

VOLKSWAGEN LEASING

GMBH



January – June 2008

Half-year Financial Report 2008

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AT A GLANCE

VOLKSWAGEN LEASING GMBH INCLUDING EUROPCAR FLEET SERVICES GMBH

in € million	30.6.2008	31.12.2007	31.12.2006
Leased assets	11,231	10,930	10,661
Total assets	11,647	12,721	11,267

in thousands	30.6.2008	31.12.2007	31.12.2006
Current contracts	722	703	664

in € million	1st half-year 2008	1st half-year 2007	1st half-year 2006
Investments in leased assets	3,419	3,119	2,879
Sales	3,573	3,127	2,738

in thousands	1st half-year 2008	1st half-year 2007	1st half-year 2006
New contracts	151	134	123

To improve the information about business trends, we have combined the figures of the companies to create a Group presentation.

Key facts

- Volkswagen Leasing GmbH increased sales by 14.2 % to € 3.573 billion compared to the same period the previous year.
- Volkswagen Leasing GmbH continues to grow: its inventory of leased vehicles climbed to 722,000 (31.12.2007: 703,000).
- The initiatives:
 - Expand the company's penetration of the small and medium-sized fleet market
 - Campaign aimed at promoting our maintenance and parts packages for fleet customers subject to improved terms and services
 - Expand the Twin Car offer for drivers entitled to company cars, which allows them to lease a second vehicle for their spouse or another family member at attractive terms
 - Collaboration with Continental AG aimed at introducing an option for leasing a winter tyre kit
 - Offer the "Europa Tank + Servicekarte" (Europe refuelling + service card) for small and medium-sized fleets. Its benefits are as follows: cashless refuelling in Germany and abroad, low fuel prices, car wash, cashless inspection and repair services as well as standardised fuel reporting
 - Introduction of a new service for fleet operators and company car users in March 2008: Emergency and claims management: multilingual 24/7 hotline, initiation of immediate support measures and active assistance during the entire claims process
- In 2008, VW Leasing GmbH won the Autofleet Award for the third time, and the German trade magazine Firmenauto elected the company best leasing and fleet management provider.

Interim management report

Economic environment

Global economy

Global economic growth weakened substantially in the second quarter of 2008, due in particular to continuously rising oil prices and the fallout from the financial crisis. The worldwide increase in inflationary pressures has caused many countries to adopt more restrictive monetary policies. Yet the economies of emerging countries in Asia, South America as well as Central and Eastern Europe continued to grow unabated.

In Western Europe, growth slowed considerably in the second quarter of 2008. With the exception of Hungary, the economic expansion in Central and Eastern European countries remained relatively strong. However, ongoing inflationary pressures, currency appreciation and diminishing prospects for exporters dampened economic expectations.

Germany has seen a sharp decline in the economic factors driving growth. Continually rising prices for foodstuffs and energy are increasingly undermining consumption and investment. And the strength of the euro as well as declining growth worldwide are burdening the export sector.

Financial and automobile markets

In addition to the uncertainty that has gripped global financial markets since the middle of 2007 in the wake of the US subprime crisis, the ramifications of the sharp increase in commodity prices, especially for crude oil, have also had a major impact. The resulting inflationary pressures have triggered the first signs of an economic downturn in the industrial nations, especially in the United States. Despite central banks' countermeasures, this pressure made itself felt in the financial markets in the first six months of 2008 through sharp interest rate increases, which in turn resulted in considerable increases in refinancing expense.

All of this was intensified in the area of refinancing by the dramatic decline in the volume of new issues on the securitised receivables market.

The automobile financing business registered a slight upturn at the start of the current year as a result of the upward trend in newly registered cars, which benefited the captives. But fierce competition continued to limit opportunities for improving margins.

In the period under review, registrations of new passenger cars worldwide surpassed the previous year's level (+ 1.0 %). Especially the regions Asia Pacific, Central and Eastern Europe as well as South America posted above-average growth rates in this area while demand for passenger cars in Japan, Western Europe and particularly North America continued to decline.

In Western Europe, the number of newly registered cars was slightly lower year on year in the first six months of 2008. While the French passenger car market posted a slight gain, demand weakened substantially in both Italy and Spain and slightly in the United Kingdom. Growth rates remained high in Central and Eastern Europe during the reporting period, with Russia and the Ukraine being by far the region's most important growth markets.

In Germany, high fuel prices and the uncertainty regarding the details of a future CO₂ based car tax prevented the auto industry from continuing its recovery. The country's passenger car market rose but slightly in the first half of 2008 compared to the same period the previous year.

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 2008 and succeeded in further expanding its strong position as the mobility services provider within the Volkswagen Group.

Both the overall market and deliveries by the Volkswagen Group were positive during the first six months of 2008 compared to the previous year. This is also reflected in the development of Volkswagen Leasing GmbH's portfolio.

The company managed to increase its current contract volume, total assets and sales compared with the previous year. The current level of leased vehicles rose to 722,000 as at 30 June 2008 (31.12.2007: 703,000). This increase resulted from the addition of 151,000 new contracts, compared to disposals of 132,000 vehicles. This growth is essentially attributable to the fleet customer business and the leasing business with Volkswagen employees.

The Twin Car fleet leasing product, which is tailored specifically to drivers of company cars and offers them a second car, continued to expand, with a year-on-year increase in inventory of 500 vehicles.

The positive development of our "Sauber-und-Sorglos" (clean and worry-free) packages, which evolved from our highly successful all-inclusive product campaigns, have helped to lift the number of contracts under management from 430,000 as at 31 December 2007 to 477,000 as at 30 June 2008. Year-to-date, the increase in the number of contracts under management has been 11 %, compared to 53 % in the same period the previous year.

The number of registrations by individual private and commercial customers in the overall German market has risen slightly over the weak previous year. In turn, this development has had a positive effect on leases with private customers including individual commercial customers (exclusive of Volkswagen employees). There has been a slight year-on-year increase in the number of leased vehicles.

Leasing products aimed at Volkswagen staff continued its positive development. As at 30 June 2008, the company had over 32,000 leasing contracts for Volkswagen employees in its portfolio.

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 € 3.6 billion in the first half of 2008. This growth is accounted for by € 0.1 billion of increased revenue from current leasing contracts, as well as a € 0.3 billion increase in proceeds from the sale of previously leased vehicles.

The cost of sales climbed by € 0.3 billion to € 3.5 billion, particularly due to the larger vehicle portfolio and 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 a gross result of € 101 million in the first six months of 2008. This corresponds to an increase of € 184 million compared to the previous year. This increase essentially resulted from the decline in the costs of the "Move" inspection service as well as the below-average increase in depreciation of new additions in 2008 resulting from the change to the straight-line method.

Especially as a result of making use of the tax option for increasing accelerated depreciation of additions to leased assets in 2006 and 2007 as well as higher refinancing costs, the loss from ordinary business activities for the first half of 2008 was € 12.0 million (previous year: loss of € 188.7 million).

Assets and financial position

Investments in Volkswagen Leasing GmbH rose by € 0.3 billion to € 3.4 billion compared to the previous year, due to a growing number of new contracts. At the same time, the gross book value of the leased assets increased from € 17 billion to € 18 billion. The net book value was € 11.2 billion (31.12.2007: € 10.9 billion). This corresponds to an increase of € 0.3 billion or 3 %.

The company refinances itself largely through loans obtained by Volkswagen Financial Services AG, which are then passed on to the subsidiaries. The loan volume of Volkswagen Leasing GmbH is € 3.3 billion (31.12.2007: € 4.7 billion). To finance its leased assets, Volkswagen Leasing GmbH also issued its own debentures amounting to € 2.85 billion (31.12.2007: € 2.85 billion).

Furthermore, the company refinanced its lending business through asset-backed securities transactions with a volume of € 2.2 billion (31.12.2007: € 2.6 billion).

Risk report

There have been no significant changes relative to the disclosures in the chapter entitled "Risk report" in the 2007 annual report, nor do we believe at this time that the second six months of 2008 will give rise to significant new risks.

Opportunities

Relative to the chapter entitled “Opportunities for Volkswagen Leasing GmbH” in the 2007 annual report, no major changes are expected for the second half of 2008 in terms of opportunities.

Personnel report

The restructuring of the German legal entities of the Volkswagen Financial Services AG Group was brought to a successful conclusion in 2007. The employees of Volkswagen Financial Services AG now work for the relevant subsidiaries under staff leasing agreements.

As a result, 339 employees of Volkswagen Financial Services AG were working in Volkswagen Leasing GmbH’s business units at 30 June 2008.

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 51 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 interim report as at 30 June 2008.

Anticipated developments

Global economy

Continually rising prices for commodities and energy coupled with the uncertainty regarding both the duration and the consequences of the financial crisis in the United States will continue to affect the global economy in the second half of 2008.

Automobile and financial markets

We thus expect a year-on-year downturn in growth on the world’s automobile markets in 2008. South America, Russia, India and China will continue to be the world’s growth drivers even though the pace will slow down somewhat in South America. The number of new car registrations is expected to decrease in Western Europe and the United States.

The mood in the international financial markets will probably remain quite anxious in the second half of 2008. Two contrasting factors are at work here: for one, the negative impact of the American subprime crisis as well as the inflationary ramifications of soaring crude oil prices and for another, the unabated dynamic of those countries with high growth rates that continue to stimulate the global economy. Given these uncertain times, the liquidity situation in both the money and interbank markets will remain tight.

Development of Volkswagen Leasing GmbH

As before, the management of Volkswagen Leasing GmbH expects the growing awareness among small and medium-sized enterprises (SMEs) and corporate customers in regards to forms of financing that preserve equity to stimulate business in the remainder of 2008. However, the leasing industry does foresee changes in corporate tax rates to intensify competitive pressures from the lending industry.

The company expects to expand its market leadership in the German automobile leasing market and to continue its growth in the fleet customers segment by stepping up its service business.

Higher depreciation on vehicles added in 2006 and 2007 will have a negative impact on earnings in 2008 as well.

The Board of Management expects business volume to grow in a competitive environment that is becoming more difficult.

BALANCE SHEET OF VOLKSWAGEN LEASING GMBH, BRUNSWICK

Assets	30.6.2008 € 000	31.12.2007 € 000
A. Fixed assets		
I. Tangible fixed assets	12,742	12,986
II. Leased assets	11,231,121	10,930,263
	11,243,863	10,943,249
B. Current assets		
I. Inventories	15,335	26,100
II. Receivables and other assets	318,814	1,707,491
III. Cash in hand and deposits with financial institutions	28,880	10,264
	363,029	1,743,855
C. Prepaid expenses	40,028	34,071
Total assets	11,646,920	12,721,175

Equity and liabilities	30.6.2008 € 000	31.12.2007 € 000
A. Equity		
I. Subscribed capital	76,004	76,004
II. Capital reserve	142,471	142,471
III. Net retained profits / accumulated deficit	- 15,715	649
	202,760	219,124
B. Special reserves	2,758	2,811
C. Provisions	181,293	179,228
D. Liabilities	8,516,379	9,209,429
E. Deferred income	2,743,730	3,110,583
Total equity and liabilities	11,646,920	12,721,175

PROFIT AND LOSS ACCOUNT OF VOLKSWAGEN LEASING GMBH, BRUNSWICK

	1.1. - 30.6.2008 € 000	1.1. - 30.6.2007 € 000
Sales	3,573,015	3,127,381
Cost of sales	3,472,374	3,210,635
Gross profit	100,641	- 83,254
Selling and distribution expenses	20,616	12,000
General administration expenses	13,512	41,886
Other operating income	87,118	110,413
Other operating expenses	10,206	5,212
Interest result	- 155,425	- 156,761
Result from ordinary business activities	- 12,000	- 188,700
Taxes on income and earnings (debited by the parent company € 2,114,000; previous year, refunded: € 52,138,000)	- 4,364	50,488
Net loss for the half-year	- 16,364	- 138,212
Profit brought forward	649	649
Accumulated deficit	- 15,715	- 137,563

Notes to the interim financial statements of Volkswagen Leasing GmbH, Brunswick, as at 30.6.2008

General comments

Volkswagen Leasing GmbH prepared its annual financial statements for the 2007 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 2007 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 2007 annual report.

Development of the fixed assets of Volkswagen Leasing GmbH, Brunswick, for the period from 1 January to 30 June 2008

	Net book value 1.1.2008 € 000	Additions € 000	Disposals/ other changes € 000	Depreciation € 000	Net book value 30.6.2008 € 000
Tangible fixed assets	12,986	–	–	244	12,742
Leased assets	10,930,263	3,419,193	1,430,572	1,687,763	11,231,121
Total fixed assets	10,943,249	3,419,193	1,430,572	1,688,007	11,243,863

Inventories

	30.6.2008 € 000	31.12.2007 € 000
Finished goods and merchandise	15,335	26,100

Current receivables and other assets

	30.6.2008 € 000	31.12.2007 € 000
Trade receivables	130,259	86,490
Receivables from affiliated companies (of which from the shareholder € 355,000; 31.12.2007: € 1,382,786,000) (of which trade receivables € 7,873,000; 31.12.2007: € 6,232,000)	7,873	1,405,204
Other assets	180,682	215,797
Total	318,814	1,707,491

Liabilities

	30.6.2008 € 000	31.12.2007 € 000
Bonds (remaining maturity up to 1 year € 300,000,000; 31.12.2007: € 0)	2,850,000	2,850,000
Liabilities to financial institutions (remaining maturity up to 1 year)	523	9,115
Trade accounts payable (remaining maturity up to 1 year)	32,196	17,687
Liabilities to affiliated companies (of which to the shareholder € 3,341,276,000; 31.12.2007: € 4,791,387,000) (of which trade accounts payable € 133,288,000; 31.12.2007: € 257,454,000) (remaining maturity up to 1 year € 1,969,069,000; 31.12.2007: € 2,117,878,000)	5,203,099	6,108,779
Other liabilities (of which resulting from taxes € 69,000; 31.12.2007: € 57,000) (remaining maturity up to 1 year € 409,304,000; 31.12.2007: € 217,853,000)	430,561	223,848
Total	8,516,379	9,209,429

Sales

	1.1. - 30.6.2008 € 000	1.1. - 30.6.2007 € 000
Revenue from current leasing contracts	1,868,764	1,732,989
Proceeds from the sale of previously leased assets	1,704,251	1,394,392
Total	3,573,015	3,127,381

Cost of sales

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

Interest result

	1.1. - 30.6.2008 € 000	1.1. - 30.6.2007 € 000
Other interest and similar income	13,004	25,533
Interest and similar expenses	168,429	182,294
Total	- 155,425	- 156,761

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 (from 1.2.2008)

Dirk H. Pinkvos

Managing Director

Sales Fleet Customers 1

Responsibility statement of the Board of Management

To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the abbreviated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Volkswagen Leasing GmbH, and the interim 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 principal opportunities and risks associated with the expected development of Volkswagen Leasing GmbH.

Brunswick, 16 July 2008

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 2008 at www.vwfs.com/hy08

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