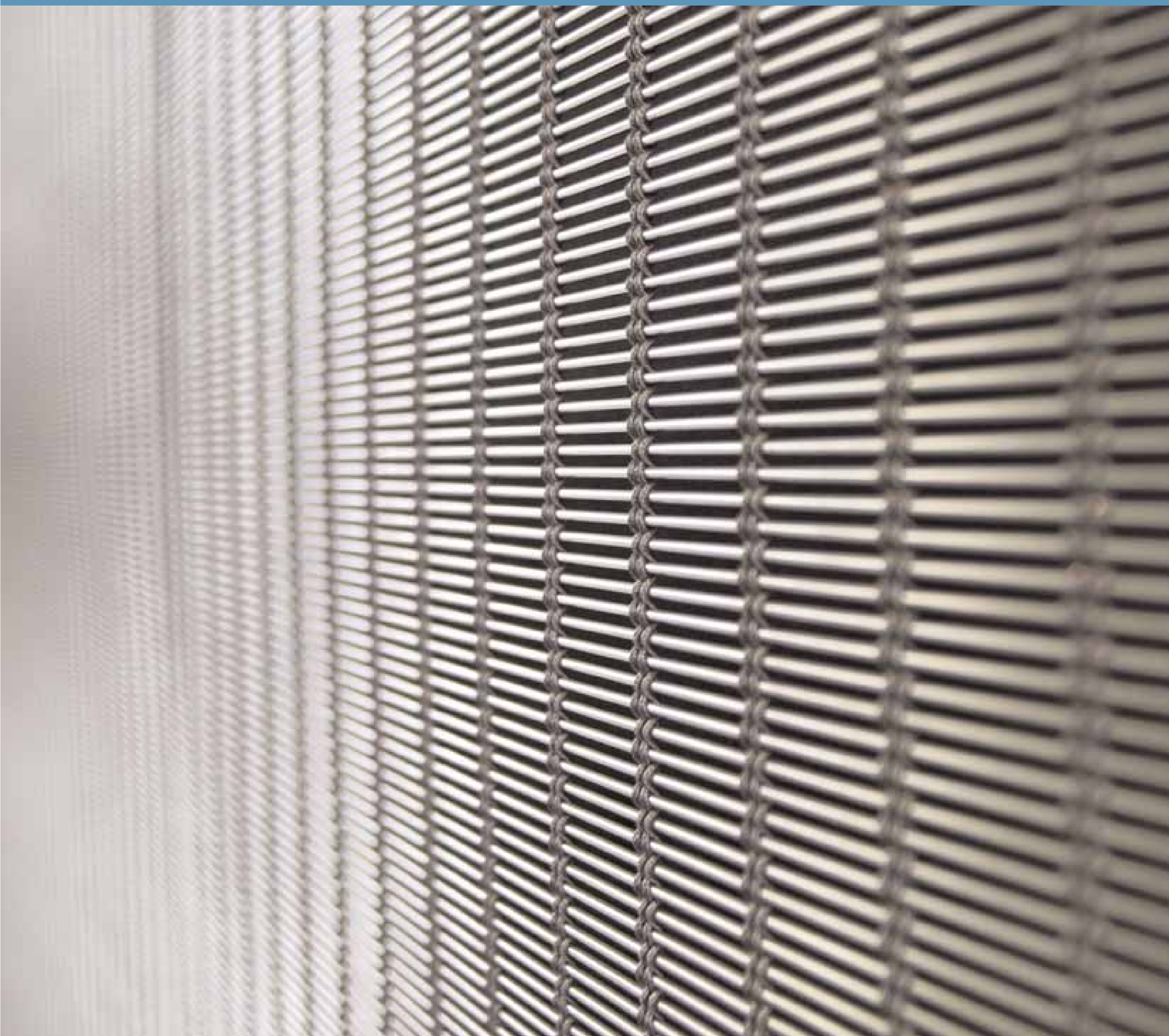
ANNUAL REPORT 2004

GRENKELEASING®



IMPORTANT KEY FIGURES OF THE GRENKELEASING AG GROUP

	2004	Change	2003	Unit
New business (cost of new lease contracts)*	363,247	17 %	309,304	EURk
Contribution margin 1 of new business	39,935	18 %	33,914	EURk
Number of new contracts*	51,546	14 %	45,126	Units
Number of new contracts without projects	46,146	10 %	41,960	Units
Net interest income from lease receivables (from leasing business)	56,248	15 %	48,818	EURk
Settlement of claims	14,269	9 %	13,080	EURk
Profit from insurance business	11,619	17 %	9,956	EURk
Profit from new business	13,373	19 %	11,201	EURk
Profit from disposals (income exceeding the calculated residual value)	1,461	6 %	1,381	EURk
Income from currency translation	297	--	0	EURk
Other operating income	356	14 %	312	EURk
Costs of new contracts	10,781	9 %	9,860	EURk
Costs of current contracts	3,630	10 %	3,296	EURk
Project costs and basic distribution costs	5,984	4 %	5,778	EURk
Management costs	7,546	17 %	6,465	EURk
Other costs	1,544	-1 %	1,567	EURk
Amortization/ depreciation on Goodwill	307	-1 %	311	EURk
EBIT (Earnings before interest and taxes)	39,293	25 %	31,311	EURk
Other interest profit	-119	12 %	-135	EURk
Market valuation of financial instruments	-2,249	--	-118	EURk
EBT (Earnings before taxes)	36,925	19 %	31,058	EURk
Net profit (consolidated net profit pursuant to IFRS)	23,629	20 %	19,649	EURk
IFRS earnings per share	1.74	20 %	1.45	EUR
Dividend**	0.40	21 %	0.33	EUR
Embedded value of the contract portfolio (incl. Equity before taxes)	224	14 %	197	EURm
Embedded value of the contract portfolio (incl. Equity after taxes)	195	14 %	171	EURm
Cost/Income Ratio	43.2	-7 %	46.7	%
Share of IT products in the lease portfolio***	89	0 %	89	%
Share of corporate customers in the lease portfolio***	99	0 %	99	%
Mean acquisition value***	7.0	2 %	6.8	EURk
Mean term of contract	45	2 %	44	Months
Volume of leased assets****	1,008	18 %	853	EURm
Number of current contracts	145,180	15 %	126,750	Units
Average number of employees*****	285	6 %	270	Persons

* incl. currency adjustment and franchise partners
** will be proposed to the shareholders' meeting on May 3, 2005
*** based on new business
**** at cost including 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 2004

GRENKELEASING®
AKTIENGESELLSCHAFT

THE FUTURE IS A CHALLENGE.
WE CAN SHAPE IT IF WE TAKE PEOPLE AND THEIR NEEDS SERIOUSLY.

285

employees with an average age of 34 years are GRENKELEASING's most valuable resource. They are alert, driven by success and international. They grasp the opportunities open to them - training to become Leasingfachwirt (certified leasing and financing consultants) with the IHK, studying finance and leasing at the Verwaltungs- und Wirtschaftsakademie, or international business management at the Berufsakademie, or make the most of the wide range of training opportunities offered by GRENKELEASING.

TREATING DIFFERENCES WITH RESPECT AND APPRECIATION IS A SOURCE OF GROWTH. AND OF PERSONAL GROWTH, TOO.

363 million euros of new business is the figure that underpins our success. GRENKELEASING's foreign branches have contributed 27%. Because a leasing company does not generate income from a new contract upon its conclusion but over the term, GRENKELEASING focuses on its new business, and not on period revenues. The majority of its profits are generated in the future.

IDEAS EVOLVE BY THEMSELVES.
AS LONG AS THEY HAVE AN ENVIRONMENT THAT ENCOURAGES GROWTH.

37

locations exist. The first subsidiary was founded in Vienna in 1997. Today, subsidiaries and franchise partners serve customers in Sweden, Denmark, the United Kingdom, Ireland, France, Spain, Italy, Austria, the Czech Republic, Poland, the Netherlands and Switzerland. The most recent subsidiaries came into being in 2004 in Stockholm/Sweden, Dublin/Ireland, Lausanne/Switzerland, and in Aix-en-Provence/France.

LETTER TO THE SHAREHOLDERS FROM THE BOARD OF DIRECTORS

01

Dear Shareholders,
Ladies and Gentlemen,

The European economy improved last year even though the recovery has been lagging recently. The ifo Institute expects real average GDP growth of 1.8% for the euro area for 2004 compared with 0.5% in the prior year. Growth in 2004 was bolstered by exports, while private consumption remained subdued in the euro area.

Germany has also been seeing a moderate recovery, although meanwhile the upward trend was held back by soaring oil prices and the strong euro. According to preliminary calculations by the ifo Institute, real GDP in Germany grew by 1.7% against 2003, following the 0.1% decrease the year before.

In the ITC industry, sales rose in 2004, often considerably, marking an end to the "dark years." After a 1.2% decrease in 2003, the IT industry recorded Europe-wide growth of 2.3% in 2004. In Germany, the industry notched up growth of 1.9%, with an increase of 4.1% forecast for 2005. The TC industry in Europe was also on the upsurge again in 2004, growing by 3.7%.*

Judging by the studies published by the ifo Institute, the leasing business also remained on track for growth in 2004. However, this trend was driven by innovative finance and service concepts and the ongoing careful credit policy of the banks rather than by thriving investment.

GRENKELEASING once again reported exceptional growth in 2004, with new business increasing by 17.5%. In absolute figures, the volume of new business - i.e. the total cost of leased assets - climbed from EUR 309m in 2003 to EUR 363m in the fiscal year. Compared to the third quarter of 2004, new business has increased by 29%. In 2004, foreign business contributed to GRENKELEASING's growth with 27%.

We were particularly pleased to see that the growth in new business in our main market, Germany, which had been slower (Q3: 3% up on the prior year) had gathered speed again towards the end of the year (Q4: 10% up on the prior year).

This shows that we have by no means reached our growth limits in our established markets, a fact which is illustrated most strikingly by our second most important market, France, where we grew 46.6% year on year.

Our new business growth benefited to a certain extent from the four additional working days compared with the prior year (up 1.6%).

Within the Group, the number of inquiries rose to 101,691 in 2004, as against 92,422 in 2003. 51,546 new contracts were generated as a result. The mean contract value was EUR 7,047, i.e. slightly higher than the prior year average of EUR 6,850.

The new business margin (contribution margin 1) increased from EUR 34m in 2003 to EUR 40m in the fiscal year. This represents an increase of 18%.

Earnings have developed particularly well in 2004, thanks not least to effective and strict cost management. EBIT rose to EUR 39m in 2004, compared to EUR 31m in the prior year, i.e. by 25%.

IAS 39 requires financial instruments to be measured at fair value even when they are not due to be sold in the foreseeable future. In 2004, this resulted in a high level of measurement expense (EUR 2.2m) which will be reversed over the next two years in the form of measurement income and lower interest expenses.

Profit after tax was up 20% to EUR 23.6m. This translates into earnings per share of EUR 1.74 (prior year: EUR 1.45).

The cost-income ratio, which we published for the first time in 2004 and which is calculated by dividing cost by income, continues to be very positive, falling in 2004 to 43.2% compared with 46.7% in 2003.

The good annual results were generated by 285 employees (2003: 270) in a total of 20 German branches and at 17 offices abroad.

In Sweden, the Stockholm branch commenced operations in January, and the new branch in Dublin, Ireland, started activities in September. In October, a branch was opened in Aix-en-Provence, France, and in Lausanne in Switzerland. This brought the number of foreign branches to 17 in 2004.

GRENKELEASING won many promising alliance partners in 2004, including UBS Leasing AG in Switzerland and T-Com, the fixed network division of Deutsche Telekom AG, in Germany. The framework agreement with Hewlett-Packard was renewed, and cooperation with Kyocera Mita is due to start in January 2005.

The Standard & Poor's issuer rating, which was first awarded to GRENKELEASING in 2003, was A-2 in the short term, BBB+ in the long term, with a stable outlook. Standard & Poor's confirmed this rating in 2004.

We strengthened our refinancing base further in the fiscal year, signing our third ABCP program for EUR 150m with SEB in December.

The GRENKELEASING share performed excellently in the fiscal year, rising from EUR 17.90 on January 2, 2004 to EUR 34.85 on December 30, 2004, an increase of 95%. The GRENKELEASING share met the exercise requirement for the 2002 employee stock option program of an average annual price increase of more than 15%. This gave employees the opportunity to exercise 50% of their options in the fiscal year.

In the fiscal year, GRENKELEASING started training students of international business management and commercial computer science studying for degrees in business administration in cooperation with the Berufsakademie Lörrach (University of Cooperative Education). Some of the students are also spending the practical part of their course in France and Switzerland. In 2005, GRENKELEASING will also start training office clerks and is also planning to take on the first apprentices in other countries, too.

For 2005, we are once again aiming at double-digit growth in new business and profits - and for the years to come, lasting success through steady, profitable growth, culminating in market leadership in the small-ticket IT leasing market in Europe.

Wolfgang Grenke
CEO

*EITO, provisional figure

WHEN SOMEBODY FEELS RESPONSIBLE FOR SOMETHING, HE GIVES IT HIS UNDIVIDED ATTENTION.

26

years is the age of the Company in 2004. Wolfgang Grenke founded Grenke-Leasing KG in Baden-Baden in 1978; in 1997 it was transformed into a stock corporation. Three years later GRENKELEASING AG is listed on the Frankfurt Stock Exchange. Leasing expertise and the development of an effective scoring system for checking the credit rating of lessees are the cornerstones of the successful strategy pursued by the market leader in small-ticket IT leasing in Germany and Switzerland.

02

GRENKELEASING'S BUSINESS PROFILE

02.1 GRENKELEASING'S CORE COMPETENCIES

The Company's core competencies are its low-cost management of lease contracts and the lucrative sale of used leased assets via the online platform "Asset Broker."

Our automated and cost-effective leasing logistics enable fast and smooth processing of lease contracts. Online contract processing saves even more costs and time, both for GRENKELEASING and for the specialist dealers we work with.

Returned items from regular or early terminations of lease contracts have been successfully sold on our internet portal "Asset Broker" since 1996.

GRENKELEASING AG's online broker service is also open to all of our specialist dealer partners for selling their own demonstration equipment or used goods. The portal is now being operated in Germany, Austria, Switzerland and France.

02.2 GRENKELEASING - MARKET LEADER IN GERMANY AND SWITZERLAND

In 1978, Wolfgang Grenke identified a market for leasing low-cost office communications equipment (small tickets) and founded the Company in Baden-Baden, initially as a sole proprietor, then as a limited partnership.

GRENKELEASING became a stock corporation on December 18, 1997 and has been listed on the Frankfurt Stock Exchange since April 4, 2000.

With equity of EUR 150m and 145,180 current lease contracts, today GRENKELEASING ranks among the largest movable assets leasing companies that are independent of manufacturers and banks, and is the market leader in small-ticket IT leasing in Germany and Switzerland.

After Germany and France, Switzerland is GRENKELEASING's third biggest sales market.

Our long-term goal is to achieve market leadership in small-ticket IT leasing in Europe. Greater market penetration thanks to new foreign subsidiaries and synergies reaped from alliances with successful partners will help us on our way.

A CUSTOMIZED RANGE OF SERVICES

GRENKELEASING has always known how to provide its dealers and end customers with a wide range of services which are tailored to meet customers' needs and offer more than just an ordinary lease contract.

Exchange Leasing

This type of contract allows the customer to exchange leased equipment during the term of the lease; the contract term then simply starts from the beginning again. Customers do not pay more for new equipment if its additional cost is less than a certain percentage of the contract value. This means that the customer always has state-of-the-art technology needed to stay competitive.

Flexplus Leasing

This is the simplest form of lease that GRENKELEASING offers. The monthly lease payment 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 75% of the proceeds to the customer. Ideally, the customer enjoys 0% finance.

Dispo Leasing

Major customers who invest regularly in new equipment conclude a framework agreement with GRENKELEASING and benefit from standardized, attractive terms within that framework. The customer's credit rating is only checked once, and processing charges are also only payable once. Hence, customers benefit from favorable terms, lower costs and greater flexibility.

ITAM

Since the beginning of 2004, GRENKELEASING has been offering end customers (lessees) the service of managing their office technology on a uniform extranet platform (IT Asset Management). This solution is used especially by medium-sized businesses with investment requirements of at least EUR 100k p.a.

Rental Leasing

The monthly payments are particularly low with rental leasing. The requirement is simply that the leased equipment is returned to GRENKELASING at the end of the contract term. The customer can thus plan expenditure precisely and benefits from particularly attractive terms.

Online Leasing

The leasing software GL WEB - which is free to specialist dealer partners - allows them to prepare offers quickly and conveniently, record lease applications, print contract documents and transfer and manage applications online. The software is intuitive and easy to use. It is updated regularly and now incorporates numerous useful service functions.

02.4 ADVANTAGES OF OUR BUSINESS MODEL FOR DEALERS AND END CUSTOMERS

Both specialist dealers and end customers can reap great benefits from our business model:

Benefits for Our Specialist Dealer Partners:

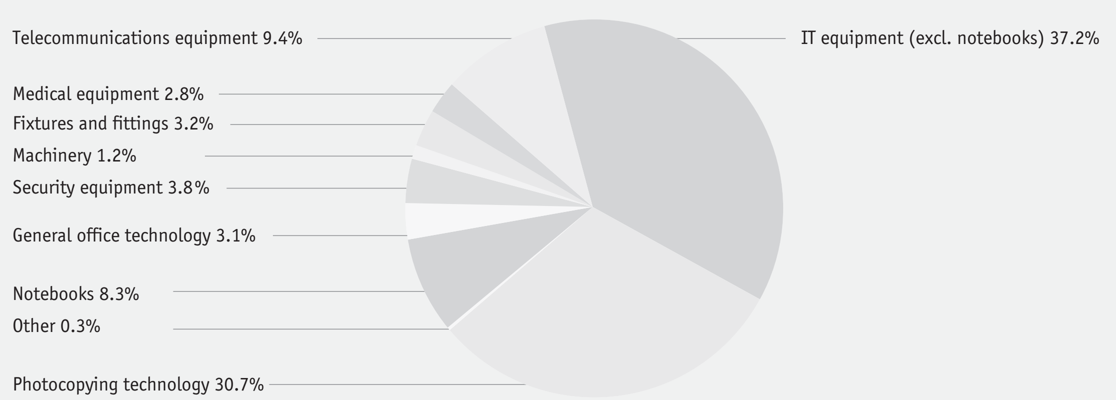
With GRENKELEASING, specialist dealer partners profit from the attractive and flexible products and the extensive range of services. GRENKELEASING also provides its dealers with local support from its many branches and subsidiaries. Credit rating checks within the space of a few minutes and fast and simple processing using the free of charge online leasing tool "GL WEB" provide effective support to dealers' sales activities. GRENKELEASING also makes leasing modules for e-commerce platforms available to its specialist dealer partners. Our service is enhanced by the possibility of selling returned lease equipment on the Company's online market "Asset Broker". "Asset Broker" is available to specialist dealer partners in Germany, Switzerland, Austria and France.

Benefits for Our End Customers:

With GRENKELEASING, end customers also benefit by having a personal contact to provide local assistance. Quick and easy processing and a very wide product range starting at EUR 500 are further advantages. What is more, the customer is always technically up to date thanks to the exchange option.

Leasing has the general advantage for end customers that it preserves liquidity and creditworthiness, and does not reduce their borrowing facilities. Lease payments can be fully deducted for tax purposes and expense planning is facilitated considerably as a result of fixed installments.

Structure of the Leasing Portfolio



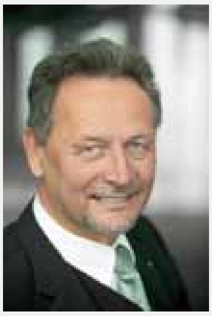
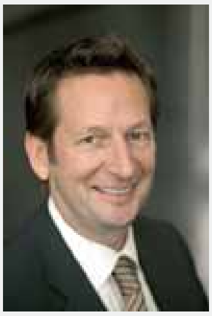
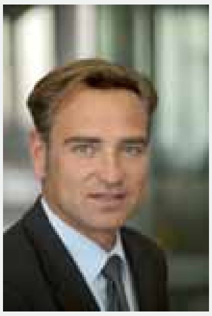
Percentage of IT products in the leasing portfolio: 88.7%.

MANAGEMENT STRUCTURE

02.5

Overall Strategic Responsibility for the Company

The Board of Directors


Wolfgang Grenke
Chairman of the Board

53 years old
Strategy, corporate development, investor relations, internal audit

Thomas Konprecht
Vice-Chairman of the Board

45 years old
Marketing, sales, management services

Mark Kindermann

43 years old
Finance, administration, accounting, financial control, legal, quality management

Michael Kostrewa

36 years old
Information technology, e-business

Operative management of specific divisions of the Company and:

The Management Board

IT & operations	Human resources Personnel development Training	Treasury	Refinancing	Risk management

TRUST AND SPEED ARE WHAT COUNT IN THE AGE OF VIRTUAL REALITY.

10017 specialist dealer partners in Germany and abroad benefit from comprehensive local support from their own personal contact. Rapid processing and payment by GRENKELEASING, and the firm support provided to our specialist dealer partners are just some of the reasons why our dealer base has been growing steadily. Our dealer network was extended by 11% in 2004.

03

MARKET AND COMPETITIVE ENVIRONMENT

03.1 DEVELOPMENT OF THE ITC MARKET IN EUROPE

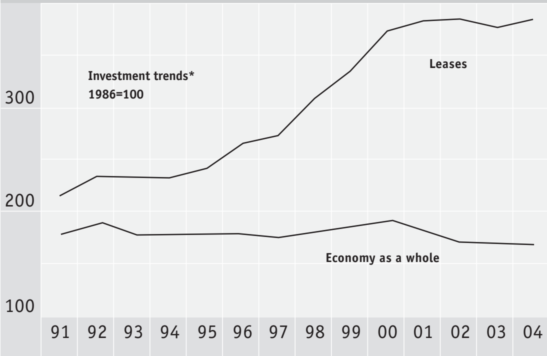
Growth in the European and German ITC industries stepped up substantially in 2004. Following a moderate increase of 1% in the western European ITC industry in 2003, substantial growth of 3%* was recorded in 2004.

At some 21% each, Germany and the UK have the lion's share of the ITC market in western Europe.

The German industry association Bitkom has also identified a buoyant mood on the German ITC market on the basis of the most recent industry barometer. 74% of ITC companies anticipate rising sales in the year to come, 37% even forecast sales increases of more than 5%. Another 15.5% of companies participating in the current survey expected revenues to be steady.

*EITO, forecast

Growth Trends in the Leasing Industry
in percent



*Unadjusted prices.
Source: ifo Investitionstest Anlagenvermietung, Federal Statistical Office.

Leasing Levels
in percent

*Percentage of movable assets leasing in economic investments in equipment. 2004 provisional figures.
Source: ifo Investitionstest, Federal Statistical Office.

DEVELOPMENT OF THE GERMAN AND EUROPEAN LEASING MARKET

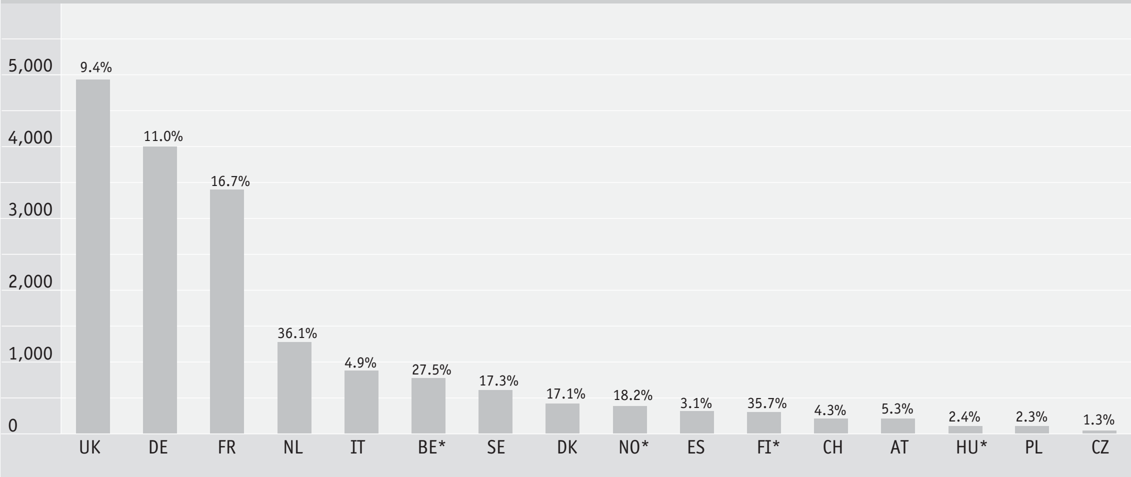
According to a report by the ifo Institute, in 2004 industry expenditure on machinery, equipment and buildings will fall for the fourth year running, by some 2%*. Given this environment, it is astonishing that leasing companies have managed to grow yet again in bulk business. The latest ifo Investitonstest shows that new business with movable assets expanded by 2.1% in 2003 and by some 5%* in 2004. The leasing industry boosted its market share, from 18.0% to 18.6%* overall, and from 22.8% to 24.2% for movable assets, a new record. This has slashed the lead of pioneering leasing countries such as the US and the UK.

Leasing companies expect new business to grow by some 1% to EUR 47.1bn in 2004. The ifo Institute predicts that leasing companies will stay on course for growth in 2005, benefiting from the tailwind produced by the recovery in capital expenditure on machinery and equipment anticipated for 2005 and an improved climate in the automotive industry.

Regardless of general market trends, GRENKELEASING has consistently enjoyed above-average, double-digit growth in the recent years. GRENKELEASING also reported an encouraging 17.5% increase in new business in 2004.

*ifo, estimate

Share of Leased Equipment in Total Investments in Computer and Office Equipment
in EUR m



* countries in which GRENKELEASING does not operate.
Source: Leaseeurope- analyzed for various types of equipment (2003).

03.3 GRENKELEASING IN THE COMPETITION

The Competitive Situation

Of the some 2,000 leasing companies operating in Germany, about 150 are relevant for the market. 15 can be regarded as direct competitors of GRENKELEASING.

One of GRENKELEASING's competitive advantages is its high level of automation and therefore low-cost management which allows large numbers of small-ticket lease contracts to be concluded without great expense.

Furthermore, GRENKELEASING is not dependent on manufacturers and is thus not tied to certain products.

Another bonus is our direct access to the capital market, which allows us to keep interest expenses down. Our wide sales network of specialist dealer partners and our alliances with big-name manufacturers give us direct access to the point of sale.

Apart from having an optimized risk structure, GRENKELEASING also has the necessary expertise and size for expansion into Europe together with its partners.

Bolstering Cost Leadership

One of GRENKELEASING's core competencies is its cost-effective management of lease contracts.

GRENKELASING knows just how to rationalize the complex "bulk business" from start to finish because the lower the cost per contract, the more profitable the Company becomes.

This is why all areas of contract logistics at GRENKELEASING are largely automated and "paperless."

GRENKELEASING bolstered its cost leadership further in 2004. This year, the cost per new contract was EUR 234, compared to EUR 235 in 2003. The cost per current contract was also reduced in 2004 to EUR 25 as against EUR 26 in 2003.

A ratio first published in 2004, the cost-income ratio, was extremely favorable, falling to 43.2% in the fiscal year compared with 46.7% in 2003.

This ratio is calculated by dividing cost by income. However, contrary to the approach normally taken by bank analysts, the cost of settlement of claims/risk provisioning is deducted from revenue even though 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.

INFORMATION IS AVAILABLE EVERYWHERE. BUT KNOWLEDGE IS CREATED BY THE PLEASURE OF FILTERING AND ASSESSING.

43.2

percent is GRENKELEASING's cost-income ratio. This ratio was first published in 2004 and is calulated by dividing cost by income. It puts a figure to the improved efficiency of the administration with its virtually paperless contract management system. This ratio has improved each year since 2000. Two other indicators speak volumes: the cost per new contract of EUR 234 and the cost per current contract of EUR 25, which have both fallen slightly in 2004.

04

THE COMPANY

04.1 THE GRENKELEASING PHILOSOPHY

GRENKELEASING takes steps to achieve its goals rigorously and as fast as possible. We want to enhance our image as the "fast leasing company" and monitor our success regularly. We have a tried-and-tested business model, sound expertise gleaned in 26 years of leasing experience and motivated employees.

GRENKELEASING provides its specialist dealer partners with a wide range of services and offers its leasing customers quick and easy support as part of its comprehensive leasing service.

The incessant change in the leasing market calls for rapid response and constant adjustment to cater to new customer requirements. We know that we can only stay competitive if we are willing to change and allow our actions to be guided by this awareness.

Our aim is to become the market leader in small-ticket IT leasing in Europe, thereby creating lasting added value for our shareholders, customers and employees.

04.2 GRENKELEASING QUALITY MANAGEMENT

GRENKELEASING set up a quality management system in 1997 and has been enhancing and optimizing the system since then. The Company has DIN EN ISO 9001:2000 certification and is audited each year by an external audit firm. In addition to the German branches, the subsidiaries in Austria, France, Switzerland and the Berlin-based Grenke Investitionen Verwaltungs KGaA, which is in charge of asset sales, have since 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 quality management system and any corrections are made on a timely basis.

The latest audit report, issued in September 2004, confirms that GRENKELEASING AG has an exemplary quality management system operated to a high standard. According to the report, the requirements of ISO 9001:2000 are met in full.

A risk management system was fully implemented and integrated into the quality management system in 2003. In the GRENKELEASING Group, the risk management system has the function of systematically identifying, assessing, documenting and disclosing potential risks. It is designed to enable employees and management to address risks responsibly and to make the most of the opportunities that present themselves.

OVERVIEW OF THE GROUP

GRENKELEASING AG
Head office, Baden-Baden (Germany)

Branches
Berlin, Bremen, Dortmund, Dresden, Dusseldorf, Erfurt, Frankfurt, Hamburg, Hanover, Cologne, Leipzig, Magdeburg, Mannheim, Memmingen, Mönchen-gladbach, Munich, Nuremberg, Rostock, Stuttgart

GRENKELEASING AG
Vienna (Austria)

GRENKELEASING AG
Basel, Lausanne (Switzerland)

GRENKE LOCATION SAS
Schiltigheim (France)

Branches
Aix-en-Provence, Lyon, Nantes, Paris

WEBLEASE NETBUSINESS AG
Baden-Baden (Germany)

GLG Grenke-Leasing GmbH
Baden-Baden (Germany)

Grenke Investitionen Verwaltungs KGaA
Baden-Baden (Germany)

EKOMA s.r.o.
Prague (Czech Republic)

GRENKE ALQUILER S.A.
Barcelona (Spain)

Grenkefinance N.V.
Maasbree (Netherlands)

GRENKE Locazione S.r.l.
GRENKE LEASING S.r.l.
Milan (Italy)

GRENKELEASING ApS
Herlev (Denmark)

GRENKE LIMITED
GRENKE FINANCE Plc.
Dublin (Ireland)

GRENKELEASING AB
Stockholm (Sweden)

Franchise partners

Grenke Leasing Ltd.*
Guildford (UK)

GRENKELEASING Sp.z o.o*
Poznan (Poland)

*with franchise agreement

04.3

EXPANSION OF FOREIGN OPERATIONS

Successful Expansion in Europe

In 2004, GRENKELEASING extended its reach further into Europe. The Stockholm branch started operations in January 2004 and we commenced operations in Dublin, Ireland, in September of that year. GRENKELEASING also has another subsidiary in Ireland that deals with financing. Last but not least, a branch was opened in Lausanne in Switzerland and in Aix-en-Provence in France in October.

GRENKELEASING AG's foreign subsidiaries contributed 27% to the Group's new business growth; this represents a 42.5% increase in new business outside Germany compared with 2003.

Foreign operations have developed as follows in the various countries:

France

GRENKE LOCATION SAS strengthened its footing in the French market thanks to its wide range of products and the opening of the fifth branch in Aix-en-Provence. The upward trend first seen in the fourth quarter of 2003 continued into 2004. Sales activities were stepped up without lowering credit rating standards for the acceptance of lease contracts. The number of new contracts rose by 30% in the fiscal year. We will forge ahead with our expansion plans in 2005.

Italy

Since September 1, 2004, the GRENKELEASING Group has had two subsidiaries on the Italian market. In addition to GRENKE Locazione S.r.l., which offers IT rental agreements, GRENKE LEASING S.r.l. now also operates in Milan. GRENKELEASING S.r.l. offers traditional lease contracts, enlarging product portfolio on offer to customers in Italy. Due to a restrictive risk policy, the number of new contracts in Italy in 2004 increased only minimally by 1.5%.

Spain

The public recognition of GRENKE ALQUILER S.A. in the Spanish market was improved further in the fiscal year. As a result, many cooperation dealers were won. The number of new contracts in Spain leaped 65% in 2004.

The Netherlands

Fiscal year 2004 was a good year also for Grenkefinance N.V. in the Netherlands, with the number of new contracts up 51%. Public recognition of the GRENKELEASING brand improved here too. Having hired new employees for our sales force, we are confident that this trend can be sustained in 2005.

Switzerland

The positive development in Switzerland continued in 2004. Switzerland is now our third biggest sales market. At 1,775, the total number of contracts fell slightly, although new business grew in 2004 by 7.5% to EUR 13.9m. A new branch in French-speaking western Switzerland was opened in Lausanne in October. The software GL WEB also went live in Switzerland in the fiscal year. We aim to bolster our market leadership in small-ticket IT leasing further in 2005.

Austria

GRENKELEASING AG in Vienna reached its targets for 2004. The company is now a well-known name in our target market segment. A number of promising alliances were formed in the fiscal year. The number of new contracts increased 7% in 2004.

Czech Republic

The far-reaching changes in the Czech Republic since its accession to the EU have promoted its integration into the GRENKELEASING Group. Nevertheless, the IT leasing market in the Czech Republic is still underdeveloped. In spite of this, we focused on selling new lease contracts for IT products. The number of new contracts in the Czech Republic fell by 7% in the fiscal year. For 2005 we are planning to launch new leasing products and to change the company's name from "EKOMA" to "GRENKELEASING."

Denmark

The wider spread of dealer alliances and the extended product portfolio not only minimized risks in Denmark, but also helped to boost the volume of business considerably. The number of new contracts in Denmark jumped five-fold year on year. We expect to make even more progress in the market in the year to come.

Sweden

GRENKELEASING AB commenced operations in January 2004 after receiving the necessary license from the Swedish financial supervisory authority. In a strained market, market penetration is still low, but brisker sales activities gave the necessary impulse for a substantial increase in new business from the autumn of 2004.

Ireland

GRENKE Limited in Dublin started operations in September 2004. Based on our experience gleaned in the past from establishing new foreign subsidiaries, we expect to see a strong increase in business here in 2005.

GRENKELEASING's Expansion Strategy

GRENKELEASING applies the concept of cell division in establishing branch networks in Germany and other countries whereby a sales region is divided up among two branches as soon as it receives a certain number of contract inquiries each week.

Since 2003, GRENKELEASING has also been using a tailored franchise system to cut the cost of establishing new businesses abroad.

GRENKELEASING does not participate directly in the locally operating company, but provides it with the required expertise, tried-and-tested management tools, and back-up support. In this way, we ensure that new employees identify themselves with our Company and allow them to concentrate on generating new business.

In return, GRENKELEASING gains knowledge of the relevant market in order to imply the expansion strategy of the Group quickly and effectively.

The franchise concept was introduced in two countries in 2003. In the UK, Grenke Leasing Ltd. was founded in Guildford, and in Poland, GRENKELEASING Sp.z o.o was founded in Poznan. Business in both of the franchises went very well in the fiscal year.

In the future, foreign business will make the biggest contribution to GRENKELEASING's growth.

In 2005, we will found a new subsidiary in Belgium. Expansion into the reform countries in central and eastern Europe is another medium-term goal pursued by GRENKELEASING.

GRENKELEASING LOCATIONS IN EUROPE

Expansion areas

Countries with GRENKELEASING branches

04.4 NEW ALLIANCES IN 2004

Our strategic alliances with big-name manufacturers and distributors in Germany and abroad are one of the cornerstones of our success. Additional promising alliances were set up in the fiscal year:

UBS Leasing AG

GRENKELEASING has been cooperating with UBS Leasing AG in Switzerland since February 2004. As UBS Leasing had not previously addressed the small-ticket segment, its cooperation with GRENKELEASING fills a gap in the company's service offering.

TAROX Systems and Services GmbH

Since June of the fiscal year, we have been working in Germany with Tarox, a manufacturer of high-end PC systems, servers and notebooks. Tarox offers its specialist dealers - and end customers - the option of processing lease transactions via GRENKELEASING.

NT plus AG

Since November 2004, GRENKELEASING has been cooperating with the Osnabrück-based company NT plus, one of the leading distributors in the IT and TC industry. NT plus supplies telecommunications and IT specialists with more than 7,000 products from some 60 manufacturers. Its subsidiaries teleprofi, PHONET, ABC and Mobilfunk are also covered by the framework agreement.

KOMSA Kommunikation Sachsen AG

November 2004 also saw the start of our alliance with the KOMSA Group which has evolved to become Germany's acknowledged market leader for sales and service in the ITC industry since it was founded in 1992. KOMSA is the partner of major manufacturers and network operators such as Siemens, Nokia, T-Com and Mobilcom, as well as of small and medium-sized businesses.

TECH DATA Schweiz GmbH/TECH DATA Österreich GmbH

The cooperation with TECH DATA in Germany, which has been in place since April 2003, was extended to Austria and Switzerland in November 2004. TECH DATA is a leading international distributor of IT products, logistics management and other added value services.

Kyocera Mita Deutschland GmbH

A framework agreement with the Japanese information and communication technology manufacturer Kyocera Mita was concluded in November of the fiscal year. Active collaboration with authorized Kyocera resellers started in January 2005. This alliance is supported by leasing software and many joint marketing activities.

TRANSPARENCY IN FINANCIAL REPORTING

04.5

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.

In the next two chapters we discuss "embedded value" and the recalculation of liquidity.

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 rough 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, 2004, the embedded value of the contract portfolio was EUR 74m. Adding the equity of EUR 150m yields a total value, before tax, of EUR 224m. After taxes, the total value as of December 31, 2004 is EUR 195m.

Recalculation of Cash funds

GRENKELEASING uses available cash funds for the advance financing of leasing business in order to save the interest that would be incurred on external financing. Therefore, the consolidated cash flow statement in the financial statements for 2004 does not give a very representative picture of the Company's liquidity situation.

Viewed in conjunction with the cash flow statement, the table below gives an accurate picture of our financial situation.

EURk	Jan. 1, 2003	Dec. 31, 2003	Dec. 31, 2004
Cash and cash equivalents	34,534	47,548	62,166
Transitory items	22,906	13,966	16,048
Adjusted cash and cash equivalents	**11,628**	**33,582**	**46,118**
Funds used for advance financing	57,214	30,721	9,678
Loans for advance financing	-2,986	-1,658	-36
Readily available funds	**65,856**	**62,645**	**55,760**
Receivables from tax authorities	6,830	5,924	13,845
Discount ABCP	11,902	20,211	42,607
New balance	**84,588**	**88,780**	**112,212**
Change in "new balance"		**Jan. 1. - Dec. 31, 2003**	**Jan. 1. - Dec. 31, 2004**
Beginning of year to balance sheet date		4,192	23,432

ACCOUNTING FOR FINANCIAL INSTRUMENTS UNDER IAS 39

04.6

IAS 39 is the standard governing the recognition and measurement of financial instruments - and thus of derivatives.

Under IAS 39, financial assets and liabilities (referred to below as "financial instruments") must be measured at fair value depending on the category of financial instrument. This is generally an expedient approach as most financial instruments can actually be sold at any time at a variable current price.

However, it is not GRENKELEASING's business policy to sell financial instruments subject to fair value measurement depending on their fair value. As a result, the provisions of IAS 39 have a significant impact on the Company's balance sheet and income statement without there being any real economic substance.

Changes in the fair value of financial instruments have to be recognized in net profit or loss except when they are designated as a hedge of an underlying transaction. In this case, highly formal requirements must be strictly complied with.

In the fourth quarter of 2003, GRENKELEASING placed its debut bond and exchanged the fixed-interest payment obligation for a variable by means of an interest rate swap. In January 2004, a cap was concluded to limit the maximum variable interest payable obligation.

At the time of the transaction, we assumed that the values of the debut bond and the swap would more or less balance out. We therefore measured the debut bond at fair value under the rules for fair value hedges. However, the assumption of a lower aggregate change in value of debut bond and swap did not hold true in 2004. Widely differing changes in fair value occurred during the year, leading to corresponding changes in profit and loss. The hedge was therefore no longer effective and had to be reversed in accordance with IAS 39.

Since that time, the debut bond has to be recognized as a financial liability at amortized cost. The value as of December 31, 2004 was EUR 170,985k. As EUR 170,000k is repayable on October 31, 2006, the measurement difference will be recognized in net profit or loss in the amount of some EUR 134k per quarter. By contrast, a one-off additional measurement expense of EUR 985k was incurred for 2004 as a whole.

Added to this were expenses for the measurement of other financial instruments used by GRENKELEASING, which were, however, partly offset by lower interest expenses for refinancing. This trend is already evident in this year's financial statements: in spite of a significant increase in the refinancing volume, interest expenses decreased by EUR 931k.

Overall, there was measurement expense of EUR 2.2m for all financial instruments for the fiscal year; this amount will be recovered in the next few years due to lower interest expenses or higher measurement income.

04.7 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 2004 was 1.7% of the acquisition cost.

The conclusion of a lease contract incurs direct costs - e.g. for the aforementioned commission, for the procurement of information from an economic information service 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 - in substance - the **net investment** in the lease contract. The average net investment for fiscal year 2004 was 4.2% of the acquisition cost. The 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. During the term of the lease contract, we receive lease payments from the lessee that we break down into interest **(income from interest on lease receivables)** and 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, a corporate bond 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 actual loss 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 cost of **settlement of claims**.

If the lessee uses our insurance service - as of December 31, 2004, 66% of our customers had chosen this option - we take care of the insurance company's interests as a service provider. We receive a **commission** for these services which is 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 at 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. 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	Total in % *
Net interest income from leasing business	1.11	2.47	2.37	2.26	2.16	2.04	1.91	1.76	1.61	1.44	1.27	1.08	0.89	0.67	0.41	0.00	23.46
Expenses from settlement of claims	-0.07	-0.21	-0.34	-0.43	-0.47	-0.48	-0.43	-0.42	-0.41	-0.37	-0.33	-0.30	-0.28	-0.26	-0.25	-0.00	5.00
Net income from insurance business	0.11	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	4.31
Net income from new business	3.35	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	3.35
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	0.90	0.90
Cost	-7.85	-0.32	-0.32	-0.32	-0.32	-0.32	-0.32	-0.32	-0.32	-0.32	-0.32	-0.32	-0.32	-0.32	-0.32	-0.32	12.65
EBIT/EBT	**−3.34**	**2.24**	**2.01**	**1.82**	**1.68**	**1.54**	**1.46**	**1.33**	**1.18**	**1.06**	**0.92**	**0.77**	**0.59**	**0.39**	**0.14**	**0.58**	**14.37**

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

04.8 MILESTONES IN COMPANY HISTORY

1978

Foundation of GRENKELEASING as a sole proprietorship in Baden-Baden

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 established

1998

Foundation of Weblease Leasing GmbH, Europe's first virtual leasing company

Launch of GRENKELEASING's internet services

Launch of "Asset-Broker", the internet marketing service for used IT equipment

Establishment of a quality management system and first audit according to DIN EN ISO 9001 (now 9001:2000)

2000

IPO of GRENKELEASING AG, listing on the Frankfurt Stock Exchange

2001/2002

Six foreign and five German branches opened

2003

The GRENKELEASING share joined the SDAX

Two franchise companies founded in Guildford/UK and Poznan/Poland

Rating by Standard & Poor's (short-term A-2, long-term BBB+, outlook stable)

Placement of a debut euro corporate bond worth EUR 200m (EUR 170m net)

2004

01/2004	Start of operations in Stockholm/Sweden
02/2004	Cooperation with UBS Leasing AG in Switzerland
03/2004	Cooperation with T-Com, the fixed network division of Deutsche Telekom AG
09/2004	Standard & Poor's confirms its rating (see 2003)
09/2004	Start of operations in Dublin/Ireland
10/2004	A branch opened in Lausanne/Switzerland
10/2004	A branch opened in Aix-en-Provence/France
10/2004	Internships set up for students of *Berufsakademie Lörrach*
12/2004	Conclusion of a third ABCP program with a volume of EUR 150m

CORPORATE CITIZENSHIP

We believe that, in future, companies will have a responsibility towards society above and beyond their economic function. GRENKELEASING has been facing this challenge for many years now.

Over the last year, we renewed our commitment to help young people through local projects and sponsored sporting and cultural activities to encourage a meaningful use of leisure time.

Our Christmas donation at the beginning of December went this year to the "6 for 2006" project run by the charity SOS Kinderdörfer in conjunction with FIFA. By the end of the soccer World Cup in 2006, six new SOS children's villages will be built in Brazil, Mexico, Nigeria, South Africa, the Ukraine and Vietnam.

The Chairman of the Board of Directors and main shareholder of GRENKELEASING AG, Wolfgang Grenke, supports these activities with additional private funds.

In June 2004, Mr. Grenke transferred a parcel of shares worth EUR 1.27m to the Festspielhaus in Baden-Baden. The Festspielhaus is Europe's second largest opera house, and the only one that is completely privately funded operationally. It stages a wide-ranging program of classical concerts, ballets and operas.

In December 2004, Mr. Grenke transferred 675,000 shares to the non-profit foundation GRENKE-Stiftung, Baden-Baden. In addition to pursuing charitable objectives and promoting young people and sports development, the foundation will support art and urban development projects in Baden-Baden. Another focus is on promoting science and research into preventive medicine, in particular drug prevention.

CHESS PLAYERS IN THE COMPANY

Our annual reports of the last few years have highlighted the role of chess as a "company sport" at GRENKELEASING. Since 1997, the Company has been a sponsor of the Karpov Chess Center and the Ooser Schachclub in Baden-Baden. The chess club team won the German Chess Cup in 2003 and was runner-up in 2004. The women's team was the German team champion in 2003 and 2004. GRENKELEASING has also sponsored the Schools' Chess Cup of Baden-Württemberg since 1998. In France, the subsidiary GRENKE LOCATION SAS sponsors the chess club "Cercle d'Echecs de Bischwiller."

Wolfgang Grenke shares his passion for chess with many active chess-playing employees of GRENKELEASING who are also members of the club Ooser Schachclub Baden-Baden. Our "chess-crazy" employees have quite different functions within the Company, below is a brief summary:

Thomas Bittner joined the Company in March 1999. The business administration graduate is the Head of Central Accounting at GRENKELEASING. He was runner-up at the Youth Champions of Baden in 1989.

Christian Bossert is a quality management team leader and has worked for GRENKELEASING since December 1997. He obtained a degree in finance and leasing from the VWA Freiburg. He is a licensed chess trainer and was the Central Baden chess champion in 1998, German university team champion in 1996 and German company sports team champion in 2001.

Dr. Robert Hübner has been working for our Company in quality management and as a translator since March 2001. The doctor of philology is an international grandmaster and has been playing chess at an international level for more than 30 years. For many years the best German chess player, he is currently ranked number two in Germany.

Ludger Keitlinghaus has been an employee at GRENKELEASING since July 2002 where he is head of external software development. He was a professional chess player from 1986 to 1998 and became an international grandmaster in 1997.

Rodo Kostic joined GRENKELEASING in April 2002 and is employed as the head of the facility management team. The technician is an amateur offensive player and was the Central Baden champion in 1995/1996.

Michael Kuraszkiewicz has worked in the Group since February 2001 and is head of the financial control team. The qualified mathematician is a FIDE champion. He was the Bavarian champion in tournament chess in 1995 and the Saxonian lightning chess and speed chess champion in 2000. He also played in the first German division for five years with SK König Plauen.

Michael Schwarz has worked in the Group's treasury team since March 1998. The business administration graduate is an international master. He was a member of the GDR junior national team, a student of the Karpov School of Chess in the GDR and took part in the European Junior Championships in 1990. He was four times GDR champion.

Viswanathan Anand - known to his friends as Vichy for short - is not an employee of GRENKELEASING AG, but has friendly contacts with the Company and has been an honorary member of the GRENKELEASING-sponsored club "Ooser Schachclub Baden-Baden" since 2003. The Super-Grandmaster won the FIDE World Chess Championships in 2000 and is currently regarded as the strongest chess player in the world.

VALUES AND STANDARDS ARE HOTLY DEBATED.
THEIR TRUE MEANING IS REVEALED IN EVERYDAY COOPERATION.

34.85

euros is the closing price of the GRENKELEASING share, listed in the Prime Standard segment and included in the selective SDAX index. Not only our employees are pleased that the share price climbed from EUR 17.90 on January 2, 2004 to EUR 34.85 on December 30, 2004 because the exercise requirement for the 2002 option program has been reached. The share price is also confirmation of our consistent and sound performance which is communicated transparently in line with the requirements of the Prime Standard.

05

THE SHARE

05.1 THE GRENKELEASING SHARE IN MARKET YEAR 2004

Market year 2004 was dominated by uncertainties such as rising interest rates, the US elections and soaring oil prices, which led to investor reticence. However, thanks to the recovery at the end of the year, the market year did not turn out badly after all.

The DAX enjoyed a strong closing sprint, taking its annual performance to 5%. The MDAX, which reached the highest level in its history in 2004, recorded a substantial increase of 18.5% over the year. The SDAX also experienced above-average performance, up nearly 20% year on year. By contrast, the TecDAX lost 5.5% from the beginning of January.

The price of the GRENKELEASING share rose steadily between January and May, climbing to EUR 31.55. The share price stayed at this level until October when it decreased temporarily due to the somewhat slower growth in new business, but soon recovered.

The share price increased from EUR 17.90 on January 2, 2004 to EUR 34.85 on December 30, 2004, which translates into a substantial 95% rise.

The Share at a Glance		2004	2003	2002
Abbreviation	GLJ			
Security identification number	586 590			
ISIN	DE0005865901			
Market segment	Prime Standard			
Index	SDAX			
Designated Sponsors	Deutsche Bank; BHF-Bank; WestLB			
No. of shares		13,601,938 pieces	13,523,848 pieces	13,523,848 pieces
Closing price*	Frankfurt - Xetra	34.85 EUR	17.54 EUR	10.20 EUR
Maximum variable price		35.60 EUR	20.00 EUR	25.00 EUR
Minimum variable price		16.92 EUR	8.20 EUR	8.15 EUR
Stock market capitalization	based on closing price	474 EURm	237.2 EURm	137.9 EURm
Earnings per share		1.74 EUR	1.45 EUR	1.13 EUR
Price-earnings ratios (at closing price)		20.0 %	12.1 %	9.0 %

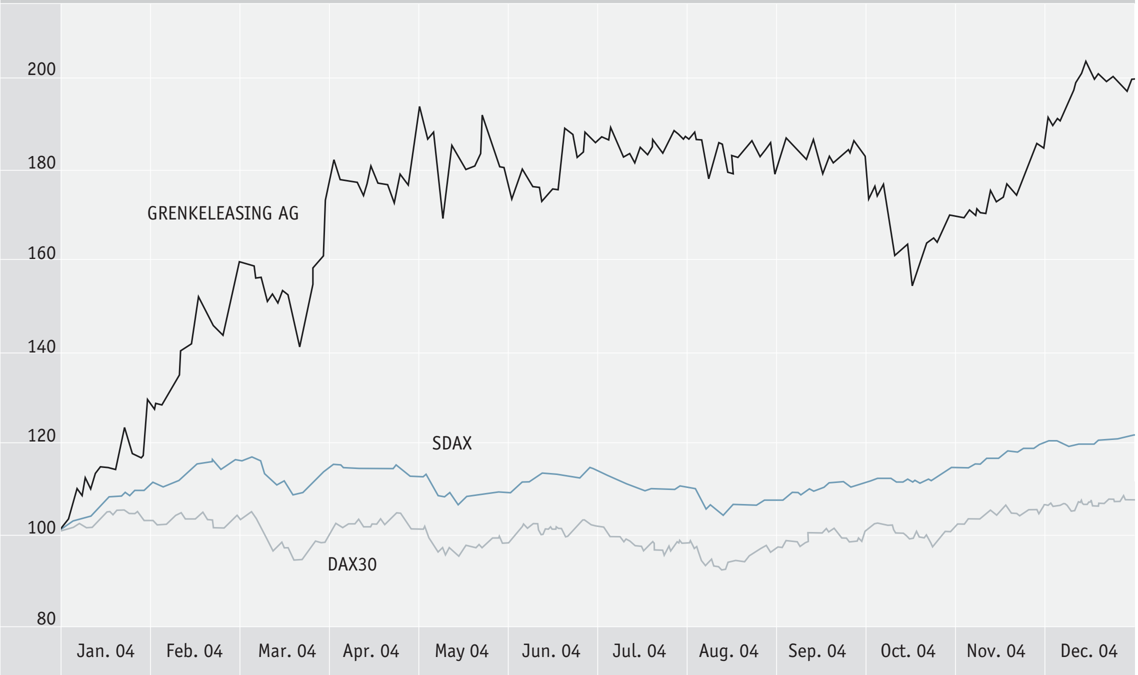
*last trading day

As shown in the table below, the GRENKELEASING share outperformed both the DAX30 and the SDAX in 2004.

The percentage of shares in free float was increased to 55.14% in 2004 following the transfer of 675,000 GRENKE shares to the GRENKE-Stiftung. 44.86% of the GRENKE shares continue to be held by Mr. and Mrs. Grenke and their minor sons.

On the basis of the profit generated in 2004, the Supervisory Board and Board of Directors of GRENKELEASING AG will propose to the shareholders' meeting on May 3, 2005, that a dividend of EUR 0.40 per share be paid for fiscal year 2004.

Index Comparison
in percent



Source: Datastream

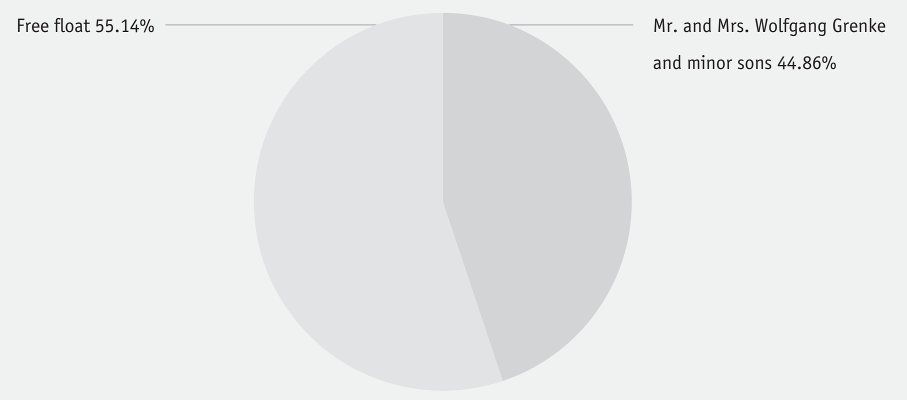
05.2 THE GRENKELEASING STOCK OPTION PROGRAM

In the fiscal year, the GRENKELEASING share met the exercise requirement for the employee stock option program from 2002 of an average annual price increase of more than 15%. As a result, employees were able to exercise 50% of their options until September 9, 2004.

The subscription price was EUR 19.64. Employees will be able to exercise another 25% of their vested options in both of the next two years.

Shareholder Structure: According to 1.7 of the current „Leitfaden zu den Aktienindizes der Deutschen Börse" (Deutsche Börse's Stock Indices Guide) the Freefloat is as it follows:

Shareholder Structure



INVESTOR RELATIONS

05.3

Yet again, our close relations with analysts, fund managers, institutional investors, private investors and the media have helped to shore up investor confidence in the Group in 2004.

The Group publishes its latest figures on quarterly new business and profit margins on the second working day after the close of each quarter, accompanied by telephone conferences between the Board of Directors, analysts and finance journalists.

GRENKELEASING also participated in investor conferences and organized numerous road shows as well as one-to-one talks with analysts, investors and media representatives. Overall, investors once again showed a great interest in GRENKELEASING and its share in 2004.

The following institutions regularly publish studies on the GRENKELEASING share:

- Berenberg Bank
- BHF-Bank
- Deutsche Bank
- Dresdner Kleinwort Wasserstein
- Merck Finck & Co.
- WestLB

CONTINUITY IN FAST-CHANGING TIMES MAKES A VALUABLE CONTRIBUTION TO QUALITY OF LIFE.

39.3

million euros of EBIT (earning before interest an taxes) is simply a continuation of GRENKLEASING's development. From EUR 12m in 2000 to EUR 25m two years later to EUR 31.1m in 2003. The advantage with leasing companies is that the current contract portfolio allows an accurate forecast of the company's future revenues.

06

FACTS AND FIGURES - GRENKELEASING AG GROUP

GRENKELEASING AG, BADEN-BADEN
06.1
GROUP MANAGEMENT REPORT FOR FISCAL YEAR 2004

1 Business Performance in 2004

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. 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 ("AG") and Grenke Investitionen Verwaltungs KGaA ("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

WEBLEASE NETBUSINESS AG ("WEBLEASE") will exist as an independent operating company in Germany alongside GRENKELEASING AG due to its function as a virtual leasing company until current business and the new business generated in the first half of 2005 have been wound up completely. From the second half of the year it will only conclude new contracts in the name of and for the account of GRENKELEASING AG. Its online business will also be taken over by GRENKELEASING AG.

In the fall of 1997, in collaboration with Hewlett-Packard, the Group invested in a foreign operating company, GRENKELEASING AG, Vienna, 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 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.

The AG acquired 100% of the shares in MAUDEN S.p.A., Milan, by way of purchase agreement dated February 6, 2001. It also acquired 100% of the shares in EKOMA s.r.o., Prague, by way of the purchase agreement dated June 5, 2001. The formation of GRENKE ALQUILER S.A., Barcelona, was notarized on October 30, 2001. The AG holds 100% of the shares.

It also acquired 100% of the shares in ZOOPLUS.COM AG, Unterföhring, 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.

In fiscal year 2002, the following subsidiaries were founded: GRENKELEASING ApS, Herlev/Denmark, Grenkefinance N.V., 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.

In the United Kingdom and Poland, we use a franchise system. The companies in Guildford, near London, and Poznan commenced operations in 2003 on the basis of a franchise agreement. GRENKELEASING provides the expertise, the operational infrastructure, services and the use of naming rights. This allows us to limit the costs during the start-up phase and increase the public recognition of GRENKELEASING.

The GRENKELEASING AG Group thus offers its services in 13 countries.

1.1.1 Group Profit and Loss Transfer Agreements

GRENKELEASING AG, Baden-Baden, concluded domination and profit and loss transfer agreements with Grenke Investitionen Verwaltungs KGaA, Baden-Baden, and WEBLEASE NETBUSINESS AG, Baden-Baden, in 2001 and 2002, respectively.

1.1.2 GRENKELEASING AG's Corporate Governance Principles

The principles of value-oriented and transparent management and controls have acquired significant importance in the assessment and valuation of listed companies. Under the TransPuG ["Tranparenz- und Publizitätsgesetz": German Transparency and Disclosure Act], all listed companies also have a duty 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 view the duty of corporate governance as an important measure to increase the confidence of current and future customers, shareholders, lenders, employees, business partners and the public.

The Company's corporate governance principles and declaration of compliance are published in full on the GRENKELEASING AG website (www.grenkeleasing.de) 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 long-term liabilities and an "A-2" for short-term liabilities, with a stable outlook. Standard & Poor's updated and confirmed its rating in late 2004.

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 joint lead of Deutsche Bank AG, WestLB and UBS. The Board of Directors limited the bond to EUR 170m. The bond was issued by GRENKE FINANCE Plc., Dublin/Ireland, a 100% subsidiary of GRENKELEASING AG and guaranteed by the parent company. The bond was directed at both institutional and private investors.

The cash flow was used to repurchase receivables of EUR 173,012k from Hewlett Packard International Bank, from earlier refinancing of the contract portfolio, thereby financing them at better conditions. The bond is part of a debt issuance program (DIP) worth EUR 500m which provides a standardized framework for future borrowings. The annual DIP update was prepared with the quarterly financial statements as of September 30, 2004 and filed with the Luxembourg Stock Exchange. Under this program seven medium-term notes (MTN) with a volume of EUR 123m were issued, while three earlier MTN with a total volume of EUR 45m matured and were serviced in the fiscal year.

At the same time, an interest rate swap (IRS) was concluded for the debut bond to exchange fixed interest for variable interest.

In January 2004, the variable interest of the swap was hedged by an interest rate cap limiting the effective interest rate to a maximum of 4.92%.

GRENKELEASING AG and its subsidiary GRENKE LIMITED, Dublin, drew on loans against borrower's note totaling EUR 56m in the spring of 2003; these amounts are repayable in May 2005.

A third ABCP (asset-backed commercial paper) program, arranged by Skandinaviska Enskilda Banken AB, Stockholm (SEB), was concluded on December 21, 2004 with terms almost identical to those of the previous two programs. Initial financing will be raised in January 2005.

The tax field audit of the German companies for the period from 1996 to 1999 started in July 2001 and was concluded in 2002. The audit findings were sent to us and to our tax advisors in July 2002. Provisions in the required amount had been recognized in the financial statements of the prior year. The final report was sent to us in the second quarter of 2004. We received the assessment notices in the third and fourth quarters of 2004. All resulting payment obligations were met in due time.

1.3 Economic Conditions and Industry Performance

The western European economy is gradually recovering. In Germany, however, the economic upswing is slow to set in, as is shown by companies' reluctance to invest and continuing weak consumer demand. The leasing ratio improved in spite of the greater decline in overall economic investment. The market for movable assets leasing grew in spite of the low level of investment, with the leasing ratio rising from 22.4% to 24.2%. Leasing is an attractive form of financing, especially for small and medium-sized enterprises. Leasing frees up liquid funds and improves working capital.

In the fiscal year, the companies of the GRENKELEASING AG Group also seized their market opportunities. By focusing on small-ticket IT leasing, brand name independence, flexibility, a high degree of automation and strategic partnerships with retailers and manufacturers, the Group was able to boost new business by 17.5%. We intend to continue this success in the new year.

1.4 Financing

Lease assets for new business are generally rented from the KGaA in a two-tier procedure. The KGaA's rent receivables are sold to financial institutions through special purpose entities under three ABCP programs or to GRENKE FINANCE Plc. (factoring). The agreement for the third program was concluded in December 2004. However, no refinancing had been raised under this program by the balance sheet date. The agreements secure financing of new business for several years even when volumes rise. Despite an increasing volume of new business, only a fraction of the ABCP programs had been utilized (53% as of December 31, 2004). The programs are revolving, i.e. repaid refinancing can be replaced by new refinancing. High equity continued to give us sufficient financial leeway. Further funds were raised by GRENKE FINANCE Plc. under the debt issuance program.

GRENKELEASING AG in Switzerland uses loans as an additional form of refinancing.

1.5 Personnel/Stock Option Programs

In spite of the brisk expansion of our network of branch offices, the number of group employees (weighted average of full-time equivalents, excluding the Board of Directors) rose moderately from 270 in 2003 to 285 in 2004. An increase of 25 employees is planned for 2005. Group-wide, staff turnover stood at 5.01% in the fiscal year.

The Group attaches great importance to training for its employees. Thus, for example, 38 employees successfully completed their training at the Verwaltungsakademie in Freiburg to become Leasing- und Finanzierungswirte (certified leasing and financing consultants). A further 11 employees are currently attending the same course.

Since October 2004, GRENKELEASING has been training students of the Berufsakademie Lörrach (University of Cooperative Education), with three students of international business management on a 4-year course and commercial computer science (3-year course). The Company is planning to create more trainee positions for these subjects in 2005. GRENKELEASING also offers apprenticeships for office clerks.

The first tranche of stock options issued under the IPO stock option program in 2000 did not meet the exercise requirements in the fiscal year and, as there is no remaining exercise period in 2005, these options will expire as of March 31, 2005. The second tranche from this program may still be exercised in 2005 provided that the exercise target is reached (EUR 58.10). The stock options issued under the second employee stock option program of 2002 reached the exercise target. Employees were able to purchase shares at a price of EUR 19.64 with half of their options. The vested options can be exercised in the next two years (2005 and 2006). These new shares were created from the conditional capital and are listed for trading on the stock exchange.

1.6 Capital Expenditure

EUR 1,330k was invested in property, plant and equipment and intangible assets in 2004.

Our investments were mainly in equipment for our new European branches. We also upgraded and extended our IT infrastructure.

1.7 Sales and Customer Structure

The GRENKELEASING AG Group mainly leases information technology (IT) products. It has focused on the low-cost 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.

We expanded our sales presence further in the fiscal year. One of the companies in Dublin, Ireland, started business in September 2004 and the branches in Aix-en-Provence/France and Lausanne/Switzerland commenced operations in October 2004.

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 value of each new contract was EUR 7,047 (prior year: EUR 6,850). 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 offers its entire range of services via the internet ((www.grenkeleasing.com und www.weblease-europe.com). It has expanded its presence in France, Italy, the Czech Republic, Austria, Denmark, Spain, Sweden, Switzerland and the Netherlands. In Ireland, a group company started lease operations; previously the two companies there only had a financing function. In the United Kingdom and Poland, the local markets have been covered by a franchise system since 2003.

Strategic sales partnerships have been developed further. GRENKELEASING AG and NT plus AG recently concluded a framework agreement. NT plus AG, a leading ITC distributor, offers specialist retailers financial services under the umbrella of NT finance. Its cooperation with GRENKELEASING will enable more small and medium-volume projects to be handled.

A partnership, due to start in January 2005, has been arranged with Kyocera Mita Deutschland GmbH, a leading provider of economical output solutions (ECO laser printers, digital copying and multifunctional systems).

The Company's cooperation with Hewlett Packard has been given a new contractual basis.

1.8 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 13,601,938 shares. 44.86% of these are registered shares held by Mr. and Mrs. Grenke and their dependent sons, leaving a free float of 55.14%.

In the fiscal year, the Chairman of the Board of Directors, Wolfgang Grenke, sold 100,000 shares in a warrant transaction; the Director Mark Kindermann sold 2,200 shares off the floor. Directors have exercised options issued under the stock option program to acquire a total of 12,100 shares. On December 1, 2004, the Directors sold 300,000 shares in a warrant transaction which is linked to a share price (increase of 20% or 25% after one or one-and-a-half years) on a specified date.

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

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

The performance of the GRENKELEASING share price was influenced in 2004 by the upward trend on the stock markets in Europe and the positive development of the Company's business. The share price rose from EUR 17.90 on January 2, 2004 to EUR 34.85 (XETRA closing price) on December 30, 2004, an increase of 95%.

2.1.1 Liquidity

The solvency of the group companies is to 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.

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, in future, by SEB AB (Kebnekaise). Private placements were made under the debt issuance program through Deutsche Bank and WestLB.

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 Earnings

Results

Group earnings from leasing (composed of net interest earnings after the settlement of claims arising from the leasing business, insurance business, earnings from exploiting third-party rights including follow-up leases and profit from new business) increased year-on-year by EUR 10,156k or by 17.4% (prior year EUR 58,276k).

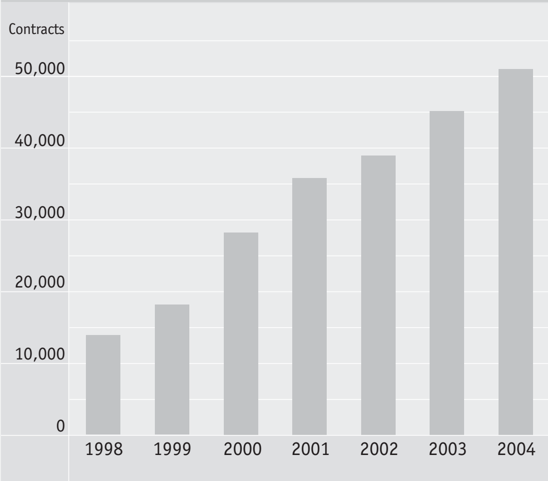
Stringent cost management reduced the cost-income ratio from 46.7% in the prior to 43.2%. As a result, earnings before other interest, measurement of financial instruments and taxes (EBIT) rose from EUR 31,311k in 2003 to EUR 39,293k in the fiscal year.

We earned net income of EUR 23,629k (2003: EUR 19,646k), an increase of 20.3%. Earnings per share increased from EUR 1.45 in 2003 to EUR 1.74 and thus by 20%.

Conclusion of New Contracts

The number of new lease and lease-purchase contracts (including those concluded by the franchise companies in Poland and the UK) rose from 45,126 in the prior year to 51,546 continuing in the tradition of the prior years:

Number of new contracts in 2004 compared to prior year



73.4% of the new business - in terms of the cost of the assets leased in new contracts - is attributable to Germany, 26.6% to other countries. New business in France performed particularly well increasing by 46.6%. Thanks to the substantial growth in the home market, our market share in Germany was improved.

2.3 Net Worth and Financial Position

The Group's net worth is characterized by a high proportion of lease receivables (80% of total assets; prior year: 83%) compared with a smaller proportion of refinancing liabilities (70% of the balance sheet total; prior year: 68%).

2.4 Business Situation in the Various Regions

The foreign subsidiaries' efforts in opening up markets have once against made a positive contribution to the Group's growth compared to 2003. Additional foreign branches have increased our foreign presence and are expected to make a disproportionately high contribution to growth in the future.

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 being affected if these products suffer a sales slump. This risk would, however, seem to be well worth taking in view of continuing 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) in the GRENKELEASING AG Group 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 2004. The function of the RMS 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

Since 1994, we have assessed the creditworthiness of our lessees using a scoring system. The quality of this system has been proven 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

A diversification of retailer relationships addresses this risk. Retailers are assessed on a systematic basis. This procedure is part and parcel of our quality management system, with an evaluation being conducted on a quarterly basis.

3.3 Process 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 9001:1994 certification in 1998. Our quality management was tested and certified in 2003 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 companies in Austria, France, Switzerland and the Berlin-based GRENKE Investitionen Verwaltungs KGaA, which is in charge of asset sales, have since 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. Automatic backup programs and automatic power-interruption facilities safeguard data maintenance. IT systems play an important role in the processing and administration of our leasing business, and, as such, IT organization and processes are subject to regular review.

3.4 Contractual Risk

Contractual risk is limited by the fact that almost all the contracts concluded by the Group's companies 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 for the sale of receivables. This ensures that the interest charge for GRENKELEASING is fixed and known for 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. The exposure to rising interest rates is hedged by interest rate caps. The Company bears the interest risk for self-financed contracts or contracts with advance financing.

3.7 Currency Risk

The subsidiaries in Denmark, Sweden and the Czech Republic are refinanced in euros. As the volumes involved are not substantial, we have not concluded any hedges to date. The currency risk will be hedged when more than EUR 1,000k is outstanding. The Swiss subsidiary refinances itself in Switzerland in the local currency, so there is no currency risk. The franchisees in the United Kingdom and Poland receive refinancing funds in the local currency. The amounts repayable on the refinancing loans granted by the franchise companies are largely hedged against currency risk.

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 the GRENKELEASING AG Group, 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 2004

At the time of this report, there were no events of particular significance after the close of fiscal year 2004.

4.2 Overview of Group Companies and Branch Offices

(For further details on companies belonging to the GRENKELEASING AG Group, please refer to the table of consolidated companies in the notes to the consolidated financial statements)

GRENKELEASING AG has its head office in Baden-Baden 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. The AG has a - direct or indirect - 100% shareholding in WEBLEASE NETBUSINESS AG, Baden-Baden, GLG Grenke-Leasing GmbH, Baden-Baden, and Grenke Investitionen Verwaltungs KGaA, Baden-Baden.

As of the balance sheet date, the following foreign companies were wholly owned by GRENKELEASING AG: GRENKELEASING AG, Vienna/Austria, GRENKELEASING AG, Basel/Switzerland, EKOMA s.r.o., Prague/Czech Republic, GRENKE ALQUILER S.A., Barcelona/Spain, GRENKE Locazione S.r.l., Milan/Italy, GRENKELEASING ApS, Herlev/Denmark, Grenkefinance N.V., Maasbree/Netherlands, GRENKE LIMITED, Dublin/Ireland, GRENKE LOCATION SAS, Schiltigheim/France, GRENKE FINANCE Plc., Dublin/Ireland, GRENKELEASING S.r.l., Milan/Italy, and GRENKELEASING AB, Stockholm/Sweden.

4.3 Anticipated Performance

Business developed very well over the last twelve months and was well above market expectations. The Group has prepared to capture an above-average share of the forecast economic upturn by further expanding its position in a lucrative market niche.

We should continue to achieve a constant increase in the value of the business through consistent customer focus, efficient contract processing, effective risk management and refinancing on favorable terms. Investments made in market positioning and securing the future of the Group, particularly with respect to opening up the European market further and expanding our pioneering IT infrastructure, will continue to be pursued in the rigorous implementation of our corporate strategy. We want to continue to optimize our business processes and thereby bolster our cost leadership in the small-ticket IT leasing segment.

The Group's target for 2005 is to achieve yet again substantial two-digit growth in new business, with profits developing accordingly.

Baden-Baden, January 19, 2005

GRENKELEASING AG
The Board of Directors

GRENKELEASING AG, BADEN-BADEN

06.2 **CONSOLIDATED INCOME STATEMENT FOR FISCAL YEAR 2004**

EURk	Note	Jan. 1. - Dec. 31, 2004	Jan. 1. - Dec. 31, 2003
Income from interest on lease receivables	3.1	74,114	67,615
Expenses from interest on refinancing liabilities	3.2	17,866	18,797
Net interest income from leasing business	3	**56,248**	**48,818**
Settlement of claims	4	14,269	13,080
Net interest income after settlement of claims from leasing business		**41,979**	**35,738**
Income from insurance business		13,330	11,901
Expenses from insurance business		1,711	1,945
Profit from insurance business		**11,619**	**9,956**
Profit from new business	5	**13,373**	**11,201**
Income from disposals		8,490	6,522
Expenses from disposals		7,029	5,141
Profit from disposals	6	**1,461**	**1,381**
Other operating income	7	653	312
Personnel expenses	8	15,353	13,181
Operating expenses		4,047	3,904
Administrative expenses		2,201	2,290
Consulting and audit fees		2,039	1,922
Distribution costs (without commissions)		2,806	2,565
Amortization/depreciation	9	1,802	1,847
Other operating expenses		1,285	1,082
Other taxes		259	486
Profit/loss from ordinary operations		**39,293**	**31,311**
Expenses/income from the fair value measurement		-2,249	-118
Other interest income		671	592
Other interest expenses		790	727
Net profit for the period before taxes		**36,925**	**31,058**
Income taxes	10	14,556	2,736
Deferred taxes	10	-1,260	8,673
Net profit for the period		**23,629**	**19,649**
Minority interests		0	-3
Net profit for the period after minority interests		**23,629**	**19,646**
Earnings per share (basic)	11	1.74 EUR	1.45 EUR
Earnings per share (diluted)	11	1.74 EUR	1.45 EUR
Average shares outstanding (basic)		13,554,145 Units	13,523,848 Units
Average shares outstanding (diluted)		13,581,915 Units	13,523,848 Units

GRENKELEASING AG, BADEN-BADEN
CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004

06.3

Assets EURk	Note	Jan. 1. - Dec. 31, 2004	Jan. 1. - Dec. 31, 2003
Current assets			
Cash on hand and balances with banks		62,166	47,548
Financial assets	12	1,347	2,291
Lease receivables	13	290,069	236,952
Trade receivables	14	1,002	914
Inventories		5	8
Lease assets for sale		12,615	10,622
Tax receivables	15	13,845	5,924
Other current assets	16	5,461	1,754
Total current assets		**386,510**	**306,013**
Non-current assets			
Lease receivables	13	451,334	391,810
Property, plant and equipment	17	19,323	19,329
Intangible assets	18	2,027	2,390
Deferred tax assets	20	18,218	15,705
Other non-current assets	19	49,362	22,405
Total non-current assets		**540,264**	**451,639**
Total assets		**926,774**	**757,652**
Liabilities and Equity			
Liabilities			
Current liabilities			
Liabilities from the refinancing of lease receivables		237,192	120,278
Trade payables		8,594	9,275
Tax liabilities	21	11,940	1,505
Provisions	22	1,308	2,476
Current portion of non-current bank liabilities		576	2,196
Other current liabilities		1,644	5,713
Deferred lease payments		49,853	42,665
Total current liabilities		**311,107**	**184,108**
Non-current liabilities			
Liabilities from the refinancing of lease receivables	23	414,025	392,525
Non-current bank liabilities, less the current portion	23	5,396	6,929
Deferred tax liabilities	20	44,146	42,906
Other non-current liabilities	23	1,698	552
Total non-current liabilities		**465,265**	**442,912**
Minority interests		**0**	**13**
Equity	24		
Capital stock		17,387	17,287
Capital reserve		58,682	57,248
Revenue reserves		53	53
Currency translation		-95	-267
Hedging reserve		-1,676	-587
Profit carryforward		76,051	56,885
Total equity		**150,402**	**130,619**
Total liabilities and equity		**926,774**	**757,652**

06.4

GRENKELEASING AG, BADEN-BADEN
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

EURk	Subscribed capital	Capital reserve
Equity as of Jan. 1, 2003	**17,287**	**57,118**
Release of IPO expenses		211
Release of deferred taxes on IPO expenses		-81
Payment of dividends in 2003 for 2002		
Fair value measurement of hedging instruments		
Deferred taxes on hedging reserve		
Net profit for 2003*		
Currency translation		
Equity as of Dec. 31, 2003	**17,287**	**57,248**
Issue of shares	100	1,434
Payment of dividends in 2004 for 2003		
Fair value measurement of hedging instruments		
Deferred taxes on hedging reserve		
Net profit for 2004		
Currency translation		
Equity as of Dec. 31, 2004	**17,387**	**58,682**

* after deduction of minority interests

Revenue reserves					
Legal reserve	Reserve in accordance with the articles of incorporation	Hedging-reserve	Currency - translation	Profit carryforward	Total
5	**48**	**0**	**-42**	**40,620**	**115,036**
					211
					-81
				-3,381	-3,381
		-594			-594
		7			7
				19,646	**19,646**
			-225		-225
5	**48**	**-587**	**-267**	**56,885**	**130,619**
					1,534
				-4,463	-4,463
		-1,085			-1,085
		-4			-4
				23,629	**23,629**
			172		172
5	**48**	**-1,676**	**-95**	**76,051**	**150,402**

06.5

GRENKELEASING AG, BADEN-BADEN
CONSOLIDATED CASH FLOW STATEMENTS FOR 2003 AND 2004

EURk		Jan. 1. - Dec. 31, 2004	Jan. 1. - Dec. 31, 2003
	Net profit for the period before taxes	**36,925**	**31,058**
	Non-cash items contained in net profit for the period and reconciliation to cash flow from operating activities		
+	Amortization/depreciation	1,802	1,847
-/+	Profit/loss from the disposals of equipment and intangible assets	-52	-5
-/+	Investment income	119	135
-/+	Non-cash changes in equity	-985	-689
+/-	Increase/decrease in other provisions	-1,168	45
-	Additions of lease receivables	-369,544	-320,805
+	Payments by lessees	282,490	245,360
+	Disposals/reclassifications of lease receivables at residual carrying values	56,621	50,461
+/-	Changes from other set-offs	-123	-176
-	Interest income from lease receivables	-74,114	-67,615
-	Increase in other receivables from lessees	-7,586	-8,103
+/-	Currency translation differences	-385	1,505
=	**Change in lease receivables**	**-112,641**	**-99,373**
+	Additions of liabilities from the refinancing of lease receivables	325,206	498,169
-	Payment of annuities to refinancers	-141,543	-205,752
-	Disposal of liabilities from the refinancing of lease receivables	-63,980	-211,263
+	Interest expense from lease liabilities	17,866	18,797
+	Change from fair value measurement	679	1,624
+/-	Currency translation differences	186	-1,273
=	**Change in liabilities from the refinancing of lease receivables**	**138,414**	**100,302**
	Change in other assets/liabilities		
-/+	Increase/decrease in other assets	-23,323	-21,507
+/-	Increase/decrease in deferred lease payments	7,188	6,466
+/-	Increase/decrease in other liabilities	-3,604	6,462
=	**Cash flow from operating activities**	**42,675**	**24,741**
-/+	Taxes paid/received	-12,043	-5,271
-	Interest paid	-790	-727
+	Interest received	671	592
=	**Net cash flow from operating activities**	**30,513**	**19,335**

	EURk	Jan. 1. - Dec. 31, 2004	Jan. 1. - Dec. 31, 2003
-	Purchase of equipment and intangible assets	-1,330	-1,183
+	Proceeds from sale of equipment and intangible assets	137	66
=	**Cash flow from investing activities**	**-1,193**	**-1,117**
+/-	Raising/repayment of bank liabilities	-1,530	-603
-	Dividend payments	-4,463	-3,381
+	Payments from stock option program	1,534	0
-	Issue of loans	-8,689	0
=	**Cash flow from financing activities**	**-13,148**	**-3,984**
	Cash funds at beginning of period		
	Cash on hand and balances with banks	47,548	34,534
-	Bank liabilities from overdrafts	-1,658	-2,986
=	**Cash and cash equivalents at beginning of period**	**45,890**	**31,548**
	Change in cash funds due to changes in the consolidated group		
	Disposals of cash on hand and balances with banks	0	-169
	Decrease in bank liabilities from overdrafts	0	203
=	**Cash funds after changes in the consolidated group** **45,890**	**31,582**	
+/-	**Change due to currency translation**	**68**	**74**
=	**Cash funds after currency translation**	**45,958**	**31,656**
	Cash funds at the end of period		
	Cash on hands and balances with banks	62,166	47,548
-	Bank liabilities from overdrafts	-36	-1,658
=	**Cash and cash equivalents at the end of period**	**62,130**	**45,890**
	Change in cash funds during period	**16,172**	**14,234**
	Net cash flow from operating activities	30,513	19,335
+	Cash flow from investing activities	-1,193	-1,117
+	Cash flow from financing activities	-13,148	-3,984
=	**Total cash flow**	**16,172**	**14,234**

GRENKELEASING AG, BADEN-BADEN

06.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2004

1 Commercial Register and Purpose of the Company

GRENKELEASING AG (hereinafter also referred to as the "Parent Company", "Company" or the "AG") is a stock corporation with its registered office at Neuer Markt 2, Baden-Baden, Germany.

The Company is entered at Baden-Baden local court in the commercial register, department B, under No. 1836. 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 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. 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, 2004 comprise GRENKELEASING AG and the companies it controls. This control is normally evidenced when the Group owns, either directly or indirectly, 50% (or more) of the voting rights of a company's share capital and/or is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

Minority interests in equity and net profit or loss for the period are presented separately in the balance sheet and the income statement.

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 exercised the option under Sec. 292a HGB ["Handelsgesetzbuch": German Commercial Code] and prepared its consolidated financial statements in accordance with internationally accepted accounting principles.

On the basis of this provision, the consolidated financial statements have been prepared with due regard to International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB).

All International Financial Reporting Standards (IFRS) (formerly International Accounting Standards (IAS) mandatorily applicable for fiscal year 2004 as well as all interpretations by the International Financial Reporting Interpretations Committee (IFRIC) (formerly the Standing Interpretations Committee (SIC) were observed. IFRS are internationally accepted accounting principles pursuant to Sec. 292a (2) No. 2a HGB.

The consolidated financial statements are in compliance with Directive 83/349/EEC (7th Council Directive) according to the interpretation set out in German Accounting Standard 1 (GAS 1), "Exempting Consolidated Financial Statements in Accordance with Sec. 292a HGB".

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 have been prepared as of the balance sheet date of the consolidated financial statements and audited by independent auditors, where required by local law.

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

2.1 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 under IAS 22 was applied for business 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.

No businesses were acquired in 2004 such that the provisions of IFRS 3 "Business Combinations" published by the IASB on March 31, 2004 did not apply in fiscal year 2004. IFRS 3 must be applied for the first time in 2005 for past business acquisitions made by GRENKELEASING AG.

The most significant effect for GRENKELEASING AG is the abolition of systematic amortization of goodwill as of January 1, 2005; an impairment test must be carried out at least once a year instead (see also 2.11.2).

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

Name	Seat	Investment 2004	Investment 2003
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			
EKOMA s.r.o	Prague/Czech Republic	100 %	100 %
GRENKE ALQUILER S.A.	Barcelona/Spain	100 %	100 %
Grenkefinance N.V.	Maasbree/Netherlands	100 %	100 %
GRENKELEASING AG	Basel/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 %	99.988 %
GRENKE LOCATION SAS**	Schiltigheim/France	100 %	99.82 %
GRENKE Locazione S.r.l.	Milan/Italy	100 %	100 %
GRENKELEASING S.r.l.	Milan/Italy	100 %	100 %
GRENKELEASING AB	Stockholm/Sweden	100 %	100 %

The balance sheet date of all subsidiaries is December 31, 2004.

* In Ireland, local regulations require a certain share in a company trading as a Plc. to be held by individuals. Shares may also be held in trust. These conditions were not met until trust agreements were concluded in 2004 so that the individuals' shares had to be disclosed as minority interests.

** The company was converted from a S.A. to a SAS in the fiscal year. Under French law, shares in an S.A. must be held by individuals. The relevant shares were held by individuals in trust. The minority interests were reversed during the reorganization.

In both of the above cases, the individuals had not paid in a contribution to the respective company's capital. All capital had been contributed by GRENKELEASING AG. As a result, a receivable from minority shareholders was recorded in the prior year's financial statements under other receivables in the amount of their nominal share of the subscribed capital.

2.2 Foreign Currency Translation

2.2.1 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 net profit or loss. Non-monetary items carried at historical cost are not subsequently translated, the rate on initial recognition being used.

2.2.2 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 key currencies used in the group to the euro is illustrated below:

	Closing rate Dec. 31, 2004	Average rate 2004	Closing rate Dec. 31, 2003	Average rate 2003
CHF	1.5429	1.5438	1.5579	1.5212
CZK	30.4640	31.8910	32.410	31.846
DKK	7.4388	7.4399	7.445	7.4307
GBP	0.7051	0.6787	0.7048	0.69199
PLN	4.0845	4.5268	4.7019	4.3996
SEK	9.0206	9.1243	9.08	9.1242

2.3 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.

2.4 Leases

2.4.1 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.

2.4.2 Operating Leases

Operating lease property is disclosed in the balance sheet based on the type of asset (see Note 17). Lease income from operating leases is recognized on a straight-line basis 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.

2.5 Liabilities From the Refinancing of Lease Receivables

Liabilities from the refinancing of lease receivables result from the sale of a portion of the lease receivables to the respective refinancer. Such liabilities are carried 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.

2.6 Cash and Cash Equivalents

Cash is comprised of bank deposits and cash in hand.

2.7 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 always carried at fair value on subsequent measurement. Securities are measured at their quoted market values at the balance sheet date. Prices from commercial banks are used for derivatives. Any adjustment is recognized in net profit or loss. As a rule, they are recognized using settlement date accounting.

When hedging transactions are entered into, certain derivatives are allocated to certain hedged item, either to hedge the exposure to changes in the fair value of a recognized asset or liability (fair value hedge) or to hedge the exposure to variability in cash flows 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, while the adjustment is reported in net profit or loss only for fair value hedges. For cash flow hedges, the adjustment is reported directly in equity.

Financial liabilities (e.g. bonds, loans against borrower's note, 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. The bond is similar to listed federal government bonds in terms of all its conditions. Its fair value is determined by reference to its stock market price (see Note 28.4.5).

2.8 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 trade receivables.

2.9 Inventories

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

2.10 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 net profit or loss.

The depreciation rates are based on the following economic lives:

	Years
Office buildings	33
Furniture and fixtures	
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.

2.11 Intangible Assets

2.11.1 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. Licenses and software are subject to systematic straight-line amortization over their economic life, generally three years.

2.11.2 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 is amortized straight-line over its economic life.

With the implementation of IFRS 3 at the beginning of the next fiscal year, all existing goodwill will be frozen at the value recognized as of December 31, 2004 and systematic amortization will cease at this time. In subsequent years all goodwill must be tested for impairment at least once a year pursuant to IAS 36 to prove its adequate valuation ("impairment-only approach").

2.12 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. If the carrying amount is more than the recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's net selling price and 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. Recoverable amounts are 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 after amortization will be reviewed at the balance sheet date to assess the probability of continuing future benefits. The future economic benefit can ordinarily only be determined by reference to the value in use of the cash-generating unit; the value in use is determined on the basis of the present value of estimated future cash flows in accordance with IAS 36. An impairment is recognized in net profit or loss if the value in use is lower than the carrying amount of the respective cash-generating unit. If the asset's value in use is lower than the carrying amount of the underlying net assets plus goodwill, an impairment loss is recognized.

2.13 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.

2.14 Deferred Tax Liabilities and Assets

Deferred tax liabilities are calculated using the liability method in accordance with IAS 12. 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 the amounts used for income tax purposes.

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 enterprise 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 balance sheet.

2.15 Government Grants

Government grants relate to investment grants applied for pursuant to Sec. 2 InvZulG ["Investitionszulagengesetz 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.

2.16 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.

2.17 Sale of Leased Assets

Sales are recognized upon transfer of benefits and burdens.

2.18 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 recognized 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 net profit or loss as and when better information is available.

3 Net Interest Income From Leasing Business

3.1 Income from Interest on Lease Receivables

Income from interest on lease receivables amounts to EUR 74,114k (prior year: EUR 67,615k). This includes EUR 186k (prior year: EUR 336k) from the recognition of investment grants (see Note 2.15) and EUR 214k from interest on loans to franchisees.

3.2 Interest Expense From Refinancing Liabilities

Interest expense from refinancing liabilities amounts to EUR 17,866k (prior year: EUR 18,797k). This item also includes the interest income of EUR 598k (prior year: EUR 188k) generated by the loans issued under the ABCP programs (asset-backed commercial paper) (see Note 19).

4 Expenses From 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	2004	2003
Provision to specific bad debt allowances	14,165	11,671
Income from settlement of claims	23,185	24,308
Expenses from eliminating receivables from claims	23,289	25,717
Total	**14,269**	**13,080**

5 Profit From New Business

Revenues from new business are comprised as follows: EURk	2004	2003
Recognition of new lease receivables	369,544	320,806
Share of revenues from prior leases	1,973	1,557
Revenues from processing fees	1,578	1,578
Revenues from special lease payments	994	1,228
Total	**374,089**	**325,169**

Expenses from new business are comprised as follows: EURk	2004	2003
Cost of newly acquired leased assets	354,767	308,421
Commissions paid to dealers	5,949	5,547
Total	**360,716**	**313,968**
Profit from new business	**13,373**	**11,201**

6 Profit From Disposals

EURk	2004	2003
Revenues from subsequent leases	8,490	6,522
Depreciation of leased assets in the subsequent lease period	6,810	4,473
Accounting losses from the disposal of the lease receivables	219	668
Total	**1,461**	**1,381**

Revenues from subsequent leases relate to lease income recognized after the end of the basic lease. Accounting losses 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

The other operating income in fiscal year 2004 includes income from the measurement of a loan liability denominated in Swiss francs on the balance sheet date. Other operating income breaks down as follows:

EURk	2004	2003
Income from currency translation	297	0
Income from services	24	60
Franchise fees received	94	0
Accounting gains on the sale of equipment	90	18
Other items	148	234
Total	**653**	**312**

8 Personnel Expenses

EURk	2004	2003
Salaries	12,624	10,757
Social security and other pension costs	2,729	2,424
Total	**15,353**	**13,181**

The average number of staff during the fiscal year totaled 285 (prior year: 270). Part-time staff were counted on a proportionate basis.

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

EURk	2004	2003
Office buildings	296	294
Equipment	1,052	1,075
Goodwill	307	311
Software licenses	147	167
Total	**1,802**	**1,847**

10 Income Taxes

EURk	2004	2003
Current taxes	14,556	2,736
Deferred taxes	-1,260	8,673
Total	**13,296**	**11,409**

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	2004	2003
Trade tax	16.85 %	16.49 %
Corporate income tax (25% on income after trade tax)	20.79 %	20.88 %
Solidarity surcharge (5.5% of corporate income tax)	1.14 %	1.15 %
Average applicable tax rate GRENKELEASING AG	**38.78 %**	**38.52 %**
Tax reductions due to tax-free income	-0.07 %	-0.20 %
Tax reductions due to tax refunds	0.00 %	-1.57 %
Tax increases due to non-deductible expenses	0.74 %	0.59 %
Changes due to foreign taxes	-1.65 %	-1.42 %
Balance of tax reductions and increases due to changes in tax rates*	0.00 %	0.27 %
Amortization of deferred taxes from prior years	0.00 %	0.51 %
Effect of tax-free dividend income	-1.80 %	0.00 %
Average effective tax rate for the Group	**36.00 %**	**36.70 %**

*including the increase in the corporate income tax rate for 2003 by 1.5 percentage points

The tax-free income is mainly connected to two securities lending transactions effected during the year. The Company generated tax-free dividend income totaling EUR 2,652k from these transactions. In these financial statements, the dividend income has been netted with the compensation expenses incurred in the same amount, reflecting the substance of the transaction. However, the compensation payments are fully tax deductible (see also Note 28.4.6).

11 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 2004, 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 2004 due to the current employee stock option programs (see Note 31) because of the potentially exercisable stock options.

Units	**2004**	**2003**
Average number of shares outstanding (basic)	13,554,145	13,523,848
Employee stock option program*	27,770	0
Average number of shares outstanding (diluted)	13,581,915	13,523,848

* Average number

12 Financial Assets

EURk	**Dec. 31, 2004**	**Dec. 31, 2003**
Interest rate swaps	416	1,417
Interest rate caps	522	637
Other securities	409	237
Total	**1,347**	**2,291**

The interest rate swap was concluded in fiscal year 2003. It was a designated hedging instrument in a fair value hedge. The underlying contract in this hedging relationship is the bond of a net EUR 170m issued under the debt issue program (DIP). In fiscal year 2004, the interest rate risk was hedged additionally with a cap with a historical cost of EUR 610k.

At the time the original transaction was entered into, the values of the debut bond and the swap were expected to more or less offset each other at each balance sheet during the term. As such, the debut bond and the related interest rate swap were accounted for as a fair value hedge, from this date the bond being recognized on the measurement date at its fair value. However, the retrospective measurement of effectiveness prescribed by IAS 39.146 revealed that the corridor of 80% to 125% in respect of the relative change in value, as defined by IAS 39, cannot be maintained.

Therefore, in accordance with IAS 39.156, the hedging relationship has to be reversed in the course of the year and the bond has to be carried at amortized cost as of this date. The fair value at the time ineffectiveness was first identified was fixed as the de facto cost, and the difference between the cost and the amount repayable was calculated as an adjustment as defined in IAS 39.157. This adjustment amount is being amortized over the term remaining until the redemption date of the debut bond in October 2006 using the effective interest method.

Measurement of the interest rate swap resulted in expenditure of EUR 1,001k (prior year: income of EUR 2,750k). Like the bond, the interest rate swap is due to mature in October 2006 while the interest rate cap runs until October 2007. Fair value measurement of the bond resulted in measurement expense of EUR 1,173k (prior year: EUR 1,794k), whereas the amortization of the bond adjustment amount generated income of EUR 494k. Expenditure relating to the cap amounted to EUR 514k such that the whole structure resulted in net expense before tax of EUR 2,194k (prior year: income of EUR 956k).

The caps are used to hedge interest rates both in connection with the loans against borrower's notes issued during the fiscal year and the ABCP programs. The documentation required for hedge accounting is available for the caps concluded from fiscal year 2003. Changes in fair value were therefore recognized directly in equity in accordance with the rules for cash flow hedge accounting. The amount recognized in equity is EUR 1,085k (prior year: EUR 594k). With regard to the caps, deferred tax assets of EUR 4k were also released (prior year: recognition of EUR 7k).

No documentation as required by IAS 39 was prepared for the interest rate hedges concluded in fiscal year 2003; as a result the change in value was reported in net profit or loss. This resulted in an expense of EUR 72k (prior year: EUR 1,107k) in fiscal year 2004.

Other securities mainly comprise shares and corporate bonds. Measurement at fair value resulted in income of EUR 17k in fiscal year 2004 (prior year: EUR 33k).

13 Lease Receivables

EURk		Dec. 31, 2004	Dec. 31, 2003
	Outstanding minimum lease payments	692,966	589,878
+	Unguaranteed residual values	111,182	94,865
	Gross investment	**804,148**	**684,743**
-	Unearned (outstanding) finance income	123,253	108,524
	Net investment	**680,895**	**576,219**
-	Present value of unguaranteed residual values	84,808	71,171
	Present value of minimum lease payments	**596,087**	**505,048**

EURk	Less than 1 year	1 to 5 years	More than 5 years
Gross total investment	290,334	507,834	5,979
Present value of outstanding minimum lease payments	200,968	391,964	3,155

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, 2004	Dec. 31, 2003
	Net investment	681,152	576,219
-	Investment grant	257	379
	Lease receivables from current contracts	**680,895**	**575,840**
+	Other receivables from lessees at beginning of period	113,335	92,022
-	Accumulated allowance for doubtful outstanding minimum lease payments at beginning of period	60,413	47,203
+	Change in other receivables from lessees during the period	16,766	21,313
-	Change in accumulated allowance for doubtful outstanding minimum lease payments during the period	9,180	13,210
	Net lease receivables (carrying amount)	**741,403**	**628,762**

EURk	Present value of minimum lease payments	Present value of residual values	Other receivables from lessees	Carrying amount
Current lease receivables	200,968	28,593	60,508	290,069
Non-current lease receivables	395,119	56,215	0	451,334
Total	**596,087**	**84,808**	**60,508**	**741,403**

Other receivables from lessees mainly comprise receivables from terminated lease contracts.

14 Trade Receivables

Trade receivables of EUR 1,002k (prior year: EUR 914k) mainly relate to receivables from dealers and third parties. They comprise receivables from the sale of leased assets.

15 Tax Refund Claims

EURk	Dec. 31, 2004	Dec. 31, 2003
VAT	10,304	5,300
Advance tax payments France	3,458	0
Other items	83	624
Total	**13,845**	**5,924**

16 Other Current Assets

EURk	Dec. 31, 2004	Dec. 31, 2003
Receivables from franchisees (refinancing)	2,486	146
Factoring receivables	1,215	0
Direct debits at end of month	804	8
Receivables from the sale of MAUDEN S.p.A	284	284
Prepaid expenses	302	755
Claims to investment grants	108	221
Receivables insurance	106	158
Other items	156	182
Total	**5,461**	**1,754**

Please see Note 19 for details of what the receivables from franchisees entail.

17 Property, Plant and Equipment at Cost

EURk	Land and buildings	Equipment	Leased assets from operating leases	Total
Cost as of Jan. 1, 2004	**10,718**	**6,192**	**5,850**	**22,760**
Currency translation differences	0	0	0	0
Additions	52	1,187	6,999	8,238
Disposals	0	758	6,810	7,568
Reclassifications	0	0	0	0
Cost as of Dec. 31, 2004	**10,770**	**6,621**	**6,039**	**23,430**
Accumulated depreciation as of Jan. 1, 2004	**465**	**2,966**	**0**	**3,431**
Currency translation differences	0	0	0	0
Additions	296	1,052	6,810	8,158
Disposals	0	672	6,810	7,482
Reclassifications	0	0	0	0
Accumulated depreciation as of Dec. 31, 2004	**761**	**3,346**	**0**	**4,107**
Net carrying amounts as of Dec. 31, 2004	**10,009**	**3,275**	**6,039**	**19,323**
Net carrying amounts as of Dec. 31, 2003	**10,253**	**3,226**	**5,850**	**19,329**

Depreciation on leased assets from operating leases is shown in profit from disposals (see Note 6).

18 Intangible Assets at Cost

EURk	Goodwill	Software licenses	Total
Cost as of Jan. 1, 2004	**3,170**	**662**	**3,832**
Currency translation differences	0	0	0
Additions	0	91	91
Disposals	0	44	44
Reclassifications	0	0	0
Cost as of Dec. 31, 2004	**3,170**	**709**	**3,879**
Accumulated amortization as of Jan. 1, 2004	**999**	**443**	**1,442**
Currency translation differences	0	0	0
Additions	307	147	454
Disposals	0	44	44
Reclassifications	0	0	0
Accumulated amortization as of Dec. 31, 2004	**1,306**	**546**	**1,852**
Net carrying amounts as of Dec. 31, 2004	**1,864**	**163**	**2,027**
Net carrying amounts as of Dec. 31, 2003	**2,171**	**219**	**2,390**

19 Other Non-Current Assets

EURk	Dec. 31, 2004	Dec. 31, 2003
ABCP loans	42,607	20,211
Loans to franchisees (refinancing)	6,671	1,667
Receivables from the sale of MAUDEN S.p.A.	0	283
Other items	84	244
Total	**49,362**	**22,405**

In addition to the liquidity reserve of 2% of the refinancing volume drawn on under two of the ABCP programs, ABCP loans 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 16 and 26) comprise loans granted 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 214 is recognized as income from interest on lease receivables.

20 Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are split among the following items: EURk	**Dec. 31, 2004**	**Dec. 31, 2003**
Deferred tax assets		
Tax loss carryforwards	13,057	13,207
Remeasurement of lease liabilities	5,161	2,498
Total	**18,218**	**15,705**
Deferred tax liabilities		
Remeasurement of lease receivables	43,905	42,467
Remeasurement of other assets	241	439
Total	**44,146**	**42,906**

EUR 1,104k of the total tax loss carryforwards will expire in 2009. They relate to the French subsidiary.

21 Tax Liabilities

EURk	**Dec. 31, 2004**	**Dec. 31, 2003**
Trade tax	5,868	1,395
Corporate income tax	5,679	110
Foreign VAT	393	0
Total	**11,940**	**1,505**

22 Provisions

Provisions for other costs take all recognizable risks from contingent liabilities into account. They contain provisions for lease, consulting and financial statement costs.

Jan. 1, 2004 EURk	Currency differences	Allocation	Utilization	Reversal	Dec. 31, 2004
2,476	0	1,308	2,441	35	1,308

23 Non-Current Liabilities

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

Type of liability EURk	Total amount	1 to 5 years	More than 5 years	Secured amount
Liabilities from the refinancing				
of lease receivables	414,025	413,045	980	220,711
(prior year)	392,525	392,525	0	177,565
Bank liabilities	5,396	2,152	3,244	8,000
(prior year)	6,929	2,152	4,777	8,000
Other liabilities	1,698	1,698	0	0
(prior year)	552	552	0	0

The bank liabilities include the non-current portion of a loan totaling CHF 9,156k (originally CHF 11,724k) which was translated at the exchange rate on the balance sheet date. It runs from December 23, 2002 to December 29, 2017 and carries 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 Aktiengesellschaft, Baden-Oos branch, entered in the Oos land register under no. 6080.

Current and non-current lease receivables totaling EUR 377,153k (prior year: EUR 292,938k) have been assigned to the refinancing institutions to secure the liabilities from the refinancing of lease receivables.

The GRENKELEASING AG Group has three asset-backed commercial paper (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 was concluded in December 2004. The ABCP with Kebnekaise Funding Limited, arranged by SEB, has a volume of EUR 150,000k. The programs' average interest rate in 2004 was 2.6% (prior year: 3.7%). The program with Deutsche Bank AG originally ran until October 1, 2004. Negotiations for an extension are currently underway. It has been agreed that GRENKELEASING AG can continue to use the program on the existing terms while negotiations are being conducted. The program with WestLB has an indefinite term. At the end of fiscal year 2004, 53% (prior year: 59%) of the refinancing facilities provided under the ABCP programs had been utilized.

24 Equity

For the development of equity, we refer to the statement of changes in equity.

The fully paid-in subscribed capital of GRENKELEASING AG amounts to EUR 17,387k (prior year: EUR 17,287k). It is divided into 13,601,938 no-par bearer shares (prior year: 13,523,848). The change on the prior year is attributable to the exercise of stock options in August 2004 under the second stock option plan. A total of 78,090 options were exercised and exchanged for shares.

There is also approved capital of EUR 5,963k until February 28, 2005. The Board of Directors is authorized to use this capital, with the approval of the Supervisory Board, to increase subscribed capital by issuing new no-par bearer shares in return for cash or non-cash contributions. The approved capital was entered in the commercial register on March 2, 2000.

There is also conditional capital of EUR 1,627k. The conditional capital is divided into two tranches. Tranche I ("conditional capital I") was created in connection with the IPO in the amount of EUR 959k. 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, approved on February 28, 2000, was reduced by EUR 180k. "Conditional capital I" now only amounts to EUR 779k. On the same date, the shareholders' meeting also approved a further conditional increase ("conditional capital II") of EUR 948k. These changes were 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 (see Note 31).

The resolution on the appropriation of the retained earnings of GRENKELEASING AG for fiscal year 2003 was approved by the shareholders' meeting on May 4, 2004.

Retained earnings	EUR 11,982,107.04
Distribution of a dividend of EUR 0.33 per no-par share for a total of 13,523,848 no-par shares	EUR 4,462,869.84
Transfer to revenue reserves	--
Profit carryforward (to new account)	EUR 7,519,237.20

The dividend was paid to the shareholders of GRENKELEASING AG on May 5, 2004. In fiscal year 2003, a dividend of EUR 3,380,962.00 was distributed to shareholders, which is equivalent to EUR 0.25 per share for a total of 13,523,848 no-par shares.

The Board of Directors has proposed a dividend of EUR 0.40 per share for the fiscal year.

The capital reserve of EUR 58,682k (prior year: EUR 57,248k) mainly results from the IPO of GRENKELEASING AG in April 2000. A provision for input VAT on IPO costs recognized in the year of flotation was reversed following the judgment of the European Court of Justice of June 26, 2003. The option to offset these costs 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 2004 as a result of the exercise of stock options issued under the stock option program. The difference between the exercise price and the notional par value (EUR 18.36 per option/share) of EUR 1,434k was allocated to the capital reserve (see Note 31).

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. The change in the fair value during the fiscal year is EUR 1,085k (prior year: EUR 594k) plus deferred taxes of EUR 4k (prior year: EUR 7k).

25 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 regions ("primary segments") and by divisions ("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 and Ireland. For segmentation by divisions, 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 revenue from capitalizing lease receivables, sales revenues from leased assets, insurance revenue 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.
- In this fiscal year, the "other countries" segment also includes the expense from measurement at fair value of EUR 2,194k (see also Note 12) as the bond was issued by Grenke Finance Plc., Dublin, Ireland.

The "France" segment included a non-recurring effect of EUR 2,800k in the fiscal year.

Revenues listed in the segment report are comprised as follows: EURk	**2004**	**2003**
Recognition of lease receivables	369,544	320,806
Revenue at lease inception	4,546	4,363
Insurance income	13,329	11,901
Expenses from the acquisition of lease receivables	-354,767	-308,421
Subsequent leases	8,490	6,522
Interest income	74,114	67,615
Total	**115,256**	**102,786**

GRENKELEASING AG, BADEN-BADEN
SEGMENT REPORTING AS OF DECEMBER 31, 2004
REGIONS (PRIMARY REPORTING FORMAT)

	Segment Germany		Segment France	
EURk	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
Revenues	86,538	79,518	16,919	13,551
Segment result	29,255	21,412	4,814	6,538
Earnings before taxes				
Income taxes				
Net profit before minority interests				
Amortization/depreciation	1,245	1,285	162	141
Capital expenditure	799	901	182	19
Segment assets	711,281	580,206	119,152	93,049
Unallocated items				
Total assets				
Segment liabilities	575,983	469,972	85,811	67,951
Unallocated items				
Total liabilities				

GRENKELEASING AG, BADEN-BADEN
DIVISIONS (SECONDARY REPORTING FORMAT)

	Segment internet		Segment conventional leasing business	
EURk	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
Revenues	55,473	40,303	59,783	62,483
Segment result	17,734	10,377	19,191	20,681
Capital expenditure	640	465	690	718
Segment assets	437,288	291,846	471,203	450,101

	Segment Switzerland		Segment Other countries		Reporting Segments	
	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
	4,897	4,311	6,902	5,406	115,256	102,786
	2,347	2,182	509	926	36,925	31,058
					36,925	31,058
					13,296	11,409
					23,629	19,649
	42	42	353	379	1,802	1,847
	98	76	251	187	1,330	1,183
	30,171	27,912	47,887	40,780	908,491	741,947
					18,283	15,705
					926,774	757,652
	22,867	23,948	35,626	20,737	720,287	582,608
					56,085	44,412
					776,372	627,020

	Total Segments	
	Dec. 31, 2004	Dec. 31, 2003
	115,256	102,786
	36,925	31,058
	1,330	1,183
	908,491	741,947

26 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.

Grenke Leasing Ltd., Guildford/UK, and GRENKELEASING Sp.z o.o., Poznan/Poland, operate on this basis. 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 franchisees Grenke Leasing Ltd. and GRENKELEASING Sp.z o.o, nor does it have control over the franchisees' business policies.

27 Differing Accounting Policies in the Consolidated Financial Statements: IFRS Versus the German Commercial Code

Significant differences between German accounting standards and International Financial Reporting Standards exist in the GRENKELEASING AG Group in the following areas:

Goodwill (IAS 22/IFRS 3)

Goodwill has been recognized in accordance with IAS 22 and amortized over its useful life. In accordance with IFRS 3, systematic amortization will cease from fiscal year 2005. In contrast, Sec. 309 (1) HGB permits goodwill to be netted with revenue reserves and prescribes systematic amortization.

Leases (IAS 17)

With leases classified as finance leases in accordance with German regulations, leased assets are reclassified from property, plant and equipment to receivables (lease receivables). Additionally, the amount resulting from the sale of lease receivables (factoring) is disclosed under lease liabilities and not under deferred income.

Deferred tax assets (IAS 12)

Unlike under the HGB, claims from the future use of tax loss carryforwards were capitalized and recognized in net profit or loss.

Capital reserve

IPO expenses were netted with the capital reserve; under the HGB, the expenses would have affected the income of the respective fiscal year (SIC 17).

The shares of GRENKELEASING AG issued for the contribution of haberichter.net GmbH were stated at the closing rate. The excess over the nominal value was transferred to the capital reserve. Under the Commercial Code, the shares are carried at nominal value.

Financial assets and liabilities (IAS 39)

Securities are carried at fair value on the balance sheet date. Under the HGB, valuation may not exceed the original acquisition cost, as unrealized gains may not be disclosed.

Under IFRS, derivatives are initially recognized at cost and carried at fair value on subsequent measurement. The changes in fair value are reported directly in equity or in net profit or loss, depending on whether or not hedge accounting is applied. Under the HGB, derivatives are initially recognized at cost and carried at amortized cost or their lower net realizable value on subsequent measurement. The HGB does not allow the carrying amount to exceed cost, as is permitted under IFRS.

Under IFRS, financial liabilities are recognized at amortized cost. Any discount and transaction costs are deducted from the amount repayable carried on the liabilities side of the balance sheet and are amortized using the effective interest method or, if immaterial, straight-line, over the residual maturity. If a financial liability functions as an underlying contract in a fair value hedge, it is measured at fair value, which may result in the carrying amount exceeding the amount repayable. Under the HGB, financial liabilities are carried at the amount repayable. Any discount is disclosed as a difference between the amount paid and the amount repayable under prepaid expenses on the assets side of the balance sheet in accordance with Sec. 250 (3) HGB and is released on a systematic basis. Transaction costs are immediately expensed.

28 Financial Instruments and Financial Risk Strategy

28.1 Business Model

As a small-ticket leasing company, GRENKELEASING 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.

28.2 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.

Hedges are therefore not intended to generate additional finance income when they are concluded. Treasury is not a separate profit center. The use of derivatives is therefore limited to hedging the profits of GRENKELEASING to the extent stipulated in the Company's articles of incorporation and bylaws. If any derivative increases in value due to the market trend, this is a pleasing but unintended development.

We also do not intend to engage in macro hedging, i.e. grouping individual positions to hedge the net position.

The transactions hedged according to this definition are not necessarily hedged 100% in terms of the extent or amount of the hedge. In each case, this is always a management decision based on the risk profile, i.e. the income opportunity associated with the risk in question. For instance, interest rate caps are often concluded at a cap strike price that is higher than the market interest rate on the date of the transaction as otherwise the outcome would not make economic sense.

28.3 Financial Risk Identification

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

28.3.1 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 28.4 for details.

28.3.2 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 and the United Kingdom. Therefore, the future repayment amounts in foreign currency expected from the franchise partners were hedged with forward exchange transactions in December 2004. This means that the exchange rate for the financing extended by GRENKELEASING AG in Polish zloty and pounds sterling to GRENKELEASING Sp.z o.o., Poland, and Grenke Leasing Ltd., United Kingdom, is known and fixed. Denmark, the Czech Republic and Sweden currently have an insignificant outstanding volume. Foreign exchange derivatives were not stated as of the balance sheet date due to their immateriality. Switzerland is not included in this area, as lease refinancing is solely provided in Switzerland by Swiss banks in local currency.

28.3.3 Risks From Changes in the Equity of Group Companies Outside the Euro Area

We do not hedge against changes in value resulting from the foreign currency translation of the financial statements of such companies of less than EUR 100k. No hedging has been required to date.

28.3.4 Cash Flow Risks

By cash flow risks, we mean the risk of non-payment of installments by lessees. Such risks almost always result from a deterioration in the creditworthiness of lessees after conclusion of the contract. They can be hedged using credit derivatives or traditional credit insurance strategies. Such instruments have not been used to date due to GRENKELEASING's many years of experience and proven performance in this area of risk management.

28.4 Detailed Risk Review

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

28.4.1 Factoring Agreements

Such agreements are currently in place with Stadtsparkasse Baden-Baden and Commerzbank AG. In all cases, these 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.

28.4.2 ABCP Programs

The three ABCP programs with Deutsche Bank AG, WestLB and SEB provide for the purchase of GRENKELEASING receivables from German, Austrian and French lessees. There is therefore no currency risk.

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.

However, in contrast to Note 28.4.1, the terms on the assets and liabilities side do not match as the financing of the purchase of receivables is subject to a 30-day rollover resulting from the use of the commercial paper market. The reference rate for all programs is one-month EURIBOR, i.e. interest is variable. The risk of rising interest rates over time is hedged using an interest rate cap; for one ABCP program (WestLB), a cap which amortizes over the term of the portfolio is concluded for each sold receivables portfolio, with a cap strike that is 4.5% below the average internal rate of return on the sold receivables. The hedge covers the entire term of the sale of receivables. Caps were also concluded for the second ABCP program (Deutsche Bank AG). However, they do not amortize but hedge the historical value of the sold portfolio over the term of the contract. In this case, the cap strike is no less than 2% below the average internal rate of return on the sold receivables.

28.4.3 Loans Against Borrower's Notes

The Company has a loan against borrower's note for a total of EUR 56,000k with a term from May 2003 to May 2005. GRENKELEASING's variable interest payments based on the 6-month EURIBOR were fully hedged by an interest rate cap over the entire term.

28.4.4 Private Placements

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

Name	Term from	Term to	Nominal value in EUR	Interest rate	Discount in EUR
Fixed-interest debenture	Oct. 23, 2003	- Apr. 23, 2004	10,000,000	2.724 %	15,000
Fixed-interest debenture	Apr. 23, 2004	- Oct. 25, 2004	10,000,000	2.32 %	20,300
Loans against borrower's notes	Apr. 27, 2004	- Apr. 27, 2009	1,000,000	4.75 %	10,800
Zero bond	May 10, 2004	- Nov. 10, 2004	25,000,000	0.00 %	339,250*
Fixed-interest debenture	May 10, 2004	- May 10, 2005	2,000,000	2.80 %	7,200
Fixed-interest debenture	June 10, 2004	- June 10, 2009	20,000,000	5.00 %	215,000
Fixed-interest debenture	Oct. 1, 2004	- Mar. 31, 2005	25,000,000	2.75 %	10,000
Fixed-interest debenture	Dec. 7, 2004	- May 17, 2005	40,000,000	2.79 %	--

* All of the interest on the zero bond is reflected in the discount. It would be equivalent to an effective interest rate of 2.34% p.a.

The fixed-interest debentures and zero bonds that matured in the fiscal year were redeemed as planned on their due dates together with the final interest payment.

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 will 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.

28.4.5 Bond

On October 30, 2003, a bond of EUR 170,000k with a 3-year term and a fixed coupon of 4.5% p.a. was placed on the market, again under the DIP. The issuer was GRENKE FINANCE Plc., Dublin/Ireland, with a guarantee from the Parent Company. The bond was listed on the stock exchange in Luxembourg. The bond was given a BBB rating by Standard & Poor's. Under terms of the bond, the coupon will be increased by 0.5% or 1.5% from 4.5% in the event of the bond being downgraded by Standard and Poor's by one or two notches, respectively. At the same time, an interest rate swap (IRS) was concluded for the nominal principal to swap the fixed interest for variable interest.

28.4.6 Securities Lending Transactions

Short-term securities lending transactions were conducted with a German bank on April 6, 2004 (German shares) and November 5, 2004 (British shares), respectively. In these lending transactions, the bank transfers German or foreign shares to GRENKELEASING AG for a period of up to 2 months. During that time, GRENKELEASING AG receives dividend income from the securities and pays compensation payments to the other contracting party. The dividend income generated from shares of German corporations are tax-free under German tax law. Only 5% of the dividend income is added back to the non-deductible expenses.

Most British shares pay two dividends a year (interim dividend and final dividend). No withholding tax is deducted at source from dividend payments on British shares, nor is any German tax on investment income withheld in Germany pursuant to Sec. 43 EStG ["Einkommensteuergesetz": German Income Tax Act]. Stamp duty of 0.5% of the stock price is levied in the UK on stock transactions, however the lender is a member of the London Stock Exchange and is therefore exempt. The net dividend is 95% exempt from corporate income tax pursuant to Sec. 8b (1) and (5) KStG ["Körperschaftsteuergesetz": German Corporate Income Tax Act].

The compensation payment to the bank is fully deductible for tax purposes in both cases. The shares are returned to the contracting party at the end of the term. This transaction entails no price risk for GRENKELEASING AG as the retransfer requires only shares of the same type and class and is not linked to the price of the stock in question.

The dividend income earned from the transactions of EUR 2,652k is matched by the same amount of expenses for compensation payments and interest on the underlying loan of EUR 355k. The dividend income and compensation payments were recognized as a net amount.

The securities lending transactions had a tax effect of EUR 666k.

29 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, 2004 was used for liabilities from refinancing.

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

EURk	**Fair value 2004**	**Carrying amount 2004**	**Fair value 2003**	**Carrying amount 2003**
Lease receivables	814,084	741,403	696,364	628,762
Liabilities from refinancing	653,260	651,217	513,992	512,803

30 Contingent Liabilities and Other Financial Obligations

No contingent liabilities existed as of the balance sheet date which must be stated in the balance sheet or in the notes. The Company has other financial obligations related to rent and lease contracts. The resulting financial obligations are presented below:

EURk	Dec. 31, 2004	Dec. 31, 2003
Rent and lease obligations		
Of which due in the following year	1,293	1,056
Of which due in 2 to 5 years	2,255	2,252
Of which due in more than 5 years	1,070	0
Total	**4,618**	**3,308**

Under three agreements regarding the sale of receivables of Grenke Investitionen Verwaltungs KGaA to secure all receivables of the holding company (Grenke Investitionen 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.

The tax authorities in France have completed their audit of the French group company GRENKE LOCATION SAS (formerly GRENKE LOCATION S.A.). 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 the matter recognized by us had been presented clearly and transparently. 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. Payment of EUR 3,458k was made 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 assume that our view will be confirmed.

31 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 share. 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. For this purpose, the shareholders' meeting created "conditional capital I" of EUR 959k for the first time on February 28, 2000; this was entered in the commercial register on March 2, 2000. As a result of the resolution passed by the shareholders' meeting on April 16, 2002, the conditional increase in capital approved on February 28, 2000 was reduced by EUR 180k. "Conditional capital I" now only amounts to EUR 779k. The shareholders' meeting approved a further conditional increase ("conditional capital II") of EUR 948k. These changes were 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.

The conditional capital serves to secure share subscription rights from the stock option program. A maximum total of 1,492,000 subscription rights will be issued; each allows one share in GRENKELEASING AG to be acquired.

Subscription rights 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 initial tranches; further tranches will be issued in subsequent years. Subscription rights will 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.

According to the Board of Directors' resolution of July 5, 2004, all of the conditions were met for the exercisable subscription rights under the second stock option program so that they can be exercised by issuing shares from the conditional capital. The supervisory board approved this decision on July 12, 2004.

On the basis of the share's performance in the prior year and 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. The average price in the relevant period between July 9, 2004 and August 5, 2004 was EUR 32.35, which meant that the subscription rights under the second employee stock option program could be exercised. The first exercise date for the maximum number of exercisable subscription rights (86,778) was August 13, 2004. The exercise price was EUR 19.64. Employees exercised a total of 78,090 options.

As all of the stock option programs were launched before November 7, 2002, the options do not need to be measured in accordance with IFRS 2, i.e. recognizing any changes in value in the income statement. Hence, the exercise of the options was not recognized in net profit or loss.

The following table shows the stock options issued under this program as of December 31, 2004:

IPO Stock Option Program Units	**Members of the Board of Directors**	**Employees**	**Employees of affiliated companies**	**Total**
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	--	36,244	20,888	57,132
Derecognized by shareholders' meeting 2002	39,208	65,277	36,060	140,545
Balance on Dec. 31, 2004	**0**	**51,605**	**27,576**	**79,181**

The options issued in the first tranche of the first employee stock option program were not measured as the last reference period was in October/November 2004. As the necessary target price of EUR 33.12 was not reached in this period, either, the relevant options can no longer be exercised and will expire as of March 31, 2005.

The last date for exercising options issued in the second tranche of the first employee stock option program is in 2005. However, in order to be exercised the price of the GRENKELEASING share would have to reach an average price of EUR 58.10 in one of the possible reference periods. The reference price in 2004 was EUR 50.52. The options were measured using option pricing models. The value per option for the second tranche of the first employee stock option program was EUR 0.58.

Stock Option Program II Units	**Members of the Board of Directors**	**Employees**	**Employees of affiliated companies**	**Total**
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
Exercised in 2004	12,100	45,218	20,772	78,090
Issued under the 2nd SOP (2003)	--	--	--	--
Balance on Dec. 31, 2004	**79,680**	**340,892**	**151,702**	**572,274**

In fiscal year 2004, 50% of the options issued became exercisable after the two-year vesting period expired. As the target price was exceeded once in 2004, the remaining options may be exercising 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 for 2005 is EUR 32.78; for 2006 it is EUR 37.69. The options were measured using option pricing models. The value per option for the second employee stock option program was EUR 5.22.

32 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 Group as part of their business purpose. These extensive deliveries of goods and services are transacted at market prices.

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 94k, the Group generated income from interest on loans of EUR 214k. As of the balance sheet date, apart from the loans (see Notes 16 and 19), there were receivables from franchisees totaling EUR 15k (prior year: EUR 130k).

In accordance with the articles of incorporation and bylaws, the Supervisory Board of GRENKELEASING AG has six members. In fiscal year 2004 the supervisory board had the following members; Dr. Bernd Ruge retired from the Supervisory Board for health reasons with effect from June 4, 2004. As the Supervisory Board has a quorum with its remaining five members, the Board of Directors has refrained from appointing an additional member of the Supervisory Board pursuant to Sec. 104 (2) AktG ["Aktiengesetz": German Stock Corporation Act].

- Mr. Gerhard E. Witt (Chairman)
  Accountant and tax advisor, Baden-Baden

- Mr. Dieter Münch (Deputy Chairman)
  Bank officer, Weinheim

- Ms. Renate Hauss (employee of GRENKELEASING AG)
  Business administration graduate, Bühl

- Prof. Dr. Ernst-Moritz Lipp
  Professor of international finance and
  general manager, Baden-Baden

- Dr. Bernd Ruge
  Lawyer, Hamburg (June 4, 2004)

- Dr. Brigitte Sträter
  Lawyer, Düsseldorf

The Supervisory Board's remuneration (including payments for supplementary services) totaled EUR 101k (prior year: EUR 99k).

Mr. Münch has 75 (prior year: 75) shares. As of January 1, 2004, Ms. Hauss had 7,396 stock options, of which 596 were exercised in fiscal year 2004. Ms. Hauss had 6,800 stock options on December 31, 2004, of which 2,904 (SOP 2000) can no longer be exercised. Ms. Hauss was granted the stock options solely on the basis of her employee status and under GRENKELEASING's compensation system. The compensation system applies to all employees, and Ms. Hauss participates in the employee stock option program in accordance with the principle of non-discrimination under labor law.

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 Supervisory Board in one of the employee stock options programs. This also applies, without exception, to Ms. Hauss.

The control of the Board of Directors by the Supervisory Board in its capacity as a monitoring body required by law is in no way jeopardized by the granting of stock options as such options are granted to Ms. Hauss solely on the basis of her function as an employee of GRENKELEASING AG. Furthermore, according to the most recent ruling by the Federal Court of Justice of February 16, 2004, the granting of options does not conflict with Ms. Hauss' function as a member of the Supervisory Board.

Ms. Renate Hauss, Mr. Gerhard E. Witt and Mr. Dieter Münch are also supervisory board members of Grenke Investitionen Verwaltungs KGaA, Baden-Baden. Mr. Dieter Münch is also a member of the supervisory board of Weisenburger Bau + Grund AG, Halle/Saale. None of the other members of the Supervisory Board of GRENKELEASING AG were 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 shareholders' meeting which is to decide on their exoneration for fiscal year 2004 convenes.

Remuneration of the Supervisory Board breaks down as follows:

	Total	Remuneration		Additional services
EURk		AG	KGaA	
R. Hauss	9,6	7	2,6	0
Prof. Dr. Lipp	6	6	0	0
D. Münch	10,2	7,6	2,6	0
Dr. Ruge	0	0	0	0
Dr. Sträter	60	7	0	53
G. Witt	14,4	10,6	3,8	0
Summe	**100,2**	**38,2**	**9**	**53**

In addition to her work for the Supervisory Board. Dr. Sträter also assisted the Company in public relations on a contract basis. The relevant contract was terminated as of December 31, 2004.

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

Mr. Wolfgang Grenke, businessman, Baden-Baden, (Chairman) Special responsibility: strategy, corporate development, investor relations, internal audit
Mr. Thomas Konprecht, graduate programmer, certified leasing and financial consultant (VWA), Düsseldorf, (Deputy Chairman) Special responsibility: marketing, sales, management services
Mr. Mark Kindermann, business graduate, Bühl Special responsibility: finance, administration, accounting, financial control, legal, quality management
Mr. Michael Kostrewa, businessman and industrial IT graduate, Karlsruhe 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:

EURk	Total remuneration	Compensation in kind from SOP	Fixed portion	Variable portion
Wolfgang Grenke	310	51	211	48
Thomas Konprecht	235	38	160	37
Michael Kostrewa	161	26	110	25
Mark Kindermann	156	26	105	25
Total	**862**	**141**	**586**	**135**

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 August 2004. Overall, the Board of Directors exercised 12,100 options. The number of shares and exercisable options is shown below:

Units	**Shares as of Dec. 31, 2004**	**2003**	**Shares as of Dec. 31, 2004**	**2003**
Wolfgang Grenke	*5,167,219	5,977,819	26,504	30,904
Thomas Konprecht	**537,430	534,130	19,876	23,176
Michael Kostrewa	***167,149	164,949	13,256	15,456
Mark Kindermann	89,853	89,853	****13,256	15,456
Total	**5,961,651**	**6,766,751**	**72,892**	**84,992**

* In the fiscal year, 100,000 shares were sold in covered calls. 675,000 shares were contributed to the GRENKE-Stiftung and 40,000 to the Kulturstiftung Festspielhaus. 4,400 shares were acquired under the stock option program.

** 3,300 acquired under the employee stock option program.

*** 2,200 acquired under the employee stock option program.

**** 2,200 shares acquired under the employee stock option program and immediately resold.

Mr. Wolfgang Grenke is also a member of the board of directors of GRENKE Locazione S.r.l., Milan/Italy, CEO of GRENKE ALQUILER S.A., Barcelona/Spain, and general manager of GLG Grenke-Leasing GmbH. He is the chairman of the supervisory board of WEBLEASE NETBUSINESS AG, Baden-Baden, GRENKE LOCATION SAS., Schiltigheim/France, and GRENKELEASING AG, Vienna/Austria. He is also a member of the advisory board of Deutsche Bank AG, Freiburg region.

Mr. Mark Kindermann is also a member of the board of directors of GRENKE LIMITED, Dublin/Ireland, of GRENKELEASING AB, Kista (Stockholm)/Sweden, and of GRENKE FINANCE Plc., Dublin/Ireland. He is a member of the supervisory board of WEBLEASE NETBUSINESS AG, Baden-Baden, of GRENKELEASING AG, Vienna/Austria, and of Grenkefinance N.V., Maasbree/Netherlands.

Mr. Thomas Konprecht is also a member of the board of directors of Grenkefinance N.V., Maasbree/Netherlands, a member of the supervisory board of GRENKELEASING AB, Kista (Stockholm)/Sweden, of GRENKELEASING AG, Vienna/Austria, and general manager of GLG Grenke-Leasing GmbH, Baden-Baden, and of GRENKELEASING ApS, Herlev/Denmark.

Mr. Michael Kostrewa is also a member of the board of directors of GRENKE LIMITED, Dublin/Ireland, of GRENKELEASING AB, Kista (Stockholm)/Sweden, and of GRENKE FINANCE Plc., Dublin/Ireland.

33 Events After the Balance Sheet Date

At the time of this report, there were no events of particular significance after the close of fiscal year 2004.

34 Declaration Pursuant to Sec. 161 AktG

The Board of Directors and Supervisory Board of GRENKELEASING AG have made the declaration for 2004 pursuant to Sec. 161 AktG and made this permanently available to shareholders.

Baden-Baden, January 19, 2005

The Board of Directors

AUDIT OPINION

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in equity and cash flows as well as the notes to the financial statements, prepared by GRENKELEASING AG, Baden-Baden, for the fiscal year from January 1 to December 31, 2004. The preparation and the content of the consolidated financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on whether the consolidated financial statements are in accordance with International Financial Reporting Standards (IFRS) based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [in Deutschland] (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of 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 amounts and the disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the fiscal year in accordance with IFRS.

Our audit, which also extends to the group management report prepared by the Board of Directors for the fiscal year from January 1 to December 31, 2004, has not led to any reservations. In our opinion, on the whole the group management report together with the other disclosures in the consolidated financial statements provides a suitable understanding of the Group's position and suitably presents the risks to future development. We confirm that the consolidated financial statements and the group management report for the fiscal year from January 1 to December 31, 2004 satisfy the conditions required for the Company's exemption from its obligation to prepare consolidated financial statements and the group management report in accordance with German law.

Eschborn/Frankfurt am Main, January 19, 2005

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Eckl	Kirch
Wirtschaftsprüferin	Wirtschaftsprüfer

06.8

SUPERVISORY BOARD REPORT

Gerhard E. Witt
Chairman

Dear Shareholders,

Throughout the fiscal year, the Board of Directors provided the Supervisory Board with detailed and comprehensive information on the economic position, strategic development, status of business planning and the personnel situation of GRENKELEASING AG. In a total of four Supervisory Board meetings - held on February 16, July 12, September 13, and November 22, 2004 - the Supervisory Board discussed the reports submitted by the Board of Directors in depth and passed the necessary resolutions, where required by the law, the articles of incorporation or bylaws. Among other things, the Supervisory Board received the minutes of the meetings of the Board of Directors as well as the documents prepared for these meetings.

In addition to current business development and the economic situation, at its meetings in fiscal year 2004 the Supervisory Board focused on risk management and planning.

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 bylaws.

The financial statements of GRENKELEASING AG as of December 31, 2004 prepared by the Board of Directors, the management report of the Company for fiscal year 2004, the consolidated financial statements as of December 31, 2004 and the group management report for fiscal year 2004 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 shareholders' meeting on May 4, 2004, Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main. The accounting methods used in preparing the individual 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, 2004 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 adopted by the Institute of Public Auditors in Germany (IDW).

The consolidated financial statements for the fiscal year from January 1 to December 31, 2004 were prepared by GRENKELEASING AG in accordance with International Financial Reporting Standards (IFRS) and the requirements for exempting the Company from the preparation of consolidated financial statements and a group management report in accordance with German law (Sec. 292a (2) HGB). 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 adopted by the Institute of Public Auditors in Germany (IDW AuS 450).

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 24, 2005. 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 GRENKELEASING AG Group.

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.

There was one change in the membership of the Supervisory Board in fiscal year 2004. In accordance with the articles of incorporation, the Supervisory Board of GRENKELEASING AG has six members. In fiscal year 2004, Dr. Bernd Ruge retired from the Supervisory Board for health reasons with effect from June 4, 2004. As the Supervisory Board still has a quorum, the vacated position was not filled during the fiscal year. This will be done at the next shareholders' meeting.

The Supervisory Board extends its thanks to the members of the Board of Directors and to all GRENKELEASING employees without whose personal commitment the successful performance of the Company in fiscal year 2004 would not have been possible.

Baden-Baden, January 2005

For the Supervisory Board

Gerhard E. Witt
Vorsitzender

DATES 2005

04/01/2005	Publication New Business and Contribution Margin1
28/01/2005	Publication of the Annual Accounts for 2004, Balance Press Conference/DVFA Analyst Conference in Frankfurt
04/04/2005	Publication New Business and Contribution Margin1
28/04/2005	Publication of Financial Statements of Q1 2005
03/05/2005	General Meeting, Baden-Baden
04/07/2005	Publication New Business and Contribution Margin1
28/07/2005	Publication of Financial Statements of Q2 2005
05/10/2005	Publication New Business and Contribution Margin1
27/10/2005	Publication of Financial Statements of Q3 2005 DVFA Analyst Conference in Frankfurt

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

GRENKELEASING AG
Neuer Markt 2
D - 76532 Baden-Baden

Tel.: +49 (0) 7221 - 5 00 72 04
Fax: +49 (0) 7221 - 5 00 71 12

www.grenkeleasing.com
www.weblease-europe.com
www.asset-broker.com

E-mail: investor@grenkeleasing.com