

VOLKSWAGEN FINANCIAL SERVICES N.V.

Autoriteit Financiële Markten
T.a.v. de Registerafdeling
Postbus 11723
1001 GS AMSTERDAM

Amsterdam, 15 februari 2007

Betreft: Deponering jaarstukken 2006

0575554



Geachte mevrouw/heer,

Teneinde te voldoen aan onze deponeringsverplichting, ontvangt u de jaarstukken 2006.

Vaststelling door de enige aandeelhouder geschiedde op de aandeelhoudersvergadering gehouden op 2 februari 2007.

Hoogachtend,

VOLKSWAGEN FINANCIAL SERVICES N.V.

U.E. Scholz

U.E. Scholz
Controller

19-02-2007

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Report

VOLKSWAGEN FINANCIAL SERVICES N.V.
Amsterdam

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006
TOGETHER WITH AUDITOR'S REPORT

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

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Order: 0.0468428.001

19-02-2007

"PricewaterhouseCoopers" refers to the network of member firms
of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft
ist Mitglied der unter PricewaterhouseCoopers International Limited kooperierenden eigenständigen und
rechtlich unabhängigen Mitgliedsfirmen des internationalen PricewaterhouseCoopers-Netzwerks.

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List of abbreviations

Bn	billion
DIP	Debt Issuance Programme
EUR	EURO
EDP	Electronic Data Processing
FX	Foreign Exchange
GAAP	Generally Accepted Accounting Principles
MEUR	Million Euro
mn	Million
Misc. Accr.	Miscellaneous Accruals
P&L	Profit & Loss statement
TEUR	Thousand EUR
VIF	Volkswagen International Finance N.V., Amsterdam
VW Bank	Volkswagen Bank GmbH, Braunschweig
VW Fin Japan	Volkswagen Finance Japan KK, Tokyo
VW FS AG	Volkswagen Financial Services Aktiengesellschaft, Braunschweig
VW FSNV	Volkswagen Financial Services N.V., Amsterdam
VW Leasing	Volkswagen Leasing GmbH, Braunschweig

19-02-2007

**FINANCIAL STATEMENTS
FOR THE YEAR
ENDED DECEMBER 31, 2006**

19-02-2007

VOLKSWAGEN FINANCIAL SERVICES N.V.

MANAGEMENT REPORT

Volkswagen Financial Services N.V. is one of the funding vehicles of Volkswagen Financial Services AG and its subsidiaries. All our business activities are guaranteed through programs initiated by the parent company. Standard & Poor's has rated our 100% parent company Volkswagen Financial Services AG as A-2 for short term and A- for long term. Moody's Investors Service affirmed Volkswagen's Prime 2 for short term and A3 for long term, with a stable outlook.

The existing EUR 18 billion Debt Issuance Programme has been updated in line with the European Prospectus Directive standards. The existing EUR 10 billion Multi Currency Commercial Paper Programme was also updated again in 2006. The Commercial Paper Programme was utilised to finance the Czech and the Slovakian activities. 54 Commercial Paper Notes were issued in 2006, with a total volume of CZK 22.7 billion and of SKK 6,5 billion.

The liquidity of the Volkswagen Financial Services Group has been excellent and there was hardly any requirement for new issues at the capital market (12 new issues in 2006, in several currencies with a total volume of € 786 million equivalent).

We utilised several uncommitted revolving Credit Facilities with international banks, with 22 new loans taken in 2006.

Furthermore, the credit facility between Volkswagen AG and Volkswagen Financial Services AG of € 2 billion has been made available to Volkswagen Financial Services N.V. and together with the aforementioned revolving credit facilities with banks, has granted us more flexibility in providing small volumes and/or frequent tranches of financing of VW group companies, if required.

In 2006 a new tax ruling has been agreed with the Dutch Tax Authorities. The tax ruling is valid for 5 years and is based on an APA Transfer Pricing Agreement. The fiscal unity with Volkswagen International Finance N.V. was not affected by the new ruling.

To avoid risk, loans and related funding are generally matched in currency and interest rate terms. If not, correcting swaps are executed to achieve the matched basis. The small interest and exchange rate exposures during and at the end of 2006 were within the mismatch guidelines.

In 2006 FSNV implemented new reporting, adhering to the Basel II requirements.

Due to increased average margins and application of a strict cost management, we realized earnings of € 3.3 million after tax against € 2.3 million of the previous year.

For the current year we expect a positive business development, assuming an increased level of financing demand of the Volkswagen Financial Services Group companies.



A. Kleindienst
Managing Director

VOLKSWAGEN FINANCIAL SERVICES N.V.

Balance Sheet as per December 31, 2006

		<u>2006</u>	<u>2005</u>
	<u>Note</u>	EUR	TEUR
<u>Assets</u>			
A. Fixed Assets			
I Intangible Fixed Assets		2,542	1
II Tangible Fixed Assets	(7)	28,783	21
III Financial Fixed Assets	(8)	653,905,364	670,560
B. Current Assets			
I Receivables and Other Assets		1,489,952,118	1,436,412
II Cash and Banks		250,611	242
C. Prepaid and Deferred Charges		<u>1,036,309</u>	<u>2,028</u>
		2,145,175,727	2,109,264
<u>Equity & Liabilities</u>			
A. Equity Capital			
I Subscribed Capital			
Uncalled, unpaid contributions			
Total paid in Capital	(9)	454,000	454
II Retained Net Earnings	(10)	<u>13,617,208</u>	<u>10,336</u>
Total Capital		14,071,208	10,790
B. Provisions and Accrued Liabilities	(11)	210,125	81
C. Liabilities		2,130,316,483	2,096,702
D. Deferred Income		577,911	1,691
		<u>2,145,175,727</u>	<u>2,109,264</u>

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The accompanying notes on pages 5 to 14 are an integral part of these financial statements.

VOLKSWAGEN FINANCIAL SERVICES N.V.

Profit & Loss statement for the year 2006

		<u>2006</u>	<u>2005</u>
	<u>Note</u>	EUR	TEUR
1. General administrative expenses	(12)	752,687	847
2. Other operating income		41,488	18
3. Other operating expenses		129,657	111
4. Net financial income		<u>4,762,035</u>	<u>3,533</u>
5. Earnings from ordinary business activities		3,921,179	2,593
6. Taxes on income and earnings		640,329	278
7. Net earnings current year		<u>3,280,850</u>	<u>2,315</u>

The accompanying notes on pages 5 to 14 are an integral part of these financial statements.

VOLKSWAGEN FINANCIAL SERVICES N.V.

Cash Flow Statement for the year 2006

Net income	3,280,850 €
Depreciations	21,135 €
Change in provisions	128,974 €
Change in accrued interest resulting from intercompany loans granted	-16,264,085 €
Cash outflow from loans granted to affiliated and associated companies	-1,958,141,566 €
Cash inflow from loans redeemed by affiliated and associated companies	1,896,929,148 €
Cash inflow from issuance of bonds, DIPs and CPs	1,799,477,663 €
Cash outflow from redemption of bonds, DIPs and CPs	-1,764,096,046 €
Cash inflow from loans taken from banks	66,832,618 €
Cash outflow from redemption of loans taken from banks	-95,099,356 €
Change in other assets and prepaid and deferred charges	5,766,478 €
Change in interest liabilities to banks	11,397,726 €
Change in trade payables	13,563 €
Change in liabilities to affiliated and associated companies	51,132,704 €
Change in other liabilities and deferred income (excl. unlisted DIP liabilities)	-1,320,071 €
Exchange Result	-21,158 €
Cash flow from current business activities	38,577 €
Cash outflow from the purchase of fixed assets	-29,815 €
Cash flow from investment activities	-29,815 €
Cash flow from current business and investment activities	8,762 €
Funds available at the end of the previous period	241,849 €
Funds available at the end of the period	250,611 €

The accompanying notes on pages 5 to 14 are an integral part of these financial statements.

VOLKSWAGEN FINANCIAL SERVICES N.V.

Note 1 Analysis of Assets

	<u>31/12/2006</u>	<u>31/12/2005</u>
	EUR	EUR
<u>Assets</u>		
A. Fixed Assets		
I Intangible Fixed Assets	2,542	1,391
II Tangible Fixed Assets	28,783	21,255
III Financial Fixed Assets		
- Shares in Affiliated Companies	500	500
- Loans to Affiliated Companies (of which with a remaining term of more than one year)	653,904,864 (626,204,864)	670,559,176 (655,559,176)
B. Current Assets		
I Receivables and Other Assets		
- Receivables due from Affiliated Companies (of which with a remaining term of more than one year)	459,154,405 (331,146,955)	794,124,050 (225,574,347)
- Receivables due from Joint Ventures (of which with a remaining term of more than one year)	1,021,511,495 (354,319,785)	628,226,835 (265,176,057)
- Other Assets	9,286,218	14,060,846
II Cash in hand and Banks	250,611	241,849
C. Prepaid and Deferred Charges	1,036,309	2,028,158
	<u>2,145,175,727</u>	<u>2,109,264,060</u>

VOLKSWAGEN FINANCIAL SERVICES N.V.

Note 2 Analysis of Equity Capital and Liabilities

	<u>31/12/2006</u>	<u>31/12/2005</u>
	EUR	EUR
<u>Equity & Liabilities</u>		
A. Equity Capital		
I Total paid in Capital	454,000	454,000
II Retained Net Earnings	13,617,208	10,336,358
B. Provisions and Accrued Liabilities		
I Tax Liabilities	113,111	-
II Miscellaneous Accrued Liabilities	97,014	81,151
C. Liabilities		
I Bonds	1,592,374,559	1,459,533,502
- (of which with a remaining term of up to one year)	(435,692,034)	(646,933,324)
II Liabilities to Banks	199,321,350	244,399,651
- (of which with a remaining term of up to one year)	(170,744,037)	(112,461,242)
III Trade Payables	13,563	-
- (of which with a remaining term of up to one year)	(13,563)	(-)
IV Liabilities to Affiliated Companies	112,038,157	60,905,453
- (of which with a remaining term of up to one year)	(36,890,355)	(44,705,453)
V Other Liabilities	226,568,854	331,863,438
- (of which in respect of taxes)	(8,245)	(-)
- (of which with a remaining term of up to one year)	(139,467,318)	(158,814,742)
D. Deferred Income	577,911	1,690,507
	<u>2,145,175,727</u>	<u>2,109,264,060</u>

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VOLKSWAGEN FINANCIAL SERVICES N.V.

Note 3 Analysis of Expenses and Income

	<u>2006</u>	<u>2005</u>
	EUR	EUR
1. General administrative expenses	752,687	847,352
2. Other operating income	41,488	18,569
3. Other operating expenses	129,657	110,565
4. Income from loans classified as financial assets	23,114,456	18,499,976
- (of which from affiliated companies)	(23,114,456)	(18,499,976)
5. Other interest and similar income	96,593,211	77,893,447
- (of which from affiliated companies)	(22,776,767)	(35,053,548)
6. Interest and similar expenses	114,945,632	92,860,865
- (of which relating to affiliated companies)	(2,392,707)	(1,619,003)
7. Income from ordinary business activities	<u>3,921,179</u>	<u>2,593,210</u>
8. Taxes on income and earnings	640,329	277,734
9. Net earnings for the year	<u>3,280,850</u>	<u>2,315,476</u>

VOLKSWAGEN FINANCIAL SERVICES N.V.

Note 4 General

Volkswagen Financial Services N.V. ("VWFSNV" or "the company") was incorporated on May 16, 1983 and is a 100% subsidiary of Volkswagen Financial Services AG.

The company has a subscribed capital of EUR 2,270,000 of which EUR 454,000 has been paid in.

The company has its registered office in Amsterdam, The Netherlands.

The main purpose of the company is the financing of companies belonging to Volkswagen Financial Services AG (VWFSAG).

VWFSNV participates in the VWFSAG Debt Issuance Programme (DIP) and Commercial Paper Programme and has access to inter-company loans. Local currency funds were taken for the financing of a Joint Venture of VWFSAG in Istanbul.

All issues are guaranteed by VWFSAG.

Note 5 Accounting Policies

(A) General

The company annual accounts were prepared in accordance with the statutory provisions of Part 9, Book 2 of the Netherlands Civil Code and the Guidelines for Annual Reporting in the Netherlands for large legal persons as issued by the Dutch Accounting Standards Board.

The books and records of the company are kept in EURO (EUR) and are prepared according to Dutch GAAP.

Assets and liabilities are valued at their nominal value, unless a different valuation method is mentioned.

Accruals are stated at the amount required, based on sound business judgement.

The current Dutch nominal tax rate of 29.6% has been applied. VWFSNV is part of a fiscal unity with Volkswagen International Finance N.V. ("VIF").

(B) Currency Translation

Assets and liabilities denominated in foreign currencies are translated at the mid-rate prevailing on the balance sheet date.

In respect of any positions in the balance sheet which are covered by cross currency interest rate swaps or by foreign exchange forward contracts, the differences in values calculated at mid-rates at the end of the year and contract rates are allocated to the respective principals of the loans.

If the loan taken is denominated in a currency other than EUR, the respective correction is allocated to this loan. Otherwise the respective loan granted is corrected.

Transactions denominated in foreign currencies are translated into EUR at the exchange rates ruling on the date of the transaction.

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VOLKSWAGEN FINANCIAL SERVICES N.V.

(C) Intangible and Tangible Fixed Assets

Intangible and tangible fixed assets are stated at cost less accumulated depreciation. All movable assets are depreciated by the straight-line method.

The following depreciation periods have been used:

Asset	No. of years
Computer hardware	3
Computer software	3

Items under Euro 454 have been depreciated fully in the month of acquisition.

(D) Shares in Affiliated Companies

Shares in affiliated companies are valued at the lower of cost or net realisable value.

(E) Financial Fixed Assets

Financial Fixed Assets denominated in foreign currencies are translated at the mid-rate prevailing on the balance sheet date.

(F) Receivables and Other Assets

Receivables and Other Assets denominated in foreign currencies are translated at the mid-rate prevailing on the balance sheet date.

Other Assets break down as follows:

	TEUR
Swap interest receivable from banks	9,219
Taxes receivable	67

(G) Cash and Banks

Cash and Banks denominated in foreign currencies are translated at the mid-rate prevailing on the balance sheet date.

(H) Swap Interest Receivables and Payables

The swap interest receivables are shown under Other Assets; the swap interest payables are shown under Other Liabilities.

(I) Prepaid and Deferred Charges

The total of TEUR 1,036 concerns issue cost, commissions and fees which are amortised on the effective interest rate basis over the term of the respective loan.

(J) Deferred Income

The total of TEUR 578 concerns up-front payments received under bond related swaps and is amortised on the effective interest rate basis over the term of the swaps.

VOLKSWAGEN FINANCIAL SERVICES N.V.

(K) Embedded Options

In issuing Euro Medium Term Notes, VWFSNV sold simultaneously different options to the investors (embedded options). The contingent liabilities relating to the drawing rights are fully covered by congruent swaps with first class rated banks.

(L) Interest Swaps, Cross Currency Interest Swaps and Foreign Exchange Contracts

Contracts outstanding (Notional amounts in MEUR) :

	Interest swaps	Interest/ Currency swaps	FX Contracts	Total
31.12.2006	213	811	29	1,053
31.12.2005	399	747	1	1,147

Some loans are related to two or more contracts and therefore the total amount of the contracts can exceed the Balance Sheet total.

Contracts outstanding (Market values amounts in MEUR) :

	Interest swaps	Interest/ Currency swaps	FX Contracts	Total
31.12.2006	2	-105	1	-102
31.12.2005	-54	9	-	-45

Note 6 Risk Management

The company in principle avoids risks. Loans and the related funding are generally matched in currency and interest rate terms - if not, correcting swaps are executed to achieve the matched basis.

There were in principle only small interest and exchange rate exposures during and at the end of the year 2006, which were within authorized limits and did not influence the result significantly.

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VOLKSWAGEN FINANCIAL SERVICES N.V.

NOTES TO THE BALANCE SHEET

Note 7 Analysis of Intangible and Tangible Fixed Assets per December 31, 2006 - in EUR

	Intangible Assets – Software	Tangible Assets – Hardware	Total
Purchase cost	35,852	149,930	185,782
Additions	2,650	27,165	29,815
Disposals	-	-	-
Depreciation (Accumulated)	- 35,960	- 148,312	- 184,272
Book values			
- December 31, 2006	2,542	28,783	31,325
- December 31, 2005	1,391	21,255	22,646
Depreciation current year	- 1,499	- 19,637	- 21,136

VOLKSWAGEN FINANCIAL SERVICES N.V.

Note 8 Analysis of Financial Fixed Assets per 31-12-2006

- VWFSNV holds one Share in Center Volkswagen S.A., Brussels, with a book value of EUR 500.
- Loans with an original term of more than 4 years (Amounts in EUR)

	End	Company	Balance brought Forward 1.1.2006	Additions	Disposals	Valuation Differences ⁽¹⁾	Balance per 31.12.2006	Original Currency	
21/03/01	21/03/06	VW Bank	15,000,000	-	15,000,000	-	0	EUR	15,000,000
10/04/02	10/04/07	VW Leasing	27,700,000	-	-	-	27,700,000	EUR	27,700,000
23/03/04	24/03/09	VW Leasing	14,750,000	-	-	-	14,750,000	EUR	14,750,000
16/03/04	16/03/09	VW Leasing	29,350,000	-	-	-	29,350,000	EUR	29,350,000
12/03/04	12/03/09	VW Leasing	33,565,000	-	-	-	33,565,000	EUR	33,565,000
24/03/04	24/03/09	VW Leasing	11,132,000	-	-	-	11,132,000	EUR	11,132,000
01/06/04	28/02/09	VW Leasing	110,000,000	-	-	-	110,000,000	EUR	110,000,000
08/06/04	08/06/09	VW Leasing	19,125,000	-	-	-	19,125,000	EUR	19,125,000
28/01/03	28/01/08	VW FS Japan	14,398,848	-	-	-1,654,312	12,744,536	JPY	2,000,000,000
26/11/03	25/11/08	VW FS AG	295,538,328	-	-	-	295,538,328	EUR	295,538,328
26/11/03	25/11/08	VW Leasing	100,000,000	-	-	-	100,000,000	EUR	100,000,000
		Total:	670,559,176		15,000,000	-1,654,312	653,904,864		

⁽¹⁾ Translation see note 5B

VOLKSWAGEN FINANCIAL SERVICES N.V.

Note 9 Share Capital

On December 31, 2006, the subscribed capital of the company amounted to EUR 2,270,000 of which an amount of EUR 454,000 was paid-up. 454 registered shares of EUR 1,000 each are issued.

Note 10 Development of Retained Earnings

	<u>2006</u>	<u>2005</u>
	EUR	EUR
Retained net earnings January 1, 2006	10,336,358	8,020,882
Net earnings current year	3,280,850	2,315,476
Retained net earnings December 31, 2006	13,617,208	10,336,358

Note 11 Analysis of Provisions and Accrued Liabilities

	Tax Accruals	Misc. Accr. Liabilities	Totals
	EUR	EUR	EUR
Balance as per December 31, 2005	0	81,151	81,151
Utilisation	0	52,167	52,167
Release	0	28,984	28,984
Addition	113,111	97,014	210,125
Balance as per December 31, 2006	113,111	97,014	210,125

NOTES TO THE PROFIT AND LOSS STATEMENT**Note 12 General Administrative Expenses**

Volkswagen International Finance N.V. ("VIF") provides local management, administrative and operational services in personnel union. A flat service fee (2006: TEUR 550) has been agreed upon in a service agreement. The company has no employees and therefore no payroll of its own.

	<u>2006</u>
	TEUR
Service fee	550
EDP expenses	67
Consulting and auditing fees	113
Board fees	0
Depreciation Intangible and Tangible Fixed Assets	21
General office expenses	2
	<hr/> 753

VOLKSWAGEN FINANCIAL SERVICES N.V.**Note 13 Cashflow Statement**

The cashflow statement has been prepared, basically applying the indirect method. Cashflows in foreign currencies have been translated at the mid-rate prevailing on the balance sheet date. For items hedged by derivatives, the cash flow has been translated at the contracted rate. Receipts and payments of interest, dividends received and corporate income tax are included in the cashflow from current business activities.

Note 14 Supervisory Board

The Supervisory Board has received no remuneration for 2006.

Note 15 Members of the Supervisory Board

- Burkhard Peter Breiing, Wolfenbüttel - Chairman -
(Chairman of the Board of Management of Volkswagen Financial Services AG)
- Martinus Paul Marie van de Ven, Nieuwe Wetering
(Partner Ernst & Young)
(until September 7, 2006)

Note 16 Members of the Management Board

- Alwin Kleindienst, Amsterdam
- Bernd Bode, Hannover

Note 17 Consolidated Financial Statements

Volkswagen Financial Services N.V. is a wholly-owned subsidiary of Volkswagen Financial Services AG, Braunschweig. The financial statements of the latter are included in Volkswagen's Consolidated Financial Statements which are deposited in the Wolfsburg Register of Companies.

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VOLKSWAGEN FINANCIAL SERVICES N.V.**SUPPLEMENTING INFORMATION****Profit Appropriation**

The company's Articles of Association provide that appropriation of accrued profit is subject to the decision of the shareholders at the General Meeting.

The company can only make distributions to the shareholders and other persons entitled up to an amount which does not exceed the amount of the distributable reserves.

The General Meeting may resolve to pay dividends from legally distributable reserves.

Profit Distribution Proposal

Management proposes to retain the 2006 profit of EUR 3,280,850.

Post Balance Sheet Events

No post balance sheet events occurred.



A. Kleindienst
Managing Director

Unqualified auditor's report

(financial statements, Part 9 of Book 2 of the Netherlands Civil Code)

To: Shareholder and directors of VOLKSWAGEN FINANCIAL SERVICES N.V.

AUDITOR'S REPORT**Report on the financial statements**

We have audited the accompanying financial statements of VOLKSWAGEN FINANCIAL SERVICES N.V. for the year ended December 31, 2006 which comprise the balance sheet as at December 31, 2006, the profit and loss account for the year then ended and the notes.

Management's responsibility

Management of the company is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of VOLKSWAGEN FINANCIAL SERVICES N.V. as at December 31, 2006 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, January 22, 2007



Dr. Gehl
Registeraccountant

General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as of January 1, 2002

This is an English translation of the German text, which is the sole authoritative version

1. Scope

(1) These engagement terms are applicable to contracts between Wirtschaftsprüfer [German Public Auditors] or Wirtschaftsprüfungsgesellschaften [German Public Audit Firms] (hereinafter collectively referred to as the "Wirtschaftsprüfer") and their clients for audits, consulting and other engagements to the extent that something else has not been expressly agreed to in writing or is not compulsory due to legal requirements.

(2) If, in an individual case, as an exception contractual relations have also been established between the Wirtschaftsprüfer and persons other than the client, the provisions of No. 9 below also apply to such third parties.

2. Scope and performance of the engagement

(1) Subject of the Wirtschaftsprüfer's engagement is the performance of agreed services – not a particular economic result. The engagement is performed in accordance with the Grundsätze ordnungsmäßiger Berufsausübung [Standards of Proper Professional Conduct]. The Wirtschaftsprüfer is entitled to use qualified persons to conduct the engagement.

(2) The application of foreign law requires – except for financial attestation engagements – an express written agreement.

(3) The engagement does not extend – to the extent it is not directed thereto – to an examination of the issue of whether the requirements of tax law or special regulations, such as, for example, laws on price controls, laws limiting competition and Bewirtschaftungsrecht [laws controlling certain aspects of specific business operations] were observed; the same applies to the determination as to whether subsidies, allowances or other benefits may be claimed. The performance of an engagement encompasses auditing procedures aimed at the detection of the defalcation of books and records and other irregularities only if during the conduct of audits grounds therefor arise or if this has been expressly agreed to in writing.

(4) If the legal position changes subsequent to the issuance of the final professional statement, the Wirtschaftsprüfer is not obliged to inform the client of changes or any consequences resulting therefrom.

3. The client's duty to inform

(1) The client must ensure that the Wirtschaftsprüfer – even without his special request – is provided, on a timely basis, with all supporting documents and records required for and is informed of all events and circumstances which may be significant to the performance of the engagement. This also applies to those supporting documents and records, events and circumstances which first become known during the Wirtschaftsprüfer's work.

(2) Upon the Wirtschaftsprüfer's request, the client must confirm in a written statement drafted by the Wirtschaftsprüfer that the supporting documents and records and the information and explanations provided are complete.

4. Ensuring independence

The client guarantees to refrain from everything which may endanger the independence of the Wirtschaftsprüfer's staff. This particularly applies to offers of employment and offers to undertake engagements on one's own account.

5. Reporting and verbal information

If the Wirtschaftsprüfer is required to present the results of his work in writing, only that written presentation is authoritative. For audit engagements the long-form report should be submitted in writing to the extent that nothing else has been agreed to. Verbal statements and information provided by the Wirtschaftsprüfer's staff beyond the engagement agreed to are never binding.

6. Protection of the Wirtschaftsprüfer's intellectual property

The client guarantees that expert opinions, organizational charts, drafts, sketches, schedules and calculations – especially quantity and cost computations – prepared by the Wirtschaftsprüfer within the scope of the engagement will be used only for his own purposes.

7. Transmission of the Wirtschaftsprüfer's professional statement

(1) The transmission of a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) to a third party requires the Wirtschaftsprüfer's written consent to the extent that the permission to transmit to a certain third party does not result from the engagement terms.

The Wirtschaftsprüfer is liable (within the limits of No. 9) towards third parties only if the prerequisites of the first sentence are given.

(2) The use of the Wirtschaftsprüfer's professional statements for promotional purposes is not permitted; an infringement entitles the Wirtschaftsprüfer to immediately cancel all engagements not yet conducted for the client.

8. Correction of deficiencies

(1) Where there are deficiencies, the client is entitled to subsequent fulfillment [of the contract]. The client may demand a reduction in fees or the cancellation of the contract only for the failure to subsequently fulfill [the contract]; if the engagement was awarded by a person carrying on a commercial business as part of that commercial business, a government-owned legal person under public law or a special government-owned fund under public law, the client may demand the cancellation of the contract only if the services rendered are of no interest to him due to the failure to subsequently fulfill [the contract]. No. 9 applies to the extent that claims for damages exist beyond this.

(2) The client must assert his claim for the correction of deficiencies in writing without delay. Claims pursuant to the first paragraph not arising from an intentional tort cease to be enforceable one year after the commencement of the statutory time limit for enforcement.

(3) Obvious deficiencies, such as typing and arithmetical errors and formelle Mängel [deficiencies associated with technicalities] contained in a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) may be corrected – and also be applicable versus third parties – by the Wirtschaftsprüfer at any time. Errors which may call into question the conclusions contained in the Wirtschaftsprüfer's professional statements entitle the Wirtschaftsprüfer to withdraw – also versus third parties – such statements. In the cases noted the Wirtschaftsprüfer should first hear the client, if possible.

9. Liability

(1) The liability limitation of § ["Article"] 323 (2) ["paragraph 2"] HGB ["Handelsgesetzbuch": German Commercial Code] applies to statutory audits required by law.

(2) Liability for negligence; An individual case of damages

If neither No. 1 is applicable nor a regulation exists in an individual case, pursuant to § 54a (1) no. 2 WPO ["Wirtschaftsprüferordnung": Law regulating the Profession of Wirtschaftsprüfer] the liability of the Wirtschaftsprüfer for claims of compensatory damages of any kind – except for damages resulting from injury to life, body or health – for an individual case of damages resulting from negligence is limited to € 4 million; this also applies if liability to a person other than the client should be established. An individual case of damages also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty without taking into account whether the damages occurred in one year or in a number of successive years. In this case multiple acts or omissions of acts based on a similar source of error or on a source of error of an equivalent nature are deemed to be a uniform breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the Wirtschaftsprüfer is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(3) Preclusive deadlines

A compensatory damages claim may only be lodged within a preclusive deadline of one year of the rightful claimant having become aware of the damage and of the event giving rise to the claim – at the very latest, however, within 5 years subsequent to the event giving rise to the claim. The claim expires if legal action is not taken within a six month deadline subsequent to the written refusal of acceptance of the indemnity and the client was informed of this consequence. The right to assert the bar of the preclusive deadline remains unaffected. Sentences 1 to 3 also apply to legally required audits with statutory liability limits.

10. Supplementary provisions for audit engagements

(1) A subsequent amendment or abridgement of the financial statements or management report audited by a Wirtschaftsprüfer and accompanied by an auditor's report requires the written consent of the Wirtschaftsprüfer even if these documents are not published. If the Wirtschaftsprüfer has not issued an auditor's report, a reference to the audit conducted by the Wirtschaftsprüfer in the management report or elsewhere specified for the general public is permitted only with the Wirtschaftsprüfer's written consent and using the wording authorized by him.

(2) If the Wirtschaftsprüfer revokes the auditor's report, it may no longer be used. If the client has already made use of the auditor's report, he must announce its revocation upon the Wirtschaftsprüfer's request.

(3) The client has a right to 5 copies of the long-form report. Additional copies will be charged for separately.

11. Supplementary provisions for assistance with tax matters

(1) When advising on an individual tax issue as well as when furnishing continuous tax advice, the Wirtschaftsprüfer is entitled to assume that the facts provided by the client – especially numerical disclosures – are correct and complete; this also applies to bookkeeping engagements. Nevertheless, he is obliged to inform the client of any errors he has discovered.

(2) The tax consulting engagement does not encompass procedures required to meet deadlines, unless the Wirtschaftsprüfer has explicitly accepted the engagement for this. In this event the client must provide the Wirtschaftsprüfer, on a timely basis, all supporting documents and records – especially tax assessments – material to meeting the deadlines, so that the Wirtschaftsprüfer has an appropriate time period available to work therewith.

(3) In the absence of other written agreements, continuous tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporation tax and business tax, as well as net worth tax returns on the basis of the annual financial statements and other schedules and evidence required for tax purposes to be submitted by the client
- b) examination of tax assessments in relation to the taxes mentioned in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) participation in tax audits and evaluation of the results of tax audits with respect to the taxes mentioned in (a)
- e) participation in Einspruchs- und Beschwerdeverfahren (appeals and complaint procedures) with respect to the taxes mentioned in (a).

In the afore-mentioned work the Wirtschaftsprüfer takes material published legal decisions and administrative interpretations into account.

(4) If the Wirtschaftsprüfer receives a fixed fee for continuous tax advice, in the absence of other written agreements the work mentioned under paragraph 3 (d) and (e) will be charged separately.

(5) Services with respect to special individual issues for income tax, corporate tax, business tax, valuation procedures for property and net worth taxation, and net worth tax as well as all issues in relation to sales tax, wages tax, other taxes and dues require a special engagement. This also applies to:

- a) the treatment of nonrecurring tax matters, e. g. in the field of estate tax, capital transactions tax, real estate acquisition tax
- b) participation and representation in proceedings before tax and administrative courts and in criminal proceedings with respect to taxes, and
- c) the granting of advice and work with respect to expert opinions in connection with conversions of legal form, mergers, capital increases and reductions, financial reorganizations, admission and retirement of partners or shareholders, sale of a business, liquidations and the like.

(6) To the extent that the annual sales tax return is accepted as additional work, this does not include the review of any special accounting prerequisites nor of the issue as to whether all potential legal sales tax reductions have been claimed. No guarantee is assumed for the completeness of the supporting documents and records to validate the deduction of the input tax credit.

12. Confidentiality towards third parties and data security

(1) Pursuant to the law the Wirtschaftsprüfer is obliged to treat all facts that he comes to know in connection with his work as confidential, irrespective of whether these concern the client himself or his business associations, unless the client releases him from this obligation.

(2) The Wirtschaftsprüfer may only release long-form reports, expert opinions and other written statements on the results of his work to third parties with the consent of his client.

(3) The Wirtschaftsprüfer is entitled – within the purposes stipulated by the client – to process personal data entrusted to him or allow them to be processed by third parties.

13. Default of acceptance and lack of cooperation on the part of the client

If the client defaults in accepting the services offered by the Wirtschaftsprüfer or if the client does not provide the assistance incumbent on him pursuant to No. 3 or otherwise, the Wirtschaftsprüfer is entitled to cancel the contract immediately. The Wirtschaftsprüfer's right to compensation for additional expenses as well as for damages caused by the default or the lack of assistance is not affected, even if the Wirtschaftsprüfer does not exercise his right to cancel.

14. Remuneration

(1) In addition to his claims for fees or remuneration, the Wirtschaftsprüfer is entitled to reimbursement of his outlays: sales tax will be billed separately. He may claim appropriate advances for remuneration and reimbursement of outlays and make the rendering of his services dependent upon the complete satisfaction of his claims. Multiple clients awarding engagements are jointly and severally liable.

(2) Any set off against the Wirtschaftsprüfer's claims for remuneration and reimbursement of outlays is permitted only for undisputed claims or claims determined to be legally valid.

15. Retention and return of supporting documentation and records

(1) The Wirtschaftsprüfer retains, for seven years, the supporting documents and records in connection with the completion of the engagement – that had been provided to him and that he has prepared himself – as well as the correspondence with respect to the engagement.

(2) After the settlement of his claims arising from the engagement, the Wirtschaftsprüfer, upon the request of the client, must return all supporting documents and records obtained from him or for him by reason of his work on the engagement. This does not, however, apply to correspondence exchanged between the Wirtschaftsprüfer and his client and to any documents of which the client already has the original or a copy. The Wirtschaftsprüfer may prepare and retain copies or photocopies of supporting documents and records which he returns to the client.

16. Applicable law

Only German law applies to the engagement, its conduct and any claims arising therefrom.

Special Conditions

governing the Raising of the Limit of Liability defined
in the General Terms of Engagement for
Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
as amended January 1, 2001

Instead of the lower liability limit for single cases defined in section 9 (2) of the enclosed General Terms of Engagement a uniform limit of Euro 10 million shall apply.

Where the Client is of the opinion that the engagement involves a risk significantly in excess of Euro 10 million, we are prepared to raise the limit on our liability to a reasonable amount in exchange for an adequate increase in our fees, provided that insurance cover can be obtained.

The above shall not apply where a higher or lower limit on liability for professional services is prescribed by law, e.g. for a statutory audit.

Where a loss is due to several causes, we shall be liable only if our negligence or the negligence of our staff has contributed to the loss, and only for the proportion of the loss corresponding to the extent of such contribution, subject to the agreed limit on our liability; this provision shall apply in particular to all engagements to be performed jointly with other members of the profession.

In addition to section 7 (1) of the General Terms of Engagement we point out that a limitation of our liability agreed with our client will also apply to any third party who is affected by the engagement.

Exclusive place of jurisdiction for any action or other legal proceedings arising out of or in connection with this engagement shall be the court competent for the office in charge for this engagement.