



Challenges & Opportunities in the Automotive Leasing Industry

Positioning products and services in a difficult environment

5 October 2009, Prague

Agenda

1. What constitutes a difficult environment for our customers ?
2. How can our clients use our products to control costs and take advantage of hidden opportunities ?
3. The continuing and increasing demand for full service leasing for fleet management.

Who Are LeasePlan ?

LeasePlan is a **global company** providing worldwide operational fleet leasing and fleet management services

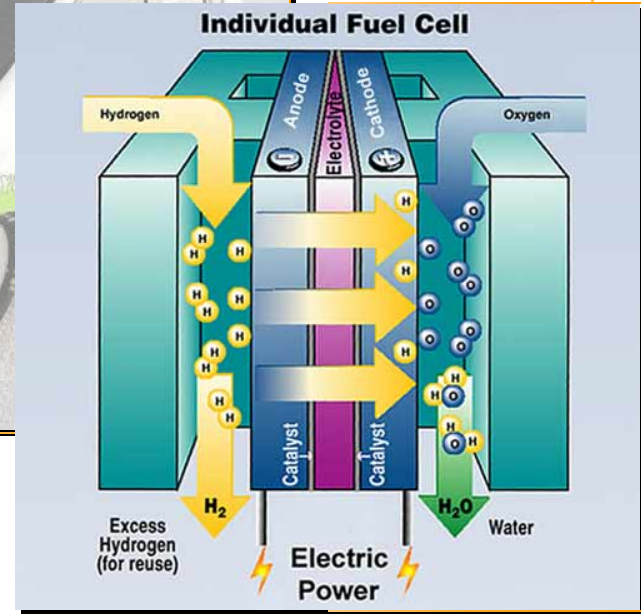
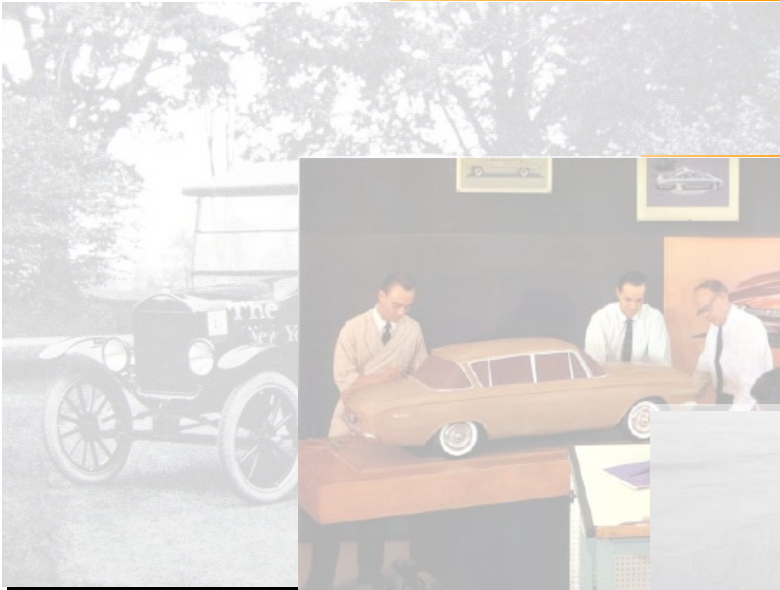
LeasePlan Corp. holds a **universal bank licence** & is owned 50% VW, 50% Fleet Investments BV (strategic & operational independent)

Although profits have come under pressure recently, LP made a **€203mn** net result (08), in large part thanks to its diversified income profile

LeasePlan Corporation has **1.3 million** vehicles under management in 30 countries

Well-diversified corporate customer base, well-spread across industries; Diversified portfolio of car makes, **manufacturer independent**

Old World & New World



Drivers of a Challenging Environment: Economic

▶ Weakness in the **second hand vehicle market**

- Resale results; consumer & corporate confidence and credit availability
- Future Residual Value pricing

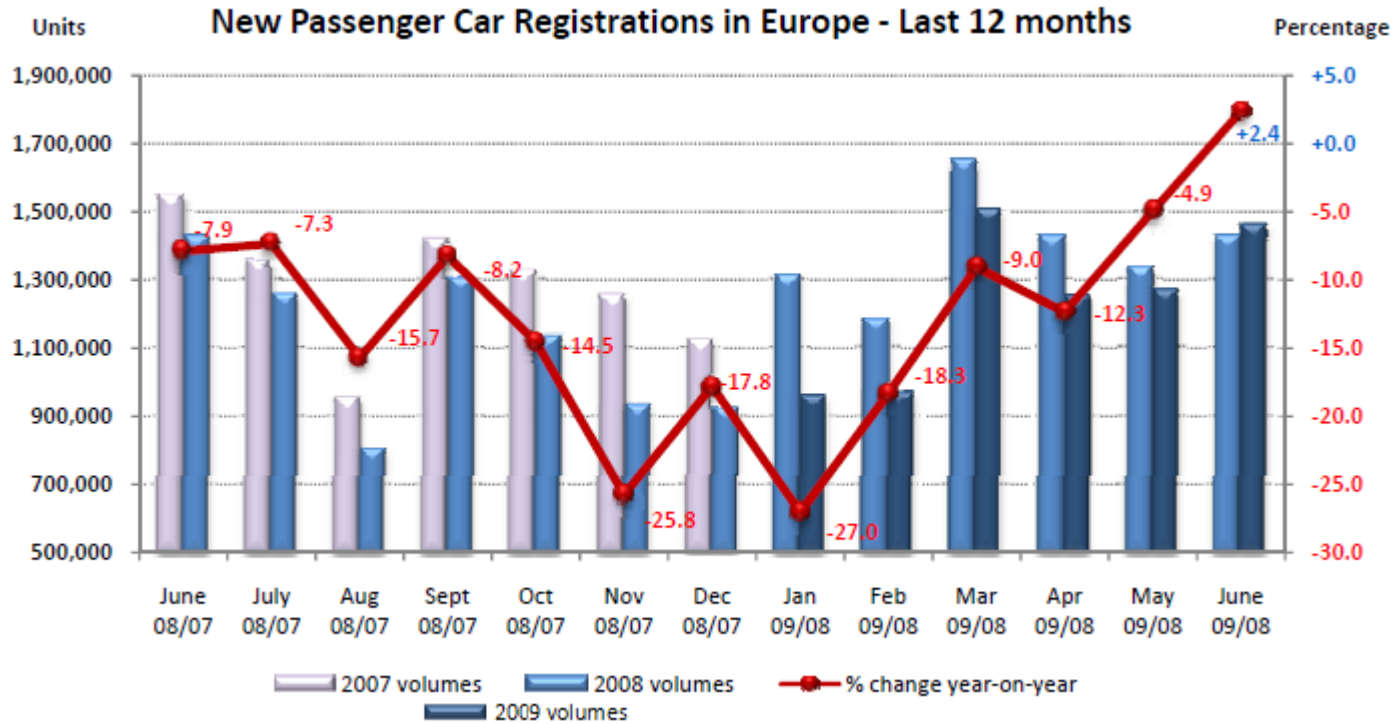
▶ Availability and cost of **money**

- Restricted access
- Increased cost though still affordable and relevant
- Focus on return

▶ The **risk** of default and credit risk

▶ **Volatility** of Oil Prices

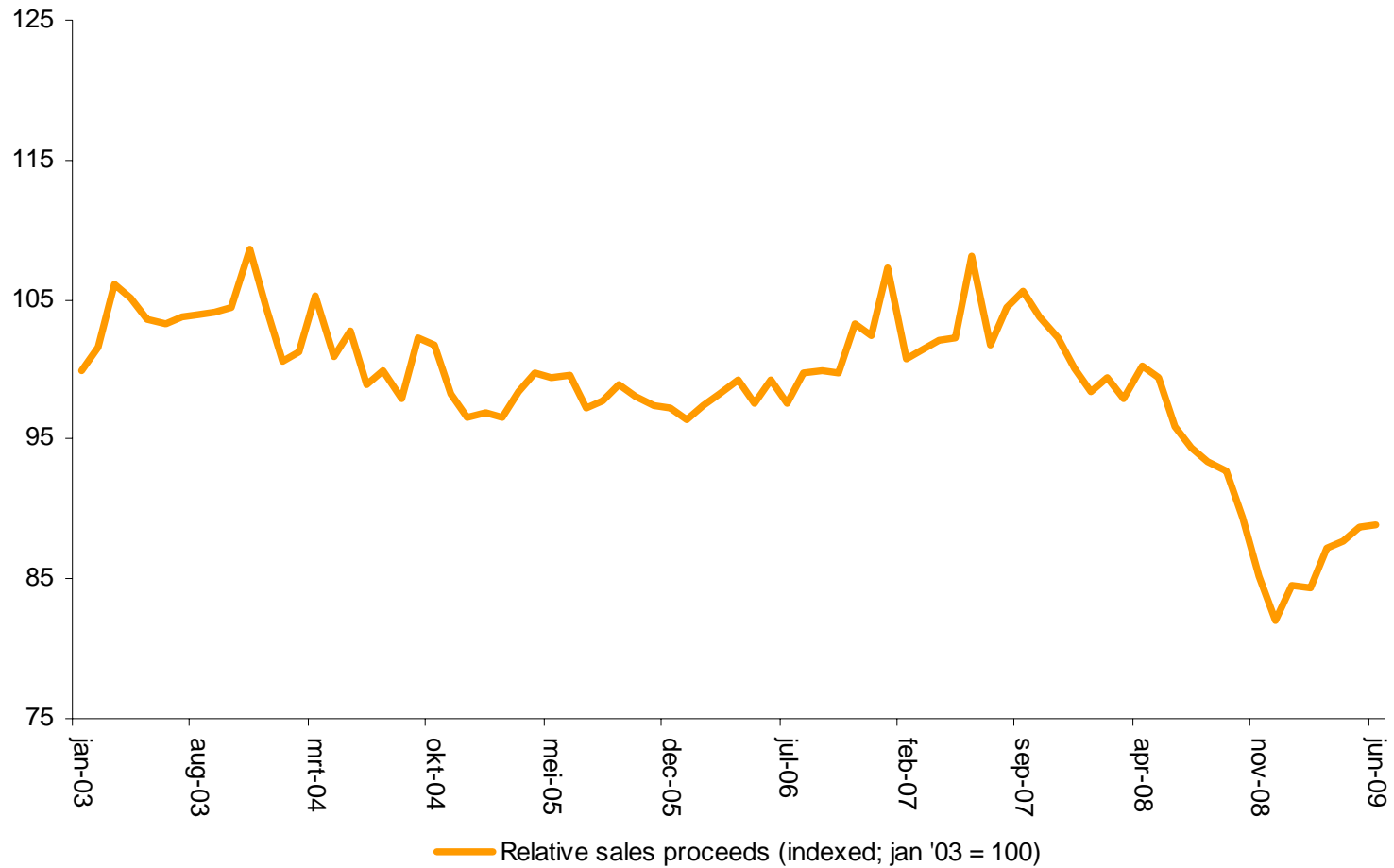
Impact of decreased economic confidence



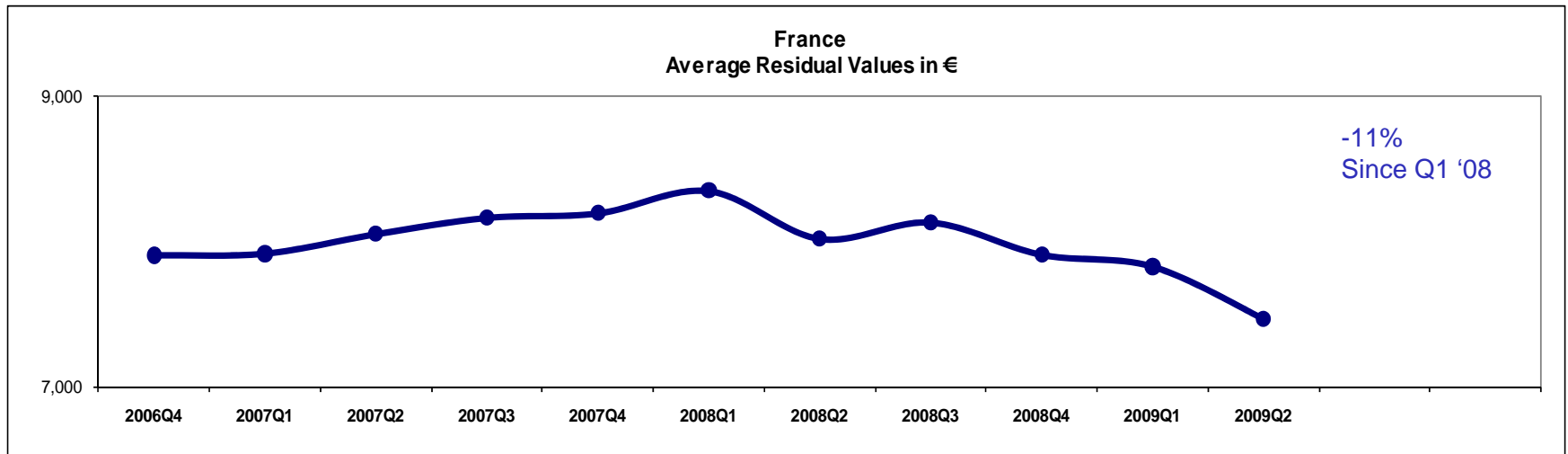
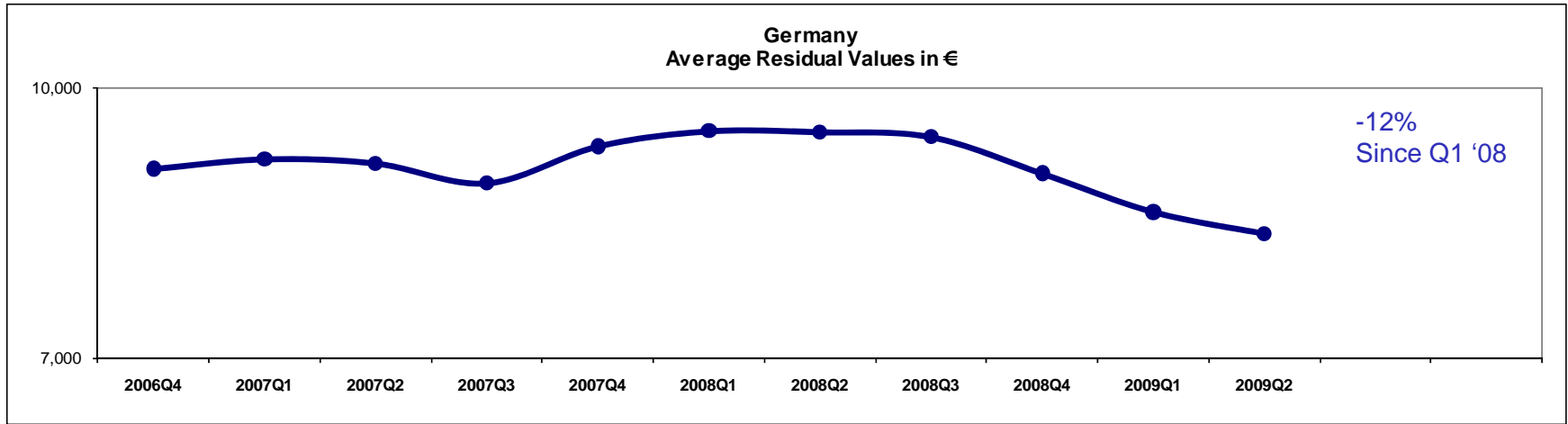
Source: ACEA – New Passenger Car Registrations Jul '09

Deterioration in resale results

Relative sales proceeds LeasePlan Group

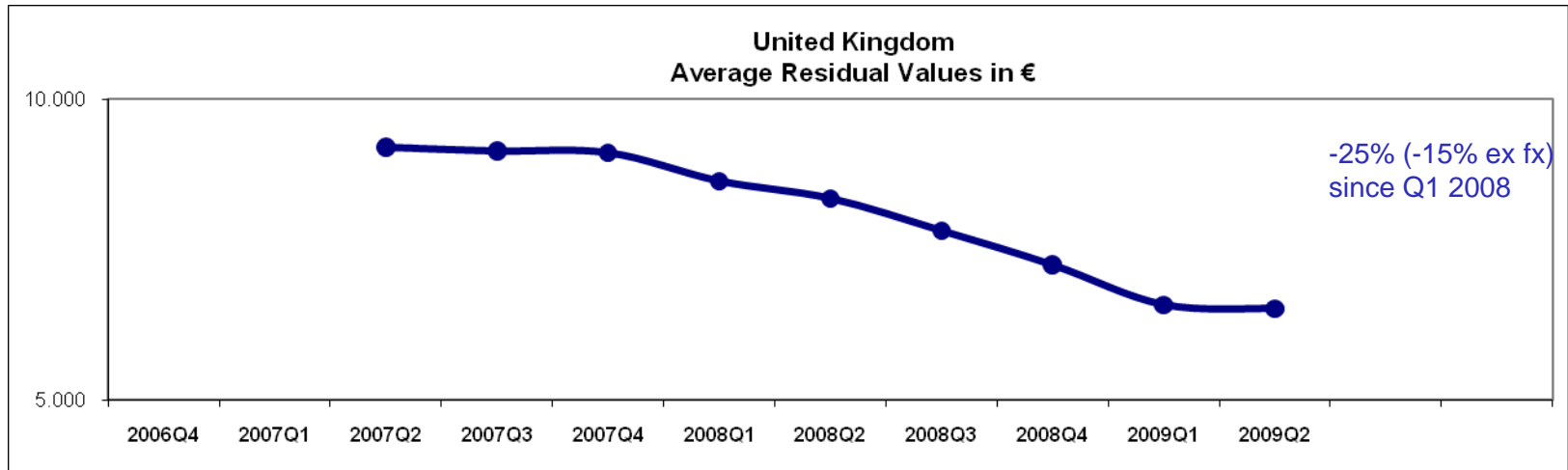
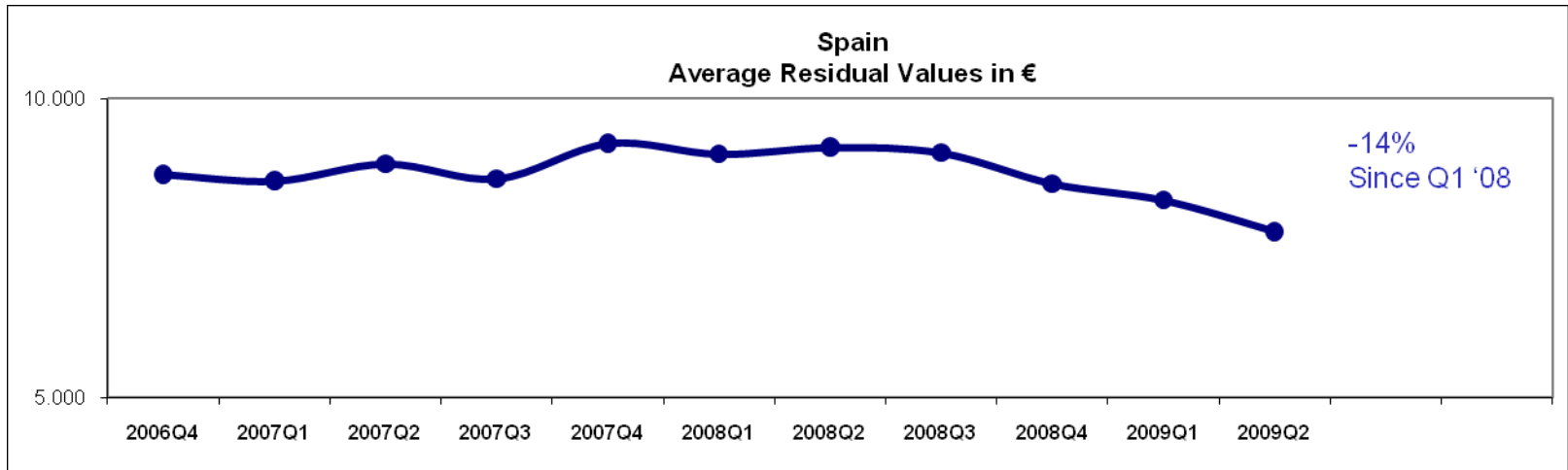


Impact on future residual values (€)



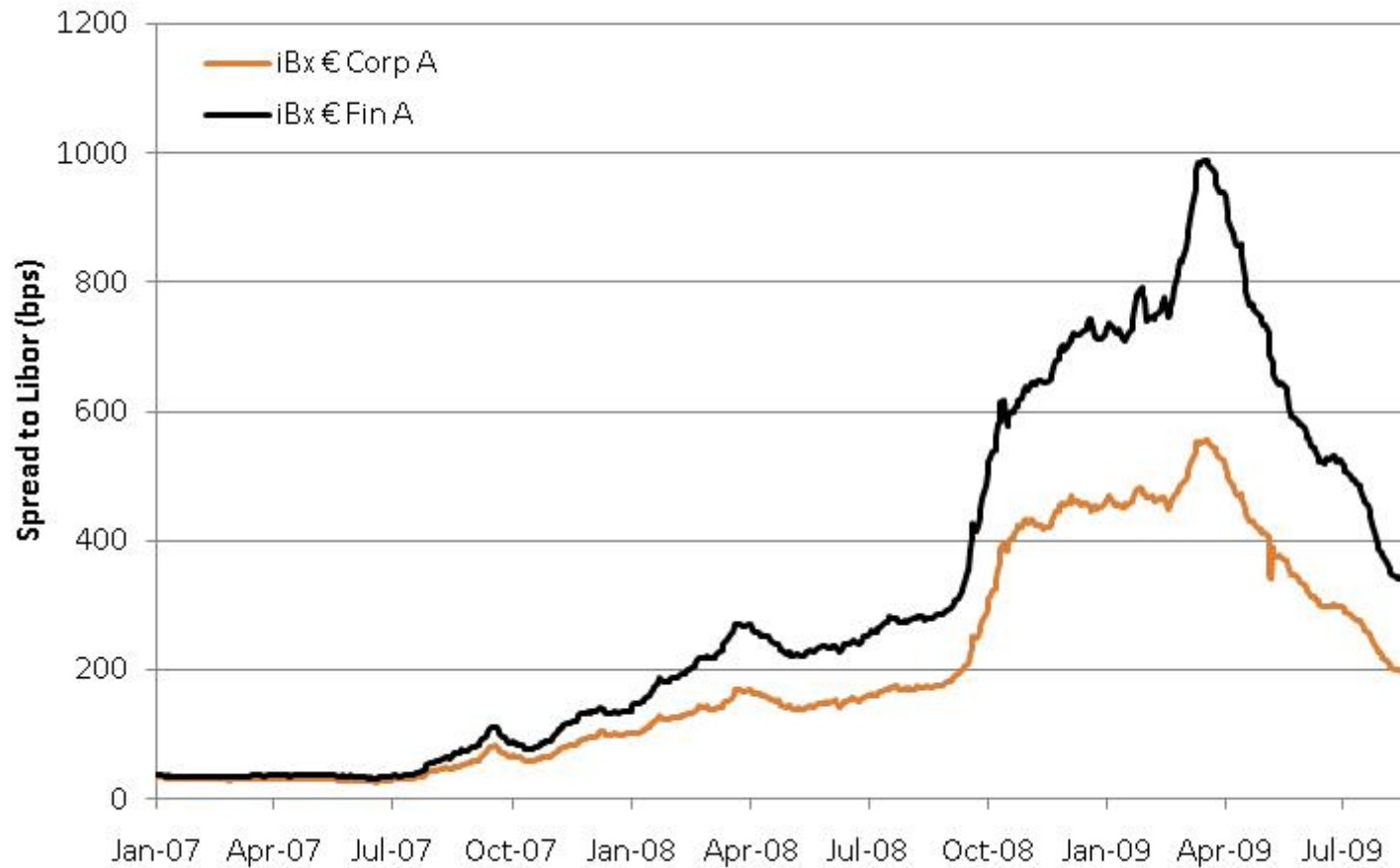
Source: LPI Cost & Market Trends Q2 2009

Impact on future residual values (€)



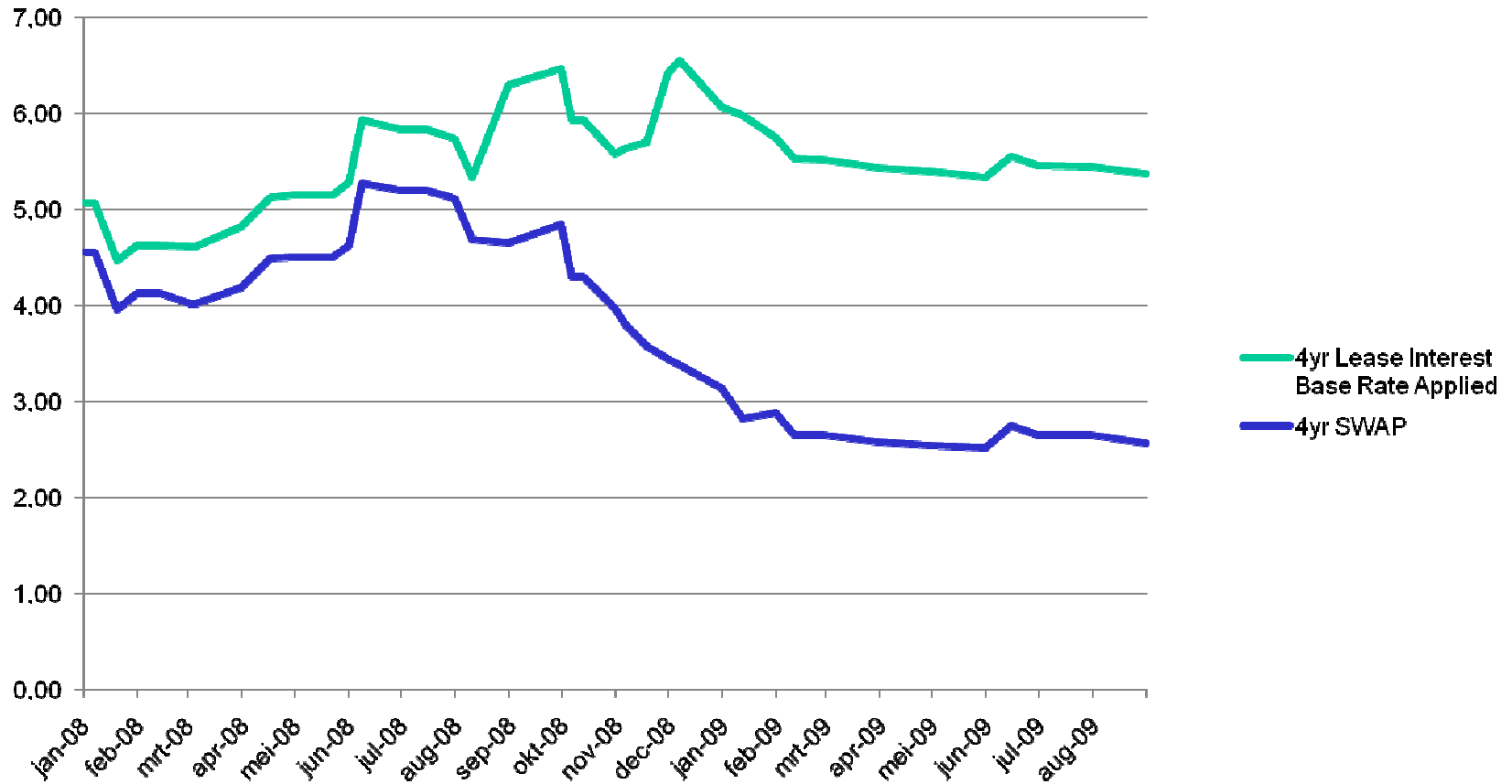
Source: LPI Cost & Market Trends Q2 2009

Interest Rates – Increased Spreads

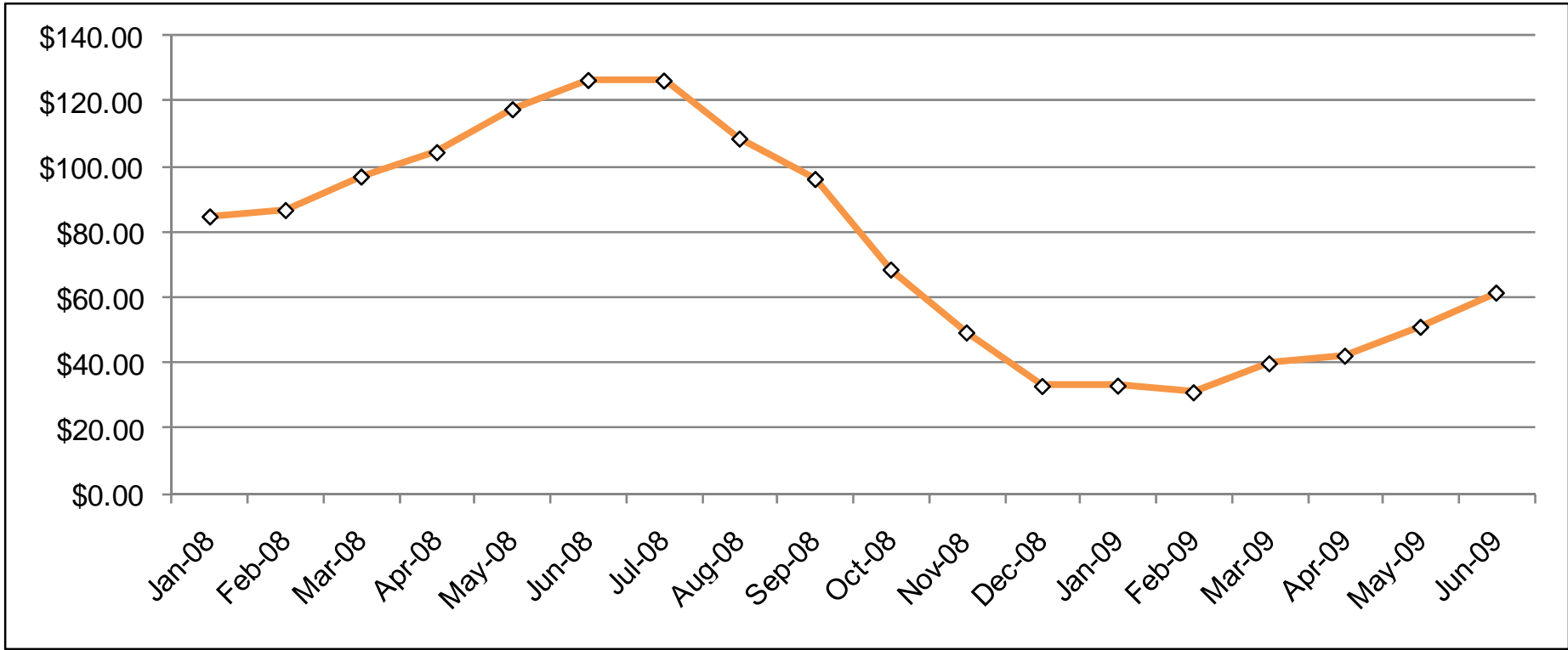


iBoxx spreads show improvements and tightening of spreads after a peak in March 2009 (Jan 07 – Aug 09).

4 Year Base Rate vs 4 Year SWAP Rate

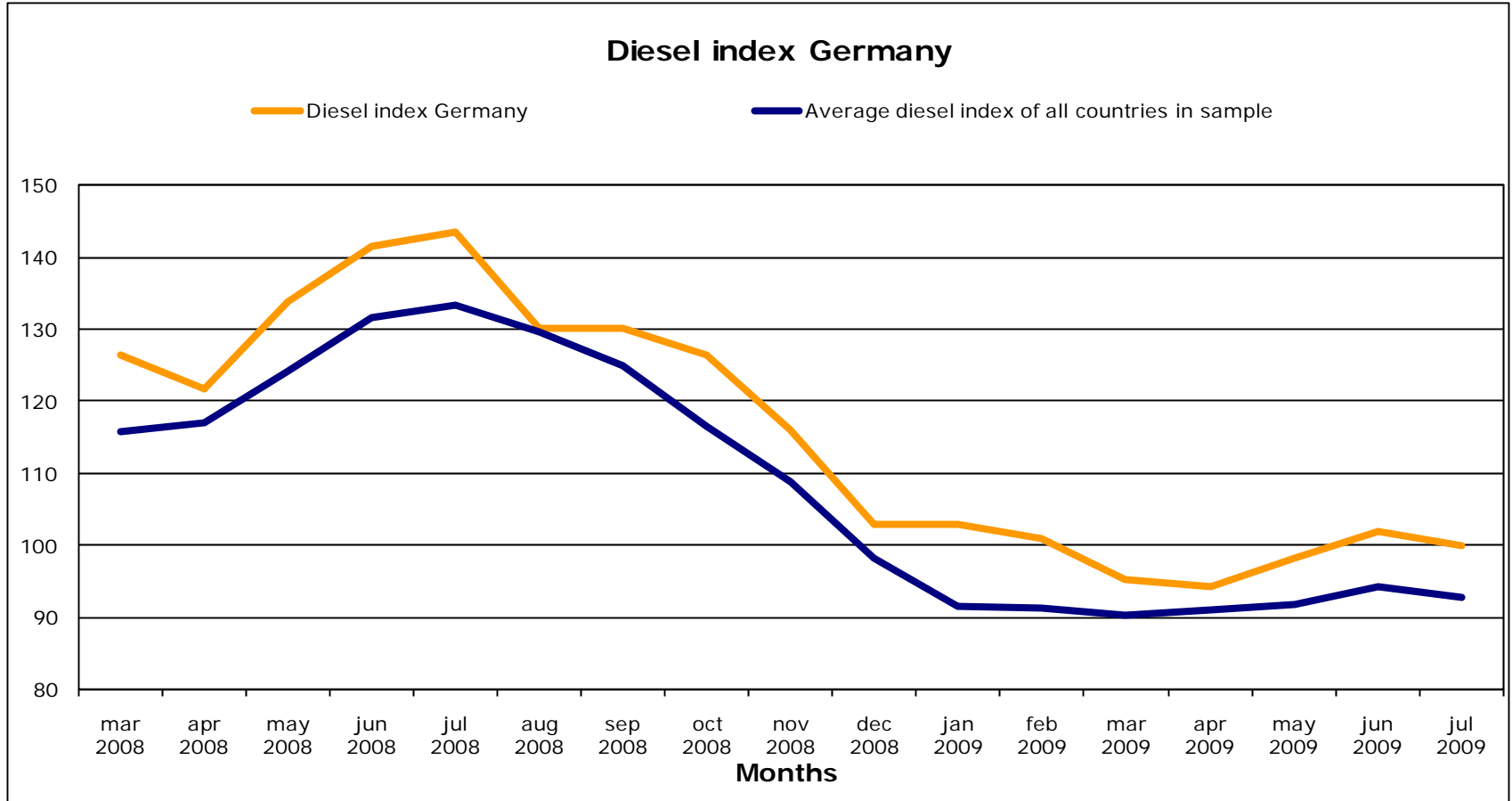


Monthly Average Domestic Crude Oil Prices 2008 - 2009



Source: www.inflationdata.com/inflation/Inflation_Rate/Historical_Oil_Prices_Table.asp

Germany - Diesel index



Source: LPI Cost & Market Trends Q2 2009

Positioning Products and Services

- ▶ Further strengthening of the traditional Total Cost of Ownership concept
 - Need for greater transparency and explanation
 - Assert the affordability and competitiveness of each element of TCO
 - The need to include fuel cost
 - Lease extensions to reduce the overall TCO; cost reduction and cost avoidance

- ▶ Fleet Policy to focus on reducing controllable cost segments of TCO
 - Restrictions on vehicle selection
 - Increased importance of negotiation with OEMs
 - Corporate willingness to downgrade vehicles

- ▶ Buy versus Lease
 - Precious commodity; sharp focus on importance of liquidity
 - Spotlight; how are we performing ? What else could we have done ?
 - Headcount challenge: outsourcing for expertise, control and service delivery

Drivers of a Challenging Environment: Structural

- ▶ The increase of **environmental considerations**; esp. green taxes
- ▶ The importance of **Corporate Social Responsibility** including the gradual introduction of stronger driver safety / duty of care legislation
- ▶ Uncertainty on future **Accounting Standards**

CO₂ taxation

▶ 16 EU countries now employ CO₂ tax

- **DE:** circulation tax changed 1st July 2009 = base tax & CO₂ tax impact
- **FR:** bonus / malus scheme around specific CO₂ targets (130 & 160 g/km) for purchase as well as CO₂ construction for company car tax.
- **NL:** registration tax operates under a bonus / malus scheme
- **UK:** CO₂ rates dictate road tax, company car benefit taxation and recently writing down allowances

▶ Tax schemes differ widely across Europe

- UK, FR and LU CO₂ is only factor for car taxation

Duty of Care Compliance: Risk Assessment

Company
Car Driver

Cash
Taker

Occasional
Business Driver

Policy

- Compliant
- Communicated
- Read
- Understood
- Agreed
- Accepted

Vehicles

- Fit for purpose
- Maintained correctly
- Active & passive safety equipment
- Drivers conversant with all aspects of vehicle
- Ergonomic consideration

Drivers

- Competent
- Capable
- Trained
- Fit and healthy

Journeys

- Planned
- Realistic
- Schedules
- Fatigue / break advice
- Weather considerations

Positioning Products and Services

▶ **Thorough understanding of complicated topics by customers and users**

- Fleet Balance; People, Planet, Profit
- Green Summits, Carbon Footprint & Benchmarking
- Objective “white papers” for awareness

▶ **Re-defining Total Cost of Ownership especially for vehicle selection**

- All CO₂ related costs need to be considered
- Impact of Driver Risk and Driver Downtime
- Need to include all insurance related costs
- VAT and Corporation tax recovery

▶ **Importance of CO₂ control and reduction**

- Commitment to corporate goals and obligations
- Catalyst to reduce the overall size of the TCO; vehicles and fuel cost
- Car Qualifier: People, Planet, Profit

Full Service Leasing Remains The Right Choice

► **Stability & Cost Management**

- Fixed monthly rentals
- Awareness and ongoing targetting of control of TCO
- Identified running costs with assurance that the right price is paid
- Disposal - swift resale through the optimum channels

► **Competitiveness**

- The scale of an international leasing provider ensures competitive terms are obtained

► **Risk transfer**

- Monitoring & budgeting of risk (maintenance, tyres, resale etc.)

► **Outsourcing**

- Management of every element of a vehicle's life and driver expectations by an expert

► **Appreciation of customer needs**

- A good leasing company understands how its customer can efficiently exercise its own scale to control & reduce its costs

Full Service Leasing Remains The Right Choice

For full service leasing, the key customer benefits remain:

SERVICE

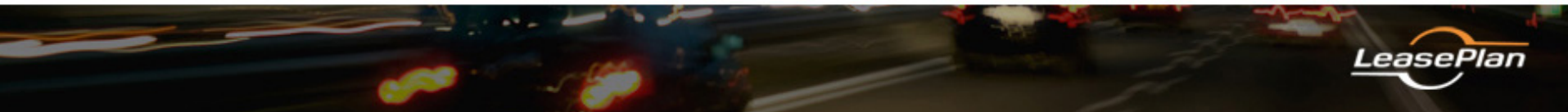
CONTROL

EXPERTISE

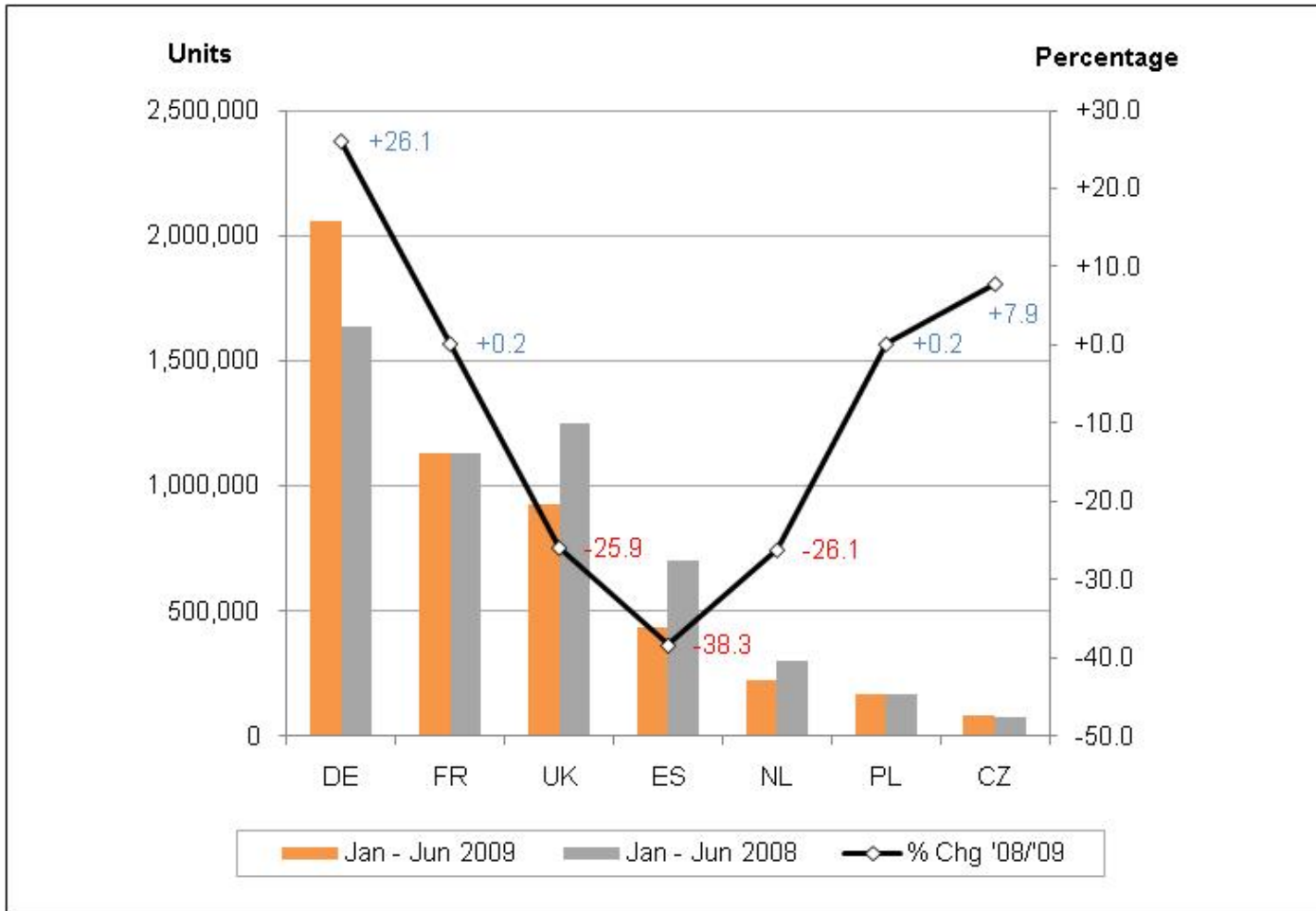


Thank you

Appendix



Number of New passenger Car Registrations



Sour: ACEA – New Passenger Car Registrations Jul '09

Corporate Defaults (U.S.)

- ▶ Standard & Poors speculates that the U.S. Corporate Default Rate could be forecast to reach 14.3% by March 2010
 - the count of defaulting issuers has progressively accelerated in the past 4 Q's
 - In the first quarter of 2009, the number of corporate casualties in the U.S. continued to accelerate - in line with expectations - to 38 issuers
- ▶ Historically, defaults have continued to escalate even after signs of economic recovery.
- ▶ The steep increase in corporate defaults reflects the decline in economic momentum & earnings prospects as well as continued credit freeze
- ▶ Unwillingness on the part of risk-averse lenders to roll over debt for all except the most creditworthy borrowers could accelerate default flow.
- ▶ The number of issuers seeking loan amendments nearly doubled in each month of Q1 according to S&P's Leveraged Commentary & Data (LCD)
 - **16** in January, **31** in February & **51** in March.

Source: Standard & Poors

CO₂ Taxation, Some Examples

DE	<p>The Federal Government has decided to change the basis of the annual circulation tax as from 1 July 2009. It will consist of a base tax and a CO₂ tax.</p> <p>The rates of the base tax will be €2 per 100 cc (petrol) and €9,50 per 100 cc (diesel) respectively. The CO₂ tax will be linear at €2 per g/km. Cars with CO₂ emissions below 120 g/km will be exempt (110g/km in 2012-13, 95g/km subsequently).</p>
FR	<p>Under a bonus-malus system, a premium is granted for the purchase of a new car when its CO₂ emissions are below 130g/km. The maximum premium is €5,000 (below 60 g/km). A 'super' bonus of €1,000 is granted when a car of at least 10 years old is scrapped and the new car purchased emits maximum 160g/km.</p> <p>A malus is payable for the purchase of a car when its CO₂ emissions exceed 160 g/km. The maximum tax amounts to €2,6000 (above 150 g/km). In addition to this one-off malus, cars emitting more than 250 g/km pay a yearly tax of €160. The different thresholds of the bonus/malus system are strengthened by 5 g/km every two years.</p> <p>The regional tax on registration certificates (carte grise) is based on fiscal horsepower, which includes a CO₂ emissions factor. Tax rates vary between €27 and €36 per horsepower according to the region.</p> <p>The company car tax is based on CO₂ emissions, Tax rates vary from €2 for each gram emitted for cars emitting 100 g/km or less to €19 for each gram emitted for cars emitting more than 250 g/km.</p>
NL	<p>1. The rate of the registration tax (based on price) is reduced or increased in accordance with the car's fuel efficiency relative to that of other cars of the same size (length x width).</p> <p>The maximum bonus is €1,400 for cars emitting more than 20 per cent less than the average car of their size (A label), the maximum penalty is €1,600 for cars emitting more than 30 per cent more than the average car of their size (G label). Hybrid cars benefit from a maximum bonus of €6,400. Cars emitting maximum 95g/km (diesel) and 110g/km (other fuels) respectively are completely exempted from this registration tax.</p> <p>Cars emitting more than 205g/km (petrol) and 170g/km (diesel) respectively pay an additional tax supplement of €125 per gram emitted in excess of these thresholds.</p>
UK	<p>1. The annual circulation tax is based on CO₂ emissions. Rates range from £0 (up to 100g/km) to £400 (petrol, diesel)/£385 (alternative fuels) for cars emitting more than 255g/km.</p> <p>2. Company car tax rates range from 10 per cent of the car price for cars emitting up to 120g/km to 35 per cent for cars emitting 235g/km or more. Diesel cars pay a 3 per cent surcharge, up to the 35 per cent top rate.</p>

Source: ACEA