKSWAGEN LEASING

GMBH



The key to mobility.

HALF-YEAR FINANCIAL REPORT JANUARY – JUNE 2013



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Volkswagen Leasing GmbH at a glance

in € million	30.06.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009
Leased assets	17,361	16,776	15,179	13,279	11,949
Total assets	18,499	18,229	17,043	13,965	12,490
in € million	1st half-year 2013	1st half-year 2012	1st half-year 2011	1st half-year 2010	1st half-year 2009
Investments in leased assets	5,049	5,229	4,763	3,735	3,210
Income from leases	5,833	5,284	4,853	4,338	4,171
In thousands of vehicles	1st half-year 2013	1st half-year 2012	1st half-year 2011	1st half-year 2010	1st half-year 2009
New contracts	213	221	240	171	146
Current contracts	969	920	844	779	764

Development of business

GLOBAL ECONOMY

The development of the global economy in the first six months of 2013 was still marked by uncertainty and disparate growth rates across regions. While structural obstacles clouded the economic situation in the industrialised countries, the economies of the emerging markets developed robustly on the whole.

The repercussions of the debt crisis continued to impact economic activity in Western Europe in the first six months of 2013. Southern Europe remained in recession, and few countries in Northern Europe showed growth rates in positive territory.

The German economy, which had proved comparatively resistant to the crisis in 2012, failed to generate growth in the reporting period. However, consumer sentiment and labour market conditions remained positive.

FINANCIAL MARKETS

The global financial markets developed at different rates in the first half of 2013. In the industrialised countries, investments moved away from the bond markets towards the equity markets in varying degrees. This was motivated by the persistent low return on bonds as opposed to the attractive valuation of shares. Particularly strong growth was recorded by the US stock indices, fuelled by moderate economic growth as a consequence of strong consumer demand driven by the Federal Reserve Board's policy of low interest rates.

Markets in Europe were calmed by the extensive aid measures taken to finance national budgets in the southern EU countries, though they essentially remained nervous. The banking and sovereign debt crisis in Cyprus in particular generated debate in March about fundamental aspects of the security of deposits in the euro zone as well as investors' participation in losses.

Consistently low interest rates in the industrialised countries in the first half of the year provided further stimulus for corporate bond issues. According to Standard &

Poor's, corporate bonds totalling US\$ 1.2 trillion (around € 900 billion) were issued worldwide in this period.

The issue volume in Germany also continued to rise. Since repayments increased at the same time, companies' capital market debt rose only slightly.

While the leasing industry in Europe continued to benefit from the extremely low interest rates, it was burdened by a weak automobile market at the same time.

AUTOMOBILE MARKETS

Demand for passenger cars around the world between January and June 2013 was higher than in the prior-year period. The markets continued to develop unevenly, however. New passenger car registrations in Western Europe fell below the previous year's level, as expected.

The passenger car market in Western Europe recorded substantial losses in the first six months of 2013. The last time a weaker overall market volume for the first half of a year was registered was in the 1980s. The unfavourable general conditions caused by the debt crisis in several euro zone countries led to double-digit decreases in unit sales in some of the large markets.

The uncertainty among consumers caused by the weak economy in Western Europe also had a negative impact on Germany's passenger car market. New registrations fell to the second-lowest level in a first half-year since German reunification in 1990.

OVERALL APPRAISAL OF THE DEVELOPMENT OF BUSINESS

In the view of the Board of Management of Volkswagen Leasing GmbH, business performance in 2013 so far has been positive. Volkswagen Leasing GmbH continued its positive development in the first six months of 2013. The number of contracts continued to increase, though new contracts were down on the first half of 2012. In Italy, the new passenger car business is declining due to the difficult macroeconomic situation. Despite these challenging market conditions, the company managed to improve its penetration in Italy. As expected, the result from ordinary business activities fell short of the previous year's level.

Analysis of the company's business development and position

RESULTS OF OPERATIONS

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

The income from the leasing business in the first six months of 2013 rose by € 0.5 billion to € 5.8 billion year on year. Of this growth, € 0.4 billion is attributable to increased proceeds from the sale of previously leased vehicles and € 0.1 billion to an increase in revenues from current leasing contracts. The larger portfolio of contracts will cause sales to rise in the next years.

Expenses for the leasing business amounted to € 3.2 billion, which is an increase of € 0.5 billion compared to the first six months of 2012. This figure essentially includes the residual book values of vehicles removed from stock and the expenses from service leasing.

Driven by higher volumes, depreciation on leased assets increased to € 2.0 billion (previous year: € 1.8 billion).

Volkswagen Leasing GmbH continues to benefit from the low interest rates in the first half of 2013. Interest expense for the refinancing of the leasing business rose by just € 1 million year on year to € 174 million despite the larger contract portfolio.

A rise in leasing expenses in particular plus higher expenditure resulting from the additions to provisions substantially reduced the pre-tax profit to € 24 million in the first half of 2013 from € 218 million in the prior-year period.

ASSETS AND FINANCIAL POSITION

The notes on the assets and financial position concern changes relative to the balance sheet date 31 December 2012.

In the first six months of 2013, Volkswagen Leasing GmbH was able to further expand its business activities

despite the weaker development of the automotive market. The gross book value of its leased assets rose from € 22.8 billion to € 23.8 billion. The net book value was € 17.4 billion (31.12.2012: € 16.8 billion), an increase of € 0.6 billion or 3.6%.

This increase is also reflected in the development of the portfolio figures. The portfolio of leased vehicles increased from 956,000 to 969,000 units compared to the 31.12.2012 closing date. As in the previous year, the company's Italian branch in Milan accounts for approximately 22,000 vehicles of this total. This inventory increase results from the addition of 213,000 vehicles, compared to disposal of 200,000 vehicles.

The company refinances itself largely through the issue of debentures of Volkswagen Leasing GmbH in the amount of € 6.0 billion (31.12.2012: € 6.3 billion).

In addition, Volkswagen Financial Services AG has taken out loans to finance its leased assets and subsequently passed these on to Volkswagen Leasing GmbH. The loan volume arising from this is € 2.5 billion (31.12.2012: € 2.5 billion).

Furthermore, Volkswagen Leasing GmbH has currently placed seven asset-backed securities transactions (ABS transactions) on the market to refinance its lending business. As at 30.06.2013, the volume of future leasing receivables financed through the ABS transactions was € 3.7 billion (31.12.2012: € 3.6 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.

Opportunity and risk report

OPPORTUNITY REPORT

Macroeconomic opportunities

The management of Volkswagen Leasing GmbH assumes that both the automotive market on the whole and the market share of the Volkswagen Group will continue to grow in the year's second half, with regional markets showing disparate performances. Volkswagen Leasing GmbH supports this positive development through financial services products designed to boost sales.

Strategic opportunities

In addition to entering new markets, Volkswagen Leasing GmbH sees further opportunities in the development of innovative products that are aligned with customers' changed mobility requirements. The company's targeted rates of return as well as the sales promotion potential are relevant for making decisions in this connection. Activities along the automotive value chain will be expanded and intensified further.

RISK REPORT

Summary

There were no material changes regarding the risk types and our risk management methods in the past few months. Insofar, see the disclosures in the "Opportunity and risk report" chapter of the 2012 annual report.

The risk exposure in the Italian market remained acute in the first six months of 2013, reflected in a higher volume of bad debts and rising risk costs. In view of the critical state of the overall economy, the risk position continues to be monitored closely.

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 2013.

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, 761 employees of Volkswagen Financial Services AG were working in

Volkswagen Leasing GmbH's business units at 30 June 2013.

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 73 employees currently work at the two Italian branches.

Anticipated developments

GLOBAL ECONOMY

The global economy developed sluggishly in the first half of 2013. We expect the growth around the world to be sustained as the year progresses, though the uncertainty about the economy will not go away. The industrialised countries will probably achieve only low growth rates. We assume that the recession in Southern Europe will continue for the rest of the year.

FINANCIAL MARKETS

Developments in the global financial markets around the middle of the year were uneven. In the euro zone, following years of attempts by policy-makers to stabilise the banking system and solve the sovereign debt crisis, we are seeing signs of consolidation that help calm the markets. The financial markets are being impacted by the Federal Reserve Board's publicly discussed abandonment of its expansionary monetary policy in the United States with the prospect of future interest rate hikes.

This as well as the decrease in the number of new passenger car and commercial vehicle registrations observed in the current year will put pressure on leasing companies in the second half of 2013.

AUTOMOBILE MARKETS

Demand for passenger cars around the world in the reporting period increased at a slower rate than in the prior-year period. In 2013 overall, the global passenger car markets will probably also witness weaker growth than in 2012. We estimate that the negative trend in the entire Western European market will continue and that even the German market will fall short of 2012 levels.

DEVELOPMENT OF VOLKSWAGEN LEASING GMBH

Volkswagen Leasing GmbH continued its positive development in the first six months of 2013 and succeeded in further expanding its strong position as the mobility services provider within the Volkswagen Group, which is reflected in an increase in the number of current contracts.

Given the difficult market conditions for the 2013 financial year, the Board of Management of Volkswagen Leasing GmbH anticipates a pre-tax result below last year's level.

Balance sheet

of Volkswagen Leasing GmbH, Braunschweig, as at 30.06.2013

€ 000	30.06.2013	31.12.2012
Assets		
1. Cash reserve		
Cash in hand	0	6
2. Receivables from financial institutions		
Payable on demand	8,487	39,635
3. Receivables from customers		
Payable on demand	180,068	104,046
4. Shares in affiliated companies	8,651	8,651
5. Intangible assets	114	154
6. Tangible fixed assets		
a) Leased assets	17,360,710	16,775,799
b) Land and buildings	14,656	12,889
	17,375,366	16,788,688
7. Other assets	624,449	1,020,087
8. Prepaid expenses	301,994	267,364
Total assets	18,499,129	18,228,631

€ 000	30.06.2013	31.12.2012
Liabilities		
1. Liabilities to financial institutions		
a) Payable on demand	214,111	0
b) With agreed repayment period or period of notice	235,183	271,696
	449,294	271,696
2. Liabilities to customers		
a) Payable on demand	1,909,258	1,690,655
b) With agreed repayment period or period of notice	4,816,828	4,423,354
	6,726,086	6,114,009
3. Securitised liabilities		
Debentures issued	6,055,983	6,331,564
from commercial paper	73,969	373,749
	6,129,952	6,705,313
4. Other liabilities	38,537	44,006
5. Deferred income	4,364,162	4,339,507
6. Provisions		
a) Tax provisions	6,744	8,875
b) Other provisions	645,949	524,443
	652,693	533,318
7. Special tax-allowable reserve	1,605	1,658
8. Equity		
a) Subscribed capital	76,004	76,004
b) Capital reserves	142,471	142,471
c) Net accumulated losses (previous year: net retained profits)	-81,675	649
	136,800	219,124
Total equity and liabilities	18,499,129	18,228,631
Other obligations		
Irrevocable credit commitments	1,091,462	902,910

Income statement

of Volkswagen Leasing GmbH, Braunschweig

from 1.1. to 30.06.2013

€ 000	1.1. – 30.06.2013	1.1. – 30.06.2012
1. Income from leases	5,832,597	5,283,955
2. Expenses from leases	3,151,255	2,608,674
	2,681,342	2,675,281
3. Interest income from lending and money market transactions	962	1,815
4. Interest expense	174,283	172,792
of which unwinding of discounts on provisions	2,523	2,933
	-173,321	-170,977
5. Commission income	230	224
6. Commission expenses	182,995	198,228
	-182,765	-198,004
7. Other operating income	44,254	41,787
8. Income from the reversal of the special tax-allowable reserve	53	53
9. General administration expenses		
a) Personnel expenses		
aa) Wages and salaries	1,958	1,800
ab) Social security costs and expenses for pensions and support	638	515
	2,596	2,315
b) Other administration expenses	114,731	113,064
	117,327	115,379
10. Depreciation and amortisation		
a) on intangible and tangible fixed assets	298	257
b) on leased assets	1,965,194	1,831,633
	1,965,492	1,831,890
11. Other operating expenses	8,660	6,411
12. Depreciation, amortisation and allowances on receivables and additions to provisions in the leasing business	293,878	234,336
13. Income from the write-up on receivables and from reversals of provisions in the leasing business	39,561	57,886
14. Result from ordinary business activities	23,767	218,010
15. Taxes on income and earnings	106,091	128,191
16. Net loss (previous year: net income)	-82,324	89,819
17. Retained earnings brought forward from previous year	649	649
18. Net accumulated losses (previous year: net retained profits)	-81,675	90,468

Notes

to the interim financial statements of Volkswagen Leasing GmbH, Braunschweig, as at 30 June 2013

General comments

Volkswagen Leasing GmbH prepared its annual financial statements for the 2012 financial year in accordance with the stipulations of the German Commercial Code (HGB) and the Ordinance on Accounting for Banks (RechKredV). 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 2012 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 2012 annual report.

DEVELOPMENT OF THE FIXED ASSETS OF VOLKSWAGEN LEASING GMBH, BRAUNSCHWEIG, FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2013

€ 000	Net book value 1.1.2013	Additions	Disposals/Other changes	Depreciation	Net book value 30.06.2013
I. Intangible assets	154	–	–	40	114
II. Tangible fixed assets					
Land and buildings	9,957	0	0	258	9,699
Assets under construction	2,932	2,025	0	0	4,957
	12,889	2,025	0	258	14,656
III. Leased assets					
Vehicles, plant and equipment	16,753,764	5,049,151	4,119,863	322,667	17,360,385
Payments on account	22,035	0	21,710	0	325
	16,775,799	5,049,151	4,141,573	322,667	17,360,710
IV. Financial assets					
Shares in affiliated companies	8,651	0	0	0	8,651
Total fixed assets	16,797,493	5,051,176	4,141,573	322,965	17,384,131

THE RECEIVABLES FROM FINANCIAL INSTITUTIONS BREAK DOWN AS FOLLOWS:

€ 000	30.06.2013	31.12.2012
1. Receivables from financial institutions	8,487	39,635
(of which to affiliated companies € 350,000; previous year: € 38,552,000)		
(of which trade receivables € 350,000; previous year: € 6,416,000)		
Total	8,487	39,635

THE RECEIVABLES FROM CUSTOMERS BREAK DOWN AS FOLLOWS:

€ 000	30.06.2013	31.12.2012
1. Trade receivables	130,294	92,965
2. Receivables from affiliated companies (of which from the shareholder € 0; previous year: € 288,000) (of which trade receivables € 40,256,000; previous year: € 523,000)	40,265	2,072
3. Other receivables	9,509	9,009
Total	180,068	104,046

THE LIABILITIES ARE MADE UP AS FOLLOWS:

€ 000	30.06.2013	31.12.2012
1. Liabilities to financial institutions (of which to affiliated companies € 449,294,000; previous year: € 271,696,000)	449,294	271,696
2. Liabilities to customers (of which to affiliated companies € 5,093,418,000; previous year: € 4,885,964,000) (of which to the shareholder € 2,645,396,000; previous year: € 2,661,858,000) (of which trade receivables € 221,984,000; previous year: € 429,469,000)	6,726,086	6,114,009
3. Securitised liabilities	6,129,952	6,705,313
4. Other liabilities	38,537	44,006
Total	13,343,869	13,135,024

THE INTEREST RESULT IS DIVIDED UP AS FOLLOWS:

€ 000	1.1. – 30.06.2013	1.1. – 30.06.2012
1. Interest income from lending and money market transactions (of which from affiliated companies € 187,000; previous year: € 718,000)	962	1,815
2. Interest expense (of which payable to affiliated companies € 72,586,000; previous year: € 82,855,000)	174,283	172,792
Total	-173,321	-170,977

DISTRIBUTION OF INCOME BY REGION:

€ 000	Germany	Italy	1.1. – 30.06.2013	1.1. – 30.06.2012
			Total	Total
1. Income from leases				
Leases	2,158,355	94,096	2,252,451	2,123,051
Maintenance and service contracts	389,870	4,025	393,895	350,460
Used vehicle sales	2,928,964	49,816	2,978,780	2,575,632
Other	195,876	11,595	207,471	234,812
	5,673,065	159,532	5,832,597	5,283,955
3. Interest income from lending and money market transactions	951	11	962	1,815
5. Commission income	230		230	224
7. Other operating income	43,632	622	44,254	41,787
8. Income from the reversal of the special tax-allowable reserve	53		53	53
13. Income from the write-up on receivables and from reversals of provisions in the leasing business	31,252	8,309	39,561	57,886
Total	5,749,183	168,474	5,917,657	5,385,720

The Board of Management of Volkswagen Leasing GmbH

GERHARD KÜNNE

Spokesman of the Board of Management
Sales Fleet Customers

ANDREAS KIEFER

Middle Office Leasing

DR. HEIDRUN ZIRFAS

Back Office Leasing

Audit Committee of Volkswagen Leasing GmbH

The Audit Committee has the following members:

DR. ARNO ANTLITZ

Chairman
Member of the Board of Management Volkswagen Brand
Controlling and Accounting

WALDEMAR DROSDZIOK

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

DR. JÖRG BOCHE

Executive Vice President of Volkswagen AG
Group Treasurer

JÖRG THIELEMANN

Head of Customer Service Retail North/East of Volkswagen Leasing GmbH

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 material opportunities and risks associated with the expected development of Volkswagen Leasing GmbH in the remaining months of the financial year.

Braunschweig, 18 July 2013

The Board of Management



Gerhard Künne



Andreas Kiefer



Dr. Heidrun Zirfas

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 2013 at www.vwfs.com/hy13.

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

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

VOLKSWAGEN LEASING GMBH

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