

GRENKE LEASING®



IMPORTANT KEY FIGURES OF THE GRENKELEASING AG GROUP

	2006	Change	2005	Unit
New business*	459,996	10%	419,048	EURk
New business franchise partners	55,002	240%	16,188	EURk
Contribution margin 1 of new business**	46,562	-2%	47,448	EURk
Number of new contracts***	56,983	1%	56,450	Units
Number of new contracts without projects	53,812	1%	53,445	Units
Net interest income from leasing business	61,696	2%	60,620	EURk
Expenses from settlement of claims	15,148	-6%	16,124	EURk
Profit from insurance business	15,228	11%	13,668	EURk
Profit from new business	18,875	19%	15,871	EURk
Profit from disposals (income exceeding the calculated residual value)	3,185	-8%	3,449	EURk
Result from currency translation	-5	-101%	440	EURk
Other income	879	113%	412	EURk
Costs of new contracts	12,564	1%	12,399	EURk
Costs of current contracts	4,236	10%	3,852	EURk
Project costs and basic distribution costs	8,559	41%	6,068	EURk
Management costs	9,837	20%	8,177	EURk
Other costs	1,448	36%	1,068	EURk
EBIT (Profit from ordinary operations)	48,066	3%	46,772	EURk
Other interest	-293	53%	-626	EURk
Income from the fair value measurement	44	111%	-393	EURk
EBT (Net profit for the period before taxes)	47,817	5%	45,753	EURk
Net profit for the period (consolidated pursuant to IFRS)	30,510	5%	29,027	EURk
Earnings per share (IFRS)	2.23	5%	2.13	EUR
Dividend	0.55****		0.50	EUR
Embedded value of the lease portfolio (incl. Equity before taxes)	291	13%	257	EURm
Embedded value of the lease portfolio (incl. Equity after taxes)	257	14%	226	EURm
Cost/Income Ratio	43.4	7%	40.6	%
Share of IT products in the lease portfolio	87	0%	87	%
Share of corporate customers in the lease portfolio	99	0%	99	%
Mean acquisition value***	8.1	9%	7.4	EURk
Mean term of contract***	46	0%	46	Months
Volume of leased assets*****	1,365	14%	1,200	EURm
Number of current contracts***	185,413	11%	167,226	Units
Average number of employees*****	383	13%	339	Persons

* Cost of new lease contracts and receivables (incl. currency adjustment and franchise partners).

** incl. currency adjustment and franchise partners

*** incl. franchise partners

**** dividend for fiscal year 2006 will be proposed to the shareholders' meeting on May 8, 2007

***** at cost incl. lease-purchase

***** FTEs excluding directors.

GRENKELEASING AG is the parent company of the GRENKELEASING AG Group - referred to below as "GRENKELEASING".

All the figures and statements published in the Annual Report refer to the GRENKELEASING AG Group.

GRENKELEASING AG GROUP

ANNUAL REPORT 2006

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Festspielhaus, Baden-Baden

HEAD OFFICE IN BADEN-BADEN – THE SUMMER CAPITAL OF EUROPE

Baden-Baden is the place of incorporation and head office of GRENKELEASING AG. In 1978, Wolfgang Grenke realized his great idea, the leasing of movable IT assets. As a 27-year old student of economics and mathematics in Karlsruhe, he founded his company as a sole proprietorship focusing on small-ticket leasing. At the time, his company was run out of his parents' house on Schwarzwaldstrasse.

The company grew steadily until 1989 such that additional offices had to be rented on Ooser Bahnhofstrasse. In the following years, the company expanded rapidly. The next year, the company celebrated the opening of the first branch office in Berlin. In 1992, the group's head office was moved to Rheinstraße. In 1997, the company became a stock corporation. The logical consequence of this was the IPO of GRENKELEASING AG in 2000 on the Frankfurt Stock Exchange. The stock was admitted into the SDAX three years later.

In July 2002, another move was made to a larger building. The head office of GRENKELEASING AG has been located in Baden-Baden's industrial area, Oos-West, ever since. The street, which used to be called "Flugstraße" due to the neighboring recreational airfield, was promptly renamed by the city. Since then, its new name, "Neuer Markt", refers to the stock market listing. This site provides ideal conditions for the requirements of a steadily growing group.



Due to the strong growth and newly created company functions, such as further education, the second phase of construction of the group head office began in January 2006, which will duplicate the long building built during the first phase. The building will provide enough room for an additional 80 workstations. Some employees in Baden-Baden will be able to move into their new offices in spring 2007.

The city of Baden-Baden is an ideal base for international business. Its propitious location in the Swiss-French-German border region brings the spa town a great many strategic advantages. The relatively small city with only 55,000 residents is known around the world as a place for mineral thermal baths, media, arts, and international festivals.

The first evidence of a settlement dates back to 10,000 B.C. This city became significant primarily for the Romans, who appreciated and enjoyed its thermal springs. At the end of the 18th century, Baden-Baden was discovered as an exclusive spa resort with numerous wealthy guests from all over Europe. The luxury hotels, casino, and the Kurhaus ("spa house") – the city's landmark – were built during this period.





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LETTER TO THE SHAREHOLDERS FROM THE BOARD OF DIRECTORS

Dear Shareholders,
Ladies and Gentlemen,

2006 was a good year for the German economy. Thanks to the improved consumer confidence and especially due to the increased investments, the ifo Institute estimates that GDP will increase by 2.5% by the end of the year, up 0.9% from the prior year. This year's increase is the highest in six years. A primary reason for this is the booming global economy. Economic growth is also speeding up in the euro zone. An increase of 2.7% in GDP is expected for 2006, following 1.4% in the prior year. This significant growth is increasingly fueled by growing domestic demand.

There was also a positive development on the markets for information technology and telecommunications, which grew by 4.1% in Europe in 2005. The European Information Technology Observatory (EITO) forecasts continued dynamic growth of 3.1% in 2006 on the information and telecommunications (ITC) markets and growth of 2.9% in 2007. GRENKELEASING AG thus has its core activities on a market which continues to present very good opportunities for growth.

The growth in European leasing investments in equipment increased further in 2006. The European Federation of Leasing company Associations (Leaseurope) expects new business of more than EUR 271b in 2006. New business was rather restrained on the German market for the leasing of movable assets. According to the current evaluations by the German Leasing Association ["Bundesverband Deutscher Leasingunternehmen": BDL], new business only increased by 3.5%, compared with 6.3% in the prior year. The ifo Institute reports that leasing companies generated growth in leasing movable assets last year, but it is likely to fall short of growth in overall economic investments in equipment. One of the reasons for this is certainly the general discussion regarding the inclusion of interest and leasing rates in the assessment basis in the scope of the corporate tax reform.

The GRENKELEASING group closed fiscal year 2006 with growth of 9.8% in line with expectations. In absolute figures, this corresponds to a new business volume of EUR 460m, compared with EUR 419m in the prior year.

The group experienced another upturn and dynamic development in business and growth of 18.3% abroad. Foreign business amounted to 35.5% of total new business in the fiscal year, compared with 32.9% in the prior year. The French subsidiary generated growth of 18.4%, while business in Switzerland was up 8.5%. New business generated by our franchise partners increased by 240% to EUR 55m, compared with EUR 16.2m in 2005.

The margin for new business (contribution margin 1 at acquisition cost) – a significant indicator for the profitability of new business – once again exceeded our target margin of 10% in 2006. It was at EUR 46.6m in the fiscal year, after reaching EUR 47.4m in 2005. The contribution margin 2 reached EUR 60.6m in 2006, and at EUR 16.9m in the fourth quarter was significantly higher than in prior quarters.

The cost-income ratio was higher in 2006 at 43.4%, compared with 40.6% in 2005. The reason for this is that we increased investments in additional personnel as part of our expansion efforts, which led to an above-average increase in personnel expenses and will be reflected in future higher volumes of new business and higher earnings.

In the fiscal year, the group received 111,987 leasing inquiries (thereof 47,337 abroad) and concluded 56,983 contracts (thereof 21,705 abroad) with an average value of EUR 8,073. The average value in the prior year was EUR 7,427.

Earnings before taxes (EBT) for the period increased from EUR 45.8m in 2005 to EUR 47.8m in the fiscal year, which corresponds to growth of 5%.

Earnings after taxes rose by 5% to EUR 30.5m in the fiscal year (2005: EUR 29m). This translates into earnings per share of EUR 2.23 (2005: EUR 2.13).

Steadily increasing interest rates in the fiscal year weighed heavily on our earnings growth in 2006, as reflected in the “interest expenses” item in the income statement. Together with the costs resulting from the expansion, this led to a slowing of the earnings growth in fiscal year 2006.

GRENKELEASING is currently active in 16 European countries. The group has offices in 20 cities in Germany and is present in 23 locations in other European countries. Our franchise system, which was introduced in 2003, covers the markets in the UK, Poland, Norway, and, since 2006, Hungary. In line with our franchise concept, we are currently preparing to expand to Romania.

We concluded an agreement with a franchise partner in Hungary in February 2006 within the scope of our franchise system. In August 2006, GRENKELEASING expanded its franchise system further with Kazenmaier, a leading vehicle leasing company in southwest Germany.

Our quality management is one of the pillars of our success. We are certified in accordance with DIN EN ISO 9001:2000 in Germany, France, Switzerland, and Austria. For this purpose, we commission an external auditing firm who performs an annual audit. The audit report of September 2006 confirmed once again that we create, in an exemplary fashion, the conditions that allow competent and motivated employees to satisfy customers and business partners through a maximum of service quality.

The number of employees increased from 339 in 2005 to 384. 54 employees work in the franchise companies. Since 2004, GRENKELEASING has been in cooperation with the Berufsakademie Lörrach where currently 12 of our employees are studying for degrees in international business management and commercial computer science. We have also been training office clerks since 2005. We currently have 16 trainees working for us. In addition, GRENKELEASING will offer the new training course "management assistant in dialog marketing" as of 2007.

GRENKELEASING was rated by Standard & Poor's for the first time in 2003. After conducting a detailed analysis of our business model, the rating agency confirmed again in October 2006 our issuer rating of A-2 short term, BBB+ long term, and a stable outlook.

In July of the fiscal year, we were able to significantly expand our refinancing base by placing ABS bonds of EUR 250m. This strategically important step grants us access to a highly liquid and stable refinancing market and puts us on track for further growth.

GRENKELEASING's share price fell from EUR 48.30 on December 30, 2005 to EUR 36.06 on December 29, 2006, corresponding to a decrease of 25%. The trend in new business on the German market in the third quarter weighed on the performance of the GRENKELEASING share price in 2006. The restrained new business conforms to the development of the overall leasing industry in the third quarter, which was negatively impacted by the general discussion on corporate taxes.

With the strategic measures taken in the fiscal year and the successful launch of new products, we have created a sound basis for long-term success through steady and profitable growth and by bolstering the group's value.



Wolfgang Grenke
CEO



Ponts Couverts, Strasbourg

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STRASBOURG – A CITY ON THE MOVE

GRENKELEASING began its success story on the French market in 1999 only 60 kilometers from Baden-Baden, where the head office of the GRENKELEASING group is located.

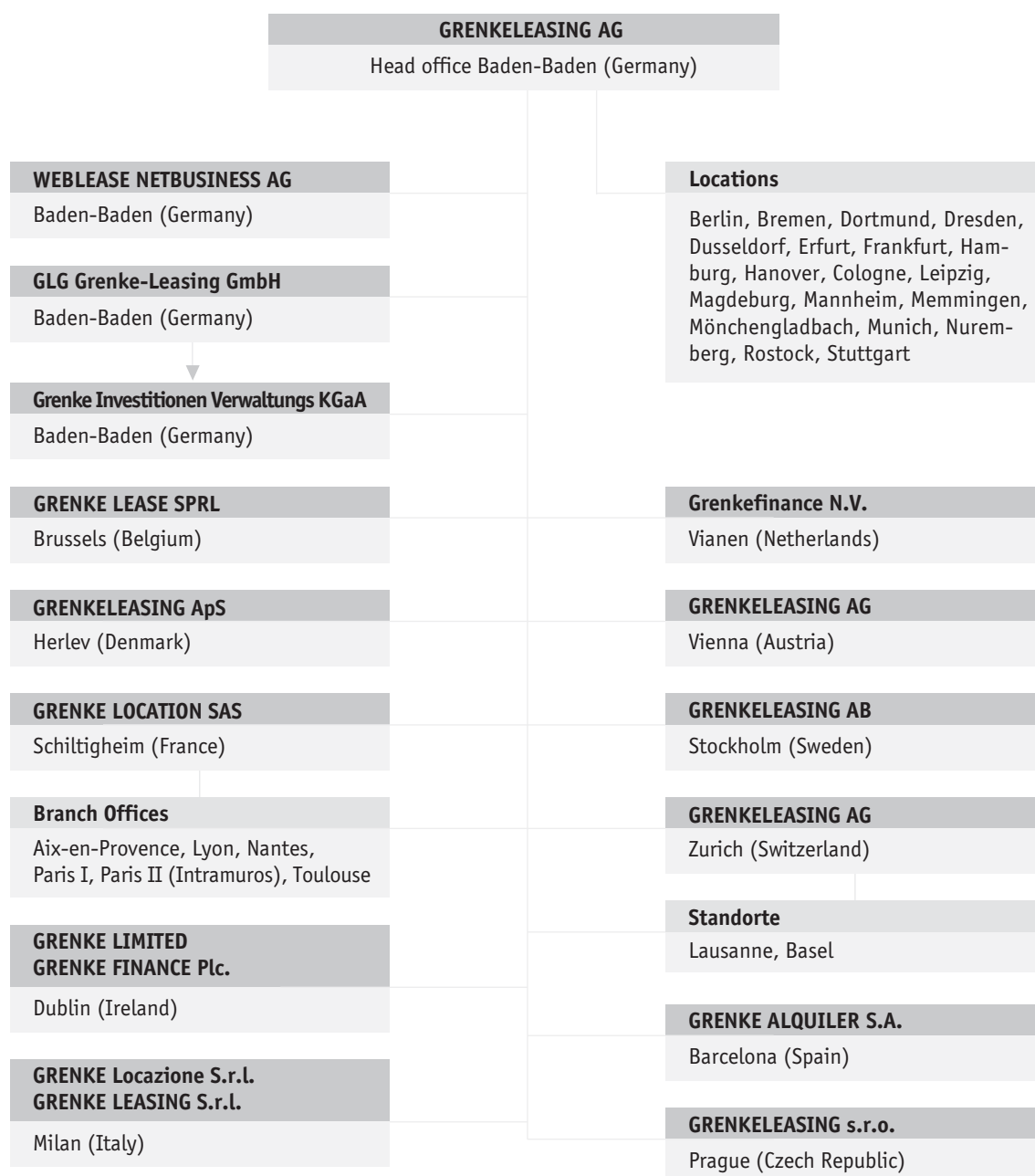
Activities in France began earlier with the setup of cross-border business from Baden-Baden. The starting signal came in the fall of 1999 for the first French branch office in Schiltigheim/Strasbourg, which had four employees at the time. Setting up business and transferring the German business model to the French market posed numerous additional challenges. However, the French specialist dealer partners were soon persuaded by the quick response times and personal support at GRENKE LOCATION SAS. The Schiltigheim office now has 27 employees and is the head office for six other French branches in Aix-en-Provence, Lyon, Nantes, Paris I and II, and Toulouse.

The current 31,200 lease contracts and 18% growth in the fiscal year document GRENKE LOCATION SAS's success on the French market. This will be expanded further starting in 2007 with the beginning of direct business with end customers.

Strasbourg is not only the starting point for our successful dealings in France, it is also a city with a diverse culture and has a history which dates all the way back to the first century. Strasbourg is also home to various European institutions such as the European Parliament, the Council of Europe, and the European Court of Human Rights.



OVERVIEW OF THE GROUP



BUSINESS MODEL

GRENKELEASING has equity of EUR 201.7m and 185,413* current lease contracts, making it one of the largest German companies leasing movable assets. We are independent of manufacturers and banks and are the leading small-ticket IT leasing company in Germany and Switzerland. Germany, France, and Switzerland are our most important sales markets.

GRENKELEASING's core competences lie in our standardized and thus cost-effective leasing logistics, optimized risk management, and sale of lease returns via our own online sales platform, "Asset Broker".

All of the group's lease contracts are managed centrally at our head office in Baden-Baden. The conclusion of more than 60% of all contracts using our online tool – in Germany, this figure even lies at 75% – translates into significant additional savings in terms of cost and time for GRENKELEASING as well as for our specialist dealer partners.

Functional improvements allow us to hedge against additional risks. This is how our optimized risk management ensures the minimization of all risks posed to the company. Our internally developed IT-based scoring procedure, which is optimized on an ongoing basis, enables us to calculate default rates. The diversified lessee portfolio reduces the risk of dependency on customers, dealers, and manufacturers. In addition, the group has secure refinancing on favorable terms by using various financing alternatives.

The success of these measures is reflected in the rating given by the agency Standard & Poor's: the positive rating of BBB+ for long-term liabilities and A-2 for short-term liabilities as well as a stable outlook were confirmed again in October 2006.

Decentralized sales are carried out primarily via 7,400 specialist dealer partners in Germany and 4,500 partners in other European countries. All relevant

points of sale are covered by our strategic partnerships with renowned manufacturers and distributors, our growing direct business with end customers, and our internet leasing platform (www.weblease.europe.com), which also supplies leasing modules for e-commerce shops.

GRENKELEASING's business model offers advantages to both our specialist dealer partners and our end customers. Dealers benefit from contract and payment commitments usually in less than ten minutes, individual on-site support, and quick and simple conclusion of lease contracts using our free online leasing tool. End customers have the advantage of lower liquidity requirements and the financing of products with net values of at least EUR 500. Thanks to the exchange option during the contractual term, our customers always have the state-of-the-art products.

Using our internet portal, "Asset Broker", we are now in a position in Germany, France, Austria, and Switzerland to sell leased assets cost-effectively, quickly, and at attractive prices. Our specialist dealer partners also benefit from the use of the portal to sell their own demonstration equipment or used goods.

The GRENKELEASING group's competitive advantage lies in the quick and simple conclusion of leases and the personal support provided by competent sales staff.

* incl. franchise partners

OPTIMAL FINANCING STRATEGIES

GRENKELEASING provides its specialist dealer partners and customers a wide range of services which meet customer requirements, are optimally adjusted to market conditions, and offer far more than traditional lease contracts. From an early stage we began developing innovative leasing models which function perfectly from a technical and organizational perspective.

Our CLASSIC lease contract is the cornerstone of our range and includes an exchange option, just like all of our lease contracts. During the term of the contract, customers may exchange leased assets so that they always have state-of-the-art products – making the same lease payments if the contractual value remains within a certain range. An alternative to the CLASSIC lease is the Flex PLUS lease, under which interest and fees are not incurred until the end of the contractual term. Ideally, the customer does not pay any financing costs if sufficient revenues are generated from the sale of the assets.

In addition, GRENKELEASING offers various types of renting, subletting, and hire purchase agreements. Rental agreements D.A.S. basic and D.A.S. vario can be used for assets with meters, such as copiers, printers, and fax machines. Invoices are calculated on a per-page basis, i.e. the customer only pays for the actual use of the leased equipment. With a D.A.S. direct subletting agreement, the specialist dealer acts as the lessor and offers the customer support and financing consulting from one source. D.A.S. rental products allow specialist dealers to expand their financing portfolios and customers profit from simple processing and optimized printing cost management. The DISPO framework agreement is the ideal supplement for our comprehensive product portfolio in our direct business with medium-sized customers. This agreement is particularly suitable for customers with short-term, recurring investment requirements because they benefit from the favorable conditions of a

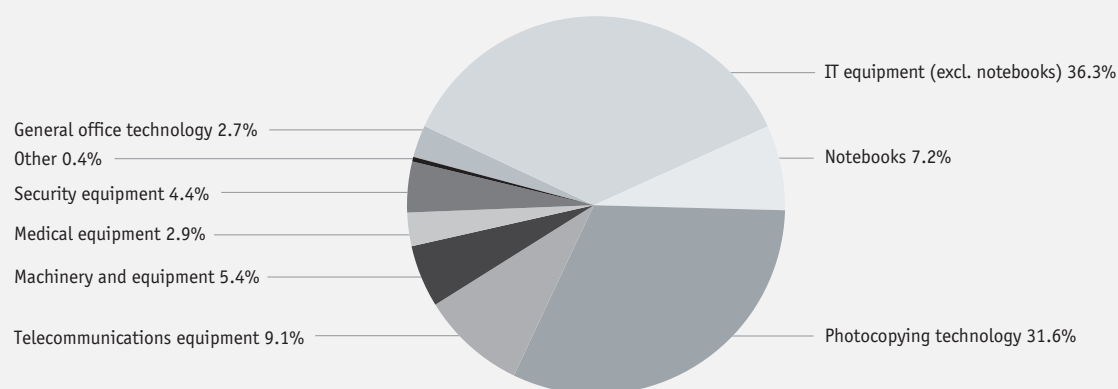
pre-defined overdraft facility. In connection with a DISPO framework agreement, customers also receive active support for their IT infrastructure in inventory and cost management from our IT Asset Management software. This software enables customers to manage and optimize all of their office technology.

One of our major strengths lies in the cost-effective and quick processing of a large number of financing leases. Since January 2006, we have also been using this competence for the range of new products offered by our franchise partners. GRENKEFACTORING offers to purchase receivables from the partners and end customers of GRENKELEASING. Our partner Kazenmaier focuses its activities on service-oriented vehicle leasing. More information on this can be found in the section “The GRENKELEASING Franchise System” on page 36.

Using online leasing, we facilitate the particularly quick and easy processing of leasing transactions by our specialist dealer partners. In 2006, it was renamed "GFS.net" (GRENKE FINANCE SOLUTIONS). The software has become more transparent and user friendly and is well-received by our dealers. Since the end of the year we have also provided our end customers with an internally developed online tool which allows them to review their saved data and lease contracts at any time.

The varying customer requirements, market conditions, and legislation in the individual countries where GRENKELEASING conducts business require ongoing adjustments to be made to the product range. Our strong growth in other European countries highlights the fact that this optimization has led to customer and specialist dealer partner satisfaction outside of Germany.

Structure of the Leasing Portfolio in 2006



Percentage of IT products in the leasing portfolio (based on new business): 87.0%

THE BOARD OF DIRECTORS OF GRENKELEASING AG

**Wolfgang Grenke**

Chairman of the Board

55 years old

Strategy, business development,
internal audit

**Dr. Uwe Hack**

44 years old

Investor relations,
treasury, financial control

**Mark Kindermann**

45 years old

Accounting, quality management,
human resources, legal, administration

**Thomas Konprecht**

Vice-Chairman of the Board

47 years old

Marketing, sales, management services

**Michael Kostrewa**

38 years old

Information technology,
e-Business

TRANSPARENCY IN FINANCIAL REPORTING

Special Features of GRENKELEASING's Financial Reporting

The financial reporting of the GRENKELEASING group has a number of special features due to the legal nature of a lease contract and from the group's method of using liquid funds for advance financing. We therefore voluntarily publish additional information to make our financial reporting more transparent to investors.

Embedded Value

Contrary to trading business, income from lease contracts is generated during the term of the contract and not upon conclusion, i.e. the majority of profits are generated in the future.

Like the approaches taken in the insurance industry, we calculate the approximate value of future net cash flows from the current contract portfolio (embedded value of the contract portfolio) and disclose it in our key figures.

We offset future income against expenses estimated on the basis of current costs.

Of course, this can be no more than a forecast, but it does make our figures more transparent and permits a more exact assessment of whether or not investments in new business were worthwhile.

As of December 31, 2006, the embedded value of the contract portfolio was EUR 89m. Adding the equity of EUR 202m yields a total value, before tax, of EUR 291m. After taxes, the total value as of December 31, 2006 is EUR 257m.

RISK CATEGORIES

One of the main core competencies of GRENKELEASING is the ability to assess credit risks and account for them appropriately in its pricing policy. For the sake of transparency, we have defined risk categories, determining a "contribution margin 1 after loss settlement" which provides an indication of how the contract margins relate to risk. Risk is defined as a function of score, contract term and saleability.

As the actual loss can only be determined precisely towards the end of the contract term, the contingent residual risk associated with current contracts is estimated on the basis of historical risk curves. Estimates obviously become more precise the older the portfolio or the shorter the residual term.

If lease contracts are terminated due to arrears, a termination claim (claim to damages) arises against the lessee. The calculations are based on an average collection rate for such claims. Likewise, an average residual term is assumed for each portfolio. Under this method, inaccuracies are inevitable, but should not diminish the informative value of the results.

The table shows that the best financial results are obtained with medium risks. Very good risks put pressure on margins, and defaults on bad risks have a negative effect.

Crucial for understanding this phenomenon is the fact that even when the "contribution margin 1 after loss" is slightly negative, contribution margin 2 is nevertheless usually positive because additional income from property insurance and sale considerably exceed the ongoing costs of contract management.

Risk Categories (figures in EUR)		2002	2003	2004	2005	2006
Category 1	Acquisition cost	72,453,823	97,023,937	104,515,781	126,708,580	156,236,768
	Forecast loss	1,994,482	3,162,029	3,503,767	3,770,584	5,280,871
	M1* after loss	6.0%	6.1%	5.8%	6.1%	4.9%
Category 2	Acquisition cost	59,043,477	74,270,343	92,435,888	113,922,397	130,113,681
	Forecast loss	1,954,333	3,366,077	3,901,942	3,980,320	4,813,187
	M1* after loss	7.5%	7.3%	7.8%	7.9%	6.6%
Category 3	Acquisition cost	46,859,252	55,041,326	62,606,845	89,440,278	93,147,386
	Forecast loss	2,565,039	3,184,109	3,308,384	4,973,651	4,639,586
	M1* after loss	6.0%	5.8%	6.9%	6.8%	6.6%
Category 4	Acquisition cost	49,835,184	48,028,936	58,635,191	57,601,730	54,938,664
	Forecast loss	3,705,402	4,339,953	5,817,829	5,520,105	6,032,075
	M1* after loss	3.8%	2.9%	2.1%	2.9%	0.8%
Category 5	Acquisition cost	49,848,385	34,939,909	45,053,526	31,375,206	25,559,369
	Forecast loss	5,499,949	4,327,227	5,837,792	4,039,220	3,058,890
	M1* after loss	-2.0%	-2.1%	-2.8%	-1.4%	0.1%

*M1 = contribution margin 1

FROM CONTRACT TO BALANCE SHEET

Despite the differences, the financial results of GRENKELEASING's various types of contract are presented similarly in the balance sheet according to IFRSs. Contrary to German accounting standards, the lease contracts concluded by GRENKELEASING are treated as loan agreements under IFRSs.

The accounting basis (100%) of every lease is the **acquisition cost** of the newly acquired leased asset: the purchase price excluding VAT that GRENKELEASING pays the dealer for the acquisition of the leased asset – whether this is a PC, a photocopier or a telephone system.

In some cases, the dealer receives a **commission** on these acquisition costs. The average commission paid in 2006 was 1.71% of the acquisition cost.

The conclusion of a lease contract incurs directly attributable expenditure – e.g. for commission, the procurement of information through a credit agency or for the preparation of the contract – that are capitalized. However, we also receive processing fees for preparing the lease contract or special lease payments. Adding the direct costs that are incurred when a contract is concluded to the acquisition costs and subtracting from this amount all customer payments received at the start of the contractual term results in – as regards substance – the **net investment (recognition of new lease receivables)** in the lease contract. The average net investment for fiscal year 2006 was 105.3% of the acquisition cost. The adjusted difference between this amount and the acquisition cost is the **net income from new business**.

Since, in accordance with IFRSs, our lease contracts are accounted for as loan agreements, and the resulting income must be distributed as interest income over the contractual term, the net investment is equal to the

amount receivable from the lessee (**lease receivables**) at the start of the contractual term. We have to break down lease payments received from the lessee during the term of the agreement into interest (**income from the interest on lease receivables**) and the repayment of principal such that the interest rate remains constant while the repayments reduce the lease receivables each quarter so that at the end of the contract the economic value of the leased asset (estimated sales proceeds) remains as the residual value, i.e. is not repaid.

GRENKELEASING uses various financing instruments to fund its leasing business – including three ABCP programs, an ABS bond, corporate bonds, and loans against borrower's note. In the balance sheet, these are grouped together under **refinancing liabilities**, and the resulting interest under **interest expense from the refinancing of lease receivables**. The **net interest income from the leasing business** is the balance of the interest income and interest expenses.

If a lessee is more than two consecutive payments in arrears, the lease contract is terminated and the outstanding amount is called in. This loss claim is simultaneously written down using a lump-sum item-by-item measurement in accordance with the percentage of receivables approach (statistically determined percentage of cash flows from different loss categories). Combined with additional specific write-offs of receivables, this results in the expenses due to loss settlement.

If the lessee uses our insurance service – as of December 31, 2006, 62.8% of our customers had chosen this option – we manage the customer's, or lessee's, interests as a service provider. We receive a fee for this which is recognized as **income from insurance business** and offset against the

corresponding **expenses from insurance business**. The balance is net income from insurance business.

At the end of the contract, the lessee may renew the lease. In this case, we generate **revenues from subsequent leases**. During this period, the leased asset is measured at fair value at the end of each quarter. The lessee may also return the leased asset to us. In both cases, the leased assets are recognized in the balance sheet at market prices under **leased assets for sale** and depreciated over time (**depreciation on leased assets for sale**). The sale of such assets may result in accounting **gains/losses from the disposal of leased assets for sale**. Combined, all of these income and expense items result in the **net profit/loss from disposals**.

In addition to direct costs on the conclusion of a contract, further costs are incurred for marketing/advertising/projects, ongoing contract management and the management. In the income statement, these costs are classified as personnel expenses, operating costs, etc.

The following table showing the effects of these items on the income statement over time (expressed as % of acquisition costs) enables an estimate of what percentage of the profit on each lease contract will be realized in the future. With regard to new business, we disclose the expected earnings in the indicator contribution margin (1 and 2). We calculate this projected future net income from current lease contracts at the end of each quarter for the entire contract portfolio and publish this figure – after deducting estimated taxes – as the embedded value of the contract portfolio.

Quarters	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	Total in % *
Net interest income from leasing business	0.71	2.10	2.01	1.92	1.82	1.72	1.62	1.51	1.40	1.28	1.16	1.04	0.91	0.78	0.64	0.49	0.00	21.11
Expenses due to loss settlement	0.00	-0.07	-0.24	-0.39	-0.48	-0.53	-0.54	-0.49	-0.47	-0.46	-0.42	-0.37	-0.34	-0.31	-0.30	-0.29	0.00	-5.70
Net income from insurance business	0.10	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.00	4.60
Net income from new business	3.78	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.78
Profit from disposals	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.95	0.95
Costs	-8.07	-0.14	-0.14	-0.14	-0.14	-0.14	-0.14	-0.14	-0.14	-0.14	-0.14	-0.14	-0.14	-0.14	-0.14	-0.14	-0.14	-10.31
EBIT/EBT	-3.48	2.19	1.93	1.69	1.50	1.35	1.24	1.18	1.09	0.98	0.90	0.83	0.73	0.63	0.50	0.36	0.81	14.43

* of the acquisition costs of a leased asset (new business)



Arc del Triomf, Barcelona

03

**BARCELONA –
THE CITY OF MODERNISM**

In Barcelona, the least Spanish city in Spain, GRENKE ALQUILER S.A. was founded in 2001, opening a new chapter in GRENKELEASING's expansion policy. The branch office was initially managed by two experienced employees from the group, but now has seven employees.

GRENKELEASING's business concept was adjusted to the conditions on the Spanish market. This is how GRENKE ALQUILER S.A. became a player on the local market as a provider of plain lease contracts for IT products. Activities currently primarily extend to the regions of Valencia and Catalonia, where very positive increases in sales were generated in the fiscal year.

Barcelona, the capital of Catalonia, has 1.6 million residents and is the tenth largest city in the European Union. "Barcino" was founded in 1 B.C. by the Romans, evidence of whom can still be seen in the old town. Barcelona was an important sea port and trading power in the Middle Ages. Today, Barcelona is famous for its own unique type of art nouveau, called modernism, with Antonio Gaudí being the most prominent representative of this movement. He designed a number of art nouveau buildings, including the Sagrada Familia church which was never finished. These constructions are among the cultural sites inscribed on UNESCO's World Heritage List.



DEVELOPMENT OF THE LEASING MARKET IN EUROPE

The European leasing market is the largest in the world followed by the US. According to an estimate by Leaseurope, movable asset leasing generated new business of EUR 232b in European countries in 2005 and EUR 209b in the US for the same period. Growth in movable asset leasing in Europe was 13% in 2005. The 3% increase in new business in the IT/office technology sector contributed to this growth. At the time this report was prepared, the figures were available for the overall leasing market for the first half of 2006: new business increased by 11.4% in the first half of 2006 compared with the same period of the prior year. Leaseurope forecasts new business of more than EUR 271b for the overall European leasing market in 2006 after a total volume of EUR 263b in 2005. The market share of leasing, i.e., the portion of gross fixed capital formation relating to leasing in European countries was 17.5% in 2005, according to Leaseurope.

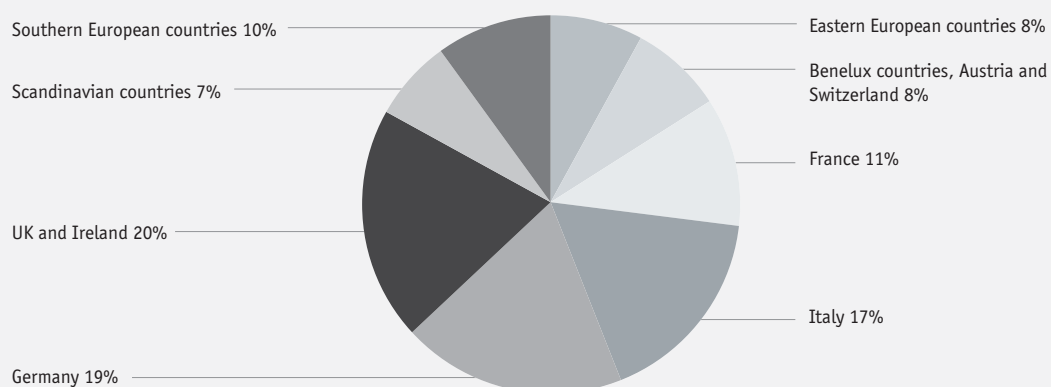
The focus of leasing varies greatly by region and country: IT leasing is well-developed in northern European countries, France, the Benelux countries, and Switzerland, but underrepresented in eastern and southern European countries. The adjoining "Percentage of Leased Computers and Office Equipment of Procurement Volumes by Country" highlights this trend. Vehicle leasing, however, is well-developed in most European countries, particularly in Germany and in the UK.

The adjoining chart "Share of European Countries in the Leasing Market" shows that the UK, Germany, and Italy are the largest leasing markets in Europe. The eastern European countries currently generate only 8% of the European leasing volume, but these countries are demonstrating very high growth rates, for example, with an average of more than 40% in 2005.

France – as the currently most important market for GRENKELEASING after Germany – accounts for 11% of the entire leasing volume in Europe. Growth in the leasing industry in France is estimated by Leaseurope at approx. 7% in 2006, similar to the prior year in which the market grew by 6.9%. Thus our French subsidiary, GRENKE LOCATION SAS, with growth of 18.4% in 2006, is well above the average growth on the market. The leasing market in France grew more strongly in 2005 than investment in plant and equipment in the economy as a whole, which was just under 5% for that year. Vehicle leasing plays a significant role in France at 53%, followed by machine leasing at 31%. IT leasing is also strongly represented in France at 15%.

The leasing industry in Germany is profiting from the general economic upturn and, according to the BDL, grew by 7.7% in 2006 to a new business volume of EUR 54.1b. The lion's share of this, movable assets leasing (85%), however, only increased by 3.5% to a new business volume of EUR 46.0b, according to the latest analyses by the BDL. The new business generated by leasing companies will not match overall growth in investment in plant and equipment, which is estimated at 4.7% by the ifo Institute. Vehicle leasing in Germany decreased slightly in 2006, as numerous auto banks offered their customers car loans instead of leases due to the increase in VAT in 2007.

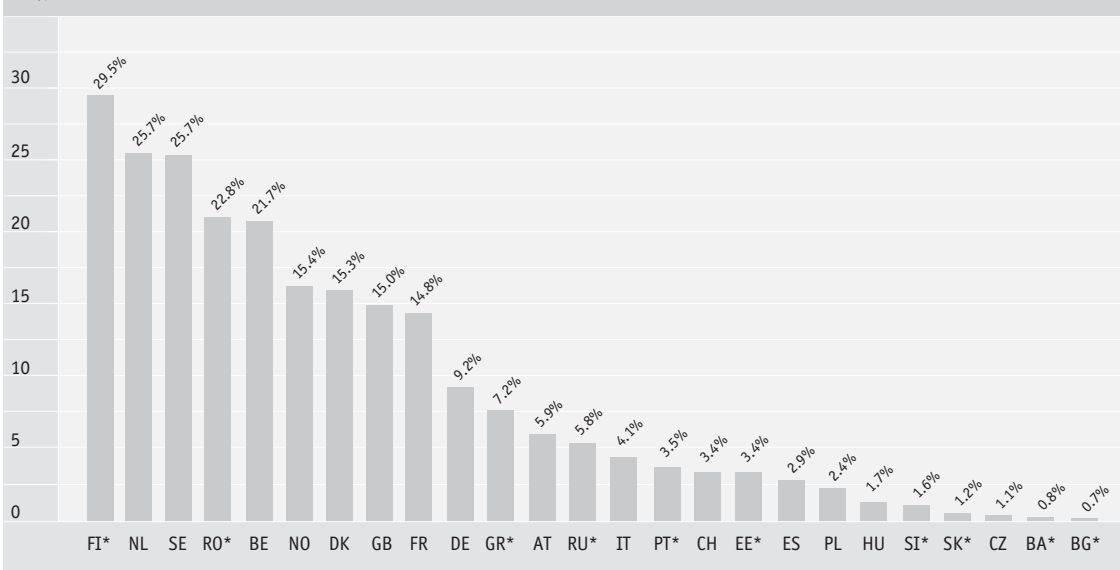
Shares of European Countries in the Leasing Market



Source: Leaseurope 2006

Percentage of Leased Computers and Office Equipment of Procurement Volume by Country

in %



* Countries where there are no GRENKELEASING offices.

Source: Leaseurope 2006

COMPETITIVE ENVIRONMENT

Numerous innovative advantages distinguish us from our competitors for our specialist dealer partners and end customers. The basis of this is our comprehensive range of services which meet the growing demands of the market as well as customer requirements. Our wide-ranging sales network of 11,900 specialist dealer partners, our partnerships with reputable manufacturers, and our virtual leasing company, WEBLEASE NETBUSINESS AG, ensure that this attractive range of services is available directly at the relevant points of sale.

GRENKELEASING acts independently of manufacturers and is thus particularly flexible since it is not limited to certain products. We are not a bank and therefore not bound by a bank's financing mechanisms. Due to our efficient leasing logistics and steady increase in the automation of contract processing, we are in a position to quickly and cost-effectively process a large number of small-ticket contracts.

Another competitive advantage we have is our good reputation on the money and capital markets, which is constantly improving our refinancing options. In addition to an optimal risk structure, our company also benefits from more than 28 years of experience in the leasing business and thus also has the know-how and critical mass for further expansion jointly with our partners in Germany and abroad.

Through automated contract processing, GRENKELEASING was also able to maintain its cost leadership in 2006, even though cost ratios were slightly higher in the fiscal year than in the prior year. Costs for each new contract averaged EUR 233 compared with EUR 232 in 2005 and costs for each current contract remained the same as in the prior year at EUR 23. The cost-income ratio rose in 2006. It was 43.4% after 40.6% in 2005. The reason for this is that we increased investments in additional personnel as part of our expansion efforts, which led to an above-average increase in personnel expenses and will be reflected in future higher volumes of new business and higher earnings.

It is our stated aim to continue to optimize the cost-income ratio, taking into account the cost of risk. To achieve this, we sometimes have to accept an increase in the cost-income ratio for investments which are necessary to allow us to grasp market opportunities at the right time. In the long term, a good balance must be struck between growth and risk.

GRENKELEASING LOCATIONS IN EUROPE



With franchise companies:

- * Poznań (PL), Guildford/London (UK), Oslo (NO), Budapest (HU)
- ** FACTORING Baden-Baden (DE), CAR LEASING Bremen, Karlsruhe (DE)



Charles Bridge, Prague

04

**PRAGUE –
THE GOLDEN CITY**

GRENKELEASING entered the Czech market in 2001 with the acquisition of all shares in the leasing company EKOMA s.r.o. in Prague, Czech Republic. Before its takeover, the limited liability company had been focused on small-ticket IT leasing since 1992. This allowed the company to operate in the Czech market under the leadership of GRENKELEASING without any start-up difficulties. Our business model was also well received in the Czech Republic.

After five years, the company changed its name to GRENKELEASING s.r.o. and has been known externally as belonging to the group since then. In the fiscal year, eight employees in the Prague branch took care of customers, five in sales and three in administration. A peculiarity of the Czech market is the fact that 90% of all contracts relate to finance leases, i.e., after the lease contract expires, the lessee automatically becomes the owner of the leased asset.

Prague, the capital of the Czech Republic, is traditionally one of the most important economic hubs of the country. The majority of the city, with its approx. 1.2 million residents, is in the Vltava river valley and the remainder of the city is distributed across nine hills. Prague is considered to be one of the oldest and most beautiful cities in central Europe. The well-maintained old town in Prague is among the cultural sites inscribed on UNESCO's World Heritage List.



EVENTS IN FISCAL YEAR 2006

In 2006, GRENKELEASING took some important strategic measures and set the course for continued, profitable growth and an increase in value of the group.

GRENKELEASING's refinancing base was expanded significantly in July 2006 through the successful first-time issuance of ABS bonds of EUR 250m. The company was thus able to gain access to a highly liquid and stable refinancing market. This is how GRENKELEASING will also benefit in the future from a liquidity supply on attractive terms.

The signing of the contract with a franchise partner in Budapest, Hungary, in February 2006 brought us significantly closer to reaching our goal of market leadership in small-ticket IT leasing in Europe. The franchise system has proven a successful way to gain a foothold in new markets quickly and long term.

In August 2006, GRENKELEASING engaged Kazenmaier, a leading vehicle leasing company in southwest Germany, as a franchise partner. The conclusion of the franchise agreement with Kazenmaier FleetService GmbH represents an important step in our product development strategy. GRENKELEASING benefits from Kazenmaier's high degree of public recognition and competence in the field of mobility and fleet management.

When it was founded in 2002, the Dutch Grenkefinance N.V. had its head office in Venlo, which is near the German border and only 60 kilometers from the Dusseldorf branch. Due to the branch's responsibility for the entire country, the management decided to move to the strategically most appropriate location within the Netherlands. In September 2006, the office was moved to Vianen, which is approx. 15 kilometers from Utrecht.

In 2003, GRENKELEASING was rated by Standard & Poor's for the first time. After conducting a detailed analysis of our business model, the reputable rating agency confirmed an issuer rating of BBB+ with a stable outlook for the reporting period.

Quality management, which we have been continuously developing and improving since 1997, is one of the keys to our success. GRENKELEASING has DIN EN ISO 9001:2000 certification and is audited each year by an external audit firm. The current audit report of September 2006 confirmed once again that we create, in an exemplary fashion, the conditions that allow competent and motivated employees to satisfy customers and business partners through a maximum of service quality.

HISTORY OF THE GROUP'S DEVELOPMENT

1978

Foundation of GRENKELEASING as a sole proprietorship in Baden-Baden, Germany

1990

First branch/subsidiary opened in Germany

1993

First alliances and cooperations with big-name manufacturers

1994

Introduction of an IT-based scoring procedure

1997

Foundation of GRENKELEASING AG
 First foreign subsidiaries founded

1998

Foundation of Weblease Leasing GmbH, Europe's first virtual leasing company (today known as WEBLEASE NETBUSINESS AG)
 Launch of the "Asset-Broker" tool, an internet marketing service for used IT equipment
 Establishment of a quality management system and first audit according to DIN EN ISO 9001:1994 (now 9001:2000)

2000

IPO of GRENKELEASING AG, listing on the Frankfurt Stock Exchange

2003

GRENKELEASING stock joins the SDAX
 First two franchise companies founded in Guildford, UK, and Poznan, Poland
 Rating by Standard & Poor's, (short-term A-2, long-term BBB+, outlook stable)

2004

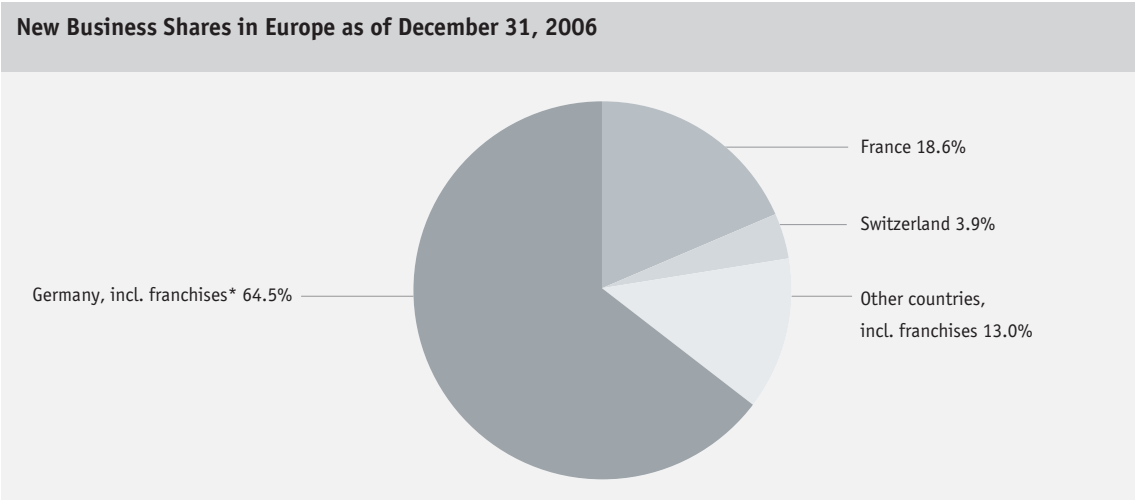
First trainees hired at GRENKELEASING

2005

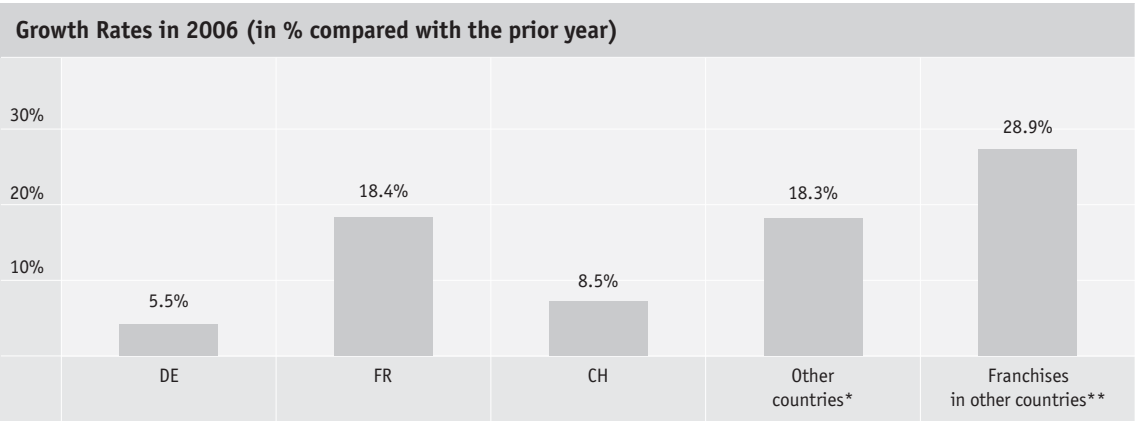
Foundation of the first franchise companies in Germany to expand the product range to include factoring and car leasing
 Establishment of a franchise company in Oslo, Norway
 Start-up of operations in Brussels, Belgium

2006

02/2006 Foundation of a franchise company in Budapest, Hungary
07/2006 Successful issue of the first ABS bonds of EUR 250m
08/2006 Conclusion of a franchise agreement with Kazenmaier FleetService GmbH
09/2006 Relocation of Grenkefinance N.V. in the Netherlands from Venlo to Vianen
09/2006 Recertification in accordance with DIN EN ISO 9001:2000
10/2006 Standard & Poor's confirms its rating (see 2003)



* Car leasing, factoring



* Belgium, Denmark, Ireland, Italy, Netherlands, Austria, Sweden, Spain, Czech Republic
** UK, Norway, Poland, Hungary

EXPANSION IN GERMANY AND ABROAD

The Expansion Strategy

We implement our expansion goals consistently and successfully based on our market penetration and product development strategy in Germany and a market development strategy abroad.

In Germany, the focus is on market penetration through further growth and our core business small-ticket IT leasing together with specialist dealer partners and manufacturers, as well as the development of new products and lines of business. The direct business, which was successfully introduced in Germany in 2004, grew by 50% in 2006. Our acceptance by end customers was further improved due to the customer-friendly processing, personal support, and attractive conditions. This assessment was also confirmed by a survey of our end customers conducted in 2006 by a market research institute.

Abroad, we are looking to penetrate markets in countries already served by GRENKELEASING and move into new countries, initially with our core business. In those countries where we were able to successfully establish ourselves, we take our business lines which are successful in Germany and transfer them after adjusting them to the specific conditions in each country. This is how the direct business with end customers will be expanded to the French and Swiss markets in 2007. Therefore, as in Germany, medium-sized companies receive customized financing strategies relating to their investment needs in the ITC sector.

For the further growth of our network of branch offices, we use what is known as the "cell division system" in Germany and abroad. According to this concept, each sales area is split into two branch offices as soon as contract inquiries per week exceed a certain number. In this way, we ensure we are always regionally close to our specialist dealer partners.

In order to ensure new companies are set up as cost-effectively and with as little risk as possible, GRENKELEASING has been using a tailor-made franchise system since 2003 (see next section).

Expansion in 2006 and 2007

Through its established franchise system, GRENKELEASING gained one partner in Hungary and another partner for vehicle leasing in Germany in 2006.

GRENKE LEASE SPRL, with its head office in Brussels, established itself successfully on the Belgian market in 2006.

As a result of cell division, a new branch office will be opened in Toulouse, France, in February 2007. This will be GRENKE LOCATION SAS's seventh branch office on the French market.

In the medium term, GRENKELEASING plans to tap the new EU countries in central and eastern Europe. Expansion to Romania is already planned for 2007 within the scope of the established franchise system.

THE GRENKELEASING FRANCHISE SYSTEM

Franchise partners	
GRENKEFACTORING GmbH	GRENKELEASING Kft./Rt.
Baden-Baden (Germany)	Budapest (Hungary)
GRENKEAUTOLEASING GmbH	Grenke Leasing Ltd.
Bremen (Germany)	Guildford (UK)
Kazenmaier FleetService GmbH	GRENKELEASING AS
Karlsruhe (Germany)	Oslo (Norway)
	GRENKELEASING Sp.z o.o
	Poznan (Poland)

Since its introduction four years ago, GRENKELEASING's franchise system has proven to be a very effective way of tapping new markets quickly and sustainably. It provides excellent opportunities to minimize risks and costs in the start-up phase. In doing so, the group actively targets franchisees that are familiar with local markets and are personally committed and willing to assume start-up costs and risks. GRENKELEASING does not hold an interest in these legally independent entities, but has the option of acquiring them at pre-defined terms after a certain period. The purchase option is designed to provide an ideal balance between growth incentives for the franchise partners and risk limitation for GRENKELEASING.

Under the franchise agreement with the franchise company, GRENKELEASING provides expertise, tried-and-tested management tools, back-office support and refinancing. Our franchise companies are also allowed to use the "GRENKE" and "GRENKELEASING" trademarks. In this way, we ensure that, if and when we decide to acquire the franchise company, we are thoroughly familiar with its receivables portfolio and the "GRENKE" name is well established in the market.

GRENKELEASING engaged Kazenmaier, a leading vehicle leasing company in south-west Germany, as a franchise partner in the reporting year. The group benefits from Kazenmaier's high degree of public recognition and competence in the field of mobility and fleet management. Furthermore, an agreement was signed with a franchise partner in Hungary in 2006. This is a market in which IT leasing still plays a minor role and has been mainly confined to high-cost goods until now. With its new franchise partner in Hungary and the planned expansion in Romania in 2007, GRENKELEASING is taking another step toward market leadership in small-ticket IT leasing in Europe.

GRENKEFACTORING GmbH

Factoring as a means of financing is becoming more and more common on the market and has generated dynamic growth in Germany in recent years – an average of 15%, and as much as 21.6% in 2005 compared with the prior year (according to the German Factoring Association). Compared with other European countries, however, the proportion of factoring in Germany is still small and is therefore likely to have great growth potential. Small and medium-sized companies in particular are generating steadily increasing demand, which is currently only being met by a few suppliers.

The success of GRENKEFACTORING GmbH, which has generated extremely dynamic growth since the start of operations in January 2006, is also reflected in market data. The company had acquired 30 new customers until the end of the fiscal year. Our franchise partner benefits from GRENKELEASING AG's expertise in IT processes as well as from the openness of GRENKELEASING's specialist dealer partners and lessees with regard to financing through factoring. Thanks to the computerized, cost-efficient organization and numerous synergies with GRENKELEASING, the cross-selling potential can be effectively exploited.

FURTHER EDUCATION AT GRENKELEASING

Well trained and committed employees are the cornerstone of our company. Their personal commitment, skills and new ideas ensure GRENKELEASING's performance and enable a competitive expansion strategy.

384* employees contributed to the group's result in 2006. 54 employees worked in the seven franchise companies. 265 employees worked in Germany and 119 in other European countries.

GRENKELEASING has been training its own junior staff since 2004 and, in cooperation with the Berufsakademie Lörrach offers university places on "commercial computer science" and "international business management" courses. Twelve young people are currently taking part in the three-year and three-and-a-half-year courses based on the dual system of alternating study and practical phases in each semester. The "commercial computer science" course, which three GRENKELEASING employees are currently taking, deals with computer-based business systems. The students are taught methods of analyzing and optimizing operational workflows as well as software development and implementation. The nine "international business management" students are learning how to act successfully on international markets and in a united Europe. The practical phases therefore include training periods at the branch offices in Switzerland and France.

Moreover, since 2005, the company has trained office clerks who, after three years, received a diploma as a management assistant from the German Chamber of Industry and Commerce. Depending on the employees' school qualifications and their performance at college and in the company, course time can be cut to two and a half or two years if they perform very well.

Of the 16 employees currently in training, three are likely to graduate in 2007, including the first two commercial computer science students from 2004 and a female management assistant from 2005.

In addition, GRENKELEASING will offer the new training course "management assistant for dialog marketing" as of 2007. This course will teach students how to develop and implement customer acquisition, care and retention strategies in a targeted manner.

The aim of our employee training initiatives is to tap comprehensive knowledge as a strategic resource for the success of the company to use it to this end. This is why continuous further education in specialized areas is self-evident for us and will continue to be expanded upon.

The GRENKELEASING Academy is currently being set up. An extensive range of training courses, both internal and external, will expand the professional horizon for future challenges.

(* weighted average of full-time equivalents, excluding directors)

COMMITMENT TO CHILDREN AND ADOLESCENTS

GRENKELEASING has engaged in social activities for the well-being of children and young people for years. In this vein, we have contributed to local youth leisure projects in the fields of sport and culture in 2006. GRENKELEASING regularly donates used computers to schools and social institutions for this purpose.

The company supported FIFA's official charity campaign, "6 for 2006", for two years in succession. The aim is to build six new SOS children's villages in Brazil, Mexico, Nigeria, South Africa, Ukraine and Vietnam by the end of the Soccer World Cup. An aim that has almost been reached already – in Vietnam, South Africa and Mexico, the first children have already moved into their new homes; construction work is still underway in the remaining three villages.

GRENKELEASING concentrated on supporting one particular village for children in Recife, Brazil, in 2006. The village should also be completed in 2007 and will provide a home for 130 children.

GRENKELEASING also sponsors the "Kolumbus" project. The aim of this program is to introduce young people to classical music and help them appreciate it. 200 schools from Baden-Württemberg and Alsace now participate in the project, which has been running for five years.

Thanks to sponsors' support, 3,000 pupils per season can now attend concerts at the Festspielhaus in Baden-Baden at reduced rates. The project was co-initiated by Wolfgang Grenke. GRENKELEASING received the 2006 German Cultural Promotion Award for its commitment.



CHESS ACTIVITIES

For years, it has been very important for GRENKELEASING to be active not only in the business, but also the social sector. Our sponsoring activities focus, above all, on chess activities and we are pleased that a number of company employees have been successful at national and international level in this context.

The company has sponsored the Chess Center in Baden-Baden, a training center and organizer of numerous tournaments for beginners and talented team players, for many years. We have also been sponsoring the unofficial annual chess world championships, the "Chess Classics", which take place every year in Mainz, Germany, since 2005.

In France, the subsidiary GRENKE LOCATION SAS sponsors the premier-league chess club "Cercle d'Echecs de Bischwiller".

Many excellent chess players have been produced by the Ooser Chess Club in Baden-Baden, Germany, which has been sponsored by GRENKELEASING since 1998. The club was founded by a group of chess idealists in 1930 and looks back on a checkered past in which it mainly alternated between local and regional leagues for decades.

Thanks to GRENKELEASING's sponsorship and Wolfgang Grenke's commitment, the club began to steadily improve. From the regional league to the association league, followed by the top league of Baden and the ultimate goal, the second and, for the past four years, the first national league. The club now has numerous chess victories to its name. It produced the German speed chess champions in 2003. The club lifted the German championship cup twice, in 2003 and 2005, and the women's team won the German championships three times in a row.

After 76 years of existence, the club is now one of Germany's leading chess clubs. It currently has over 170 members. Based on member numbers, the club is currently 9th in Germany, 7th for women and 15th for youths.

In addition to the other numerous sporting successes of the Ooser Chess Club, we were particularly delighted about two victories in 2006: winning the first national league German team championships and the German U20 team championships.



Swiss Re Tower, London

05

**LONDON –
STILL SWINGING**

Grenke Leasing Ltd. entered the English leasing market four years ago. A special accomplishment considering it was not achieved through a subsidiary, but rather through our first franchise partner based in Guildford, a suburb of London.

The advantages are obvious – our franchise partners not only have a wealth of experience, but are also familiar with the national market. Since its formation, business in Britain, Europe's second-largest leasing market, has grown quickly and continuously. Grenke Leasing Ltd. currently employs 19 staff. Its sales area includes London and five other major cities. The highly consolidated and mature leasing market in the United Kingdom does not present any barriers for GRENKELEASING's business model. And the outlook is very good – strong growth is expected to continue in the coming years.

London has been a magnet for new industrial settlements since as early as 1850. With 2.6 million inhabitants at the time, it was the center of the industrialized world. The city began as a settlement on the north bank of the Thames, now known as the City of London. The city, which is now home to around 7.5 million people, stretches along approximately 45 km of the river. London is one of the world's key cultural, financial and commercial hubs, with one of the largest and oldest stock exchanges in Europe.

THE GRENKELEASING STOCK IN MARKET YEAR 2006

Performance

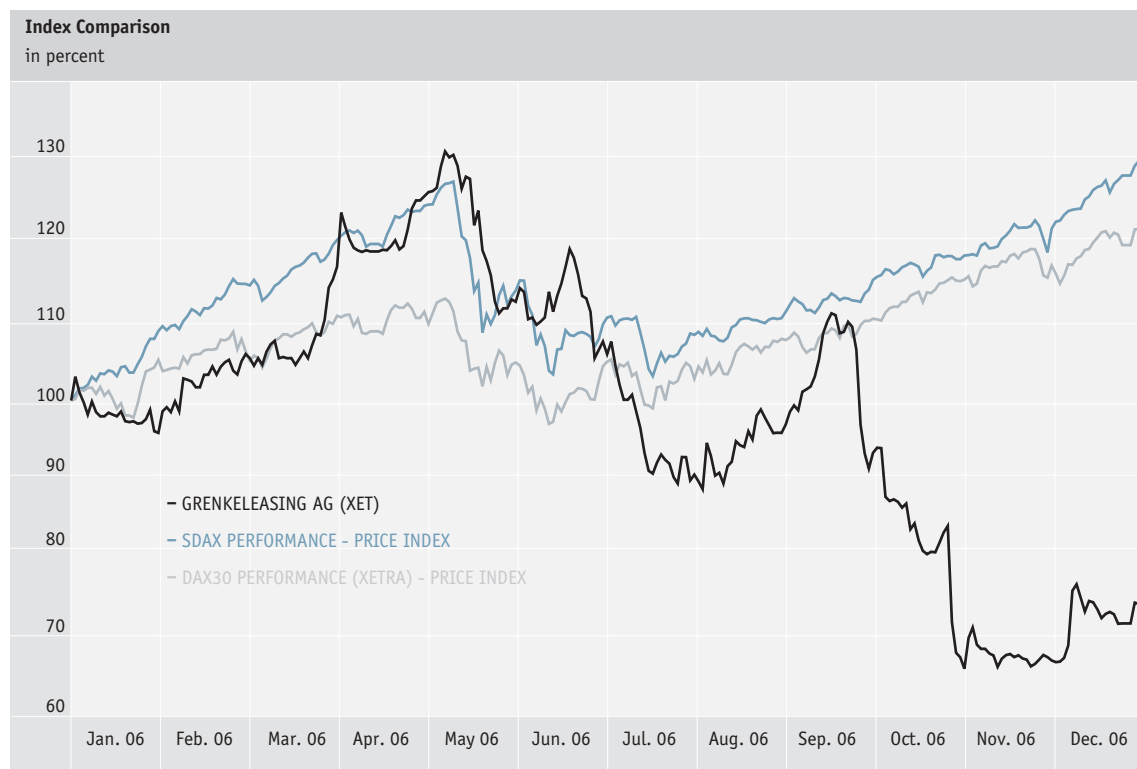
GRENKELEASING's share price initially developed well in line with the good start to 2006.

The turnaround in trend came in the third quarter of 2006, during which new business suffered due to the discussion surrounding the corporate tax reform. Development of the entire leasing industry was similarly restrained. The share price recovered somewhat in the fourth quarter, and closed at EUR 36.06 (XETRA closing price on the last day of trading, i.e. December 29, 2006) at the end of the year.

Dividend Policy

With a dividend policy guided by continuity, income and the need to secure our equity base for future growth, the GRENKELEASING stock is an investment combining attractive growth prospects with regular income.

As a result of good profitability and somewhat diminished volume growth compared with prior years, our equity ratio increased from 16.81% at the end of 2005 to 17.08%. This gives us the opportunity to propose a dividend at the upper end of our target dividend rate without restricting growth opportunities in the coming year.



Source: Thomson Datastream

The Board of Directors and Supervisory Board of GRENKELEASING AG will therefore propose a dividend increase to EUR 0.55 per share at the shareholder meeting on May 8, 2007. Compared with the prior-year value of EUR 0.50, this is an increase of 10%.

Investment Case

Apart from our growth strategy, market leadership in our core business and optimized management of risks determine the positioning of our stock on the capital market.

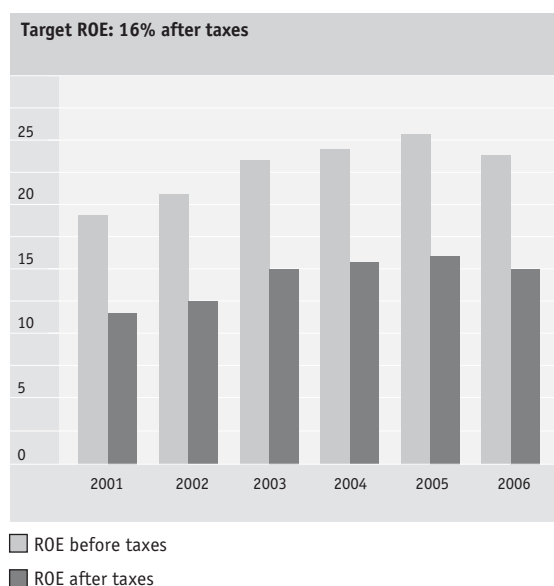
In fiscal year 2006, the positive launch of factoring activities within the scope of the product development strategy for Germany complemented the dynamic growth of our international activities. Our second strategic line of attack for future growth therefore also evolved well. As we are enjoying faster organic growth in all of our key international markets than the overall market, we are firmly capturing market shares and constantly strengthening our market position and presence in Europe.

For us, expansion means translating new business growth into profit growth based on efficient cost and risk control.

Our risk management strategy coupled with a high level of portfolio diversification allows us to actively manage our risks. This means that we are able to respond quickly to changes in the market and demand reasonable risk premiums for the risks we accept.

However, our cost and risk management systems do not just boost our operating result; together with our sales network, they also raise barriers to market entry by competitors. This makes us well-equipped to generate future growth.

The fact that we are striking a good balance between growth and cost or risk control is reflected in our ROE (return on equity). Despite the fact that we fell slightly short of our ROE target of 16% (after taxes) in the fiscal year, our ROE of 15.7% means we are one of the most profitable financial services companies in Europe.



THE STOCK AT A GLANCE

GRENKELEASING	
Code	GLJ
ISIN	DE0005865901
Bloomberg code	GLJ_GR
Reuters code	GKLG.DE
Market segment	Prime Standard
Index	SDAX
Designated sponsors	Deutsche Bank, HSBC Trinkaus & Burkhardt, WestLB
No. of shares	13,679,679
Class	No-par shares
Nominal value per share (rounded)	EUR 1.28
Shareholder structure according to Sec. 1.7 of the current Deutsche Börse stock indices guidelines	
Freefloat	59.73%
Mr. and Mrs. Grenke and minor sons	40.27%

	2006	2005	2004	2003
Closing price* Frankfurt - Xetra	EUR 36.06	EUR 48.30	EUR 34.85	EUR 17.54
Highest variable price	EUR 63.45	EUR 49.32	EUR 35.60	EUR 20.00
Lowest variable price	EUR 32.30	EUR 29.70	EUR 16.92	EUR 8.20
Stock market capitalization based on closing price	EUR 493m	EUR 657m	EUR 474m	EUR 237.2m
Earnings per share	EUR 2.23	EUR 2.13	EUR 1.74	EUR 1.45
Price-earnings ratios (at closing price)	16.2	22.7	20.0	12.1

* last trading day

INVESTOR RELATIONS

Within the scope of our investor relations activities, we are committed to an open and continuous dialog with our investors, analysts and media representatives. The Board of Directors has explained the business model of the GRENKE group and informed the capital market about the company's development at a number of road shows and investor conferences in all key financial centers in Europe and the United States.

Furthermore, we take part in individual discussions and, after publication of the quarterly figures, in teleconferences with fund and sales managers, analysts and media representatives regarding the business situation and outlook of the industry and the company. This has led to the broadening of our investor base.

We welcomed around 250 shareholders to our shareholder meeting on May 9, 2006. For us, the shareholder meeting is an important forum for maintaining contact with our shareholders. We streamed the CEO's presentation live on our website. The internet plays a key role in our financial communication. The latest IR news, press releases and annual and quarterly reports can always be found on the GRENKELEASING homepage.

The capital markets demand high-quality and rapid information from listed companies. Our aim is to be a top performer in this respect, too. As early as the second working day of the subsequent quarter, we publish the most recent figures on new business, the new-business margin and new-business contribution margin. The audited consolidated financial statements for the fiscal year are published by the end of January the following year. To improve transparency, our reporting exceeds the minimum requirements.

Coverage

As in 2005, GRENKELEASING was again carefully observed and rated by a variety of analysts in fiscal year 2006. The number of analysts rose from six to nine.

The following institutions regularly publish studies on the stock:

- ▶ Berenberg Bank
- ▶ Citigroup
- ▶ Deutsche Bank
- ▶ Dresdner Kleinwort
- ▶ HSBC Trinkaus & Burkhardt
- ▶ Merck Finck
- ▶ Metzler Equities
- ▶ Sal. Oppenheim
- ▶ WestLB

CORPORATE GOVERNANCE AT GRENKELEASING

The principles of value-oriented and transparent corporate governance have become more important for the assessment and valuation of listed companies. The Board of Directors, Supervisory Board members and executive employees of GRENKELEASING AG identify with these principles, and corporate governance continues to be a high-priority issue at GRENKELEASING. We consider our commitment to corporate governance to be an important measure to build confidence among our present and future customers, shareholders, lenders, employees, business partners and the general public.

GRENKELEASING AG complies with all of the recommendations of the German Corporate Governance Code as amended in June 2005.

The Board of Directors and the Supervisory Board have addressed compliance with the Code at their meetings and adopted the declaration of compliance with the Code reprinted on page 53.

Group Executive and Oversight Bodies

GRENKELEASING AG has a Board of Directors comprising five members and a Supervisory Board with six members.

Supervisory Board

The Board of Directors regularly provided the Supervisory Board and its committees with detailed and comprehensive reports on the economic situation, the status of business planning and recent events at the company. Strategic development as well as risk provision and risk management issues were discussed with the Board of Directors. The Supervisory Board's functions include appointing and monitoring the directors, approving the financial statements of GRENKELEASING AG and the company's consolidated

financial statements with due regard to the auditor's audit reports and the audit findings by the audit committee.

Please see the Supervisory Board's report on page 130 of the Annual Report.

The Supervisory Board's rules of procedure stipulate the formation of committees. The Supervisory Board of GRENKELEASING AG has set up two committees:

Audit Committee

The audit committee has three members with specialist accounting knowledge. It deals primarily with external and internal accounting issues, the company's risk management, auditor independence, the audit priorities, and the fee arrangements with the auditor. The audit committee also prepares the Supervisory Board's resolution on the approval of the financial statements and the consolidated financial statements.

Personnel Committee (Presidium Committee)

The personnel committee has three members. It deals with the Supervisory Board's personnel decisions and is responsible for concluding, amending and terminating the contracts of employment with the directors.

Board of Directors

The Board of Directors is responsible for managing the group and determines its strategy and business policy. It is responsible for the preparation of the quarterly reports, the financial statements of GRENKELEASING AG and the consolidated financial statements. The Board of Directors informs the Supervisory Board regularly and in detail in its directors' reports and discussion papers on the company as a whole, questions of

strategy and its implementation, planning, performance, financial position and results of operations, and on business risks.

The Board of Directors' rules of procedure list a number of transactions that require approval; major directors' decisions – e.g. on acquisitions and financial measures – are subject to the approval of the Supervisory Board.

The Supervisory Board

Name	Activity	Other Supervisory Board/ Advisory Board Functions
▶ Prof. Dr. Ernst-Moritz Lipp Age: 56 First elected: 2003 Elected until the shareholder meeting 2008	Chairman of the Supervisory Board, Professor of international finance General manager of ODEWALD & COMPAGNIE Gesellschaft für Betei- ligungen mbH, Baden-Baden, DE	BOA Holding GmbH, Karlsruhe Stutensee, DE, TFL International GmbH, Weil a. Rhein, DE Burkart Verwaltungen GmbH, Singen, DE
▶ Gerhard E. Witt Age: 62 First elected: 1997 Elected until the shareholder meeting 2008	Vice Chairman of the Supervisory Board, Public auditor and tax advisor, Baden-Baden, DE	GRENKE Investitionen Verwaltungs KGaA, Berlin, DE
▶ Dr. Brigitte Sträter Age: 67 First elected: 2001 Elected until the shareholder meeting 2010	Member of the Supervisory Board, Owner and manager of the PR agency CENA, Düsseldorf, DE	
▶ Dieter Münch Age: 64 First elected: 2000 Elected until the shareholder meeting 2010	Member of the Supervisory Board, Retired bank officer, Chairman of a foundation, Weinheim, DE	GRENKE Investitionen Verwaltungs KGaA, Berlin, DE Weisenburger Bau + Grund AG, DE, Halle/Saale, DE
▶ Dr. Oliver Nass Age: 39 First elected: 2005 Elected until the shareholder meeting 2010	Member of the Supervisory Board, Commercial general manager of ESG France, Paris, France	
▶ Erwin Staudt Age: 59 First elected: 2005 Elected until the shareholder meeting 2010	Member of the Supervisory Board, Economics graduate, President of the soccer club VfB Stuttgart 1893 e.V., Leonberg, DE	PROFI Engineering Systems AG, Darmstadt, DE USU AG, Möglingen, DE Hahn Verwaltungs-GmbH, Fellbach, DE

For more information on the supervisory board, please see section 34 on page 125 in the notes to the consolidated financial statements in this annual report.

The Board of Directors and the Supervisory Board are liable to pay damages to the company in the event of a negligent breach of the duty of care. GRENKELEASING AG has concluded a directors' and officers' liability insurance policy with a reasonable excess.

Compensation Structure and Remuneration of Directors and Supervisory Board Members

The compensation system for directors provides for a fixed basic annual payment and a variable compensation component. Variable compensation is calculated with reference to the company's earnings for the current year and criteria which are of relevance for the company's long-term success.

The compensation paid to each of the directors is listed on page 127 in the Annual Report, broken down into fixed and variable components.

Stock Option Programs

The first employee stock option program (IPO stock option program) was launched in connection with the stock market flotation of the GRENKELEASING AG stock. A further stock option program followed in 2002. These employee stock option programs are intended to allow members of the Board of Directors and the other employees of the company and of its affiliated companies to directly participate in the future growth in corporate value.

The stock options exercised by directors and the valid options still held by directors as well as detailed information on our stock option programs are stated on page 122 and 124 of the Annual Report.

Supervisory Board Compensation

The compensation paid to members of the Supervisory Board was determined by the shareholder meeting and is set forth in Article 10 of GRENKELEASING AG's articles of incorporation.

In accordance with the articles of incorporation, the members of the Supervisory Board receive a fixed annual compensation of EUR 6,000, the Chairman receives EUR 9,000. On top of this, a variable component is paid if a dividend in excess of EUR 0.20 per share is paid to shareholders. In this case, the fixed compensation is increased by one quarter of the percentage by which the dividend per share exceeds the amount of EUR 0.20. The variable compensation component may be no more than 50% of a Supervisory Board member's fixed compensation. Supervisory Board members who sit on a committee receive an additional EUR 600 and the chairman of a committee receives EUR 900 each fiscal year.

The compensation paid to each of the Supervisory Board members is listed on page 126 in the Annual Report, broken down into fixed and variable components.

Accounting, Auditing and Financial Disclosure

The group accounts for the fiscal year from January 1 to December 31, 2006 are prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU. In addition, in preparing the consolidated financial statements and the group management report, the company must observe the provisions of Sec. 315 a (1) HGB and has done so. The audit of the consolidated financial statements was conducted pursuant to Sec. 317 HGB in compliance with the generally accepted German principles for the audit of financial statements adopted by the Institute of Public Auditors in Germany (IDW AuS 200).

The audit committee ensures that the auditor is independent and nominates an auditor to be elected by the shareholder meeting. The auditor is elected by the shareholder meeting in accordance with the relevant legal requirements.

Transparency and Shareholder Information

GRENKELEASING uses the internet to provide detailed and timely information to all shareholders, capital market participants, financial analysts, shareholders' associations and the media. We publish all ad hoc releases and press releases, annual and quarterly reports, and reports made in accordance with Sec. 15 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] in German and English. Our declarations of compliance with the Corporate Governance Code are published on our website.

Our shareholders can find information about the group, its management and organizational structure on the internet. The company's announcements are published in the electronic version of the Bundesanzeiger ["German Federal Gazette"].

At the annual general meeting, shareholders can watch the Directors' report and the general discussion on the internet. Company-appointed proxies can be asked to exercise voting rights, also in the shareholder's absence. The dates on which the regular financial reports are published are listed in the financial calendar.

We report in detail on the GRENKE share in the chapter entitled "The GRENKELEASING Stock in Market Year 2006" on page 44 of the Annual Report.

Shares Held by Directors and Supervisory Board Members

On December 31, 2006, the following shares (and options) were held by the directors:

Shares Held by Directors		Options Held by Directors**
Wolfgang Grenke	4,871,619*	0
Thomas Konprecht	330,730	0
Mark Kindermann	52,053	0
Michael Kostrewa	47,500	1,100
Shares Held by Supervisory Board		
Dieter Münch	75	
Prof. Dr. Ernst-Moritz Lipp	11,000	

* The Board of Directors has granted the following call options: Wolfgang Grenke: 150,000 shares

** Granted under the stock option program. Right to subscribe to one share per option.

Directors' Dealings

Declaration pursuant to Sec. 15a WpHG

The following transactions have been reported since January 1, 2006 (until December 31, 2006):

Director	Trading Day	Type of Security	ISIN	Type of Transaction	Number	Price/currency	Note
Wolfgang Grenke	16/06/06	GRENKE stock	DE0005865901	Sell	50,000	EUR 40.00	See 1.
	12/07/06	GRENKE stock	DE0005865901	Sell	100,000	EUR 43.92	See 2.
	08/08/06	GRENKE stock	DE0005865901	Buy	2,200	EUR 16.10	See 3.
Thomas Konprecht	16/06/06	GRENKE stock	DE0005865901	Sell	55,000	EUR 40.00	See 1.
	01/08/06	GRENKE stock	DE0005865901	Buy	1,650	EUR 16.10	See 3.
Mark Kindermann	16/06/06	GRENKE stock	DE0005865901	Sell	20,000	EUR 40.00	See 1.
	03/08/06	GRENKE stock	DE0005865901	Buy	1,100	EUR 16.10	See 3.
Michael Kostrewa	16/06/06	GRENKE stock	DE0005865901	Sell	25,000	EUR 40.00	See 1.
	12/07/06	GRENKE stock	DE0005865901	Sell	12,100	EUR 48.44	

Member of the Supervisory Board	Trading Day	Type of Security	ISIN	Type of Transaction	Number	Price/currency	Note
Prof. Dr.	10/07/06	GRENKE stock	DE0005865901	Buy	5,000	EUR 48.73	
Ernst-Moritz Lipp	02/11/06	GRENKE stock	DE0005865901	Buy	6,000	EUR 31.39	

1. Stock sold as a result of the exercise of the option pursuant to our notification dated December 8, 2004.
2. Stock sold as a result of the exercise of the option pursuant to our notification dated July 11, 2005.
3. Acquisition under the employee stock option program

All transactions have been published on the company's website at www.grenkeleasing.de – Directors' Dealings.

Financial Control and Risk Management

The risk management system at GRENKELEASING AG has the function of systematically identifying, assessing, documenting and disclosing risks. It is designed to enable employees and management to address risks responsibly and make the most of the opportunities that present themselves.

The risk management system introduced in 2003 was extended further in fiscal year 2006 and is operated using a risk management tool on the GRENKELEASING group's intranet. The function of the risk management system and the result of measures taken are reviewed by the internal audit department. The internal audit department reports directly to the Board of Directors.

Please see page 68 of the Annual Report for details of the risk management system.

The Board of Directors and the Supervisory Board of GRENKELEASING AG declare in accordance with Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] in conjunction with Sec. 15 EGAktG ["Einführungsgesetz zum Aktiengesetz": Introductory Act of the German Stock Corporation Act]:

GRENKELEASING AG complies with all of the recommendations made by the Government Commission on the German Corporate Governance Code in the version dated June 2, 2005.

Baden-Baden, Germany, January 23, 2007

Declaration of Compliance

GRENKELEASING AG

The Board of Directors and the Supervisory Board of GRENKELEASING AG made the following declaration of compliance on July 10, 2006:

The Supervisory Board

The Board of Directors

GLOSSARY

ABCP Program

Abbreviation for "Asset-backed commercial paper program". Under ABCP programs, companies such as leasing companies sell their receivables to a special-purpose entity which issues interest-bearing securities to investors through the capital market. Interest and the principal payments on these securities are made using the cash flows from the assigned receivables on these securities.

ABS bond

Type of refinancing with which several tranches of bonds with different ratings (risk classes) are issued by the SPE. The size of the best-rated tranche is a reflection of the quality of a company's leasing portfolio and risk management and directly impacts the cost of this type of financing.

Asset-Broker

GRENKELEASING sells used leased assets in Germany, France, Austria, and Switzerland via its internet portal www.asset-broker.com. Our specialist dealer partners can also use the portal to sell their own demonstration equipment or used goods.

BDL

German Leasing Association ["Bundesverband Deutscher Leasingunternehmen e.V.": BDL], Berlin, www.leasing-verband.de

BITKOM

German Association for the Information Industry ["Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V."], Berlin, www.bitkom.org

Contribution margin/M

The contribution margin (M), also known as gross profit, is a corporate cost accounting term. The contribution margin is the contribution which, for example, a product makes to cover the fixed costs and generate a net profit.

It is calculated as the difference between revenue and the variable costs attributable directly to the product. At GRENKELEASING, contribution margin 1 is calculated on the basis of the present value of the interest spread less commissions to third parties. Contribution margin 1 is used to calculate the financial result during the course of the contract and is therefore a key indicator of the profitability of new business.

Cost-income ratio

The cost-income ratio presents the relationship between expenses and income. Contrary to the approach normally taken by bank analysts, we deduct the cost of loss settlement/risk provisioning from revenue, even if this results in a less favorable ratio. This is because in the leasing market higher revenues would be possible if greater risks were taken, but this should not result in an improved cost-income ratio.

We therefore determine the cost-income ratio as the ratio between the total of all costs (less measurement expenses and taxes) and income, comprising the net interest income from the leasing business after loss settlement, earnings from insurance business, earnings from new business, profit from disposals, other operating income and net interest income (from non-leasing business).

D.A.S basic

The D.A.S. basic rental agreement is for assets with meters such as copiers or printers. An invoice is calculated on a per-page basis. For this type of contract, the basic rental fee already includes a specified number of free copies or print-outs. The customer is sent a bill for the additional copies/print-outs at the end of the invoicing period.

D.A.S. direct

Under this subletting agreement for assets with meters, the specialist dealer acts as lessor vis-à-vis the customer. This provides the customer with support and financing consulting from one source. An invoice is calculated on a per-page basis. The basic rental fee already includes a specified number of free copies or print-outs.

D.A.S. vario

The D.A.S. vario rental agreement is suitable for equipment with meters. The customer only pays for actual use of the equipment during the invoicing period and is invoiced on a per-page basis. "vario" signifies the variability of the contract with regard to term and monthly purchase quantities. There is no minimum purchase of copies/print-outs or a minimum term.

DAX/DAX30

The DAX index is calculated by the Frankfurt Stock Exchange and comprises the prices of the 30 top-selling German stocks. It is the most closely watched indicator of the development of prices on the German stock markets.

Debt issuance program

The debt issuance program is a flexible refinancing program with standardized documentation. It enables issuers to cover their financing needs by borrowing various currencies and volumes and with varying terms. Within the scope of this program (long-term issue), bonds can be issued on the stock exchange or off the floor. The interest rate is fixed or variable. Depending on the volume, the bonds are placed by one or more dealer banks. The participating banks do not usually assume any underwriting risk. The issuer bears the placement risk.

DISPO framework agreement

Major customers who invest regularly in new equipment conclude a framework agreement with

GRENKELEASING and benefit from standardized, attractive terms within that framework. The agreed leasing volumes can also be drawn on in individual tranches by customers. Hence, customers benefit from favorable terms, lower costs and greater flexibility.

EBIT

Earnings before interest and taxes

EBT

Earnings before taxes

Embedded value

The calculation method for embedded value originated in the insurance industry and is also applicable to leasing companies. Contrary to the trading business, income from lease contracts concluded as of the balance sheet date is not generated immediately, but rather during the term of the contract. The embedded value is the present value of future income from the leasing portfolio and the value of equity without taking future new business into account. The estimated expenses are deducted from the present value of income as of the balance sheet date and supplemented by equity.

Euro STOXX

The European stock index comprises 50 representative stocks from member countries of the European Monetary Union. In addition, the STOXX 50 index comprises 50 blue-chip stocks from all across Europe.

Factoring

Factoring is a financial service for the purpose of short-term sales financing. The factor buys the factoring customer's receivables due from its debtor and collects them directly from the debtor. In return for relinquishing the receivables, the factor immediately pays the factoring customer a sum based on the value of the receivable.

Flex PLUS Leasing

This type of contract has a monthly lease payment which is calculated by dividing the acquisition price by the term of the lease in months. Interest and charges are paid after the end of the contract term once the customer chooses whether to extend the lease by six months or make a final payment of six monthly installments. GRENKELEASING then sells the equipment in its own online market "Asset Broker" and passes on 100% (maximum of six monthly installments) of the proceeds to the customer. Ideally, the customer enjoys 0% financing.

Franchise system

In this sales system, the franchisor provides its partners with a license to independently manage its own operations, but remains responsible for the delivery of goods and for advertising. This system is based on franchise agreements which define marketing, business policies, product range and much more. The legally independent franchisee thus benefits from a reputable company name and long-term sales experience. The franchisor can sell its products or services on other market without employing its own capital.

GRENKELEASING's franchise system, which was introduced in 2003, covers the markets in the UK, Poland, Norway and, since 2006, Hungary. There are active franchise partners in Germany which provide factoring and vehicle leasing services. Neither the parent company nor any subsidiary holds a direct or indirect interest in the franchise companies, nor does the management of GRENKELEASING AG hold any direct or indirect interest in any of the franchise companies.

Ifo Institute

["Institut für Wirtschaftsforschung e.V."]

The ifo institute is one of the largest economic research institutions in Germany which regularly publishes

economic research results (www.cesifo-group.de).

IFRS

The International Financial Reporting Standards (IFRSs) are external reporting regulations developed by the International Accounting Standards Board (IASB), an independent private body. The IFRSs, formerly known as the International Accounting Standards (IASs), comprise the standards themselves and the interpretations by the International Financial Reporting Interpretations Committee (IFRIC), formerly known as the Standing Interpretations Committee (SIC). As of fiscal year 2005, the application of these standards is compulsory for publicly traded companies with their registered office in the European Union (EU) in the form endorsed by the EU.

IT Asset Management

Customers who conclude a DISPO framework agreement (see above) are also offered active support for their IT infrastructure (inventory and cost management) in the form of our IT Asset Management tool ("ITAM"). This web-based software facilitates the management of the customer's entire asset portfolio using a standard platform.

ITC Market

IT and telecommunications market

MDAX

The MDAX stock index comprises the stocks of 50 companies from classic sectors which, in terms of size and market capitalization, rank immediately below the companies included in the DAX index. The MDAX index therefore contains medium-sized companies, or mid-caps. These may include German and foreign companies, as long as they are listed in the Prime Standard.

New business

New business includes the acquisition cost of all assets from lease and hire purchase contracts which were

concluded for the first time during the reporting period. This also includes the acquisition cost of assets newly acquired by franchise partners.

Prime Standard

The Prime Standard is a listing standard of the Frankfurt Stock Exchange with transparency requirements for issuers which exceed those of the General Standard (e.g. quarterly reports, international accounting standards). A listing in the Prime Standard is a requirement for a listing on one of Deutsche Börse's selective indices such as the DAX, MDAX, TecDAX, or SDAX. GRENKELEASING AG is listed in SDAX.

Rating

Rating agencies rate the creditworthiness of an issuer over long and short-term periods using a standard rating method. "AAA", for example, is the highest solvency rating, and "C" or "D" indicates a low probability of payment. The leading rating agencies are Moody's and Standard & Poor's.

ROE

Return on equity

ROE is calculated by determining the ratio of net income for the year to equity. The indicator gives the shareholders information about the return on invested capital.

Scoring system

A scoring system is used at leasing companies to determine the creditworthiness of a potential lessee. Using a statistical calculation, the probability of default is determined for a new lease agreement, which forms the basis for a decision as to whether or not to accept the application for a lease.

Since 1994, GRENKELEASING has assessed the creditworthiness of its lessees using a scoring system, based on external sources of information, e.g. the credit

rating agency Creditreform, and supplemented by its own database. Each potential lessee receives a score which ultimately sways the decision as to whether or not a lease agreement is concluded.

SDAX

The SDAX index contains the 50 largest and most liquid companies from classic sectors ranking just below the MDAX. These may include German and foreign companies, as long as they are listed in the Prime Standard. On January 1, 2003, GRENKELEASING was admitted to the Prime Standard and listed on the SDAX as of February 11, 2003. This new regulation became effective as of March 24, 2003.

Small caps

Small companies which do not belong to the highly traded companies of the main indices.

Small-ticket IT leasing

In this market segment, equipment such as notebooks, personal computers, monitors and other peripheral devices, smaller networks, software and telecommunications, backup and copier technology normally costing up to EUR 25,000 are leased.



Grossmünster, Zurich

06

ZURICH – DOWNTOWN SWITZERLAND

The third GRENKELEASING sales branch office in Switzerland was opened in Zurich in 2005; the head office was then moved from Basel to Zurich in 2006. In 1999, Basel was chosen as the location for the first branch office in Switzerland due to its proximity to head office in Baden-Baden, Germany; a branch office was then opened in Lausanne in 2004 which catered for customers in the French-speaking area of Switzerland.

Today, with nine employees, Zurich is the Swiss head office and is responsible for all administrative matters. The trilingualism of Switzerland and its various cultures posed a major challenge in terms of communication, contract design and IT solutions from the outset. The success with which the company has overcome these hurdles is reflected in its positive business development. GRENKELEASING has been the market leader in the small-ticket IT leasing sector in Switzerland, where it was the first leasing company to provide such services, since 2004.

The largest city in Switzerland is a real economic engine. Zurich's rise to become the country's economic center began in the 18th and 19th century with the textile industry. Following the establishment of a number of banks and insurance companies, the focus then shifted to the financial and services sector over the course of time. Low tax rates and high quality of life act as magnets and have contributed to the fact that more than 30% of the almost 370,000 inhabitants are foreign nationals.



GRENKELEASING AG, BADEN-BADEN GROUP MANAGEMENT REPORT FOR FISCAL YEAR 2006

1 Course of Business in 2006

1.1 Corporate Structure and group Affiliations

The GRENKELEASING AG group traces its origins back to a sole proprietorship founded in 1978.

In 1979, this sole proprietorship was contributed to a limited partnership, GRENKELEASING KG in Baden-Baden, Germany. Over the years, other companies were added, over which Wolfgang Grenke had a controlling influence. In 1993, these companies were restructured and merged into a group, and consolidated financial statements were then drawn up for the first time.

At the end of 1997, the shareholders founded GRENKELEASING AG (hereinafter also referred to as the "AG") and Grenke Investitionen Verwaltungs Kommanditgesellschaft auf Aktien (hereinafter also referred to as the "KGaA"). The AG and the KGaA are two separate legal entities in a unitary enterprise, the AG being the operating company and the KGaA the holding company. Their foundation was geared toward concentrating the activities of the group in Germany in these two companies.

In the fall of 1997, in collaboration with Hewlett-Packard, the group invested in a foreign operating company, GRENKELEASING AG, Vienna, Austria, for the first time. In the same way, the second operating company abroad commenced operations in Switzerland in the fall of 1999. This was followed by GRENKE LOCATION SAS (formerly GRENKE LOCATION S.A.) in Schiltigheim near Strasbourg, France, in November 1999.

In August 2000, GRENKELEASING AG took over the internet service provider and software developer haberichter.net GmbH by way of a share-swap deal. haberichter.net was merged with Weblease Leasing GmbH (now WEBLEASE NETBUSINESS AG) in fiscal year 2001 in order to offer all internet services from one company.

WEBLEASE NETBUSINESS AG ("WEBLEASE") will continue to operate as an independent operating company in Germany due to its function as a virtual leasing company until current lease contracts and the new business generated in the first half of 2005 have been wound up completely. Since the second half of 2005, it has only concluded new contracts in the name of and for the account of GRENKELEASING AG. Online business activities were also performed by GRENKELEASING AG in 2006, but will be resumed in 2007.

The AG acquired 100% of the shares in MAUDEN S.p.A., Milan, Italy, by way of purchase agreement dated February 6, 2001. In a purchase agreement dated June 5, 2001, the AG acquired 100% of the shares in EKOMA s.r.o., Prague, Czech Republic, which was renamed GRENKELEASING s.r.o. in 2005. The formation of GRENKE ALQUILER S.A., Barcelona, Spain, was notarized on October 30, 2001. The AG holds 100% of the shares.

The AG also acquired 100% of the shares in ZOOPLUS.COM AG, Unterföhring, Germany, by way of purchase agreement dated December 4, 2001. The company changed its name to GRENKE Locazione S.r.l. and moved its registered office to Milan, Italy.

In fiscal year 2002, the following subsidiaries were founded: GRENKELEASING ApS, Herlev, Denmark, Grenkefinance N.V., Vianen, Netherlands (previously Maasbree, Netherlands), and GRENKE LIMITED, Dublin, Ireland. These were followed in 2003 by GRENKE FINANCE Plc., Dublin, Ireland, GRENKE LEASING S.r.l., Milan, Italy, and GRENKELEASING AB, Stockholm, Sweden, and GRENKE LEASE SPRL, Brussels, Belgium, which was founded in 2005.

In the UK, Poland, Germany, Norway and Hungary, we use a franchise system. The companies in Guildford, near London, UK, and Poznan, Poland, commenced operations in 2003 on the basis of a franchise agreement. GRENKELEASING AS, Oslo, Norway, concluded a franchise agreement on May 12, 2005. GRENKELEASING AG provides the expertise, the operational infrastructure, services and the right to

use its name. This allows us to limit the costs during the start-up phase and increase the public awareness of the GRENKELEASING AG group. In 2005, the group supplemented its product range with factoring, and vehicle leasing services, which are also offered through franchise partners. The newly acquired partners, GRENKE AUTOLEASING GmbH and GRENKE FACTORING GmbH signed a franchise agreement with GRENKELEASING AG on April 19, 2005 and June 26, 2005, respectively. In fiscal year 2006, an agreement was entered into for the south of Germany with another franchise partner, Kazenmaier FleetService GmbH, Karlsruhe, Germany. This addition expands the company's portfolio, particularly in the vehicle segment. The company also expanded to the east of the EU by signing a franchise agreement with GRENKELEASING Magyarország Kft./Rt., Budapest, Hungary.

The GRENKELEASING AG group thus offers its services in 16 countries through 11 subsidiaries and 7 franchise partners.

1.1.1 Group Profit and Loss Transfer Agreements

GRENKELEASING AG, Baden-Baden, Germany, concluded domination and profit and loss transfer agreements with Grenke Investitionen Verwaltungs KGaA, Baden-Baden, Germany, and WEBLEASE NETBUSINESS AG, Baden-Baden, Germany, in 2001 and 2002, respectively. The domination and profit and loss transfer agreement with WEBLEASE NETBUSINESS AG, Baden-Baden, Germany, was terminated with effect as of December 31, 2005.

1.1.2 GRENKELEASING AG's Corporate Governance Principles

The principles of value-oriented and transparent management and controls have acquired increased significance in the assessment and valuation of listed companies. Under the German Transparency and Disclosure Act ["Transparenz- und Publizitätsgesetz": TransPuG], all listed companies are also obliged to disclose their compliance with, and any deviation from, the requirements of the German Corporate Governance Code. The Board of Directors, Supervisory Board and managers of GRENKELEASING AG identify with these

principles and consider corporate governance obligations an important measure to increase the confidence of current and future customers, shareholders, lenders, employees, business partners and the public. The German Corporate Governance Code was amended on June 2, 2005. On July 10, 2006, the Supervisory Board and Board of Directors once again unanimously approved the declaration of compliance of the German Corporate Governance Code dated June 2, 2005 in full.

The company's corporate governance principles and declaration of compliance are published in full on the GRENKELEASING AG website (www.grenkeleasing.com) in German and English.

1.2 Significant Events During the Fiscal Year

Following a review of GRENKELEASING AG in the spring of 2003, the rating agency Standard & Poor's gave the company a counterparty rating of "BBB+" for non-current liabilities and an "A-2" for current liabilities, with a stable outlook. Standard & Poor's updated and reconfirmed its rating on October 4, 2006.

On October 30, 2003, the GRENKELEASING AG group broadened its refinancing base by issuing a debut bond. A bond of EUR 200m with a term of three years and a coupon of 4.5% was placed under the lead of Deutsche Bank AG. The bond was repaid on time on October 30, 2006.

The bond was part of a Debt Issuance Program (DIP) with a total volume of EUR 500m, which provides a standardized framework for future borrowings. Under this program, a fixed-rate bond with a volume of EUR 100m and a three-year term and a floating-rate bond with a volume of EUR 100m and a 1.5-year term were issued in fiscal year 2006. The program was updated with effect as of January 6, 2006 and confirmed by the Finance Sector Supervisory Committee ("Commission de Surveillance du Secteur Financier": CSSF). The update for 2007 is currently underway and expected to be confirmed by the CSSF in February 2007.

Effective August 4, 2006, the company placed its first asset-backed security bond of EUR 250m via the special purpose entity GOALS 2006-1 Limited (GRENKE Ongoing Asset Lease Securitization, hereinafter referred to as "GOALS") and thus gained access to a highly liquid and stable refinancing market with attractive conditions. With this type of financing, several tranches of bonds with different ratings (risk classes) are issued by the special purpose entity. 85% of the bond was given the highest rating by both Standard & Poor's (AAA) and Moody's (Aaa). The size of the best-rated tranche is a reflection of the quality of the leasing portfolio as well as risk management and directly impacts the cost of this type of financing.

Through its subsidiary, GRENKE FINANCE Plc., Dublin, Ireland, GRENKELEASING also set up three revolving loan facilities of EUR 30m each at Deutsche Bank AG, WestLB and SEB Bank AB on September 18, 2006. The facilities can be drawn on for a one-month term in each case; EUR 40m had been utilized as of December 31, 2006.

The tax filings of the German companies were audited up to 1999. The tax field audits for the assessment periods as of 2000 began in the second half of 2006. The required data was submitted to the auditors at the start of the audit. The audit procedures have not yet been completed. No results or preliminary results are available yet.

At the French company, GRENKE LOCATION SAS, Schiltigheim, France, the audit of fiscal years 2003 and 2004 was completed in spring 2006. A mutual solution regarding the allocation of intragroup two-tier financing is being sought with the tax authorities within the scope of a mutual agreement procedure. Tax assessment notices are not expected until mid-2007.

1.3 Economic Conditions and Industry Performance

The economic climate in Europe developed well in 2006 after 2005's poor performance. Experts are forecasting growth of around 3%. Thanks to the impetus from foreign trade, the share of growth from Germany has

been able to compensate for the dip in domestic demand. Besides the rather moderate contributions to EU growth from the heavyweights Germany, UK, France and Italy, the new EU members are expected to make significant contributions as a result of economic catch-up effects and their domestic demand.

At the time of writing, the upturn looked likely to continue into 2007. The Ifo Institute is anticipating a significant increase in economic activity in Europe. There are also more and more positive indications for growth in Germany. This growth is primarily being driven by foreign demand, which is expected to increase considerably due to the positive international environment and the fact that the euro-dollar exchange rate has improved again. In addition, the gradual increase in gross fixed capital formation in Germany also indicates an upturn in the domestic economy. However, in 2007, extensive tax law changes and rising duties may dampen German domestic demand, thereby slowing down economic development in Germany. A continued drop in oil and gasoline prices and the rate of inflation would have a positive effect on the German economy. Growth of 1.8% has been predicted for the domestic market by the German Council of Economic Experts; the German Council also predicts a positive economic outlook in its annual report.

At more than 3%, growth in the IT and telecommunications sector was stable in 2006. The European Information Technology Observatory (EITO) expects similar growth for 2007. The internet and mobile and fixed-network data services are expected to be the strongest fields of growth in 2007, alongside software and IT services.

The companies of the GRENKELEASING AG group also seized their market opportunities in the fiscal year. By focusing on small-ticket IT leasing, brand independence, flexibility, a high degree of automation and strategic partnerships with retailers and manufacturers, the group, including franchise operations, was able to increase new business by 9.8%. We intend to continue this success in the new year.

1.4 Financing

The KGaA's rent receivables are sold to financial institutions through special purpose entities under three ABCP programs (asset backed commercial paper programs) or to GRENKE FINANCE Plc. (factoring). The agreements secure financing of new business for several years even when volumes rise. Despite an increasing volume of new business, only 34% of the ABCP programs had been utilized as of December 31, 2006. The programs are revolving, i.e. repaid refinancing can be replaced by new refinancing.

The ABCP refinancing of some leased assets was replaced by financing via an ABS bond of EUR 250m, which was placed by the special purpose entity, GOALS.

Further funds can be raised by GRENKE FINANCE Plc. under the Debt Issuance Program, by issuing borrower's note loans or through the revolving loan facility. High equity continued to give us sufficient financial leeway.

1.5 Personnel/Stock Option Programs

Due to the brisk expansion of our network of branch offices, the average number of employees (excluding the Board of Directors) rose from 339 in 2005 to 384 in 2006. An increase of 49 employees is planned for 2007. Group-wide, staff turnover stood at 13.56% in the fiscal year.

The group attaches great importance to training for its employees. Thus, for example, 43 employees successfully completed their training at the Verwaltungsakademie in Freiburg to become Leasing- und Finanzierungswirte (certified leasing and financing consultants). A further five employees are currently attending the same course.

Since October 2004, GRENKELEASING AG, together with its subsidiaries in Switzerland and France, has been training students of Berufsakademie Lörrach. There are currently nine students studying for degrees in international business management, (a 3.5-year program), and three students studying for degrees in commercial computer science (a 3-year program). The company is planning to create more trainee positions for these subjects in 2007. The company also offers two apprenticeships for office clerks and two apprenticeships in dialog marketing.

The stock options issued under the second employee stock option program of 2002 reached the exercise target in 2004. All options were therefore exercised within the relevant vesting period. The last quarter of the options as well as those not exercised in prior years were also able to be exercised in three exercise periods in fiscal year 2006. The shares were offered at EUR 11.65 (first exercise period), EUR 16.10 (second exercise period), and EUR 18.94 (third exercise period). The remainder of the vested options can still be exercised in 2007, after the shareholders' meeting. The new shares were created from conditional capital and are listed for trading on the stock exchange.

1.6 Remuneration System for the Board of Directors

Total remuneration for the Board of Directors amounted to EUR 1,540k in the fiscal year (2005: EUR 874k). Remuneration for members of the Board of Directors includes fixed and variable components. The criteria for the variable components are determined and measured on the basis of a management bonus determined annually in advance based on the increase in EBT (earnings before taxes) and on a quarterly basis with retroactive effect based on a BSC (Balanced Score Card). This approach aims to enhance the value of the company in the long term. The members of the Board of Directors did not receive any stock options in the fiscal year or the prior year. Most of the stock options granted in the past were exercised in fiscal year 2006.

1.7 Investments

EUR 1,743k was invested in furniture and fixtures and intangible assets – mainly in information technology products in fiscal year 2006. Further payments on account of EUR 3,875k were made for the construction of new offices in 2006.

Besides updating the IT infrastructure, investments were primarily made in expanding branch offices in European countries other than Germany.

1.8 Sales and Customer Structure

GRENKELEASING AG mainly leases information technology products (hereinafter referred to as "IT"). It has focused on the cost-effective processing of leasing business involving relatively small transaction values (small-ticket IT leasing) and achieved a leading position in Central Europe in this market segment.

Due to the low acquisition costs involved and the consequently reduced contribution margin per contract, direct selling in the field of small-ticket IT leasing is hardly worth its while. This is why the leasing contracts predominantly come about by way of manufacturers and retailers (vendor programs). We

intend to exploit and expand the clear opportunities for growth, especially in other European countries, which this market segment presents over the years to come. A number of new products were developed in the fiscal year and made available to dealers to strengthen customer ties. Direct marketing and business with cooperation partners were also extended and supported.

The traditionally broad-based lessee structure continues to show no signs of change. No lessee has accumulated total liabilities of more than 2% of group equity. The average net acquisition value per contract is EUR 8,073 (prior year: EUR 7,427). The industry structure corresponds largely to the structure of the German economy.

A quality management system was set up with the particular aim of supporting customer focus. GRENKELEASING AG offers its entire range of services via the internet (www.grenkeleasing.com and www.weblease-europe.com). It has expanded its presence in France, Italy, the Czech Republic, Austria, Denmark, Spain, Sweden, Switzerland, Ireland, Belgium, and the Netherlands. Our business concept has also been implemented through a franchise structure in the UK and Poland since 2003, as well as in Norway since 2005 and Hungary since 2006. Furthermore, in 2005, franchise arrangements were entered into with German partners active in vehicle leasing and factoring. In 2006, another franchise company was won for vehicle fleet leasing.

Factoring and vehicle leasing contracts were concluded with franchise partners in Germany, adding new products to improve our customer focus.

Strategic sales partnerships have been developed further. GRENKELEASING AG renewed its partnership with IBM Global Financing in October 2005. The project provides a leasing program for small and medium-sized enterprises which facilitates IT financing for small and medium-sized customers which is even faster, simpler and more flexible. GRENKELEASING AG in Germany and

its subsidiaries in France, Spain, and Belgium will act as the service providers, processing lease contracts concluded under the IBM Financing Advantage.

We have also strengthened our longstanding and successful collaboration with Bechtle AG further.

1.9 Structure of the Supplier Base

The supplier structure continues to be broad based. No supplier has a share of new business larger than 4%.

2 Business Situation of the group

2.1 Shares

GRENKELEASING AG shares have been listed on the Frankfurt Stock Exchange since April 2000. The company has issued 13,679,679 shares. 40.27% of these are registered shares held by Mr. and Mrs. Grenke and their underage son, leaving a free float of 59.73% in 2006.

In 2005, the Chairman of the Board of Directors, Wolfgang Grenke, sold 150,000 shares in a warrant transaction; Directors Mark Kindermann, Thomas Konprecht, and Michael Kostrewa sold 20,000, 55,000, and 25,000 shares, respectively, off the floor. Directors exercised options issued under the stock option program to acquire a total of 6,050 shares. On December 23, 2005, the Chairman of the Board of Directors sold 100,000 shares in a warrant transaction linked to a share price (increase of 20.8% after one year) on a specified date.

In the reporting period, the Directors sold shares in off-the-floor warrant transactions. The Chairman of the Board of Directors, Wolfgang Grenke, sold 150,000 shares; Directors Mark Kindermann, Thomas Konprecht, and Michael Kostrewa sold 20,000, 55,000, and 25,000 shares, respectively. Michael Kostrewa also sold 12,100 shares at EUR 48.44 each on July 12, 2006 (no warrant transaction).

The Directors acquired a total of 4,950 shares by exercising options issued under the stock option program (W. Grenke: 2,200 shares, T. Konprecht: 1,650 shares, M. Kindermann: 1,100).

The Chairman of the Board of Directors sold shares in two transactions on April 10, 2006: 25,000 shares linked to a share price increase of 20.89%, and 75,000 shares linked to a share price increase of 22.81% after one year.

In addition, the Chairman of the Board of Directors and main shareholder of GRENKELEASING AG, Wolfgang Grenke, transferred 40,000 GRENKELEASING shares to Kulturstiftung Festspielhaus, Baden-Baden, Germany, and 675,000 GRENKELEASING shares to the non-profit foundation GRENKE-Stiftung, Baden-Baden, Germany, in 2004.

In addition to pursuing charitable purposes and promoting young people and sports development, the GRENKE foundation supports art and urban development projects in Baden-Baden, Germany. Another of its focuses is on promoting science and research into preventive medicine, in particular combating drug addiction.

The trend in new business in the third quarter weighed on the performance of the GRENKELEASING share price in 2006. Its performance also reflects the similarly subdued development in the leasing industry as a whole, which was negatively impacted by the general discussion of the inclusion of interest, rent and lease installments in the assessment base in the restructuring of corporate taxes. The overall interest rate trend and the resulting adjustment of conditions also played their part. The XETRA closing price was EUR 36.06 (prior year: EUR 48.30) on the last day of trading (December 29, 2006).

2.1.1 Liquidity

The solvency of group companies must be preserved at all times. The Board of Directors of GRENKELEASING AG thus attaches great importance to maintaining sufficient liquidity. The group's liquidity has risen further due to the growth in earnings. The AG manages the group's liquid assets for the group companies in a cash pool. The company has sufficient liquidity which it uses to finance other group companies.

2.1.2 Refinancing

Funding of the leasing business (new business) is secure for several years to come. Our direct financing partners are Deutsche Bank AG, Commerzbank AG and Stadtsparkasse Baden-Baden. The special purpose entities of the ABCP programs are assisted by Deutsche Bank AG (Rheingold), WestLB (Compass) and SEB AB (Kebnekaise). Private placements were made under the debt issuance program through Deutsche Bank, WestLB and HSBC. An additional form of refinancing was added in the shape of the placement of an ABS bond in 2006.

In keeping with the provisions of our quality management system, our financing arrangements are audited (avoidance of double financing; actual acquisition of the leased property) on a quarterly basis by independent auditors.

2.2 Results of Operations

Results

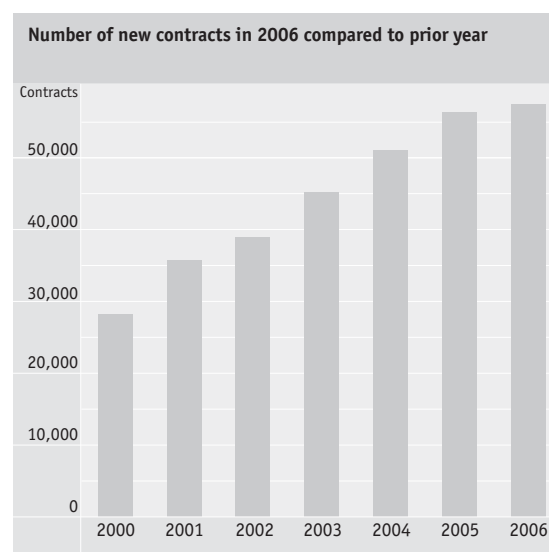
Group earnings from leasing (composed of net interest income after the loss settlement from the leasing business, profit from insurance business, profit from disposals, including follow-up leases, and profit from new business) increased year on year by EUR 6,352k or 8.2% (EUR 77,484k).

The cost-income ratio rose from 40.6% in the prior year to 43.4%. Earnings before other interest, measurement of financial instruments and taxes rose from EUR 46,772k in 2005 to EUR 48,066k in the fiscal year.

We generated a net profit for the year of EUR 30,510k (2005: EUR 29,027k), which is an increase of 5.1%. Earnings per share increased from EUR 2.13 in 2005 to EUR 2.23, thus by 4.7%

Conclusion of New Contracts

The number of new lease and lease-purchase contracts (including those concluded by the franchise companies in Germany (vehicle leasing and factoring), Poland, the UK, Norway and Hungary) rose from 56,450 in the prior year to 56,983, continuing the trend of the prior years:



64.5% of new business – in terms of the cost of the assets leased in new contracts – is attributable to Germany, and 35.5% to other countries. The development of new business in France was, once again, particularly pleasing in the fiscal year, increasing by 18.4%.

2.3 Net Assets and Financial Position

The group's net worth is characterized by a high proportion of lease receivables (80% of the balance sheet total as in the prior year) compared with a smaller proportion of refinancing liabilities (71.5% of the balance sheet total; prior year: 71.8%). The increase in non-current liabilities relates mainly to refinancing liabilities. In addition to the increased volume of ABCP financing, this is primarily due to the fact that the bond issued as part of the debt issuance program totaling EUR 170m was repaid in 2006. The development of lease receivables is directly connected to new business

2.4 Business Situation in the Regions

The foreign subsidiaries' efforts to open up markets have once again made a positive contribution to the group's growth compared to 2005. Additional foreign branches have increased our foreign presence. The subsidiaries in France and Switzerland in particular made a disproportionately high contribution to growth. The positive results in the Netherlands and Spain point toward a development similar to that in France and Switzerland. As a result of structural changes, business development slowed down in Denmark and the Czech Republic. The companies in the other countries are performing as planned.

2.5 Structure of Services and Leased Assets

In keeping with the group's basic strategy, we concentrate on office technology and communication equipment, especially IT systems, printers, software, photocopiers and telecommunications products. This specialization entails the risk of new business also being affected if product sales decline. This risk would,

however, seem to be well worth taking in view of the continued high demand for this technology, the fact that the share of lease financing used in such investments is still relatively low, and that a recovery is forecast for the IT industry.

3 Risk Management

The risk management system (RMS) at GRENKELEASING AG has the function of systematically identifying, assessing, documenting and disclosing risks. It is designed to enable employees and management to address risks responsibly and make the most of the opportunities that present themselves.

The risk management system introduced in 2003 was extended further in fiscal year 2006 and is operated using a risk management tool on the GRENKELEASING AG group's intranet. The function of the risk management system and the result of measures taken are reviewed by the internal audit department. The internal audit department reports directly to the Board of Directors.

3.1 Credit Risk

By credit risk, we mean the risk of non-payment of lease installments by lessees or interest and redemption payments by the franchisee. In the case of lessees, these non-payments always arise directly from a deterioration in the creditworthiness of the lessee after conclusion of the contract. In the case of the franchisees, non-payment by their customers can indirectly result in the franchisee being unable to make its interest and redemption payments. These risks could be hedged using credit derivatives or traditional credit insurance strategies. Such instruments have not been used to date due to GRENKELEASING AG's many years of experience and proven performance in this area of risk management. This also essentially applies to the financing of franchisees as receivables from their end customers are assigned as security within the scope of the financing of the franchisee.

Since 1994, we have assessed the creditworthiness of our lessees using a scoring system. The quality of this system has been substantiated by the level of loss experienced since its implementation. A quarterly review of losses is carried out by automated database queries. The scoring system is being enhanced on an ongoing basis by specialist staff.

3.2 Counterparty Risk

The diversification of retailer relationships helps mitigate this risk. Retailers are assessed on a systematic basis. This procedure is part and parcel of our quality management system; it is evaluated on a quarterly basis.

3.3 Operational Risk

Our business processes are documented in our quality management manual and are updated on an ongoing basis. TÜV Management Service GmbH issued the company with DIN EN ISO 9001:1994 certification in 1998. Our quality management was tested and certified in 2006 by Technical Control Association officers from TÜV Management Service GmbH in accordance with the new standard DIN EN ISO 9001:2000.

In addition to the German branches, the branches in Austria, France and Switzerland as well as Grenke Investitionen Verwaltungs KGaA, which is in charge of asset sales, have also been certified.

GRENKELEASING's quality management is an important factor in ensuring the quality of our services and the satisfaction of customers and business partners. Consistent and ongoing improvement is part of our corporate philosophy. The Board of Directors regularly assesses the effectiveness of the management system and any corrections are made on a timely basis.

The current audit report confirms that GRENKELEASING AG has an exemplary management system, operated to a high standard. According to the report, the requirements of ISO 9001:2000 are met in full.

Any original leasing contracts which have not been scanned in are kept in fireproof cabinets/safes. Thus, even in the event of damage to property (caused by fire, etc.), sufficient precautions have been taken.

Contract data is stored and updated in our IT system, mainly using specially developed programs. In-house development of programs is part and parcel of our quality management system. Original contract data is stored both in branch offices as well as in the central contract management division in Baden-Baden, Germany. Automatic backup programs and automatic power-interruption facilities safeguard data maintenance. IT systems play an important role in the processing and management of our leasing business, and, as such, IT organization and processes are subject to regular internal review.

3.4 Contractual Risk

Contractual risk relates to risks to net assets and earnings as a result of open residual values. Contractual risk is limited by the fact that the majority of the contracts concluded by the company provide for full cost recovery. As a rule, no maintenance or warranty risks are entered into.

3.5 Sales Risk

Ongoing marketing measures serve to mitigate sales risk.

These include:

- ▶ Gathering information
- ▶ Product development
- ▶ Procedural improvements
- ▶ Developing sales channels

3.6 Interest Rate Risk

Over the term of a contract, the lease payments are subject to price risk determined by interest rates. Refinancing for almost the same period is achieved through the sale of receivables. This ensures that the interest charge for GRENKELEASING AG is fixed and known at any point in time. There are no matching terms for the sales of receivables under the ABCP programs and the injection of funds through private placements. Exposure to rising interest rates is hedged by interest rate derivatives in accordance with the rules set out in our financial risk strategy. The company bears the interest risk for self-financed contracts or contracts with advance financing.

3.7 Currency Risk

To finance the office building in Baden-Baden, Germany, the company raised a loan in Swiss francs. This loan is not hedged. Due to the amount and the development of the EUR/CHF exchange rate, the currency risk is immaterial. Additional foreign currency risks may arise in the refinancing of franchise partners in the UK, Poland, Norway and Hungary as well as the subsidiary in the Czech Republic. In order to mitigate these risks, exchange rates are hedged using derivatives in line with the rules in our financial risk strategy. The group does not make speculative foreign currency transactions.

3.8 Country Risk

The risks that could arise from the different legal systems in each country are identified with the help of local legal and tax advisors and are taken into consideration in the lease contracts. The business model is adjusted accordingly.

3.9 Risk Summary

The risk management system is appropriate and suitable for recognizing significant risks at an early stage.

Sufficient precautions have been taken to offset credit risk, counterparty risk and similar risks arising from our leasing business. The corresponding write-downs, valuation adjustments, and accruals disclosed in the annual financial statements were computed at an appropriate level using conservative benchmarks.

With respect to the future development of GRENKELEASING AG, there are no particular business-related risks beyond the normal range.

4 Additional Disclosures

4.1 Events of Particular Significance after the Close of Fiscal Year 2006

At the time of this report, there had been no events of particular significance after the close of fiscal year 2006.

4.2 Overview of group Companies and Branch Offices

For further details on companies belonging to the GRENKELEASING AG group, please also refer to the table of consolidated companies in the notes to the consolidated financial statements. GRENKELEASING AG has its head office in Baden-Baden, Germany, and branch offices in Berlin, Bremen, Düsseldorf, Dortmund, Dresden, Erfurt, Frankfurt am Main, Hamburg, Hanover, Cologne, Leipzig, Magdeburg, Mannheim, Memmingen, Mönchengladbach, Munich,

Nuremberg, Stuttgart and Rostock, all in Germany. GRENKELEASING AG has a - direct or indirect - 100% shareholding in WEBLEASE NETBUSINESS AG, Baden-Baden, Germany, GLG Grenke-Leasing GmbH, Baden-Baden, Germany, and Grenke Investitionen Verwaltungs KGaA, Baden-Baden, Germany.

As of the balance sheet date, GRENKELEASING AG directly held all of the shares in the following foreign companies:

- ▶ GRENKELEASING AG, Vienna, Austria,
- ▶ GRENKELEASING AG, Zurich, Switzerland,
- ▶ GRENKELEASING s.r.o., Prague, Czech Republic,
- ▶ GRENKE ALQUILER S.A., Barcelona, Spain,
- ▶ GRENKELEASING ApS, Herlev, Denmark,
- ▶ Grenkefinance N.V., Vianen, Netherlands, (previously Maasbree, Netherlands)
- ▶ GRENKE LIMITED, Dublin, Ireland,
- ▶ GRENKE LOCATION SAS, Schiltigheim, France,
- ▶ GRENKE FINANCE Plc., Dublin, Ireland,
- ▶ GRENKELEASING S.r.l., Milan, Italy,
- ▶ GRENKE Locazione S.r.l., Milan, Italy
- ▶ GRENKELEASING AB, Stockholm, Sweden.

It also has a direct share of 99.93% and an indirect share of 0.07% in GRENKE LEASE SPRL, Brussels, Belgium.

4.3 Anticipated Development

As the market leader in the small-ticket IT leasing segment, we aim to continue to exploit our economies of scale, optimize productivity and profitability and thus secure our cost leadership. In Germany and abroad, we are increasingly focusing on further expansion with the help of the GRENKELEASING franchise system, which will aid not only our geographical expansion, but also allow us to complement our service offering with, for example, factoring and vehicle leasing. There is also potential for growth in those new eastern European members of the EU which have a stable political system. In central Europe, GRENKELEASING AG has established itself as a successful entrepreneurial group among medium-

sized companies in recent years. The aim is to carry this success over to our further European expansion and positively shape the development process. We expect our positive development in this area to continue over the next two years.

The ongoing centralization of administrative tasks is a crucial prerequisite for exploiting additional economies of scale. In doing so, we will maintain our high standards of quality for our own services.

In both 2007 and 2008, the Board of Directors aims to achieve total growth of approx. 10% in new business on the back of the positive trend in international activities and new products. As in 2006, we expect interest rates to climb further and thus push down the interest result in 2007. In view of the planned investments in further market penetration, especially abroad, net profit for fiscal year 2007 will remain at roughly the level of 2006. We expect the group to again approach double-digit earnings growth from 2008 onwards.

Baden-Baden, Germany, January 23, 2007

GRENKELEASING AG

The Board of Directors

FACTS AND FIGURES

GRENKELEASING AG, BADEN-BADEN

CONSOLIDATED INCOME STATEMENT FOR FISCAL YEAR 2006

	Note	Jan. 1. - Dec. 31, 2006	Jan. 1. - Dec. 31, 2005
EURk			
Income from interest on lease receivables	3.1	89,299	82,100
Expenses from interest on refinancing liabilities	3.2	27,603	21,480
Net interest income from leasing business	3	61,696	60,620
Expenses from settlement of claims	4	15,148	16,124
Net interest income after settlement of claims from leasing business		46,548	44,496
Income from insurance business		17,090	15,221
Expenses from insurance business		1,862	1,553
Profit from insurance business		15,228	13,668
Profit from new business	5	18,875	15,871
Income from disposals		12,627	11,397
Expenses from disposals		9,442	7,948
Profit from disposals	6	3,185	3,449
Other operating income	7	879	852
Personnel expenses	8	20,468	17,486
Operating expenses		4,744	3,979
Administrative expenses		2,631	2,478
Consulting and audit fees	9	2,349	2,068
Distribution costs (without commissions)		3,183	2,874
Amortization/ depreciation	11	1,821	1,609
Other operating expenses		892	640
Other taxes		561	430
Profit/ loss from ordinary operations		48,066	46,772
Income from the fair value measurement		44	-393
Other interest income		1,048	799
Other interest expenses		1,341	1,425
Net profit for the period before taxes		47,817	45,753
Income taxes	12	4,661	15,218
Deferred taxes	12	12,646	1,508
Net profit for the period		30,510	29,027
Profit attributable to equity holders of the parent		30,510	29,027
Earnings per share (basic)	13	2.23	2.13
Earnings per share (diluted)	13	2.23	2.13
Average shares outstanding (basic)	13	13,652,642	13,625,560
Average shares outstanding (diluted)	13	13,666,537	13,632,986

GRENKELEASING AG, BADEN-BADEN

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2006

Assets	Note	Dec. 31, 2006	Dec. 31, 2005
EURk			
Current assets			
Cash on hand and balances with banks		46,421	55,677
Financial assets	14	1,804	374
Lease receivables	15	364,529	326,783
Trade receivables	16	2,454	1,471
Lease assets for sale		12,333	13,483
Tax receivables	17	13,146	3,578
Other current assets	18	34,949	20,190
Total current assets		475,636	421,556
Non-current assets			
Lease receivables	15	580,684	534,045
Property, plant and equipment	19	28,093	23,656
Intangible assets	20	2,885	2,568
Deferred tax assets	22	16,799	20,094
Other non-current assets	21	75,874	72,848
Total non-current assets		704,335	653,211
Total assets		1,179,971	1,074,767
Liabilities and equity			
Liabilities			
Current liabilities			
Liabilities from the refinancing of lease receivables		222,273	341,011
Trade payables		11,696	6,917
Tax liabilities	23	1,196	3,728
Provisions	24	1,316	1,318
Current portion of non-current bank liabilities		1,498	614
Financial instruments with negative fair value	25	1,206	1,039
Other current liabilities		6,536	3,646
Deferred lease payments		42,371	56,316
Total current liabilities		288,091	414,589
Non-current liabilities	26		
Liabilities from the refinancing of lease receivables		621,878	430,587
Non-current bank liabilities, less the current portion		9,617	4,710
Deferred tax liabilities	22	57,079	47,500
Other non-current liabilities		1,626	1,239
Total non-current liabilities		690,200	484,036
Equity	27		
Capital stock		17,486	17,440
Capital reserve		60,052	59,485
Revenue reserves		1,919	705
Currency translation		-511	-274
Hedging reserve		1,310	-192
Pension reserve		-36	-8
Retained earnings		121,460	98,986
Total equity		201,680	176,142
Total liabilities and equity		1,179,971	1,074,767

GRENKELEASING AG, BADEN-BADEN

CONSOLIDATED CASH FLOW STATEMENT FOR 2005 AND 2006

EURk	Jan. 1. - Dec. 31, 2006	Jan. 1. - Dec. 31, 2005
Net profit for the period before taxes	47,817	45,753
Non-cash items contained in net profit for the period and reconciliation to cash flow from operating activities		
+ Amortization/ depreciation	1,821	1,560
-/+ Profit/ loss from the disposals of equipment and intangible assets	20	-30
-/+ Investment income	293	626
-/+ Non-cash changes in equity	1,324	1,209
+/- Increase/ decrease in other provisions	-3	10
- Additions of lease receivables	-426,592	-420,842
+ Payments by lessees	361,939	320,247
+ Disposals/ reclassifications of lease receivables at residual carrying values	73,622	66,350
+/- Changes from other set-offs	-71	-114
- Interest income from lease receivables	-89,299	-82,100
- Increase in other receivables from lessees	-4,789	-3,161
+/- Currency translation differences	804	195
= Change in lease receivables	-84,386	-119,425
+ Additions of liabilities from the refinancing of lease receivables	710,932	425,469
- Payment of annuities to refinancers	-204,616	-176,978
- Disposal of liabilities from the refinancing of lease receivables	-460,579	-148,878
+ Interest expenses from lease liabilities	27,603	21,480
+ Change from fair value measurement	0	-537
+/- Currency translation differences	-786	-174
= Change in liabilities from the refinancing of lease receivables	72,554	120,382
- Changes of loans to franchisees	-24,692	-11,471
Changes in other assets/liabilities		
-/+ Increase/decrease in other assets	4,846	-20,685
+/- Increase/decrease in deferred lease payments	-13,946	6,463
+/- Increase/decrease in other liabilities	8,187	513
= Cash flow from operating activities	13,835	24,905
-/+ Taxes paid/received	-16,762	-23,073
- Interest paid	-1,341	-1,425
+ Interest received	1,048	799
= Net cash flow from operating activities	-3,220	1,206

FACTS AND FIGURES

EURk	Jan. 1. - Dec. 31, 2006	Jan. 1. - Dec. 31, 2005
- Purchase of equipment and intangible assets	-5,618	-2,585
+ Proceeds from sale of equipment and intangible assets	1	67
= Cash flow from investing activities	-5,617	-2,518
+/- Raising/ repayment of bank liabilities	4,786	-623
- Dividend payment	-6,822	-5,440
+ Payments from Stock option program	613	856
= Cash flow from financing activities	-1,423	-5,207
Cash funds at beginning of period		
Cash on hand and balances with banks	55,677	62,166
- Bank liabilities from overdrafts	-6	-36
= Cash and cash equivalents at beginning of period	55,671	62,130
+/- Change due to currency translation	-1	60
= Cash funds after currency translation	55,670	62,190
Cash funds at the end of period		
Cash on hand and balances with banks	46,421	55,677
- Bank liabilities from overdrafts	-1,011	-6
= Cash and cash equivalents at the end of period	45,410	55,671
Change in cash funds during period	-10,260	-6,519
Net cash flow from operating activities	-3,220	1,206
+ Cash flow from investing activities	-5,617	-2,518
+ Cash flow from financing activities	-1,423	-5,207
= Total cash flow	-10,260	-6,519

GRENKELEASING AG, BADEN-BADEN
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY
FOR FISCAL YEAR 2006

	Subscribed capital	Capital reserve	Revenue reserves	Hedging reserve
EURk				
Equity as of Jan. 1, 2005	17,387	58,682	53	-1,676
Payment of dividend in 2005 for 2004				
Pension reserve				
Deferred taxes on pension reserve				
Fair value measurement of hedging instruments				1,461
Deferred taxes on hedging reserve				23
Allocation into legal reserves			652	
Issue of shares	53	803		
Net profit for 2005				
Currency translation				
Equity as of Dec. 31, 2005	17,440	59,485	705	-192
Equity as of Jan. 1, 2006	17,440	59,485	705	-192
Payment of dividend in 2006 for 2005				
Pension reserve				
Deferred taxes on pension reserve				
Fair value measurement of hedging instruments				1,716
Deferred taxes on hedging reserve				-214
Allocation into legal reserves			1,214	
Issue of shares	46	567		
Net profit for 2006				
Currency translation				
Equity as of Dec. 31, 2006	17,486	60,052	1,919	1,310

FACTS AND FIGURES

Reserve for actuarial gains and losses	Currency translation	Profit carryforward	Consolidated equity
0	-95	76,051	150,402
		-5,440	-5,440
-11			-11
3			3
			1,461
			23
		-652	0
			856
		29,027	29,027
	-179		-179
-8	-274	98,986	176,142
-8	-274	98,986	176,142
		-6,822	-6,822
-36			-36
8			8
			1,716
			-214
		-1,214	0
			613
		30,510	30,510
	-237		-237
-36	-511	121,460	201,680

GRENKELEASING AG, BADEN-BADEN

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

EURk	Jan. 1. - Dec. 31, 2006	Jan. 1. - Dec. 31, 2005
Change in the fair value of financial instruments used for hedging purposes recognized in equity	1,716	1,461
Adjustment item for the currency translation of foreign subsidiaries	-237	-179
Accounting gains and losses from defined benefit pension commitments and similar obligations	-36	-11
Deferred taxes on changes in value recognized directly in equity	-206	26
Changes in value recognised directly in equity	1,237	1,297
Profit after taxes	30,510	29,027
Total net profit for the period and changes in value recognized in equity	31,747	30,324

GRENKELEASING AG, BADEN-BADEN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2006

1 Commercial Register and Purpose of the company

GRENKELEASING AG (hereinafter also referred to as "GRENKELEASING" or the "company") is a stock corporation with its registered office at Neuer Markt 2, Baden-Baden, Germany. The company was previously entered at Baden-Baden local court in the commercial register, department B, under No. 1836. The register court responsible for GRENKELEASING AG since July 5, 2006 is the local court of Mannheim. The company is registered under the new number HRB No. 201836. The purpose of the company is to conduct leasing transactions for all types of movable assets, to manage lease contracts for third parties, to broker property insurance for leased assets, to purchase and manage receivables from and for third parties (factoring) and to conduct all other related transactions.

The leasing business of the GRENKELEASING AG group mainly concentrates on small-ticket leasing of IT products, such as PCs, notebooks, servers, monitors and other peripheral devices, software, telecommunication and copier equipment and other IT products. Almost all contracts provide for full cost recovery (full payout leases). This means that the payments to be made by the lessee during the basic lease period, including the guaranteed residual values, exceed acquisition and contract cost.

2 Summary of Significant Accounting Principles

The consolidated financial statements for the fiscal year ended December 31, 2006 comprise GRENKELEASING AG and the companies it controls. This control is normally evidenced when the group holds, either directly or indirectly, 50% (or more) of the voting rights in a company or of its share capital and/or is able to govern the financial and operating policies of an entity so as to benefit from its activities.

GRENKELEASING AG, as a listed parent company which makes use of an organized market within the meaning of Sec. 2 (5) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] (the share has been listed in the "Prime Standard" since January 1, 2003 and was allocated to the SDAX index by Deutsche Börse on February 11, 2003), has, as in the prior year, prepared its consolidated financial statements in accordance with Sec. 315 a HGB ["Handelsgesetzbuch": German Commercial Code] on the basis of the International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board (IASB), as adopted by the EU. All International Financial Reporting Standards (IFRSs) (formerly International Accounting Standards (IASs)) mandatorily applicable for fiscal year 2006 as well as all interpretations by the International Financial Reporting Interpretations Committee (IFRIC) (formerly the Standing Interpretations Committee (SIC)) were observed.

The financial statements of the companies included in GRENKELEASING AG's consolidated financial statements have all been drawn up on the basis of uniform accounting and valuation methods. The financial statements in accordance with local commercial law have been prepared as of the balance sheet date of the consolidated financial statements and audited by independent auditors, where required by the respective national law. The reconciliation of the financial statements of all subsidiaries to IFRSs was audited within the scope of the audit of the consolidated financial statements.

The consolidated financial statements have been prepared in euros (EUR).

2.1 New Mandatory Accounting Standards

Various changes to IFRSs as well as new IFRSs and International Financial Reporting Interpretations Committee interpretations (IFRICs) have been published by the IASB during the past few years. The provisions which have been applicable since January 1, 2006 and are relevant or potentially relevant for GRENKELEASING as well as their impact on the consolidated financial statements are outlined below. Changes to the IFRSs which have not been explicitly mentioned are not relevant for the company's financial statements.

- ▶ The financial statements were not affected by the compulsory application of IFRIC 4, "Determining whether an Arrangement contains a Lease". IFRIC 4 specifies what contracts should be treated as leases even if they are not designated as such.
- ▶ The amendment to IAS 19, "Employee Benefits – Actuarial Gains and Losses, group Plans and Disclosures" was applied early on a voluntary basis in the financial statements as of December 31, 2005. This amendment extends the disclosure requirements in the notes and introduces the recognition of actuarial gains and losses in equity. As such, there were no changes to accounting policies in this respect.
- ▶ The amendments/additions to IAS 39, "Cash Flow Hedge Accounting of Forecast Intragroup Transactions", "Fair Value Option", and "Financial Guarantee Contracts" have not had any effects to date as the additional accounting options granted there have not been exercised or circumstances do not warrant application of the provision. The amendments to IAS 39 allow the application of hedge accounting to intragroup transactions under restrictive conditions and restrict in some cases the previously applicable provisions on full fair value measurement in IAS 39 (2004). The revised IAS 39 provides for a further classification of financial assets. It also determines that all changes in the fair value of available-for-sale financial assets now have to be recognized in a

separate item of equity until they are derecognized or an impairment loss is charged. On disposal, the cumulative gain or loss is transferred to profit or loss. The option was introduced of allowing an entity to measure a financial asset or financial liability that was originally carried at amortized cost to be measured at fair value through profit or loss (fair value option).

2.2 Voluntary Adoption of New Accounting Standards

Apart from the IFRSs whose application is mandatory for fiscal year 2006, the IASB has also published other IFRSs and IFRICs which have already received EU endorsement but which will only become mandatory at a later date. Below, only those standards and interpretations which could be relevant for GRENKELEASING AG are described. Voluntary early application of these standards is explicitly permitted and encouraged. However, GRENKELEASING AG only applies this option where mentioned explicitly below.

On August 18, 2005, the IASB published IFRS 7, "Financial Instruments: Disclosures". This standard supersedes the existing IAS 30 and adopts all provisions regarding disclosures in the notes contained in IAS 32. In this connection, the capital disclosure requirements in IAS 1 were amended or supplemented. This standard has completely restructured the disclosure requirements for financial instruments. Disclosures on the objectives, methods, risks, security and management processes are now required. The disclosure provisions of IFRS 7 and the modified capital disclosure requirements of IAS 1 shall apply to periods beginning on or after January 1, 2007; earlier application is encouraged. The new provisions of IFRS 7 do not affect measurement at GRENKELEASING, but more detailed disclosures and presentations are required.

On September 9, 2006, the EU adopted IFRIC 8, "Scope of IFRS 2" and IFRIC 9, "Reassessment of Embedded Derivatives". Both interpretations are compulsory for GRENKELEASING as of January 1, 2007. IFRIC 8 stipulates that the share-based payments governed by IFRS 2 apply to arrangements under which the consideration (if any) is inappropriate.

IFRIC 10, "Interim Financial Reporting and Impairment", published on July 20, 2006, provides that impairment losses recognized on goodwill and certain financial instruments that may not be written up pursuant to IAS 39 may not be reversed in subsequent periods. Adoption of the interpretation is compulsory for fiscal years beginning on or after November 1, 2006.

On November 2, 2006, IFRIC 11, "IFRS 2 - group and Treasury Share Transactions" was published. The interpretation states that share-based payment transactions in which an entity receives services or goods as consideration for its own equity instruments shall be accounted for in accordance with IFRS 2, regardless of how the equity instruments were acquired. Adoption of IFRIC 11 is required for fiscal years beginning on or after March 1, 2007. Both IFRS 8, "Operating Segments" and IFRIC 12, "Service Concession Arrangements" were published on November 30, 2006. IFRS 8 supersedes IAS 14, "Segment Reporting". The standard is mandatory for fiscal years beginning on or after January 1, 2009.

IFRIC 12 deals with the accounting treatment of public-to-private service concession arrangements. Adoption of the interpretation is compulsory for fiscal years beginning on or after January 1, 2008.

GRENKELEASING has not exercised its option to apply the provisions early. Other than additions or changes to disclosures, no significant effects are currently expected.

2.3 Principles of Consolidation

The consolidated financial statements contain all assets and liabilities and all expenses and income of GRENKELEASING AG and of the subsidiaries it controls after eliminating all material intragroup transactions.

Subsidiaries are included in the consolidated group for as long as the Parent company is able to exercise a controlling influence over them. The purchase method of accounting was used for acquisitions. Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal. There were no acquisitions in 2005 or 2006. IFRS 3 was applied for the first time in fiscal year 2005 for past business acquisitions made by GRENKELEASING AG. This saw the discontinuation of goodwill amortization in favor of an impairment test to be performed at least once a year (see Note 2.13.3).

In addition to GRENKELEASING AG, the following subsidiaries are included in the consolidated financial statements:

Name	Registered office	Investment 2006	Investment 2005
Germany			
GLG Grenke-Leasing GmbH	Baden-Baden	100%	100%
Grenke Investitionen Verwaltungs KGaA (84.4% directly, 15.6% indirectly via GLG Grenke-Leasing GmbH)	Baden-Baden	100%	100%
WEBLEASE NETBUSINESS AG	Baden-Baden	100%	100%
Abroad			
GRENKELEASING s.r.o.	Prague/Czech Republic	100%	100%
GRENKE ALQUILER S.A.	Barcelona/Spain	100%	100%
Grenkefinance N.V. *	Vianen/Netherlands	100%	100%
GRENKELEASING AG*	Zurich/Switzerland	100%	100%
GRENKELEASING AG	Vienna/Austria	100%	100%
GRENKELEASING ApS	Herlev/Denmark	100%	100%
GRENKE LIMITED	Dublin/Ireland	100%	100%
GRENKE FINANCE Plc.	Dublin/Ireland	100%	100%
GRENKE LOCATION SAS	Schiltigheim/France	100%	100%
GRENKE Locazione S.r.l.	Milan/Italy	100%	100%
GRENKE LEASING S.r.l.	Milan/Italy	100%	100%
GRENKELEASING AB	Stockholm/Sweden	100%	100%
GRENKE LEASE SPRL**	Brussels/Belgium	100%	100%

The balance sheet date of all subsidiaries is December 31, 2006.

* The head office of the subsidiary Grenkefinance N.V. was moved from Venlo to Vianen in the Netherlands. Since October 1, 2006, the registered office of GRENKELEASING AG, Switzerland, has been in Zurich; previously it was in Basel.

** GRENKELEASING AG holds a direct interest of EUR 1,499k and an indirect interest of EUR 1k in GRENKE LEASE SPRL in Brussels, Belgium, through its German subsidiary, GLG Grenke-Leasing GmbH.

FACTS AND FIGURES

Investment		Equity	Net income/loss
EUR		Dec. 31, 2006	2006
Grenke Investitionen Verwaltungs KGaA*	Baden-Baden	780,828.96	0
GLG Grenke-Leasing GmbH	Baden-Baden	451,996.80	118,003.88
WEBLEASE NETBUSINESS AG	Baden-Baden	887,442.16	674,099.47
GRENKE LOCATION SAS	Schiltigheim/France	11,761,334.28	2,314,802.04
GRENKELEASING AG	Zurich/Switzerland	4,777,532.14	1,888,573.85
GRENKELEASING AG	Vienna/Austria	1,068,435.42	510,437.39
GRENKELEASING s.r.o. **	Prague/Czech Republic	365,300.55	122,197.52
GRENKE ALQUILER S.A. **	Barcelona/Spain	1,091,499.05	604,940.30
GRENKE Locazione S.r.l. **/**	Milan/Italy	648,247.04	-430,820.85
Grenkefinance N.V. **	Vianen/Netherlands	410,370.08	192,637.83
GRENKE LEASING S.r.l. **	Milan/Italy	1,930,036.48	-390,385.79
GRENKELEASING ApS **/**	Herlev/Denmark	333,109.24	-304,005.21
GRENKE LIMITED **	Dublin/Ireland	54,550.95	-394,046.47
GRENKE FINANCE Plc. **	Dublin/Ireland	5,641,099.70	1,557,943.38
GRENKELEASING AB **/**	Stockholm/Sweden	943,851.66	-252,486.64
GRENKE LEASE SPRL **	Brussels/Belgium	951,607.51	-427,216.51

* after transfer of profits

** preliminary result

*** The following changes in capital took place at these subsidiaries in fiscal year 2006:

GRENKE Locazione S.r.l.	Nov. 23, 2006	Capital increase	600,000 EUR
GRENKELEASING ApS	Dec. 27, 2006	Capital increase	300,000 EUR
GRENKELEASING AB	Mar. 7, 2006	Capital increase	250,000 EUR
GRENKELEASING AB	Dec. 6, 2006	Capital increase	300,000 EUR

2.4 Foreign Currency Translation

2.4.1 Foreign Currency Transactions

Foreign currency transactions are translated at the closing rate on the date of the transaction. Foreign currency monetary items (e.g. cash and cash equivalents, receivables and liabilities) are subsequently translated using the closing rate, with any translation differences reported in profit or loss. Non-monetary items carried at historical cost are not subsequently translated, the rate on initial recognition being used.

2.4.2 Foreign Entities

Foreign financial statements in foreign currencies are translated according to the functional currency concept in accordance with IAS 21. The assets and liabilities of the consolidated foreign entities are translated using the closing rate and expenses and income at annual average rates, since these entities are financially, economically and organizationally autonomous. Differences from foreign currency translation are reported directly in equity.

The development of the exchange rates of the currencies used in the group to the euro is illustrated below:

	Closing rate Dec. 31, 2006	Average rate 2006	Closing rate Dec. 31, 2005	Average rate 2005
CHF	1.6069	1.5729	1.5510	1.5483
CZK	27.4850	28.3420	29.0000	29.7820
DKK	7.4560	7.4591	7.4605	7.4518
GBP*	0.6715	0.6817	0.6853	0.6838
HUF*	251.7700	264.2600	**	**
NOK*	8.2380	8.0472	**	**
PLN*	3.8310	3.8959	3.8600	4.0230
SEK	9.0404	9.2544	9.3885	9.2822

* Currency of the franchise companies, loans are granted in foreign currency

** Franchise company did not exist in the prior year

2.5 Historical Cost Principle

The consolidated financial statements are based on historical cost accounting. Unless otherwise stated, assets and liabilities are disclosed at nominal value less necessary allowances.

2.6 Leases

2.6.1 Determining Whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the

use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.6.2 Finance Leases

Under a finance lease, substantially all the risks and rewards incident to legal ownership are transferred by the lessor to the lessee. The lease payment receivable is thus treated by the lessor as repayment of principal and finance income to reimburse and reward the lessor for its investment and services.

Assets from a finance lease are recognized in the balance sheet as receivables at an amount equal to the net investment, i.e. the present value of the residual receivables of all lease contracts existing at the end of a fiscal year. The net investment value is calculated on the basis of the net cost of the leased assets less a special lease payment made by the lessee. Initial direct costs incurred in connection with contract conclusion are offset against income over the entire term of the lease contract by proportionately reducing the unearned finance income by these initial costs. Finance income is recognized such that a constant periodic rate of return on the outstanding residual receivable is generated.

2.6.3 Operating Leases

Operating lease property is disclosed in the balance sheet based on the type of asset (see Note 19). Lease income from operating leases is recognized on a straight-line basis over the lease term. The initial direct costs and the cost of purchase of the leased asset are recognized as an asset and amortized to the expected residual value over the lease term.

After the original lease contract has expired, the contract may be extended or a follow-on contract concluded. This leads to the lease being remeasured.

In cases where the criteria for an operating lease are met, the leased asset is disclosed as an asset from the start of the extension period. It is carried at fair value.

2.7 Liabilities From the Refinancing of Lease Receivables

The liabilities from the refinancing of lease receivables are recognized at nominal value less transaction costs, except for refinancing using loans, bonds or debentures with matching maturities. The deducted transaction costs and any discounts are amortized over the lease term using the effective interest method. Liabilities from the refinancing of lease receivables resulting from the sale of the lease receivables to the respective refinancer are recognized at the present value of the outstanding payments to the refinancers. The originally agreed rate is used as the discount rate for fixed-interest loans. Upon repayment, regular payments are split into an interest portion and a principal component. The interest portions are disclosed as expenses from interest on lease liabilities.

2.8 Cash and Cash Equivalents

The cash and cash equivalents in the balance sheet comprise cash on hand and bank balances. Negative current account balances are deducted from cash and cash equivalents for the cash flow statement.

2.9 Financial Assets and Liabilities

Apart from securities, financial assets include derivatives that serve as hedging instruments. Derivatives are classified as assets held for trading unless they are designated hedging instruments in a hedging relationship. Securities are also assigned to the category of "assets held for trading".

Financial assets held for trading are initially recognized at cost plus any transaction costs incurred and are carried at fair value on subsequent measurement. Securities are measured at their quoted market values at the balance sheet date. The derivative financial instruments used in the company are valued using either Bloomberg (interest rate swaps) or the measurement bases provided by the banks (forward exchange contracts). Any adjustments other than hedge accounting adjustments are recognized in profit or loss. As a rule, they are recognized for the first time as of the settlement date.

When hedging transactions are entered into to hedge the exposure to variability in cash flows, certain derivatives are allocated to certain host contracts that are attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction (cash flow hedge). The hedging instruments in a hedge are also recognized at fair value. However, changes in value relating to the effective portion are recognized in the cash flow hedge reserve, a separate item under equity. Any ineffectiveness is recognized in profit or loss. Effectiveness is measured as of the balance sheet date using the hypothetical derivative method.

Financial liabilities (e.g. bonds, borrowers' note loans, non-current bank liabilities) are initially recognized at cost and are carried at amortized cost on subsequent measurement. If a financial liability is the underlying contract in a fair value hedge, it is carried at fair value on subsequent measurement. If the fair value hedge has to be reversed, the hedged item is then carried at amortized cost rather than at fair value. In this case, the adjustment required for measurement at fair value is amortized over the residual term of the hedged item

2.10 Trade Receivables and Other Assets

Receivables and other assets are carried at their nominal value. Adequate flat-rate specific bad debt allowances are recognized to account for the credit risk from non-performing lease receivables.

2.11 Inventories

Inventories are measured at the lower of cost and net realizable value.

2.12 Property, Plant and Equipment

Property, plant and equipment are recognized at cost plus directly attributable costs net of accumulated depreciation and accumulated impairment losses. Finance charges were not disclosed. Property, plant and equipment are subject to straight-line depreciation according to their expected economic life. When property, plant and equipment are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognized in profit or loss.

The depreciation rates are based on the following economic lives:

	Years
Office buildings	33
Furniture, fixtures and office equipment	
IT hardware	3
Vehicle fleet	4-5
Leasehold improvements	10
Other (office equipment)	3-20

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

2.13 Intangible Assets

2.13.1 Licenses, Software

Licenses are carried at cost plus acquisition charges. The cost of software is capitalized and treated as an intangible asset if these costs are not an integral part of the related hardware. As licenses and software have limited useful lives, they are subject to systematic straight-line amortization over their economic life, generally three years.

2.13.2 Internally Generated Intangible Assets

An intangible asset developed as part of a project is only recognized if the group is able to prove the technical feasibility of completing the intangible asset for internal use or sale and the intention to complete the intangible asset and use or sell it. In addition, the generation of future economic benefits by the asset, the availability of resources to complete the asset, and the ability to measure the expenditure attributable to the intangible asset during its development must exist.

Internally generated intangible assets are measured at cost. The cost comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended.

The capitalized amounts are amortized over the period during which the project is expected to generate revenue or during which the software can probably be amortized. Given the technical developments expected in future years, the economic life is assumed to be three years.

The capitalized amount of development expenses is tested for impairment annually if the asset is not yet in use or if there are indications during the year that the asset may be impaired.

2.13.3 Goodwill

Goodwill resulting from acquisitions is defined as the positive difference between the purchase price of an investment and the fair value of the assets and liabilities at the time of the acquisition. Goodwill was amortized straight-line over its economic life until December 31, 2004.

Following the implementation of IFRS 3, all existing goodwill was frozen at the value recognized as of December 31, 2004 and systematic amortization ceased at this time. This fixed value is now considered to be the new historical cost. Instead of systematic straight-line amortization, all goodwill must now be tested for impairment at least once a year pursuant to IAS 36 to prove its adequate valuation ("impairment-only approach"). This regular impairment test will be conducted in the third quarter of each year on the basis of the six-month figures. If there are indications that goodwill might be impaired, more frequent tests must be conducted in addition to the mandatory annual impairment test.

2.14 Impairment of Assets

Assets within the meaning of IAS 36.1 are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized as soon as the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The recoverable amount is estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

The carrying amounts of goodwill are reviewed to assess the probability of continuing future benefits in accordance with the rules described in 2.13.3. The future

economic benefits are determined by the recoverable amount. An impairment is recognized in profit or loss if the recoverable amount is lower than the carrying amount of the respective cash-generating unit.

If the reason for an impairment recorded in a prior period ceases to apply, an impaired asset is written up. Exceptions to this rule exist only for impairments of goodwill which may, on no account, be written up.

2.15 Provisions

Provisions are carried at their probable settlement amount if a present obligation (legal or constructive) exists for the group due to an event occurring prior to the balance sheet date, it is probable that settlement of the obligation will lead to an outflow of resources embodying economic benefits, and if a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.16 Deferred Tax Liabilities and Assets

Deferred tax liabilities are calculated using the liability method in accordance with IAS 12. The deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of an asset or a liability for financial reporting purposes and its tax base.

Deferred tax assets for previously non-utilized loss carryforwards are recognized if it is probable that taxable profit will be available to utilize these carryforwards.

Deferred tax assets and liabilities are recognized on the basis of tax rates anticipated for the period in which the temporary differences will reverse. For this purpose, tax rates that have been enacted or substantively enacted by the balance sheet date are used.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the entity expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are not discounted and are classified as non-current assets (liabilities) in the consolidated balance sheet.

2.17 Government Grants

Government grants relate to investment grants applied for pursuant to Sec. 2 InvZulG ["Investmentzulagengesetz 1999": German Investment Grant Act 1999]. The allowance represents a grant for an asset; the carrying amount of the corresponding lease receivable is netted with this amount. This leads to increased income from interest on lease receivables spread over the term of the lease.

Since the grant is conditional on retention of the subsidized asset at the business, repayment obligations lead to an increase in the carrying amount and an adjustment of interest income.

Since the provisions of the German Investment Grant Act were tightened in 2005, no grants were applied for in 2006.

2.18 Income From Insurance Business

Income from insurance business comprises premiums for insurance policies which the lessees must conclude via GRENKELEASING if they do not insure the leased assets themselves. The insurance premiums are collected annually; these amounts are deferred and released to income pro rata temporis.

2.19 Sale of Leased Assets

Sales are recognized upon transfer of benefits and burdens.

2.20 Use of Assumptions and Estimates

In preparing the consolidated financial statements, assumptions and estimates have been made which have had an effect on the recognition and carrying amounts of assets and liabilities, income and expenses and contingent liabilities. Assumptions and estimates generally relate to the uniform determination of useful lives of assets within the group, the measurement of provisions, the recoverability of receivables from terminated contracts, the recognition of realizable residual values for leased assets and the probability of future tax benefits. The actual values may in some cases differ from the assumptions and estimates. Any changes will be recognized in profit or loss as and when better information is available.

The main estimating uncertainties and the associated disclosure requirements are in the following areas:

- ▶ Assumptions made in impairment tests for measuring goodwill.
- ▶ Measurement of non-performing lease receivables on the basis of the recoverability rate.
- ▶ Consideration of estimated residual values at the end of the lease term in determining the present value of lease receivables.
- ▶ Recognition of leased assets for sale at estimated residual values.

The cash flows used in the measurement of discounted cash flows are based on current business plans and internal plans for the next four years. This involved making assumptions as to future revenues and costs. Assumptions as to future investments in the company's operations were made on the basis of past figures, and past income patterns were projected into the future. If significant assumptions differ from actual figures, adjustments may have to be made in the future. Average costs of capital of 4.4% to 5.0% were used to discount the cash flows.

Non-performing lease receivables are carried at nominal value less appropriate bad debt allowances. The amounts of bad debt allowances are determined using percentages and processing categories. Percentages are calculated using statistical methods. They are reviewed once a year for validity. Processing statuses are grouped together in processing categories set up with a view to risk.

The following table illustrates the processing categories:

Category	Description
0	Current contract not in arrears
1	Current contract in arrears
2	Terminated contract with serviced installment agreement
3	Terminated contract (recently terminated or court order for payment applied for)
4	Legal action (pending or after objection to court payment order)
5	Order of attachment issued
6	Statement in lieu of oath (applied for or issued)
7	Derecognized
8	Being settled (not terminated)
9	Discharged (completely paid)

A decrease in value is assumed for categories 2 to 7 as the contracts have been terminated due to defaults in payment. The allowance rates range between 5% and 100%.

Estimated residual values are taken into account in determining the present value of lease receivables. Estimated residual values comprise anticipated sales proceeds and any revenues generated in a renewal period. Residual values are taken into account upon conclusion of the corresponding lease contracts on the basis of the anticipated values. Revenues are a best estimate based on statistical analyses. If the post-transaction recoverable amount is lower than expected (from sale and subsequent lease), the lease receivables are written down, whereas an increase in recoverable amount is not recognized.

Leased assets for sale are measured on the basis of the average sales proceeds per age group realized in the past fiscal year in relation to the original acquisition cost.

Unguaranteed residual values are used in calculating lease receivables in accordance with the definition in IAS 17. They are calculated on the basis of past experience and statistical methods. Based on experience, residual values range between 11% and 15% of historical cost, depending on the term of the lease contract.

Leased assets for sale are measured at historical residual values, taking into account their actual saleability. As of the balance sheet date, the residual values used amounted to between 6.6% and 18.6% of the original acquisition cost. If a sale is considered unlikely due to the condition of the asset, the asset is written off and recognized as an expense.

3 Net Interest Income From Leasing Business

3.1 Income From Interest on Lease Receivables

Income from interest on lease receivables amounts to EUR 89,299k (prior year: EUR 82,100k). This includes

EUR 71k (prior year: EUR 116k) from the recognition of investment grants (see Note 2.17) and EUR 1,407k from interest on loans to franchisees (prior year: EUR 851k).

3.2 Expenses From Interest on Refinancing Liabilities

Interest expense from refinancing liabilities amounts to EUR 27,603k (prior year: EUR 21,480k). This item also includes the interest income of EUR 1,449k (prior year: EUR 977k) generated by the loans issued under the ABCP (asset-backed commercial paper) programs (see Note 21).

4 Settlement of Claims

Flat-rate specific bad debt allowances are calculated based on historical rates for the collectability of a receivable in conjunction with its categorization (percentage-of-receivables approach).

EURk	2006	2005
Provision to specific bad debt allowances	14,175	16,464
Income from settlement of claims	20,782	20,899
Expenses from eliminating receivables from claims	21,755	20,559
Total	15,148	16,124

5 Profit From New Business

Revenues from new business are comprised as follows: EURk	2006	2005
Recognition of new lease receivables	426,592	420,842
Share of revenues from prior leases	2,234	1,989
Revenues from processing fees	1,259	1,448
Revenues from special lease payments	742	1,087
Total	430,827	425,366
Expenses from new business are comprised as follows: EURk	2006	2005
Cost of newly acquired leased assets	405,036	402,913
Commissions paid to dealers	6,916	6,582
Total	411,952	409,495
Profit from new business	18,875	15,871

6 Profit From Disposals

	2006	2005
EURk		
Revenues from subsequent leases	12,627	11,397
Depreciation of leased assets in the subsequent lease period	-10,533	-9,278
Accounting gains from the disposal of the lease receivables	1,091	1,330
Total	3,185	3,449

Revenues from subsequent leases relate to lease income recognized after the end of the basic lease term. Accounting gains from the disposal of lease receivables result from the revenues of terminated contracts less the disposal of the lease receivables at their carrying amount.

7 Other Operating Income

Other operating income breaks down as follows:

	2006	2005
EURk		
Franchise fees received	305	195
Income from currency translation	162	440
Accounting gains on the sale of equipment	6	35
Other items	406	182
Total	879	852

8 Personnel Expenses

EURk	2006	2005
Salaries	16,894	14,332
Social security and other benefit costs	3,574	3,154
Total	20,468	17,486

The average number of staff during the fiscal year totaled 384 (prior year: 339). Part-time staff were counted on a proportionate basis.

Social security and other benefit costs include pension costs of EUR 60k (prior year: EUR 46k)

9 Consulting and Audit Fees

The consulting and audit fees of EUR 2,349k (prior year: EUR 2,068k) include fees plus out of pocket expenses for the auditor of GRENKELEASING AG, Baden-Baden, Germany, totaling EUR 374k (prior year: EUR 467k). The auditor's fees in fiscal year 2006 break down as follows:

EURk	2006	2005
Fees for audit services	170	208
Fees for other audit-related services	166	203
Fees for other services	38	56
Total	374	467

EUR 34k of the total fee was not related to the period.

10 Expenses From Rent and Lease Contracts

Expenses of EUR 3,529k (prior year: EUR 2,961k) were incurred from rent and lease contracts in the fiscal year. The expenses are recognized under operating and administrative expenses.

11 Depreciation of Property, Plant and Equipment and Amortization of Intangible Assets

EURk	2006	2005
Equipment	1,140	1,136
Office buildings	301	301
Software licenses	380	172
Goodwill	0	0
Total	1,821	1,609

12 Income Taxes

	2006	2005
EURk		
Current taxes	4,661	15,218
Deferred taxes	12,646	1,508
Total	17,307	16,726

Reconciliation of the Average Effective Tax Rate and the Applicable Tax Rate

Reconciliation of the expected applicable tax rate of GRENKELEASING AG to the effective tax rate related to EBT (100%) is as follows:

Applicable tax rate	2006	2005
Trade tax	16.95%	16.98%
Corporate income tax (25% on income after trade tax)	20.76%	20.76%
Solidarity surcharge (5.5% of corporate income tax)	1.14%	1.14%
Average applicable tax rate GRENKELEASING AG	38.85%	38.88%
Tax increases due to non-deductible expenses	0.20%	0.34%
Changes due to foreign taxes	-3.30%	-2.56%
Balance of tax reductions and increases due to changes in tax rates*	-0.10%	-0.32%
Write-down of deferred taxes from prior years	0.54%	0.00%
Backpayments of tax from prior years**	0.00%	0.22%
Average effective tax rate for the group	36.19%	36.56%

* The following changes in tax rates used to calculate deferred taxes occurred: Netherlands 25.5% (prior year: 30.5%).

** Backpayments of tax in 2005 amounted to EUR 100k.

13 Earnings Per Share

The calculation of both diluted and basic earnings is based on the respective net profit for the period. In calculating the average number of shares in fiscal year 2006, the unchanged number of ordinary shares and the proportionate number of shares that may be issued on the basis of warrants were taken into account. There was a dilutive effect in fiscal year 2006 due to the current employee stock option programs (see Note 33) because of the potentially exercisable stock options.

No.	2006	2005
Shares issued at beginning of period	13,643,646	13,601,938
Average number of new shares issued under the stock option program	8,996	23,622
Average number of shares outstanding at end of period (undiluted)	13,652,642	13,625,560
Stock option program	13,895	7,426
Average number of shares outstanding at end of period (diluted)	13,666,537	13,632,986
Potential number of shares	0	42,502
Number of diluted shares at end of period (including potentially dilutive shares)	13,666,537	13,675,488

The new shares issued under the stock option program do not take full effect in the first year because these shares are not considered until after the issue date.

In the current fiscal year, options granted under the second option program were exercised on three dates (exercise period between May 10, 2006 and June 7, 2006: 848 options, between July 28, 2006 and August 23, 2006: 33,437 options, between October 27, 2006 and November 23, 2006: 1,748 options). In the prior year, options were exercised in the following periods: between May 4, 2005 and May 31, 2005: 33,614 options, between July 29, 2005 and August 25, 2005: 5,942 options, between October 28, 2005 and November 24, 2005: 2,152 options.

All shares which could have already been issued due to fixed terms or restrictions have a dilutive effect.

All shares which could potentially be issued in the future if certain conditions or restrictions are met have a potentially dilutive effect.

14 Financial Assets

EURk	Dec. 31, 2006	Dec. 31, 2005
Other securities	340	294
Interest rate swaps	1,464	80
Total	1,804	374

Notes on the Prior-Year Figures:

In the prior year, a stand-alone derivative was sold for EUR 355k, thus incurring a loss of EUR 61k. The sale of two interest rate swaps (payer swaps) in fiscal year 2005 with a total volume of EUR 244m and a cap with a volume of EUR 610k gave rise to a loss totaling EUR 127k in connection with the new interest rate hedging strategy. In addition, two new interest rate swaps were entered into in the prior year.

Fiscal Year 2006:

The first interest rate swap with a volume of EUR 100,000k expired as of September 22, 2006. The second interest rate swap had an initial volume of EUR 133,000k. Its term started on September 22, 2006 and will expire on September 22, 2010. The volume of the interest rate swap will amortize over its term. The interest rate was fixed at 3.2925%. The other terms for this swap are based on those of the floating rate debenture issued on March 22, 2005. The interest rate swap is used as a cash flow hedge of the above debenture. This interest rate swap has a positive fair value of EUR 897k (clean price) as of the balance sheet date.

In addition, two further payer swaps with an initial variable nominal volume of EUR 50,000k each were concluded in connection with the bond of EUR 100,000k issued on October 12, 2006, fixing the interest rate at 3.808% and 3.809% plus a credit spread for the term until October 30, 2010. The two interest rate swaps had a fair value (clean price) of EUR 273k and EUR 272k as of the balance sheet date.

In addition, an interest rate swap with an initial nominal volume of EUR 40,000k and a fixed interest rate of 3.950% was entered into on December 18, 2006. The parameters of the interest rate swap, which has a term from April 16, 2007 to January 15, 2010 and a variable nominal volume, are based on the ABS bond issued in August 2006. The interest rate swap had a fair value of EUR 56k as of the balance sheet date.

The bonds and the interest rate swaps form part of the implementation of a financing strategy under which GRENKELEASING AG has separated refinancing and interest rate hedging in order to obtain maximum flexibility for its refinancing activities. The resulting risks (variable cash flows) are hedged by appropriate interest rate derivatives. As all interest rate derivatives have been proven to be 100% effective, the changes in fair value in relation to their clean value (excluding accrued interest) were recognized fully in equity.

Interest rate swaps are used as hedging instruments and designated as hedges in accordance with IAS 39 (see Note 30.5.2).

In addition, forward exchange contracts are used to hedge the cash flows from the financing granted to the franchise companies in Poland and the UK and to the Czech subsidiary. The company finances the lease receivables generated by the franchisees and the subsidiary in the foreign currencies (pound sterling, Polish zloty and Czech koruna) and receives payments in those currencies over the term of the underlying lease contracts. In the past, hedge accounting was not applied for foreign exchange transactions due to their immateriality. All forward exchange contracts had a negative fair value as of the balance sheet date and are therefore recognized on the liabilities side of the balance sheet (see Note 25).

Other securities mainly comprise shares and corporate bonds. Measurement at fair value resulted in income of EUR 44k in fiscal year 2006 (prior year: EUR 41k).

FACTS AND FIGURES

15 Lease Receivables

EURk	Dec. 31, 2006	Dec. 31, 2005
Outstanding minimum lease payments	883,338	808,764
+ Unguaranteed residual values	138,590	126,584
Gross investment	1,021,928	935,348
- Unearned (outstanding) finance income	145,102	138,189
Net investment	876,826	797,159
- Present value of unguaranteed residual values	103,496	98,205
Present value of minimum lease payments	773,330	698,954

EURk	Less than 1 year	Between 1 and 5 years	More than 5 years
Gross total investment	367,901	646,893	7,134
Present value of outstanding minimum lease payments	261,187	508,587	3,556

The reconciliation of gross investment only contains contracts still running on the balance sheet date. The following adjustments have to be made to reconcile net investment to the carrying amount of lease receivables disclosed in the balance sheet:

EURk	Dec. 31, 2006	Dec. 31, 2005
Changes in performing lease receivables		
Balance at beginning of period	797,159	680,895
+ Change in the period	79,596	116,264
Lease receivables (current + non-current) from current contracts at period-end	876,755	797,159
Changes in non-performing lease receivables		
Gross receivables at beginning of period	136,097	130,101
- Accumulated valuation allowances at beginning of period	-72,428	-69,593
= Non-performing lease receivables at beginning of period	63,669	60,508
+ Change in gross receivables during the period	20,529	20,092
- Disposals of gross receivables during the period	22,378	14,096
+ Disposal of accumulated valuation allowances during the period	13,427	8,454
- Addition of accumulated valuation allowances during the period	6,789	11,289
Non-performing lease receivables at period-end	68,458	63,669
Lease receivables (carrying amounts of current and non-current receivables) at beginning of period	860,828	741,403
Lease receivables (carrying amounts of current and non-current receivables) at period-end	945,213	860,828

EURk	Present value of minimum lease payments	Present value of residual values	Other receivables from lessees	Carrying amount
Current lease receivables	261,187	34,955	68,387	364,529
Non-current lease receivables	512,143	68,541	0	580,684
Total	773,330	103,496	68,387	945,213

Receivables from non-performing contracts are included in other current lease receivables.

16 Trade Receivables

Trade receivables of EUR 2,454k (prior year: EUR 1,471k) mainly relate to receivables from dealers and third parties. They comprise receivables from the sale of leased assets.

FACTS AND FIGURES

17 Tax Refund Claims

	Dec. 31, 2006	Dec. 31, 2005
EURk		
Advance tax payments France	3,450	3,458
Corporate income tax refund claim	6,917	74
Trade tax refund claim	2,634	8
Other items	145	38
Total	13,146	3,578

The corporate income tax and trade tax refund claims are attributable to prepayments being too high. The item for the prior year was adjusted accordingly.

18 Other Current Assets

	Dec. 31, 2006	Dec. 31, 2005
EURk		
VAT refund claim	10,850	10,196
Receivables from franchisees (refinancing)	20,739	7,721
Current portion of subordinated loan ABS bond	851	0
Direct debits at end of month	564	737
Prepaid expenses	424	474
Factoring receivables	469	207
Other items	1,052	855
Total	34,949	20,190

Please see Note 21 for details of what the receivables from franchisees and the subordinated loan entail.

19 Property, Plant and Equipment at Cost

Overview for Fiscal Year 2005:

	Land and buildings	Other equipment furniture and fixtures	Assets under construction	Leased assets from operating leases	Total
EURk					
Cost as of Jan. 1, 2005	10,770	6,621	0	6,039	23,430
Currency translation differences	0	5	0	0	5
Additions	1	1,623	279	13,164	15,067
Disposals	0	358	0	9,278	9,636
Reclassifications	0	0	0	0	0
Cost as of Dec. 31, 2005	10,771	7,891	279	9,925	28,866
Accumulated depreciation as of Jan. 1, 2005	761	3,346	0	0	4,107
Currency translation differences	0	5	0	0	5
Additions	301	1,136	0	9,278	10,715
Disposals	0	339	0	9,278	9,617
Reclassifications	0	0	0	0	0
Accumulated depreciation as of Dec. 31, 2005	1,062	4,148	0	0	5,210
Net carrying amounts as of Dec. 31, 2005	9,709	3,743	279	9,925	23,656
Net carrying amounts as of Dec. 31, 2004	10,009	3,275	0	6,039	19,323

FACTS AND FIGURES

Overview for Fiscal Year 2006:

	Land and buildings	Other equipment furniture and fixtures	Assets under construction	Leased assets from operating leases	Total
EURk					
Cost as of Jan. 1, 2006	10,771	7,891	279	9,925	28,866
Currency translation differences	0	7	0	0	7
Additions	0	1,213	3,875	11,356	16,444
Disposals	0	283	0	10,533	10,816
Reclassifications	0	0	0	0	0
Cost as of Dec. 31, 2006	10,771	8,828	4,154	10,748	34,501
Accumulated depreciation as of Jan. 1, 2006	1,062	4,148	0	0	5,210
Currency translation differences	0	8	0	0	8
Additions	301	1,140	0	10,533	11,974
Disposals	0	251	0	10,533	10,784
Reclassifications	0	0	0	0	0
Accumulated depreciation as of Dec. 31, 2006	1,363	5,045	0	0	6,408
Net carrying amounts as of Dec. 31, 2006	9,408	3,783	4,154	10,748	28,093

The operating leases mainly relate to lease contracts whose basic lease term has expired and which may be terminated at any time. Depreciation on leased assets from operating leases is shown in profit from disposals (see Note 6).

20 Intangible Assets at Cost

Overview for Fiscal Year 2005:

	Development costs	Goodwill	Software licenses	Total
EURk				
Cost as of Jan. 1, 2005	0	1,864	709	2,573
Currency translation differences	0	49	0	49
Additions	408	0	274	682
Disposals	0	0	49	49
Reclassifications	0	0	0	0
Cost as of Dec. 31, 2005	408	1,913	934	3,255
Accumulated amortization as of Jan. 1, 2005	0	0	546	546
Currency translation differences	0	0	0	0
Additions	35	0	137	172
Disposals	0	0	31	31
Reclassifications	0	0	0	0
Accumulated amortization as of Dec. 31, 2005	35	0	652	687
Net carrying amounts as of Dec. 31, 2005	373	1,913	282	2,568
Net carrying amounts as of Dec. 31, 2004	0	1,864	163	2,027

Overview for Fiscal Year 2006:

	Development costs	Goodwill	Software licenses	Total
EURk				
Cost as of Jan. 1, 2006	408	1,913	934	3,255
Currency translation differences	0	178	-1	177
Additions	251	0	279	530
Disposals	0	0	33	33
Reclassifications	0	0	0	0
Cost as of Dec. 31, 2006	659	2,091	1,179	3,929
Accumulated amortization as of Jan. 1, 2006	35	0	652	687
Currency translation differences	0	0	0	0
Additions	181	0	199	380
Disposals	0	0	23	23
Reclassifications	0	0	0	0
Accumulated amortization as of Dec. 31, 2006	216	0	828	1,044
Net carrying amounts as of Dec. 31, 2006	443	2,091	351	2,885

Development costs mainly relate to internally developed factoring software and webshop programming.

Goodwill Impairment

We conducted an impairment test in accordance with IAS 36 on the goodwill acquired as part of business combinations as of June 30, 2006.

The recoverable amount of each of the cash-generating units was determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a four-year period. A fair value less costs to sell is not currently available. The discount rate applied to cash flow projections ranged from 4.4% to 5.0%, and cash flows beyond the four-year period were extrapolated using a 0% growth rate.

The cash-generating units which form the basis for the impairment testing of goodwill are legal entities. The key parameters for determining the value are the future expectations with regard to the development of new business and profitability.

Goodwill of EUR 379k relates to WEBLEASE NETBUSINESS AG, CZK 33,914k (EUR 1,208k) to GRENKELEASING s.r.o., Prague, Czech Republic, and EUR 504k to the group's investment in Italy.

The impairment tests did not result in impairment losses.

21 Other Non-Current Assets

EURk	Dec. 31, 2006	Dec. 31, 2005
ABCP loans	42,563	59,132
Loans to franchisees (refinancing)	25,065	13,146
Subordinated loan ABS bond	4,774	0
Reserve accounts ABS bond	2,500	0
Other items	972	570
Total	75,874	72,848

In addition to the liquidity reserve of 2% of the refinancing volume drawn on under the three ABCP programs, the ABCP loans and the ABS bond include loans to the SPEs which need to be granted as collateral for the refinancing volume under the respective agreements. These loans depend on the refinancing volume and on the origin of the receivables refinanced through the SPEs. The interest income generated in this connection is netted with the interest expense from refinancing liabilities.

The loans to franchisees (see Notes 18 and 29) comprise loans granted to the franchisees mainly to refinance the lease agreements concluded by the franchisees. By way of security for the loan receivables, the franchisees have assigned both title to the leased assets and the claim to lease receivables. The loans are

therefore equivalent to a purchase of receivables. As such, interest income generated from such loans of EUR 1,407 is recognized as income from interest on lease receivables. Loans granted in foreign currencies are translated using the closing rate.

In connection with the issue of the ABS bond, GRENKE FINANCE Plc. Dublin, Ireland, granted a subordinated loan of EUR 5,625k, which bears interest at a variable rate. The nominal amount of the loan is fixed until August 15, 2007 and will then be gradually reduced to 2.25% of the outstanding nominal amount of the tranches issued. An amount of EUR 851k was classified as current due to the expected pattern of repayment. In addition, GRENKE FINANCE Plc. was required to set up interest-bearing reserve accounts totaling EUR 2,500k.

22 Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are split among the following items:	EURk	Dec. 31, 2006	Dec. 31, 2005
Deferred tax assets			
Tax loss carryforwards		12,727	12,979
Remeasurement of lease liabilities		4,072	7,115
Total		16,799	20,094
Deferred tax liabilities			
Remeasurement of lease receivables		56,366	47,047
Other remeasurements		713	453
Total		57,079	47,500

A total of EUR 717k of deferred taxes on loss carryforward relates to the subsidiaries in Belgium, Denmark and Sweden. At these companies, deferred tax assets on loss carryforwards exceed deferred tax liabilities for temporary differences by a total of EUR 587k. However, based on the budgets of each subsidiary, we believe that sufficient taxable profit will be generated to enable these tax loss carryforwards to be utilized. This was likewise demonstrated in the other countries in which GRENKELEASING operates.

Deferred tax liabilities of EUR 214k were set up in the fiscal year, with no effect on income. These liabilities resulted from the cash flow hedge reserve recognized directly in equity. Deferred tax assets of EUR 8k were also taken into account in connection with the recognition of actuarial losses in equity.

23 Tax Liabilities

	EURk	Dec. 31, 2006	Dec. 31, 2005
Corporate income tax		1,196	3,220
Trade tax		0	508
Total		1,196	3,728

24 Provisions

Provisions for other costs take all recognizable risks from uncertain liabilities into account. They contain provisions for lease and consulting services.

Jan. 1, 2006	Currency differences	Additions	Utilization	Reversals	Dec. 31, 2006
EURk					
1,318	0	1,258	1,190	70	1,316

25 Financial Instruments with a Negative Fair Value

	Dec. 31, 2006	Dec. 31, 2005
EURk		
Interest rate swaps	0	302
Other derivative financial instruments with a negative fair value	1,206	737
Total	1,206	1,039

The company discloses negative fair values in connection with forward exchange contracts in the current fiscal year.

As of December 31, 2006, all forward exchange contracts in relation to pound sterling, Polish zloty and Czech koruna had a negative fair value of EUR 1,206k (prior year: negative fair value of EUR 737k). The forward exchange contracts relate to a total volume of EUR 34,046k (prior year: EUR 18,088k) and have residual maturities of between one and 77 months.

26 Non-Current Liabilities

The classification of non-current liabilities by residual maturities is shown in the schedule of liabilities below:

Type of liability	Total	Between 1 and 5 years	More than 5 years	Secured amount
EURk				
Liabilities from the refinancing				
of lease receivables	621,878	620,490	1,388	304,334
(prior year)	430,587	430,382	205	261,955
Bank liabilities	9,617	4,454	5,163	10,800
(prior year)	4,710	2,196	2,514	8,000
Other liabilities*	1,626	1,545	81	0
(prior year)	1,239	1,211	28	0

* thereof pensions of EUR 62k (prior year: EUR 28k)

The bank liabilities include the non-current portion of a loan totaling CHF 6,616k (originally CHF 11,724k) which was translated at the exchange rate on the balance sheet date. It runs from December 23, 2002 to June 30, 2016 (the original term until December 30, 2017 was reduced) and bears interest of 2.95% p.a. The loan is secured by a land charge of EUR 8,000k on the office building in favor of Commerzbank Baden-Baden, entered in the Oos land register under no. 6080.

A loan of EUR 5,500k with a term of ten years and interest of 3.1% was raised to finance the new building. Interest is payable quarterly in arrears. The first repayment on the loan is due on September 30, 2008; thereafter repayments are due semi-annually. 96% of the loan amount was paid out. A further land charge of EUR 2,800k was registered as security on October 11, 2006.

Current and non-current lease receivables totaling EUR 509,563k (prior year: EUR 477,261k) have been assigned to the refinancing institutions to secure the liabilities from the refinancing of lease receivables.

The GRENKELEASING AG group has three ABCP programs with a total volume of EUR 575,000k. The ABCP program organized by Deutsche Bank AG with Rheingold No. 9 Limited has a volume of EUR 175,000k. The ABCP program organized by WestLB with Compass Variety Funding Limited has a volume of EUR 250,000k. A further program with SEB AB was used for the first time in February 2005. The ABCP program with Kebnekaise Funding Limited, arranged by SEB AB, has a volume of EUR 150,000k. The programs' average interest rate in 2006 was 3.35% (prior year: 2.6%). The program with Deutsche Bank AG ran until September 2006 and has been extended. The program with WestLB has an indefinite term. At the end of fiscal year 2006, 34% (prior year: 68%) of the refinancing facilities provided under the ABCP programs had been utilized.

On August 4, 2006, GRENKELEASING AG bought back liabilities under the ABCP programs with a nominal

value of EUR 230,881k (Rheingold EUR 46,772k, WestLB EUR 101,460k, SEB AB EUR 82,649k). The liabilities were financed by issuing an ABS bond of EUR 250,000k with a six-year term via an SPE.

Interest rate hedges (caps and swaps) are concluded to hedge the variable cash flows from the placement of commercial papers under the ABCP programs. Any costs incurred in this context are recharged to GRENKELEASING. In return, the company participates in the interest rate hedge as the benefit paid to the ABCP program resulting from the related hedge is passed on to GRENKELEASING via the excess spread. The costs incurred by GRENKELEASING are classified as transaction costs under IAS 39 and amortized over the term of the underlying refinancing packages.

Pensions

Recognition of a provision for pensions under non-current liabilities is due to a change in legislation in Switzerland which introduced an obligation for companies to make additional contributions to their compulsory funded retirement benefit plans as from January 1, 2005.

As of January 1, 2006, the present value of the obligation (DBO) under the defined benefit pension plans for Switzerland amounted to EUR 221k (CHF 343k). Less the fair value of the plan assets of EUR 193k (CHF 300k), the obligation was EUR 28k (CHF 34k). The calculation according to the expert opinion by Expertisa AG is based on the following actuarial assumptions:

- ▶ Discount rate:
Dec. 31, 2006: 3.50% Dec. 31, 2005: 3.50%
- ▶ Estimated future salary increases:
Dec. 31, 2006: 3.00% Dec. 31, 2005: 3.00%
- ▶ Estimated future pension increases:
Dec. 31, 2006: 0.00% Dec. 31, 2005: 0.00%
- ▶ Expected return on plan assets:
Dec. 31, 2006: 2.00% Dec. 31, 2005: 2.00%

FACTS AND FIGURES

- ▶ Mortality:
Dec. 31, 2006: EVK 2000 Dec. 31, 2005: EVK 2000
- ▶ Probability of invalidity:
Dec. 31, 2006: EVK 2000 Dec. 31, 2005: EVK 2000
- ▶ Probability of exit:
Dec. 31, 2006: BVG 2005 Dec. 31, 2005: BVG 2000

As of December 31, 2006, the provision for pensions disclosed under non-current liabilities amounted to EUR 62k (CHF 98k). This amount comprises a present value of the obligation (DBO) of EUR 269k (CHF 431k), a fair value of plan assets of EUR 207k (CHF 333k) and an actuarial loss of EUR 36k (CHF 56k). The actuarial loss was recognized in equity in a separate item under the capital reserve in accordance with the revised IAS 19.

On the basis of the actuarial report, the following income and expenses were recognized in fiscal year 2006:

- ▶ Service cost: EUR 19k (CHF 30k)
- ▶ Interest expense: EUR 8k (CHF 12k)
- ▶ Income from interest
on plan assets: EUR 4k (CHF 7k)

Change in defined benefit obligations: EURk	2006	2005
--	------	------

Defined benefit obligation at beginning of period	221	194
Interest expense	8	7
Current service cost	19	23
Employer contributions	15	0
Benefits paid	3	0
Actuarial gains/losses recognized under equity	-17	3
Currency translation differences from foreign plans	-8	0
Defined benefit obligation at end of period	269	221

Change in plan assets:		
-------------------------------	--	--

Fair value of plan assets at beginning of period	193	203
Expected return	4	4
Employer contributions	39	0
Benefits paid	4	0
Actuarial losses recognized under equity	-19	-14
Currency translation differences from foreign plans	-6	0
Fair value of plan assets as of December 31, 2006	207	193

27 Equity

For the development of equity, we refer to the statement of changes in equity and the statement of recognized income and expense for the period.

The fully paid-in subscribed capital of GRENKELEASING AG amounts to EUR 17,486k (prior year: EUR 17,440k). It is divided into 13,679,679 (prior year: 13,643,646) no-par bearer sharers. The change on the prior year is attributable to the exercise of stock options in 2006 under the second stock option program (see Note 33). A total of 36,033 options were exercised and exchanged for shares.

On May 9, 2006, the shareholders' meeting adopted a resolution authorizing the Board of Directors, with the approval of the Supervisory Board, to increase the company's capital stock by April 30, 2010 by up to a nominal amount of EUR 8,500k by issuing new no-par bearer shares in return for cash and/or non-cash contributions. The approved capital increase may be performed in tranches. The shareholders are to be granted a subscription right. However, under certain conditions, the Board of Directors is authorized to wholly or partly exclude the subscription rights of shareholders in capital increases in return for cash contributions, with the approval of the Supervisory Board.

The articles of incorporation and by-laws were amended accordingly. In this connection, the approved capital of EUR 5,963k, which expired on February 28, 2005, was canceled.

Conditional Capital

As a result of the resolution passed by the shareholders' meeting on April 16, 2002, the conditional increase in capital of up to EUR 959k ("conditional capital I"), approved on February 28, 2000, was reduced by EUR 180k. The sole purpose of the conditional capital increase was to service the grant of options under the "employee stock option

program for the IPO in 2000". Since both tranches of the employee stock option program expired in 2006, conditional capital I no longer has a purpose. On January 23, 2006, the Supervisory Board resolved to cancel conditional capital I. The articles of incorporation were amended accordingly. The change in the articles of incorporation and by-laws was entered in the commercial register on April 21, 2006.

The shareholders' meeting also approved a further conditional increase ("conditional capital II") of EUR 948k. This was entered in the commercial register on June 7, 2002. In fiscal year 2004, conditional capital II was used when 78,090 stock options were exercised, thereby decreasing by EUR 100k to EUR 848k. In fiscal year 2005, conditional capital II was used when 41,708 stock options were exercised, thereby decreasing by EUR 53k to EUR 795k. The change was entered in the commercial register on May 15, 2006. In fiscal year 2006, conditional capital II was used when 36,033 stock options were exercised, thereby decreasing by EUR 46k to EUR 749k.

At the shareholders' meeting of GRENKELEASING AG on May 9, 2006, it was decided to conditionally increase capital by a nominal amount of up to EUR 3,834,690 by issuing up to 3,000,000 new no-par bearer shares (conditional capital III). The creation of conditional capital entails the right for the Board of Directors, with the consent of the Supervisory Board, to issue on one or more occasions warrant-linked bonds or convertible bonds with a total nominal value of up to EUR 150,000,000 with a maximum term of ten years. It is possible to preclude existing shareholders' subscription rights. In addition, the shareholders' meeting authorized the Board of Directors, with the consent of the Supervisory Board, to issue until May 8, 2011 participation certificates on one or more occasions up to a maximum of EUR 150,000,000. The shareholders may not subscribe in this case. No warrant-linked bonds or convertible bonds were issued in fiscal year 2006.

Authorization to Acquire Treasury Shares Pursuant to Sec. 71 (1) No. 8 AktG ["Aktiengesetz": German Stock Corporation Act]

By resolution of the shareholders' meeting on May 9, 2006, the company was authorized to acquire treasury shares of up to a total of 10% of the capital stock existing at the time of the resolution. The authorization may be exercised in whole or in part, on one or more occasions, by the company itself or by third parties assigned by the company. The authorization took effect at the close of the shareholders' meeting and remains effective until November 8, 2007. The Board of Directors is authorized to sell treasury shares in return for contributions in kind or to third parties in return for cash. The shares may be redeemed without the need for a resolution by the shareholders' meeting to approve redemption.

Participation Certificate Capital

By resolution of the shareholders' meeting on May 9, 2006, the Board of Directors was authorized, with the consent of the Supervisory Board, to issue participation certificates of up to EUR 150,000k with an indefinite term. The authorization expires on May 8, 2011. The shareholders may not subscribe. The issue of participation certificates does not grant shareholder status, but merely creditor rights on a contractual basis. A conversion or option right in respect of shares in the company is expressly precluded.

The shareholders' meeting on May 9, 2006 adopted the resolution on the appropriation of GRENKELEASING AG's retained earnings for fiscal year 2005 of EUR 46,906,004.09. The shareholders' meeting adopted the proposal of the Board of Directors and the Supervisory Board, resolving to appropriate, and appropriating, the retained earnings for 2005 as follows:

Retained earnings	EUR 46,906,004.09
Distribution of the dividend of EUR 0.50 per no-par share for a total of 13,643,646 no-par shares	EUR 6,821,823.00
Profit carried forward (to new account)	EUR 40,084,181.09

The dividend was paid to the shareholders of GRENKELEASING AG on May 10, 2006.

In fiscal year 2005, a dividend for 2004 of EUR 5,440,775.20 was distributed to shareholders, which is equivalent to EUR 0.40 per share for a total of 13,601,938 no-par shares.

The Board of Directors has proposed a dividend of EUR 0.55 per share for fiscal year 2006.

The capital reserve of EUR 60,052k (prior year: EUR 59,485k) mainly results from the IPO of GRENKELEASING AG in April 2000. The option to offset the costs of this IPO against the capital reserve was used in 2000. The reversal resulted in an effect of EUR 211k in 2003, including the effect of deferred taxes of EUR 81k. The capital reserve changed in 2005 and 2006 as a result of the exercise of stock options issued under the second stock option program.

The following differences between the exercise price and the notional par value arose in fiscal year 2006:

- ▶ Exercise period after shareholders' meeting 2006:
EUR 10.37 per option/share
- ▶ Exercise period after publication of QII:
EUR 14.82 per option/share
- ▶ Exercise period after publication of QIII:
EUR 17.66 per option/share

This resulted in an amount of EUR 567k which was transferred to the capital reserve in 2006 (see Note 33).

In addition to GRENKELEASING AG's revenue reserves, revenue reserves also comprise the revenue reserves and profits of the consolidated subsidiaries.

As cash flow hedges were accounted for for the first time, a hedge reserve was recognized in equity in fiscal year 2003. Changes in the value of derivatives designated as hedging instruments in cash flow hedges are recognized in equity (not affecting net income). The change in the fair value during the fiscal year is EUR 1,716k (prior year: EUR 1,461k) plus deferred taxes of EUR 214k (prior year: EUR 23k).

As a result of the recognition of pension provisions in accordance with IAS 19, an amount of EUR -36k (prior year: EUR -11k) due to the recognition of actuarial gains and losses was recognized in equity. As a corresponding liability is not recognized in Switzerland, the deferred taxes attributable the actuarial gains/losses (EUR 8k; prior year: EUR 3k) were also recognized in equity.

28 Segment Reporting

The GRENKELEASING AG group's risks and rates of returns are primarily determined by the geographical regions in which it operates. In accordance with IAS 14, certain items of information in the financial statements have therefore been disclosed by region ("primary segments") and by division ("secondary segments"). Regional segmentation makes a distinction as to whether lessees have their seat in Germany, France, Switzerland, or in another country. The "other countries" segment comprises Austria, Italy, the Czech Republic, Spain, the Netherlands, Denmark, Sweden, Belgium and Ireland. For segmentation by division, a distinction is made according to the type of acquisition, i.e. which lease contracts were acquired through conventional channels, via specialist dealers or via the subsidiary WEBLEASE NETBUSINESS AG, i.e. via e-commerce shops, and which were acquired through direct conclusion on the internet. The gains and losses from the contracts settled using the internally developed internet software are allocated to the internet segment.

The segment information was calculated as follows:

- ▶ Segment revenue comprises income from capitalizing lease receivables, sales proceeds from leased assets, insurance income and interest income.
- ▶ Segment result is calculated before taxes (EBT)
- ▶ Amortization/depreciation relates to property, plant and equipment and intangible assets and the portion of goodwill amortization from the acquisition of consolidated subsidiaries directly attributable to the segment.
- ▶ Capital expenditure relates to additions of property, plant and equipment and intangible assets including the portion of goodwill attributable to the segment.
- ▶ Operating segment assets and liabilities are comprised of the operating assets and/or borrowings – excluding interest-bearing claims and liabilities and without taxes.

Segment revenues break down as follows:		2006	2005
	EURk		
Income from interest on lease receivables		89,299	82,100
Income from new business		18,875	15,871
Insurance income		17,090	15,221
Income from disposals		12,627	11,397
Total		137,891	124,589

GRENKELEASING AG, BADEN-BADEN
CONSOLIDATED SEGMENT REPORTING AS OF DEC. 31, 2006
REGIONS (PRIMARY REPORTING FORMAT)

	Segment Germany		Segment France	
	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005
EURk				
Revenues	92,992	89,780	25,935	20,448
Segment result	28,392	34,200	13,675	7,212
Earnings before taxes				
Income taxes				
Net profit for the period				
Amortization/ depreciation	1,399	1,179	162	162
Capital expenditure	5,093	2,014	297	195
Segment assets	775,606	679,115	196,383	157,697
Unallocated items				
Total assets				
Segment liabilities	629,037	536,380	142,155	117,143
Unallocated items				
Total liabilities				

GRENKELEASING AG GROUP
DIVISIONS (SECONDARY REPORTING FORMAT)

	Segment Internet		Segment Conventional lease business	
	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005
EURk				
Revenues	77,315	63,827	60,576	60,762
Segment result	25,251	23,414	22,566	22,339
Capital expenditure	3,150	1,324	2,468	1,261
Segment assets	652,191	540,310	497,835	514,282

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Segment Switzerland		Segment other Countries		Reporting Segments	
Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005
6,789	5,949	12,175	8,412	137,891	124,589
3,571	2,816	2,179	1,525	47,817	45,753
				47,817	45,753
				17,307	16,726
				30,510	29,027
50	52	210	216	1,821	1,609
21	117	207	258	5,618	2,584
35,104	30,671	142,933	187,109	1,150,026	1,054,592
				29,945	20,175
				1,179,971	1,074,767
21,413	20,551	127,411	173,323	920,016	847,397
				58,275	51,228
				978,291	898,625

Total Segments	
Dec. 31, 2006	Dec. 31, 2005
137,891	124,589
47,817	45,753
5,618	2,584
1,150,026	1,054,592

29 Franchise System

GRENKELEASING AG intends to expand into other markets using the business model that has been tried and tested in many European countries. To this end, it employs a franchise system.

The following companies already operate as franchisees:

- ▶ Grenke Leasing Ltd., Guildford, UK
- ▶ GRENKELEASING Sp.z o.o., Poznan, Poland
- ▶ GRENKEAUTOLEASING GmbH, Bremen, Germany
- ▶ GRENKELEASING AS, Oslo, Norway
- ▶ GRENKEFACTORING GmbH, Baden-Baden, Germany

Two new franchise companies signed agreements in fiscal year 2006:

- ▶ GRENKELEASING Magyarország Kft./Rt., registered office in Budapest, Hungary (agreement signed on February 12, 2006)
- ▶ Kazenmaier FleetService GmbH, registered office in Karlsruhe, Germany (agreement dated August 1, 2006)

GRENKELEASING AG provides its know-how, infrastructure and funds for refinancing lease contracts under a franchise agreement. However, it does not own shares in the above franchisees, nor does it have control over the franchisees' business policies.

30 Financial Instruments and Financial Risk Strategy

30.1 Business Model

As a small-ticket IT leasing company, GRENKELEASING AG offers lease contracts for mobile IT assets for B2B customers on the market.

To date, the contractual terms for the lease portfolio, i.e. all lease contracts, have been fixed for the duration of each individual contract. This means that both the monthly payments and the interest rate used in calculating the payments are fixed when the contract is

concluded. Neither of the parties can subsequently amend these terms.

GRENKELEASING only dissolves or agrees to dissolve contracts prematurely (repurchase, exchange option, termination, etc.) if the loss (i.e. due to lost interest) is borne by the lessee.

30.2 Hedging Philosophy

Derivatives are used when, and only when, underlying contracts require hedging. Underlying contracts are the contractual obligations entered into by GRENKELEASING in order to achieve the company's objectives.

Treasury is not a separate profit center. The use of derivatives is therefore limited to hedging the profits of GRENKELEASING AG to the extent stipulated in the company's articles of incorporation and by-laws.

Items are hedged in terms of volume or amount, with various instruments being used. The choice of instrument is always a management decision based on the risk profile, i.e. the income opportunity associated with the risk in question. For example, besides benefiting from falling interest rates, interest rate caps also entail a risk of rising finance costs until the strike is reached, whereas swaps fix a specified interest rate for the term of the swap.

30.3 Financial Risk Identification

GRENKELEASING's business processes are currently exposed to the following financial risks:

30.3.1 Interest Risks

Such risks may arise when the payment obligations for interest-bearing liabilities are not hedged by corresponding asset positions (in this case interest-bearing lease contracts with end customers) or derivatives, either in terms of their maturity or amount. See Note 30.4 for details.

30.3.2 Currency Risks

These risks currently exist in financing for group companies or franchisees outside the euro area. These risks will not be hedged until the amount outstanding reaches EUR 1,000k. This amount was exceeded in Poland, the UK and the Czech Republic. This means that the exchange rate for the financing extended by GRENKELEASING AG in Polish zloty, pound sterling and Czech koruna to the Czech subsidiary, GRENKELEASING s.r.o., and the financing of the franchise partners in the UK and Poland, Grenke Leasing Ltd., and GRENKELEASING Sp.z o.o is known and fixed. The financing for the subsidiaries in Denmark and Sweden and for the franchise partners in Norway and Hungary has not yet reached a significant volume for the group, such that no currency hedging has been carried out in this respect to date. The derivatives used are disclosed under financial assets or liabilities at their fair value as of the balance sheet date.

Switzerland is not mentioned in this context, as lease refinancing is solely provided in Switzerland by Swiss banks in local currency.

30.3.3 Risks From Changes in the Equity of group Companies Outside the Euro Area

Changes in value due to the translation of financial statements prepared in a foreign currency have not been necessary due to the relative insignificance of the companies concerned.

30.3.4 Cash Flow Risks

By cash flow risks, we mean the risk of non-payment of lease installments by lessees or interest and redemption payments by the franchisee. In the case of lessees, such risks always arise directly from a deterioration in the

creditworthiness of the lessee after conclusion of the contract. In the case of the franchisees, non-payment by their customers can indirectly result in the franchisee being unable to make its interest and redemption payments. These risks can be hedged using credit derivatives or traditional credit insurance strategies. Such instruments have not been used to date due to GRENKELEASING AG's many years of experience and proven performance in this area of risk management. This also essentially applies to the financing of franchisees as receivables from their customers are assigned as security within the scope of the financing of the franchisee.

30.4 Detailed Risk Review

The following review focuses solely on the liabilities side of the balance sheet, i.e. the GRENKELEASING AG group's financing and refinancing. As explained above, there is no interest rate risk for any of the lease contracts recognized on the assets side.

30.4.1 Sales of Receivables Agreements

Such agreements are currently in place with Stadtsparkasse Baden-Baden, Commerzbank AG and with UBS AG in Switzerland. In all cases, they involve refinancing of lease contracts with matching terms. For this purpose, individual lease contracts with similar terms are grouped together and lease receivables are purchased for the same term. This ensures that the interest charge for GRENKELEASING is fixed and known at any time in the future. There is therefore no interest risk. For this reason, derivatives are not used for this financing.

The present value of the obligations is EUR 39,641k.

30.4.2 ABCP Programs

The three ABCP programs with Deutsche Bank AG, WestLB and SEB AB provide for the purchase of GRENKELEASING receivables from German, Austrian and French lessees. There is therefore no currency risk. The present value of the overall volume of these programs is EUR 195,559k.

As the amount of financing provided is always identical to the balance of sold receivables (less discounts, etc.), the hedging strategy must be based on the sold receivables portfolio.

Contrary to Note 30.4.1, however, the interest rates on the assets and liabilities side do not match because the purchase of the receivables is financed via the ABCP programs in the commercial paper market. The reference rate for all programs is the one-month EURIBOR, i.e. interest is variable. To hedge their exposure to rising interest rates, the ABCP programs enter into interest rate caps or interest rate swaps.

The respective programs are the counterparties for the interest rate caps and swaps, which is why GRENKELEASING cannot recognize them.

GRENKELEASING does not derecognize the future lease receivables sold in connection with the ABCP programs and the ABS bond. Although from a legal perspective, all rights to the receipt of cash flows are transferred to the relevant SPEs, the company retains all economic risks and rewards.

This applies in particular to the ABCP programs, as GRENKELEASING repurchases all lease receivables from settlements of claims, despite not being contractually obliged to do so. This ensures that the rating and thus in this connection also the interest on the refinancing liability are kept constant. In the case of the ABS bond, there are no repurchases; from an economic perspective, however, the bad debt losses remain at the wholly-owned subsidiary GRENKE FINANCE Plc. and thus in the group, due to the settlement mechanisms within the group. Hence the sale of the future lease receivables is treated in all cases as a loan and is disclosed as such.

GRENKELEASING does not include any of the SPEs used under the ABCP programs or ABS bond in its consolidated financial statements.

30.4.3 Bonds

Under the Debt Issuance Program (DIP) with a total volume of EUR 500,000k, GRENKELEASING is able to issue debentures with a term of up to five years.

Under the Debt Issuance Program (DIP), GRENKE FINANCE plc., Dublin, Ireland, issued a debenture with a nominal value of EUR 100,000k and a term of five years on March 22, 2005. The debenture carries variable interest on the basis of the three-month Euribor plus a credit spread of 0.60%.

GRENKELEASING AG has assumed the unconditional and irrevocable guarantee for the proper and timely payment of interest and principal and any other amounts payable for the debenture.

The bond of EUR 170,000k with a three-year term and a fixed coupon of 4.5% p.a. placed on the market under the DIP on October 30, 2003 was repaid and the resulting interest payment obligation discharged on time.

As part of the DIP, an additional debenture was issued to European investors by GRENKE FINANCE Plc., Dublin, Ireland, on October 12, 2006. The bond, with a nominal value of EUR 100,000k and a term of 18 months (beginning on October 30), has a variable rate of interest at the three-month Euribor plus 25 basis points. This bond replaces the debut bond of EUR 170,000k issued October 30, 2003, which was repaid on October 30, 2006. The outstanding EUR 70,000k was financed by the sale of receivables under the existing ABCP programs.

30.4.4 ABS Bond

To provide liquidity and ensure growth at attractive conditions, the first ABS bond amounting to EUR 250,000k with a term of six years was placed through the SPE GOALS (GRENKE Ongoing Assets Lease Securitization) on August 4, 2006. The interest rate is variable at the three-month Euribor plus a spread ranging between 0.08% and 1.75% depending on the tranche.

With this type of refinancing, several tranches of bonds with different ratings (risk classes) are issued by the SPE.

The size of the best rated tranche is a reflection of the quality of the leasing portfolio as well as internal risk management and directly impacts the costs of this type of financing. 85% (EUR 212,500k) of the bonds were given the highest rating by Standard & Poor's (AAA) and Moody's (Aaa).

The wholly-owned subsidiary of GRENKELEASING AG, GRENKE FINANCE Plc., Dublin, Ireland, subscribed for the last tranche (nominal value EUR 5,000k) of the ABS bond. As a result, the inflow of funds to the group only came to EUR 245,000k.

The overall volume of this obligation is carried at EUR 207,562k.

30.4.5 Borrower's Note Loans

In fiscal year 2005, GRENKE FINANCE Plc., Dublin, Ireland, raised a bullet borrower's note loan of EUR 20,000k. Its term started on December 6, 2005 and expires on December 5, 2010. The borrower's note loan bears interest of 3.773% p.a. which is due in

arrears at the end of each quarter, as of March 30, June 30, September 30 and December 30. The first interest payment was made as of March 30, 2006. GRENKELEASING AG is party to the agreement and has joint and several liability.

In addition, a borrower's note loan of EUR 17,000k with a five-year term was raised on December 20, 2005. The term began on December 22, 2005. Interest is charged in arrears at the three-month EURIBOR plus a premium of 0.61% p.a. The interest payment dates are March 22, June 22, September 22 and December 22 each year. As 99.637% of the loan amount was paid out, a discount of EUR 72k is being released over its term using the effective interest rate method.

30.4.6 Private Placements

Further debentures (medium-term notes) with the following key terms were issued under the DIP:

Description	Term from to	Nominal value in EUR	Interest rate	Discount in EUR
Borrowers' note loans	Apr. 27, 2004 - Apr. 27, 2009	1,000,000	4.75%	10,800
Fixed-interest debenture	Jun. 10, 2004 - Jun. 10, 2009	20,000,000	5.00%	215,000
Zero bond	Jun. 13, 2005 - Jun. 13, 2006	20,000,000	0.00%*	495,000*
Fixed-interest debenture	Apr. 20, 2006 - Apr. 20, 2009	100,000,000	4.00%	360,000

* All of the interest on the zero bond is reflected in the discount.

The principal repayment on the zero bond with a nominal amount of EUR 20,000k was made on time on June 13, 2006.

On April 20, 2006, another debenture was issued by GRENKE FINANCE Plc., Dublin, Ireland. This debenture is a bullet debt security with a nominal amount of EUR 100,000k, a term of three years and an interest rate of 4.00%. Interest payments are due once a year on April 20. The discount of EUR 360k resulting from the reduced issue price of 99.64% will be released over the term of the debenture using the effective interest method.

GRENKELEASING AG has assumed the unconditional and irrevocable guarantee for the proper and timely payment of interest and principal and any other amounts payable for the debenture.

All debentures are bullet debt securities and are subject to constant rating. If the Standard & Poor's rating were to be downgraded, the interest rate on the EUR 20,000k fixed-interest debenture would be adjusted (raised) by between 0.5 and 1.5 percentage points. As a downgrading is not expected, no hedge has been concluded to date.

As the interest payable on the debentures is fixed, there is no interest rate risk which would have to be hedged.

30.4.7 Revolving Credit Facility

On September 18, 2006, GRENKE FINANCE Plc, Dublin, Ireland, concluded three revolving credit facilities with three German banks at a total volume of EUR 90,000k. Over the one-year term of the agreement, minimum amounts of EUR 5,000k can be drawn on at any time for a period of one month. As of December 31, 2006, there were three current loans with terms expiring on January 9, 2007 at the latest. The total volume of the loans is EUR 40,000k and the average interest rate is 4.11%.

30.5 Hedge Effectiveness

Accounting in accordance with IFRSs requires documentation and a risk analysis when derivative financial instruments are used. The link between the hedged item and the hedging instrument forms the decisive basis for an effective hedge. As it uses derivatives for interest rate hedging, GRENKELEASING applies hedge accounting in accordance with IAS 39. Hedge effectiveness, as required by IFRSs, is in line with GRENKELEASING's intention of using derivatives only to hedge risks from designated hedged items and to never enter into derivatives for speculative reasons.

Currency risks are only hedged in substance. Although the hedging instruments are specifically designated, hedge accounting pursuant to IAS 39 is not applied.

The tests of effectiveness for each financial derivative accounted for in a hedge in accordance with IAS 39 were performed as of the end of the quarter using the hypothetical derivative method. The documentation of each hedging relationship describes the hedged item, hedged risk, strategy, hedging instrument, estimate of effectiveness and names the counterparty.

The specifications of the various derivatives used by GRENKELEASING are described below:

30.5.1 Forward Exchange Contracts

The hedged item for all forward exchange hedges is determined by the installments from the financing of the leasing business in the respective currency area. These foreign currency cash flows are the basis for the forward contracts. The hedge can be classified as highly effective because only the actual cash flows, and never a higher amount, are hedged. Ideally, the dates of financing the foreign exchange hedge coincide to ensure the best possible hedge of the exposure to cash flow variability.

30.5.2 Interest Rate Swaps

The parameters of the underlying contract, i.e. those of the financing (liability), are considered first and foremost when contracting interest rate swaps. For this reason, the interest rate terms of the swaps on the variable side are identical to those of the hedged item. Furthermore, the volume contracted in the swaps is never greater than the volume of the hedged financing. The active integration of existing and future planned refinancing transactions allows a forward-looking risk management. Quarterly tests of effectiveness are conducted as part of this ongoing analysis, in which the effectiveness of the hedges is tested using a method allowed under IFRSs. To date, the hedging relationships between interest rate swaps and existing and planned financing have proven to be highly effective. Under the hypothetical derivative method, effectiveness was 100%.

31 Fair Value of Primary Financial Instruments

Fair value is the amount for which financial instruments would be exchanged, sold, bought or settled on the balance sheet date between knowledgeable, willing contracting parties in an arm's length transaction.

The fair value of lease receivables is estimated by using, instead of the internal rate, an interest rate which would be available for full refinancing. A commercial rate of interest on December 31, 2006 was used for liabilities from the refinancing of lease receivables.

Financial instruments whose fair value differs from their carrying amount are listed below:

	Fair value 2006	Carrying amount 2006	Fair value 2005	Carrying amount 2005
EURk				
Lease receivables	1,029,217	945,213	938,432	860,828
Liabilities from the refinancing of lease receivables	845,043	844,151	772,588	771,598

32 Contingent Liabilities and Other Financial Obligations

Interest expense from refinancing liabilities amounts to EUR 27,603k (prior year: EUR 21,480k). This item also includes the interest income of EUR 1,449k (prior year: EUR 977k) generated by the loans issued under the ABCP (asset-backed commercial paper) programs as well as by the loans issued in connection with the ABS bond (Asset Backed Securities) (see Note 21).

	Dec. 31, 2006	Dec. 31, 2005
EURk		
Rent and lease obligations		
Of which due in the following year	3,193	2,279
Of which due in 2 to 5 years	6,464	4,533
Of which due in more than 5 years	1,068	2,796
Total	10,725	9,608

There are extension options of between one and five years for leases.

The company entered into a purchase obligation for a contract value of EUR 939k in connection with the extension of the GRENKELEASING AG headquarters in Baden-Baden, Germany. The purchase obligation will become due in 2007 depending on the progress of construction work.

Under three agreements regarding the sale of receivables of Grenke Investitionien Verwaltungs KGaA to secure all receivables of the holding company (Grenke Investitionien Verwaltungs KGaA) from the operating company, the operating company (GRENKELEASING AG) assigns to the holding company the following from lease contracts with end lessees (sublease contract) for leased assets which are the subject of a purchase agreement between the operating company and the holding company: all receivables, claims and rights arising from these sublease contracts, including any claims from extended leases following expiry of the originally agreed lease, any claims for compensation payments and for residual values, and payment of a purchase price from the sale of the respective leased asset. Claims from loan and property insurance from the respective sublease contract are also assigned, as are possible claims from repurchase obligations on the part of suppliers of leased assets or of third parties. The buyer of the receivables acquires the equitable lien on the leased assets on which the respective receivable purchase agreement is based.

Our Irish subsidiary, GRENKE FINANCE Plc., Dublin, Ireland, realized income from intragroup factoring in 2006.

In our view, this is an active service as defined by Sec. 8 (1) No. 5 AStG [“Außensteuergesetz”: German Foreign Investment Tax Act]. It is not subject to imputed dividend taxation under Sec. 10 (1) AStG at company level.

In our opinion, this interpretation of law should also be applied to income tax law. The application of the imputed dividend taxation provisions as unreasonable

anti-abuse regulations constitutes an unlawful discrimination against equity investments in foreign companies and may not, therefore, be applied in taxing GRENKELEASING AG.

The view currently held by the tax authorities would result in imputed dividend taxation of EUR 716k for 2005 and EUR 514k for 2006, and thus increase tax expenditure.

Furthermore, our view is also supported by the judgment of the European Court of Justice in the case of Cadbury Schweppes (case no. C-196/04) dated September 12, 2006. Imputed dividend taxation is only compatible with EU law if it is aimed exclusively at contrived forms that are used to evade national taxes normally payable. Such taxation may not be applied if it is proven on the basis of verifiable indications that, regardless of the existence of tax motives, the foreign company is actually situated in the member state and carries on real economic activities there.

Objections are pending to six assessment notices on the separate and uniform determination of tax bases for 2000 for GLG Grenke-Leasing GmbH & Co. Baden-Baden KG, GLG Grenke-Leasing GmbH & Co. Düsseldorf KG, GLG Grenke-Leasing GmbH & Co. Hamburg KG, GLG Grenke-Leasing GmbH & Co. München KG, GLG Grenke-Leasing GmbH & Co. Nürnberg KG, and GLG Grenke-Leasing GmbH & Co. Stuttgart KG.

The assets of the above companies were merged into GRENKELEASING AG as of February 28, 2000.

The amended tax assessment notices from the tax authorities differ from our application for amendment of the tax assessment notices for 2000 following the incorporation of the tax audit findings for the years 1996 to 1999.

If the tax authorities' view proves correct, tax expense would increase by EUR 92k.

Tax Field Audit in France

The tax authorities in France have completed their audit of the French group company GRENKE LOCATION SAS for the fiscal years 2000 to 2002. There were differences of opinion between ourselves and the tax authorities on the allocation of the intragroup two-tier financing. An expert third party issued a tax opinion on this matter stating that GRENKE LOCATION SAS stood a good chance that its accounting for the financing would be found clear and transparent. The French tax authorities issued GRENKE LOCATION SAS with a tax assessment notice that did not take this opinion into consideration. The company has lodged an appeal against this notice and initiated proceedings before the tax court.

Payment of EUR 3,458k was made in 2004 subject to reservations and without acknowledging the assessment notice to avoid the negative publicity that would follow an entry in the commercial register. This amount was recognized as a receivable from the tax authorities as, on the basis of the tax opinion, we believe that our view will be confirmed.

The recurring audit for 2003 and 2004 was performed in the first half of 2006. During this audit, the points addressed in the prior audit were reviewed. Final tax assessment notices have not yet been issued as both we and the tax authorities are trying to reach an amicable settlement in a mutual agreement procedure. The first appointment is scheduled for mid-February 2007. We expect that any compromise reached will also have an impact on the current proceedings regarding the audit findings for 2000 to 2002. If no agreement can be reached, the tax authorities can be expected to make similar claims to those incurred in prior years. In this case, we may seek recourse to the tax court.

Tax Field Audit in Germany

The tax field audit for fiscal years 2000 to 2004 commenced in September 2006 is still ongoing.

33 Employee Stock Option Programs

The first employee stock option program (IPO stock option program) was launched in connection with the stock market flotation of the GRENKELEASING AG stock. A further stock option program followed in 2002. These employee stock option programs were intended to allow members of the Board of Directors and the other employees of the company and of its affiliated companies to directly participate in the future growth in corporate value.

Subscription rights for all of the employee stock option programs are as follows:

- ▶ Members of the Board of Directors of GRENKELEASING AG
maximum of 203,880 subscription rights
- ▶ Other employees of GRENKELEASING AG
maximum of 969,490 subscription rights
- ▶ Other employees of companies affiliated to GRENKELEASING AG
maximum of 318,630 subscription rights

The subscription rights were issued in various tranches in subsequent years. Subscription rights can be issued within five years following entry of the conditional capital in the commercial register.

The share price must exceed a specified target price for the subscription rights under the employee stock option programs to be exercised, and the subscription rights may be exercised no earlier than two years after being issued. The exercise price is dependent on the issue price and may fall if the target price is exceeded.

All of the employee stock option programs provide for the possibility of a cash settlement in the event of the exercise of options. The Board of Directors would have to adopt a resolution for this for a particular year.

As all of the stock option programs were launched before November 7, 2002 and the conditions have not been subsequently amended, the options do not need to be measured in accordance with IFRS 2, i.e. recognizing any changes in value in profit or loss. Hence, the exercising options does not have an effect on profit or loss.

The stock options issued in the first employee stock option program are presented below:

IPO stock option program (stock option program I)	Members of the Board of Directors	Employees	Employees of affiliated companies	Total
No.				
Maximum number of subscription rights	100,000	528,000	122,000	750,000
Issued under the 1st SOP (2000)	30,396	218,630	30,620	279,646
Remainder	69,604	309,370	91,380	470,354
Retransfer as a result of employees leaving the company	--	47,920	11,588	59,508
Issued under the 2nd SOP (2001)	30,396	276,652	60,220	367,268
Remainder	39,208	80,638	42,748	162,594
Retransfer as a result of employees leaving the company	--	44,552	25,608	70,160
Derecognized by shareholders' meeting 2002	39,208	65,277	36,060	140,545
Balance on Dec. 31, 2006	0	59,913	32,296	92,209

The last measurement period for the targets of the first tranche of the first employee stock option program ended on November 5, 2004. The average price of EUR 33.12 for the measurement period was not reached; this meant that all options issued in this tranche (220,138 units) expired as of March 31, 2005.

The performance target for 2005 for the second tranche of the first employee stock option program was EUR 58.10. This target was not reached in the last measurement period preceding the publication of the

interim report for the third quarter of 2005. As there will be no further exercise period in 2006, the last opportunity for exercising the related options was after the publication of the interim report for the third quarter, the 367,268 options issued under the second tranche expired as of March 31, 2006.

The stock options issued in the second employee stock option program are presented below:

Stock option program II	Members of the Board of Directors	Employees	Employees of affiliated companies	Total
No.				
Maximum number of subscription rights	103,880	441,490	196,630	742,000
Issued under the 1st SOP (2002)	24,200	108,984	65,740	198,924
Remainder	79,680	332,506	130,890	543,076
Retransfer as a result of employees leaving the company	--	8,386	20,812	29,198
Balance on Dec. 31, 2006	79,680	340,892	151,702	572,274

On the basis of the share's performance in fiscal year 2004, the performance target of the second employee stock option program (EUR 28.51) was met in the reference period in July/August 2004 so that the options issued under the second employee stock option program were able to be exercised. The first exercise date for the maximum number of exercisable subscription rights (86,778 units) was August 13, 2004. The exercise price was EUR 19.64. Employees exercised a total of 78,090 options.

As the target price was exceeded once in 2004, the remaining options may be exercised during the relevant exercise periods in the years to come (25% each year). The exercise price will be determined separately for each exercise period in the relevant reference period. The reference price is EUR 38.00 for 2006 and EUR 43.70 for 2007.

Conditional capital II of originally EUR 948,446.66 divided by 742,000 subscription rights yields a nominal value per subscription right of EUR 1.27823. Due to the exercise of a total of 41,708 options in 2005, the capital stock increased by EUR 53k and the capital reserve by EUR 803k.

In fiscal year 2006, a total of 36,033 subscription rights were exercised, leading to a EUR 46k increase in the capital stock and a EUR 567k increase in the capital reserve.

The following tables presents all the relevant disclosures for 2005 and 2006:

Measurement period	Exercise period	Mean price	Exercise price	Number of options exercised
Date	Date	EUR	EUR	No.
30/03/-26/04/2005	04/05/-31/05/2005	34.03	20.93	33,614
24/06/-21/07/2005	27/07/-25/08/2006	36.21	19.84	5,942
22/09/-20/10/2005	28/10/-24/11/2005	42.64	16.62	2,152
31/03/-02/05/2006	10/05/-07/06/2006	58.14	11.65	848
23/06/-20/07/2006	28/07/-23/08/2006	49.24	16.10	33,437
22/09/-19/10/2006	27/10/-23/11/2006	43.57	18.94	1,748

A total of 13,895 stock options can be exercised and therefore have a dilutive effect as of December 31, 2006 (prior year: 7,426 stock options). As of December 31, 2006, 0 stock options are potentially dilutive (prior year: 42,502 stock options).

The outstanding options from the second employee stock option program were measured using option pricing models. The value per option for the second tranche of the first employee stock option program was EUR 10.91.

34 Related Party Disclosures

GRENKELEASING AG renders various services for related entities in its ordinary course of business. Conversely, the various group companies also render services within the GRENKELEASING AG group as part of their business purpose. These extensive deliveries of goods and services are transacted at market conditions.

In addition, various agreements are in place between the group and the franchise companies under which the group companies provide their know-how, infrastructure and funds for refinancing lease contracts. In addition to the franchise charge totaling EUR 305k (prior year: EUR 195k), the group generated income from interest on loans of EUR 1,407k (prior year: EUR 851k). As of the balance sheet date, apart from the loans (see Notes 18 and 21), there were receivables from franchisees totaling EUR 414k (prior year: EUR 207k).

In accordance with the articles of incorporation and by-laws, the Supervisory Board of GRENKELEASING AG has six members. The members of the Supervisory Board in fiscal year 2006 were:

- ▶ Prof. Dr. Ernst-Moritz Lipp, chairman, Professor of international finance and general manager of ODEWALD & COMPAGNIE Gesellschaft für Beteiligungen mbH, Baden-Baden, Germany
- ▶ Mr. Gerhard E. Witt, deputy chairman, Accountant and tax advisor, Baden-Baden, Germany
- ▶ Mr. Dieter Münch, retired bank officer and member of foundation board, Weinheim, Germany
- ▶ Dr. Oliver Nass, commercial general manager of ESG France, Paris, France
- ▶ Mr. Erwin Staudt, economics graduate, president of the soccer club VfB Stuttgart 1893 e.V., Leonberg, Germany

- ▶ Dr. Brigitte Sträter, Owner and manager of the PR agency CENA, Dusseldorf, Germany

The Supervisory Board's remuneration (including payments for supplementary services) totaled EUR 66k (prior year: EUR 77k).

Mr. Münch has 75 shares (prior year: 75), Prof. Dr. Lipp has 11,000 shares (prior year: 0).

In accordance with Sec. 113 (1) Sentence 2 No. 1 AktG, supervisory board remuneration is defined in Article 10 of GRENKELEASING AG's articles of incorporation and bylaws. This provision does not permit the participation of the members of the Supervisory Board in one of the employee stock options programs.

Mr. Gerhard E. Witt and Mr. Dieter Münch are also supervisory board members of Grenke Investitionen Verwaltungs KGaA, Baden-Baden, Germany. Mr. Dieter Münch is also a member of the supervisory board of Weisenburger Bau + Grund AG, Halle, Saale, Germany. Mr. Erwin Staudt is a member of the supervisory boards of PROFI Engineering Systems AG, Darmstadt, Germany, USU AG, Möglingen, Germany, and Hahn Verwaltungs-GmbH, Fellbach, Germany. Prof. Dr. Lipp is also a member of the advisory board of TFL International GmbH, Weil am Rhein, Germany, Burkart Verwaltungen GmbH, Singen, Germany, and of the supervisory board of BOA Holding GmbH, Karlsruhe Stutensee, Germany.

Dr. Brigitte Sträter and Dr. Oliver Nass were not members of any other supervisory boards or oversight bodies within the meaning of Sec. 125 (1) Sentence 3 AktG.

Mr. Witt and Prof. Dr. Lipp have been appointed until the end of the shareholders' meeting which is to decide on their exoneration for fiscal year 2007. The remaining members of the Supervisory Board have been appointed until the end of the shareholders' meeting which is to decide on their exoneration for fiscal year 2009.

Remuneration of the Supervisory Board breaks down as follows:

EURk	Total		Remuneration AG		Remuneration KGaA		Payments for supplementary services	
	2006	Prior year	2006	Prior year	2006	Prior year	2006	Prior year
Prof. Dr. Lipp	13	9	13	9	0	0	0	0
D. Münch	12.5	12.5	10	10	2.5	2.5	0	0
Dr. O. Nass	11	5	11	5	0	0	0	0
E. Staudt	9	5	9	5	0	0	0	0
Dr. B. Sträter	11	32	10	9	0	0	1	23
G. Witt	15	16	11	12	4	4	0	0
R. Hauss (expenses from 2005)	3.5	6.5	1	4	2.5	2.5	0	0
Total	75	86	65	54	9	9	1	23

In addition to her work for the Supervisory Board, Dr. Sträter also assisted the company in public relations.

The Board of Directors of GRENKELEASING AG is comprised as follows:

▶ Mr. Wolfgang Grenke, businessman, Baden-Baden, Germany (Chairman) Special responsibility: Strategy, corporate development, internal audit
▶ Mr. Thomas Konprecht, programming graduate, certified leasing and financial consultant (VWA), Dusseldorf, Germany (Vice-Chairman), Special responsibility: Marketing, sales, management services
▶ Dr. Uwe Hack, business administration graduate, Metzingen, Germany Special responsibility: Investor relations, treasury, controlling
▶ Mr. Mark Kindermann, business graduate, Bühl, Germany Special responsibility: Administration, accounting, legal, personnel, quality management
▶ Mr. Michael Kostrewa, businessman and industrial IT graduate, Gaggenau, Germany Special responsibility: Information technology, e-business

Mr. Wolfgang Grenke holds sole power of representation. The other members of the Board of Directors represent GRENKELEASING AG jointly with another member of the Board of Directors or with an authorized signatory.

The remuneration of the Board of Directors is as follows:

	Total remuneration	Compensation in kind from SOP	Fixed portion	Variable portion
EURk				
Wolfgang Grenke	509	58	328	123
Prior year	283	19	221	43
Dr. Uwe Hack	374	0	271	103
Prior year	98	0	67	31
Mark Kindermann	200	29	126	45
Prior year	142	11	111	20
Thomas Konprecht	284	43	181	60
Prior year	211	15	165	31
Michael Kostrewa	173	0	128	45
Prior year	140	10	110	20
Total	1,540	130	1,034	376
Total Prior year	874	55	674	145

An annual pension premium of EUR 21k is paid to a company welfare fund for Dr. Hack.

In the fiscal year and in the prior year, the members of the Board of Directors did not receive any GRENKELEASING AG stock options – in accordance with the stock option program II.

All of the Directors exercised stock options in fiscal year 2006 as shown below. Overall, the Board of Directors exercised 53,496 options. The number of shares and exercisable options is shown below:

No.	Shares as of		Options as of	
	Dec. 31, 2006	2005	Dec. 31, 2006	2005
Wolfgang Grenke	4,871,619	5,019,419	0	13,252
Thomas Konprecht	330,730	384,080	0	9,938
Mark Kindermann	52,053	70,953	0	6,628
Michael Kostrewa	47,500	84,600	1,100	6,628
Total	5,301,902	5,559,052	1,100	36,446

Mr. Wolfgang Grenke is also general manager of GLG Grenke-Leasing GmbH, Baden-Baden, Germany, and GRENKE Locazione S.r.l., Milan, Italy. He is chairman of the supervisory board of WEBLEASE NETBUSINESS AG, Baden-Baden, Germany, and of GRENKELEASING AG, Vienna, Austria. He is also a member of the advisory board of Deutsche Bank AG, Freiburg region, Germany.

Mr. Mark Kindermann is also a member of the Board of Directors of GRENKE LIMITED, Dublin, Ireland, as well as of the Supervisory Boards of WEBLEASE NETBUSINESS AG, Baden-Baden, Germany, GRENKELEASING AG, Vienna, Austria, GRENKELEASING AB, Kista (Stockholm), Sweden, and Grenkefinance N.V., Vianen, Netherlands.

Mr. Thomas Konprecht is both Chairman of the Board of Directors of GRENKE ALQUILER S.A., Barcelona, Spain, member of the Supervisory Board of GRENKELEASING AG, Vienna, Austria, and general manager of GLG Grenke-Leasing GmbH, Baden-Baden, Germany.

Mr. Michael Kostrewa is also a member of the Board of Directors of GRENKE LIMITED, Dublin, Ireland, and of the Supervisory Boards of GRENKELEASING AB, Kista (Stockholm), Sweden, and WEBLEASE NETBUSINESS AG, Baden-Baden, Germany.

35 Subsequent Events

Of the revolving credit facilities totaling EUR 40,000k, mentioned under 30.4.7, EUR 20,000k was repaid on time and the remaining EUR 20,000k was extended by an additional month.

36 Declaration Pursuant to Sec. 161 AktG

The Board of Directors and Supervisory Board of GRENKELEASING AG have made the declaration for 2006 pursuant to Sec. 161 AktG and made this available to shareholders.

Baden-Baden, Germany, January 23, 2007

The Board of Directors

AUDITORS' REPORT

We have audited the consolidated financial statements prepared by GRENKELEASING AG, Baden-Baden, Germany, comprising the balance sheet, the income statement, the statement of changes in equity, the statement of recognized income and expense, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2006. The preparation of the consolidated financial statements and group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] are the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institut of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation

principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks relating to future development.

Eschborn/Frankfurt am Main, Germany, January 23, 2007

Ernst & Young AG
 Wirtschaftsprüfungsgesellschaft
 Steuerberatungsgesellschaft

Eckl
 Wirtschaftsprüferin
 [German Public Auditor]

Kirch
 Wirtschaftsprüfer
 [German Public Auditor]

SUPERVISORY BOARD REPORT



Prof. Dr. Ernst-Moritz Lipp
 Chairman

Dear Shareholders,

Throughout the fiscal year, the Board of Directors provided the Supervisory Board with detailed and comprehensive information on the economic position, the strategic development, the status of business planning, current events and the personnel situation of GRENKELEASING AG. In a total of four Supervisory Board meetings – which took place on January 23, April 24, July 10 and November 20, 2006 – the Supervisory Board discussed the reports submitted by the Board of Directors in depth and passed the required resolutions. The Supervisory Board received the minutes of the meetings of the Board of Directors as well as the documents prepared for these meetings.

The following items were on the agenda of Supervisory Board meetings in 2006:

- ▶ Approval of the financial statements of GRENKELEASING AG and the consolidated financial statements
- ▶ Approval of the Supervisory Board Report to the Shareholder Meeting
- ▶ Definition of the items on the agenda for the Shareholder Meeting
- ▶ Approval of the Board of Directors' resolutions

- ▶ Resolutions regarding amendments to the articles of incorporation and by-laws
- ▶ Approval of the current "Corporate Governance Code"
- ▶ The risk management systems of the company and risk development
- ▶ The development of domestic and foreign shareholdings

The Supervisory Board thus fulfilled its obligation to review and monitor the management of the company as provided for by law and by the articles of incorporation and by-laws.

The financial statements of GRENKELEASING AG as of December 31, 2006 prepared by the Board of Directors, the management report of the company for fiscal year 2006, the consolidated financial statements as of December 31, 2006 and the group management report for fiscal year 2006 were submitted to the Supervisory Board for review.

The proposal on the appropriation of profits of GRENKELEASING AG made by the Board of Directors was submitted to the Supervisory Board. The financial statements were audited by the auditing firm elected by the shareholder meeting on May 9, 2006, Ernst & Young AG, Wirtschaftsprüfungsgesellschaft

Steuerberatungsgesellschaft, Eschborn/Frankfurt am Main. The accounting methods used in preparing the separate financial statements of GRENKELEASING AG were in keeping with the provisions of German commercial law. The audit of the financial statements for the year ended December 31, 2006 was conducted pursuant to Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and in compliance with the generally accepted principles for the audit of financial statements set forth by the Institute of Public Auditors in Germany (IDW).

The consolidated financial statement and the group management report for the fiscal year from January 1 to December 31, 2006 were prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU. In addition, in preparing the consolidated financial statements and the group management report, the company must observe the provisions of Sec. 315a (1) HGB and has done so. The audit of the consolidated financial statements was conducted pursuant to Sec. 317 HGB in compliance with the generally accepted principles for the audit of financial statements set forth by the Institute of Public Auditors in Germany (IDW AuS 200).

An unqualified audit opinion was rendered on both the financial statements of GRENKELEASING AG and the consolidated financial statements of the GRENKELEASING AG group. The auditor attended the meeting of the audit committee to discuss the financial statements and provided explanations. The audit committee satisfied itself of the auditor's independence.

The Supervisory Board reviewed the financial statements presented to it by the Board of Directors and the auditor and discussed the results in its meeting on January 22, 2007. The auditor attended the meeting and reported on the significant audit results.

Having duly conducted its own examination, the Supervisory Board raised no objections to the findings from the audit of the financial statements conducted

by the auditor and thus approved and adopted the financial statements of GRENKELEASING AG and the consolidated financial statements of GRENKELEASING AG on February 1, 2007.

The Supervisory Board concurs with the Board of Directors' proposal on the appropriation of profits.

All members of the Supervisory Board have voluntarily undertaken to observe the corporate governance principles effective in the fiscal year.

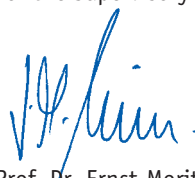
The Supervisory Board is composed as follows:

Chairman of the Supervisory Board:	Prof. Dr. Lipp
Vice-Chairman:	Mr. Witt
Other members:	Dr. Sträter
	Mr. Münch
	Mr. Staudt
	Mr. Nass

The Supervisory Board extends its thanks to the Directors and to all the company's employees whose personal dedication contributed to the group's excellent performance in the last fiscal year.

Baden-Baden, Germany, February 1, 2007

For the Supervisory Board



Prof. Dr. Ernst-Moritz Lipp
 Chairman

DATES 2007

03/01/2007	Publication New Business and Contribution Margin1
26/01/2007	Publication of the Annual Accounts for 2006 Balance Press Conference/DVFA Analyst Conference in Frankfurt
03/04/2007	Publication New Business and Contribution Margin1
26/04/2007	Publication of Financial Statements of Q1 2007
08/05/2007	General Meeting, Baden-Baden
03/07/2007	Publication New Business and Contribution Margin1
26/07/2007	Publication of Financial Statements of Q2 2006
02/10/2007	Publication New Business and Contribution Margin1
25/10/2007	Publication of Financial Statements of Q3 2006 DVFA Analyst Conference in Frankfurt

You may find the glossary to this report on www.grenkeleasing.com

