

2018 //
ANNUAL REPORT

GRENKE

AT A GLANCE //

OUR BUSINESS MODEL STANDS FOR SUSTAINABLE PROFITABLE GROWTH AND SOLID FINANCING

HIGH GROWTH

NEW LOCATIONS //

11

CELL DIVISIONS //

Austria, Croatia, Denmark, 2x Finland, France, Germany, 2x Italy, the Netherlands, UK

MARKET ENTRY LEASING //

Baltic states (Latvia)

MARKET ENTRY FACTORING //

Portugal

GRENKE GROUP NEW BUSINESS //

+22%

Volume including franchise partners reaches EUR 2,979.8 million (previous year: EUR 2,449.2 million)

NUMBER OF EMPLOYEES //

1,456

Year-on-year increase of 19% (GRENKE Consolidated Group; previous year: 1,229 employees)

LONG-TERM SUCCESS

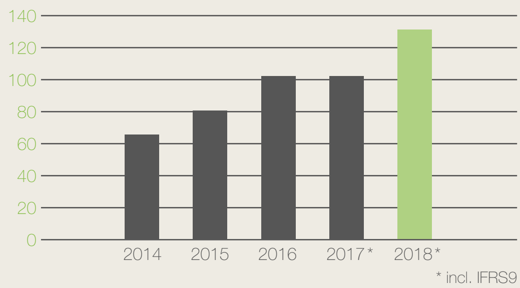
EQUITY RATIO //

18.5%

The Consolidated Group's equity ratio was well above our long-term benchmark of at least 16 percent.

In addition to the gratifying earnings development in the past fiscal year, this was also particularly due to the capital increase carried out during the course of the year.

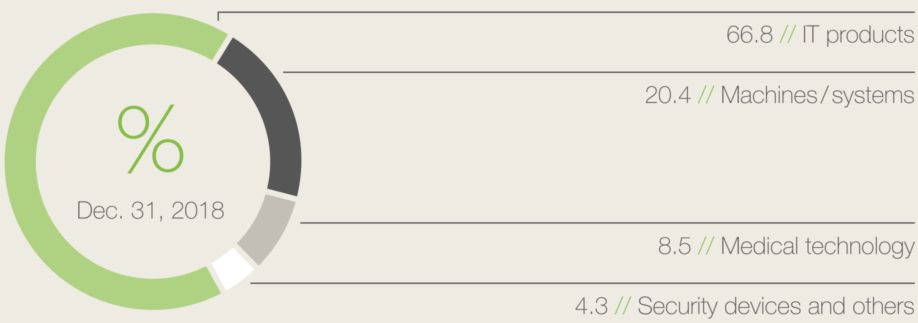
CONSOLIDATED GROUP NET PROFIT //



Consolidated Group net profit reached EUR 131.1 million in 2018, putting it at the upper end of the forecast range of EUR 126 to 132 million raised during the year.

BROADLY DIVERSIFIED

LEASING NEW BUSINESS PORTFOLIO //



MAKING OUR **CONTRIBUTION** TO YOUR **IDEAS** //

FROM FLEXIBLE LEASING AND CUSTOMISED BANKING SOLUTIONS TO CONVENIENT FACTORING: WITH MORE THAN 40 YEARS OF EXPERIENCE, GRENKE OFFERS TAILOR-MADE FINANCING SOLUTIONS FROM A SINGLE SOURCE. AND, ALWAYS WITH A FOCUS ON CULTIVATING BUSINESS RELATIONSHIPS BASED ON TRUST.

IN THE FOLLOWING REPORT, WE WILL NOT ONLY SHARE OUR REFLECTIONS OF A VERY SUCCESSFUL 2018 FISCAL YEAR, BUT WILL ALSO PROVIDE YOU WITH SOME INSIGHT INTO OUR STRATEGY. WE CONTINUE TO REASSERT OUR CORE STRENGTHS – “SIMPLE”, “FAST”, “PERSONAL” AND “ENTREPRENEURIAL” – AND WILL CONTINUE TO DEVELOP THEM.

WE ARE CONVINCED THAT THE COURAGE TO CONSISTENTLY PURSUE NEW IDEAS DISTINGUISHES SUCCESSFUL ENTREPRENEURS FROM THE REST. WITH THIS APPROACH, WE INTEND TO GIVE OUR BUSINESS PARTNERS PRECISELY THE RIGHT FINANCING SOLUTIONS FOR WHAT THEY HAVE IN MIND. AND AT A TIME WHEN CHANGE IS CONSTANT, WE NOT ONLY WANT TO SIMPLY REACT TO IT, BUT HELP SHAPE IT.

LET’S TURN OUR FOCUS TO THE FUTURE, TOGETHER.
WE ARE GRENKE.

KEY FIGURES //

GRENKE GROUP

	JAN. 1, 2018 TO DEC. 31, 2018	CHANGE (%)	JAN. 1, 2017 TO DEC. 31, 2017	UNIT
NEW BUSINESS GRENKE GROUP LEASING	**2,409,762**	**22.0**	**1,975,713**	**EURk**
of which international	1,799,366	23.4	1,457,936	EURk
of which franchise international	65,235	133.3	27,960	EURk
of which DACH*	545,161	11.3	489,817	EURk
Western Europe (without DACH)*	614,665	21.5	506,090	EURk
Southern Europe*	764,880	24.7	613,393	EURk
Northern/Eastern Europe*	391,447	22.9	318,404	EURk
Other regions*	93,609	95.0	48,009	EURk
NEW BUSINESS GRENKE GROUP FACTORING (INCL. COLLECTION SERVICES)	**526,878**	**19.0**	**442,840**	**EURk**
of which Germany	172,852	2.0	169,489	EURk
of which international	152,554	–7.4	164,765	EURk
of which franchise international	201,472	85.5	108,586	EURk
GRENKE BANK Deposits	**692,439**	**37.3**	**504,243**	**EURk**
New business SME lending business incl. business start-up financing	43,143	40.7	30,653	EURk
CONTRIBUTION MARGIN 2 (CM2) ON NEW BUSINESS GRENKE GROUP LEASING	**420,652**	**19.2**	**353,048**	**EURk**
of which international	329,522	19.1	276,702	EURk
of which franchise international	13,757	133.4	5,895	EURk
of which DACH*	77,373	9.8	70,451	EURk
Western Europe (without DACH)*	110,658	22.1	90,599	EURk
Southern Europe*	139,923	16.2	120,415	EURk
Northern/Eastern Europe*	73,334	20.7	60,744	EURk
Other regions*	19,364	78.7	10,839	EURk
FURTHER INFORMATION LEASING BUSINESS				
Number of new contracts	271,073	18.8	228,199	units
Share of corporate customers in lease portfolio	100	0.0	100	percent
Mean acquisition value	8.9	2.3	8.7	EURk
Mean term of contract	49	2.1	48	months
Volume of leased assets	7,040	21.2	5,809	EURm
Number of current contracts	795,424	18.8	669,820	units

* Regions: DACH: Germany, Austria, Switzerland
Western Europe (without DACH): Belgium, France, Luxembourg, the Netherlands
Southern Europe: Croatia, Italy, Malta, Portugal, Slovenia, Spain
Northern/Eastern Europe: Denmark, Finland, Ireland, Latvia, Norway, Sweden, UK/Czechia, Hungary, Poland, Romania, Slovakia
Other regions: Australia, Brazil, Canada, Chile, Singapore, Turkey, UAE

GRENKE Group = GRENKE Consolidated Group including franchise partners
GRENKE Consolidated Group = GRENKE AG and all consolidated subsidiaries and structured entities according to IFRS

GRENKE CONSOLIDATED GROUP

	JAN. 1, 2018 TO DEC. 31, 2018	CHANGE (%)	JAN. 1, 2017 TO DEC. 31, 2017	UNIT
KEY FIGURES INCOME STATEMENT				
Net interest income	282,940	14.7	246,597	EURk
Settlement of claims and risk provision	91,875	13.2	81,161	EURk
Profit from service business	85,447	21.1	70,562	EURk
Profit from new business	83,291	20.7	68,983	EURk
Gains (+)/losses (–) from disposals	–2,473	–69.9	–8,212	EURk
Other operating income	5,702	–55.4	12,779	EURk
Cost of new contracts	59,750	18.7	50,317	EURk
Cost of current contracts	17,787	19.1	14,937	EURk
Project costs and basic distribution costs	63,513	19.0	53,381	EURk
Management costs	54,519	14.3	47,683	EURk
Other costs	10,308	36.0	7,577	EURk
Operating result	157,155	15.9	135,653	EURk
Other financial result (income (–)/expense (+))	1,696	–52.4	3,560	EURk
Income/expenses from fair value measurement	71	218.3	–60	EURk
EBT (earnings before taxes)	155,530	17.8	132,033	EURk
NET PROFIT	**131,110**	**24.4**	**105,430**	**EURk**
EARNINGS PER SHARE (ACCORDING IFRS)	**2.78**	**20.3**	**2.31**	**EUR**
FURTHER INFORMATION				
Dividends	0.80	14.3	0.70	EUR
Embedded value, leasing contract portfolio (excl. equity before taxes)	564	18.0	478	EURm
Embedded value, leasing contract portfolio (incl. equity after taxes)	1,538	31.6	1,169	EURm
Cost/income ratio	57.0	0.4	56.8	percent
Equity ratio	18.5	11.4	16.6	percent
Average number of employees	1,456	18.5	1,229	employees
Staff costs	102,701	19.2	86,162	EURk
of which total remuneration	83,440	18.0	70,697	EURk
of which fixed remuneration	61,714	18.3	52,179	EURk
of which variable remuneration	21,726	17.3	18,518	EURk

GRENKE Group = GRENKE Consolidated Group including franchise partners
GRENKE Consolidated Group = GRENKE AG and all consolidated subsidiaries and structured entities according to IFRS

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TO THE SHAREHOLDERS

GRENKE AG BOARD OF DIRECTORS

Chair of the Board //
Antje Leminsky

Members of the Board (from left to right) //
Mark Kindermann
Gilles Christ
Sebastian Hirsch

SUCCESS THROUGH CONTINUITY AND CHANGE – WE INCREASED OUR NEW BUSINESS AND NET PROFIT AGAIN IN 2018. THIS AND EMBRACING OUR CORPORATE VALUES PLACES GRENKE IN AN OPTIMAL POSITION FOR THE FUTURE.

DEAR SHAREHOLDERS, LADIES AND GENTLEMEN,

If the GRENKE Group were to give a title to the year 2018, it would be: “Success through continuity and change”. This year, we again achieved strong growth across our entire range of solutions in leasing, banking, factoring. We succeeded in expanding our global presence by entering the Baltic states with our leasing offers and opening eleven new locations in existing markets. We also introduced our factoring offers in Portugal. Today, we are present for our customers in a total of 32 countries.

Our eSignature online offer is increasingly gaining ground and contributing to our dynamic growth. The number of leases signed using this innovative and fully digital distribution channel increased 47 percent in 2018 in comparison to the prior year. In addition, we steadily continued to diversify our product portfolio in the reporting period. Our customers are increasingly purchasing small machines, systems and medical technology devices. These areas now make up 29 percent of our new business in the Leasing segment compared to 25 percent in 2017. At 67 percent (previous year: 70 percent), IT products continue to account for the largest share of our new business volume.

This performance is reflected in our key figures. One example is the GRENKE Group’s achievement in the past year of almost EUR 3.0 billion in new business – amounting to a 22 percent increase over the prior year and setting a new record. Our sustained dynamic growth can also be seen by our increase in net profit of 24 percent to EUR 131.1 million. The financial groundwork was also laid for a successful fiscal year and continued international growth with our placement of a capital increase against cash contribution with an issue volume of EUR 197 million, as well as a further 10 bond issues featuring a nominal volume of EUR 660 million. In consideration of these positive developments, the Board of Directors and the Supervisory Board are proposing a dividend of EUR 0.80 per share for the 2018 fiscal year, equivalent to an increase of 14 percent.

We have also been investing in GRENKE Group’s future and thereby strengthening our long-term growth strategy. One example is the upgrades we have made to our internal communication and IT systems for processing inquiries and contracts. And just as important, has been the refocusing of our brand and defining together with our customers, partners and employees what sets GRENKE apart: ultimately, we decided to add “entrepreneurial” to our core values of “simple”, “fast” and “personal”. In the future, we want to focus even more on our unique selling propositions and our customers and bring these values to life with our 1,562 employees worldwide.

Our founder and visionary, Wolfgang Grenke, resigned from the Board of Directors of GRENKE AG on February 28, 2018. We are confident that we will be able to create the best prerequisites for continuous and profitable growth over the next several years and look forward to continuing our trustworthy cooperation with Mr Grenke in his new role as a member of the Supervisory Board.

We would like to sincerely thank our employees for their outstanding commitment and the Supervisory Board and our shareholders for their trust.

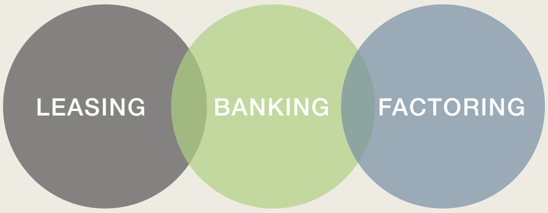
The Board of Directors of GRENKE AG

Antje Leminsky	**Gilles Christ**	**Sebastian Hirsch**	**Mark Kindermann**
Chair of the Board	Member of the Board	Member of the Board	Member of the Board

ANTJE LEMINSKY //
Chair of the Board of Directors

"BECAUSE, YOU KNOW YOUR BUSINESS. AND WE KNOW THE PERFECT FINANCIAL SOLUTION FOR YOU."

A ONE-STOP SHOP //
Our financial solutions



SIMPLE //

EFFICIENCY AND CUSTOMER VALUE //

We are building on our longstanding operating experience, standardised digital processes and lean organisation.

This provides speed, security, high cost efficiency and value for the customer.

A FOCUS ON THE ESSENTIALS //

Customer-oriented solutions: a one-stop shop through the intelligent combination of leasing, banking and factoring.

Investing in the future: Optimised internal communication and IT systems for processing inquiries and contracts strengthen our sustainable growth strategy.

Stronger market position: GRENKE'S DNA continues to develop from reinforcing the brand's core values: simple, fast, personal, entrepreneurial.

// REPORT OF THE SUPERVISORY BOARD

Dear Shareholders, 2018 was a very pleasing anniversary year for GRENKE AG and the GRENKE Consolidated Group. Once again, we succeeded in achieving high growth in new business and net profit and building on the successes of previous years with our proven business model. With products and processes for leasing, banking and factoring for small and medium-sized companies and our global presence, GRENKE can continue to look to the future with optimism.

As announced last year, Wolfgang Grenke, founder and former Chairman of the Board of Directors of GRENKE AG, left the Board of Directors on February 28, 2018 at his own request. At this point, we would like to thank him once again for his outstanding entrepreneurial achievements over the last 40 years. With his visionary foresight, Wolfgang Grenke not only shaped GRENKE, but an entire industry. We look forward to continuing our close and trustworthy relationship with him in his new role as Deputy Chair of the Supervisory Board.

At the Supervisory Board meeting on February 28, 2018, the Supervisory Board appointed Ms Antje Leminsky as Chair of the Board of Directors with the departure of Wolfgang Grenke. The former deputy chair assumed her new role on March 1, 2018, as well as responsibility for the Consolidated Group's strategy, risk controlling and the credit centre in addition to her previous responsibilities for IT and the personnel strategy. Sebastian Hirsch, member of the Board of Directors responsible for the areas of controlling, M&A and treasury since January 1, 2017, also assumed responsibility for the legal and tax departments as well as the capital market communications of the GRENKE Consolidated Group. A new member to the Board of Directors was not appointed.

Together with my colleagues, we present the following required mandatory information from the Supervisory Board for the 2018 fiscal year.

In the 2018 fiscal year, the Supervisory Board of GRENKE AG performed the duties assigned to it by the Articles of Association and the law. The Supervisory Board worked together constructively and faithfully with the Board of Directors at all times, overseeing the management of business affairs and providing regular advice. The Board of Directors informed the Supervisory Board promptly and fully of all important issues and included the Supervisory Board in all decisions of fundamental significance to the Company.

The Board of Directors and the Supervisory Board coordinated closely, particularly in matters relating to the GRENKE Consolidated Group's strategic direction. The Board of Directors informed the Supervisory Board in detail of all interim developments of the GRENKE Consolidated Group, as well as those of GRENKE BANK AG and GRENKEFACTORING GmbH.

The Supervisory Board carefully reviewed the Board of Directors' reports with regard to their plausibility. The subject and scope of reporting by the Board of Directors fully met the Supervisory Board's requirements at all times. To the extent required by law and the Articles of Association, the Supervisory Board closely examined, discussed and subsequently voted on the Board of Directors' reports and resolution proposals. Matters requiring approval were submitted for resolution in a timely manner.

As the Chair of the Supervisory Board, I also kept myself informed of current business developments outside of the scheduled Supervisory Board meetings, which included developments in the banking business as well as key transactions. I was also thoroughly informed by the Board of Directors of transactions of special significance. The key issues addressed in personal discussions with the Board of Directors included acquisitions and investments, refinancing decisions, compliance issues, internal control and personnel issues.

During the reporting year, the Supervisory Board monitored the Consolidated Group-wide risk management system and the internal control systems in the internal audit, accounting and compliance areas. In the compliance area, this monitoring also included a review of the adequacy of the management procedure applied and the compliance with the relevant provisions of the German Banking Act (KWG compliance). The Supervisory Board also monitored the operating risk control system as well as the appropriateness of the risk management processes, the risk strategy and its implementation. As part of this process, the Supervisory Board received reports from the Board of Directors.

GRENKE Consolidated Group's liquidity and refinancing situation were regular topics of discussion for the Supervisory Board. The Consolidated Group's refinancing was secured throughout the 2018 fiscal year.

In advance of the Annual General Meeting on May 3, 2018, the Supervisory Board and the Board of Directors discussed specifically the resolution on the cancellation of Authorised Capital 2015 and the creation of new Authorised Capital 2018. This authorised capital was used partially in June for the capital increase against cash contribution, approved by the Supervisory Board and excluding shareholders' subscription rights. The proceeds from the capital strengthen the equity base of GRENKE AG and are crucial for the continuation of the successful internationalisation strategy in the coming years. Furthermore, on the recommendation of the Audit Committee, the Supervisory Board proposed appointing KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as the auditor and group auditor for the 2018 fiscal year. The shareholders approved this and all other agenda items with a large majority.

Other common issues discussed by the Supervisory Board included the Company's current business performance, the monitoring of international entities, sales development, management issues, the state of the Company's planning and personnel development issues. In the discussion on personnel issues, special importance was given once again to the issue of placing women in management positions because of the lasting benefit for both the Company and the employees. The goal of the GRENKE Consolidated Group is to have one-quarter of its management positions held by women. GRENKE is a recognised leader among the major listed companies in Germany with regard to the representation of women on the Supervisory Board and Board of Directors.

Digital product offerings and digital processes are fundamental prerequisites for maximising customer benefit, cost leadership, international success and, above all, ensuring the future viability of the Consolidated Group. Our Company has been committed to this core strategy since its inception and throughout all phases of its development. At a minimum, this digital DNA establishes our competitive advantage internationally. In order to maintain this, during the reporting year the Supervisory Board regularly addressed the digitisation of the business model, the status and progress of current IT projects and digital distribution channels, as well as the medium-term IT strategy of the GRENKE Consolidated Group and its digital development. At the meeting in July 2018, attention was focused on the overarching corporate strategy and a detailed IT roadmap for GRENKE was a key discussion point, among other topics. In an extraordinary telephone conference, the Supervisory Board held a meeting to discuss the formation of the joint venture finux GmbH together with the fintech company fino digital GmbH. The aim of this venture is to develop a financial cockpit designed specifically for SMEs and providing SME decision-makers with a product to help them with all of the financial issues they face.

The Supervisory Board also addressed the GRENKE Consolidated Group's further strategic development, particularly the progress of the franchise companies as a whole and the decision to acquire franchises in Croatia and the United Arab Emirates.

On February 1, 2019, the Board of Directors together with the Supervisory Board submitted GRENKE AG's Declaration of Conformity with the German Corporate Governance Code (GCGC) pursuant to Section 161 of the German Stock Corporation Act. Barring the exceptions contained in the Declaration, the Company has complied with the recommendations of the "Government Commission on the German Corporate Governance Code". In this 2018 annual report, the Board of Directors' report on corporate governance at GRENKE AG was also submitted on behalf of the Supervisory Board.

The Supervisory Board met on seven occasions in the 2018 fiscal year. The meetings took place on February 1, February 28 (extraordinary meeting), May 2, May 3 (extraordinary meeting), June 4 (extraordinary meeting), July 28 - 30 and November 19. All members were present at all Supervisory Board meetings.

The Supervisory Board of GRENKE AG has six members in accordance with the Articles of Association. At the end of the Annual General Meeting on May 3, 2018, the term of office ended for Supervisory Board members Prof Dr Ernst-Moritz Lipp (Chair) and Gerhard E. Witt. Mr Witt retired from the board. In this context, Prof Dr Ernst-Moritz Lipp was re-elected, and Wolfgang Grenke was elected to the Supervisory Board, both with an overwhelming majority. At the subsequent extraordinary meeting of the Supervisory Board, Prof Dr Ernst-Moritz Lipp was re-elected as Chair of the Supervisory Board and Wolfgang Grenke as Deputy Chair of the Supervisory Board. The Supervisory Board would like to thank Gerhard E. Witt for his dedication and his significant contribution to the work of the Supervisory Board.

In the 2018 fiscal year, the Supervisory Board consisted of the following members:

- Prof Dr Ernst-Moritz Lipp, Chair
- Wolfgang Grenke, Deputy Chair (since May 3, 2018)
- Gerhard E. Witt, Deputy Chair (until May 3, 2018)
- Tanja Dreilich
- Dr Ljiljana Mitic
- Florian Schulte
- Erwin Staudt

In accordance with its Rules of Procedure, the Supervisory Board formed three committees to allow it to perform its duties efficiently: the Audit Committee, the Personnel Committee and the Strategy Committee. At the Supervisory Board's meetings, the chairs of the committees each reported to the Supervisory Board plenum on the committees' work.

The Audit Committee consists of the following members:

- Tanja Dreilich, Chair
- Prof Dr Ernst-Moritz Lipp
- Wolfgang Grenke

The Audit Committee primarily deals with the issues of internal and external accounting, the corporate planning policies, corporate risk management and compliance. Its members have expertise in these areas. The Audit Committee determined the focus of the audit and verified the auditor's independence and concluded the auditor's fee agreement. In the reporting year, the Audit Committee did not learn of any circumstances that would call the independence of the auditor into question.

The Audit Committee prepared the Supervisory Board meeting for the adoption of the annual financial statements and the approval of the 2017 consolidated financial statements. In the presence of the auditor, the annual financial statements were addressed in depth. The Audit Committee and the Board of Directors also thoroughly discussed the quarterly financial statements to be published in the reporting year.

The Personnel Committee (Executive Committee) consists of the following three members:

- Prof Dr Ernst-Moritz Lipp, Chair
- Wolfgang Grenke
- Erwin Staudt

The Personnel Committee primarily deals with personnel decisions made by the Supervisory Board but is also responsible for proposals on the conclusion, amendment and termination of employment agreements with the members of the Board of Directors.

The Strategy Committee consists of the following two members:

- Prof Dr Ernst-Moritz Lipp
- Wolfgang Grenke

The Strategy Committee was established in 2018 to address fundamental issues concerning business alignment and strategy.

The annual financial statements and the consolidated financial statements of GRENKE AG prepared by the Board of Directors as per December 31, 2018, the combined presentation of the management reports of GRENKE AG and of the GRENKE Consolidated Group for the 2018 fiscal year in accordance with Section 315 (5) and Section 298 (2) HGB, and the Board of Directors' proposal on the appropriation of GRENKE AG's unappropriated surplus were all submitted to the Supervisory Board in a timely manner.

The annual financial statements, as well as the condensed financial statements and interim management report for the first six months of the 2018 fiscal year, were reviewed and audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. The accounting of the annual financial statements of GRENKE AG was in accordance with the provisions of the German Commercial Code (HGB), taking into consideration the regulations for bank accounting. The HGB annual financial statements as per December 31, 2018, were audited in accordance with the rules and regulations of Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW).

The consolidated financial statements and the group management report for the January 1 through December 31, 2018 fiscal year were prepared in accordance with Section 315e (1) HGB on the basis of the International Reporting Standards as adopted in the EU and in accordance with German Accounting Standard No. 20. The consolidated financial statements were audited in accordance with the rules and regulations of Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the IDW (IDW PS 200). Unqualified audit opinions were issued for both the annual financial statements of GRENKE AG and the consolidated financial statements of the GRENKE Consolidated Group.

The Supervisory Board thoroughly reviewed the financial statements submitted to it by the Board of Directors and the auditor and discussed the result at its meeting on February 1, 2019. The Supervisory Board also reviewed the non-financial statement. The auditor responsible took part and reported on the audit's key findings and confirmed the timely submission of the non-financial statement as required by law. The Supervisory Board also dealt with the mandatory disclosures pursuant to Sections 289a and 315a HGB and the related report. The Supervisory Board has reviewed these disclosures and explanations, which it believes are presented in full in the combined management report, and has thereby adopted them. After completing its own review, the Supervisory Board did not raise any objections to the result of the audit of the annual financial statements by the auditor and per circular resolution adopted GRENKE AG's annual financial statements and approved GRENKE AG's consolidated financial statements on February 6, 2019. The Supervisory Board endorsed the Board of Directors' proposal on the appropriation of GRENKE AG's unappropriated surplus.

The Supervisory Board would like to extend its sincere appreciation to all employees of the GRENKE Group and its franchise businesses, which now represent GRENKE at 144 locations in 32 countries worldwide. The Supervisory Board would also like to thank the members of the Board of Directors for their dedication and service. Their special commitment has made it possible for all of us to look back on successful business performance and important milestones achieved during the past year. The readiness of our staff to help shape the international success of the GRENKE brand gives the Supervisory Board tremendous confidence in the future of the Group.

The Supervisory Board would also like to thank the shareholders of GRENKE AG for their loyalty to the Company and looks forward with them to the Company's promising future.

Baden-Baden, February 6, 2019
On behalf of the Supervisory Board

Prof Dr Ernst-Moritz Lipp
Chair

// CORPORATE GOVERNANCE REPORT

A sense of responsibility guides all of the GRENKE Consolidated Group's activities. Responsibility and efficiency – also in relation to sustainability – are essential elements of our corporate identity. The Supervisory Board, Board of Directors and our senior executives all identify with the principles of good corporate governance as they are set out in the German Corporate Governance Code (GCGC). The Supervisory Board, Board of Directors and senior executives are all committed to value-oriented leadership and transparent management and control, as well as to full compliance with the ethical and legal rules of conduct, standards and relevant regulations in the knowledge that good corporate governance is fundamental for building and maintaining trust in the Company. This is especially true with respect to our stakeholders – current and future customers, employees, business partners and investors – who are critical to the Company's long-term success.

GRENKE AG complies with the recommendations of the GCGC in the current version dated February 7, 2017, with only a few justified exceptions. The Board of Directors and the Supervisory Board have thoroughly discussed their compliance with the Code and have adopted the Declaration of Conformity that has been reproduced at the end of this corporate governance report. This declaration is also available on the GRENKE AG website.

1. CONSOLIDATED GROUP MANAGEMENT AND MONITORING

The Board of Directors of GRENKE AG has consisted of four members following the departure of Wolfgang Grenke effective February 28, 2018. The Supervisory Board is comprised of six members. Since March 1, 2018, Mr Grenke has been providing consulting services to GRENKE AG based on a clearly defined agreement. The target set by the Supervisory Board of at least 20 percent female representation on the Board of Directors and 33 percent on the Supervisory Board has been met. About half of all Consolidated Group's employees are women. The Supervisory Board therefore considers the current target for female representation as a minimum target that should move higher over the long term.

1.1 SUPERVISORY BOARD

During the 2018 fiscal year, the Board of Directors provided the Supervisory Board with regular, detailed and extensive information on the Company's economic situation, the status of corporate planning and current events. In this context, a regular and key component of these reports was information on new business, sales, digitisation and the refinancing situation. The Supervisory Board closely coordinated strategic developments with the Board of Directors and discussed issues related to risk management, compliance, risk provisioning and the internal control and internal audit systems.

GRENKE AG's Supervisory Board formed three committees to allow it to perform its duties efficiently. These committees have been given certain authorisations that comply with the Supervisory Boards' Rules of Procedure. The committees prepare the relevant issues and resolutions that are to be discussed in the plenum. The committees' chairpersons report to the Supervisory Board plenum on the work of their individual committees.

1.1.1 AUDIT COMMITTEE

The Audit Committee consists of three members with specific expertise in accounting, corporate planning, risk management and compliance. The Committee primarily deals with external and internal accounting issues, the corporate planning system and risk management. It reviews and monitors the auditor's independence in accordance with Article 7.2.1 of the GCGC. The Committee also determines the audit's areas of focus and reviews the auditor's fee.

Furthermore, it prepares the Supervisory Board's decision on the adoption of the annual financial statements and the approval of the consolidated financial statements. In the context of the tasks of the Supervisory Board under the GCGC, the Audit Committee also deals with compliance and compliance management issues. The Board of Directors regularly reports to the Audit Committee on the Company's compliance situation, including compliance with the KWG.

REMUNERATION OF THE BOARD OF DIRECTORS

	Fixed remuneration components		Variable remuneration components				
			Annual remuneration components		Long-term remuneration components	Total	Total
EUR	Fixed salary and allowances	Fringe benefits	Performance bonus	Bonus	Share-based compensation	2018	2017
Christ	305,563.00	11,967.59	28,206.03	93,160.33	0.00	**438,896.95**	**616,533.26**
Grenke (until Feb. 28, 2018)	50,000.00	7,865.82	29,514.50	20,000.00	0.00	**107,380.32**	**651,703.05**
Hirsch	300,894.84	19,129.40	22,719.99	100,884.02	0.00	**443,628.25**	**316,907.88**
Kindermann	284,513.53	31,111.04	28,461.91	94,984.01	0.00	**439,070.49**	**524,639.43**
Leminsky	492,031.44	17,763.79	32,757.39	161,064.68	0.00	**703,617.30**	**499,879.08**
Total	**1,433,002.81**	**87,837.64**	**141,659.82**	**470,093.04**	**0.00**	**2,132,593.31**	**2,609,662.70**

1.1.2 PERSONNEL COMMITTEE (EXECUTIVE COMMITTEE)

The Personnel Committee consists of three members. The main task of the Committee is to prepare the Supervisory Board's personnel decisions and submit proposals for concluding, amending, and terminating employment agreements with members of the Board of Directors.

1.1.3 STRATEGY COMMITTEE

The Strategy Committee consists of two members and concerns itself with fundamental issues related to business alignment and strategy.

1.2 BOARD OF DIRECTORS

The Board of Directors autonomously manages the GRENKE Consolidated Group and is responsible for its operating management, implementing its strategic direction and compliance with the principles of corporate policy. The Board of Directors also prepares the annual financial statements of GRENKE AG, as well as the Consolidated Group's quarterly statements, half-year and annual financial statements. The Board of Directors reports to the Supervisory Board about the Company as a whole regularly and comprehensively through reports and meeting documents.

Issues relating to strategy and its implementation, planning, business development, risk situation, compliance, financial and earnings situations, strategic and operational business risks and their management are the topic of Supervisory Board meetings and individual discussions with the Chairman of the Supervisory Board. Key decisions, such as those on acquisitions and financing, require the approval of the Supervisory Board. The Board of Directors' rules of procedure contains a list of transactions requiring approval. The Board of Directors and the Supervisory Board are liable to pay damages to the Company in the event of culpable neglect.

2. REMUNERATION REPORT (PART OF THE COMBINED MANAGEMENT REPORT)

2.1 REMUNERATION OF THE BOARD OF DIRECTORS

The principles of the remuneration system for the Board of Directors provide for fixed remuneration components that include non-performance-related fixed remuneration, allowances, fringe benefits such as company cars and the payment of insurance premiums, as well as performance-related remuneration components.

The structure of the remuneration system aims to promote the Consolidated Group's long-term success and create an incentive to assume only those risks that are statistically measurable and controllable and that generate an appropriate return for the respective risk. No incentive is provided for assuming inappropriate risk. GRENKE AG's regulatory capital is neither jeopardised by its remuneration practice nor does it restrict the long-term retention of its equity.

The criteria for the variable remuneration components are defined annually in advance. These criteria are based on the development of the key performance indicators forming part of the GRENKE Balanced Scorecard (BSC) as part of a success bonus or the achievement of specified contribution margin 2 targets (performance bonus).

The criteria for granting a performance bonus are based on a contribution margin 2 specified by the Supervisory Board, excluding fixed costs. Upon reaching the relevant value, the bonus is granted in full and amounts to 40 percent of the gross annual fixed salary. If the target is not achieved but falls short of less than 10 percent, the bonus is granted on a pro rata basis. If the level of achievement falls 10 percent or more below the defined contribution margin 2, excluding fixed costs, a bonus is waived completely.

REMUNERATION OF THE SUPERVISORY BOARD

Name	Function	Basic remuneration 2018	Audit Committee	Personnel Committee	Variable remuneration	Travel expenses	Total 2018*	Total 2017*
EUR								
Prof Dr Lipp**	Chair	22,500.00	2,000.00	1,500.00	26,000.00	493.46	**52,493.46**	**52,262.80**
Grenke**	Deputy Chair (since May 3, 2018)	9,916.67	1,322.22	661.11	11,900.00	0.00	**23,800.00**	**0.00**
Witt	Deputy Chair (until May 3, 2018)	5,125.00	1,025.00	341.67	6,491.67	0.00	**12,983.34**	**38,915.60**
Dreilich	Member	15,000.00	2,666.67	0.00	17,666.67	1,935.54	**37,268.88**	**36,064.85**
Dr Mitic	Member	15,000.00	0.00	0.00	15,000.00	822.43	**30,822.43**	**32,493.97**
Schulte	Member	15,000.00	0.00	0.00	15,000.00	0.00	**30,000.00**	**30,525.60**
Staudt	Member	15,000.00	0.00	1,000.00	16,000.00	0.00	**32,000.00**	**32,538.60**
Total		**97,541.67**	**7,013.89**	**3,502.78**	**108,058.34**	**3,251.43**	**219,368.11**	**222,801.42**

* Fixed remuneration (basic remuneration, Audit and Personnel Committee), variable remuneration and travel expenses.
** No remuneration was paid to the members of the Strategy Committee in 2018.

The relevant BSC criteria correspond to the key performance indicators measuring the Consolidated Group's long-term success and thereby the long-term increase in shareholder value. These criteria also include the development in the number of lease contracts, the volume of new business, the contribution margins and the development of losses. The fulfilment of the BSC criteria is assessed retrospectively each quarter, and, based on this assessment, a success bonus is awarded.

The Supervisory Board of GRENKE AG has concluded a phantom stock agreement with all sitting members of the Board of Directors. The value of these phantom stock agreements at the end of this past fiscal year was EUR 0k (December 31, 2017: EUR 393k). Payments under these agreements amounted to EUR 393k in the fiscal year (December 31, 2017: EUR 0k).

A new agreement was made with Ms Leminsky, whose previous agreement expired last year. A new agreement was also concluded with Mr Hirsch. The maximum possible capital appreciation under each agreement is EUR 450k with a virtual number of 15,000 shares, based on the 2018 to 2020 fiscal years.

The agreements with Mr Christ and Mr Kindermann apply to the 2016 through 2018 fiscal years. Under these agreements, both members of the Board of Directors are entitled to payments (tranches) for the respective fiscal years equal to the increase in the value of 60,000 GRENKE AG shares in the case of Mr Christ and 18,000 shares in the case of Mr Kindermann in relation to a set basic share price. The basic share price is the arithmetic mean of the XETRA closing prices on all trading days from December 1 to December 23 of the respective prior year. The basic share price for the 2018 fiscal year is EUR 82.54.

The payment entitlement is limited in its amount and subject to the statutory provisions for appropriate remuneration, the statutory maximum level of variable remuneration components and especially the rules of the German Banking Act. The maximum payment for the three tranches (years) under these agreements is limited to EUR 450k for Mrs Leminsky and Mr Hirsch, EUR 400k for Mr Christ and EUR 150k in the case of Mr Kindermann. The maximum payment applies to the respective agreements in their entirety, i.e. the total payment for the three tranches, and may not exceed the maximum payment amount. If an annual tranche exceeds the maximum total entitlement and the agreement is still in force for several more years, then no further entitlements can be accrued in the future. The participants in the programme are required to invest the respective net payment amount in GRENKE AG shares. Mr Christ and Mr Kindermann are required under their agreements to invest an additional personal contribution of 25 percent of the aforementioned net payment amount in GRENKE AG shares. The Company is entitled, but not required, to render the payment in whole or in part in the form of shares instead of cash for one or more tranches. In this case, a personal contribution is not required. The shares are subject to a vesting period of three years following the year of a tranche's payout. Under the agreements with Mr Kindermann and Mr Christ, the vesting period is two years following the year of a tranche's payout. In the 2017 fiscal year, Mr Kindermann had already reached the maximum payout amount and was not allowed to accrue any further entitlements under the agreement. Mr Christ has already received EUR 243k of the maximum payout amount under this agreements, and due to the agreement's expiration during the 2018 fiscal year, was not able to accrue any further entitlements under this agreement.

In accordance with the recommendation of the German Corporate Governance Code, the Supervisory Board is entitled to reduce the amount of the payout entitlement, or partially or completely revoke the entitlement to receive a tranche if and to the extent that the increase in value of the share or value inflows are influenced by extraordinary, unforeseeable developments.

GRENKE AG has also taken out a directors' and officers' liability insurance policy for members of the Board of Directors. This policy prescribes a fixed ten percent deductible per claim for each member of the Board of Directors and is limited to a maximum of one and a half times the annual fixed remuneration for all claims per year. If employment is terminated, the service agreements contain a non-compete clause that provides compensation payments for a period of two years (cap). The amount of the payments is limited to 50 percent of the most recent annual remuneration (cap). Compensation payments are based on the fixed and variable remuneration actually paid in the fiscal year preceding termination. No settlement agreements are in place. During the reporting year, no members of the Board of Directors received benefits or corresponding commitments from third parties based on their position as a member of the Board of Directors.

2.2 REMUNERATION OF THE SUPERVISORY BOARD

GRENKE AG's Articles of Association govern the remuneration of Supervisory Board members. For each full fiscal year, members of the Supervisory Board are to receive fixed remuneration of EUR 15,000 and the chairperson is to receive EUR 22,500. Members of the Audit Committee receive an additional EUR 2,000, and the Committee chairpersons receive an additional EUR 3,000. The fixed remuneration of Supervisory Board members who are also members of the Personnel Committee increases by EUR 1,000 and the chairperson's fixed compensation increases by EUR 1,500. The fixed remuneration and the compensation for committee memberships and chairmanships are calculated on a pro rata basis for members who serve on the Supervisory Board for only part of a fiscal year.

The Supervisory Board members also receive a variable component when shareholders are paid a dividend of more than EUR 0.25 per share. In this case, remuneration is increased by the percentage by which the dividend per share exceeds EUR 0.25, whereby the variable component cannot exceed 100 percent of the Supervisory Board members' fixed remuneration.

GRENKE AG has also taken out a directors' and officers' liability insurance policy for Supervisory Board members. This policy prescribes a fixed ten percent deductible per claim for each member and is limited to a maximum of one and a half times the annual fixed remuneration for all claims per year.

The Company also reimburses the members of the Supervisory Board for their cash expenses and VAT insofar as they are entitled to invoice the tax separately and exercise this right to do so.

3. ACCOUNTING, FINANCIAL STATEMENT AUDITS AND FINANCIAL REPORTING

GRENKE Consolidated Group's management report and the management report of GRENKE AG are prepared in accordance with Sections 315 (5) and 298 (2) HGB and summarised in a combined section. Information on any arising discrepancies are explained in the management report for GRENKE AG.

◘ SEE MANAGEMENT REPORT PAGES 20 – 68.

The accounting policies applied in the preparation of the consolidated financial statements for the January 1 to December 31, 2018 fiscal year were applied in accordance with the applicable rules and regulations of International Financial Reporting Standards. In preparing the consolidated financial statements and the group management report, the Company was also subject to and applied the provisions of German commercial law under Section 315a HGB. Further information to subject and scope on the audit of the financial statements in accordance with Section 317 HGB and the duties of the Audit Committee are contained also in the Report of the Supervisory Board.

◘ SEE REPORT OF THE SUPERVISORY BOARD PAGES 7 – 10

4. TRANSPARENCY AND REPORTING TO SHAREHOLDERS

The Company makes its announcements by publishing them in the Federal Gazette. GRENKE also uses a variety of other channels to provide shareholders and the public with comprehensive information. Further information on this can be found in the section entitled "Shares and Investor Relations".

◘ SEE SHARES AND INVESTOR RELATIONS PAGES 17 - 18.

5. COMPLIANCE

For information about compliance, please refer the explanations in the non-financial statement.

◘ SEE NON-FINANCIAL STATEMENT PAGES 34 – 44.

6. CONTROLLING AND RISK MANAGEMENT

In the context of risk management, all relevant employees and the Board of Directors should be given the ability to consciously manage risks and seize opportunities. The Minimum Requirements for Risk Management (MaRisk) set out by the Deutsche Bundesbank and the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) as well as the Banking Supervisory Requirements for IT (BAIT) all apply. Further details on risk management and responsibilities can be found in the management report. ◘ SEE REPORT ON RISKS, OPPORTUNITIES AND FORECASTS PAGES 45 – 62.

7. DECLARATION OF CONFORMITY OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD ON THE GERMAN CORPORATE GOVERNANCE CODE (GCGC) IN ACCORDANCE WITH SECTION 161 AKTG

The Board of Directors and the Supervisory Board of GRENKE AG issued the following Declaration of Conformity on February 1, 2019:

"The Board of Directors and the Supervisory Board of GRENKE AG hereby declare, in accordance with Section 161 of the German Stock Corporation Act, that since the issue of the last Declaration of Conformity dated February 1, 2018, the Company has complied with the recommendations of the "Government Commission on the German Corporate Governance Code" set forth in the GCGC, in the version dated February 7, 2017 and will continue to comply with in the future with the following exceptions:

In determining the Board of Directors individual members' total compensation, the Supervisory Board ensures that compensation is commensurate with the performance and tasks of the individual Directors and the Company's situation. The Supervisory Board reviews the appropriateness of the Board of Directors' compensation on a regular basis. Nevertheless, by derogation from Article **4.2.2 (2) of the GCGC**, when assessing the compensation of the Board of Directors, the assessment currently does not explicitly take into consideration the relationship of the compensation of the Board of Directors, senior management and the staff overall nor its development over time. GRENKE AG is a medium-sized company that pays its Board of Directors a moderate level of compensation, both in relation to the staff overall and the development over time. The GCGC's recommendation is aimed at large enterprises that pay their Board of Directors high compensation and is, therefore, unsuitable for GRENKE AG.

Deviating from the recommendation in **Article 4.2.3 (2) Sentence 6 of the GCGC**, the Board of Directors' compensation does not stipulate a cap on the overall or variable compensation. GRENKE AG's compensation of the Board of Directors is at a comparable level to other medium-sized businesses of similar size. Also, in this case, the GCGC's recommendation to provide a cap for the Board of Directors' overall compensation is aimed at large enterprises with high compensation for their Board of Directors. For GRENKE AG as a medium-sized company, this recommendation is unsuitable.

Deviating from the recommendation in **Article 4.2.3 (4) of the GCGC**, the Board of Directors' service contracts for the Board of Directors' members in office do not stipulate a settlement cap because the Board of Directors' service contracts are usually concluded for the length of the term of appointment only and cannot be terminated with a notice period. Therefore, a Board of Directors' service contract cannot be unilaterally terminated prematurely without good cause but only by means of a mutual resolution. The Board of Directors' service contracts contain no regulations on severance linked to events at the Company, especially a change of control.

The recommendation set forth in **Article 4.2.5 (3) and (4) of the GCGC** was not complied with. Specifically, the "model tables" of the "German Corporate Governance Code" for reporting the remuneration of the Board of Directors have not been used. The individualised remuneration for each member of the Board of Directors is presented in a transparent manner and pursuant to statutory provisions in the remuneration report, which forms part of the combined management report for the 2018 fiscal year. The Supervisory Board and the Board of Directors are of the opinion that an additional or alternate presentation of the remuneration components of the individual members of the Board of Directors is not necessary for the interests of shareholders or reasons of transparency.

Various aspects are to be observed in accordance with the recommendations given in **Article 5.1.2 and 5.4.1 of the GCGC**, including the determination of an age limit as well as diversity, both in terms of the composition of the Board of Directors and with regard to persons nominated for election to the Supervisory Board. The Company is of the opinion that the knowledge, skill and experience required for the respective division or area of responsibility should, in fact, be the decisive factor when selecting suitable candidates, both in terms of the composition of the Board of Directors and when nominating persons to be elected to the Supervisory Board. The above-mentioned recommendations of the GCGC are considered with regard to the composition of the Board of Directors and the nominations for elections to the Supervisory Board.

In accordance with **Article 5.3.3 of the GCGC**, the Supervisory Board shall form a nomination committee composed exclusively of shareholder representatives who propose suitable candidates to the Supervisory Board for the nominations to be proposed to the Annual General Meeting. Currently, the Supervisory Board of GRENKE AG consists of a total of six members, who are to be elected exclusively by shareholders. The Board of Directors and the Supervisory Board do not consider it necessary to create an additional committee. The Company believes that the transparency of the selection procedure desired by the Commission in Article 5.3.3 of the GCGC is ensured even without a corresponding committee. For this reason, the recommendation of Article 5.3.3 has not been satisfied.

In accordance with **Article 5.4.1 of the GCGC**, a limit for the regular length of membership shall be specified for members of the Supervisory Board. As mentioned above, the individual knowledge, skill and experience of Supervisory Board members are crucial for the composition of the Board. The expertise necessary to properly fulfil the Supervisory Board tasks and important for GRENKE AG should be ensured in its entirety. Therefore, we refrain from setting a limit for the regular length of Supervisory Board membership.

The Company currently does not comply with the recommendation of **Article 5.4.6 (2) Sentence 2 of the GCGC**. In accordance with Article 10 (3) of the current version of the Articles of Association, each member of the Supervisory Board is granted variable remuneration in addition to fixed remuneration provided a certain minimum dividend is distributed to shareholders. However, the variable remuneration component must not exceed a maximum level of 100% of the Supervisory Board member's fixed remuneration. The applicable provision of the Articles of Association including the variable compensation component, therefore, does not formally conform to the Code's recommendation, which is focused on the sustainable development of the company, for example, by basing variable compensation components on the average dividend over several years. The Board of Directors and the Supervisory Board point out that GRENKE AG's business model, EBT and dividend reflect the earnings capacity of the entire lease portfolio across all incoming lease receivables over the past four years and their respective contribution margins. In contrast to dividends at manufacturing or service companies, GRENKE's dividend is not affected by any short-term fluctuations in yearly new business or contributions margins".

Baden-Baden, February 1, 2019

GRENKE AG

On behalf of the Board of Directors	On behalf of the Supervisory Board
Antje Leminsky	Prof. Dr. Ernst-Moritz Lipp

// SHARES AND INVESTOR RELATIONS

1. INVESTOR RELATIONS

Open, continuous communication with all capital market participants and the public is a matter of course at GRENKE AG, which is why we place significant value on maintaining direct contact to our analysts, investors, private shareholders and representatives of the media. We maintain frequent contact with institutional investors by means of conference calls, one-on-one meetings and presentations at roadshows and capital market conferences.

The main forum for our private shareholders is the Annual General Meeting. Company-nominated proxies can be authorised to exercise voting rights, even in the shareholder's absence. We offer the public and all those who are not able to attend the meeting personally the opportunity to follow the speech of the Chair of the Board of Directors as well as the general debate via livestream on our website where you can also find the latest investor relations news, press releases and financial reports. We also offer a tailored news service. The routine financial reporting dates are summarised in the financial calendar and on our website.

During the reporting year, a total of seven renowned investment banks covered GRENKE shares. The latest analyst recommendations are published on our website.

On June 14, 2018, a capital increase against cash contribution with an issue volume of EUR 197 million was placed successfully, with the proceeds used to strengthen our equity base. A strong equity base is essential in the ongoing pursuit of the GRENKE Consolidated Group's internationalisation strategy and furthering the development of its product and service portfolio. FOR THE SHARE PRICE PERFORMANCE IN THE REPORTING YEAR, PLEASE SEE THE DIAGRAM ON THE FOLLOWING PAGE

2. INVESTMENT CASE

We promote GRENKE's shares in the capital market by focusing on our key earnings and value drivers and our business model's unique selling points, which include

- our competitive advantage and high barriers to entry based on our high level of standardisation and digitisation resulting in speed at the Point of Sale (POS);
- the international roll-out of our unique selling points as a success factor for our growth strategy;
- broadly diversified financial solutions for SMEs;
- market leadership in Europe in our core business;
- long-standing, crisis-resistant and proven risk management; and
- a high intrinsic value of our share.

Our strategic goal remains sustainable expansion in order to generate dynamic earnings growth. The focus of our international growth is on the countries and products that offer a favourable competitive environment and an attractive risk-reward profile. In doing so, it is important that we do not make it a rule to avoid risk but assess it as correctly as possible and enforce adequate margins. A key prerequisite for this – the ability to effectively control costs and risks – is fulfilled by our proven and continually updated proprietary IT-based scoring model for forecasting losses.

Since 1994, we have been assessing our clients' creditworthiness by calculating expected losses. The trend in our loss rate has repeatedly confirmed the quality of this system, particularly during the global financial market crisis, when it proved to be a reliable tool. This is true for both our domestic as well as our international business.

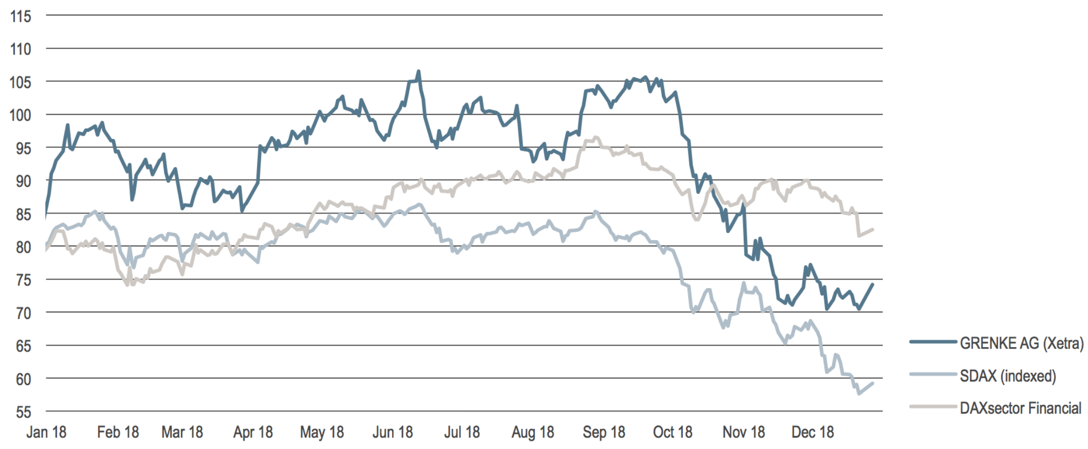
3. DIVIDEND POLICY

Continuity, return and the security of the capital base for future expansion are the central criteria of our long-term dividend policy. This is one reason why GRENKE shares are considered a good investment with attractive growth prospects in addition to their high intrinsic value and recurring stream of current income. GRENKE has traditionally had a strong equity base that secures favourable refinancing opportunities. Our consistently good ratings are based not only on our strong equity base but also the high return on equity, even in times of strong growth. Together these factors give us access to a variety of refinancing alternatives at attractive conditions. At the end of the 2018 fiscal year, the GRENKE Consolidated Group's equity ratio was 18.5 percent following

16.6 percent in the previous year. Based on the ongoing solid business development in the 2018 fiscal year, the Board of Directors and the Supervisory Board will propose a dividend of EUR 0.80 per share at GRENKE AG's Annual General Meeting on May 14, 2019. This would mark the ninth consecutive year the Company has increased its dividend per share.

GRENKE'S SHARE PRICE PERFORMANCE (JANUARY 1 THROUGH DECEMBER 31, 2018)

in EUR



REFERENCE DATA

Symbol / Bloomberg / Reuters	GLJ / GLJ_GR / GLJn.DE
ISIN	DE000A161N30
Market segment	Regulated Market (Prime Standard)
Index	SDAX
Designated sponsors	ODDO BHF AG; HSBC Trinkaus und Burkhardt AG
Total number of registered shares outstanding	46,353,918
Class	No-par-value shares (registered shares)
Notional nominal value per share	EUR 1.00
Shareholder structure: Freefloat according to Section 1.9 of the current "Deutsche Börse Stock Indices Guideline" Grenke Beteiligung GmbH & Co. KG*	 59.2 % 40.8 %

* General partner: Grenke Vermögensverwaltung GmbH
Limited partners: Grenke family (Wolfgang, Anneliese, Moritz, Roland and Oliver Grenke)

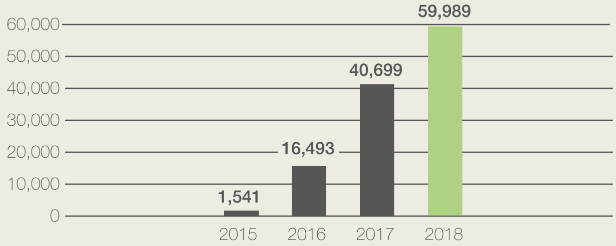
SHARE DATA (ADJUSTED FOR THE 1:3 STOCK SPLIT AS PER JULY 10, 2017)

	2018	2017	2016	2015	2014
Closing price on last day of fiscal year	EUR 74.20	EUR 79.16	EUR 49.67	EUR 61.53	EUR 29.66
Highest share price	EUR 107.30	EUR 86.12	EUR 66.00	EUR 62.52	EUR 30.50
Lowest share price	EUR 69.10	EUR 48.80	EUR 45.52	EUR 30.00	EUR 22.67
Market capitalisation	EUR 3,439 million	EUR 3,508 million	EUR 2,201 million	EUR 2,724 million	EUR 1,313 million
Earnings per share	EUR 2.78	EUR 2.31**	EUR 2.29	EUR 1.81	EUR 1.47
Dividend per share*	EUR 0.80	EUR 0.70	EUR 0.58	EUR 0.50	EUR 0.37
Price-earnings ratio	26.7	34.3**	21.7	34.0	20.2

Share prices based on XETRA closing prices.
* 2018: Proposal to the Annual General Meeting.
** Prior-year figures adjusted (see Notes to the Consolidated Financial Statements, section 2.1.4 "FIRST-TIME APPLICATION OF IFRS 9")

GROWTH OF ELECTRONIC SIGNATURE SOLUTION //

Number of lease agreements concluded using this method



GROWTH IN DIGITAL SERVICES //

Newly added markets/countries

+8

Belgium, Canada, Chile, Croatia, Romania, Singapore, Turkey, United Arab Emirates

STANDARDISED DIGITAL PROCESSES //

Signing App

3

Ireland, Portugal, Spain

GILLES CHRIST //

Member of the Board of Directors

"BECAUSE, INNOVATION CAN'T WAIT. AT GRENKE WE MAKE DECISIONS FAST AND ALWAYS SEEK THE SHORTEST PATH TO THE BEST SOLUTION."

// COMBINED GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT OF GRENKE AG

The following is the combined management report for the GRENKE Consolidated Group (the "Consolidated Group") and the Consolidated Group's parent company GRENKE AG (the "Company") for the 2018 fiscal year (January 1 to December 31). Any material differences between the Company and the Consolidated Group during the reporting year are discussed in the section entitled "Management Report of GRENKE AG". The Consolidated Group continues to report in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. The Company reports in accordance with the German Commercial Code (HGB). The Company's consolidated financial statements and annual financial statements for the 2018 fiscal year are published in the Federal Gazette (Bundesanzeiger). The fiscal year 2018 Annual Report is also available online as a PDF document at http://www.grenke.de/en/investor-relations/financial-reports.

1. CONSOLIDATED GROUP PRINCIPLES

1.1 OVERVIEW

1.1.1 CORPORATE PROFILE

The GRENKE Group acts as a global financing partner for small and medium-sized enterprises (SMEs). Customers have access to solutions from a single source: from flexible small-ticket leasing and demand-driven banking products to convenient factoring. Fast and easy processing, along with personal contact with customers and partners, are a key focus. Founded in Baden-Baden, Germany, in 1978, the Company operates today worldwide with more than 1,500 employees in 32 countries.

1.1.2 ORGANISATIONAL STRUCTURE

GRENKE AG is the parent company of the GRENKE Consolidated Group, which employs a franchise model to penetrate new regional markets. GRENKE AG does not own interests in the legally independent companies of the franchisees and, for this reason, a distinction is made in the combined management report between the GRENKE Consolidated Group (GRENKE AG including its consolidated subsidiaries and structured entities) in accordance with IFRS standards and the GRENKE Group (the Consolidated Group including its franchise partners).

The management of the Company is performed by a Board of Directors based at the Company's headquarters in Baden-Baden. Until February 28, 2018, the Board of Directors consisted of five members and then four members for the remainder of the reporting year. The Company's Supervisory Board consisted of a total of six members during the reporting year.

Value-creating business model: Creating customer value and increasing our competitive advantage – this is what drives us.

1.1.3 BUSINESS MODEL

We are driven by our desire to provide continually more customer value and increase our competitive advantage. Therefore, as a provider of financing solutions for small and medium-sized contract volumes, a fundamental prerequisite for our economic success is maintaining the highest level of processing efficiency possible and a low level of related direct costs. To accomplish this, GRENKE Consolidated Group gears its business model towards optimising efficiency across all core operating processes through broad standardisation, comprehensive IT-based automation, speed and maintaining a lean organisation. Over the past years, we believe that this has allowed us to build a significant and unique advantage.

With our traditional offer of lease financing for lower value IT and office communication products and software starting at a net purchase price of EUR 500, we have defined and developed a market that is addressed only selectively by many of the lease providers. The net acquisition value for more than 90 percent of our leases is less than EUR 25k. This market differs significantly from the leasing business where the size of the tickets tends to be much higher.

Our business model is also very scalable and transferrable to other product areas. In addition to financing IT products, we also finance small machinery and systems, as well as medical and security devices. The share of new business volume, which we generally consider on the basis of the GRENKE Group, increased to 32 percent in 2018 following 29 percent in the prior year.

The markets we address are only loosely correlated with economic investment overall and therefore relatively unaffected by economic fluctuations. For example, liquidity-saving lease finance has proven to be an attractive financing alternative for SMEs and mid-sized companies, particularly in phases of economic downturn.

Under our franchise model, GRENKE AG provides partners not only expertise but also an operating infrastructure, numerous services and permission to use the Company's name. The Company, in turn, retains the right to acquire the respective franchise company based on a pre-arranged time frame of typically four to six years. The purchase price for a franchise company is based on a formula determined at the time the contract is signed and takes market parameters and the company's individual business development into account. Over the past few years GRENKE AG has used this method to acquire the businesses of 17 of its former franchisees. GRENKE AG typically refinances the operating businesses associated with the rental, lease and factoring contracts between franchisees and their customers.

1.1.4 SEGMENTS

The three business segments – Leasing, Banking and Factoring – are organised in line with the Consolidated Group's structure. For the development of the segments during the reporting year, please refer to the comments in "Segment Development" on page 30 of the combined management report and the section "8. Segment reporting" in the notes to the consolidated financial statements on page 137.

Accounting for 93 percent of income, the Consolidated Group's core business is the Leasing segment. This segment includes all activities related to the role as a lessor. The range of services under this segment includes assuming the financing for commercial lessees, leasing, service business, service and maintenance offers for lease objects and the disposal of used equipment.

The Banking segment comprises the activities of GRENKE BANK AG ("GRENKE Bank"), which acts as a financing partner mainly for SMEs. In the context of cooperating with a variety of federal government and state development banks, GRENKE Bank offers business start-up financing and provides development loans to SMEs and self-employed professionals who want to finance new business purchases through lease financing. GRENKE Bank also offers straightforward investment alternatives such as fixed deposit products to private and business customers via its website. GRENKE Bank's target group is primarily German customers.

The Factoring segment includes traditional factoring services with an emphasis on small-ticket factoring. The segment offers notification and non-notification factoring as well as collection services.

1.1.5 INVESTMENTS

In addition to its proprietary activities, the GRENKE Consolidated Group has undertaken a number of strategic investments in recent years.

In 2015, GRENKE Bank acquired a 25.01 percent stake in Cash Payment Solutions GmbH (CPS), headquartered in Berlin. With its payment service "barzahlen.de", the fintech company facilitates the settlement of invoices for a wide variety of businesses, as well as cash deposits and withdrawals, in roughly 12,000 partner outlets made up of German retailers. GRENKE Bank acts as the service's operator subject to regulatory supervision. At the end of the reporting year, the service also provided the dispersion of special cash payments to recipients of Federal Employment Agency benefits.

GRENKE Bank also acquired a 15 percent interest in Munich-based Finanzchef24 GmbH in 2016. Founded in 2012, this company is the first digital insurance broker for commercial customers in Germany, operating an online financial portal for entrepreneurs and self-employed professionals. Since the target groups of Finanzchef24 and GRENKE Bank overlap to a large extent, GRENKE Bank has been offering current accounts for business customers via the online portal since 2017, whereas GRENKE Group has been providing financing solutions.

In 2018, GRENKE AG and the Kassel-based fintech company fino digital GmbH founded the joint venture finux GmbH in which GRENKE AG holds 44 percent of the capital and voting shares. The aim of this cooperation is to develop a financial cockpit designed specifically for SMEs to provide decision-makers a product that can assist them in all matters related to finance.

1.1.6 BUSINESS PROCESSES AND SERVICES

Our leasing business utilises a vast number of distribution channels. Our specialist reseller partners arrange financing agreements with end customers, supported by our employees in local sales offices. The same is true for manufacturers whom we serve via our key account management.

We round off our offer through our direct business, where we personally address selected corporate customers. Customers are given the opportunity to contact our sales department directly, rather than go through an independent manufacturer or specialist reseller, and finance new purchases easily and flexibly through leasing. This gives them a chance to take advantage of attractive conditions and flexible lease financing.

In our business, efficiency plays a crucial role. This is why we are always striving to optimise and simplify our processes and services. Our digital offers play a key role in this respect. In 2015 we introduced our "eSignature" application, which allows lease contracts to be processed entirely digitally and, as a result, quickly and conveniently. Since its introduction, we have concluded roughly 118,722 eSignature contracts – 59,989 of these were concluded in 2018 alone. The share of new business acquired via eSignature in 2018 amounted to 22 percent. After introducing this application in 8 other countries during the reporting year, we now offer this service to customers in 19 countries. We are also accelerating the digitisation of our services by testing the lease contract signing app on tablets and smartphones.

Digitisation is also making its mark on the GRENKE Bank. Our banking app allows for the management of both accounts and credit cards in one mobile application. This app offers a reminder function, with allows customers to make transfers, pay outstanding bills and make recurring payments both on the road and at home. Another online service offered by GRENKE Bank is the GRENKE Cash App, which gives customers the ability to withdraw or deposit cash using their account at a partner branch of German retailers. GRENKE Bank also offers various fixed deposits through its collaboration with the "WeltSparen" portal and N26 bank.

One of the focal points in the lending business for SMEs (including start-up financing and microcredit) is our participation in the "Mikrokreditfonds Deutschland" sponsored by the Federal Ministry of Labour and Social Affairs. As part of this initiative, the federal government secures microcredit for small businesses with economically viable concepts that are not able to secure bank financing on their own. Since 2015, GRENKE Bank has been granting microcredit based on the recommendation of accredited microfinance institutions. The current terms provide for loans with a maximum maturity of four years and a gradual increase. The amount of the first loan is limited to a maximum of EUR 10k. Additional loans can increase the credit exposure per borrower to a total of EUR 25k. In June 2018, the federal government extended the Mikrokreditfonds Deutschland until 2021.

We also continued in the reporting year to expand our cooperation with development banks at both a national and European level. For the first time, GRENKE arranged a low-interest, long-term loan of up to EUR 100 million with the European Investment Bank (EIB) to promote investment of SMEs. The goal of this cooperative effort is to strengthen European SMEs, specifically with respect to their innovation and competitiveness. GRENKE also strengthened its collaborations with a variety of German development banks. GRENKE Bank stepped up its cooperation with NRW.BANK by issuing what is now its eighth global loan totalling EUR 45 million. It also increased its cooperation with Thüringer Aufbaubank with a fifth global loan of EUR 5 million. The cooperation with KfW was also expanded significantly through the conclusion of a second global loan of EUR 120 million. Through this approach, GRENKE Bank lends support to SMEs and self-employed professionals by awarding funds for new leasing-financed business acquisitions. So far, these collaborations have resulted in the conclusion of nearly 50,000 lease contracts. For an overview of the development loans concluded as part of these collaborations, please refer to note 5.10.4 "Committed Development Loans" in the notes to the consolidated financial statements.

While we have previously offered our respective products and services to our customers from the individual business areas, going forward, we will use a sales approach that focuses even more specifically on customers and their needs. Regardless of whether the customer is a leasing, banking or factoring customer, our employees will offer the customer our entire range of services. We expect this approach to not only result in significantly more cross-selling success but also reinforce the strong identification of our employees and partners with GRENKE's principles: simple, fast, personal and entrepreneurial.

1.1.7 SALES MARKETS

The GRENKE Consolidated Group is present throughout Europe in almost all countries. In our core markets of Germany, France and Italy we are present at 32, 19 and 18 locations, respectively. During the reporting year, we entered the Baltic market with our leasing offer. We also acquired the companies of our franchise partners in Croatia and the United Arab Emirates. In Portugal, we plan to add factoring to our offers. In addition, we regularly increase the density of our network in existing markets through cell divisions to ensure that we are as close to our customers as possible. In 2018, we opened 11 new locations via cell divisions.

Since 2011, we have been gradually expanding our presence outside of Europe. In addition to subsidiaries in Brazil, Turkey and the United Arab Emirates (UAE), the franchise companies in Australia, Chile, Canada and Singapore also were part of the GRENKE Group at the end of the 2018 fiscal year. By the end of the reporting period, the GRENKE Group was operating on 5 continents with a total of 144 locations in 32 countries.

1.1.8 EXTERNAL INFLUENTIAL FACTORS AFFECTING OUR BUSINESS

In the past few years, the development of GRENKE Consolidated Group's business was relatively independent of macroeconomic cycles. Even in the year of the financial market crisis in 2009, the Consolidated Group's business model proved to be resilient and sustainably profitable. Thus, macroeconomic developments are of much less importance than industry trends such as the policies in the leasing, factoring and deposit businesses of commercial banks and financial service providers or steadily increasing sector-related regulation. Insolvency rates and the impact of changes in the capital market and central bank interest rates on refinancing costs are other external factors affecting our business. A discussion about these factors can be found in the section entitled

"Macroeconomic and Industry-Specific Environment" and in the Risk Report.

Growth: GRENKE Group is striving to achieve continued double-digit growth rates in the years ahead. Efficiency and solid capital resources are the necessary prerequisites.

1.2 TARGETS AND STRATEGY

We are one of the leading European providers of financial services for SMEs focused on small-ticket leasing. We are also a leader in this area in Germany, Switzerland and Italy, as well as in France. Our strategic mid-term target is to position the GRENKE Group as a comprehensive small-ticket financial service provider for medium-sized companies not just in Europe but also internationally.

Over the last several years, we have entered several countries outside of Europe (Asia, Australia, North and South America). In our international markets, we offer individual financing products, contracts and contribution margin requirements tailored to the respective legal and market environment. Typically, our first step into new international markets is made using franchise partners (see explanations in the section entitled "Business Model" on page 20). After completing this step successfully, we go on to the second step and acquire these partners.

In addition to geographical expansion into new markets, we also see great potential for growth in our existing markets. Through cell divisions, we are increasing our strategically important proximity to our customers. We also seize opportunities emerging in markets where our competitors reduce their exposure or even exit the market all together, as we saw in the aftermath of the financial and sovereign debt crisis. Due to increasing regulatory requirements, leasing companies – particularly those in the banking industry – have been confronted with higher capital requirements for some time, forcing them to either reduce their business activities or raise their profitability. Both of which improves our relative competitive position.

GRENKE Group's average new business growth in the last ten years of 17 percent proves the success of our strategy. It is our goal to continue to grow at double-digit rates in the years ahead. Our target is to achieve long-term growth in GRENKE Group's new business – defined as the total of the acquisition costs of newly acquired leased assets, factoring volumes and the SME lending business – of at least 12 percent per annum, and achieve this also in the individual segments.

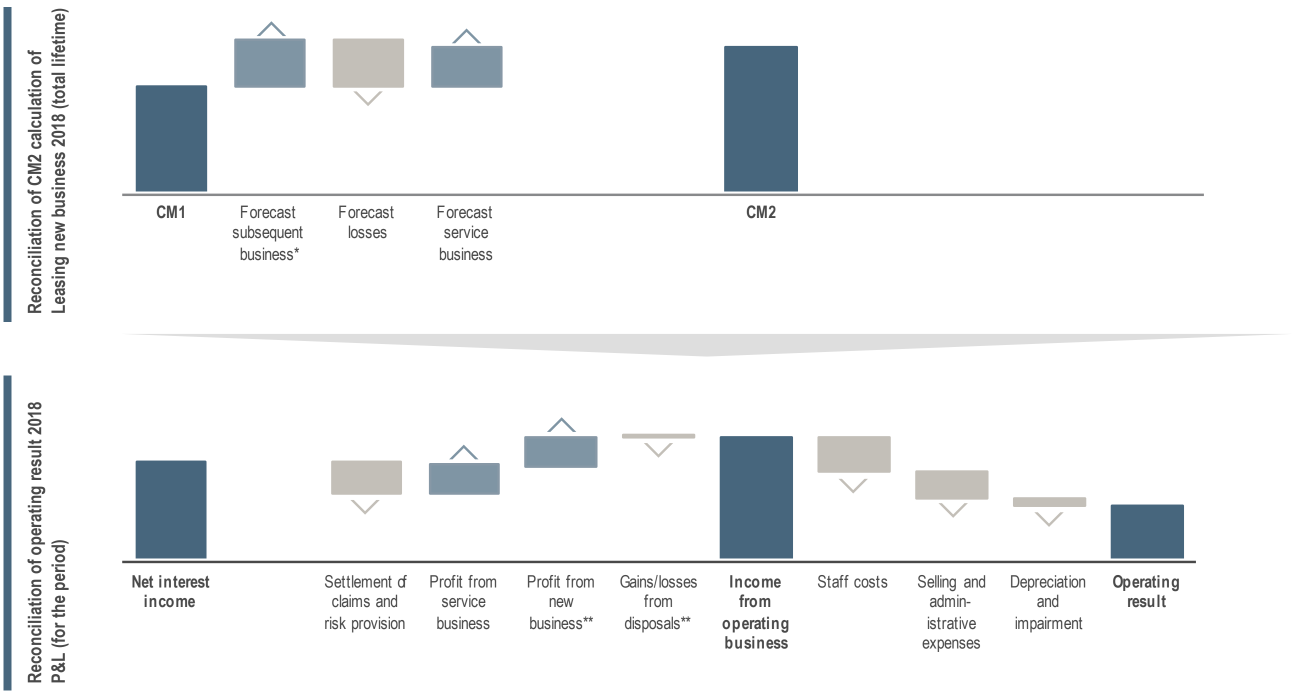
Risk management is also crucial to our business success and particularly our ability to assess risks as accurately as possible while still earning adequate contribution margins. Central to achieving this is our long-established and continually refined IT-based model for forecasting losses, which has contributed significantly to our track record. For further details on our risk management system, please refer to the comments in the "Report on Risks, Opportunities and Forecast" starting on page 45.

Our high level of process efficiency is reflected in our cost structure. In the reporting year, our cost-income ratio amounted to 57.0 percent. Based on two factors, we have raised our target for the cost-income ratio in the reporting year and are now aiming for a level of under 60 percent in the medium term (previous target: under 55 percent). One factor prompting this revision is the regulations of the new IFRS 9, which lead to lower operating income with an unchanged level of operating expenses. The second factor is that we pass on the tax credits for investments granted by the Italian state ("super ammortamento") to our customers in the form of lower leasing rates. However, the tax savings associated with this benefit does not have a positive effect on our operating expenses but instead lowers our tax burden. Both of these factors negatively affect our reported cost-income ratio.

Our strategy for financing our growth is based on multiple pillars. One of these is the high importance we attach to a solid equity base. This is demonstrated by our equity benchmark, which has stood at 16 percent for many years. We believe this level is an essential prerequisite for securing our investment grade rating. The Standard & Poor's credit rating agency in its latest analysis dated June 2018, confirmed our counterparty credit rating of BBB +/A-2 each with a stable outlook. A second credit agency, the Gesellschaft für Bonitätsbeurteilung ("GBB"), recently confirmed our unchanged "A" rating in November 2018.

Last but not least, we rely on a broad range of refinancing instruments to maintain flexibility at all times in financing our growth. In addition to the deposits at GRENKE Bank, we utilise asset-based instruments such as our ABCP programmes, as well as senior unsecured instruments such as bonds, debentures and commercial paper. We also place importance on avoiding a mismatching of maturities, which is the reason we finance our core business with matching maturities, thereby eliminating potential interest rate risks.

CORRELATION BETWEEN CM2 (NEW BUSINESS) AND RESULT FOR THE PERIOD (INCOME STATEMENT)



* In the income statement, the expected residual value is reflected in the interest income for the period.
** Corresponding items for CM2 calculation are not relevant because diagram relates to lifetime period.

1.3 MANAGEMENT SYSTEM

In order to assess our current business performance and manage the GRENKE Consolidated Group, the Board of Directors relies on the following key financial performance indicators:

- GRENKE Group's new business growth (defined as the total acquisition costs of newly acquired leased assets, factoring volumes and the SME lending business)
- Consolidated Group net profit
- Equity ratio (ratio of equity to total assets)
- Cost-income ratio (ratio of total operating expenses versus total operating income)

Other important financial performance indicators include the following:

- Contribution margin 1 (present value of the net interest income from a lease contract minus the commission paid to third parties) and contribution margin 2 (present value of the operating income from a lease contract including cost of risk, profit from service business and gains/losses from disposals)
- Embedded Value: Present value of all outstanding instalments and gains from disposals after costs and risk provisioning
- Loss rate: Ratio of the expenses for the settlement of claims and risk provision and lease volumes

In addition to the growth in new business, our management at the level of the three reporting segments – Leasing, Banking and Factoring – is also based on the following financial performance indicators:

At GRENKE Group Leasing, our primary focus is the contribution margin. Here we distinguish between contribution margin 1 (CM1) at acquisition cost, or CM1 margin (contribution margin 1 relative to new business), and contribution margin 2 (CM2), or CM2 margin. We mainly concentrate on CM2, whose calculation corresponds to the operating result of the Consolidated Group. This is illustrated by the diagram above, which shows how we derive the operating result and result for the period, and the CM2 calculation for leasing new business in relation to the entire term of the contracts (total period). SEE DIAGRAM "CORRELATION BETWEEN CM2 (NEW BUSINESS) AND RESULT FOR THE PERIOD (INCOME STATEMENT)"

Our value-based management is guided by the contribution margin 2, which cumulates the periodic operating income based on an analysis of the total period, which presents a balance between the contribution margin generated, or operating income, and the costs incurred (cost-income ratio). While the contribution margin is largely determined by the new business generated in the immediate prior reporting period, the operating income and net profit are determined additionally based on past fiscal years.

Because the expenses arising from our expansion into new markets, cell divisions and opening new branches in existing markets are not immediately covered by income, but usually only after completion of the start-up phase, we use embedded value (based on the calculation of net asset value) as an added indicator. The embedded value represents the present value of all outstanding instalments and gains from disposals after costs and risk provisioning. A positive difference between the embedded value at the beginning versus the end of a fiscal year substantiates the increase in the Company's value. Contribution margin 2 indicates the embedded value of the new business for a single period before costs and taxes. It is based on these indicators that we conduct active, growth-oriented value management.

GRENKE Bank plays an important role in GRENKE Consolidated Group's refinancing strategy through the purchase of lease receivables. Therefore, a key performance indicator for GRENKE Bank is its deposit volume. Depending on our needs and market conditions, our intention is to finance between 15 and 30 percent of the Consolidated Group's financial liabilities via GRENKE Bank. As per December 31, 2018, this level stood at 22 percent (previous year: 20 percent) and was within our target corridor. We also manage GRENKE Bank on the basis of its equity base, which is evaluated using the equity ratio, the overall ratio according to capital requirement regulations (CRR), the leverage ratio and the liquidity coverage ratio (LCR).

The most important performance indicators for GRENKE Group Factoring are the gross margin (defined as the income from the purchase of receivables, crediting and collection services in relation to the respective net acquisition values), as well as the length of a respective transaction measured in number of days. Over the long term, we also focus on factoring volumes, which correlate with the acquisition of new customers. In the process, we manage the acceptance of financing applications according to risk category.

1.4 RESEARCH AND DEVELOPMENT

GRENKE Consolidated Group's core capabilities include efficient risk management, as well as centralised, standardised and – particularly in the area of leasing – highly digitised processes. We continuously optimise our standard software products and our individually developed applications to maintain these capabilities. Next to expanding our infrastructure, we focus on further developing our portals and processing systems for sales and administration. During the reporting year, we capitalised a total of EUR 5.4 million in development costs (previous year: EUR 5.1 million), which were offset by amortisation of EUR 3.0 million (previous year: EUR 2.4 million) for internally generated software.

GRENKE Consolidated Group also used third-party research and development services during the 2018 reporting year. These services were primarily related to IT projects and totalled EUR 11.5 million (previous year: EUR 10.1 million), of which EUR 4.0 million (previous year: EUR 3.9 million) were capitalised.

The GRENKE Technology Center, founded in 2015 in the Creative Park in Karlsruhe, is located in the immediate vicinity of leading German universities and technology institutes. This centre functions as our in-house facility for software and business process development where state-of-the-art system solutions for GRENKE and its partners are developed based on the latest technological standards. Organisationally, the GRENKE Technology Center is part of GRENKE digital GmbH, which houses all of the digital capabilities of the GRENKE Consolidated Group.

2. REPORT ON BUSINESS DEVELOPMENT

2.1 MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

The GRENKE Consolidated Group offers its leasing products Europeanwide. Local markets are served primarily by local providers – particularly the leasing subsidiaries of banks and equipment manufacturers – meaning that no real "European" leasing market truly exists. The GRENKE Consolidated Group's most important market segment in terms of business volume is the small-ticket leasing segment, however, represents only a relatively small part of the overall market, so that information on market share is not very meaningful or available. In our estimation, we are Europe's leading provider of financial services to SMEs with a focus on small-ticket lease financing. The following comments describing our market position and competitive situation relate to our core markets – Germany, France and Italy.

The German leasing market is predominantly characterised by medium-sized companies. Of the roughly 150 registered members of the Federal Association of German Leasing Companies [Bundesverband der Deutschen Leasingunternehmen – (BDL)], almost three-quarters are small or very small companies with fewer than 50 employees. Only 3 percent of leasing providers in Germany – including the GRENKE Consolidated Group – have more than 500 employees.

Traditionally, the German leasing market has been driven largely by the passenger car, truck, bus and trailer segments, which account for around three-quarters of new business volume. In contrast, the areas of "Office Equipment / IT" and "Other Equipment" (including communications, signalling and medical technology) relevant to the GRENKE Consolidated Group account for only roughly 5 and 6 percent of the total market volume. GRENKE Consolidated Group is the market leader in this narrow part of the overall market.

According to BDL estimates, the German leasing industry generated record new business volume of EUR 69.7 billion in 2018. This is equivalent to a year-on-year increase of 5 percent. In the areas of Office Equipment/IT and Other Equipment, growth rates last year reached 2 percent and 7 percent, respectively.

The French leasing market is dominated primarily by the leasing subsidiaries of the major French banks. GRENKE Consolidated Group is now the largest small-ticket lease provider in France among bank- and manufacturer-independent companies.

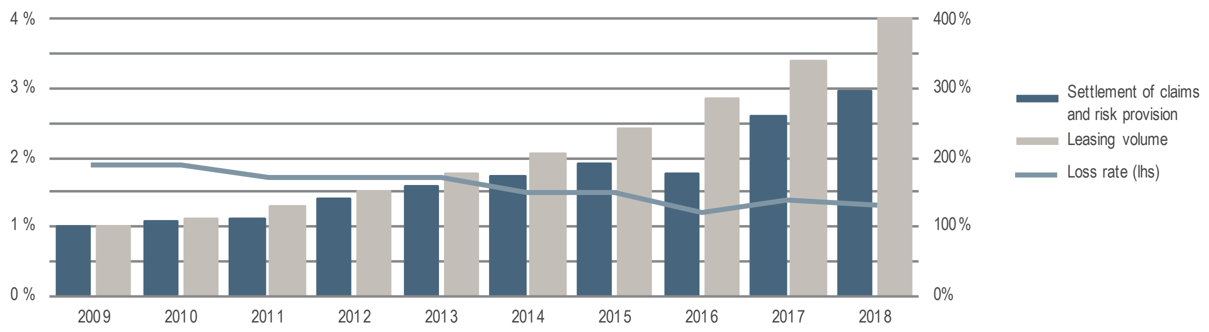
The market research institute MARKESS estimates that the French IT leasing market grew by around 6 percent to EUR 4.7 billion in 2018. The faster market growth versus overall economic development originated mainly from the small and very small company customer segments.

In Italy, the GRENKE Consolidated Group is very well positioned in the area of capital goods leasing. Particularly in the market segments for lease finance with acquisition values of less than EUR 25k and in the range of EUR 25k – EUR 50k the Consolidated Group has achieved a dominant market position in recent year.

According to the Italian leasing association Associazione Italiana Leasing ("ASSILEA"), the Italian leasing market continued its growth course in 2018 with a rise of 5 percent. The strongest driver in the past fiscal year was the leasing of capital goods, especially on the part of SMEs.

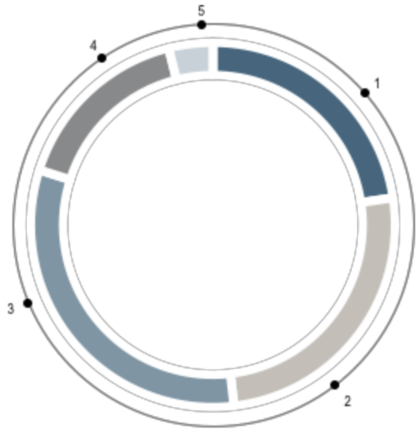
New business development at the GRENKE Consolidated Group is relatively unaffected by the overall economy. There is, however, some influence on the Consolidated Group's new business from general industry trends, but there were no material changes in this respect during the year under review. Changes in the trend of corporate insolvencies can have an effect on the Consolidated Group's loss rate; however, we are able to effectively cushion ourselves from these effects, as demonstrated by the development of our loss rate. SEE DIAGRAM "DEVELOPMENT OF GRENKE CONSOLIDATED GROUP LOSS RATE"

DEVELOPMENT OF GRENKE CONSOLIDATED GROUP LOSS RATE



The deposit business of GRENKE Bank is exclusively managed based on the Consolidated Group's need for refinancing, making a sector comparison of little use in assessing the bank's business. Any impact on our refinancing costs from changes in the capital market or central bank interest rates is passed on to customers via the terms and conditions in our contracts. This also generally applies to negative interest rates, which have only a slight effect on GRENKE BANK AG. Existing contracts are not affected due to our matching maturity refinancing structure. Nevertheless, the time lag between changes in interest rates and an adjustment in our terms and conditions may have a temporary positive or negative impact on the profitability of our new business.

GRENKE GROUP LEASING'S NEW BUSINESS BY REGION



GRENKE Group Leasing *(share of overall new business in percent)*		2018	2017
1	DACH	22.6	24.8
2	Western Europe (without DACH)	25.5	25.6
3	Southern Europe	31.7	31.0
4	Northern/Eastern Europe	16.2	16.1
5	Other Regions	3.9	2.4
GRENKE Group *(in EUR millions)*		**2018**	**2017**
New business GRENKE Group Leasing		2,409.8	1,975.7
New business GRENKE Group Factoring		526.9	442.8
Business start-up financing GRENKE Bank (incl. microcredit business)		43.1	30.7

Regions: DACH: Germany, Austria, Switzerland
Western Europe (without DACH): Belgium, France, Luxembourg, the Netherlands
Southern Europe: Croatia, Italy, Malta, Portugal, Slovenia, Spain
Northern/Eastern Europe: Denmark, Finland, Ireland, Latvia*, Norway, Sweden, UK / Czechia, Hungary, Poland, Romania, Slovakia
Other Regions: Australia*, Brazil, Canada*, Chile*, Singapore*, Turkey, UAE

* Franchise

2.2 NEW BUSINESS AT THE GRENKE GROUP

Our new business volume is generally based on the GRENKE Group, which is defined as the Consolidated Group including its franchise partners. Across the three business segments – Leasing, Banking and Factoring – the volume of new business increased by 22 percent over the past fiscal year, reaching a new record level of EUR 2,979.8 million (previous year: EUR 2,449.2 million). All three segments in the reporting year achieved double-digit growth rates.

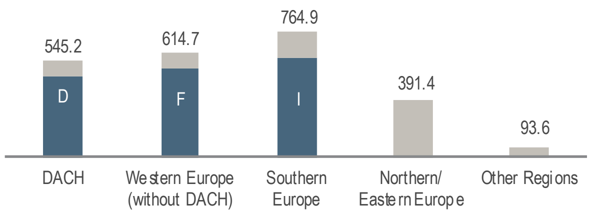
Leasing, with a share of 81 percent of the Group's total new business, remained by far the most important segment in the reporting year. In absolute terms, GRENKE Group Leasing's new business volume (the total of acquisition costs of newly acquired leased assets) increased 22 percent to EUR 2,409.8 million compared to EUR 1,975.7 million in the previous year. The majority of growth stemmed from our three core leasing markets with double-digit growth rates achieved in Germany (14 percent), France (18 percent) and Italy (22 percent).

In the DACH region, which comprises Germany, Austria and Switzerland, new business increased 11 percent to EUR 545.2 million in the reporting year (previous year: EUR 489.8 million). In Western Europe (without DACH), we recorded an increase of 21 percent to EUR 614.7 million in 2018 (previous year: EUR 506.1 million). At a rate of 25 percent, growth was even higher in Southern Europe where the acquired volume reached a total of EUR 764.9 million (previous year: EUR 613.4 million). As a result of disproportionately strong growth, this region was able to expand its share of total new leasing business to 32 percent, making it still our most important region according to our internal definition. In Northern/Eastern Europe, we increased new business by 23 percent to EUR 391.4 million in the past fiscal year (previous year: EUR 318.4 million). Coming from a still relatively low base, we were able to almost double the new business volume acquired in our Other Regions to a total of EUR 93.6 million (previous year: EUR 48.0 million).

SEE DIAGRAM "GRENKE GROUP LEASING'S NEW BUSINESS BY REGION"

GRENKE GROUP LEASING NEW BUSINESS*

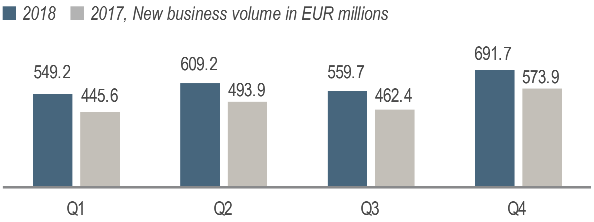
As per December 31, 2018, in EUR millions



* See page 22 for regional description.

As the diagram below shows, we recorded relatively consistent growth of over 20 percent on a quarterly basis versus the corresponding prior-year quarters. As is customary for our business, the third quarter was somewhat lower in absolute terms, mainly due to the summer months and the related holiday season.

GRENKE GROUP LEASING NEW BUSINESS ON A QUARTERLY BASIS



During the months of January to December 2018, the GRENKE Group recorded a total of 542,354 lease applications, which resulted in 271,073 new lease contracts, corresponding to a conversion rate (applications into contracts) of 50 percent. In 2017, we received a total of 470,920 leasing applications, generating a total of 228,199 new leases and resulting in a conversion rate of 48 percent. In our international markets, we received 455,959 applications (previous year: 385,857), resulting in 223,080 new contracts (previous year: 182,099). As a result, the conversion rate was 49 percent in our international markets, or slightly above the previous year's comparable figure of 47 percent. In the DACH region, 56 percent (previous year: 54 percent) of the applications were converted into contracts. The mean acquisition value per lease contract remained at the customary level for our business of EUR 8,890 (2017: EUR 8,658) and reflects our strong focus on the small-ticket segment.

New business profitability continued to be very satisfactory in view of the continuing high level of growth. In the Leasing segment, the contribution margin 2 (CM2) increased by 19 percent to EUR 420.7 million compared to EUR 353.0 million in the previous fiscal year, corresponding to a CM2 margin of 17.5 percent versus 17.9 percent in the previous year. The Leasing segment's CM1 margin (contribution margin 1 at acquisition costs) was 12.7 percent, reaching EUR 305.0 million (2017: 12.6 percent or EUR 248.8 million).

In the Factoring segment, we were able to increase our new business volume (total purchased receivables) in the 2018 fiscal year by 19 percent to EUR 526.9 million (previous year: EUR 442.8 million). New business in Germany increased by 2 percent to EUR 172.9 million (previous year: EUR 169.5 million), of which the debt collection services had a share of 11 percent. At 1.66 percent (2017: 1.70 percent), the gross margin remained at a high level. Internationally, the share of the debt collection business, which does not assume default risks, was 24 percent, or more than twice as high as in Germany. As a result, the gross margin on new business volume of EUR 354.0 million (previous year: EUR 273.4 million) in our international markets was 1.30 percent (2017: 1.28 percent). The gross margin is based on the average period of a factoring transaction of approx. 27 days in Germany (2017: approx. 28 days) and approx. 39 days on an international level (2017: approx. 38 days).

GRENKE Bank increased its new business in the lending business for small and medium-sized enterprises (including start-up financing) by 41 percent to EUR 43.1 million in the reporting year after EUR 30.7 million in the previous year. The deposit volume increased by 37 percent and amounted to EUR 692.4 million as per the December 31, 2018 reporting date, following EUR 504.2 million in the previous year.

2.3 ACTUAL VERSUS FORECASTED OPERATING DEVELOPMENT

In the 2018 fiscal year, we fully met our financial targets. New business within the GRENKE Group's leasing business grew 22 percent compared to our original forecast of growth in a range of 16 to 20 percent. With the release of new business figures for the first half-year at the beginning of July 2018, strong growth in the first two quarters prompted us to raise our guidance to a range of 18 to 22 percent. This means that the growth achieved in the reporting year reached the upper end of our higher guidance range. Our international markets and digital services contributed significantly to our better-than-expected performance. GRENKE Group Factoring reported new business growth of 19 percent, which was in line with our 15 to 20 percent forecast range announced at the start of the fiscal year.

Consolidated Group net income in the past fiscal year reached EUR 131.1 million. This was at the upper end of the EUR 126 to 132 million forecast range that was refined and brought slightly higher in the course of the fiscal year. We had originally announced a forecast range of EUR 123 to 131 million. Following the favourable business performance in the first nine months of the year, we narrowed our forecast range with the publication of our third quarter results in October 2018.

The Consolidated Group's equity ratio was 18.5 percent and significantly exceeded the prior year's level of 16.6 percent, thereby remaining above our long-term benchmark of a minimum of 16 percent. This performance was due, in part, to the gratifying earnings development but, above all, as a result of the capital increase executed during the year.

SELECTED INFORMATION FROM THE CONSOLIDATED INCOME STATEMENT

EURk	**Jan. 1, 2018 to Dec. 31, 2018**	**Jan. 1, 2017 to Dec. 31, 2017***
Net interest income	**282,940**	**246,597**
Settlement of claims and risk provision	91,875	81,161
Net interest income after settlement of claims and risk provision	**191,065**	**165,436**
Profit from service business	85,447	70,562
Profit from new business	83,291	68,983
Gains (+)/losses (–) from disposals	–2,473	–8,212
Income from operating business	**357,330**	**296,769**
Staff costs	102,701	86,162
of which total remuneration	*83,440*	*70,697*
of which fixed remuneration	*61,714*	*52,179*
of which variable remuneration	*21,726*	*18,518*
Selling and administrative expenses (not including staff costs)	78,120	67,737
of which IT project costs	*7,492*	*6,209*
Earnings before taxes	**155,530**	**132,033**
Net profit	**131,110**	**105,430**
Earnings per share (basic/diluted in EUR; after stock split)	2.78	2.31

* Previous year's amounts adjusted due to IFRS 9, see note 2.1.1 "IFRS 9 Financial Instruments" in the notes to the consolidated financial statements.

2.4 OPERATING DEVELOPMENT OF THE GRENKE CONSOLIDATED GROUP

2.4.1 NEW IFRS 9 ACCOUNTING STANDARD

The accounting standard IFRS 9 "Financial Instruments", applied for the first time as per January 1, 2018, changed the previous year's figures in the income statement (settlement of claims and risk provision, tax expenses) and the balance sheet (lease receivables, other current and non-current financial assets, trade receivables, deferred tax assets, other current provisions), which, above all, facilitates both the comparability and transparency of the financial statements. While the recognition of impairment losses was permitted only for losses already incurred under the previous applicable standard IAS 39, IFRS 9 provides for a new impairment model based on expected credit losses. Nevertheless, the transition to and first-time application of IFRS 9 has no effect on contribution margins or embedded value, leaving the overall profitability of the Consolidated Group unaffected. The pre-emption of so-called expected losses only leads to a shift in the period within the entire term. The effects of the adjustment from the application of IFRS 9 are presented separately. SEE THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, 2.1.1 "IFRS 9 FINANCIAL INSTRUMENTS", PAGE 78

2.4.2 RESULTS OF OPERATIONS

The Consolidated Group's results of operations developed very well in the past fiscal year. Continuing dynamic growth, the favourable interest rate environment, the profitable new business of previous years and a disproportionately low increase in operating expenses compared with the increase in income from operating business led to a 24 percent increase in Consolidated Group net profit.

Amid the ongoing favourable refinancing environment, interest and similar income from financing business rose by 14 percent in the reporting year, which was more than interest expenses on refinancing (9 percent). As a result, net interest income increased 15 percent in the past fiscal year to EUR 282.9 million (previous year: EUR 246.6 million). Most of the net interest income was attributable to the Leasing segment, in line with the share of new business for the segments. For further information, please refer to the information in the notes to the consolidated financial statements under 4.1 "Net Interest Income" on page 100.

The application of IFRS 9 resulted in higher expenses for the settlement of claims and risk provision on an absolute basis both in the reporting year and in the adjusted prior-year figure. Compared to the adjusted prior year level, this item increased 13 percent in the 2018 fiscal year. As a result, net interest income after settlement of claims and risk provision increased by a disproportionate 15 percent in the past fiscal year to EUR 191.1 million (previous year: EUR 165.4 million). The Consolidated Group's loss rate taking all risk provisions into consideration was 1.3 percent in 2018 following 1.4 percent in the previous year (incl. IFRS 9).

The profits from service and new business each increased 21 percent in the 2018 fiscal year. Taking into account the significant improvement in losses from disposals of EUR –2.5 million compared to EUR –8.2 million in the previous year, income from operating business in the year under review totalled EUR 357.3 million versus a total of EUR 296.8 million in the previous year. The decline in the losses from disposals was due specifically to the high number of contracts that expired in the prior year, which at the end of the basic lease term caused the derecognition of carrying amounts in profit and loss

The high level of new business growth in the year under review was accompanied by an 18 percent increase in the Consolidated Group's average number of employees from 1,229 employees in the previous year to a total of 1,456 employees. Together with higher variable remuneration components, this led to an increase in staff costs of 19 percent to EUR 102.7 million compared to EUR 86.2 million in the prior year. Selling and administrative expenses, which is also a significant expense item on the Consolidated Group's income statement, increased by 15 percent. This rise mainly reflects the additional marketing and sales activities in the reporting year. There were also higher IT project costs, consulting and auditing costs. The acquisition of former franchise companies also affected staff costs, as well as and selling and administrative expenses.

Based on recent acquisitions and higher IT investments, depreciation and impairment were 12 percent higher than in the prior year. In absolute terms, this item increased from EUR 15.4 million in the 2017 fiscal year to EUR 17.2 million in the reporting year.

Other operating income and expenses totalled a net expense of EUR 2.1 million in the 2018 fiscal year compared to income of EUR 8.1 million in the previous year. Whereas the figure of the reporting year includes a negative currency effect in the amount of EUR 4.9 million (previous year: EUR –2.9 million) the previous year's figure had benefitted from non-recurring income of EUR 6.7 million from an input tax refund from prior years.

The operating result for the 2018 fiscal year amounted to EUR 157.2 million versus EUR 135.7 million in the previous year. Earnings before taxes were EUR 155.5 million (previous year: EUR 132.0 million). As a result of tax benefits for lease financing in Italy ("super ammortamento"), the Consolidated Group's tax rate declined to 15.7 percent (previous year: 20.2 percent). Consequently, net profit in the reporting year increased 24 percent from EUR 105.4 million in the previous year to EUR 131.1 million. Earnings per share amounted to EUR 2.78 following EUR 2.31 in the prior year.

2.4.2.1 Segment Development

Business Segments

Segment reporting is based on the organisational structure of the GRENKE Consolidated Group. Operating segments are therefore divided in accordance with the management of the business areas in the Leasing, Banking, and Factoring segments. Transactions between the operating segments are eliminated (see "Consolidated Group Segment Reporting"). Further information on the business segments is provided in the Consolidated Group Segment Reporting, which is part of the notes to the consolidated financial statements on page 137.

2.4.2.2 Business Development

Comprising 93 percent (previous year: 94 percent) of total operating segment income, Leasing continues to be the most important segment, as well as the earnings pillar of the Consolidated Group. Operating segment income in this segment increased by 19 percent to EUR 331.6 million in the year under review (previous year: EUR 277.8 million). The segment result increased by 13 percent to EUR 143.2 million after EUR 126.4 million in the previous year. Even stronger growth was recorded in the Banking segment. Operating segment income increased by 45 percent to EUR 21.8 million (previous year: EUR 15.0 million) and the segment result by 55 percent to EUR 15.0 million (previous year: EUR 9.6 million). In the Factoring segment, operating segment income fell to EUR 3.9 million in the 2018 fiscal year, following EUR 4.0 million in the previous year. Due to investments in the sales infrastructure and start-up costs for the stronger international positioning of the business, the segment result in the year under review amounted to EUR –1.0 million (previous year: EUR – 0.4 million).

SELECTED BUSINESS SEGMENT INFORMATION

	Segments					
	Leasing		Banking		Factoring	
EURk	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
New business (Leasing)/Receivables volume incl. collection services (Factoring)	2,409,762	1,975,713	--	--	526,878	442,840
Contribution margin 2 (CM2)	420,652	353,048	--	--	--	--
CM2 margin (in percent)	17.5	17.9	--	--	--	--
Deposit volume	--	--	692,439	504,243	--	--
Factoring gross margin (in percent)	--	--	--	--	1.4	1.4
Operating segment income	**331,646**	**277,761**	**21,778**	**15,047**	**3,906**	**3,961**
Staff costs	96,552	80,767	2,877	2,627	3,272	2,768
Segment result	**143,174**	**126,400**	**14,960**	**9,643**	**–979**	**–390**

2.4.3 FINANCIAL POSITION

SELECTED INFORMATION FROM THE CONSOLIDATED STATEMENT OF CASH FLOWS

EURk	Jan 1, 2018 to Dec. 31, 2018	Jan 1, 2017 to Dec. 31, 2017*
Cash flow from operating activities	53,661	52,578
Net cash flow from operating activities	20,401	27,951
Cash flow from investing activities	–50,591	–25,696
Cash flow from financing activities	157,536	43,572
Total cash flow	**127,346**	**45,827**

* Previous year's amounts adjusted due to IFRS 9.

Cash flow from operating activities increased to EUR 53.7 million in the 2018 fiscal year compared to EUR 52.6 million in the previous year. Cash flow was positively affected, above all, from an increase in earnings before taxes of EUR 155.5 million (previous year: EUR 132.0 million). The increase in cash outflows from the rise in lease receivables (EUR 2,425.2 million after EUR 1,998.3 million in the previous year) was largely offset by the proceeds from the increase in the liabilities from refinancing (EUR 2,071.4 million after EUR 1,728.1 million in the previous year) and the deposit business (EUR 178.7 million after EUR 102.1 million in the previous year). In addition, cash outflows resulted from the increase in other assets (EUR 85.3 million after EUR 75.1 million in the previous year) and lease assets from operating leases (EUR 12.9 million after EUR 0.0 million in the previous year). After interest and taxes paid and received, net cash flow from operating activities amounted to EUR 20.4 million after EUR 28.0 million in the previous year.

Cash flow from investing activities totalled EUR –50.6 million in the year under review (previous year: EUR –25.7 million). In addition to payments for the acquisition of property, plant and equipment and intangible assets – mainly operating and office equipment – amounting to EUR 15.6 million (previous year: EUR 17.2 million), it also included a cash outflow from the purchase price payments in the amount of EUR 35.6 million (previous year: EUR 10.0 million) for the acquisitions of the former franchisees in Croatia and the United Arab Emirates. At the end of 2018, investment obligations totalled EUR 9.6 million (previous year: EUR 0.0 million) for the construction of an office building.

Cash flow from financing activities improved to EUR 157.5 million in the 2018 fiscal year (previous year: EUR 43.6 million). The main items were the cash inflow of EUR 196.8 million (previous year: EUR 0.0 million) from the capital increase, the distribution of the dividend for the preceding fiscal year of EUR 31.0 million (previous year: EUR 25.8 million) and interest payments on hybrid capital of EUR 6.8 million (previous year: EUR 4.1 million). The previous year's figure also included a cash inflow from the issuance of a hybrid bond of EUR 73.7 million.

Total cash flow in the reporting year amounted to EUR 127.3 million following a total of EUR 45.8 million in the previous year. As a result, cash and cash equivalents increased as per the 2018 reporting date to EUR 330.5 million compared to the previous year's figure of EUR 203.2 million.

2.4.4 NET ASSETS

Total assets as per December 31, 2018 increased 23 percent to EUR 5.9 billion, following EUR 4.8 billion in the previous year, mainly due to the growth in new business during the reporting year. The balance sheet structure remained largely unchanged. Representing 80 percent of the total assets (December 31, 2017: 82 percent), non-current and current lease receivables remained by far the most significant balance sheet item. Lease receivables increased overall by 21 percent in the year under review to EUR 4.7 billion (December 31, 2017: EUR 3.9 billion).

SELECTED INFORMATION FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EURk	Dec. 31, 2018	Dec. 31, 2017*
Current assets	**2,433,300**	**1,934,118**
of which cash and cash equivalents	*333,626*	*203,357*
of which lease receivables	*1,605,173*	*1,333,294*
Non-current assets	**3.443.191**	**2,829,057**
of which lease receivables	*3,098,837*	*2,551,823*
Total assets	**5,876,491**	**4,763,175**
Current liabilities	**1,642,962**	**1,390,294**
of which financial liabilities	*1,520,095*	*1,261,525*
Non-current liabilities	**3,146,432**	**2,581,467**
of which financial liabilities	*3,092,431*	*2,533,181*
Equity	**1,087,097**	**791,414**
Equity ratio (in percent)	18.5	16.6
Total liabilities and equity	**5,876,491**	**4,763,175**
Embedded value after taxes	1,538,085	1,168,775

* Previous year's amounts adjusted due to IFRS 9, see note 2.1.1 "IFRS 9 Financial Instruments" in the notes to the consolidated financial statements.

Current assets in the reporting year increased by 26 percent to EUR 2.4 billion (December 31, 2017: EUR 1.9 billion). This increase resulted from the rise in current lease receivables mentioned above and an increase in cash and cash equivalents to a total of EUR 333.6 million (December 31, 2017: EUR 203.4 million). The higher amount of cash and cash equivalents was due to the cash capital increase executed in June 2018. We are generally maintaining our strategy of using liquid funds, which we would otherwise have to invest at low interest rates, for operational purposes only, such as financing our growth.

In addition, other current assets increased to EUR 280.5 million (December 31, 2017: EUR 243.8 million), primarily as a result of a reporting-date related rise in VAT refunds.

Non-current assets increased by an overall 22 percent to EUR 3.4 billion (December 31, 2017: EUR 2.8 billion). As mentioned above, most of this increase was due to the rise in non-current lease receivables to EUR 3.1 billion (December 31, 2017: EUR 2.6 billion). Property, plant and equipment and goodwill increased by 62 percent and 28 percent, respectively, compared to December 31, 2017, due to the first-time consolidation of the former franchise companies in Croatia and the United Arab Emirates, which were acquired during the reporting year.

On the liabilities side of the balance sheet, new business growth during the past fiscal year is reflected by a 19 percent increase in non-current and current refinancing liabilities to EUR 3.9 billion (December 31, 2017: EUR 3.3 billion). Non-current and current liabilities from the deposit business also increased by 34 percent. The Consolidated Group's total financial liabilities thus increased by 22 percent to EUR 4.6 billion (December 31, 2017: EUR 3.8 billion).

Equity totalled EUR 1,087.1 million as per December 31, 2018 (December 31, 2017: EUR 791.4 million) leading to an improvement in the equity ratio to 18.5 percent as per the reporting date (December 31, 2017: 16.6 percent) and clearly exceeding our long-term benchmark of a minimum of 16 percent. Next to the proceeds from the capital increase (EUR 196.8 million) already mentioned, the rise in equity resulted mainly from the profit generated in the reporting year. This was partially offset by the distribution of a dividend of EUR 31.0 million (previous year: EUR 25.8 million).

2.4.5 LIQUIDITY

Given the high level of cash and cash equivalents and broadly diversified refinancing structure, the GRENKE Consolidated Group was able to meet its payment obligations in the past fiscal year at all times. Further information on the Consolidated Group's liquidity management can be found in section "7.1.8.2 Liquidity Management" contained in the Risk Report.

We used a wide range of refinancing instruments in the 2018 fiscal year, including the issuance of seven bonds with a total volume of EUR 625.0 million. A further EUR 10.0 million was increased on an existing bond, and another existing bond was increased twice by a total of EUR 25.0 million. Bonds in a total amount of EUR 239.0 million were redeemed on schedule. Bonds with a total nominal volume of EUR 1,875.0 million were outstanding as per the 2018 balance sheet date (previous year: EUR 1,454.0 million). Further information on the bonds issued is available on our website at: https://www.grenke.de/grenke-group/investor-relations/debt-capital.

A total of 13 new promissory notes denominated in EUR were issued during the reporting year next, and two promissory notes were extended. The total volume of new promissory notes amounted to EUR 173.0 million and that of the renewed promissory notes to EUR 30.0 million. Promissory notes amounting to PLN 40.0 million, DKK 78.0 million and SEK 198.0 million were also issued in the 2018 fiscal year, and promissory notes with a volume of EUR 99.0 million and CHF 22.8 million were repaid on schedule. The total volume of promissory notes outstanding as per December 31, 2018 was EUR 406.5 million (previous year: EUR 307.5 million), CHF 18.5 million (previous year: CHF 41.4 million), GBP 15.0 million (previous year: GBP 15.0 million), DKK 78 million (previous year: DKK 0.0 million), SEK 198.0 million (previous year: SEK 0.0 million) and PLN 50.0 million (previous year: PLN 10.0 million).

We had utilised EUR 661.1 million (previous year: EUR 655.2 million) and GBP 80 million of our ABCP programmes as per December 31, 2018. The total volume of these programmes was EUR 792.5 million (previous year: EUR 772.5 million) and GBP 100 million.

The available money market facility of EUR 35.0 million was utilised as per the balance sheet date with a volume of EUR 10.0 million (previous year: EUR 25.0 million). In the short-term segment, we continued to use our commercial paper (CP) programme with a volume of up to EUR 500.0 million. As per the balance sheet date, we used it to the amount of EUR 302.5 million (previous year: EUR 313.0 million). We also made great use of the refinancing via bank deposits of GRENKE Bank and significantly increased liabilities from the deposit business to EUR 692.4 million after EUR 504.2 million by 37 percent.

The unutilised credit lines of the Consolidated Group (bank credit lines plus available volume of bonds and commercial paper) amounted to EUR 1,006.4 million, PLN 28.0 million and HRK 40 million as per the reporting date (previous year: EUR 803.0 million and PLN 30.0 million).

We continued to expand our cooperation with federal (KfW) and state development banks in the reporting year. Further information on existing and new collaborations is presented in the section on the GRENKE Consolidated Group's business development and the notes to the consolidated financial statements under note 5.10.4 "Committed Development Loans". The total volume of global loans, on which we refinance the brokered development loans, amounted to EUR 439.9 million as per the reporting date, compared to EUR 287.5 million as per the end of the previous fiscal year. Of this amount, EUR 198.2 million was utilised (previous year: EUR 152.0 million).

The GRENKE Consolidated Group uses a variety of instruments for refinancing and staggers their maturities over several periods. This allows us to respond flexibly to changes in the refinancing markets. The following table shows the expected cash outflows resulting from contractual obligations as per December 31, 2018. Out of a total of EUR 1.3 billion of financial liabilities maturing in 2019, liabilities under ABCP programmes total EUR 333.6 million and bonds, debentures and private placements EUR 801.8 million. The largest individual position is a EUR 145.0 million bond, due for repayment in May 2019. Details on the maturities of the individual instruments are presented in the notes to the consolidated financial statements in section 5.10 "Current and non-current financial liabilities".

The GRENKE Consolidated Group's off-balance-sheet obligations totalled EUR 905.2 million as per December 31, 2018 (previous year: EUR 688.5 million). In addition to the usual purchase obligations in the ordinary course of business, these also include lease and rental agreements, financial guarantees, irrevocable credit commitments and obligations from onerous contracts. Further details on the off-balance-sheet obligations are presented in the notes to the consolidated financial statements in the section "9.3 Contingencies (contingent liabilities) and other financial obligations".

EXPECTED CASH OUTFLOWS FROM CONTRACTUAL OBLIGATIONS

			Payments Due			
EURk	**Dec. 31, 2017 Total**	**Dec. 31, 2018 Total**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**after 5 years**
Financial liabilities	3,491,071	4,199,009	506,744	796,964	2,628,903	266,398
ABCP related liabilities	*720,895*	829,633	91,321	242,279	494,419	1,614
Bonds, debentures, private placements (denominated in EUR)	*2,264,058*	2,768,352	338,413	412,436	1,756,401	261,102
Bonds, debentures, private placements (not denominated in EUR)	*125,769*	185,144	22,276	28,683	134,185	0
Sales of receivables agreements (denominated in EUR)	*20,594*	15,573	1,979	5,936	7,658	0
Sales of receivables agreements (not denominated in EUR)	*132,569*	144,930	17,741	45,974	81,215	0
Payments related to bank liabilities	*227,186*	255,377	35,014	61,656	155,025	3,682
Hybrid bond	170,411	163,625	0	9,375	154,250	0
Leases and rentals	41,374	49,993	4,455	12,387	28,508	4,643
Irrevocable credit commitments	3,956	5,420	5,420	0	0	0
Financial guarantees	38,426	75,691	75,691	0	0	0
Purchase obligations*	603,441	772,395	584,498	187,897	0	0
Obligations from onerous contracts	1,277	1,738	244	467	1,027	0
Total contractual commitments	**4,349,956**	**5,267,871**	**1,177,052**	**1,007,090**	**2,812,688**	**271,041**

* Legally binding obligation to purchase goods and services and trade payables. See notes to the consolidated financial statements 9.3 "Contingencies (contingent liabilities) and other financial obligations".

2.5 OVERALL STATEMENT ON THE BUSINESS PERFORMANCE AND FINANCIAL SITUATION OF THE CONSOLIDATED GROUP

The Board of Directors views the 2018 fiscal year as another year of very satisfactory business development for the GRENKE Consolidated Group. All of the targets announced at the beginning of the year were either achieved or even slightly exceeded.

GRENKE Group continued its growth course during the reporting year and increased new business by 22 percent and clearly exceeded the long-term goal of at least 12 percent growth per annum. New business growth in the Leasing segment reached the upper end of the target range, which was increased in the course of the year, and the growth in the Factoring segment remained within the forecast range.

We also reached some important milestones in terms of our geographic expansion and extended our global presence in the reporting year to a total of 144 locations in 32 countries. This was accomplished by cell divisions in existing markets, our market entry into the Baltic States (Latvia) and through our acquisition of franchise companies.

At the same time, our profitability was able to keep pace with the high level of new business growth. Under accounting standard IFRS 9 "Financial Instruments", the Consolidated Group's net profit rose 24 percent to EUR 131.1 million placing it at the upper end of the target range of EUR 126 to 132 million raised during the year. Based on our favourable earnings performance in the 2018 fiscal year and the capital increase carried out in June, we were also able to further strengthen our equity base. At 18.5 percent, our equity ratio at the end of 2018 was noticeably above our long-term benchmark of 16 percent. This solid equity base gives us a number of refinancing alternatives on the capital market and is the foundation for the growth we have planned in the future.

3. FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

The financial performance indicators used by the GRENKE Consolidated Group in the 2018 fiscal year are presented in section "Management System". In addition to the key financial figures, the enterprise value of the GRENKE Consolidated Group is also determined by non-financial performance indicators. The following are the non-financial performance indicators under German Accounting Standard No. 20 that apply:

- Workforce development: The GRENKE Consolidated Group's average number of employees totalled 1,456 employees (previous year: 1,229 employees). Of these, roughly 569 were employed at our German locations (previous year: 502 employees) and 887 (previous year: 728) at our international locations. The Consolidated Group's workforce increased due to new hirings and as a result of acquisitions completed during the reporting year.
- Staff turnover rate at the Consolidated Group: The percentage of employees leaving the Company in relation to the total workforce was higher year-on-year, averaging 9.5 percent at the Consolidated Group level (previous year: 7.8 percent). As in prior years, turnover among management and senior executives was lower than the average for the Consolidated Group.
- Gender ratio at GRENKE AG: The target for the equal participation of women and men in management positions in the second and third management levels of 25 percent each was reached in 2018. It is our objective to maintain a gender ratio of at least 25 percent in the two management levels below the Board of Directors by December 31, 2021.
- Number of trainees/dual-study students: In the 2018 fiscal year, the number of trainees and dual-study students in Germany increased to 55 (previous year: 47).
- Professional training: The percentage of employees at the GRENKE Consolidated Group who took part in various training courses was 89 percent in the reporting year (previous year: 86 percent) and demonstrates the strong interest of the employees in continuing education opportunities.

For further information, please refer to the following non-financial statement.

4. NON-FINANCIAL STATEMENT

Our non-financial engagement is, in our opinion, the keystone of our future position versus our competition. It encompasses the effect of our business operations and the activities of the Consolidated Group on the ecological environment and, particularly, our relationship with our partners in the capital market, our employees and our customers. All of the issues in the area of Corporate Social Responsibility (CSR) play an integral part of GRENKE's risk management, which is detailed on page 45 of this report. In preparing the separate non-financial report for the Consolidated Group, we not only look at the significant risks to our business activities, but also consider risks having a significant negative impact on the interests defined in the context of non-financial reporting (Section 315c in conjunction with Section 289c (3) nos. 3 and 4 HGB).

Concerning our sustainability activities, we would like to draw particular attention to our involvement in integrating funding programmes into our financial services. These include business start-up financing as well as our new promotional voucher programmes for lease purchases (please see the management report, page 20). Our business model is described in detail in the section entitled "Consolidated Group Principles" (page 20).

As a financing partner for SMEs, our role begins after the leasing object has been manufactured. We make sure that we only purchase items from suppliers and manufacturers that are brand new and comply with the applicable market standards. GRENKE is also committed to utilising and finding further economic value for used leased objects. Further information on our relationship with our business partners can be found in "Corporate Code of Conduct" on page 36.

This report presents the non-financial statement of the GRENKE Consolidated Group in accordance with the CSR Directive Implementation Act, which came into force on January 1, 2017. Unless otherwise stated, the following information refers exclusively to the GRENKE Consolidated Group.

4.1 IMPORTANT ISSUES AND STAKEHOLDER ENGAGEMENT

In 2017, in the context of a materiality analysis, we identified facts that are highly relevant from a corporate perspective and for the Company's sustainable success. As part of this analysis, GRENKE also reviewed the interests and expectations of its various stakeholders. Our most important communication partners include our employees, business partners such as customers and resellers, our shareholders, the capital market, government bodies and society. We regularly approach these stakeholders with communications specific to the respective target group. These communications include conventional forms of communication such as letters, phone calls and e-mails, as well as the following additional communication channels:

COMMUNICATION WITH OUR STAKEHOLDERS

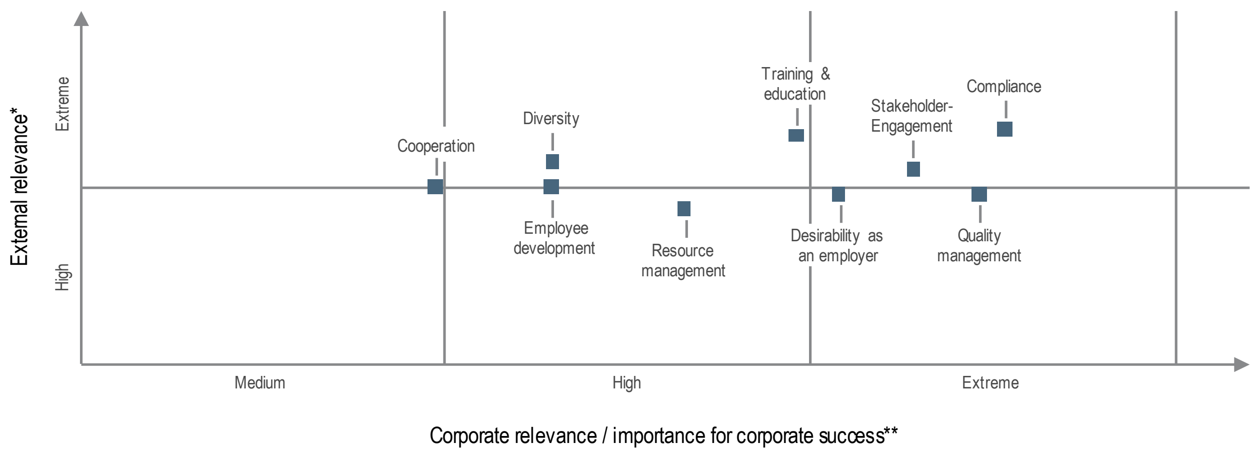
Stakeholders	Communication channels
Employees :: Management :: Employees	Consolidated Group-wide management forum, periodic information for employees, employee surveys, occupational safety and health awareness campaigns
Business partners :: Customers/dealers from the three business segments Leasing, Banking and Factoring	Customer visits and workshops, welcome calls, participation in trade fairs, publication of "Mittelpunkt" employee magazine, customer satisfaction surveys
Shareholders/Capital market :: Investors (debt and equity) :: Analysts :: Rating agencies	Financial reports, Annual General Meetings, analyst and investor conferences, roadshows and capital market conference, rating reports (S&P, GBB)
Government Bodies :: Supervisory authorities :: Regulators :: Auditors :: National and international legislators	Supervisory discussions, notifications and reporting, financial reporting
Society :: Potential employees :: Media representatives :: Local stakeholders :: Non-profit institutions	Social media presence on XING, LinkedIn, Facebook and kununu, corporate reporting, exchanges with the media representatives, "Mittelpunkt" employee magazine, interaction in charitable projects

The suggestions, wishes and complaints of our employees, suppliers, lessees and other business partners have been systematically recorded and evaluated since 1996.

A so-called "internal satisfaction survey" related to superiors and other departments is included in the Balanced Scorecard (BSC) evaluation, which in turn is part of the variable remuneration.

We also evaluate suggestions and criticisms from our borrowers and specialist reseller partners on an ongoing basis using a so-called "external satisfaction survey". This ensures that the feedback we receive is part of a structured process so that we can take this information into account when, for example, we expand our range of products or services.

MATERIALITY MATRIX



* Based on the assumed expectations of the respective stakeholders, e.g. the customers, Supervisory Board, investors and rating agencies.
** Based on the management's and the departments' assessment

In the course of a materiality analysis, all relevant topics and aspects were identified and discussed in internal working groups with department representatives and validated, defined and formulated as key performance indicators (labelled KPI). This was performed while keeping in mind our stakeholders' expectations. We record the results in a materiality matrix that lists the main topics according to their internal and external relevance. SEE DIAGRAM "MATERIALITY MATRIX"

The next step was to categorise these key topics under four higher-level action areas. A special emphasis was also placed on the overlapping topics of "quality management" and "stakeholder engagement" – which are summarised separately.

AREAS OF ACTION AND RELATED KEY TOPICS

Areas of action	Topics
Sustainable Human Resource Management Recruiting and retaining qualified and responsible employees are one of the most important pillars of our corporate success. GRENKE is loyal to its employees and lives up to its duty of care.	Training & education Employee development Desirability as an employer Diversity
Responsible Corporate Management Ethical and legal norms define our actions. We comply with the applicable regulations and laws, internal rules and identify with the principles of transparent corporate governance.	Compliance
Resource Management We pay attention to the responsible use of all available resources.	Resource management
Community Involvement We fulfil our social responsibility to society. We support projects and organisations in the areas of social issues, youth, sports and culture.	Collaborations
Overlapping topics at GRENKE	"Quality Management" and "Stakeholder Engagement" are overlapping topics explained on pages 36 and 34.

The following pages detail our areas of action which are "Sustainable Human Resource Management", "Responsible Corporate Management", "Resource Management" and "Community Involvement". With these areas, along with the two overlapping areas, we cover the five aspects – environment, employees, social issues, respect for human rights, and combatting corruption and bribery – from the CSR Directive Implementation Act in accordance with Section 289c (2) HGB. Furthermore, we report on the status of our CSR strategy process over the past fiscal year and on the KPIs assigned to the key topics.

No framework was applied in the preparation of this non-financial statement or in the selection of the key figures presented. In the 2018 fiscal year, we continued to evaluate the option of implementing an international reporting standard, and this process was still ongoing at the end of the year. The standard, which is yet to be defined, will serve as a framework for explicit CSR reporting in the future, supplementing the reports that exist today in the individual areas.

4.2 CORPORATE CODE OF CONDUCT

At GRENKE, we see the Corporate Code of Conduct as an interdisciplinary concept that affects all of the areas of action described below. It defines how we choose to act, responsibly, not only in our economic environment but also towards our employees and society. That is why our Corporate Code of Conduct goes beyond the legal and regulatory requirements in our international markets and gives our actions an ethical framework. We do this because we want to ensure that the fundamental values that characterise our diverse international organisation are respected and practised. Therefore, our Corporate Code of Conduct is seen as the foundation for the ongoing development of our CSR strategy.

We are also committed and take the appropriate measures to ensure that the GRENKE Code of Conduct is adhered to – even in our mutual business relationships. This principle is all the more important as companies around the world are increasingly applying their own codes, including codes of conduct, corporate codes and compliance codes.

4.3 QUALITY MANAGEMENT

Based on the guidelines of the Corporate Code of Conduct, we have a quality management system that sets the guidelines for almost every action taken by the GRENKE Consolidated Group and therefore also shapes our CSR strategy. All of the Consolidated Group's established business and work processes are scalable and customer-oriented as part of our quality management. This ensures that our domestic and international customers receive simple, flexible and cost-efficient financing solutions on-site. All employees have access to our quality management system. These measures enable us to respond appropriately at all times.

We see our 20-year certification of our quality management system, which was awarded to the GRENKE Consolidated Group for the first time in June 1998, as not only an incentive but also a commitment to continually improving our products and services. After this year's surveillance audit, TÜV SÜD Management Service GmbH once again confirmed that we have a well-functioning and effective quality management system that fully complies with the requirements of the ISO 9001:2015 standard. Our current certificate is valid until October 24, 2019. Our certified locations and businesses can be found on our website. :

► SEE WEBSITE WWW.GRENKE.DE/UNTERNEHMEN/GRENKE-DEUTSCHLAND/AUSZEICHNUNGEN-ZERTIFIZIERUNGEN

4.3.1 THE QUALITY MANAGEMENT CYCLE

Quality management is the central component of our corporate philosophy, risk management and due diligence process. In a so-called quality management cycle, which includes the modules "quality policies", "quality objectives", "programmes and projects", "quality audits" and "quality reviews", we systematically examine and optimise our organisational structure, processes and results within the Consolidated Group in order to contribute to the long-term success of the Company.

QUALITY MANAGEMENT CYCLE

As part of this quality management cycle and in addition to the recertification audits and TÜV monitoring mentioned, we carry out internal audits and continuously record quality-relevant documents, which are updated annually or every six months. This is how we ensure that our quality management reflects both current legislative changes and any recent product or process modifications. Equally important is that an internal audit, or certification, is a prerequisite for the acquisition of franchise companies and integrated into the takeover process. This allows us to identify any deviations in the process early enough to make any necessary adjustments. In the past fiscal year, KPI 16 locations were audited by TÜV SÜD as part of the random sample certification (previous year: 16). In addition, 131 internal audits took place (previous year: 112).

4.4 SUSTAINABLE HUMAN RESOURCE MANAGEMENT

The success of the GRENKE Consolidated Group rests on the skills and dedication of its employees. Hiring, retaining and developing our employees accordingly is at the core of our HR strategy. As a family business, we are loyal to our employees and take our duty of care seriously.

Beyond the legal and regulatory requirements, employee concerns are of utmost importance to us in terms of our corporate identity. The way we work and interact internally is set out in our Corporate Code of Conduct (see page 36). This code clearly defines both the obligations of the employees towards the Company and those of the Consolidated Group towards the employees. We focus, in particular, on mutual appreciation, fairness and respect. We encourage personal responsibility and equal opportunity, promote our employees' individual strengths and consider their requests when it comes to improving the work environment.

Our human resource management focuses on training and education, employee qualification, development and recruitment and our desirability as an employer.

Our Human Resources department coordinates and monitors all personal issues. In keeping with due diligence, HR topics are documented by means of key performance indicators and regularly evaluated and discussed at the meetings of the Board of Directors.

4.4.1 TRAINING AND EDUCATION

A qualified, autonomous workforce is one of the GRENKE Consolidated Group's greatest assets, especially when there is a shortage of skilled workers. Our goal in the area of training and education is to attract the highest number possible of suitable trainees and potential managers to GRENKE at an early stage. To do this, we rely on a host of supplementary activities, which are also described in this report. Other measures include training management, partnerships with schools as part of the "Business Provides Education" campaign, internships as well as a variety of campaigns we sponsor in the area of vocational training.

4.4.1.1 Training Management and Dual-Study Programmes

A central concern is to give our employees all of the skills they need for their professions. As part of our training, we give trainees individual attention based on their needs taking into account their strengths as well as the areas where they need more development. Along with introductory days at the beginning of the apprenticeship and a defined feedback process (see "Employee Qualification and Development" on page 36), training also includes a semi-annual shift schedule that incorporates the areas where the trainees desire additional training.

In each department contact persons (vocational trainers) and deputies who have already taken the Chamber of Industry and Commerce (IHK) training exams are assigned to the individual apprentices. These persons are responsible for supervising and accompanying the trainees and introduce them to specific vocational topics. By assuming assignments in various departments, the trainees are able to gain a comprehensive understanding of the Company's processes In addition, we make sure that all trainees receive the same training information by providing them with standardised training plans. As their development progresses, trainees actively participate in projects and are able to incorporate their own ideas. This extensive training programme ensures that the trainees' understanding of the Company goes far beyond their later job descriptions.

Our goal in training and developing talent from within the Company is to ensure that we have an abundant source of trained workers available to us at an early stage. In Germany, we offer training in the following fields in cooperation with the IHK:

:: Office manager
:: Dialogue marketing specialist
:: IT specialist application development and system integration

We have also been sponsoring training for young trainees in various study courses in cooperation with the Baden-Wuerttemberg Cooperative State University (DHBW) since 2004. Our training offer encompasses the following degree courses:

- International (tri-national) Business/International Business Management (B.A.)
- Business Administration German/French Management (B.A.)
- Business Administration/Financial Services (B.A.)
- Accounting & Controlling (B.A.)
- Business Informatics (B.Sc.)
- Applied Computer Sciences (B.Sc.)

Due to the ever-evolving market situation, it is important that we review our training programme regularly. Through our ongoing market research, we have identified new vocations and courses of study and are striving to expand our training portfolio to better meet the needs of our junior staff.

In the 2018 fiscal year, 55 trainees (previous year: 47) participated in either vocational training or a dual-study programme in Germany. In addition, we hired every 6 out of 8 trainees, corresponding to a hiring ratio of KPI 75 percent (previous year: 71 percent). The development internationally was as follows: our French subsidiary, GRENKE Location SAS, showed a decline from 16 to 14 trainees in 2018. In addition, 11 trainees completed their vocational training, and 2 were subsequently hired. In Italy, GRENKE is now supported by 1 junior staff, and 2 are supporting our operations in Switzerland. The training ratio at the GRENKE Consolidated Group entities' offering training is KPI 6.1 percent compared to 6.2 percent in the previous year.

In 2018, we received an award for our commitment to training management in the course of the study "Best German Training Company" conducted by "Capital" business magazine. This recognition encourages us to maintain the high standards of our training and continue to increase the quality of our training programme.

4.4.1.2 School Partnerships, Corporate Internships and Training Ambassadors

As part of the "Business Provides Education" campaign sponsored by the Chamber of Commerce and Industry (CCI), GRENKE has signed cooperation agreements with the Markgraf-Ludwig High School and the Richard-Wagner High School, both located in Baden-Baden, and with the Lothar von Kübel Secondary School in Sinzheim. The aim is to provide students with a better understanding of economics, facilitate career guidance and make the application process easier, in addition to strengthening the counselling skills of the teachers. In 2018, we were involved in workshops, sponsorships and trade fairs such as the Karlsruhe education fair "Career Start". We also regularly offer our students the opportunity to take part in job application training and participate in our Annual General Meeting. These offers were utilised again by the students in 2018.

In 2018, we offered two week-long student internships at our Consolidated Group's headquarters in Baden-Baden. During that time, we bundle our individual internship offers and give students the opportunity to familiarise themselves with different professions. The participants learn about the various departments of the GRENKE Consolidated Group and complete job application training. They also find out about our training offers, exchange information with our current trainees, which can help them in their decision about what direction to pursue when they graduate. These internships gave 30 students the chance to gain insight into the GRENKE Consolidated Group and receive helpful tips for their professional future. We also sponsored seven additional internships in which trainees were permitted to visit the departments of their choice.

Our trainees have the opportunity to be trained by the IHK as "training ambassadors". In this role, they support the IHK in career orientation events, among other things, and present their job profile as well as our Company.

Due to the strong presence in the early vocational education sector, our aim is to support the students in their career orientation and have a lasting effect on their awareness of GRENKE as a committed, attractive training company and employer.

4.4.2 EMPLOYEE QUALIFICATION AND DEVELOPMENT

Business and work processes, as well as the legal framework, are changing. Knowledge, motivation and the continuous training of the workforce are becoming a strategic corporate resource, which is growing in its importance in a constantly changing market environment. As a result, we firmly believe that it is well-qualified employees that make the difference. Further education brings expertise into the Company, promotes innovative strength, performance and readiness, as well as the satisfaction of the workforce. Actively accompanying and shaping the processes of change today and tomorrow, together with our employees, is a goal that is firmly embedded in GRENKE's personnel development concept.

4.4.2.1 Introduction and Orientation

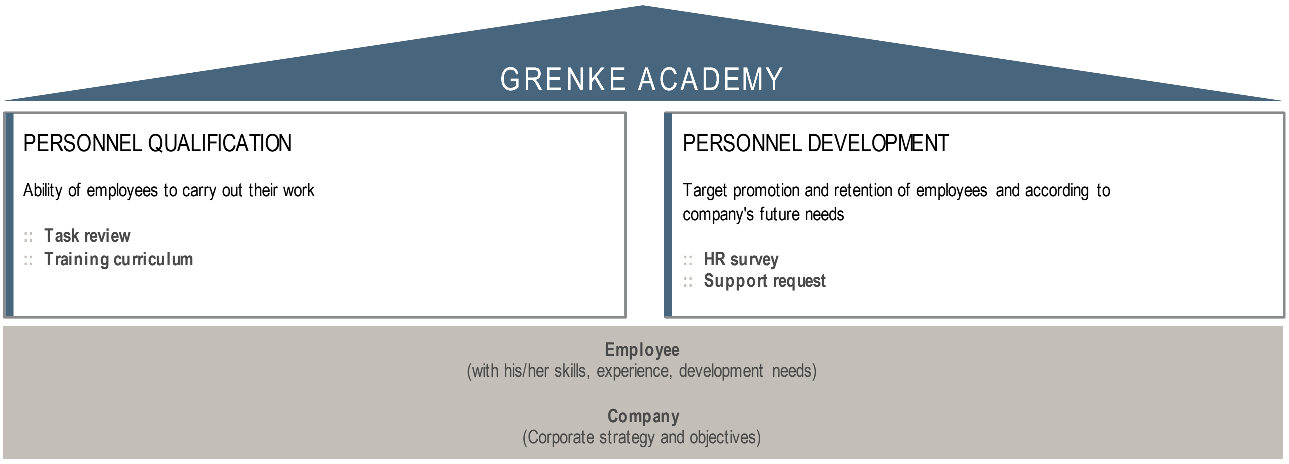
We want to make an employee's start in our Company as positive of an experience as possible. This is the reason we assign a permanent contact person to accompany potential new employees as early in the process as possible and provide them with information every step of the way. Potential employees also have the chance to get to know the team personally before they start during a trial workday.

New employees are accompanied through a special induction process right from the start. An important part of this process is "Join GRENKE", a programme that presents the individual departments in the form of webinars. These seminars are broadcast over the Internet and present the respective areas of responsibility as well as the interaction of the individual departments during the familiarisation phase. These introductory dates are offered at regular intervals by the Human Resources (HR) department and coordinated individually with the responsible manager. In addition to the orientation process, new employees also receive vocational training within their department's team.

In their first year of employment, all new employees also attend a three-day introductory event at the Consolidated Group's headquarters in Baden-Baden. The concept for the event is periodically reviewed and revised in close cooperation with the respective speakers.

In order to ensure that we efficiently manage these and other employee-related processes, we have decided to introduce new HR management software. This software will support the HR team as well as all of the managers in their HR-related duties and offer functionality that can be an advantage in recruiting, developing and creating loyalty among our employees.

STRUCTURE OF THE GRENKE ACADEMY



4.4.2.2 The GRENKE Academy

The GRENKE Academy offers practical, instructive and methodically structured continuing education at all locations. Through the addition of modern e-learning programmes and an ongoing evaluation process, we ensure the quality of the education offers and the effective transfer of knowledge within the Company. We strive to ensure that each year as many employees as possible take advantage of at least one of the Academy's further education offers. The number of participants is included in the training ratio (see page 42).

The Academy is subdivided into the two areas of personnel qualification and development, and training courses are developed and tailored for the different business areas and the promising pool of talent within the organisation. SEE DIAGRAM "STRUCTURE OF THE GRENKE ACADEMY"

Through personnel qualification, our aim is to support employees in their everyday work by offering high-quality, practice-oriented continuing education and ensuring that they remain qualified for their areas of responsibility. When putting together the annual training programme, we pay particular attention to offering a mix of internal and external training as well as complementary individual training on special subjects.

Internal training is provided by GRENKE's departmental experts and accompanied and supported by the HR department. For external training, we hire qualified trainers for the respective vocational topics. The HR department uses a proprietary evaluation model to select and evaluate external trainers and coaches.

A job evaluation meeting is held once annually between the employee and his or her manager. In this meeting, for example, there is a discussion about fulfilment of the job duties and an assessment of the employee's performance and individual skills. If we conclude that additional training is necessary then we take this into account when designing our annual training programme.

Personnel development is dedicated to the individual support and development of our employees in line with our corporate targets using the following two instruments:

:: Once a year, we conduct the "HR survey on personal development" at GRENKE AG. In this survey, employees can let us know what they would like to have in terms of personal development within the Company. The survey is conducted online through the employee portal. The aim of this survey is to give employees a confidential means in which to express to the Company their professional development wishes and personal goals. The survey gives GRENKE an opportunity to obtain information about its employees' capabilities and their performance and personality potential, as well as their individual willingness to learn and change in a way that is non-discriminating and objective.

- Our employees are given the opportunity to apply for specific training or a grant for training outside of the annual training programme. After the application is approved, an individual grant agreement is drawn up in cooperation with the HR department.

In 2018, for the first time, a programme for an international group of middle management executives was conducted throughout the Company under the name "Leadership Personality". A second group began the programme in the fall of 2018. The programme consists of a total of 4 modules (8 attendance days), followed up by a refresher and sustainability day in the following year and deals with GRENKE-specific topics, including a focus on the theory and practice of managing employees. The programme promotes an open exchange and the practical experience and application of the learning content. We receive support in implementing this programme from an external partner. In the 2019 fiscal year, management development will continue to be a priority at GRENKE and further expanded. In addition to the executive programme, we also intend to implement new career paths to employees.

Demand for GRENKE Academy's continuing education programme remained strong in the reporting year. In 2018, KPI 89 percent of GRENKE Consolidated Group employees participated in the Academy's training courses (previous year: 86 percent).

4.4.3 A DESIRABLE EMPLOYER

Positioning ourselves as a desirable employer is of key importance to the GRENKE Consolidated Group. To do this, we offer our employees an attractive and secure work environment, flexible work schedules and fair salaries.

4.4.3.1 Health and Safety

Our health management plan is based on our Corporate Code of Conduct. Our goal is to sustainably promote the well-being of our workforce and provide a safe work environment. In order to do this, we have complied with the legal requirements for occupational safety and health protection and regularly offer our employees medical check-ups, for example, for preventative health care. In Germany, we identify possible health risks for each workplace and define suitable solutions. Above all, these solutions are focused on ergonomic design together with general information about potential dangers in the individual workplace.

During the past reporting year, we further strengthened our two new pillars supporting our occupational health management.

For one, we added to our GRENKEmachtfit health platform, launched in 2017. This platform was also used to effectively set up the requisite occupational health and safety screening G37 and organise health days. We also coordinated internal sports groups, which promote health maintenance and strengthen team spirit.

Nearly 40 percent of our employees in Germany have already taken advantage of the health platform's offers and as a result were active for a total of 2,330 hours. We invested EUR 30k in the health of our workforce in this way.

We plan to transfer this success to other locations and have already tasked the local employees responsible with designing other suitable health platforms or research similar offers.

A pilot seminar programme focusing on "Healthy Leadership" was successfully launched in cooperation with an external provider and included in the GRENKE Academy training catalogue in 2018, prompting two more groups to attend the modular series of seminars. The programme provides valuable support for employees' professional and private lives. Issues can also be explored more deeply and personally tailored, especially in the context of individual coaching sessions.

Given the very positive response to the subject matter of the "Healthy Leadership" seminars, we held two health days in October 2018 in Baden-Baden and in Karlsruhe with the same external provider to familiarise our workforce with the topic of stress prevention. Employees were able to learn about stressors and mental and regenerative stress capabilities in a lecture entitled "Managing stress in a healthy way". The health days were visited by 25 percent of our resident employees. The personal feedback we received from several participants confirmed that this offer plays an important role in the Company's health management programme.

To continue to strengthen GRENKE's corporate health management system, additional services will be provided in cooperation with HR Talent Development.

In addition, employees have the option to take part in the following team-oriented sports:

- Since 2006, the Company football team has been meeting in Baden-Baden once a week for training and has also been taking part in recreational tournaments.
- As early as 2014, a group of GRENKE employees took part in the B2RUN corporate run. This year a total of 84 employees participated. A group of GRENKE employees also joined in the Baden marathon in Karlsruhe for the first time.

4.4.3.2 Work Scheduling and Remuneration

We want to provide our employees with a work environment that offers an optimal balance between work and family life. For example, GRENKE employees can take advantage of individual, lifecycle-oriented work schedules and workplace models. With our digital infrastructure, employees can also choose flexible work arrangements, such as home offices. Remuneration at GRENKE is performance-oriented and based on the GRENKE Balanced Scorecard (BSC).

4.4.4 EMPLOYEE RECRUITMENT

At GRENKE, recruiting and retaining new employees is very important to us. Our aim when it comes to recruiting employees is to ensure a sufficient workforce while keeping the turnover rate as low as possible (see page 34).

To achieve this goal, we are steadily working to make GRENKE known as an employer brand both regionally and nationally. GRENKE uses selected social media to effectively address new audiences and increase the reach of job advertisements and recruiting initiatives. One example of this is our uniform presence on XING, kununu, LinkedIn and Facebook since 2017. Potential applicants can gain tremendous insight into the Company and exchange with our employees. We plan to gradually increase our use of communication channels filled with the right content in 2019 to prepare for our new brand presence.

In 2018, we again attended numerous recruiting trade fairs and introduced ourselves, among others, at the CareerContacts and the KIT career fair in Karlsruhe and also attended at the multi-sponsored event entitled "catch-the-job".

In addition to the cooperation with the Baden-Wuerttemberg Cooperative State University (see page 38), the GRENKE Consolidated Group also organises other activities in cooperation with selected universities and campaigns which can also contribute to strengthening our employer brand and, consequently, recruiting staff. In the past year, for example, this included our sponsorship of the "Tradity" education initiative, which, under the motto "Gamifying Education" aims to make the exchange of knowledge more digital and individual in the future. As part of the German scholarship, we are also funding five scholarship holders at the Karlsruhe University of Applied Sciences in the fields of Computer Science, International Management and Business Informatics.

4.4.4.1 Diversity

To promote the equal participation of men and women in management positions, we achieved our 25 percent target for women in each of the second and third management levels in the past fiscal year. We also intend to maintain a gender-specific ratio of at least KPI 25 percent in each of the two management levels below the Board of Directors until December 31, 2021.

When selecting new employees, we will continue to adhere to the principle of equal treatment. If recruitment agencies are involved, they are encouraged to include all genders equally in their selection in order to find the most qualified candidate for the advertised position.

Through qualified training we would like to prepare our employees to meet the demands placed on them. In the future, we will focus even more heavily on supporting and qualifying our female workforce.

4.4.4.2 Workforce Development

The Consolidated Group’s workforce increased again in the reporting year due to further hiring and acquisitions. On average, GRENKE employed around 1,456 people in the past year (previous year: 1,229). An average of around 569 employees were employed at our German locations (previous year: 502), while our international locations employed 887 people (previous year: 728).

4.4.4.3 Employee Turnover

The Consolidated Group’s employee turnover rate averaged KPI 9.5 percent (previous year: 7.8 percent). In Germany, the rate was 10.4 percent versus 7.4 percent in the prior year, whereby the turnover rate for managers and executive employees was again significantly lower than the average for the Consolidated Group.

4.5 RESPONSIBLE CORPORATE GOVERNANCE

GRENKE AG broadly complies with the German Corporate Governance Code (GCGC) and is committed to the topic of compliance. Legal compliance in addition to respecting human rights and complying with ethical standards is seen by GRENKE, as a financial services institution, as a mandatory fundamental requirement for our business activities and, therefore, a top priority. We comply with legal requirements and take the appropriate actions to counteract any potential risks for GRENKE. To achieve this, we train our employees in compliance-related topics and conduct audits.

The Board of Directors informs the Supervisory Board regularly, promptly and comprehensively with respect to compliance issues. The Supervisory Board also addresses compliance issues in its Audit Committee.

4.5.1 COMPLIANCE MANAGEMENT

Compliance at GRENKE covers all business activities and processes. We believe acting in accordance with relevant laws and supervisory and internal regulations is a matter of course. Based on our Corporate Code of Conduct, the respectful treatment of customers, employees and other stakeholders is just as important to us as equality, anti-discrimination and respect for human rights. All corporate bodies and employees are kept informed by e-mail and in training courses via the company’s intranet of mandatory laws, internal regulations, as well as any reforms or changes.

In our international business operations, the different legal systems and laws in the 32 countries where the GRENKE Group operates represent a key challenge. To meet this challenge, we have created a Group-wide Compliance Management System (CMS) that seeks to comply with the diverse requirements and mitigate operational risks and uncertainties. Our CMS is based on international compliance standards, relevant legal requirements and the outcomes from discussions with specialised departments. GRENKE increases the effectiveness and efficiency of CMS by continuously reviewing and adapting to risks, laws and the industry's development.

Compliance and money laundering risks are analysed yearly by GRENKE's local foreign subsidiaries, and the results of these analyses form the foundation for the Consolidated Group's risk management system. Risks associated with company acquisitions should be minimised by carrying out a due diligence process prior to the acquisition. Local compliance officers in the respective countries ensure that our standards are adhered to both domestically and internationally. At the Group level, subsidiaries are monitored regularly by the designated Compliance Office group in the course of compliance and money laundering audits.

Local compliance officers report directly to the compliance officer of the GRENKE Group, who then informs the relevant members of the Board of Directors of any material findings. GRENKE Group's compliance officer also helps the Board of Directors avoid committing violations of the law, corruption and fraudulent activities and assists in their clarification. The Supervisory Board receives a detailed annual compliance report so that it can review the effectiveness and adequacy of the CMS.

We vigorously combat potential money laundering and terrorist financing, as well as other offences through a variety of operating procedures and policies. The appointment of national anti-money laundering officers forms the basis for the Consolidated Group-wide compliance with the law. To ensure this, we have opted for a system-based process. The Supervisory Board is kept informed of the aforementioned issues through a yearly report provided by the anti-money laundering officer.

Our employees have a variety of ways to report possible rule violations. Naturally, this information is treated confidentially and fairly. GRENKE takes adequate steps to discourage violations of the applicable laws.

4.5.2 DATA PROTECTION

Data protection is an important issue at the GRENKE Consolidated Group. Our goal is to continuously develop our data protection management system so that we are able to implement the data processing activities in the Consolidated Group in accordance with the legal requirements and also recognise potential violations at an early stage so that we can formulate the appropriate countermeasures.

The European General Data Protection Regulation (GDPR), which went into effect on May 25, 2018, establishes harmonisation within the European Union. Due to GRENKE's international business activities, the different legal systems with their varying national legal requirements will continue to represent a data protection challenge for GRENKE in the future.

To meet this challenge, both GRENKE AG, as the parent company, and its Consolidated Group companies have each appointed their own data protection officers. These data protection officers teach the workforce about data protection and are available to customers, business partners and employees as contact persons. We have also launched a project for the uniform implementation of data protection requirements that takes into account that the GDPR has provided for a number of so-called opening clauses. These clauses allow national legislators to supplement or extend their rules, which means that different data protection regulations may continue to apply in individual member states alongside the GDPR provisions. As soon as a member state uses an opening clause with national data protection regulations to supplement or expand the requirements, GRENKE's project team takes these into account and adapts the existing processes accordingly. To maintain this high level of data protection, GRENKE has also decided to implement the provisions of the GDPR across the Consolidated Group, provided the individual countries do not apply stricter regulations.

4.5.3 COMPLIANCE TRAINING AND AUDITS

Our employees' solid understanding of compliance is the key to achieving our goal of counteracting violations. To facilitate this, we make it a point to ensure that all new employees throughout the Consolidated Group receive a comprehensive introduction to the topics of compliance, money laundering, corruption and bribery with a special emphasis on the correct handling of gifts and invitations.

In 2018, as part of the three-day introductory event, 237 of the 501 newly hired employees, including franchisee employees and apprentices, received training on the above topics at our headquarters in Baden-Baden. This number is equivalent to a training ratio of KPI 47.3 percent (previous year: 52.4 percent). By expanding our training programme, we were able to train a higher absolute number of employees, however, due to the higher number of new employees, the percentage share of employees trained declined. In the years ahead, we intend to continue increasing the proportion of compliance training seminars taking place at our corporate headquarters. By providing additional online training, as well as training from our national compliance and anti-money laundering officers, we ensure that compliance-related information is continuously communicated throughout GRENKE.

During the past fiscal year, we also carried out KPI 12 scheduled compliance and money laundering prevention audits on-site at our subsidiaries (previous year: 11 audits). These audits, performed every three years, examine the existence, adequacy and effectiveness of our CMS and anti-money laundering activities.

4.6 RESOURCE MANAGEMENT

In line with our Corporate Code of Conduct, the GRENKE Consolidated Group is committed to the responsible handling of all available resources. That is why the area of resource management combines all of the measures that increase our environmental performance. At the core of this effort is the concept of a "paperless office", more energy-efficient locations, certified energy audits and our policy on travel costs.

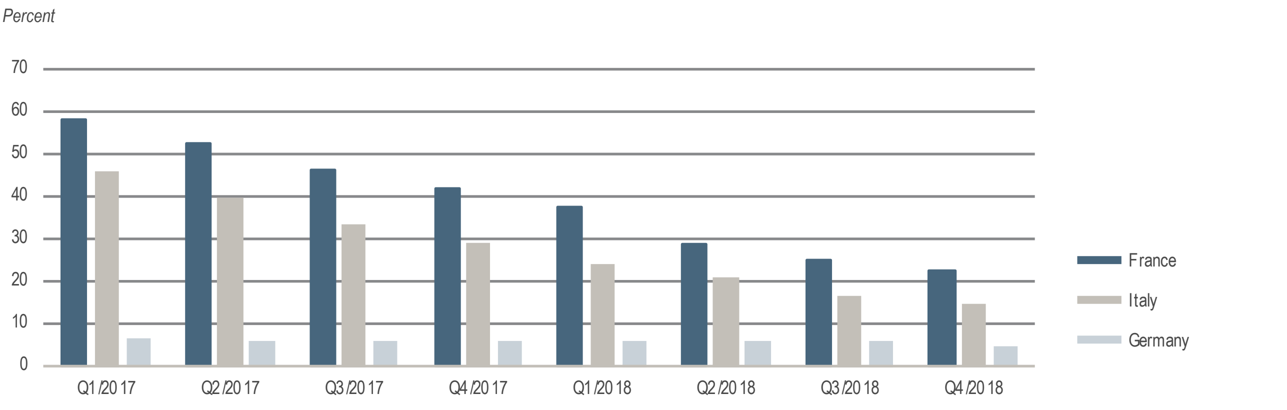
4.6.1 THE "PAPERLESS OFFICE" CONCEPT

As an internationally established provider of lease finance, our business traditionally involves a very high volume of documentation. For this reason, our goal is a continuous reduction in our paper consumption. Three digitisation initiatives supporting this are summarised in our "paperless office" concept:

- By having digital personnel files, we enable our employees to handle and process important formalities such as vacation requests and payroll statements without paper
- Using the customer portal, our customers are able to manage their contracts, invoices and data online at any time. By the end of the 2018 fiscal year, this portal was available to customers in 21 countries, with plans to launch in other countries in the future.

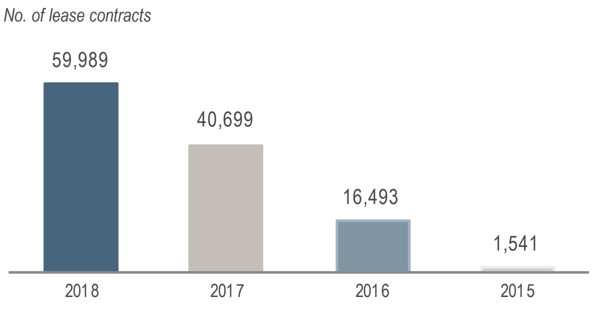
In addition, there is another form of electronic invoicing in the public sector. As a result of an EU Directive (2014/55/EU), all EU countries are required to gradually introduce e-invoicing – at least in the business-to-government sector – which means the electronic exchange of invoice data in a machine-readable format (e.g. XML) between the biller and recipient. In 2018, we introduced e-invoicing at our subsidiaries in France and Hungary. As a result of other changes, we were able to further reduce the amount of documents sent by post. In our core markets, only 5 percent (previous year: 6 percent) of the invoices generated in Germany were sent by post. In France, this quota was 23 percent (previous year: 42 percent) and in Italy 15 percent (previous year: 29 percent). SEE DIAGRAM "PORTION OF PRINTED INVOICES IN CORE MARKETS"

SHARE OF PRINTED INVOICES IN CORE MARKETS



- We also introduced our electronic signature solution "eSignature" in 2015, which has since recorded a growing number of users. This free service for specialist reseller partners and customers makes it easier to conclude financing contracts by sending the electronic documents with a legally valid signature. This can save paper needed for printouts and posting letters. eSignature was initially introduced in Germany and France in 2015. As per December 31, 2018 is has been implemented in 19 markets and will continue to be rolled out further. GRENKE Quality Management's aim is to continue increasing the proportion of leases concluded using eSignature (see page 68, "Quality Management"). In the reporting year, this amounted to 22 percent (previous year: 18 percent). SEE DIAGRAM "LEASE CONTRACTS CONCLUDED USING ELECTRONIC SIGNATURE". Electronic signatures are also becoming increasingly important within the Consolidated Group, for example, when signing protocols or concluding contracts between Consolidated Group companies.

LEASE CONTRACTS CONCLUDED USING ELECTRONIC SIGNATURE



4.6.2 LOCATION MODERNISATION AND ENERGY AUDITS

We want to steadily reduce the energy use at all of our locations and require that all office buildings rented by the GRENKE Consolidated Group have energy certificates documenting their energy status. We also continually modernise the technical facilities in our buildings in order to reduce our electricity consumption. In November 2017, we insulated a section of the ceiling in our underground car park with mineral wool to gain additional warmth and energy.

We believe energy audits are a very important tool for evaluating the Company's energy efficiency and, based on the results, initiating measures for improvement. Audits in accordance with DIN EN 16247 are conducted every four years at our headquarters in Baden-Baden and selected branches. TÜV SÜD has been commissioned to conduct periodic recertifications, with our next recertification scheduled for January 2020.

4.6.3 TRAVEL EXPENSE POLICY

The GRENKE Consolidated Group strives to keep the number of business trips as low as possible and favours the use of more cost-effective forms of communication, such as video and telephone conferences. For necessary business trips, we have an internal travel expense policy that recommends using public transportation, particularly trains. Since June 2017, we have also been testing the use of e-mobility in Germany in a pilot project, and in October 2018, we added a second e-vehicle.

4.7 COMMUNITY INVOLVEMENT

Getting involved in the community is an integral part of the GRENKE Consolidated Group's corporate culture and engagement with stakeholders. Our funding priorities are influenced by the Company's roots in the central Baden region and on the cultural and social issues defined by our Board of Directors.

4.7.1 SPORTS, CULTURE AND EDUCATION

Since founding the Company, we have placed a special focus on encouraging employees to play the game of chess as a mental exercise. We see the skills necessary, such as analytical thinking, strategic action and decision-making, as cornerstones of responsible corporate management and core skills in times of digital transformation.

Since 1997, the GRENKE Consolidated Group has been a sponsor of the chess centre and Ooser Chess Society (OSG) in Baden-Baden. During this sponsorship, the teams have won numerous national and international tournaments. The OSG teams hold the German championship record for both men and women teams. As a result of the funding received, a number of successes were also achieved in the child and youth segments. In 2013, for the first time, we became the principal sponsor of the GRENKE Chess Classic in Baden-Baden, which regularly features high-ranking players such as the Norwegian world chess champion Magnus Carlsen. In addition, we sponsor the GRENKE Chess Open, which is the world's largest open chess tournament. This tournament has taken place in Karlsruhe since 2016 and, last year, had around 1,500 participants from all over the world.

In the fields of music and education, we support the school project called "Columbus: Discovering the Classics!" Through a grant, we offer students discounted access to the events of the festival theatre in Baden-Baden. In the accompanying lessons, students discuss the content of the performance and are allowed to take part in orchestra rehearsals. More than 45,000 students have taken advantage of this educational offer since 2001. Further information on GRENKE's school project can be found at www.festspielhaus.de/bildung/schulprojekt-kolumbus.

GRENKE AG has also been supporting the university SRH Hochschule Berlin since 2016, as part of an endowed professorship for entrepreneurship that includes two part-time PhD positions until 2022 and the establishment of the research institute GRENKE Centre for Entrepreneurial Studies, which opened in January 2018. This institute analyses business start-ups and determines the factors employed that lead to success. As the founder and former CEO of GRENKE AG, Mr Wolfgang Grenke also contributes his network and expertise to this project.

Under the patronage of GRENKE AG, the GRENKE Cup, an indoor football tournament supporting youth, was held for the second time in 2018 together with the SV Sinzheim sponsorship association. The common aim is to combine sport with school, vocational training and university studies.

4.7.2 CHARITABLE PROJECTS

In addition to sponsoring the above institutions, we also support regional and national charitable organisations. Examples of this are the Stiftung Ordnungspolitik foundation and the SOS-Kinderdörfer charity. During the past year, we also donated funds to the Caritas food bank in Baden-Baden, which went towards the purchase of a new transportation van.

5. REMUNERATION REPORT

The Corporate Governance Report contained in this Annual Report includes the remuneration report, which presents the principles of the remuneration system for the Board of Directors and the Supervisory Board and the remuneration of the individual members. This remuneration report forms part of this combined management report.

6. CHANGES IN THE GOVERNING BODIES

Wolfgang Grenke left the Board of Directors of GRENKE AG effective February 28, 2018. The former Deputy Chair of the Board of Directors, Antje Leminsky, took over the position of Chair and in addition to her previous responsibilities for IT and HR strategy assumed responsibility for Consolidated Group Strategy, Risk Controlling and the Credit Center. Sebastian Hirsch, member of the Board of Directors responsible for Controlling, M & A and Treasury, also assumed responsibility for the Legal, Taxes and Investor Relations departments. The other departmental responsibilities remained unchanged.

7. REPORT ON RISKS, OPPORTUNITIES AND FORECASTS

7.1 RISK REPORT

7.1.1 RISK MANAGEMENT

The risk management of the GRENKE Consolidated Group has been rigorously developed over the past few years to detect and assess potential and newly arsing risks. We pay close attention to individual risks as well as possible concentrations of risk and interdependencies between individual risk areas. Risk management is carried out within a clearly defined and coordinated process that covers all relevant levels of the Consolidated Group's organisation and is closely coordinated with the activities of the individual divisions.

In order to ensure that we comply with regulatory requirements, we have also implemented risk controlling throughout the Consolidated Group that is there to independently assess, evaluate, monitor, communicate and control risks. The Internal Audit department carries out a yearly review to verify that the regulatory requirements for risk management have been correctly and completely implemented. No material deficiencies were detected in the 2018 reporting year.

The Risk Task Force is at the centre of the GRENKE Consolidated Group's risk management process. The task force consists of members of the Board of Directors and representatives from all key departments. The Board of Directors bears the overall responsibility for monitoring the risk management system and its Consolidated Group-wide compliance.

The risk strategy of the Consolidated Group, which is derived from the business strategy, specifies the long-term risk policy framework for risk management. This framework defines the overarching risk objectives and the use of consistent standards, methods, procedures and tools to achieve these goals. Clearly defined requirements help to ensure high-quality standards, consistency and the recognition of strategic risk objectives. Maintaining compliance with legally required capital and liquidity ratios at all times has also been implemented on an operational and strategic level. The risk strategy specifies the following strategic business objectives:

- Risk diversification to avoid cluster risk
- Streamlining and standardising processes to reduce complexity and operational risk
- Reduction in market price risk to the lowest level possible for the operating business
- Early effective measurement and management of risks and forecasting losses
- A sufficiently strong equity structure in line with Tier I and Tier II guidelines in order to comply with regulatory requirements

Because we diversify our business across sectors and countries, we are not exposed to any substantial individual risks in any of our business areas.

7.1.2 RISK MANAGEMENT PROCESS

The risk management process is based on the risk strategy and includes the identification, assessment, control, monitoring and reporting cycle. This process systematically and structurally recognises, discloses, evaluates and documents internal and external risks and opportunities within the Consolidated Group. In doing so, it enables employees and the Board of Directors to deal with risks responsibly according to risk policy guidelines and make deliberate use of any opportunities detected.

» **Effective risk management:** We achieve diversification by having a high number of lower-volume contracts across a variety of sectors and customers.

Comprehensive quality management is an important component of our risk management process, and its consistent and continual improvement is part of the corporate philosophy. Quality management includes an assessment of our reseller relationships based on counterparty default risk, the documentation of our business processes and the creation of a software system tailor-made to our requirements for processing the contracts with our lessees and franchise partners. Another integral part of our risk management system is our method of assessing credit risks associated with lease contracts as well as lending and factoring agreements.

As part of risk identification, an evaluation of the risk inventory is carried out at least once a year or when necessary by employees of the Consolidated Group. To be able to duly assess individual risks, the Company has set up task forces to deal with counterparty default, market price and liquidity risk as well as strategic and operational risks and discuss these risks. The chairs of the task forces report directly to the Risk Task Force. The Risk Task Force meets at least twice per year to discuss items such as the results of the risk survey, task force reports on risk categories, risk inventory, ad hoc risk notifications and other legal and regulatory challenges and new developments in risk management. The Risk Task Force is also responsible for discussing the risks classified as material in the context of the risk inventory and taking further action, if necessary.

The Risk Control business unit uses a period-based, risk-bearing capacity model that assesses all identified risks deemed to be material and controls and monitors the overall risk profile and economic capital throughout the Consolidated Group. The defined areas and types of risks are to be limited and covered by risk coverage in the course of assessing the risk-bearing capacity. The assessment of risk-bearing capacity includes adequate consideration given to the findings of the stress test for material risks. The Risk Control unit prepares a quarterly risk report that presents and explains the current risk situation and also takes an inventory of all of the relevant risks at least once annually, or more frequently when necessary. In addition to the risk reports, risk inventory, risk survey and ad hoc risk notifications, other instruments are also used to control risk. Ad hoc risk notifications were submitted via the risk management tool in the reporting year.

The independent functions of the Compliance Office, the anti-money laundering officer, the data protection officer and the Chief Information Security Officer (CISO) are organised at the Consolidated Group level in addition to the risk control function under MaRisk. The Compliance Office oversees the handling of insider information and the compliance with the rules of good conduct. It identifies and manages potentially risky conflicts of interest throughout the GRENKE Group. The data protection officer monitors the compliance and implementation of data protection laws. The anti-money laundering officer monitors compliance with the duty of care under the Prevention of Money Laundering Act and takes risk-based measures to combat legal and reputational risks using an up-to-date risk analysis of the Consolidated Group, as well as through monitoring and research tools in compliance with regulatory requirements. The Chief Information Security Officer (CISO) sets standards, monitors IT security and is responsible for protecting the Consolidated Group's internally generated intangible assets. He reports directly to the Board member responsible for IT organisation. The special officers report directly to the relevant member of the Board of Directors. The Consolidated Group has implemented internal control mechanisms for managing and monitoring the risks specified based on the structure of the respective processes in accordance with regulatory requirements. As explained in the section entitled "Risk Management", these risks are in turn assessed and evaluated by the Risk Control department and independently monitored, managed and communicated.

7.1.3 IMPLEMENTATION OF REGULATORY REQUIREMENTS

In accordance with Section 10a (1) KWG, the GRENKE Consolidated Group is considered a banking group with GRENKE AG as the primary institution. GRENKE BANK AG, a credit institution, is a subsidiary of GRENKE AG. Both the GRENKE Consolidated Group and GRENKE BANK AG are subject, among others, to the regulatory provisions of the Capital Requirement Regulation (CRR) and the KWG. The GRENKE Consolidated Group and GRENKE BANK AG must comply with the Minimum Requirements for Risk Management (MaRisk) and the Banking Supervisory Requirements for IT (BAIT) published by the German Federal Financial Supervisory Authority (BaFin). These requirements contain, among other things, qualitative and quantitative requirements for risk management that are to be implemented by financial institutions according to their size and the nature, scope, complexity and degree of risk of their business.

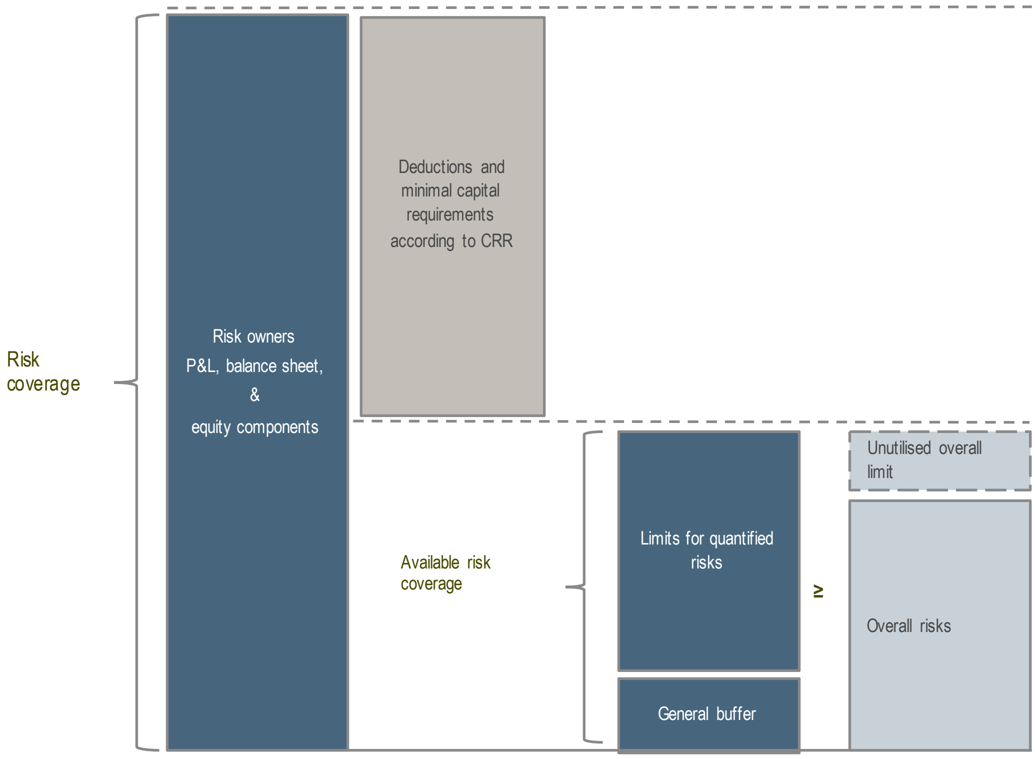
Additionally, the financial services institutions GRENKEFACTORING GmbH, Grenke Investitionen Verwaltungs KGaA and Europa Leasing GmbH are also subject to the KWG and supervision of BaFin and the Deutsche Bundesbank at the individual institution level. GRENKE AG made use of the waiver rules according to Section 2a (1 or 2) KWG in combination with Section 2a (5) KWG for these Consolidated Group companies. In the second quarter of 2018, GRENKE AG received approval in accordance with Section 2 (1) KWG for the Europe Leasing GmbH acquired in 2017. The subordinate institutions have notified BaFin and the Bundesbank that certain regulatory provisions have been applied and incorporated at a Group level rather than being applied at the individual institution level because the necessary organisational requirements have been fully met by the primary institution. Our application to BaFin for its recognition that the regulatory Consolidated Group is identical to the consolidated accounting group was approved in 2009. Thus, all Group companies of the GRENKE Consolidated Group are included in the regulatory scope of consolidated companies.

7.1.4 RISK-BEARING CAPACITY

To monitor risk-bearing capacity and ensure the Company's viability (going-concern approach), the GRENKE Consolidated Group uses an internal risk-bearing capacity model that contains all risks types identified as being material.

This model is based on a forward-looking, rolling twelve-month view of items on the income statement and balance sheet. The areas and types of risks defined are to be limited and covered by risk coverage (RC) when contemplating risk-bearing capacity. The fundamental aim of the risk-bearing capacity model is to quantify existing risk and identify potential burdens on equity at an early stage and take the appropriate measures. ◘ SEE DIAGRAM "RISK-BEARING CAPACITY CONCEPT"

RISK-BEARING CAPACITY CONCEPT



The combination of risk cover (capital provided to cover risk), risk limitation and quantified risk capital requirements (risk) compose the risk-bearing capacity system and forms an integral part of the Consolidated Group's strategy, planning and control. Risk coverage is the maximum amount of financial resources available to cover risk and is primarily equity. According to the logic of the going-concern approach, some risk coverage should be reserved to meet minimum regulatory capital requirements and other deductions and is unavailable to cover the risk.

One aspect of the risk-bearing capacity system is the appropriate consideration of stress test findings for risks from extraordinary but possible events. Risk Control creates classic scenarios (historical and hypothetical) that are adopted by the Board of Directors.

The following stress test scenarios are computed as part of the quarterly ascertainment of risk-bearing capacity:

:: Severe economic downturn: This scenario assumes a severe economic downturn and stagnation in the years that follow, caused, for example, the financial difficulties of a major banking or financial services institution. It also assumes that growing financial market uncertainty is accompanied by higher risk premiums in the money and capital markets, rating downgrades, an implosion in exports and investment in both Germany and Europe. Fraud would become more prevalent due to rage and desperation. Ultimately, the very poor outlook and growing strong insecurity would lead to a drop in new business.

:: Serious EU currency crises after Italexit: This scenario assumes a partial collapse of the euro area after Italy's exit from the EU/euro area. It also assumed that receivables against this country would need to be impaired to a large extent and followed by higher risk premiums in the money and capital markets, rating downgrades for Italian companies, banks and the government and a massive decline in the euro following the accompanying loss of confidence. The new Italian currency would depreciate significantly versus the euro. The increasing uncertainty would lead to a decline in new business.

:: Slowdown in the IT sector: An unexpected change in the IT industry (e.g. cloud computing) worldwide leads to a global decline in demand for IT products. This causes a decline in domestic prices that then leads to a temporary decline in new business and low revenues for the Company.

:: Loss of investment grade status: Even more stringent regulatory requirements cause equity requirements to increase. Rating agencies are downgrading their ratings due to the increasing risk of non-compliance with regulatory requirements. This results in a qualitative deterioration of the risk profile under SREP. Correspondingly, this leads to higher refinancing costs.

:: Inflation: This scenario assumes higher inflation in the euro area following drastic monetary and fiscal policy action and increased investment in fixed assets. Inflation fears would precipitate a drop in the savings rate and an accompanying rise in the consumption rate. Rising investment in the euro area goes hand in hand with an appreciation in the euro. The ECB would react by raising key interest rates to drain excess liquidity from the markets. European central banks increase the country-specific ratios for determining the anti-cyclical capital buffers in order to restrict higher bank lending.

In addition to the stress test, a reverse stress test is also conducted annually. This test assumes that the business is not a going concern and it determines at which level in the stress scenario the business is no longer a going concern. This is first and foremost the case when the aggregate risk cover is no longer sufficient to cover the risks involved.

In all of the stress test analyses described above, the risk-bearing capacity of the GRENKE Consolidated Group in the year under review was sufficient. In the most unfavourable scenario for the Consolidated Group (Italexit), the limit utilisation increased to 84 percent of the relevant risk limit.

7.1.5 OVERVIEW OF RISKS FOR THE GRENKE CONSOLIDATED GROUP

Based on a gross assessment, the overall risk potential of the GRENKE Consolidated Group as part of the risk-bearing capacity calculation at the end of the 2018 fiscal year was around EUR 372 million (previous year: EUR 349 million). As in the previous year, counterparty default risks, at around 80 percent of the total risk potential, remained by far the most important risk area (previous year: 81 percent), followed by operational risks with a share of around 19 percent (previous year: 18 percent). The market price risks (interest rate and currency risks) were also material, accounting for around 2 percent (previous year: 2 percent).

Liquidity risk existed only to the extent that funding for the budgeted new business had to be raised. As the GRENKE Consolidated Group generates more cash inflows than outflows in the absence of new business, there was no liquidity risk in the strict sense. The strategic risks were classified as significant in terms of their amount. Liquidity and strategic risks are not quantified as part of the risk-bearing capacity calculation but taken into account through risk buffers.

The risk-bearing capacity calculation shows only a growth-related increase in counterparty default and operational risks, whereas market price risks have fallen compared to the previous year as a result of lower interest rate risks. Due to the capital increase carried out in the reporting year with an issue volume of EUR 198 million, the overall limit utilisation in the risk-bearing capacity calculation fell to 64 percent in the normal regulatory scenario (previous year: 67 percent).

The following describes the individual risk areas for the GRENKE Consolidated Group:

OVERVIEW OF THE GRENKE CONSOLIDATED GROUP'S RISKS

	Credit Risk	Potential losses that may result from the default or deterioration in the creditworthiness of borrowers or debtors
	Liquidity Risk	Potential losses that may result from uncertainty about future development (degree and volatility) of market risk factors (e.g. interest rates and foreign exchange rates)
	Liquidity Risk	Potential losses that may arise from a lack of liquid funds or are more expensive to attain than expected to meet payment obligations when they become due
	Operational Risk	Potential losses that may result from inadequate or failed internal processes, errors performed by people or systems or from externally driven events
Strategic risks	Business Risk	Risk of loss arising from the Company's general business operations
	Reputation Risk	Risk of loss from the possible damage to the Company's reputation or brand (image damage)
	Other Risks	Includes residual value risk, sales risk and inventory risk

7.1.6 COUNTERPARTY DEFAULT RISK

7.1.6.1 Risk Definition

Counterparty default risk in a broader sense can be defined as the potential loss that can occur from a default or deterioration in the solvency of borrowers or debtors. This risk arises with on-balance sheet and off-balance sheet customers and proprietary businesses, whereby the on-balance sheet leasing business is dominant. The GRENKE Consolidated Group considers counterparty default risk a material risk.

7.1.6.2 Risk Management

To manage our business, we place a high value on the measurement and expectation of losses due to default or credit deterioration of our customers. We see the risk of counterparty default in a narrower sense in terms of the potential negative difference between losses expected and those that actually occur. Therefore, our strategic goal is to keep the gap between expected and actual losses from counterparty default risks as low as possible. This also puts us in a position to generate an adequate risk premium for the risk.

In addition, counterparty default risks are counteracted by diversifying our business as much as possible across sectors and countries, and by focusing on low volume individual contracts. With the help of comprehensive valuation models, we also focus on doing business with customers who possess good to very good credit ratings.

CREDIT VOLUME – GRENKE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EURk	**Dec. 31, 2018**	**Dec. 31, 2017***
Current receivables		
Cash and cash equivalents	333,626	203,357
Lease receivables	1,605,173	1,333,294
Financial instruments with positive fair value	1,874	2,161
Other current financial assets	160,430	115,920
Trade receivables	7,666	5,786
Total current receivables	**2,108,769**	**1,660,518**
Non-current receivables		
Lease receivables	3,098,837	2,551,823
Other non-current financial assets	82,692	80,306
Financial instruments with positive fair value	1,842	1,344
Investments accounted for using the equity method	4,910	4,732
Total non-current receivables	**3,188,281**	**2,638,205**
Total receivables volume	**5,297,050**	**4,298,723**

* Previous year's amounts adjusted due to IFRS 9, see note 2.1.1 "IFRS 9 Financial Instruments" in the notes to the consolidated financial statements.

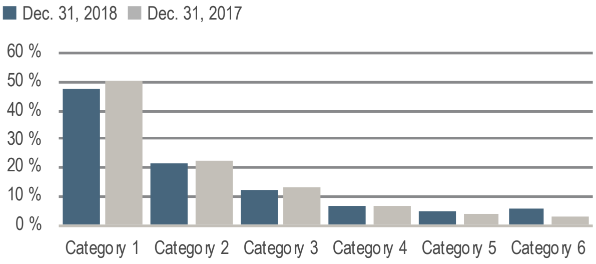
7.1.6.3 Credit Volume – GRENKE Consolidated Statement of Financial Position

GRENKE Consolidated Group's receivables amounted to a total of EUR 5.3 billion (previous year: EUR 4.3 billion) as per December 31, 2018, and were comprised as follows: SEE TABLE "CREDIT VOLUME – GRENKE CONSOLIDATED STATEMENT OF FINANCIAL POSITION"

As per December 31, 2018, cash and cash equivalents included central bank balances of EUR 191,214k (previous year: EUR 120,825k). The other cash and cash equivalents consisted of balances at domestic and international banks (with the exception of cash in hand of EUR 41k; previous year: EUR 12k). Financial instruments with positive fair values represented the derivatives of the GRENKE Consolidated Group carried at their fair value as per the reporting date.

We have been evaluating the creditworthiness of our clients by calculating expected values for losses since 1994. In doing so, lessees, factoring debtors and customers in the lending business are assigned a decision value based on a creditworthiness rating of 1 to 6. Category 1 corresponds to the best possible creditworthiness and Category 6 is equivalent to the worst. As per December 31, 2018, the average decision value on new business was 2.18 after 2.02 in the previous year.

GRENKE CONSOLIDATED GROUP: NEW BUSINESS ACCORDING TO RISK CATEGORY



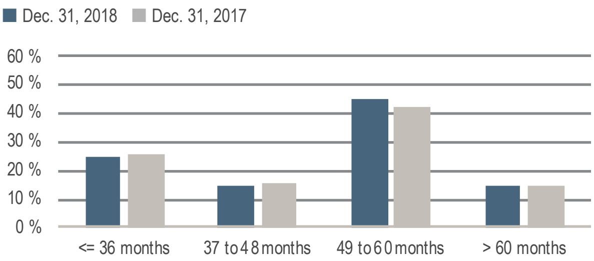
The distribution of the GRENKE Consolidated Group's new business according to size can be found in the following table:

GRENKE CONSOLIDATED GROUP: NEW BUSINESS BY SIZE (BASED ON NET ACQUISITION VALUES)

Percent	Dec. 31, 2018	Dec. 31, 2017
EURk < 2.5	4.70	4.87
EURk 2.5 – 5	12.03	12.30
EURk 5 – 12.5	23.63	24.31
EURk 12.5 – 25	19.37	19.81
EURk 25 – 50	16.94	17.76
EURk 50 – 100	12.30	11.91
EURk 100 – 250	7.67	6.95
EURk > 250	3.36	2.08

As the receivables from the factoring business are of a short-term nature, the breakdown of the net acquisition values by term class is based exclusively on the Leasing and Banking segments. The average term of the new business contracted in the reporting year was 49 months (previous year 48 months).

GRENKE CONSOLIDATED GROUP: NEW BUSINESS BY TERM CATEGORY (BASED ON NET ACQUISITION VALUES)



7.1.6.4 Leasing Business

Of the total volume of receivables of the GRENKE Consolidated Group of EUR 5.3 billion as per December 31, 2018, the majority of EUR 4.7 billion was attributable to current and non-current lease receivables. We therefore regard the counterparty default risk of our lessees as the main risk of our business. This risk is evaluated and controlled using statistical models. Decision-making powers in the form of powers of attorney for the conclusion of new contracts are set up gradually starting from the sales staff to the Board of Directors and are an additional instrument to limit our risks. Our statistical models lead to an expected value of future credit losses, which we take into account as an imputed cost of risk in our contribution margin calculation. The expected credit losses for the new business portfolio in 2018 averaged 5.6 percent (previous year: 5.6 percent) based on the acquisition costs of the leased assets for the entire contract term, which averages 49 months.

A review of counterparty default risk is performed regularly and at least once per quarter on the basis of actual loss figures using database reports containing both publicly available data and internally generated historical data. This system is continually enhanced by in-house specialists.

Target/actual comparisons are carried out continually for all portfolios, in which the initially expected credit losses are compared with the updated loss expectancy. Findings from this comparison flow into our statistical models and thus form a loop system. The plan ensures that the ongoing costs of operations can still be generated even when the actual losses are significantly higher than the expected losses.

The Consolidated Group employs a Group-wide portfolio approach for contracting lease agreements. A differentiation is made according to the following criteria:

- Lessees: Highly diversified portfolio of lessees consisting of business and corporate clients
- Resellers/manufacturers: No individual dependencies
- Leased assets: No significant outstanding residual values (full cost recovery); maintenance and warranty risks are always borne by suppliers/manufacturers; leased assets are seen as part of our customer's value chain
- Categories of items expanded: We finance IT products, small machinery and systems and medical devices
- Lease agreements: A large number of current contracts with an average contract term of roughly four years and a focus on small tickets below EUR 25k each (93 percent of all leases)
- Sales channels: Represented in virtually all sales channels
- Geographic presence: The GRENKE Consolidated Group is represented in all major European economies with locations in 27 countries (in the GRENKE Group: 32)

Nearly all finance leases concluded provide for full economic cost recovery. This means that payments made by the lessee during the basic lease period, including the guaranteed residual values, exceed the acquisition and contract costs. Accordingly, there are no material residual value risks in our leasing business model. In accordance with IAS 17, we calculate residual values for the recognition of lease receivables on a portfolio basis. These result in marginal earnings contributions from gains/losses from disposals over the entire period. The strong growth of earlier periods means that the expiring contracts will, in the aggregate, result in increasingly higher expenses due to the disposal of carrying amounts at the end of the basic lease term. This is offset by rental income from subsequent leases, which, however, will only be recognised gradually in profit or loss in later periods. Under IAS 17, the accounting of the corresponding assets during the subsequent lease phase does not allow to offset the relevant income and expenses in the same period so as to reflect the actual economic situation. This means that the gains/losses from disposals may be temporarily negative (losses from disposals). Over the total period, the revenue that is still generated from subsequent leases is expected to result in a break-even result from disposals.

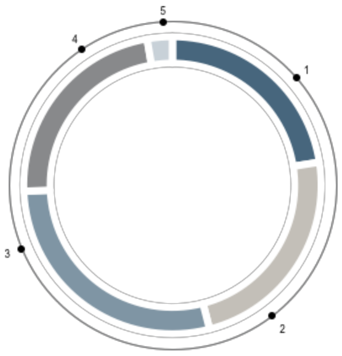
In our leasing business, the mean acquisition value over the past ten years has been at a comparatively low absolute level of EUR 8,500. By concentrating on small-ticket leasing, we are able to largely avoid a concentration of risk. Within the GRENKE Consolidated Group, the total exposure to any single lessee did not exceed 1 percent of the Consolidated Group's equity. At the end of the 2018 fiscal year, there were less than 10 borrowers in the leasing business whose exposure exceeded the limit of EUR 1.5 million. Together they amounted to less than 1 percent of the total lease receivables. Commitments above a size of EUR 750k are monitored intensively, as is the dependence of our sales partners on individual resellers or agents. At the end of the 2018 fiscal year, the GRENKE Consolidated Group's most important reseller accounted for a share of only 0.7 percent of the total new business volume. The twenty largest resellers accounted for 5.8 percent of new business.

Risks that can arise from having different legal systems in the various countries are discussed with local legal and tax experts prior to market entry and taken into account in the lease agreements. The business model is also adjusted as necessary.

To determine risk provisions for lease receivables, the receivables are divided into three levels depending on their respective credit risk. Impairment losses for Level 1 leases correspond to the expected loss for a twelve-month period. For lease receivables in Level 2, impairment losses are recognised in the amount of the expected loss for the entire remaining contract period. For Level 3 lease receivables, expected losses are recognised as impairment. As per December 31, 2018, impairment losses totalled EUR 279.5 million (previous year: EUR 230.8 million). Expenses for risk provisions for the leasing business increased by EUR 11.1 million to EUR 90.1 million compared to the prior year.

Concentration of risk existed mainly in Germany, France, Italy and Great Britain, which accounted for 74 percent of total lease receivables. The respective Euler Hermes Country Risk Rating for Germany, France and Great Britain is "1", while Italy is rated "2". In October 2018, the rating agency Moody's lowered the country's credit rating to "Baa3" following the presentation of the budget draft by the new Italian government. Nevertheless, the impending financial imbalance of the Italian government is currently not having a material impact on the risk position of the GRENKE Consolidated Group. The local legal certainty in the respective countries also plays an important role in contemplating country risks. In addition, the political developments in the eurozone are becoming an increasing focus due to the pending Brexit. We reduce our country risk by diversifying among several countries. SEE DIAGRAM "VOLUME OF CURRENT LEASE CONTRACTS BY REGION"

VOLUME OF CURRENT LEASE CONTRACTS BY REGION



GRENKE Group Leasing (in percent)		Dec. 31, 2018	Dec. 31, 2017
1	DACH	22.5	26.8
2	Western Europe (without DACH)	23.5	28.2
3	Southern Europe	28.4	28.5
4	Northern/Eastern Europe	22.9	14.6
5	Other Regions	2.7	1.9
GRENKE Group Leasing *(in EUR millions)*		**Dec. 31, 2018**	**Dec. 31, 2017**
Current lease receivables		5,016.0	3,685.4

Regions: DACH: Germany, Austria, Switzerland
Western Europe (without DACH): Belgium, France, Luxembourg, the Netherlands
Southern Europe: Croatia, Italy, Malta, Portugal, Slovenia, Spain
Northern/Eastern Europe: Denmark, Finland, Ireland, Latvia*, Norway, Sweden, UK / Czechia, Hungary, Poland, Romania, Slovakia
Other Regions: Australia*, Brazil, Canada*, Chile*, Singapore*, Turkey, UAE

* Franchise

7.1.6.5 Lending Business

Counterparty default risk is the main financial risk for GRENKE Bank. The receivables resulting from the lending business mainly consist of business start-up financing, microcredit financing and SME loans. The average receivables volume in the lending business as per December 31, 2018 amounted to EUR 18.1k. GRENKE Bank also purchases lease receivables to finance other companies in the Consolidated Group.

As a financing partner for SMEs, GRENKE BANK AG has been working with a number of development banks since 2010. GRENKE Bank's focus in these collaborations is on providing small start-up companies with funds for their start-up projects. The associated credit risk is reduced by an 80 percent indemnification exemption by the respective development bank or guarantee bank. Financing for business start-ups is generally limited to a maximum credit exposure of EUR 100k per borrower, allowing the Bank to broadly diversify the credit risks in this area. In the area of small-scale business start-up financing, we introduced our own version of this product (GRENKE Starter Loan) in 2014, which is based on the conditions of the development loans but does not include indemnification by the development banks.

Since 2015, GRENKE Bank, in cooperation with Mikrokreditfonds Deutschland and selected microcredit institutions, provides micro-loans up to EUR 25k to business start-ups and established companies. The administration and refinancing are carried out under a contract of the Federal Republic of Germany. The counterparty default risk is assumed entirely by Mikrokreditfonds Deutschland.

For receivables from GRENKE Bank's lending business, the expected twelve-month loss is recognised as impairment upon addition. In the event of a material deterioration in the loan receivables, impairment is recognised in the amount of the expected losses over the entire term of the contract. GRENKE BANK AG's loan loss provisions for the traditional lending business amounted to EUR 1.3 million as per December 31, 2018 (previous year: EUR 1.6 million).

7.1.6.6 Factoring Business

The GRENKE Consolidated Group's factoring business is also focused on the small-ticket segment. Our three factoring entities located in Germany, Switzerland and Italy mainly offer what is known as "notification factoring" in which the invoice recipient (debtor) is notified of the assignment of existing receivables. Under certain conditions, we also offer non-notification factoring contracts where the debtor is not notified of the outstanding receivables being assigned to the factoring company. In addition, we also provide collection services. As per the December 31, 2018 reporting date, the volume of factoring receivables amounted to EUR 34.0 million.

The main selection criteria in the factoring business include the creditworthiness, average annual revenues, industry affiliation and accounts receivables reference list of the potential factoring client. Monitoring factoring customers on a continual basis allows for risk-adjusted pricing. When making the loan decision, a credit check of the factoring client's accounts receivable is conducted on the basis of data from external credit reporting agencies. This information is then evaluated by the Consolidated Group's credit support centre. The Consolidated Group's factoring units mainly process contracts with domestic debtors. Payment histories are used during the contract period to conduct an ongoing review and evaluation of the debtors and customers.

For the expected losses from factoring receivables, impairment losses are recognised on the basis of the 12-month expected credit loss. As factoring receivables are short-term receivables, the 12-month expected credit loss corresponds to the lifetime expected credit loss. Impairment in the factoring business amounted to EUR 0.8 million as per the reporting date (previous year: EUR 0.6 million). The cost of risk provisioning for the factoring business in the reporting year was EUR 0.5 million (previous year: EUR 0.3 million).

7.1.6.7 Investments

The GRENKE Consolidated Group holds an interest of 25.01 percent in Cash Payment Solution GmbH in Berlin and a 15 percent stake in Munich-based Finanzchef24 GmbH through its subsidiary GRENKE BANK AG. In addition, the GRENKE Consolidated Group acquired a stake in finux GmbH, which was newly established in the year under review, through its subsidiary GRENKE digital GmbH. Investment risks are also included under counterparty default risk when quantifying risk-bearing capacity.

7.1.6.8 Financing of Franchise Companies

GRENKE Group's franchise companies operate as lessors in the small-ticket segment in their respective markets. Leases contracted by the franchise companies are predominantly refinanced by the Consolidated Group. Such financing arrangements are based on the refinancing framework agreement concluded between the respective franchisee and the Consolidated Group. When refinancing is provided, it is in the form of either loans or forfaiting. The Group also offers factoring as part of its franchise model in Great Britain, Italy, Ireland, Poland and Hungary. In addition, GRENKE AG also acts as guarantor for individual franchise companies. The guarantees as per the reporting date amounted to EUR 75.7 million compared to EUR 38.4 million in the prior year.

7.1.7 MARKET PRICE RISK

7.1.7.1 Risk Definition

Market price risk is defined as potential losses that may result from uncertainty about future development (amount and volatility) of market prices. Financial market price fluctuations can have a significant effect on the Consolidated Group's cash flow and net profit. Of particular importance are changes in interest rate markets and certain currencies. Market price risks at the GRENKE Consolidated Group are considered material.

7.1.7.2 Risk Management

The GRENKE Consolidated Group's strategic approach is to enter into market price risk exclusively in conjunction with the operating business and reduce these risks to the greatest extent possible. As part of our risk management and ongoing monitoring of interest and currency positions, we actively manage our positions and risk (for example, by hedging our open currency positions) in the course of our ordinary business.

In addition to risk-prone, market-sensitive positions such as floating-rate notes or receivables in foreign currencies, we also consider the sensitivity and elasticity of the respective market prices to be important factors when dealing with interest and currency risks. The goal of the GRENKE Consolidated Group is to limit our net profit's sensitivity to market price volatility. This means striving to ensure the highest possible independence of net profit to interest rate and currency market developments while maintaining a proper balance between the costs and benefits of hedge relationships. The parameters used for conducting risk analysis by means of a sensitivity analysis are:

- a concurrent parallel increase or decrease of 10 percent in the value of the euro compared with all major foreign currencies; and
- a parallel shift of 100 basis points (one percentage point) in the term structure of interest rates.

The potential economic effects identified in the analyses are estimates based on fictitiously assumed changes in market prices and that all other conditions will remain unchanged. This is the reason that the shift in the term structure of interest rates is viewed independently of any related effects on other interest rate-induced market developments. The actual impact on the consolidated income statement can differ significantly from this as a result of the actual developments.

The predominant market price risks and the outstanding interest rate and currency risk positions are discussed at least once monthly with the responsible member of the Board of Directors in the Market Price Risk Task Force and on the basis of ongoing analyses. The Consolidated Group is not exposed to the risk of changes in equity or raw material prices.

7.1.7.3 Derivatives for Hedging Purposes

The Consolidated Group uses exclusively derivative financial instruments and only when ordinary business activities involve risks that can be minimised or eliminated through the appropriate derivatives. The sole instruments used are interest rate swaps and forward exchange contracts. Each derivative contract relates to an underlying economic transaction with a corresponding opposing risk position. Our contract partners are only those banks with good or very good credit ratings. Counterparty default risk plays a limited role because of this factor, the diversification of our contract partners and due to the mutual exchange of collateral.

7.1.7.4 Interest Rate Risk

The GRENKE Consolidated Group does not utilise maturity transformation to generate net interest income. Therefore, the effects of future interest rate developments on the existing portfolio are low, and interest rate risks are within a moderate range overall. The interest rate risk for the Consolidated Group is primarily a result of the sensitivity of future interest expenses on financial liabilities from changes in market interest rates. A further drop in interest rates is unlikely given the current low interest rate environment; a rise in interest rates is more likely – at least in the medium term – given the current moderate level of inflation in the eurozone. Financial liabilities mainly consist of floating-rate notes and ABCP programmes. The details about these risks and the management of interest rate and currency risk are presented in the notes to the consolidated financial statements in section "7.3 Derivative financial instruments".

The potential impact on equity and net profit (before income taxes) from a change in interest rates of 100 basis points (bps) in the reporting year is shown in the table below. This impact assumes that all other influencing factors, particularly exchange rates, will remain constant.
◘ SEE TABLE "INTEREST RATE RISK AND THE ASSOCIATED IMPACT ON NET PROFIT AND EQUITY BEFORE INCOME TAXES"

INTEREST RATE RISK AND THE ASSOCIATED IMPACT ON NET PROFIT AND EQUITY BEFORE INCOME TAXES

	Net profit before income taxes		Equity before income taxes	
EURk	**+100 Bps**	**–100 Bps**	**+100 Bps**	**–100 Bps**
December 31, 2018				
Variable-rate instruments	–821	821	--	--
Fair value measurement of interest rate swaps	--	--	516	–545
December 31, 2017				
Variable-rate instruments	–644	644	--	--
Fair value measurement of interest rate swaps	--	--	933	–956

Issuing bonds and entering into interest rate swaps are elements of a financing strategy that separate liquidity generation from interest rate hedging and increase our ability to optimise our refinancing. The risks that could possibly result (variable interest-related cash flows) are hedged using the appropriate interest rate derivatives. Because designated hedging transactions have proven to be almost 100 percent effective, any changes in the fair value of interest rate derivatives as hedging transactions were recognised directly in equity based on their clean value (excluding accrued interest).

Under the ABCP programmes with Helaba (Opusalpha Purchaser II), DZ-Bank (CORAL), Hypo-Vereinsbank/UniCredit Bank AG (Elektra) and HSBC France (Regency) the respective structured entity or the GRENKE Consolidated Group is responsible for interest rate hedging and, therefore, interest rate risk management. The ABCP transaction serves as the underlying floating-rate transaction, whereas cash flows are hedged using interest rate swaps. Under both ABCP programmes with SEB AG (Kebnekaise Funding Limited), interest rate swaps are used to limit the risk of changes in interest rates. GRENKE AG is not the counterparty to these swaps.

The parameters of the underlying transaction that result from financing (liability) are always the primary consideration when entering into interest rate swap contracts. Therefore, interest rate terms of the swaps on the variable side are largely identical to those of the underlying transaction. Furthermore, the swap volume contracted is never greater than the volume of the hedged financing. Existing and planned refinancing transactions are actively incorporated into risk management, and the related hedge relationships are subject to ongoing analysis in the form of quarterly effectiveness tests using a method permitted under IFRS.

The Market Price Risk Task Force assesses open interest rate positions each month according to the internal definition and initiates action required. Refinancing is then completed by the team using the hedging transactions decided by the Board of Directors.

The interest rate risk is quantified on a quarterly basis as part of the risk-bearing capacity calculation on the basis of a Value-at-Risk (VaR) approach. In determining the interest rate risk, the effects of changes in the respective reference interest rates on the positions of the interest book (interest-bearing asset and liability balance sheet items) are simulated to derive the effects on net interest income.

The change in the respective risk parameter (respective reference interest rate) is determined based on a ten-year historical simulation at the confidence level of 99.0 percent for a given holding period of 20 or 240 days and shown as an absolute base point shift. All of the standard interest rate shock scenarios under the EBA Guideline 2018/02 are also calculated. In addition to the parallel interest rate shift of 200 basis points, these also include various rotations of the yield curve. The impact on earnings is also estimated over a 5-year horizon to capture the effects of long-term rotating yield curves. With a risk horizon of one year, the estimated maximum loss at the confidence level of 99.0 percent at the end of 2018 was EUR 5.3 million.

7.1.7.5 Currency Risk

Due to the international nature of its business, the GRENKE Consolidated Group had unsettled foreign currency positions as per the balance sheet date, exposing the Consolidated Group to currency risk. Hedging strategies defined internally are applied in an effort to limit or eliminate these risks. The derivatives used are recognised on the balance sheet at their fair values under the line item financial assets or financial liabilities. In our larger markets, such as Great Britain, we refinance the new business acquired in local currencies. Our subsidiaries generally conduct their business in the respective local markets rather than internationally (cross border), which excludes currency risks almost entirely. As a result, the pending Brexit and exchange rate fluctuations have had little effect on our business to date.

Foreign currency risk is quantified on a quarterly basis using the Value-at-Risk approach as part of the calculation of risk-bearing capacity. To identify open currency positions that are subject to foreign currency risk, the cash flows in foreign currency are compared to the forward exchange contracts already in place. A corresponding confidence level is calculated for each currency position based on the historical currency fluctuation over the previous ten-year period. Several stress scenarios are also simulated, such as an ad hoc change in exchange rates of 25 percent. At a confidence level of 99.0 percent and a one-year risk horizon, the VaR calculation derived an estimated currency risk of EUR 0.8 million as per December 31, 2018 for the different currencies.

Currency risks mainly relate to the financing of Consolidated Group companies and franchisees operating outside the eurozone. The hedging of unsettled foreign currency cash flows takes place on the basis of internally defined hedging limits that take effect when the holding at the day's exchange rate amounts to EUR 500k per currency. The exchange rate is fixed by means of contracts and is therefore well known for the entire internal financing of the operational business in Australia, Canada, Switzerland, Denmark, Great Britain, Sweden, Singapore and Turkey. The exchange rate is also fixed for a majority of the financing in the United Arab Emirates, the Czech Republic and Hungary. As a result, the only risk that remains is the risk on the respective open traches where the hedging limit of EUR 500k continues to apply. Currency risks impact the direct lease refinancing operations in Brazil, Chile, Poland and Croatia to only a limited extent because the lease refinancing agreements in those countries are based on the local currencies.

In general, risks arise from currency fluctuations relate to financial assets and receivables, onerous contracts denominated in foreign currency and from the translation of the Consolidated Group companies' financial statements. The use of derivatives (only forward exchange contracts are used for currency risk) lessens the market sensitivity of the underlying transaction, i.e. cash flows from financial assets and receivables. Ideally, the instruments are offset almost entirely. Hedge accounting will not be used for currency positions for the foreseeable future.

FOREIGN CURRENCY SENSITIVITIES AND THEIR IMPACT ON THE NET PROFIT BEFORE INCOME TAXES

	2018		2017	
EURk	**Appreciation**	**Depreciation**	**Appreciation**	**Depreciation**
GBP	–1,064	1,065	–255	259
HUF	–581	584	–743	746
CHF	–195	195	–2	2
BRL	197	–197	205	–205
TRY	103	–61	20	–15

7.1.7.6 Foreign Currency Sensitivity Analysis

Management has concluded that in terms of materiality, the Consolidated Group is exposed mainly to foreign exchange risk related to the British pound (GBP), Hungarian forint (HUF), Swiss franc (CHF), Brazilian real (BRL), and the Turkish lira (TRY).

The impact on net profit before income taxes shown results from the changes in the fair value of monetary assets and liabilities, including those that are foreign currency derivatives not designated as hedging transactions or from actual cash flows that were recognised in whole or in part in profit or loss in the reporting period and converted during consolidation into euros. At the same time, all other influencing factors were kept unchanged, particularly interest rates. A direct impact on equity does not occur as foreign currency derivatives are not recognised as hedging transactions. The influence of projected sales and purchase transactions is not considered.

The table above shows the Consolidated Group's sensitivity to a 10 percent appreciation or depreciation in the euro against the respective other currencies as per December 31, 2018 and during the reporting period, as well as their impact on the net profit before income taxes. SEE TABLE "FOREIGN CURRENCY SENSITIVITIES AND THEIR IMPACT ON THE NET PROFIT BEFORE INCOME TAXES"

7.1.8 LIQUIDITY RISK

For information about liquidity risk, please refer to the overview of the expected cash outflows from contractual obligations in the section entitled "Net Assets".

7.1.8.1 Risk Definition

Liquidity risk is defined as the potential loss that may result from a lack of liquidity or liquidity that can only be generated at higher-than-anticipated costs in order to meet payment obligations when due. The GRENKE Consolidated Group's liquidity risk is considered material but well manageable by the adequate management measures of the existing systems and methods.

7.1.8.2 Liquidity Management

The Company's solvency is secured at all times by adequate liquidity facilities. The Company's ability to meet its financial obligations is ensured through its cash holdings, committed credit lines and long-proven money market and capital market programmes. Emissions under existing money and capital market programmes are carried out exclusively on liquid markets and in liquid currencies. Our liquidity management is based on the three pillars: money and capital market programmes, sales of receivables and financing via GRENKE Bank. Thanks to this diversified refinancing structure, we were able to raise sufficient liquidity for the Consolidated Group and our global business at all times. The adequacy of liquidity is monitored and reported by Risk Controlling as part of the monthly liquidity risk analysis.

7.1.8.3 Short-Term Liquidity

Liquidity risk management consists of the day-to-day management of incoming and outgoing payments. A liquidity overview is prepared for short-term reporting on the first working day of the calendar week and is discussed by the Board of Directors. The overview includes all of the relevant information on the short-term cash developments expected in the following weeks. The weekly liquidity overview gives the Consolidated Group's current liquidity status and focuses on cash flows from the leasing business. Wages and taxes are also taken into account.

Reporting differentiates between three liquidity levels:

- Liquidity 1 (cash liquidity): cash in all accounts plus overdrafts at banks and all "immediate" (time horizon of approximately one week) cash flows;
- Liquidity 2: Liquidity 1 plus cash flows due or to be received within one month, as well as committed assets that can be monetised within one month without significant losses in value; and
- Liquidity 3: Liquidity 2 plus cash flows not due or to be received within one month, including committed assets that require a period of more than one month to be monetised without significant losses in value.

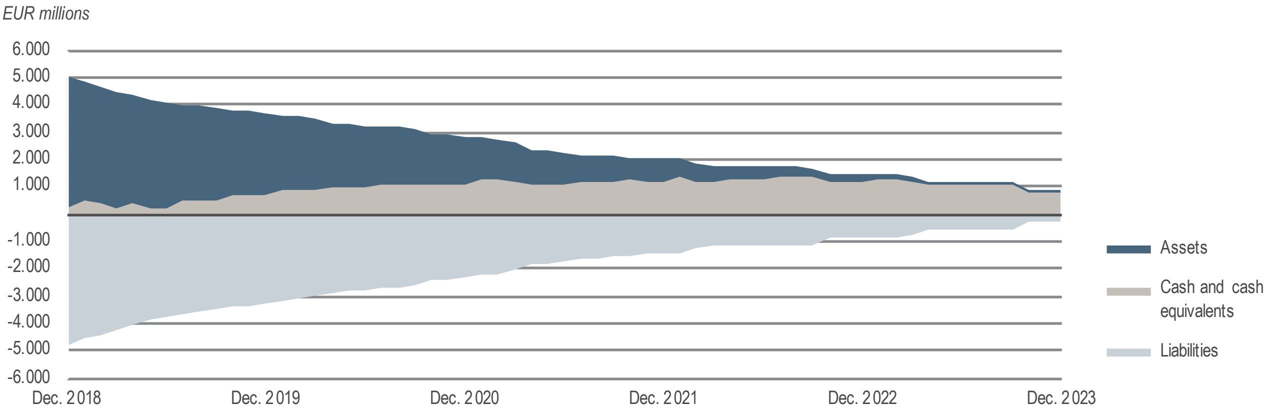
LIQUIDITY LEVELS

EURk	Dec. 31, 2018	Dec. 31, 2017
Liquidity 1 (cash liquidity)	357,733	254,153
Liquidity 2 (up to 4 weeks)	456,788	376,002
Liquidity 3 (more than 4 weeks)	743,684	560,654

Short-term liquidity is also managed within the scope of the liquidity coverage ratio (LCR). The objective of the LCR is to ensure short-term solvency at all times in a stress scenario of 30 calendar days. The net cash outflows (liquidity gaps) must be covered by a liquidity buffer of unencumbered, high-quality and highly liquid assets (e.g. Bundesbank funds). The LCR serves as a limit for the accumulated liquidity shortfall. The LCR must only be met in euro as the aggregate liabilities of each foreign currency amount to less than 5 percent of the total liabilities of the GRENKE Consolidated Group, and there are no significant liquidity risks in foreign currencies pursuant to Article 415 of the EU Regulation 575/2013 (CRR). In 2018, the LCR minimum quota of 100 percent was always met. As per December 31, 2018, the LCR stood at 174.0 percent (previous year: 130.3 percent).

The main sources of refinancing to ensure the Company's short-term ability to meet its financial obligations are cash holdings, EUR, CHF, GBP and PLN money market lines, EUR and CHF revolving credit facilities and overdraft facilities in EUR, HRK and BRL. Some of these short-term refinancing facilities are firm commitments and subject to only minimal market fluctuation versus the EONIA, EURIBOR/LIBOR, ZIBOR and CDI reference interest rates. In addition, the existing refinancing agreements do not include regular, early termination rights. The maturities of money market and overdraft facilities are unlimited, whereas the maturity of revolving credit facilities is usually 364 days. To bridge short-term liquidity constraints, we have contractually committed revolving credit facilities available for EUR 235 million, CHF 20 million, HRK 90 million and PLN 100 million with a variety of banks.

LIQUIDITY DEVELOPMENT AS PER DECEMBER 31, 2018



7.1.8.4 Medium-Term and Long-Term Liquidity

Monthly static liquidity planning is carried out in addition to short-term liquidity management and weekly reporting. The basic assumption of this planning is the liquidation of the existing leasing, lending and factoring portfolio in accordance with the contractual agreements so that the proceeds from the assets flow in due time. The liabilities are also repaid on time on the basis of contractual agreements. As the duration of the liabilities side (liabilities) approximates that of the portfolio, financing largely matching maturities is ensured. SEE DIAGRAM "LIQUIDITY DEVELOPMENT AS PER DECEMBER 31, 2018"

In addition, dynamic liquidity planning is carried out at least once every quarter with the aim of replicating the liquidity status for the next periods, which serves to manage the liquidity of the entire Consolidated Group.

In the current 2019 fiscal year, bonds and promissory notes in the amount of EUR 346 million, CHF 8.5 million, HRK 6.7 million, SEK 66 million and DKK 26 million will be redeemed. The refinancing of these debentures may be subject to refinancing risk on their redemption date. However, we expect this refinancing risk to remain limited. The duration of the assets and liabilities is calculated on a monthly basis to provide a relevant benchmark for managing the maturities of new refinancing and the liquidity structure. As per December 31, 2018, the duration of assets was 21 months (previous year: 21 months), and the duration of liabilities stood at 29 months (previous year: 26 months). Based on this data, the maturity transformation risk can be minimised using suitable measures.

We are principally not dependent on any single bank for our refinancing and have direct access to a variety of refinancing alternatives on the capital markets. We have a very wide range of refinancing instruments available to us that includes traditional bank financing, revolving loan facilities and ABCP programmes. GRENKE has firm commitments for financing options at fixed conditions and terms for a defined time period so that there is no risk as to their availability.

ABCP programmes are funding arrangements based on defined underlying assets, i.e. lease receivables and are currently being used to refinance our business in Germany, France, Austria and Great Britain. We also have forfaiting facilities for Brazil, Germany, Great Britain and Poland. For Chile and Croatia, we use conventional bank financing that does not show an asset-based structure.

We also make use of other refinancing instruments that are not asset-based that we can use at our discretion depending upon our business development. One example of this is our direct access to the capital markets through our debt issuance programme (DIP). We have also had a platform for issuing commercial paper (CP) since 2011, which can be used for a maximum volume of up to EUR 500 million and durations ranging from one to 364 days. This CP platform provides us with refinancing alternatives with durations starting under one year, while DIP bonds offer durations in excess of one year. We also use the financing opportunities available to us via GRENKE BANK AG's deposit business. This broadly diversified range of instruments allows us to choose the most attractive financing channels available from a variety of alternatives at the given time.

7.1.9 OPERATIONAL RISK

7.1.9.1 Risk Definition

Operational risk is defined as potential losses that can result from inadequate or failed internal processes, structures, human or technical errors or externally driven events (e.g. fundamental hazards, forces of nature and deliberate actions). Reputation risk, according to the internal definition given, is not included in this category. Operational risk at GRENKE Consolidated Group is considered significant. The risks are quantified using the basic indicator approach according to Article 315 CRR in the context of risk-bearing capacity and monitored and controlled by means of a single recognition in the risk survey.

7.1.9.2 Risk Management

Operational risk surveys are conducted at least once annually as part of the risk inventory using the Consolidated Group's intranet-based risk management tool. These surveys ask employees from all divisions about their area's relevant risks. Another part of the survey relates to the circumstances described in the Non-Financial Statement. The results of the risk survey are used to assess the materiality of the Company's risk in the context of the risk strategy process. The results of the risk areas of legal, tax, IT, internationalisation, organisation, personnel, sales, marketing, finance and external communication, as well as disposals are evaluated based on the average estimated loss and the stated probability of occurrence. Based on this evaluation, the risks are assigned to one of three risk categories. The most relevant risks are analysed by the Risk Task Force. In the 2018 risk survey, particularly risks related to the design of the IT strategy, validity risk in factoring and risk resulting from rating downgrades were classified as material. Management measures were defined at the individual risk levels.

All cases of fraud and other operational damage of more than EUR 10k are collected in a loss database. This serves both for reporting and prevention purposes. The Board of Directors receives an annual report on major losses within the Consolidated Group, their extent and causes, as well as existing countermeasures. Activities to raise awareness (e.g. workshops) take place on a regular basis. There were no operational losses that exceeded the threshold of EUR 2 million in the reporting period. If individual loss amounts cannot be precisely determined, then the values are based on estimates.

The GRENKE Consolidated Group has implemented numerous indicators, such as quality, cost and organisational indicators, for monitoring and managing operational risks.

The quantification of operational risk for the management of the Company is carried out in the context of calculating the risk-bearing capacity using the basis indicator approach according to Article 315 CRR. The estimated risk using this approach and taking growth assumptions into account amounted to EUR 69,873k as per December 31, 2018 (previous year: EUR 61,476k).

7.1.9.3 Business Process and IT Risk Management

All core business, management and support processes are aligned with the business strategy, highly standardised and digitised and are continually developed to make them simpler and faster. This is done as part of the customer-oriented updating of the legacy system and requires a technologically state-of-the-art and highly flexible system architecture whose changes (change management), content and methodology, are systematically recorded and subjected to periodic reviews. We achieve high operating reliability through the continued modernisation of the infrastructure based on completely duplicated data centre architecture and the complete virtualisation of servers, storage and networks. IT risk management involves full risk transparency across all functional areas of IT, including the administration; processes; applications; and infrastructure operations including IT security, projects and compliance.

7.1.9.4 Business Continuity Management

The Consolidated Group has set up a business continuity management system that documents the measures to be taken in the event of an emergency and all necessary information in writing including scenarios for the continuation and relaunch of business. The aim is to reduce the extent of potential losses. A crisis unit serves as a central response tool. The crisis unit's responsibilities are broken down into the areas of situation assessment, coordinated actions, communication with the parties involved, activation of measures to relaunch processes and restoring operational continuity. Precautionary measures, organisational structures and processes are reviewed at least once annually to ensure the suitability, efficiency and accuracy of emergency planning as well as emergency and crisis management.

7.1.10 STRATEGIC RISKS

Strategic risks can be understood as potential losses that may result, on the one hand, from the principal business activity and the risk of insufficient or delayed implementation of strategic goals. On the other hand, strategic risks may arise from changes in the external business environment, such as legal, political, social or competitive developments.

Among strategic risks, business risks and reputational risks are considered relevant. Such risks are taken into account in the context of the risk surveys and the risk inventory. They are taken into consideration in the risk-bearing capacity calculation by assigning them risk coverage by means of the strategic risk buffer. As part of the Risk Task Force meetings, countermeasures are coordinated with the participation of the Board of Directors, if necessary.

7.1.10.1 ICS and Risk Management System Based on the Consolidated Group's Accounting Process

The Internal Control and Risk Management System (ICS) contains all principles, procedures and measures introduced to the Company by its management that are geared towards the implementation of management decisions in the organisation and ensures

- the effectiveness and efficiency of business activities, including the protection of assets and the prevention and detection of losses to assets;
- the correctness and reliability of internal and external accounting; and
- compliance with the legal provisions relevant to the Company.

The Board of Directors bears overall responsibility for the accounting process at the Company and the Consolidated Group. All of the companies included in the annual financial statements and the consolidated financial statements are also a part of a defined management and reporting organisation process. The Consolidated Group's accounting and consolidation are organised centrally. The posting of each country's transactions is centrally recorded and processed by the responsible administrators in accordance with mandatory schedules for generating qualitative and quantitative information. The cross-check principle generally applies.

The principles, structures, process organisation and accounting methods used by the ICS are documented in writing and updated at regular intervals.

The electronic systems used for the Consolidated Group's accounting process and the IT infrastructure necessary are regularly reviewed by the Internal Audit department for the required security requirements. The same applies to the continuing development and ensuring the effectiveness of the systems and processes of the Consolidated Group's accounting process, particularly with respect to new products, facts and revised legal regulations. External consultants are called in, if necessary. To ensure the quality of the Consolidated Group's accounting, the employees involved are regularly trained on a demand-driven basis. The Supervisory Board is also involved in the control system and supervises the Consolidated Group-wide risk management system, including the internal control systems in the areas of audit, accounting and compliance. The Supervisory Board also reviews the contents of the non-financial statement. The Supervisory Board is supported by the Audit Committee, whose focus is to oversee internal and external accounting and the accounting process.

In view of the accounting process for the Company and the Consolidated Group, we consider features of the ICS to be significant when they are capable of materially influencing the accounting and general statement presented in the financial statements, including the management report. These features include the following elements in particular:

- Identification of significant risk and control areas relevant to the accounting process
- Controls to monitor the accounting process and its results at the levels of the Board of Directors and the companies included in the financial statements
- Preventative control measures in the finance and accounting systems as well as in the operative, performance-oriented company processes that generate material information for the preparation of the financial statements, including the management report, and a separation of functions and pre-defined approval processes in relevant areas
- Measures that safeguard the orderly IT-based processing of accounting issues and data
- The establishment of an internal audit system to monitor accounting-related ICS

The Consolidated Group also implemented a risk management system for the Consolidated Group-wide accounting process. This system contains measures aimed at identifying and assessing significant risks and corresponding risk mitigation measures to ensure the correctness of the consolidated financial statements. This system also fully incorporates the Company's accounting process.

7.1.11 RISK REPORTING ON THE USE OF FINANCIAL INSTRUMENTS

For more information on the objectives and management procedures for the use of financial instruments and the individual types of risks covered by such instruments, please refer to the section "Derivatives Used for Hedging" and the explanations on interest rate and currency risk management in this Risk Report. No other financial instruments are used.

COMPOSITION OF CORE CAPITAL PRIOR TO ADOPTION

EURk	**Dec. 31, 2018**	**Dec. 31, 2017**
Paid-in capital instruments	46,354	44,313
Premium on capital stock	289,314	93,611
Retained earnings	494,626	471,625
Other comprehensive income	692	–2,261
Deductions from core capital	-147,841	–118,617
Transitional provisions pursuant to Section 478 CRR	--	2,373
Total Tier 1 capital pursuant to Section 26 CRR	683,146	491,044
Total additional core capital pursuant to Section 51 CRR	125,000	125,000
Total supplementary capital pursuant to Section 62 CRR	--	--
Total equity pursuant to Section 25 ff CRR	**808,146**	**616,044**

RELEVANT RISK POSITIONS

EURk	**Dec. 31, 2018**	**Dec. 31, 2017**
Equity requirements for credit risk with central governments and central banks	--	--
Equity requirements for credit risk with regional/local authorities	6,940	5,923
Equity requirements for credit risk with institutions/corporations with short-term rating	12,495	8,802
Equity requirements for credit risk with corporations	195,908	160,379
Equity requirements for credit risk from retail business	101,442	87,651
Equity requirements for credit risk from other positions	9,213	6,123
Equity requirements for credit risk from investments	645	--
Equity requirements for credit risk from positions associated with particularly high risks	--	928
Equity requirements for credit risk from non-performing positions	14,620	9,565
Total equity requirements for credit risk	**341,263**	**279,371**
Total equity requirements for market risk	**3,805**	**2,597**
Total equity requirements for operational risk	**57,874**	**48,268**
Total equity requirements for credit valuation adjustments	**418**	**437**
Total equity requirements	**403,360**	**330,673**

7.1.12 EQUITY INFORMATION

In accordance with the requirements of EU Regulation 575/2013 (CRR), the GRENKE Consolidated Group had eligible capital of EUR 808 million as per December 31, 2018 (previous year: EUR 616 million). The increase compared to the previous year resulted mainly from the capital increase carried out in June 2018, which increased the GRENKE Consolidated core Tier 1 capital by EUR 198 million. As in the previous year, there was no supplementary capital.

The Consolidated Group's equity (regulatory equity) consists of paid-in capital, the premium on capital stock, retained earnings of previous years, other accumulated income and eligible items of additional core capital. Also taken into account are deductions, which mainly include intangible assets and goodwill, as well as transitional provisions under Section 478 CRR.

The risk amount requires equity underlying results from the credit risk, operational risk and market price risk. The aggregate capital ratio pursuant to Article 92 (2) b CRR amounted to 16.03 percent as per December 31, 2018 (previous year: 14.9 percent). The current minimum ratio of 11.75 percent was complied with in the 2018 reporting year, In addition to the 8 percent under Article 92 CRR, this ratio also includes the capital conservation buffer and the countercyclical capital buffer of 1.875 percent each.

Next to the risk-adjusted equity capital requirement, the CRR, through the leverage ratio, also requires to comply with a capital ratio that is largely geared to balance sheet ratios and therefore risk-insensitive. As per the reporting date, this resulted in a ratio of 14.29 percent (previous year: 13.14 percent) in accordance with Article 429 CRR, meeting the currently required minimum quota of 3 percent.

Because GRENKE AG is the primary institution of a banking group as defined by Section 10a KWG, the Company must ensure that the Consolidated Group regularly complies with the provisions of the Capital Requirement Regulation (CRR). Under the provisions of Section 92 (1) CRR in conjunction with Section 10a KWG, GRENKE AG determines, among others, the Consolidated Group's aggregate capital ratio on the basis of IFRS accounting.

7.2 REPORT ON OPPORTUNITIES

We continue to see great growth potential for the GRENKE Consolidated Group in the years ahead and want to seize these opportunities using the following various strategic approaches:

- Increase the density of our network in existing markets
- Expand direct and online sales
- Enter new markets
- Expand the range of our products and services

As one of the leading providers of small-ticket leasing in Europe, the growth we achieve in our core market is essentially a result of gaining market share. Opportunities present themselves to us, first and foremost, where competitors partially or completely withdraw from the market due to issues such as growing regulation. At the same time, we are continually increasing the density of our branch network through cell divisions, thereby ensuring the greatest possible proximity to our customers. In this past 2018 fiscal year alone, we opened a total of 11 new locations.

We are discovering more potential as we expand our direct and online sales channels. In 2015, we introduced "eSignature", a service for the fully digital processing of lease contracts. Approximately, 118,722 contracts have already been concluded using this service since its introduction. The goal of our GRENKE digital GmbH subsidiary, founded in 2017, is to systematically forge ahead with the digitisation of all of the Group's processes and products, which will give us a stronger cost and efficiency advantage versus our competition.

In 2011, we entered the Turkish market via a franchise partner. This was the first time we entered a country outside of our European core market. Since then, we have continuously expanded our international presence, and by the end of past fiscal year we were represented in a total of 32 countries. In addition to Europe, we also operate on the American continent (Brazil, Chile and Canada), in Asia (Singapore, Turkey, United Arab Emirates) and Australia. We plan to continue entering new countries in the years ahead.

In the 2017 fiscal year, we acquired Europe Leasing GmbH, whose predominant business is the leasing of medical equipment. By acquiring this company we were able to significantly expand our leasing business and our product range beyond the traditional IT area. Our goal now is to gradually expand the expertise acquired in the IT area to include further categories of assets and transform ourselves into a general provider of small-ticket leasing for SMEs. Our two other segments – Factoring and Banking – complete our range of solutions for our customers. We are successively rolling out our services in the factoring area to new countries, primarily through our franchise model. GRENKE Bank is also regularly expanding its range of financing, investment and payment products. By taking advantage of available cross-selling opportunities, we want to generate additional business with our existing customers.

In taking these actions, we are pursuing our strategic goal of establishing the GRENKE brand and our business model globally.

We intend to continue to increase our new business and strengthen our market position over the next few years by seizing the opportunities available to us. The GRENKE Consolidated Group does not see any significant impact on the earnings situation beyond what is currently expected, as the income from new contracts will accrue to us successively over the entire term of the contracts, which is customary in our type of business.

7.3 SUMMARY OVERVIEW

Controlled risk-taking forms a significant part of the GRENKE Consolidated Group's business model. To manage risk, the Consolidated Group has implemented an extensive system for risk identification, quantification, monitoring, and management. It is the Consolidated Group's firm belief that this system is appropriate and able to identify significant risks at an early stage, is very sophisticated and is enhanced on an ongoing basis.

Sufficient measures have been taken to counterparty default, market price, liquidity, operational and strategic risks identified in the leasing, banking, factoring and investment businesses. The write-downs, impairment and provisions included in the consolidated financial statements were recognised based on objective information. The Board of Directors believes that appropriate precaution has been made for all identifiable risks. Based on the overall assessment of the risk situation, the Board of Directors has concluded that the Consolidated Group's risk-bearing capacity was always maintained during the reporting year. The GRENKE Consolidated Group's total exposure to any single lessee did not exceed one percent of the Consolidated Group's equity. Based on the size of the business volume and the Consolidated Group's economic situation, we consider the overall risk situation to still be straightforward and well manageable.

The GRENKE Consolidated Group's overall ratio during the reporting year regularly exceeded the level of 12.70 percent. As per December

31, 2018, the GRENKE Consolidated Group had an overall ratio of 16.03 percent (previous year: 14.90 percent) in accordance with Article 92 (2)b CRR. This level was well above the regulatory minimum capital ratio of 11.75 percent and offers sufficient leeway for the planned further growth of the Consolidated Group. The equity of the GRENKE Consolidated Group (regulatory equity) of EUR 808 million exclusively consists of core capital.

No specific business-related risks can be identified that exceed the customary level with respect to the future development of the Consolidated Group, the Company and its subsidiaries. The risk cover is sufficient enough for at least one year to map out the planned future business activities.

7.4 REPORT ON FORECASTS AND OUTLOOK

7.4.1 EXPECTED DEVELOPMENT OF THE MACROECONOMIC AND SECTOR ENVIRONMENTS

Leading economic research institutes still expect the global economy to continue to grow in 2019. However, with the ongoing unresolved trade dispute between the United States and China, there are growing signs that the global economy will lose some momentum this year. In January 2019, the International Monetary Fund (IMF) again lowered its global growth estimate for the current year to 3.5 percent (previously 3.7 percent). For the eurozone, the IMF expects economic output to increase by 1.6 percent in 2019 (after 1.8 percent in 2018). In terms of the development in Europe, many economic research institutes see a number of political risks such as the upcoming Brexit, the budget dispute between Italy and the European Commission and concerns over a reversal of important reform steps in France due to growing public pressure on the government.

We expect interest rates in Europe to remain largely stable in 2019 and, at the most, to increase slightly. Although the European Central Bank (ECB) confirmed the end of its bond purchase programme at its meeting in December 2018, it also plans to reinvest the proceeds from maturing bonds for the foreseeable future, which would leave liquidity in the market. The ECB also assures that the key interest rates will remain at their very low levels at least until the end of the summer in 2019.

In such an environment, we expect interest rates for lease financing to remain favourable in 2019. In Germany, the BDL is forecasting industry growth of 3 to 4 percent in the current year, which is slightly lower than in 2018 (growth of 4.5 percent). Nevertheless, this would still mark the sixth record year in a row. We also expect continued market growth in our other two core markets – France and Italy. This forecast takes into account the expiration of the government investment promotion programme in Italy at the end of 2018.

7.4.2 BUSINESS PERFORMANCE AND FUTURE BUSINESS STRATEGY

7.4.2.1 New Business Development at the GRENKE Group

Based on our expectations for economic and sector development, we are confident that we will be able to significantly expand our new business again in the 2019 fiscal year. For our most important Leasing segment (GRENKE Group Leasing), we anticipate growth of between 14 and 19 percent, which will again mainly be driven by our three core markets of Germany, France and Italy. We also continue to abide by our goal of maintaining profitable and risk-adequate CM2 margins in our leasing business. We are planning with an increase of 25 percent in new business at GRENKE Group Factoring. We will also benefit from the current, profitable new business as well as from the growth in the deposit volumes at GRENKE Bank.

Our plan for our regional expansion in the 2019 fiscal year is to open a total of at least 7 new locations as part of our cell division strategy, which includes Belgium, Great Britain and Canada. GRENKE is also preparing to enter the United States with its lease offers. If the results of the feasibility study are positive, we would commence business presumably in the first half of 2020.

7.4.2.2 Development of the GRENKE Consolidated Group

Based on our expectations for segment development, we anticipate a further increase in Consolidated Group net profit in the current 2019 fiscal year in a range of EUR 147 to 156 million. Compared to the value of 2018 (EUR 131.1 million), this corresponds to growth of 12 to 19 percent. The strong momentum in our new leasing business in recent years and our growth in interest income are expected to make a significant contribution to the increase. At the same time, we will continue to invest in our internationalisation strategy, our sales focus and in our digital services. Nevertheless, we expect the cost-income ratio to remain below our medium-term target of 60 percent (2018: 57.0 percent).

We aim to continue our attractive dividend policy in the 2019 fiscal year and ensure that our shareholders participate appropriately in our Company's success.

The following describes the main risks that can lead to deviations from the projections presented:

- A significant turnaround on the capital markets (interest rate risk): Rising coupons on sovereign bonds, particularly in the higher rating range resulting, from economic or inflation-related expectations could increase their relative attractiveness and lead to widening spreads on the capital markets. This could result in temporary liquidity bottlenecks as well as corresponding changes in the general refinancing situation for companies. Although we can generally pass on higher refinancing costs in our terms and conditions, this is usually possible only after a certain time lag.

- Significant changes in the business policies of banks and financial services units of IT manufacturers that could motivate their stronger return to the leasing business: This could lead to increased (margin) competition and subsequent price pressure. The likelihood of such a development in 2019 is rather low since it requires comparatively long lead times. In addition, the small-ticket sector is unlikely to be affected as it has high barriers to entry.
- Strong rise in losses: Traditionally, there is a time lag between weaker economic development and a rise in losses. Therefore, even a sharp economic downturn in 2019 should only lead to a noticeable increase in losses over time. In the past, our risk management system has proven to be an effective means to control losses, with the result that losses increased only slightly, even in economically difficult times. Today, most economic observers expect the global economic upturn to continue in 2019, albeit at a slightly lower growth rate than in 2018. Based on this assessment, we estimate the likelihood of a cyclical downturn in 2019 to be very low.
- Changes resulting from the legal environment: Changes in the tax laws and regulations applicable in the respective countries could, for example, lead to higher tax expenses and payments. In addition, increasing regulatory requirements in individual markets may result in higher administrative expenses.

7.4.2.3 Financial Position and Net Assets

Based on the expected development of Consolidated Group net profit, we expect our equity base to strengthen further in the 2019 fiscal year. We remain by our long-term benchmark of 16 percent for our equity ratio.

We expect cash flow from operating activities to increase, in line with the development of net profit, which should allow planned investments to be funded entirely internally.

In addition, based on our equity base and cash flow development, we expect to be able to refinance the high volume of new business anticipated in 2019 using our access to a variety of instruments on the capital market at risk-adequate terms.

7.4.2.4 Non-Financial Performance Indicators

Based on the growth we expect in our new business and our potential acquisition of franchise companies, we expect to continue to add to our workforce in the 2019 fiscal year. The number of employees in the GRENKE Consolidated Group is expected to increase by an average of around 15 to 20 percent in 2019 (2018: 1,456 employees). We expect the number of new employees at our German locations to grow at the lower end of this range (2018: 569 employees) and the number at our international locations to grow at the upper end of this range (2018: 887 employees).

The increase in competition for skilled workers has led to employees changing employers after just a few years in order to gain new experience and develop their careers. Employers are also increasingly looking for experienced employees who can contribute new ideas and approaches. These factors have also led a tendency for the turnover rate at the GRENKE Consolidated Group to increase. With this in mind, we are planning with a fluctuation rate in employees at the Consolidated Group level of between 9 and 12 percent in the 2019 fiscal year (2018: 9.5 percent).

With respect to the equal participation of women and men in management positions, the target of 25 percent each in the second and third management levels was achieved in 2018. It is our goal to maintain a 25 percent ratio of women and men in the two management levels below the Board of Directors until December 31, 2021.

The number of trainees and dual-study students in Germany should increase by an upper single-digit percentage range in the 2019 fiscal year (2018: 55).

Following a training quota of 89 percent in 2018, we expect the quota to remain stable and be in the range of 85 to 90 percent in the 2019 fiscal year.

7.4.2.5 General Statement on Future Development

The Board of Directors is confident that the GRENKE Consolidated Group is well equipped to continue its longstanding profitable growth course into the 2019 fiscal year and beyond. By consolidating our network in existing markets, developing new regional markets, expanding our product and service range and expanding our direct and online sales, we intend to strengthen our position as one of Europe's leading providers of financial services to SMEs, with a focus on small-ticket financing. We have a proven business model we can rely on to achieve this. We have always been able to earn risk-adequate margins in the past – not just in times of economic prosperity, but also during difficult times. Furthermore, we have already created the financing basis we need for our anticipated growth with our solid equity base.

8. ACQUISITION-RELATED INFORMATION

8.1 SHAREHOLDINGS AND SHARE TRANSACTIONS OF GOVERNING BODIES

Detailed information on the shareholdings of governing bodies as per December 31, 2018 is contained in the notes to the consolidated financial statements in the section 9.6 "Related Party Disclosures". Information on share transactions by governing bodies during the reporting year can be found on our homepage at www.grenke.de/grenke-group/investor-relations/ corporate-governance/notifiable-securities.

8.2 EXPLANATORY REPORT ON THE DISCLOSURES PURSUANT TO SECTION 289A (1) AND 315A (1) HGB

The shares of GRENKE AG have been admitted for trading on the Frankfurt Stock Exchange in the segment of the regulated market with additional post-admission obligations defined by Deutsche Börse AG (Prime Standard segment). The Company's fully paid-up share capital amounts to EUR 46,353,918.00 and is divided into 46,353,918 registered shares each with a notional interest in the share capital of EUR 1.00. All shares carry the same rights, and there are no restrictions on voting rights, preference shares or special control rights.

To ensure continuity and a stable shareholder structure, in July 2014, Mr Wolfgang and Mrs Anneliese Grenke, together with their sons Moritz Grenke, Roland Grenke and Oliver Grenke (the Grenke family), formed a family holding under the name Grenke Beteiligung GmbH & Co. KG. On September 17, 2014, the Grenke family contributed all of their shares held in GRENKE AG to this company. The pooling agreement concluded by the members of the Grenke family was cancelled upon the contribution of the shares in Grenke Beteiligung GmbH & Co. KG.

As per December 31, 2018, the family holding, Grenke Beteiligung GmbH & Co. KG, held 18,905,958 shares in the Company, corresponding to 40.79 percent of the share capital. Grenke Vermögensverwaltung GmbH is the general partner of Grenke Beteiligung GmbH & Co. KG. Wolfgang, Anneliese, Moritz, Roland and Oliver Grenke are limited partners. Grenke Vermögensverwaltung GmbH does not hold an interest in Grenke Beteiligung GmbH & Co. KG's assets and earnings. Mr Wolfgang Grenke and Mrs Anneliese Grenke each have the right to sole representation as Executive Director. Mr Wolfgang Grenke exercises significant influence over Grenke Vermögensverwaltung GmbH and, therefore, indirectly over Grenke Beteiligung GmbH & Co. KG. Mr Wolfgang Grenke simultaneously acts as Deputy Chair of the Supervisory Board of GRENKE AG. By decision of September 1, 2014, the German Federal Financial Supervisory Authority exempted Grenke Beteiligung GmbH & Co. KG and Grenke Vermögensverwaltung GmbH from the duties of Section 35 (1) sentence 1 and Section 35 (2) sentence 1 WpÜG according to Section 37 WpÜG (obligation to make a mandatory offer for the shares of GRENKE AG).

The Board of Directors is not aware of any other restrictions agreed on between shareholders that relate to voting rights or the transfer of shares.

The Articles of Association of GRENKE AG do not provide for any regulations that deviate from the statutory regulations on the appointment of members of the Board of Directors by the Supervisory Board. These stipulate that the members of the Board of Directors are appointed for a maximum of five years. Reappointment is permitted.

The Board of Directors of GRENKE AG consists of at least two members. The Supervisory Board determines the number of members of the Board of Directors and decides on their appointment and dismissal and the conclusion, amendment, and termination of their contracts of employment. The Supervisory Board can appoint a Chairman and Deputy Chairman of the Board of Directors as well as alternate members of the Board of Directors.

In accordance with statutory requirements, amendments to the Articles of Association must be adopted by a resolution of the Annual General Meeting. Unless otherwise required by law, the resolutions of the Annual General Meeting are passed by a simple majority of the votes cast and, if legislation requires, a capital majority as well as a majority vote by a simple majority of the share capital represented. The Supervisory Board is authorised to resolve amendments to the Articles of Association that relate solely to their wording. In addition, the Supervisory Board is authorised to amend the wording of Article 4 of the Articles of Association governing the amount and division of the share capital, among other things, to reflect the utilisation of Authorised Capital and after the end of the authorisation period.

There are no compensation agreements with the members of the Board of Directors or with employees in the event of a takeover bid. No further disclosures are made pursuant to DRS 20 K211 (conditions of a change of control in case of a takeover bid) because such disclosures could be extremely disadvantageous to the parent company.

Detailed information about authorised and contingent capital is presented in the notes to the consolidated financial statements in section 5.15 entitled "Equity".

8.3 PERSONNEL CHANGES IN THE BOARD OF DIRECTORS AND SUPERVISORY BOARD

We refer to the section "Changes in the Governing Bodies" on page 44.

9. CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTIONS 289F AND 315D HGB

As a listed stock corporation and as a parent company, we are required to submit a Corporate Governance Statement pursuant to Sections 289f and 315d HGB that contains the Declaration of Conformity in accordance with Section 161 AktG, disclosures on corporate management practices, and a description of the working practices of the Board of Directors and the Supervisory Board.

The Declaration of Conformity in accordance with Section 161 AktG of GRENKE AG and the Corporate Governance Statement are available online at www.grenke.de/en/investor-relations/corporate-governance. The information listed there forms part of the management report.

10. MANAGEMENT REPORT OF GRENKE AG

In the following management report, we discuss the development of GRENKE AG (the "Company") in the 2018 fiscal year in addition to the information reported on the GRENKE Consolidated Group. The Company's financial statements are prepared in accordance with the provisions of the German Commercial Code (HGB). In terms of the economic environment and sector trends, there were no material differences to report that would have affected solely the Company's development.

10.1 CORPORATE JUDICIARY FRAMEWORK, AFFILIATION TO THE CONSOLIDATED GROUP

GRENKE AG was created in 1997 under the former name GRENKELEASING AG. Grenke Investitionen Verwaltungs Kommanditgesellschaft auf Aktien (the "KGaA") was also formed in the same year. Both companies represent a structural business separation with GRENKE AG serving as the operating company and the KGaA as the holding company. Using a two-level model, the operating company rents lease assets from the holding company and then leases these assets to sub-lessees. GRENKE AG holds an indirect interest of 100 percent in the KGaA, and a control and profit transfer agreement is in effect. Together with the consolidated subsidiaries and structured entities of GRENKE AG under IFRS, these form the GRENKE Consolidated Group.

10.1.1 OVERVIEW OF BRANCHES AND SUBSIDIARIES

The Company has branches in Berlin, Bielefeld, Bremen, Cologne, Dortmund, Dresden, Düsseldorf, Erfurt, Freiburg, Frankfurt am Main, Hamburg, Hanover, Heilbronn, Kassel, Kiel, Leipzig, Magdeburg, Mannheim, Mönchengladbach, Munich, Neu-Ulm, Nuremberg, Potsdam, Regensburg, Rostock, Saarbrücken and Stuttgart. It also holds 100 percent of the shares in GRENKE Service AG, Baden-Baden, GRENKEFACTORING GmbH, Baden-Baden, GRENKE BANK AG, Baden-Baden, and GRENKE digital GmbH, Karlsruhe, and Europa Leasing GmbH, Kieselbronn, via its investment in the KGaA.

As per the end of the reporting year, GRENKE AG held a 100 percent interest in each of the following entities outside of Germany:

INVESTMENTS OUTSIDE OF GERMANY

Entity	Registered office
GRENKELEASING GmbH	Vienna/Austria
GRENKELEASING AG	Zurich/Switzerland
GRENKEFACTORING AG	Basel/Switzerland
GRENKELEASING s.ro.	Prague/Czechia
GRENKE ALQUILER S.L.	Barcelona/Spain
GRENKELEASING ApS	Herlev/Denmark
Grenkefinance N.V.	Vianen/Netherlands
GRENKE LIMITED	Dublin/Ireland
GRENKE FINANCE PLC	Dublin/Ireland
GRENKE LOCATION SAS	Schiltigheim/France
GRENKE Locazione S.r.l.	Milan/Italy
GRENKELEASING AB	Stockholm/Sweden
Grenke Leasing Ltd.	Guildford/UK
GRENKELEASING Sp. z o.o.	Poznan/Poland
GRENKELEASING Magyarország Kft.	Budapest/Hungary
GRENKE LEASE Sprl	Brussels/Belgium
Grenke Renting S.R.L.	Bucharest/Romania
GRENKE RENTING S.A.	Lisbon/Portugal
GRENKELEASING Oy	Vantaa/Finland
GRENKELEASING s.ro.	Bratislava/Slovakia
GRENKELOCATION SARL	Munsbach/Luxembourg
GRENKELEASING d.o.o.	Ljubljana/Slovenia
GRENKE RENT S.L.	Madrid/Spain
GRENKE Kiralama Ltd. Sti.	Istanbul/Turkey
GRENKE Renting Ltd.	Sliema/Malta
GC Locação de Equipamentos LTDA	São Paulo/Brazil
GRENKE Locação de Equipamentos LTDA	São Paulo/Brazil
GC Leasing Middle East	Dubai/UAE
GRENKE Hrvatska d.o.o.	Zagreb/Croatia
FCT "GK"-Compartment "G2"	Pantin/ France

10.2 FINANCIAL POSITION

The annual financial statements of GRENKE AG as per December 31, 2018, have been prepared in accordance with the provisions of the German Commercial Code and the German Stock Corporation Act in conjunction with the German Ordinance on Accounting Policies for Banks and Financial Services Providers.

SELECTED KEY FIGURES FROM THE INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION

EURk	**2018**	**2017**
Income from leases	613,486	559,627
Expenses from leases	443,392	410,349
Profit from leases	**170,094**	**149,278**
Net interest income	–6,233	–4,853
Other operating income	47,954	85,864
General and administrative expenses	87,222	71,621
Staff costs	*31,346*	*30,116*
Depreciation and impairment	128,060	111,099
Net profit	**30,486**	**34,793**

	Dec. 31, 2018	**Dec. 31, 2017**
Investments in associated companies	468,098	373,044
Leased assets	389,442	320,806
Property, plant and equipment	21,564	22,775
Other assets	37,692	28,543
Receivables	42,767	46,701
Equity	471,839	272,373
Bank liabilities	19	10
Payables	34,893	38,301
Accruals and deferrals	383,263	333,448
Total assets	**1,199,037**	**982,163**

10.2.1 RESULTS OF OPERATIONS

The profit from leases increased 14 percent to EUR 170.1 million in the reporting year (previous year: EUR 149.3 million). Net interest income amounted to EUR –6.2 million after EUR –4.9 million in the previous year. In addition to the interest portions included in the lease-purchase contracts, which are forwarded to the KGaA in the context of the two-level model, interest expenses also include expenses relating to prior periods which are likely to be determined as a result of a tax audit and accrued interest from outstanding hybrid bonds.

Other operating income declined from EUR 85.9 million in the previous year to EUR 48.0 million in the reporting year. The reason for this sharp decline was intra-group licence and warranty fees that were invoiced to international subsidiaries in the previous year also for preceding years.

Commission expenses and other operating expenses continued to have little effect on the Company's earnings. While commission expenses increased by EUR 1.9 million from EUR 6.5 million in the previous year to EUR 8.4 million in the reporting year, other operating expenses rose from EUR 0.3 million in the previous year to EUR 0.4 million in the reporting year. General and administrative expenses, which also include staff costs, rose from their level of EUR 71.6 million in the previous year to EUR 87.2 million in the reporting year as a result of the Company's growth and continued expansion and optimisation of its IT systems.

Depreciation, amortisation and impairment of intangible assets and property, plant and equipment rose from EUR 111.1 million in the previous year to EUR 128.1 million as a result of a higher level of leased assets. Write-downs and impairments on receivables and securities as well as additions to loan loss provisions in the lending business fell slightly in the reporting year and amounted to EUR 7.9 million (previous year: EUR 8.2 million).

The result from normal business activity in the reporting year amounted to EUR 31.1 million compared to EUR 45.9 million in the previous year. After-tax expenses of EUR 0.7 million (previous year: EUR 11.1 million), net profit amounted to EUR 30.5 million following EUR 34.8 million in the prior year.

10.2.2 REPORT ON FINANCIAL POSITION AND NET ASSETS

GRENKE AG's total assets increased significantly again in 2018, climbing 22 percent to EUR 1,199.0 million as per December 31, 2018, after EUR 982.2 million in the previous year. This increase resulted from various factors, including an increase in cash reserves from EUR 90.0 million to EUR 145.0 million, which stemmed primarily from a cash deposit at the Deutsche Bundesbank. These reserves are held in order to meet the regulatory minimum liquidity ratio at the Consolidated Group level. Cash on hand, on the other hand, remained at a non-material level. Receivables from credit institutions declined from EUR 81.4 million in the previous year to EUR 71.5 million as per December 31, 2018, while receivables from customers decreased from EUR 46.7 million to EUR 42.8 million.

The increase in investments in associated companies resulted from acquisitions in the reporting year as well as the completion of different capital measures, growing year-on-year by 25 percent EUR 468.1 million compared to EUR 373.0 million in the previous year. Lease assets also increased in the reporting year by 21 percent to EUR 389.4 million compared to EUR 320.8 million in the prior year, mainly as a result of contracts concluded under collaborations with development banks. The Company also repurchased leased assets in several tranches from the KGaA in the year under review, which serve as collateral for the sold lease receivables. Property, plant and equipment declined slightly from EUR 22.8 million in the previous year to EUR 21.6 million in the reporting year. Other assets increased significantly from EUR 28.6 million in the previous year to EUR 37.7 million. The main increase was in receivables due to various internal transfer accounts with subsidiaries.

As in the previous year, the largest item listed on the liabilities side of the balance sheet is accruals and deferrals, which increased 15 percent from EUR 333.4 million to EUR 383.3 million. The majority of accruals and deferrals continued to relate to deferrals from forfaiting instalments of lease contracts. While liabilities to banks in their absolute amount continued to be insignificant for the Company's financial position at the end of the reporting year, liabilities to customers decreased by 10 percent to EUR 34.9 million compared to EUR 38.3 million as per the end of the previous fiscal year.

The Company's other liabilities fell by 10 percent to EUR 172.5 million (previous year: EUR 192.1 million). This item mainly consists of liabilities to associated companies.

The Company's equity increased to EUR 471.8 million (previous year: EUR 272.4 million). Based on total assets, which rose less sharply, the equity ratio as per the reporting date amounted to 39.3 percent (previous year: 27.7 percent).

10.2.3 LIQUIDITY AND REFINANCING

The financing of new business in leasing remains on very solid footing. GRENKE BANK AG is the Company's direct refinancing partner and regularly purchases lease receivables from GRENKE AG to finance its business. The deposits at GRENKE Bank used for this refinancing increased from EUR 504.2 million in the previous year to EUR 692.4 million in the reporting year. Additional financing was provided in the context of cash pooling through the Consolidated Group's internal clearing account. The net balance as per the reporting date was EUR 10.2 million (previous year: EUR 90.9 million).

Private placements can also be carried out directly or indirectly by our wholly owned subsidiary GRENKE FINANCE PLC, Dublin/Ireland. Seven new bonds were issued, and two bonds were increased in the reporting year, one of which was increased for the first time and one for the second and third time. The nominal volume amounted to EUR 660.0 million. In return, bonds with a volume of EUR 239.0 million were redeemed. Our Irish subsidiary also has access to seven revolving loan facilities with a combined volume of EUR 235.0 million and money market facilities of EUR 35.0 million. These money market facilities and one of the revolving loan facilities can also be drawn on in Swiss francs via our Swiss subsidiary. In addition, the British subsidiary and factoring franchisee may utilise the money market facility in British pound while the Polish factoring franchiser may utilise the facility in Polish zloty.

There are also 6 ABCP programmes Consolidated Group-wide with a potential total volume of EUR 792.5 million and GBP 100.0 million. Under these programmes, GRENKE FINANCE PLC, the KGaA and GRENKE Leasing Ltd. UK, have the right to sell receivables to the programmes for a specified period or use the programmes to obtain refinancing. GRENKE AG and GRENKE FINANCE PLC also have the ability to issue commercial paper up to a total of EUR 500.0 million with maturities between 1 and 364 days. As per the reporting date, the commercial paper programme had been utilised up to an amount of EUR 302.5 million (previous year: EUR 313.0 million).

10.3 OVERALL STATEMENT ON THE COMPANY'S BUSINESS PERFORMANCE AND FINANCIAL POSITION

At the time of the finalising the 2018 annual financial statements and management report, the Company was in an excellent economic position to allow it to continue its international expansion, expand new business and again achieve a net profit at the level of the reporting year.

10.4 TWO-LEVEL MODEL

Under the two-level model, the lease items of the new business are partially rented from the KGaA. The KGaA's rent receivables are sold to financial institutions via structured entities as part of three ABCP programmes or locally to two savings banks (forfeited). The underlying contractual agreements secure financing for new business, even if volumes increase.

10.5 DIVIDENDS

The Board of Directors and the Supervisory Board will propose a dividend of EUR 0.80 per share for the 2018 fiscal year at the Annual General Meeting on May 14, 2019. In the previous year, the Company distributed a dividend of EUR 0.70 per share.

10.6 EMPLOYEES

In the reporting year, the number of full-time employees (excluding the Board of Directors) increased to an average of 396 (previous year: 392). The staff turnover rate was 8.8 percent (previous year: 6 percent). The staff turnover rate among the management and senior executives continued to be at a lower level.

10.7 REPORT ON RISKS, OPPORTUNITIES, AND FORECASTS

10.7.1 RISKS AND OPPORTUNITIES

The risk and opportunities described for the Consolidated Group also largely apply to the Company. However, the German domestic market continues to play a special and more important role for the Company than for the Consolidated Group as a whole. The Company is not exposed to currency risk because it does not enter into cross-border transactions with countries outside the eurozone.

10.7.2 REPORT ON FORECASTS AND OUTLOOK

After the solid business performance in the reporting year, we are very confident about the prospects for the current 2019 fiscal year as a whole. The Company's future results may be materially influenced by changes in the regulatory environment or in refinancing alternatives, which in turn could influence the refinancing decisions of the Board of Directors. We anticipate upper single-digit growth in our new business in Germany, and net profit for GRENKE AG to be at a similar level to the past two fiscal years, depending on the investment income and profit transfers of the subsidiaries. The key factors influencing the 2018 fiscal year's business development are expected to continue to be an influence in the years ahead. Details on the Consolidated Group development can be found in the section "Report on Forecasts and Outlook" in the combined management report.

Baden-Baden, February 6, 2019

The Board of Directors

INCREASED NETWORK DENSITY //
No. of GRENKE GROUP locations

144

Cell divisions 12M 2018:
Austria, Croatia, Denmark, 2x Finland, France, Germany, 2x Italy, the Netherlands, UK

Franchise acquisitions 12M 2018:
Croatia, United Arab Emirates

MARK KINDERMANN //
Member of the Board of Directors

"BECAUSE TRUST CAN ONLY BUILD THROUGH PERSONAL CONTACT. WE ARE THERE FOR YOU WHEREVER YOU ARE – NOT JUST IN GERMANY, BUT WORLDWIDE."

MARKET ENTRIES //
New geographic markets

2

Leasing: Baltic states (Latvia)

Factoring: Portugal

PROXIMITY TO LOCAL CUSTOMERS //
Countries / Markets

32

Available to customers on 5 continents.

ALWAYS THERE FOR YOU //
Employees

1,456

Increase of 19% over the prior year (GRENKE Consolidated Group, previous year: 1,229)

// CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2018

CONSOLIDATED INCOME STATEMENT

EURk	Note	Jan. 1 to Dec. 31, 2018	Jan. 1 to Dec. 31, 2017
			adjusted[1]
Interest and similar income from financing business[2]	4.1	329,689	289,404
Expenses from interest on refinancing and deposit business	4.1	46,749	42,807
Net interest income		**282,940**	**246,597**
Settlement of claims and risk provision	4.2	91,875	81,161
Of which, impairment losses		*87,620*	*77,421*
Net interest income after settlement of claims and risk provision		**191,065**	**165,436**
Profit from service business	4.3	85,447	70,562
Profit from new business	4.4	83,291	68,983
Gains(+) / losses (–) from disposals	4.5	–2,473	–8,212
Income from operating business		**357,330**	**296,769**
Staff costs	4.6	102,701	86,162
Depreciation and impairment	4.7	17,226	15,363
Selling and administrative expenses (not including staff costs)	4.8	78,120	67,737
Other operating expenses	4.9	7,830	4,633
Other operating income	4.10	5,702	12,779
Operating result		**157,155**	**135,653**
Result from investments accounted for using the equity method		–71	–402
Expenses / income from fair value measurement		71	–60
Other interest income		1,248	500
Other interest expenses		2,873	3,658
Earnings before taxes		**155,530**	**132,033**
Income taxes	4.12	24,420	26,603
Net profit		**131,110**	**105,430**
Ordinary shareholders and hybrid capital holders of GRENKE AG		131,110	105,430
Earnings per share (basic/diluted in EUR)	4.13	2.78	2.31
Average number of shares outstanding	4.13	45,436,949	44,313,102

1 Previous year's amounts adjusted (see note 2.1 "Accounting Standards Implemented in 2018" in the notes to the consolidated financial statements).
2 Interest and similar income based on effective interest method: EUR 6,215k (previous year: EUR 4,657k).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EURk	Note	Jan. 1 to Dec. 31, 2018	Jan. 1 to Dec. 31, 2017
			adjusted[1]
Net profit		**131,110**	**105,430**
Items that may be reclassified to profit and loss in future periods			
Appropriation to / reduction of hedging reserve	4.14	–1	–96
thereof: income tax effects		0	14
Change in currency translation differences		–149	–3,356
thereof: income tax effects		0	0
Items that will not be reclassified to profit and loss in future periods			
Change in value of equity instruments recognised in other comprehensive income (option under IFRS 9)		2,295	0
thereof: income tax effects		0	0
Appropriation to / reduction of reserve for actuarial gains and losses	5.14	430	298
thereof: income tax effects		–116	–84
Other comprehensive income		**2,575**	**–3,154**
Total comprehensive income		**133,685**	**102,276**
Ordinary shareholders and hybrid capital holders of GRENKE AG		133,685	102,276

1 Previous year's amounts adjusted (see note 2.1 "Accounting Standards Implemented in 2018" in the notes to the consolidated financial statements).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EURk	Note	Dec. 31, 2018	Dec. 31, 2017	Jan. 1, 2017
			adjusted[1]	adjusted[1]
Assets				
Current assets				
Cash and cash equivalents	5.1	333,626	203,357	156,888
Derivative financial instruments that are assets	7.3.1	1,874	2,161	3,688
Lease receivables	5.2	1,605,173	1,333,294	1,113,102
Other current financial assets	5.3	160,430	115,920	92,589
Trade receivables	5.4	7,666	5,786	4,373
Lease assets for sale		16,586	7,104	5,969
Tax assets		27,488	22,671	23,555
Other current assets	5.5	280,457	243,825	180,291
Total current assets		**2,433,300**	**1,934,118**	**1,580,455**
Non-current assets				
Lease receivables	5.2	3,098,837	2,551,823	2,101,102
Derivative financial instruments that are assets	7.3.1	1,842	1,344	29
Other non-current financial assets	5.3	82,692	80,306	72,571
Investments accounted for using the equity method		4,910	4,732	5,133
Property, plant and equipment	5.6	89,980	55,415	48,369
Goodwill	5.7	106,584	83,580	66,515
Other intangible assets	5.8	41,913	35,402	20,069
Deferred tax assets	5.9	15,203	15,229	21,706
Other non-current assets		1,230	1,226	1,694
Total non-current assets		**3,443,191**	**2,829,057**	**2,337,188**
Total assets		**5,876,491**	**4,763,175**	**3,917,643**

1 Previous year's amounts adjusted (see note 2.1 "Accounting Standards Implemented in 2018" in the notes to the consolidated financial statements).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EURk	Note	Dec. 31, 2018	Dec. 31, 2017	Jan. 1, 2017
			adjusted[1]	adjusted[1]
Liabilities and equity				
Liabilities				
Current liabilities				
Financial liabilities	5.10	1,520,095	1,261,525	1,227,581
Derivative liability financial instruments	7.3.2	1,406	1,199	1,225
Trade payables		28,156	20,550	16,663
Tax liabilities		10,688	20,092	13,117
Deferred liabilities	5.13	27,545	25,070	15,976
Current provisions	5.12	0	1,627	1,646
Other current liabilities	5.11	30,348	23,810	20,396
Deferred lease payments		24,724	36,421	31,908
Total current liabilities		**1,642,962**	**1,390,294**	**1,328,512**
Non-current liabilities				
Financial liabilities	5.10	3,092,431	2,533,181	1,894,474
Derivative liability financial instruments	7.3.2	1,557	760	1,751
Deferred tax liabilities	5.9	47,991	42,004	43,462
Pensions	5.14	4,348	4,419	4,781
Non-current provisions	5.12	105	53	107
Other non-current liabilities		0	1,050	0
Total non-current liabilities		**3,146,432**	**2,581,467**	**1,944,575**
Equity	5.15			
Share capital		46,354	44,313	18,881
Capital reserves		289,314	93,611	119,043
Retained earnings		625,737	530,373	455,361
Other components of equity		692	–1,883	1,271
Total equity attributable to shareholders of GRENKE AG		**962,097**	**666,414**	**594,556**
Additional equity components[2]		125,000	125,000	50,000
Total equity		**1,087,097**	**791,414**	**644,556**
Total liabilities and equity		**5,876,491**	**4,763,175**	**3,917,643**

1 Previous year's amounts adjusted (see note 2.1 "Accounting Standards Implemented in 2018" in the notes to the consolidated financial statements).
2 Including AT1 bonds (hybrid capital), which are reported as equity under IFRS.

CONSOLIDATED STATEMENT OF CASH FLOWS

	EURk	Jan. 1 to Dec. 31, 2018	Jan. 1 to Dec. 31, 2017
			adjusted[1]
	Earnings before taxes	**155,530**	**132,033**
	Non-cash items contained in earnings and reconciliation to cash flow from operating activities		
+	Depreciation and impairment	17,226	15,363
– / +	Profit / loss from the disposal of property, plant, and equipment and intangible assets	71	1
– / +	Net income from non-current financial assets	1,625	3,158
– / +	Other non-cash effective income / expenses	5,663	244
+ / –	Increase / decrease in deferred liabilities, provisions, and pensions	715	7,160
–	Additions to lease receivables	–2,425,195	–1,998,337
+	Payments by lessees	1,654,780	1,401,037
+	Disposals / reclassifications of lease receivables at residual carrying amounts	302,418	245,767
–	Interest and similar income from leasing business	–319,330	–280,809
+ / –	Decrease / increase in other receivables from lessees	–9,031	5,437
+ / –	Currency translation differences	1,679	17,594
=	Change in lease receivables	–794,679	–609,311
+	Addition to liabilities from refinancing	2,071,442	1,728,126
–	Payment of annuities to refinancers	–1,441,075	–1,215,429
–	Disposal of liabilities from refinancing	–43,810	–42,119
+	Expenses from interest on refinancing and on deposit business	46,797	42,807
+ / –	Currency translation differences	–2,354	–11,444
=	Change in refinancing liabilities	631,000	501,941
+ / –	Increase / decrease in liabilities from deposit business	178,746	102,118
– / +	Increase / decrease in loans to franchisees	–42,979	–28,482
	Changes in other assets / liabilities		
– / +	Increase / decrease in other assets	–85,312	–75,118
– / +	Increase / decrease in lease assets from operating leases	–12,883	0
+ / –	Increase / decrease in deferred lease payments	–13,231	4,199
+ / –	Increase / decrease in other liabilities	12,169	–728
=	**Cash flow from operating activities**	**53,661**	**52,578**
– / +	Income taxes paid / received	–31,635	–21,469
–	Interest paid	–2,873	–3,658
+	Interest received	1,248	500
=	**Net cash flow from operating activities**	**20,401**	**27,951**
–	Payments for the acquisition of property, plant and equipment and intangible assets	–15,565	–17,167
–	Payments for the acquisition of subsidiaries	–35,575	–10,035
–	Payments for the acquisition of associated entities	–249	0
–	Payments for the acquisition of financial assets	–150	0
+	Proceeds from the sale of property, plant and equipment and intangible assets	948	1,506
=	**Cash flow from investing activities**	**–50,591**	**–25,696**

1 Previous year's amounts adjusted (see note 2.1 "Accounting Standards Implemented in 2018" in the notes to the consolidated financial statements).

continued on next page

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

EURk		Jan. 1 to Dec. 31, 2018	Jan. 1 to Dec. 31, 2017
			adjusted[1]
+ / –	Borrowing / repayment of bank liabilities	–1,420	–120
+	Proceeds from cash capital increase	196,761	0
+	Net proceeds from hybrid capital	0	73,666
–	Interest coupon payments on hybrid capital	–6,786	–4,125
–	Dividend payments	–31,019	–25,849
=	**Cash flow from financing activities**	**157,536**	**43,572**
	Cash funds at beginning of period		
	Cash in hand and bank balances	203,357	156,888
–	Bank liabilities from overdrafts	–111	–131
=	**Cash and cash equivalents at beginning of period**	**203,246**	**156,757**
+ / –	Change due to currency translation	–78	662
=	**Cash funds after currency translation**	**203,168**	**157,419**
	Cash funds at end of period		
	Cash in hand and bank balances	333,626	203,357
–	Bank liabilities from overdrafts	–3,112	–111
=	**Cash and cash equivalents at end of period**	**330,514**	**203,246**
	Change in cash and cash equivalents during the period (= total cash flow)	**127,346**	**45,827**
	Net cash flow from operating activities	20,401	27,951
+	Cash flow from investing activities	–50,591	–25,696
+	Cash flow from financing activities	157,536	43,572
=	**Total cash flow**	**127,346**	**45,827**

1 Previous year's amounts adjusted (see note 2.1 "Accounting Standards Implemented in 2018" in the notes to the consolidated financial statements).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EURk	Share capital	Capital reserves	Retained earnings / Consoli-dated net profit	Hedging reserve	Reserve for actuarial gains / losses	Currency translation	Revaluation reserve for equity instruments (IFRS 9)	Total equity attributable to shareholders of GRENKE AG	Additional equity components	Total equity
Equity as per Jan. 1, 2018 (adjusted)	**44,313**	**93,611**	**530,373**	**–6**	**–1,258**	**–619**	**0**	**666,414**	**125,000**	**791,414**
Net profit			131,110					131,110		131,110
Other comprehensive income				–1	430	–149	2,295	2,575		2,575
Dividend payment in 2018 for 2017			–31,019					–31,019		–31,019
Interest coupon payment on hybrid capital (net)								0	–4,727	–4,727
Capital increase	2,041	195,703						197,744		197,744
Interest coupon for hybrid capital (net)			–4,727					–4,727	4,727	0
Equity as per Dec. 31, 2018	**46,354**	**289,314**	**625,737**	**–7**	**–828**	**–768**	**2,295**	**962,097**	**125,000**	**1,087,097**
Equity as per Jan. 1, 2017 (as reported)	**18,881**	**119,043**	**498,807**	**90**	**–1,556**	**2,614**	**0**	**637,879**	**52,541**	**690,420**
Adjustment to new accounting standards			–45,987			123		–45,864		–45,864
Adjustment hybrid capital			2,541					2,541	–2,541	0
Equity as per Jan. 1, 2017 (adjusted)	**18,881**	**119,043**	**455,361**	**90**	**–1,556**	**2,737**	**0**	**594,556**	**50,000**	**644,556**
Net profit			105,430					105,430		105,430
Other comprehensive income				–96	298	–3,356		–3,154		–3,154
Dividend payment in 2017 for 2016			–25,849					–25,849		–25,849
Interest coupon payment on hybrid capital (net)								0	–3,235	–3,235
Capital increase (Conversion of capital reserves in the context of the stock split)	25,432	–25,432						0		0
Issuance of hybrid capital			–1,125					–1,125	75,000	73,875
Cost of issuance of hybrid capital			–209					–209		–209
Interest coupon for hybrid capital (net)			–3,235					–3,235	3,235	0
Equity as per Dec. 31, 2017	**44,313**	**93,611**	**530,373**	**–6**	**–1,258**	**–619**	**0**	**666,414**	**125,000**	**791,414**

SEBASTIAN HIRSCH //
Member of the Board of Directors

“BECAUSE WE ALWAYS HANDLE YOUR BUSINESS AS IF IT WERE OUR OWN – COMMITTED, RESPONSIBLE AND WITH VISION.”

CONSISTENT PROFITABILITY AND FINANCIAL STRENGTH //

Equity ratio and Consolidated Group net profit

18.5%

The GRENKE Consolidated Group’s equity base remained strong in 2018.

+24.4%

2018 Consolidated Group net profit rises to EUR 131.1 million, reaching the upper end of the forecast range of EUR 126 to 132 million.

DYNAMIC GROWTH //

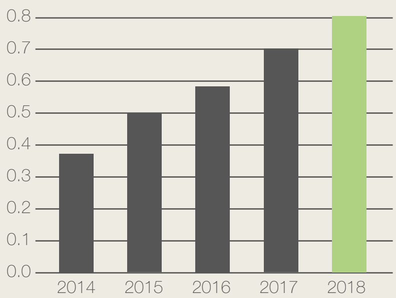
New business volume (in EUR millions)

2,979.8

GRENKE Group’s dynamic new business reaches new record and creates solid foundation for future earnings growth.

LONG-TERM DIVIDEND POLICY //

Dividend increases (in EUR)



FIRST-CLASS REPUTATION //

Ratings

BBB+

with a stable outlook was confirmed again in 2018 by Standard & Poor’s for GRENKE AG.

// NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2018

1. GENERAL INFORMATION

GRENKE AG is a stock corporation with its registered office located at Neuer Markt 2, Baden-Baden, Germany. The Company is recorded in the commercial register at the local court of Mannheim, Section B, under HRB 201836. GRENKE AG is the parent company of the GRENKE AG Consolidated Group ("the GRENKE Consolidated Group"). GRENKE AG is also a listed parent company trading on an organised market as defined by Section 2 (11) WpHG.

The GRENKE Consolidated Group conducts financing business and is a partner for mainly small and medium-sized enterprises. Its products and services range from leasing to factoring and include various payment transaction services as well as a deposit business for private customers.

The consolidated financial statements of GRENKE AG as per December 31, 2018 (the "consolidated financial statements") include the financial statements of GRENKE AG, its subsidiaries and consolidated structured entities. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as applicable in the European Union (EU) and the supplementary regulations applicable under German commercial law in accordance with Section 315e HGB.

The consolidated financial statements were prepared in euro (EUR). Unless stated otherwise, all figures are rounded and stated in thousands of euro (EURk). The accounting policies applied correspond with those of the previous year. Exceptions are listed in Note 2.1 and Note 3.19 and relate to changes resulting from the mandatory adoption of new or amended accounting standards changes in the presentation of additional equity components.

These consolidated financial statements were prepared by the Board of Directors on February 6, 2019 and approved for publication.

2. CHANGES IN ACCOUNTING

2.1 ACCOUNTING STANDARDS IMPLEMENTED IN 2018

In recent years, the International Accounting Standards Board (IASB) has published various amendments to existing IFRSs and new IFRSs as well as interpretations of the IFRS Interpretations Committee (IFRS IC). The IASB has also published amendments to existing standards as part of an annual procedure (Annual Improvements Project; AIP). The primary aim of the collective standards is to eliminate inconsistencies and clarify their wording.

The first-time mandatory application as per the 2018 fiscal year of the following amendments to the standards had no impact on the consolidated financial statements of GRENKE AG:

- Annual Improvements to IFRS: 2014 – 2016 Cycle
- Clarifications to IFRS 15 "Revenue from Contracts with Customers"
- Amendments to IAS 40 "Transfers of Investment Property"
- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"
- Amendments to IFRS 4: Application of IFRS 9 "Financial Instruments" together with IFRS 4 "Insurance Contracts"
- IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

The following section explains the accounting provisions that are relevant to the Consolidated Group.

2.1.1 IFRS 9 "FINANCIAL INSTRUMENTS"

The IASB published IFRS 9 "Financial Instruments" in July 2014. This standard contains provisions for recognition, measurement and derecognition of financial instruments as well as for the accounting of hedging relationships and largely replaces the accounting regulations for financial instruments under IAS 39 "Financial Instruments: Recognition and Measurement". Mandatory application of the standard in the European Union was for fiscal years starting on or after January 1, 2018.

The equity reported in the balance sheet as per January 1, 2018, declined by EUR 65.0 million compared to its level under IAS 39 as a result of changes in the risk provisioning methodology. The new impairment model stipulates that risk provisions must be recognised for expected credit losses, whereas according to IAS 39 it was only permissible to recognise impairment for losses already incurred. Except for the accounting of hedging transactions, where the GRENKE Consolidated Group has decided to exercise the accounting option contained in IFRS 9 and thereby continue to apply the hedge accounting rules under IAS 39, the Consolidated Group has applied IFRS 9 retrospectively as per January 1, 2017 to ensure that the prior-year figures of the consolidated income statement were comparable. All changes in the carrying amounts of financial assets, liabilities and financial guarantees were recognised in retained earnings upon this first-time application.

2.1.2 CLASSIFICATION OF FINANCIAL INSTRUMENTS

In the past, IAS 39 has provided four categories for the subsequent measurement of financial assets: "financial assets at fair value through profit or loss", "held-to-maturity investments", "loans and receivables" and "available-for-sale financial assets". Financial liabilities, other than financial guarantees and loan commitments, have been measured at amortised cost or fair value.

Under IFRS 9, the classification of financial assets depends on whether the financial asset is a debt instrument, derivative or equity instrument. Except for derivatives and financial guarantees, financial liabilities must be carried at amortised cost. Accounting under IFRS 9 is largely the same as under IAS 39.

IFRS 9 requires the classification of financial assets to be determined based on the business model used to manage the financial assets and the financial assets' contractual cash flow characteristics (so-called "SPPI"; Solely Payment of Principal and Interest).

IFRS 9 provides for four types of subsequent measurement of financial assets that depend on the respective business model or the fulfilment of the SPPI criterion:

- Measurement at amortised cost (AC)
- At fair value through OCI with recycling (FVOCImR)
- At fair value through OCI without recycling (FVOCIoR)
- At fair value through P&L (FVPL).

Performing and non-performing lease receivables are outside of the scope of application of IFRS 9. Non-performing lease receivables represent economic claims for compensation. Due to the new IFRS 9 classifications, cash and cash equivalents, trade receivables and other financial assets that were previously allocated to the measurement category "loans and receivables" under IAS 39 are now allocated to the measurement category "measurement at amortised cost" in accordance with IFRS 9. After exercising the option provided by IFRS 9, other investments that were allocated to the measurement category "available-for-sale" under IAS 39 are now assigned to the category "at fair value through OCI without recycling". Derivative financial instruments with a positive or negative balance are classified as "at fair value through profit or loss" under both IAS 39 and IFRS 9.

Carrying amounts have not changed due to the amended classification provisions of IFRS 9.

2.1.3 IMPAIRMENT

The application of IFRS 9 has fundamentally changed the accounting for impairment of financial assets by replacing the incurred loss model in accordance with IAS 39 with the forward-looking expected credit loss (ECL) model. In accordance with the incurred loss model (credit default model) under IAS 39, impairment was recognised only after a defined loss event occurred. Under IFRS 9 (expected credit loss model), impairment and provisions are recognised as per the initial recognition of the financial asset on the basis of the level of potential credit losses expected at that time.

The impairment provisions under IFRS 9 are applied to debt securities measured at amortised cost or fair value through other comprehensive income (FVOCI), lease receivables under IAS 17 "Leases" and off-balance sheet obligations such as loan commitments and financial guarantees.

IFRS 9 introduces a three-step approach to determining impairment. In accordance with this approach, the loss from expected loss events for one year (12M ECL) is already accrued as a risk provision upon acquisition (Level 1). If there has been a significant deterioration in the credit risk since the first-time recognition but no credit impairment, the risk provision is recognised at the level of the losses from expected loss events over the entire remaining contractual life (Lifetime Expected Loss – LT ECL) (Level 2). If credit impairment exists, the risk provisioning must also be set in the amount of the losses expected over the remainder of the entire contract period on the basis of the estimated, expected future cash flows of the asset (LT ECL) (Level 3).

Financial assets are generally recognised in Level 1 upon initial recognition. An exception to this is financial instruments that are already considered impaired at the time of the acquisition of the transaction ("Purchased or Originated Credit Impaired Financial Assets – POCI"). Risk provisions are not recognised upon the acquisition of financial instruments classified as POCI. Instead, the effective interest rate is reduced by the expected credit losses already upon acquisition of the financial instrument. In the course of the subsequent measurement of POCI financial instruments, however, a risk provision is recognised, which is based on the development of LT ECL since the time of acquisition.

2.1.4 FIRST-TIME APPLICATION OF IFRS 9 (INCL. ADJUSTMENT TO HYBRID CAPITAL)

The following tables summarise the effects of the first-time application of IFRS 9 and the impact of the adjustment to hybrid capital (see Note

3.19) based on GRENKE's published consolidated statement of financial position as per December 31, 2016 through the opening balance sheet as per January 1, 2017. Furthermore, the effect on the GRENKE Consolidated Group statement of financial position as per December 31, 2017, the statement of financial position as per January 1, 2018 and the retrospective effects on the consolidated income statement and consolidated statement of comprehensive income for the 12 months as per December 31, 2017 are presented. The changes shown in the tables in the column "IFRS 9 adjustment" were based solely on the amended rules for risk provisioning under IFRS 9.

EFFECT ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (INCREASE / DECREASE) AS PER JANUARY 1, 2017

EURk	Published consolidated financial statements Dec. 31, 2016	IFRS 9 adjustment	IFRS 9 opening financial position Jan 1, 2017	Adjustment to hybrid capital	Opening financial position Jan 1, 2017
Current assets					
Cash and cash equivalents	156,896	–8	156,888	--	156,888
Lease receivables	1,141,000	–27,898	1,113,102	--	1,113,102
Other current financial assets	93,090	–501	92,589	--	92,589
Trade receivables	4,474	–101	4,373	--	4,373
Total current assets	**1,608,963**	**–28,508**	**1,580,455**	**--**	**1,580,455**
Non-current assets					
Lease receivables	2,129,110	–28,008	2,101,102	--	2,101,102
Other non-current financial assets	73,643	–1,072	72,571	--	72,571
Deferred tax assets	11,043	10,663	21,706	--	21,706
Total non-current assets	**2,355,605**	**–18,417**	**2,337,188**	**--**	**2,337,188**
Total assets	**3,964,568**	**–46,925**	**3,917,643**	**--**	**3,917,643**
Total liabilities					
Non-current provisions	0	107	107	--	107
Deferred tax liabilities	44,630	–1,168	43,462	--	43,462
Total non-current liabilities	**1,945,636**	**–1,061**	**1,944,575**	**--**	**1,944,575**
Equity					
Retained earnings	498,807	–45,987	455,361	--	455,361
Other components of equity	1,148	123	1,271	--	1,271
Total equity attributable to shareholders of GRENKE AG	**637,879**	**–45,864**	**592,015**	**2,541**	**594,556**
Interests of hybrid capital holders	**52,541**	**--**	**52,541**	**–2,541**	**50,000**
Total equity	**690,420**	**–45,864**	**644,556**	**0**	**644,556**
Total liabilities and equity	**3,964,568**	**–46,925**	**3,917,643**	**0**	**3,917,643**

EFFECT ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (INCREASE / DECREASE) AS PER JANUARY 1, 2018

EURk	Published consolidated statement of financial position Dec. 31, 2017	IFRS 9 adjustment	Adjusted consolidated statement of financial position Jan 1, 2018	Adjustment to hybrid capital	Fully adjusted consolidated statement of financial position Jan 1, 2018
Current assets					
Cash and cash equivalents	203,367	–10	203,357	--	203,357
Lease receivables	1,368,121	–34,827	1,333,294	--	1,333,294
Other current financial assets	116,509	–589	115,920	--	115,920
Trade receivables	5,935	–149	5,786	--	5,786
Total current assets	**1,969,693**	**–35,575**	**1,934,118**	**--**	**1,934,118**
Non-current assets					
Lease receivables	2,598,614	–46,791	2,551,823	--	2,551,823
Other non-current financial assets	82,047	–1,741	80,306	--	80,306
Goodwill	82,845	735	83,580	--	83,580
Deferred tax assets	10,887	4,342	15,229	--	15,229
Total non-current assets	**2,872,512**	**–43,455**	**2,829,057**	**--**	**2,829,057**
Total assets	**4,842,205**	**–79,030**	**4,763,175**	**--**	**4,763,175**
Non-current liabilities					
Non-current provisions	0	53	53	--	53
Deferred tax liabilities	55,932	–13,928	42,004	--	42,004
Total non-current liabilities	**2,595,342**	**–13,875**	**2,581,467**	**--**	**2,581,467**
Equity					
Retained earnings	592,771	–65,533	527,238	3,135	530,373
Other components of equity	–2,261	378	–1,883	--	–1,883
Total equity attributable to shareholders of GRENKE AG	**728,434**	**–65,155**	**663,279**	**3,135**	**666,414**
Interests of hybrid capital holders	**128,135**	**--**	**128,135**	**–3,135**	**125,000**
Total equity	**856,569**	**–65,155**	**791,414**	**0**	**791,414**
Total liabilities and equity	**4,842,205**	**–79,030**	**4,763,175**	**0**	**4,763,175**

EFFECT ON THE CONSOLIDATED INCOME STATEMENT (INCREASE / DECREASE) FOR THE 12 MONTHS AS PER DECEMBER 31, 2017

EURk	Published consolidated income statement Dec. 31, 2017	IFRS 9 adjustment	Adjusted consolidated income statement Dec. 31, 2017	Adjustment to hybrid capital	Adjusted consolidated income statement Dec. 31, 2017
Settlement of claims and risk provision	55,467	25,694	81,161	--	81,161
Earnings before taxes	**157,727**	**–25,694**	**132,033**	**--**	**132,033**
Income taxes	32,745	–6,142	26,603	--	26,603
Net profit	**124,982**	**–19,552**	**105,430**	**--**	**105,430**
Hybrid capital holders	3,738	**--**	**3,738**	–503	3,235
Shareholders of GRENKE AG	121,244	–19,552	**101,692**	503	102,195
Earnings per share (EUR)[1]	2.74	–0.44	2.30	0.01	2.31

[1] Basic and diluted earnings per share are identical.

EFFECT ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (INCREASE / DECREASE) FOR THE 12 MONTHS AS PER DECEMBER 31, 2017

EURk	**Published consolidated income statement Dec. 31, 2017**	**IFRS 9 adjustment**	**Adjusted consolidated income statement Dec. 31, 2017**	**Adjustment to hybrid capital**	**Fully adjusted consolidated income statement Dec. 31, 2017**
Change in currency translation differences	–3,611	255	–3,356	--	–3,356
Other comprehensive income	**–3,409**	**255**	**–3,154**	**--**	**–3,154**
Total comprehensive income	**121,573**	**–19,297**	**102,276**	**--**	**102,276**
Hybrid capital holders	3,738	--	3,738	–503	3,235
Shareholders of GRENKE AG	117,835	–19,297	98,538	503	99,041

There was no material effect on the consolidated statement of cash flows.

RECONCILIATION OF RISK PROVISIONS

EURk	**Recognised under IAS 39**	**Recognised under IFRS 9**	**Risk provisions IAS 39 Dec. 31, 2016**	**Remeasurement**	**Risk provisions IFRS 9 Jan. 1, 2017**
Cash and cash equivalents	L&R	AC	0	8	8
Lease receivables (performing)	n.a.	n.a.	0	55,906	55,906
Lease receivables (non-performing)	n.a.	n.a.	129,746	0	129,746
Trade receivables	L&R	AC	850	101	951
Other financial assets	L&R	AC	2,216	1,573	3,789
Off-balance-sheet obligations (financial guarantees)	n.a.	n.a.	0	107	107

Abbreviations:
L&R: Loans and receivables
AC: Financial assets measured at amortised cost

2.1.5 IFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

In May 2014, the IASB published IFRS 15 "Revenue from Contracts with Customers". The standard introduces an industry-independent and principle-based five-level model for recognising revenue from contracts with customers. According to IFRS 15, revenue is recognised in the amount that is expected to be received as consideration for the transfer of goods or services to customers (the transaction price as defined by IFRS 15). Revenue is recognised when the customer assumes the economic control of the goods or services. IFRS 15 also contains reporting requirements. The new standard requires the disclosure of a number of quantitative and qualitative items to give the users of the consolidated financial statements an understanding of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The new standard replaces all existing provisions for revenue recognition under IFRS (IAS 11 "Construction Contracts" and IAS 18 "Revenue"), as well as the related IFRS interpretations. IFRS 15 is to be applied to fiscal years beginning on or after January 1, 2018. The standard has no impact on the recognition of income arising in connection with financial instruments in the regulatory scope of IFRS 9. Also excluded is the recognition of income from leases that fall within the scope of IAS 17/IFRS 16. The Consolidated Group applied the modified retrospective method in transitioning to IFRS 15, which required the cumulative adjustment amounts be recognised as per January 1, 2018. The first-time application of IFRS 15 did not have a material impact on GRENKE AG’s consolidated financial statements.

2.2 ACCOUNTING STANDARDS AND INTERPRETATIONS ALREADY PUBLISHED BUT NOT YET IMPLEMENTED

In addition to the applicable mandatory IFRSs mentioned above, the IASB has also published other amended IASs and IFRSs that will only become mandatory at a later date. Several of these standards have already been endorsed into European law by the EU. Voluntary early application of these standards is expressly permitted and/or recommended. GRENKE AG is not making use of this option. These standards will be implemented in the consolidated financial statements when their adoption becomes mandatory. In the following, a distinction is made as to whether standards have already been adopted ("endorsed") into European law (date of mandatory first-time application in parenthesis) or not:

2.2.1 ALREADY ADOPTED INTO EUROPEAN LAW ("ENDORSED") (IASB DATE OF FIRST-TIME APPLICATION IN PARENTHESIS):

- IFRS 16 "Leases" (January 1, 2019)
- Amendments to IFRS 9 "Prepayment Features with Negative Compensation" (January 1, 2019)
- IFRIC 23 "Uncertainty Over Income Tax Treatments" (January 1, 2019)

2.2.2 NOT YET ADOPTED INTO EUROPEAN LAW ("NOT ENDORSED") (IASB DATE OF FIRST APPLICATION IN PARENTHESIS):[1]

- Annual Improvements to IFRS: 2015 – 2017 Cycle (January 1, 2019)
- Amendments to IAS 19 "Plan Amendment, Curtailments or Settlement" (January 1, 2019)
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (January 1, 2019)
- Amendments to References to the Conceptual Framework (January 1, 2020)
- Amendments to IFRS 3 "Business Combinations" (January 1, 2020)
- Amendments to IAS 1 and IAS 8 " Definition of Material" (January 1, 2020)
- IFRS 17 "Insurance Contracts" (January 1, 2021)

[1] The EU has decided not to endorse the interim standard IFRS 14 "Regulatory Deferral Accounts" (January 1, 2016) and not to incorporate it into European law but rather wait until the standard's final adoption. The IASB has postponed the initial date of application for "Amendments to IFRS 10 Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" for an indefinite period.

The following explains the accounting rules that are relevant to the Consolidated Group. A material impact on the consolidated financial statements is not expected from any other new or revised standards, except for new or amended disclosures in the Notes.

2.2.3 IFRS 16 "LEASES"

In January 2016, the IASB published the new standard IFRS 16 "Leases". IFRS 16 replaces the previous IAS 17 standard on lease accounting and the interpretations IFRIC 4, SIC-15 and SIC-27. Application of the new standard is mandatory for fiscal years beginning on or after January 1, 2019. Early application is permitted. The main changes introduced by IFRS 16 relate to lessee accounting. The differentiation between an operating lease and a finance lease at the lessee is eliminated. The lessee must recognise an asset for the right to use a lease object and a liability for the committed payment obligations for all leases ("right-of-use approach"). Exemptions are provided for "low-value" leases and short-term leases of 12 months or less. For "low-value" leases, this exemption applies even if their aggregate amount is material. Simplified application consists of an option to apply the recognition and disclosure requirements of IFRS 16. The GRENKE Consolidated Group will apply these exemptions both to low value lease assets and to short-term leases.

There were only minimal changes to the accounting policies for the lessor. These changes generally correspond to the previous provisions of IAS 17. As a result, the new standard is not expected to have a material impact on the GRENKE AG consolidated financial statements as a lessor. For leases where the GRENKE Consolidated Group is the lessee, the amended accounting principles will have an effect on the consolidated financial statements. One example is that usage rights will be capitalised for leased vehicles and properties. In addition, the nature of the expenses associated with these leases will change as IFRS 16 replaces linear operating lease expenses with amortisation of right-of-use assets and interest expense on lease liabilities.

At the time of first-time application, the GRENKE Consolidated Group will make use of the exemption to refrain from reassessing whether the existing agreements constitute or include a lease. The first application will make use of the modified retrospective method, under which the requirement of adjusting the previous year's figures is waived. The GRENKE Consolidated Group is expected to make extensive use of the accompanying simplification provisions of IFRS 16 upon initial application. For example, the GRENKE Consolidated Group will exercise the option of disregarding the initial direct costs in the measurement of the right-of-use at the time of first-time application. In addition, leases whose terms end within the next 12 months after the date of initial application will be classified as short-term leases. In the case of low value lease assets, the simplification rule will be applied and there will be no adjustments upon the first-time application of IFRS 16.

The actual impact of IFRS 16 depends on the incremental borrowing rate of interest as per January 1, 2019, the composition of the leasing portfolio with similar characteristics and the assessment of the exercise of extension options. Based on the latest information, the application of IFRS 16 will lead to minor changes in the presentation of the consolidated statement of financial position and consolidated income statement. With respect to the statement of financial position, we expect an increase in total assets between EUR 20 million and EUR 35 million, depending on the whether the option is utilised in the calculation of the right-to-use. As the GRENKE Consolidated Group acts primarily as a lessor, no material impact on the consolidated financial statements is expected.

2.2.4 IFRIC 23 "UNCERTAINTY OVER INCOME TAX TREATMENTS"

IFRIC 23 was published in June 2017. The interpretation clarifies the requirements for the recognition and measurement of uncertain income tax items. In assessing assumptions and estimates, an entity must assess whether it is likely that the tax jurisdiction will accept the income tax treatment. The interpretation is effective for the first time in fiscal years beginning on or after January 1, 2019. Earlier application is permitted. GRENKE is currently examining the effects the application of the interpretation will have on the consolidated financial statements. GRENKE expects only minor effects because it has already been following the interpretation for accounting.

3. GENERAL ACCOUNTING POLICIES

3.1 COMPOSITION OF THE CONSOLIDATED GROUP

The Consolidated Group consists of 40 consolidated entities (previous year: 38), of which 5 (previous year: 5) are consolidated structured entities. The Consolidated Group holds either directly or indirectly 100% of the interest in 36 (previous year: 34) entities controlled by the Consolidated Group. Four of the consolidated entities (previous year: four) are held by third parties. Three of the structured entities concern parts of investees (silos). Furthermore, two associated entities (previous year: one associated entity) have been included in the consolidated financial statements using the equity method. The consolidated financial statements contain all assets and liabilities as well as all expenses and income of GRENKE AG and of the Consolidated Group companies it controls (the "GRENKE Consolidated Group") after eliminating all material intra-group transactions. Uniform accounting principles are applied Consolidated Group-wide to the consolidated financial statements.

Affiliated entities are consolidated as per the date control is assumed by the GRENKE Consolidated Group and are no longer consolidated as per the date that control ceases.

3.1.1 SUBSIDIARIES

Subsidiaries are entities in which the Consolidated Group holds either a direct or indirect interest and over which GRENKE AG exerts control. Control exists when GRENKE AG's existing rights give it the ability to direct the relevant activities of the subsidiary (power of disposition) and, in doing so, is exposed to variable returns and there is a link between this power of disposition and the amount of return.

3.1.2 STRUCTURED ENTITIES

Structured entities are entities in which voting or similar rights are not the dominant factors in determining control, for example, when voting rights only relate to administrative tasks and the relevant activities are governed by contractual agreements.

3.1.3 ASSOCIATED ENTITIES

Associated entities are entities whose financial and business decisions can be significantly influenced by the Consolidated Group, but the Consolidated Group cannot control or jointly control the entities' decision-making processes. Significant influence typically exists when there is an interest in the associated entities' voting rights of 20% to 50%.

Associated entities are accounted for in the consolidated financial statements using the equity method and initially recognised at acquisition cost. The share in the profit and loss of the associated entity following its acquisition or establishment is recognised in the consolidated income statement, and the share in any earnings-neutral changes in equity is directly recognised in the Consolidated Group's equity. Goodwill arising from the acquisition of an associated or jointly controlled entity is included in the carrying amount of the investment (less accumulated impairment losses). As a result, there is no separate goodwill impairment test carried out.

OVERVIEW OF THE GRENKE CONSOLIDATED GROUP – SCHEDULE OF SHAREHOLDINGS PURSUANT TO SECTION 313 (2) HGB

Subsidiaries including structured entities	Registered office	Equity interest Dec. 31, 2018	Equity interest Dec. 31, 2017
Germany			
GRENKE Service AG	Baden-Baden	100%	100%
Grenke Investitionen Verwaltungs Kommanditgesellschaft auf Aktien	Baden-Baden	100%	100%
GRENKE BANK AG	Baden-Baden	100%	100%
GRENKEFACTORING GmbH	Baden-Baden	100%	100%
GRENKE digital GmbH	Karlsruhe	100%	100%
Europa Leasing GmbH	Kieselbronn	100%	100%
International			
GRENKELEASING s.r.o.	Prague/Czechia	100%	100%
GRENKE ALQUILER S.L.	Barcelona/Spain	100%	100%
Grenkefinance N.V.	Vianen/Netherlands	100%	100%
GRENKE RENT S.L.	Madrid/ Spain	100%	100%
GRENKELEASING AG	Zurich/Switzerland	100%	100%
GRENKELEASING GmbH	Vienna/Austria	100%	100%
GRENKELEASING ApS	Herlev/Denmark	100%	100%
GRENKE LIMITED	Dublin/Ireland	100%	100%
GRENKE FINANCE PLC	Dublin/Ireland	100%	100%
GRENKE LOCATION SAS	Schiltigheim/France	100%	100%
GRENKE Locazione S.r.l.	Milan/Italy	100%	100%
GRENKELEASING AB	Stockholm/Sweden	100%	100%
GRENKE LEASE Sprl	Brussels/Belgium	100%	100%
Grenke Leasing Ltd.	Guildford/United Kingdom	100%	100%
GRENKELEASING Sp. z o.o.	Poznan/Poland	100%	100%
GRENKELEASING Magyarország Kft.	Budapest/Hungary	100%	100%
Grenke Renting S.R.L	Bucharest/Romania	100%	100%
GRENKE RENTING S.A.	Lisbon/Portugal	100%	100%
GRENKELEASING s.r.o.	Bratislava/Slovakia	100%	100%
GRENKELEASING Oy	Vantaa/Finland	100%	100%
GRENKELOCATION SARL	Munsbach/Luxembourg	100%	100%
GRENKEFACTORING AG	Basel/Switzerland	100%	100%
GRENKELEASING d.o.o.	Ljubljana/Slovenia	100%	100%
GRENKE Kiralama Ltd. Sti.	Istanbul/Turkey	100%	100%
GRENKE RENTING LTD.	Sliema/Malta	100%	100%
GC Locação de Equipamentos LTDA	São Paulo/Brazil	100%	100%
GRENKE Locação de Equipamentos LTDA	São Paulo/Brazil	100%	100%
GC Leasing Middle East FZCO	Dubai/UAE	100%	--
GRENKE Hrvatska d.o.o.	Zagreb/Croatia	100%	--
FCT "GK"-COMPARTMENT "G2"	Pantin/France	100%	100%
FCT "GK"-COMPARTMENT "G3"	Pantin/France	0%	0%
Opusalpha Purchaser II Limited	Dublin/Ireland	0%	0%
Kebnekaise Funding Limited	St. Helier/Jersey	0%	0%
CORAL PURCHASING Limited	St. Helier/Jersey	0%	0%
Associated entities			
Cash Payment Solutions GmbH	Berlin	25.01%	25.01%
finux GmbH	Kassel	44%	--

For explanations regarding new additions in the fiscal year, please refer to Note 6.1

3.2 FOREIGN CURRENCY TRANSLATION

The separate financial statements of the foreign Consolidated Group companies are translated into euros using the functional currency concept. The functional currency of all foreign business enterprises is the respective national currency. The assets and liabilities of foreign subsidiaries whose functional currency is not the euro are translated into euros at the closing rate on the reporting date. The income and expenses of these subsidiaries are translated at the average rate for the fiscal year. The translation differences that result are recognised as a separate component of equity. When a foreign operation is sold, the cumulative amount recognised in equity for this foreign operation is released in profit and loss.

Transactions in a currency that differs from the functional currency of a subsidiary are first translated into the functional currency at the prevailing spot rate on the day of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency using the closing rate on each reporting date. The translation differences that result are recognised through profit and loss. Non-monetary items denominated in a foreign currency are carried at historical exchange rates.

Currency translation was based on the following key exchange rates:

	Closing rate Dec. 31, 2018	Average rate 2018	Closing rate Dec. 31, 2017	Average rate 2017
GBP	0.8945	0.8847	0.8872	0.8767
HUF	320.98	318.89	310.33	309.19
CHF	1.1269	1.1550	1.1702	1.1117
BRL	4.4440	4.3085	3.9729	3.7689
TRY	6.0588	5.7077	4.5464	4.1206

3.3 LEASES

Lease agreements include agreements in which the lessor confers the lessee the right to use an asset for a set period of time in exchange for one payment or a series of payments.

Lease agreements are classified either as operating leases or finance leases. Whether an agreement can be considered as a lease or containing a lease, depends on the economic substance of the agreement at the beginning of the agreement based on the assessment of whether the fulfilment of the agreement depends on the use of a specific asset and if the agreement confers a right to use the asset.

3.3.1 THE CONSOLIDATED GROUP AS LESSOR

3.3.1.1 Finance Leases

Under a finance lease, all of the significant risks and rewards of legal ownership are transferred from the lessor to the lessee.

Assets from finance leases are initially recognised in the statement of financial position as lease 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. Lease payments are divided into interest payments and principal payments in such a manner that they reflect a constant periodic rate of return for the receivable. Initial direct costs incurred in connection with the conclusion of the contract, e.g. reseller commissions, are taken into consideration when calculating the net investment value. These capitalised initial direct costs are recognised as they occur under profit from new business. The profit from new business also includes portions of income from lease down payments, which is the fee paid by the lessee for the use of the lease object during the period from the transfer of the object until the issuance of the lease acceptance letter. Capitalised reseller commissions and bonuses included in the net investment value of the lease receivable are also a component of the profit from new business.

3.3.1.2 Operating Leases

Operating leases are those leases where the GRENKE Consolidated Group does not transfer all the significant risks and rewards of ownership of the asset to the lessee. Initial direct costs incurred in the negotiation and conclusion of an operating lease are added to the carrying amount of the lease asset. These amounts are depreciated together over the term of the lease agreement until the residual value is reached. Contingent rents are recognised as income in the period in which they are generated. Operating lease assets are typically recorded in the statement of financial position as property, plant and equipment based on the type of asset (see Note 5.6). Income from lease instalments and depreciation on lease assets are recognised on a straight-line basis in the profit from service business.

After the original lease has expired, the contract may be extended, or a follow-on contract may be concluded. This leads to a reassessment of the lease. In cases where the criteria for an operating lease are met, the lease asset is recorded as property, plant and equipment as per the start of the extension period. Income and expenses from these contracts are reported under gains/losses from disposals.

3.3.2 THE CONSOLIDATED GROUP AS LESSEE

3.3.2.1 Finance Leases

Finance leases, in which all the significant risks and rewards incidental to owning the lease asset are transferred to the GRENKE Consolidated Group, lead to a capitalisation on the date of the lease's inception at the fair value of the lease asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance expense and the retirement of the remaining lease liability to achieve a constant rate of interest on the remaining balance of the liability throughout the period. Finance expenses are immediately recognised in profit and loss. The capitalised lease assets are fully depreciated over the shorter of the lease term or its useful life if there is no reasonable certainty that the GRENKE Consolidated Group will obtain ownership by the end of the lease term.

3.3.2.2 Operating Leases

Lease payments under an operating lease are recognised as selling and administrative expenses in the income statement on a straight-line basis over the lease term. Contingent rents are recognised as an expense in the period they are incurred.

3.4 MEASUREMENT OF FAIR VALUES

The GRENKE Consolidated Group measures derivative financial instruments at their fair value. Additionally, the fair values of financial instruments measured at cost are presented in Note 7.4.

The fair value is the amount that would be obtained from the sale of an asset in an arm's length transaction between market participants at the valuation date as part of an orderly business transaction under current market conditions or the amount to be paid for the transfer of a liability. Fair value measurement assumes that the transaction leading to the sale of the asset or the transfer of the liability takes place on the asset's principal market or the principal market for the transfer of the liability or, if such a principal market is not available, on the most favourable market for the asset or the transfer of the liability.

Fair value is determined for a certain point in time and by applying those assumptions that representative market participants would take into consideration in pricing. With respect to pricing, it is assumed that market participants act in their own best economic interest.

When measuring the fair value of non-financial assets, the respective market participant's ability to generate an economic benefit is taken into account through the greatest and best use of the asset or through the sale of the asset to another market participant who finds the greatest and best use of the asset.

The GRENKE Consolidated Group uses observable market data, as far as possible, for determining the fair value of an asset or a liability. The fair values are assigned to different levels of the fair value hierarchy based on the input parameters used in the valuation methods:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Measurement procedures in which all input factors that have a significant effect on the recognition of fair value are directly or indirectly observable

Level 3: Measurement procedures that use input factors that have a significant effect on the fair value recognised and are not based on observable market data

If the input factors used to determine the fair value of an asset or a liability can be assigned to different levels of the fair value hierarchy, then the fair value measurement is assigned entirely to the level in the fair value hierarchy that corresponds to the lowest input factor material for the overall measurement.

The GRENKE Consolidated Group recognises reclassifications between the different levels of the fair value hierarchy at the end of the reporting period in which the change has occurred. In the reporting year, there were no reclassifications among the three levels of the measurement hierarchy.

3.5 FINANCIAL INSTRUMENTS

3.5.1 CATEGORIES OF FINANCIAL INSTRUMENTS

Financial instruments within the scope of IFRS 7 are classified in the following categories:

Financial assets

Lease receivables

Measured at amortised cost

- Cash and cash equivalents, trade receivables, other financial assets

At fair value through other comprehensive income without recycling

- Other investments

At fair value through profit or loss

- Derivative financial instruments measured at fair value, with and without hedging relationship

Financial liabilities

Measured at amortised cost

- Financial liabilities (liabilities from the refinancing of lease receivables, liabilities from deposit business, bank liabilities), trade payables

At fair value through profit or loss

- Derivative financial instruments measured at fair value, with and without hedging relationship

Financial guarantees

Irrevocable credit commitments

3.5.2 DERIVATIVES

Derivative financial instruments (derivatives) used by the GRENKE Consolidated Group, other than those employed as hedging instruments in a hedging relationship under IFRS 9, are classified as measured at fair value through profit and loss.

Embedded derivatives are derivatives that are embedded in primary financial instruments. In accordance with IFRS 9, only derivatives that are embedded in financial liabilities and non-financial basic contracts are separated. According to IFRS 9, financial assets are assessed as a whole, with the result that there is no longer any separate accounting between the basic instrument and the embedded derivative. Instead, financial assets are classified in accordance with the business model and contract terms.

Presentation as a separate line item is only required when the following three conditions are met:

- The economic characteristics and risks of the embedded derivative are not closely related to those of the basic contract;
- an independent derivative with the same conditions as the embedded derivative meets the definition of a derivative and
- the original financial liability is not measured at fair value through profit or loss.

In this case, the embedded derivative to be separated is recognised at fair value. Measurement changes are recognised in profit or loss under financial assets and liabilities measured at fair value through profit or loss. By contrast, the accounting and measurement of the basic contract follows the rules of the assigned category of the financial instrument.

Under hedge accounting, the GRENKE Consolidated Group only accounts for interest rate derivatives for hedging cash flows from the change in interest rates. These interest rate swap contracts are allocated to the variable cash flows of the underlying bonds and private placement transactions, as well as to the variable cash flows of the underlying ABCP and ABS refinancing transactions. The Consolidated Group recognises changes in the fair value of interest rate swaps in other comprehensive income (hedging reserve) while taking deferred taxes into consideration. The ineffectiveness is recognised in profit and loss. The underlying effectiveness is measured as per the end of each reporting period using the hypothetical derivative method. More information is provided in Note 7.3.

3.5.3 NON-DERIVATIVE FINANCIAL ASSETS

According to IFRS 9, the classification of financial assets is based on whether it is a debt instrument, a derivative or an equity instrument. IFRS 9 requires that the classification of financial assets be determined based on the business model used to manage the financial assets and the contractual cash flow characteristics of the financial asset (so-called "SPPI"; Solely Payment of Principal and Interest).

The business model determines how the future cash flows from the financial assets should be realised. The assessment of the business model does not depend on management’s intended use of an individual asset, rather the decision is made on the classification at a higher aggregation level, e.g. for a portfolio. The way in which the achievement of cash flows within the respective business model is achieved is crucial for the assessment of the business model in accordance with IFRS 9. This is done by collecting the contractual cash flows, selling the financial assets or a combination of both.

The following factors should be taken into consideration when determining the business model:

- Objectives set for each portfolio by persons in key positions as defined by IAS 24
- The anticipated practical implementation of these objectives
- The risks that affect the results of the business model and particularly the way in which those risks are managed
- The performance measurement for the portfolios
- Remuneration models of the persons responsible for the management of the portfolios

As a result, it is not the description of the business model that is decisive for the assessment but the actual management. The determination of the business model is therefore not an arbitrary decision but is based on observable facts.

In addition to the business model requirement, a review of the contractual cash flow characteristics ("SPPI") must also be carried out, which requires that the contractual terms of the relevant financial instrument result in payments consisting exclusively of interest and principal at predetermined dates. In contrast to the business model assessment, each financial instrument should be considered individually. The business model is assigned on a portfolio basis, while the SPPI criterion must always be reviewed for each individual financial instrument assigned to the business models "Hold" and "Hold & Sell".

IFRS 9 provides for four types of subsequent measurement of financial assets that are dependent on the respective business model and the fulfilment of the SPPI criterion:

- Measurement at amortised cost (AC)
- Measurement at fair value through OCI with recycling (FVOCImR)
- Measurement at fair value through OCI without recycling (FVOCIoR)
- Measurement at fair value through P&L (FVPL), subdivided into mandatory fair value accounting and held-for-trading

Performing and non-performing receivables from finance leases are classified in accordance with IAS 17. Please see Note 3.3.

3.5.4 FINANCIAL ASSETS AT AMORTISED COST CATEGORY

Debt instruments are accounted for at amortised cost when the contractually agreed payment characteristics consist solely of principal and interest payments on the outstanding principal and are held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows of the financial asset ("SPPI criterion"). Financial assets in the category "at amortised cost" are recognised on the statement of financial position under the line items "trade receivables", "other financial assets" and "cash and cash equivalents".

The category "at amortised cost" includes all financial assets formerly reported under the previous IAS 39 measurement category "loans and receivables".

3.5.5 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI) CATEGORY

The fair value measurement through comprehensive income with recycling (FVOCImR) is applied to financial assets whose cash flows also comply with the SPPI criterion and have been assigned to the business model "Hold & Sell". GRENKE does not hold any instruments that are assigned to the business model "Hold and Sell" and therefore does not use the classification.

Equity instruments that comply with the equity definition under IAS 32 do not fulfil the cash flow condition due to a lack of contractual payment entitlements in terms of interest and credit repayments and are therefore to be measured at fair value through profit or loss. There is the option (OCI option) of designating equity instruments that are not intended to be traded as "at fair value through other comprehensive income". GRENKE applies this option and recognises its investment in Finanzchef24 GmbH under the category FVOCI without recycling (FVOCIoR). As a result, all changes in fair value are presented in other comprehensive income, no impairment losses are recognised in profit or loss, and no gains or losses are reclassified to profit or loss upon disposal. This alternative presentation is chosen so that no volatility in a start-up company's fair value measurement is recognised in the income statement.

Under IAS 39, the investment was reported in the category "available-for-sale financial assets" and measured at cost since the fair value could not be reliably determined. This was the case for equity instruments for which there was no quoted price in an active market and where significant parameters for determining fair value could not be assessed with sufficient certainty using valuation models.

3.5.6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (FVPL)

The subsequent measurement at fair value with the recognition of the fluctuation in value in profit or loss (FVPL) is compulsory if either the financial instrument has not been allocated to a portfolio of the other above-mentioned business models (AC, FVOCImR, FVOCIoR) or if its cash flows do not meet the SPPI criterion.

The subsequent measurement at amortised cost is not possible for derivatives since they do not have predetermined repayment amounts. Derivatives are always to be measured at fair value through profit or loss provided they are not in a hedging relationship (hedge accounting). The GRENKE Consolidated Group does not hold any financial assets at fair value through profit or loss as per the reporting date except for derivatives.

3.5.7 RECOGNISING AND MEASURING FINANCIAL ASSETS

The initial measurement of financial instruments is at fair value, excluding trade receivables with no significant financing components, which are measured at their transaction price. For financial instruments not measured at fair value through profit or loss, the fair value includes additional and individually allocable transaction costs as incidental acquisition costs that increase the fair value of financial assets.

Financial assets are allocated to the measurement categories upon initial recognition. Reclassifications, where appropriate, are made prospectively as per the first day of the first reporting period following the change in the business model. No reclassifications took place during the reporting periods. All customary purchases and sales of financial assets use settlement date accounting. Purchases and sales of financial assets customary for the market are transactions that require delivery of assets within the period generally established by regulation or standard practice in the marketplace.

After their initial recognition, financial assets in the category "financial assets at amortised cost" are measured at amortised cost using the effective interest method less any impairment.

Amortised cost includes all discounts and premiums paid upon acquisition and includes all fees that are an integral part of the effective interest rate and the transaction costs. Gains and losses are recognised in net profit when the financial assets measured at amortised cost are derecognised or impaired and through the amortisation process.

A criterion that leads to a material change in the contract is when the discounted net present value of the cash flows of the new contract conditions deviates by at least 10% from the discounted net present value of the remaining cash flows of the original debt instrument. The difference between the respective carrying amounts is recognised in profit or loss.

3.5.8 IMPAIRMENT OF FINANCIAL ASSETS

At each balance sheet date, the GRENKE Consolidated Group determines the impairment on financial assets or a group of financial assets based on a model of expected credit losses in accordance with the requirements of IFRS 9. The grouping of non-performing lease receivables and for overdue receivables is based on processing categories (see Notes 3.18.1 and 3.18.2). Determination is based on the expectations prevailing at that time.

The impairment provisions under IFRS 9 are applied to debt securities measured at amortised cost or fair value through other comprehensive income (FVOCI), lease receivables under IAS 17 "Leases" and off-balance sheet obligations such as loan commitments and financial guarantees. Equity instruments are not subject to the impairment requirements of IFRS 9.

The standard provides for a determination of expected credit losses based on a three-step approach. Under the general approach, the loss from expected loss event during the next year (12M ECL) is already recognised as a risk provision upon acquisition (Level 1). If there has been a significant deterioration in the credit risk since the first-time recognition but no credit impairment, the risk provision is recognised at the level of the expected credit losses over the entire remaining contractual life (Lifetime Expected Loss – LT ECL) (Level 2). If there is credit impairment, the risk provisioning must also be set in the amount of the losses expected over the remainder of the entire contract period on the basis of the estimated, expected future cash flows of the asset (LT ECL) (Level 3).

Financial assets are generally recognised in Level 1 upon initial recognition. An exception to this is financial instruments whose credit is already considered impaired at the time of the acquisition of the transaction ("Purchased or Originated Credit Impaired Financial Assets – POCI"). These are not assigned to any of the three levels, but treated and reported separately. In addition, Level 1 includes all transactions that have a low credit default risk. Low credit default risk exists in cases where the external credit rating is in the range of investment grade.

For financial instruments classified as POCI, no impairment or provision is recognised at the time of acquisition. The measurement is at fair value. In the subsequent measurement, the risk provisioning corresponds to the accumulated change in the LT ECL since the time of acquisition. A financial instrument classified as a POCI remains in this approach until it is derecognised, i.e. there is no transfer to another level.

In addition to the general approach (three-stage model), IFRS 9 provides for a simplified procedure for trade receivables and contract assets as well as for lease receivables falling within the scope of IAS 17. Under the simplified procedure, it is not necessary to track the change in credit risk. Instead, expected losses are to be recognised as a risk provision in the amount of the expected losses over the entire term – both upon initial recognition and at each subsequent reporting date. An option exists to apply this simplified procedure to those trade receivables and contract assets that contain a material financing component, as well as for lease receivables.

The exercise of the option was waived in order to determine risk provisions for *lease receivables*. Therefore, the general approach and classification of lease receivables in three stages applies. Initially, all lease receivables are in Level 1 and remain at this level unless their credit risk deteriorates significantly. As a risk provision, the GRENKE Consolidated Group uses the expected loss resulting from the consideration of loss events that can occur within twelve months after the reporting date. Lease receivables whose credit is not yet impaired but has significantly deteriorated are allocated to Level 2. The GRENKE Consolidated Group expects a significant deterioration in the credit quality of lease receivables when contractually agreed payments are more than 30 days past due or when the estimated probability of loss has deteriorated in a comparable manner as was observed in past 30-day overdue cases. This is the case when the initial probability of loss has doubled. For level 2 lease receivables, we recognise the expected loss for the entire remaining term as risk provisioning. Level 3 includes lease receivables, which the GRENKE Consolidated Group classifies as credit impaired. Specifically, lease receivables are classified as credit impaired if contractually agreed payments are more than 90 days past due or the contract was terminated by us. As a risk provision, the GRENKE Consolidated Group recognises the expected losses, taking into account that the lease receivable is already credit impaired and thus the loss probability is 100%. The receivables remain in stage 2 or 3 as long as the conditions for these levels are met, otherwise they will be reassigned to an appropriate lower tier.

In the case of receivables from terminated lease contracts and contracts in arrears ("non-performing leasing receivables"), loss risks are determined by means of lump-sum provisioning. In the GRENKE Consolidated Group, a lease contract is primarily treated as a "non-performing lease receivable" as soon as the second lease instalment lapses. In most cases, the contract is then terminated and the expected value is recognised as claim for compensation. This non-performing lease receivable is considered credit impaired. The recognition in the income statement is under the item settlement of claims and risk provision.

For *receivables from the factoring business*, the simplified procedure is applied. Therefore, no subdivision into Level 1 and Level 2 is made. As factoring receivables are short-term receivables with terms of less than one year, the ECL for the twelve-month period corresponds to the ECL for the entire remaining term. Outstanding receivables are included in Level 2 as long as they are not overdue for more than 90 days and are not in an internal loss class. An internal loss class is assigned to factoring receivables of processing classes 2 to 7 (see Note 3.18.2). Otherwise, they will be considered credit impaired and will be considered in level 3. The receivables remain in level 3 as long as the conditions for this level are met, otherwise they will be reassigned to an appropriate lower level.

In the case of *loan receivables*, the expected 12-month loss (12M ECL) is recognised as an impairment upon acquisition. A significant deterioration in loan receivables occurs when payments are delayed for more than 30 days, or the receivable is transferred internally to a special watch list. The criteria for this are, for example, performance disruptions (1st and 2nd reminders), negative notifications of the credit agency, significant deterioration in economic conditions and abnormalities in bookkeeping. In this case, the impairment amount recognised is equal to the amount of the expected losses over the entire contract period. Receivables that, among others, are delayed for more than 90 days or are in reorganisation or settlement are considered to be credit impaired.

Risk provision for non-current *receivables from franchisees* is recognised upon acquisition based on the expected 12-month loss (12M ECL). There is considered to be a significant deterioration in these receivables when a payment is overdue for more than 30 days or after the second reminder. In this case, impairment is recognised in the amount of the expected loss over the entire contract period (LT ECL). Receivables that are overdue for more than 90 days, among other things, are said to be credit impaired.

Measurement according to the simplified method, the expected default approach over the entire period, must always be applied to trade receivables and contractual assets without a significant component of financing. The Consolidated Group applies this simplified impairment model to trade receivables and current receivables from franchisees that are based on trade receivables, which requires that any receivable, regardless of the loan's quality, be impaired in the amount of the expected loss over the remaining term (LT ECL). Since the simplified method is used, no division into Level 1 or 2 is made. Outstanding receivables are included in Level 2 as long as they are not more than 90 days past due or there is no objective indication of a credit impairment. For example, an objective indication could be the default or delinquency of a debtor, indications of bankruptcy and other features that indicate a significant reduction in the expected payments of the debtor. Estimated losses for trade receivables are determined on the basis of experience with actual bad debt losses as well as on the basis of common credit risk characteristics and overdue days of the last years in an expert estimate.

Cash and cash equivalents deposited at banks and financial institutions are classified according to the institution's credit rating, which are determined by observing published external credit ratings. The estimated impairment of cash and cash equivalents was calculated on the basis of expected 12-month losses. The loss rate used to determine risk provisions in the Consolidated Group is based on historical losses for corporate bonds with a corresponding credit rating from external sources. In this case, the current carrying amount is assumed as the receivable's amount in the event of a loss and a loss rate of one.

For receivables from *ABCP loans*, the Consolidated Group has applied the same method used to determine expected losses for cash and cash equivalents due to the liquidity guarantee commitments of the banks participating.

For Level 1 and Level 2 financial assets, the GRENKE Consolidated Group calculates interest income using the effective interest method on the gross carrying amount (i.e. without deduction of expected credit losses). The interest income on Level 3 financial assets is determined using the effective interest method at amortised cost (i.e. the gross carrying amount less risk provisioning). For financial assets that qualify as a POCI, the interest income is recognised using a credit-adjusted effective interest method at the amortised cost of those assets.

3.5.9 DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or a part of a financial asset or a part of a group of similar financial assets), is derecognised along with the related impairment when the requirements have been met. This is usually the case at the GRENKE Consolidated Group when assets are categorised as irrecoverable (i.e. when there is no reasonable expectation of recovery), and all guarantees have been exhausted and liquidated. This is the case, for example, when a lawsuit is terminated or, in the case of a lease transaction, the asset is disposed.

When the GRENKE Consolidated Group transfers its contractual rights to receive the cash flows of an asset, but the opportunities and risks are not transferred to the buyer, then the receivable is not derecognised and a financial liability is recognised in the same amount.

3.5.10 CASH AND CASH EQUIVALENTS

The item cash and cash equivalents in the consolidated statement of financial position comprises cash on hand and balances at banks and central banks with a maturity of less than three months. Cash and cash equivalents are measured at amortised cost. Current account liabilities are deducted from cash and cash equivalents in the statement of cash flows.

3.5.11 TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

The GRENKE Consolidated Group initially recognises trade receivables and other financial assets at fair value and subsequently at amortised cost.

3.5.12 FINANCIAL LIABILITIES

Financial liabilities are initially recognised at fair value and net of transaction costs. In subsequent periods, they are recognised at amortised cost. The deducted transaction costs and any debt discounts are amortised over the lease term in profit and loss using the effective interest method.

Refinancing liabilities, which result from the sale of the lease receivables to the respective refinancing party, are recognised at the present value of the payments yet to be made to the refinancing party. The originally agreed interest 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 portion is recognised as an expense from interest on refinancing.

A financial guarantee is a contract that contains an obligation to effect payments by the guarantor that compensate the guarantee holder for a loss that arises because a given debtor fails to meet their payment obligations on time and according to the terms of the debt instrument. Liabilities from financial guarantee contracts are initially recognised at fair value. The fair value typically corresponds to the net present value of the consideration received in return for the provision of the financial guarantee. In the case of marketable contracts, the fair value of a financial guarantee at the time of conclusion of the contract is usually the value of the guarantee obligation and therefore zero (net method). Subsequently, the measurement is made at the higher of amortised cost or the amount of the provision that must be recognised in the event of imminent claim.

Financial liabilities are derecognised if the contractual obligation underlying the liability is discharged or definitively expires. If an existing financial liability is exchanged for another financial liability of the same lender with substantially different terms, or if the terms of an existing liability are changed substantially, then such an exchange or change is treated as a derecognition of the original liability and recognition of a new liability. A criterion that leads to a material change in the contract is when the discounted present value of the cash flows of the new contract conditions deviates by at least 10% from the discounted present value of the remaining cash flows of the original debt instrument. The difference between the corresponding carrying amounts is recognised in profit and loss.

3.5.13 FAIR VALUE OPTION

In order to avoid accounting mismatches resulting from the classification of a financial asset or a financial liability that would otherwise result from the measurement of assets or liabilities or the recognition of gains or losses on a different basis, the financial asset or financial liability may be irrevocably classified upon initial recognition as measured at fair value through profit or loss. GRENKE is not currently applying the fair value option.

3.5.14 TRADE PAYABLES

The GRENKE Consolidated Group initially recognises trade payables at fair value and subsequently at amortised cost.

3.6 LEASE ASSETS FOR SALE

Lease assets for sale are recognised at the recoverable amount on the basis of historical figures. Appropriate measurement is ensured through the use of maturity bands.

3.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at acquisition costs net of accumulated depreciation and impairment. Financing costs are capitalised when the necessary requirements are met. Property, plant and equipment are depreciated on a straight-line basis over their expected economic life. When property, plant and equipment are sold or retired, their cost and accumulated depreciation are derecognised, and any gains or losses resulting from their disposal are recognised in the income statement as other operating income or expenses.

Depreciation rates are based on the following estimated economic lives of assets:

Office buildings	33 years
Operating and office equipment:	
IT hardware	3 years
Leasehold improvements	10 years
Other (office equipment)	3 – 20 years

The useful life and depreciation method for property, plant and equipment 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.

3.8 GOODWILL

Goodwill resulting from acquisitions is initially measured at cost, which is the excess of the purchase price over the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity as per the date of acquisition.

Goodwill is not subject to scheduled amortisation. Following initial recognition, goodwill is tested for impairment at least once a year (a so-called "impairment test") to prove it is not impaired (the "impairment-only approach"). If there are indications that goodwill might be impaired, further tests must be conducted in addition to the mandatory annual impairment test. In subsequent periods, goodwill is recognised at cost less accumulated impairment.

The impairment test for goodwill is carried out on the basis of cash-generating units. In the Leasing and Factoring segments, these units are equivalent to the business activities in the respective regions (countries) and typically correspond to the legal entities. This cash-generating unit represents the lowest level at which goodwill is monitored internally. The recoverable amount is the higher of the fair value less selling costs and the value-in-use of the cash-generating unit. If one of these amounts exceeds the carrying amount, then it is not always necessary to determine both amounts. The recoverable amount of each of the cash-generating units was determined based on a value-in-use calculation using cash flow projections derived from four- or five-year financial plans approved by senior management.

3.9 OTHER INTANGIBLE ASSETS

3.9.1 LICENCES, SOFTWARE

Purchased licences and software are capitalised at amortised cost. The acquisition costs include the purchase price plus directly attributable costs necessary to prepare the asset for its intended use. The acquisition costs are reduced by scheduled amortisation on a straight-line basis over their expected economic life that, according to individual assessment, is usually either three or five years.

3.9.2 INTERNALLY GENERATED INTANGIBLE ASSETS (DEVELOPMENT COSTS)

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

Internally generated intangible assets are measured at cost. The cost comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended. The capitalised amounts are amortised on a straight-line basis over the period during which the project is expected to generate revenue or during which the software can probably be amortised. Based on the technical developments expected in the future, the economic life is assumed to be three to five years, depending on the development project.

3.9.3 CUSTOMER RELATIONS/DEALER NETWORKS

Customer relations/dealer networks acquired in a business combination are measured at fair value upon initial recognition. The fair value of customer relations/dealer networks is based on a net present value method by applying the residual value method. Customer relations and dealer networks are amortised on a straight-line basis over their economic life of six to seven years.

3.9.4 NON-COMPETITIVE CLAUSES

Non-competitive clauses contractually acquired in a business combination are recognised at fair value upon acquisition. The fair value is determined based on a net present value method, an excess profit method. Non-competitive clauses are subject to scheduled amortisation over the contractually agreed useful life which is typically one to three years.

3.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is recognised in profit and loss as soon as the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value-in-use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal.

Internally generated intangible assets are tested once annually for impairment during the period in which they have not yet been used.

Value-in-use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and its disposal at the end of its useful life. The recoverable amount is estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

The carrying amounts of goodwill are tested in order to assess the probability of continuing future benefits in accordance with the rules described in Note 3.8. Impairment is recognised in profit and loss if the recoverable amount is lower than the carrying amount of the respective cash-generating unit. If the reason for an impairment recorded in a prior period ceases to apply, an impairment loss must be reversed. Exceptions to this rule exist only for impairment of goodwill, the reversal of which is expressly prohibited.

3.11 EQUITY

According to IAS 32, the hybrid bonds issued by GRENKE AG are to be fully classified as equity and reported under additional equity components. The bonds are recognised at their nominal amount and are to be allocated to core capital according to CRR/CRD 4. The share in net profit attributable to hybrid bondholders is only attributed to them once there is a legally enforceable right to distribution. Discounts and the cost of issuance of hybrid bonds reduce equity, whereas premiums increase equity, each net of deferred taxes and recorded under retained earnings.

3.12 PROVISIONS

Provisions are carried at their probable settlement amount if a present obligation (legal or constructive) exists for the GRENKE Consolidated Group due to an event occurring before the end of the reporting period, and it is probable that the 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 the end of each reporting period and adjusted to reflect the current best estimate.

In addition, any provisions for off-balance-sheet obligations such as loan commitments and financial guarantees must be recognised in accordance with the impairment requirements of IFRS 9 (see Note 3.5).

3.13 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

Defined benefit plans relate to benefits following the end of employment and are based on direct benefit commitments for which the amount of the benefit is determined and dependent on factors such as age, remuneration, and time employed. The provision recognised for defined benefit plans in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of the plan assets. Current and past service costs for benefits following the end of employment are recorded under staff costs. Interest expenses resulting from defined benefit obligations and interest income on plan assets are recorded as net interest expenses under other interest income. Past service costs resulting from plan adjustments are directly recognised in profit and loss.

The present value of the defined benefit obligation is calculated annually by an independent actuarial expert using the projected unit credit method of discounting the forecasted future cash outflows using the interest rate of industrial bonds of excellent credit standing. The industrial bonds are denominated in the currency of the payment amounts, and their terms match those of the pension obligations. The calculation takes the current interest rate on the market into particular account and forecasts of future salary and pension increases in addition to biometric assumptions.

In accordance with Swiss law, the Consolidated Group has set up a defined benefit pension plan in Switzerland, which requires that contributions be made to separately administered funds. The obligation under the defined benefit plans is calculated using the projected unit credit method. In addition, there is a defined benefit pension plan for employees of GRENKE BANK AG, which were acquired in the acquisition of Newman & Co. AG. These benefits are not financed by funds.

The underlying pension plans relate to both final salary and flat salary pension plans. Actuarial gains and losses, for example, due to adjustment of the discount rate, are recognised as other comprehensive income in equity.

The amount to be recognised as an asset or a liability under a defined benefit plan is the total of the present value of the defined benefit obligation less the fair value of the plan assets of out of which the obligations are to be settled directly.

Contributions to defined contribution plans are recognised as an expense when the employees have rendered services. These expenses include contributions to statutory pension schemes and, specifically, direct insurance premiums. The GRENKE Consolidated Group primarily uses defined contribution plans.

3.14 TAXES

3.14.1 ACTUAL TAX ASSETS AND TAX LIABILITIES

Actual tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. They are calculated based on the tax rates and tax laws applicable as per the end of the reporting period.

3.14.2 DEFERRED TAX LIABILITIES AND DEFERRED TAX ASSETS

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

Deferred tax assets for previously non-utilised tax-loss carryforwards are recognised to the extent that it is probable that taxable profit will be available in the future to utilise these carryforwards. Deferred tax assets and liabilities are recognised on the basis of tax rates anticipated for the period in which the temporary differences will reverse. For this purpose, tax rates are used which are applicable as per the end of the reporting period or will be applicable in the near future.

Deferred taxes relating to items which are recognised directly in equity are recognised in shareholders’ equity and not in the income statement. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the entity at the end of the reporting period expects 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 or liabilities in the consolidated statement of financial position.

3.14.3 VALUE-ADDED TAX

Revenue, expenses, and assets are recognised net of VAT, with the following exceptions:

- when the VAT incurred on a purchase of assets or services is not recoverable from the tax authorities, in which case the VAT is recognised as part of the acquisition costs of the asset or as part of the expense item; and
- if the stated receivables and liabilities include VAT.

The net VAT recoverable from or payable to the tax authorities is stated under other receivables or liabilities in the consolidated statement of financial position.

3.14.4 TRADE TAX

In calculating the trade income for the German Consolidated Group companies GRENKE AG, Grenke Investitionen Verwaltungs KGaA, and GRENKEFACTORING GmbH, Section 19 GewStDV was applied since the 2008 assessment period and charges and similar amounts relating directly to financial services as defined by Section 1 (1a) sentence 2 of the KWG were not added. For GRENKE BANK AG, Section 19 GewStDV is applied in a relevant manner for banks.

3.15 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit attributable to the ordinary shareholders of GRENKE AG by the weighted-average number of shares outstanding during the fiscal year. Diluted earnings per share are calculated on the assumption that all potentially dilutive securities and share-based compensation plans have been converted or exercised.

3.16 REVENUE RECOGNITION

The GRENKE Consolidated Group recognises income when it fulfils a performance obligation by transferring a promised good or service to a customer. The transfer is deemed to have occurred when the customer has obtained control over this asset.

The prerequisite for this is identifying the contract with the customers, in which the contracting parties agreed to the contract; the corresponding rights of the goods or services to be transferred; the payment terms; the economic substance of the contract and whether the receipt of the consideration is probable.

The GRENKE Consolidated Group is required to identify the performance obligations for each contract. When identifying the contractual performance obligations, any commitment to supply a good or to provide a service under a contract with a customer must first be identified. If goods and services from a contract have been identified, there is then an assessment as to whether these goods and services should be considered separate service obligations or whether certain services should be deferred from the overall package of services.

In determining the transaction price, the GRENKE Consolidated Group estimates the fee based on the identified customer contract that can be claimed in exchange for the goods or services supplied. The variable purchase price components, fees to customers, non-cash consideration as well as material financing components are taken into account when determining the transaction price.

The transaction price is to be allocated to the individual performance obligations of the contract identified. The GRENKE Consolidated Group allocates the transaction price generally on the basis of the individual selling prices. Individual selling prices are the prices at which a good or service would be sold separately at the time the contract begins or at the time the contract is concluded. Contracts that contain multiple performance obligations are referred to as multi-component contracts. When the actual individual selling prices are not immediately apparent, they are then estimated by the GRENKE Consolidated Group. The individual selling price estimate takes into account all available information and uses as many observable parameters as possible. Estimates are calculated based on the market price as part of the adjusted market assessment approach.

The GRENKE Consolidated Group takes into account all separately recognised benefit obligations of the relevant customer contract that were previously identified within the framework of the allocated transaction prices. Revenue is recognised either at a single point in time or over the period of time that the performance obligation is fulfilled.

3.16.1 INCOME FROM LEASING WHEN THE CONSOLIDATED GROUP IS THE LESSOR

Please see the information in Note 3.3.

3.16.2 INCOME FROM SERVICE BUSINESS

Income from service business includes, among others, the profit from insurance business. The lease assets must be included under the group insurance policy of the GRENKE Consolidated Group unless the lessees themselves insure the lease asset. For this service, the lessee will be charged fees that are recognised as income. The GRENKE Consolidated Group acts as the agent between the lessee and the insurer. When recognising the income from service business, discretionary power over a certain period of time can be said to be fulfilled, meaning the income must also be realised over this period. The result from operating leases is also reported under income from service business.

3.16.3 SALE OF LEASE ASSETS

Proceeds from the sale of lease assets are recognised when GRENKE fulfils a performance obligation by transferring the promised good to a customer. The transfer occurs when the customer obtains control over this asset.

Proceeds from sales after the end of the basic lease term or due to the mutually agreed early termination of the contract are recognised in gains/losses from disposals, sale proceeds from defective lease contracts are recognised in the line item "settlement of claims and risk provision".

3.16.4 RIGHT-OF-USE FEES

Right-of-use fees (licence fees and franchise fees) are recognised on an accruals basis in accordance with the economic substance of the underlying contract.

3.16.5 COMMISSION INCOME FROM THE BANKING BUSINESS

Commission income from banking business consists primarily of account fees and is realised at the time the invoice for the performance period is issued.

3.16.6 INCOME FROM REMINDER FEES

Income from reminder fees is realised at the time the fee is paid.

3.16.7 OTHER REVENUE TO LESSEES

Other revenue to lessees, such as those for an additional print out of the invoice, are realised at the time the invoice is issued.

3.16.8 INTEREST INCOME

Interest and similar income from financing business is recognised using the effective interest method. An exception is interest-like fees such as factoring fees, which are realised at the time of invoice.

3.17 ACCOUNTING JUDGEMENTS

In applying the accounting policies, the senior management has made the following judgements that substantially influence the recognition and amounts in the financial statements. This does not include those decisions involving estimates.

3.17.1 PRINCIPLES OF CONSOLIDATION

When deciding whether to consolidate an entity, the following control factors, among others, are evaluated: the purpose and design of the entity; the relevant activities and how they are determined; whether the

Consolidated Group's rights give the ability to direct the relevant activities; whether the Consolidated Group has risk exposure or rights to variable returns; whether the Consolidated Group can use its power to influence its returns.

When voting rights are decisive, the Consolidated Group is said to have control over an entity where it holds, directly or indirectly, more than half of the voting rights. This is the case unless there is evidence that another investor has the practical ability to unilaterally direct the relevant activities.

In determining control, potential voting rights are also considered if they are deemed as substantial.

The Consolidated Group gives a similar assessment on the existence of control where it does not control the majority of the voting rights but has the practical ability to unilaterally direct the relevant activities. This may arise in circumstances where the size and dispersion of the voting rights of the shareholders give the Consolidated Group the power to direct the activities of the investee.

Moreover, when assessing whether to consolidate an entity, the possibility to control parts of the investee as a fictitious separate entity, a so-called "silo", is also considered.

If any facts or circumstances indicate changes in one or more of the control factors listed in IFRS 10, the Consolidated Group reviews the adequacy of previous decisions. The Consolidated Group reassesses the consolidation status on an annual basis. This includes changes in decision-making rights, changes in contractual arrangements, changes in the financing, ownership or capital structure, as well as changes triggered by an event which was anticipated in the original contractual agreements.

3.17.2 CONSOLIDATION OF STRUCTURED ENTITIES

For refinancing, the Consolidated Group uses various structured entities in the form of asset-backed commercial paper programmes ("ABCP programmes").

Control over the investee as a fictitious separate entity (so-called "silo" structure) was determined for the structured entities and ABCP programmes of CORAL PURCHASING Limited, Kebnekaise Funding Limited, and Opusalpha Purchaser Limited. Although this concerns so-called multi-sellers in which banks create securitisation vehicles to give customers access to specific portfolios of assets and provide market liquidity through the securitisation of the financial assets, this financing structure opens up a further form of refinancing for the Consolidated Group and thus provides it with the corresponding benefits. The GRENKE Consolidated Group does not have the power to exercise influence over the trust or the management of structured entities.

A significant activity over the term of these programmes is the selection of the receivables to be transferred. Furthermore, the initial selection of the receivables for each silo is defined according to specific selection criteria. In the event of a default of receivables, the settlement is managed by the GRENKE Consolidated Group. The opportunities and risks of the receivables of the silos remain in the GRENKE Consolidated Group. In the case of a revolving receivables purchases or sales, the variable returns may be affected in such a manner that the part of the investee is controlled as a fictitious separate entity.

At FCT GK 2, shares of the funds are held by two subsidiaries and are included in consolidation. The shares that are directly and indirectly held by the Consolidated Group are an indication for the inclusion in the scope of consolidation, but not the decisive criteria since all assumptions contained in IFRS 10 must be met for consolidation. FCT GK 2 is included in the scope of consolidation since all control factors are met, and the Consolidated Group controls the entity by having the power to direct the relevant activities, having the right of variable returns, and also having the power to affect the amount of the returns. In contrast to FCT GK 2, there are no participating interests in the case of FCT GK 3 (all other parameters are identical). As with FCT GK 2, consolidation is based on control criteria and not ownership because voting rights or similar rights are not the decisive criteria for determining control. For both, FCT GK 2 and FCT GK 3, control is to be confirmed, which results in a consolidation requirement.

As per December 31, 2018 and December 31, 2017 and during both years, the GRENKE Consolidated Group did not hold any interests where it did not have the controlling influence. Therefore, there were no significant restrictions due to protection rights in favour of these shareholders.

3.17.3 LEASES

Based on an analysis of its contractual conditions, the Consolidated Group, as lessor, has concluded that during the basic lease term all relevant opportunities and risks related to the ownership of the lease assets are transferred to the lessee in almost all leases. Accordingly, these leases are shown entirely as finance leases. In the case of individual Consolidated Group companies, the leases in the basic lease period are designed in such a way that the significant risks and rewards of ownership of the lease assets do not pass to the lessee. Consequently, these contracts are recorded as operating leases.

3.17.4 IMPAIRMENT OF FINANCIAL ASSETS

For information on discretionary decisions with regard to Level transfers, credit impairment and other discretionary decisions made in determining the impairment of financial assets, please refer to the explanations in Note 3.5.8.

3.18 USE OF ASSUMPTIONS AND ESTIMATES

In preparing the consolidated financial statements, assumptions and estimates have been made which have affected the recognition and carrying amounts of assets, liabilities, income, expenses, and contingent liabilities.

Assumptions and estimates generally relate to the Consolidated Group-wide uniform determination of the useful lives of assets; the measurement of provisions; the impairment of receivables; the recognition of realisable residual values of lease assets; and the determination of parameters for assessing the ongoing value of intangible assets and other non-financial assets as well as the probability of future tax benefits. In individual cases, the actual amounts may differ from the assumptions and estimates. Any changes will be recognised in profit and loss as and when better information is available.

The key uncertainties in relation to estimates and the associated disclosure requirements are in the following areas:

3.18.1 ASSUMPTIONS MADE IN IMPAIRMENT TESTS FOR MEASURING GOODWILL

The cash flows used to measure goodwill under the discounted cash flow method are based on current business plans and internal plans for the next five years. This involved making assumptions as to future revenues and costs. Assumptions as to the future growth rates of the respective cash-generating unit were made on the basis of historical figures and historical income patterns that were projected into the future. These estimates and the underlying methodology may have a significant impact on the values determined. If significant assumptions differ from actual figures, impairments may have to be made in the future in profit and loss.

3.18.2 DETERMINATION OF IMPAIRMENT FOR LEASE RECEIVABLES

Current lease receivables (so-called "performing lease receivables") are generally to be measured in accordance with the provisions of IAS 17. Appropriate risk provisions as defined by IFRS 9 must be taken into account. The GRENKE Consolidated Group uses the Expected Credit Loss (ECL) model to determine the expected loss and thus the risk provisions. The ECL is calculated as a multiplication of the three parameters: Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EaD). This standard formula for determining the expected loss takes into account the probability of failure (PD), the maximum possible loss on failure (EaD), and ultimately the actual loss (LGD). Depending on whether the twelve-month period or the total residual term is considered, different models are used to estimate the parameters taking into account the period under consideration.

In the following we describe the individual parameters.

- PD: The default probability model is determined using a recognised mathematical-statistical method. The model weights input variables and, based on this, calculates an estimate for the probability of default. Variables from three areas are included in our PD models. These are customer-specific variables, contract-specific variables and variables that reflect the observed payment behaviour of the lessee. The use of macroeconomic variables was reviewed. As the models, which included macroeconomic variables, had no advantages, they are not used.
- EaD: We calculate the EaD for lease receivables as the sum of the outstanding instalments and the IFRS residual value at the date of the loss. Since the time at which the loss event occurs is unknown at the balance sheet date, there is some estimation uncertainty as to the level of EaD. Based on past experience, we make an assumption about the distribution of loss events during the observation period and consider them in our EaD model. Discounting takes place at the internal interest rate of the lease contract concerned.
- LGD: The LGD models reflect the past loss experience and determine how why high the level of losses will be as a quota of estimated EaD. If there are insufficient data for the determination of LGDs for individual countries, average values of the GRENKE Group are used.

The effectiveness of the ECL model, including the input parameters and sub models, is validated at least once a year or based on the occasion and updated if necessary. In addition, backtesting of previously determined models takes place.

Terminated lease contracts or contracts in arrears (so-called "non-performing lease receivables") are also to be measured in accordance with the provisions of IAS 17 taking the appropriate impairment in consideration. The amount of impairment is determined using percentages and processing categories. Percentages are calculated using statistical methods which include both payments as well as expected payments. They are reviewed once a year for validity using backtesting. Processing statuses are grouped together in processing categories that are set up with respect to risk.

The following table lists the processing categories in the leasing business:

Category	Description
0	Current contract not in arrears
1	Current contract in arrears
2	Terminated contract with serviced instalment agreement
3	Terminated contract (recently terminated or court order for payment applied for)
4	Legal action (pending or after objection to court payment order)
5	Order of attachment issued/Debt-collecting agency commissioned
6	Statement in lieu of oath (applied for or issued) and insolvency proceedings instituted but not completed
7	Derecognised
8	Being settled (not terminated)
9	Discharged (completely paid)

The processing categories 2 to 7 are allocated to Level 3 because the contracts have been terminated due to defaults in payment and are thus credit impaired. The impairment rates range between 5% and 100%. The processing categories 0 and 1 are impaired in the context of performing lease receivables. In the 2018 fiscal year, a slight adjustment was made in the allowance rates. If the previous rates had been applied, allowances would have been EUR 6,293k lower.

3.18.3 DETERMINATION OF IMPAIRMENT FOR FACTORING RECEIVABLES

Current factoring receivables are measured at amortised cost. Appropriate risk provisions within the meaning of IFRS 9 must be taken into account. The GRENKE Consolidated Group uses the Expected Credit Loss (ECL) model to determine the expected loss and thus the risk provisions, as is the case for lease receivables.

In the following we describe the individual parameters.

:: PD: The default probability model is determined using a recognised mathematical-statistical method. The model weights input variables and, based on this, calculates an estimate for the probability of default. Our PD models include variables that reflect the customer, the debtor and the receivable, as well as the current overdue status.

:: EaD: The EaD is defined for factoring receivables as the outstanding amount at the balance sheet date. Since factoring receivables have a fixed due date, there are virtually no or only to a very limited extent estimation uncertainties about the amount and the time of the loss.

:: LGD: The LGD models reflect the past loss experience and determine how why high the level of losses will be as a quota of estimated EaD. LGDs are determined separately at the country level for the factoring companies Switzerland and Germany.

The effectiveness of the ECL model, including the input parameters and sub models, is validated at least once a year or based on the occasion and updated if necessary. In addition, backtesting of previously determined models takes place.

Factoring receivables in arrears are carried at amortised cost less appropriate bad debt allowances. The amount of bad debt allowances is determined using percentages and processing categories. Percentages are calculated using statistical methods. Processing statuses are grouped together in processing categories.

The following table lists the processing categories in the factoring business:

Category	Description
0	Receivables waiting to be processed
1	Receivables due and not due before debt collection measures
2	Receivables due in own debt collection
3	Receivables due being processed by third-party debt collection and/or with payment being serviced in instalments
4	Receivables due directly before or after applying for a default notice
5	Receivables due directly before or after action is filed
6	Receivables due of insolvent debtor
7	Derecognised receivables
8	Fully paid receivables

Impairment is assumed for categories 2 to 7 due to defaults in payment, whereby recoverability consistent with the processing category is assumed. The allowance rates range between 2% and 100%. The processing categories 0 and 1 undergo impairment as part of the current factoring receivables. The allowance rates are determined on the basis of past experience and statistical methods.

3.18.4 DETERMINATION OF IMPAIRMENT FROM THE LENDING BUSINESS (RISK PROVISION)

Receivables from the lending business are carried at amortised cost. Appropriate risk provisions within the meaning of IFRS 9 must be taken into account. The GRENKE Consolidated Group uses the Expected Credit Loss (ECL) model to determine the expected loss and thus the risk provisions. The following sub-portfolios are to be distinguished for the lending business: start-up loans, microcredits and other loans. The microcredit receivables are fully guaranteed by the German micro-credit fund (Mikrokreditfonds Deutschland), so that no loan loss provisions were recognised for this portfolio.

For the remaining two portfolios, the individual parameters of the ECL model are defined as follows.

:: PD: The default probability model is determined based on historical experience of losses. In addition, future-oriented information is included by means of the use of a corporate quick-rating process, which in particular analyses the actual cash flows of the customer. The use of macroeconomic variables was reviewed. As the models, which included macroeconomic variables, had no advantages, they are not used.

:: EaD: We calculate the EaD as the outstanding capital balance of receivables from the lending business. Since the time at which the loss event occurs is unknown as per the balance sheet date, there is some estimation uncertainty about the level of EaD. Based on past experience, we make an assumption about the distribution of loss events during the observation period and consider them in our EaD model.

- LGD: The LGD models reflect the past loss experience and determine how why high the level of losses will be as a quota of estimated EaD. LGDs are determined separately for each portfolio.

The effectiveness of the ECL model, including the input parameters and sub models, is validated at least once a year or based on the occasion and updated if necessary.

3.18.5 DETERMINATION OF IMPAIRMENT FOR TRADE RECEIVABLES

Trade receivables are measured at amortised cost. Appropriate risk provisions within the meaning of IFRS 9 must be taken into account. The GRENKE Consolidated Group uses the Expected Credit Loss (ECL) model to determine the expected loss and thus the risk provisions, as is the case for lease receivables.

In the following we describe the individual parameters.

- PD: The probability of default model is determined using expert estimates based on internal information.
- EaD: The EaD for trade receivables is defined as the outstanding amount at the balance sheet date. Since trade receivables have a fixed due date, there are virtually no or only to a very limited extent estimation uncertainties about the amount and timing of the loss.
- LGD: The LGD models reflect the past loss experience and determine how why high the level of losses will be as a quota of estimated EaD. For trade receivables, the LGD was based on an expert estimate in accordance with regulatory requirements.

Trade receivables for which an objective indication of credit impairment exists are assigned to level 3 of the IFRS 9 Impairment Model. The amount of the impairment loss is based on the processing categories in the leasing business and is determined on a case-by-case basis.

The effectiveness of the ECL model, including the input parameters and sub models, is validated at least once a year or based on the occasion and updated if necessary.

3.18.6 DETERMINATION OF IMPAIRMENT FOR RECEIVABLES FROM FRANCHISEES

Receivables from franchisees are measured at amortised cost. Appropriate risk provisions within the meaning of IFRS 9 must be taken into account. The GRENKE Consolidated Group uses the Expected Credit Loss (ECL) model to determine the expected loss and thus the risk provisions, as is the case for lease receivables.

In the following we describe the individual parameters.

- PD: The probability of default is determined using rating systems. In the determination of the rating, both qualitative rating factors and quantitative annual financial statement data are included. Furthermore, country rating information is included in the model. The rating of a franchise company cannot be better than the rating of the respective home country.
- EaD: The EaD for receivables from franchise companies is defined as the outstanding amount at the balance sheet date. Since receivables on franchise companies have fixed maturities, or the loans are bullet loans and accrued interest is paid at least quarterly, the average EaD is not significantly different from the EaD defined above. For off-balance-sheet financial guarantees, EaD is recognised in the amount of the extended financial guarantees.
- LGD: The LGD models reflect the past loss experience and determine how why high the level of losses will be as a quota of estimated EaD. As the GRENKE Consolidated Group does not have sufficient information on past losses in relation to franchise companies, an expert estimate based on regulatory requirements was used to determine the LGD.

The effectiveness of the ECL model is validated at least once a year or based on the occasion.

3.18.7 USE OF ESTIMATED RESIDUAL VALUES AT THE END OF THE LEASE TERM TO DETERMINE THE PRESENT VALUE OF LEASE RECEIVABLES

The residual values calculated at the end of the contract period are determined according to the expiration groups of the respective lease contract and, based on past experience amount to between 3.0% and 16.0% of the acquisition cost for additions since January 1, 2018.

Revenues are best estimated on the basis of statistical analyses. If the post-transaction recoverable amount is lower than expected (from sale and subsequent lease), the existing lease receivables are impaired. However, an increase in the recoverable amount remains unrecognised.

The strong growth generated in earlier periods meant that expiring contracts resulted in increasingly higher expenses from the derecognition of carrying amounts at the end of the basic lease period. The corresponding revenue from subsequent leases, on the other hand, is only gradually recognised in profit and loss in later periods. The accounting for the respective assets in the subsequent lease period does not allow for offsetting the relevant income and expenses in the same period so as to reflect the actual economic situation. This can lead to a negative result from gains/losses from disposals (loss from disposals). Over the total period, the revenue still generated from subsequent leases is expected to result in a break-even result from disposals.

3.18.8 RECOGNITION OF LEASE ASSETS FOR SALE AT ESTIMATED RESIDUAL VALUES

Lease assets for sale are measured on the basis of the average sales proceeds per age group realised in the past fiscal year in relation to the original cost. Lease assets for sale are measured at historical residual values, taking their actual saleability into account. As per the end of the reporting period, the residual values used amounted to between 2.7%

and 15.4% of the historical cost (previous year: between 2.9% and 17.3%). If a sale is considered unlikely due to the condition of the asset, the asset is impaired in profit and loss.

3.18.9 DETERMINATION OF NON-GUARANTEED RESIDUAL VALUES FOR LEASE RECEIVABLES

Guaranteed as well as non-guaranteed (calculated) residual values are used to determine the present value of lease receivables in accordance with the definition in IAS 17. Estimated residual values comprise anticipated sales proceeds and any revenues generated in a renewal period. They are determined on the basis of past experience and statistical methods.

3.18.10 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities, not derived from information on active markets, are determined using a valuation model. The input parameters of these models are based on observable market data, if possible. If this is not possible, determining the fair values requires a certain degree of judgement. This judgement relates to input parameters such as liquidity risk, credit risk, and volatility. Changes regarding the assumptions of these input parameters may have an effect on the recognised fair value of financial instruments. If observable prices and parameters are available, they are to determine the fair value that in turn avoids the large-scale use of estimates.

3.18.11 RECOGNITION AND MEASUREMENT OF DEFERRED TAXES ON TAX-LOSS CARRYFORWARDS

Deferred tax assets are recognised for all unused tax-loss carryforwards to the extent to which it is likely that taxable income will be available. This means that the tax-loss carryforwards may, in fact, be used. In determining the amount of the deferred tax assets, a considerable use of judgement is required on the part of the management with regard to the expected occurrence and level of the future taxable income, as well as to the future tax planning strategies.

3.18.12 RECOGNITION AND MEASUREMENT OF ACTUAL TAX ASSETS AND TAX LIABILITIES

Due to the complexity of tax legislation, taxpayers and local tax authorities may have varying constructions and interpretations of the tax laws. This can lead to subsequent tax payments for prior fiscal years. Tax provisions are recognised in the event that the amounts stated in the tax declarations are not likely to be realised (uncertain tax items). The amount is determined from the best estimate of the anticipated tax payment. Tax receivables from uncertain tax items are recognised when it is probable and adequately ensured that they can be realised. The assumptions are based on the management's assessment of the amount of uncertain tax items.

3.19 ADJUSTMENTS

In the fiscal year ended December 31, 2018, the hybrid bonds (AT1) reported under the additional equity components were reported at their nominal amount for the first time. The reason for the change in presentation is the adjustment in the accrual of the interests in net profit of hybrid capital holders. The adjustment was made in analogous application with the provisions of IAS 8.41 ff. In the previous year, the interest in net profit was economically allocated to the hybrid capital holders on a pro rata basis for the net return on the bond. As per the 2018 fiscal year, the interest in net profit is recorded in accordance with the legal terms of the bonds. The interests only occur a short time before the distribution of the dividend on March 30 of each year and are only reported as per that date as interests of hybrid capital holders. As a result, the net interest amount previously accrued on a pro rata basis until the distribution of the dividend is now attributed to the ordinary shareholders of GRENKE AG. The effect is a shift from additional equity components to the equity of the shareholders of GRENKE AG. This adjustment does not result in any change in the statement of comprehensive income or total equity. The effect of the adjustment is shown in the table in Section 2.1.

4. SELECTED NOTES TO THE INCOME STATEMENT

4.1 NET INTEREST INCOME

4.1.1 INTEREST AND SIMILAR INCOME FROM FINANCING BUSINESS

Interest and similar income from financing business are divided as follows:

EURk	**2018**	**2017**
Interest income from the leasing business	319,330	280,809
Interest income from the refinancing of franchisees	2,834	2,301
Interest and similar income from the factoring business	4,985	4,574
Interest income from the bank's lending business	2,540	1,720
Total	**329,689**	**289,404**

4.1.2 INTEREST EXPENSES FROM REFINANCING AND DEPOSIT BUSINESS

Interest expenses from the refinancing and deposit business are divided as follows:

EURk	2018	2017
Interest expenses from refinancing	42,361	38,627
Interest expenses from deposit business	4,388	4,180
Total	**46,749**	**42,807**

4.2 SETTLEMENT OF CLAIMS AND RISK PROVISION

The expenses for the settlement of claims and risk provision are divided as follows:

EURk	2018	2017*
Settlement of claims and risk provision in leasing business	**89,680**	**76,583**
Impairment leasing business	86,815	73,786
Settlement of claims and other risk provision in leasing business	2,543	2,797
Depreciation of terminated operating leases	91	0
Expenses from disposal of residual carrying amounts under operating leases	231	0
Settlement of claims and risk provision in the bank's lending business	**1,250**	**1,638**
Impairment in bank's lending business	183	1,253
Other settlement of claims and risk provision in lending business	1,067	385
Settlement of claims and risk provision in factoring business	**501**	**288**
Impairment factoring business	178	–270
Other settlement of claims and risk provision in factoring business	323	558
Risk provisions receivables from franchisees (refinancing)	**5**	**232**
Impairment receivables from franchisees (refinancing)	5	232
Settlement of claims and risk provision trade receivables	**398**	**2,471**
Impairment trade receivables	398	2,471
Other impairment	**41**	**–51**
Total	**91,875**	**81,161**
thereof impairment	87,620	77,421

* Adjustments due to IFRS 9; see Note 2.1.

4.3 PROFIT FROM SERVICE BUSINESS

This position contains income and expenses from the service business related to the processing of insurance policies as part of the leasing business. Since the 2018 fiscal year, this position also includes income and expenses from operating leases. The income and expenses from the service business are comprised as follows:

EURk	2018	2017
Income from insurance business	89,513	73,845
Expenses from insurance business	4,156	3,283
Profit from insurance business	**85,357**	**70,562**
Income from operating leases	8,526	0
Depreciation of lease assets from operating leases	8,436	0
Profit from operating leases	**90**	**0**
Total	**85,447**	**70,562**

4.4 PROFIT FROM NEW BUSINESS

The profit from the new business of contracted leases is comprised as follows:

EURk	2018	2017
Recognition of new lease receivables	2,425,195	1,998,337
Share of revenues from leasing down payments	12,122	9,044
Processing fees	6,273	5,518
Special lease payments	10,327	9,014
Disposal gains from the true sale of receivables	223	1,997
Initial recognition of new lease assets under operating leases	21,410	4,302
Sub total	**2,475,550**	**2,028,212**
Less acquisition cost of newly acquired lease assets	2,345,893	1,921,073
Less commissions and bonuses paid to dealers	46,366	38,156
Sub total	**2,392,259**	**1,959,229**
Profit from new business	**83,291**	**68,983**

The acquisition cost of newly acquired lease assets represents all expenses related to the acquisition of the assets. The lease receivables are capitalised based on the net present value of firmly contracted lease instalments and take into consideration the net present value of expected or fixed revenue from subsequent leases (non-guaranteed and guaranteed residual values). As almost all contracted lease contracts provide for full cost recovery, the total of expected cash flows is equal to or greater than their costs. Costs related to the conclusion of the contract are also capitalised.

Based on the calculations related to the lease agreement, the initial direct costs, the attributable share of revenues from leasing down payments, processing fees, special lease payments and disposal gains from the sale of receivables of newly acquired lease receivables whose default risk is also disposed of are recorded in the profit from new business. The presentation of capitalised initial direct costs is on a gross basis, which means that the costs incurred are still included in the corresponding items of the income statement.

Another component of profit from new business is capitalised commissions and bonuses paid to dealers that are primarily included in the net investment value of the lease receivables.

4.5 GAINS (+) / LOSSES (–) FROM DISPOSALS

EURk	**2018**	**2017**
Revenues from subsequent leases	51,088	42,668
Capital losses from disposal after end of the basic lease term	–55,558	–45,424
Capital gains/losses from the mutually agreed early dissolution of contracts	2,975	–2,447
Depreciation of lease assets in the subsequent lease period	–978	–3,009
Profit	**–2,473**	**–8,212**

Revenues from subsequent leases relate to lease income recognised after the end of the basic term of the respective lease. These revenues are offset by depreciation and capital losses from the disposal of lease assets following the end of the basic lease term and capital gains/losses from the mutually agreed early dissolution of contracts.

4.6 STAFF COSTS

The average number of staff during the fiscal year totalled 1,456 (previous year: 1,229), excluding the Board of Directors. Part-time staff is converted into full-time equivalents. Additionally, the Consolidated Group employed 63 trainees (previous year: 46).

Number of employees	**2018**	**2017**
Europe	1,424	1,219
of which in Germany	*569*	*501*
of which in France	*158*	*135*
of which in Italy	*189*	*159*
Other countries	32	10
GRENKE Consolidated Group	**1,456**	**1,229**

Staff costs consist of the following:

EURk	**2018**	**2017**
Salaries	83,440	70,697
Social Security and pension expenses	19,261	15,465
Total	**102,701**	**86,162**

A total net pension expense of EUR 635k (previous year: EUR 556k) for existing defined pension plans was recognised in staff costs in the fiscal year 2018. The staff costs also include EUR 1,386k (previous year: EUR 919k) for the employee participation programme of the French subsidiary.

Expenses by category are as follows:

EURk	**2018**	**2017**
Staff costs	102,701	86,162
Own work capitalised	1,320	1,041
Total staff costs	**104,021**	**87,203**

4.7 DEPRECIATION, AMORTISATION AND IMPAIRMENT

EURk	**2018**	**2017**
Other intangible assets	11,161	9,069
Operating and office equipment	5,112	4,863
Goodwill	0	0
Office buildings	953	696
Lease assets*	0	735
Total	**17,226**	**15,363**

* Item is reported under "profit from service business" since 2018

For impairment losses, please refer to Notes 5.6 through 5.8.

Expenses by category are as follows:

EURk	**2018**	**2017**
Depreciation, amortisation and impairment	17,226	15,363
Depreciation and amortisation of operating leases recorded in the profit from service business	8,436	0
Depreciation and amortisation of operating leases recorded in gains/losses from disposals	978	3,009
Depreciation and amortisation of operating leases recorded in the risk provisions of the leasing business	91	0
Total depreciation/amortisation	**26,731**	**18,372**

4.8 SELLING AND ADMINISTRATIVE EXPENSES (NOT INCLUDING STAFF COSTS)

Selling and administrative expenses are divided into the following categories:

EURk	**2018**	**2017**
Operating expenses	28,024	26,565
Consulting and audit fees	11,862	9,777
Distribution costs (excl. commissions and bonuses)	17,113	12,099
Administrative expenses	10,844	9,911
Other taxes	2,478	2,944
IT project costs	7,492	6,209
Remuneration of the Supervisory committees	307	232
Total	**78,120**	**67,737**

IT project costs that are not capitalised as development costs occur as a result of the involvement of external expertise particularly for process optimisation projects of the central and standardised IT processes.

Expenses by category are as follows:

EURk	2018	2017
Selling and administrative expenses	78,120	67,737
Expenses from the insurance business	4,156	3,283
Commissions and bonuses paid to dealers and recorded in profit from new business	46,366	38,156
Total selling and administrative expenses	**128,642**	**109,176**

4.9 OTHER OPERATING EXPENSES

Other operating expenses are divided as follows:

EURk	2018	2017
Currency translation differences	4,932	2,918
Revenue deductions	1,739	679
Capital losses from the disposal of operating and office equipment	109	95
Commission expenses from banking business	72	112
Maintenance expenses for lease assets	65	121
Other items	913	708
Total	**7,830**	**4,633**

4.10 OTHER OPERATING INCOME

Other operating income is divided as follows:

EURk	2018	2017
Revenue from overdue payment fees	1,389	1,399
Revenue from franchisees	1,252	967
Commission income from banking business	1,024	718
Other revenue from lessees	729	648
Revenues from the disposal of merchandise	412	419
Change in inventory	–246	–226
Prior-period income	199	160
Insurance compensation	73	115
Rent and ancillary rental costs	67	72
Capital gains from the disposal of non-current assets	37	94
Reversal of other provisions	15	81
Refund of input taxes from previous years	0	6,712
Rental income from operating leases during basis lease term*	0	803
Other items	751	817
Total	**5,702**	**12,779**

* Item is reported under "profit from service business" since 2018

4.11 REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER REVENUE

The following shows revenue from contracts with customers (IFRS 15) and other revenue (IFRS 9, IAS 17):

EURk	Segment	2018	2017
Revenue from contracts with customers (IFRS 15)			
Gross revenue form insurance business (service business)	Leasing	89,513	73,845
Revenue from franchisees	Leasing	1,252	967
Revenue from reminder fees	Leasing	1,366	1,377
Revenue from reminder fees	Factoring	23	22
Other revenue from lessees	Leasing	729	648
Disposal of lease assets	Leasing	152,491	127,811
Commission income from banking business	Banking	1,024	718
Sub-total		***246,398***	***205,388***
Other revenue (IFRS 9, IAS 17)			
Interest and similar income from financing business	n/a	329,689	289,404
Income from operating leases	n/a	8,526	803
Portions of revenue from lease down payments	n/a	12,122	9,044
Sub-total		***350,337***	***299,251***
Total		**596,735**	**504,639**

4.12 INCOME TAXES

EURk	2018	2017
Current taxes	17,414	27,691
Corporate and trade taxes (Germany)	234	13,637
Foreign income taxes	17,180	14,054
Deferred taxes	7,006	–1,088
Germany	3,753	2,862
International	3,253	–3,950
Total	**24,420**	**26,603**

Current taxes include tax income relating to previous years of EUR 1,127k (previous year: expenses of EUR 14,638k).

4.12.1 RECONCILIATION FROM THE AVERAGE EFFECTIVE TAX RATE TO THE EXPECTED TAX RATE

The reconciliation of the expected applicable tax rate of GRENKE AG to the effective tax rate based on earnings before taxes (100%) is as follows:

Applicable tax rate	2018	2017
Trade tax	14.51%	14.51%
Corporate income tax	15.00%	15.00%
Solidarity surcharge (5.5% of corporate income tax)	0.83%	0.83%
Expected average tax rate GRENKE AG	**30.34%**	**30.34%**
Non-deductible expenses	0.39%	0.19%
Changes due to foreign taxes	–8.20%	–10.16%
Effective changes in tax rates	–0.04%	–0.09%
Utilisation of non-capitalised loss carryforwards	–0.06%	–0.08%
Back payments and tax refunds from previous years	–0.72%	11.09%
Tax credits	–6.76%	–10.36%
Other	0.75%	–0.78%
Effective average tax rate for the Consolidated Group	**15.70%**	**20.15%**

4.13 EARNINGS PER SHARE

The calculation of both diluted and basic earnings per share is based on the net profit attributable to shareholders of GRENKE AG of EUR 126,383k (previous year: EUR 102,195k*). There was no dilutive effect in either fiscal year 2018 or the previous year. Earnings per share amounted EUR 2.78 for the year under review (previous year: EUR 2.31*).

According to the prior-year presentation (see Note 3.19), assuming interest expenses on coupons are recognised on a pro rata basis, economic earnings per share would have amounted to EUR 2.74 per ordinary GRENKE AG share for the reporting year (previous year: EUR 2.29).

Number	2018	2017
Shares outstanding at beginning of period	44,313,102	44,313,102
Average number of shares outstanding at end of period	45,436,949	44,313,102
Shares outstanding at end of period	46,353,918	44,313,102

EURk	2018	2017
Net profit attributable to GRENKE AG ordinary shareholders	126,383	102,195*
Net profit attributable to GRENKE AG hybrid capital holders	4,727	3,235
Net profit	131,110	105,430

* Adjustments due to IFRS 9 and hybrid capital; see Note 2.1 and 3.19.

4.14 OTHER COMPREHENSIVE INCOME

The reclassification of realised gains and losses before taxes in profit and loss are as follows:

EURk	2018	2017
Gains (losses) from interest rate contracts arising in the current period	11	–99
Reclassification adjustments to the income statement	–12	–11
Income from hedge relationships	**–1**	**–110**

5. SELECTED NOTES TO THE STATEMENT OF FINANCIAL POSITION

5.1 CASH AND CASH EQUIVALENTS

EURk	Dec. 31, 2018	Dec. 31, 2017
Bank balances	142,371	82,520*
Balances at central banks	191,214	120,825
Cash in hand	41	12
Total	**333,626**	**203,357***

* Adjustments due to IFRS 9; see Note 2.1.

For the statement of cash flows, cash and cash equivalents are divided as follows:

EURk	Dec. 31, 2018	Dec. 31, 2017
Cash and cash equivalents as per the statement of financial position	333,626	203,357*
Less current account liabilities	3,112	111
Cash and cash equivalents as per the statement of cash flows	**330,514**	**203,246***

* Adjustments due to IFRS 9; see Note 2.1.

5.2 LEASE RECEIVABLES

EURk	**Dec. 31, 2018**	**Dec. 31, 2017**
Outstanding minimum lease payments	4,702,365	3,895,184
+ non-guaranteed residual values	516,661	442,068
Gross investment	**5,219,026**	**4,337,252**
– unrealised (outstanding) finance income	566,584	491,779
Net investment	**4,652,442**	**3,845,473**
– Present value of non-guaranteed residual values	411,114	346,979
Present value of minimum lease payments	**4,241,328**	**3,498,494**

EURk	**Less than 1 year**	**1 to 5 years**	**More than 5 years**
Total gross investment	**1,775,281**	**3,404,597**	**39,148**
Total gross investment (previous year)	1,486,641	2,821,007	29,604
Present value of outstanding minimum lease payments	**1,368,867**	**2,843,134**	**29,327**
Present value of outstanding minimum lease payments (previous year)	1,134,354	2,342,276	21,864

The reconciliation of gross investment only contains current contracts as per the end of the reporting period. The following adjustments must be made in order to reconcile the net investment with the carrying amount of lease receivables reported in the statement of financial position:

EURk	**Dec. 31, 2018**	**Dec. 31, 2017**
Changes in lease receivables from current contracts (performing lease receivables)		
Receivables at beginning of period	**3,845,473**	**3,175,908**
+ Change during the period	806,969	669,565
Lease receivables (current + non-current) from current contracts at end of period	**4,652,442**	**3,845,473**
Changes in lease receivables from terminated contracts/contracts in arrears (non-performing lease receivables)		
Gross receivables at beginning of period	**270,421**	**223,948**
+ Additions to gross receivables during the period	113,028	87,359
– Disposals of gross receivables during the period	52,401	40,886
Gross receivables at end of period	**331,048**	**270,421**
Total gross receivables (current and terminated)	**4,983,490**	**4,115,894**
Impairment at beginning of period	**230,777**	**185,652***
+ Additions of accumulated impairment during the period	48,703	45,125*
Impairment at end of period	**279,480**	**230,777***
Lease receivables (carrying amount, current and non-current) at beginning of period	3,885,117	3,214,204*
Lease receivables (carrying amount, current and non-current) at end of period	**4,704,010**	**3,885,117***

* Adjustments due to IFRS 9; see Note 2.1.

EURk	**Present value of minimum lease payments**	**Present value of residual values**	**Other receivables from lessees (gross)**	**Impairment**	**Carrying amounts**
2017					
Current lease receivables	1,134,354	112,505	270,421	–183,986	1,333,294*
Non-current lease receivables	2,364,140	234,474	0	–46,791	2,551,823*
Total (2017)	**3,498,494**	**346,979**	**270,421**	**–230,777**	**3,885,117***
2018					
Current lease receivables	1,368,867	132,685	331,048	–227,427	1,605,173
Non-current lease receivables	2,872,461	278,429	0	–52,053	3,098,837
Total (2018)	**4,241,328**	**411,114**	**331,048**	**–279,480**	**4,704,010**

* Adjustments due to IFRS 9; see Note 2.1.

Receivables from terminated contracts and contracts in arrears are included in current lease receivables. The maximum credit risk, without taking into account collateral, credit risk minimisation and other tools is limited to the carrying amount of the receivables.

As a result of effective risk management and a highly diversified contract and lessee portfolio, the lease receivables have a particularly diversified risk structure with regard to credit risk. In the majority of cases (96%), the GRENKE Consolidated Group remains the legal owner of the lease assets, which are used as collateral for the lease receivables. The risk concentration of the lease receivables results from the underlying receivables (as shown in the table below). There is also a low amount of bank guarantees (EUR 9.5 million) as well as guarantees and warranties from third parties for 5% of the lease receivables based on the carrying amount.

The following overview shows the gross receivables broken down into the default risk rating categories for lease receivables and impairment for lease receivables as defined in the GRENKE Consolidated Group. The impairment and the definition of the default risk rating category are based on the approach described in Note 3.18.

	2018					2017
EURk	Level 1	Level 2	Level 3	POCI	Total	Total
Germany						
Category 0,8,9: low risk	992,223	22,642	0	0	1,014,865	904,755
Category 1: higher risk	0	3,222	3,499	0	6,721	7,147
Categories 2-7: doubtful receivables	0	0	39,502	0	39,502	38,893
Total gross receivables for Germany	**992,223**	**25,864**	**43,001**	**0**	**1,061,088**	**950,795**
France						
Category 0,8,9: low risk	990,799	65,138	0	0	1,055,937	902,232
Category 1: higher risk	0	10,340	18,668	0	29,008	24,416
Categories 2-7: doubtful receivables	0	0	65,274	0	65,274	55,482
Total gross receivables for France	**990,799**	**75,478**	**83,942**	**0**	**1,150,219**	**982,130**
Italy						
Category 0,8,9: low risk	965,112	67,966	0	0	1,033,078	793,510
Category 1: higher risk	0	19,291	12,276	0	31,567	37,449
Categories 2-7: doubtful receivables	0	0	78,421	0	78,421	51,815
Total gross receivables for Italy	**965,112**	**87,257**	**90,697**	**0**	**1,143,066**	**882,774**
Other countries						
Category 0,8,9: low risk	1,395,896	46,578	0	0	1,442,474	1,144,397
Category 1: higher risk	0	21,741	27,204	0	48,945	37,735
Categories 2-7: doubtful receivables	0	0	137,698	0	137,698	118,063
Total gross receivables for other countries	**1,395,896**	**68,319**	**164,902**	**0**	**1,629,117**	**1,300,195**
Consolidated Group Summary						
Category 0,8,9: low risk	4,344,030	202,324	0	0	4,546,354	3,744,894
Category 1: higher risk	0	54,594	61,647	0	116,241	106,747
Categories 2-7: doubtful receivables	0	0	320,895	0	320,895	264,253
Total Consolidated Group gross receivables	**4,344,030**	**256,918**	**382,542**	**0**	**4,983,490**	**4,115,894**
Impairment	43,784	30,583	205,113	0	279,480	230,777
Carrying amounts	**4,300,246**	**226,335**	**177,429**	**0**	**4,704,010**	**3,885,117**

The following table shows changes in impairment for current and non-current receivables for fiscal years 2018 and 2017:

EURk	**Level 1**	**Level 2**	**Level 3**	**POCI**	**Total**
Impairment as per Jan. 1, 2018	**34,827**	**22,497**	**173,453**	**0**	**230,777**
Newly extended or acquired financial assets*	25,110	13,518	21,899	0	60,527
Reclassifications					
to Level 1	3,505	–1,885	–1,620	0	0
to Level 2	–1,961	8,321	–6,360	0	0
to Level 3	–1,547	–5,454	7,001	0	0
Change in risk provision due to change in level	–3,104	1,504	40,217	0	38,617
Mutual contract dissolution or payment for financial assets (excl. derecognition)	–15,684	–9,372	–9,399	0	–34,455
Change in contractual cash flows due to modification (not derecognition)	0	0	0	0	0
Change in category in processing losses	0	0	6,784	0	6,784
Change in models/risk parameters used in ECL calculation	0	0	5,759	0	5,759
Derecognition of financial assets	–51	–363	–33,079	0	–33,493
Currency translation and other differences	**–38**	**–44**	**–1,496**	0	–1,578
Accrued interest	**2,727**	**1,861**	**1,954**	0	6,542
Impairment as per Dec. 31, 2018	**43,784**	**30,583**	**205,113**	**0**	**279,480**

* The values stated in Levels 2 and 3 relate to lease receivables newly extended in the fiscal year that were allocated at their time of acquisition into Level 1 but were reallocated to another Level during the fiscal year.

EURk	**Level 1**	**Level 2**	**Level 3**	**POCI**	**Total**
Impairment as per Jan. 1, 2017	**27,898**	**16,993**	**140,761**	**0**	**185,652**
Newly extended or acquired financial assets*	20,363	10,707	23,123	0	54,193
Reclassifications					
to Level 1	2,013	–1,258	–755	0	0
to Level 2	–1,468	4,360	–2,892	0	0
to Level 3	–1,336	–4,956	6,292	0	0
Change in risk provision due to change in level	–1,783	2,246	32,647	0	33,110
Mutual contract dissolution or payment for financial assets (excl. derecognition)	–12,934	–6,707	–6,626	0	–26,267
Change in contractual cash flows due to modification (not derecognition)	0	0	0	0	0
Change in category in processing losses	0	0	6,572	0	6,572
Change in models/risk parameters used in ECL calculation	0	0	–11	0	–11
Derecognition of financial assets	–39	–273	–25,303	0	–25,615
Currency translation and other differences	–221	–115	–1,298	0	–1,634
Accrued interest	2,334	1,500	943	0	4,777
Impairment as per Dec. 31, 2017	**34,827**	**22,497**	**173,453**	**0**	**230,777**

* The values stated in Levels 2 and 3 relate to lease receivables newly extended in the fiscal year that were allocated at their time of acquisition into Level 1 but were reallocated to another Level during the fiscal year

SENSITIVITY ANALYSIS

EURk	Change	Change in risk provision
Changes in the discount rate	Increase of 1 %-point	1,270
Changes in the payment behaviour of customers 30-90 days overdue	Deterioration of 50%	–3,900
Changes in the payment behaviour of customers 90 days overdue	Deterioration of 20%	–4,300

A one percentage point interest rate increase in the discount rate of the value retention rates for non-performing lease receivables would reduce the impairment loss by EUR 1,270k.

If the payment behaviour of our customers deteriorated to the extent that as per the reporting date we would observe 50% more cases with 30 to 90 days overdue, we would be required to increase our risk provisions by around EUR 3.9 million based on our total receivables as per December 31, 2018.

Alternatively, if the payment behaviour of lessees deteriorated to the extent that we would observe 20% more non-terminated cases with 90 days overdue, then we would have to increase risk provisions by around EUR 4.3 million based on total receivables as per December 31, 2018.

5.3 OTHER FINANCIAL ASSETS

EURk	Dec. 31, 2018	Dec. 31, 2017
Other current financial assets		
Instalments collected before end of month	831	1,094
ABCP-related loans	14,538	14,973
Receivables from franchisees (refinancing)	71,772	49,299*
Receivables from factoring business	34,016	26,791*
Receivables from refinancers	68	48
Loans (bank)	37,324	23,029*
Other	1,881	686
Total other current financial assets	**160,430**	**115,920***
Other non-current financial assets		
ABCP-related loans	18,771	21,157
Loans (bank)	58,037	45,470*
Receivables from franchisees (refinancing)	0	9,930*
Other investments	5,445	3,000
Other	439	749
Total other non-current financial assets	**82,692**	**80,306***
Total financial assets	**243,122**	**196,226***

* Adjustments due to IFRS 9; see Note 2.1.

The ABCP-related loans are granted to the sponsor of the programme as collateral for the refinancing volumes. These loans are based on the refinancing volume and the origin of the receivables refinanced through the structured entities. The interest income generated in this context is offset against the interest expense from refinancing liabilities.

Receivables from franchisees include receivables resulting from the refinancing of leases and factoring contracts concluded by franchise operators. As collateral for loan receivables or in forfaiting agreements, the franchisees have assigned both the title to the lease assets and the claim to lease receivables. For the franchisees involved in the factoring business, all claims against the factoring customers have been assigned. The collateralised leasing and factoring receivables fully exceed the receivables from franchisees as per the reporting date. The interest income generated in this context of EUR 2,834k (previous year: EUR 2,301k) (see also Note 4.1.1) is reported as interest income within the net interest income. Refinancing granted in foreign currencies is translated using the closing rate.

At the end of the reporting period, the receivables from the lending business of GRENKE BANK AG that relate to the bank's legacy business amounted to EUR 0k (previous year: EUR 104k). In addition, total receivables from the lending business of EUR 95,361k (previous year: EUR 68,499k) include receivables from granting business start-up loans in the amount of EUR 40,820k (previous year: EUR 45,582k), receivables from granting project financing in the amount of EUR 129k (previous year: EUR 229k) and receivables from granting microcredits in the amount of EUR 18,698k (previous year: EUR 15,039k). Interest income is recognised as such under net interest income.

The other investments under non-current financial assets contain the interest in Finanzchef24 GmbH in the amount of EUR 5,445k (previous year: EUR 3,000k).

The maximum credit risk, without taking into account collateral, credit deterioration systems and other tools are limited to the carrying amount of the other financial assets.

The following overview shows the gross receivables broken down into the credit risk rating category of other financial assets and the impairment for other financial assets as defined in the GRENKE Consolidated Group. The other investment amounting to EUR 5,445k is not reported in the following tables. The impairment and the definition of the default risk rating category are based on the approach described in Note 3.18.

	2018						2017
	Level 1	Level 2	Level 3	Simplified method	POCI	Total	Total
Low risk	195,632	2,849	39	32,601	0	231,121	189,760
Doubtful receivables	0	0	10,373	528	0	10,901	8,462
Total gross receivables	195,632	2,849	10,412	33,129	0	242,022	198,222
Impairment	629	177	3,437	102	0	4,345	4,996
Carrying amounts	195,003	2,672	6,975	33,027	0	237,677	193,226

The following overview shows changes in impairment for other financial assets:

	2018						2017
	Level 1	Level 2	Level 3	Simplified method	POCI	Total	Total
Impairment as per beginning of fiscal year	730	567	3,632	67	0	4,996	3,789
Newly extended or acquired financial assets	189	0	295	101	0	585	1,650
Reclassifications							
to Level 1	67	–67	0	0	0	0	0
to Level 2	–13	20	–7	0	0	0	0
to Level 3	–19	-38	65	–8	0	0	0
Change in risk provision due to change in level	–38	5	878	0	0	845	972
Payments for financial assets (excl. derecognition)	–472	–187	–949	–59	0	–1,667	-939
Change due to changed status in legal prosecution	0	0	36	0	0	36	41
Change in contractual cash flows due to modification (not derecognition)	0	0	0	0	0	0	0
Change in models/risk parameters used in ECL calculation	191	–123	–411	0	0	–343	-394
Derecognition of financial assets	–6	0	–106	0	0	–112	-128
Currency translation and other differences	0	0	4	1	0	5	5
Accrued interest	0	0	0	0	0	0	0
Impairment as per the end of the fiscal year	629	177	3,437	102	0	4,345	4,996

5.4 TRADE RECEIVABLES

Trade receivables of EUR 7,666k (previous year: EUR 5,786k) mainly relate to receivables from franchisees, resellers and third parties resulting from the disposal of lease assets, of which EUR 5,848k (previous year: EUR 6,443k) were past due. Of total trade receivables, an amount of EUR 3,519k (previous year: EUR 3,391k) is impaired. This impairment was recognised using the method described in Note 3.17.

The maximum credit risk without taking into account collateral, credit assessment systems and other tools are limited to the carrying amount of the trade receivables.

Trade receivables contain other receivables from franchisees in the amount of EUR 1,216k (previous year: EUR 868k) and concern primarily franchise fees and right-to-use fees.

The following overview shows the gross receivables broken down into the default risk rating categories for trade receivables and risk provisions for trade receivables as defined in the GRENKE Consolidated Group. The impairment and the definition of the default risk rating category are based on the approach described in Note 3.18.

	2018			2017
	Simplified method	Level 3	Total	Total
Low risk	5,337	--	5,337	2,734
Doubtful receivables	--	5,848	5,848	6,443
Total gross receivables	**5,337**	**5,848**	**11,185**	**9,177**
Impairment	120	3,399	3,519	3,391
Carrying amounts	**5,217**	**2,449**	**7,666**	**5,786**

5.5 OTHER CURRENT ASSETS

EURk	**Dec. 31, 2018**	**Dec. 31, 2017**
VAT receivables	261,959	229,809
Orders in progress	4,383	4,234
Prepaid expenses	4,215	3,252
Prepayments	3,578	3,209
Amounts in transit	2,383	674
Insurance claims	713	587
Creditors with debit balances	641	408
Merchandise	324	224
Current advances	131	212
Other items	2,130	1,216
Total	**280,457**	**243,825**

5.6 PROPERTY, PLANT AND EQUIPMENT

5.6.1 OVERVIEW OF FISCAL YEAR 2018

EURk	**Land and buildings**	**Assets under construction**	**Operating and office equipment**	**Lease assets from operating leases**	**Total**
Acquisition costs Jan. 1, 2018	**23,920**	**0**	**36,045**	**28,544**	**88,509**
Currency translation differences	0	0	–47	–1,368	–1,415
Additions	343	1,873	5,781	57,222	65,219
Of which additions in the context of a business combination	0	0	117	17,273	17,390
Disposals	0	0	913	16,719	17,632
Reclassifications	0	0	0	0	0
Acquisition costs Dec. 31, 2018	**24,263**	**1,873**	**40,866**	**67,679**	**134,681**
Accumulated depreciation and impairment Jan. 1, 2018	**7,621**	**0**	**22,350**	**3,123**	**33,094**
Currency translation differences	0	0	–17	–291	–308
Additions to depreciation	953	0	5,112	9,505	15,570
Additions to impairment	0	0	0	0	0
Disposals of depreciation	0	0	554	3,101	3,655
Reclassifications	0	0	0	0	0
Accumulated depreciation and impairment Dec. 31, 2018	**8,574**	**0**	**26,891**	**9,236**	**44,701**
Net carrying amounts Dec. 31, 2018	**15,689**	**1,873**	**13,975**	**58,443**	**89,980**

5.6.2 OVERVIEW OF FISCAL YEAR 2017

EURk	Land and buildings	Assets under construction	Operating and office equipment	Lease assets from operating leases	Total
Acquisition costs Jan. 1, 2017	**23,920**	**0**	**31,969**	**19,816**	**75,705**
Currency translation differences	0	0	–75	–511	–586
Additions	0	0	6,310	22,336	28,646
Of which additions in the context of a business combination	*0*	*0*	*243*	*2,417*	*2,660*
Disposals	0	0	2,159	13,097	15,256
Reclassifications	0	0	0	0	0
Acquisition costs Dec. 31, 2017	**23,920**	**0**	**36,045**	**28,544**	**88,509**
Accumulated depreciation and impairment Jan. 1, 2017	**6,925**	**0**	**18,839**	**1,572**	**27,336**
Currency translation differences	0	0	–43	–77	–120
Additions to depreciation	696	0	4,863	3,744	9,303
Additions to impairment	0	0	0	0	0
Disposals of depreciation	0	0	1,309	2,116	3,425
Reclassifications	0	0	0	0	0
Accumulated depreciation and impairment Dec. 31, 2017	**7,621**	**0**	**22,350**	**3,123**	**33,094**
Net carrying amounts Dec. 31, 2017	**16,299**	**0**	**13,695**	**25,421**	**55,415**

The operating leases are mainly lease contracts whose basic lease term have expired and may be terminated at any time. Depreciation on such lease assets from operating leases is shown in gains/losses from disposals (see Note 4.5). In addition, lease assets that were classified as operating leases at the beginning of the lease are included in this item. Depreciation of lease assets is recorded in the line items profit from service business (see Note 4.3) and settlement of claims and risk provision (see Note 4.2).

EURk	up to 1 year	1 to 5 years	more than 5 years
Outstanding minimum lease payments under operating leases	**20,485**	**14,650**	**0**
Outstanding minimum lease payments under operating leases (previous year)	1,773	1,400	0

5.7 GOODWILL

5.7.1 OVERVIEW AND DEVELOPMENT

EURk	**2018**	**2017**
Acquisition cost		
As per Jan. 1	84,734	67,669
Foreign currency translation effects	–1,571	–1,876
Acquisitions and adjustments to first-time consolidation	24,575	18,941*
As per Dec. 31	107,738	84,734*
Accumulated amortisation from impairment		
As per Jan. 1	1,154	1,154
Impairment loss of the fiscal year	0	0
As per Dec. 31	1,154	1,154
Carrying amounts		
As per Jan. 1	83,580	66,515
As per Dec. 31	**106,584**	**83,580***

* Prior-year figures adjusted.

For information on additions made in 2018, please refer to the explanations on the acquisition of GRENKE Hrvatska d.o.o., Zagreb/Croatia, and GC Leasing Middle East FZCO, Dubai/UAE, under Note 6.1.

The purchase price allocation for the companies acquired in the prior year; namely, GRENKE Renting Ltd., Sliema/Malta and GC Locação de Equipamentos LTDA, São Paulo/Brazil, was finalised in the first and second quarters of 2018. Due to the first-time application of IFRS 9 in the 2018 financial year, the fair values of the acquisitions have changed compared with the preliminary fair values of assets and liabilities. The higher impairment losses on lease receivables resulting from IFRS 9 led to higher goodwill, taking into account the associated deferred taxes.

For further information on the business combinations concluded in the previous year, please refer to the Notes to the Consolidated Financial Statements as per December 31, 2017.

Carrying amounts of material goodwill relate to the following cash-generating units:

EURk	**Dec. 31, 2018**	**Dec. 31, 2017**
Grenke Renting S.A. (Lisbon) – Portugal	28,472	28,472
GC Locação de Equipamentos LTDA (São Paulo) – Brazil	12,698	14,239*
GC Leasing Middle East FZCO (Dubai) – UAE**	13,088	--
GRENKE Hrvatska d.o.o. (Zagreb) – Croatia**	12,451	--
GRENKELEASING d.o.o. (Ljubljana) – Slovenia	5,106	5,106
GRENKE RENT S.L. (Madrid) – Spain	5,015	5,015
GRENKELEASING Sp. z o.o. (Poznan) – Poland	4,159	4,283
GRENKE Kiralama Ltd. Sti. (Istanbul) – Turkey	2,919	3,891
GRENKEFACTORING AG (Basel) – Switzerland	4,027	3,878

* Prior-year figures adjusted.
** The goodwill resulting from the acquisitions of GC Leasing Middle East FZCO, Dubai/UAE and GRENKE Hrvatska d.o.o., Zagreb/Croatia in 2018 is still provisional as the purchase price allocation will only be finalised in 2019 (see Note 6.1). The goodwill is assigned to the cash-generating units UAE and Croatia.

5.7.2 GOODWILL IMPAIRMENT TEST

GRENKE AG tests goodwill for impairment once a year. The key parameters for determining the recoverable amount based on the value-in-use are the future expectations with regard to the development of new business and profitability.

The basic assumptions used in calculating the cash flows that may be generated by the respective entities are based on new business growth rates of the cash-generating units of up to 52% in the Leasing segment in individual regions and individual years. The discount factors, specific to countries, financial structure, and currencies, range between 4.4% and 22.9% (previous year: between 3.2% and 16.5%). These discount factors reflect the cost of capital after taxes.

Discount factors are calculated based on the "capital asset pricing model" (CAPM), taking into account a risk-free interest rate of 1.25% (previous year: 1.0%) and a beta factor of 0.84 (previous year: 0.73) for the cash-generating units in the Leasing and Banking segments. A beta factor of 0.75 (previous year: 0.67) was used for the cash-generating units in the Factoring segment. Cash flows after a five-year period were carried forward using a growth rate of 1.0% (previous year: 1.0%). Forecasts for the development of new business have proven to be stable in the past. Due to the particular business alignment of the Consolidated Group, the forecasting parameters available on the market are not suitable for providing forecasting quality, since they relate only to the entire leasing market, which is heavily influenced by the leasing of property, capital goods, and vehicles. Therefore, forecasts for the development of new business are based on the Company's past experience.

For Portugal, the key assumptions used for one of our significant cash-generating units were a discount factor of 8.5% (previous year: 9.4%) and new business growth rates between 5.0% and 6.0% (previous year: between –2.0% and 5.0%) in individual years. The perpetual growth rate is 1.0% (previous year: 1.0%). The key assumptions of the parameters used correspond to the approach mentioned above, which holds true for all cash-generating units.

For Brazil, the key assumptions used for one of our significant cash-generating units were a discount factor of 17.4% and new business growth rates between 22.5% and 52.0% in individual years. The perpetual growth rate is 6.1%. The country's inflation rates were used for the calculation of the growth rate. The key assumptions of the parameters used correspond to the approach mentioned above, which holds true for all cash-generating units.

5.7.3 SENSITIVITY OF ASSUMPTIONS

The fair value of a cash-generating unit, where the major value drivers are cash flows and the discount rate, is sensitive to changes in the discount rate. The discount rate is largely determined by the risk-free interest rate, a market risk premium, and a beta factor for systematic risk. Specific features with regard to countries, financial structure, and currencies were taken into consideration. These parameters are based on external sources of information. Therefore, fluctuations in the components stated above may affect the discount rate.

As part of the validation of the fair values determined for the cash-generating units, the major value drivers for each unit are reviewed annually. A sensitivity test was performed on discount rates and growth rates of new business that are the key determinants used in the discounted cash flow model.

The management is of the opinion that realistic changes to the assumptions used for implementing impairment tests within the Consolidated Group do not result in any additional impairment beyond the one mentioned above. The changes arising since the routine annual impairment test have not affected the parameters for the evaluation of the individual cash-generating units.

5.8 OTHER INTANGIBLE ASSETS

5.8.1 OVERVIEW OF FISCAL YEAR 2018

EURk	Development costs	Software licences	Customer relations/ non-competitive clauses	Total
Acquisition costs as per Jan. 1, 2018	**14,530**	**9,192**	**35,965**	**59,687**
Currency translation differences	0	–1	–453	–454
Additions	5,422	2,262	0	7,684
Disposals	0	16	0	16
Additions through business combinations	0	0	10,328	10,328
Reclassifications	0	0	0	0
Acquisition costs as per Dec. 31, 2018	**19,952**	**11,437**	**45,840**	**77,229**
Accumulated amortisation as per Jan. 1, 2018	**3,466**	**6,692**	**14,127**	**24,285**
Currency translation differences	0	–4	–115	–119
Additions	3,018	1,666	6,477	11,161
Disposals	0	11	0	11
Reclassifications	0	0	0	0
Accumulated amortisation as per Dec. 31, 2018	**6,484**	**8,343**	**20,489**	**35,316**
Net carrying amounts Dec. 31, 2018	**13,468**	**3,094**	**25,351**	**41,913**

5.8.2 OVERVIEW OF FISCAL YEAR 2017

EURk	Development costs	Software licences	Customer relations/ non-competitive clauses	Total
Acquisition costs as per Jan. 1, 2017	**9,621**	**8,720**	**18,072**	**36,413**
Currency translation differences	0	–19	–454	–473
Additions	5,086	1,712	0	6,798
Disposals	177	1,292	0	1,469
Additions through business combinations	0	71	18,347	18,418
Reclassifications	0	0	0	0
Acquisition costs as per Dec. 31, 2017	**14,530**	**9,192**	**35,965**	**59,687**
Accumulated amortisation as per Jan. 1, 2017	**1,264**	**5,877**	**9,203**	**16,344**
Currency translation differences	0	–11	–99	–110
Additions	2,379	1,667	5,023	9,069
Disposals	177	841	0	1,018
Reclassifications	0	0	0	0
Accumulated amortisation as per Dec. 31, 2017	**3,466**	**6,692**	**14,127**	**24,285**
Net carrying amounts Dec. 31, 2017	**11,064**	**2,500**	**21,838**	**35,402**

Additions to "customer relations/non-competitive clauses" resulted exclusively from business combinations in the reporting year and in previous years.

5.9 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are divided as follows:

	Statement of financial position		Income statement	
EURk	**Dec. 31, 2018**	**Dec. 31, 2017***	**2018**	**2017***
Deferred tax assets				
Tax-loss carryforwards	9,555	5,455	–4,268	53
Lease receivables	8,928	9,765	869	–1,422
Liabilities	19,163	5,150	–14,088	1,714
Pensions	820	723	19	404
Others	5,752	2,477	–233	–2,483
Total	**44,218**	**23,570**	**–17,701**	**–1,734**
Deferred tax liabilities				
Lease receivables	41,021	36,155	5,035	5,466
Intangible assets	10,377	9,388	–5,239	–2,725
Liabilities	6,041	2,718	7,913	–4,180
Others	19,567	2,084	16,998	2,084
Total	**77,006**	**50,345**	**24,707**	**645**
Deferred tax expense/(income)			**7,006**	**–1,089**
Deferred tax liabilities, net	**32,788**	**26,775**	**--**	**--**
Reported in the statement of financial position as follows after offsetting:				
Deferred tax assets	**15,203**	**15,229**	**--**	**--**
Deferred tax liabilities	**47,991**	**42,004**	**--**	**--**

* Adjustments due to IFRS 9; see Note 2.1.

In the 2018 fiscal year, EUR 116k in deferred tax liabilities were released directly in equity (previous year: release of deferred tax liabilities EUR 70k). These are a result of the recognition of the cash flow hedge reserve and the recognition of actuarial losses or gains. In addition, there was a reduction of EUR 983k of deferred tax liabilities directly in equity as part of the capital increase.

The tax rate fell from 20.15% to 15.70%, due in particular to lower tax back payments for prior years.

No deferred tax assets were recognised for tax-loss carryforwards of EUR 19,337k (previous year: EUR 8,830k). Of the unrecognised tax-loss carryforwards, EUR 6,394k will expire until 2035. Expenses decreased by EUR 86k (previous year: EUR 100k) due to the recognition of previously unrecognised tax losses, EUR 67k (previous year: EUR 118k) were due to changes in the tax rate and EUR 80k (previous year: EUR 446k) to the derecognition of previously recognised temporary differences and capitalised tax-loss carryforwards. The Company did not recognise any deferred tax liabilities in the 2018 or 2017 fiscal years for the accumulated results of its subsidiaries.

5.10 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

5.10.1 OVERVIEW

The GRENKE Consolidated Group's financial liabilities consist of current and non-current financial liabilities.

EURk	**Dec. 31, 2018**	**Dec. 31, 2017**
Financial liabilities		
Current financial liabilities		
Asset-based	277,983	261,292
Senior unsecured	782,102	661,469
Committed development loans	83,527	61,360
Liabilities from deposit business*	372,131	274,721
Other bank liabilities	4,352	2,683
thereof current account liabilities	3,112	111
Total current financial liabilities	**1,520,095**	**1,261,525**
Non-current financial liabilities		
Asset-based	550,665	481,518
Senior unsecured	2,066,659	1,678,392
Committed development loans	149,286	128,784
Liabilities from deposit business	325,821	244,487
Total non-current financial liabilities	**3,092,431**	**2,533,181**
Total financial liabilities	**4,612,526**	**3,794,706**

* thereof EUR 5,513k from banks (previous year: EUR 15,000k)

The GRENKE Consolidated Group structures the split of its financial liabilities in the same manner as reported to bond and capital market participants to ensure a uniform presentation. Asset-based financial liabilities include liabilities in connection with ABCP programmes and sales of receivables to external credit institutions. Senior unsecured financial liabilities *include primary unsecured debt instruments*.

Liabilities from the deposit business comprise deposits of customers of GRENKE BANK AG. The total current liabilities totalling EUR 372,131k (previous year: EUR 274,721k) include an amount of EUR 74,309k as per the end of the reporting period (previous year: EUR 52,011k) of deposits payable on demand. For the other deposits consisting of restricted and fixed-term deposits, corresponding terms have been arranged.

Bank liabilities are the liabilities arising from the use of operating credit lines (overdraft borrowings). As per the reporting date, these credit lines were utilised in the amount of EUR 3,112k (previous year: EUR 111k).

Current and non-current lease receivables totalling EUR 894,457k (previous year: EUR 765,167k) have been assigned to the refinancing institutions to secure the liabilities stemming from the refinancing of the leasing business. Each item of collateral is assigned until the outstanding receivable on the lease has been settled. The collateral is then reassigned. The items of collateral for assigned receivables are marked so that they may be clearly distinguished from non-assigned receivables.

As per December 31, 2018, the volume of non-current financial liabilities with remaining maturities of one to five years or more was as follow:

EURk		Total amount	1 to 5 years	More than 5 years	Secured amount
Type of liability					
	2018	**550,665**	**549,380**	**1,285**	**457,168**
Asset-based	*(previous year)*	481,518	480,873	645	393,218
	2018	**2,066,659**	**1,820,172**	**246,487**	**0**
Senior unsecured	*(previous year)*	1,678,392	1,586,520	91,872	0
	2018	**149,286**	**145,689**	**3,597**	**149,286**
Committed development loans	*(previous year)*	128,784	123,230	5,554	128,784
	2018	**325,821**	**320,821**	**5,000**	**0**
Liabilities from deposit business	*(previous year)*	244,487	244,487	0	0

Further details on the refinancing sources and the main categories of financial liabilities are discussed below.

5.10.2 ASSET-BASED FINANCIAL LIABILITIES

5.10.2.1 Structured Entities

The following consolidated structured entities were in place as per the balance sheet date: Opusalpha Purchaser II Limited (HeLaBa), Kebnekaise Funding Limited (SEB AB), CORAL PURCHASING Limited (DZ Bank), FCT "GK"-COMPARTMENT "G 2" (UniCredit), FCT "GK"-COMPARTMENT "G 3" (HSBC). In the following, the consolidated structured entities initiated as asset-backed commercial paper (ABCP) programmes are further explained.

5.10.2.2 ABCP Programmes

The GRENKE Consolidated Group had several asset-backed commercial paper programmes (ABCPs) with a total volume of EUR 792,500k (previous year: EUR 772,500k) and GBP 100,000k (previous year: GBP 0k) as per the end of the reporting period.

	Dec. 31, 2018	Dec. 31, 2017
Programme volume in local currency		
EURk	792,500	772,500
GBPk	100,000	0
Programme volume in EURk	904,291	772,500
Utilisation in EURk	750,549	655,211
Carrying amount in EURk	661,644	575,023
thereof current	204,476	181,805
thereof non-current	457,168	393,218

The ABCP programmes grant GRENKE FINANCE PLC, Grenke Investitionen Verwaltungs KGaA and GRENKE LEASING Ltd. UK the right to refinance or to sell receivables to the respective programmes for a certain period of time. The cap on the purchase volume is determined by the volume of the programme, which is normally backed by the organising bank in the form of a liquidity commitment in the corresponding amount. The carrying amount is calculated using the effective interest method, whereby incurred transaction costs are amortised over the term of the underlying refinancing package.

The structured entities are refinanced by issuing commercial papers, usually with a term of one month, on a revolving basis. The interest on the commercial papers is based on one-month Euribor. This is a floating interest rate. The structured entities manage the interest rate risk (fixed-rate lease receivables versus floating-rate refinancing) with interest rate hedges (interest rate swaps).

There is no currency risk in ABCP refinancing as only euro transactions and euro-based leases, and for Great Britain, GBP transactions and GBP-based leases, are involved.

The maturities of the individual ABCP programmes can be found in the following table:

ABCP programme	Sponsoring bank	Maturity until
Opusalpha Purchaser II Limited	HeLaBa	March 2020
Kebnekaise Funding Limited	SEB AB	October 2020
CORAL PURCHASING Limited	DZ Bank	December 2020
FCT "GK"-COMPARTMENT "G 2"	UniCredit	April 2020
FCT "GK"-COMPARTMENT "G 3"	HSBC	June 2020

5.10.2.3 Sales of Receivables Agreements

Sales of receivables agreements are currently in place with Stadtsparkasse Baden-Baden Gaggenau, Sparkasse Karlsruhe, the Commerzbank subsidiary mBank S.A., Deutsche Bank Brazil, as well as with Norddeutsche Landesbank for receivables in the UK.

All such agreements represent refinancing of lease contracts with matching maturities. For this purpose, individual lease contracts with similar maturities are grouped together, and lease receivables for the same maturities are sold.

A derecognition of receivables does not take place because the sale of the receivables is not without recourse. The present value of the related liabilities as per the end of the reporting period was EUR 155,489k (previous year: EUR 148,115k) and generally coincides with the value of the receivables sold.

	Dec. 31, 2018	Dec. 31, 2017
Programme volume in local currency		
EURk	25,000	25,000
GBPk	100,000	100,000
PLNk	80,000	80,000
CHFk	0	50,000
BRLk	110,000	75,480
Programme volume in EURk	180,142	218,589
Utilisation in EURk	155,489	148,115
Carrying amount in EURk	155,489	148,115
thereof current	67,885	71,591
thereof non-current	87,604	76,524

5.10.2.4 Residual Loans

The residual loans serve in part to finance the residual amounts of lease contracts for which the payment instalments were sold in the context of the sale of receivables.

EURk	Dec. 31, 2018	Dec. 31, 2017
Carrying amount	11,515	19,672
thereof current	5,622	7,896
thereof non-current	5,893	11,776

5.10.3 SENIOR UNSECURED FINANCIAL LIABILITIES

The following table provides an overview of the carrying amounts of the individual refinancing instruments:

EURk	Dec. 31, 2018	Dec. 31, 2017
Bonds	1,932,187	1,510,590
thereof current	270,165	83,676
thereof non-current	1,662,022	1,426,914
Promissory notes	480,223	361,845
thereof current	85,932	123,414
thereof non-current	394,291	238,431
Commercial paper	302,500	313,000
Revolving credit facility	106,381	106,758
thereof current	96,035	93,711
thereof non-current	10,346	13,047
Money market trading	10,026	25,000
Overdrafts	3,004	11,044
Accrued interest	14,440	11,624

The following table lists the refinancing volumes of the individual instruments:

	Dec. 31, 2018	Dec. 31, 2017
Bonds EURk	2,500,000	2,000,000
Commercial paper EURk	500,000	500,000
Revolving credit facility EURk	235,000	150,000
Revolving credit facility PLNk	100,000	100,000
Revolving credit facility CHFk	20,000	20,000
Money market trading EURk	35,000	35,000

5.10.3.1 Bonds

Unless stated otherwise, three-month Euribor is the reference interest rate for floating-rate bonds, debentures, and private placements. The discounts and the initial expenses directly corresponding to the transaction concerned are reversed over the term of the debt securities using the effective interest method.

All debentures are bullet debt securities and are subject to constant rating. If the Standard & Poor’s rating were to be downgraded, the agreed interest rate would be contractually adjusted (increased). As a downgrade is not expected, no hedge has been concluded to date.

5.10.3.2 Debt Issuance Programme

The relevant terms and conditions for bonds using the debt issuance programme are as follows:

	Term		Interest coupon	Carrying amount Dec. 31, 2018	Carrying amount Dec. 31, 2017	Nominal amount Dec. 31, 2018	Nominal amount Dec. 31, 2017
Description	from	to	percent p. a.	**EURk**	**EURk**	**EURk**	**EURk**
Euro bond	13/12/2012	13/12/2019	3.75	40,922	40,837	41,000	41,000
Euro bond	09/12/2013	10/12/2018	2.25	0	124,908	0	125,000
Euro bond	21/02/2014	21/08/2018	1.90	0	29,986	0	30,000
Euro bond	04/03/2014	04/03/2019	2.17	29,998	29,983	30,000	30,000
Euro bond	27/06/2014	27/08/2018	1.50	0	9,997	0	10,000
Euro bond	26/11/2014	27/05/2019	1.50	144,977	145,025	145,000	145,000
Euro bond	06/03/2015	06/03/2018	0.884	0	23,998	0	24,000
Euro bond	26/03/2015	26/03/2018	0.80	0	29,979	0	30,000
Euro bond	27/04/2015	27/04/2020	0.73	29,939	29,890	30,000	30,000
Euro bond	21/05/2015	27/04/2020	0.93	19,963	19,933	20,000	20,000
Euro bond	04/12/2015	05/10/2020	1.375	119,700	119,853	120,000	120,000
Euro bond	21/01/2016	21/01/2026	2.616	25,909	25,896	26,000	26,000
Euro bond	09/03/2016	09/04/2021	1.50	174,700	175,517	175,000	175,000
Euro bond	15/06/2016	15/06/2021	0.875	20,000	19,921	20,000	20,000
Euro bond	08/08/2016	08/08/2018	0.44	0	19,994	0	20,000
Euro bond	29/11/2016	02/02/2022	1.125	190,000	164,082	190,000	165,000
Euro bond	27/02/2017	18/01/2019	0.02	10,000	9,948	10,000	10,000
Euro bond	03/03/2017	03/03/2022	1.041	19,975	19,967	20,000	20,000
Euro bond	14/03/2017	06/04/2020	0.70	42,946	42,903	43,000	43,000
Euro bond	14/03/2017	09/03/2020	0.729	39,976	39,955	40,000	40,000
Euro bond	20/03/2017	20/03/2019	0.573	24,997	24,978	25,000	25,000
Euro bond	06/07/2017	06/07/2021	0.738	24,961	24,945	25,000	25,000
Euro bond	06/07/2017	06/07/2021	0.695	34,945	34,923	35,000	35,000
Euro bond	07/09/2017	07/10/2022	0.875	198,911	198,621	200,000	200,000
Euro bond	13/10/2017	02/01/2019	0.02	20,000	19,945	20,000	20,000
Euro bond	20/11/2017	17/02/2020	0.17	9,990	9,981	10,000	10,000
Euro bond	05/12/2017	05/12/2024	0.970	14,975	14,970	15,000	15,000
Euro bond	28/03/2018	05/04/2023	1.00	199,451	0	200,000	0
Euro bond	11/05/2018	19/03/2021	0.02	19,850	0	20,000	0
Euro bond	15/05/2018	15/05/2025	1.423	54,878	0	55,000	0
Euro bond	22/05/2018	20/01/2021	0.02	19,874	0	20,000	0
Euro bond	28/08/2018	28/08/2024	1.048	29,930	0	30,000	0
Euro bond	16/11/2018	05/10/2023	1.50	298,417	0	300,000	0
Euro bond	12/12/2018	17/02/2020	0.14	9,998	0	10,000	0

In 2018, a total of seven new bonds were issued with an aggregated nominal volume of EUR 625,000k. The terms and conditions are listed in the table above. In addition, the bond from November 29, 2016 was increased by EUR 15,000k and an additional EUR 10,000k and the bond from May 15, 2018 was increased by EUR 10,000k. The terms and conditions are listed in the table below.

	Term		Term	Premium	Nominal amount Dec. 31, 2018	Nominal amount Dec. 31, 2017
Description	from	to	percent p. a.	**EURk**	**EURk**	**EURk**
Euro bond	22/01/2018	02/02/2022	0.63	265	15,000	0
Euro bond	08/02/2018	02/02/2022	0.618	179	10,000	0
Euro bond	21/09/2018	15/05/2025	1.423	69	10,000	0

A total of six bonds with an aggregated nominal volume of EUR 239,000k were redeemed as scheduled in the past fiscal year.

In addition, one bond denominated in Swiss francs was outstanding.

	Term		Term	Carrying amount Dec. 31, 2018	Carrying amount Dec. 31, 2017	Nominal amount Dec. 31, 2018	Nominal amount Dec. 31, 2017
Description	from	to	percent p. a.	**EURk**	**EURk**	**CHFk**	**CHFk**
CHF bond	15/09/2017	15/09/2020	0.45	62,005	59,655	70,000	70,000

5.10.3.3 Promissory Notes (PN)

The terms and conditions for the promissory notes denominated in euro are listed in the following table:

	Term		Interest coupon	Carrying amount Dec. 31, 2018	Carrying amount Dec. 31, 2017	Nominal amount Dec. 31, 2018	Nominal amount Dec. 31, 2017
Description	from	to	percent p. a.	**EURk**	**EURk**	**EURk**	**EURk**
EUR-PN	06/12/2010	30/06/2020	4.850	1,500	2,250	1,500	2,250
EUR-PN	06/12/2010	30/06/2020	4.850	1,500	2,250	1,500	2,250
EUR-PN	21/12/2012	21/12/2020	2.80	2,000	3,000	2,000	3,000
EUR-PN	31/01/2014	31/01/2019	2.25	10,000	9,996	10,000	10,000
EUR-PN	28/07/2014	28/07/2019	1.644	9,997	9,991	10,000	10,000
EUR-PN	26/03/2015	26/03/2019	0.84	2,500	5,000	2,500	5,000
EUR-PN	15/06/2015	15/06/2018	0.87	0	10,000	0	10,000
EUR-PN	09/07/2015	09/07/2018	0.835	0	10,000	0	10,000
EUR-PN	21/07/2015	21/07/2018	0.95	0	10,000	0	10,000
EUR-PN	23/07/2015	23/07/2018	0.91	0	25,000	0	25,000
EUR-PN	25/07/2015	25/07/2018	0.90	0	10,000	0	10,000
EUR-PN	17/08/2015	17/08/2018	0.811	0	13,996	0	14,000
EUR-PN	04/09/2015	04/09/2018	0.78	0	20,000	0	20,000
EUR-PN	29/03/2016	29/03/2019	0.78	9,999	9,994	10,000	10,000
EUR-PN	29/04/2016	29/04/2026	2.35	10,972	10,968	11,000	11,000
EUR-PN	30/05/2016	01/04/2019	0.72	20,000	20,000	20,000	20,000
EUR-PN	05/09/2016	05/09/2019	0.52	9,997	9,992	10,000	10,000
EUR-PN	20/10/2016	20/10/2026	1.702	19,938	19,930	20,000	20,000
EUR-PN	26/11/2016	26/11/2019	0.714	10,000	10,000	10,000	10,000
EUR-PN	05/01/2017	05/01/2020	0.770	20,000	20,000	20,000	20,000
EUR-PN	24/01/2017	24/01/2022	1.058	9,985	9,980	10,000	10,000
EUR-PN	23/02/2017	23/02/2027	2.083	19,935	19,927	20,000	20,000
EUR-PN	18/07/2017	18/07/2020	0.630	25,000	25,000	25,000	25,000
EUR-PN	01/09/2017	01/09/2021	0.654	10,000	10,000	10,000	10,000
EUR-PN	20/11/2017	20/11/2020	0.521	10,000	10,000	10,000	10,000
EUR-PN	05/02/2018	05/02/2021	0.62	25,000	0	25,000	0
EUR-PN	05/02/2018	05/02/2021	0.626	10,000	0	10,000	0
EUR-PN	14/02/2018	14/02/2028	2.13	5,000	0	5,000	0
EUR-PN	14/02/2018	14/02/2028	2.00	4,988	0	5,000	0
EUR-PN	14/02/2018	14/02/2028	1.979	9,959	0	10,000	0
EUR-PN	26/02/2018	26/02/2021	0.65	10,000	0	10,000	0
EUR-PN	24/04/2018	24/04/2028	1.865	4,958	0	5,000	0
EUR-PN	24/04/2018	24/04/2028	1.865	39,665	0	40,000	0
EUR-PN	06/07/2018	06/07/2023	0.82	9,978	0	10,000	0
EUR-PN	06/07/2018	15/12/2027	1.773	4,981	0	5,000	0
EUR-PN	25/07/2018	25/07/2022	0.68	10,000	0	10,000	0
EUR-PN	15/08/2018	15/08/2023	0.92	8,000	0	8,000	0
EUR-PN	03/09/2018	03/09/2021	0.47	10,000	0	10,000	0
EUR-PN	04/09/2018	04/09/2022	0.69	20,000	0	20,000	0
EUR-PN	15/11/2018	15/11/2021	0.95	30,000	0	30,000	0

The terms and conditions for the promissory notes denominated in Swiss francs are listed in the following table:

	Term		Interest coupon	Carrying amount Dec. 31, 2018	Carrying amount Dec. 31, 2017	Nominal amount Dec. 31, 2018	Nominal amount Dec. 31, 2017
Description	from	to	percent p. a.	**EURk**	**EURk**	**CHFk**	**CHFk**
CHF-PN	29/01/2015	10/01/2018	0.01	0	684	0	800
CHF-PN	30/03/2015	10/01/2018	0.35	0	684	0	800
CHF-PN	12/06/2015	12/06/2018	0.43	0	8,546	0	10,000
CHF-PN	24/05/2016	10/04/2019	0.34	1,613	4,662	1,818	5,455
CHF-PN	27/07/2016	10/07/2019	0.29	2,396	5,384	2,700	6,300
CHF-PN	24/10/2016	10/10/2019	0.45	3,550	6,836	4,000	8,000
CHF-PN	31/03/2017	07/03/2022	0.81	8,859	8,527	10,000	10,000

In the reporting year, all repayments were on schedule.

The terms and conditions for the other promissory notes in foreign currency can be found in the following table:

	Term		Interest coupon	Carrying amount Dec. 31, 2018	Carrying amount Dec. 31, 2017	Nominal amount Dec. 31, 2018	Nominal amount Dec. 31, 2017
Description	from	to	percent p. a.	**EURk**	**EURk**	**In foreign currency**	**In foreign currency**
PLN-PN	25/09/2017	25/09/2020	3.50	2,325	2,394	10,000	10,000
PLN-PN	16/10/2018	16/10/2021	3.18	9,299	0	40,000	0
GBP-PN	15/12/2017	15/12/2020	2.34	16,575	16,854	15,000	15,000
DKK-PN	06/07/2018	06/07/2021	0.37	10,446	0	78,000	0
SEK-PN	06/07/2018	06/07/2021	0.64	8,776	0	90,000	0
SEK-PN	08/10/2018	08/10/2021	0.84	10,532	0	108,000	0

5.10.3.4 Commercial Paper

The GRENKE Consolidated Group has the option of issuing commercial paper of up to a total volume of EUR 500,000k with a term of between 1 and 364 days. As per December 31, 2018, EUR 302,500k (previous year: EUR 313,000k) of the commercial paper programme was utilised.

5.10.3.5 Revolving Credit Facility

The GRENKE Consolidated Group has the ability to borrow short-term funds with maturities of typically one month at any time through seven revolving credit facilities with a total volume of EUR 235,000k (part of which may be utilised in Swiss francs). These facilities are available to GRENKE FINANCE PLC, Dublin/Ireland with a portion also available to GRENKELEASING AG, Zurich, Switzerland. GRENKELEASING AG, Zurich, Switzerland, also has a further loan facility available with a total volume of CHF 20,000k.

These facilities are available from Deutsche Bank AG, DZ Bank AG, HSBC Trinkaus & Burkhardt AG, Norddeutsche Landesbank, SEB AG, Credit Lyonnais and Commerzbank AG.

As per December 31, 2018, the revolving credit facilities were utilised in the amount of EUR 75,000k and CHF 16,500k (previous year: EUR 90,000k and CHF 0k).

There is also an additional facility with SEB AG that gives GRENKLEASING Sp. Z.o.o. access to short-term funds at any time up to a volume of PLN 100,000k and a fixed maturity of three years. As per December 31, 2018, the volume utilised based on this facility amounted to PLN 72,000k (previous year: PLN 70,000k).

5.10.3.6 Money Market Trading

GRENKE FINANCE PLC, Dublin/Ireland, GRENKELEASING AG, Zurich, Switzerland, and Grenke Leasing Ltd. (UK) have a non-committed money market facility totalling EUR 35,000k from Bayerische Landesbank.

As per December 31, 2018, these credit lines were utilised in an amount of EUR 0k, CHF 5,000k and GBP 5,000k (previous year: EUR 25,000k, CHF 0k and GBP 0k).

5.10.4 COMMITTED DEVELOPMENT LOANS

There are various collaborations in the form of global loans between the GRENKE AG, GRENKE BANK AG and the development banks Kreditanstalt für Wiederaufbau, NRW Bank, Thüringer Aufbaubank, Investitionsbank Berlin, LfA Förderbank Bayern and the ILB Investitionsbank des Landes Brandenburg. These collaborations facilitate the integration of public funding in the lease financing. The funding is available to regional investment projects of commercial enterprises and self-employed professionals with an annual turnover of up to EUR 500 million.

In addition, GRENKE BANK AG in cooperation with KfW offers a nationwide "ERP Startgeld" programme providing funds to business start-ups and young companies. KfW provides both low-interest loans and an 80% exemption from liability for the firm’s bank. The maximum loan amount is limited to EUR 100k each.

In addition to the development loan programme "KfW Startgeld" of KfW-Mittelstandsbank, GRENKE BANK AG also offers the business development programme "Startfinanzierung 80" in the state of Baden-Württemberg. The programme targets start-ups and is jointly offered by L-BANK and Bürgschaftsbank Baden-Württemberg. The low-interest loans are offered by L-Bank, and the Bürgschaftsbank provides an 80% default guarantee.

The following table shows the carrying amounts of the development loans utilised at the individual development banks.

EURk	Dec. 31, 2018	Dec. 31, 2017
Description		
NRW Bank	70,971	73,392
Thüringer Aufbaubank	5,170	9,557
Investitionsbank Berlin	611	1,835
LfA Förderbank Bayern	2,442	7,603
Investitionsbank des Landes Brandenburg	5,151	4,761
KfW	146,461	90,741
Landeskreditbank Baden-Württemberg – Förderbank	1,996	2,216
Accrued interest	11	39

5.10.5 RECONCILIATION OF FINANCIAL LIABILITIES FROM FINANCING ACTIVITIES OF THE STATEMENT OF CASH FLOWS

EURk	Dec. 31, 2018	Dec. 31, 2017
Bank liabilities (excluding overdrafts)		
Opening balance	2,572	2,692
Currency translation	62	0
Cash-effective change	–1,420	–120
Closing balance	1,214	2,572
Total liabilities from financing activities	**1,214**	**2,572**

5.11 OTHER CURRENT LIABILITIES

EURk	Dec. 31, 2018	Dec. 31, 2017
Value-added tax	10,706	10,225
Debtors with credit	11,865	7,603
Liabilities for salaries	1,383	1,208
Contingent consideration	1,102	0
Outstanding charges from refinancers	1,021	962
Contributions to social security	799	581
Wages/church tax	670	535
Customer payments being settled	607	688
Liabilities from car leases	348	387
Deferred income	301	256
Liabilities from security deposits	143	119
Liabilities from other taxes	55	54
Settlement accounts with companies	3	178
Other	1,345	1,014
Total	**30,348**	**23,810**

5.12 PROVISIONS

5.12.1 CURRENT PROVISIONS

In the previous year, this line item included liability risks of GRENKE BANK AG, which were fully reversed in the 2018 fiscal year. Current provisions consist of the following:

EURk	Jan. 1	Addition	Utilisation	Reversals	Dec. 31
2018					
Liability risks	1,627	0	0	1,627	0
Onerous contracts	0	0	0	0	0
Total	**1,627**	**0**	**0**	**1,627**	**0**

EURk	Jan. 1	Addition	Utilisation	Reversals	Dec. 31
2017					
Liability risks	1,646	0	19	0	1,627
Onerous contracts	0	0	0	0	0
Total	**1,646**	**0**	**19**	**0**	**1,627**

5.12.2 NON-CURRENT PROVISIONS

This item includes risk provisions for financial guarantees in accordance with the IFRS 9 provisions for impairment. All financial guarantees in the GRENKE Consolidated Group are classified as impairment level 1 under IFRS 9 both in the current year and in the previous year. Accordingly, there were no reclassifications between the impairment levels under IFRS 9. The change in the provision was the result of new financial guarantees, the disposal of financial guarantees, as well as currency translation. Others items than those mentioned above have not led to any change in the provision, which developed as follows.

EURk	Level 1	Level 2	Level 3	Total
Impairment as per beginning of fiscal year	53	0	0	53
Newly extended or acquired financial assets	66	0	0	66
Disposal of financial assets or payment for financial assets (excl. derecognition)	12	0	0	12
Currency translation and other differences	–2	0	0	–2
Impairment as per end of fiscal year	**105**	**0**	**0**	**105**

Please refer to Note 9.3 for more information on the maximum default risk for financial guarantees and irrevocable credit commitments.

5.13 DEFERRED LIABILITIES

The item deferred liabilities consists of the following:

EURk	Dec. 31, 2018	Dec. 31, 2017
Consulting services	2,115	2,561
Personnel services	6,171	5,187
Other costs	19,259	17,322
Total	**27,545**	**25,070**

All deferred liabilities are of a current nature.

5.14 PENSIONS

5.14.1 DEFINED BENEFIT PLANS

The provisions for pensions relate to the compulsory funded retirement benefit plans (endowment insurance) with supplementary payment obligation on the part of the employers in Switzerland for GRENKELEASING AG, Zurich and GRENKEFACTORING AG, Basel, and the pension obligations from final salary and flat salary pension plans in Germany for GRENKE BANK AG, Baden-Baden. A total net pension expense of EUR 635k (previous year: EUR 556k) was recognised for existing pension plans in the 2018 fiscal year.

The weighted-average duration of the predominant share of the pension obligations amounts to 18.2 years (previous year: 18.7 years).

5.14.1.1 Pensions in Germany

The pension obligations of GRENKE BANK AG relate to direct and vesting pension commitments that were made in the past predominantly for former employees.

The pension provisions were calculated on the basis of the following parameters:

	Dec. 31, 2018	Dec. 31, 2017
Discount rate	1.60%	1.55%
Estimated future pension increases	1.70%	1.70%
Mortality tables applied	Mortality Tables 2018 G	Mortality Tables 2005 G*

* from Prof Klaus Heubeck

The development of the defined benefit obligations was as follows:

EURk	2018	2017
Change in defined benefit obligations		
Defined benefit obligations at beginning of period	**1,787**	**1,814**
Interest expense	27	27
Current service cost	0	0
Benefits paid	–59	–54
Actuarial gains and losses recognised in equity	26	0
Past service costs resulting from amendments to plan		0
Defined benefit obligations at end of period	**1,781**	**1,787**

5.14.1.2 Pensions in Switzerland

Under the Swiss Occupational Pension Act (BVG), every employer must grant pensions to entitled employees after termination of employment. The GRENKE Consolidated Group maintains defined benefit plans (capital-based) in Switzerland that are managed by trusts and independent of the Company.

The external expert opinion is based on the following actuarial assumptions:

	Dec. 31, 2018	Dec. 31, 2017
Discount rate	0.90 %	0.70 %
Estimated future salary increases	2.50 %	2.50 %
Estimated future pension increases*	0.00 %	0.00 %
Mortality tables applied	BVG 2015	BVG 2015

* Assuming a 0% pension increase as no pensions are currently being paid to employees.

On the basis of the actuarial report, the following income and expenses were recognised:

EURk	Dec. 31, 2018	Dec. 31, 2017
Service cost	635	556
Interest expense	44	21
Income from interest on plan assets	26	12

The assets are invested in a collective insurance agreement with a life insurance company by way of a follow-up agreement with the BVG pension fund (Professional Pension Act). The fund manages the assets and is responsible for the investment strategy within statutory regulations. The investments consist exclusively of direct entitlements against the pension fund.

As per December 31, 2018, the provision for pensions recognised under non-current liabilities amounted to EUR 2,567k (previous year: EUR 2,632k). This amount comprises the present value of the obligations (DBO) of EUR 6,004k (previous year: EUR 6,514k), the fair value of the plan assets of EUR 3,437k (previous year: EUR 3,882k) and an actuarial gain of EUR 572k (previous year: loss of EUR 382k).

EURk	2018	2017
Change in defined benefit obligations		
Defined benefit obligations at beginning of period	**6,514**	**6,399**
Interest expense	44	21
Current service cost	635	556
Benefits paid	164	186
Contributions of the participants of the plan	–919	571
Actuarial gains and losses recognised in equity	–666	–658
Currency translation differences from foreign plans	232	–561
Defined benefit obligations at end of period	**6,004**	**6,514**
Change in plan assets		
Fair value of plan assets at beginning of period	**3,882**	**3,432**
Expected return	26	12
Employer's contributions	243	277
Contributions of the participants of the plan	164	186
Benefits paid	–919	571
Actuarial gains and losses recognised in equity	–94	–276
Currency translation differences from foreign plans	135	–320
Fair value of plan assets at end of period	**3,437**	**3,882**

The actuarial gains and losses included in the revaluation of defined benefit obligations result from the following:

EURk	Dec. 31, 2018	Dec. 31, 2017
Changes in demographic assumptions	0	0
Changes in financial assumptions	–248	–532
Experience-based gains/losses	–419	–126
Total	**–667**	**–658**

Experience-based adjustments to plan assets amounted to EUR –94k (previous year: EUR –276k). Employer contributions for the subsequent period are estimated at EUR 255k.

5.14.1.3 Sensitivity Analysis

A change in the assumptions above applied to determine the DBO as per December 31, 2018 and December 31, 2017 would increase or decrease the DBO as follows:

Dec. 31, 2018	Change of assumptions in percentage points	Increase of assumptions Change of DBO in EURk	Decrease of assumptions Change of DBO in EURk
Discount rate	0.25	–352	378
Future salary increases	0.25	65	–63
Future pension increases	0.25	54	–52
Dec. 31, 2017			
Discount rate	0.25	–388	417
Future salary increases	0.25	65	–63
Future pension increases	0.25	55	–53

In calculating the sensitivity of the DBO for the relevant actuarial assumptions, the same method was used for the calculation of the recognised obligation.

5.14.2 DEFINED CONTRIBUTION PLANS

Defined contribution plans represent an additional part of the occupational pension schemes within the Consolidated Group. Under defined contribution plans, the entity pays contributions to public or private pension insurance schemes voluntarily or on the basis of statutory or contractual requirements. The entity does not have any other benefit obligations beyond the contribution payments.

The current contribution payments are recognised as an expense for the respective year. In 2018, they amounted to a total of EUR 1,978k (previous year: EUR 2,000k) and had mainly comprised contributions to the statutory pension insurance scheme in Germany. Going forward, the level of expenses primarily depends on the development of the underlying pension insurance schemes.

5.15 EQUITY

5.15.1 SHARE CAPITAL

For the details of changes in equity, please see the consolidated statement of changes in equity.

On June 14, 2018, GRENKE AG increased its share capital by EUR 2,040,816.00, partially utilising the authorised capital resolved at the Annual General Meeting on May 3, 2018. The new shares were issued with the same dividend rights as the existing shares.

The new share capital totals EUR 46,353,918.00 divided into 46,353,918 no-par value shares (previous year: EUR 44,313,102.00 divided into 44,313,102 no-par value shares). Each no-par value ordinary share has a notional interest in the share capital of EUR 1.00. All shares are fully paid-in and have the same rights and obligations. Each share is entitled to one vote at the Annual General Meeting and accounts for the shareholders' proportionate share in the Company's net profit. Transaction costs of EUR 2,256k (net) incurred as part of the capital increase were deducted directly from equity.

5.15.2 AUTHORISED CAPITAL

On May 3, 2018, the Annual General Meeting adopted a resolution authorising the Board of Directors, with the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions up to a nominal amount of EUR 4,400k (Authorised Capital). This can be undertaken by issuing new shares in return for cash and/or contribution in kind until May 2, 2023. As a result of the capital increase through the issue of new shares on June 14, 2018, authorised capital amounted to EUR 2,359k as per December 31, 2018.

The authorised capital of EUR 1,864k resulting from the resolution of the Annual General Meeting on May 12, 2015, was cancelled by resolution of the Annual General Meeting on May 3, 2018 effective at the time of entry of the new Authorised Capital 2018 in the Commercial Register.

5.15.3 AUTHORISATION TO ACQUIRE TREASURY SHARES IN ACCORDANCE WITH SECTION 71 (1) NO. 8 AKTG

The Company was granted authorisation to acquire treasury shares until May 11, 2020 by the Annual General Meeting of May 12, 2015 in accordance with Section 71 (1) No. 8 AktG. The Company has not made use of this authorisation.

5.15.4 PARTICIPATION CERTIFICATE CAPITAL AND HYBRID BONDS

By resolution of the Annual General Meeting on May 3, 2016 and the consent of the Supervisory Board, the Board of Directors was authorised to issue participation certificates and other hybrid financial instruments on one or more occasions up to a total value of EUR 150,000k for a term of five years until May 2, 2021. As per the reporting date, an amount of EUR 125,000k (previous year: EUR 125,000k) of this authorisation was utilised (see Note 5.15.7).

5.15.5 UNAPPROPRIATED SURPLUS

On May 3, 2018, the Annual General Meeting adopted the resolution on the appropriation of GRENKE AG's unappropriated surplus for fiscal year 2017 in the amount of EUR 43,581,372.25. The Annual General Meeting approved the proposal of the Board of Directors and the Supervisory Board, resolving to appropriate the unappropriated surplus as follows:

2017 unappropriated surplus	EUR 43,581,372.25
Distribution of a dividend of EUR 0.70 per share for a total of 44,313,102 shares	EUR 31,019,171.40
Profit carryforwards (to new account)	EUR 12,562,200.85

The dividend was paid to the shareholders of GRENKE AG on May 8, 2018. The Board of Directors will propose to the Annual General Meeting the distribution of a dividend of EUR 0.80 per share for the 2018 fiscal year. This distribution has not been recognised as a liability as per December 31, 2018.

5.15.6 RESERVES

The capital reserves of EUR 289,314k (previous year: EUR 93,611k) mainly result from the IPO of GRENKE AG in April 2000 and the capital increases in February 2013, May 2014, May 2016 and June 2018. By resolution of the Annual General Meeting on May 11, 2017, a partial amount of EUR 25,432k was converted from capital reserves into share capital. In addition to GRENKE AG's retained earnings, retained earnings of the Consolidated Group also comprise the retained earnings and profits of the consolidated subsidiaries and consolidated structured entities

5.15.7 ADDITIONAL EQUITY COMPONENTS

On July 22, 2015, GRENKE AG issued an unsecured, subordinated hybrid bond (non-cumulative, indefinite Additional Tier 1, known as an AT1 bond or hybrid capital) with a nominal volume of EUR 30,000k and an interest coupon of 8.25%. The interest payments for this bond are based on the bond's nominal value and are fixed for the period from the day of issuance until the first possible early redemption day. Thereafter, the interest rate will be redetermined for periods of five years each. Interest payments can be omitted in full or in part, are non-cumulative and at the issuer's discretion. Interest payments in subsequent years will not be increased to make up for any omitted interest payments occurring in prior years. The bonds have an indefinite maturity and are therefore not subject to a limited term. The bonds can be called by GRENKE AG with effect as per the first possible early redemption day and thereafter at five-year intervals. The first possible date for early redemption is March 31, 2021. The bonds can also be called prematurely, subject to certain conditions. The investors' right to call the bonds is excluded. The bonds are subject to the terms and conditions detailed in the respective prospectus, which include – among others – that GRENKE AG can call the bonds only in full and not in part, to the extent certain regulatory or tax reasons exist. Any premature call of the bonds requires the prior approval of the relevant regulatory authority. The redemption and nominal amount of the bonds may be reduced upon the occurrence of a triggering event. If GRENKE Consolidated Group's Tier 1 core capital ratio falls below 5.125%, this would constitute such a triggering event. In the case of a triggering event, the bonds may be appreciated, subject to certain conditions.

On December 20, 2016, the bond with an unchanged coupon of 8.25% was increased by a nominal EUR 20,000k. The change in market interest rates since the first issue resulted in an additional premium of EUR 600k.

On September 27, 2017, GRENKE AG issued a further unsecured subordinated hybrid bond with a nominal volume of EUR 75,000k and an interest coupon of 7.00%. The terms are otherwise identical to the AT1 bond issued on July 25, 2015.

The first possible early redemption date is March 31, 2023. Transaction costs of EUR 1,425k were offset directly against retained earnings.

On March 31, 2018, GRENKE AG made a scheduled payment of EUR 6,785,958.90 to hybrid capital holders (previous year: EUR 4,125,000).

6. CHANGES IN THE SCOPE OF CONSOLIDATION

6.1 ACQUISITIONS

6.1.1 GC LEASING MIDDLE EAST FZCO, DUBAI/UAE

As per March 31, 2018, GRENKE AG assumed control over the shares in GC Leasing Middle East FZCO, Dubai/UAE. The purchase agreement for 100% of the capital and voting shares was concluded on March 14, 2018. Prior to the acquisition GC Leasing Middle East FZCO, Dubai/UAE, operated under GRENKE AG's franchise system and specialised in the distribution of small-ticket leasing specifically focused on IT and IT equipment.

The following information relates to the fair values of the significant categories of the identifiable assets and liabilities at the date of acquisition of the company: intangible assets EUR 763k, lease receivables EUR 20,586k, other assets EUR 1,197k and other liabilities EUR 23,145k. Intangible assets are largely attributable to resellers' non-contractual relationships with customers and non-competitive clauses. The preliminary purchase price allocation at the time of acquisition resulted in goodwill of EUR 12,157k that is not tax deductible. Goodwill includes intangible assets that could not be separately identified such as employees and expected synergy effects. The total consideration paid for the business combination amounted to EUR 11,558k and consisted mainly of cash and cash equivalents. The cash acquired with the business combination amounted to EUR 576k. All costs related to the acquisition were recognised in profit and loss. Since the date of acquisition, the acquired company has contributed a net interest income of EUR 2,250k and a net profit of EUR -230k to the Consolidated Group's net interest income and net profit after consolidation effects and effects from the purchase price allocation. Had GRENKE acquired the company as per January 1, 2018, the subsidiary would have contributed a net interest income of EUR 2,848k and a negative net profit in the amount of EUR -299k.

6.1.2 GRENKE HRVATSKA D.O.O., ZAGREB/CROATIA

As per March 31, 2018, GRENKE AG assumed control over the shares in GRENKE Hrvatska d.o.o., Zagreb/Croatia (name as per the date of acquisition: GC Renting Croatia d.o.o.). The purchase agreement for 100% of the capital and voting shares was concluded on March 14, 2018. Prior to the acquisition, GRENKE Hrvatska d.o.o., Zagreb/Croatia, operated under GRENKE AG's franchise system and specialised in the distribution of small-ticket leasing specifically focused on IT and IT equipment. This acquisition strengthens GRENKE's position in a further European country.

The following information relates to the fair values of the significant categories of the identifiable assets and liabilities at the date of acquisition of the company: intangible assets EUR 9,564k, lease assets from operating leases EUR 17,158k, lease receivables EUR 1,493k, deferred tax assets EUR 94k, other assets EUR 2,752k, liabilities from the refinancing of the leasing business EUR 6,406k, deferred tax liabilities EUR 2,268k and other liabilities EUR 12,344k. Intangible assets are largely attributable to resellers' non-contractual relationships with customers and non-competitive clauses. Deferred tax liabilities resulted mainly from the revaluation and identification of assets in the course of the purchase price allocation. Due to adjustments to the lease assets under operating leases and deferred tax liabilities, goodwill as per the acquisition date of EUR 9,149k was increased to EUR 12,418k during the 12-month measurement under IFRS 3. The goodwill resulting from the still preliminary purchase price allocation is expected to be not tax deductible. Goodwill includes intangible assets that could not be separately identified such as employees and expected synergy effects. The total consideration paid for the business combination amounted to EUR 22,461k. The cash acquired with the business combination amounted to EUR 3k. All costs related to the acquisition were recognised in profit and loss. Since the date of acquisition, the acquired company has contributed a net interest income of EUR -124k and a net profit of EUR -1,326k to the Consolidated Group's net interest income and net profit after consolidation effects and effects from the purchase price allocation. Had GRENKE acquired the company as per January 1, 2018, the subsidiary would have contributed a net interest income of EUR -166k and a negative net profit in the amount of EUR -1,916k.

6.2 FURTHER CHANGES AND DISCLOSURES

6.2.1 GC LOCAÇÃO DE EQUIPAMENTOS LTDA, SÃO PAULO/BRAZIL

The purchase price allocation of GC Locação de Equipamentos LTDA, São Paulo/Brazil, acquired in the previous year, was finalised in the second quarter of 2018. The changes resulting from IFRS 9 under Note 5.7.1 led to an increase in the goodwill at the time of acquisition from EUR 14,356k to EUR 15,008k.

6.2.2 GRENKE RENTING LTD., SLIEMA/MALTA

The purchase price allocation of GRENKE Renting Ltd., Sliema/Malta, acquired in the previous year, was finalised in the first quarter of 2018. There were no material changes compared with the preliminary fair values of the assets and liabilities. For further information on business combinations from the previous year, please refer to the Notes to the Consolidated Financial Statements as per December 31, 2017.

7. DISCLOSURES ON FINANCIAL INSTRUMENTS

7.1 ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

			Valuation in accordance with IFRS 9				Valuation in accordance with IAS 17
EURk	**Measurement category**	**Carrying amount Dec. 31, 2018**	**At fair value directly in equity**	**At fair value through profit and loss**	**Amortised cost**	**Impairment**	
Financial assets							
Cash and cash equivalents	AC	333,626			333,626		
Financial instruments with positive fair value without hedging relationship	FVPL	3,716		3,716			
Lease receivables	n. a.	4,704,010					4,704,010
Trade receivables	AC	7,666			7,666		
Other investments	FVOCIoR	5,445	5,445				
Other financial assets	AC	237,677			237,677		
Aggregated categories							
	AC				578,969		
	FVPL			3,716			
	FVOCIoR		5,445				
	n. a.						4,704,010
Financial liabilities							
Liabilities from the refinancing of lease receivables	AC	3,910,222			3,910,222		
Liabilities from deposit business	AC	697,952			697,952		
Trade payables	AC	28,156			28,156		
Bank liabilities	AC	4,352			4,352		
Financial instruments with negative fair value without hedging relationship	FVPL	2,948		2,948			
Financial instruments with negative fair value with hedging relationship	n.a.	15		15			
Financial guarantees/irrevocable credit commitments	n.a.	105				105	
Aggregated categories							
	AC				4,640,682		
	AtFVtPL			2,963			
	n.a.					105	

Abbreviations:

FVPL: Financial assets and financial liabilities measured at fair value through profit and loss.
FVOCIoR: Financial assets measured at fair value through OCI without recycling.
AC: Financial assets and financial liabilities measured at amortised cost.
n. a.: not applicable/no category according to IFRS 7.8.

			Valuation in accordance with IFRS 9				Valuation in accordance with IAS 17*
EURk	Measurement category	Carrying amount Dec. 31, 2017	At fair value directly in equity	At fair value through profit and loss	Amortised cost*	Impairment*	
Financial assets							
Cash and cash equivalents	AC	203,357			203,357		
Financial instruments with positive fair value without hedging relationship	FVPL	3,505		3,505			
Lease receivables	n. a.	3,885,117					3,885,117
Trade receivables	AC	5,786			5,786		
Other investments	FVOCIoR	3,000	3,000				
Other financial assets	AC	193,226			193,226		
Aggregated categories							
	AC				402,369		
	FVPL			3,505			
	FVOCIoR		3,000				
	n. a.						3,885,117
Financial liabilities							
Liabilities from the refinancing of lease receivables	AC	3,272,815			3,272,815		
Liabilities from deposit business	AC	519,208			519,208		
Trade payables	AC	20,550			20,550		
Bank liabilities	AC	2,683			2,683		
Financial instruments with negative fair value without hedging relationship	FVPL	1,946		1,946			
Financial instruments with negative fair value with hedging relationship	n.a.	13	13				
Financial guarantees/irrevocable credit commitments	n.a.	53				53	
Aggregated categories							
	AC				3,815,256		
	AVPL			1,946			
	n.a.		13			53	

Abbreviations:
FVPL Financial assets and financial liabilities measured at fair value through profit and loss.
FVOCIoR: Financial assets measured at fair value through OCI without recycling.
AC: Financial assets and financial liabilities measured at amortised cost.
n. a.: not applicable/no category according to IFRS 7.8.

* Changes to prior year figures resulted exclusively from the new impairment provisions of IFRS 9 (see Note 2.1)

Net gains and losses	Currency translation	Impairment	From disposal	Net profit
Dec. 31, 2018 (EURk)				
Financial assets (at amortised cost)	–3,382	–49,233	–52,485	**–105,100**
At fair value through profit and loss	–650	0	0	**–650**
Financial liabilities (at amortised cost)	0	0	0	**0**
Dec. 31, 2017 (EURk)				
Financial assets (at amortised cost)	–3,345	–40,730	–40,831	–84,906
At fair value through profit and loss	763	0	0	763
Financial liabilities (at amortised cost)	0	0	0	0

Total interest income calculated according to the effective interest method amounted to EUR 7,464k (previous year: EUR 5,156k). Total interest expenses for financial assets and financial liabilities not measured at fair value through profit and loss was EUR 2,873k (previous year: EUR 3,659k). For equity instruments classified as FVOCIoR, the gain recognised in other comprehensive income amounted to EUR 2,295k.

Net gains from lease receivables are comprised of interest income, profit from new business, and profit from disposals. They amounted to EUR 400,148k (previous year: EUR 341,581k). Net gains and losses from financial instruments recognised at fair value through profit and loss include not only the changes in fair value (for forward exchange contracts shown as the effect from the currency translation and interest hedges as interest effect), but also the results from accrued interest and from the early disposal resulting from an early sale.

7.1.1 FINANCIAL RISK STRATEGY

Please refer to the combined group management report and management report for qualitative and quantitative disclosures regarding default risk, liquidity risk and market risk.

7.2 MATURITY OF FINANCIAL OBLIGATIONS

The table below shows the maturities of the earliest possible non-discounted contractual cash flows of the financial obligations at the end of the reporting period of the most recent and the previous fiscal years. Some amounts do not match the amounts shown in the statement of financial position as they relate to undiscounted cash flows.

As per Dec. 31, 2018					
EURk	**Due on demand**	**Up to 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**
Type of liability					
Refinancing liabilities	0	471,730	735,308	2,473,878	262,716
Liabilities from deposit business	74,309	115,164	182,658	320,821	5,000
Bank liabilities	3,112	1,240	0	0	0
Other liabilities	0	29,246	1,102	0	0
Trade payables	0	28,156	0	0	0
Financial guarantees	75,601	0	0	0	0
Irrevocable credit commitments	5,420	0	0	0	0
Derivative financial liabilities	0	547	952	3,173	47
Total	**158,442**	**646,083**	**920,020**	**2,797,872**	**267,763**

As per Dec. 31, 2017					
EURk	**Due on demand**	**Up to 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**
Type of liability					
Refinancing liabilities	0	439,085	764,220	1,960,431	100,149
Liabilities from deposit business	52,011	76,688	146,022	244,487	0
Bank liabilities	111	2,572	0	0	0
Other liabilities	0	23,810	0	1,050	0
Trade payables	0	20,550	0	0	0
Financial guarantees	38,426	0	0	0	0
Irrevocable credit commitments	3,956	0	0	0	0
Derivative financial liabilities	0	400	571	1,237	0
Total	**94,504**	**563,105**	**910,813**	**2,207,205**	**100,149**

With respect to the disclosures on liquidity risk management, please refer to the explanations in the combined group management report and management report.

7.3 DERIVATIVE FINANCIAL INSTRUMENTS

7.3.1 DERIVATIVE FINANCIAL INSTRUMENTS WITH POSITIVE FAIR VALUE

Financial instruments with positive fair value were comprised solely of derivatives without hedging relationship. There were no derivatives with a hedging relationship as defined by IAS 39 that had a positive fair value.

EURk	**Dec. 31, 2018**	**Dec. 31, 2017**
Interest rate swaps	285	0
Foreign currency forwards	3,431	3,505
Total	**3,716**	**3,505**

7.3.2 DERIVATIVE FINANCIAL INSTRUMENTS WITH NEGATIVE FAIR VALUE

EURk	**Dec. 31, 2018**	**Dec. 31, 2017**
Derivatives with hedging relationship		
Interest rate swaps	15	13
Total derivatives with hedging relationship	**15**	**13**
Derivatives without hedging relationship		
Interest rate swaps	273	0
Foreign currency forward contracts	2,675	1,946
Total derivatives without hedging relationship	**2,948**	**1,946**
Total	**2,963**	**1,959**

The GRENKE Consolidated Group reported negative fair values in connection with forward exchange contracts (see Note 7.3.6) for the current fiscal year.

The forward exchange contracts are reported as derivatives without hedging relationship as defined by IAS 39. As per December 31, 2018, forward exchange contracts on the British pound, Canadian dollar, Swiss franc, Hungarian forint, Danish krone, Swedish krona, Czech koruna, Croatian kuna, Australian dollar, Turkish lira, Singapore dollar and United Arab Emirates dirham had a negative fair value of EUR 2,675k (previous year: negative fair value of EUR 1,946k on the British pound, Canadian dollar, Swiss franc, Hungarian forint, Danish krone, Swedish krona, Czech koruna, Croatian kuna, Australian dollar, Polish zloty, Turkish lira, Singapore dollar and United Arab Emirates dirham). Please refer to Note 7.3.6 for more detailed information.

The GRENKE Consolidated Group also reported negative fair value in connection to interest rate swaps for the current fiscal year. The interest rate swaps are designated as derivatives with hedging relationship or without hedging relationship in accordance with the provisions of IAS 39. As per December 31, 2018, the GRENKE Consolidated Group reported interest rate derivatives with hedging relationship with negative fair values of EUR 15k (previous year: EUR 13k) and interest rate derivatives without hedging relationship with negative fair values of EUR 273k (previous year: EUR 0k). Please refer to Note 7.3.6 for more detailed information.

7.3.3 USE AND MEASUREMENT

7.3.3.1 Business Model

As a small-ticket IT leasing company, GRENKE Consolidated Group offers lease contracts to B2B customers for mobile IT assets, among others. The lease portfolio, i.e. all lease contracts in their entirety, has fixed contractual terms over the duration of each individual contract. Upon conclusion of the contract, both the periodical payments as well as the interest rate used to calculate the payments are set out. Neither of the parties can subsequently amend these terms. GRENKE Consolidated Group only dissolves or agrees to dissolve contracts prematurely (repurchase, exchange option, termination, etc.) if the lessee bears the potential loss (i.e. due to lost interest). Each derivative contract has an underlying economic transaction with a corresponding contrarian risk position. Contracts are only concluded with credit institutions having an investment grade rating. Therefore, and due to the diversification of our contract partners, the maximum credit risk is of minor importance and is limited to the carrying amount. Please refer to the combined group management report and management report, and particularly to the risk report and the report on the financial position and net assets for qualitative and quantitative disclosures regarding default risk, liquidity risk, and market risks. Please refer to the Notes to the Consolidated Statement of Financial Position for more information.

7.3.3.2 Hedging Policy

Derivatives are used when, and only when, underlying contracts must be hedged. Underlying contracts are the contractual obligations entered into by GRENKE Consolidated Group in order to achieve its objectives. The Treasury department is not a separate profit centre. The use of derivatives is limited to hedging the profits of GRENKE Consolidated Group to the extent stipulated in the Company's Articles of Association.

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

Derivative financial instruments for currency hedging are recognised as part of an economic hedge; derivative financial instruments for interest rate hedges are presented using a cash flow hedge.

7.3.3.3 Measurement

Since the derivatives used are so-called OTC derivatives rather than standardised, listed financial instruments, recognised measurement models are used for calculating fair values. The necessary parameters for measurement, such as interest rates, yield curves, and foreign exchange spot and forward rates, can be observed on the market at all times and may be accessed via external sources of information.

7.3.4 CURRENCY RISK MANAGEMENT

GRENKE Consolidated Group is exposed to currency risks as a result of its European activities and the growing significance of its international markets. Derivatives are used to mitigate or eliminate these risks.

7.3.4.1 Derivative Financial Instruments for Currency Hedging

Forward exchange contracts were and are used to hedge the cash flows from the refinancing of the international franchise companies in Canada, Singapore and Australia, as well as the British, Czech, Swedish, Hungarian, Swiss (Factoring), Danish, Polish, Turkish, Croatian, Arabian and Norwegian subsidiaries. The GRENKE Consolidated Group AG finances the lease receivables generated by the franchisees and the subsidiaries in the corresponding foreign currencies and receives payments in those currencies over the term of the underlying lease contracts.

Hedge accounting was not applied. The fair values of the forward exchange contracts are recorded under financial instruments with positive fair value and financial instruments with negative fair value. As per the end of the reporting period, there were asset and liability forward exchange contracts, leading to their disclosure as assets (see Note 7.3.1) as well as liabilities (see Note 7.3.2). As per the end of the reporting period, forward exchange contracts totalled a nominal volume equivalent to EUR 319,308k (previous year: EUR 302,168k).

These contracts are divided by currency as follows:

EURk	Nominal volume as per		Maturity of the nominal volume as per Dec. 31, 2018				
EUR buying	**Dec. 31, 2017**	**Dec. 31, 2018**	**2019**	**2020**	**2021**	**later**	**Hedged average rate**
TRY	11,283	9,016	4,606	1,479	433	2,498	8.40
CZK	14,450	20,440	7,385	6,011	4,057	2,987	26.37
GBP	95,090	42,101	42,101	0	0	0	0.90
CHF	9,067	11,964	11,964	0	0	0	1.13
HUF	7,868	9,338	4,434	2,992	1,391	521	325.41
CAD	19,745	32,765	32,765	0	0	0	1.56
SEK	39,365	41,891	17,270	8,744	7,483	8,394	10.21
DKK	62,059	62,716	31,488	17,037	14,191	0	7.45
AED	21,437	27,947	15,191	7,410	3,998	1,348	4.37
SGD	5,395	15,261	2,524	12,737	0	0	1.59
HRK	10,100	19,192	19,192	0	0	0	7.41
PLN	474	0	0	0	0	0	0
AUD	1,343	18,126	824	4,817	12,485	0	1.69
NOK	4,492	8,551	2,858	2,436	1,746	1,511	9.94

7.3.4.2 Sensitivity

For information on exchange rate sensitivity, please refer to the detailed Notes on market price risk in the risk report contained in the combined group management report.

7.3.5 INTEREST RATE RISK MANAGEMENT

The interest rate risk for GRENKE Consolidated Group's operations results mainly from the sensitivity of its financial liabilities to changes in market interest rates. GRENKE Consolidated Group endeavours to limit the impact of such risks on interest expense and net interest income by employing appropriate derivatives.

7.3.5.1 Derivative Financial Instruments for Interest Rate Hedging

Issuing bonds and contracting interest rate swaps are elements of implementing a financing strategy under which GRENKE Consolidated Group separates refinancing from interest rate hedging in order to obtain maximum flexibility for optimising its refinancing activities. The risks (variable cash flows) which may result are hedged by appropriate interest rate derivatives.

Interest rate swaps are used as hedging instruments and are designated as hedges in accordance with IAS 39 if the appropriate requirements have been met. As all interest rate derivatives used in cash flow hedge accounting have been proven to be 100% effective, the changes in fair value in relation to their "clean value" (excluding accrued interest) were recognised in other comprehensive income.

Under the ABCP programmes as well as the FCT "GK"-COMPARTMENT "G 2" and FCT "GK"-COMPARTMENT "G 3", the respective structured entity or GRENKE AG is responsible for interest rate hedging and thus interest rate risk management. The variable refinancing of the ABCP transaction is economically hedged by the employment of interest rate swaps. From the perspective of the GRENKE Consolidated Group, both are receiver swaps. A fixed interest rate is exchanged for a floating-rate interest.

In fiscal years 2018 and 2017, apart from the ABCP programmes, only payer swaps were contracted. The payer swaps bear the agreed fixed interest rate from interest rate swaps. The swaps in place at the end of the reporting period had a nominal volume as per December 31, 2018 of EUR 200 million (previous year: EUR 400 million) and contracted fixed interest rates in the range of 0.341% and 0.336% (previous year: 0.403% and 0.327%) over the respective duration. The longest contracted interest rate swap expires in 2019 (previous year: expiry 2018). The table below shows the development of the nominal volumes of the payer swaps as per the end of the reporting period of the coming years. The average interest rate is defined as the arithmetic mean of the existing swaps.

EURk	Nominal volume as per Dec. 31			**Average interest rate**
	2017	**2018**	**2019**	**2018**
Contracted prior to 2018	400,000	0	0	–0.34%
Contracted in 2018	0	200,000	200,000	–0.34%
Total	**400,000**	**200,000**	**200,000**	

The table below provides more information on derivatives related to hedging transactions. Hedged underlying transactions are recorded under current financial liabilities.

EURk	**2018**	**2017**
Carrying amount of hedging transactions	–15	–13
Nominal value of hedging transactions	200,000	400,000
Hedging reserve	–7	–6
Change in value to measure ineffectiveness of hedged underlying transactions	1	96
Change in value to measure ineffectiveness of hedge instrument	–1	–96
Change in value due to ineffectiveness	0	0
Net hedging gains/losses recognised in other comprehensive income	–1	–96
Reclassification in income statement	–12	–11

7.3.5.2 Sensitivity

For information on interest rate sensitivity, please refer to the detailed Notes on market price risk in the risk report contained in the combined group management report and GRENKE AG's management report.

7.3.6 HEDGE EFFECTIVENESS

Under currency hedging, a hedging relationship only exists in economic substance. Although the hedging instruments are specifically designated, hedge accounting pursuant to IFRS 9 is not applied

IFRS accounting requires documentation and a risk analysis when derivative financial instruments are employed. The appropriation between the underlying transaction and the hedging instrument determines the effectiveness of a hedging relationship. By employing derivatives for interest rate hedging, the GRENKE Consolidated Group applies hedge accounting in accordance with IFRS 9. Hedge effectiveness, as required by IFRSs, is in line with GRENKE Consolidated Group's intention of using derivatives only to hedge risks from the designated underlying transaction and to never enter into derivatives for speculative reasons.

The tests of effectiveness for each financial derivative accounted for in a hedge, in accordance with IFRS 9, were performed as per the end of each quarter using the "hypothetical derivative method". The documentation of each hedging relationship describes the underlying transaction, hedged risk, strategy, hedging instrument, estimate of effectiveness and names the counterparty.

7.3.6.1 Forward Exchange Contracts

The underlying transaction for all forward exchange hedges is determined by the payments resulting from the financing of the leasing business in the respective currency area. The cash flows denominated in foreign currency are the basis for the forward contracts. The hedge may be classified as highly effective because only the actual cash flows are hedged and never a higher amount. Ideally, the dates of the financing and the foreign exchange hedge coincide to ensure the best possible economic hedge of the cash flow risk.

7.3.6.2 Interest Rate Swaps

The parameters of the underlying transaction resulting from the financing (liability) are considered first and foremost when contracting interest rate swaps. For this reason, the interest rate terms of the swaps on the variable side are the same as those of the underlying transaction. Furthermore, the swap volume contracted is never greater than the volume of the hedged financing. The active integration of existing and future planned refinancing transactions allows for anticipatory risk management. Going forward, quarterly tests of effectiveness will be conducted as part of this ongoing analysis, in which the effectiveness of the hedging relationships is tested using a method allowed under IFRS.

To date, the hedging relationships between interest rate swaps and existing and planned financing have proven to be highly effective. Under the "hypothetical derivative method", effectiveness was almost 100% and therefore within the prescribed range. For all derivatives in hedge accounting, both the retrospective and the prospective effectiveness of the hedging relationships are confirmed as per the end of the reporting period.

The hedged interest payments will presumably be recognised in profit or loss in their entirety in 2019. This will result in a reclassification of the corresponding net gains and losses previously recognised in other comprehensive income into other interest expense in an amount of EUR 15k (previous year: interest expense of EUR 13k).

7.4 FAIR VALUE OF FINANCIAL INSTRUMENTS

7.4.1 FAIR VALUE OF PRIMARY FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of financial assets and financial liabilities by category of financial instruments that are not measured at fair value. The table does not contain information on the fair value of financial assets and financial liabilities if the carrying amount represents an appropriate approximation to the fair value. This includes the following line items in the statement of financial position: cash and cash equivalents, trade receivables, non-performing lease receivables, and trade payables. All primary financial instruments are assigned to Level 2 of the fair value hierarchy except for exchange-listed bonds that are included in refinancing liabilities and are assigned to Level 1 of the fair value hierarchy. As per the reporting date, the carrying amount of exchange-listed bonds was EUR 1,931,812k (previous year: EUR 1,510,590k), and their fair value amounted to EUR 1,943,978k (previous year: EUR 1,535,676k). All primary financial assets are measured at amortised cost (AC) except for performing lease receivables, which are measured in accordance with IAS 17, and other investments, which are allocated to the FVOCIoR measurement category and are therefore measured at fair value. Financial liabilities are also measured at (amortised) cost.

EURk	**Fair value 2018**	**Carrying amount 2018**	**Fair value 2017**	**Carrying amount 2017**
Financial assets				
Lease receivables (performing)	5,100,095	4,556,603	4,229,802	3,763,855
Other financial assets	241,706	237,677	195,374	193,226
Financial liabilities				
Refinancing liabilities	3,905,114	3,910,222	3,308,125	3,272,815
Liabilities from deposit business	699,435	697,952	527,611	519,208
Bank liabilities	4,352	4,352	2,683	2,683

7.4.2 FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

At the end of the reporting period, all derivative financial instruments, which include interest rate derivatives (interest rate swaps) and forward exchange contracts, are recognised at fair value in the GRENKE Consolidated Group. Forward exchange contracts are recognised without hedging relationship. All derivative financial instruments are assigned to Level 2 of the fair value hierarchy.

EURk	**Fair value 2018**	**Carrying amount 2018**	**Fair value 2017**	**Carrying amount 2017**
Financial assets				
Interest rate derivatives with hedging relationship	0	0	0	0
Interest rate derivatives without hedging relationship	285	285	0	0
Forward exchange contracts	3,431	3,431	3,505	3,505
Total	**3,716**	**3,716**	**3,505**	**3,505**
Financial liabilities				
Interest rate derivatives with hedging relationship	15	15	13	13
Interest rate derivatives without hedging relationship	273	273	0	0
Forward exchange contracts	2,675	2,675	1,946	1,946
Total	**2,963**	**2,963**	**1,959**	**1,959**

The GRENKE Consolidated Group uses so-called OTC derivatives ("over-the-counter"). These are directly concluded with counterparties having at least investment grade status. Thus, there are no quoted market prices available.

Fair values of forward exchange contracts and interest rate derivatives are determined based on valuation models that include observable input parameters. Forward exchange contracts are measured on the basis of a market-to-market valuation model. The fair value of interest rate derivatives is determined on the basis of the net present value method. The input parameters applied in the valuation models are derived from market quotes. Interest rates with matching maturities in the traded currencies are used for forward exchange contracts, and interest rates are used for interest rate derivatives. To obtain the fair value of such OTC derivatives, the determined amounts are multiplied with the counterparty's credit default swaps (CDS) with matching maturities that are observable on the market or their own credit risk using what is known as the "add-on method".

The predominant portion of cash flows of these hedges is expected to impact the net profit over the next two years.

7.4.3 MEASUREMENT METHODS AND INPUT PARAMETERS USED

The following table presents the measurement methods used and the input parameters and assumptions applied to determine the fair values:

Type and level	Measurement method	Input parameters
Fair value hierarchy Level 1		
Exchange-listed bonds	n/a	Quoted market price as per the reporting date
Fair value hierarchy Level 2		
Other financial assets	Discounted present value of estimated future cash flows	Available interest rates at comparable conditions and residual terms using the counterparty's credit risk
Financial liabilities (liabilities from the refinancing of the leasing business, promissory notes, bank liabilities)	Discounted present value of estimated future cash flows	Available interest rates at comparable conditions and residual terms using the own credit risk (Debt Value Adjustment [DVA])
Forward exchange contracts	Market-to-market Discounted present value of estimated future cash flows	Available interest rates at the end of the term in the traded currencies using the own counterparty risk (Debt Value Adjustment [DVA]) or the counterparty's credit risk (CVA [Credit Value Adjustment]) derived from available credit default swap (CDS) quotes
Interest rate derivatives	Net present value model Discounted present value of estimated future cash flows	Available interest rates at comparable conditions and residual terms using the own counterparty risk DVA (Debt Value Adjustment) or the counterparty's credit risk CVA (Credit Value Adjustment) derived from available credit default swap (CDS) quotes

7.5 TRANSFER OF FINANCIAL ASSETS

The following table lists transferred financial assets not derecognised and the corresponding liabilities at their respective carrying amount and fair value for which the contractual right to cash flows from these financial assets was transferred.

EURk	Carrying amount	Carrying amount of corresponding liability	Fair value	Fair value of corresponding liability	Net position
Transferred lease receivables Dec. 31, 2018	**173,637**	**155,489**	**191,898**	**159,112**	**18,148**
From sale of receivable agreements	173,637	155,489	191,898	159,112	18,148
Transferred lease receivables Dec. 31, 2017	**151,831**	**148,115**	**167,182**	**152,611**	**3,716**
From sale of receivable agreements	151,831	148,115	167,181	152,611	3,716

For more information, please see the explanations on sales of receivables contracts under Note 5.10.2.3.

8. SEGMENT REPORTING

8.1 DESCRIPTION OF REPORTABLE SEGMENTS

GRENKE Consolidated Group's reporting on the development of its segments is aligned with its prevailing organisational structure within the GRENKE Consolidated Group. Thus, operating segments are divided into Leasing, Banking, and Factoring based on the management of the Company's segments. Separate financial information is available for the three operating segments.

8.1.1 Leasing

The Leasing segment comprises all of the activities that are related to the Consolidated Group's leasing business. The services offered consist of the provision of financing to commercial lessees, rental, insurance, service, and maintenance offerings, as well as the disposal of used equipment.

The GRENKE Consolidated Group's leasing business focuses primarily on the small-ticket leasing of IT products, such as PCs, notebooks, servers, monitors, peripheral devices, software, telecommunication and copier equipment as well as other IT products. Nearly all leases concluded provide for full cost recovery.

8.1.2 Banking

The Banking segment comprises the activities of GRENKE BANK AG, which regards itself as a financing partner particularly to small and medium-sized companies (SMEs). Additionally, GRENKE BANK AG cooperates with development banks in providing financing to this clientele in the context of business start-ups. Furthermore, fixed-term deposits are offered via its internet presence. The bank's business is focused primarily on German customers.

8.1.3 Factoring

The Factoring segment contains traditional factoring services focused on small-ticket factoring. Within non-recourse factoring, the segment offers both notification factoring, where the debtor is notified of the assignment of receivables, and non-notification factoring, where the debtor is not notified accordingly. The segment also offers collection services (recourse factoring) where the customer continues to bear the credit risk.

8.2 SEGMENT DATA

The accounting policies employed to gather segment information are the same as those used for the consolidated financial statements (see Note 3). Intra-group transactions are performed at standard market prices.

The Board of Directors of GRENKE AG is responsible for assessing the performance of the GRENKE Consolidated Group. In addition to new business volume (Leasing and Factoring segments) and contribution margin 2 for the Leasing segment, the key performance indicators are defined as operating segment income, segment result before other net financial income, and staff costs. Other net financial income and income tax expenses/income represent the main components of the consolidated income statement that are not allocated to individual segments.

The segment information was calculated as follows:

- operating segment income consists of net interest income after settlement of claims and risk provision, profit from service business, profit from new business, and profit from disposals
- segment result is calculated as the operating result before taxes
- segment assets comprise of the operating assets excluding tax assets.

Segment liabilities correspond to the liabilities attributable to the respective segment with the exception of tax liabilities.

EURk	Leasing segment		Banking segment		Factoring segment		Total segments		Consolidation effects		Consolidated Group	
January to December	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Operating segment income	**331,646**	277,761	**21,778**	15,047	**3,906**	3,961	**357,330**	296,769	**0**	0	**357,330**	296,769
Staff costs	**96,552**	80,767	**2,877**	2,627	**3,272**	2,768	**102,701**	86,162	**0**	0	**102,701**	86,162
Selling and administrative expenses	**73,858**	64,416	**3,028**	2,432	**1,234**	889	**78,120**	67,737	**0**	0	**78,120**	67,737
Depreciation/amortisation	**16,972**	15,151	**126**	104	**128**	108	**17,226**	15,363	**0**	0	**17,226**	15,363
Segment result	**143,174**	126,400	**14,960**	9,643	**–979**	–390	**157,155**	135,653	**0**	0	**157,155**	135,653
Reconciliation to consolidated financial statements												
Operating result											157,155	135,653
Other financial income											–1,625	–3,620
Taxes											24,420	26,603
Net profit according to consolidated income statement											**131,110**	105,430
As per December 31												
Segment assets	**5,740,958**	4,675,928	**1,137,383**	902,090	**40,212**	38,631	**6,918,553**	5,616,649	**–1,084,753**	–891,374	**5,833,800**	4,725,275
Reconciliation to consolidated financial statements												
Tax assets											42,691	37,900
Total assets according to consolidated statement of financial position											**5,876,491**	4,763,175
Segment liabilities	**4,774,365**	3,976,508	**1,010,537**	794,524	**30,566**	30,007	**5,815,468**	4,801,039	**–1,084,753**	–891,374	**4,730,715**	3,909,665
Reconciliation to consolidated financial statements												
Tax liabilities											58,679	62,096
Liabilities according to consolidated statement of financial position											**4,789,394**	3,971,761

The previous year's figures in the segment reporting were retrospectively adjusted as part of the first-time application of new accounting standards.

8.3 INFORMATION ON REGIONAL SEGMENTS

On a country level, Germany, France, and Italy are the main regional segments in which revenues are generated with external customers. All other countries are combined under "Other countries". Operating income and non-current assets are presented for reporting countries. The allocation to the individual geographical segments is based on the country of origin of the external customers with which revenues are generated. Non-current assets are allocated according to the countries in which they originated.

EURk	Germany		France		Italy		Other countries		Consolidated Group	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Operating income (January to December)	**91,509**	78,595	**81,945**	70,270	**78,420**	58,367	**105,456**	89,537	**357,330**	296,769
Non-current assets (as per December 31)	**732,005**	661,241	**737,114**	641,843	**719,436**	575,301	**1,150,061**	895,853	**3,338,616**	2,774,238

9. OTHER DISCLOSURES

9.1 CAPITAL MANAGEMENT

9.1.1 ECONOMIC CAPITAL

The primary goal of the GRENKE Consolidated Group's capital management is to ensure that its credit rating is maintained in order to support its operations and safeguard liquidity, as well as to maintain risk-bearing capacity at all times within the requirements placed on the Consolidated Group by the Minimum Requirements for Risk Management.

The GRENKE Consolidated Group monitors its capital, among other things, using the equity ratio, i.e. the ratio of its equity according to the statement of financial position to total assets. In accordance with the Consolidated Group guidelines, we aim for an equity ratio of 16% as in the previous year. In addition, the Consolidated Group's determination of maximum risk-bearing capacity, and its risk-limiting system through the limiting of risk positions, the safeguarding and monitoring of economic capital is guaranteed.

Operating income consists of the same items as discussed above for the operating segment income. Non-current assets are comprised of non-current lease receivables, property, plant, and equipment, goodwill, other intangible assets and other non-current assets.

9.1.2 REGULATORY CAPITAL

As a financial services provider and parent company of the banking group, GRENKE AG must meet the equity requirements of banking groups under Section 10a KWG in conjunction with Section 25ff of EU Regulation No. 575/2013 (Capital Requirement Regulation [CRR]).

The regulatory scope of consolidated companies of GRENKE AG is determined by the Consolidated Group's scope of consolidation. The solvency of the banking group is also measured based on the affiliation with the Consolidated Group. Equity is calculated in the context of the COREP reporting (Common Solvency Ratio Reporting) under Section 72ff CRR.

For the presentation of equity, please refer to the combined group management report and the management report.

The return on capital was 2.2% according to Section 26a KWG (1) sentence 4.

9.2 FRANCHISE SYSTEM

GRENKE AG provides its expertise, infrastructure, and funds for refinancing lease contracts under a franchise arrangement. However, it does not own shares in these franchisees, nor does it have any control over the franchisees' business policies. In addition to franchise fees of EUR 759k (previous year: EUR 620k), the Consolidated Group generated income from allocations in the amount of EUR 493k (previous year: EUR 347k) and income from interest on loans of EUR 2,834k (previous year: EUR 2,301k) (see Note 4.1). As per the end of the reporting period, there were further receivables from franchisees totalling EUR 1,216k (previous year: EUR 868k*) (see Notes 5.3 and 5.4) in addition to loans in an amount of EUR 71,772k (previous year: EUR 59,229k*).

* Adjustments due to IFRS 9; see Note 2.1.

9.3 CONTINGENCIES (CONTINGENT LIABILITIES) AND OTHER FINANCIAL OBLIGATIONS

GRENKE AG, as guarantor for individual franchise companies, has granted financial guarantees of EUR 75.7 million (previous year: EUR 38.4 million), which represents the maximum credit risk. The actual utilisation by the guarantee holder was below this amount and totalled EUR 21.9 million (previous year: EUR 25.2 million). The finance guarantees granted were not granted in the countries with risk concentration but are spread among other countries.

Irrevocable credit commitments from the loan business amounted to EUR 5,420k (previous year: EUR 3,956k) and included unutilised limited overdrafts and unutilised loan commitments for the risk concentration country of Germany. This amount also represents the maximal credit risk.

There was an obligation of EUR 9,553k as per December 31, 2018, for the construction of an office building (previous year: EUR 0k).

The Company has other financial obligations related to rent, building maintenance, and lease contracts. Lease contracts for some buildings contain a clause that allows for an increase in the rental rates in accordance with the prevailing market conditions. Several lease agreements contain options to extend the contracts. Other restrictions do not exist. The resulting financial obligations are presented below:

EURk	**Dec. 31, 2018**	**Dec. 31, 2017**
Rent, maintenance, and lease obligations		
due in the subsequent year	16,842	14,877
due in 1 to 5 years	28,508	23,073
due in more than 5 years	4,643	3,424
Total	**49,993**	**41,374**

The rent payments partly offset expected rental income from subleases of EUR 57k in the 2019 fiscal year (previous year: EUR 58k). In subsequent years, there will be additional rental income of EUR 18k (previous year: EUR 53k). There are extension options ranging from one to ten years on leases for rented premises.

Under three agreements on the sale of receivables of GRENKE Investionen Verwaltungs KGaA to secure all receivables of the holding company (Grenke Investitionen Verwaltungs Kommanditgesellschaft auf Aktien) from the operating company, the operating company

(GRENKE AG) assigns to the holding company the following from lease contracts with end lessees (sublease contract) for leasing 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 the expiry of the original lease term, any claims for compensation payments, residual values, and payment of a purchase price from the sale of the respective lease asset. Claims from credit and property insurance from the sub-lease contract are also assigned as are any claims from repurchase obligations on the part of suppliers of lease assets or of third parties. The buyer of the receivables acquires the equitable lien on the lease assets underlying the receivables purchase agreement.

With the notice of July 27, 2009, GRENKE AG submitted a Letter of Commitment in accordance with Section 5 (10) of the Statute of the Deposit Protection Fund to the Association of German Banks [Bundesverband deutscher Banken e.V.]. With this notification, GRENKE AG has waived any claim against the Association of German Banks that would be in favour of GRENKE BANK AG.

Apart from bearing the political risk, GRENKE AG ensures that the consolidated companies GRENKELEASING Magyarország Kft., Budapest/Hungary, GRENKELEASING s.r.o., Bratislava/Slovakia and GRENKE Kiralama Ltd. Sti., Istanbul/Turkey are able to meet their contractual obligations. The same applies for the Consolidated Group companies Grenke Investitionen Verwaltungs Kommanditgesellschaft auf Aktien, Baden-Baden/Germany, GRENKEFACTORING GmbH, Baden-Baden/Germany, and Europa Leasing GmbH, Kieselbronn/Germany.

The purpose of the letter of comfort provided by GRENKE AG for Grenke Investitionen Verwaltungs Kommanditgesellschaft auf Aktien and GRENKEFACTORING GmbH is the use of the waiver rule pursuant to Section 2a (1) KWG in conjunction with Article 7 CRR and in conjunction with Section 2a (5) KWG by the respective subsidiary. GRENKE AG received the approval pursuant to Section 2a (1) KWG in the second quarter of 2018 for the subsidiary Europa Leasing GmbH, which was included in the scope of consolidation for the first time in 2017.

Expenses from Rent and Lease Contracts

In the fiscal year, expenses from rent and lease contracts amounted to EUR 14,633k (previous year: EUR 11,761k). They are recognised under operating expenses and mainly relate to the rental of offices for the individual branches and company car leases.

9.4 TAX AUDITS

A tax audit at GRENKE AG and Grenke Investitionen Verwaltungs KGaA for fiscal years 2005 to 2009 was completed. As per the reporting date, there continues to be a fact where GRENKE and the tax authorities have conflicting opinions. The most likely amount of tax receivables was recognised for the measurement of the uncertain tax item resulting from this dispute.

In October 2015, the audit instructions for fiscal years 2010 to 2014 were established for GRENKE AG, Grenke Investitionen Verwaltungs KGaA, GRENKE Service AG, GRENKEFACTORING GmbH and GRENKE BANK AG. The tax audits began in November 2016 and have meanwhile been completed, and the tax assessments were made. Uncertain tax liabilities continue to be taken into account for the assessment years 2015 and 2016 from the information gained during the tax audit.

In April 2018, the audit instructions for the period from January 2011 to December 2014 were established for GRENKE BANK AG. The tax audit started on June 26, 2018, and encompasses insurance taxes. No final conclusions were available as per the end of the reporting year.

In July 2018, the audit instructions for the period from January 2012 to December 2017 were established for GRENKE AG. The tax audit started on August 14, 2018 and encompasses insurance taxes. No final conclusions were available as per the end of the reporting year. Based on the information gained so far from the tax audit and according to the rules of the German Ministry of Finance in its letter dated May 30, 2018, insurance taxes were subsequently reported for the period from April to December 2018 for safety reasons and taken into consideration as an uncertain tax liability. GRENKE AG's procedure does not constitute an acceptance of the tax audit's opinion.

9.5 CONSULTING AND AUDIT FEES

The expenses related to the audit fee in the 2018 fiscal year are comprised as follows:

EURk	**2018**	**2017**
Audit services	669	756
Other assurance services	84	126
Other services	30	66
Total	**783**	**948**

A total of EUR 22k of the overall fees concern prior periods (previous year: EUR 19k).

9.6 RELATED PARTY DISCLOSURES

Third parties are considered related if one party controls GRENKE AG or has joint control over GRENKE AG, or has the power to exercise considerable influence over its business or operating decisions. Related third parties of the GRENKE Consolidated Group include people in key positions and their family members, subsidiaries and associated companies of GRENKE AG, and entities that exercise a considerable influence. GRENKE AG renders various services for subsidiaries in its ordinary business activities. Conversely, the various Consolidated

Group companies also render services within the GRENKE Consolidated Group as part of their business purpose. These extensive business transactions are performed at market conditions.

LIABILITIES FROM RELATED ENTITIES

EURk	**2018**	2017
Persons in key positions	**44**	0
Associated companies	**1,320**	1,897

The liabilities to persons in key positions resulted from a consultancy contract with a member of the Supervisory Board. Consulting expenses amounted to EUR 78k (previous year: EUR 0k) Liabilities from the Bank's deposit business stemmed from associated companies, resulting in an interest expense of EUR 10k (previous year: EUR 29k).

As part of its ordinary business activities, GRENKE BANK AG offers related parties services under normal market conditions. At the end of the reporting period, the bank had received deposits totalling EUR 0k (previous year: EUR 5,274k) from members of the GRENKE Consolidated Group's Board of Directors and their close family members. The related interest expenses were EUR 0k (previous year: EUR 21k). The Bank received deposits totalling EUR 5,499k (previous year: EUR 1,307k) from members of the GRENKE Consolidated Group's Supervisory Board and their close relatives. The related interest expenses were EUR 41k (previous year: EUR 17k). As per the reporting date, unsettled credit card accounts of members of the Board of Directors and their family members amounted to EUR 1k (previous year: EUR 20k) and to EUR 28k (previous year: EUR 0k) for credit card accounts of members of the Supervisory Board and their family members. No further loans were granted to any of these individuals during the reporting period.

In accordance with the Articles of Association, the Supervisory Board of GRENKE AG consists of six members. In fiscal year 2018, the members of the Supervisory Board were:

:: Prof Dr Ernst-Moritz Lipp, Baden-Baden, Germany, Chair and Professor of International Finance and General Manager of ODEWALD & COMPAGNIE Gesellschaft für Beteiligungen mbH, Berlin, Germany

:: Mr Wolfgang Grenke, Baden-Baden, Germany, Deputy Chair (as per May 3, 2018), entrepreneur

:: Mr Gerhard E. Witt, Baden-Baden, Germany, Deputy Chair (until May 3, 2018), auditor and tax advisor

:: Ms Tanja Dreilich, Munich, Germany, degree in business administration, MBA, Managing Director and Group CFO of Kirchhoff Automotive Holding GmbH

:: Dr Ljiljana Mitic, Munich, Germany, independent business consultant, partner at Impact51 AG, Küsnacht, Switzerland, and Managing Director of Venture Value Partners GmbH, Munich, Germany

:: Mr Florian Schulte, Baden-Baden, Germany, degree in business administration, Managing Director of Fines Holding GmbH, Baden-Baden, Germany, and Managing Director of S.K. Management- und Beteiligungs GmbH, Baden-Baden, Germany

:: Mr Erwin Staudt, Leonberg, Germany, economics graduate

Prof Dr Ernst-Moritz Lipp is also the Chairman of the Supervisory Board of GRENKE BANK AG, Baden-Baden, Germany.

Mr Wolfgang Grenke is Chair of the Supervisory Board of GRENKE Service AG, Baden-Baden, Germany and member of the Supervisory Board of GRENKE BANK AG.

Mr Erwin Staudt is a member of the Supervisory Boards of PROFI Engineering Systems AG, Darmstadt, Germany, and USU Software AG, Möglingen, Germany. Mr Staudt is also a member of the Advisory Board of Interstuhl Büromöbel GmbH & Co. KG, Meßstetten-Tieringen, Germany.

Mr Florian Schulte is a member of the Advisory Board of MS Direct AG, St. Gallen, Switzerland, and a member of the Supervisory Board of Upside Beteiligungs AG, Munich, Germany.

The term of office of Prof Dr Ernst-Moritz Lipp and Mr Wolfgang Grenke will continue until the end of the Annual General Meeting that resolves on their discharge for the 2022 fiscal year.

The remaining members of the Supervisory Board have been appointed until the end of the Annual General Meeting which decides on their discharge for the 2018 fiscal year.

The GRENKE AG Supervisory Board remuneration (including payments for supplementary services) totalled EUR 220k (previous year: EUR 223k). In accordance with Section 113 (1) sentence 2 no. 1 AktG, Supervisory Board remuneration is defined in Article 10 of GRENKE AG's Articles of Association. The remuneration of the Supervisory Board breaks down as follows:

EURk	**Total**		**Remuneration GRENKE AG**		**Remuneration Grenke Investitionen Verwaltungs KGaA**	
	2018	Previous year	**2018**	Previous year	**2018**	Previous year
Total	**224**	227	**220**	223	**4**	4

The Board of Directors of GRENKE AG consists of the following members:

- Ms Antje Leminsky, graduate business administration,
  Baden-Baden, Germany
  Chair of the Board of Directors (as per March 1, 2018)
- Mr Gilles Christ, MBA, Wissembourg, France
- Mr Sebastian Hirsch, Bachelor of Administration (BA),
  Sinzheim, Germany
- Mr Mark Kindermann, graduate business administration,
  Bühl, Germany
- Mr Wolfgang Grenke, entrepreneur, Karlsruhe, Germany
  (Chair of the Board of Directors until Feb. 28, 2018)

The members of the Board of Directors represent GRENKE AG jointly with another member of the Board of Directors or with an authorised signatory.

The remuneration of the Board of Directors in accordance with Section 314 (1) no. 6 and IAS 24.17 for 2018 was as follows:

EURk	Total remuneration	of which fixed	of which variable
Total	2,133	1,521	612
Total (previous year)	2,610	1,282	1,328

The relevant GRENKE Balanced Scorecard (BSC) criteria correspond to the key performance indicators measuring the Consolidated Group's long-term success and thereby the long-term increase in shareholder value. These criteria also include the development in the number of lease contracts, the volume of new business, the contribution margins and the development of losses. The fulfilment of the BSC criteria is assessed retrospectively each quarter, and, based on this assessment, a success bonus is awarded.

The Supervisory Board of GRENKE AG has concluded a phantom stock agreement with all sitting members of the Board of Directors. The value of these phantom stock agreements at the end of this past fiscal year was EUR 0k (December 31, 2017: EUR 393k). Payments under these agreements amounted to EUR 393k in the fiscal year (previous year: EUR 0k).

A new agreement was made with Ms Leminsky, whose previous agreement expired last year. A new agreement was also concluded with Mr Hirsch. The maximum possible capital appreciation under each agreement is EUR 450k with a virtual number of 15,000 shares, based on the 2018 to 2020 fiscal years.

The agreements with Mr Christ and Mr Kindermann apply to the 2016 through 2018 fiscal years. Under these agreements, each member of the Board of Directors is entitled to payments (tranches) for the respective fiscal years equal to the increase in the value of 60,000 GRENKE AG shares (in the case of Mr Christ), and 18,000 shares (in the case of Mr Kindermann) in relation to a set basic share price. The basic share price is the arithmetic mean of the XETRA closing prices on all trading days from December 1 to December 23 of the respective prior year. The basic share price for the 2018 fiscal year is EUR 82.54.

The payment entitlement is earned annually and is limited in its amount and subject to the statutory provisions for appropriate remuneration, the statutory maximum level of variable remuneration components and especially the rules of the German Banking Act. The maximum payment for the three tranches (years) under these agreements is limited to EUR 450k for Ms Leminsky and Mr Hirsch, EUR 400k for Mr Christ and EUR 150k in the case of Mr Kindermann. The maximum payment applies to the respective agreements in their entirety, i.e. the total payment for the three tranches, and may not exceed the maximum payment amount. If an annual tranche exceeds the maximum total entitlement and the agreement is still in force for several more years, then no further entitlements can be accrued in the future. The participants in the programme are required to invest the respective net payment amount in GRENKE AG shares. Mr Christ and Mr Kindermann are required under their agreements to invest an additional personal contribution of 25% of the aforementioned net payment amount in GRENKE AG shares. The Company is entitled, but not required, to render the payment in whole or in part in the form of shares instead of cash for one or more tranches. In this case, a personal contribution is not required. The shares are subject to a vesting period of three years following the year of a tranche's payout. Under the agreements with Mr Kindermann and Mr Christ, the vesting period is two years following the year of a tranche's payout. In the 2017 fiscal year, Mr Kindermann had already reached the maximum payout amount and was not allowed to accrue any further entitlements under the agreement. Mr Christ has already received EUR 243k of the maximum payout amount under this agreement, and due to the agreement's expiration during the 2018 fiscal year, was not able to accrue any further entitlements under this agreement.

In accordance with the recommendation of the German Corporate Governance Code, the Supervisory Board is entitled to reduce the amount of the payout entitlement, or partially or completely revoke the entitlement to receive a tranche if and to the extent that the increase in value of the share or value inflows are influenced by extraordinary, unforeseeable developments.

In July 2014, Mr Wolfgang Grenke and his family ("the Grenke family") formed a family holding under the name Grenke Beteiligung GmbH & Co. KG, Baden-Baden. On September 17, 2014, the Grenke family transferred all of their shares held in GRENKE AG to this company. These shares were previously part of a pooling agreement. As per the reporting date, Grenke Beteiligung GmbH & Co. KG held 18,905,958 shares in GRENKE AG, corresponding to 40.79% of GRENKE AG's share capital. Grenke Vermögensverwaltung GmbH, Baden-Baden, as the general partner, is authorised to exercise management functions. Mr Wolfgang Grenke and Ms Anneliese Grenke are the Executive Directors of Grenke Vermögensverwaltung GmbH.

Ms Antje Leminsky is a member of the Board of Directors of GRENKE Service AG, Baden-Baden, and member of the Supervisory Boards of GRENKE BANK AG, Baden-Baden, Testo SE & Co. KGaA, Lenzkirch and Testo Management SE, Lenzkirch. She is also Managing Director of GRENKE digital GmbH, Karlsruhe.

Mr Gilles Christ is on the Supervisory Board of GRENKE Service AG, Baden-Baden, and member of the Advisory Board of GRENKELEASING AG, Zurich, Switzerland. He is also General Manager of GRENKELEASING Sp.Z.o.o., Poznan, Poland.

Mr Sebastian Hirsch is a member of the Supervisory Board of GRENKE BANK AG, Baden-Baden. He is also Managing Director of GRENKE digital GmbH, Karlsruhe.

Mr Mark Kindermann is a member of the Board of Directors of GRENKE LIMITED, Dublin/Ireland, as well as the chairman of Board of Directors of GRENKE Service AG, Baden-Baden. Additionally, he is on the Supervisory Boards of Grenkefinance N.V., Vianen/Netherlands and GRENKE BANK AG, Baden-Baden. He is also a member of the Advisory Board of GRENKELEASING AG, Zurich/Switzerland, and GRENKEFACTORING AG, Basel/Switzerland.

9.7 DISCLOSURES ON NOTIFICATIONS IN ACCORDANCE WITH SECTION 33 (1) OF THE GERMAN SECURITIES TRADING ACT (WPHG)

As part of our investor relations activities, we provide comprehensive information about the Company's development. For providing information, GRENKE also makes substantial use of its website. Voting rights notifications that the Company received are published in the Investor Relation section at https://www.grenke.de/en/investor-relations/grenke-share/voting-rights.html in accordance with Section 40 of the German Securities Trading Act.

Voting Rights Notifications in the 2018 Fiscal Year

On October 8, 2018, Universal-Investment GmbH, Frankfurt am Main, Germany, informed us according to Section 33 (1) WpHG, that on October 1, 2018, its voting rights in GRENKE AG, Baden-Baden, Germany, had fallen below the threshold of 3% and on this day amounted to 0.73% (339,829 voting rights).

On October 10, 2018, ACATIS Investment Kapitalverwaltungsgesellschaft mbH, Frankfurt am Main, Germany, informed us according to Section 33 (1) WpHG, that on October 1, 2018, its voting rights in GRENKE AG, Baden-Baden, Germany, had exceeded the threshold of 3% and on this day amounted to 4.05% (1,876,259 voting rights).

9.8 EVENTS AFTER THE REPORTING PERIOD

No events of material importance have occurred subsequent to the end of the fiscal year.

9.9 DECLARATION IN ACCORDANCE WITH SECTION 161 AKTG

The Board of Directors and the Supervisory Board of GRENKE AG issued the declaration pursuant to Section 161 AktG and made it permanently available to shareholders on the Company's website (www.grenke.de/en/investor-relations/corporate-governance/).

// COUNTRY-BY-COUNTRY-REPORTING 2018

FOREWORD

In accordance with Article 89 of the 2013/36/EU Directive (CRD IV), which was transposed into German law in the form of Section 26a KWG in conjunction with Section 64r (15) sentence 1 KWG, the GRENKE AG Consolidated Group ("the GRENKE Consolidated Group") is required to provide a county-by-country breakdown of information on the company names, type of business activity, geographical location, revenue, number of employees in full-time equivalents, profit or loss before taxes, taxes on profit or loss and public subsidies received.

DISCLOSURES

In this report, the GRENKE Consolidated Group is publishing the required disclosures as per December 31, 2018. This includes the disclosures required as per the reporting date for all companies included in the scope of consolidation in the context of full consolidation under commercial law, which is identical to the regulatory scope of consolidation. The geographical allocation is based on the legal domicile of the companies.

The management and actions of the GRENKE Consolidated Group are based on the standards of the German Corporate Governance Code. Additional principles of proper management of the Consolidated Group are set out in detail in the annual financial report. This report distinguishes between leasing, factoring and banking/refinancing activities within the Consolidated Group. The Leasing segment represents the most significant segment for the GRENKE Consolidated Group and includes all transactions related to the Consolidated Group's leasing activities. Depending on local circumstances, this may also include the leasing of movable goods. Commercial customers primarily lease IT products such as printers, copiers, telecommunications products and software with a net purchase value of EUR 500 or more. The Factoring segment includes traditional factoring services, such as the purchase of receivables for immediate payment. The focus of this segment is on small receivable amounts in Germany, Switzerland and Italy. The Banking segment includes the activities of GRENKE BANK AG, which primarily contributes to the Consolidated Group's refinancing through the bank's deposit business and purchase of receivables. In cooperation with development banks, it also provides and processes loans for business start-up financing and microcredits for small and medium-sized enterprises (SMEs). In addition, GRENKE BANK AG operates its own leasing business through branches in Norway, as well as its own factoring business in Italy. In the refinancing area, a broad range of refinancing instruments is also provided by subsidiaries and securitisation companies that are consolidated without capital participation under supervisory and commercial law.

The definition of revenue is based on the following items of the income statement according to IFRS:

- Net interest income excluding the settlement of claims and risk provision
- Profit from service business
- Profit from new business
- Losses from disposals
- Other operating income including intra-group income
- Other interest result including intra-group interest result

REPORTING

The following overview lists all domestic and foreign companies including the company name, registered office and type of business activity in accordance with Section 26a (1) sentence 2 point 1 KWG.

Country	Entity	Registered office	Business activity/segment
EU countries			
Belgium	GRENKE LEASE Sprl	Brussels	Leasing
Denmark	GRENKELEASING ApS	Herlev	Leasing
Germany	GRENKE BANK AG	Baden-Baden	Banking/Refinancing
	GRENKEFACTORING GmbH	Baden-Baden	Factoring
	GRENKE Investitionen Verwaltungs KGaA	Baden-Baden	Leasing/Refinancing
	GRENKE AG	Baden-Baden	Leasing
	GRENKE Service AG	Baden-Baden	Other
	GRENKE digital GmbH	Karlsruhe	Other
	Europa Leasing GmbH	Kieselbronn	Leasing
Finland	GRENKELEASING Oy	Vantaa	Leasing
France	GRENKE LOCATION SAS	Schiltigheim	Leasing
	FCT "GK"-COMPARTMENT "G2"	Pantin	Refinancing
	FCT "GK"-COMPARTMENT "G3"	Pantin	Refinancing
Ireland	GRENKE LIMITED	Dublin	Leasing
	GRENKE FINANCE PLC	Dublin	Leasing/Refinancing
	Opusalpha Purchaser II Limited	Dublin	Refinancing
Italy	GRENKE Locazione S.r.l.	Milan	Leasing
	GRENKE BANK AG Branch Italy	Milan	Factoring
Croatia	GRENKE Hrvatska d.o.o.	Zagreb	Leasing
Luxembourg	GRENKELOCATION SARL	Munsbach	Leasing
Malta	GRENKE RENTING LTD.	Sliema	Leasing
Netherlands	Grenkefinance N.V.	Vianen	Leasing
Austria	GRENKELEASING GmbH	Vienna	Leasing
Poland	GRENKELEASING Sp.z.o.o.	Poznan	Leasing
Portugal	GRENKE RENTING S. A.	Lisbon	Leasing
Romania	Grenke Renting S.R.L.	Bucharest	Leasing
Sweden	GRENKELEASING AB	Stockholm	Leasing
Slovakia	GRENKELEASING s.r.o.	Bratislava	Leasing
Slovenia	GRENKELEASING d.o.o.	Ljubljana	Leasing
Spain	GRENKE ALQUILER S.L.	Barcelona	Leasing
	GRENKE RENT S.L.	Madrid	Leasing
Czech Republic	GRENKELEASING s.r.o.	Prague	Leasing
Hungary	GRENKELEASING Magyarország Kft.	Budapest	Leasing
United Kingdom	Grenke Leasing Ltd	Guildford	Leasing

Continued next page

Country	Entity	Registered office	Business activity/segment
Third countries			
Brazil	GC Locação de Equipamentos LTDA	São Paulo	Leasing
	GRENKE Locação de Equipamentos LTDA	São Paulo	Other
United Arab Emirates	GC Leasing Middle East FZCO	Dubai	Leasing
Jersey	Kebnekaise Funding Limited	St. Helier	Refinancing
	CORAL PURCHASING LIMITED	St. Helier	Refinancing
Norway	GRENKE BANK AG BRANCH NORWAY	Lysaker	Leasing
Switzerland	GRENKELEASING AG	Zurich	Leasing
	GRENKEFACTORING AG	Basel	Factoring
Turkey	GRENKE Kiralama Ltd. Sti.	Istanbul	Leasing

Country-specific information pursuant to Section 26a (1) sentence 2 points 2-6 KWG follows below. The information is provided on a country-by-country basis according to the IFRS conversion and before intercompany transfers.

Country	Number of employees (full-time equivalents[1])	Revenues (EUR millions)	Earnings before taxes (EUR millions)	Income taxes (EUR millions)[2]	Public subsidies received (EUR millions)
EU countries					
Belgium	18	5.5	1.0	0.3	0
Denmark	27	6.6	-0.4	0.0	0
Germany	637	198.2	57.8	13.6	0
Finland	26	2.4	-1.1	0.2	0
France	164	40.5	16.7	6.3	0
Ireland	46	210.7	83.8	10.4	0
Italy	200	90.0	32.7	-6.2	0
Croatia	11	0.4	-1.6	-0.3	0
Luxembourg	3	0.4	-0.3	0.0	0
Malta	4	0.4	-0.7	-0.2	0
Netherlands	30	3.4	-0.2	0.0	0
Austria	24	6.8	0.3	0.3	0
Poland	51	4.0	-1.2	0.0	0
Portugal	48	5.5	-1.6	-0.3	0
Romania	19	0.9	-0.5	0.0	0
Sweden	18	3.8	0.5	0.0	0
Slovakia	8	0.9	0.1	0.2	0
Slovenia	9	0.8	-0.6	-0.1	0
Spain	64	11.3	3.2	1.1	0
Czech Republic	9	1.6	0.6	0.1	0
Hungary	8	0.4	-0.3	0.0	0
United Kingdom	55	23.6	9.2	1.8	0
Third countries					
Brazil	26	2.2	-2.0	-3.0	0
Jersey	0	6.2	0.0	0.0	0
Norway	2	0.0	-0.1	0.0	0
Switzerland	45	13.4	1.9	0.2	0
Turkey	13	0.5	-1.3	0.0	0
United Arab Emirates	12	1.5	-0.2	0.0	0

1 Excluding employees on maternity and parental leave but including executives and trainees.
2 Figures include deferred taxes.

The return on capital was 2.2% according to Section 26a KWG (1) sentence 4.

// REPRODUCTION OF THE INDEPENDENT AUDITOR'S REPORT

1. REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

1.1 OPINIONS

We have audited the consolidated financial statements of GRENKE AG, and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement., the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2018 to 31 December 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of GRENKE AG for the financial year from 1 January 2018 to 31 December 2018. In accordance with the German legal requirements we have not audited the content of the non-financial statement and the corporate governance statement which are included in section 4 and section 9 of the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply excluding the effects of the topic explained in section, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018, and of its financial performance for the financial year from 1 January to 31 December 2018, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of the non-financial statement and the corporate governance statement mentioned above.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

1.2 BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

1.3 KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

1.3.1 MEASUREMENT OF IMPAIRMENT LOSSES ON NON-PERFORMING RECEIVABLES FROM FINANCE LEASES

In respect of the accounting and measurement policies applied for non-performing receivables from financial leases, please refer to the information in section 3.18.2 'Determination of Impairment for Lease Receivables ', section 4.2 'Settlement of Claims and Risk Provision' and section 5.2 'Lease Receivables'.

1.3.1.1 Financial statement risk

Receivables from finance leases in the amount of EUR 4,704.0 million and an impairment loss on receivables of EUR 279.5 million were recognised in the consolidated financial statements of GRENKE AG. GRENKE AG applied the provisions set forth in IFRS 9 for the first time in the financial year taking into consideration the lifetime expected losses to measure performing and non-performing receivables.

Judgement must be exercised by management for the measurement of impairment losses on non-performing receivables from finance leases. This includes the selection of the model to be used to determine the recoverability rates, the estimate parameters used in the model and possible adjustments to the model. There is the risk for the consolidated financial statements that the calculation of impairment losses may be based on inappropriate estimate parameters and an unsuitable valuation model.

1.3.1.2 Our audit approach

Based on our risk assessment and evaluation of the risks of material misstatement, we particularly used extensive substantive audit procedures for our audit opinion. We therefore performed the following audit procedures, among others.

We analysed the general suitability of the valuation model used by GRENKE AG to determine the recoverability rates and the suitability of the estimate parameters that are incorporated into the model.

In doing so, we investigated whether the key estimate parameters had been incorporated into the model to determine recoverability rates on non-performing receivables from finance leases.

Furthermore, we investigated the key estimating parameters used in the model using historical data and thus, to assess forecasting accuracy, verified the Company's retrospective review of the recoverability rates that had actually materialised.

In the course of our audit we deployed our valuation specialists.

1.3.1.3 Our observations

The valuation model used by the Bank is appropriate and in line with the applicable measurement policies pursuant to IFRS 9. The estimate parameters were derived appropriately.

1.3.2 IMPAIRMENT TESTING OF GOODWILL

In respect of the accounting and measurement policies applied, please refer to the disclosures in section 3.8 of the notes to the consolidated financial statements, 'Goodwill'; for the related disclosures regarding judgements exercised by the Board of Directors and sources of estimation uncertainty in the disclosures please refer to section 3.18 of the notes to the consolidated financial statements, 'Use of Assumptions and Estimates', and for disclosures on goodwill please refer to the information in section 5.8 of the notes to the consolidated financial statements, 'Goodwill'.

1.3.2.1 Financial statement risk

Goodwill amounted to EUR 106.6 million as at 31 December 2018, and at 1.8% of total assets accounts for a significant proportion of assets.

Goodwill is tested for impairment annually at the level of the cash-generating unit. In the leasing segment this cash-generating unit generally refers to the business volume represented in the respective sales regions (countries), and usually corresponds to the legal entities. For impairment testing, the carrying amount is compared with the recoverable amount of each cash-generating unit. If the carrying amount exceeds the recoverable amount, there is a need for impairment. The recoverable amount is the higher amount of fair value less costs to sell and value in use of a cash-generating unit.

Impairment testing of goodwill is complex and based on a range of assumptions that require judgement. These include the expected business and earnings performance of the cash-generating unit for the next five years, the assumed long-term growth rates and the discount rate used.

There is a risk for the consolidated financial statements that the measurement of shares in associated companies is not based on an appropriate process or on appropriate assumptions and parameters.

1.3.2.2 Our audit approach

With the involvement of our valuation experts, we assessed the appropriateness of the key assumptions and calculation methods of the Company, among other things. For this purpose, we discussed the expected business and earnings development and the assumed long-term growth rates with those responsible for planning. We reconciled the growth rates recorded with the planning adopted by the Board of Directors for each cash-generating unit. Furthermore, we evaluated the consistency of assumptions with external market assessments.

We also confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual results and by analysing deviations. Since even small changes to the discount rate can have a significant impact on the results of impairment testing, for a specific sample of cash-generating units we compared the assumptions and parameters underlying the discount rate, in particular the risk-free rate, the market risk premium and the beta coefficient, with our own assumptions and publicly available data.

To ensure the computational accuracy of the valuation models used, we verified the Company's calculations on the basis of a risk-based selection of cash-generating units.

1.3.2.3 Our observations

The process used by the Company for impairment testing of goodwill is appropriate and in line with the accounting policies to be applied. The Company's assumptions and parameters used for measurement are within an acceptable range and are balanced as a whole.

1.3.3 EXISTENCE OF FINANCE LEASE INCOME

In respect of the accounting, recognition and measurement policies relevant to lease income, please refer to the disclosures in the notes to the consolidated financial statements in section 3.3 'Leases' and section 3.16 'Revenue recognition'.

1.3.3.1 The financial statement risk

In recent years the Company has recorded significant and steady growth, and increased its income generated from finance leases. Finance lease income in the 2018 financial year amounted to EUR 319.3 million. The condition for the recognition of finance lease income according to IAS 17 is, among other things, that the risks and rewards arising from finance leases have been substantially transferred to the customers.

There is the general risk for the financial statements that finance lease income has been both intentionally and unintentionally recognised in the financial statements without the condition for recognition having been fulfilled, as the controls set up within the Company are not properly structured, controls that have been properly set up have not been performed in the way that they were designed, or controls have been circumvented or have otherwise been invalidated.

1.3.3.2 Our audit approach

Based on our risk assessment and evaluation of the risks of material misstatement, we used both control-based and substantive audit procedures for our audit opinion. We therefore performed the following audit procedures, among others.

In respect of the existence of finance lease income, we first evaluated the design, setup and effectiveness of the internal controls taking into account IT application controls for order acceptance, the transfer of the leased asset or lease purchase object to customers, and the invoice as well as, in particular, controls concerning the definition and review of the correct or actual time of the service performance or the transfer of risks and rewards. In addition, we evaluated to what extent controls implemented in respect of contract initiation and revenue recognition can be invalidated by management. To this end, we also involved the auditors of the consolidated subsidiaries.

Furthermore, as part of our substantive audit procedures we particularly assessed the recognition of finance lease income by reconciling invoices with the related orders and customer handover certificates, external delivery records and incoming payments. The basis for this was a sample of finance lease income that was recognized in a period before the reporting date defined by us. Moreover, we analysed lease income entries in a period before the reporting date that was also defined by us using appropriate criteria (e.g. user, time of entry, etc.) in order to identify conspicuous entries. Furthermore, an analysis was performed of all newly concluded agreements that had fallen into arrears immediately after coming into effect, and we then investigated whether the dunning and/or collection process had been suspended. As well as that, reversing entries for finance lease income after the reporting date were also investigated to check for any irregularities.

1.3.3.3 Our observations

The controls set up within the Company to ensure that lease income is recognised in line with the applicable accounting policies are appropriately designed and effective.

1.3.4 OTHER INFORMATION

Management is responsible for the other information. The other information comprises:

- the non-financial statement and the corporate governance statement, and
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

1.4 RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

1.5 AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

1.6 OTHER LEGAL AND REGULATORY REQUIREMENTS

1.6.1 FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor at the annual general meeting on 3 May 2018. We were engaged by the Supervisory Board on 10 October 2018. We have been the group auditor of GRENKE AG since financial year 2018.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the audit of the consolidated financial statements and the combined management report, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the combined management report:

Reasonable assurance engagement according to ISAE 3000 concerning Specific Procedures with regard to Lease Contracts of GRENKE AG in the 4th quarter 2017 and 1st quarter 2018

Comfort Letter for the update of the EUR 3,500,000,000 Debt Issuance Program

Audit-related services for accounting topics under HGB and IFRS (Accounting Desk)

Review under IDW PS 900 (no review under Section 115 WpHG [Wertpapierhandelgesetz: Securities Trading Act] of the condensed interim consolidated financial statements and the interim group management report for the first quarter 2018 of GRENKE AG under [Wertpapierhandelgesetz: Securities Trading Act] under basis for accounting.

Review of the condensed interim consolidated financial statements and the interim group management report for the quarters one until three 2018 (no review under Section 115 WpHG [Wertpapierhandelgesetz: Securities Trading Act] of GRENKE AG under [Wertpapierhandelgesetz: Securities Trading Act] under basis for accounting.

Advisory services concerning the concept design regarding minimum requirements to recapitalization plans (MaSan)

Review under IDW PS 900 (without opinion, no review under Section 115 WpHG [Wertpapierhandelgesetz: Securities Trading Act] of the condensed interim consolidated financial statements and the interim group management report for the third quarter 2018 of GRENKE AG under [Wertpapierhandelgesetz: Securities Trading Act] under basis for accounting.

1.7 GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Christian Bauer.

Frankfurt am Main, February 6, 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

sgd. Bauer	sgd. Gallert
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

// RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge and according to the applicable accounting standards, the consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations of the Consolidated Group and that the group management report conveys a true and fair view of business performance including financial performance and the situation of the Consolidated Group and describes the main opportunities and risks relating to the Consolidated Group's anticipated development.

Baden-Baden, February 6, 2019

Antje Leminsky
(Chair of the Board of Directors)

Gilles Christ
(Member of the Board of Directors)

Sebastian Hirsch
(Member of the Board of Directors)

Mark Kindermann
(Member of the Board of Directors)

2018 //

ANNUAL FINANCIAL STATEMENTS

OF GRENKE AG (HGB) – EXCERPTS

GRENKE AG's complete Annual Financial Statements (HGB) are available at
www.grenke.de/grenke-group/investor-relations/reports-downloads

GRENKE AG'S INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2018

EUR		**2018**	**2017**
1.	Income from leases	613,485,820.50	559,626,945.47
2.	Expenses from leases	443,391,471.42	410,349,178.77
3.	Interest income from	7,480,125.63	7,169,560.15
	a) Lending and money market transactions	*7,480,125.63*	*7,169,560.15*
	thereof: Negative interest income from lending and money market transactions	*343,840.71*	*204,686.26*
4.	Interest expenses	13,713,298.56	12,022,117.42
	thereof: Positive interest income from lending and money market transactions	*343,840.71*	*204,686.26*
5.	Current income from	46,000,000.00	0.00
	c) Investments in associated companies	*46,000,000.00*	*0.00*
6.	Income from profit transfer agreements	10,305,721.36	13,384,665.18
7.	Commission expenses	8,382,596.99	6,503,983.91
8.	Other operating income	47,953,701.40	85,864,233.47
9.	General and administrative expenses	87,222,413.80	71,620,808.68
	a) Staff costs		
	aa) Wages and salaries	*27,018,309.61*	*26,157,011.83*
	ab) Social security contributions and expenses for pensions and other employee benefits, thereof: for pensions EUR 95,849.71 (previous year: EUR 99,232.52)	*4,327,958.78*	*3,958,820.66*
	b) other administrative expenses	*55,876,145.41*	*41,504,976.19*
10.	Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	128,059,539.52	111,098,905.92
	a) on lease assets	*122,868,858.10*	
	b) on intangible assets and property, plant and equipment	*5,190,681.42*	
11.	Other operating expenses	378,194.75	268,866.01
12.	Write-downs and impairments on receivables and securities as well as additions to loan loss provisions in the lending business	7,910,556.47	8,187,624.53
13.	Write-downs and impairments on other investments, investments in associated companies and securities treated as fixed assets	3,959,000.00	0.00
14.	Expenses from the transfer of losses	1,071,840.42	87,362.14
15.	**Result from normal business activity**	**31,136,456.96**	**45,906,556.89**
16.	Income taxes	297,865.34	11,039,137.74
17.	Other taxes	352,890.76	74,121.57
18.	**Net profit**	**30,485,700.86**	**34,793,297.58**
19.	Profit carryforward from previous year	12,562,200.85	8,788,074.67
20.	**Unappropriated surplus**	**43,047,901.71**	**43,581,372.25**

GRENKE AG'S STATEMENT OF FINANCIAL POSITION AS PER DECEMBER 31, 2018

EUR		**Dec. 31, 2018**	**Dec. 31, 2017**
1.	Cash reserves	145,000,062.56	90,000,590.11
	a) Cash on hand	*62.56*	*590.11*
	b) Cash deposit at central banks *thereof: at Deutsche Bundesbank EUR 145,000,000.00 (previous year: EUR 90,000,000.00)*	*145,000,000.00*	*90,000,000.00*
2.	Receivables from credit institutions	71,475,967.92	81,388,328.83
	a) due on demand	*21,475,967.92*	*31,388,328.83*
	b) other receivables	*50,000,000.00*	*50,000,000.00*
3.	Receivables from customers	42,766,729.04	46,700,579.77
4.	Investments in associated companies	468,098,077.79	373,043,632.72
	a) in banks	*166,272,355.82*	*126,272,355.82*
	b) in financial services institutions	*27,115,089.71*	*27,115,089.71*
	c) others	*274,710,632.26*	*219,656,187.19*
5.	Lease assets	389,441,766.36	320,806,068.25
6.	Intangible assets	2,202,307.00	1,664,307.00
	b) Paid concessions, commercial property rights and similar rights and assets, as well as licenses to such rights and assets	*2,202,307.00*	*1,664,307.00*
7.	Property, plant and equipment	21,563,813.87	22,775,315.81
8.	Other assets	37,692,335.46	28,542,956.71
9.	Prepaid expenses	20,796,275.15	17,241,513.83
	Total assets	**1,199,037,335.15**	**982,163,293.03**

GRENKE AG'S STATEMENT OF FINANCIAL POSITION AS PER DECEMBER 31, 2018

EUR		Dec. 31, 2018	Dec. 31, 2017
1.	Liabilities to banks	19,390.66	9,538.80
	a) repayable on demand	*19,390.66*	*9,538.80*
	b) with agreed term or notice period	*0.00*	*0.00*
2.	Liabilities to customers	34,892,589.98	38,301,403.67
	b) other liabilities		
	ba) repayable on demand	*2,198,261.57*	*1,703,931.01*
	bb) with agreed term or notice period thereof: to financial services institutions: EUR 32,694,328.41 (previous year: EUR 36,597,472.66)	*32,694,328.41*	*36,597,472.66*
3.	Other liabilities	172,483,386.76	192,111,230.25
4.	Accruals and deferrals	383,263,166.92	333,447,581.61
5.	Provisions	11,539,444.48	20,920,679.81
	b) tax provisions	*6,887,561.48*	*14,261,902.00*
	c) other provisions	*4,651,883.00*	*6,658,777.81*
6.	Subordinated liabilities	125,000,000.00	125,000,000.00
7.	Equity	471,839,356.35	272,372,858.89
	a) Subscribed capital	*46,353,918.00*	*44,313,102.00*
	b) Capital reserves	*295,335,739.21*	*97,376,587.21*
	c) Retained earnings		
	ca) legal reserves	*5,089.87*	*5,089.87*
	cc) statutory reserves	*48,353.78*	*48,353.78*
	cd) other retained earnings	*87,048,353.78*	*87,048,353.78*
	d) Unappropriated surplus	*43,047,901.71*	*43,581,372.25*
	Total liabilities and equity	**1,199,037,335.15**	**982,163,293.03**
1.	Contingent liabilities		
	b) Liabilities from guarantees and indemnity agreements	*7,560,139,215.94*	*4,669,714,850.36*

INFORMATION AND CONTACT //

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DISCLAIMER //

This publication contains forward-looking statements based on estimates and forecasts made at the time of its preparation. We assume no obligation to update these statements to reflect any different information arising in the future. This publication does not constitute a recommendation or solicitation to buy or sell securities of GRENKE AG.

Figures in this Annual Report are usually presented in EURk and EUR millions. Rounding differences may occur in individual figures compared to the actual EUR amounts. Such differences are not significant in character due to their nature. For reasons of easier readability, gender-specific language is generally avoided, and the respective terms apply equally to all genders to ensure equal treatment.

This Annual Report is published in German and English. The German version shall prevail.

CONTENT //

CALENDAR OF EVENTS //

February 7, 2019	// Annual Report 2018 Annual press and analysts conference
April 2, 2019	// New business figures for 3M 2019
May 3, 2019	// Quarterly statement for the 1st quarter 2019
May 14, 2019	// Annual General Meeting
July 2, 2019	// New business figures for 6M 2019
July 30, 2019	// Financial report for the 2nd quarter and half-year of 2019
October 2, 2019	// New business figures for 9M 2019
October 30, 2019	// Quarterly statement for the 3rd quarter and first 9 months of 2019

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