

VOLKSWAGEN LEASING

GMBH



Half-year Financial Report

JANUARY – JUNE 2010

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Volkswagen Leasing GmbH at a glance

€ million	30.06.2010	31.12.2009	31.12.2008	31.12.2007
Leased assets	12,646	11,949	11,627	10,930
Total assets	13,224	12,490	12,674	12,712
€ million	1st half-year 2010	1st half-year 2009	1st half-year 2008	1st half-year 2007
Investments in leased assets	3,735	3,210	3,419	3,119
Income from leasing business	4,338	4,171	3,643	3,229
In thousands of vehicles	1st half-year 2010	1st half-year 2009	1st half-year 2008	1st half-year 2007
New contracts	171	146	151	134
Current contracts	779	764	722	684

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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Economic environment

GLOBAL ECONOMY

The global economy showed a clearly positive development during the first half of 2010. Growth rates in the emerging countries – particularly China, India and Brazil – were particularly robust. Whilst the United States and Japan also recovered more rapidly than expected, the sovereign debt crisis dampened developments in Western Europe.

Growth in this region remained weak from January to June 2010. Several Central and Eastern European countries recovered substantially in the year's first half, but the fact that they are highly dependent on Western Europe limits them to a slow pace of economic expansion.

The German economy lost much of its momentum during the winter but it stabilised substantially during the second quarter of 2010. Exports, especially to the Asian markets, continued to generate most of the impetus in this regard. Domestic demand remained muted although the labour market developed better than expected. Private consumption was undermined in particular by the expiration of governmental economic stimulus packages, the uncertainties arising from the sovereign debt crisis and low income growth.

FINANCIAL MARKETS

The easing of conditions in the international financial markets that set in during 2009 continued at the start of the current financial year. The benign picture was influenced by positive expectations for real economies, especially those in East Asian and Latin American emerging countries. The central banks maintained their policy of providing generous liquidity to the banking system in the first six months of 2010. Interest rates remained at a historically low level.

Tension and uncertainty returned to the financial markets with the onset of Greece's sovereign debt crisis in March 2010 and the resulting crisis of confidence in the euro. These developments had a negligible impact on the European automobile banks' ability to refinance and did not trigger any limitations.

Whilst the scrapping bonus gave both automobile sales and the vehicle financing segment an extraordinary boost in Germany customised mobility packages introduced the previous year turned out to drive sales in the retail business during the first six months of 2010.

Package deals for which there is an increasing demand among car buyers were offered with brand specific features.

We succeeded in generating interest for our new modular service packages among small and medium-sized enterprises, tradesmen as well as self-employed freelancers and professionals.

AUTOMOBILE MARKETS

There was a substantial year-on-year increase in the number of new passenger car registrations worldwide during the first six months of 2010. Above-average growth rates in both Asia Pacific and the US market fuelled automotive demand. In Western Europe, the overall market was only slightly higher year on year because the scrapping bonus expired in a number of countries. Passenger car sales in Central and Eastern Europe even dipped below the weak comparative figure for the first six months of 2009.

In Western Europe, new passenger car registrations were but slightly higher year on year in the first six months of 2010. Whilst demand continued to grow by double digits in the first quarter thanks to the positive effects of the governmental stimulus packages, sales of passenger cars were lower year on year throughout the second quarter. The number of new passenger car registrations continued to decline in Central and Eastern European countries, with the Hungarian, Romanian and Ukrainian passenger car markets experiencing the strongest downturn. In Russia, the downturn in sales during the year's first three months has been more than offset by the government's economic stimulus package that was launched in March 2010.

Following the expiration of the scrapping bonus that had been launched in January 2009, German consumers' anticipated reluctance between January and June 2010 to make new purchases led to the lowest number of new passenger car registrations since German reunification.

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Analysis of the company's business performance and position

BUSINESS TRENDS

In the first six months of 2010, Volkswagen Leasing GmbH succeeded yet again in continuing its evolution along a positive trajectory and expanding its strong position as a mobility services provider within the Volkswagen Group.

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

The current level of leased vehicles rose to 779,000 as at 30 June 2010 (31.12.2009: 764,000). The company's Italian branch in Milan, Italy, accounts for approximately 17,000 vehicles of this total. This increase resulted from the addition of 171,000 new contracts, compared to disposals of 156,000 vehicles. This growth is essentially due to the fleet customer business, which saw its inventory rise by 44,000 to 339,000 units (+14.9%).

The income from leasing business in the first six months of 2010 rose by 4% to € 4.3 billion. The result from ordinary business activities improved to € 454 million (previous year: € 301 million).

In 2010, Volkswagen Leasing GmbH won Autoflotte's coveted award as "Best Leasing and Fleet Management Company" for the fifth year in a row.

Volkswagen Leasing GmbH attributes the fact that it won this year's readers' poll first and foremost to its strong customer focus and its innovative approach to product development. In so doing, Volkswagen Leasing GmbH has set new standards in integral fleet management. But the Company is also playing a pioneering role in ecological sustainability. Its environmental programme allows fleet operators to link sustainability and cost optimisation in special ways. Besides protecting the environment, this directly reduces our fleet customers' operating and consumption costs. 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.

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 2010 rose by € 0.1 billion to € 4.3 billion year on

year. A portion of € 0.1 billion of this income is attributable to higher 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 € 1.8 billion. This figure essentially includes the residual book values and the expenses from service leasing.

As in the previous year, depreciation on leased assets totalled € 1.5 billion.

Despite the financial market crisis, the refinancing costs of Volkswagen Leasing GmbH increased only moderately. The financing of our leasing business gave rise to interest expense of € 190 million (previous year: € 201 million).

The company posted a pre-tax profit of € 454 million (previous year: € 301 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

In the first six months of 2010, Volkswagen Leasing GmbH was able to expand its business activities despite the development of the German economy. The gross book value of its leased assets rose from € 18.5 billion to € 18.9 billion. The net book value was € 12.6 billion (31.12.2009: € 11.9 billion), an increase of € 0.7 billion or 5.9%.

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 € 4.5 billion (31.12.2009: € 4.9 billion). To finance its leased assets, Volkswagen Leasing GmbH also issued its own debentures amounting to € 2.25 billion (31.12.2009: € 2.25 billion).

In recent years, Volkswagen Leasing GmbH also placed 17 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 € 2.5 billion (31.12.2009: € 2.8 billion).

The liquidity base of Volkswagen Leasing GmbH is stable – notwithstanding the ongoing financial market crisis.

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Risk report

The German and Italian used car markets are each showing first positive signs despite the persistently difficult economic environment, which can help reduce both losses and drawdowns from existing provisions.

RISKS AT THE REFINANCING LEVEL

Toward the middle of the year, the lending premiums charged to Volkswagen Leasing GmbH in the wake of the "crisis of the euro" rose yet again over the preceding months. There is the risk that refinancing costs might continue to increase should the general economic environment deteriorate again, with a correspondingly negative impact on earnings.

There were no material changes in regards to the remaining risks and the risk management methods relative to the disclosures in the "Risk report" chapter of the 2009 annual report.

Opportunities

Relative to the chapter entitled "Opportunities for Volkswagen Leasing GmbH" in the 2009 annual report, no major changes are expected for the second half of 2010 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, 415 employees of Volkswagen Financial Services AG were working in Volkswagen Leasing GmbH's business units at 30 June 2010.

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 58 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 2010.

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Anticipated developments

GLOBAL ECONOMY

We expect the global economy to weaken slightly in the next few months, after recovering substantially in the first half of 2010. Pronounced differences between economic developments in emerging countries and industrialised countries will continue. In Western Europe, both the planned austerity programmes and the persistent problems in the banking and financial sector will enable only moderate economic growth. The export sector will continue to drive growth whilst domestic demand will recover but slightly, especially in terms of private consumption. Uncertainty prevails in regards to stable and sustained growth even though most countries are in the process of recovering. We cannot preclude that global economic growth will contract to a stronger degree given the considerable risks that remain.

FINANCIAL MARKETS

The central banks' expansive monetary policies are not expected to change, given the fragility of the macroeconomic environment. The banking system's liquidity remains adequate as a result. In contrast, the scope of the regulatory and/or fiscal interventions in the banking system that are planned by the leading industrialised countries, which may have an impact on the banks' liquidity management and liquidity reserves, are difficult to foresee.

As before, both a solid capital base and an integrated business model remain essential in such a weak environment in order to prevail in the mobility services provider segment in the long term.

AUTOMOBILE MARKETS

The total volume of the global automobile markets is expected to surpass the previous year's low level in 2010,

thanks especially to strong growth in the Chinese market. But the uncertainty surrounding economic developments could have a negative impact on demand. The major automobile markets will develop at very different rates. We expect demand to decline substantially in Western Europe – especially in Germany – during the year's second half. We also expect the overall market in Central and Eastern Europe to decline year on year and the recovery in North America to continue. The South American market will probably surpass the high volume recorded in 2009. The year 2010 will pose a challenge to the automobile industry due to both fierce competition and ongoing economic problems.

DEVELOPMENT OF VOLKSWAGEN LEASING GMBH

The forecasts in the 2009 annual report regarding our expectations as to car sales, refinancing options as well as macroeconomic conditions with the relevant effects on risk premiums have basically remained unchanged.

The trend toward a recovery in the used car market will have positive effects on earnings. Risk premiums in contrast will continue to remain at a high level due to the economic uncertainties surrounding the real economy, especially in regards to customers' credit rating.

Higher depreciation on vehicles added in 2006 and 2007 had a negative impact on earnings in previous years. The effect was already reversed because the respective vehicles were disposed of in 2009, and it will continue to have positive effects on earnings in both 2010 and 2011.

Overall, earnings are expected to surpass the previous year's figure.

Balance sheet of Volkswagen Leasing GmbH, Brunswick

€ 000	30.06.2010	31.12.2009
Assets		
1. Cash reserve		
Cash in hand	1	2
2. Receivables from financial institutions		
Payable on demand	15,408	489
3. Receivables from customers		
Payable on demand	150,705	119,967
4. Investments in affiliated companies	105	105
5. Tangible fixed assets		
a) Leased assets	12,646,144	11,949,506
b) Land and buildings	11,790	12,028
	12,657,934	11,961,534
6. Other assets	266,727	376,631
7. Prepaid expenses	133,257	31,514
Total assets	13,224,137	12,490,242

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€ 000	30.06.2010	31.12.2009
Equity and liabilities		
1. Liabilities to financial institutions		
a) Payable on demand	241,048	185,732
b) With agreed repayment period or period of notice	229,941	225,535
	470,989	411,267
2. Liabilities to customers		
a) Payable on demand	800,874	686,237
b) With agreed repayment period or period of notice	5,080,097	5,121,663
	5,880,971	5,807,900
3. Securitised liabilities		
a) Debentures issued	2,296,243	2,286,819
b) Liabilities from commercial paper	434,437	0
	2,730,680	2,286,819
4. Other liabilities	63,978	75,063
5. Deferred income	3,129,253	3,385,116
6. Provisions		
a) Tax provisions	16,121	6,800
b) Other provisions	399,233	295,553
	415,354	302,353
7. Special tax-allowable reserve	2,547	2,600
8. Equity		
a) Subscribed capital	76,004	76,004
b) Capital reserves	134,074	142,471
c) Net retained profits	320,287	649
	530,365	219,124
Total equity and liabilities	13,224,137	12,490,242
1. Other obligations		
Irrevocable credit commitments	908,929	716,797

Profit and loss account of Volkswagen Leasing GmbH, Brunswick

€ 000	01.01. – 30.06.2010	01.01. – 30.06.2009
1. Income from leasing transactions	4,338,208	4,171,385
2. Expenses from leasing transactions	1,846,589	1,889,909
	2,491,619	2,281,476
3. Interest income from lending and money market transactions	6,829	4,453
4. Interest expense	190,150	201,428
	-183,321	-196,975
5. Commission income	206	489
6. Commission expenses	146,120	155,385
	-145,914	-154,896
7. Net income from financial transactions	2,162,384	1,929,605
8. Other operating income	24,709	13,991
9. Income from the reversal of the special tax-allowable reserve	53	53
10. General administration expenses		
a) Personnel expenses		
aa) Wages and salaries	1,410	1,313
ab) Social security	385	313
	1,795	1,626
b) Other administration expenses	76,685	68,523
	78,480	70,149
11. Depreciation		
a) Depreciation on buildings	237	237
b) Depreciation on leased assets	1,511,155	1,514,311
	1,511,392	1,514,548
12. Other operating expenses	9,024	5,708
13. Depreciation, amortisation and allowances on receivables and additions to provisions in the leasing business	184,371	55,229
14. Income from the reversal of allowances on receivables and reversals of provisions in the leasing business	49,962	2,607
15. Expense from loss absorption	-	-
16. Result from ordinary business activities	453,841	300,622
17. Taxes on income and earnings	134,203	103,173
18. Net income	319,638	197,449
19. Retained earnings brought forward from previous year	649	649
20. Net retained profits	320,287	198,098

Notes to the interim financial statements of Volkswagen Leasing GmbH, Brunswick, as at 30.06.2010

General

Volkswagen Leasing GmbH prepared its annual financial statements for the 2009 financial year in accordance with the stipulations of the German Commercial Code (HGB) and, for the first time, 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 2009 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 2009 annual report.

DEVELOPMENT OF THE FIXED ASSETS OF VOLKSWAGEN LEASING GMBH, BRUNSWICK, FOR THE PERIOD FROM 1. JANUARY TO 30 JUNE 2010

€ 000	Net book value 01.01.2010	Additions	Disposals/Other changes	Depreciation	Net book value 30.06.2010
I. Tangible fixed assets					
Land and buildings	12,028	-	-	238	11,790
II. Leased assets					
Vehicles, plant and equipment	11,949,506	3,734,739	3,305,136	-267,035	12,646,144
III. Financial assets					
Investments in affiliated companies	105				105
Total fixed assets	11,961,639	3,734,739	3,305,136	-266,797	12,658,039

THE RECEIVABLES FROM FINANCIAL INSTITUTIONS BREAK DOWN AS FOLLOWS:

€ 000	30.06.2010	31.12.2009
1. Receivables from financial institutions		
(of which from affiliated companies € 49,000; previous year: € 0)	15,408	489
Total	15,408	489

RECEIVABLES FROM CUSTOMERS BREAK DOWN AS FOLLOWS:

€ 000	30.06.2010	31.12.2009
1. Trade receivables		
	94,756	95,755
2. Receivables from affiliated companies		
(of which trade receivables € 41,394,000; previous year: € 1,902,000)	41,394	1,902
3. Other receivables		
	14,555	22,310
Total	150,705	119,967

THE LIABILITIES ARE MADE UP AS FOLLOWS:

€ 000	30.06.2010	31.12.2009
1. Liabilities to financial institutions (of which to affiliated companies € 470,989,000; previous year: € 410,720,000)	470,989	411,267
2. Liabilities to customers (of which to affiliated companies € 5,171,567,000; previous year: € 5,581,711,000) (of which to the shareholder € 4,655,460,000; previous year: € 5,390,678,000) (of which trade accounts payable € 58,352,000; previous year: € 81,418,000)	5,880,971	5,807,900
3. Securitised liabilities	2,730,680	2,286,819
4. Other liabilities	63,978	75,063
Total	9,146,618	8,581,049

THE INTEREST RESULT IS DIVIDED UP AS FOLLOWS:

€ 000	01.01. – 30.06.2010	01.01. – 30.06.2009
1. Interest income from lending and money market transactions (of which from affiliated companies € 476,000; previous year € 2,488,000)	6,829	4,453
2. Interest expense (of which payable to affiliated companies € 81,255,000; previous year: € 112,307,000)	190,150	201,428
Total	-183,321	-196,975

DISTRIBUTION OF INCOME BY REGION:

€ 000	Germany	Italy	01.01. – 30.06.2010 Total	01.01. – 30.06.2009 Total
1. Income from leasing transactions				
Leases	1,777,908	77,228	1,855,136	1,765,813
Maintenance and service contracts	200,061	1,880	201,941	157,845
Used vehicle sales	2,037,349	34,146	2,071,495	2,094,742
Other	205,490	4,146	209,636	152,985
	4,220,808	117,400	4,338,208	4,171,385
3. Interest income from lending and money market transactions	5,754	1,075	6,829	4,453
5. Commission income	206		206	489
8. Other operating income	21,434	3,275	24,709	13,991
9. Income from the reversal of the special tax-allowable reserve	53		53	53
14. Income from the write-up of receivables and the reversal of provisions in the leasing business	49,962		49,962	2,607
Total	4,298,217	121,750	4,419,967	4,192,978

The Board of Management of Volkswagen Leasing GmbH

Lars-Henner Santelmann

Spokesman of the Board of Management
Marketing/Sales Individual Customers

Gerhard Künne

Sales Fleet Customers

Dr. Heidrun Zirfas

Back Office Leasing

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

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Simone Mahler

General Secretary of the Joint Works Council of Volkswagen Financial Services AG, Volkswagen Bank GmbH and Volkswagen Business Services GmbH

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Head of Sales Germany Private and Corporate Customers
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Michael Riffel

General Secretary of the General Works Council and Group Works Council of Volkswagen AG

Axel Strotbek

Member of the Board of Management
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Finance and Organisation

Detlef Wittig (until 19.05.2010)

Executive Vice President of Volkswagen AG
Cooperation Japan

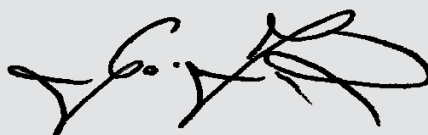
Responsibility statement of the Board of Management

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.

Brunswick, 16 July 2010
The Board of Management



Lars-Henner Santelmann



Gerhard Künne



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 2010 at www.vwfs.com/hy10

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