

## **FITCH DOWNGRADES LEASEPLAN'S IDR TO 'A-', OUTLOOK REVISED TO NEGATIVE**

Fitch Ratings-London-13 November 2008: Fitch Ratings has today downgraded LeasePlan Corporation NV's (LeasePlan) Long-term Issuer Default rating (IDR) and senior unsecured debt ratings to 'A-(A minus)' from 'A' and revised the Outlook on the IDR to Negative from Stable. LeasePlan's Short-term IDR and short-term senior unsecured debt ratings have been downgraded to 'F2' from 'F1', and its subordinated debt has been downgraded to 'BBB+' from 'A-' (A minus). LeasePlan's other ratings have been affirmed at Individual 'B/C', Support '4' and Support floor 'B+'.

The rating actions reflect a weaker earnings outlook for the company due to increased residual value and customer credit risks in the present rapidly deteriorating economic and operating environment and a recent weakening in access to short-term money markets.

LeasePlan's profitability has been good in recent years and the company has enjoyed exceptionally low credit costs and consistently positive residual value profits. Fitch believes the combination of a severe global recession (see Fitch's 'Global Economic Outlook', dated 4 November 2008, at the subscriber site, [www.fitchresearch.com](http://www.fitchresearch.com)) and pressure on vehicle values will likely place pressure on asset quality and earnings in the medium-term.

LeasePlan is exposed to residual value risks on returned vehicles at the end of a lease term or upon default of a customer. Receipts from the sale of vehicles are around EUR2bn per annum, which is a large sum relative to the company's earnings and capital base. While LeasePlan's broad range of revenues from fleet management, its ability to extend customers' lease contracts and the short-term nature of its contracts means it has flexibility in offsetting residual value risks, it is not immune from deteriorating vehicle market conditions.

A recently-arisen concern has been a weakening in LeasePlan's access to short-term unsecured money markets. LeasePlan is a wholesale funded institution with a relatively short track record of being market-funded. While not excessively reliant on short-term funding sources, its reliance has increased over the course of the past year because of the company's inability, like so many others, to access the unsecured term markets. LeasePlan has a prudent liquidity policy. However, it does not enjoy the benefit of a deposit base, so the severe disruption in the wholesale unsecured funding markets has been painful. LeasePlan should be able to improve its funding position in the near-term to the extent that, because of its banking licence, it is able to access Dutch government funding support. LeasePlan may also be able to access further funding from its shareholders, but this cannot be relied upon. LeasePlan has a very active investor communication programme, but its short track record in the unsecured term debt markets may count against it in terms of pecking order when those markets re-open.

LeasePlan had around EUR4.5bn of liquidity available as at 30 September 2008, which meant it could continue for just under 10 months without reducing business volumes and without access to capital and money markets for funding. It also has around EUR1.7bn of access to ECB repo funding. October and November were/are relatively heavy repayment months. The funding buffer includes a EUR2bn syndicated backstop facility from 25 banks, a EUR1.5bn three-year committed credit line from 50% shareholder Volkswagen AG and EUR625m DNB-approved back-stop facilities. LeasePlan could also release a relatively large amount of liquidity by moderately reducing new business without materially affecting the franchise. LeasePlan's Dutch and German lease portfolio is securitised and eligible for repo with the ECB (European Central Bank). Further similar securitisations are planned, for example of a UK portfolio.

LeasePlan is a leading fleet management group, mainly providing operating leases. It has 1.36 million vehicles under management and has leading market shares in many countries where it operates.

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